



Telecom Order CRTC 2005-131

Ottawa, 7 April 2005

TELUS Communications Inc.

Reference: TCBC Tariff Notice 4224

Exchange Area Radiotelephone Service

*In this Order, the Commission **approves** TELUS Communications Inc.'s (TCI's) proposal to grandfather Exchange Area Radiotelephone Service in British Columbia, and directs TCI to issue a preliminary report regarding replacement technologies in 60 days in light of the Commission's determinations in this Order.*

1. The Commission received an application by TELUS Communications Inc. (TCI), dated 14 December 2004, proposing revisions to its former TELUS Communications (B.C.) Inc. General Tariff item 255, Exchange Area Radiotelephone Service (EARS), in order to:
(a) grandfather EARS in British Columbia; (b) remove Prince Rupert and Vernon from the EARS availability list as there are no existing customers at these locations; and (c) change "BC Tel" to the "Company".

Process

2. The Commission received comments from 10 current subscribers of EARS service and reply comments from TCI.

The application

3. TCI stated that EARS: (a) was a legacy automated fixed-station radiotelephone service that was provided in areas where the cost of providing landline service was prohibitive, and where radio channels were available; (b) was an aging, touch-tone telephony service that supported only voice calls for both local and long distance telephone traffic; and (c) does not have any capability to support calling features or dial-up Internet access that are common to other more up-to-date telephony services.
4. TCI noted that in 1995, it had advised the Commission that the EARS equipment supplier had discontinued production and support of EARS equipment in mid-1995, and that EARS equipment was not available from other sources. TCI further noted that in 1998, it had advised the Commission that the provision of EARS was maintained by using inventoried and returned equipment. TCI submitted that the diminished availability of spares or replacement parts had now reached a critical state such that TCI could no longer assure the continuation of normal sustainable service.
5. As a result, TCI proposed to grandfather the service as follows: (a) EARS would no longer be available to new customers, and there would be no additions, changes, moves, or rearrangements for existing customers; (b) EARS would continue to be available to existing

customers for installations already in service, and the maintenance of the existing service would only be provided on a best-effort basis through the use of returned equipment where available; and (c) existing service accounts, including EARS equipment, would not be transferable in order to conserve the diminished availability of equipment to serve the remaining customers (e.g., a new owner who purchased a residence or business with existing EARS would not be able to take over the existing service).

6. TCI noted that there were currently 101 EARS customers and that service alternatives were generally available in the proximity of each location, subject to service-coverage and technical limitations. TCI identified alternatives, which included: (i) cellular radio (cellular); (ii) satellite radio (satellite); (iii) other terrestrial radio common carriers; and (iv) the service improvement plan. Concurrent with this application, TCI notified the existing EARS customers by letter of the changes proposed in this application, urging them to look as early as possible for another viable alternative that suited their individual location and needs. TCI stated that it intended to work with existing customers in identifying reasonable service migration alternatives.

Positions of parties

7. As noted above, the Commission received comments from 10 subscribers, which addressed the following issues:
 - TCI should be obliged to provide service, such as cellular, at the same rate as currently paid for EARS;
 - TCI should be obliged to provide ongoing telephone service pursuant to the Commission's findings in *British Columbia Telephone Company – Introduction of EARS for Nelson Island and North and South Thormanby Islands*, Telecom Decision CRTC 90-16, 7 August 1990 (Decision 90-16);
 - there was no cellular service in their area;
 - satellite phones were too expensive;
 - EARS service was unreliable in some cases; and
 - TCI should replace EARS with copper cable.

Two subscribers supported the application and one subscriber stated that he no longer required service.

TCI's reply

8. TCI noted that only nine out of the existing 101 EARS customers had commented on the application.¹ TCI further noted that none of these comments came from business customers. TCI submitted that it was therefore reasonable to assume that all existing business EARS customers, and the vast majority of the existing residential EARS customers, had no issue with the grandfathering of EARS.

¹ One customer stated that he no longer required service, which gives a total of 10 customers that provided comments.

9. TCI noted that none of the nine respondents had provided comments or raised concerns specific to the grandfathering proposal. TCI noted that, generally, they had commented on the basis that the company was seeking approval to terminate the EARS offering.
10. TCI argued that its proposal would help to maintain service by limiting its availability in order to conserve parts and equipment to serve the remaining existing customers on a best effort basis for as long as feasible. TCI noted that its application did not propose to discontinue the EARS installations already in service. TCI further noted that any complete service discontinuation would require a new application to the Commission.
11. TCI submitted that the customer notification was intended to give due notice to the existing customers in respect of the current situation with EARS and to urge them to look for viable alternatives as early as possible.
12. TCI noted that some EARS locations with cellular service often had a choice of more than one wireless service provider, including TCI's wireless affiliate, TELUS Mobility. TCI indicated that the estimated monthly charge for the TELUS Mobility cellular service was in the range of \$20 to \$40, depending on the number of free minutes included. TCI submitted that this was comparable to the average monthly bill of the residential EARS customers, which was approximately \$36, based on 2004 actual revenues.
13. **TCI noted that satellite phone service from Low Earth Orbit (LEO) satellites, such as Globalstar or Iridium was also available, and only required visibility to the sky above, in case the cellular alternative was not attainable at certain locations. TCI submitted that according to sample charges (as of November 2004) presented in its application, Iridium's basic service could be as low as \$40 per month which included 50 minutes of free calling, with additional minutes at \$1.99 per minute. TCI indicated that Globalstar's service started at \$56 a month including system license fee, with 30 minutes free calling, and additional minutes charged at \$1.59 per minute or less. TCI also indicated that the Iridium phone kit cost approximately \$2,000 per set and the Globalstar handheld phone was approximately \$1,000 per unit. TCI submitted that these charges could not be viewed as unreasonable for seasonal use at a summer residence if reliability or safety was a major consideration.**

Commission's analysis and determinations

TCI's proposal to grandfather EARS and make minor changes to the tariff

14. The Commission notes that none of TCI's customers were concerned with the company's proposal to grandfather EARS; rather, the customers were concerned with having to migrate to other technologies.
15. Given that (a) the equipment supplier has discontinued production and support of EARS equipment, and (b) TCI can no longer assure the continuation of normal service due to diminished availability of spare equipment, the Commission finds that TCI's proposal to grandfather this service is reasonable and appropriate in the circumstances. The Commission notes that if the company decides to withdraw EARS service, it would be required to file a

new application with the Commission in the future.

16. As set out above, TCI proposed the following minor updates: (a) remove Prince Rupert and Vernon from the EARS availability list as there are no customers at these locations; and (b) change "BC Tel" to the "Company". The Commission finds that these changes are acceptable.
17. Accordingly, the Commission **approves** TCI's application.

TCI's proposal to migrate EARS customers to other technologies

18. The Commission notes that in TCI's correspondence to its EARS subscribers, the company had encouraged them to look for another viable alternative as early as possible. The Commission further notes that in TCI's application, the company stated that it intended to work with existing customers in identifying reasonable service migration alternatives.
19. The Commission notes that some customers submitted that TCI should be obliged to provide ongoing telephone service to EARS customers on Nelson Island and North and South Thormanby Islands (the three islands) pursuant to the Commission's findings in Decision 90-16. The Commission notes that TCI did not address this submission in its reply.
20. The Commission notes that submarine cables were installed by the provincial government in the early decades of the 1900s to the three islands noted above. The responsibility for the cables was later assumed by B.C. Tel. At the time that Decision 90-16 was issued, these cables provided primary exchange service (PES) to a total of 44 customers on the three islands (with a potential of 174 customers).
21. In Decision 90-16, the Commission, mindful of costs to the general subscriber base, approved EARS as a replacement for these failing submarine cables because of significant capital cost savings when compared to installing new submarine cables and local distribution facilities [\$0.8 million for EARS versus \$8 million for submarine cables].
22. The Commission notes that in Decision 90-16, it determined that the provision of EARS on the three islands would be considered an equivalent or replacement for PES, which was previously provided over the submarine cables. To that effect, the Commission directed TCI to charge existing customers the same rate for EARS as it did for regular exchange service. Accordingly, these subscribers were exempted from the usual EARS air-time charges. Further, TCI had to absorb all capital costs for converting these customers to EARS with the exception of the costs of installing and maintaining the power supply necessary to operate EARS equipment. New subscribers were subject to the usual rates and conditions specified in the EARS tariff.
23. The Commission reminds TCI that implicit in Decision 90-16 is the requirement for TCI to provide PES to the current EARS customers on the three islands on a continuing basis. On a fairness basis, the Commission finds that this policy is to be extended to the other current EARS customers.
24. The Commission is concerned that EARS equipment failures may occur sooner than TCI had anticipated. Accordingly, in order to enable the company to provide replacement PES on a

timely basis, the Commission directs the company to file, within 60 days of the date of this Order, a preliminary report, as set out below, assessing the viability of acceptable replacement technologies for all current EARS customers. To be acceptable, the Commission expects replacement technologies to have a monthly customer cost comparable to that for EARS and a service quality that is, at minimum, the equivalent of that provided by EARS.

25. Based on evidence provided by TCI, the Commission is of the view that cellular service could be an acceptable replacement technology, given that its monthly customer cost would be comparable to that for EARS. Accordingly, the Commission directs TCI to fully evaluate cellular service as a replacement technology in its preliminary report.
26. In particular, TCI is to identify how many existing EARS customers:
 - can currently receive cellular service, either from TELUS Mobility or its competitors; and
 - cannot currently receive cellular service and, if so, specify what enhancements must be made to the TELUS Mobility network to serve these customers, along with an estimate of the associated capital costs.
27. In addition to the above, TCI is to evaluate any other replacement technology that would meet the Commission's specifications set out above, identifying how many EARS customers would be candidates for these other replacement technologies.

Secretary General

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