



Telecom Decision CRTC 2007-7

Ottawa, 7 February 2007

Société en commandite Télébec – Trunk-side wireless access service rates

Reference: 8740-T78-0285/02

*In this Decision, the Commission **approves on an interim basis**, effective the date of this Decision, revised monthly circuit rates for Société en commandite Télébec's (Télébec) trunk-side wireless access service (WAS). The Commission also **approves on a final basis**, effective the date of this Decision, miscellaneous monthly rates and service charges associated with Télébec's trunk-side WAS.*

Background

1. In *Interconnecting circuits with trunk-side and wireless access*, Telecom Order CRTC 2003-49, 24 January 2003 (Order 2003-49), the Commission approved on an interim basis Société en commandite Télébec's (Télébec) trunk-side wireless access service (WAS) rates proposed in Tariff Notice 285 (TN 285) dated 17 June 2002, as amended by Tariff Notice 285A (TN 285A) dated 7 August 2002. In that Order, the Commission noted that the trunk-side WAS rates proposed in TN 285 were not supported by cost studies and directed Télébec to file the necessary costing information in support of its rates. In the same Order, the Commission denied Télébec's proposed increases to its trunk-side WAS service charges on the basis that they were not supported by cost studies.

Application

2. By letter dated 30 May 2003, Télébec filed Tariff Notice 285B (TN 285B), in which it proposed revised monthly rates and service charges for its trunk-side WAS. Télébec also filed supporting cost studies for all service elements except for its Inward Order and Change Order tariff elements.

Process

3. Rogers Wireless Inc. (RWI) submitted comments regarding Télébec's subsequent TN 285B application on 27 June 2003. Télébec submitted reply comments on 7 July 2003.

Positions of parties

4. RWI noted that the proposed rate increases for trunk-side interconnection trunks were in the range of 35 to 76 percent above what was originally filed in TN 285. RWI further noted that these proposed rates were much higher than the trunk-side WAS rates approved for Bell Canada and Thunder Bay Telephone (now TBayTel).

5. RWI submitted that the one-time service charge proposed in TN 285B for activation or change of a trunk-side trunk group of \$112.77 was approximately 358 percent higher than that proposed in TN 285 and was significantly higher than Bell Canada's corresponding service charge of \$24.65.
6. With respect to 100 and 1000 block routing, RWI submitted that, in TN 285B, Télébec proposed a modest decrease in the monthly rate and an increase of nearly 300 percent in the service charge, regarding which RWI expressed a concern.
7. RWI expressed concern over Télébec's proposal to remove General Tariff items 7.2.2 1e) – Link to SS7 [Signalling System 7] Access Point and 10.1.4 d) – Link to SS7 Access Point, related to the link between Télébec's signal transfer point (STP) and the wireless service provider (WSP) STP for the purpose of Common Channel Signalling 7 (CCS7). RWI suggested that, if Télébec proposed to remove these items, the tariff wording should state that WSPs have the option of exchanging CCS7 messages with Télébec via transiting arrangements with Bell Canada. In reply, Télébec indicated that it was ready to amend its tariff pages to include this option.

Commission's analysis and determinations

Trunk-side WAS monthly rates, per circuit

8. The Commission notes that Télébec's proposed monthly rates for its trunk-side WAS interconnection circuits under TN 285B are significantly higher than those of other major telephone companies.
9. The Commission notes that Télébec, in its cost studies, developed proposed costs and rates for trunk-side WAS interconnection for a trunk group of 1 to 24 circuits, and then applied factors to these proposed costs to determine its proposed costs for larger trunk groups with the following size ranges: 25 to 48 circuits, 49 to 72 circuits, 73 to 96 circuits, and greater than 96 circuits. The Commission further notes Télébec's submission that these factors reflected accepted industry-wide trunking efficiencies across the different trunk group sizes.
10. The Commission notes that Télébec's cost study submitted in support of TN 285B was not sufficiently detailed to explain the derivation of the incremental costs for its base trunk group of 1 to 24 circuits.
11. The Commission notes that, in *Rogers Wireless Inc. – Part VII application seeking review of line-side wireless access service interconnection rates in the territories of Société en commandite Télébec, TELUS Communications Company operating in Quebec and the small incumbent local exchange carriers in Ontario and Quebec*, Telecom Decision CRTC 2006-31, 19 May 2006 (Decision 2006-31), it approved line-side WAS per-circuit rates for Télébec that are less than a third of Télébec's current interim trunk-side WAS per-circuit rates.
12. The Commission also notes that trunk-side WAS is similar to line-side WAS with certain exceptions, such as the separate offering of CCS7 features under trunk-side access, or different inclusions of one-way or two-way traffic costs in the per-circuit rate. The

Commission further notes that if an adjustment was made to Télébec's current line-side WAS per-circuit rate to reflect the inclusion of two-way traffic, this adjusted rate, which should be comparable to the trunk-side WAS per-circuit rate, would be significantly less than Télébec's current trunk-side WAS per-circuit rate.

13. In light of the above, the Commission is not persuaded that Télébec's cost study for trunk-side WAS interconnection circuits accurately reflects the current incremental costs for this service.
14. In determining Télébec's trunk-side WAS per-circuit rates, the Commission therefore considers it appropriate to rely on Télébec's approved line-side WAS interconnection rates along with a suitable adjustment to reflect the inclusion of two-way traffic. To estimate the magnitude of this adjustment, the Commission used the relationship between Bell Canada's trunk-side and line-side WAS interconnection rates for the trunk group of 1 to 24 circuits. Accordingly, the Commission applied this approach to determine Télébec's trunk-side WAS interconnection rates for a trunk group of 1 to 24 circuits using as a basis Télébec's line-side interconnection rates determined in Decision 2006-31. Using the trunk group size of 1 to 24 circuits as the base cost and rate, the Commission then applied Télébec's proposed industry-wide factors to develop trunk-side WAS interconnection costs and rates for the larger trunk group sizes.
15. Accordingly, the Commission **approves on an interim basis** the revised trunk-side WAS per-circuit rates set out in the Appendix to this Decision, effective the date of this Decision.

Miscellaneous rates and service charges

16. The Commission notes that Télébec proposed additional changes to the following trunk-side WAS rate elements in TN 285B:
 - a) Inward Order, General Tariff item 10.1.4 c)
 - b) Change Order, General Tariff item 10.1.4 c)
 - c) Activation or modification of trunk-side interconnection circuits – Service Charge, General Tariff item 10.1.3 1c)(i) k)
 - d) 100 and 1000 Block Routing – Service Charge, Tariff item 10.1.3 1d)(vi)(a)
 - e) Subsequent request to place additional access circuits in service – Service Charge, General Tariff item 10.1.3 1c)(i) k)
 - f) 100 and 1000 Block Routing – Monthly Charge, General Tariff item 10.1.3 1d)(vi)(a)
 - g) Transfer of Geographical Central Office Code – Service Charge, General Tariff item 10.1.3 1e)(i)

17. The Commission also notes that Télébec proposed additional changes to its Inward Order and Change Order tariff elements associated with interexchange carriers under Tariff item 7.2.2 1d).
18. The Commission notes that Télébec did not provide cost studies in TN 285B in support of its proposed rate increases for Inward Order and Change Order tariff elements, General Tariff items 10.1.4 c) and 7.2.2 1d), respectively. Accordingly, the Commission **denies** Télébec's proposed rate increase for these rate elements and notes that the current rates for these tariff elements will continue to apply.
19. The Commission notes that the proposed rates or service charges for the remaining tariff elements c) to g) listed in paragraph 16 of this Decision were based on Télébec's proposed costs plus a mark-up of 15 percent. The Commission notes, however, that consistent with *Implementation of competition in the local exchange and local payphone markets in the territories of Société en commandite Télébec and the former TELUS Communications (Québec) Inc.*, Telecom Decision CRTC 2005-4, 31 January 2005, the mark-up to be applied for such competitor services is 25 percent.
20. The Commission further notes that, with respect to the above-noted tariff elements c), d), and e), Télébec's proposed costs included costs causal to service associated with the ordering and trunk management system. The Commission notes that the costs shown as costs causal to service are substantial. The Commission considers that the costs causal to service are common to numerous services and should be attributed based on relative use.
21. The Commission further notes that Télébec did not provide any details on the development of the costs causal to service such as the methodology and assumptions used to derive its estimate, the vintage of costing data, or the number of services using the ordering and trunk management system. Furthermore, Télébec did not explain how such costs were attributed among the services making use of this system. In light of the above, the Commission attributes the proposed costs causal to service associated with ordering and trunking management system to the above-noted tariff elements c), d), and e) based on the expected use of these trunk-side WAS service order tariff items relative to the company's other services.
22. The Commission accordingly sets the rates based on the adjustments described above and a mark-up of 25 percent. The Commission therefore **approves on a final basis** the rates for the following tariff elements c), d), and e), effective the date of this Decision:
 - c) activation or modification of trunk-side interconnection circuits:
\$60.16;
 - d) service order charge for 100 and 1000 block routing of telephone numbers: \$236.86; and
 - e) subsequent request to place additional access circuits in service:
\$216.91.

23. For tariff elements f) and g), the Commission has reviewed the costs and considers them to be reasonable. The Commission therefore adjusts the proposed rates to include a mark-up of 25 percent. The Commission therefore **approves on a final basis** the rates for the following tariff elements f) and g), effective the date of this Decision:

f) monthly charge for 100 and 1000 block routing: \$23.09; and

g) service charge for transfer of geographic central office code: \$2,298.68.

Withdrawal of services

24. The Commission notes that Télébec proposed in TN 285B to remove certain tariff elements from its tariff as there is no demand. The Commission further notes that, with the exception of RWI, no parties commented on this proposal. The Commission also notes Télébec agreed to add to its General Tariff items 10.1.4 d) and 7.2.2 1e) the option requested by RWI regarding the ability to exchange CCS7 messages with Télébec via transiting arrangements with Bell Canada.

25. The Commission therefore directs Télébec to amend its tariff pages, in section 10.1.4, to include a footnote that states that WSPs have the option of exchanging CCS7 messages with Télébec via transiting arrangements with Bell Canada.

26. The Commission also **approves** the withdrawal, as proposed by Télébec in TN 285B, of the following tariff elements in Télébec's General Tariff:

i) Section 7, Chapter 7.2, item 7.2.2 1e): STP Link between Télébec and WSP for SS7 services, monthly charge per port.

ii) Section 10, Chapter 10.1, item 10.1.3 1e)(i)(ii)(iii): Geographic central office codes, service charges.

iii) Section 10, Chapter 10.1, item 10.1.4 d): STP Link between Télébec and WSP for SS7 services, monthly charge per port.

Policy Direction

27. The Governor in Council issued a Direction to the Commission, effective 14 December 2006, pursuant to section 8 of the *Telecommunications Act* (the Act) with respect to the implementation of the Canadian telecommunications policy objectives set out in section 7 of the Act (the Direction).

28. The Direction states, among other things, that the Commission should rely on market forces to the maximum extent feasible and, when relying on regulation, use measures that are efficient and proportionate to their purpose. The Direction further states that the Commission, when relying on regulation, should use measures that satisfy certain criteria, including specifying the telecommunications policy objective that is advanced by those measures.

29. The Commission notes that WAS is an existing interconnection service that WSPs require to provide retail wireless service to their customers. The Commission also notes that, within its territory, only Télébec can provide this service, which allows its customers and customers of WSPs to connect to each other.
30. The Commission considers that its determinations in this Decision do not deter economically efficient competitive entry into the retail wireless market, nor do they promote economically inefficient entry. The Commission also considers that its determinations in this Decision permit competitive entry into the retail wireless market in a manner that favours neither the incumbent service providers nor new entrants, consistent with the Direction's requirement that regulation related to network interconnection be competitively neutral to the greatest extent possible.
31. Based on the foregoing, the Commission considers that its determinations in this Decision with respect to Télébec's WAS interconnection service will advance the policy objective, set out in section 7(b) of the Act, of rendering reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada. The Commission further considers that its determinations will also advance the policy objective, set out in section 7(f) of the Act, of ensuring that regulation, where required, is efficient and effective.

Revised tariff pages

32. Télébec is therefore directed to issue revised tariff pages reflecting the Commission's determinations in this Decision within 20 days of the date of this Decision.

Further process

33. Télébec is to notify the Commission within 20 days of the date of this Decision as to whether it agrees or disagrees with the interim trunk-side WAS per-circuit rates approved in this Decision. If Télébec disagrees, it is to file proposed revised rates supported by a detailed cost study within 30 days of the date it notifies the Commission of its disagreement. In this event, interested parties may comment within 15 days of the date on which Télébec files its proposed revised rates and cost study, and Télébec may reply to these comments within a further 10 days. If Télébec agrees with the interim rates set out in this Decision, interested parties may comment within 15 days of the date Télébec notifies the Commission of its agreement, and Télébec may reply within a further 10 days. Télébec is to serve on RWI a copy of all submissions filed with the Commission. RWI is to serve a copy of any submissions on Télébec. All submissions filed with the Commission are to be received, not merely sent, by the dates specified.

Secretary General

This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>

Interim monthly trunk-side WAS rates, per circuit

Each circuit, to a maximum of 24 circuits	\$23.72
Each circuit, to a maximum of 48 circuits	\$37.26
Each circuit, to a maximum of 72 circuits	\$41.32
Each circuit, to a maximum of 96 circuits	\$43.46
Each circuit, for more than 96 circuits	\$44.54