



Telecom Order CRTC 2014-364

PDF version

Ottawa, 11 July 2014

File numbers: Bell Aliant Tariff Notice 466 and Bell Canada Tariff Notice 7412

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Rebilling of carrier access tariff charges for incumbent local exchange carriers

Introduction

1. In Telecom Regulatory Policy 2013-160, the Commission revised the regulatory framework under which the small incumbent local exchange carriers (ILECs) operate. In that decision, the Commission, among other things, considered it very likely that the small ILECs' direct connection (DC) service¹ costs would have declined since their rates were first established more than 10 years previously. The Commission also made the small ILECs' existing DC rates interim, and directed each small ILEC to file with the Commission, within 90 days of the date of that decision, either
 - a) revised tariff pages for DC rates reflecting those of TELUS Communications Company (TCC) in the province of Quebec (TCC in Quebec), or
 - b) notice that within 180 days from the date of that decision, the small ILEC would file for Commission approval tariff pages for DC service in which the proposed rates would be supported by a cost study.
2. Of the 35 small ILECs, 7 – Amtelecom Limited Partnership (Amtelecom); DMTS; KMTS; NorthernTel, Limited Partnership (NorthernTel); Ontera; People's Tel Limited Partnership (People's Tel); and TBayTel – chose to adopt TCC in Quebec's DC rates.² The remaining 28 other small ILECs (the other small ILECs) confirmed their intention to file proposed DC rates supported by cost studies.
3. In Telecom Order 2013-594, the Commission approved a revised DC rate of \$0.001662 per minute for each of the seven small ILECs noted above, effective 28 March 2013, the date the rates were made interim. The approved rate is equal to the DC rate that was in effect on that date for TCC in Quebec.

¹ DC service provides for interconnection at an ILEC's end-office switch for the transfer of long distance calls between the ILEC and long distance service providers, for calls that start or end with the ILEC's customers.

² See Telecom Regulatory Policy 2013-160, Appendix A, for a list of all small ILECs.

Applications

4. The Commission received applications from Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, the Bell companies), dated 21 November 2013, in which they proposed revisions to their respective Access Services Tariff (AST) item 50 – Rebilling of Incumbent Local Exchange Carrier (ILEC) Carrier Access Tariff (CAT) Charges.
5. Specifically, the Bell companies indicated that they currently bill long distance service providers for traffic to and from each small ILEC (the toll transport service) at a rate equal to the Bell companies' estimated per-minute toll interconnection costs. Those estimated costs consist of the small ILECs' DC, equal access,³ and trunking⁴ rates on a per-minute basis. The Bell companies proposed to revise the toll transport service rates they charge to long distance service providers for traffic to and from Amtelecom, DMTS, KMTS, People's Tel, and TBayTel (referred to hereafter as "the five small ILECs"),⁵ to reflect the approved DC rates for the five small ILECs in Telecom Order 2013-594.
6. The Commission received an intervention regarding the Bell companies' applications from MTS Inc. and Allstream Inc. (collectively, MTS Allstream). The public record of this proceeding, which closed on 20 January 2014, is available on the Commission's website at www.crtc.gc.ca or by using the file numbers provided above.
7. The Commission has identified the following issues to be addressed in this decision:
 - Are the Bell companies' proposed toll transport service rates for the five small ILECs reasonable?
 - What should be the effective date for the proposed rate revisions?
 - Should the Bell companies be required to recalculate the other small ILECs' toll transport service rates now using a new calculation method? If not, should their existing rates be made interim?
 - Should the Bell companies' future toll transport service rates change concurrent with any future changes in the small ILECs' DC, equal access, or trunking rates?

³ Equal access enables end-users to choose a long distance service provider.

⁴ Trunking describes the facilities that interconnect switches.

⁵ The Bell companies did not propose to revise rates for NorthernTel and Ontera. The Bell companies' tariffs indicate that rates for those companies are calculated differently, based on Telecom Decision 2005-3.

Are the Bell companies' proposed toll transport service rates for the five small ILECs reasonable?

8. The Commission notes that the Bell companies' toll transport service rates have not changed since 2006.⁶ These rates were calculated by forecasting each small ILEC's total 2006 revenues for DC, equal access, and trunking (based on the small ILECs' total traffic), which were then divided by the small ILECs' total 2005 long distance conversation minutes to obtain a per-minute rate.
9. In contrast, the Bell companies proposed to calculate the per-minute rate using their own forecasted charges for equal access and trunking based on the traffic they carried in 2012 rather than on the total traffic for small ILECs (which includes the small ILECs' own toll traffic), and to add the small ILECs' approved DC per-minute rate. The Bell companies submitted that the proposed method, set according to the five small ILECs' charges, would better align the Bell companies' toll transport service rates with their costs.
10. MTS Allstream did not contest the proposed rates or the calculation method.
11. The Commission considers that the Bell companies' proposed calculation method accurately represents the Bell companies' toll transport service costs because it uses only the toll traffic that the Bell companies exchange with the small ILECs. The Commission has reviewed the Bell companies' proposed rates and calculations and considers that the calculations are correctly applied and include the correct DC rates for the five small ILECs. Accordingly, the Commission considers the Bell companies' proposed toll transport service rates for the five small ILECs to be reasonable.

What should be the effective date for the proposed rate revisions?

12. MTS Allstream noted that the five small ILECs' DC rates were reduced effective 28 March 2013. They submitted that the Bell companies were proposing to retain the benefit of the lower DC rates for the five small ILECs as of this date.
13. MTS Allstream further submitted that the Commission should direct the Bell companies to flow through to long distance service providers all revenues associated with the reductions in the small ILECs' DC rates, retroactive to the effective date of those reductions.
14. The Bell companies submitted that they were applying Commission-approved rates and that they were therefore not overbilling. They added that the Commission has no authority to change final rates retroactively. They indicated that, for example, in Bell Canada Tariff Notice 6857, dated 11 March 2005, the Commission granted final approval for these rates in Telecom Order 2005-118, effective 24 March 2005.

⁶ Revised toll transport service rates were given interim approval in Telecom Order 2006-201, and final approval in Telecom Order 2006-224.

15. The Commission notes that it did not make the Bell companies' toll transport service rates interim. Accordingly, the Commission considers that it would be appropriate to approve the Bell companies' proposed toll transport service rates for the five small ILECs, effective the date of this order.

Should the Bell companies be required to recalculate the other small ILECs' toll transport service rates now using a new calculation method? If not, should their existing rates be made interim?

16. MTS Allstream submitted that the Bell companies' proposed toll transport service rates were substantially lower than their current rates, and that the Commission should therefore direct the Bell companies to use the same calculation method for the other small ILECs that choose to base their rates on cost studies pursuant to Telecom Regulatory Policy 2013-160. MTS Allstream added that the Bell companies should update their toll transport service rates for all small ILECs.

17. MTS Allstream indicated that the Bell companies would potentially benefit from reduced small ILEC DC rates for an even longer period for the other small ILECs for which the Commission has not yet determined revised DC rates – that is, from 28 March 2013, when these rates were made interim, until they are determined. MTS Allstream submitted that the Commission should therefore make the Bell companies' toll transport service rates for those small ILECs interim, effective immediately.

18. The Bell companies noted that, in accordance with Telecom Regulatory Policy 2013-160, the process to revise the other small ILECs' DC rates is under way. They submitted that there would be little point in updating the equal access and trunking components of their toll transport service rate for each small ILEC now, using the new calculation method, only to update them again once the Commission approves changes to the small ILECs' DC rates.

19. The Bell companies submitted that the only reason for the Commission to make their toll transport service rates for the other small ILECs interim would be to have the option of applying any changes retroactively. They indicated that the administrative burden of making these retroactive adjustments would be significant since it would require the Bell companies to manually adjust their charges to each of the 20 long distance service providers for each small ILEC for each month in which the toll transport service rate has been retroactively revised.

20. The Commission notes that it has not established revised DC rates for the other small ILECs. The Commission considers that it would not be efficient to revise the Bell companies' toll transport service rates by applying the new calculation method to each of the other small ILECs now, and then update these rates again when the other small ILECs' revised DC rates are approved.

21. However, since the Bell companies' toll transport service rates are based on the Bell companies' costs to connect to the small ILECs, including the small ILECs' DC rates, the Commission considers that benefits from any reductions in the small ILECs' DC rates should accrue to long distance service providers.

Conversely, the Commission considers that the Bell companies should not be penalized if the small ILECs' DC rates were to increase. The Commission considers, therefore, that it would be appropriate to make the Bell companies' toll transport service rates for the other small ILECs interim, effective the date of this order.

Should the Bell companies' future toll transport service rates change concurrent with any future changes in the small ILECs' DC, equal access, or trunking rates?

22. MTS Allstream submitted that the Bell companies' tariffs clearly indicate that the toll transport service rate for any small ILEC is dependent on that small ILEC's interconnection charges and that, therefore, the toll transport service rates calculated based on the small ILECs' interconnection charges supersede the rates specified in the Bell companies' tariffs.
23. MTS Allstream requested that the Commission direct the Bell companies to clarify in their tariffs that their toll transport service rates will be deemed to change concurrent with approved changes to the small ILECs' DC, equal access, and trunking rates.
24. The Bell companies submitted that their tariffs do not state that their toll transport service rates change on the same date that changes to the small ILECs' interconnection charges take effect. They indicated that they must convert any changes to a small ILEC's interconnection charges to a per-minute toll transport charge, with updates to the trunking configuration – that is, the number and length of trunks – and the number of minutes used. They added that there must necessarily be a period after the Commission approves changes on a final basis to a small ILEC's DC, equal access, or trunking rate for the Bell companies to file changes to their toll transport service rates. The Bell companies argued that long distance service providers that want to benefit from any reductions in the small ILECs' interconnection charges as of the effective date of such reductions may choose to connect directly with the small ILEC.
25. The Bell companies further submitted that the administrative burden associated with keeping their toll transport service rates consistent with changes in the small ILECs' DC, equal access, or trunking rates; trunking configurations; or number of toll conversation minutes would be significant.
26. The Commission has previously approved changes to the Bell companies' toll transport service rates with effective dates that were later than the effective dates of Commission-approved revisions to the small ILECs' DC and/or trunking rates. The Commission notes that the per-minute costs for the Bell companies to connect to each small ILEC vary with changes in monthly toll traffic. The Commission considers that it would be onerous on the Bell companies to require them to adjust their toll transport service rates monthly.
27. Accordingly, the Commission considers that it would not be appropriate to implement MTS Allstream's proposal. However, given that changes to the small ILECs' DC, equal access, and trunking rates affect the Bell companies' toll transport service rates, the Commission intends to make the Bell companies' toll transport service rates

interim at the same time as any changes are approved to the small ILECs' DC, equal access, or trunking rates in the future.

Conclusion

28. In light of the above, the Commission

- a) **approves** the Bell companies' proposed toll transport service rates for Amtelecom, DMTS, KMTS, People's Tel, and TBayTel, effective the date of this order;
- b) **denies** MTS Allstream's request that the Commission direct the Bell companies to recalculate their toll transport service rates for the other small ILECs;
- c) makes the Bell companies' toll transport service rates for the other small ILECs interim, effective the date of this order, pending the outcome of the proceedings related to the other small ILECs' DC rates; and
- d) **denies** MTS Allstream's request that the Bell companies clarify in their tariffs that their toll transport service rates will be deemed to change concurrent with changes in the small ILECs' DC, equal access, or trunking rates.

Secretary General

Related documents

- *Direct connection service rates for certain small incumbent local exchange carriers*, Telecom Order CRTC 2013-594, 7 November 2013
- *Regulatory framework for the small incumbent local exchange carriers and related matters*, Telecom Regulatory Policy CRTC 2013-160, 28 March 2013
- Telecom Order CRTC 2006-224, 28 August 2006
- Telecom Order CRTC 2006-201, 2 August 2006
- Telecom Order CRTC 2005-118, 24 March 2005
- *Direct toll and network access costing methodology for small incumbent local exchange carriers – Follow-up to Decision 2001-756*, Telecom Decision CRTC 2005-3, 31 January 2005