

Industry Canada

Consultation on a Licensing Framework for Broadband Radio Service (BRS) — 2500 MHz

Band

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6. Conditions of Licence for Spectrum Licences to be Auctioned in the 2500 MHz Band

As stated in our 2012 submission to the *Consultation on a Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band*, we believe the 20 year term for spectrum licences is excessive (Taylor and Middleton 2012). It is our view that the current rate of development in wireless technology is too fast and unpredictable to commit Canadian frequencies for such an extended period. We appreciate the investment required to create the required infrastructure but we believe a 20 year term does not give true value for this public resource to Canadians. The 20 year term as currently proposed runs contrary to the sole remaining policy objective of the Spectrum Policy Framework for Canada: “To maximize the economic and social benefits that Canadians derive from the use of the radio frequency spectrum resource” (Industry Canada, 2007, 4.3).

We do not think Industry Canada has offered a convincing rationale for the doubling of the licence terms for either the 700 MHz or 2500 MHz licences.

Industry Canada (2012) supports its 20 year decision thus:

106. This decision was based on the recognition that licence terms in excess of 10 years would create greater incentive for financial institutions to invest in the telecommunications industry and for the industry itself to further invest in the development of network infrastructure, technologies and innovation.

We recognize the need for investment in this key communications infrastructure, but we strongly believe a 20 year licence (with high chance of renewal) does not give full value to Canadians.

Broadcasting licences in Canada have traditionally been for seven year periods and also require

significant infrastructure investment (Canada 1991, 9.1.b). Licences in the 2008 700 MHz auction in the United States were for 10 year periods (Federal Communications Commission). We do not agree that the Canadian wireless licencees require longer to amortize the required investment. In fact, there have been technological advances that have eased some of the generational transitions that until recently meant replacing large portions of the system. New base station technology now allows upgrades from LTE to LTE Advanced with a software upgrade, offering what the producer Nokia-Siemens Networks calls “tremendous cost savings” (Nokia-Siemens). This technology was still in its infancy when the initial framework was set for the 700 MHz auction but is now on the market and offers a way to ease infrastructure investment requirements for licence holders.

No one can speak with any certainty how wireless technology will evolve in the next 20 years. In a November, 2012 article in the telecommunications news site, Carrr.ca, Mobilicity president Stewart Lyons is quoted as saying, “people told me a few years ago you couldn't get above 14.4 (Mbps) in 3G speeds. Now, you're at 21 or even 42. Technology changes very quickly. I bet the speeds we'll be able to launch LTE on 10 MHz two years from now will be 50 Mbps and above, where today, they're saying you can do 25 max. The technology moves so fast in this industry” (O'Brien,2012).

20 year licences are giving industry more than what they asked for in earlier consultations. Industry Canada's *Decisions on the Revisions to the Framework for Spectrum Auctions in Canada and Other Related Issues (March 2011)* states the following:

Comments were received from Bell Mobility, Bragg, the ITC Task Force, the CWTA, MTS Allstream, Rogers, SaskTel and TELUS. All respondents were in agreement that a 10-year licence term is insufficient. Bragg, the ITC Task Force, the CWTA, MTS Allstream, Rogers, SaskTel and TELUS were all of the view that licence terms should be 15 years, at a minimum, and preferably 20 years in duration. Bell argued that licence terms should be indefinite or, at a minimum, be 20

years. Although it proposed licence terms of 10 to 15 years, Bragg also supported the notion of indefinite licence terms (Industry Canada, 2011a).

While all industry groups above preferred 20 year terms, they clearly would have accepted 15. It is our opinion that 20 year terms will not give Canadians the full economic benefit of this key public resource. While the current Framework for Spectrum Auctions in Canada allows for licences of “up to 20 years” (Industry Canada 2011b, 3.5), the proposed 2500 MHz licensing framework (Industry Canada 2012) allows for the longest terms possible for this valuable spectrum: 20 years.

Given the uncertain technological trajectory of wireless technology, coupled with decreasing costs for key upgrades of existing infrastructure, it is our opinion that the lengthy 20 year term for the proposed licences 2500 is not justified. We believed this for the 700 MHz auction and we have seen no evidence to change our position.

We recommend that licence terms for the Canadian 2500 MHz auction be set for ten to fifteen year periods.

Sources:

Canada. 1991. Broadcasting Act.

Federal Communications Commission. Auction 73: 700 MHz Band.

Industry Canada. 2007. Spectrum Policy Framework for Canada.

2011a. Decisions on the Revisions to the Framework for Spectrum Auctions in Canada and Other Related Issues.

2011b. Framework for Spectrum Auctions in Canada.

2012. Consultation on a Licensing Framework for Broadband Radio Service (BRS) — 2500 MHz Band

Nokia-Siemens Networks. Flexi Multiradio Base Station.

<http://www.nokiasiemensnetworks.com/portfolio/products/mobile-broadband/single-ran-advanced/flexi-multiradio-base-station>

O'Brien, Greg. November 15, 2012. Commentary: Consolidation very close at hand for wireless newcomers. Cartt.ca

Taylor, Gregory, and Catherine Middleton. 2012. *Consultation on a Licensing Framework for Mobile Broadband Services (MBS) – 700 MHz Band*