



Telecom Order CRTC 2006-180

Ottawa, 14 July 2006

TELUS Communications Company

Reference: TELUS Communications (Québec) Inc. Tariff Notice 421

Revisions to rates for certain services in the Residential Optional Local Services in High-cost Serving Areas sub-basket, the Single and Multi-line Business Local Exchange Services basket, and the Other Capped Services basket

Introduction

1. TELUS Communications Company (TCC) filed an application, dated 31 May 2006, in which it proposed revisions to the General Tariff of the former TELUS Communications (Québec) Inc. (the former TELUS Québec)¹ to the rates of certain services in the Residential Optional Local Services in High-cost Serving Areas (HCSAs) sub-basket, the Single and Multi-line Business Local Exchange Services basket, and the Other Capped Services basket in order to meet its 2006 price cap commitment.
2. TCC submitted that its application was filed pursuant to *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), and *Extension of the price regulation regime for Société en commandite Télébec and TELUS Communications (Québec) Inc.*, Telecom Decision CRTC 2005-70, 16 December 2005 (Decision 2005-70).

The application

3. In the Residential Optional Local Services in HCSAs sub-basket, TCC proposed the following rate changes to the following services in Bands E, F, and G in its Quebec operating territory:
 - 1) Three-Way Calling features and Call Return features
 - increase the usage fee from \$1.00 to \$1.25;
 - increase the usage charge per feature from \$1.00 to \$1.25; and
 - increase the maximum charge per feature, per month, per line from \$10.00 to \$12.50.

¹ Effective 1 July 2004, TELUS Communications Inc. (TCI) assumed all rights, entitlements, liabilities, and obligations relating to the provision of telecommunications services in the territory previously served by the former TELUS Québec. Effective 1 March 2006, TCI assigned and transferred all of its assets and liabilities, including all of its service contracts, to TCC.

2) Call Display – Number

- increase the monthly rate from \$9.00 to \$9.50.

3) Call Display – Number and Name

- increase the monthly rate from \$9.50 to \$9.75.

4. In the Single and Multi-line Business Local Exchange Services basket, TCC proposed rate increases ranging between 1.1 percent and approximately 8 percent to local business exchange service, with and without contract, in Bands A, B, and C in its Quebec operating territory.

5. In the Other Capped Services basket, TCC proposed the following rate changes to the following services in its Quebec operating territory:

1) Directory Listing – additional listings

- increase of 10 percent to the monthly rate for business customers.

2) Intra-Exchange Distance Charges

- increase of approximately 10 percent to various monthly rates.

3) Tie-line

- increase of approximately 10 percent to the monthly rate for tie-lines for which the extremities are located in a single building.

4) Direct Inward Dialling

- decreases in monthly rates ranging from 15.5 to 19.1 percent.

5) Operator Services – Directory Assistance

- increase of 6.67 percent (usage charge increases from \$0.75 to \$0.80).

6) Interexchange Distance Charges – for voice and data circuits

- increase of approximately 10 percent to both the basic charges and the per-mile charges.

7) Channels for Data Transmission – point of service conditioning

- increase of 10 percent to the monthly rates.

- 8) ProxiReseau Service access and per-mile charge (128 kbps and more)
 - increase of 10 percent to the monthly rates.
 - 9) Digital Network Access (DNA) – 128 kbps and DS-1 (five connections or more, with contract)
 - increase of 10 percent to the monthly rates.
 - 10) Interexchange Digital Private Line Services DS-0, DS-1, and DS-3 for adjoining exchanges
 - increase of approximately 10 percent to the monthly rates.
 - 11) Interexchange Digital Private Line Services for non-adjoining exchanges
 - decreases of approximately 8 percent for the basic charges and per-mile charges for DS-0 and DS-1, and decreases of approximately 54 percent for DS-3.
 - 12) Multiflex service
 - increase of approximately 10 percent to the monthly rate per access.
6. TCC submitted cost studies in support of its proposed rate reductions.
 7. TCC requested an approval date of 14 July 2006 and an effective date of 1 August 2006. TCC indicated that the requested approval date would give TCC sufficient time to adjust its billing systems before the new rates became effective.
 8. In its application, TCC indicated that it had not proposed any rate reductions related to the Residential Services in non-HCSAs basket at this time as it was awaiting a Commission decision on an application filed by Bell Canada, dated 16 March 2006, under Part VII of the *CRTC Telecommunications Rules of Procedure*, seeking an order from the Commission that TCC file Competitor Digital Network Services tariffs, in conformity with the definitions and principles established in *Competitor Digital Network Services*, Telecom Decision CRTC 2005-6, 3 February 2005, as amended by Telecom Decision CRTC 2005-6-1, 28 April 2006.
 9. The Commission received no comments with respect to the application.

Regulatory framework

10. In Decision 2002-43, the Commission established a price cap regime for the former TELUS Québec and Société en commandite Télébec in which the Commission directed these companies to file on an annual basis, by 31 May of each year, updates to their service band limits (SBLs) and service band indexes (SBIs) with supporting calculations, formulas, and spreadsheets for each basket or sub-basket of capped services, as applicable.

11. In *Follow-up to Implementation of price regulation for Télébec and TELUS Québec, Telecom Decision CRTC 2002-43 – Service basket assignment*, Telecom Decision CRTC 2003-56, 22 August 2003, as amended by Telecom Decision CRTC 2003-56-1, 8 April 2004, the Commission finalized the assignment of tariffed services to the service baskets established in Decision 2002-43.
12. In Decision 2005-70, the Commission extended, without changes, the price cap regime established in Decision 2002-43 for a period of one year, to 31 July 2007.

Commission's analysis and determinations

Residential Optional Local Services in HSCAs sub-basket

13. The Commission notes that the Residential Optional Local Services in HSCAs sub-basket is subject to certain pricing constraints: notably, rate increases for services in this sub-basket should not exceed \$1.00 per feature, per year.
14. The Commission considers that TCC's proposed rate changes to the Residential Optional Local Services in HSCAs sub-basket are consistent with the rate element constraint imposed on services in this sub-basket, with one exception. In that regard, the Commission considers that the proposed \$2.50 increase to the maximum usage charge per feature, per month, per line for both Three-Way Calling features and Call Return features does not respect the maximum increase of \$1.00 per feature rate element constraint.

Single and Multi-line Business Local Exchange Services basket

15. The Commission notes that the pricing constraints which apply to services in the Single and Multi-line Business Local Exchange Services basket include:
 - a basket constraint, operating through the SBL for that basket, which must be updated annually by the rate of inflation;
 - a rate element constraint limiting rate increases for a service to 10 percent per year; and
 - a provision, in order to prevent an incumbent local exchange carrier (ILEC) from decreasing rates in more competitive areas and increasing rates in less competitive areas of the same band, that rates for business local exchange service should not generally be permitted to be further de-averaged within a band.
16. The Commission notes that the proposed rate increases to the monthly rates in the Single and Multi-line Business Local Exchange Services basket do not exceed 10 percent. The Commission finds that the proposed tariff revisions comply with the basket constraint requirement that the SBI not exceed the SBL for the Single and Multi-line Business Local Exchange Services basket. The Commission also finds that the proposed tariff revisions comply with the Commission's prohibition against further de-averaging rates for single and multi-line business local exchange services within a band.

Other Capped Services basket

17. 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 percent 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.
18. The Commission notes that TCC has proposed various increases and decreases to rates for services in the Other Capped Services basket. The proposed rate increases to these services are all within the 10 percent constraint at the rate element level. With regard to the proposed reductions, the Commission is satisfied that the cost studies filed by TCC in support of the proposed rate decreases to services in the Other Capped Services basket show that the proposed rates will be compensatory.
19. 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.
20. The Commission also finds that the proposed tariff revisions comply with the Commission's prohibition against further de-averaging rates for other capped services within a band.
21. However, the Commission has concerns with regard to the proposed rate increases to DNA service at this time in view of the Bell Canada Part VII application noted above, on which a decision has yet to be issued. In that application, Bell Canada asked that the Commission require TCC to offer Competitor Digital Network Services, which includes, among other things, Competitor DNA services. In this regard, the Commission notes that in response to an interrogatory with respect to Tariff Notice 408, where TCC had also proposed rate increases to DNA service, the company indicated that its customers for DNA service were mostly competitors. Accordingly, the Commission considers that it would not be appropriate to approve the proposed rate increases to DNA service while it is still considering Bell Canada's Part VII application.
22. In light of the above, the Commission **approves on an interim basis**, effective 1 August 2006, TCC's proposed rate changes, with the following exceptions:
 - The Commission **denies** TCC's proposed \$2.50 increase to the maximum usage charge per feature, per month, per line.
 - The Commission **denies** the proposed increases to TCC's DNA service.

23. The Commission directs TCC to issue, within 30 days of this Order, amended tariff pages to reflect the Commission's determinations in this Order.

Other issue

24. By way of a letter dated 15 May 2006, TCC informed the Commission that, because of the Bell Canada Part VII application, it was not proposing rate decreases in order to eliminate the recurring amount in its deferral account, as ordered at paragraph 227 of *Disposition of funds in the deferral accounts*, Telecom Decision CRTC 2006-9, 16 February 2006. TCC further submitted that any revenue losses incurred as a result of the disposition of Bell Canada's Part VII application should be compensated through its deferral account.
25. The Commission notes that the recurring amount in TCC's deferral account could be required to compensate TCC if the Commission were to require the company to offer Competitor Digital Network Services. Accordingly, the Commission is of the view that TCC's proposal to defer rate reductions to its Residential Services in non-HCSAs basket pending a decision on the above-noted Bell Canada Part VII application is acceptable. The Commission expects to issue revised directives as to the disposition of the recurring amounts in the deferral account in that decision.

Secretary General

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