Canadian Radio-television and Telecommunications Commission | Conseil de la radiodiffusion et des télécommunications canadiennes

Telecom Order CRTC 2008-124

Ottawa, 2 May 2008

Bell Aliant Regional Communications, Limited Partnership and Bell Canada

Reference: Bell Aliant Tariff Notice 134
Bell Canada Tariff Notice 7081

Gateway Access Service

1. The Commission received applications by Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, Bell Canada et al.), both dated 9 November 2007, proposing revisions to their General Tariffs in order to modify item 5410, Gateway Access Service (GAS).

2. Specifically, Bell Canada et al. proposed to upgrade the maximum GAS Lite – Residence access speed from 256 Kbps to 512 Kbps. Bell Canada et al. noted that, due to system limitations, it would not be possible to immediately upgrade all customers upon Commission approval of their applications. Bell Canada et al. indicated, however, that they would undertake the necessary system modifications to convert all customers to the new service speed within 90 days after Commission approval.

3. Bell Canada et al. also proposed to modify the GAS Access – Residence service charges by increasing the rates for two of the three service charge payment options.

4. In addition, Bell Canada et al. proposed to restructure the Service Area Manager service charges to specify the provinces of Quebec and Ontario as serving areas, rather than multiple smaller serving areas, which would simplify the digital subscriber line (DSL) serving areas for GAS customers and result in lower serving area activation charges.

5. The Commission received comments from Distributel Communications Limited (Distributel), Primus Telecommunications Canada Inc. (Primus), and the Quebec Coalition of Internet Service Providers (QCISP). The record of this proceeding closed with Bell Canada et al.'s reply comments dated 20 December 2007. The public record of this proceeding is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings."

Positions of parties

6. There are three service charge payment options associated with GAS: (i) a one-time service charge of $50; (ii) a monthly payment of $2.25 for a period of 24 months; and (iii) a monthly payment of $1.00 for the duration of the service. In their tariff applications, Bell Canada et al. proposed an increase to options (ii) and (iii).

7. Primus submitted that the proposed rates of $2.50 and $1.50 for options (ii) and (iii), which represented increases of 11.1 and 50 percent, respectively, over existing rates, were unjustified and unfair since:

- Bell Canada et al. had provided no evidence to demonstrate that the underlying costs for the service charge had increased; and

- The GAS tariff locked in the Internet service provider (ISP) to the rate option it had chosen at the time of entering into its GAS contract, and the increase in rate for options (ii) and (iii) discriminated against those ISPs that had chosen these options over those ISPs that chose option (i) that would not be subject to a rate increase.

8. Primus further submitted that, in the event that the Commission permitted the service charge increase, it should only apply to new GAS accesses and the ISP should be allowed to select a new service charge option with respect to new GAS accesses.

9. QCISP and Distributel submitted that Bell Canada et al. had not provided cost justification to substantiate the proposed service charge increases.

10. Bell Canada et al. submitted that while they proposed an increase to two of the three GAS service charge options, they had proposed other tariff structure changes in their applications that were beneficial to GAS customers, such as the re-structuring of the Serving Area Manager fees and the increased access speeds for the GAS-Lite service. With respect to the proposed rate increases to the GAS service charge options, Bell Canada et al. submitted that a majority of GAS customers used payment option (iii), where the monthly rate of $1.00 would be paid until the GAS access was disconnected or terminated. Bell Canada et al. further submitted that most GAS accesses were disconnected or terminated well before the period required to recover the one-time service charge of $50. Bell Canada et al. argued that the proposed increases were intended to address the revenue shortfall associated with service charge options (ii) and (iii) by bringing the associated monthly rates more in line with the one-time $50 service charge. Bell Canada et al. argued that, even with the proposed increase to option (iii), the resulting average revenues received from customers who made use of this payment option would still be less than $50.

11. With respect to GAS customers that had selected a particular service charge payment option and wished to change that option, Bell Canada et al. submitted that such customers were free to do so at the end of their contract.

Commission's analysis and determinations

12. In Telecom Decision 2008-17, the Commission assigned GAS to the category of conditional mandated non-essential services and determined that prices for this service would continue to be regulated.

13. The Commission notes that Bell Canada et al. did not suggest or provide any evidence that the underlying service charge costs have increased.

14. With regards to the proposed rate increase for option ii), the Commission notes that the current rate of $2.25 per month for the fixed 24-month period results in an accumulated payment of $54. The Commission also notes that this monthly amount over the 24-month period is

approximately economically equivalent[1] to a one-time service charge of $50. Accordingly, the Commission is not persuaded that an increase to this rate is required.

15. With regards to the proposed rate increase for option iii), the Commission notes that the current rate of $1 per month is approximately economically equivalent to a one-time service charge of $50 if monthly payments are made for 60 months, while the proposed rate of $1.50 per month is approximately economically equivalent to the $50 service charge if monthly payments are made for 37 months. While Bell Canada et al. have not established that the average service duration is 37 months, their evidence does demonstrate that the service duration has been less than that anticipated when the rates were set, such that Bell Canada et al. are not recovering the equivalent of the one-time service charge of $50 from customers who have chosen option iii). Accordingly, the Commission is not persuaded that the evidence justifies a rate of $1.50 at this time but considers that a rate of $1.25 for this rate option is appropriate.

16. The Commission notes Primus' submission that any increase to the service charges should only apply to new GAS accesses, and that the ISP should be allowed to select a new service charge option with respect to new accesses. The Commission also notes that it is not unusual for rates for tariffed services to change from time to time and that, in such cases, the revised rate is applied to existing service demand. The Commission is not persuaded that the circumstances of this case would warrant a different approach. The Commission finds therefore that the rate increase will apply to new and existing GAS accesses provided under option (iii).

17. The Commission notes that no interveners opposed Bell Canada et al.'s proposed speed upgrade for the GAS Lite – Residence access, or the proposed restructuring of the Service Area Manager service charges. Both proposed tariff changes are beneficial without increasing rates. Accordingly, the Commission considers that these proposals are appropriate.

18. In the Commission's view, its determinations advance the telecommunications policy objectives set out in paragraphs 7(*b*) and 7(*f*) of the *Telecommunications Act*, namely

> 7(*b*) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;
>
> 7(*f*) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective.

19. The Commission further considers that its determinations with respect to the proposed changes are consistent with the requirement of the Governor in Council's *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives,* P.C. 2006-1534, 14 December 2006 that regulatory measures be efficient and proportionate to its purpose, interfere minimally with competitive market forces and neither deter economically efficient entry nor promote economically inefficient entry into the market.

[1] Present worth calculation of a $2.25 monthly amount over a 24-month period.

20. In light of the above, the Commission:

i) **approves** Bell Canada et al.'s proposed speed upgrade for GAS Lite – Residence access and restructuring of the Service Area Manager service charges;

ii) **denies** Bell Canada et al.'s proposed increase in the rate for the service charge payment option ii);

iii) **approves** a rate of $1.25 for the service charge payment option iii); and

iv) directs Bell Canada et al. to issue revised tariff pages within 10 days to reflect the determinations in this Order.

Secretary General

Related documents

- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008
- *Gateway Access Service and High Speed Access Service*, Telecom Order CRTC 2005-62, 17 February 2005

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