



Telecom Order CRTC 2005-345

Ottawa, 6 October 2005

Northwestel Inc.

Reference: Tariff Notice 823

Manual Mobile Service in Fort Smith

*In this Order, the Commission **approves with changes** Northwestel Inc.'s proposal to withdraw Manual Mobile Service from Fort Smith.*

1. The Commission received an application by Northwestel Inc. (Northwestel), dated 30 June 2005, proposing revisions to its Mobile Telephone Service Tariff, item 201, Manual Mobile Service (MMS), in order to withdraw MMS from the Fort Smith site in the Northwest Territories.
2. MMS is furnished between a wireline telephone and a radio-telephone station through one or more radio base stations, or between two radio-telephone stations, with the connection provided by an operator.
3. Northwestel indicated that, on the date the company had filed its application, it had notified all affected customers of this tariff proposal by letter. Northwestel provided a copy of the notification letter to the Commission. Northwestel requested that, should the application be approved, it be permitted a period of two months to inform customers of the decision, and allow these customers adequate time to transition to an alternate service. Northwestel stated that it would notify customers by way of direct letter.
4. Northwestel provided a cost analysis to support the removal of MMS at this site.

Process

5. In a letter dated 8 July 2005, Commission staff advised Northwestel that it would treat the company's application pursuant to *New procedures for disposition of applications dealing with the destandardization and/or withdrawal of tariffed services*, Telecom Circular CRTC 2005-7, 30 May 2005 (Circular 2005-7).
6. The Commission received comments from Aurora College, Thebacha Campus, of Fort Smith, Northwest Territories (Aurora) on 11 July 2005. Northwestel filed reply comments on 29 July 2005.

The application

7. Northwestel proposed to withdraw MMS from the Fort Smith site due to the declining subscriber base and low usage. Northwestel submitted that the usage generated by its Fort Smith MMS subscribers was negligible, had declined significantly over the past year, and did not recover the costs associated with providing and maintaining the service. Northwestel submitted that the declining number of customers supported its position that MMS customers were continuing to migrate to alternative services, such as satellite and cellular services.
8. Northwestel submitted that its proposal would only affect the small number of remaining "non-fixed subscribers", as no "fixed" customers have subscribed to MMS service in Fort Smith since July 2004. Northwestel indicated that there were, on average, two calls per month being placed from this site and it was highly improbable that the number of calls would increase, as the number of MMS customers overall has continued to decline at a considerable rate throughout 2004 and 2005.
9. Northwestel submitted that, due to the obsolescence of MMS technology and manufacturer-discontinued parts, in the event of a service interruption, it might not be able to restore service in a timely fashion, thereby affecting its reliability. Northwestel expected that it would become increasingly difficult for customers to find replacement parts to maintain their radios over time.
10. Northwestel provided a comparison of the recurring charges for Northwestel's MMS, cellular services and satellite services. Northwestel assumed that a typical customer would make six calls per month of an average duration of five minutes, which equals 30 minutes per month. Northwestel estimated that this level of traffic would cost \$33.95/month for Northwestel Mobility Inc. cellular service, \$40.04/month for MMS, and \$55.95/month for Globalstar satellite service.
11. Northwestel submitted that for average use, satellite service was not significantly more expensive, with the added value of being able to subscribe to call management services, such as voice mail and call forwarding. Northwestel noted that MMS did not provide these modern calling features. Northwestel submitted that its estimates also showed that cellular service was less expensive, even though the service was more advanced than MMS. Northwestel noted that due to technological and market advances in cellular and satellite services, the initial start-up and recurring charges for these services have been decreasing at a steady pace, making these services much more affordable than in the past.

Aurora's comments

12. Aurora indicated that it was concerned with the removal of MMS at the Fort Smith site, as it would affect college operations. Aurora submitted that it had MMS units in its heavy equipment operating machines, and its staff depended on these units in case of emergency. Aurora noted that switching to satellite phones was an expensive venture that involved the purchase of equipment as well as high monthly charges and long distance charges. Aurora submitted that the two-month notice period was too short to implement such a change and it would have liked to receive more notice. Aurora further submitted that college budgets are

prepared a year in advance and to now have this unexpected expense for the upcoming semester was unacceptable.

Northwestel's reply

13. Northwestel acknowledged Aurora's concerns. However, the company noted that there was virtually no MMS traffic and the cost to Northwestel of continuing to offer this service far outweighed the revenues it received. The company noted that Aurora had not used MMS in the last six months.
14. The company noted that there are alternative services suitable for Aurora's needs: (1) cellular service coverage is available in some of the affected MMS area, and (2) satellite service is available throughout the entire Fort Smith area. Northwestel submitted that for Aurora's current usage, the price of satellite service was not significantly more than MMS. Northwestel further submitted that the cost of satellite phones had decreased dramatically in recent years, noting that a satellite phone could now be purchased for less than \$800.
15. Northwestel submitted that given the cost of continuing to operate this service, the availability of alternatives, and the obsolete nature of the manual mobile technology, its application to withdraw this service in Fort Smith should be approved.

Commission's analysis and determinations

16. In Circular 2005-7, the Commission indicated that in order for it to properly assess a proposal for the destandardization and/or withdrawal of a service, the applicant must file an application containing the following information:
 - a) the service proposed to be destandardized and/or withdrawn;
 - b) the proposed date for destandardization;
 - c) the proposed date for ultimate withdrawal of service;
 - d) the type of destandardization;
 - e) the rationale for the application;
 - f) the availability of a substitute, with rationale as to why it is reasonable in terms of equivalent functionality, availability in the same geographical area, and cost, including the initial outlay and ongoing costs to the customer;
 - g) the transition plan;
 - h) the relevant information concerning existing customers, such as the numbers of customers affected;
 - i) a copy of the notice to affected customers; and
 - j) any other information the applicant believes is relevant.

17. With reference to the items listed above, the Commission finds that, with the exception of item (g), the transition plan, Northwestel has adequately fulfilled the evidentiary requirements of Circular 2005-7.
18. In Circular 2005-7, with respect to the transition plan, the Commission stated that if prior to filing an application for the destandardization and/or withdrawal of a service, the applicant were to work with affected customers to develop a transition plan which is mutually satisfactory to all parties, it would remove many of the hurdles associated with the destandardization and/or withdrawal of services. The Commission considered that the applicant should make all reasonable efforts to ensure that affected customers understood what alternative services exist, including their functionality, geographic availability, and associated costs. The Commission stated that, where appropriate, the transition plan should provide incentives for customers to migrate. The Commission notes that Northwestel has not provided all the required information to the affected customers in its first notification letter, and therefore considers that Northwestel's transition plan is deficient. The Commission's directives to address the transition plan deficiencies are set out below.
19. The Commission notes that Aurora submitted that satellite telephones had high local and long distance charges. While this may be true, the Commission notes Northwestel's estimate that typical monthly satellite charges would be comparable to MMS. Furthermore, the Commission notes that Northwestel pointed out that Aurora had not used MMS in the last six months. The Commission has examined Aurora's situation and is of the view that it would not be onerous for Aurora to convert its MMS to satellite service.
20. Given the availability of viable alternatives to MMS, the fact that telephone traffic and MMS customers are declining over time, and the obsolete nature of the MMS technology, the Commission **approves** Northwestel's proposal to withdraw MMS at Fort Smith, subject to certain conditions to address the deficiencies of the transition plan.
21. In order to ensure that customers have adequate time to change over to new technology, the Commission directs Northwestel to increase the transition period from its proposed two months to six months from the date of this Order. Furthermore, the Commission directs Northwestel to provide additional information in its next letter to its customers regarding the alternatives available to them, specifically the coordinates of suitable cellular and satellite telephone service providers, and the potential costs of the services provided by those companies.
22. The Commission notes that although Northwestel has submitted that the MMS analogue radio telephone equipment is obsolete, it is possible that a customer could have recently purchased an MMS radio telephone. Where a customer has purchased such equipment within the last 12 months, the Commission finds that it would be appropriate to reimburse these customers. Specifically, the Commission directs Northwestel to reimburse customers for the full purchase price of an MMS radio telephone set purchased up to twelve months prior to the date of Northwestel's application, subject to those customers showing proof of purchase.

23. Finally, the Commission directs Northwestel to advise the Commission when it has migrated all the remaining customers and no longer provides MMS from the Fort Smith site.

Secretary General

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