



Telecom Order CRTC 2012-312

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Ottawa, 29 May 2012

TELUS Communications Company – Revised toll interconnection service rates in Quebec

File numbers: Tariff Notices 567 and 567A

Background

1. In Telecom Decision 2011-517, the Commission directed TELUS Communications Company (TCC) in the province of Quebec (TELUS Quebec) and Télébec, Limited Partnership (Télébec) to file tariff notices to amend their rates for direct connection (DC), access tandem (AT), toll-free carrier identification, and primary interexchange carrier (PIC) processing services [collectively, toll interconnection services] in the province of Quebec. The proposed rates were to be based on either revised Phase II cost studies or rates in Bell Aliant Regional Communications, Limited Partnership's (Bell Aliant) territory.
2. The Commission also made the existing rates for toll interconnection services interim as of 22 August 2011, the date of that decision.

Introduction

3. The Commission received an application by TELUS Quebec, dated 21 November 2011, in which the company proposed rates for its toll interconnection services in the province of Quebec and filed Phase II cost studies in support of its proposed rates. On 16 March 2012, TELUS Quebec amended its application regarding DC and AT services due to the omission of certain costs in the initial application.
4. The Commission received comments on TELUS Quebec's application from MTS Allstream Inc. (MTS Allstream),¹ dated 28 November 2011, 27 March 2012, and 16 April 2012; and from Distributel Communications Limited (Distributel), dated 19 December 2011. The public record of this proceeding, which closed on 16 April 2012, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file numbers provided above.
5. MTS Allstream and Distributel submitted that TELUS Quebec's proposed rates for its DC, AT, and PIC processing services are much higher than those charged by other incumbent local exchange carriers (ILECs) for the same services. The two companies requested that final Commission-approved rates for these services be made retroactive to 22 August 2011, the date that rates were made interim.

¹ As of early 2012, MTS Allstream Inc. became known as two separate entities, namely, MTS Inc. and Allstream Inc.

Commission's analysis and determinations

DC and AT services

6. The Commission notes that TELUS Quebec's proposed maintenance expenses for DC and AT services, as set out in the company's cost studies, account for a significant portion of the total costs for these services, and that the maintenance expenses per unit are high compared to those approved for the DC and AT services of other ILECs. The Commission also notes that these expenses are based on TCC's data in its Alberta and British Columbia territories, and are not specific to TELUS Quebec.
7. The Commission further notes that in Telecom Decisions 2006-22 and 2006-23, it adjusted TCC's proposed maintenance expenses for DC and AT services in its Alberta and British Columbia territories downwards to the maintenance expense levels of other ILECs for the same services. Specifically, the Commission set TCC's maintenance expenses for DC and AT services at 11 percent of the company's DC and AT capital costs. The Commission therefore finds it appropriate to set TELUS Quebec's maintenance expenses for DC and AT services at 11 percent of the company's DC and AT capital costs, consistent with Telecom Decisions 2006-22 and 2006-23.
8. Accordingly, the Commission approves the rates of \$0.001661 per conversation minute per end for the DC service and \$0.002269 per conversation minute per end for the AT service. The Commission notes that these approved rates reflect TELUS Quebec's proposed costs in its cost studies, adjusted to reflect the above-mentioned costing determination, plus a 25 percent markup.

Toll-free carrier identification services

9. The Commission notes MTS Allstream's submission that it considered TELUS Quebec's proposed toll-free carrier identification service rates to be reasonable. The Commission finds that TELUS Quebec's proposed costs for these services, as set out in its cost studies, are appropriate and that the corresponding proposed rate is just and reasonable.

PIC processing service

10. The Commission notes that TELUS Quebec proposed a rate of \$4.90 per order for this service, which is significantly higher than the rate charged by other ILECs. The Commission also notes TELUS Quebec's submission that this discrepancy is due to a lack of economies of scale relative to other ILECs.
11. The Commission notes that the rates charged for PIC processing by TBayTel and NorthernTel, Limited Partnership, which are both small ILECs, are \$2.15 and \$2.16 per order respectively. The Commission also notes that TELUS Quebec's proposed time estimates, used to determine the costs for the company's PIC processing service, as set out in TELUS Quebec's cost studies, are based primarily on estimates without the provision of supporting factual evidence. The Commission finds that the time estimates the company used to determine the costs of certain key PIC processing activities are unreasonable.

12. In light of the above, the Commission sets the rate for PIC processing for TELUS Quebec at \$2.16 per order.

Interim rates

13. The Commission notes that the existing interim rates for TELUS Quebec's toll interconnection services are significantly higher than the rates the company proposed in the current application. The Commission made the rates for these services interim on 22 August 2011 since there was prima facie evidence that related costs had decreased significantly and that the rates were no longer just and reasonable. As the Commission noted in Telecom Decision 2011-517, for over a decade, TELUS Quebec's rates for toll interconnection services have been significantly higher than those of other ILECs. The Commission therefore finds it appropriate to approve TELUS Quebec's rates for the company's toll interconnection services, as set out in this decision, retroactive to 22 August 2011.

Conclusion

14. In light of all the above, the Commission **approves on a final basis** the rates for TELUS Quebec's four toll interconnection services set out in paragraphs 8, 9, and 12 above, effective 22 August 2011.

Secretary General

Related documents

- *MTS Allstream Inc. – Request for revisions to toll interconnection rates charged by Télébec, Limited Partnership and TELUS Communications Company in Quebec*, Telecom Decision CRTC 2011-517, 22 August 2011
- *Aliant Telecom, Bell Canada, MTS Allstream, SaskTel and TCI – Approval of rates on a final basis for Access Tandem service*, Telecom Decision CRTC 2006-22, 27 April 2006
- *Aliant Telecom, Bell Canada, MTS Allstream, SaskTel and TCI – Approval of rates on a final basis for Direct Connection service*, Telecom Decision CRTC 2006-23, 27 April 2006