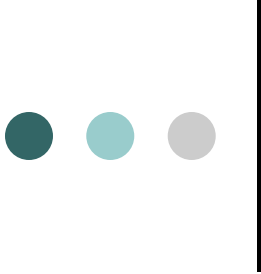




The Institutions of Spectrum Management: Time for a Change?

Ian Munro

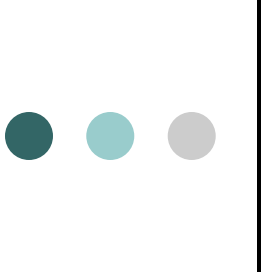
April 22, 2010



Yes!

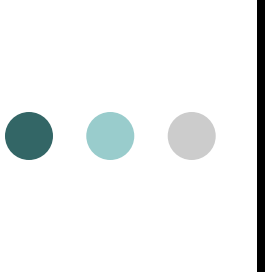
“Three broad trends have dominated the communications industry over the past two decades: astonishing advances in technology, the convergence of the formerly separate and distinct businesses of telecommunications and broadcasting, and the opening of monopoly markets to competition and choice. Despite these fundamental shifts, the structure of Canada’s communications regulatory institutions remains little changed from the 1970s and ’80s and now works to the detriment of Canadian consumers and businesses.”

The End of That '70s Show: Rethinking Canada's Communications Regulatory Institutions for the Twenty-first Century, Ian Munro, The Atlantic Institute for Market Studies, October 2009. (<http://www.aims.ca/aimslibrary.asp?ft=1&fd=0&fi=0&id=2734&p=1>)



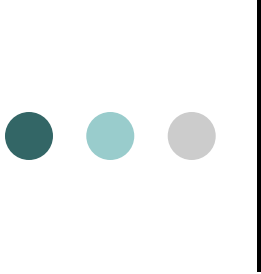
Overlap, mismatch, misalignment

- Spectrum assignment:
 - Industry Canada and the CRTC
- Economic regulation:
 - the CRTC and the Competition Bureau
- Cultural regulation:
 - the CRTC and the Department of Canadian Heritage



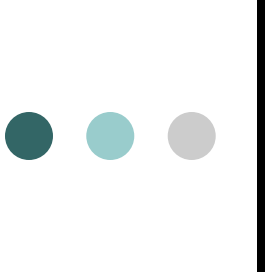
Spectrum Assignment

- IC and the CRTC both assign frequencies
 - The once bright line between “Industry Canada frequencies” and “CRTC frequencies” is dimming
- Approaches are markedly different:
 - Licence definition (time and space)
 - Licensing process (auction/beauty contest)
 - Fee determination (market/administrative)
- Impacts
 - Sub-optimal practices in some cases
 - Inconsistent treatment of similar frequencies/licensees
 - “Double jeopardy” in some cases



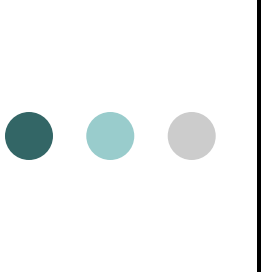
Economic Regulation

- The jurisdictional boundary between the CRTC and the Competition Bureau is not clear
- CRTC: strong in specific telecom knowledge but lacks the Bureau's depth in competition policy expertise
- Bureau lacks the CRTC's depth of telecom expertise but is well-suited to address competition issues currently within the CRTC's purview



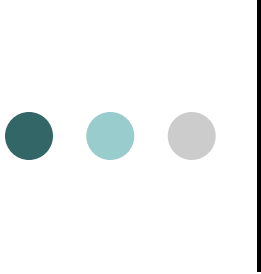
Cultural Regulation

- The end is (or should be) in sight for content restrictions
- Beyond philosophical criticisms, technological change has eroded the “shelf-space” argument and is in the process of eliminating the technical ability to enforce content restrictions



Recommendations (i)

- The CRTC should assume all spectrum assignment functions and completely revamp its licensing process. Licences should be made to resemble property rights as much as possible, and where demand exceeds supply they should be awarded (and fees set) via a well-structured auction process.
- The CRTC should relinquish its economic regulation role except where retail or wholesale price regulation is required as a result of a Competition Bureau finding that a market is insufficiently competitive. The requirement for the CRTC to undertake such actions should diminish over time as competition takes hold throughout the entire communications marketplace.
- The CRTC also should relinquish its role in cultural regulation; the era of “Canadian-content” requirements should come to an end.
- The CRTC should retain its roles in technical and social regulation, but coordinate with the Competition Bureau when competition issues come into play.



Recommendations (ii)

- The Competition Bureau should become the sole agency responsible for competition policy in communications marketplaces.
- Industry Canada should retreat to a role of setting broad economic policy for the communications sector.
- The Department of Canadian Heritage should retain its role in setting broad cultural policy. Concomitant with the recommendation that the CRTC end its cultural regulation, the problem of market failure with respect to cultural goods and services should be addressed by financing out of general tax revenues rather than by specific levies on communications service providers and/or customers. The Department of Canadian Heritage should be held accountable for this spending and for the results it generates.

Speaker Biography

Ian Munro is an independent economic consultant based in Halifax, Nova Scotia.

His areas of specialization include the design and implementation of auction processes and policy and regulation in the communications sector.

Ian's career has included time with the federal government (Industry Canada), in consulting (Charles River Associates), and at a policy think-tank (the Atlantic Institute for Market Studies).

Ian received a B.A. in economics from Mount Allison University, an M.A. in public administration from Carleton University, and an M.A. in economics from Dalhousie University.

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