



June 15, 2009

Mr. Peter Hill
Director, Spectrum Management Operations
Radiocommunications and Broadcasting Regulatory Branch
Industry Canada
300 Slater Street
Ottawa, ON K1A 0C8

Re: Canada Gazette, Part I, April 11, 2009, Notice #: DGRB-001-09
Consultation on Revisions to the Framework for Spectrum Auctions in Canada

Introduction

SkyTerra (Canada) Inc. ("SkyTerra Canada") welcomes the opportunity to submit these comments to Industry Canada in connection with its *Consultation on Revisions to the Framework for Spectrum Auctions in Canada*. (DGRB-001-09) (the "Consultation Paper"). SkyTerra Canada is a mobile satellite operator and a member of the Canadian Satellite and Space Industries Forum ("CSSIF"). SkyTerra Canada has participated in the preparation of the CSSIF's comments in this proceeding and fully endorses those comments. SkyTerra Canada also wishes to submit separate comments on another issue that is raised in the Consultation Paper, namely the ongoing need for a research and development ("R&D") condition of licence.

The R&D Condition of Licence

In Section 6 of the Consultation Paper, the Department has invited interested parties to comment on the "continued need for the condition of licence requiring that licensees invest a percentage of their gross revenues in R&D".¹

The Department has imposed an R&D obligation as a condition of licence on a number of commercial satellite operators, including MSS operators such as SkyTerra Canada. This condition of licence requires the licensee to spend a minimum of 2% of adjusted gross revenues resulting from the operation of the satellite averaged over a specified period of time. For those satellites where an R&D obligation has not been imposed, the Department requires the satellite operator to contribute 2% of adjusted gross revenues to the provision

¹ *Consultation on Revisions to the Framework for Spectrum Auctions in Canada*, DGRB-001-09, Section 6.

of service to public institutions (*i.e.*, institutions that currently receive government funding).

SkyTerra Canada is of the view that R&D expenditures are necessary in order to remain competitive and to meet the new and innovative space-related business. However, it should be left to each satellite operator to determine both the amount and timing of its R&D expenditures.

In Section 6.1 of the Consultation Paper, the Department notes that most if not all of Canadian telecommunication companies are far exceeding the 2% requirement for R&D spending and that many R&D projects are carried out by telecommunications equipment manufacturers working in collaboration with service providers. This data suggests strongly that it may no longer be necessary to impose an R&D requirement on wireless service providers because market forces appear to be driving R&D spending in any event.

SkyTerra Canada also notes that there are other agencies at both the federal and provincial government levels that, in our view, are better positioned to administer industrial development policies and programs. It seems somewhat unorthodox to pursue these policies through the spectrum licensing process. The same holds true for the “public institution benefits” condition of licence which appears to require private sector subsidization of government funded institutions. Arguably this objective is better achieved through the general taxation process since the purpose of the public institutions benefit condition of licence is, in essence, the funding of government institutions.

Finally, SkyTerra Canada agrees that there is a large administrative burden associated with the gathering, auditing and generating of R&D reports which is of no direct benefit to the licensees that are subject to the R&D condition of licence.

SkyTerra Canada therefore supports the removal of the R&D condition of licence for all mobile wireless providers that are currently subject to this condition of licence. SkyTerra Canada also supports removal of the public institution benefits condition of licence for any licensee that is required to compete against another licensee whose R&D condition of licence has been removed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Bahman Azarbar', is written over a light blue horizontal line.

Bahman Azarbar
Vice President, Regulatory Affairs