



## Telecom Order CRTC 2007-222

Ottawa, 20 June 2007

### Northwestel Inc.

Reference: Tariff Notices 840 and 840A

### Manual Mobile Telephone Service rate increases

*In this Order, the Commission approves on a final basis Northwestel Inc.'s applications to increase its Manual Mobile Telephone Service rates.*

#### Introduction

1. The Commission received an application by Northwestel Inc. (Northwestel), dated 17 November 2006 and amended on 23 November 2006, proposing revisions to its Manual Mobile Telephone Service (MMS) General Tariff, Item 201. Specifically, Northwestel proposed to increase its MMS network access rates by 20 percent for both business and residential customers effective 15 December 2006. In support of its application, Northwestel provided a cost comparison between its MMS and GlobalStar satellite phone service.
2. The Commission approved the above-noted applications on an interim basis effective 15 December 2006 in Telecom Order CRTC 2006-331, 5 December 2006.
3. The Commission received comments from the Yukon Government (YG) and the Arctic Institute of North America (AINA) as well as reply comments from Northwestel.
4. The Commission considers that Northwestel's applications and comments made by the parties raise the following issues:
  - I) The sufficiency of information on the public record;
  - II) The availability of suitable alternatives to MMS; and
  - III) The reasonableness of the proposed MMS rate increases.

#### *I. The sufficiency of information on the public record*

5. The YG submitted that there was insufficient information on the public record to assess the implications of Northwestel's proposal on the competitive environment for communications in the Yukon. The YG also submitted that the impact on manual mobile customers could not be determined from the material filed on the public record. In this regard, the YG further submitted that there was nothing to indicate whether customers migrating to cellular service would have a choice between competitors.
6. Northwestel submitted that there was sufficient information on the public record to justify the proposed rate increases. In this regard, Northwestel acknowledged that detailed costing and customer information had been provided to the Commission in confidence; however, Northwestel noted that it had also provided information on the public record to demonstrate

that the proposed MMS rates would continue to be lower than its other current residential and business local primary exchange access rates and, further, that the rate increases were necessary in order to reduce the losses it incurred in continuing to provide MMS.

7. The Commission considers that the information filed on the public record by Northwestel provides sufficient information for interested parties to comment on the reasonableness of the company's proposal.

## ***II. The availability of suitable alternatives to MMS***

8. The AINA submitted that the primary telephone service at the Kluane Lake Research Station was Northwestel's UHF duplex system and that this system was not reliable. The AINA submitted that it had installed the MMS system several years ago as a back-up system and that the MMS system has the singular advantage of always working. The AINA further submitted that Northwestel's recommendations for other service providers were not encouraging. The AINA submitted that cellular service had never been an option in its area and that it believed that GlobalStar was recently defunct.
9. Northwestel submitted that the Rural Radio Telephone system used by the AINA, the terms and conditions of which are found under Tariff CRTC 3001 Item 601, Rural Radio Telephone Service, meets the Commission's Basic Service Objective as outlined in *Telephone service to high-cost serving areas*, Telecom Decision CRTC 99-16, 19 October 1999.
10. Northwestel also submitted that MMS was not an access service that meets the Commission's Basic Service Objective. In this regard, Northwestel submitted that calling features could not be used on MMS; MMS equipment was manufactured discontinued; MMS equipment had been removed from service throughout most of North America; and, to access the public switched telephone network (PSTN), a call must be placed through an operator.
11. Northwestel further submitted that most Canadian telecommunications companies had already removed MMS due to the significantly declining demand for the service and the challenges associated with maintaining a service based on obsolete technology. In that regard, Northwestel noted that the Commission approved the removal of MMS by Bell Canada, TELUS Communications Inc. (now TELUS Communications Company), and Aliant Telecom (now Bell Aliant Regional Communications, Limited Partnership or Bell Aliant).<sup>1</sup>
12. With respect to other service substitutes for MMS, Northwestel noted that there were several different satellite communication services offered by various providers including GlobalStar Inc., Telesat Canada, and Iridium Satellite. With regards to the AINA's comments that GlobalStar was "defunct," Northwestel submitted that it was not aware of any issues with GlobalStar Inc. Northwestel further submitted that GlobalStar Inc. is not affiliated with GlobalStar, L.P. or GlobalStar Telecommunications Ltd.

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<sup>1</sup> *Bell Canada – Withdrawal of Remote Radio Service in Ontario*, Order CRTC 2000-256, 5 April 2000; *TELUS Communications Inc. – Withdrawal of Mobile and Ship Stations – MF/HF*, Telecom Decision CRTC 2002-60, 27 September 2002; *Aliant Telecom Inc. – Withdrawal of public mobile telephone service in Newfoundland*, Telecom Order CRTC 2003-159, 22 April 2003.

13. The Commission notes that Northwestel's proposal does not involve the withdrawal of MMS. The Commission notes that the stated objectives of the rate increases are as follows:
  - a) to reduce the losses associated with providing MMS, which uses obsolete equipment; and
  - b) to encourage MMS customers to migrate towards more reliable and effective communication alternatives.
14. The Commission considers that, as demonstrated by Northwestel, there are sufficient alternative service providers, such as GlobalStar Inc., Telesat Canada, and Iridium Satellite, to allow Northwestel's MMS customers to migrate to other services if they wish to do so. The Commission also notes that the total monthly charge for Northwestel's MMS is approximately 8 percent higher than the access charge for GlobalStar Inc.'s satellite phone service.

### *III. The reasonableness of the proposed MMS rate increases*

15. Northwestel proposed to increase its MMS network access rates by 20 percent for both business and residential customers in order to reduce the losses associated with providing MMS and to encourage customers to move toward more reliable and effective communication alternatives. Northwestel indicated that the vast majority of customers that continued to use MMS were non-fixed mobile business customers. The company submitted that maintaining MMS was becoming increasingly difficult and costly due to the obsolescence of MMS technology and the manufacturer-discontinuation of parts. Northwestel noted that alternative telephone services, such as satellite services, were based on more advanced technology and were ubiquitously available to customers in the North where MMS was currently provided.
16. The Commission notes that the AINA did not object to the proposed rate increases.
17. In light of the above, the Commission continues to consider that Northwestel's proposed rate increases are appropriate.
18. In *Price cap regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007 (Decision 2007-5), the Commission stated that the status of tariffs granted interim approval in other Commission decisions or orders was not affected by the Commission's determinations in Decision 2007-5. The Commission further stated that such tariffs were to continue to be in effect on an interim basis until the Commission issued its final determinations with respect to them. Accordingly, the Commission **approves** Northwestel's applications on a final basis.

Secretary General

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