



Jonathan L. Holmes
Executive Director
regulatory@itpa.ca

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Senior Director
Spectrum Licensing and
Auction Operations
Innovation, Science and Economic
Development Canada
235 Queen Street, 6th Floor
Ottawa, Ontario
K1A 0H5

Sent electronically via: ic.spectrumbauctions-encheresduspectre.ic@canada.ca

Subject: Canada Gazette Notice No. SLPB-005-17 – Consultation on a Technical, Policy and Licensing Framework for spectrum in the 600 MHz Band

1. Pursuant to the procedures established in *Consultation on a Technical, Policy and Licensing Framework for spectrum in the 600 MHz Band*, Canada Gazette Notice No. SLPB-005-17 (“the consultation document”) the Independent Telecommunications Providers Association (“the ITPA”) hereby submits its comments. A list of ITPA members can be found in the Appendix to this letter.
2. The ITPA will not be addressing each of the questions posed by Innovation, Science and Economic Development Canada (“ISED”) in the consultation document. These comments will focus on the question of Licence Areas in section 7. Unless the problems posed by ISED’s Tier sizes are resolved for small service providers discussion of the remaining issues canvassed by ISED is irrelevant.

The Small Incumbent Local Exchange Carriers

3. At the outset, the ITPA would like to provide some background information on the SILECs. These companies have been key players in the telecommunications industry in Ontario, Québec and B.C. for as long as the large ILECs, in many cases for over 100 years, and are fully engaged experts in providing state-of-the-art communications services in rural and northern Canada.

4. SILECs are structured variously as community owned co-operatives (e.g. Mornington Communications Co-operative Limited, CoopTel), municipally owned companies (e.g. Cochrane Telecom Services, CityWest Cable & Telephone Corp.) or privately held/share corporations (e.g. North Frontenac Telephone Corporation Limited, Wightman Telecom Ltd., Sogetel inc.).

5. Since their inception SILECs have been an economic and social linchpin in rural Canada due to the fact that Bell Canada and TELUS historically concentrated its efforts in large cities and was not prepared to incur the additional higher costs of serving rural Canada.

6. SILECs operating in rural Canada today have developed a workable business model and are well run and highly efficient systems that provide cutting-edge and high-quality telecommunications services in rural areas to the benefit of all customers in their rural operating territories.

7. Any overview of SILECs must begin first with their serving territories. SILEC operating territories range in size from a single exchange (e.g. the Roxborough Telephone Company serves the Moose Creek exchange) to many exchanges (i.e. Sogetel inc.). SILECs serve rural and northern areas of Canada where population densities are very low and, as noted above, areas where Bell Canada and TELUS originally recognized the high costs involved in providing service and chose not to do so.

8. Proof of low population density in areas of the province served by SILECs is available through the Federal Government's Ministry of Human Resources and Skills Development Canada. HRDC reports that in 2006, 80%¹ of Canadians lived in urban areas.² This same webpage goes on to note that a higher than national average of Ontarians – 85% - live in urban areas. When this information is combined with the fact that SILECs serve rural and northern parts of the province, it is a simple matter to picture the types of geographic areas served by the SILECs and the associated population density. These areas are dominated by agriculture and very small communities.

9. SILECs have no large, lower cost urban centres in their operating territories. The villages or small communities that do exist in SILEC operating territories, while representing a large percentage of a SILEC's customer base, typically contain no more than 100 to 200 hundred houses and typically only small businesses. This inability to cross-subsidize between highly dense and profitable urban and rural operations has a direct impact on the positions taken by the ITPA in response to the questions in the consultation document.

10. Despite the fact that they operate in rural, northern and low density areas, SILECs have not “rested on their laurels” as far as developing their networks and service offerings is concerned. Today, each SILEC operates a fully digital network and most if not all have made significant investments in switching technologies in order to provide advanced services to their customers.

11. The network modernization has not been limited to digital switching, however, as SILECs continue to push new technologies, such as fibre optics, into geographic areas where the large ILECs would not consider making such investments. Many SILECs have installed fibre optic transmission systems deep into their operating territories to service remote switches for the provision of broadband Internet services. Many have pushed this

¹ <http://www4.hrsdc.gc.ca/.3ndic.1t.4r@-eng.jsp?iid=34>.

² “Urban Areas” are defined as centres with a population of 1,000 or more and within areas with at least 400 persons per square kilometer.

technology further in to their networks via fibre to the home projects guaranteeing customers world-class quality and speed.

12. ISED's *Spectrum Policy Framework for Canada*³ states that the department must act with due regard to the objectives of the *Telecommunications Act*. Section 7.(a) of the *Telecommunications Act* ("the Act") states that one of the Canadian Telecommunications Policy Objectives is to:

... facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions.

13. SILECs contribute to the achievement of this objective by virtue of the fact that in their rural operating territories, customers have access to a truly cutting-edge suite of services. This too stands in stark contrast to the services and service levels delivered by the large ILECs in exchanges immediately surrounding SILEC exchanges. Customers in those exchanges typically do not have access to broadband Internet access services or television services other than by satellite. SILEC customers, however, are not penalized for living in rural or northern Canada, nor do they find themselves in a "no man's land" of inferior service.

14. SILECs not only offer all of the standard local telephony services, their customers also enjoy near universal access to broadband Internet services. Close to 100% of SILEC customers already have access to broadband. In addition, numerous SILECs offer their own television service either through purchased coax facilities or IPTV.

15. SILECs also have a unique ability to safeguard, enrich and strengthen the social fabric of Canada which supports section 7.(a) of *the Act*. They are embedded in their local communities by virtue of the fact that they are small, community-based, high-tech businesses that employ residents from their serving territories. They maintain high-technology businesses in northern and rural Canada in an age where the vast majority of

³ DGTP-001-07, section 4.2.

Canadians now live in cities. SILECs maintain key working relationships with municipal governments and are often sponsors of local community teams and civic events.

Individual SILECs have received recognition from their local communities in the form of “Customer First” and “Employer of the Year” awards and some also offer a community television service.

16. These local relationships are uniquely characteristic of SILECs and are not matched by the large ILECs that are generally indifferent to these outlying areas. SILECs also reinvest company profits back into their local economies and back into their systems. This ensures that the profits stay linked to the communities from which they are generated and are not funneled to interests with no stake in the community.

17. Once again SILECs have an excellent track record in providing service to their customers in all areas of their rural and northern serving territories. They contribute significantly to the achievement of the Policy Objectives in *the Act*. In many cases, SILEC are examples of what is possible in rural and northern areas given the correct conditions.

18. The SILECs have excelled in the provision of not only reliable Primary Exchange Service for their customers but in the advancement of new technologies and retail services for the benefit of their customers. The delivery of these levels of service were, and continue to be, motivated by the fact that the SILECs are deeply rooted in and committed to their local communities.

19. This excellent track record of service in rural Canada should also not be lost on ISED as it considers how to set conditions to ensure that all Canadians – both urban and rural – have access to the services provided over this spectrum. The large national service providers are not and will not be focussed on providing service in rural areas. Ensuring that SILECs have a realistic possibility of participating in this auction process would be one way that ISED demonstrates due consideration of the Policy Objectives found in the *Telecommunications Act*.

Section 7 Licence Areas

20. In paragraph 29 of the consultation document ISED states as follows:

ISED is of the view that the ability to bid on the proposed set-aside spectrum should be limited to a particular sub-set of regional service providers that are best positioned to compete in the commercial mobile services market. As a result, it is proposed that eligibility to bid on the set-aside spectrum be limited to those registered with the CRTC as facilities-based-providers that are not national incumbent service providers, and that are actively providing commercial telecommunications services to the general public in the licence area of interest, effective as of the date of application to participate in the 600 MHz auction.

21. Individual ITPA members would qualify as set-aside-eligible bidders as per the above quotation as well as per paragraph 31 as it concerns the active provision of commercial telecommunications services to the public.

22. However, the possibility of these small service providers participating in the auction comes screeching to halt when the consultation document discusses the licence areas proposed by ISED. The consultation document proposes that Tier 2 service areas “that have provincial/territorial boundaries, and six that are sub-provincial within Ontario and Quebec...”⁴ be used in the auction. The ITPA notes that Tier Area 2-008 – Southern Ontario where the vast majority of the ITPA’s Ontario membership operate is home to 10.1M people. Tier 2-005 - Southern Quebec where the ITPA’s Quebec member companies operate is home to 5.7M people.

23. Simply stated, these licence areas are far too large for the small service providers of the ITPA. They are out of the financial reach of these companies. Based on the two

⁴ Paragraph 34.

previous spectrum auctions in Canada, it is simply not possible that any ITPA member company would be able to successfully bid for the auction fees for a Tier 2 service area.

24. Unfortunately the prospects do not improve at all for ITPA members even if ISED was to change its initial proposal to Tier 3 or 4 service areas. In the context of ISED's consultation on the 700 MHz band auction in 2011 the ITPA noted as follows:

... the Tier 4 area currently defined as London/Woodstock/St. Thomas includes a large rural component and a population of over 607,000. The London/Woodstock/St. Thomas Tier 4 area is home to the SILEC operating territories of Amtelecom⁵ and Execulink which serve the areas surrounding these cities. It is unlikely that either of these two companies would be able to afford the auction fees for an entire Tier 4 individually but given their SILEC operating territory, they would be interested in this spectrum to serve outside the major population centres where the larger national carriers quickly lose interest.⁶

25. SILECs do not have large operating territories that encompass significant population centres by which they can cross-subsidize the roll-out of services into rural areas. The population density of SILEC operating territories necessitates the availability of spectrum allocations in smaller service areas than even Tier 4 areas. These smaller service areas could extend the reach of services through this spectrum to Canadians that are currently unserved or underserved by leveraging their local presence and focus and their existing on-the-ground network footprint. To date, ISED has been reticent to use different, smaller Tier sizes that could facilitate the participation of small service providers in spectrum auctions. However, small service providers have a proven ability and incentive to leverage new technologies into their service portfolios if a successful business case can be developed.

⁵ Amtelecom is no longer a member of the ITPA.

⁶ Paragraph 36 of the ITPA/OTA comments in SMSE-18-10 – Consultation on a Policy and Technical Framework for the 700 MHz Band and Aspects Related to Commercial Mobile Spectrum, dated 28 February 2011.

26. As noted earlier in these comments, the first step required to facilitate participation by small carriers is to resolve the problems created by the use of large Tier areas. If ISED does not take this initiative it will effectively foreclose on the participation of small carriers in the 600 MHz auction.

Yours truly,

A handwritten signature in black ink that reads "Jonathan Holmes". The signature is written in a cursive style with a large initial "J" and "H".

Jonathan Holmes

Appendix

Independent Telecommunications Providers Association (ITPA)

9315-1884 Québec inc.
Brooke Telecom Co-operative Limited
Bruce Telecom
City West Cable & Telephone Corp.
Cochrane Telecom Services
CoopTel
Execulink Telecom Inc.
Gosfield North Communications Co-operative Limited
Groupe Maskatel LP
Hay Communications Co-operative Limited
Huron Telecommunications Co-operative Limited
The Lansdowne Rural Telephone Company Limited
Mornington Communications Co-operative Limited
Nexicom Telecommunications Inc.
Nexicom Telephones Inc.
North Frontenac Telephone Corporation Limited
North Renfrew Telephone Company Limited
Quadro Communications Co-operative Inc.
Roxborough Telephone Company Limited
Sogetel inc.
Tuckersmith Communications Co-operative Limited
WTC Communications
Wightman Telecom Limited