



Mr. Peter Hill

July 10, 2009

Director

Spectrum Management Operations

Industry Canada

300 Slater Street

Ottawa, Ontario

K1A 0C8

Dear Mr. Hill,

The following are the reply comments of the Canadian Independent Telephone Company Joint Task Force (the Task Force) in Canada Gazette Part I, Notice DGRB-001-09 – Consultation on Revisions to the Framework for Spectrum Auctions in Canada.

The Canadian Independent Telephone Company Task Force (the Task Force) has reviewed the comments made by other parties in the above-noted proceeding, as posted on the Industry Canada web site, and offers the following comments in reply.

The Task Force's reply comments are in the order in which topics appear in Canada Gazette Notice DGRB 001-09 (the Notice). Failure to comment on a



particular position put forward by other parties in this proceeding should not be construed either as acceptance or concurrence of such positions on the part of the Task Force.

1. Auction types and attributes

i) Auction types:

The Task Force notes the support for simultaneous multiple-round ascending (SMRA) auctions in the comments of Bell Mobility Inc., MTS Allstream Inc., SaskTel and Telus. Similar to those parties, and consistent with its initial comments, the Task Force continues to believe that SMRA auctions represent an economically efficient manner to allocate spectrum.

ii) Attributes:

As indicated in our initial comments and as stated by Telus for example, the use of Vickery auctions may be useful in cases where few bidders are involved, but does not in our view present a useful alternative to SMRA auctions for highly contested frequencies.

2. Licence renewal

i) Licence term:

The Task Force had initially expressed its support for a 10 year term with a further 10 year term with a high expectation of renewal.

A number of parties cited the text of the Department's *Consultation on the Renewal of 254 and 38 GHz Spectrum Licences and Spectrum Licence Fees for 24, 28 and 38 GHz Bands*, Notice No. DGRB-00108, April 2008, at page 4,



dealing with the trend towards longer licence terms in a number of countries.

Those submissions, coupled with the Task Force's continuing belief that investment certainty and customer benefits will be maximized by longer licence terms, have led us to adopt a position in favour of a 15-20 year initial term with an equivalent renewal term.

ii) Fees

The Task Force notes and supports the position of the great majority of parties that if any renewal fees are to be imposed after the initial licence term, these fees should only recover the Department's administrative costs.

Such an approach would further reduce investment uncertainty, be an equitable signal to bidders of the real cost of auction participation at the outset, and as a result, allow more capital to be invested in services and technologies to Canadian customers.

3. Other issues

i) Research and Development (R&D)

As indicated in our initial comments: "The Task Force notes and concurs with the Department's assessment of the high level of investment in the wireless industry, that it is manufacturers who most often undertake R&D expenditures and that the largest licensees have on average exceeded the 2% RD requirement."

Similar positions have been unanimously expressed by other parties and reinforce our position that the R&D condition of licence should be eliminated.



ii) Tier Areas for Spectrum Licensing

The availability of Tier 4 areas for spectrum licensing is a matter of considerable interest for the Task Force members.

As our initial comments identified, we assessed in some detail the business case attractiveness of continuation of a Tier 4 approach as compared with the so-called doughnut approach where a Tier 4 area is divided into its urban centre (the hole in the doughnut) and the surrounding territory (the doughnut). In our view, the ability to recover the significant capital investments associated with service launch, and to do so in a reasonable period of time, would be seriously compromised by a doughnut approach. In essence, the customer base of the entirety of a Tier 4 area is necessary to provide sufficient revenues to offset such capital investments.

Certain parties have suggested that creation of a new Tier may be appropriate in remote areas. In such cases, as suggested by MTS Allstream: “it may be better for the Department to deal with that specifically...” at page 19 of their submission.

That being said, it remains essential that the Tier 4 area approach be available. To do otherwise would disenfranchise companies with a predominantly rural base such as the Task Force members, to the detriment of customers in such territories. The Task Force does not believe that spectrum trading or subordinate licensing arrangements such as suggested by a number of parties are an optimal solution to the service needs of rural customers. As previously indicated, our experience in such matters and the continuing imbalance in negotiating forces and level of interest in serving rural Canada, between large national players and smaller local licensees, convince us of the need to offer Tier 4 licences in future spectrum auctions.



We thank you for your consideration of our comments.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Peter Barnes', is written in a cursive style.

Peter Barnes

on behalf of the Task Force