



Telecom Decision CRTC 2005-66

Ottawa, 9 November 2005

Follow-up to Decision 2004-77 - Société en commandite Télébec's service improvement plan - Toll-free Internet access

Reference: 8638-C12-69/02

*In this Decision, the Commission **approves, on a final basis**, Société en commandite Télébec's Bands E and G service improvement plan funding for providing toll-free Internet access to the following five localities: Clova, Laforge, Notre-Dame-de-Stanbridge, Parc-de-la-Vérendrye and Parent.*

Application

1. On 17 January 2005, Société en commandite Télébec (Télébec) filed an application, and a supporting economic study, requesting that the Commission grant approval for an increase in annual funding from the National Contribution Fund (NCF) from \$200,000 to \$226,519 for the provision of toll-free Internet access to six localities. The six localities were Clova, Laforge, Notre-Dame-de-Stanbridge, Parc-de-la-Vérendrye, Parent, and Schefferville. Télébec submitted that it had proposed the increase in funding because the take rate for toll-free Internet access was higher than it had originally estimated.

Process

2. The Commission received comments from the Naskapi Nation of Kawawachikamach (the Nation) on 7 February 2005 and from l'Union des consommateurs (l'Union) on 10 February 2005. Télébec filed reply comments on 22 February 2005. The Commission received additional comments from the Nation on 18 April 2005; Télébec did not respond to these comments.
3. The Commission addressed interrogatories to Télébec on 15 March 2005 and Télébec filed its responses on 30 March 2005.

Background

4. On 26 March 2004, Télébec filed a report with the Commission indicating that there were 1,980 network access services (NAS) in six localities in its serving territory that did not have toll-free access to the Internet. Télébec identified the six localities as Clova, Laforge, Notre-Dame-de-Stanbridge, Parc-de-la-Vérendrye, Parent, and Schefferville. The company noted that all six localities were situated in high-cost serving areas (HCSAs), more specifically in Bands E and G, and estimated that annual funding of \$200,000 would be required to provide toll-free Internet access in these localities.

5. In *Société en commandite Télébec – Follow-up to Decision 2002-43 – Service improvement plan*, Telecom Decision CRTC 2004-77, 18 November 2004 (Decision 2004-77), the Commission directed Télébec to provide toll-free Internet access to the six localities mentioned above. The Commission approved, on an interim basis, annual funding of \$200,000 from the NCF for Télébec to provide toll-free Internet access to these localities.
6. In Decision 2004-77, the Commission noted that the amount of final funding might need to be revised following the issuance of a decision in the proceeding initiated by *Implementation of competition in the local exchange and local payphone markets in the territories of Télébec and TELUS (Québec)*, Public Notice CRTC 2001-69, 14 June 2001 (Public Notice 2001-69). In that Decision, the Commission directed Télébec to file a detailed Phase II cost study in support of the requested NCF funding in order to determine the amount of funding on a final basis.
7. The Commission rendered its determination in the Public Notice 2001-69 proceeding in *Implementation of competition in the local exchange and local payphone markets in the territories of Société en commandite Télébec and the former TELUS Communications (Québec) Inc.*, Telecom Decision CRTC 2005-4, 31 January 2005 (Decision 2005-4).

Positions of parties

Interested parties

8. The Nation stated that Naskapi Imuun Inc. (Imuun), a wholly-owned subsidiary of the Nation, began offering toll-free Internet access to the residents of Schefferville on 17 November 2004. The Nation requested that the Commission reconsider its determination made in Decision 2004-77 with a view to removing Schefferville as one of the localities that do not have toll-free Internet access and to reducing the funding approved for Télébec's service improvement plan (SIP) accordingly.
9. L'Union noted that Télébec had requested the Commission's approval to increase the NCF funding from the \$200,000 to \$226,519. In light of the fact that Imuun was offering toll-free Internet access service in Schefferville, l'Union requested that the Commission direct Télébec to recast its 17 January 2005 economic study to exclude that locality.
10. L'Union also requested the disclosure of the data used by Télébec in its economic study. L'Union submitted that the disclosure of the economic data would allow interested parties to evaluate if Télébec was proposing a quality service offering. L'Union claimed that the public interest in the disclosure outweighed Télébec's interest in protecting financial information with respect to the offering of toll-free Internet service in localities where the probability of competition was low.

Télébec's reply comments and response to interrogatories

11. Télébec stated that it did not intend to provide toll-free Internet access in Schefferville. Télébec submitted that the funding subsidy mechanism should however be reinstated should the current service provider be unable to continue providing toll-free Internet access to customers in Schefferville.

12. With respect to l'Union's request for disclosure, Télébec submitted that the cost study data for providing Internet service was highly sensitive and that its disclosure would likely cause Télébec substantial financial loss and harm to its competitiveness as it would allow current or potential competitors to develop market strategies.
13. In response to Commission interrogatories, Télébec filed a revised cost study to reflect the impact of the costing determinations made in Decision 2005-4 and the removal of Schefferville as one of the localities to which toll-free Internet access was to be provided. In view of these changes, Télébec reduced its proposed funding requirement, including a 15% mark-up, from \$226,519 to \$55,824, and requested confidentiality of this reduced amount.

Commission's analysis and determinations

14. In Decision 2004-77, the Commission directed Télébec to provide toll-free Internet access service to six localities that did not have toll-free Internet access. The Commission notes that since the release of Decision 2004-77, Schefferville, one of the six localities, now has toll-free Internet access service offered through another service provider. The Commission therefore considers that Télébec should not receive funding from the NCF for the provision of toll-free Internet access service to Schefferville, but should receive funding for the five remaining localities that still do not have this service. In the event that the current toll-free Internet access provider is no longer able to continue providing service in Schefferville, the Commission will consider a proposal by Télébec for providing such service and determine the appropriate NCF funding.
15. The Commission notes that the interim amount of NCF funding of \$200,000 and Télébec's proposed increase to \$226,519 were placed on the public record. However, Télébec claimed confidentiality for the reduced amount of \$55,824.
16. The Commission notes that the disclosure of the reduced amount would not result in Télébec's costs for providing toll-free Internet access in Schefferville becoming known since the impact of Decision 2005-4 was also included in calculating the final NCF funding amount. Also, since this amount is at a high level of aggregation, the Commission is of the view that the likelihood that harm would come from its disclosure is low. With respect to the remaining economic study components such as revenues and maintenance, the data is highly disaggregated. The Commission considers that disclosure of this disaggregated information related to the provision of Internet service would likely cause direct harm to the company that would outweigh the public interest in its disclosure and accordingly is not placing this information on the public record.
17. In *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), the Commission determined that SIP costs for HCSAs should be added to the costs that flow into the subsidy calculations and that a 15% mark-up would be applied to the adjusted average primary exchange service cost in determining the subsidy calculation.

18. The Commission notes that Télébec's proposed funding requirement of \$55,824 was derived from Phase II costs that included a 15% mark-up for the recovery of fixed and common costs. The Commission also notes that, consistent with Decision 2002-43, Télébec receives its NCF funding on a subsidy per residential NAS basis and that this subsidy calculation includes a 15% mark-up for fixed and common costs. The Commission therefore considers that 15% should be removed from the funding requirement because it will be accounted for in the calculation of Télébec's subsidy. Accordingly, the Commission has adjusted the funding requirement from \$55,824 to \$48,543. The Commission notes that as a result of this funding requirement, the SIP cost per residential NAS for Bands E and G are \$0.03 and \$0.24, respectively. The Commission will make the necessary adjustments to Télébec's 2005 subsidy calculations to include the above SIP cost per residential NAS amount.
19. In light of the above, the Commission:
- **approves, on a final basis**, a Band E SIP cost of \$0.03 per residential NAS and a Band G SIP cost of \$0.24 per residential NAS, effective 1 January 2005, for providing toll-free Internet access to the following five localities: Clova, Laforge, Notre-Dame-de-Stanbridge, Parc-de-la-Vérendrye and Parent.
 - directs Télébec to complete the work no later than 31 December 2006, and to provide a progress report in its annual SIP tracking report no later than 31 March 2006.

Secretary General

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