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EPOST

Our file / Notre dossier
A-2015-00795

February 29, 2016

Mr. Michael B. McNally
University of Alberta
3 - 03 Rutherford South
Edmonton, AB T6G 2J4

Dear Mr. McNally:

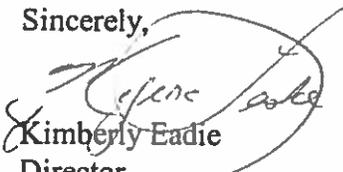
This is in reply to your informal request submitted under the *Access to Information Act* (the *Act*) for: “*Copy of A-2013-00410: BN to the ADM (Strategic Policy Sector) - Deputy Minister's Committee Meeting on May 3, 2013 -Doc #0249088.*”

Since you were seeking a copy of information previously released under the *Act*, we have treated your request on an informal basis and waived the application fee.

Enclosed is a copy of the records relevant to your request. Also included is a “Request Report” which identifies the results of our review of the original request. Upon examination, it was determined that some of the information is withheld pursuant to sections 20 and 21 of the *Act* (enclosed).

Should you have any questions, please contact Ian Babb at 343-291-2795 or by email at ian.babb@canada.ca.

Sincerely,



Kimberly Eadie

Director
Information & Privacy Rights Administration

Enclosures: 29 pages
Sections 20 and 21 of the *Access to Information Act*
Request Report

Canada

Access to Information Act

Third party information

20. (1) Subject to this section, the head of a government institution shall refuse to disclose any record requested under this Act that contains

(a) trade secrets of a third party;

(b) financial, commercial, scientific or technical information that is confidential information supplied to a government institution by a third party and is treated consistently in a confidential manner by the third party;

(b.1) information that is supplied in confidence to a government institution by a third party for the preparation, maintenance, testing or implementation by the government institution of emergency management plans within the meaning of section 2 of the *Emergency Management Act* and that concerns the vulnerability of the third party's buildings or other structures, its networks or systems, including its computer or communications networks or systems, or the methods used to protect any of those buildings, structures, networks or systems;

(c) information the disclosure of which could reasonably be expected to result in material financial loss or gain to, or could reasonably be expected to prejudice the competitive position of, a third party; or

(d) information the disclosure of which could reasonably be expected to interfere with contractual or other negotiations of a third party.

Operations of Government

21. (1) The head of a government institution may refuse to disclose any record requested under this Act that contains

(a) advice or recommendations developed by or for a government institution or a minister of the Crown,

(b) an account of consultations or deliberations in which directors, officers or employees of a government institution, a minister of the Crown or the staff of a minister participate,

(c) positions or plans developed for the purpose of negotiations carried on or to be carried on by or on behalf of the Government of Canada and considerations relating thereto, or

(d) plans relating to the management of personnel or the administration of a government institution that have not yet been put into operation,

if the record came into existence less than twenty years prior to the request.

Exercise of a discretionary power or an adjudicative function

(2) Subsection (1) does not apply in respect of a record that contains

(a) an account of, or a statement of reasons for, a decision that is made in the exercise of a discretionary power or an adjudicative function and that affects the rights of a person; or

(b) a report prepared by a consultant or an adviser who was not a director, an officer or an employee of a government institution or a member of the staff of a minister of the Crown at the time the report was prepared.

Axcess-1

By epixus inc.

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Requests

Reports

Administration

Request Report (Less Detail)

Request Id	A-2013-00410
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PDF File Name/PDF Fichier		A-2013-00410_0001.pdf				Page Count/Nombre de pages	29
Page Numbers in PDF/Numéro de la page (PDF)	Clauses Used/Clauses citées	Status/L'état	Pages in Original/Pages dans l'originale	Pages Withheld/Pages non divulguées	Pages Released/Pages divulguées	Doc Page # W/H/Page # (document) p/r	PDF Page # W/H /Page # (PDF)p/
(1 - 1)		Released In Entirety	1	0	1		
(2 - 2)	21(1)(a), 21(1)(b)	Partial Release	1	0	1		
(3 - 25)	20(1)(b), 20(1)(c), 21(1)(a), 21(1)(b)	Partial Release	23	0	23		
(26 - 28)	20(1)(c), 21(1)(a), 21(1)(b)	Partial Release	3	0	3		
(29 - 29)		Released in Entirety	1	0	1		
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Strategic Policy Sector Secteur de la politique stratégique

MAY 02 2013

ADVICE TO THE DEPUTY MINISTER

c.c. Associate Deputy Minister

Deputy Minister's Committee Meeting on May 3, 2013

ISSUE

You have been asked to present to the Committee on issues in wireless telecom.

BACKGROUND

Attached are:

- Suggested opening remarks (Annex A)
- A presentation, which I am prepared to deliver (Annex B)
- Suggested responses to some questions that may arise following the presentation (Annex C)

Iain Stewart
Assistant Deputy Minister
Strategic Policy Sector

Attachments

Contact: Pamela Miller, Director General, Telecom Policy Branch (998-4242)

CCM 249088

Canada

DM's Opening Remarks
DMC – May 3, 2013

market
tendency
is toward
concentration

- The telecommunications sector has high barriers to entry and requires massive investment. Over time the market has shown a tendency towards few players, and high concentration.
- Globally, governments and regulators interested in more competitive outcomes have had to demonstrate constant vigilance against concentration. In Canada, the situation is no different.
- In 2008 the government took steps to further competition in the wireless market by reserving spectrum for new entrants. In some markets across Canada, prospects are good.

21(1)(a), 21(1)(b)

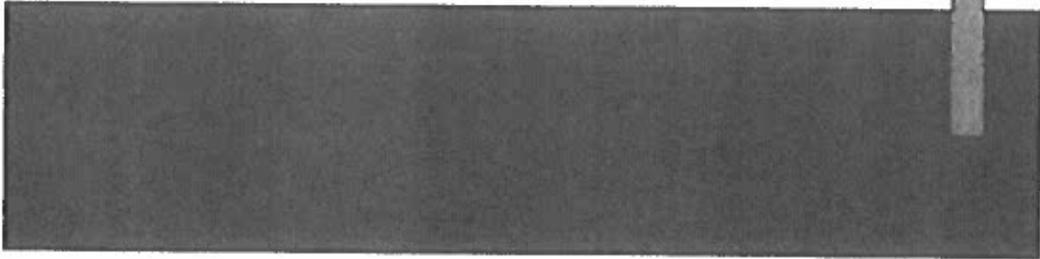
- Iain Stewart will now walk you through our deck, which provides an update of the state of play in the industry, choices before government and possible paths forward. He will spend more time on the context and challenges, in order to reach a common understanding, and will end by touching on possible options.



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Update on the Wireless Sector

May 3, 2013

Canada

Policy objectives for wireless

- Objectives:
 - Sustained competition – a 4th provider in every region
 - Robust investment and innovation
 - Timely availability of advanced services in rural areas
- To encourage competition, the Advanced Wireless Services (AWS) spectrum auction in 2008 included a set aside for new entrants to the market:
 - Wireless prices have declined by 18% on average
 - Investment has increased by 40% - high speed network coverage now at 99% of population, next generation networks are being deployed

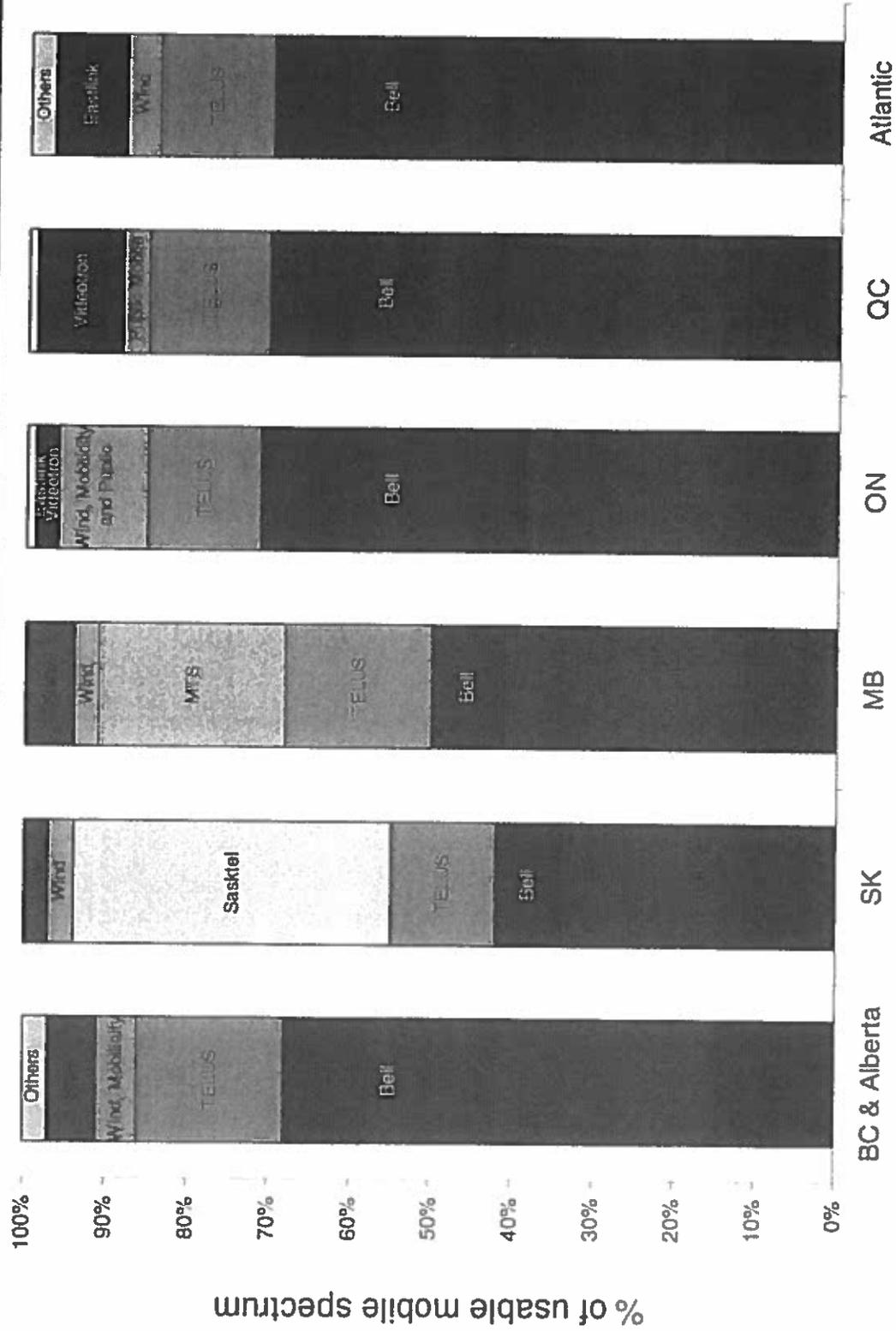
Policy objectives for wireless



21(1)(a),21(1)(b)

- This presentation outlines considerations and options for a path forward

Spectrum licences are concentrated

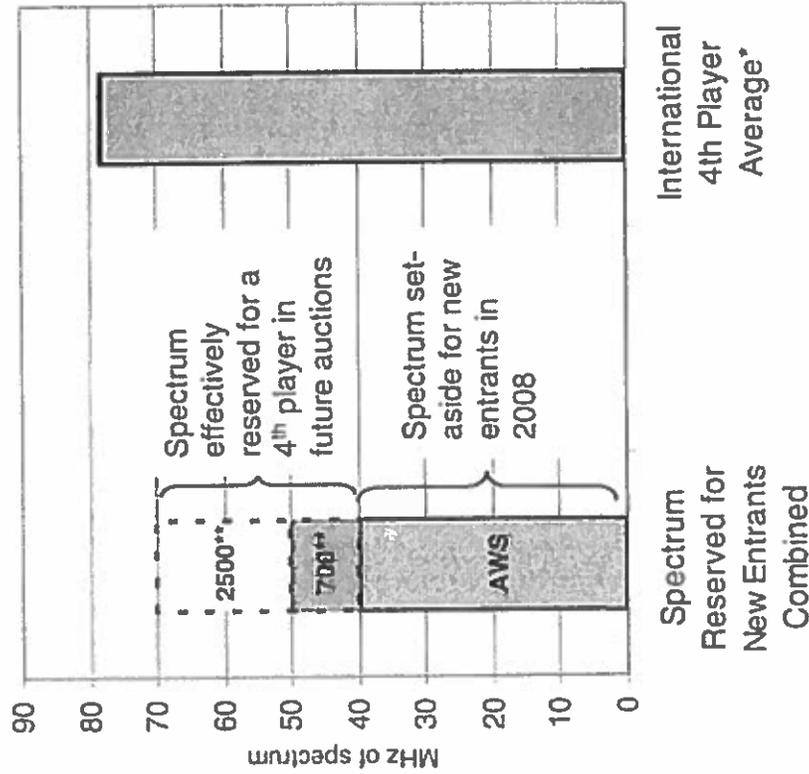


Note: Bell and TELUS pool spectrum across the country

2008 set aside is key

- In 2008, 4 blocks (40 MHz) of spectrum was reserved for new entrants in each region
- The upcoming 700 / 2500 MHz auctions effectively reserve a total of 3 blocks (30 MHz) for a 4th player in each region; in total, less than what was reserved in 2008
- A 4th player with all of the 2008 set-aside and future reserved spectrum in a region would have holdings approaching, but still less than, the average of 4th players in other key markets

Spectrum Holdings for Canadian New Entrants and International 4th Players



* Based on U.S., U.K., France, Germany, after equivalent of 700/2500 auctions; U.K. projection based on rules

** Spectrum effectively reserved for new entrant in upcoming auctions, in key markets

State of new entrants in Ontario, Alberta and BC

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- WIND Mobile (600,000 subscribers)

—
—
—
—
20(1)(c),21(1)(a),21(1)(b)

- Mobilicity (240,000 subscribers)

—
—
—
—
20(1)(c),21(1)(a),21(1)(b)

- Public Mobile (20(1)(b) subscribers)

—
20(1)(c),21(1)(a),21(1)(b)

- Shaw (did not launch)

—
—
20(1)(c),21(1)(a),21(1)(b)

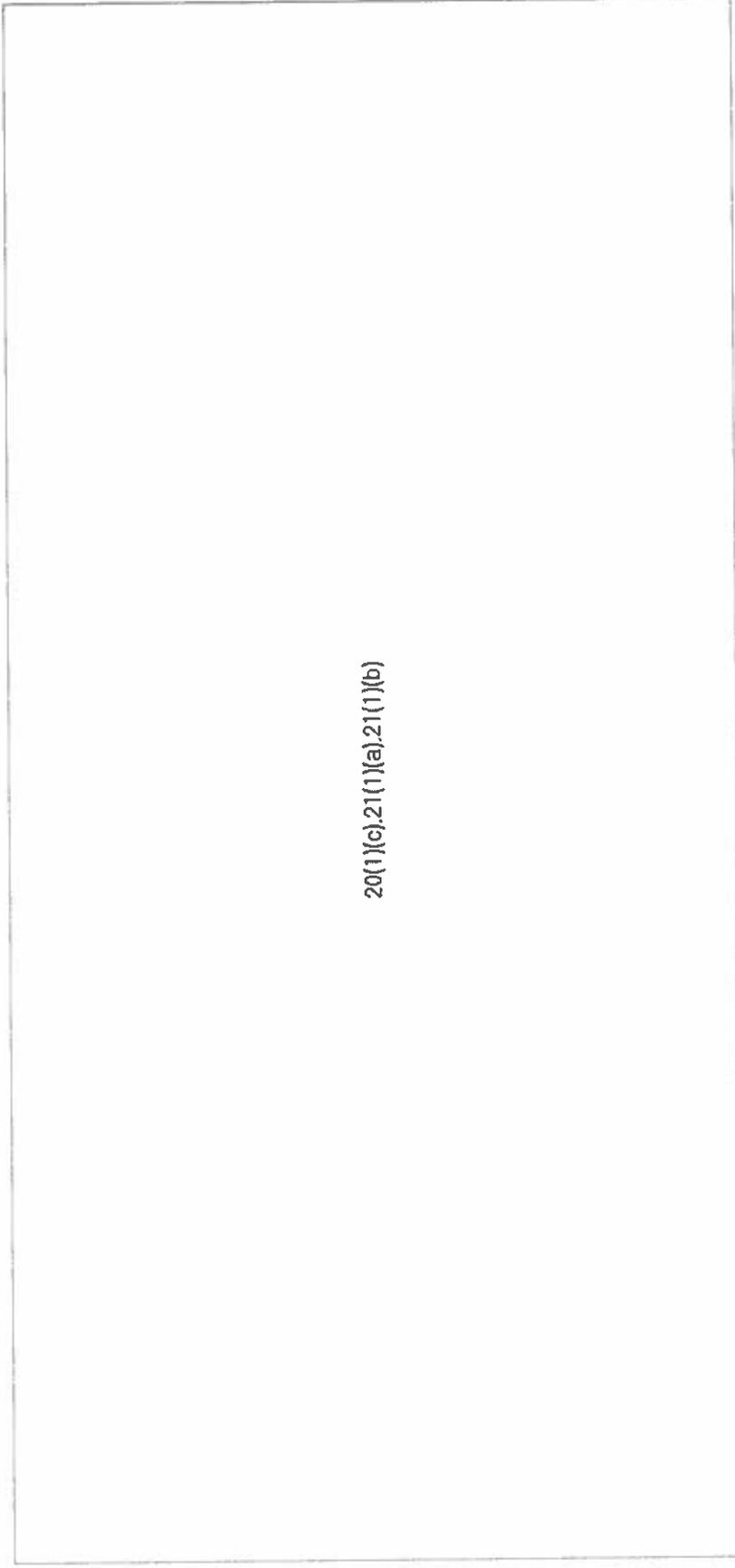
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Multiple bids for new entrants

Incumbents

New entrants for sale

Potential new investors



20(1)(c).21(1)(a).21(1)(b)

What a sustainable fourth player requires

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20(1)(c),21(1)(a),21(1)(b)

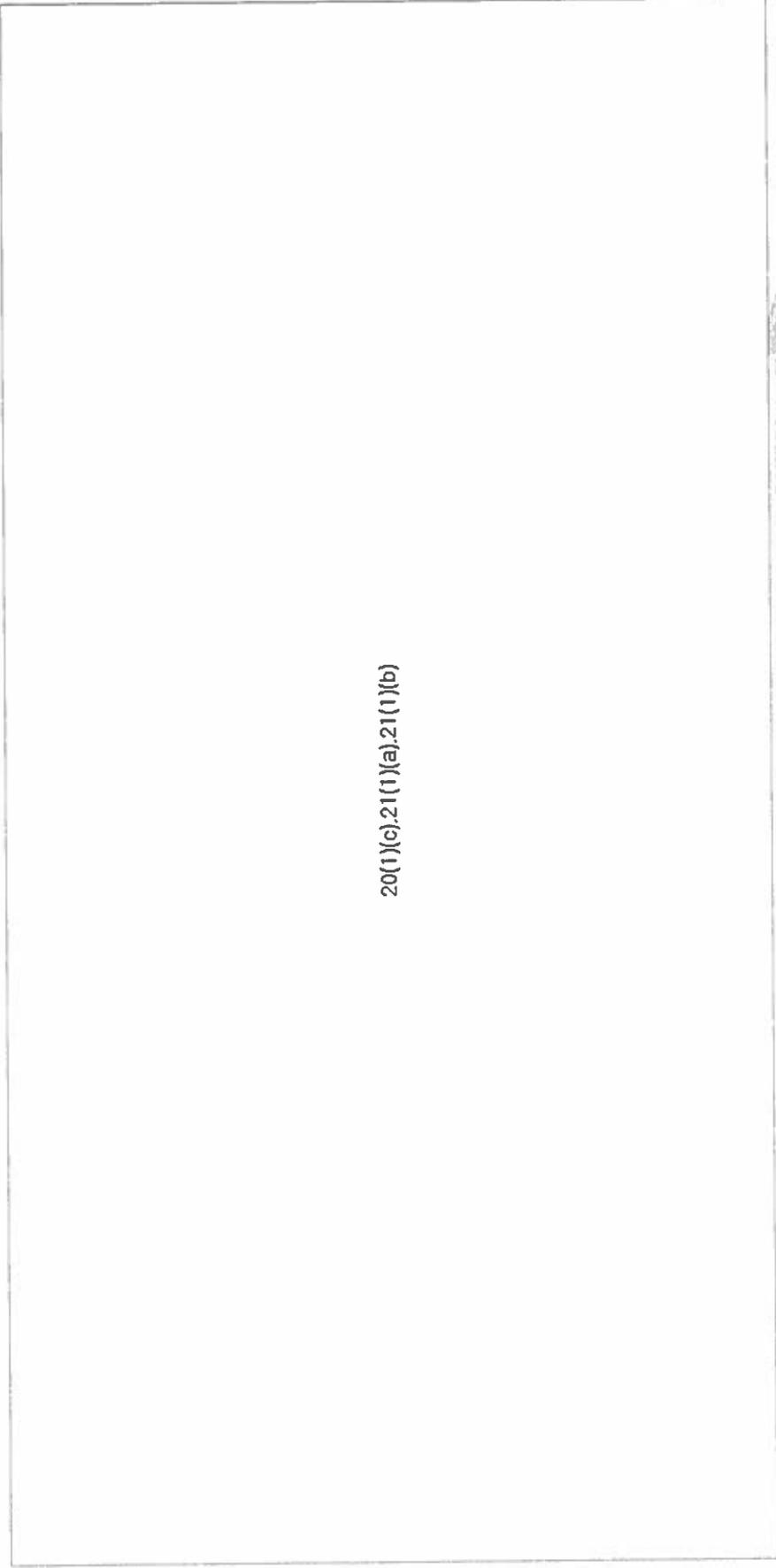
- A sustainable 4th provider requires:
 - Sufficient spectrum – to grow subscribership and deploy LTE
 - Capital – to build-out networks and finance operations until profitability
 - Reasonable agreements on roaming and tower sharing – to allow new entrants to service their subscribers nationally as they build out

- This is reflected in feedback from new entrants and potential investors – they are calling for:
 - **WIND / Mobilicity / Public**
 - [Redacted]
 - 20(1)(c),21(1)(a),21(1)(b)
 - [Redacted]
 - **Accelero / other private equity firms**
 - [Redacted]
 - **Videotron**
 - 20(1)(c),21(1)(a),21(1)(b)

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Challenge: Incumbents tying up market

- New entrants' spectrum includes restrictions preventing sale to an incumbent until 2014



20(1)(c),21(1)(a),21(1)(b)

Fundamental choice before government

- 
21(1)(a)

OR

- 
21(1)(a)

21(1)(a),21(1)(b)

Approach 1:

• [Redacted]

21(1)(a),21(1)(b)

Effectiveness

• [Redacted]

21(1)(a),21(1)(b)

Legal Risk

• [Redacted]

21(1)(a),21(1)(b)

Approach 2:

21(1)(a)

-

21(1)(a)

Effectiveness

-

21(1)(a)

-

Legal Risk

-

21(1)(a)

[Redacted] 21(1)(a)

Approach 3:

- [Redacted] 21(1)(a)
- [Redacted]

Effectiveness

- [Redacted] 21(1)(a)
- [Redacted]

Legal Risk

- [Redacted] 21(1)(a)

Other:

[Redacted] 21(1)(a)

[Redacted] 21(1)(a)

Summary of approaches

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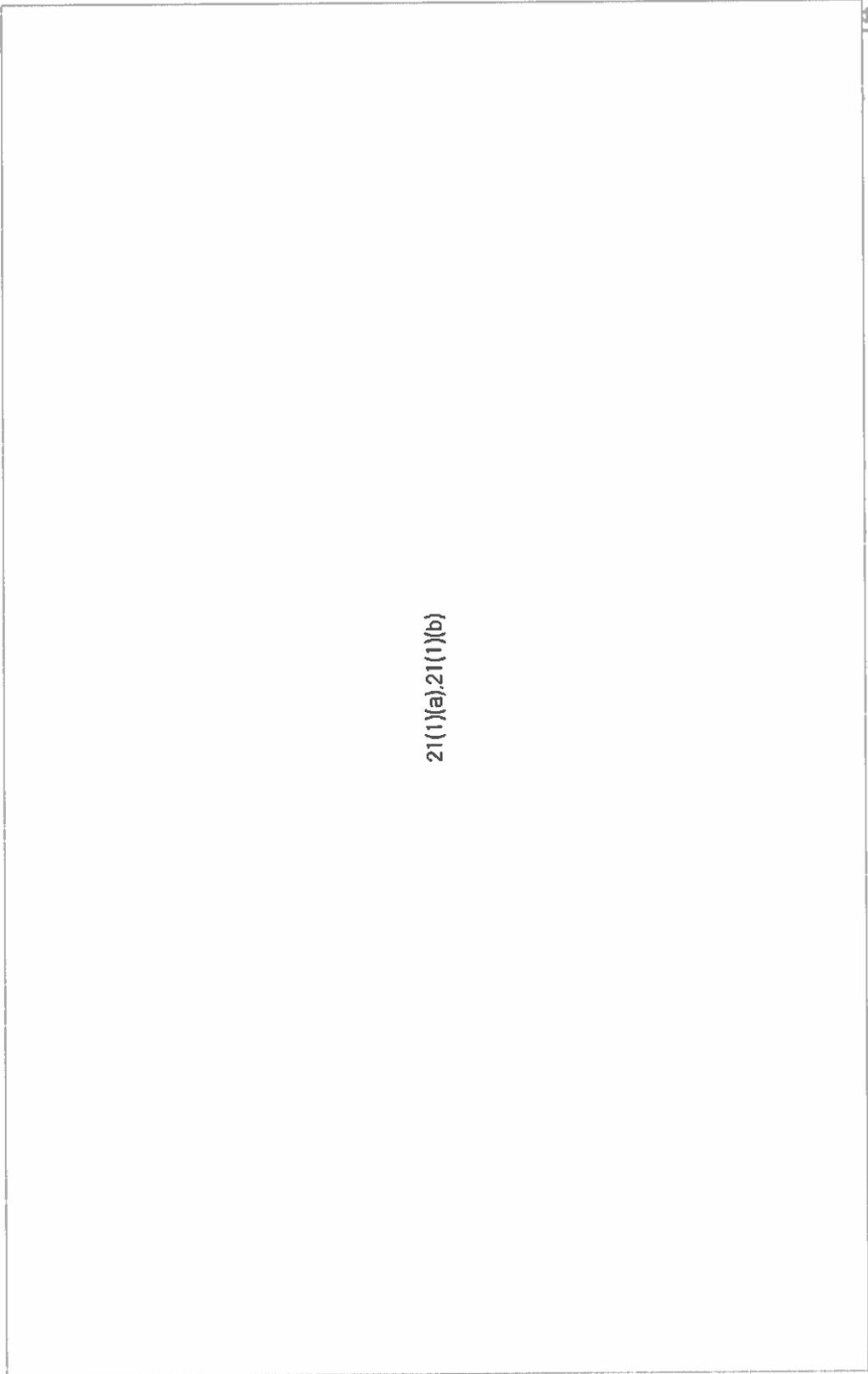
Effectiveness Legal risk

1)	
2)	
3)	

21(1)(a)

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Addressing roaming and tower sharing



21(1)(a),21(1)(b)

Timelines

- Current timeline:
 - 21(1)(a),21(1)(b)
 - **Transfer policy consultation:**
 - Final comments due May 3
 - Decision envisioned for June
 - **700 MHz auction:**
 - Bidder applications: June 11
 - Auction: Nov 19

- Revised timelines under Option 3:

21(1)(a),21(1)(b)

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ANNEX

ANNEX: Untrusted foreign equipment in telecommunications networks

SECRET

-



21(1)(a),21(1)(b)

- Both options will impact new entrants as:



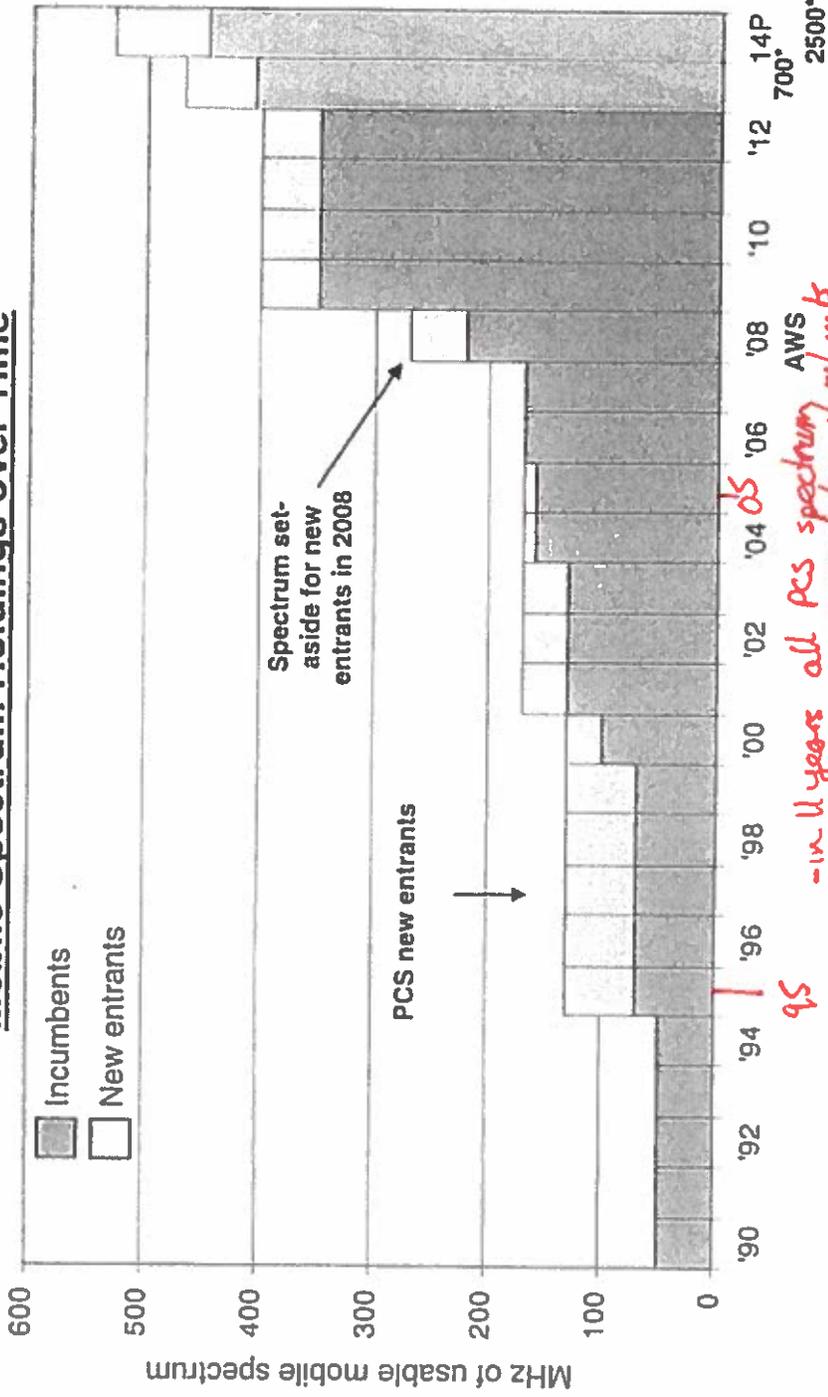
20(1)(c),21(1)(a),21(1)(b)

ANNEX: Spectrum that was set-aside for new entrants in 2008 is a critical base

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- The previous attempt to encourage new entry in the 1990s did not produce sustained competition - the spectrum was acquired by incumbents
- This led to the three national player structure that was in place before 2008

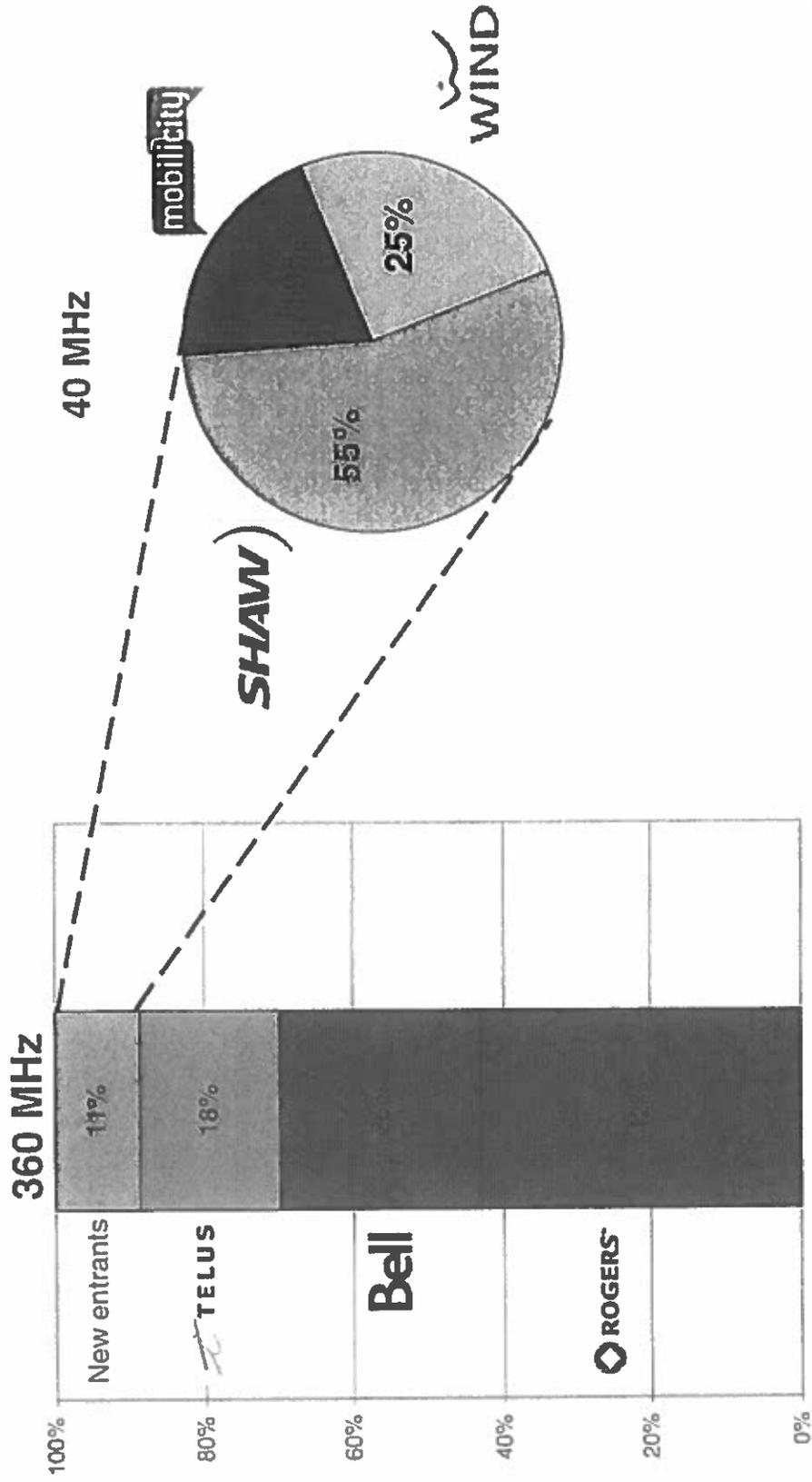
Mobile Spectrum Holdings over Time



* Incumbent and new entrant projection based on spectrum reserved for new entrants in upcoming auctions. Excludes 2300/3500 MHz.

ANNEX: Spectrum concentration

Currently Usable Mobile Spectrum Holdings –
BC and Alberta
(population weighted)



ANNEX: Government levers to support wireless competition

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Competition Bureau

21(1)(a)

CRTC regulation

21(1)(a)

Conditions of spectrum licence

21(1)(a)

Spectrum auction policies

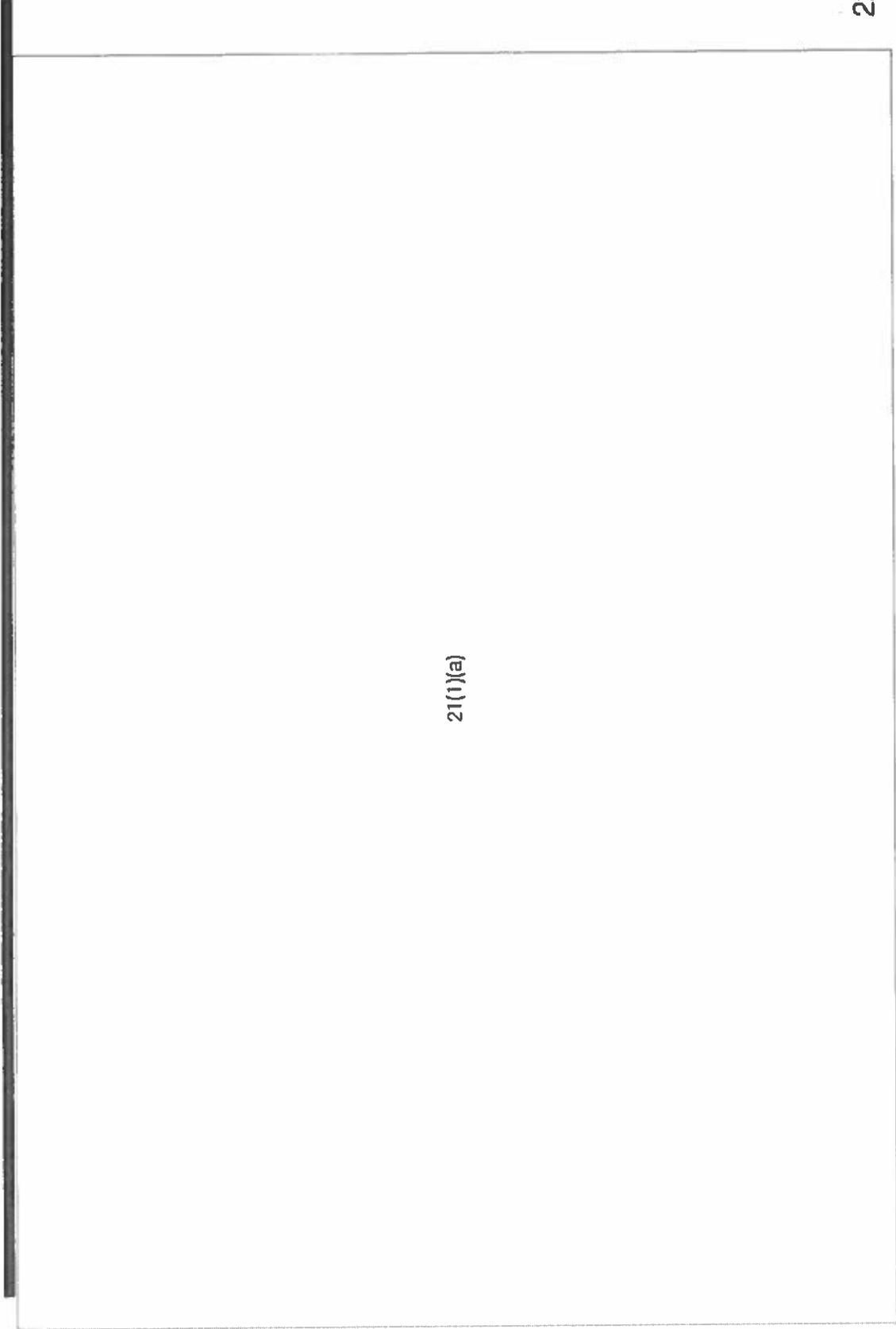
21(1)(a)

Spectrum transfer policy / approach to options

21(1)(a)

The *Investment Canada Act* and limits on foreign ownership restrictions are also factors 21

ANNEX: Summary of other options



21(1)(a)

ANNEX: International approaches

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- **Spectrum for 4th player:**
 - France and the UK have reserved spectrum for a fourth player/new entrants in their recent auctions
 - Germany and Italy instituted caps to prevent the concentration of spectrum among their active four competitors

- **Transfer policies:**
 - The UK, France and Germany all review spectrum transfers for their impact on wireless competition
 - The US applies a spectrum screen, which is a threshold that triggers a net benefits test
 - Currently consulting on a more specific concentration threshold

- **Recent merger and acquisition activity:**
 - The US blocked the merger of T-Mobile and AT&T on the grounds that it would remove a disruptive competitor from the market
 - The UK allowed two of their five players to merge, on the condition of substantial divestment of spectrum, to be sold to the smallest competitor

**Q & As
DMC - May 3, 2013**

INTERNATIONAL BENCHMARKS

Q: How do other countries approach these issues?

- See annex slide 23 in deck.
- In general, peer countries are taking action (in both auctions and in transfer policies) to limit concentration of spectrum licences, with a focus on protecting 4-player markets.
- Other countries including the U.S. and UK already have longstanding rules on spectrum licence transfers that give broad discretion to the spectrum regulator.

FPT

Q: What are the province's views on this issue?

- Provincial interventions in regards to spectrum are limited, and focussed on rural availability of broadband services.
- A number of provinces have been active in consumer protection legislation for wireless services. The CRTC is currently looking at this issue, with the goal of a more harmonized national approach.

VIABILITY OF A 4TH PROVIDER

Q: Why do you believe that the market can sustain a 4th provider?

- In many regions of the country (SK, MB, Quebec, N.S., PEI), we see that a 4th player can be viable. Quebecor has told investors it will reach profitability on its wireless operations this year [four years after launching] – it has about a half million subscribers. MTS and SaskTel also have about ½ million subscribers.

- Market analysts are also of the view that a consolidated 4th provider can also be viable in ON, AB and BC. They quote about 1M subscribers as the necessary level of scale, along with sufficient spectrum and of course capital to bridge the company to profitability.
- The government's goal has been to set the necessary conditions in regards to spectrum availability, a critical precursor to attracting capital in this market.

Q:

21(1)(a).21(1)(b)

21(1)(a).21(1)(b)

- The announcement on March 7 was intended to clearly signal the government's intent to protect spectrum availability for 4th players; the consultation on the spectrum licence transfer policy was launched in this context.

21(1)(a).21(1)(b)

Q: What is IC's role vis-à-vis that of the Competition Bureau?

- Under the *Radiocommunication Act*, the Minister of Industry is responsible for the efficient operation of radiocommunication in Canada, with regard to the objectives of the *Telecommunications Act*, including competitiveness and affordability; whereas the Bureau is responsible for enforcing the provisions of the *Competition Act*.
- The Competition Bureau is reviewing the Rogers / Shaw agreement. However, their bar for action is very high and difficult to meet in cases such as this, and the timeline for action is long.
- In general, in peer countries, both the spectrum regulator and the competition authority review transactions involving spectrum licences, from different perspectives.

IMPACT ON INVESTMENT AND RURAL SERVICES

Q: [redacted] 21(1)(a)

• Some new entrants are making large investments in rural areas [redacted] 20(1)(c).21(1)(a).21(1)(b)

[redacted] 20(1)(c).21(1)(a).21(1)(b) However, in ON, AB and BC, new entrants have focussed on urban/suburban areas.

*ON, BC,
AB
new
entrants
concentrated
in urban
areas*

• [redacted] 21(1)(a).21(1)(b)

• There is no indication that industry investment has declined as a result of the government's actions to promote competition. Investment intensity is still among the highest in the world, and wireless capital expenditure has actually increased 40% since 2008.

OPTIONS

Q: Do you think that any of the options will result in new entrants forming a 4th player?

• [redacted] 20(1)(c).21(1)(a).21(1)(b)

Q: What are wireless new entrants going to think about these policies?

• [redacted] 20(1)(c).21(1)(a)



ROUTING SLIP

Security Classification
Secret

Purpose

- For Signature Information Decision/Approval
- Of Minister Secretary of State Deputy Minister Associate Deputy Minister

Sector

Originator(s)	Telephone Number	Signature	Date
Brian Chow	613-960-6491		

Subject

Deputy Minister's Committee Meeting on May 3, 2013

- PRIORITY
If urgent, state reason / deadline

Sectors Consulted

Internal

- | | |
|--|---|
| <input type="checkbox"/> ADM, Business Law and Counsel | <input type="checkbox"/> DG, Human Resources |
| <input type="checkbox"/> ADM, Industry | <input type="checkbox"/> DG, Office of Consumer Affairs |
| <input type="checkbox"/> ADM, Science and Innovation | <input type="checkbox"/> Commissioner of Patents, Registrar of Trade-marks and CEO CIPO |
| <input type="checkbox"/> Corporate Secretary, Corporate and Portfolio Office | <input type="checkbox"/> ADM, Comptrollership and Administration |
| <input type="checkbox"/> ADM, Regional Operations | <input type="checkbox"/> ADM, Small Business and Marketplace Services |
| <input type="checkbox"/> ADM, Spectrum, Information Tech and Telecomm | <input type="checkbox"/> ADM, Strategic Policy |
| <input type="checkbox"/> Commissioner, Competition Bureau | <input type="checkbox"/> Other (specify) _____ |
| <input type="checkbox"/> DG, Audit and Evaluation | <input type="checkbox"/> _____ |
| <input type="checkbox"/> DG, Communications | <input type="checkbox"/> _____ |

External

- PCO TB Other (specify) _____

Approval

Director Christopher Johnstone	Signature 	Date MAY 02 2013
Director General Pamela Miller	Signature 	Date MAY 02 2013
ADM, EXD or Equivalent	Signature	Date
Associate Deputy Minister	Signature	Date

Comments

BN: 332825
Annex A: 332817 Annex B: 332409 Annex C: 332448

CCM: 249088

