

## Consultation on a Framework to Auction Spectrum in the 2 GHz

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### Reply Comments of Eday Corporation

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Eday Corporation (“Eday”) hereby provides the following reply comments in response to Industry Canada’s consultation notice referred to above (the “*Consultation Notice*”). Our comments address section 2.7 (**Addressing the Potential for New Entry**), and section 2.7.1 (**Spectrum Set-aside**) of the consultation:

Unlike the United States, the densely populated centres in Canada are limited, wide spread from one another, and the population of adjacent towns and cities within relatively short distances from such centres is typically significantly lower. As such, this makes smaller towns and cities, on their own, undesirable as primary locations for the launch of a new AWS service as the growth potential will not typically support the infrastructure deployment and other capital and operating costs associated with the launch of a new service. In order to successfully penetrate the market, new entry must originate in one of the major population centres of the country.

Given the cost of infrastructure deployment, staffing and marketing demands, and other capital and operating costs, which are likely to range between \$60M to \$100M for a new start-up, unless spectrum in a major population centre can be acquired for an equivalent cost, based on recent data in the United States, an aspiring new AWS service provider is likely to encounter great difficulty in achieving profitability in a reasonable timeframe to justify an investment of this magnitude. The successful bidder has historically acquired the spectrum within the major centres for approximately 20 to 30 times the opening bid. In the last spectrum auction, a 10MHZ band, with an opening asking bid of approximately \$10M sold for approximately \$300M. While this may be a reasonable expenditure for a well established national provider with revenues representing several multiples of such cost, for an aspiring new AWS service provider, such cost is just too high.

Unfortunately, unlike the United States, Canada is dominated by few yet very well established national providers, and it is in the best interest of such providers to acquire as much spectrum as possible to maintain their competitive advantage. This only drives up the cost of new spectrum, thereby limiting new market entries, and maintains the existing dominance of the few on the Canadian market place. With that in mind, it is no wonder that Canada offers some of the most costly wireless service in the world, and unless changed, such trend is certainly not in the best interest of the Canadian public.

That being said, there is no question that increased competition in Canada is needed, and in order to truly encourage a more competitive wireless service market, new entry in the major population centres of the country must be feasible. The most reasonable option for achieving this, in our opinion, would be to set-aside a portion of the spectrum, strictly for new entry. Participation in this set-aside portion should be limited to those that currently do not operate or have an affiliate that operates a national wireless PCS/cellular network that offer high mobility phone services in Canada.

Out of the 90MHZ band being offered, we recommend that 20MHZ be set-aside for new entrants, where such frequencies be broken down into two 10MHZ blocks to encourage more than one new entry. It is important not to introduce too many new entrants into the market place as that may result in confusion to the consumer, as well as immediate price wars, which will ultimately lead to inefficiencies and the eventual failure of the new providers.

Given that a new entrant is likely to start locally within a major population centre rather than immediately deploy a nation wide service, and at the same time, likely to offer a focused scope of services rather the full scale offered by the existing national providers, a 10MHZ block of spectrum, in our opinion, should be more than sufficient for a new entrant over the ten year term.

In order to be certain that the intent of the new entrant is in fact to deploy and offer a new service utilizing the acquired spectrum; we recommend that the license restrictions be imposed on the deployment window of the service as well as the transferability of the spectrum within that window. In our opinion, the spectrum should be utilized within 3 years of being acquired, and during such period, the new entrant shall be prohibited from transferring the spectrum to an existing Canadian national provider. If not utilized within 3 years, the license shall expire.

May 25 2007