



## Telecom Decision CRTC 2009-702

Ottawa, 10 November 2009

### Final 2009 revenue-percent charge and related matters

File number: 8695-C12-200905284

*In this decision, the Commission approves on a final basis, effective 1 January 2009, a 2009 contribution collection revenue-percent charge of 0.81 percent and the 2009 subsidy per residential network access service (NAS) amounts for the territories of the large incumbent local exchange carriers (ILECs), Télébec, and People's Telephone Limited Partnership (People's).*

*In addition, the Commission approves on an interim basis, effective 1 January 2010, a 2010 contribution collection revenue-percent charge of 0.81 percent and the subsidy per residential NAS amounts for the territories of the large ILECs, Télébec, and People's.*

### 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)<sup>1</sup> and Télébec, Limited Partnership (Télébec).<sup>2</sup>
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 2008-112, the Commission set, on an interim basis for 2009, a revenue-percent charge of 0.87 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 large ILECs); Télébec; and the Canadian Portable Contribution Consortium Inc. (CPCC). The public record of this proceeding, which closed on 31 March 2009, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) under "Public Proceedings" or by using the file number provided above.

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<sup>1</sup> 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.

<sup>2</sup> 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 2009;
  - II. The final 2009 and interim 2010 revenue-percent charge; and
  - III. The final 2009 and interim 2010 subsidy per residential NAS amounts.
6. In the final section of this decision, the Commission will address other matters.

### **I. The estimated national subsidy requirement for 2009**

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, 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 25 March 2009, that the estimated CPCC and CFA administrative and operational costs would be approximately \$0.8 million for 2009.

#### **Subsidy amount for Northwestel**

9. In Telecom Decision 2007-127, the Commission determined that Northwestel would receive a revised fixed subsidy amount of \$20.8 million per year for each of the years 2008 through 2010. The Commission directed the CFA to make the related monthly subsidy payments to Northwestel.

#### **Subsidy amounts for the small ILECs**

10. In Telecom Decision 2006-14, the Commission determined that the small ILECs would receive fixed subsidy amounts totalling approximately \$23.0 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 small ILECs.

#### **Estimated HCSA total subsidy requirements for the territories of the large ILECs and Télébec**

11. In Telecom Decisions 2007-27 and 2007-60, the Commission directed the large ILECs and Télébec to file, by 31 March of each year, 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 markup; and (d) upward for the cost recovery of the revenue-percent charge. The Commission also directed the large ILECs and Télébec to impute HCSA residential local rate increases for subsidy calculation purposes, whether or not the rate increases were actually taken. This imputation was to be based upon the price cap constraints.

12. The Commission received the 2009 HCSA subsidy calculations from the large ILECs and Télébec between 23 March and 31 March 2009. The Commission notes that TCC's subsidy calculations included SIP cost adjustments that were subsequently approved by the Commission in Telecom Decision 2009-505.
13. The Commission has reviewed the subsidy calculations for the large ILECs and Télébec and finds them to be in accordance with the directives set out in Telecom Decisions 2007-27 and 2007-60.
14. The Commission notes that based upon the 2008 year-end NAS information, the 2009 total subsidy requirement for the territories of the large ILECs and Télébec is approximately \$162.9 million.
15. Based on the above, the Commission finds that the estimated 2009 national subsidy requirement is approximately \$207.5 million.

## **II. Final 2009 and interim 2010 revenue-percent charge**

16. 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.
17. The Commission considers that a final 2009 revenue-percent charge of 0.81 percent would be appropriate to ensure the stability of the NCF. The Commission also considers that an interim 2010 revenue-percent charge of 0.81 percent, effective 1 January 2010, would also be appropriate.
18. Therefore, the Commission **approves** a final 2009 revenue-percent charge of 0.81 percent, effective 1 January 2009, and an interim 2010 revenue-percent charge of 0.81 percent, effective 1 January 2010.

## **III. Final 2009 and interim 2010 subsidy per residential NAS amounts**

19. Based on the final 2009 revenue-percent charge of 0.81 percent, the Commission calculates the final 2009 subsidy per residential NAS amounts for each HCSA band in the territories of the large ILECs and Télébec to be as set out in Table 1.

**Table 1**

<b>Territory</b>	<b>Final 2009 monthly subsidy per residential NAS amounts by HCSA Band</b>		
	<b>Band E (\$)</b>	<b>Band F (\$)</b>	<b>Band G (\$)</b>
<b>Bell Aliant</b>			
New Brunswick	3.80	0.00	n/a

Newfoundland and Labrador	4.37	5.39	10.17
Nova Scotia	0.00	0.00	n/a
Ontario and Quebec	3.48	1.49	21.68
Prince Edward Island	3.05	4.40	n/a
<b>Bell Canada</b>	3.40	0.92	n/a
<b>MTS Allstream</b>	19.44	13.71	64.49
<b>SaskTel</b>	20.86	13.68	31.59
<b>Télébec</b>	18.00	5.96	15.44
<b>TCC</b>			
Alberta	3.84	0.00	4.64
British Columbia	24.72	11.89	22.57
Quebec	13.62	1.98	46.95

n/a: not applicable

20. The Commission **approves on a final basis**, effective 1 January 2009, and **approves on an interim basis**, effective 1 January 2010, the monthly subsidy per residential NAS amounts for each HCSA band for the territories of the large ILECs and Télébec as shown in Table 1.
21. The Commission directs the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts for 2009. The Commission also directs the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2010.

## **Other matters**

### **Small ILEC territories where a competitor is operating**

22. In Telecom Decision 2006-14, the Commission approved interim subsidy per residential NAS amounts, for each band and sub-band, for the tax-paying and non-tax-paying small ILECs. The Commission directed the CFA to make interim subsidy payments, based upon the corresponding interim subsidy per residential NAS amounts, when a competitive local exchange carrier (CLEC) started to operate in a specific small ILEC territory. The Commission noted that it would establish the final subsidy per residential NAS amounts in the

next revenue-percent charge decision after a CLEC started to operate in a specific small ILEC territory. The Commission also noted that any interim subsidy received by a CLEC prior to the final individual small ILEC subsidy per residential NAS amounts being published would be adjusted by the CFA to reflect the final subsidy per residential NAS amounts applicable for that particular small ILEC.

23. The Commission notes that there is a competitor operating in the territory of People's Telephone Limited Partnership (People's). Therefore, the Commission is publishing the final subsidy per residential NAS amounts, so that the CFA can make the necessary subsidy adjustments. The Commission notes that these subsidy per residential NAS amounts are the same amounts used by the Commission in Telecom Decision 2006-14 to establish People's annual subsidy amount.

Territory	Final monthly subsidy per residential NAS amounts by HCSA Band (\$)					
	E	F-1	F-2	F-3	F-4	G
People's	12.17	n/a	9.95	n/a	n/a	n/a

n/a: not applicable

24. The Commission **approves on a final basis**, effective 1 January 2009, and **approves on an interim basis**, effective 1 January 2010, the monthly subsidy per residential NAS amounts as shown above.
25. The Commission directs the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts for 2009. The Commission also directs the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2010.

**Excess NCF funds after processing the December 2009 data-month**

26. In Telecom Decision 2007-98, the Commission approved revised procedures for the operation of the NCF that resulted in funds in excess of the CPCC requested minimum balance being retained by the required contributors as uncalled contribution, rather than being held by the NCF as a cash surplus. In addition, the Commission indicated that it would direct the CFA to release the uncalled contribution at year-end because these amounts would not be needed by the NCF in that year.
27. The Commission notes that the current CPCC requested NCF minimum balance is \$5 million.
28. The Commission considers that any uncalled contribution in excess of the \$5 million minimum balance after processing the December 2009 data-month is not required by the NCF and that the uncalled contribution can be released.
29. Accordingly, the Commission directs the CFA, after it has processed the December 2009 data-month, to release any 2009 uncalled contribution.

Secretary General

### **Related documents**

- *TELUS Communications Company - 2009 application to update its funding requirements for its service improvement plan and related matters*, Telecom Decision CRTC 2009-505, 20 August 2009
- *Final 2008 revenue-percent charge and related matters*, Telecom Decision CRTC 2008-112, 27 November 2008
- *Northwestel Inc. - Residential primary exchange service costs for Band H1*, Telecom Decision CRTC 2007-127, 10 December 2007
- *Revised procedures for the operation of the National Contribution Fund, effective January 2008*, Telecom Decision CRTC 2007-98, 11 October 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
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *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

*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>*