Innovation, Science and Economic Development Canada
c/o Senior Director, Spectrum Operations
235 Queen Street, 6th Floor
Ottawa, Ontario K1A 0H5

Re: Consultation on a New Set of Service Areas for Spectrum Licensing (DGSO-002-18)

The Rural Municipalities of Alberta (RMA) represents the interests of Alberta's sixty-nine rural municipalities. RMA is submitting this letter in response to the proposal to create a new set of service areas for spectrum licensing (as published in Canada Gazette, Part 1, December 1, 2018, "Consultation on a New Set of Service Areas for Spectrum Licensing, DGSO-002-18) and as a follow up to the initial submission. The purpose of this letter is to provide further comments on the design principles, an opinion on each of the options presented by Innovation, Science and Economic Development Canada (ISED), and to respond to comments from the initial submissions of other organizations.

Including the RMA submission, ISED received 24 submissions regarding their proposal to create new services areas for spectrum licensing. RMA is pleased to see that many of the submissions specifically reference the importance of access to spectrum in rural areas such as Mr. Henderson's suggestion of "using the introduction of Tier 5 grid to close the digital divide between urban and rural communities."

Design Principles

RMA generally agrees the design principles will support ISED's high-level policy objective of "maximiz[ing] the social benefits that Canadians derive from the use of the radio frequency spectrum, including in rural and remote regions."

Section 5.2 of the consultation document lists "foster demand" as a design principle. This design principle is important to the effectiveness of tier 5 service areas, but clarity around it would be useful. Areas of consideration to clarify the "foster demand" design principle are:

- Defining "population base" and "economic demand"
- Defining how the above will be measured
- Clarifying whether and how these definitions would vary across Canada.

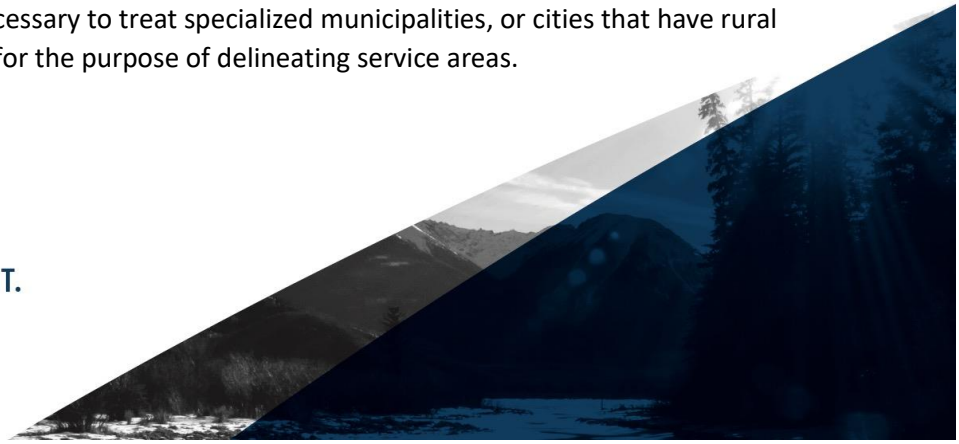
Option 1

Based on a review of initial submissions, RMA believes that a modified version of Option 1 is likely the better option for providing service to rural areas. RMA agrees with the Canadian Electricity Association that "Tier 5 areas are more likely to see deployment by service providers if there is at least 1 service load centre to anchor the business case. For that reason, option 1 is a better choice as the service areas can include towns as well as rural/remote areas."

While tying a population centre to a service area is likely to help the business case for servicing the area, there are considerations for more remote areas as well as rural areas near cities. In Alberta, some census subdivisions are very large and lack a traditional population centre. To support the second design principle, fostering demand, RMA suggests setting a minimum population threshold for service areas. Rural census subdivisions that do not meet a minimum population threshold should be combined with small urban census subdivisions (in Alberta these would include villages and summer villages, but may carry different designations in other provinces and territories). These would serve as a population base for the newly delineated service area. This approach will ensure that large rural census subdivisions with low populations are linked to a population centre, increasing their attractiveness from a business perspective while maintaining feasibility of servicing the entire service area. If these population centres are included within a rural service, there must be an expectation that spectrum is deployed to the entire service area, not just the population centre. It is important that the parameters to this approach be considered carefully to avoid linking rural census subdivisions to very large urban areas, which could have unintended negative consequences for rural service deployment. A similar point is made by CCI Wireless, who explains that

> "A hamlet within a rural area being absorbing into a CSD that includes an urban centre can limit the hamlet's chance to be served, as the primary interest of a service provider would be in the larger, denser, and easier to serve area. In effect, a smaller provider equipped to handle rural business cases would be financially disincentivized from providing service if the price of spectrum covering a sparse, rural population is inflated by being included in a service area with a town or city."

In some cases, the census subdivision approach may cause challenges opposite to the one described above. For example, there are multiple predominantly urban census subdivisions in Alberta that contain rural areas (i.e. Strathcona County). Deploying spectrum in the hamlet of Sherwood Park will be very different than in the rural areas outside of the hamlet's boundaries (but still within the same census subdivision). As a result, it may be necessary to treat specialized municipalities, or cities that have rural areas on the outer edges, differently for the purpose of delineating service areas.



This is an approach that may have to take place on a jurisdiction-by-jurisdiction basis in conjunction with municipal and provincial/territorial representatives. An associated approach to addressing census subdivisions with both large urban and rural populations is to clarify requirements for the deployment of spectrum in all areas of the census subdivision, not only those that are most profitable.

Option 2

While Option 2 has the advantage of treating rural areas as their own, unique, service areas, it may fail to achieve ISED's goal of fostering demand. By delineating the rural areas as their own service area, there is the possibility that competitive auctions to provide spectrum to these areas would be less expensive than for urban areas. As a result, this would theoretically allow for service providers to service the area at a lower cost because they are not spending as much on spectrum. However, because services areas would not be aligned with municipal boundaries in many cases, some "other" service areas as identified in Option 2 could cover extremely large geographic areas with no population boundaries. In such cases, there is no guarantee that providing service in these areas would be cost-effective without additional incentives. Therefore, Option 2 is unlikely to achieve the design principle of fostering demand. Additionally, comments by Telus support the concept that Option 2 may not be appropriate for rural areas: "the large amalgamation of the 'others area' does not support the licensing of individual rural portions of a Tier 4 service area."

Conclusion

RMA appreciates the opportunity to review the diverse stakeholder feedback received by ISED. Through this review it is apparent that Option 1 will likely be a better option for providing access to spectrum in rural areas. There are concerns about the size of census subdivisions in rural Alberta, but these can be addressed through a minimum population threshold and a strategic approach to combining some census subdivisions to ensure each includes an adequate population centre. As stated in RMA's initial submission, regardless of which method is chosen to create new service areas, there should be an expectation that service providers will be required to deploy spectrum to both the rural and urban areas within that service area.

The RMA is looking forward to seeing the results of this consultation process and how these decisions can allow for access to spectrum in rural Alberta.

Sincerely,

Al Kemmere, President