Economic Development Policy Branch
Director’s Office

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From: Thom Hagerty, Director


The Province of Ontario (through the Ministry of Agriculture, Food and Rural Affairs) is following, with great interest, the consultation and discussions on the 700 MHz spectrum auction policies. As you are aware, this spectrum is of also of interest to rural stakeholders given its potential to serve our rural areas with improved broadband services, which could help reduce the urban-rural digital divide.

Response to specific questions:

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 paired blocks of spectrum” for the purposes of this condition of licence.

Industry Canada is seeking comments on the application of the general deployment condition of licence as stated above. Specifically, comments are sought on:

• the population coverage, as specified in Table 3, for each licence service area; and
• the time frame proposed whereby the requirement must be met.
Industry Canada has proposed rural deployment requirements that are designed to promote 700 MHz spectrum service deployment in rural regions. Any licensee that holds two or more blocks of paired spectrum, or has access to two or more blocks of paired spectrum, must meet the rural deployment requirements. However, it is possible that no telecommunications company (telco) will have to meet the rural deployment requirements in any given service area if no one telco acquires or has access to two or more blocks of paired spectrum in that region. Furthermore, if a telco that has a small HSPA footprint in the region in which it is required to meet the rural deployment requirements, the resulting coverage in rural regions may remain inadequate.

Industry Canada is also proposing that all licensees are required to demonstrate to the Minister of Industry that their 700 MHz spectrum has been put to use to a minimum of 50% of Ontarians (general population coverage) within 10 years of the initial issuance of the licence.

Since 80 percent of Ontarians live in urban areas, it can be safely assumed that the licensees will meet the general deployment requirements by first deploying the 700 MHz spectrum in urban areas.

**Recommendation:** Industry Canada should consider rural deployment requirements with a minimum rural population coverage for Southern, Northern and Eastern Ontario.

Alternatively, IC should consider modifying rural deployment requirements to ensure that at least one 700 MHz spectrum licensee will have to meet the rural deployment requirements in each service area.

Traditionally, spectrum licences auctioned off by Industry Canada have been issued for a 10-year licence term. As stated in the consultation paper – the rationale for this duration was deemed to provide enough certainty in the marketplace to secure the investments to build necessary networks.

A 20-year licence term could significantly increase the urban-rural digital divide if Industry Canada does not ensure that general and rural deployment targets are met or adhered to by the licensees. Furthermore, IC should consider that smaller, rural Internet Service Providers (ISPs) could play a significant broadband gap-filling role for the 700 MHz spectrum in rural areas if IC developed a “use it or lose it” approach in renewing the license terms after a shorter time period.

**Recommendation:** 1) That IC consider maintaining the 20-year licence term but include a review/renewal after 10 years that is contingent on the licensee meeting the general and rural deployment targets. 2) After the initial deployment period of 10 years, IC should consider splitting the urban and rural blocks if the licensees are only meeting the general deployment target, not the rural ones. Otherwise, we would suggest that IC consider establishing a mechanism to discourage what is referred to as “spectrum hoarding” in the Industry.
While the consultation document acknowledges the importance of the 700 MHz spectrum for rural areas: “The 700 MHz band has excellent propagation characteristics and is considered to be extremely important in the deployment of next generation mobile broadband services in rural areas…”, it fails to address how the current telecommunications incumbents will likely deploy (based on the HSPA experience) this spectrum to serve urban residents travelling through rural Canada, not necessarily rural Canadians. That is, HSPA was developed and implemented to target a market of mobile customers (business people, students etc) that only need to use a network for a limited time. Many rural users need to be connected for much longer periods of time (for example, while downloading documentation, web interactions for businesses, streaming video/video conferencing). An industry-led HSPA-approach for the 700 MHz wireless spectrum deployment may result in a significantly larger urban-rural digital divide.

**Recommendation:** That IC consider auction policies that will support future scalable investments for the rural deployment of the 700 MHz spectrum such as a minimum target for fixed wireless infrastructure that can support this spectrum.

**Recommendation:** The upcoming 700 MHz spectrum auction is expected to generate significant revenues for the Federal treasury. IC should consider setting aside a portion of the proceeds to support new programs to fund broadband infrastructure deployment for increasing digital connectivity in rural areas.