June 25, 2012

Manager, Spectrum Auctions,
Industry Canada,
300 Slater Street, Ottawa,
Ontario K1A 0C8.

Subject: Comments to Notice No.DGSO-002-12— Consultation on a Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band

Dear Sir,

1 Pursuant to the procedure released in Gazette Notice No. DGSO-002-12 - Consultation on a Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band which was posted in the Industry Canada website on April 25, 2012 and published in the Canada Gazette on May 5, 2012; interested parties were given the opportunity to submit their comments no later than June 25, 2012. Below are the replies to comments from the BC Broadband Association (“BCBA”).

2 Introduction

Spectrum auctions in Canada continue to become more intensely competitive as a proliferation of wireless services drives demand for spectrum.

3 Most commercial mobile spectrum in Canada is highly concentrated in the hands of a small group of service providers. While this situation mirrors that observed in most developed countries, in Canada there is a negligible amount of such spectrum that is
held by non-national providers. By contrast, the United States has a large number of smaller regional companies holding small amounts of spectrum, in addition to the major national service providers’ spectrum holdings.

4 The recent efforts of Industry Canada to encourage new entry into this industry have resulted in a number of new companies serving Canada’s major urban centres. However, this new market entry has not resulted in any benefit to underserved rural communities.

5 The BCBA is disappointed in the decision to auction the 700 MHz spectrum using Tier-2 service areas, a decision that effectively excludes non-urban service providers. The ability to access licensed spectrum is necessary for regional and rural companies to provide high-quality broadband connectivity at reasonable prices to rural Canadians.

6 The BCBA is cautiously hopeful that the auctioning of the 2500 MHz spectrum in Tier-3 service areas may provide some opportunity for smaller companies to acquire spectrum. However, the limited amount of spectrum available in some service areas will again preclude the participation of smaller regional companies.

7 Anticipating that the rules established for the 700 MHz auction will be used in the 2500 MHz auction, the BCBA would like to respond to certain questions posed by Industry Canada in this consultation.
8 BCBA Responses

Industry Canada is seeking comments on its proposal to use the CCA format, as well as the general attributes outlined above, including:

- the categories of generic licences;
- the guarantee of contiguity across blocks A and B in the lower 700 MHz band in a specific service area;
- the combined eligibility point and revealed preference activity rule in the clock rounds, and the revealed preference limit in the supplementary round;
- the use of a second-price rule; and
- the information to be disclosed during, and post-auction.

9 The BCBA has no comment on the proposed CCA format. The BCBA encourages Industry Canada to provide comprehensive instructional and training materials for participation in this auction, and to maintain a simple set of auction rules, to the extent possible. This will encourage the participation of smaller companies in the auction.

10 Industry Canada is seeking comments on its proposed changes to the definition and rules related to associated entities. Specifically, comments are sought on:

- the types of agreements that should be captured under the definition of associated entities;
- the level of information to be disclosed to the public;
• the provision that typical roaming and tower sharing be specifically excluded
  from the revised definition of associated entities and whether other types of
  agreements such as the purchase of backhaul capacity should be deemed
  excluded;
• the proposal that entities that are deemed associated entities may apply to be
  treated as separate entities for participation in the auction;
• the proposal that associated entities may request to have the spectrum caps
  apply to them separately, based on an analysis of their association and of
  whether they intend to compete in the same licence service area;
• the criteria to be considered in determining whether the entities are competing;
  and
• the proposal that no changes be made to the affiliated entities rule.

11 Spectrum caps should be imposed meaningfully, in a way that encourages competition.
Where companies are related to one another through ownership arrangements of any
kind, including joint ventures and agreements to merge, these companies should be
considered to be affiliated. In applying spectrum caps separately to companies that are
engaged in such arrangements, Industry Canada will discourage competition, and in
particular, discourage the market participation of smaller regional companies.

12 As a particular example applicable to the 2500 MHz spectrum auction, the BCBA would
like to point out the Inukshuk joint venture relationship between Rogers and Bell. If Rogers and Bell are considered to be associated entities, with spectrum caps applying separately to each, then there is scope for participation in the auction by either Rogers or Bell where the Inukshuk holdings are only 60 MHz. The BCBA believes that in this case, neither Rogers nor Bell should participate in this auction, since these companies have chosen to deploy in the 2500 MHz band through their joint venture.

13 The BCBA believes that the definition of associated entities should be limited to those companies engaged in consortia or partnership arrangements that include spectrum sharing to permit broadband services. Companies involved in ownership-related partnerships such as joint ventures or merger arrangements should be considered affiliated entities, and spectrum caps should not be applied separately in these cases.

15 *Industry Canada is seeking comments on the application of the proposed wording of the licence condition related to rural deployment requirements. Specifically, comments are sought on the assessment of “access to two or more blocks of paired spectrum” for the purposes of this condition of licence.*

16 The BCBA notes that the rural deployment requirements as described will not contribute meaningfully to bridging the digital divide in Canada. The urban/rural digital divide has been addressed, and continues to be addressed, largely through the efforts of small regional Internet service providers. The BCBA is pleased with the proposed
requirements since excessive deployment requirements imposed on national carriers would only serve to undermine small regional businesses.

17 The BCBA would like to thank Industry Canada for giving our group an opportunity to present our perspective on these issues.

Sincerely yours,

[Signature]

Bob Allen
President
BC Broadband Association

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