

**Q4a:** *At paragraph 175 of their intervention, FMCC proposed a Northern Infrastructure and Services Fund which would be a licensed body governed by representatives from affected northern, remote and rural regions. Identify the criteria that would be used to select representatives for the licensed body.*

**Response:**

1. The licensed body should include representatives of community-based service providers and of northern communities through local or regional organizations or individual representatives.
2. The process of selecting representatives:
  - should be open, transparent and public,
  - based on nomination, including self-nomination,
  - include enough positions to ensure that the directors would be representative of the diverse communities and entities involved.
3. This model contrasts with the structure of the Canadian Telecommunications Contribution Consortium (CTCC) which administers the National Contribution Fund (NCF). Nine of the 11 board members are from Ontario, with one each from Saskatchewan and Nova Scotia. None are from the North. Further, most are current or former employees of major telecommunications services providers. In addition, the criteria and selection process for board members are not transparent.
4. Other governance models appear more appropriate. For example, the Community Radio Fund of Canada (CRFC) is certified by the CRTC to administer and distribute funds from Canadian Content Development Contributions to campus and community radio organizations. Membership is open to campus and community radio broadcasting stations in Canada that have a valid licence, as well as to associations that represent these stations. The Board is made up of five to 12 elected, appointed, and ex-officio directors. All directors serve without remuneration. Five to eight directors are elected by members at an annual general meeting. Voting directors cannot be directly affiliated with any potential recipient.<sup>1</sup>
5. Another example is the Broadcasting Participation Fund (BPF); at least two thirds of its directors represent public interest and consumer groups with non-commercial

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<sup>1</sup> See <http://www.crfc-fcrc.ca/en/about-the-fund/governance-and-documents>

mandates. The BPF has three directors: a Broadcasting Industry Director, a Consumer/Public Interest Director, and a Jointly Approved Director. Prior to their election, the Broadcasting Industry Director is to be nominated by the Broadcasting Industry Stakeholders, while the Consumer/Public Interest Director is to be nominated by the Consumer/Public Interest Stakeholders. The Jointly Approved Director is to be proposed by the Consumer/Public Interest Stakeholders and approved by the Broadcasting Industry Stakeholders prior to his or her election.<sup>2</sup> The BPF is relatively small; NISF would require a larger number of directors and would include representation from community service providers. However, the BPF model of nomination by both industry and the public interest sector with a majority of public interest/nonprofit directors is relevant for the NISF.

6. A third example, given its focus on northern communities and representation from community-based organizations, is the Northern Indigenous Community Satellite Network (NICSN). While not a funding organization, its governance model illustrates inclusion of community representatives. NICSN was initially conceived as a cooperative user group of member communities, designed to allow local representatives to dialogue directly with government funders. Along with ensuring that the NICSN cooperative's governance remained rooted in the communities and regions that it serves, this structure was designed to encourage user communities to become invested in the ownership and operations of the network.
7. Under NICSN's bylaws, local representatives vote to appoint a six-person Executive Board of Directors.<sup>3</sup> Active members (restricted to communities receiving satellite services from the operating partners) with full voting privileges could be elected to serve on the Board. Non-voting general members consisted of parties with a vested interest in NICSN, such as government representatives.
8. NICSN's Executive Board is governed the activities of the three network operators (K-NET in Ontario, Keewatin Tribal Council in Manitoba, and Kativik Regional Government in Nunavik). These three operators administer NICSN on behalf of its member communities. The three organizations regularly solicit participation and feedback from community members by conducting interviews, surveys and focus groups to support local planning.

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<sup>2</sup> Broadcasting Regulatory Policy: CRTC 2012-181, para. 7.

<sup>3</sup> NICSN Draft Bylaws (2005). *Northern Indigenous Community Satellite Network: Draft Bylaws* (January 20, 2005).

**Q4b:** Indicate, with supporting rationale, which entities (e.g. large telecommunications service providers, government funding from general tax revenues) would pay into the fund.

**Response:**

1. To answer this question, we reiterate our response to Q11 in our intervention in CRTC 2015-134<sup>4</sup>:

“We believe that the Commission should expand the eligible contributions because under the expanded definition of Basic Services we propose above, which includes broadband delivered over fixed or mobile facilities, additional funding will be required, and retail Internet services - and associated revenues - are now a fundamental and growing element of telecommunications services. In TNC 2015-134, the Commission notes that: “In 2013, revenues for the retail telecommunications service industry were approximately \$41 billion, and these revenues continue to grow annually, primarily due to the increasing use of wireless and Internet services”.<sup>5</sup> In the 2014 *Telecommunications Monitoring Report*, the Commission notes that: “the total annual revenues from the provision of telecommunications services in Canada is \$44.3 billion.”<sup>6</sup> In fact, in 2013 retail wireline Internet revenues grew to equal local wireline voice revenues for the first time, and previous growth trends strongly suggest that Internet revenue has likely surpassed local voice since then.<sup>7</sup>

We endorse the position of the Eeyou Communication Network (ECN)<sup>8</sup> in their submission to this proceeding, which argues that all revenues of all telecommunications services should be subject to the telecommunications

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<sup>4</sup> FMCC intervention in CRTC 2015-134, July 14, 215, paras 143-146.

<sup>5</sup> TNC CRTC 2015-134, paragraph 2.

<sup>6</sup> Central Fund Annual Report (2014). Available at: <http://www.crtc.gc.ca/public/cisc/docs/4quarter2014.pdf>

<sup>7</sup> CRTC Communications Monitoring Report 2014, table 5.1.1.

<sup>8</sup> Eeyou Communication Network (ECN) is a member of the First Mile Connectivity Consortium (FMCC).

revenue-eligible fee for the subsidy regime<sup>9</sup> - with a key exception. The Commission should maintain the exemption for telecommunications providers with revenues under \$10 million. This exemption is designed to encourage competition, particularly among smaller organizations and community intermediary organizations.

The Commission should allocate these new funds to an independently-managed non-profit national fund, publicly licensed by the CRTC.... “

2. The new fund referred to is the proposed Northern Infrastructure and Services Fund (NISF).
3. We do not anticipate general government tax revenues being allocated to the NISF. However, infrastructure funding by federal agencies should be coordinated with the NISF. The NISF could also administer infrastructure funding provided by other federal agencies such as Industry Canada and Aboriginal Affairs and Northern Development Canada.

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<sup>9</sup> This recommendation is consistent with the Commission's determinations in Decision CRTC 2000-745, which states: "The Commission notes that applying contribution against the broadest possible range of telecommunications services would spread the contribution burden across various sectors of the marketplace. This approach would be competitively equitable, result in a lower revenue-percent charge being applied to each service, and be more administratively efficient by eliminating the need for a detailed review and classification of all telecommunications services" (para. 87).

The logic behind this determination still stands, and is arguably stronger today than it was 15 years ago.

**Q4c:** *Indicate whether the licensed body would be responsible for the implementation of the selected infrastructure projects.*

**Response:**

1. The selection of projects to fund should be based on published criteria, including sound technical and financial plans, engagement of communities to be served in project planning and implementation, and commitment to hiring and training community residents. Evaluation of proposed projects should be carried out by a fair and impartial committee. This process should be conducted in an open and transparent manner.
2. An example of this approach is the Community Radio Fund of Canada (CRFC): “The CRFC reviews applications from eligible entities and makes funding decisions according to published criteria. To avoid potential conflicts of interest, this review is undertaken by a committee of individuals with no direct link to applicants (or the associations representing them).”<sup>10</sup>
3. The licensed body would be responsible for project selection, oversight, and ensuring accountability. Funded projects would be required to provide progress reports, meet implementation deadlines and remain within budget. Expenditures would be subject to audit. The licensed body would have the right to request the CRTC to fine or otherwise sanction organizations that do not meet required targets or do not otherwise fulfil their obligations.

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<sup>10</sup> See <http://www.crfc-fcrc.ca/>