



2019 04 15

To: Director, Broadcast, Coordination and Planning  
Spectrum Management Operations Branch  
Innovation, Science and Economic Development Canada  
235 Queen Street (6th Floor)  
Ottawa, Ontario  
K1A OH5

Via email: [ic.spectrumregulatory-reglementationuspectre.ic@canada.ca](mailto:ic.spectrumregulatory-reglementationuspectre.ic@canada.ca)

Subject: **Canada Gazette Notice No. DGSO-001-19, Consultation on Periodic Adjustments for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services (14 March 2019) – Comments**

1. In accordance with the procedure set out by Innovation, Science and Economic Development Canada (the Department or ISED), in Notice No. DGSO-001-19, *Consultation on Periodic Adjustment for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services*, dated 14 March 2019 (the Consultation), we are providing our Comments on whether these fees should be increased annually by the Consumer Price Index (CPI) or by an alternative mechanism.

2. The *Service Fees Act* is designed to "help ensure that fees charged to Canadians by federal departments and agencies remain current and better reflect the costs of delivering related services."<sup>1</sup> It is clear from this statement that Parliament expects that Government services are priced in accordance with the costs incurred by the Government to provide those services. With respect to fees related to equipment certification services, this appears to be the case. Services provided by the Department's Certification and Engineering Bureau include the "listing and registration of compliant equipment, assessment for certification purposes and

---

<sup>1</sup> "Service Fees Act – Question and Answer" Item 1, available at <https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11451.html>.

Bell Canada  
Michael MacInnis  
Floor 19  
160 Elgin Street  
Ottawa, Ontario K2P 2C4

Telephone: (613) 781-7224  
Facsimile: (613) 560-0472  
[bell.regulatory@bell.ca](mailto:bell.regulatory@bell.ca)

related technical expertise services for the telecommunications industry."<sup>2</sup> Fees related to such services may reasonably be considered "service fees" and are presumably based on the Government's cost to provide the service. As a result, we do not object to the Department's proposal to adjust these fees using the annual April to April CPI for Canada for the previous fiscal year.<sup>3</sup>

3. In contrast, the Department has explained that radio and spectrum licence fees are not set to recover the costs associated with managing spectrum resources. As stated in the Consultation, radio and spectrum licence fees are "designed to both promote the effective use of spectrum and to earn a fair return for the Canadian public for the privilege of access to this public resource" with the goal of maximizing "the economic and social benefits that Canadians derive from the use of the radio frequency spectrum resource."<sup>4</sup> As explained below, these goals are clearly being achieved.

4. The Canadian wireless industry delivers significant economic and social benefits to Canadians by creating jobs and providing crucial services that support businesses and drive innovation. For example, Canada's wireless industry contributes over \$27 billion to gross domestic product and supports over 150,000 full-time equivalent jobs.<sup>5</sup> Canadians are also receiving a generous return from the use of spectrum through spectrum auctions. Canadian facilities-based wireless service providers have spent over \$17.5 billion in spectrum auctions since 1987.<sup>6</sup> Additional returns through higher spectrum licence fees are unnecessary.

5. The Canadian wireless industry pays over \$185 million per year in spectrum licence fees.<sup>7</sup> This would appear to be an amount far in excess of the cost of administering spectrum licences. For example, the U.S. Federal Communications Commission (FCC) is mandated by Congress to only recover the cost of their activities and collects less than half as much - \$81 = million in 2018.<sup>8</sup> Therefore, current radio and spectrum licence fees are already too high and raising fees above current levels would be inappropriate.

---

<sup>2</sup> TRC-49 – *Telecommunications and Radio Equipment Service Fees of the Certification and Engineering Bureau*, available at <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf08940.html>.

<sup>3</sup> Consultation, paragraph 14.

<sup>4</sup> Consultation, paragraphs 12 and 13.

<sup>5</sup> CWTA Facts and Figures, available at <https://www.cwta.ca/facts-figures/>.

<sup>6</sup> CWTA Facts and Figures, available at <https://www.cwta.ca/facts-figures/> and ISED.

<sup>7</sup> CWTA Facts and Figures, available at <https://www.cwta.ca/facts-figures/>.

<sup>8</sup> Federal Communications Commission, FCC 18-126, *Assessment and Collection of Regulatory Fees for Fiscal Year 2018*, paragraph 3 and Appendix B.

6. We are also concerned about the impact of higher fees on industry investment. The wireless industry is about to undertake massive investments to build 5G networks that will bring highly innovative new services to Canadians and accelerate growth in the Canadian economy. These investments include billions of dollars for spectrum to be acquired at upcoming Government auctions as well as the deployment of network hardware and software to upgrade wireless networks to 5G. A recent analysis by Accenture estimated that carriers will need to invest \$26 billion between 2020-2026 for the roll-out of 5G.<sup>9</sup>

7. Increased radio and spectrum licence fees would result in less capital being available for investments in wireless networks, applications and services, and therefore, innovation. For example, if spectrum licence fees increase by 2.2% annually, then after five years the Canadian wireless industry would be paying \$206 million per year, and will have paid an additional \$62 million over that period relative to the situation where fees remained the same. This amount could instead be used by licensees to deploy wireless broadband to numerous rural communities or be put towards research and development related to 5G.

8. The Department has recently tried to address the problem of increasing licence fees and the negative impact it can have on network deployment by proposing to reduce licence fees for fixed point-to-point radio systems.<sup>10</sup> The Government is also clearly concerned with rural broadband deployment, wireless prices and affordability. Raising wireless providers' input costs by increasing radio and spectrum licence fees annually by CPI would frustrate these objectives.

9. Given the significant contribution to the economy of Canadian wireless providers and the significant amount already paid in radio and spectrum licence fees, the Department should not increase these fees. However, to the extent the Department is required by law to apply a periodic adjustment to radio and spectrum licence fees, we recommend an alternative approach to adjust those fees on a periodic basis than an annual CPI-based increase.

10. Consistent with our view that radio and spectrum licence fees should be set to only recover the costs associated with managing spectrum resources,<sup>11</sup> we propose that the fees increase annually only if they do not cover the costs associated with managing spectrum resources. For example, the following process could be used as an adjustment mechanism:

---

<sup>9</sup> CWTA Facts and Figures, available at <https://www.cwta.ca/facts-figures/>.

<sup>10</sup> Canada Gazette Notice No. DGSO-001-18, *Consultation on Licence Fees for Fixed Point-to-Point Radio Systems*.

<sup>11</sup> In our 4 January 2019 Comments in the Department's *Consultation on Licence Fees for Fixed Point-to-Point Radio Systems*, at paragraph 9, we explained why spectrum licence fees should be cost-based.

- Annually, starting in April 2020, the Department should forecast the expected cost of managing spectrum resources in two years' time (i.e. the forecast conducted in April 2020 would estimate the expected costs in 2022). Two years will give wireless providers time to incorporate any fee increases into their financial planning.
- If the expected amount of radio and spectrum licence fees is greater than the forecasted costs, then no change in radio and spectrum licence fees is applied.
- If the expected amount of radio and spectrum licence fees is less than the forecasted costs, then the Department would increase radio and spectrum licence fees by the CPI rate in the year prior to the fee increase (i.e. if expected fees are less than the expected costs in 2022, then the Department would increase radio and spectrum licence fees in 2022 by the level of CPI in 2021, the CPI for the previous fiscal year).<sup>12</sup>

11. Following this process has several advantages. First, it will ensure that the Department conducts an annual review of radio and spectrum licence fees so that they remain current, in accordance with the requirements of the *Service Fees Act*. Second, it establishes a clear nexus between spectrum licence fees and the costs of delivering the related services. Third, the process provides financial predictability and enhanced transparency as licensees will be provided two years advanced notice of any fee increase. Finally, unlike automatic fee increase mechanisms, this process will not unnecessarily exacerbate the problems of higher radio and spectrum licence fees and thus, mitigates the negative impact on wireless investment and prices.

Yours truly,

[ Original signed by M. MacInnis ]

**Michael MacInnis**  
Vice President - Regulatory Affairs

\*\*\* End of Document \*\*\*

---

<sup>12</sup> The majority of the Department's costs are likely related to salaries and building rent. Both of these costs tend to increase with inflation and thus, CPI will likely closely track these cost increases.