



Telecom Order CRTC 2004-239

Ottawa, 19 July 2004

Bell Canada

Reference: Tariff Notice 6794

Local and inter-exchange analogue circuits

1. The Commission received an application by Bell Canada, dated 17 February 2004, to revise the following General Tariff items in order to increase the monthly rates for both local and inter-exchange analogue circuits:
 - item 950, Local channels;
 - item 3750, Monthly distance charges or rentals for inter-exchange channels and the associated local channels;
 - item 4570, Channels for remote operation of private mobile and one-way radio paging transmitters;
 - item 4580, Channels for wired music transmission;
 - item 4590, Channels for voice without signalling or conditioning;
 - item 4600, Channels for program transmission; and
 - item 4660, Channels for data transmission.
2. The proposed increases in rates range from 6% to 10%, with the majority of rates increasing between 9.5% and 10%.
3. Bell Canada indicated that many of these rates had not changed in several years and that in many cases the proposed rates remained below cost. Bell Canada noted that the increases to the analogue circuit rates, proposed in this application, would be offset by decreases for the digital circuit rates proposed in Bell Canada Tariff Notice 808, which was filed on the same day as this application. In this application, the company filed price cap information to demonstrate that the service band index (SBI) would not exceed the service basket limit (SBL) for the other capped services basket when these two tariff notices are considered together.
4. Bell Canada indicated that it would notify affected customers of the proposed changes by means of a bill insert or a customer letter.
5. The Commission received comments from: ADT Security Services Canada Inc.; Alarme Trans-Canada; Alarmtech Security Systems Inc. (Brian Gibbs); Alarmtech Security Systems Inc. (Bob Hoevenaars); Auger BC Sécurité; Bolt Security Systems Inc.; Central de

Contrôle d'Alarme du Québec; Centrale Ashton Central; Culliton Brothers Limited; Damar Security Systems; EIRS Alarme; Fire Monitoring of Canada Inc.; Georgian Bay Fire & Safety Ltd.; GMS Sécurité & Communication; H&B Security Centre; Intramerica Security Technologies; IStop.com; Les Alarmes Clément Pelletier Inc.; Les Alarmes Sécurité Lab; London and Middlesex Housing Corporation; Magna Security Systems Inc.; Microcell Solutions Inc. (Microcell); Microtec Télé-Surveillance; Northerncom; Prudential Alarm Systems Ltd.; Security ONE Alarm Systems Ltd.; Sentinel Alarm Co.; Supervision Audio Vidéo Inc.; and Trent Security Systems Ltd.

6. Bell Canada filed reply comments, dated 29 March 2004.

Parties' comments

7. Microcell supported the proposed rate changes, including the associated proposed decreases to Digital Network Access rates filed by Bell Canada in Tariff Notice 808.
8. All other parties opposed the proposed rate increases. Their arguments included that:
 - Bell Canada had not demonstrated that the costs of providing the service had increased;
 - there was no competitive alternative to the Schedule 3A channel service provided under General Tariff item 3750; and
 - many of the end-customers were civic organizations, churches and non-profit groups that could not afford the proposed rate increase.

Bell Canada's reply

9. Bell Canada indicated that the parties who commented on the proposed increases represented less than 1% of its customers for this service.
10. Bell Canada stated that the proposed rate increases were not due to an increase in the costs of furnishing analogue channels but were intended to allow the company to bring the rates of analogue channels in line with the company's cost of providing them. The company noted that in a previous application, Tariff Notice 6697, dated 28 October 2002, it had filed an imputation test for Schedule 1, 2, 3 and 3A analogue channel¹ rates that indicated that the rates for these channels were not compensatory.
11. Bell Canada noted that under the price cap regime, the fact that some analogue channels rates were not compensatory was not relevant in assessing whether or not approval should be granted. The company noted further that it was only required to demonstrate that the proposed price changes complied with the pricing constraints established by *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34).

¹ Schedule 1 and 2 channels were withdrawn and Schedule 3 channels were destandardized in Telecom Order CRTC 2003-512, 17 December 2003.

12. Bell Canada acknowledged that there were no competitors to the Schedule 3A service but argued that there were no legal or technical barriers to competitors seeking to enter this market. The company stated that one potential reason that no competitors had entered the business was that the current prices it charged were either below cost or did not otherwise provide sufficient margins for competitors to consider this market attractive.
13. With regard to the continued affordability of the service, Bell Canada noted that rates for the local channels component and the inter-exchange component had not increased since 1995 and 2001 respectively. The company noted further that rates for similar services in some of the other telephone companies' territories were significantly higher than Bell Canada's existing rates.

Commission analysis and determination

Compliance with pricing constraints set out in Decision 2002-34

14. In Decision 2002-34, the Commission applied a number of constraints to the rates for services in the other capped services basket, in order to provide customers of those services with price protection.
15. The pricing constraints which apply to services in the other capped services basket include:
 - a basket constraint, operating through the SBL for that basket, which must be updated annually by the rate of inflation less the productivity offset;
 - a rate element constraint limiting rate increases for a service to 10% per year; and
 - a provision, in order to prevent an ILEC from decreasing rates in more competitive areas and increasing rates in less competitive areas of the same band, that rates for other capped services should not generally be permitted to be further de-averaged within a band.
16. In Decision 2002-34, the Commission assigned inter-exchange channel services (i.e., those proposed under Tariff Notice 6794 services) and digital circuit services (i.e., those proposed under Tariff Notice 808 services) to the other capped services basket.
17. The Commission notes that the revenue increase resulting from the proposed rate increases are offset by the revenue decrease resulting from the rate reductions proposed in Tariff Notice 808. The Commission notes that the price cap regime allows this type of pricing flexibility as long as the pricing constraints, noted above, are not violated. The Commission finds that the proposed tariff revisions comply with the basket constraint requirement that the SBI not exceed the SBL for the other capped services basket.
18. The Commission also finds that the proposed tariff revisions would not further de-average rates for other capped services within a band.
19. Schedule 3A channel service was specifically developed for alarm companies. The Commission notes that this service was identified by Bell Canada in past applications as one that was not compensatory. The Commission further notes that, under existing regulatory constraints, the company is permitted to increase the rates for this service by a maximum of 10%.

20. The Commission finds that the proposed tariff revisions are in accordance with the Commission's determinations in Decision 2002-34.

Other issue: Allstream Corp.'s intervention

21. The Commission notes that an intervention received from Allstream Corp. (Allstream), dated 30 April 2004, in relation to Bell Canada Tariff Notice 6802 provided comments on Tariff Notice 6794, among others. In Bell Canada's reply, dated 7 May 2004, the company noted that Allstream's comments on this tariff notice were due by 18 March 2004, and accordingly argued that they were out of process.
22. The Commission notes that Allstream's comments were filed approximately one and a half months late. Accordingly, the Commission considers Allstream's intervention to be out of process for Tariff Notice 6794 and is therefore not part of the record of this proceeding.
23. In light of the above, the Commission **approves** Bell Canada's application. The revisions take effect as of the date of this order.

Secretary General

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