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Too good to be true?

SSi responds to Northwestel's "modernization" plan

YELLOWKNIFE: July 23, 2012. Northwestel recently announced a \$273 million "Modernization Plan" suggesting that it will deliver local wireless services comparable to those in southern Canada to residents in all northern communities, no matter how remote.

This sounds like a dream come true. And we all know that if something sounds too good to be true, it usually is. It's time for a reality check.

Northwestel did not propose a "modernization plan" out of the goodness of its corporate heart. On the contrary, the current situation has only come about because of chronic underinvestment by Northwestel and repeated shortcomings relative to its basic obligations as the incumbent telecom provider in the North.

Since 2007, Northwestel has received over \$20 million per year in subsidies and its annual income had nearly doubled by 2010. Despite this, the company's infrastructure is aging, and services in many remote communities are not comparable to those provided in the rest of Canada.

In December of last year, following a detailed review of Northwestel's performance, Canada's national telecom regulator, the Canadian Radio-television and Telecommunications Commission (CRTC) stated with concern that Northwestel's shareholders had benefited from the regulatory framework to a far greater extent than its customers. Northwestel was put on probation by the CRTC and ordered to file a network modernization plan. The company was also ordered to justify the extremely high wholesale rates it charges for transport services and, for the first time ever, the CRTC opened up the North to local telephone competition.

The SSi Group of Companies (SSi) began operations over twenty years ago, and has been fighting for fair and open telecoms competition in the North ever since. SSi feels an obligation to bring a clear perspective to what is contained in the Northwestel proposal. It is also important to highlight what is missing, including, among other things, any attempt to comply with well-established rules of the CRTC.

SSi has reviewed the proposed plan and prepared a "Reality Check" meant to assist others in their own review. The Reality Check accompanies this News Release and is also available at www.ssimicro.com.



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SSi's conclusions, in brief, are as follows:

- *Northerners are being held hostage* by Northwestel suggesting the entire modernization plan is hinged on the CRTC approving a proposed acquisition of Astral Media by Northwestel's parent company, Bell Canada. Brazenly, Northwestel has threatened that it will not even implement basic improvements to telecom service, such as enhanced calling features or switch upgrades, if the Bell/Astral "benefits plan" is not approved.
- *"Less of the same"*: What Northwestel has presented is not really a "new" plan but a "lesser" plan. Northwestel actually committed to the CRTC in October of 2011 to invest more than what is now proposed in the modernization plan. And the commitments made at that time were in no way tied to the approval of unrelated demands by Bell.
- *Not an incremental benefit but, rather, a blatant broadside attack on competition*: Northwestel wishes to sink competitive alternatives through the use of subsidies to develop its own fibre backbone network, which Northwestel prices to competitors at discriminatory rates, and to deploy high-speed wireless Internet in communities where competitors already exist.
- *No plan for sustainability*: The "modernization" focuses on one-time capital expenditures to develop infrastructure, but there is no plan for ongoing sustainability to ensure the system will be affordable. Northern residents already have access to broadband Internet. The issue is not access; it is the cost of bandwidth and Northwestel has completely missed the mark on this vital point.
- *A perversion of the CRTC's contribution subsidy system*: Northwestel is proposing to receive an exclusive \$20.5 million in annual contribution subsidies to implement its plan. However, contribution is for basic wireline phone service and is not available to assist Bell and Northwestel offer wireless broadband in a competitive environment.

"To be clear, SSi profoundly believes that technology upgrades and investments must continue in order to improve the quality of telecoms service available to Northerners," says SSi's Chief Development Officer, Dean Proctor. "However, the real challenge is not the cost or effort to upgrade local networks with new technologies. The real challenge is to make broadband service affordable for consumers in a sustainable fashion."

In the North, that means backbone services – the satellite and fibre transport that link Northern communities to the rest of the world – must be affordable. Neither Bell nor Northwestel has proposed sustainable solutions for affordable bandwidth.

"Upon first glance, Northwestel's plan appears rather clever", says Jeff Phillip, founder and CEO of the SSi Group of Companies. "It hints strongly that competition should be kept at bay so that Northwestel can meet its forecast revenues and invest in the promised upgrades. It also attempts to redirect money for the broadcast industry into Bell's own pockets under the guise of tangible benefits to further block competition. Perhaps they thought nobody would see through it."



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Northwestel is asking the public to write letters to the CRTC supporting Bell's "benefits" proposal. SSi strongly encourages the public to **KNOW WHAT IS PROPOSED** before submitting any comments. Ask yourself: Is it too good to be true?

For more information, including SSi's Reality Check and how to submit comments to the CRTC concerning the Bell and Northwestel plans, see www.ssimicro.com. Comments are due by August 9, 2012.

About SSi: Headquartered in Yellowknife, Northwest Territories, the SSi Group of Companies provides broadband service across Canada's North. SSi understands first-hand the challenges faced in providing effective and affordable communications services to remote and outlying areas, and in providing a competitive alternative to the incumbent operator in small and remote markets.

SSi has deployed advanced satellite and local broadband wireless facilities that deliver services in all 25 communities of Nunavut (under the "QINIQ" brand) and 31 communities of the Northwest Territories, an area spanning over three million square kilometers. The network uses state-of-the-art full mesh connectivity and supports broadband Internet, voice and videoconferencing technologies.

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