

Guyanne L. Desforbes
Clerk, Standing Committee on Finance
6-14, 131 Queen Street
House of Commons
Ottawa, Ontario K1A 0A6

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Dear Ms. Desforbes,

**Subject: Pre-Budget submission to the House of Commons
Standing Committee on Finance**

Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) is Canada's largest regional communications company, offering a variety of communications services (including telephone, internet, data and television services) throughout Atlantic Canada and significant portions of Ontario and Quebec. We are a publicly traded company that is affiliated with Bell Canada who holds an equity interest of approximately 44%.

Bell Aliant welcomes the opportunity to provide to the Committee its recommendations which are aimed at federal measures we believe will contribute to sustained economic development and quality sustainable jobs for Canadians. There are a number of important issues on Government's agenda which will influence how our industry develops. However, for the purposes of this brief, our recommendations are focused on measures to encourage investment in broadband networks.

The Canadian government and governments around the world have recognized that broadband access is a critical infrastructure and component of economic growth. It provides an essential platform to fuel the digital economy, resulting in benefits throughout virtually all sectors. Bell Aliant shares this view and we continue to make significant investments in infrastructure including our commitment to spending close to half a billion dollars to extend fibre-to-the-home (FTTH) technology to over 600,000 homes and business in our territory by the end of 2012.

Despite Canada's low population density, Canadian communications providers, including Bell Aliant, have succeeded in making high-speed Internet access available to the vast majority of Canada's population. Canada's digital infrastructure is a national strength. However, even with this extensive coverage, and the billions of dollars that have been invested to achieve this result, our industry faces challenges in extending broadband coverage to the extremities of our vast country as well as in upgrading the quality, capacity and speed of broadband service in areas already served.

As mentioned, Bell Aliant is doing its part to extend broadband service to rural communities while also investing heavily in the most advanced broadband technology in more urban markets. In this regard, we are proud that we have the most extensive deployment of FTTH technology in the country. In fact, in 2009, in collaboration with the New Brunswick Government, we became the first carrier in Canada to deploy FTTH to an entire city (the cities of Fredericton and Saint John, New Brunswick). Since then, we have expanded our FTTH network to pass almost 300,000 homes and businesses.

For their part, governments, including the federal government, have also introduced programs to make funds available to industry participants for the purpose of expanding the reach of broadband to pockets of the country which would otherwise be uneconomic for industry to serve.

Despite projects such as these, the investment challenge for the industry to expand and upgrade broadband networks remains huge. While Bell Aliant and many others are already making significant investments in advanced broadband networks, there is no doubt that government policies and tax incentives could encourage even more investment in this critical infrastructure. Such initiatives would make advanced networks available to even more Canadian homes and businesses and sooner.

With that objective in mind, Bell Aliant makes three specific recommendations aimed at encouraging investment in next generation networks:

- (i) Bell Aliant recommends that the government introduce a fiscally neutral incentive to encourage and accelerate private sector investment, namely through the advancement of the timing of capital cost deductions allowable for tax purposes for the classes of assets most closely associated with broadband networks.
- (ii) Bell Aliant recommends that the government introduce new or extend existing programs which make available funds to industry participants for the expansion of broadband networks to regions of the country where private sector investment alone is uneconomic.
- (iii) Bell Aliant recommends enhancements to the scientific research and experimental development (SR&ED) program rules to maximize R&D activities. Specifically, we agree with the proposal put forward by BCE that the Income Tax Act be modified slightly to recognize certain hardware and software costs for initial production trial environment or first application integration testing to make them eligible for SR&ED Income Tax Credits. Such credits will recognize that controlled trials outside a lab environment, which are necessary to overcome technical issues in a true production or real-world commercial delivery situation, are an important part of the R&D process and will encourage continued investment and innovation.

Bell Aliant appreciates the opportunity to provide its recommendations to the Committee and would be pleased to provide any further detail the Committee may wish.

Yours truly,



Glen LeBlanc
Chief Financial Officer