Telecom Decision CRTC 2007-16

Ottawa, 15 March 2007

Follow-up to Decision 2006-77 – Show cause submission related to alternative payment plans for standard service connection charges for third-party Internet access service

Reference: 8638-C12-200617235

In this Decision, the Commission approves a request by four cable carriers that they not be required to file for approval proposed tariff pages for alternative payment options for the per-end-user standard service connection charge for third-party Internet access service.

Introduction

1. In *Cogeco, Rogers, Shaw, and Videotron – Third-party Internet access service rates*, Telecom Decision CRTC 2006-77, 21 December 2006 (Decision 2006-77), the Commission stated that it would be desirable to include the option of having the per-end-user standard service connection charge for third-party Internet access (TPIA) service paid in smaller monthly instalments, since this would lower a competitor's upfront costs associated with providing service to its retail customers.

2. In Decision 2006-77, the Commission directed Cogeco Cable Canada Inc., Shaw Cablesystems G.P., Quebecor Media Inc., on behalf of its wholly-owned subsidiary Videotron Ltd., and Rogers Communications Inc. (collectively, the cable carriers) to show cause, within 30 days of the date of Decision 2006-77, why they should not file for approval proposed tariff pages for alternative payment options for the per-end-user standard service connection charge. The Commission also indicated that, in the alternative, cable carriers could file for approval, within 30 days of the date of Decision 2006-77, proposed revised tariff pages that included the alternative payment options.

3. The request for alternative payment plans had been raised by Primus Telecommunications Canada Inc. (Primus) in the proceeding that resulted in Decision 2006-77. Primus argued that the cable carriers should be directed to institute alternative payment plans for standard service connection charges, similar to the payment options offered by Bell Canada for its Gateway Access Service. Primus also argued that since many cable carriers waived connection fees for their unregulated retail service, competitors should be able to pro-rate the connection charge over time instead of paying it upfront, in order to be more competitive with cable carriers.

4. The Commission received a joint submission by the cable carriers,[1] dated 22 January 2007, in response to the show cause request.

[1] In their response to the show cause request, the cable carriers identified themselves as Cogeco Cable Inc., Rogers Communications Inc., Shaw Communications Inc., and Videotron Ltd.

5. The cable carriers opposed the introduction of alternative payment plans for standard service connection charges on the basis that:

   - it would create additional expense to add payment options and to redesign and test the cable carriers' existing billing systems, while generating no additional revenue;
   - it would represent a subsidy financing arrangement for their competitors; and
   - if the rate were not tied to a time period to ensure full recovery of costs, cable carriers would be out of pocket unless they accurately forecasted the average life of TPIA service subscriptions.

6. No comments were received with respect to the cable carriers' submission.

Commission's analysis and determinations

7. The Commission notes that the purpose behind its show cause request regarding alternative payment plans was to enhance competitive entry by lowering competitors' upfront costs to provide service to their retail customers. The Commission also notes, however, that competitors have not challenged the position of the cable carriers in this proceeding.

8. The Commission considers that in many instances the per-end-user service connection charge paid by competitors is associated with a retail customer migration – for example, when a cable carrier's Internet customer migrates to a competitor. This service charge is lower than the standard service connection charge. The Commission notes that the service charge for a retail customer migration typically ranges between $16 and $22, whereas the standard per-end-user service connection charge ranges between $63 and $82. The Commission also considers that competitors can still recoup the service connection charge over time from their retail customers.

9. In light of the above and in recognition that the competitors have not challenged the cable carriers' submission, the Commission concludes that the unavailability of alternative payment plans would not be a deterrent to competitive entry in the present circumstances.

10. The Commission considers that a decision not to require alternative payment options would be consistent with the Governor in Council's direction in *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, dated 14 December 2006 (the Policy Direction). The Policy Direction specified that the Commission, when relying on regulation, should use measures that are efficient and proportionate to their purpose. The Commission also considers that a decision not to require these options would neither deter economically efficient competitive entry into the retail broadband market nor promote economically inefficient entry, consistent with the Policy Direction.

11. In addition, the Commission considers that such a decision would advance the policy objective set out in section 7(f) of the *Telecommunications Act* of ensuring that regulation, where required, is efficient and effective.

12. Accordingly, the Commission **approves** the cable carriers' request that they not be required to file for approval proposed tariff pages for alternative payment options for the per-end-user standard service connection charge for TPIA service.

Secretary General