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Dawn Hunt
Vice-President
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May 14, 2001

Mr. Mel Cappe
Clerk of the Privy Council and Secretary to the Cabinet
Langevin Block
80 Wellington Street
Ottawa, ON
K1A 0C8

Re: Notice DGTP-007-01 - Petition to the Governor in Council concerning Decision 2000-745, Canada Gazette Notice April 14, 2001.

Dear Mr. Cappe:

Rogers Wireless Inc. ("Rogers Wireless") has obtained a copy of a Petition to the Governor in Council concerning a decision of the Canadian Radio-television and Telecommunications Commission entitled Changes to the contribution regime, Decision 2000-745, 30 November 2000. The Petition was filed by the independent telephone companies Amtelecom Inc., Bruce Municipal Telephone System, Sogetel and Prince Rupert City Telephones, ("the Petitioners") on February 28, 2001. Rogers Wireless submits the attached comments regarding this petition. Failure to address any specific comment or issue in this proceeding should not be taken to constitute concurrence, especially where such concurrence would be contrary to Rogers Wireless' interests.

Sincerely,

Original Signed by:

Dawn Hunt

DH/mtc

Cc: Michael Helm, Director General, Telecommunications Policy Branch,
Industry Canada

Attach.

1. Rogers Wireless Inc. ("Rogers Wireless") has obtained a copy of a Petition to the Governor in Council concerning Decision 2000-745, filed by independent telephone companies Amtelecom Inc., Bruce Municipal Telephone System, Sogetel and Prince Rupert City Telephones, ("the Petitioners") on February 28, 2001. In this petition, the Petitioners have asked for an order that:
 - a. The Decision be varied by changing the revenue threshold for exemption from the requirement to pay contribution to \$10 million of "Contribution Eligible Revenues" rather than \$10 million of Canadian Telecommunications Service Revenues";
 - b. The Decision be varied by endorsing the principle of a basic exemption for those telecommunications service providers with \$10 million or more of Contribution Eligible Revenues;
 - c. The Decision be varied by replacing the principle of a flat tax or single rate of tax with the principle of a graduated charge for contribution;
 - d. The following issues be referred back to the CRTC the matter of the amount of the basic exemption referred to in (2) and the structure of the graduated contribution charge referred to in (3), including the number of revenue brackets to which the graduated charge would apply.
2. Rogers Wireless notes that the release of CRTC Decision 2000-745 ("the Decision") has far reaching impacts on the telecommunications industry in Canada. It touches virtually all telecommunications service providers. Rogers Wireless notes that 2001 is the transition year to the new mechanism, and for the transition period the new mechanism is not applicable in all areas of Canada, including those areas served by the Petitioners.
3. Rogers Wireless submits that the Petitioners have raised some interesting arguments in their petition. In fact, the arguments raised regarding which level of revenues – Canadian Telecommunications Service Revenues versus Contribution Eligible Service Revenues – should be used in the application of

the \$10 Million threshold for the exemption to pay raise some valid points.

4. In paragraphs 97 through 100 of the Decision, the Commission states the following:

“ 97. The Commission is concerned by the amount of work required to collect contribution from all telecommunications service providers, given that many of the service providers, in particular the competitive payphone providers and resellers, could have negligible contribution-eligible revenues, given the deduction for inter-carrier payments.”

98. The establishment of a minimum revenue threshold would allow smaller companies to attain a certain level of revenues before being required to contribute and would also increase the administrative efficiency of the mechanism by reducing the number of parties required to contribute.

99. The Commission determines that the minimum revenue threshold should initially be set at \$10 million annual total CTSR (i.e., before deductions) and that this threshold amount will be reviewed as required. The \$10 million is to be determined based on the company's previous year's actual financial results.

100. The Commission directs that related companies submit one combined filing on behalf of the entire group. The minimum threshold will be applied to the combined revenues of the group of companies, and not each individual company. When filing on behalf of related companies, separate reporting should be provided for each company along with a total report for the group of companies.”

5. Rogers Wireless notes that there appears to be an inconsistency between paragraph 97 and paragraph 99. On the one hand, the Commission is concerned about the amount of work that may be required by telecommunications service providers that may have negligible contribution-eligible revenue, yet it sets the threshold for payment at the total Canadian Telecommunications Service Revenue level.
6. Rogers Wireless would support using the annual level of contribution eligible revenues to determine whether or not a company has passed the minimum threshold, provided that this does not impact the contribution rate. Specifically, if total contribution-eligible revenues are used to determine whether or not the telecommunications service provider exceeds the

threshold and this causes an increase in the contribution rate, then either it should not be done or the threshold level should be re-examined.

7. Rogers Wireless maintains that companies with at least \$10 million in CTSR should be required to comply with the annual filing of information (effective March 31 of each year). This will allow the Commission to accurately monitor the contribution collection mechanism, to ensure that it is working appropriately.
8. With respect to the Petitioners call for a basic exemption for telecommunications service providers with more than \$10 million in contribution eligible revenues, Rogers Wireless does not support this proposal. The Petitioners argue that since smaller independent telephone companies are recipients of contribution, it does not make sense for them to have to contribute to a national fund to subsidize service in other areas. Rogers Wireless disagrees.
9. Rogers Wireless notes that the contribution decision has negatively impacted a number of carriers. The wireless industry has been particularly hard hit. We submit that the wireless industry is a better candidate for an exemption from paying contribution than the independent telephone industry. While the independent phone companies are very profitable, Rogers Wireless has yet to make a profit in its approximately fifteen years of operation.
10. Rogers Wireless' network currently serves 93% of the Canadian population, including some very remote areas. However, unlike the Independents who receive contribution payments to serve these areas, Rogers Wireless actually pays to serve these customers, in the form of very high spectrum fees. Furthermore, while the independent phone industry can rely on rate of return regulation and price caps for a financial return, Rogers Wireless operates in a fully competitive environment. In short, Rogers Wireless believes that the wireless industry is a better candidate for exemption from the requirement to pay contribution, than the independent phone industry. The contribution

decision, however, requires all carriers to pay contribution. If the independent telephone industry is exempted, other carriers will also require exemptions and inevitably, this will drive up the contribution rate paid by the remaining payers.

11. Rogers also notes that the Commission has already provided a very generous exemption for small carriers. Carriers with less than \$10 million in revenues are not required to pay contribution. The Petition proposes that carriers should be exempted when their contribution payments would be \$10 million or less. The CRTC has forecast that contribution payments will be assessed in 2002 at 1.5%. Therefore, the Petition proposes, for 2002, to exempt companies with \$667 million of revenues. The Petition proposes to exempt very large communications enterprises with substantial revenues. To do so, would be inconsistent with the principles contained in the contribution decision and with sound public policy.
12. One of the benefits of a national funding mechanism over individual funds is that it minimizes incentives and opportunities that individual companies might have had to inflate their subsidy requirement. If telecommunications service providers that are eligible to receive contribution are excused from also having to pay contribution, there is no incentive for these service providers to increase efficiency or move rates closer to costs. To require these service providers to also pay contribution ensures that they maintain a vested interest in the contribution collection mechanism, and will, hopefully, play a role in ensuring that no one recipient of contribution collects more than what is absolutely required.
13. Regarding the Petitioners request that graduated contribution rates replace the flat contribution charge, Rogers Wireless objects to this proposal. Rogers Wireless fails to see how a graduated system of contribution rates would improve the collection mechanism. With the system in place, companies with less contribution-eligible revenues pay less in contribution charges. Moving

towards a system of graduated charges will result in increased – and unnecessary - complexity in the system.

14. Rogers Wireless notes that the Petitioners will not actually have to pay contribution using this new mechanism until January 2002. At that time, it is expected that the level of the charge will be considerably lower than 4.5%. Since the Petitioners are not required to pay using the revenue-based mechanism at this time, Rogers Wireless submits that there is no immediate impact on the Petitioners. There is, however, immediate impact to telecommunications service providers that operate elsewhere in Canada, including Rogers Wireless.
15. Further, Rogers Wireless is concerned that the implementation of a graduated system could very well result in further increases in contribution payments for some companies, including Rogers Wireless. Given the increases already imposed on Rogers Wireless with the change from the per circuit charges to the revenue based collection mechanism caused by Decision 2000-745, any further increases are unacceptable to Rogers Wireless and would cause a further deterioration in the competitiveness of the Canadian telecommunications industry. A graduated system of charges is unwarranted at this time, and therefore the request should be denied.
16. Since a graduated system of charges is not appropriate, Rogers Wireless submits that it is unnecessary to refer the issue back to the CRTC for resolution.

Conclusion

17. The Petitioners have requested a number of changes to the contribution-collection mechanism. Rogers Wireless submits that if the minimum payment threshold level is evaluated at the contribution-eligible revenue, as opposed to the total Canadian Telecommunications Service Revenue level, this could improve the revenue-based contribution collection mechanism. Rogers

Wireless would support such a change, provided that it does not result in increased payments for other telecommunications service providers.

18. Rogers Wireless notes that the Petitioners will not be required to make payments in accordance with the revenue-based mechanism until 2002. Further, the contribution rate is expected to drop well below the current interim level of 4.5% for 2002. Therefore, Rogers Wireless submits that no further changes to the contribution collection mechanism are warranted at this time.

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