



Telecom Decision CRTC 2005-62

Ottawa, 20 October 2005

Bell Canada proposal for VoIP service pricing in Ontario and Quebec

References: 8661-C12-200510562 and Bell Canada Tariff Notice 6900

*In this Decision, the Commission renders its determination in the proceeding initiated in Bell Canada proposal for VoIP service pricing in Ontario and Quebec, Telecom Public Notice CRTC 2005-13, 9 September 2005 and amended in Telecom Public Notice CRTC 2005-13-1. The Commission **approves, on an interim basis**, Bell Canada's Tariff Notice 6900. The Commission notes that its determination to allow Bell Canada the ability to price its service differently in Ontario and Quebec is limited to its Bell Digital Voice service proposed in Tariff Notice 6900.*

Background

1. The Commission received an *ex parte* application by Bell Canada, dated 2 September 2005, to have distinct price ranges in Ontario and Quebec for an access dependent fixed Voice over Internet Protocol (VoIP) service called Bell Digital Voice service, thereby permitting Bell Canada to charge different rates in Ontario and Quebec.
2. Bell Canada indicated that it was seeking approval of distinct price ranges for each of Quebec and Ontario in recognition that: 1) it faces vigorous competition in which competing services are priced differently in each of these provinces, and 2) tariffs approved by the Commission for all other incumbent local exchange carriers (ILECs) reflect provincial boundaries.
3. Bell Canada provided price comparisons between the major cable companies' digital telephone service offerings in Ontario and Quebec, indicating that these other carriers' digital telephone services are priced differently between and within Ontario and Quebec.
4. In *Bell Canada proposal for VoIP service pricing in Ontario and Quebec*, Telecom Public Notice CRTC 2005-13, 9 September 2005 (Public Notice 2005-13), the Commission invited comments on that aspect of Bell Canada's application proposing to allow it to have distinct price ranges in Ontario and Quebec for a VoIP service.
5. In response to comments, in *Bell Canada proposal for VoIP service pricing in Ontario and Quebec*, Telecom Public Notice CRTC 2005-13-1, 21 September 2005 (Public Notice 2005-13-1), the Commission revised the timelines for the proceeding. The Commission directed Bell Canada to file with the Commission an electronic version of Tariff Notice 6900 for the Commission's website.
6. On 21 September 2005, Bell Canada filed with the Commission for the public record, a copy of Tariff Notice 6900, as directed in Public Notice 2005-13-1.

7. The Commission received comments on the merits of Bell Canada's proposal from Aliant Telecom Inc. (Aliant Telecom), Cogeco Cable Inc. (Cogeco), MTS Allstream Inc. (MTS Allstream), Quebecor Media inc. (QMI), Primus Telecommunications Canada Inc. (Primus), Rogers Communications Inc. (RCI), Saskatchewan Telecommunications (SaskTel), and TELUS Communications Inc. (TCI).

Positions of parties

8. Cogeco initially opposed Bell Canada's proposal, but subsequently stated that it had reconsidered its position. Cogeco acknowledged that all other ILECs are currently able to offer telecommunications services at rates which reflect provincial boundaries and, consequently, it did not object that similar treatment be extended to Bell Canada on an interim basis with respect to the provision of this VoIP service. Cogeco submitted that any future application proposing to de-average within a band, including de-averaging between provinces, should be the subject of a full public proceeding.
9. MTS Allstream submitted that Bell Canada's proposal should be denied. MTS Allstream argued that Bell Canada's proposed VoIP service was nearly identical to its primary exchange service, and that there was no justification for different pricing rules for a local exchange service, or any associated optional local services, simply because Bell Canada had placed a different label on the service or had adopted a different marketing approach.
10. Primus submitted that the Commission should reject Bell Canada's proposal to offer de-averaged rates between Ontario and Quebec, stating that this would grant Bell Canada unnecessary pre-forbearance pricing flexibility and create a significant precedent that Bell Canada could use to achieve additional pricing flexibility in the circuit-switched market. Primus argued that the Commission should consider Bell Canada's request for greater pricing flexibility in light of its previous finding that local VoIP services are part of the same relevant market as circuit-switched services.
11. QMI argued that Bell Canada wants to be able to rely on the revenues from its entire operating territory to fund its competitive response without being required to lower prices across an entire rate band. QMI submitted that existing rate bands were based on historical costs within an ILEC's territory, not on provincial boundaries. QMI was of the view that there could be implications for other regulatory mechanisms such as the rates that apply for leased local loops and the price cap constraints that apply to Bell Canada.
12. RCI acknowledged that other ILECs currently offer telecommunications services at rates which reflect provincial boundaries, and stated that it did not object to similar treatment for Bell Canada.
13. Aliant Telecom, SaskTel and TCI supported Bell Canada's application.

Bell Canada's reply

14. Bell Canada stated that the only issue in this proceeding is whether it should have the ability to price its VoIP service differently in each of the two provinces which comprise its incumbent territory, without any further changes to the Commission's current rate averaging principles.
15. Bell Canada indicated that TCI and Aliant Telecom currently operate as ILECs in more than one province and have separate tariffs for retail services in each province.
16. Bell Canada submitted that its proposal would not enable it to target specific groups of customers since it would be limited to pricing, within provincial boundaries, in accordance with the current rate averaging principles.
17. Bell Canada further submitted that it was currently faced with a situation in which it could not offer its VoIP services without, in effect, either having to write-off the entire potential market for a VoIP service in one or the other province it serves where its price was set higher than its competitors', or having to price its service below rate levels set by market forces in a province, simply because it could not price provincially.
18. Bell Canada stated that the functionality provided by its Bell Digital Voice service was significantly different from its traditional primary exchange service, in that it offers different arrangements in relation to the types and range of features it would provide, the manner in which the customer could manage those features, long distance rates and the manner in which the service would be billed.
19. Bell Canada submitted that the cost support submitted for its proposed tariff confirms that the proposed rates for each province recover costs.

Commission's analysis and determination

20. The Commission notes that it initiated Public Notice 2005-13 to address the specific issue of whether Bell Canada should have the ability to price its Bell Digital Voice service differently in each of the two provinces which comprise its incumbent territory, without any further changes to the Commission's current rate averaging principles.
21. The Commission notes that the same service functionality of Bell Canada's proposed Bell Digital Voice service would be available in Ontario and in Quebec. The Commission further notes that one rate for the service would apply across rate bands A, B, C and D in Ontario and another rate would apply across rate bands A, B, C and D in Quebec.
22. The Commission notes that Bell Canada provided price comparisons between the major cable companies' digital telephone service offerings in Ontario and Quebec, indicating that these other carriers' digital telephone services are priced differently between and within Ontario and Quebec.
23. The Commission notes that Bell Canada's proposal, while providing a degree of pricing flexibility, would not result in rate de-averaging within rate bands in Ontario and Quebec. The Commission considers that Bell Canada's proposal would therefore not permit it to target small

geographical areas within rate bands which the Commission reaffirmed, in *Review of price floor safeguards for retail tariffed services and related issues*, Telecom Decision CRTC 2005-27, 29 April 2005, could deter competitors from entering the market.

24. The Commission notes that in support of its proposal, Bell Canada filed separate imputation tests for Ontario and Quebec with projected revenues based on its proposed minimum rates in its serving territory in each province.
25. The Commission is of the view that the potential for Bell Canada to engage in predatory pricing is addressed through the Commission's requirement for Bell Canada's service proposal to pass the Commission's imputation test. The Commission considers that Bell Digital Voice service is a bundle of local exchange service functionality and optional features, and that the Commission has, in the past, approved lower pricing for bundled services when compared to the sum of the individual service prices, subject to the Commission's bundling rules and the imputation test requirements. The Commission finds that Bell Canada's proposed rates pass the imputation test.
26. The Commission notes that any potential impact with respect to the price cap regime of this Decision will be addressed in its final determinations with respect to Bell Canada's Digital Voice services at the conclusion of the proceeding initiated by *Bell Digital Voice Service*, Telecom Public Notice CRTC 2005-9, 7 July 2005 (Public Notice 2005-9).
27. The Commission notes that Aliant Telecom, SaskTel and TCI supported Bell Canada's application, and that Cogeco and RCI did not object to Bell Canada offering its telecommunications services at rates which reflect provincial boundaries.
28. In light of the above, the Commission **approves, on an interim basis**, Bell Canada's Tariff Notice 6900. The Commission notes that its determination to allow Bell Canada the ability to price its service differently in Ontario and Quebec is limited to its Bell Digital Voice service proposed in Tariff Notice 6900. Final disposition of Tariff Notice 6900 will follow the Commission's determination in the proceeding initiated in Public Notice 2005-9.

Secretary General

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