

From: Benjamin Dachis

To: Telecommunications Policymakers

Date: April 23, 2021

Re: CANADA'S SPECTRUM AUCTIONS: TOO SLOW AND TOO PRICEY

Ottawa has a policy of auctioning off radio frequency spectrum for telecommunications purposes in discrete chunks, which minimizes interference and ensures its safe use.

But Canada lags peer jurisdictions in the timing and quantity of available spectrum for economically critical 5G spectrum bands. When it finally conducts its 5G auction in June, 37 other countries will have already assigned the band. Such regulatory impediments slow the rollout of 5G and undermine Canada's technological competitiveness.

Meanwhile, spectrum costs in Canada are almost four times higher than the international average. That results in lower network investment and higher consumer prices. If spectrum costs were as low as those paid by European carriers, Canadian wireless rates could be as much as 12 percent lower.

In its [latest communiqué](#), the C.D. Howe Institute's Telecommunications Policy Working Group recommends that the process for awarding spectrum be designed and updated more frequently to align with international best practices. Ottawa's primary goal should be to allocate spectrum most efficiently and ensure competitive access.

Canada is at a critical telecom crossroads and the structure and stance of federal regulation of providers will shape commercial decisions about investments in next-generation facilities and capabilities. Government support for build-out of telecommunications infrastructure will directly affect the pace at which communities are digitally connected and their ability to participate in an increasingly digital economy.

A key challenge is improving the framework and timeliness for allocating spectrum – particularly to address high relative costs, expedite the now slow release of new spectrum, and ensure competitive availability. While commercial bidders drive prices, auction design sets the table, sometimes unhelpfully.

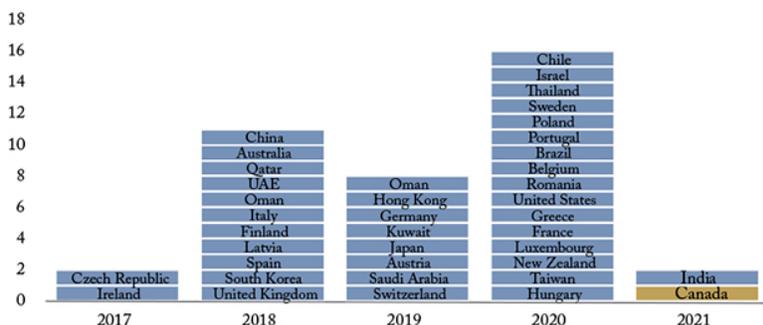
Spectrum auctions provide a framework for resolving inherent information asymmetries around the value to each provider of this scarce resource. Market participants may overvalue spectrum in a particular auction if timelines for release of new spectrum are protracted or the roadmap is uncertain.

As well, as a scarce resource – and potential bottleneck – auction design must contend with the potential for anti-competitive bottlenecks to new entry. To address these challenges, policymakers should avoid high minimum auction prices, artificial spectrum scarcity (e.g., sluggish or unclear schedule for release of new spectrum, fragmented packaging) and rules that may allow competitors to foreclose competition and incite bidding wars (e.g., opaque auction rounds, lack of spectrum caps).

In summary, the federal government must provide facilities-based providers with a clear and predictable regulatory framework that coherently balances vigorous price competition with incentives for ongoing investment to improve network and service quality.

Figure: Global Spectrum Assignments in 3500 MHz Band

Spectrum
Assignments
by Year



Source: GSMA Intelligence (data as of Q2/2020).

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