



## Telecom Decision CRTC 2010-274

Ottawa, 13 May 2010

### **Northwestel Inc. – Application for an extension of the current price cap regulatory framework**

File number: 8663-N1-200917338

#### **Introduction**

1. The rates that Northwestel Inc. (Northwestel) can charge its residential and business customers for various telecommunications services are currently governed by a price cap regulatory framework. Price cap regulation generally includes upward pricing constraints for these services and other rules that govern the associated rates.
2. The Commission set out the current price cap regulatory framework for Northwestel in Telecom Decision 2007-5, in which it also specified calculations for local subsidies until the end of 2010. This framework took effect in 2007 and is set to expire on 31 December 2010. The Commission indicated in Telecom Decision 2007-5 that it would conduct a review of Northwestel's price cap regime during the final year of the plan.
3. The Commission received an application by Northwestel, dated 23 December 2009, requesting that the Commission extend the current price cap regulatory framework for at least two years, and until other important industry proceedings currently before the Commission are completed, including the proceeding initiated by Telecom Notice of Consultation 2010-43 (the obligation to serve proceeding).
4. In its application, Northwestel submitted that the outcome of the obligation to serve proceeding might have significant effects on the new regulatory framework. Matters under review in that proceeding include the basic service objective<sup>1</sup> and the local service subsidy regime.<sup>2</sup> Northwestel noted that a similar extension was provided to small incumbent local exchange carriers (small ILECs) in Telecom Regulatory Policy 2009-788.
5. The Commission received submissions regarding Northwestel's application from TELUS Communications Company (TCC), the Government of the Northwest Territories (GNWT), the Utilities Consumer Group (UCG), and SSI Micro Ltd. (SSI). The public record of this proceeding, which closed on 1 February 2010, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) under "Public Proceedings" or by using the file number provided above.

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<sup>1</sup> The basic service objective, established in Telecom Decision 99-16, sets out a target for the features to be provided as part of residential local service in Canada. It currently includes the following: individual line local Touch-Tone service; access to low-speed Internet at local rates; access to the long distance network; access to operator/directory assistance services; enhanced calling features, including access to emergency services, voice message relay service, and privacy protection features; and a copy of the current local telephone directory.

<sup>2</sup> The current local service subsidy regime, which is a Canadian revenue-based contribution regime that subsidizes the high cost of residential telephone service in rural and remote areas of Canada, is consolidated and summarized in Telecom Circular 2007-15.

## **Should the Commission extend the current price cap regulatory framework for Northwestel?**

6. TCC, GNWT, and UCG generally supported Northwestel's request to extend the current price cap regulatory framework. TCC proposed that a review of the framework take place immediately after the Commission issues a decision on the obligation to serve proceeding. GNWT suggested that business access rates be frozen until the framework is reviewed.
7. SSI opposed the two-year extension, noting that there would be sufficient time for the other proceedings cited by Northwestel – for example, the obligation to serve proceeding – to be completed before the review of Northwestel's price cap regulatory framework. SSI proposed that, should the extension be granted, the Commission immediately review the introduction of facilities-based local competition and/or local voice over Internet Protocol competition in Northwestel's territory, and the classification of Northwestel's Internet Gateway (I-Gate) service as a forborne service.
8. The Commission notes that many matters under review in the obligation to serve proceeding could affect Northwestel's price cap regulatory framework and may result in changes to various regulatory measures, including the local service subsidy regime. The Commission considers that the local service subsidy regime is an important matter for consideration in the development of Northwestel's next price cap regulatory framework given the extent of rural and remote residential service in its operating territory.
9. The Commission therefore determines that it would not be appropriate to review the price cap regulatory framework for Northwestel until the outcome of the obligation to serve proceeding is known.
10. The Commission notes that, as stated in Telecom Decision 2010-160, Northwestel's business access rates are still below Phase II costs plus a markup of 25 percent. The Commission also notes that GNWT did not submit evidence to support its suggestion that business access rates should be frozen. Accordingly, the Commission determines that freezing Northwestel's business access rates would not be appropriate at this time.
11. The Commission notes that it has suspended considering applications for approval of implementation plans for local competition in the small ILECs' territories until the obligation to serve proceeding is concluded. Consistent with that determination, the Commission determines that any review of local competition in Northwestel's operating territory, as proposed by SSI, should not be undertaken at this time.
12. The Commission notes that Northwestel's I-Gate service is forborne from regulation and is therefore not part of the regulatory framework for which an extension is being requested.
13. In light of the above, the Commission extends Northwestel's current price cap regulatory framework without modifications until the outcome of the obligation to serve proceeding is known and the subsequent review of Northwestel's regulatory framework is completed. The Commission expects to begin the review of Northwestel's price cap regulatory framework immediately following its determinations in the obligation to serve proceeding.

Secretary General

## Related documents

- *Bell Aliant Regional Communications, Limited Partnership, Bell Canada, and Télébec, Limited Partnership – Effects of deflation on price cap mechanics*, Telecom Decision CRTC 2010-160, 17 March 2010
- *Obligation to serve and other matters*, Telecom Notice of Consultation CRTC 2010-43, 28 January 2010, as amended by Telecom Notice of Consultation CRTC 2010-43-1, 5 March 2010, and Telecom Notice of Consultation CRTC 2010-43-2, 30 March 2010
- *Regulatory framework for the small incumbent local exchange carriers*, Telecom Regulatory Policy CRTC 2009-788, 17 December 2009
- *The Canadian revenue-based contribution regime*, Telecom Circular CRTC 2007-15, 8 June 2007
- *Price cap regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007
- *Telephone service to high-cost serving areas*, Telecom Decision CRTC 99-16, 19 October 1999

*This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>.*