



January 29, 1999

Mr. Jan Skora
Director General
Radiocommunications and Broadcasting Regulatory Branch
Consultation on 24 GHz and 38 GHz
Industry Canada
Room 1559 D – Jean Edmonds Tower North
300 Slater Street
Ottawa, Ontario
K1A 0C8

Subject: Reply Comments in response to the consultation on 24 GHz and 38 GHz;
Canada Gazette Notice Numbers DGRB-003-98 and DGRB-001-99.

Dear Mr. Skora:

After reviewing the submissions to the 24 and 38 GHz consultation, Bell Canada is pleased to make the following comments:

1. Secondary Market

We were pleased to see that the majority of submissions concurred with the Department's generic auction policy position related to transferability and divisibility¹:

- A firm with a more valuable new use of the spectrum should be able to benefit consumers through a transfer;
- Divisibility will encourage competition, more efficient spectrum usage and earlier service to unserved or underserved areas.

We therefore continue to believe that the most effective way to encourage the rapid roll-out of local infrastructure is to allow for the establishment of an unrestricted secondary market immediately following the auction process.

¹ Framework for Spectrum Auctions in Canada, Industry Canada, DGRB-002-98, August 1998, Sections 6.3 and 6.4



2. Reserve Prices

We note that a majority of the comments raised serious concerns with the proposed reserve prices. Bell Canada supports the principle of cost recovery for spectrum management in Canada. However, we cannot agree with the proposed methodology that penalizes broadband licensees on the basis of bandwidth. The current approach based on quantity – of spectrum and population -- allows the formula to erroneously conclude that the administrative cost of managing a 400 MHz licence at 24 GHz is 40 times higher than the cost of managing a 10 MHz licence in the 2 GHz band.

Therefore, we reiterate our recommendation that the reserve prices for the auction be set at the level of administrative costs associated with the auction process itself.

3. Eligibility and Aggregation Limits

While some responses argued against the Department's view that no restrictions on bidder eligibility are required, it is clear to Bell Canada that Canadian consumers and the Canadian manufacturers are best served by open competition. Over the past decade, both government policy and CRTC regulation have been moving forward to ensure that the benefits of competition are realized.

After clearly stating its two fundamental eligibility principles, the Department has concluded from the former that no bidder eligibility is required². By maximizing the number of bidders, the auction process will meet its intended public policy objectives.

Regarding the implementation of the second principle, Bell Canada believes that the implementation of aggregation limits is not required. We believe that establishing such restrictions prior to the auction is unnecessary. Market forces will prevent any individual company from developing a dominant position. Even today, consumers have an ever increasing choice of broadband alternatives including wireline telcos, CLEC's, satellite, and cable service providers. Recent developments in the Canadian telecommunications marketplace will ensure that a nationally competitive wireless broadband market will exist.

² Consultation on the 24 and 38 GHz Frequency Bands: Proposed Policy Licensing Procedures, August 1998, Spectrum Management and Telecommunications Policy , Industry Canada, pages 8-10



We believe that these comments are consistent with the Department's view that auctions present an effective means to achieve an efficient allocation of the resource and maximum net social benefit³.

4. Conclusion

Bell Canada welcomes the Department's initiative regarding 24 and 38 GHz. The auction to be held some time in 1999, will be a positive step forward to delivering new and competitive broadband services to Canadians and is consistent with the government's goal of connecting Canadians.

Sincerely

A handwritten signature in cursive script that reads "Linda C. Gervais".

Linda C. Gervais
Vice President
Bell Canada
Federal Government Relations

³ Consultation on Issues Related to Spectrum Auctioning, August 1, 1997, Spectrum Management, Industry Canada, page 7