



Telecom Decision CRTC 2006-19

Ottawa, 13 April 2006

Saskatchewan Telecommunications – Line-side wireless access service rates

Reference: 8740-S22-200400614

*The Commission **approves on a final basis** rates for Saskatchewan Telecommunications' line-side wireless access service, effective 1 June 2002.*

Background

1. In *Rates for co-location floor space, Direct Connection service, Wireless Access Service: Line-side Access services, and Wireless Service Providers Enhanced Provincial 9-1-1 Network Access service*, Telecom Decision CRTC 2003-12, 18 March 2003, as amended by Telecom Decision CRTC 2003-12-1, 19 November 2003 (Decision 2003-12), the Commission directed Saskatchewan Telecommunications (SaskTel) either to show cause why it should not adopt the line-side wireless access service¹ (WAS) rates approved for Bell Canada in that decision or to file, within 90 days of the date of that decision, revised rates for line-side WAS that were supported by a Phase II cost study.
2. By letter dated 4 April 2003, SaskTel indicated that it was unable to file its line-side WAS cost study within the timeframe specified in Decision 2003-12. By letter dated 16 January 2004, SaskTel indicated that it would file the cost study in question by 27 January 2004.

Application

3. The Commission received an application by SaskTel, dated 27 January 2004, requesting that the Commission approve revised rates for SaskTel's line-side WAS. Line-side WAS is a Competitor Service with several rate elements. The rates for two of these service elements, telephone numbers and public switched telephone network (PSTN) access service channels, are the subject of SaskTel's application. In support of its application, SaskTel filed the requisite Phase II cost study.

Process

4. SaskTel provided responses to Commission interrogatories on 30 September and 29 November 2005.
5. No comments were received on SaskTel's application.

¹ Line-side WAS allows a wireless service provider to gain public switched telephone network connectivity in order to make and receive calls between its wireless customers and the incumbent local exchange carriers' wireline customers.

Commission's analysis and determinations

6. The Commission has reviewed SaskTel's Phase II cost study and, with the exception of the proposed costs causal to service, finds that the cost study assumptions and estimates are appropriate.
7. The Commission notes that SaskTel's cost study included a significant level of costs that were classified as costs causal to service and further notes SaskTel's submission that it incurred such costs for ongoing product management activities related to competitors' demand for line-side WAS. The Commission notes, however, that product management costs are generally related to the activities associated with changes to existing service features or with the development of new services or service features, and that in this filing, SaskTel proposed changes to rates of existing rate elements and did not propose to change the existing rate structure or service features. Moreover, the Commission notes that the other incumbent local exchange carriers (ILECs) generally did not reflect similar product management costs in similar Competitor Service cost studies. The Commission therefore considers that it would not be appropriate to include SaskTel's proposed product management costs in its line-side WAS cost study.
8. The Commission notes that SaskTel's marketing portfolio expense factor of 8.25 percent captures several marketing-related activities and costs. The Commission considers that in this case it would be reasonable to include the product management costs as part of the marketing portfolio expense determined by applying the marketing portfolio factor to SaskTel's line-side WAS operating expenses.
9. The Commission notes that in *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34), the Commission made all tariffed rates interim, effective 1 June 2002,² stating that the changes to Category I Competitor Service rates would be effective on that date. The Commission also notes that SaskTel's line-side WAS rates were reduced to reflect the application of a 15 percent mark-up instead of a 25 percent mark-up, effective 1 June 2002. The Commission further notes that, consistent with its determination in Decision 2002-34 to compensate ILECs for revenue losses due to the reduction in the mark-up, SaskTel will receive compensation from its deferral account for the reduction in the mark-up for line-side WAS rates from 25 to 15 percent. The Commission therefore considers it appropriate to approve line-side WAS rates for SaskTel that reflect SaskTel's cost estimates proposed in its 2004 cost study, as adjusted to reflect the costing determinations in this decision, plus a 15 percent mark-up.
10. The Commission notes that SaskTel's proposed line-side WAS rates were based on a January 2004 cost study and expressed in 2004 dollars. Consistent with the impact of the adjustments made to the rates of the ILECs other than SaskTel in *Competitor Digital Network Services*, Telecom Decision CRTC 2005-6, 3 February 2005, the Commission is of the view that the rates approved for SaskTel in this decision should be adjusted by removing the applicable inflation minus productivity offset (I-X) constraint for each of the years 2003 and 2004.

² SaskTel's line-side WAS rates were maintained on an interim basis in *Rates for Competitor Services*, Telecom Decision CRTC 2003-13, 18 March 2003, as amended by Telecom Decision CRTC 2003-13-1, 23 May 2003, and Telecom Decision CRTC 2003-13-2, 27 June 2003.

11. Accordingly, the Commission **approves on a final basis**, effective 1 June 2002, rates for SaskTel's line-side WAS as set out in the Attachment to this decision, and directs SaskTel to issue revised tariff pages within 10 days that reflect the application of the annual I-X constraint as described in this decision. The Commission also directs SaskTel to provide, within 20 days, the appropriate rebates to its line-side WAS customers for the period between 1 June 2002 and the date of this decision, as adjusted to reflect the application of the annual I-X constraint.

Secretary General

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Final 2002 rates for SaskTel's line-side WAS

<i>Rate element</i>	<i>Monthly line-side WAS rate</i>
Active telephone number per block of 100 numbers	\$3.72
Reserved telephone number per block of 100 numbers	\$0.45
PSTN access channel rates	
Each of 12 channels	\$4.46
Each of 24 channels	\$7.99
Each of 36 channels	\$9.35
Each of 48 channels	\$10.12
Each of 60 channels	\$10.62
Each of 72 channels	\$11.01
Each of 84 channels	\$11.30
In excess of 84 channels (each of Channel 1 to number of channels in excess)	\$11.53