



## Telecom Decision CRTC 2005-29

Ottawa, 13 May 2005

### **Request by Société en commandite Télébec to annex part of Bell Canada's serving territory in order to provide telephone service to Lac Gagnon, Quebec**

Reference: 8638-C12-69/02

*In this Decision, the Commission **approves** Société en commandite Télébec's plan to: (i) annex part of Bell Canada's serving territory in order to efficiently provide telephone service to residential premises around the eastern sector of Lac Gagnon, Quebec; and (ii) include this project in its service improvement plan (SIP) rather than Bell Canada's SIP.*

1. The Commission received an application from Société en commandite Télébec (Télébec) dated 23 February 2005 proposing to annex part of Bell Canada's serving territory in order to efficiently provide telephone service to residential premises around the eastern sector of Lac Gagnon, Quebec. Télébec also proposed to include providing telephone service to this location in its service improvement plan (SIP) which is currently encompassed by Bell Canada's SIP. Télébec's application was filed pursuant to Part VII of the *CRTC Telecommunications Rules of Procedure*.
2. In support of its application, Télébec attached a resolution from the Municipality of Duhamel (Duhamel) requesting that Télébec provide telephone service to the residents of the eastern sector of Lac Gagnon.

#### **Process**

3. The Commission received comments from Bell Canada dated 10 March 2005, and two letters dated 16 and 31 March 2005 attaching a council resolution from Duhamel.

#### **Background**

4. In *Telephone service to high-cost serving areas*, Telecom Decision CRTC 99-16, 19 October 1999 (Decision 99-16), the Commission examined the level of telecommunications service in Canada and concluded that it was, in general, very high. The noted exceptions were the high-cost serving areas, which are generally found in remote, rural regions and in the Far North. The Commission noted that telephone service to these areas was generally more costly to provide and was often of lower quality than service in other regions.
5. The Commission determined that it was appropriate to define a basic service objective (BSO) to ensure that a basic level of telephone service would be available to the public throughout Canada.

6. In Decision 99-16, the Commission defined the BSO as comprising:
  - a) individual line local service with Touch-Tone dialling, provided by a digital switch with capability to connect via low-speed data transmission to the Internet at local rates;
  - b) enhanced calling features, including access to emergency services, Voice Message Relay service, and privacy protection features [included in call management services (CMS)];
  - c) access to operator and directory assistance services;
  - d) access to the long distance network; and
  - e) a copy of a current local telephone directory.
7. In order to implement these goals, the Commission directed all incumbent local exchange carriers (ILECs) to file SIPs for approval, or to demonstrate that the BSO had been and would continue to be achieved in their territories. The ILECs were directed to consult stakeholders prior to preparing their SIPs.
8. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34), the Commission directed Bell Canada to file a revised SIP with a four-year roll-out plan. Pursuant to Decision 2002-34, Bell Canada filed its SIP on 18 September 2002 and SIP tracking reports on 31 March 2003 and 31 March 2004.
9. In *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), the Commission directed Télébec to file a SIP. Pursuant to Decision 2002-43, Télébec filed its SIP on 31 October 2002 and SIP tracking reports on 31 March 2003 and 31 March 2004.

### **The application**

10. Télébec stated that the territory around Lac Gagnon straddled the areas served by Télébec and Bell Canada in the Petite-Nation sector, and that Lac Gagnon itself was located in the Chénéville exchange and was part of Duhamel. Télébec stated that, pursuant to the current exchange boundaries, it serves the western sector of Lac Gagnon, while Bell Canada serves the eastern sector. Télébec stated that its sector was scheduled for service in 2006, while Bell Canada's sector was scheduled for service in 2005, pursuant to the companies' SIPs. Télébec appended a map of its Chénéville exchange for clarity.
11. Télébec noted that the monthly basic local residential rate for the Chénéville exchange was \$31.10, while Bell Canada's monthly basic local residential service rate was \$21.93. Télébec stated that the customers and Duhamel are aware of Télébec's rate but, in light of their community of interest, would prefer to be served by Télébec. Furthermore, Télébec submitted that Duhamel, which includes Lac Gagnon, had passed resolutions asking that Télébec serve the residents in the eastern sector of Lac Gagnon. Télébec attached a copy of a Duhamel council resolution dated 4 April 2003 to support its application.

12. Télébec stated that it was willing to serve the customers in Bell Canada's serving area. Télébec estimated that it would cost Bell Canada \$628,000 to provide telephone service in its sector and \$708,000 for Télébec to provide service in its sector, for a total of \$1,336,000. Télébec indicated that it would cost \$728,000 if it were to serve both sectors. Télébec stated that the saving of \$608,000 would be attributable to the installation of a single wireless system for both sectors. Specifically, that technology was code division multiple access (CDMA) radio.
13. Télébec submitted that if the Commission were to approve the transfer of territory as proposed, the companies would make amendments to their respective SIP tracking reports to reflect the change.

### **Positions of parties**

#### **Bell Canada**

14. Bell Canada stated that it fully concurred with Télébec's plan, and, if approved, it would remove the project in question from its annual SIP tracking report.

#### **Municipality of Duhamel**

15. As outlined in its resolution attached to Télébec's application, Duhamel found that: (a) it was unacceptable that part of its territory would be served by Télébec and another part by Bell Canada, thereby resulting in long-distance charges between immediate neighbours; and (b) there was an urgent need to provide an appropriate means of communication to the residents so that they could access ambulance, police and fire services. Duhamel resolved that it would inform the Commission, as well as Télébec and Bell Canada, that it was unacceptable that its territory would be shared between Télébec and Bell Canada, and would request that a work schedule be filed with it as soon as possible.
16. Pursuant to a request from the Commission, Duhamel provided a letter dated 16 March 2005 attaching a copy of another council resolution dated 15 March 2005, wherein Duhamel confirmed that it was in favour of Télébec providing telephone service to all the residents of Lac Gagnon at \$31.10 per month. On 31 March 2005, Duhamel provided a signed hard copy of this resolution.

### **Commission's analysis and determinations**

17. The Commission notes that: (a) Duhamel has officially confirmed that it was in favour of Télébec providing telephone service to all the residents of Lac Gagnon at \$31.10 per month; (b) there would be a total saving of \$608,000 in capital expenditures if Télébec provides service to both sectors of Lac Gagnon, which would serve to decrease the two companies' combined drawdown from the National Contribution Fund; and (c) both Télébec and Bell Canada were willing to transfer the eastern sector to Télébec. The Commission notes that Télébec proposed to complete the amended project in 2006.
18. The Commission notes that Télébec plans to provide service to Lac Gagnon using CDMA radio, which is the least-cost technology and the same technology that Bell Canada had planned to use in its territory. The Commission acknowledges that approval of the proposed plan would mean

that the provision of telephone service to those premises currently in Bell Canada's territory would theoretically be delayed by one year from 2005 to 2006. However, the Commission notes that in Bell Canada's SIP tracking report dated 31 March 2005, the company stated that it had delayed all new CDMA tower installations to 2006. Therefore, there will be no delay in the provision of telephone service to those premises by implementing Télébec's plan.

19. The Commission notes that Télébec's plan is supported by Duhamel and Bell Canada and efficiently serves all of Lac Gagnon. The Commission further notes that the plan employs least-cost technology and results in a saving of \$608,000 in capital expenditures.
20. In light of the foregoing, the Commission **approves** Télébec's application. The Commission directs Télébec and Bell Canada to issue amended tracking reports within 30 days of this Decision.

Secretary General

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