December 14, 2012

Manager, Emerging Networks
DGSO, Industry Canada
300 Slater Street
Ottawa, Ontario K1A 0C8

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Subject: Comments to Notice No. DGSO-006-12 — Consultation on Renewal Process for 2300 MHz and 3500 MHz Licences

Dear Sir / Madam,

1 Executive Summary

ABC Communications (“ABC”) is a communications service provider based in Quesnel BC, serving markets throughout the interior of British Columbia. ABC has offices in Burns Lake, Vanderhoof, Prince George, Quesnel, 100 Mile House, Kelowna, Penticton and Vancouver.

2 Throughout our trading area, ABC provides broadband services to customers in remote and rural areas using fixed wireless access. These customers are largely un-served by landline-based broadband connections. ABC’s response will reflect our interest in BC’s rural and remote markets.

3 ABC’s access to 3500 MHz licensed spectrum, won in the 2004 spectrum auctions, has been transformative to our business plan and to the services we are able to offer to our customers. Due to our ownership of licensed spectrum and the business certainty provided by this ownership, ABC is able to make significant capital investments into our network. The use of unlicensed spectrum, by contrast, provides no assurance of business continuity, due to the risk of interference.

4 ABC has had considerable success in the deployment of WiMAX systems in the 3500 MHz band. A broad range of equipment is available, from very low-cost access points suitable for servicing very small communities, to mid-priced access points that provide carrier-grade services to larger areas (approximately 100 customers) across long distances (up to 35 km). High-end access systems are also available that would be suitable for higher concentrations of users.
5 ABC’s WiMAX deployment, operating on licensed spectrum, has brought high-speed connectivity to many of ABC’s rural customers; these service offerings are otherwise unmatched outside of urban centres. Our WiMAX systems enable us to earn higher revenues from offering value-added services. These services in turn enable ABC’s customers to access enjoy urban-grade Internet connections that permit the use of high-quality voice and video streaming applications. ABC continues to invest in our WiMAX network to prepare for projected growing network demands. New opportunities are being presented with the evolution of LTE equipment for the 3500 MHz band.

6 In contrast to the successful deployments of ABC and other fixed wireless providers such as Xplornet, global mobile carriers have not widely adopted 3500 MHz band. This is due to the relatively poor propagation characteristics of the 3500 MHz band compared to the lower-frequency bands commonly used for cellular mobile service.

7 The successful business model of ABC and other fixed wireless providers is largely attributable to the relatively low auction price of this spectrum compared to the prices paid for spectrum in lower bands. Continued access to this relatively low-cost spectrum, through low renewal fees, will ensure a healthy and competitive market in for fixed wireless services in the future.

8 The 2300 and 3500 MHz bands, explicitly intended for fixed access, have enabled a unique market solution that has encouraged competition and growth by small Canadian telecommunications companies. We urge Industry Canada to strongly consider avoiding any regulatory measures that would endanger the health of this small but important aspect of the Canadian telecommunications economy.

9 ABC is pleased to provide comments on the renewal process for these licenses. ABC will not respond to questions regarding the 2300 MHz band.
(1) Industry Canada seeks comments of the proposed wording of the condition of licence related to deployment. Comments are also sought on the following proposals that:

A. deployments of fixed links not servicing an end user directly should be considered as an alternative method to meet WCS and FWA spectrum deployment licence conditions; and

B. when a requirement is considered for fixed links not servicing an end user directly should be set at 15 links per million population, per Tier 4 area at the end of the licence term.

10 The 3500 MHz band is very well-suited to providing point-to-point and point-to-multipoint backhaul connectivity. ABC supports the proposal that fixed links be considered as an alternative method to meet the spectrum deployment licence conditions.

11 ABC believes that the proposed deployment requirement of 4 links per 15 million population is an appropriate requirement for license holders. Allowing the major mobile carriers to satisfy their deployment requirements through the use of 3500 MHz backhaul for cell site connectivity will encourage them to invest in their urban infrastructure and lead to higher utilization of the spectrum.

(3) For the 3500 MHz band, which of the two renewal options is preferred?

12 ABC believes that Option 1 provides the best case for business planning, continuity of investment and roll-out of 3500 MHz systems.

13 The 3500 MHz band has been utilized with success by a number of smaller internet service providers in rural areas across Canada. These companies, like ABC, have built strong and sustainable business cases in markets that are not served by existing incumbent providers.

14 The imposition of a roll-out deadline risks this healthy market. Spectrum holders will have an incentive to conduct an un-economic service deployment in order to maintain their licenses. Since the license holders’ primary goal is not business-driven but rather to satisfy the deployment requirement, the service offerings resulting from these forced deployments may be priced below cost. Such deployments would harm the sustainable business models built by local providers.

15 Strict enforcement of roll-out deadlines, then, can result in driving sustainable, competitive businesses out of the market. In the long run, the consequence of this policy will be reduced, rather than improved, services available to consumers in the target areas.

16 ABC therefore supports the implementation of Option 1, which does not force un-economic roll-outs that will damage the competitive landscape.
(4) For Option 1 (detailed in section 7.1 of this consultation):
A. Should licence terms be extended?
   a. If so, should they be extended by the same length for all licensees?
      i. Is three years an appropriate extension?
   b. Or, should the licence terms be extended to a fixed date for all licensees?
      i. Would December 2017 be an appropriate extension date?
B. Should the deployment requirement also be extended to the end of the proposed term?
C. In considering an extension of the licence term, do you expect equipment in the 2300 MHz band to become available soon enough to achieve the deployment requirements by December 2017?
D. In considering an extension of the licence term, do you expect LTE equipment in the 3500 MHz band to become available soon enough to achieve the deployment requirements by December 2017?
E. Are there any additional considerations that should be taken into account by Industry Canada?

17 A. License terms should be extended in order to avoid the incentive for license-holders to pursue un-economic roll-outs that will have adverse effects on the wider marketplace. These license terms should be extended to the same fixed date for all licenses in the interest of simplicity. December 2017 is an appropriate date.

18 B. The deployment requirement should be extended to the end of the proposed license term in order to avoid the incentive for license-holders to pursue un-economic roll-outs that will have adverse effects on the wider marketplace.

19 C. ABC does not hold spectrum in the 2300 MHz band and has no comment.

20 D. Equipment manufacturers and service providers in the North American market are likely to concentrate their deployment efforts in the recently released 700 MHz bands in the next several years. Nonetheless, initial deployments using LTE equipment have commenced and it is reasonable to expect deployment requirements could be satisfied by 2017 using LTE equipment.
(6) Are there any other options for the licence renewal process that Industry Canada should consider?

21 The ability to subdivide licenses remains an important aspect of the licensing process, and should be maintained in the new issuance. ABC has partnered with other operators and wireless services providers to increase the usage of 3500 MHz spectrum for providing broadband coverage directly to customers in remote and rural BC. The interest levels of our partner ISPs is a testament to the demand for licensed spectrum at prices accessible to small local operators.

(7) Industry Canada invites comments on the proposed wording of the condition of licence related to the licence term (detailed in section 8 of this consultation).

22 ABC agrees with Industry Canada’s emphasis that licensees have a high expectation of renewal. This high expectation of renewal, coupled with and expectation that renewal prices be in line with 2004 auction prices, stimulates continued investment in broadband systems to provide innovative services to customers.

23 ABC would like to thank Industry Canada for giving our group an opportunity to present our perspective on these issues.

Sincerely yours,

Bob Allen, CEO
ABC Communications