

**From:** Melissa Rodriguez <Melissa.Rodriguez@telus.com> on behalf of Brian Bettis <Brian.Bettis@telus.com>  
**Sent:** September 8, 2021 2:38 PM  
**Subject:** Implications for rural connectivity | Results of recent spectrum auction for Western Canadians



Implications for Western rural connectivity | Results of Eastern company (Quebecor) majority award in recent spectrum auction

September 8, 2021

Dear Chief Administrative Officer,

Following up on our recent conversation regarding spectrum policy, I am reaching out to share with you some background on the implications of the 3500 MHz auction results and the possible negative outcomes that are expected for rural communities in Western Canada.

#### The Results

A Quebec-based telecommunications company, Quebecor, was able to acquire “set-aside” (effectively subsidized) spectrum in BC and Alberta, despite having no regional presence or network in Western Canada.

#### Outcomes for Rural Western Canada

We can expect that this outcome will not favour rural British Columbians and Albertans. The auction results reinforce the need to reform Canada’s spectrum policy ahead of the 3800 MHz auction. Quebecor was able to acquire more spectrum at auction than Western telecommunications companies, at less than one third the cost, despite having no network or timely obligation to deploy its spectrum. As a result of this tilted playing field,

investments into rural connectivity will be delayed and fewer homes will receive access to 50/10 speeds in the months ahead.

The results are all the more frustrating given that:

1. It's not yet clear how Quebecor was eligible to bid on set-aside spectrum in the first place. Policy indicates that providers must be already delivering services in regions where they bid on subsidized spectrum.
2. Quebecor has a long standing track record of squatting on its rural spectrum holdings in Quebec and Ontario. Even in Quebec, their headquarters, they have only deployed 18% of their rural spectrum holdings) and instead just wait a few years to resell it for an enormous profit – recent transactions have yielded profits north of \$240 million; and
3. Given recent CRTC decisions and lax deployment conditions, Quebecor won't be obliged to use the spectrum for many years – instead it will be able to operate as a “virtual provider” on other networks instead of deploying the spectrum to connect rural Western Canadians.

Federal government action is required to end set-asides in rural Canada and enforce stronger deployment conditions on licenses through a “use it or lose it” policy to ensure all carriers are using their spectrum to connect Canadians, including in rural communities. We support consumer choice and competition, however it is only through smart policy that we will be able to close the digital divide and connect all Canadians by 2030.

#### Amplifying Western Canada's Voice

As a Western-Canadian headquartered company, TELUS is committed to advancing connectivity in the West and closing the rural digital divide. TELUS team members live where we work and are connected to rural communities across BC and Alberta. These are our home communities, too, and as Western Canadians, we care about policies that are inhibiting our shared goals. We need better spectrum policy that accelerates deployment

and drives private sector investment, rather than a system that rewards spectrum squatters.

As we head into a federal election, please consider reaching out to potential candidates to ensure spectrum policy and its implications for rural Canadian connectivity is at the forefront of the conversation. We have drafted a template below that you may use, if helpful.

Thank you for your consideration.

Sincerely,



Brian Bettis  
General Manager, Alberta North and BC Interior  
Customer Solutions Delivery  
TELUS Communications Inc.  
Phone: 780-868-6837

---

**Subject: Implications for rural connectivity | Results of recent spectrum auction for Western Canadians**

August xx, 2021

Dear (insert title),

Closing the rural-urban connectivity divide is both possible and achievable. We are writing to express our concern at the recent results of the 3500 MHz Spectrum Auction and the negative outcomes that are expected for Western Canada. The results appear to be misaligned with the government's goal to close the digital divide and connect all Canadians by 2030.

**Spectrum Auction Structure Inhibits Affordability**

The 3500 MHz auction raised \$8.91 billion in revenue for the Canadian government. Notably, US carriers paid on average \$1.19 per MHz-pop in the FCC's most recent 5G spectrum auction, while Canadian national carriers paid \$3.28 per MHz-pop, nearly three times as much.

Analysts commented that the auction structure contributed to excessive prices which could be passed onto consumers:

- “Maybe the system is partially to blame for setting up auction structures that can cause this type of excessive bidding, which, in turn, makes it difficult for consumers to enjoy lower costs going forward.” - Vince Valentini (TD Bank)
- “We believe the recent MVNO decision, the auction rules, the limited availability of spectrum that was not set aside and the attractive features of 3,500MHz were all reasons that drove spectrum pricing higher.” - Jerome Dubreuil (Desjardins)

### **Western Canada Shut-Out from Benefiting**

A Quebec-based telecommunications company, Quebecor, was able to acquire “set-aside” (effectively subsidized) spectrum in BC and Alberta, despite having no regional presence or network in Western Canada. This award was much to the surprise of industry, consumers and bank analysts. Going deeper, Quebecor's ability to acquire spectrum seems counterintuitive, given that:

1. Quebecor, according to spectrum regulation, should not have been eligible to bid on spectrum out West. Policy indicates that providers must be already delivering services in regions where they bid on subsidized spectrum.
  - a. Indeed, the analyst community was surprised that Quebecor was eligible to bid on set-aside spectrum in BC and Alberta:
    - i. “Surprisingly, Quebecor emerged as a qualified and successful bidder for set-aside spectrum outside of its existing cable and wireless footprint.” - Drew McReynolds (RBC)
    - ii. “It was not even clear that QBR was qualified to bid outside its wireless operating regions.” - Jeff Fan (Scotiabank)
2. Quebecor has a poor track record of deploying their spectrum (even in Quebec, their headquarters, they have only deployed 18% of their rural spectrum holdings) and instead just waiting a few years to resell it for an enormous profit – recent transactions have yielded profits north of \$240 million; and
3. Given recent CRTC decisions and lax deployment conditions, Quebecor won't be obliged to use the spectrum for many years – instead it will be able to operate as a “virtual provider” on other networks instead of deploying the spectrum to connect rural Western Canadians.

### **Negative Impacts to Western Canada**

Without access to sufficient spectrum, it is impossible to offer the wireless speeds and capacity necessary to serve rural communities with wireless high speed internet. As a result of the spectrum 3500 MHz results, rural

communities across BC and Alberta will suffer. Their spectrum went to a Quebec carrier - a known squatter - as seen by Quebecor's current rural deployment rates:

- Quebec: 18% of rural spectrum deployed
- Ontario: 9% of rural spectrum deployed

Compounded with the CRTC's wireless regulatory framework review decision which will enable mobile virtual network operator (MVNO) access to carriers for 7 years in areas where they have a spectrum licence, Quebecor will be able to continue squatting on their rural spectrum holdings to the detriment of Canadians and Indigenous peoples who live in remote communities.

### **Use it or Lose it: How Better Spectrum Policy will Close the Rural-Urban Divide**

The 3500 MHz auction results reinforce the need to reform Canada's spectrum policy ahead of the 3800 MHz auction by ending set-asides and enforcing stronger deployment conditions on licenses through a "use it or lose it" policy to ensure all carriers are using their spectrum to connect all Canadians, including in rural and Indigenous communities

Thank you for your commitment to serving Western Canadians.

Sincerely,

Insert Signature Block

CC: Distribution List

The Honourable Jason Kenney, Premier of Alberta

The Honourable Premier John Horgan, Premier of British Columbia

The Honourable Lisa Beare, Minister of Citizens' Services, British Columbia

The Honourable Ravi Kahlon, Minister of Jobs, Economic Recovery and Innovation, British Columbia

The Honourable Nate Glubish, Minister of Service Alberta, Alberta

The Honourable Ric McIver, Minister of Municipal Affairs, Alberta

The Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry

The Honourable Maryam Monsef, Minister for Women and Gender Equality and Rural Economic Development

Simon Kennedy, Deputy Minister, Innovation, Science and Economic Development