



Telecom Order CRTC 2005-115

Ottawa, 24 March 2005

FCI Broadband

Reference: Tariff Notice 14

Billing and Collection service

1. The Commission received an application by FCI Broadband, a division of Futureway Communications Inc., dated 21 October 2003, proposing changes to General Tariff item 305, Billing and Collection service. FCI Broadband proposed to introduce a minimum monthly charge associated with the "account receivable billed to an end-customer" component of the service.

Process

2. The Commission received comments from Microcell Solutions Inc. (Microcell), dated 20 November 2003, and from Aliant Telecom Inc., Bell Canada, MTS Communications Inc.,¹ Saskatchewan Telecommunications, and TELUS Communications Inc. (collectively, the Companies), dated 24 November 2003. The Commission received reply comments from FCI Broadband, dated 2 December 2003.

The application

3. FCI Broadband proposed that, for the "account receivable billed to an end-customer" component of the Billing and Collection service, interexchange service providers (IXSPs) would be charged the greater of either the proposed minimum monthly charge of \$966.90, or the total of the per-transaction charges associated with the number of records processed by the company during the month.
4. In support of its application, FCI Broadband noted that in *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997 (Decision 97-8), the Commission required competitive local exchange carriers (CLECs) to match the incumbent local exchange carriers' (ILECs) rates for interconnection services or to justify any proposed departure from the rates.
5. FCI Broadband noted that Billing and Collection service permitted IXSPs' customers to call FCI Broadband's end-customers and to have the charges for those calls assessed to the called customer (for example, collect calls and billed-to-third-number calls). The company stated that it received a daily data stream from IXSPs, containing the call details and amounts to be billed for each call, which was then included on the customer's invoice. It stated that it remitted back to the IXSP the charges associated with the calls, less the billing and collection charges that had been approved in its tariff.

¹ MTS Communications Inc. has since changed its name to MTS Allstream Inc.

6. FCI Broadband stated that it spent \$966.90 per month per IXSP to process the records associated with providing Billing and Collection service. It submitted that the billing and collection rates in its tariff reflected the ILECs' costs of provisioning this service to IXSPs and that the per-transaction charge associated with the "account receivable billed to an end-customer" component of the service was insufficient to recover its costs for performing this function. The company submitted that the introduction of a minimum charge in its tariff would ensure that its costs were fully recovered.
7. FCI Broadband noted that Billing and Collection service was classified as a Category I Competitor service and that the per-transaction charges were subject to the "I-X" pricing constraint.² It submitted that its proposal would not interfere with the required rate changes resulting from the application of the price cap formula to the per-transaction charge.

Other parties' comments

8. Microcell supported FCI Broadband's application. It noted that the Commission had approved transaction-based rate structures accompanied by minimum monthly charge provisions for various services in the ILECs' tariffs and argued that such a rate structure was appropriate in the circumstances identified by FCI Broadband.
9. The Companies submitted that the application should be denied on the grounds that the information provided by FCI Broadband was insufficient to substantiate its proposed minimum charge and pointed to inconsistencies with Commission policies regarding CLEC services. The Companies also submitted that the application was inconsistent with the Commission's end-customer choice policies.

Costing information submitted

10. The Companies submitted that FCI Broadband had not supplied sufficient justification on the public record to support its proposal to depart from the ILECs' rates. They further submitted that since Billing and Collection service was classified as a Category I Competitor service, any departure from the ILECs' rates must be based on the same costing and rating principles that were used to develop the ILECs' Category I Competitor service rates (i.e., Phase II costs), as specified in *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002. The Companies submitted that FCI Broadband had not provided sufficient evidence to ensure that the proposed application complied with this requirement.
11. The Companies submitted that it appeared that FCI Broadband had used accounting records to determine the costs used to support the application. They further submitted that these costs likely included loadings and other components that would be excluded from Phase II costs but would be recovered in the Commission's mandated 15 percent mark-up for Category I Competitor service rates.

² "I-X" = an inflation factor less a productivity offset.

12. The Companies argued that FCI Broadband's proposal to reduce the rate for "account receivable billed to an end-customer" per-transaction charge annually by the I-X pricing constraint, but not to reduce the proposed minimum monthly charge, would effectively alter the mark-up embedded in its minimum monthly charge. They noted that this would be inconsistent with the Commission's policy for Category I Competitor services.

The Commission's end-customer choice policies

13. The Companies submitted that firms specializing in casual calling might not be willing to offer long distance services to FCI Broadband's end-customers if they were forced to incur minimum monthly billing and collection charges. They further submitted that FCI Broadband's proposal could result in a situation where FCI Broadband's end-customers were denied access to the service of IXSPs who offered casual calling because the proposed minimum monthly charge would make it uneconomical for these IXSPs to provide service to them. The Companies submitted that, as a result, FCI Broadband's end-customers would be denied the ability to use casual calling services.

Reply comments

Costing information submitted

14. FCI Broadband noted that in Decision 97-8, the Commission had not prohibited departures from the ILECs' rates, but had required CLECs to justify any proposal to depart from the ILECs' terms and conditions. It disputed the Companies' view that such proposals must be based on the identical costing and rating methodologies used by the ILECs to develop Category I Competitor service rates. The company noted that CLECs were not subject to the ILECs' price cap regime and that CLECs' services had never been deemed essential or near-essential by the Commission. It submitted that it would be unreasonable to demand strict CLEC adherence to a costing regime that was applied to the ILECs because of the ILECs' dominance in the local market. FCI Broadband further submitted that it had provided the Commission with all the underlying cost components that it had used to develop its proposed rate and that it had fully demonstrated the minimum costs associated with processing billing and collection records on a monthly basis.
15. FCI Broadband submitted that its application was intended to permit the company to recover the costs incurred to provide this Commission-mandated service. The company further submitted that its monthly costs to process billing and collection records would not change in the mid-term. It argued that Bell Canada's suggestion that FCI Broadband should reduce the minimum charge on a yearly basis by the I-X pricing constraint consistent with the price cap regime would result in FCI Broadband being in the same position that it was currently in. It further submitted that the minimum monthly fee would be a temporary measure until call processing volumes merited the use of the per-transaction charge.

The Commission's end-customer choice policies

16. FCI Broadband noted that its proposed monthly fee would result in some additional costs for those IXSPs with which it had executed Billing and Collection agreements. The company submitted that it had encountered very little demand for Billing and Collection service from

IXSPs in the past. FCI Broadband indicated that it doubted that the existing IXSPs with which it had interconnection or toll transiting agreements would cease providing service to FCI Broadband's steadily expanding customer base if its application were approved.

Commission's analysis and determinations

17. In Decision 97-8, the Commission determined that it was in the public interest to require CLECs to provide equal access to all IXSPs, at terms and conditions equivalent to those contained in the ILECs' tariffs. Further, the Commission directed CLECs to file proposed tariffs for interexchange equal access, and to justify any departure from the terms and conditions contained in the ILECs' tariffs.
18. The Commission notes that Billing and Collection service permits a local exchange carrier to collect certain toll revenues on behalf of an IXSP. The Commission's requirement that local exchange carriers provide equal access necessitates that both the ILECs and the CLECs provide Billing and Collection service. Currently, the CLECs' Billing and Collection tariffs are identical to the ILECs' Billing and Collection tariffs, including the associated rates.

Costing information submitted

19. The Commission notes that there are four elements associated with the Billing and Collection service for which charges can be collected: accounts receivable management discount; account receivable billed to an end-customer; account receivable returned prior to billing; and account receivable returned or charged back to the IXSP after billing. The accounts receivable management discount is applied to the total toll charges collected on behalf of the IXSP. The remaining three components are per-transaction charges. Generally, when the Commission assesses rates for services, it considers the revenues and associated costs for the entire service, not just components of the service. The Commission notes that in justifying its charge, FCI Broadband has reflected only the revenues and costs associated with the "account receivable billed to an end-customer" per-transaction charge.
20. The Commission notes that FCI Broadband submitted that it had encountered very little demand for Billing and Collection service from IXSPs in the past. The Commission further notes that, for a smaller or non-dominant IXSP, the minimum charge would likely exceed the toll revenues collected by FCI Broadband on behalf of that IXSP. The Commission is concerned that, in the foreseeable future, there would be insufficient demand for this service from FCI Broadband's customers, such that the revenues associated with the per-transaction charge would exceed the minimum monthly charge for some IXSPs.
21. The Commission notes that FCI Broadband's Billing and Collection service provides benefits to the company's end-customers by permitting them to place casual toll calls using the networks of alternate long distance service providers and to accept collect calls and billed-to-third-number calls. The Commission is therefore of the view that it would not be unreasonable for FCI Broadband's end-customers to bear some of the costs to support the provision of Billing and Collection service.

The Commission's end-customer choice policies

22. As noted above, the Commission recognizes that the proposed minimum monthly charge could surpass the associated toll revenues billed for a smaller or a non-dominant IXSP. The Commission is therefore concerned that, as argued by the Companies, approval of FCI Broadband's proposal could limit end-customer choice for casual calling by discouraging IXSPs from signing Billing and Collection agreements with FCI Broadband.
23. In light of the above, the Commission **denies** FCI Broadband's proposal to include a minimum charge associated with the "account receivable billed to an end-customer" component of Billing and Collection service.

Secretary General

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