



Telecom Decision CRTC 2007-103

Ottawa, 2 November 2007

Final 2007 revenue-percent charge and related matters

Reference: 8695-C12-200708373

In this Decision, the Commission approves on a final basis, effective 1 January 2007, a 2007 contribution collection revenue-percent charge of 0.94 percent and the 2007 subsidy per residential network access service (NAS) amounts for the territories of the large incumbent local exchange carriers (ILECs) and Télébec, Limited Partnership (Télébec).

In addition, the Commission approves on an interim basis, effective 1 January 2008, a 2008 contribution collection revenue-percent charge of 0.94 percent and the subsidy per residential NAS amounts for the territories of the large ILECs and Télébec.

Introduction

1. In Decision 2000-745, the Commission introduced a national revenue-based contribution collection mechanism and a new methodology for calculating the subsidy for high-cost serving areas (HCSAs) in the territories of the large incumbent local exchange carriers (ILECs)¹ and Télébec, Limited Partnership (Télébec).²
2. In Decision 2001-238, the Commission established the costing rules to be used for determining the subsidy per residential network access service (NAS) amounts for the territories of the large ILECs. The subsidy per residential NAS amounts for HCSAs is approved annually by the Commission.
3. In Telecom Decision 2006-70, the Commission set, on an interim basis for 2007, a revenue-percent charge of 1.03 percent and the subsidy per residential NAS amounts for the territories of the large ILECs and Télébec.
4. The Commission received submissions from Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), Bell Canada, MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications (SaskTel), and TELUS Communications Company (TCC) (collectively, the ILECs); Télébec; and the Canadian Portable Contribution Consortium Inc. (CPCC). The record of this proceeding closed with the filing of Télébec's submission, dated 15 June 2007.

¹ The carriers referred to as large ILECs in Decision 2000-745 are now known as Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, and TELUS Communications Company.

² Télébec was known as Télébec ltée at the time Decision 2000-745 was issued.

5. The Commission will determine the following in this Decision:
 - I. The estimated national subsidy requirement for 2007; and
 - II. The final 2007 and interim 2008 revenue-percent charge.

Once these have been established, the Commission will determine

- III. The final 2007 and interim 2008 subsidy per residential NAS amounts.
6. In the final section of this Decision, the Commission will address other matters.

I. Estimated national subsidy requirement for 2007

7. The national subsidy requirement is based on the sum of the administrative and operational costs of the CPCC and the Central Fund Administrator (CFA), the subsidy amount for Northwestel Inc. (Northwestel), the subsidy amounts for the small ILECs (SILECs), and the estimated HCSA total subsidy requirements for the territories of the large ILECs and Télébec.

CPCC and CFA administrative and operational costs

8. The Commission received notification from the CPCC, dated 18 May 2007, that the estimated CPCC and CFA administrative and operational costs would be approximately \$0.83 million for 2007. The Commission notes that this amount is slightly less than the amount for 2006.

Subsidy amount for Northwestel

9. In Telecom Decision 2007-5, the Commission determined that Northwestel would receive a fixed subsidy amount of \$18.9 million per year for each of the years 2007 through 2010. The Commission directed the CFA to make the related monthly subsidy payments to Northwestel.

Subsidy amounts for the SILECs

10. In Telecom Decision 2006-14, the Commission determined that the SILECs would receive fixed subsidy amounts totalling approximately \$23.05 million per year for each of the years 2006 through 2009. The Commission directed the CFA to make the related monthly subsidy payments to the SILECs.

Estimated HCSA total subsidy requirements for the large ILECs and Télébec

11. In Telecom Decision 2007-27, the Commission directed the large ILECs to file, by 30 May 2007, subsidy per residential NAS calculations that included annual costs adjusted (a) upward for inflation and downward for a productivity rate of 3.2 percent; (b) for any service improvement plan (SIP) cost changes; (c) upward to include a 15 percent mark-up; and (d) upward for the cost recovery of the revenue-percent charge. The Commission also directed

the large ILECs to impute HCSA residential local rate increases for subsidy calculation purposes, whether or not the rate increases were actually taken.³ This imputation was to be based upon the price cap constraints.

12. The Commission received the 2007 HCSA subsidy calculations from each of the large ILECs, dated 30 May 2007. The Commission notes that TCC's subsidy calculations included SIP cost adjustments that were subsequently approved by the Commission in Telecom Decision 2007-41.
13. The Commission also notes that in Telecom Decision 2007-27, it approved a request by TCC to integrate the price cap regime for the services that it provides in its operating territory in Quebec with the rest of its operations. As a result, the subsidy period associated with the subsidy per residential NAS amounts for TCC's operating territory in Quebec will change from August to July, to January to December, starting in 2008.
14. The Commission also received 2007 HCSA subsidy calculations from Télébec, dated 15 June 2007. These calculations were based upon the same methodology that the other large ILECs used and, specifically, the methodology used for TCC's operating territory in Quebec with respect to the change in the subsidy period.
15. In Telecom Decision 2007-60, the Commission determined that Télébec's HCSA subsidy calculations would be the same as the other large ILECs' subsidy calculations. As a result, Télébec's subsidy period will change from August to July, to January to December, starting in 2008.
16. The Commission notes that Télébec used an average residential local rate of \$28.50 in its subsidy calculations, which was part of its proposal to recover its deferral account recurring shortfall. The Commission also notes that in Telecom Decision 2007-89, it denied Télébec's proposal to recover part of this shortfall via a special subsidy from the National Contribution Fund (NCF) or via adjustments to the subsidy calculation process that would result in increased subsidy from the NCF.
17. Accordingly, the Commission has adjusted Télébec's subsidy calculations for the 1 August to 31 December 2007 period to use the same average residential local rates that were used for the 1 January to 31 July 2007 period. The Commission notes that using the same average residential local rates for the two periods is consistent with Télébec's past subsidy calculation filings.
18. The Commission has reviewed the subsidy calculations for the large ILECs and Télébec and, with the change in the average residential local rate for Télébec, finds them to be in accordance with the directives set out in Telecom Decisions 2007-27 and 2007-60.

³ Télébec did not have to impute any HCSA residential local rate increases in 2007 because it was not a party to Telecom Decision 2007-27 and the final decision on its price cap framework would not be issued until after 1 June 2007, the effective date of the imputed local rate increases.

19. The Commission notes that based upon the 2006 year-end NAS information, the 2007 total subsidy requirement for the large ILECs and Télébec is approximately \$192.64 million.
20. Based on the above, the Commission finds that the estimated 2007 national subsidy requirement is approximately \$235.42 million.

II. Final 2007 and interim 2008 revenue-percent charge

21. The revenue-percent charge is calculated using the ratio of the national subsidy requirement to the total estimated contribution-eligible revenues of all telecommunications service providers that are required to contribute. The Commission notes that it has made three adjustments to the estimated total amount to be collected during 2007.
22. First, in Decision 2000-745, the Commission established a true-up mechanism whereby any over- or under-collection in a given year would be carried forward to the following year. The Commission notes that there was a surplus of approximately \$6.27 million at the end of 2006, which was carried forward to 2007.
23. Second, in Telecom Decision 2007-99, the Commission approved a one-time subsidy payment of approximately \$1.46 million from the NCF to SaskTel.
24. Third, the Commission received a request from the CPCC, dated 12 September 2005, that the NCF maintain a minimum balance of \$5 million at the end of each year to ensure the efficient operation of the fund. The Commission considers this request reasonable and incorporates this amount into its calculations.
25. The Commission notes that after the above adjustments are taken into account, the estimated total amount to be collected during 2007 is approximately \$235.61 million. Accordingly, the Commission considers that a final 2007 revenue-percent charge of 0.94 percent would be appropriate to ensure the stability of the NCF. The Commission also considers that an interim 2008 revenue-percent charge of 0.94 percent, effective 1 January 2008, would also be appropriate.
26. Therefore, the Commission **approves** a final 2007 revenue-percent charge of 0.94 percent, effective 1 January 2007, and an interim 2008 revenue-percent charge of 0.94 percent, effective 1 January 2008.

III. Final 2007 and interim 2008 subsidy per residential NAS amounts

27. Based on the final 2007 revenue-percent charge of 0.94 percent, the Commission calculates the final 2007 subsidy per residential NAS amounts for each HCSA band in the territories of the large ILECs and Télébec to be as set out in Tables A and B below.

Table A

Final 2007 monthly subsidy per residential NAS amounts by HCSA Band

Territory	Band E (\$)	Band F (\$)	Band G (\$)
Bell Aliant			
New Brunswick	5.26	0.00	n/a
Newfoundland and Labrador	5.78	6.80	11.57
Nova Scotia	0.60	0.00	n/a
Ontario and Quebec	4.61	2.62	22.67
Prince Edward Island	4.57	5.91	n/a
Bell Canada	4.58	2.08	n/a
MTS Allstream	20.65	14.94	65.30
SaskTel	21.88	14.70	32.39
TCC			
Alberta	5.41	1.45	6.13
British Columbia	25.67	13.12	23.46

28. The Commission **approves on a final basis**, effective 1 January 2007, and **approves on an interim basis**, effective 1 January 2008, the monthly subsidy per residential NAS amounts for each HCSA band for the territories of the large ILECs as shown in Table A above.
29. The Commission directs the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts. The Commission also directs the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2008.

Table B

Final 2007 monthly subsidy per residential NAS amounts by HCSA Band

Territory	Band E (\$)	Band F (\$)	Band G (\$)
TCC's operating territory in Quebec			
1 January to 31 July	15.11	3.48	48.38
1 August to 31 December	14.57	2.99	47.69
Télébec			
1 January to 31 July	17.88	6.22	16.56
1 August to 31 December	17.65	6.04	16.34

30. The Commission **approves on a final basis**, effective 1 January and 1 August 2007, respectively, the monthly subsidy per residential NAS amounts for each HCSA band for TCC's operating territory in Quebec and for Télébec as shown in Table B above for the periods 1 January to 31 July and 1 August to 31 December. The Commission also **approves on an interim basis**, effective 1 January 2008, the monthly subsidy per residential NAS amounts for each HCSA band for TCC's operating territory in Quebec and for Télébec as shown in Table B above for 1 August to 31 December.
31. The Commission directs the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts. The Commission also directs the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2008.

Other matters

32. As noted above, the Commission considers it reasonable to maintain a surplus of \$5 million in the NCF to ensure that there are adequate funds available for future payments. The Commission also considers that any surplus in excess of \$5 million in the NCF after processing the December 2007 data-month should be returned to the required contributors.
33. Accordingly, the Commission directs the CFA, after it has processed the December 2007 data-month, to return any surplus in excess of \$5 million in the NCF to the required contributors as a one-time adjustment, based upon the contributors' respective total reported 2007 contribution-eligible revenues.

Secretary General

Related documents

- *Saskatchewan Telecommunications – Application for a subsidy adjustment for the period 1 January 2002 to 31 December 2006*, Telecom Decision CRTC 2007-99, 23 October 2007
- *Télébec, Limited Partnership – Part VII application seeking recovery of price cap deferral account shortfall*, Telecom Decision CRTC 2007-89, 14 September 2007
- *Follow-up to Decision 2007-27 – Show cause submission related to the application of the price cap regime to Télébec, Limited Partnership*, Telecom Decision CRTC 2007-60, 30 July 2007, as amended by Telecom Decision CRTC 2007-60-1, 10 August 2007
- *TELUS Communications Company – 2007 application to increase the capital cost of the service improvement plan and related matters*, Telecom Decision CRTC 2007-41, 13 June 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Price cap regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007
- *Final 2006 revenue-percent charge and related matters*, Telecom Decision CRTC 2006-70, 2 November 2006
- *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006
- *Restructured bands, revised loop rates and related issues*, Decision CRTC 2001-238, 27 April 2001, as amended by Decision CRTC 2001-238-1, 28 May 2001, and Decision CRTC 2001-238-2, 7 August 2001
- *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000

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