



**Submission to Industry Canada by**

**THE SSI GROUP OF COMPANIES**

**In Response to**

**Canada Gazette Notice SLPB-002-15**

***“Consultation on a Licensing Framework for Residual  
Spectrum Licences in the 700 MHz and AWS-3 Bands”***

**May 25, 2015**

## **A. Introduction and Context**

1. The SSi Group of Companies (“SSi”) is pleased to submit these comments to Canada’s Minister of Industry (“Industry Canada” or the “Department”) in response to Canada Gazette Notice SLPB-002-15, posted on the Industry Canada website on May 1, 2015, “Consultation on a Licensing Framework for Residual Spectrum Licences in the 700 MHz and AWS-3 Bands” (the “Consultation”).
2. Our comments, for the most part, provide direct responses to the questions posed by the Department in the Consultation, and are prepared from the perspective of a smaller regional carrier, with operations focused in the North of the country.
3. As we describe below and wish to stress again here, SSi strongly disagrees with the allocation approach, pricing and bidder participation rules proposed by the Department in the Consultation for the residual 700 MHz and AWS-3 spectrum.
4. Speaking from very recent experience with the just-completed 2500 MHz auction, SSi believes the bidder participation, pricing and allocation approach proposed in the Consultation will only serve to deny any success by smaller and regional carriers, in particular in Northern Canada, and will encourage spectrum hoarding by the large and deep-pocketed national carriers, described in the Consultation as “large wireless service providers.”<sup>1</sup>
5. For the most part, large wireless service providers focus their operations in the southern Canadian markets and are unlikely (let us call it a “faint hope”) to actually put to use or practically require the spectrum they would be allowed to acquire as per the Consultation proposal, particularly in the North of the country.
6. SSi believes that large wireless service providers must be excluded from any allocation process for the residual spectrum licences in the 700 MHz and AWS-3 Bands, and the allocation approach implemented by the Department must encourage smaller and regional carriers to acquire the residual spectrum cost effectively.
7. Simply put, it is the smaller and regional carriers, not the large wireless service providers, who are most likely to actually put the residual spectrum to use, to the

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<sup>1</sup> At paragraph 21 of the Consultation, the Department reiterates the following definition from the initial 700 MHz auction process:

*“Large wireless service providers are defined as companies with 10% or more of the national wireless subscriber market share, or 20% or more of the wireless subscriber market share in the province of the relevant licence area.”*

SSi uses this same definition of large wireless service provider in these comments.

greatest benefit of all Canadians, and most notably Canadians in the remote and rural areas of the country, including the North.

## **B. Background on SSi**

8. SSi is a leader in the field of remote and rural connectivity. Headquartered in Yellowknife, Northwest Territories, we specialize in the design, deployment and operation of communications networks to support the needs of communities that have limited or no access to terrestrial transport and interconnection to the outside world.
9. Our networks deliver broadband Internet and other communications services via advanced satellite delivery platforms. We provide “last-mile” access services within communities using licensed spectrum and state-of-the-art wireless and broadband technologies.
10. One of the first Internet service providers in the Northern Canada, SSi is proud to have deployed and to operate today broadband wireless networks making very extensive use of our licensed 2500 MHz spectrum in communities across the North, including all 25 communities of Nunavut.
11. As a wireless network operator providing service in some of the harshest climates and remote locations on earth, we understand first-hand and in detail the challenges faced in providing effective and affordable communications services to remote and outlying areas, and in providing a competitive alternative to incumbent operators in small and remote markets.
12. With the goal of giving all Northern residents equal access to quality communications services, SSi has deployed infrastructure in even the smallest of hamlets, some of which have as few as 55 residents.
13. As a relatively recent licensee of spectrum in the 1900 MHz band, over the last few years we have also made extensive investments in state-of-the-art mobile equipment, RF and network planning, ground infrastructure in Northern communities, partnership arrangements in Canada and abroad, systems development and testing, and regulatory interventions and processes.
14. With respect to regulation, we note that, following requests by SSi to the CRTC and extensive public processes in which SSi was deeply involved, the three Northern Territories were opened up by the CRTC to local service competition, and SSi is now working to complete arrangements to launch service as a wireless Competitive Local Exchange Carrier (a “Wireless CLEC”) in the North.

15. Considering the realities of doing business and developing communications infrastructure in the remote North of Canada, along with the immaturity of the competitive market in the three Northern Territories, SSi's efforts in becoming a wireless CLEC have been protracted.
16. The infrastructure required for communications backhaul or simply for interconnection are limited or non-existent in many communities across the North, requiring significant work to be performed on SSi's part to ensure a viable and competitive communications alternative to the incumbent's offerings.
17. SSi also faces other lengthy steps required of new wireless CLECs across Canada. For example, roaming and interconnection arrangements must be negotiated, tested and then put into place for commercial launch.
18. With all of this as work being completed, it will allow SSi to deliver our broadband mobile services as the first Wireless CLEC operating and interconnected in Canada's North.
19. There are many facets to remote area connectivity, and we are constantly evaluating and developing new technologies and integrating these to ensure our offerings remain attractive and competitive.
20. We believe the residual 700 MHz and AWS-3 band spectrum can assist SSi and other smaller and regional wireless carriers in remote areas of the country. But to do so, as we describe below, the Department needs to adjust bidder participation rules, allocation approach and pricing proposals put forth in the Consultation.

### **C. Specific Comments on the Consultation**

#### ***P1 – Industry Canada is seeking comments on its proposals to:***

##### ***a. license the northern 700 MHz and AWS-3 licences on a Tier 4 basis; and***

#### **SSi Comments:**

21. SSi is not opposed to the Department's proposal to license the Northern 700 MHz and AWS-3 licenses on a Tier 4 basis.
22. However, we do stress that for smaller and regional carriers like SSi, the issue is not so much the size of the blocks available, but rather the price of entry. The opening bid prices for 700 MHz spectrum suggested in the Consultation are too high.

23. So, on this point, we disagree with thinking behind the Department's suggestion in paragraph 13 of the Consultation that:

*While Tier 2 service areas enable the provision of mobile services to large areas of the country and allow a licensee to offer wide-area coverage, smaller tier areas could facilitate entry by smaller service providers.*

24. SSi has previously stated to the Department that the entry pricing for 700 MHz spectrum was set too high.<sup>2</sup> The opening bids continue to remain too high for 700MHz spectrum and, instead, should be priced at no more than \$0.05/MHz/pop.

25. Reducing the tier area only serves to make the licence area smaller. It does not make the price per pop any more affordable. So, more important than reducing tier size is reducing the entry price for the spectrum.

26. Moreover, the large wireless service providers must be excluded from any process to allocate the residual 700 MHz and AWS-3 band spectrum. Smaller and regional carriers are simply unable to compete in any bidding war with the larger wireless service providers who, freed of any restrictions to acquire the spectrum, offer only a faint hope of ever using the residual spectrum in remote areas of the country, once acquired by them.

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<sup>2</sup> In the SSi Group of Companies' response to Industry Canada's proposal 7.2 of "Consultation on a Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band" (DGSO-002-12), dated June 25, 2012, SSi stated:

- 50. *SSi is very concerned that the Department has proposed extremely elevated opening bids for smaller licence areas [...]*
- 64. *SSi believes 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.*
- 65. *We believe SSi's proposed lower price for opening bids in Northern Canada is not only a closer benchmark to market value, taking into account past spectrum auctions, but it will also assist the establishment of an efficient auction and one where spectrum is purchased by those who place it at its highest value. Should the final bids remain close to the opening bids this will demonstrate the ongoing challenges for wireless deployment in the North.*
- 66. *Again, the goal should not be revenue maximization and the focus should be to ensure that those who can put the spectrum to its highest use are able to do so.*

***b. disaggregate block GHI into three separate blocks of 5 + 5 MHz each for all of the AWS-3 spectrum licences being offered through this auction process (Saskatchewan, Manitoba and the North).***

SSi Comments:

27. SSi is not opposed to the disaggregation of block GHI into three separate blocks of 5 + 5 MHz each for the AWS-3 spectrum licences being offered through this process.

***P2 — Industry Canada is seeking comments on its proposals to:***

***a. eliminate the competitive measure which set aside block GHI for operating new entrants for all of the AWS-3 licences available in this process; and***

SSi Comments:

28. SSi strongly disagrees with the Department's proposal to eliminate the set-aside for block GHI. As discussed above, the Department must exclude the large wireless service providers from any residual spectrum allocation process. The spectrum should remain available for smaller and regional carriers.

29. Again, smaller and regional carriers have an inability to compete in a bidding war with the large wireless service providers who, freed of any restrictions to acquire the spectrum, offer only a faint hope of ever using the spectrum, once acquired.

30. One need only look to the recently completed 2500 MHz BRS spectrum auction to see the results when the large wireless service providers are free of constraints to buy spectrum. Despite already holding significant spectrum assets in the North, and having either limited or no operations in the North, Bell and Telus, two of the large wireless service providers, purchased in the auction all the available FDD 2500 MHz spectrum for the North.

31. To be clear: SSi does not take lightly the likelihood of large wireless service providers buying the entire residual spectrum or inflating the price of scarce spectrum beyond what would be paid for in any economically sound business plan for remote and rural areas. That is why there must be restrictions on their participating in any allocation process.

32. Indeed, SSi participated in the just-completed 2500 MHz auction. We note that the pricing paid by Bell and Telus for the Northern spectrum is not publicly available today, so we will not comment with specifics on that key element. But we do highlight this to the Department as an element to investigate and as an indication

that the structure of any future allocation processes must be corrected to ensure spectrum in remote and rural areas of the country is allocated to those who can be expected to use the spectrum, for the greater benefit of Canadians.

***b. maintain the spectrum caps on the 700 MHz licences.***

SSi Comments:

33. As discussed above, SSi believes that large wireless service providers must be excluded from any allocation process for the residual spectrum licences in the 700 MHz and AWS-3 Bands, and the allocation approach implemented by the Department must encourage smaller and regional carriers to acquire the residual spectrum cost effectively.

***P3 — Industry Canada is seeking comments on its proposals to:***

***a. reduce the deployment requirements for the AWS-3 licences in the North to 20% of the Tier 4 service areas;***

SSi Comments:

34. SSi has no objection to this proposal.

***b. reduce the timelines to reach the deployment levels in Saskatchewan and Manitoba from eight years to five years;***

SSi Comments:

35. SSi has no objection to this proposal.

***c. apply the current 20% deployment levels for the 700 MHz licence to each of the Tier 4 licence areas.***

SSi Comments:

36. SSi has no objection to this proposal.

***P4 — Industry Canada is seeking comments on its proposal to use the sealed-bid auction format for the auction of residual licences in the 700 MHz and AWS-3 bands and on the timelines proposed in the Proposed Table of Key Dates.***

*SSi Comments:*

37. We support this proposal, subject to the Department accepting SSi's other proposals set out in these comments including, notably, excluding the large wireless service providers from any allocation process for the residual spectrum licences in the 700 MHz and AWS-3 Bands, and reducing the initial bid prices for the 700 MHz spectrum.

***P5 — For the AWS-3 licences, Industry Canada is seeking comments on its proposal to allow package bidding for blocks G, H and I within each service area, with the exception of packages containing the blocks G and I as a combination.***

*SSi Comments:*

38. SSi is in support of the Department's proposal to allow package bidding for block G, H, and I within each service area.

***P6 — Industry Canada is seeking comments on its proposal to use a second-price rule, including bidder-optimal core prices and use of the "nearest Vickery" approach, for the auction of residual licences in the 700 MHz and AWS-3 bands.***

*SSi Comments:*

39. SSi is in support of the Department's proposal to use a second-price rule for the 700 MHz and AWS-3 auction.

***P7 — Industry Canada is seeking comments on the proposed opening bids as presented in tables 4 and 5.***

*SSi Comments:*

40. SSi is not opposed to the Department's proposed opening bids for the AWS-3 licences presented in Table 5 at \$0.05/MHz/pop.



41. Consistent with previous 700MHz framework comments to Industry Canada,<sup>3</sup> SSi is not at all in support of the proposed opening bids for the 700 MHz licences presented in Table 4. The opening bids outlined in Table 4 are far too high.
42. SSi asserts that the proposed pricing for licensing in the 700MHz band be priced at \$0.05/MHz/pop in tiers 2-10 (Yukon), 2-11 (Nunavut) and 2-14 (Northwest Territories).

***P8 — Industry Canada is seeking comments on its proposed rules regarding Affiliated and Associated Entities, which would apply to applicants and bidders in the upcoming auction of residual spectrum licences in the 700 MHz and AWS-3 bands.***

SSi Comments:

43. SSi supports the Department's proposed rules regarding Affiliated and Associated Entities.

***P9 — Industry Canada is seeking comments on the rules prohibiting collusion, which would apply to bidders in the upcoming auction of residual spectrum licences in the 700 MHz and AWS-3 bands.***

SSi Comments:

44. SSi agrees with the rules prohibiting collusion.

***P10 — Industry Canada is seeking comments on the proposed auction process for the auction of residual licences in the 700 MHz and AWS-3 bands.***

SSi Comments:

45. Subject to the Department accepting the other proposals SSi has made in these comments, SSi is in support of the Department's proposed auction process for the auction of residual licenses in the 700 MHz and AWS-3 bands.
46. However, an auction with no policy goal or restrictions on participation is simply one aimed at maximizing the revenues earned by the government. This maximization of revenue may, in some cases, such as in Northern Canada, lead to the failure of the Department's intended goals of maximizing the economic and social benefits that Canadians derive from the use of the radio frequency spectrum.

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<sup>3</sup> SSi Group of Companies' response to "Consultation on a Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band" (DGSO-002-12), dated June 25, 2012



47. Should the end result of an auction not result in the actual utilization of this scarce resource, the Department's goals of maximized economic and social benefits would not be achieved. The policy goal of each auction should be one of delivering the greatest benefits to all stakeholders including Canadian consumers and businesses.

***P11 — Industry Canada is seeking comments on the proposed renewal process for spectrum licences in the 700 MHz and AWS-3 bands.***

SSi Comments:

48. Subject to the Department accepting the other proposals SSi has made in these comments, SSi agrees with the proposed renewal process.

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