



May 15, 2006

Kevin Lynch, Clerk of the Privy Council
and Secretary to the Cabinet
Privy Council Office
Langevin Block, 80 Wellington Street
Ottawa, On K1A 0A3

Dear Sir:

Please find attached a petition to the federal Cabinet, which we request that you forward to Cabinet, with this letter by way of introduction and overview.

This petition seeks Cabinet intervention in the implementation of CRTC Decision 2006-9. In brief, Decision 2006-9 regulates the disposition of approximately \$650 million in revenues collected from local telephone subscribers by the Incumbent Local Exchange Carriers (ILECs) over a four year period. The CRTC has decided to permit the ILECs to use the bulk of these funds (up to \$620 million) to subsidize the extension of their broadband telecommunications networks in rural and remote areas of Canada.

Our Company, Barrett Xplore Inc., (BXI), has invested approximately \$40 million of private capital and has entered into supply contracts valued at \$240 million to fulfill its objective of becoming a leading supplier of broadband services to rural and remote areas of Canada. We have neither sought nor received a government subsidy to help finance provision of our broadband services.

A foundation of our business plan is the development of a sustainable, viable model for rural broadband, without subsidy. We have a well-developed plan over the next 3 years to deliver broadband access and internet applications to Canada's rural communities. Our services have been deployed across the breadth of Canada's vast geography, and our early customer response and subscriber gains both validate the strategy and, in the absence of Decision 2006-9, would encourage us to accelerate our pace of deployment.

The CRTC's Decision undermines BXI's investment and threatens the development of a competitive market for broadband services in Canada's rural regions. BXI is not the only company that will be harmed by the Commission's Decision to confer this unfair competitive advantage on the ILECs. There are numerous small to medium sized companies using fixed wireless, satellite, and other technologies to make broadband service available to those living in rural Canada.

Our objection to the implementation of CRTC 2006-9, and the reason we sincerely hope Cabinet will intervene, includes the following arguments:

1. The Decision distorts the competitive market and pre-determines competitive outcomes.

By providing \$620 million in subsidies exclusively to the ILECs, the CRTC is ignoring the principle of competitive neutrality and favouring the ILECs over their competitors. It represents a classic case of the CRTC attempting to micromanage, in this case, broadband expansion.



2. The Decision violates the principle of technological neutrality and ignores advances in satellite and fixed wireless technology, thus providing a 20th Century solution to a 21st Century issue.

Satellite and fixed wireless broadband technology have advanced considerably in cost, reliability, and capability and represent both “first class broadband” and “best fit” technology to needs and Decision, which focuses on “wired” or terrestrial based solutions.

3. The Decision ignores the success of the SuperNet model in Alberta.

The “Commission considers that constructing backbone facilities in rural and remote areas is not likely to provide sufficient incentive to broadband providers to offer broadband services in those communities.” The CRTC was clearly unaware of the progress achieved by SuperNet, when it issued Decision 2006-9 and offered this view. The success of the SuperNet model is reflected in the success and speed with which local entrepreneurs have invested private capital in providing access to rural communities. After only ten months in operation, SuperNet has encouraged the entry of 37 broadband service providers who now provide service to 140 rural communities.

4. The Decision conflicts with the Telecom Policy Review Panel recommendations and usurps the Government’s policy role.

5. The Decision is not good for rural consumers—it robs rural Canada of an historic opportunity to experience a dramatic improvement in choice and competition for broadband and telecommunications services.

Historically, the characteristic of low population density has meant high cost and little choice or competition in telecommunication services for rural consumers. Given the advances in fixed wireless and satellite broadband technology, and with backbone models such as SuperNet in place, rural Canada is set to experience a dramatic improvement in the availability of broadband service, and in choice and competition for telecommunication services.

In closing, we sincerely hope Cabinet will exercise its Executive mandate to prevent a massive expenditure of funds by the CRTC that is bad for business, unaccountable, and ultimately, bad for rural Canadians. The full text of our appeal is attached; we would be pleased to provide additional information to Cabinet. Again, thank you for your consideration.

Sincerely,

Ed Barrett,
Chairman
Barrett Xplore Inc.

cc: Hon. Maxime Bernier, Minister of Industry; Hon. Bev Oda, Minister of Canadian Heritage;
Diane Rhéaume, Secretary General, CRTC Corporate and Operations