

De-regulation rattles junior Internet service providers

Broadband futures uncertain in B.C. for smaller companies as era of government intervention in the Internet sector draws to a close

CURT CHEREWAYKO

Four B.C. companies have joined a campaign that's petitioning the federal government to reverse a regulatory decision that they allege will allow **Telus Corp.** (TSX:T) and **Bell Canada** (TSX:BCE) to shut their smaller competitors out of the broadband market.

The **Campaign for Competitive Broadband** (CCB) launch is the latest volley in a long-standing battle that pits large Internet service providers (ISPs) such as Telus against junior broadband resellers.

Led by Winnipeg's **MTS Allstream Inc.**, the CCB wants to reverse an earlier **Canadian Radio-television and Telecommunications Commission** (CRTC) decision that removed a requirement for Telus and Bell to provide competitors with access at cost-based rates to their high-speed broadband for businesses.

More than 20 businesses and organizations have joined the CCB, alleging that their market share will disappear if they can't access Telus' and Bell's fastest broadband offerings.

The group says that its customers will logically migrate to Telus and Bell – the sole providers of the high-speed networks for businesses – if the CRTC's decision takes effect in December.

"If the ruling becomes



Bill Campbell, Skyway president: Skyway and other Internet service providers are fighting new regulation that they allege will again make Telus and Bell telecom monopolies

law and we're not permitted to sell the same service in terms of speed and other metrics, then eventually we will have to find some other way to profit from the Internet business or exit the

business gradually," said **Bill Campbell**, president of Vancouver's **Skyway West Business Internet Services**.

Skyway and three other B.C. companies – **Light-speed Communications**, **AEB Internet Corp.** and **SmartNet**, – are CCB members.

The battle dates back to the early days of the Internet in Canada, when Telus, Bell and a few other carriers held monopoly positions in the telecommunication industry.

The federal government largely supported the monopolies as necessary to develop new communication networks across Canada.

But in exchange for government support, the carriers were required to sell wholesale broadband to smaller companies at cost-based rates to allow competitors to enter the market. In turn, smaller firms such as Skyway sell the broadband coupled with value-added business services like network manage-



Michael Hennessy, senior vice-president of regulatory and government affairs, **Telus Corp.**: "across the country, the cable companies in pretty much every market have more market share and more Internet customers than the legacy telephone companies"

TELUS CORP. (TSX:T)

Vancouver
CEO: Darren Entwistle
Employees: 34,000
Market cap: \$11.252 billion
P/E ratio: 9.90
EPS: \$3.57

SOURCES: STOCKWATCH, GLOBE INVESTOR

more Internet customers than the legacy telephone companies."

In B.C. and Alberta, for example, **Shaw Communications Inc.** (NYSE:SJR) has roughly 1.4 times as many Internet customers as Telus.

At least one group of broadband resellers in B.C. is taking a different approach in attempting to access Telus' and Bell's high-speed infrastructure.

"We don't want more of the same regulatory regime that we've experience in the last few years"

– **Bob Allen**, president, **Open Source Solutions**

In a submission to the CRTC, **Open Source Solutions**, a consortium of 10 regional Internet service providers (ISP) in B.C., said the CRTC should eliminate mandated access to broadband products.

OSS president **Bob Allen** told *BIV* that OSS members would rather negotiate with Telus and Bell – although the OSS wants an arbitration body established to resolve disputes.

"We don't want more of the same regulatory regime that we've experience in the last few years," said Allen. "We want to move to a negotiated arrangement model with our upstream providers." ■

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NOVEMBER 16, 2009
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