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Canada Lags Peers in Solving Spectrum Scarcity in Wireless World: C.D. Howe Institute

Toronto, May 6 – Canada lags other countries in solving the problem of spectrum scarcity amid rising demand driven by cellphones and other wireless products, according to a study released today by the C.D. Howe Institute. In *Solving Spectrum Gridlock: Reforms to Liberalize Radio Spectrum Management in Canada in the Face of Growing Scarcity*, authors Martin Cave and Adrian Foster call for reforms to liberalize the allocation of spectrum in Canada with a market-based approach, to increase competition and enhance efficiency, for the benefit of consumers and other end users.

The authors note that global wireless proliferation and rising demand for wireless products are straining the government's spectrum allocation system. In Canada, as elsewhere, the ubiquity of cellphones, combined with the need for wireless emergency communications systems, and upcoming changes to television services using wireless technology, has transformed the distribution of limited spectrum space from an arcane technical issue to a matter of pressing public interest.

While spectrum reform and renewal is well underway around the world, Canada's approach to date has been cautious. Indeed, auctions that competitively assign spectrum are common elsewhere, but are new in Canada. Canada also lags the market-based initiatives of other countries, notably Australia, the United Kingdom and the United States.

The authors recommend reforms for spectrum policy in Canada that would liberalize the allocation system and improve the telecom market's performance.

First, Industry Canada, which has sole responsibility for management of the spectrum resource, should rely increasingly on spectrum auctions, as they are the best means of assigning scarce spectrum.

Second, it should apply prices to spectrum to better reflect the opportunity cost of holding that spectrum. Releasing underused spectrum for commercial use would generate government revenue and improve competition, leading to lower wireless prices for consumers.

Third, Industry Canada should allow spectrum holders greater flexibility to trade and change the aggregation of their spectrum in secondary markets. This will better allocate spectrum to its most valued use no matter who purchases it initially through an auction.

Lastly, Industry Canada should focus its regulation of spectrum on reducing signal interference while allowing greater common usage of allocated spectrum.

Spectrum allocation policy reform in Canada, say the authors, is becoming increasingly urgent as new forms of technology change how spectrum is used and as valuable spectrum space soon to be vacated by analog television broadcasts becomes available.

For the study, go to www.cdhowe.org

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Solving Spectrum Gridlock: Reforms to Liberalize Radio Spectrum Management in Canada in the Face of Growing Scarcity, C.D. Howe Institute Commentary No. 303, by Martin Cave and Adrian Foster (May 2010). 17 pp; \$12.00 (prepaid, plus postage & handling and GST – please contact the Institute for details). ISBN 978-0-88806-806-4.

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