

SaskTel Reply Comments:

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

September 5, 2017

EXECUTIVE SUMMARY

1. What follows is a summary of SaskTel's reply comments in response to the public comments submitted regarding 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* ("the Consultation").
2. In summary:
 - We agree that the 700 MHz, 2500 MHz, PCS G, and 2300 MHz residual spectrum licences should be included in this process.
 - SaskTel still recommends that all of the I Block spectrum licences should be held in reserve by the Department until the industry direction on the I Block spectrum becomes clear.
 - SaskTel is being hindered in serving rural residents with broadband access speeds as established by the CRTC in their universal service objective¹ by the 2500 MHz spectrum aggregation limits. The limits have already served their purpose as the band is almost fully licensed. SaskTel recommends that the 2500 MHz spectrum aggregation limits be removed. Lifting the limits now will result in a fair and open auction process relying on market forces rather than artificial constraints, and allow service providers such as SaskTel access to unpaired spectrum needed to enhance rural broadband services. Removing the spectrum aggregation limits will not result in a major change in the distribution of spectrum amongst 2500 MHz licence holders, but will however be greatly beneficial to rural residents by allowing the delivery of broadband access speeds in alignment with the CRTC universal objective.
 - High demand is anticipated for the large number of 2500 MHz residual spectrum licences proposed to be auctioned. SaskTel recommends with the large number of licences and high demand that a multiple round auction format be used with the benefit of price discovery. Because of the high value

¹ CRTC Telecom Regulatory Policy CRTC 2016-496, Dec 21, 2016, <http://www.crtc.gc.ca/eng/archive/2016/2016-496.pdf>

of this spectrum, it is important that a proper and fair auction process be utilized to allow the licences to be fairly and effectively assigned to the entity best suited and most able to efficiently utilize this spectrum. The stakes are too high to be dependent on a single round sealed bid auction format. SaskTel recommends a Simultaneous Multiple Round Auction (SMRA) format, or failing that a Combinatorial Clock Auction (CCA) format which allows for price discovery and proper spectrum valuation.

3. SaskTel's reply comments are explained in detail in the main body of this document.

INTRODUCTION

4. Saskatchewan Telecommunications (“SaskTel” or “the Company”) is pleased to provide our reply comments in response to public submissions responding to 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* (“the Consultation”), as posted on the Innovation, Science and Economic Development (ISED) website.² Comments were submitted by Airnet Wireless Inc., British Columbia Broadband Association (BCBA), Bell Mobility Inc., Corridor Communications Inc. (CCI) Wireless, Eastlink, ECOTEL Inc., Ice Wireless Inc., Rogers Communications Canada Inc., Shaw Communications Inc., TELUS, Xplornet Communications, Inc., and SaskTel.
5. SaskTel has reviewed the posted comments, and hereby provides reply comments on some of the issues discussed in the comments. Failure to address any particular issue or item, or the Comments made by any other party, should not be construed as agreement with those Comments where such agreement is not in the interests of SaskTel.
6. The section numbering of the reply comments below matches the numbering of the Consultation.

SASKTEL REPLY COMMENTS REGARDING THE CONSULTATION ON A LICENSING FRAMEWORK FOR RESIDUAL SPECTRUM LICENCES IN THE 700 MHz, 2500 MHz, 2300 MHz, PCS AND 1670-1675 MHz BANDS

3. *Band Plan and Available Licenses*

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?**

² Posted on the ISED website Aug 17, 2017 at <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11321.html>

7. A range of opinions was expressed on which spectrum licences should be included and which licences should be excluded. There was general agreement that the 700 MHz, 2500 MHz, PCS G, and 2300 MHz licences should be included. SaskTel agrees with this assessment.
8. Some parties favoured the inclusion of the idle I Block spectrum licences, while other parties stated they should be excluded from this licence process. SaskTel still firmly believes that the I Block residual spectrum licences should be excluded from this auction process, and all I Block licences should be held in reserve by the Department until industry direction on this spectrum becomes clear.
9. None of the respondents provided any clear evidence of plans to deploy the I Block spectrum, nor was any insight provided on any industry movement to develop and standardize the I Block spectrum, in either the short or long term.
10. Auctioning the I Block spectrum at this time is not in the best public interest as the spectrum will undoubtedly continue to remain idle, which contradicts the Department's goals of efficient spectrum utilization. SaskTel does not believe that speculators and spectrum hoarders should benefit from this auction process.

4. *Competitive Measures*

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.**

11. SaskTel is heavily focused on providing high quality broadband data services to all residents of Saskatchewan, not only in profitable urban areas but also in rural and remote areas where costs are much higher and business cases much more challenging.
12. The current 2500 MHz spectrum aggregation limits extending to the unpaired blocks of that band are impeding the ability of service providers such as SaskTel in offering fixed wireless broadband services to rural and remote areas, and run counter to the

CRTC's goals for improving rural broadband service delivery.³ Service providers such as SaskTel offering fixed wireless broadband services to rural and remote areas are unable to pursue the 50 Mb/s download and 10 Mb/s upload speeds established by the CRTC in the universal service objective⁴ without access to suitable spectrum, in this case 2500 MHz spectrum. SaskTel is unable to make progress towards the broadband service objectives in deep rural areas established by the CRTC because of the spectrum aggregation limits still being imposed by ISED.

13. Further, spectrum aggregation limits have served their purpose and are no longer necessary for the 2500 MHz band. The 2500 MHz band is almost completely assigned. The distribution of any further 2500 MHz spectrum amongst the service providers will not significantly change with the auction of the residual spectrum blocks, so nothing would be gained by continuing the spectrum aggregation limits for the spectrum about to be auctioned.
14. Wireless service providers such as Eastlink, Videotron, Shaw, and Xplornet are well established and well capitalized entities already offering bundled services including mobile, broadband data, telephony, and video broadcast services. These providers are not small scale new entrants, nor do they require artificial subsidies.
15. As Bell Mobility Inc. stated in their comments:

It is now time for ISED to return to the intent and spirit of Industry Canada's Spectrum Policy Framework for Canada's enabling guidelines (a) and (d) which state that market forces should be relied upon to the maximum extent feasible, and regulatory measures, where required, should be minimally intrusive, efficient and effective, respectively.⁵ Market forces, in short, will ensure that those willing and able to put the spectrum to its best use will bid for and acquire it. A market based approach to spectrum allocations will also ensure that the government garners the highest possible value for the spectrum it administers on behalf of Canadians.⁶

³ CRTC Telecom Regulatory Policy CRTC 2016-496, December 21, 2016, <http://www.crtc.gc.ca/eng/archive/2016/2016-496.pdf>

⁴ Ibid.

⁵ Industry Canada, "Spectrum Policy Framework for Canada", June 2007, available at <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf08776.html>

⁶ Bell Mobility Inc. comments, paragraph 11

16. SaskTel continues to recommend that the spectrum aggregation limits be removed for the 2500 MHz band, as they have served their purpose, and are creating artificial distortions in the market place. Removing the limits will allow an open and transparent auction process that will ensure market forces can freely operate, and ensure the best return for Canadians. Rural Canadians will also benefit from the broadband speeds envisioned by the CRTC in their universal objective.
17. In their comments, TELUS also in effect recommended that the aggregation limits be lifted, but not in the open and fair manner advocated by SaskTel. TELUS proposes to remove the aggregation limits for themselves, while completely restricting all of the other entities currently covered by the limits, namely Bell, Rogers, and SaskTel. The plan suggested by TELUS would allow TELUS to alone benefit from their proposed modification to the auction rules. Rather than the artificial constraints proposed by TELUS, SaskTel is recommending a fair and open auction process that relies on market forces as much as possible, in alignment with the Department's objectives in the Spectrum Policy Framework.⁷
18. However should the Department decide to continue the spectrum aggregation limits at this time, SaskTel recommends as a minimum that the residual spectrum blocks included in this auction process not count towards the spectrum aggregation limits. This would allow the residual 2500 MHz unpaired blocks to be most effectively and efficiently utilized to provide CRTC mandated wireless broadband service in rural and remote areas, and still allow the Department to manage the remainder of the 2500 MHz band.

5.2 Deployment Requirements

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;**

Opportunistic Spectrum Access

⁷ Industry Canada, "Spectrum Policy Framework for Canada", June 2007, available at <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf08776.html>

19. All respondents were in general agreement that opportunistic spectrum access technologies are still in a very early stage of development, with most parties indicating such technologies are still years away.
20. SaskTel, in agreement with many other respondents, continues to strongly urge the Department to proceed with caution in considering allowing the introduction of opportunistic spectrum access technologies in occupied spectrum.
21. The impacts to existing and future networks are unknown, and there are risks that the quality of wireless service being experienced by Canadians will be negatively impacted. The risks and uncertainties of even entertaining the introduction of a new technology with unknown impacts could severely reduce wireless network investments.
22. SaskTel, along with many other respondents, strongly recommends that extensive studies, including lab and field trials utilizing vacant spectrum, as well as a full public consultation be conducted by the Department prior to any introduction of opportunistic spectrum access technologies in licensed spectrum.

Licence Terms: 700 MHz, 2500 MHz, WCS, PCS Licences

23. With the exception of CCI Wireless, all respondents agreed with the 20 year licence terms for the 700 MHz, 2500 MHz, WCS, and PCS spectrum licences as proposed by the Department. SaskTel continues to recommend that 20 year licence terms because they are most appropriate. The concerns raised by CCI Wireless⁸ can be better addressed through deployment requirements, without introducing the uncertainties and administrative burdens created by the very short licence terms as proposed by CCI Wireless.

6. Auction Format and Rules

<p>Q4 — ISED is seeking comments on its proposals:</p> <p>a. to use the sealed-bid auction format for the auction of residual licences,</p>

⁸ CCI Wireless comments, response to Q3 b, paragraph 1

24. Although most of the respondents supported the ISED proposal to use a sealed bid format for the 2500 MHz residual spectrum licences, several respondents (Bell Mobility Inc.⁹, Rogers¹⁰, TELUS¹¹, and Xplornet¹²) stated the importance and clear benefits of price discovery that can be obtained through a multiple round auction format. Due to the importance of price discovery, TELUS¹³ and Xplornet¹⁴ proposed a multiple round auction format. Xplornet¹⁵ further suggested a CCA auction format.
25. SaskTel fully agrees with the comments made on the importance of price discovery in determining a real and actual value of the spectrum licences. This is particularly important when a large number of licences are being auctioned. Using a multiple round auction format will produce the most efficient assignment of licences. SaskTel understands that a multiple round auction format, either Simultaneous Multiple Round Auction (SMRA) or Combinatorial Clock Auction (CCA) format will take longer and create a larger administrative burden on the Department. However, SaskTel still foresees a high demand for these licences. With both the high demand and the high number of licences it becomes essential that a multiple round auction format be used with price discovery so that the auction is conducted properly and fairly. In our view the benefits of price discovery still outweigh the costs and administrative burdens of a multiple round auction.
26. SaskTel therefore recommends an SMRA format be used for the 2500 MHz licences as a minimum, and failing that at the very least a multiple round format auction with price discovery such as CCA.

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

27. SaskTel has reviewed the comments submitted on the use of package bidding within licence groupings for the 2500 MHz licences as proposed by the Department. Most of

⁹ Bell Mobility Inc. comments, paragraph 39

¹⁰ Rogers Communications Canada Inc. comments, paragraph 24

¹¹ TELUS Communications Company, paragraph 48

¹² Xplornet Communications Inc. comments, response to Q4 a

¹³ TELUS Communications Company comments, paragraphs 48, 52

¹⁴ Xplornet Communications Inc. comments, response to Q4 a

¹⁵ Ibid.

the commenters supported package bidding, with a few commenters suggesting changes.

28. SaskTel is recommending an SMRA format for auctioning the 2500 MHz licences, in which case package bidding would not be necessary. However, should the Department choose to implement a CCA auction format, or failing that a sealed bid auction format, then SaskTel agrees that package bidding is necessary to ensure regional operators are not disadvantaged by national entities. Using package bidding within the groupings as currently proposed by the Department would seem to be the best way to ensure a fair auction for both regional and national entities. Therefore if any package bidding is used for the 2500 MHz licences, SaskTel would recommend using the package bidding and groupings as currently proposed by the Department.

CONCLUSION

29. SaskTel has reviewed the comments submitted in response to 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* (“the Consultation”), as posted on the Innovation, Science and Economic Development (ISED) website.
30. SaskTel agrees with the Department’s proposal to auction the residual 700 MHz, 2500 MHz, PCS G, and 2300 MHz spectrum licences.
31. SaskTel however still recommends, even after review of comments submitted by other parties, that all of the I Block licences should be held in reserve by the Department until industry direction on the I Block spectrum becomes clear. No industry direction or plan to develop this spectrum is apparent, and the I Block spectrum will be idle long after the auction is completed, in contradiction of the Department’s goals to achieve efficient spectrum utilization.
32. SaskTel believes that the spectrum aggregation limits in the 2500 MHz band have already served their purpose because the band is almost fully licenced, and lifting the limits now will not substantially change the distribution of spectrum amongst the licensees. However, rural residents in particular will greatly benefit from the removal of the limits as it will allow service providers such as SaskTel to provide broadband

data access speeds in alignment with the CRTC universal service objective. At this time, SaskTel is unable to make progress towards the broadband service objectives in deep rural areas established by the CRTC because of the spectrum aggregation limits still being imposed by ISED. At this juncture, it is recommended that ISED implement an auction format and licencing framework that provides facilities-based service providers a fair chance at acquiring the necessary spectrum to meet the CRTC's universal service objective. Retention of the 2500 MHz aggregation limits runs contrary to this government objective and serves only to perpetuate a competitive measure whose goal has already been realized.

33. SaskTel is in agreement with a number of the commenters who stated the importance of price discovery in a spectrum auction. With the large number of 2500 MHz licences and the expected high demand, it is essential that a multiple round auction format be used with price discovery to ensure a true spectrum valuation is obtained. This is the only way a transparent and proper auction result can be obtained, which is crucial for the value of the spectrum assets being auctioned.
34. SaskTel continues to recommend an SMRA multiple round auction format for the 2500 MHz licences. Failing that, the Department should at least utilize a CCA format which also allows proper price discovery. The benefits of the multiple round auction outweigh the administrative burdens and costs.
35. If the Department chooses to implement a CCA auction format, or failing that a sealed bid auction format as proposed, SaskTel recommends that the package bidding and groupings as proposed by the Department be utilized. SaskTel believes the Department's proposed groupings will help ensure regional entities such as SaskTel are not disadvantaged versus national entities and large national packages.
36. SaskTel is pleased to have had the opportunity to provide our inputs and reply comments to the important issues raised in this Consultation, and hopes that our submission will provide a fuller view of these issues to the Department.