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Via email: ic.spectrumregulatory-reglementationduspectre.ic@canada.ca

Line Perron
Director, Broadcast, Coordination and Planning
Spectrum Management Operations Branch
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235 Queen Street, 6th floor
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Re: Canada Gazette Notice No. DGSO-001-19 — Consultation on Periodic Adjustments for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services

Attached, please find the Reply Comments of Rogers Communications Canada Inc. (Rogers) in response to *Canada Gazette*, Part I, March 16, 2019, *Consultation on Periodic Adjustments for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services* (DGSO-001-19).

Rogers thanks the Department for the opportunity to provide input on this important issue.

Yours very truly,



Howard Slawner
Vice President – Regulatory Telecom
HS/pg

Attach.

Consultation on Periodic Adjustments for Radio and
Spectrum Licence Fees and Fees Related
to Equipment Certification Services
DGSO-001-19

Reply Comments of
Rogers Communications Canada Inc.
May 11, 2019



1. Rogers Communications Canada Inc. (Rogers) welcomes the opportunity to reply to comments filed by other parties in response to *DGSO-001-19: Consultation on Periodic Adjustments for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services*¹ (the Consultation), published on Innovation, Science and Economic Development Canada's (ISED or the Department) website April 26, 2019.
2. Rogers stated our position in our comments of April 15, 2019, with this reply limited to comments on submissions made by other parties. Failure to address any specific issue raised by other parties should not be taken by the Department as our acquiescence with the position.
3. After reviewing the Consultation comments, the optimal fees policy for the Department, wireless providers, and Canadian consumers remains for ISED to adopt an administrative cost-recovery spectrum fee regime like the one in the U.S. This will allow facilities-based network operators to invest greater amounts of capital in next generation technologies and expand current network capacity and coverage, a view shared by other terrestrial operators including Bell and Xplornet.² Focusing on the satellite industry, Telesat states that fees in other jurisdictions are often tied to the costs of administering satellite licences and recommends ISED conduct a comprehensive fee review,³ presumably moving to adopt a cost-recovery regime. As most stakeholders highlight, a fee escalator on the already extremely high Canadian spectrum costs, amongst the highest in the world for both annual fees and acquisition costs, will have a negative impact on the affordability of wireless services to Canadians.
4. Rogers continues to fully support implementing a periodic adjustment only when fees are based on a cost-recovery model. Telus also finds that changes in the Consumer Price Index (CPI) "automatically applying to spectrum fees only makes sense in the context of fees being charged solely to recover licensing administration costs."⁴ Further, Telus makes persuasive arguments, which Rogers agrees with, that the *Service Fees Act* (SFA) does not apply to spectrum licence fees, as licences are better viewed as contracts with fixed fees for the licence term, which would exempt spectrum licences from annual increases as per section 16(a) of the SFA.⁵
5. Bell highlights that the SFA includes language that makes clear, "that Parliament expects that Government services are priced in accordance with the costs incurred

¹ ISED, *Consultation on Periodic Adjustments for Radio and Spectrum Licence Fees and Fees Related to Equipment Certification Services*; available from: <http://www.ic.gc.ca/eic/site/smt-gst.nsf/frm-eng/TPHM-B89LD2>.

² Bell Comments, para 5-7; Xplornet Comments, para 6.

³ Telesat Comments, para 3-4.

⁴ Telus Comments, para 23.

⁵ Telus Comments, para 7-10

by the Government to provide those services.”⁶ As such, Bell states implementing a periodic adjustment on fees for equipment certification services is appropriate, since they appear cost-based, but that radio and spectrum fees should only be subject to an adjustment if these fees do not cover the costs of managing the spectrum resources.⁷ Rogers also agrees with Bell’s view as, again, we fully support implementing a periodic adjustment only when a fee is based on a cost-recovery model.

6. When looking at actual fee adjustment mechanisms, Shaw prefers a CPI sub-index that better reflects relevant price fluctuations, such as the change in the average unit price of wireless service (e.g., price per GB of data or price per voice call minute).⁸ While this would likely have the benefit of reducing high Canadian fees year-over-year, as historically average unit prices decrease as network operators achieve scale and maximize efficiency, the Department would be better served by moving directly to a cost-recovery regime. Shaw also recommends that if CPI is the mechanism chosen, it should be averaged over the previous 3-10 years in order in order to provide greater predictability.⁹ Xplornet proposes that if the Department does not adopt cost-recovery based fees, it should adopt a maximum 5% increase every 5 years (i.e. not CPI, not annually) to provide predictability and support for deployment of advanced networks.¹⁰ The RCMP does not object per se to the Department’s proposed mechanism, nor propose an alternative, but they are concerned about the deployment impact in rural regions of Canada.¹¹ In fact, the only stakeholder supporting the Department’s proposal to increase current spectrum licences’ costs using CPI on an annual basis is the crown corporation SaskTel,¹² though they offer no compelling evidence or reasoning to support their position.
7. Upon careful consideration of these proposed alternative mechanisms, Rogers still strongly recommends the Department move to a cost-recovery fee regime and only then adjust all spectrum and related service fees using average annual population growth (AAPG). Even if the Department determines it is required to immediately start increasing annual spectrum costs, which are ultimately borne by all Canadians, it should still use Rogers’ AAPG proposal and not CPI. AAPG is a much better indication of changes in the spectrum’s value and would provide five-year cost certainty for spectrum fees to facilities-based providers between censuses.
8. Rogers thanks the Department for the opportunity to share its views and participate in this consultation process.

⁶ Bell Comments, para 2.

⁷ Bell Comments, para 2 & 10.

⁸ Shaw Comments, para 3.

⁹ Shaw Comments, para 4.

¹⁰ Xplornet Comments, para 9-12.

¹¹ RCMP Comments, pg 1.

¹² SaskTel Comments, pg 1-2.