

ROTHSCHILD & Co.

67 Farnham Avenue, Toronto, Ontario M4V 1H6
(416) 801-9701 (416) 595-9889 (fax)

April 8, 2005

Ms. Diane Rhéaume
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Re: Telecom Public Notice CRTC 2004-1
Review and disposition of deferral accounts for the second price cap period -
Interrogatories

Dear Ms. Rhéaume:

1. Rothschild & Co., on behalf of RipNET Limited ("RipNET"), files these comments in response to interrogatories it has received from the Commission relating to Telecom Public Notice 2004-1.

(CRTC) 11Mar05-101

"Certain parties who proposed using deferral account funds to extend broadband penetration in Canada suggested that a program to do so could be modeled upon or operated in conjunction with Industry Canada's Broadband for Rural and Northern Development Pilot Project Program (BRAND) and/or National Satellite Initiative (NSI) programs. For example, Microcell submitted:

Microcell proposes that the new broadband subsidy program be modelled upon, and perhaps even operate in conjunction with, the federal government's existing BRAND and NSI programs.

Comment on an option where the Commission would allocate a portion of each ILEC's deferral account directly to Industry Canada's BRAND and/or NSI programs to expand broadband to unserved areas."

Access to Deferral Account monies

2. In its Phase 1 submission RipNET took the position that:
 - It is in the public interest to build the facilities needed to provide high-speed broadband and other telephony services to low-density rural and remote communities.
 - It is in the public interest to allow deferral account monies to be used to subsidize the cost of building the facilities needed to serve low-density rural and remote communities.
 - The public interest would be best served if the deferral account monies were made available only to non-ILECs to subsidize the cost of building facilities required to provide high-speed broadband and competitive local telephony services.

3. RipNET took the position that there appeared to be sufficient funds in the Bell Canada ("Bell") deferral account to allow non-ILECs like RipNET to build the facilities needed to provide high-speed broadband and competitive telephony services to most, if not all, areas within Bell's territory not covered by Bell's current DSL footprint.
4. Further, there would appear to be a large enough reserve in the Bell deferral account to fully finance the construction of the required facilities without any need to secure additional financing. This would effectively eliminate financing as a barrier to building the facilities required to provide high-speed broadband and competitive telephony services to rural and remote communities.
5. In its Phase 2 submission, RipNET commented on proposals put forward by the CCTA on behalf of Canada's major cable operators regarding the disposition of deferral account monies.
6. RipNET took the position that the CCTA proposal was fundamentally flawed.
 - The CCTA proposal only addressed the simplest part of the challenge, which is to extend high-speed to remote towns and villages. The CCTA proposal would not extend high-speed broadband services to truly rural Canadians, which is the far greater challenge. It would not serve to render reliable and affordable high-speed service to truly rural customers.
 - The CCTA proposal would not balance the interests of truly rural customers and new competitors with those of cable operators and ILECs.
 - The CCTA proposal would serve to strengthen the position of the incumbent, dominant players and make it far more difficult, if not impossible, for new competitors to offer competitive services. It would undermine rather than foster facilities-based competition in Canadian telecommunications markets.
7. RipNET remains of the view that the public interest would be best served if deferral account monies were used to subsidize the building of facilities that would extend service to truly rural Canadians as well as remote towns and villages rather than to subsidize the cost of facilities that would be needed to extend service only to towns and villages.
8. RipNET continues to believe that the public interest would be best served if access to the deferral account monies were restricted to companies other than ILECs like Bell and incumbent cable operators.
9. RipNET submits that the Commission's objectives for the disposition of deferral account funds would be best met if deferral account monies should be made available only to companies other than ILECs and incumbent cable operators and used exclusively to subsidize the cost of building facilities required to provide high-speed broadband and competitive local telephony services.
10. RipNET submits that to restrict access to deferral account monies to non-ILECs or aspiring CLECs would be in the public interest in that it would benefit the communities that would be provided with high-speed connectivity while at the same time would promote the development of facilities-based competition in local telephony.

Independent Administration of Deferral Account Monies

11. In its Phase 1 submission RipNET suggested that the deferral account monies could be administered and managed by an independent agency. This agency could:
 - Establish appropriate criteria for eligibility for deferral account monies;

- Invite proposals from companies that would like to build the facilities needed to serve low-density rural and remote communities; and
 - Select the companies that would receive subsidies from the deferral account monies.
12. RipNET suggested that, subject to certain adjustments to its existing funding eligibility criteria, Industry Canada's Broadband for Rural and Northern Development ("BRAND") program or Ontario's Ontario Small Town and Rural Economic Development program ("Ostar") or Ontario's Connect Ontario Broadband Regional Access program ("Cobra") could be appropriate vehicles for such a program.
13. RipNET suggests that, in the case of BRAND, the eligibility criteria should be amended as follows:
- The existing eligibility criteria that favour northern communities and native Canadian communities should be eliminated since they would not reflect the Commission's objectives for the use of the deferral account monies.
 - The amended criteria should state that the objective of the program would be to provide funding to projects that would bring high-speed broadband service to remote and truly rural communities - regardless of whether the community were located in northern Canada or was a native Canadian community.
 - The amended criteria should require that monies be used to subsidize the building of facilities that would extend high-speed broadband and telephony service to both truly rural Canadians living outside towns and villages as well as to remote towns and villages.
 - The amended criteria should not limit the percentage of a project that could be subsidized by deferral account monies.
14. Further, in selecting a body to administer the dispersal of the deferral account monies, RipNET suggests that:
- The Commission's objective should be to find an appropriate body to administer the deferral account monies that has the facilities and experience to maximize the amount of funding that actually goes towards the building of facilities and minimizes the amount that is spent on the administration of the program.
15. We appreciate the opportunity to respond to the questions raised by the Commission.

Yours truly,

Eric W. Rothschild
President

Cc: Kingsley S. Grant, President, RipNET Limited
Interested Parties