Telecom Order CRTC 2005-194

Ottawa, 20 May 2005

TELUS Communications Inc.

Reference: Tariff Notice 548

Integrated Services Digital Network - Primary Rate Interface (ISDN-PRI) Service

1. The Commission received an application by TELUS Communications Inc. (TCI) on 31 March 2005, proposing revisions to its General Tariff Item 495, Integrated Services Digital Network - Primary Rate Interface (ISDN-PRI) Service in Alberta. TCI indicated that this application was part of its 2005 Price Cap filings related to its Other capped services basket.

2. In its application, TCI proposed the following:

   a) decreased monthly rates for PRI Port & Signalling;

   b) decreased monthly rates for optional feature Call Display;

   c) decreased monthly rates for optional feature Name Display;

   d) simplification of the current rating structure for Retain DN service to a single monthly charge per directory number (DN).

   e) the introduction of a new non-contracted option to allow customers to subscribe to ISDN-PRI Service on a short term basis for up to a maximum service period of 180 days without a contract;

   f) the introduction of an ISDN-PRI Starter Bundle, available for contract terms of one, three and five years; and

   g) the addition of Automatic Blocking and Per Line Blocking to the list of optional features available on ISDN-PRI Service.

3. TCI filed an imputation test in support of its application, with the projected overall revenues exceeding costs.

4. On 8 April 2005, the Commission addressed interrogatories to TCI requesting additional information regarding the proposed rating structure for Retain DN as well as the proposal to introduce a non-contracted option with a maximum service period.

5. On 15 April 2005, TCI provided its responses to the interrogatories.

6. The Commission received no comments with respect to the application.

Commission's analysis and determinations

7. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34), the Commission established the price cap regime that is now applicable to the following incumbent local exchange carriers (ILECs): Aliant Telecom Inc., Bell Canada, MTS Communications Inc., Saskatchewan Telecommunications and TCI.

8. In Decision 2002-34, the Commission applied the following pricing constraints to services in the Other capped services basket:

- a basket constraint, operating through the service basket limit (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 business local exchange services should not generally be permitted to be further de-averaged within a band.

9. The Commission notes that the proposed rate revisions would not result in the service basket index exceeding the SBL for the Other capped services basket, as required in Decision 2002-34.

10. The Commission is concerned, however, that TCI's proposal in regard to Retain DN would exceed the rate element constraint of 10%. Specifically, the Commission notes that, for the first nine DNs, the current rate of $0.00 is specified in the General Tariff. The Commission considers that to increase the rate to $2.45 per DN would result in a percentage increase that would exceed the 10% rate element level constraint applicable to services in the Other capped services basket.

11. The Commission also notes that any time an existing rate is zero, by definition any increase over the zero rate would translate to a percentage increase of infinite magnitude. In the Commission's view, applying the percentage increase constraint at the rate element level would not be practical in such instances because the percentage increase would always exceed the rate element constraint. The Commission considers that an acceptable approach would be to apply the pricing constraint on the base revenue instead of on the rate element and set the rate for DNs accordingly.

12. The Commission finds that TCI's proposal, if approved, would result in an increase in revenue for Retain DN service in excess of 10%. Accordingly, the Commission denies TCI's proposal.

13. In regard to the non-contracted option, the Commission notes that TCI is proposing to allow its customers in Alberta to subscribe to ISDN-PRI Service on a short term basis, up to a maximum of 180 days without a contract. The Commission further notes that under TCI's existing tariff, ISDN-PRI Service in Alberta is available only on the basis of 1, 3 and 5 year contracts.

14. The Commission is concerned with TCI's proposal to introduce time limitations for customers subscribing to the non-contracted option for ISDN-PRI Service in Alberta. The Commission finds that the rates proposed for the non-contracted option would provide an appropriate level of differential as compared to the corresponding contracted rates. Therefore, the Commission considers that a maximum service period for non-contracted ISDN-PRI Service in Alberta should not be implemented in order to provide customers with the option of not signing a long-term contract for this service.

15. In light of the above, the Commission **approves on an interim basis** the application effective 1 June 2005, with the following amendments:

(i) TCI's proposal to simplify the rate structure for Retain DN at a rate of $2.45 per DN is **denied**; and

(ii) TCI's proposal to introduce a maximum service period in conjunction with the non-contracted option for ISDN-PRI Service in Alberta is **denied**.

16. TCI is to file a revised update to its Price Cap model reflecting the denial of the Retain DN rate within 10 days of the date of this Order.

17. TCI is to issue revised tariff pages forthwith reflecting the above.

Secretary General