



July 25, 2012

By email (spectrum.operations@ic.gc.ca)

Ms. Fiona Gilfillan
Director-General
Spectrum Management Operations
Industry Canada
300 Slater Street
Ottawa, Ontario
K1A 0C8

RE: Consultation on a Licensing Framework for Mobile Broadband Services (“MBS”) – 700 MHz Band, Canada Gazette Notice DGSO-002-12 – Reply Comments of SSi

Dear Ms. Gilfillan;

1. We are pleased to submit these reply comments on behalf of the SSi Group of Companies (“SSi”) to Canada’s Minister of Industry (“Industry Canada” or the “Department”) in response to Canada Gazette Notice DGSO-002-12, posted on the Industry Canada website on April 25, 2012, “Consultation on a Licensing Framework for Mobile Broadband Services (“MBS”) – 700 MHz Band”, as clarified on June 18, 2012 (the “Consultation”).
2. This letter is in Adobe pdf. The original version is in Microsoft Word 97-2004, and the operating system of the computer used to create the pdf file is Mac OS Lion 10.7.3.
3. We have limited our reply comments to the following two elements from the Consultation document:
 - The proposed opening bids and pre-auction deposits, and
 - The supplementary round concept.

Reply with respect to Industry Canada's proposed opening bids and pre-auction deposits

4. In SSi's June 25 comments we expressed serious concern that the Department has proposed in the Consultation document opening bid numbers for smaller licence areas, as presented in Table 4 of the Consultation, and for pre-auction deposits, that are far too high. We submitted that if deposit amounts and opening bids are set too high, that will serve as deterrents for otherwise eligible and interested auction participants. Such a deterrent would run counter to the Department's objective of putting the spectrum to its most effective use.
5. A large number of the parties submitting comments on June 25 shared SSi's concern that the amount for opening bids (and by extension, pre-auction deposits) is proposed to be set far too high for the smaller licence areas.
6. For example, we note and agree with the following assertion from Eastlink's June 25 submission:

"The proposed opening bid amounts for service areas in Atlantic Canada and other primarily rural regions are disproportionately high and must be reduced to encourage rural wireless deployment and promote sustainable wireless competition."

7. The June 25 comments of Public Mobile describe the negative impact that too-high opening bids will have on the auction process and outcomes:

"Pricing spectrum artificially high to begin an auction, and pricing the regions that most new entrants actually operate in even higher, may act as a barrier to participation, particularly for smaller carriers. More importantly though, it introduces artificial distortions in the value of spectrum."

8. Sogetel's June 25 comments provide a detailed breakdown and analysis as to just how high the opening bids proposed in the Consultation document are:

"[L]es offres de départ pour les blocs dans le 700 MHz pour les fréquences appariées sont toutes largement supérieures aux offres de départ utilisées en 2008, lesquelles avaient déjà été révisées à la hausse dans le cadre de la consultation préalable à l'enchère de 2008. Plus particulièrement, nous notons que les offres de départ pour les zones très éloignées, par exemple la Zone de service Québec-Nord et le [nord], sont 12 fois plus élevées qu'en 2008. Dans d'autres régions, telles Terre-Neuve et Labrador, l'est du Québec et la Saskatchewan, les offres

de départ proposées en 2012 sont plus de quatre fois plus élevées que les offres de départ utilisées en 2008. Ces offres de départ pourraient rendre ces licences inabordables dès le début de l'enchère et donc nuire à l'objectif d'Industrie Canada d'allouer ces blocs de fréquences en zones rurales par le biais de l'enchère des fréquences dans la bande du 700 MHz."

9. Further, SSi agrees completely with the observations of Sogetel in its June 25 comments to the effect that:

"Comme les offres de départ sur plusieurs licences sont anormalement élevées, la possibilité que ces licences soient non attribuées à la fin des rondes au cadran est importante. Donc, le fait de devoir augmenter sa soumission par le prix total des licences non attribuées à ce moment aura un impact négatif et pourrait dans les faits éliminer toute possibilité pour une petite entreprise telle que Sogetel d'acquérir un ou des blocs de fréquences dans la bande du 700 MHz, puisque les prix des licences avec ces offres de départ sont relativement plus importants pour des entreprises comme Sogetel comparativement aux autres télécommunicateurs comme TELUS, Bell et Rogers.

[...]

"Sogetel est d'avis que la réduction significative des offres de départ pour [...] les licences identifiées [...] aura un impact très positif pour rencontrer les objectifs de déploiement rural du large bande mobile, tels qu'énoncés par Industrie Canada et sur la possibilité que des petites entreprises, telles que Sogetel, qui vivent le rural au quotidien et qui ont développé l'expertise particulière à ces territoires, puissent faire profiter leur clientèle de ces nouvelles technologies dans les délais les plus rapides et non après une éventuelle future enchère pour attribuer des licences restantes."

10. In brief, as detailed by a large number of the parties in their June 25 submissions, the proposed opening bids and pre-auction deposits are set far too high. They need to be reduced.
11. As proposed in our June 25 comments, SSi continues to believe the Department should set the opening bids for the 700 MHz spectrum in the North (service area 2-14) and Northern Quebec (service area 2-07) at no more than \$0.05/MHz/pop.

Reply with respect to the supplementary round concept

12. SSi expressed concern in our June 25 comments with respect to the supplementary round concept proposed as part of the combinatorial clock auction (CCA) format described in the Consultation. As seen in the June 25 comments of other parties, we are far from alone with our concern.

13. MTS Allstream stated, for example:

"[I]t appears that the auction format and rules for the 700 MHz auction, as currently proposed, favour large, national bidders interested in winning large packages over smaller, regional bidders, including new entrants, interested in specific licences."

14. And further, in line with concerns expressed in SSi's June 25 comments:

"The [...] characteristics of the supplementary round of the auction may mean that a regional bidder interested in a specific licence can lose its final clock round package, even when the per-MHz dollar value of the spectrum is more than that of a bidder with a large, national package."

15. Quebecor's June 25 comments also describe well the impact and unfairness of the proposed supplementary round:

"A small regional carrier that has bid honestly and consistently throughout the entire clock stage and has been allocated a final clock package that responds to its business and budgetary requirements should not subsequently be put in a position of having to risk placing a potentially prohibitive end-of-auction jump bid in order to secure its victory."

16. This concern is echoed in Eastlink's June 25 comments:

"[I]t appears to Eastlink that the supplementary round of the CCA is unjustly biased against smaller regional participants."

17. So how to resolve the problems inherent in the supplementary round proposal? In this regard, we agree with the recommendation from Mobilicity's June 25 comments:

"Eliminate the Supplementary Round from the auction."

18. Going further, SSi continues to believe, as we stated in our June 25 comments, that the licences for the North (service area 2-14) and Northern Quebec (service area 2-07) should be removed from any of the packages made possible in the CCA format proposed in the Consultation.



19. Finally, with respect to other questions raised by the Department in the Consultation document, we saw nothing in the June 25 comments of other parties that would have us otherwise change our original submission. That we have not replied to all third party comments filed in response to the Consultation does not constitute SSi's agreement with any comments or proposals contrary to our stated positions or interests.

20. We appreciate the opportunity to provide this reply, and your time and attention in considering same.

Respectfully yours,

[SGD – DEAN PROCTOR]
Dean Proctor
Chief Development Officer
The SSi Group of Companies

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