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Subject: Canada Gazette Notice DGTP-002-07: Consultation on a Framework to Auction Spectrum in the 2 GHz Range including Advanced Wireless Services

1. The Canadian Cable Systems Alliance (CCSA) represents over 90 small independent cable companies operating in every province and territory of Canada. These companies operate over 1,100 cable systems serving thousands of small communities, mostly in the smaller and more rural centres of Canada.
2. While most CCSA member companies are not in a position to directly participate in the spectrum auction or to undertake the investments required to launch and operate a wireless service, they and the Canadians they serve have a strong interest in advanced wireless services.
3. Many of Canada's smaller communities experience poor quality wireless services today and a surprising number have no service at all. This is largely because the three existing national wireless companies have not been able to justify the additional investments to upgrade services in these areas or to make such services available at all. Industry Canada's discussion paper states that wireless services do not reach 80% of Canada's geography. While CCSA member companies serve many small cities, towns and villages they also serve much of this area.
4. Independent cable companies are interested in finding ways to offer wireless services to their customers but they have not been able to find an economical way to do so. This is true, in part, because none of the existing national providers been willing to partner with CCSA Member Companies to offer service. Resale of the national services under uneconomic models does nothing for either CCSA Members or their customers. The end result is that while, often, their competitors offer service bundles that include wireless, small cable companies have no such option.

5. CCSA and its Member Companies favour more competition in the wireless marketplace. A new entrant or entrants may well be more open than the wireless incumbents to partnerships with small cable companies that possess tower sites, towers and other infrastructure that could be used to improve or launch service in the communities in which those companies operate. Ideally, new entrants would be willing to offer a “white label” service that could be locally branded by the local cable companies and included in their bundled service offerings.
6. Consumers served by CCSA Members would then be able to benefit not only from improved locally supported service but, also, from the discounts inherent in bundled offers.
7. CCSA submits that specific measures are required in the structure of this auction to increase competition in the Canadian wireless market. Recent consolidation has resulted in three large national providers who, while competitors, work closely together because of arrangements for roaming and the sharing of infrastructure. The wireless market is extremely profitable for these companies and, given the combination of Canada’s lower wireless penetration compared to many other countries and the demand for new advanced services, those companies already have considerable growth potential.
8. It is in the business interests of such large companies to purchase any new spectrum available, whether or not they have immediate needs for the spectrum: they have the resources to do so. A new entrant will lack similar resources and, without specific measures to encourage competition, there will be no new national or even regional entrants.
9. Designating spectrum for competing bids from new entrants is the most direct way to ensure that new entrants have an opportunity to participate in the auction and to have any real prospect of success.
10. CCSA is not in a position to recommend how large a block of spectrum should be set aside. However, CCSA does recommend that, should the set aside result in unsold spectrum, such unsold spectrum should be retained for at least three years to give the market time to evolve before it is auctioned off again.
11. While spectrum aggregation limits may be necessary to ensure a single provider does not acquire a dominant amount of spectrum, CCSA is not in a position to recommend what those limits should be. However, to ensure at least three competitors remain in the market, aggregation limits, if set, should not be significantly higher than the spectrum already controlled by the existing providers.
12. The three current providers have managed to conclude national roaming arrangements amongst themselves. Such arrangements are absolutely essential to ensure the efficient use of spectrum and infrastructure and to deliver the highest quality service to consumers. There is a danger, however, that a new entrant, even if able to secure spectrum, will not be able to negotiate such arrangements: this would not be a negotiation among equals. In fact, without roaming agreements in place, a small regional provider will be in a position to offer only a very restricted service.

13. For those reasons, CCSA submits that, in the interests of fostering competition, roaming arrangements must be mandated rather than left strictly to negotiations.
14. CCSA believes that any of its Member who decide to compete for spectrum will be interested primarily in regional or small area licenses and that the proposed Tiers 2, 3 and 4 bands would be appropriate in this regard. However, we do not believe a Tier 1 national band should be excluded. It is possible that a new entrant could seek a national licence and would, if successful, be able to partner with CCSA Member Companies all across Canada. This scenario should not be precluded.
15. Although Industry Canada's discussion paper did not specifically address the issue of tower sharing, we do believe that tower sharing, at reasonable rates, should be mandated. It is becoming more and more difficult to obtain approval to construct such facilities and a new competitor would find itself at a great disadvantage if it could not do so. In addition, facilities sharing is, quite simply, an efficient use of critical infrastructure. If partnering arrangements can be negotiated with either a new or existing provider, CCSA Member Companies may, in fact, be able to provide tower sites and other facilities to improve wireless coverage in their serving areas.
16. Nevertheless, to promote durable competition, new entrants should have to build and rely upon a certain amount of their own infrastructure and they should be required to put such infrastructure in place within a specified time frame.
17. CCSA Member Companies must be permitted to offer their customers the same access to high quality and advanced wireless services as Canadians living in the larger urban centres. The best way to accomplish that goal is to foster a more competitive environment that encourages entry by new entrants and the creation of partnerships with providers of other local services.
18. CCSA fully supports the Government's proposals to encourage such competition.

Respectfully submitted,



Christopher J. Edwards
Vice-President, Corporate & Regulatory Affairs

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