

## **CRTC orders Northwestel to reassess pricing of wholesale internet**

Competitor SSi Micro says decision could lead to 'a massive new investment program by us'

By Mark Rendell, [CBC News](#) Posted: Nov 16, 2016 5:28 PM CT Last Updated: Nov 16, 2016 6:07 PM CT

Canada's telecommunications regulator has ordered Northwestel to reassess how much it's charging for wholesale internet — a move that could mean lower internet prices and more competition across the North, according to one rival company.

As it stands, Northwestel owns the only fibre-optic lines carrying internet from the continental grid north to the Yukon and Northwest Territories.

This essentially puts the company in a monopoly position: others who want to compete in markets such as Yellowknife or Whitehorse must buy wholesale internet from Northwestel, which they then sell on to end-customers.

On Nov. 8, the Canadian Radio-television and Telecommunications Commission (CRTC) directed Northwestel to reassess those wholesale prices.

"This is really the missing piece for us to compete," says Dean Proctor, chief development officer for SSi Micro, Northwestel's main competitor in several Northern markets.

"Northwestel is charging us six times more than they're charging retail customers to buy it from them on a retail basis," he says.

"What this latest decision is doing is requiring Northwestel to redo its cost studies, rejig its numbers, and come up with reasonable rates, so competitors... like SSi, can actually compete by having reasonable rates for that backbone, that highway that drives communications from the North to the south and back again."

### **How big a drop?**

The CRTC did not say how much Northwestel's prices need to go down but the drop could be substantial.

The current rates are based on cost studies done between 2008 and 2012. These are no longer accurate, says Proctor.

"There's been advances in electronics, there's been reductions in cost of electronics, there's been advances in fibre technologies."

According to the CRTC decision, Northwestel "submitted that it expects that the overall reductions to rates will exceed 17 per cent when all cost updates are taken into account."

SSi has calculated that the number could be far higher than that.

"The proposed pricing Northwestel has out there, we believe is seven to 10 times too high," says Proctor.

"Those seem like big numbers, but we drew a lot of comfort from the commission's own rulings in the south of the country where other companies equivalent to Northwestel... had their rates... reduced by as much as 89 per cent."

## Game changer or 'business as usual'?

Proctor has some concerns that the price drop won't be enough for SSI to become truly competitive.

That said, "if the numbers are dropped to an amount that we can work with, it will lead to a massive new investment program by us. We're spending millions of dollars in the Eastern Arctic... We'll do the same thing in the west if the numbers are right," he says.

Northwestel, for its part, isn't particularly worried about the decision, according to Andrew Anderson, the company's director of communications.

"We don't see this as negative; we see this as business as usual," says Anderson.

"The CRTC has an important mandate, and their mandate is to set prices that are 'fair and reasonable,' and that means fair and reasonable to the marketplace and it also means fair and reasonable to companies such as ours who are investing significantly in the infrastructure."

Anderson says his company is constantly assessing prices for various products to ensure they're fair.

"This is simply [the CRTC] indicating that it's time to update that cost study for wholesale connect services as well," he says.

He wouldn't speculate on how much of a drop in wholesale pricing could be coming.

"It's a significant amount of work to get a sense of the true costs that go into providing a service... I wouldn't want to prejudge what the final outcome will be."

Northwestel has until Jan. 9 to file its updated prices, along with the new cost studies justifying them.

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