



July 13, 2009

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

**Re: Notice No. DGRB-001-09 - Consultation on Revisions to the
Framework for Spectrum Auctions in Canada – Reply Comments**

TerreStar Networks (Canada) Inc. (“TerreStar Canada”) is pleased to submit its Reply Comments in the Department’s above-referenced proceeding. TerreStar Canada is Canada’s newest mobile satellite service (MSS) provider, having launched its first satellite, TerreStar-1, into orbit on July 1, 2009. Licensed by Industry Canada, TerreStar-1 operates in the 2 GHz MSS band and will provide coverage of all of Canada and the United States from its orbital location at 111.1 degrees West Longitude.

TerreStar Canada is a member of the Canadian Satellite and Space Industries Forum (CSSIF) and fully supports the Comments filed by the CSSIF in its June 15, 2009 submission. In response to Comments filed by other parties to this proceeding, TerreStar Canada wishes to address herein certain of those issues.

At the outset, TerreStar Canada notes that the Canadian Wireless Telecommunications Association (CWTA) indicated in an introductory paragraph that it represents mobile satellite carriers in addition to other service providers. TerreStar Canada wishes to clarify that at this time it is not a member of the CWTA and that it was not asked to review a draft of the CWTA submission prior to its being filed with the Department. As is evident from the position taken by the CSSIF, TerreStar Canada disagrees with the CWTA’s support for the use of auctions to allocate satellite spectrum.

Lack of Support for Satellite Spectrum Auctions

In its submission, the CSSIF outlined in detail the complexity involved in the ITU coordination process involving other competing countries and the resulting risks of being

unable to successfully exploit the satellite spectrum awarded through a licensing process. Consequently the circumstances involved in the awarding of satellite spectrum for satellite carriers are entirely different from those that apply to the terrestrial carriers, and it cannot be reasonably concluded that the same rationale that may make auctions appropriate for awarding terrestrial spectrum must then also be appropriate for the award of satellite spectrum.

TerreStar Canada notes that of the 13 comments received, the only three parties supporting the use of auctions to allocate satellite spectrum, the CWTA, Saskatchewan Telecommunications (“SaskTel”) and TELUS Communications Company, submitted only brief comments and, in TerreStar Canada’s respectful view, have not adequately justified why auctions should be used to assign satellite orbital slots. In particular, these parties have not addressed the complexity of being able to successfully exploit the spectrum. In our view, if these risks were to exist in the terrestrial environment, this additional uncertainty would cause them to question the appropriateness of an auction process. The suggestion by SaskTel that these risks can be addressed by Industry Canada imposing conditions of licence and penalties on the licensee illustrates a lack of understanding of the complexities involved and of the licensee’s lack of control over the factors- external to Canada- which might well prevent the development of the spectrum. Consequently, TerreStar Canada urges the Department to disregard these expressions of support for satellite spectrum auctions given their failure to address the substantive risks confronting satellite operators in exploiting their spectrum and to demonstrate why, in the face of these risks, auctions would be feasible.

TerreStar Canada finds far more compelling the arguments of the Satellite Industry Association (SIA) in which they state that auctioning Canadian satellite slots “could place Canadian-licensed satellite operators at a significant competitive disadvantage with respect to the many foreign satellite licensees authorized to serve Canada.”

Similarly, we believe that the Department should seriously consider the public policy impacts of auctioning satellite spectrum, as described by the SIA, which “ would result in reduced service availability, reduced competition in Canada, and potentially even higher end-user prices.”

Removal of R&D Licence Conditions

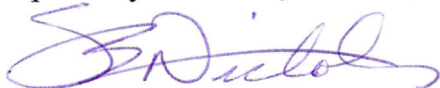
TerreStar Canada notes the comments of SkyTerra (Canada) Inc. supporting the removal of obligations to carry out R&D as a condition of licence. SkyTerra further notes that some carriers have “public institution benefit” conditions requiring the provision of subsidized capacity to government-funded institutions, and requests that this obligation be removed in parallel to the removal of R&D obligations as it would be unfair to have unbalanced financial obligations for competing service providers.

TerreStar Canada supports this recommendation by SkyTerra. TerreStar Canada’s authorization does not include an R&D obligation but does contain a public institution

benefit requirement. From a review of several approvals issued by the Department, licensees have either an R&D or a public institution benefit obligation, but not both. In TerreStar Canada's view, the public institution benefit condition of licence would be as difficult to administer as the 2% R&D condition. As SkyTerra states, "this objective is better achieved through the general taxation process since the purpose of the public institutions benefit condition of licence is, in essence, the funding of government institutions." TerreStar Canada therefore wishes to reinforce the SkyTerra recommendation that the Department should remove the public institution benefit obligations in parallel with the R&D obligations in order to maintain a level playing field amongst competing service providers.

This concludes TerreStar Canada's Reply Comments.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "S. Nichols", is written over a light blue circular stamp. The signature is fluid and cursive.

Steven Nichols
Executive Vice-President, Operations