

Would-be wireless players line up for auction

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Yak Communications Inc. is in and Cogeco Inc. [\[CGO-T\]](#) is out as companies declare this week whether they want to take part in the upcoming wireless spectrum auction.

Would-be bidders for the new wireless airwaves must hand in their application forms and financial deposits Monday to Industry Canada, which is running the auction. Later in the week, it plans to make the suitors public.

The auction, slated for late May, is expected to generate plenty of interest since part of the spectrum will be set aside for new wireless hopefuls. Canadian cable operators, smaller telephone-service providers, private-equity firms, and even foreign companies are among the candidates that could try to break into Canada's cellphone market, observers say.

Right now, just three companies control that \$12.7-billion market: Bell Canada, Rogers Communications Inc. [\[RCI.B-T\]](#) and Telus Corp. [\[T-T\]](#) Each have attracted roughly a third of the country's 19.9-million cellphone subscribers. A new competitor would look to lure some of those customers away from the big giants, while signing up some of the 13-million Canadians that still don't subscribe to a wireless service.

"It's always strategically important for people to throw their name into the hat," said Jeffrey Fan, an analyst at UBS. "The number of participants that you may see that put in an application will probably be greater than what people expect."

For now, many of those possible suitors appear to be keeping their plans to themselves. Manitoba Telecom Services Inc. [\[MBT-T\]](#), which sells cellphone service in Manitoba, is widely believed to be interested in becoming a nationwide player. But MTS spokesman Greg Burch wrote in an e-mail last week that the company is considering its opportunities and is in talks with potential partners, but hasn't made a decision whether it will take part in the wireless auction.

Others who declined to comment on their possible participation included financial players Canadian Pension Plan Investment Board, the Public Sector Pension Investment Board, and the Caisse de dépôt et placement du Québec, along with foreign wireless carriers AT&T Inc. and T-Mobile International, and Canadian cable operator Shaw Communications Inc. [\[SJR.B-T\]](#)

Some would-be suitors said they should be counted out. Cable firm Cogeco, for example, doesn't want to be in the wireless industry, spokeswoman Marie Carrier explained last week. A few phone companies from abroad also said they're not interested: Verizon Wireless and Sprint, Vodafone Group PLC [\[VOD-N\]](#), and Hutchison Whampoa Ltd.

Virgin Mobile Canada, an equally owned joint venture between Bell and Virgin Group PLC, isn't going to be entering the ring. It can't bid for the spectrum reserved for new entrants since Bell is an incumbent, according to Virgin Mobile Canada chief executive officer Andrew Black.

Others are obviously enthusiastic about the chance to move into the wireless space. Quebec cable operator Videotron Ltee recently expressed interest in launching a national wireless service, although spokespeople for the company didn't respond to requests for comment last week.

Skuli Mogensen, founder and chairman of OZ Communications Inc., which develops instant messaging and e-mail platforms for wireless carriers, called it a "very interesting opportunity," though he wouldn't comment further.

Yak, which resells long-distance phone service, is keen. "We're looking forward to the auction and feel that Yak Communications is well positioned heading into the bid," Anthony Lacavera, chief executive officer of Globalive Communications Corp., which owns Yak, said in an e-mailed statement.

Observers are divided on the opportunities ahead for new entrants to the country's wireless market. On the one hand, it is an attractive industry. The percentage of the population with cellphones is lower than in the United States, Europe and Asia. Moreover, customers' monthly bills are high, according to **Neeraj Monga**, an analyst at **Veritas Investment Research**.

"The wireless industry is still very healthy in Canada," said Mr. Fan. He expects growth will be fuelled by data services and people cancelling their landline phones and relying on cellphones.

"The flipside is, everyone wants to get a piece of it," he added.

Both analysts expect that prices will be headed down wherever new competitors appear. That worry has weighed on the stocks of the existing wireless providers, especially since subscriber growth is slowing. Last year, the industry added 1.5-million subscribers compared with 1.6-million a year earlier.

"We'll definitely see prices go down," **Mr. Monga** said, especially if the new entrant doesn't have other communications services to sell in a bundle. That means "they have to fight on price and service."

Still, Mr. Fan points out that although many players may take interest in the auction, that's very different from actually making a bid and walking away with the spectrum.

As well, there are many hurdles ahead for these wireless hopefuls. They will be bombarded with big bills for building their networks and getting their service up and running.

"It feels to me that the companies that are bidding for spectrum, there's an assumption they're all going to be successful," Mr. Black said. "That's a big assumption."