



August 15, 2017

Heather Hall

Senior Director, Spectrum Licensing and Auction Operations
Innovation, Science and Economic Development Canada
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Re: **Gazette Notice SLPB-003-17**: Consultation on a Licensing Framework for Residual Spectrum Licences in the 700 MHz, 2500 MHz, 2300 MHz, PCS and 1670-1675 MHz Bands

Dear **Heather Hall**,

- 1 The BC Broadband Association (“BCBA”) is a group of telecommunications service providers, equipment suppliers and infrastructure constructors in Western Canada. We represent small internet service providers who operate in remote and rural parts of British Columbia and Alberta.
- 2 Small, locally-based wireless internet service providers (WISPs) have been building broadband networks in rural and remote communities for over 20 years, and provide high-speed connections to households not served by national wireline carriers. These networks have been built using unlicensed and lightly-licensed spectrum, and can be upgraded to use licensed spectrum and provide 50 Mbps services.
- 3 These service providers have built sustainable business models in many of these communities, contributing to economic development and rural Canada and offering consumers competitive choices.
- 4 The spectrum addressed in this consultation has the potential to facilitate the availability of 50 Mbps services and mobile services in these under-served areas. If WISPs are able to access this spectrum, the spectrum will be deployed rapidly to provide 50 Mbps services in rural communities across Canada, bringing immediate benefits to rural consumers.
- 5 By contrast, if this spectrum is auctioned as proposed, national mobile carriers and speculators will obtain the spectrum. This spectrum will have a marginal impact on network capacity in urban markets, and rural Canadians will see no benefit. Along with the bulk of mobile spectrum, this surplus spectrum will sit idle in rural markets.
- 6 This spectrum should be set aside for entities with annual revenue under \$10 million. These are the companies who have built, and continue to upgrade, rural broadband networks. The 2500 MHz band is especially well-suited to providing fixed broadband services to rural communities.
- 7 By subdividing licences into smaller licence areas, local operators will be able to obtain these licences and put them to immediate use. Tier-4 licence areas are too large to facilitate services to rural Canadians. More granular licence areas such as hexagons would permit small, local operators to target small communities and bring 50 Mbps services into these service areas.



- 8 Participating in complex auction proceedings is a challenge for small businesses. In areas outside of metropolitan centres, the use of first-come first-served (FCFS) licences would encourage deployment and investment by service providers.
- 9 Spectrum in major metropolitan areas may still be auctioned as proposed. Since the value of the licences is founded primarily in these population centres, the overall revenues realized from these auctions would not be significantly impacted.
- 10 The Canadian government is investing \$500 million to bridge the digital divide over the next 5 years through the Connect to Innovate program. By foregoing less than 5% of this amount in potential auction revenue, the Canadian government will make tremendous strides towards achieving that goal in the immediate future.
- 11 The BCBA is pleased to respond to ISED's specific questions below.

Q1 — ISED is seeking comments on the choice of licences being made available through this licensing process:

- a. are there other licences that should be made available in this licensing process? and
- b. are there any of these licences that should not be included in this licensing process?

- 12 All of the licences of 10 MHz or greater are suitable for providing broadband connectivity with speeds of 50 Mbps. These licences should be made available on an FCFS basis with small and flexible licence areas so that local and regional providers can obtain these licenses and invest in the deployment of broadband systems.
- 13 Licence blocks of 5 MHz are suitable for deploying mobile voice services in small communities. If small local providers are able to obtain these licences through an FCFS licensing process, they would be able to launch mobile services in communities un-served by national mobile carriers, through roaming agreements with mobile carriers. This has the potential to bring tremendous benefits to small rural communities.

Q2 — ISED is seeking comments on its proposals to:

- a. maintain the spectrum aggregation limits on the 700 MHz licences;
- b. maintain the spectrum aggregation limits on the 2500 MHz licences including newly available 2585-2595 MHz licences; and
- c. not impose competitive measures on other licences issued through this licensing process.

- 14 The BCBA supports the aggregation limits, however we note that these aggregation limits are not sufficient to ensure competition in rural areas. New operators have demonstrated no interest in serving rural Canada; they serve only the major metropolitan areas in their licence areas. Incumbent carriers have not invested in rural communities without significant public-sector encouragement. Neither incumbent carriers nor new operators have demonstrated interest in subdividing their licences for lease to small rural providers.

- 15 The BCBA suggests that the spectrum aggregation limits be extended from five years to ten years. The number of acquisitions occurring immediately following the expiry of spectrum aggregation limits suggests that spectrum licences may be speculative purchases, bought in anticipation of the new carrier being acquired by a larger carrier. This speculative activity is a further barrier to regional and local carriers who would compete in rural markets.
- 16 ISED should promote further competition by using small licence areas, such as hexagons.
- 17 ISED should further promote competition by using a set-aside for entities with annual sales under \$10 million.

Q3 — ISED is seeking comments on:

- a. the likely timeframe for availability of equipment capable of providing access to licensed spectrum on an opportunistic basis;
- b. licence terms;
- c. the proposal to apply deployment levels to each of the licences as described in annex F; and
- d. the proposed conditions of licence as outlined in annexes A through F.

- 18 While deployment requirements ensure that spectrum is used in urban areas, they do not encourage the use of spectrum to serve Canadians living in rural and remote communities. With the use of smaller licence areas, deployment requirements would encourage investment into Canada's underserved areas.

Q4 — ISED is seeking comments on its proposals:

- a. to use the sealed-bid auction format for the auction of residual licences, and
- b. on the timelines set out in the Proposed Table of Key Dates.

- 19 In rural areas, FCFS licensing procedures encourage investment and deployment into rural communities.
- 20 A sealed-bid auction format would be appropriate for spectrum in major metropolitan areas.

Q5 — ISED is seeking comments on its proposal to include package bidding for 2500 MHz licences in the sealed bid auction format.

- 21 The 2500 MHz band is especially well-suited to providing fixed broadband services to rural communities. These licences would permit service providers to offer 50 Mbps and higher packages in many areas that are currently under-served.
- 22 Again, the BCBA encourages ISED to set this spectrum aside for entities with revenues less than \$10 million, and to license this spectrum in small hexagonal licence areas using a first-come first-serve process.



- 23 Small companies are at a disadvantage to large companies in an auction in a package-bid auction. It is inappropriate to use a package-bid format in an auction that includes bidders of widely varying sizes. Any package-bid auction should include a set-aside for small companies.

Q6 — ISED is seeking comments on its proposal to use a second-price rule for this auction and the Vickrey price determination mechanism.

- 24 In the sealed-bid auction format, the second-price rule and Vickrey price determination mechanism are fair ways to determine the price for these licences.

Q7 — ISED is seeking comments on the proposed opening bids as presented in tables 7, 8, 9 and 10.

- 25 The proposed opening bids represent prices that correspond to the fair value of the licences in the largest city of each service area. For this reason, rural operators will not be able to obtain spectrum in the vast rural areas surrounding these cities, and the auction winners will have no incentive to serve these areas.

- 26 Under the proposed auction format, the rural communities surrounding the major cities will remain under-served, while spectrum sits idle in these areas.

- 27 While the proposed mechanism for determining the opening price may be appropriate for metropolitan areas, the licences in rural areas are significantly less valuable. This spectrum should be made available to rural operators at little or no cost in order to facilitate the deployment of 50 Mbps services to rural communities.

Q8 — ISED is seeking comments on its proposed rules regarding Affiliated and Associated Entities, which would apply to applicants and bidders in the upcoming auction of residual spectrum licences.

- 28 The BCBA supports ISED's rules regarding affiliated and associated entities. These rules protect the integrity of the spectrum aggregation limits.

Q9 — ISED is seeking comments on the rules prohibiting collusion and other communication rules, which would apply to bidders in the upcoming auction of residual spectrum licences.

- 29 The BCBA supports ISED's rules prohibiting collusion and other communication rules. These rules protect the integrity of the auction process.

Q10 — ISED is seeking comments on:
a. the proposed auction process for the auction of residual licences;
b. the proposed use of Canada Post's ePost Connect services for auction applications, associated documentation and bid forms; and



c. section 8.12, the proposal to auction some or all of the frequency bands separately. Please include any preferences on the order of the bands.

- 30 The BCBA suggests that the requirement for pre-auction deposits be reduced by 50% for entities with less than \$10 million in annual revenues. These pre-auction deposits impose significant financing requirements on small companies, discouraging the participation of small companies in the auction process. This is a barrier to serving small markets.

Q11 — ISED is seeking comments on the proposed renewal process.

- 31 Any licences not sold through this residual auction process should be made available on a FCFS basis.
- 32 Any licensees whose licences are not renewed should have at least two years' notification. A renewal consultation that commences two years prior to the licence renewal date will result in a non-renewal decision that does not provide the licensee with adequate time to vacate the band.

The BCBA thanks ISED for the opportunity to comment on this consultation.

Kind regards,

A handwritten signature in blue ink, appearing to read "Rey Sonico".

Rey Sonico
Secretary
BC Broadband Association