



## Telecom Decision CRTC 2016-455

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Ottawa, 18 November 2016

*File number: 8661-T69-201507287*

### **TELUS Communications Company – Application to revise the rate for its 9-1-1 Public Emergency Reporting Service in Quebec**

*The Commission **denies** TCC's application to increase its 9-1-1 Public Emergency Reporting Service rate in Quebec. The 9-1-1 service rate in question is classified as "frozen" and the proposed exception to the frozen rate treatment is not warranted. As a result, Canadians in TCC's serving territory in Quebec will continue to benefit from high-quality 9-1-1 service at stable and reasonable rates.*

#### **Background**

1. In Telecom Decision 97-9, the Commission established price cap regulation for the large incumbent local exchange carriers (ILECs) and determined that certain services not subject to the price cap plan, including 9-1-1 services, would be accorded special treatment. Specifically, the Commission determined that the rates for 9-1-1 services would be frozen for the duration of the price cap period. The rates were originally based on a cost study provided by Stentor<sup>1</sup> for the large ILECs at the time. The Commission subsequently amended the frozen rate treatment in Telecom Decision 99-17<sup>2</sup> and again in Telecom Order 2000-630.<sup>3</sup> The Commission confirmed the frozen rate treatment in subsequent price cap decisions.<sup>4</sup>
2. In Telecom Decision 2007-132, the Commission directed TELUS Communications Company (TCC) to file for Commission approval revised retail 9-1-1 service rates in its serving territory in Quebec that were either (i) set at the level approved for Bell Canada and updated annually to reflect changes to Bell Canada's retail 9-1-1 service rate, or (ii) based on company-specific costs supported by cost justification, and subject to annual adjustments. The Commission also directed TCC to file revised wholesale 9-1-1 access service rates equal to its proposed retail 9-1-1 service rates.

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<sup>1</sup> Stentor was an alliance of the large ILECs, plus Telesat Canada, that existed when competition was introduced in the long distance and local exchange services markets during the 1990s.

<sup>2</sup> Specifically, the Commission subjected the frozen rate to a regime whereby revenues were kept neutral and fees were more equitably between wireline and wireless service subscribers.

<sup>3</sup> Specifically, the Commission added a multiplicative factor (15%) to account for the growth in the number of wireless service subscribers.

<sup>4</sup> See Telecom Decisions 2002-34, 2002-43, 2007-27, and 2007-60.

TCC chose to adopt Bell Canada's rate, with annual adjustments based on Bell Canada's retail 9-1-1 service rate.<sup>5</sup>

## **Application**

3. The Commission received a Part 1 application from TCC, dated 16 July 2015, in which the company requested an increase in its retail wireline rate for its 9-1-1 Public Emergency Reporting Service (9-1-1 service).<sup>6</sup>
4. TCC submitted that at the end of 2014, it had decided to no longer use its own tandem switches to route 9-1-1 calls, but to instead route the 9-1-1 calls it receives from its local switches to Bell Canada's tandem switches. TCC stated that it had decided at that time to expand its contract with Bell Canada, and that Bell Canada now manages all of its 9-1-1 calls.
5. TCC submitted that its 9-1-1 service costs had changed as a result of the expanded contract and that the current applicable rate, based on Bell Canada's rate, did not enable it to recover its costs. The company submitted a cost study to reflect its revised cost structure. TCC argued that the Commission had not stated in Telecom Decision 2007-132 that the company's choice between the two rate options was definitive and that the company should be able to reconsider its choice based on important technical changes.
6. TCC submitted that its proposed 9-1-1 service rate remains below what, in its view, was effectively a price ceiling approved by the Commission when it established the frozen rate and, therefore, approval of its application would not entail a change in the policy that applies to the service.
7. The Commission received interventions regarding TCC's application from the Public Interest Advocacy Centre (PIAC) and l'Union des consommateurs (l'Union). The public record of this proceeding, which closed on 17 March 2016, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) or by using the file number provided above.

## **Is the proposed exception to the frozen rate treatment warranted?**

### **Positions of parties**

8. PIAC and l'Union questioned (i) the benefits to consumers of TCC using Bell Canada as a service provider, and (ii) the ensuing rate increase.

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<sup>5</sup> The Commission approved TCC's revised rate on a final basis in Telecom Order 2008-98.

<sup>6</sup> See General Tariff CRTC 25080, Section 2.25 – Service 9-1-1. TCC had previously filed Tariff Notices 610 and 610A, requesting, among other things, an increase in its retail wireline rate for this service. Commission staff closed the file associated with these tariff notices on 22 May 2015, given that the notices raised significant policy issues that it considered would be more appropriately addressed under the Part 1 application process.

9. L'Union stated that it supported the current frozen rate treatment and questioned the timing of the application, suggesting that the Commission should review this issue as part of its next-generation 9-1-1 (NG9-1-1) proceeding.<sup>7</sup>
10. TCC replied that after analyzing all possible options to implement the Commission's requirements set out in Telecom Decision 2013-124 regarding the In-Call Location Update (ICLU) feature,<sup>8</sup> it had concluded that moving to Bell Canada's tandem switches would be the best solution for offering the new ICLU feature within the required timelines. TCC added that in evaluating this transfer, the company had also determined that it would be more efficient for 9-1-1 call centres, known as public safety answering points, to deal with one 9-1-1 service provider (Bell Canada) instead of two.

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

11. The Commission's general practice has been to establish rates based on costs; however, the Commission chose to adopt the frozen rate treatment described above for rates for 9-1-1 services and other services that provide important public safety and social benefits. The frozen rate treatment does not contemplate a price ceiling, as submitted by TCC; therefore, any change would be an exception to the existing policy.
12. The key benefits of this treatment are (i) stable revenue for 9-1-1 service providers so that they can plan and pay for ongoing maintenance and investments in their 9-1-1 networks, including maintaining functionality and upgrading equipment; (ii) no tracking by the Commission of 9-1-1 service providers' year-to-year costs, regardless of whether these costs increase or decrease; (iii) administrative efficiency for 9-1-1 service providers; (iv) regulatory certainty for interconnecting competitive local exchange carriers and wireless service providers; and (v) high-quality public good services for consumers at stable and reasonable rates. Therefore, applications for exceptions to the frozen rate treatment should meet a high standard of rationale and evidence to be approved.
13. Regarding TCC's submission that it should be permitted to reconsider its 9-1-1 service rate option, the company chose to base its 9-1-1 service rate on Bell Canada's rate in 2007; therefore, it is reasonable to expect that the rate it chose covered its costs at that time. As was the case for all other 9-1-1 service providers, TCC's rate then became subject to the frozen rate treatment.
14. TCC's initial motivation to make provisioning changes regarding its 9-1-1 service may have resulted from the Commission's requirements to implement the ICLU feature. However, when TCC made the business decision to outsource the delivery of

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<sup>7</sup> That proceeding was initiated by Telecom Notice of Consultation 2016-116.

<sup>8</sup> The ICLU feature enables public safety answering points to request updated location information associated with a wireless 9-1-1 caller. The updated location information enables 9-1-1 call takers to receive the new location of a caller who, for example, is in motion or has changed location.

its 9-1-1 services to Bell Canada, it should have known the current rate and revenue structure under which it was operating, including the associated costs and the frozen rate treatment. The change in TCC's 9-1-1 service delivery does not constitute a compelling reason for an exception to this treatment.

15. Allowing exceptions to the frozen rate treatment each time a company's costs change would negate the above-mentioned benefits of this treatment. TCC has not provided sufficient rationale to demonstrate that the proposed exception to the frozen rate treatment is warranted.
16. Regarding the timing of TCC's application, the company's upgrades, through its reliance on Bell Canada's network, will likely continue to be used during and after the transition to NG9-1-1, assuming these companies provide NG9-1-1 services in the future. The Commission is currently examining the 9-1-1 regulatory framework as part of the NG9-1-1 proceeding, and the funding model for 9-1-1 services could change as a result of that proceeding. As well, costs to provide NG9-1-1 services may be reviewed following that proceeding.
17. In light of all the above, the Commission finds that the proposed exception to the frozen rate treatment is not warranted, and therefore **denies** TCC's application.

Secretary General

### **Related documents**

- *Establishment of a regulatory framework for next-generation 9-1-1 in Canada*, Telecom Notice of Consultation CRTC 2016-116, 29 March 2016
- *CISC Emergency Services Working Group – Consensus report regarding the In-Call Location Update feature trial and implementation*, Telecom Decision CRTC 2013-124, 14 March 2013
- Telecom Order CRTC 2008-98, 8 April 2008
- *Télébec, Limited Partnership and TELUS Communications Company – Local network interconnection and network component unbundling*, Telecom Decision CRTC 2007-132, 20 December 2007
- *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
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 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
- *Rates modified for province-wide 9-1-1 service*, Telecom Order CRTC 2000-630, 6 July 2000
- *9-1-1 Service – Rates for wireless service providers, Centrex customers and Multi-Line customers/Manual Access to the Automatic Location Identification Database*, Telecom Decision CRTC 99-17, 29 October 1999
- *Price cap regulation and related issues*, Telecom Decision CRTC 97-9, 1 May 1997