



May 13, 2019

Director, Broadcast, Coordination and Planning
Spectrum Management Operations Branch
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VIA EMAIL: ic.spectrumregulatory-reglementationduspectre.ic@canada.ca

Re: Shaw Reply - Consultation on Periodic Adjustments for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services – Canada Gazette, Part I, March 14, 2019, Notice No. DGSO-001-19 (the “Notice”)

1. The following constitutes the reply comments of Shaw Communications Inc. (“Shaw”) in connection with the Notice. As set out in our initial comments, Shaw supports the objective that licence fee regimes, including fee determinations and periodic adjustment mechanisms, should be designed to encourage the efficient and optimal use of spectrum and to maximize the economic and social benefits that Canadians derive from the use of spectrum.
2. In our initial comments, we also supported the principle that the licence fee regime should promote certainty and predictability, and emphasized that licence fee regimes should not serve as a barrier to competition and investment in the wireless industry. Shaw is not alone in observing that it is particularly important at this juncture to ensure that providers are incented to make the significant network investments required to deliver the full benefits of 5G to Canadians.¹ In particular, the Department should be mindful of how the fee regime could impact the ability of smaller, regional providers to invest and drive sustainable competition at this pivotal moment for the wireless industry.
3. In our initial comments we explained that fees should not be adjusted based on the CPI, but rather they should be benchmarked to a CPI sub-index that is reflective of price fluctuations in wireless services. We proposed that adjustments should be based on the change in the average unit price to consumers of wireless service (i.e., price per GB of data or price per voice call minute or combination of the two) over a 12-month period.
4. Shaw has reviewed the comments of the other parties in this consultation and continues to be of the view that, should the Department determine that a periodic

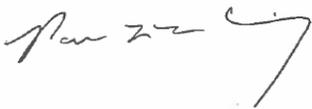
¹ Comments of Bell at para 6.

adjustment mechanism is required,² our proposal aligns best with the Department's objectives. Our proposal would account for downward pressure on per unit wireless prices that does not exist with respect to other consumer goods included in the CPI. Furthermore, as a wireless CPI sub-index would reflect consumer prices that the industry has some ability to influence, it could motivate the industry to keep prices low. Lower prices would allow Canadians to derive greater economic and social benefit from the use of spectrum, consistent with the Department's policy objectives for rate-setting.

5. Shaw respectfully disagrees with SaskTel that the use of CPI is appropriate, and that any other alternative would be arbitrary.³ As outlined in our initial comments, the CPI is difficult to predict and can be volatile. Adjusting licence fees annually based on CPI could lead to sudden increases in fees, which could cause budgeting challenges for spectrum licensees. Should the Department proceed to rely on CPI, we reiterate that it must adopt a mechanism, such as an average change in CPI over the last 10 years, to proactively "smooth out" significant changes to ensure that fees remain appropriate.
6. Regardless of the adjustment mechanism adopted, the Department should apply a cap to any annual rate increase, which would assist new competitors in managing their budgets for licence fees. The Department should also review its approach every five years to ensure that fees do not become excessive and to confirm that the chosen mechanism remains appropriate.

Sincerely,

Shaw Communications Inc.



Paul Cowling
SVP, Legal & Regulatory Affairs

² As noted by Telus, section 16 of the *Service Fees Act* provides exceptions to the annual fee adjustment requirement under section 17. One such exception is where the "fee is fixed by contract." The Department should carefully examine whether a periodic adjustment mechanism is required for spectrum licence fees in light of this exception, particularly given the need for fee predictability and stability at this crucial time.

³ Comments of Sasktel at page 1.