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TELECOMMUNICATIONS

BCE's northern rivals slam telecom modernization plan

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The latest hot spot in the telecom war is breaking out in Canada's far north.

A plan by BCE Inc. to earmark \$40-million of regulator-mandated spending to improve telecommunications services across the north has rivals complaining of an unfair cash grab that will stifle competition.

Northwestel Inc., owned by BCE, sparked the controversy after making a request to the federal broadcast regulator concerning its modernization plan for telecom services.

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As part of BCE's \$3.38-billion proposed takeover of Astral Media Inc., BCE is required to contribute what is expected to be hundreds of millions of dollars as part of a larger pot of money known as "tangible benefits" to help fund the Canadian broadcast system.

BCE, however, is asking the Canadian Radio-television and Telecommunications Commission (CRTC) to allow it to spend \$40-million of those funds on expanding its Northwestel services, arguing that broadband Internet, including wireless, is increasingly key to delivering broadcast content to customers.

But BCE's smaller competitors in the north aren't buying that logic.

"For Bell Canada and its subsidiary to propose this to the CRTC is shameful. The funds related

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to the Astral acquisition are supposed to be used for the public good – not to feather their own nest," said Cameron Zubko, vice-president of corporate development at Ice Wireless.

bloom and grow in fashion incubator

disrupts marketing messages

Ice, headquartered in Inuvik, NWT, is upgrading its northern cellular network to provide high-speed 3G (third-generation) data services. It is also partnering with Iristel Inc., a voice over Internet protocol service company, to provide a service bundle that also includes home phone in the wake of a CRTC decision in December that opened the north to local phone service competition.

"Now that competition is on the way, they want an additional \$40-million to help lock in their dominance of the northern market," Mr. Zubko added. "This is the last cash grab of a dying monopoly."

SSi Micro, which currently offers high-speed wireless Internet service in 56 northern communities, is preparing to compete with NorthwesTel in the local telephone market. Dean Proctor, chief development officer of the SSi Group of Companies, argues that NorthwesTel should be upgrading local infrastructure on its own dime rather trying to wriggle out of its broadcasting obligations.

"This is actually a fairly transparent attempt to divert funds that should be going to the broadcast sector," Mr. Proctor said.

Moreover, the companies are incensed that NorthwesTel's proposal is also predicated on it keeping roughly \$20-million a year in contribution subsidies from the CRTC to improve local telephone services.

For its part, BCE said NorthwesTel's proposed five-year, \$273-million plan will provide all 96 northern communities it serves with land line and wireless services comparable to those in the rest of Canada, including next-generation 3G/4G wireless networks to enable northern residents to use the latest smartphones and tablets. NorthwesTel serves more than 110,000 residents of the Northwest Territories, Nunavut, Yukon and northern British Columbia with operations that cover four million square kilometres.

"Today's communications networks are multipurpose, with decreasing distinction between traditional telecom and broadcasting. Consumers want to access video and other services when and where they want on the device of their choice, even if they are in the most remote locations in Canada. And they're watching more content online, with wireless broadband increasingly the network option of choice," BCE said in an e-mailed statement.

Full details of the Astral benefits package are expected to be revealed by the CRTC soon.

In outlining the benefits that a modernized infrastructure could provide, NorthwesTel also cites Isuma Productions Inc., which it describes as "a 75-per-cent Inuit-owned independent production company that produces independent community-based media, films, TV and Internet programming, to preserve and enhance Inuit culture and language."

But that company entered bankruptcy protection more than a year ago, and is no longer active. "That company is over," said Norman Cohn, a co-founder of Iglolook Isuma Productions, which produced the award-winning feature film *Atanarjuat: The Fast Runner*.

NorthwesTel's suggestion that its modernized infrastructure could help "all Canadians" obtain access to his company's film inventory also struck Mr.

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Cohn as off-base: Isuma's library is housed on servers run by Amazon.com and therefore already accessible to viewers in the Canadian South.

SECURITY		PRICE	CHANGE	
BCE-N	BCE Inc.	41.91	0.14 0.335%	
BCE-T	BCE Inc.	42.84	0.28 0.658%	
ACM.A-T	Astral Media	49.05	0.01 0.02%	
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