

TekSavvy Solutions Inc. Reaction to Landmark CRTC Decision: Competitors Allowed to Exist but Denied the Means to Innovate

TekSavvy Solutions Inc. (“TSI”), one of Canada’s largest independent providers of communications services, is pleased that today, in its landmark decision Telecom Regulatory Policy CRTC 2010-632 (“TRP 2010-632”), the Canadian radio-television and Telecommunications Commission (“CRTC”) adopted a more pro-competitive approach to the provision of communications services in Canada in certain respects. However, TSI is concerned that the decision does not go far enough to sustain a competitive environment and bring the full benefits of such competition to Canada in the longer term. Competitors will be allowed to exist but not to innovate fully.

“This decision ensures that competitors of the incumbent telephone and cable companies obtain access to the same speeds that the telephone and cable companies provide to their own retail customers. It also removes some important shortcomings in the high-speed wholesale services known as Third Party Internet Access (“TPIA”) required by competitors. To that extent, Canadian consumers and businesses have won a victory today. However, caution is still necessary pending a follow-up CRTC process required to implement the decision,” said Rocky Gaudrault, TSI’s Chief Executive Officer.

“The Commission’s refusal to mandate the provision of new central office-based telephone company and local head-end-based cable company wholesale services severely limits other competitors’ ability to provide new differentiated service offerings. To that extent the CRTC’s approach will entrench the duopolistic nature of the communications wireline services industry in many important markets and stifle the ability of competitors to provide new and innovative services. In this environment, it will be very difficult for competitors to attract the capital necessary to innovate, grow and contribute to the greatest extent possible to the competitive landscape and increase consumer choice. Canada’s productivity and international competitiveness will remain sub-standard at a critical time in the country’s economic development and the longer-term prospect for competition in the communications sector is very uncertain” added Marc Gaudrault, TSI’s Chief technology Officer.

Background on Telecom Regulatory Policy CRTC 2010-632

In TRP 2010-632, the CRTC:

- Approved speed matching so that independent Internet Service Providers (“ISPs”) can match the speeds of the incumbents’ retail Internet access offerings;
- Allowed incumbent telephone companies a higher cost of capital for new wholesale Internet access services, which will be reflected in higher prices allowed for these services;

- Agreed that a duopoly of telephone and cable retail Internet access services is insufficient, and that wireless and satellite services are not yet attractive enough as large scale substitutes for wireline access in situations where wireline is available;
- Found that smaller competitors bring price discipline, innovation and consumer choice to the retail Internet services markets;
- Determined that these wholesale services will eventually be eliminated when
 - Functionally equivalent, practical and feasible wholesale alternatives exist for the current wholesale access services; or
 - When competition from all sources is sufficient to protect the interests of end-users, in retail Internet service markets, absent wholesale services;
- Taken steps to make TPIA more useful and attractive for those competitors who employ it;
- Declined to engage in word games as to what next-generation services might consist of, or engage in policy determinations in regard to access to them, but rather to decide on a case-by-case basis whether access to them will be justified

All of the Commissioners involved in rendering TRP 2010-632 concurred in these determinations.

Commissioner Timothy Denton dissented with respect to the other Commissioners' determinations turning down the mandating of a central office-based asynchronous digital subscriber line ("CO-based ADSL") service and a local head-end-based cable service.

TSI agrees fully with Commissioner Denton's partial dissent of TRP 2010-632 in the course of which he stated: "The result is that the possibility for service innovation was turned down, without sufficient consideration, in my estimation. The current ambivalence about the role and legitimacy of smaller carriers continues. They are allowed to exist but denied the means to innovate. In a business with as much uncertainty as this, turning down the possibility for technical and business innovation seems a riskier move than letting it go ahead. To that extent, I dissent."

About TekSavvy Solutions Inc.

TekSavvy Solutions Inc. was founded in 1998 and is one of Canada's largest independent providers of communications services (i.e., the traditional incumbent telephone and cable companies have no ownership interest in TSI). The company's operations are centered in Chatham, Ontario.

The company currently offers a suite of Internet access and telephone services. Its operations currently extend to British Columbia, Alberta, Ontario and Quebec and the company is in the process of expanding its service footprint to the Maritimes. TSI relies on wholesale services provided by the incumbent telephone and cable companies in order to deliver its retail services in most of its serving area.

TSI is also currently involved in the design of an IPTV offering. The timely availability of unbundled telephone and cable carrier wholesale services without artificial restrictions is critical to TSI's business plans.

TSI is also deploying fibre to the premises in portions of Perth, Ontario and testing the feasibility of another similar rollout in another small community in order to provide residents of those communities with new and innovative services and service bundles.

The TSI business model is built on a strong foundation that includes:

- superior customer service
- building a reliable high-capacity network
- finding innovative ways to employ technology for the benefit of customers
- constantly improving operational efficiency through the appropriate use of automation and process design
- a commitment to employees, and
- the ability to adapt to changes in the marketplace.

TSI's business model has proven to be successful to date and the company continues to reinvest a significant portion of its operating revenues in new infrastructure and service development. TSI's mission is "Making technology work for you!"™

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