



November 2, 2017

**Senior Director, Spectrum Licensing and Auction Operations**

Innovation, Science and Economic Development Canada  
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Re: **BC Broadband Association (BCBA) Reply Comments to Gazette Notice SLPB-005-17** —  
Consultation on a Technical, Policy and Licensing Framework for spectrum in the 600 MHz Band

Dear Sir/Madam,

**Introduction**

- 1 The responses provided to ISED are indicative of a three-tiered marketplace. The three national mobile carriers dominate both the Canadian market and Canadian spectrum, and continue to advocate for a continuation of that dominance. A second group of competitive regional carriers (Sasktel, Videotron, Bragg/Eastlink, and Shaw/Freedom), serve various geographic markets with particular challenges, and serve economically diverse (both rural and urban) areas.
- 2 Finally, there is a third group of small regional providers who have extremely limited access to spectrum (those represented by the Canadian Cable Systems Alliance, CanWISP, CCI, Cogeco, Ecotel, Independent Telecommunications Providers Association, Sogetel, Tbaytel, Xplornet, and ourselves, the BC Broadband Association).

**Competitive Measures**

- 3 This third group of small carriers presents a consistent message to ISED. These are the carriers that are bridging the digital divide, bringing broadband and mobile connectivity to rural Canada. These are also the carriers that are deprived of spectrum by the format of every auction held by ISED.
- 4 Our message is that rural Canadians will continue to be under-served unless ISED enables rural-focused providers to access spectrum. In communities with no terrestrial cable or fibre, this spectrum does double-duty – providing fixed high-speed connections to homes, and mobile services to handsets. In the hands of incumbents and new mobile wireless competitors (the first and second groups), this spectrum sits idle.
- 5 All of the above-listed small regional providers have advocated for Tier-4, or indeed smaller, service areas. By dividing spectrum licences into small geographic areas, and by carving out urban centers (as described by the BCBA, Sogetel, MRC de Temiscouata, ITPA, Ecotel, and the CCSA), rural spectrum can be acquired by those who would deploy services to rural communities.



- 6 In these rural areas, more set-aside spectrum is crucial, not less as proposed by TELUS. The practice of auction foreclosure, concentrating spectrum in the hands of those who will not deploy it, is a certain outcome in rural areas. This is a consequence of the disparity of capital resources between small regional carriers and any company with over \$100 million in annual revenues. The BCBA agrees with Bragg/Eastlink, Cogeco, Québecor/Vidéotron, Shaw/Freedom, and Sogetel that 40 MHz should be set aside; further, the BCBA advocates for more than 40 MHz of set-aside spectrum in rural Tier-4 service areas.
- 7 In addition to a set-aside, a spectrum cap will ensure a broad distribution of spectrum and further guard against foreclosure. The BCBA agrees with Rogers and Xplornet that a 20 MHz cap would be appropriate. The BCBA further proposes that any un-sold blocks that are subsequently obtained in secondary auctions or as FCFS licences be exempted from this cap. In order to encourage deployment in rural areas, un-sold spectrum could be integrated into the TVWS framework.
- 8 The topic of who should and should not be eligible to bid on set-aside spectrum saw numerous conflicting proposals. Given the disparity of the responses, the BCBA would suggest that the category of set-aside-eligible bidders should be broad enough to permit investment by firms who will build new infrastructure in their licence areas, with further consideration put in place to enable rural carriers to gain access to spectrum.
- 9 It is evident from the responses of the small regional carriers that certain measures need to be in place in order for rural Canadians to benefit from this spectrum auction. In rural areas, companies with over \$100 million in annual revenue should not be considered eligible, as suggested by CCI and Sogetel. This will ensure that carriers who obtain spectrum in rural service areas are those carriers who are dedicated to providing services in rural communities.
- 10 Failing such a restriction, further rules should be set in place to prevent points-parking in rural service areas in an auction with Tier-4 service areas.

#### **Auction Format**

- 11 Small regional carriers are prepared to pay fair market prices for spectrum, however we believe that the true value of spectrum in rural regions is low. Many small carriers suggested that the proposed opening bid prices (\$/MHz/pop) are far in excess of their true values in rural Canada, and the BCBA agrees. Indeed, judging by the dearth of deployment in the rural communities we serve, this spectrum is considered all but worthless by the auction winners of 2008 and 2014.



- 12 Many of these small carriers, as well as Bragg/Eastlink, have pointed out that package-bid auctions put smaller bidders at a serious disadvantage, for two reasons. First, the auction format is complex, erecting a barrier to participation for small companies. Secondly, big-budget bidders on many licences (many packages) pay lower prices for their overall spectrum than bidders on a few targeted licences, and many-licence bidders are more likely to win these licences than smaller bidders. In addition, many larger companies have indicated the difficulties posed by uncertainty regarding the disparity between a bid price and the final price. The BCBA re-iterates our support of the simpler SMRA auction format.
- 13 The BCBA also recognizes valid concerns expressed by the three incumbents of points-parking and artificially inflating the prices of open-bid licences. Rogers suggests a straightforward and simple rule to prevent this – that set-aside-eligible bidders must bid first on a set-aside block if the current price for that block is less than the equivalent open block.

### **Conditions of Licence**

- 14 Several smaller carriers (Sogetel, Ecotel, and MRC de Temiscouata) have suggested that ISED should include a mandate for spectrum-sharing (i.e. subordination, sub-licencing, and transferring) where spectrum is unused, as a condition of the licence. While ISED has permitted a secondary market, this market has not widely supported rural deployments by small regional service providers.
- 15 Both Bragg/Eastlink and Cogeco noted in their submissions that the existing process of negotiating tower-sharing agreements with incumbent providers is unreasonably expensive, effectively precluding small carriers from using these sites.
- 16 The BCBA supports the suggestion that holders of unused spectrum should be mandated to enter into spectrum-sharing negotiations with rural operators on reasonable terms. The current tower-sharing framework should be updated to include spectrum-sharing, and the mandate should be strengthened. Without a strong mandate from regulators, larger companies will not enable smaller competitors to access their infrastructure on a wholesale basis.
- 17 The BCBA agrees with ISED that opportunistic spectrum access is not an appropriate solution for this band. While provisions for opportunistic spectrum access may promote rural deployments in the future, that is an uncertain prospect and we have yet to see a demonstration of the viability of mechanisms that would permit effective spectrum sharing. A viable system may be many years in the future, and rural Canadians cannot wait for reliable broadband and mobile services.
- 18 The transfer limits on spectrum from set-aside-eligible to ineligible bidders should be extended to the full licence term, as proposed by the BCBA and CCI. This measure would have the effect of deterring speculators who do not intend to invest in Canadian telecommunications infrastructure.



**Support for Broadcasters**

- 19 Finally, the BCBA supports the contention of the Canadian Association of Broadcasters that broadcasters should receive some reimbursement for their transition costs. Their suggestion that some of the auction proceed be directed to Heritage Canada to support Canadian broadcasting is reasonable.
- 20 The BCBA thanks ISED for the opportunity to comment on this consultation.

Kind regards,

**Rey Sonico**  
Secretary  
BC Broadband Association