

SaskTel Reply Comments

Canada Gazette Notice SMSE-005-11

Decisions on a Band Plan for
Broadband Radio Service (BRS) and
Consultation on a
Policy and Technical Framework
to License Spectrum in the Band
2500-2690 MHz

May 16, 2011

INTRODUCTION

1. Saskatchewan Telecommunications (“SaskTel” or “the Company”) is pleased to submit Reply Comments in response to Gazette Notice SMSE-005-11 “*Decisions on a Band Plan for Broadband Radio Service (BRS) and Consultation on a Policy and Technical Framework to License Spectrum in the Band 2500-2690 MHz*”, published February 12, 2011 (“the Consultation”).
2. SaskTel is not responding to every issue or allegation raised in various Comments. Rather, SaskTel will use this opportunity to provide additional comment on several items critical to the company and the Saskatchewan marketplace and to certain other points related to 2500 MHz spectrum and the auction process as a whole. Failure of SaskTel to address any particular comment or allegation made should not be construed as agreement or acquiescence on the part of SaskTel, where such agreement or acquiescence would be inconsistent with the interests of SaskTel.

SaskTel specific issues

3. MTS Allstream (MTSA) states, in paragraph 14 of its comments, that “[n]o other party (with the exception of SaskTel) is in a remotely comparable position” to the spectrum holdings of a combined Bell and Rogers joint venture. SaskTel would agree that any comparison would be remote at best since SaskTel’s 2500 MHz holdings are half those of the Bell/Rogers venture in most regions of Canada, including the most densely populated regions of Canada, (although equivalent to the holdings of this entity within Saskatchewan given Inuksuk’s recent acquisition of MMDS spectrum in the province).
4. As a further illustration of the unlikely nature of this comparison with Bell and Rogers, SaskTel notes the graphical representation of current spectrum holdings as shown in paragraph 33 of Quebecor’s comments which demonstrates that fully 96% of the spectrum in this band is held by Rogers and Bell. The sole base of any comparison would be that SaskTel’s name even appears on the graph. That SaskTel is not in any way comparable to Rogers and Bell would seem self-explanatory from the illustration.

5. SaskTel opposes the imposition of any spectrum caps within this or any other spectrum band, and submits that, if the Department should decide to impose such a cap, SaskTel should in no way be seen as the equivalent of a national Bell/Rogers joint venture. The comparison is remote, not only in spectrum holdings, but also in financial resources. Indeed, SaskTel notes the comments of Bell Mobility regarding the comparative size of the “new entrants”¹. The companies noted in this paragraph do indeed seem large and well-financed, with enterprise values ranging from \$7.5 billion to \$33 billion, although perhaps not so large and well-financed as Bell Mobility or Rogers and especially a combination of the two. SaskTel, by comparison, has a capitalization of only \$1.2 billion. It does not seem at all logical that either new entrants or incumbents as large as these somehow require government protection from entities such as SaskTel which are some eight times smaller than the smallest of those mentioned.

6. SaskTel notes that, in our initial Comments and in our response to the consultation on the auction of spectrum in the 700 MHz band, we have shown that we are using, or have plans to use, all the spectrum holdings we currently possess and that we have a growing need for additional spectrum in order to adequately serve the people of Saskatchewan, either directly or through services wholesaled to other wireless service providers. SaskTel urges the Department not to artificially restrict our ability to adequately serve the needs of Saskatchewan residents through restrictive auction rules, and notes that restrictions placed upon SaskTel will also affect other service providers, including potential “new entrants”, sharing SaskTel’s network.

Comments on the auction in general

7. Bell Mobility, in its initial Comments, provided extensive, well reasoned arguments for the Department to avoid artificial market restrictions in an attempt to bolster competition. SaskTel fully agrees that additional measures are not needed and that the 2500 MHz auction should be governed by market forces. SaskTel would agree with the following, from paragraph 67 of Bell’s comments, with one exception.

Micromanagement of the wireless market is not an indication of greater reliance on market forces. Spectrum auctions should not be used as a tool in order to make artificial adjustments to the level of competition in the market. Bell Mobility

¹ Bell Mobility comments – paragraph 72

strongly believes that there is no need for measures such as spectrum set-asides, aggregation limits (or caps), or any other restrictions in order to promote competition in the Canadian wireless services market.

8. The exception that SaskTel would make is that there should be some manner of 'use it or lose it' rule for any 2500 MHz spectrum licenses acquired. There is too much growth in data usage on wireless devices, and spectrum is far too valuable of a public good, for the Department to risk having it lie fallow in any part of the country, urban or rural.
9. For all of the reasons noted by Bell, SaskTel does not believe that either spectrum caps or set-asides should be used in the 2500 MHz auction. However, should the Department disagree and decide to incorporate such measures, it is critical that this decision be separated from any rules governing the 700 MHz auction.
10. Many initial Comments have noted the differing capabilities and potential applications of the 700 MHz and 2500 MHz spectrum bands. 700 MHz spectrum presents a critical opportunity for the Department to aid the Government of Canada in addressing the digital divide that exists between urban and rural residents of Canada. This divide exists because conditions are simply not the same in urban and rural areas of the country. Measures adopted by the Department to enhance competition in urban areas (which SaskTel does not agree are necessary) should not be applied with such a broad brush that they effectively impede service deployment in rural areas. And, if such measures result in preferred bidding positions for new entrants or other entities who are primarily concerned with making increased profits by serving more populated - and cheaper to serve - urban areas, that is exactly what will happen. Therefore, even if the Department imposes measures such as spectrum caps or set-asides in the auction of 2500 MHz spectrum, this decision should not apply to the auction of 700 MHz spectrum, which is so critical for rural deployments.

CONCLUSION

11. SaskTel thanks the Department for this opportunity to make its views known on such an important topic and looks forward to reading its decisions in these matters.