



Telecom Order CRTC 2014-134

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Ottawa, 20 March 2014

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Application to increase the rate for Compensation Per Call service

File numbers: 8740-B54-201316414, 8740-B2-201316422, Bell Aliant Tariff Notice 465, and Bell Canada Tariff Notice 7411

Introduction

1. The Commission received an application from Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) and Bell Canada (collectively, the Bell companies), dated 14 November 2013, in which the Bell companies proposed a change to item 43 – Compensation Per Call (CPC) of their respective Access Services Tariffs. Specifically, the Bell companies proposed to increase their CPC rate,¹ based on current costs plus a 15-percent markup, from \$0.2017 to \$0.5691 per completed toll-free call.
2. The Bell companies requested that their respective CPC services be exempt from the annual application of the inflation minus productivity offset (I-X) adjustment factor, since this factor is already reflected in the cost study the Bell companies filed in support of their revised CPC service costs.
3. The Bell companies proposed to make the revised rate for their respective CPC services effective on the date of the Commission’s approval of the application.
4. The Commission received interventions regarding the Bell companies’ application from MTS Inc. and Allstream Inc. (collectively, MTS Allstream), dated 16 December 2013. The public record of this proceeding, which closed on 13 January 2014, is available on the Commission’s website at www.crtc.gc.ca under “Public Proceedings” or by using the file numbers provided above.

Commission’s analysis and determinations

5. The Commission notes that MTS Allstream raised a number of implementation and costing issues regarding the Bell companies’ application. The following table sets out these issues and the Commission’s related determinations.

¹ This rate is charged by a payphone service provider to an interexchange carrier for each completed toll-free call (such as a call to a 1-800 number) made from one of the payphone service provider’s payphones to access the interexchange carrier’s network. The amount of compensation to be collected is billed to the interexchange carrier and not to the person making the toll-free call from the payphone.

MTS Allstream's submissions	Bell companies' replies	Commission's analysis and determinations
<p>Bell Aliant and Bell Canada have different cost structures and should therefore propose separate CPC service rates, instead of a uniform rate.</p>	<p>There would not be material differences between separate CPC service rates for each company compared to the proposed uniform rate.</p> <p>Payphone-related operations, processes, and billing systems are common to both companies, and it would cost several million dollars to implement a separate system and to track the related costs separately. This would result in increased CPC service rates for both companies.</p>	<p>The Commission considers that the Bell companies' proposal to implement a uniform CPC service rate is acceptable, since the costs to implement separate rates outweigh the benefits, and could result in higher rates charged by each company.</p>
<p>The accelerated decline in forecasted demand for the CPC service during the study period could result in higher costs.</p>	<p>The decline in forecasted demand of 25 percent per year is only slightly higher than the historical decline of 21 percent per year.</p> <p>CPC service costs will also decline to reflect the impact of the lower demand.</p>	<p>The Commission considers that since almost all of the Bell companies' proposed costs are demand driven, using forecasted demand as a cost driver is acceptable. A decline in demand would affect total costs, but not the cost per call.</p>
<p>Capital costs related to digital screens, coin mechanisms, and other similar costs are attributable to other services, and should therefore not be assigned to the CPC service.</p>	<p>It is appropriate to assign a portion of these capital costs to the CPC service.</p>	<p>In Telecom Order 99-1017, the Commission allowed the assignment of coin mechanism costs to the CPC service, since this mechanism is an integral part of payphone sets. The Commission considers that the same rationale applies to digital screen costs. The Commission therefore considers that the Bell companies' proposed capital costs are appropriate.</p>
<p>The Bell companies' proposed system support and product management expenses of \$0.0212 per call</p>	<p>Almost all of these expenses stem from related services provided by a third party on contract and are causal to the</p>	<p>The Commission considers that the proposed costs are causal to the CPC service, since the related services are provided on a contract basis, and are thus</p>

are very high and should be reduced.	CPC service.	appropriate for inclusion in the cost study.
The Bell companies should have excluded their proposed warehousing and distribution expenses of \$0.0025 per call from their cost study, since no new capital was included.	These expenses relate to stored payphone sets kept for refurbishment or parts, and are thus causal to the CPC service.	The Commission considers that the proposed costs are causal to the CPC service, and are thus appropriate for inclusion in the cost study.
The Bell companies should have excluded their proposed advertising and sales expenses of \$0.0005 per call from their cost study, since the CPC service is a declining service.	These expenses are incurred by the sales team for activities such as renewing contracts with location providers, and are thus causal to the CPC service.	The Commission considers that the proposed costs are causal to the CPC service, and are thus appropriate for inclusion in the cost study.

6. Regarding the Bell companies' proposal for the CPC service to be exempt from the annual application of the I-X adjustment factor, the Commission considers that all incumbent local exchange carriers that currently offer this service must apply the I-X adjustment factor annually, consistent with the Commission's determinations set out in Telecom Decision 2002-34. Accordingly, the Commission **denies** the Bell companies' proposal that the adjustment not be applied going forward. The Commission directs the Bell companies to continue to apply the I-X adjustment factor annually, except for the cost components of the CPC service that have been estimated based on net book value,² consistent with the Commission's determination set out in paragraph 46 of Telecom Decision 2011-24.
7. In light of the above, the Commission has removed the effects of inflation and productivity included in the Bell companies' cost study, and **approves** a uniform rate of \$0.5674 per completed toll-free call for the Bell companies' respective CPC services, effective the date of this order.
8. The Commission directs the Bell companies to issue revised tariff pages³ within **10 days** of the date of this order.

Secretary General

² Net book value is the original cost of an asset or asset class, minus the associated depreciation.

³ Revised tariff pages can be submitted to the Commission without a description page or a request for approval; a tariff application is not required.

Related documents

- *Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Monthly recurring rates and service charge rates for unbundled loops in Ontario and Quebec*, Telecom Decision CRTC 2011-24, 12 January 2011
- *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002
- *Pay Telephone Compensation per Call for Toll-free Calls*, Telecom Order CRTC 99-1017, 22 October 1999