



## Telecom Decision CRTC 2009-455

Ottawa, 29 July 2009

### Northwestel Inc. - Pay telephone rates

File number: 8650-N1-200907892

*In this decision, the Commission allows Northwestel to increase its rate for a local call made from a pay telephone up to a maximum rate of \$0.50, and to increase collect, third number, calling card, and commercial credit card rates up to a maximum of \$1.00.*

1. The Commission received an application by Northwestel Inc. (Northwestel), dated 22 May 2009, requesting that the company be permitted to increase (i) its public pay telephone service rate for originating local calls from \$0.25 to \$0.50, and (ii) its collect, third number, calling card, and commercial credit card charges up to a maximum of \$1.00. The company noted that these increases would be consistent with the Commission's treatment for the large incumbent local exchange carriers (ILECs) and Télébec, Limited Partnership (Télébec), as set out in Telecom Decisions 2007-27<sup>1</sup> and 2007-60,<sup>2</sup> respectively.
2. Northwestel submitted that it recognizes the importance of pay telephone accessibility in Northern communities. However, the company noted that pay telephone usage and revenues in Northern Canada have declined significantly in recent years, while the cost to maintain and support pay telephone service has remained relatively stable. In this regard, the company submitted that only a small proportion of its pay telephones fully recover the costs of the service on a per pay telephone basis. Northwestel submitted that its proposed rate increase for pay telephone service would reduce the income loss associated with pay telephone services and permit it to keep pay telephones accessible in Northern communities.
3. Northwestel noted that its pay telephone rate for local calls was last increased on 1 November 1985 from \$0.10 to \$0.25.
4. The Commission received no comments regarding this application. The public record of this proceeding, which closed on 22 June 2009, 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.

### Commission's analysis and determinations

5. In Telecom Decision 2007-5, the Commission considered Northwestel's proposal to establish a basket containing services which address social obligations issues such as privacy, emergency,

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<sup>1</sup> In Telecom Decision 2007-27, the Commission established a price cap regime that would apply to Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, and TELUS Communications Company. Télébec was directed to show cause why the determinations made in Telecom Decision 2007-27 should not apply to it.

<sup>2</sup> In Telecom Decision 2007-60, the Commission considered that it was appropriate to maintain a consistent regulatory framework that applies to all the large ILECs in Canada, including Télébec. As such, the Commission concluded that its determinations in Telecom Decision 2007-27 would apply to Télébec, effective 1 August 2007.

and special needs to be appropriate. The Commission further considered that, similar to the treatment of these services for the other ILECs, it would be appropriate to freeze the rates for these services for the duration of the price cap period. The Commission notes that public pay telephone service was assigned to this basket.

6. In Telecom Decision 2007-27, the Commission reviewed its cap on pay telephone service rates for the large ILECs.<sup>3</sup> In that decision, the Commission stated that it continued to consider pay telephone service a necessary and valuable public service, and that without the flexibility to increase pay telephone rates, the ILECs may remove unprofitable pay telephones which would result in consumers having reduced access to the service. Based on the evidence provided by Northwestel in this case, the Commission has similar concerns as it pertains to maintaining pay telephone service in the North.
7. The Commission notes that, in Telecom Decision 2007-27, it provided the ILECs with the flexibility to increase the local call charge for a pay telephone call up to a maximum rate of \$0.50, noting that pay telephone rates had not increased for most ILECs for almost 25 years. In the same decision, the Commission also provided the ILECs with the flexibility to increase collect, third number, calling card, and commercial credit card charges up to a maximum rate of \$1.00.<sup>4</sup>
8. The Commission has reviewed the pay telephone revenue and cost information provided by Northwestel, and notes that, in general, the costs exceed the revenues on a per pay telephone basis. The Commission considers that, although Northwestel's pay telephone rates were frozen in its price cap regime, providing Northwestel with the same flexibility to increase certain pay telephone rates as the other ILECs at the current time is appropriate. The Commission is of the view that such an increase will reduce the income loss associated with pay telephone services and permit the company to keep pay telephones accessible in Northern communities.
9. Accordingly, the Commission allows Northwestel to increase its rate for a local call made from a pay telephone up to a maximum of \$0.50, and to increase its collect, third number, calling card, and commercial credit card rates up to a maximum of \$1.00.

Secretary General

## **Related documents**

- *Follow-up to Decision 2007-27 - Show cause submission related to the application of the price cap regime to Télébec, Limited Partnership, Telecom Decision CRTC 2007-60, 30 July 2007, as amended by Telecom Decision CRTC 2007-60-1, 10 August 2007*

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<sup>3</sup> In Telecom Decisions 2002-34 and 2002-43, the Commission concluded that public and semi-public pay telephone services should be assigned to a separate basket and that the rates for these services should be capped at the then-current levels.

<sup>4</sup> The flexibility to increase the local call pay telephone rates was extended to Télébec in Telecom Decision 2007-60. As well, certain small ILECs have implemented similar increases to their pay telephone rates pursuant to their price regulation regime.

- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Price cap regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007
- *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002
- *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002

*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>*