



November 3, 2017

By email (ic.spectrumauctions-encheresduspectre.ic@canada.ca)

Ms. Aline Chevrier
Senior Director, Spectrum Licensing and Policy Branch
Innovation Science and Economic Development Canada
235 Queen Street (6th floor, East Tower)
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RE: Canada Gazette Notice No. SLPB-005-17, “Consultation on a Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band” - Reply Comments of SSi Micro Ltd.

Dear Ms. Chevrier;

1. SSi Micro Ltd. (“SSi”) is pleased to submit these reply comments to Innovation, Science and Economic Development Canada (“ISED” or the “Department”) in response to Canada Gazette Notice SLPB-005-17, “**Consultation on a Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band**” (the “Consultation”).
2. SSi has reviewed the October 2, 2017 Consultation comments submitted by other parties and that were posted on the ISED website.
3. We have limited our reply to the following elements of the licensing framework proposal set out in the Consultation document:
 - Question 1C of the Consultation, the Department’s proposal “[...] *to limit the eligibility criteria to bid on set-aside spectrum to those [...] that are actively providing commercial telecommunication services to the general public in the licence area of interest [...]*”; and
 - Tied to the above, Question 2 of the Consultation, the Department’s proposal to use Tier 4 service areas in the three Territories (Yukon, Northwest Territories and Nunavut), rather than Tier 2 service areas as proposed for the rest of the country.

4. If we have not addressed in this reply certain positions advanced by other parties in their comments, that should not be taken as SSi's agreement with same.

Reply with respect to Question 1C, Eligible Bidders in the Three Northern Territories

5. First, in SSi's comments of October 2, 2017 concerning Consultation Question 1C, we recommended with detailed reasons why, for the three Northern Territories, the Department should modify the requirement whereby set-aside-eligible bidders must be actively providing commercial service in each Territory (as a Tier 4 licensing area) in order to be set-aside eligible for each Territory.
6. SSi proposed the that the set-side requirement be modified in either of the following ways:
 - *Option 1: Require set-aside-eligible bidders to be actively providing commercial service in at least ONE of the three Northern Territories, effective as of the date of the application to participate in the 600 MHz auction for any of the licences set aside in one or more of the three Northern Territories; or*
 - *Option 2: Modify the proposed band plan and licence the North as a Tier 2 service area, with all three Territories in one licence, rather than unbundled into three separate Tier 4 areas, one in each of the three Territories, as proposed in the Consultation. Clarify as well that set-aside-eligible bidders for the Northern Tier 2 service area must be actively providing commercial service in at least ONE of the three Northern Territories, effective as of the date of application to participate in the 600 MHz auction for the licence in that service area.*
7. Given the limited number of interveners to the Consultation that actually operate facilities in Canada's North, we were not surprised to see no parties addressing the problem of delays in establishing facilities-based competition in the Yukon and Northwest Territories, and the immaturity of the competitive marketplace, as described in detail in SSi's October 2 comments.
8. However, some parties did address the question of eligibility criteria for set-aside spectrum bidders in a manner that aligns with SSi's concerns concerning otherwise eligible bidders for set aside spectrum who have been delayed or unable to enter a certain serving area for reasons outside the control of the otherwise eligible bidder.
9. We note in particular the following comments from MRC Temiscouata:
 10. *Dans cette optique, la MRC est d'avis qu'ISDE doit apporter les quatre changements suivants au processus d'enchères:*

10.1. Redéfinir les zones de service afin de mettre en lumière les considérations économiques particulières associées à l'offre de service en milieu rural. Ceci inclut la possibilité d'avoir un format d'enchère différent qui correspondrait mieux aux réalités différentes des marchés ruraux et urbains. [...]

10.4. Favoriser l'entrée sur le marché de nouveaux fournisseurs de services susceptibles d'offrir le service en milieu rural en :

- Élargissant la portion de spectre réservée;*
- Abaissant les prix de départ pour le spectre en milieu rural;*
- Révisant les critères d'admissibilité encadrant la participation aux enchères pour les licences «réservées» afin de permettre à de plus petits fournisseurs de services régionaux ou à de nouveaux fournisseurs d'y participer;*
- Révisant le format des enchères pour les zones rurales.*

And further:

18. De plus, la MRC juge que l'admissibilité ne devrait pas se limiter aux zones où le fournisseur offre actuellement un service. La possibilité de soumissionner sur la partie de spectre réservé sur l'ensemble des zones permettrait aux fournisseurs de services admissibles de supporter leur plan d'affaires et d'offrir le service dans des zones rurales présentement délaissées par les fournisseurs nationaux titulaires ou les fournisseurs de services régionaux actuels.

2. With a similar rationale and proposal to MRC Temiscouata, we also note with favour the proposal of Sogetel:

30. De plus, Sogetel pense que l'admissibilité ne devrait pas se limiter aux zones où le fournisseur offre actuellement un service, en particulier dans le cadre de notre recommandation d'utiliser des zones de service de niveau 4. L'admissibilité pour soumissionner sur la partie de spectre réservé sur l'ensemble des zones permettra aux fournisseurs de service admissibles de supporter leur plan d'affaires et leur croissance, et d'offrir le service dans des zones rurales adjacentes ou autres zones présentement délaissées par les fournisseurs de service nationaux. Les autres critères actuels peuvent être maintenus.

Reply with respect to Question 2, Tier Sizes in the Three Northern Territories

3. Second, with respect to the Consultation Question 2, SSi recommended that:
- (As with our comments on Question 1C) *the Department adjust its proposed eligibility criteria for bidders on set-aside spectrum in the Northern Territories such that bidders would be eligible if they were actively providing commercial service in at least one of the three Territories at the date of application to participate in the auction of 600 MHz spectrum; or*
 - *In the absence of that adjustment being made, SSi's preference would be for the Northern 600 MHz spectrum to be licensed on a Tier 2 basis, allowing all three Northern territories (Yukon, Nunavut and the Northwest Territories) to be licensed as one block.*
4. Once again, given the limited number of interveners that actually provide facilities-based competition in Canada's North, we were not surprised with an absence of detailed comments concerning whether Tier 4 licence areas are appropriate for the three Northern Territories.
5. By way of exception, Eastlink was one party who was open enough to note that it "*...does not have any comment on the licence service areas in the Territories*" (paragraph 45). Some other parties simply agreed with the Department's Tier 4 proposal for the Territories without explanation or rationale.
6. That said, comments from certain interveners provide further justification and rationale as to why it would make sense to use Tier 2 rather than Tier 4 licence service areas for the three Northern Territories.
7. Rogers, for example, calls for the Department to avoid "unsustainable competition" through the licensing process (paragraph 93), while also highlighting that the use of Tier 2 licence areas for southern Canada "*... will allow for more effective use of the radio spectrum than would be the case if smaller licence areas were used*" (paragraph 100).
8. Québecor Média provided history and rationale behind the use of Tier 2 licence service areas. To cite at length:

54. Québecor Média est d'accord avec la proposition d'utiliser les zones de service de niveau 2 partout au pays (sauf dans le Nord) pour délivrer les licences de spectre de la bande de 600 MHz.

55. En effet, d'un point de vue historique, la pratique courante du Ministère en matière de délivrance de licence de spectre mobile depuis le tournant des années 2000 a été de préconiser, la plupart du temps, la délivrance de licences basées sur des zones de service de niveau 2.

56. *Cela n'a rien de surprenant, puisque le recours à la délivrance de licences de niveau 2 dans le cadre de l'exploitation de services mobiles sans fil permet d'éviter les situations de morcellement géographique, ce qui rend possible une exploitation plus efficace du spectre ainsi délivré – le nombre de titulaires de licences étant moindre, la coordination inter opérateurs est facilitée.*

57. *Le Ministère, au paragraphe 36 du Document de consultation, mentionne l'existence d'un autre avantage résultant du recours à des licences de niveau 2 dans le contexte de la bande à l'étude :*

Les zones géographiques de service plus grandes permettent également le déploiement de réseaux de grande envergure plus rentables grâce à des économies d'échelle, ce qui est essentiel au déploiement du spectre puisque les réseaux mobiles sans fil sont très exigeants en investissements.

58. *Le recours à des zones de service de niveau 2 s'impose tout particulièrement en raison des caractéristiques de propagation propres au spectre de la bande de 600 MHz. Sur ce point, nous citerons à nouveau le Ministère :*

Les bandes de basses fréquences, comme la bande de 600 MHz, se propagent sur de longues distances et les utilisateurs peuvent se déplacer sur de vastes territoires. Les zones de service mobile sont donc généralement vastes afin d'offrir une couverture continue. Dans cette bande, les ondes radio transportent les signaux radio sur des distances beaucoup plus importantes que les fréquences plus élevées comme les bandes du SSFE-3 et des 2500 MHz.

9. SSi submits that the same logic and experiences described by Rogers and Quebecor to justify Tier 2 licence service areas for Southern Canada should be applied to the three Northern Territories: licence areas that are too small in size (and this applies for the population of the licence service area, not just geography) can lead to spectrum allocations that are less effective, less economic and may be unsustainable to deploy.

10. Indeed, as cited by Québecor Média, the Department itself has noted at paragraph 36 of the Consultation:

Larger geographic service areas also enable deployment of large-scale networks that can be more cost-efficient due to economies of scale, which is critical to the deployment of spectrum given that wireless mobile networks are capital-intensive.

Conclusions

10. With respect to Question 1C and the set-aside eligibility rules, no party other than SSi provided comments detailing why effective facilities-based competitors have been slow to emerge in the Yukon and Northwest Territories (see, for example, the discussion on the immaturity of the competitive marketplace and other challenges at paragraphs 12 to 18 of SSi's October 2 comments).
11. Some parties – most notably the MRC Temiscouata and Sogetel - have proposed changes to the set-aside bidder eligibility rules for remote and rural areas that would align with SSi's own proposals, and that reflect SSi's concerns. We ask the Department to take note of these comments and make the necessary changes to the eligibility rules for set-aside bidders in the 600 MHz spectrum auction.
12. Concerning Question 2, the concerns raised by SSi with respect to the set-aside eligibility rules, these can be readily addressed by the Department simply by having Tier 2 rather than Tier 1 licence service areas used for the three Northern Territories. As discussed above, this also
13. If the Department nonetheless prefers to retain Tier 4 licence areas for the three Northern Territories, then it is essential the eligibility rules for set—aside bidders be modified for In
14. In sum, as detailed in our October 2 comments, SSi is currently providing and has provided commercial telecommunications services for many years in Nunavut and the Northwest Territories. We moreover have every intention to deploy facilities and operate in the Yukon Territory. We currently holds spectrum licences for all three Northern Territories, and we have participated in past spectrum auctions in efforts to acquire more spectrum in all three Northern Territories.
15. However, the competitive market in Canada's three Northern Territories remains immature, and the challenges described in our October 2 comments have served to delay our expansion into the Yukon.
16. SSi has been proactive to overcome the challenges. SSi has initiated and participated extensively in CRTC proceedings to change the regulatory framework for the North - efforts which have led to the only recent opening of local services competition in the North. Moreover we have negotiated and when necessary gone before the CRTC in efforts to gain proper rates and terms of access to Northwestel's monopoly fibre backbone. That fibre backbone provides essential transport services with the south for any facilities-based competitors wishing to operate and compete in the Western Arctic – but the access rates and terms are still under review by the CRTC.



17. So, for all the reasons detailed in SSI's October 2 comments, none of which were raised or countered by other interveners to the Consultation, it is essential for the Department to make changes to the requirements for set-aside-eligible bidders in the three Northern Territories, as described above.
18. We appreciate the opportunity to provide these reply comments, and your time and attention in considering same.

All of which is respectfully submitted,

SSI MICRO LTD.

[SGD – DEAN PROCTOR]

Dean Proctor

Chief Development Officer

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