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July 15, 2009

Peter Hill  
Director, Spectrum Management Operations  
Industry Canada  
Radiocommunications and  
Broadcasting Regulatory Branch  
300 Slater Street  
Ottawa, Ontario  
K1A 0C8

**RE :        Gazette Notice DGRB-001-09 – Consultation on Revisions to the Framework  
              for Spectrum Auctions in Canada – Reply Comments of Quebecor Media Inc.  
              (QMI)**

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Dear Mr. Hill,

QMI, on behalf of itself and its wholly-owned affiliate Videotron Ltd. (Videotron), and in accordance with the procedures set out in Gazette Notice DGRB-001-09, is pleased to provide the following reply comments on the matter of revisions to the framework for spectrum auctions in Canada.

Our reply comments are limited to the issue of the use of set-asides, caps and other similar mechanisms to ensure the development of competitive alternatives in the Canadian wireless marketplace. This issue was raised in the June 15, 2009 comments of several parties, including Bell Mobility Inc. (Bell), MTS Allstream Inc. (MTS Allstream), Rogers Communications Inc. (Rogers), and TELUS Communications Company (TELUS).

Bell, Rogers and TELUS all urge the Department to renounce future use of the above-noted mechanisms, arguing that such measures are unjustified and impede the functioning of market forces. To support their arguments, the three incumbent carriers make a series of allegations regarding distortions to the 2008 Advanced Wireless Services (AWS) auction caused by the Department's decision to encourage new entry. Their allegations range from generalized bid inflation to specific bidding practices they deem to be abusive.

In one particularly revealing statement, TELUS goes so far as to assert that "as implemented in Canada, the set-aside provision artificially raised the demand for spectrum because the entrants

were allowed to place bids on unrestricted spectrum with no intention of buying" (emphasis added)<sup>1</sup>.

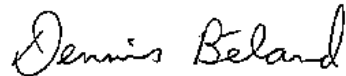
It is unclear to us how TELUS can have such certainty in its assessment of competitor bidding intentions, unless of course TELUS has even greater certainty in its underlying assessment that no incumbent would ever allow a new entrant to purchase spectrum if it could possibly prevent it. This incumbent blocking power is the dominant competitive reality the Department faced when it set the AWS auction rules, and it has not since gone away. The Department needs the tools to deal with it.

QMI shares the perspective of MTS Allstream, who stated in its June 15 comments: "The Department has thus seen fit in all of its auction processes to date (with the exception of the air-ground process) to use a mechanism to ensure that the 'market forces' at play result in a more equitable distribution of licences than would otherwise be expected. MTS believes that the Department was correct in doing so and supports future mechanisms that ensure further development of competitive alternatives in the Canadian market."<sup>2</sup>

The process of securing a place for competitive alternatives in the Canadian wireless marketplace is not yet complete. New entrants will require more spectrum in the future, particularly in lower frequency bands. As the Department plans for at least two upcoming spectrum auctions, it is essential that it to retain all the tools, including set-asides and caps, it may need to ensure that these processes are fair and contribute to the emergence of vibrant and sustainable wireless competition in Canada.

Trusting this is satisfactory, we remain,

Yours truly,



Dennis Béland  
Director, Regulatory Affairs, Telecommunications  
Quebecor Media Inc.

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<sup>1</sup> TELUS comments, page 5.

<sup>2</sup> MTS Allstream comments, paragraph 35.