



VIA E-MAIL

spectrum.operations@ic.gc.ca

July 15, 2009

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

Subject: Reply Comments of the Satellite Industry Association in the Matter of Gazette Notice DGRB-001-09 -- Consultation on Revisions to the Framework for Spectrum Auctions in Canada

Dear Sir:

The Satellite Industry Association ("SIA")¹ hereby submits these reply comments in the above referenced proceeding (the "Consultation"). SIA agrees with the comments filed by the Canadian Satellite and Space Industries Forum ("CSSIF") and individually by some of its members.

¹ SIA Executive Members include: Arrowhead Global Solutions Inc.; Artel Inc.; The Boeing Company; DataPath, Inc.; The DIRECTV Group; Hughes Network Systems, LLC; ICO Global Communications; Integral Systems, Inc.; Intelsat, Ltd.; Iridium Satellite, LLC; Lockheed Martin Corp.; Loral Space & Communications Inc.; Northrop Grumman Corporation; SES Americom, Inc.; SkyTerra; and TerreStar Networks, Inc. Associate Members include: ATK Inc.; Comtech EF Data Corp.; DRS Technologies, Inc.; EchoStar Satellite, LLC; EMC, Inc.; Eutelsat Inc.; iDirect Government Technologies; Inmarsat Inc.; Marshall Communications Corp.; Panasonic Avionics Corporation; Spacecom Ltd.; Stratos Global Corp; SWE-DISH Space Corp; Telesat; ViaSat Inc.; and WildBlue Communications, Inc. Additional information about SIA can be found at <http://www.sia.org>.

Satellite Spectrum Auctions

The satellite and space industry is unanimous in its belief that auctions are an inappropriate method to award satellite spectrum authorizations and opposes auctions for this purpose.

On the other hand, the comments from the terrestrial wireless industry were consistent in acknowledging that auctions are a reasonably effective way to assign authorizations for their “localized” services, that is, services that address a relatively small service area; in and around a metropolitan area, for example. Some commenters did express concern with the manner in which auctions may have been conducted.

The diverging views presented by the terrestrial wireless industry and the satellite and space industry reflect the significant and fundamental differences between the system architecture and deployment scenarios of the two services. The differences include scope, coverage and economic considerations. Satellite systems are international in scope and provide coverage of large service areas, usually including sparsely populated regions. As a result, there is less opportunity to target limited specific populated zones that are anticipated to yield high traffic volumes and thus, in shorter time frames, yield a return on investment.

The common ground between the terrestrial wireless and satellite industries is that they both use radio spectrum. However, their regulatory regimes are entirely different. Satellite spectrum is subject to international frequency coordination requirements, unlike spectrum for terrestrial wireless services, which have coverage limited to smaller service areas -- typically wholly within Canada.

It is because of these differences that the SIA strongly urges IC to recognize that auctions cannot be used as a one-size-fits-all mechanism for licensing of all communications services or as an overall spectrum management philosophy.

As SIA explained in its filing, auctions have not been proven to accelerate the grant of satellite authorizations. SIA urged IC to adopt the simpler, more efficient, first-come-first-served approach to satellite spectrum authorizations. In the U.S., the FCC, after considering public comments, concluded that the first-come-first-served process “will enable us to act on satellite applications dramatically more quickly and efficiently than under the current processing round procedure.”²

In the Consultation, IC acknowledges that the ITU’s priority and coordination rules that must be followed to secure spectrum rights at a satellite orbital position inject substantial uncertainty into the satellite licensing process.³ Yet instead of dismissing auctions as an inappropriate method of awarding satellite authorizations, IC overlooks the

² *In the Matter of Amendment of the Commission’s Space Station Licensing Rules and Policies and Mitigation of Orbital Debris*, First Report and Order and Further Notice of Proposed Rulemaking in IB Docket No. 02-34, and First Report and Order in IB Docket No. 02-54, 18 FCC Rcd 10760 (2003).

³ Consultation at Section 4 paragraph 2

fundamental incompatibility of these international realities and includes a domestic auction process as a possible regime for satellite services.

As explained by SIA in its Comments, because satellite communications are international in scope, a decision by a major space faring nation like Canada to utilize auctions as a mechanism to award satellite authorizations could have broad international implications. The ultimate consequences of Canada's decision could affect the viability of satellite services and the benefits provided, especially to large undeveloped or sparsely populated regions such as the northern regions of Canada.

The terrestrial wireless parties for the most part view auctions as an efficient means to award an authorization to serve selected markets where an operator can reasonably assess market potential. Limiting service areas to selected markets is not an option for satellite operators. For example, IC requires Canadian licensees to provide service to all of Canada, which allows connectivity to the most remote regions of the country.

For the reasons cited by CSSIF and supported by SIA, summarized below, SIA strongly disagrees with CWTA, Sasktel, and Telus, the only commenters suggesting that auctions are an appropriate mechanism to grant satellite authorizations.

Auctions are an inappropriate means of awarding satellite authorizations because:

- satellites are inherently international;
- auctioning of spectrum by a major space faring nation could set an undesirable and cost-ineffective precedent;
- auctioning of satellite spectrum by Industry Canada could disadvantage Canadian operators and lessen competition; and
- satellite license auctions would not promote spectrum efficiency.

Other Matters

SIA agrees with the comments of both the satellite and space industry and the terrestrial wireless industry that license fees should be based on recovery of the administrative costs to grant such authorizations. IC attempts to create a nexus between the price paid in an auction for a spectrum authorization, ongoing spectrum usage fees and license renewal fees and an appropriate "return" for the Canadian people. As Bragg Communications Inc. aptly points out, IC must acknowledge the value received in the form of services provided to Canadians⁴ that increase their ability to have ready access to advanced communications services anywhere in Canada. In no segment of the radiocommunication industry is such a return more evident than in the satellite sector, which is the only realistic and available means of providing modern telecommunications services to vast areas of Canada.

⁴ Comments of Bragg Communications Inc. at 16

In SIA's view, the Research and Development ("R&D") expenditure requirement contained in many spectrum authorizations is no longer necessary and should be eliminated. All licensees have strong incentives to utilize spectrum efficiently. Because of the ever advancing pace of technological development, whether these developments come from within the service providers' organizations or from terminal equipment manufacturers, there is no compelling reason to mandate how much a company must invest in R&D. Radiocommunication service providers must keep pace with new developments and implement new technologies in order to continue to provide services their customers demand or expect and thereby remain competitive.

Summary

SIA stands firmly opposed to auctions as a means of awarding satellite authorizations and urges IC to adopt the more efficient first-come-first-served approach to granting satellite authorizations. SIA agrees with the many commenters that license fees should be based on administrative cost recovery, and that the R&D requirement contained in many spectrum authorizations has outlived its usefulness and should be eliminated.

Very truly yours,



Patricia Cooper
President