28 July 2014

Ms. Fiona Gilfillan
Director General
Spectrum Licensing Policy Branch
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Dear Ms. Gilfillan:

Subject: Gazette Notice SLPB-003-14, Consultation on a New Licensing Framework and Licence Renewal Process for the 24, 28 and 38 GHz Bands – MTS reply comments

1. Pursuant to the procedure set out in Gazette Notice SLPB-003-14, Consultation on a New Licensing Framework and Licence Renewal Process for the 24, 28 and 38 GHz Bands (Notice SLPB-003-14), issued on 14 June 2014, MTS Inc. (MTS) is in receipt of comments provided by several carriers and interested parties to Notice SLPB-003-14, and provides the following reply comments.

Deployment and reallocation

2. What is clear from the submission made to SLPB-003-14 is there are two basic camps of interested parties in this proceeding: those that purchased spectrum licenses in the 24/38 GHz auction in 1999 (Javelin Connections Inc., Mobilexchange Spectrum Inc., MTS, Quebecor Media Inc. and Terago Networks Inc.) and those that did not (Globalive Management Corp., Rogers Communications and TELUS Communications Company). Those that successfully won spectrum licenses in 1999, paying a cumulative $172 million, want a greater opportunity to try and make their investment successful. Those that did not purchase spectrum in the 1999 auction are now stating their desire to attain and use the spectrum for various purposes.
3. In response MTS notes the following:

1. It is generally agreed that technology using this spectrum has only developed recently;

2. The carriers that successfully won licenses in the 1999 auction invested significant amounts of money in order to deploy and make use of the spectrum; and

3. There are a significant number of licenses lying fallow in which “Industry Canada has received very little interest”

4. MTS concurs with the comments of Javelin and Mobileexchange noting that technology using the 24/38 GHz spectrum has been limited and only recently developed. The assumption should not be made that because some deployments have occurred, that equipment is generally available and importantly, economically affordable across all regions and purposes.

5. In 1999 the 24/38 GHz band was anticipated to be important for high-speed internet services. Also, wireless competition from Clearnet and Microcell created an anticipation of diversified demand for wireless data backhaul. These anticipated demands did not occur.

6. With only limited and expensive technology choices and little demand for services, the business case for most carriers was simply not present. After investing $172 million to attain the spectrum licenses, these carriers had and have every incentive to try and find solutions.

7. To those carriers that concur with the proposal to reclaim un-deployed auctioned licenses, making them available for future users, MTS notes there is already supply of spectrum available should they desire it. There has been no apparent demand to sub-licence or purchase spectrum from existing licensees, and the fact that IC continues to hold a significant number of fallow licenses demonstrates that demand from carriers with no 24/38 GHz spectrum also remains weak. In short, there is no supply constraint and

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1 Gazette Notice SLPB-003-14, Consultation on a New Licensing Framework and Licence Renewal Process for the 24, 28 and 38 GHz Bands, paragraph 19
until greater demand presents itself, resulting in a shortage of unused spectrum held by IC, there is simply no reason to not give current licensees of auctioned spectrum the opportunity to try.

8. The technology and the window for economically efficient deployment have only just emerged. MTS concurs with Javelin, Mobilexchange and Quebecor in stating license winners of 24/38 GHz spectrum should be granted more time to try and find economically viable business opportunities. The rapid uptake by consumers for smartphones and data, and the emergence of new carriers such as Globalive and Quebecor as a possible fourth national wireless carrier, could perhaps drive greater demand.

9. Existing licensees of auctioned spectrum have invested significantly to attain the licenses as well to try and develop the technology in which to deploy. In the case of Javelin, an additional $30 million beyond the $23 million they invested in the 1999 auction. Existing licensees have every reason to want to try and find economically viable business solutions if available. MTS continues to advocate that existing licensees of auctioned spectrum, even if they had not met their current deployment requirements, should be granted 10 year extensions and new deployment requirements implemented 5 to 10 years from the extension. Should demand for services over 24, 28 and 38 GHz spectrum rise, the deployment and demand for IC’s unallocated licenses will rise accordingly. Under these circumstances, if existing licensees have still not deployed, a justifiable rationale can be made to reclaim spectrum.

Issuing of Radio Licenses

10. Many interested parties, including Globalive, Javelin, Mobilexchange, Rogers, TELUS, Terago and Quebecor have opposed IC’s proposal to allocate new licenses as site-specific radio licenses. Such an approach would fragment licensing, reduce deployment flexibility, cause undue administrative burdens and add significant costs. The current radio license fee schedule using voice channels causes unreasonably high fees where a new 1GB data transport link using 24, 28 and 38 GHz spectrum would cost tens of thousands annually in license fees alone.
11. MTS concurs with the comments of others that area-based licensing would be much more logical. Rather than IC managing site-by-site licenses, addressing issues of interference and coordination, the responsibility should fall to the area license holders. License holders can deploy and self-coordinate their deployments with other users much more rapidly than IC. This would facilitate more reactive management, more adaptive deployment and improve the business case.

**Summary**

12. MTS is supportive of IC's proposed approach to allocate unauctioned spectrum to new license holders on a first-come-first serve (FCFS) basis. To allow for greater flexibility and to prevent the imposition of unreasonably high license fees, tier-based or area-based allocations would be more logical than site-specific radio licenses.

13. MTS supports IC's proposals to make available new Tier 3 licences for a 10 year term for licensees in the previously auctioned 24 and 38 GHz bands that have met their conditions of licences.

14. For those licensees that have not met all of the deployment conditions of license, MTS reiterates its support for IC to consider giving those carriers more time to make economic use of the 24/38 GHz spectrum. Existing licensees, including those that have not met the current deployment requirements should be granted 5 to 10 year extensions and the new deployment requirements set within 5 to 10 years from the extension.

15. The economic business case for deployments in the 24, 28 and 38 GHz bands remains weak. There is no evidence of excess demand while there is evidence of considerable excess supply. Scarcity is not an issue. Spectrum is available for any carrier wishing to deploy.

16. The winners of 24/38 GHz licenses made investments with the clear intent to use them and continue to have every incentive to maximize their investments should a business case be viable. When demand rises such that IC no longer holds excess supply, IC will
know that the business case for deployment has improved and when unused, un-deployed licenses should be reallocated.

Yours truly,

for Russ Friesen
Vice President, Regulatory Affairs

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