

Program Guidelines Rural Broadband Initiative

Department of Innovation, Trade and Rural Development

June 29, 2011



Innovation, Trade and Rural Development



Rural Broadband Initiative Call for Proposals/Program Guidelines

Department of Innovation, Trade and Rural Development

1. Introduction

Administered by the Department of Innovation, Trade and Rural Development (INTRD), the Rural Broadband Initiative (RBI) is a newly-created funding program designed to address gaps and deficiencies in broadband infrastructure in communities throughout Newfoundland and Labrador. Specifically, RBI is targeted toward un-served and underserved areas where residential and business consumers do not have access to high-speed Internet, or have only partial access.

RBI will help facilitate new investments in the province's broadband infrastructure to improve the business case for telecommunication carriers and Internet Service Providers (ISPs) to expand coverage and service to communities that are currently un-served and underserved. Further, RBI builds on the Provincial Government's previous investments in broadband infrastructure, including the federal-provincial Broadband for Rural and Northern Development (BRAND) and Centre for Distance Learning Initiative (CDLI) programs, and the Atlantic Cable Facility (Trans-gulf Fiber Optic Network Project). It serves as a critical step to allow the Provincial Government to continue to address the economic and social challenges faced by areas of the province that have limited broadband availability, and also provides a mechanism to lever additional funding support from the Federal Government and industry.

2. Rationale

Access to modern telecommunication infrastructure and service is vital in many aspects of education, healthcare, business and community life. While substantial improvements have been made since 2003 to the province's telecommunication infrastructure, many communities still remain without reasonably affordable access to high-speed broadband services. According to Industry Canada, approximately 80 per cent of communities in Newfoundland and Labrador have access to such services; however, approximately 30,000 to 35,000 households are located in areas where terrestrial high-speed service is largely unavailable. Generally, these un-served and underserved communities have low density populations, and are found in rural and remote regions of the province.

RBI is focused on addressing some of the most chronically un-served and underserved regions of the province, and it will serve as a major initiative to address the significant telecommunication infrastructure deficits that still exist.

Under RBI, government seeks innovative and customized broadband solutions from industry. These solutions involve a range of options, including terrestrial, satellite and wireless technologies. Funds under the initiative are to be used primarily to help improve the business case for service providers to expand coverage to more communities.

3. Purpose

The purpose of RBI is to support the Government of Newfoundland and Labrador's commitment to building strong, innovative and sustainable rural communities. In the 21st century, broadband access is a fundamental component of social and economic development. Under the program, INTRD will assist industry to provide equitable and reasonable access to broadband network services to communities throughout the province so that citizens can avail of the Internet to pursue higher levels of education and training, healthcare, cultural, social and economic opportunities.

4. Objectives

- Enhance industry's capacity to provide reasonable broadband access to primary residences and businesses.
- Support and improve citizen access to public services such as healthcare and education.
- Improve the capacity of provincial businesses to pursue local, national and international business opportunities.
- Reduce the access gap between urban and rural communities with respect to Internet connectivity.
- Encourage innovation and economic development in rural communities.
- Create a platform for rural innovation.
- Improve the sustainability of rural communities.

5. Call for Proposals

To achieve its objectives under RBI, INTRD is utilizing a Call for Proposals to industry to solicit innovative solutions to expand broadband coverage.

6. Eligible Respondents

- Telecommunication carriers
- Existing Internet Service Providers (ISPs)
- New ISPs

Respondents to the Call for Proposals will be subject to a financial viability analysis and a company capability assessment to ensure applicants are qualified to deliver and operate a sustainable service. Inquiries from interested respondents should be directed to:

Mr. Hayward Keats
Dept. of Innovation, Trade & Rural Development
P.O. Box 8700, St. John's, NL A1B 4J6
t: 709.729.0677
email: HaywardKeats@gov.nl.ca

7. Eligible Activities

Eligible activities supported under these guidelines will be those which, as outlined in these guidelines, will achieve the objectives of the Rural Broadband Initiative. Eligible activities will include the deployment of broadband infrastructure to establish broadband services within a geographic area.

8. Eligibility

- Un-served household and/or businesses¹, un-served communities² and underserved communities are defined as follows:
 - *Un-served households* - households where terrestrial broadband Internet service is not currently available.

¹ A household is defined to be a primary residence (i.e., occupied for more than six months of the year) or business establishment.

² "A community can be a city, town, village, Indian reserve, or a cluster of five or more dwellings (i.e., a settlement), locally known by a specific name, but lacking legal limits or local government. To be defined a community, a village, Indian reserve, or a settlement must be inhabited at least six months a year and have an estimated 2001 Census population of at least ten residents."

<http://www.communityaccounts.ca/communityaccounts/onlinedata/FAQs.asp#anch17>. INTRD follows the above definition but uses 2006 Census data.

- *Un-served communities* - communities with no broadband Internet service currently provided anywhere within the geographic boundaries of the community.
- *Underserved communities* - communities with un-served households within the geographic boundaries of the community.
- Three approaches to broadband coverage³:
 - Provincial coverage – industry proposals that deliver service to all primary households within the geographic boundaries of the province.
 - Community coverage – industry proposals that deliver service to all primary households within the geographic boundaries of the community.
 - Regional coverage⁴ - industry proposals that deliver service to all primary households in multiple communities within a contiguous geographic area of the province where community is defined under the Provincial Community Accounts (see footnote 3).
- The program is focused on providing services to new households where the new household count is defined as follows:
 - For solutions based on satellite services, the household count may include households that currently have access to satellite services but to which satellite service has not been deployed; for clarity, the household count must not include households with an existing satellite connection or are currently served by terrestrial or wireless service.
 - For solutions based on terrestrial and wireless service, the household count must not include households that currently have existing access to terrestrial or wireless based Internet; for clarity, households located within an existing coverage area, but for which service is not currently deployed, may not be included in the household count.

9. Eligible Costs

Eligible costs for contributions will be those costs that are incurred by the respondent and which, in the opinion of INTRD, are reasonable and required to carry out the eligible activities to which they relate. Only eligible, supported costs that are reasonable and relate directly to the eligible activities in the proposal (approved by INTRD) will be allowed.

³ The definition of community for the “community” and “regional” based applications are different. This distinction allows the flexibility to accept applications from small remote local settlements while not forcing the regional coverage applications to serve every remote household in the region.

⁴ For regional coverage, communities are defined to be those incorporated municipalities and Local Service Districts listed in the Municipal Affairs 2010 Municipal directory and the 2008 Local Service Directory. (http://www.ma.gov.nl.ca/ma/municipal_directory/index.html).

Eligible costs may include: direct capital costs for the deployment of broadband infrastructure; purchase of related hardware, software and associated services; purchase, adaptation or upgrades of equipment, software or telecommunications material; lease of satellite transponder capacity, satellite transmission and receiving stations; and consulting and professional services.

Ineligible costs include all internal corporate costs such as salaries, travel and living, engineering, management, legal, project management, and related costs. Applicants are required to engage these and similar capabilities if they exist within the organization.

10. Geographic Distribution

The Provincial Government has designated nine Rural Secretariat regions within the province. INTRD intends to make awards for this program, as best it can within the limit of the program funding, equitably among these regions assuming viable applications are received from all regions.

Applicants are permitted to submit proposals for more than one geographic area. INTRD reserves the right to award more than one project per geographic area and to consider, in its decisions, a reasonable spread of projects throughout Rural Secretariat regions. Further information on these regions is available from INTRD or at

http://www.exec.gov.nl.ca/rural/regional_councils/whats_my_region.html

The application process is designed to: ensure technology neutrality; promote competition among applicants; ensure the availability of a minimum level of affordable connectivity to households and businesses (1.5 Mbps); encourage scalability of networks and encourage the completion of the build within the program timeframe.

11. Expected Results and Key Performance Indicators

Contributions under the Rural Broadband Initiative are expected to reinforce the efforts of Internet service providers to accelerate investments and build new broadband networks in un-served households and underserved communities, leading to an increase in the number of households and businesses using broadband dependent applications and services.

To this end, the program will target a minimal initial broadband connectivity speed of 1.5 Mbps to be deployed toward currently un-served households and underserved communities. Compliance with, or an evolutionary path to, the new Canadian Radio-television and Telecommunications Commission standard of 5 Mbps down and 1 Mbps up is a significant consideration.

12. Contribution Amounts

The amount of each contribution and the proportion under the Rural Broadband Initiative in relation to the total eligible project cost (the “sharing ratio”) will be determined on the assessed need to ensure that the proposed projects are successfully completed and the objectives are attained. The contribution from the program to the recipient will be the minimum necessary, to a maximum of 75 per cent of the eligible costs.

The need for the program funding must be clearly demonstrated by the applicant. The level of funding provided will be contingent upon the merit of the proposal and the availability of program funding.

13. Stacking of Assistance

The assessment of required funding level takes into consideration the total amount of government assistance (federal, provincial, First Nations, and municipal) toward the eligible costs supported by the contribution. This includes assistance such as all grants and contributions, implicit subsidies, forgivable loans, investment tax credits and any other grants or contributions being considered.

All recipients of financial assistance under these terms and conditions will be required to inform INTRD of any other government financial assistance received or requested for the project prior to the approval of the contribution. Furthermore, the contribution agreements will contain a continuing disclosure obligation, for the duration of the agreements, concerning other government assistance.

The contribution agreements will provide INTRD with the right to reduce the contribution to the extent of any additional government assistance received by the recipient or require the recipient to repay the excess. The amount requested would constitute a debt to the government and would be recovered as such. Failure to disclose information regarding other government assistance would constitute a default and remedial action would apply. Interest charges would be applied to overdue amounts.

14. Payment Provisions

Payments will be made on the basis of documented claims for eligible, supported costs incurred, to be submitted monthly. Each claim is to be accompanied by a report of the work completed, project implementation details and documentation

of all costs being claimed, in a form satisfactory to INTRD. All claims shall be certified by an officer of the recipient.

INTRD will make advance payments based on the following principals:

- Advance payments will be provided on an as-needed basis supported by recipient cash flow requirements.
- Advance payments will be proportional to project risks, and the proponent's financial position and proven track record.
- Signed agreements will provide clarification about precisely what are eligible costs for funding and what are not eligible costs, as well as the basis for payments and advance payments.
- Agreements will include mechanisms for recourse, such as refunds, claw-backs and offsets, in the event that conditions of the funding agreement are not met.
- Advance payments will be limited to highly credit-worthy organizations.
- Advance payments will be limited to 25 per cent of INTRD's portion of eligible costs.
- INTRD will pay no more than 90 per cent of the contribution prior to completion of the project and of any audits as may be required.
- INTRD may require that any claim for payment be certified by the recipient's external auditor or by auditors of the department's choice. INTRD may request, at any time, that the recipient provide satisfactory evidence to demonstrate that all eligible cost claims have been paid.

15. Eligibility Requirements

Eligible recipients will submit project applications for contributions with all information necessary to fully assess the application and meet the following eligibility requirements:

- 15.1. The applicant must respond to each numbered clause and sub clause
- 15.2. The application supports the program objectives previously outlined.
- 15.3. The proposed project will result in a minimum of 1.5 Mbps broadband connection speed.
- 15.4. The applicant must demonstrate a firm plan to obtain a minimum of 25 per cent of eligible project costs.
- 15.5. Applications must include a business plan that demonstrates long-term sustainability (including upgrade plans – future-proofing), and service and support capability.

- 15.6. The applicant must demonstrate a firm plan to arrange all necessary project funding that is not eligible costs under this program.
- 15.7. The applicant must demonstrate the ability to complete the project within the program timeframe, including details of the resources devoted to the project and mitigation analysis to minimize delays to delivery. All projects must be completed by March 31, 2013.
- 15.8. The applicant must outline the statistical model on which the company manages traffic density.
- 15.9. Applicants are required to outline their 'fair-use' policies and mechanisms by which traffic will be shaped.

INTRD reserves the right to engage independent engineering oversight for all projects.

Respondents are responsible for all costs associated with their submission.

INTRD, or any third party authorized by INTRD, may perform such security, probative and financial investigations and procedures as INTRD may determine are necessary in relation to any applicant, its employees, officers, partners, associates, subcontractors or related entities including consortium members and their officers, employees and subcontractors. Applicants may be required to provide access to records requested by INTRD or its third party representative(s) in order to facilitate the necessary financial investigations.

16. Assessment Criteria

- 16.1. Number of households and businesses served.
- 16.2. Strength of business case which should include sufficient financial and technical information to demonstrate the sustainability of the project that will attain the required service quality (1.5 Mbps).
- 16.3. Total cost of the project.
- 16.4. Cost per household.
- 16.5. The appropriateness of the proposed technology in terms of its ability to deliver reliable service in the proposed geographic area, taking into account factors such as terrain, distance and the extent to which the proposed new technology rollout will complement what

is already deployed in the defined service area and minimize overbuild.

- 16.6. The extent to which the proposal demonstrates that there is a long-term strategy to sustain the broadband services deployed.
- 16.7. Expandability and upgrade capability:
 - 16.7.1. Expandability – the capacity to service additional households as a community grows.
 - 16.7.2. Upgrade – the capacity of the technology to eventually incorporate greater speeds and new standards.
- 16.8. Monthly subscription cost.
- 16.9. The installation cost per household.
- 16.10. The extent to which the application demonstrates the feasibility of project implementation including formal project management and risk analysis.
- 16.11. The extent to which the application demonstrates that higher level speeds (above 1.5 Mbps) would be provided.
- 16.12. Service levels will be assessed on the maximum, minimum and average values for each of – bandwidth down, bandwidth up, bandwidth cap, and cost for additional traffic:
 - 16.12.1. Bandwidth – the speed at which data can be transferred between the Internet and a household, typically measured as mega-bits per second. Note: In this evaluation the Internet site against which throughput will be measured is defined to be the main web site of either the applicant or the closest ISP to the applicant’s infrastructure.
 - 16.12.2. Bandwidth down – the speed at which data is transferred from the Internet to the household.
 - 16.12.3. Bandwidth up – the speed at which data is transferred from the household to the Internet.
 - 16.12.4. Bandwidth cap – the amount of data an ISP will allow to be transferred between the Internet and the household before it applies additional traffic costs.

- 16.12.5. Cost for additional traffic – typically measured in giga-bytes, households have to pay an additional charge for each additional giga-byte (or portion thereof) above the cap each month.
- 16.13. Degree of remoteness – the distance and difficulty of backhaul required to provide service to a community.
- 16.14. Fair-use policy and traffic shaping policy:
 - 16.14.1. Fair-use policy – the policy used to identify high-volume Internet traffic households.
 - 16.14.2. Traffic shaping policy – the policy defining how traffic to high-volume Internet households is managed to ensure the volume of traffic consumed by these households does not impact service to other consumers.

Weightings will be assigned to the above criteria prior to review of any proposals. All proposals from companies deemed to be eligible respondents (see above) will be assessed and ranked according to these criteria.

Projects assessed as not feasible will be rejected.

INTRD will make contributions to the highest ranked projects.

17. Submissions

Respondents must submit:

- 17.1. Three (3) copies of their proposals; and
- 17.2. One (1) electronic copy in Microsoft Word 2007 format.

18. Questions and Clarifications

Respondents must designate a single point of contact for all questions and clarification of any issues related to the Rural Broadband Initiative. Please submit contact information to:

Mr. Hayward Keats
Dept. of Innovation, Trade & Rural Development
P.O. Box 8700, St. John's, NL A1B 4J6
t: 709.729.0677
email: HaywardKeats@gov.nl.ca

All questions and requests for clarification must be submitted in electronic format (email). Questions will be reviewed to remove any vendor specific identification and answers will be provided to all proponents.

19. Closing Date

The closing date for this RBI Call for Proposals is 4:00 p.m., Friday, August 5, 2011.

Proposals must be submitted to the contact person listed below prior to the closing date.

Mr. Hayward Keats
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