

UTILITIES CONSUMERS' GROUP

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July 21, 2006

CRTC
Ottawa, ON K1A 0N2
Attention: Diane Rheume, Secretary General CRTC

Dear Ms. Rheume:

Re: CRTC PN 2006-1 Northwestel Review of Regulatory Framework

Pursuant to the above PN, the Utilities Consumers' Group (UCG) would like to file the following final argument with the Commission.

Again, thank you to the Commission for facilitating a process which allowed northerners first-hand, who would normally be without a voice in the decision-making, the opportunity to make representations .

Sincerely yours,



Roger Rondeau
President

cc. Muriel Chalifoux, Regulatory Northwestel
Interested Parties

FINAL ARGUMENT
TO
CRTC
REGARDING
TELECOM PUBLIC NOTICE
2006-1
REVIEW OF REGULATORY FRAMEWORK
OF NORTHWESTEL

UTILITIES CONSUMERS' GROUP

JULY 21, 2006

1. The Utilities Consumers' Group asserts that Northwestel did not present enough information nor evidence in this application to adequately demonstrate their case for revenue requirement, productivity component nor affordability.
2. Due to the lack of the three criterion above and the fact that Northwestel is without a doubt a unique operating area, we suggest this telco must also be treated in a unique regulatory style.
3. Therefore, UCG argues the Commission should deny this application for regulatory reform and order Northwestel to continue to operate under the rate base regime with:
 - no increase in rates to residential or business consumers;
 - a 9.5 to 10% rate of return (at par to Canadian regulated utilities in recent decisions);
 - a 2% productivity factor with a legitimate forecasting mechanism presented to the regulator and stakeholders;
 - a lowered CAT rate, in increments, to stimulate competition and isolate these costs to the contribution mechanism; and
 - a lowering of instalment fees and security deposits along with an increase in the time for payments.

Northwestel policy panel, under cross-examination by UCG, stated they had no problem continuing with rate base regulation if the Commission so decides.

4. Northwestel has not presented any logistics or demographics that in raising local residential and small business rates would not negatively impact the affordability to local access of telephones to the most vulnerable in our Northern society. The Commission is committed to universality of basic telephone access, both under the *Telecommunications Act* and prior decisions made by this regulator.

Once more, as UCG previously expressed in the hearing, any wage statistics in the Yukon are highly skewed, due to the fact of our small population base being averaged with a large component of the work-force earning above norm wages (i.e. the various governments and Northwestel, itself, the largest private employer in the Yukon). We have very little industry at the moment and what is present is seasonal; although on a positive note mining appears to be on the horizon yet again. Those working in the tourism or service industries are mostly payed at minimum wage and are seasonal, as well. This lower-income component of our work force along with the set-income elderly, mentally or physically challenged, social assistance recipients all present a social and economic hindrance to affordability with any further increase to basic local telephone service.

Any increase in telecommunications would also stress small local businesses to compete with the South.

5. Northwestel should nourish a present rate of return similar to other regulated utilities in Canada. Northwestel may have some unique risk factors, but they also have a unique contribution fund to access as well as the deferral instrument allowed in rate base regulation. These **balance** out the risks, as is Northwestel popular cliché!
6. Northwestel must be ordered to immediately separate all entities of it corporate make-up and affiliations to ensure the national contribution mechanism is only used for its fundamental purpose of supporting basic telephone service.
7. Northwestel must be ordered to prepare for a splitting of its rate base into the utility and the competitive components, within the near future, as the next step into future price cap regulation. Let's not move ahead too quickly without ensuring benefits the consumer.
8. The Commission has already ordered Northwestel to update its productivity report, so let us first see what this report has to offer.

9. In order to inspire more competitive forces in the long distance market and discourage by-pass revenue to such forces as Internet, the lowering of the CAT rate in increments appears to be the most logical solution. Telus argued in June of 2000 that the Northwestel CAT rate must be lowered to promote competition (i.e. five cents is too high; should be comparable to the South). This time they argue the CAT must remain higher than applied for, so it is difficult to tell where Telus is coming from or going to.

10. The Northwestel bill management tools should be decreased by the 25% mark-up of the Company and customer users given one year of equal monthly billing to pay for these charges. Also any customer on toll restriction should not be required to pay any deposit.

11. Finally, it is UCG's understanding that in October of this year, the CRTC will be reviewing the price cap regime for the larger telcos in the South where this practice has now been in place for a number of years. Before we give Northwestel any direction of regulatory change, let us see what the outcome of this process is, i.e. to observe if there are problems or negatives associated that can be averted in this operating area.

12. To conclude and summarize, UCG requests the Commission maintain the present rate of return regulatory regime for Northwestel to ensure the goal of universality is upheld and to prevent the degradation of telecommunications service, quality, affordability, availability and reliability in the North.

UCG further envisions:

- no increase in local rates (as Northerners already pay at the higher-end of Canadian rates) with a contemporary nominal decrease in the rate of return for Northwestel directing a fair balance between ratepayer and shareholder interest;
- a movement to the splitting of the Northwestel rate base before applying price capping;
- a lowering of the CAT rate to encourage further competition; and
- a better offering for customer bill management tools.

We realize that we are again asking southern consumers and telcos to assist us with our high cost serving area, in the North, to ensure what is enshrined in our Canadian laws. We know this may appear as if we are asking for a lot, but from our perspective we are only asking for parity to what has rolled-out in Southern Canada for a number of years now. Necessary increases in this national subsidy mechanism to further cultivate LD competition; i.e. lowering the CAT rate with an equivalent subsidy for the Northwestel loss of revenue; is a strong indication of just how far away the Northern territories are from parity with the South in terms of competitive telecommunication rates and services. It is no difference than the imperative internal subsidies the larger-centre Northerners endure to benefit our small outlying communities.