



Telecom Decision CRTC 2004-67

Ottawa, 8 October 2004

Télébec and TELUS Québec – Show Cause on the issuance of monthly itemized billing statements – Follow-up to Decision 2002-43

Reference: 8638-C12-76/02

*In this Decision, the Commission directs Société en commandite Télébec (Télébec) and TELUS Communications Inc.¹ to provide all customers with monthly itemized billing statements within nine months of the date of this Decision. The Commission **denies** the request of Télébec to recover any costs associated with the introduction of monthly itemized billing statements.*

1. In *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), the Commission directed Société en commandite Télébec (Télébec) and TELUS Communications (Québec) Inc. (TELUS Québec) to show cause why they should not be directed to send their customers monthly itemized billing statements at the same level of detail as was provided on an annual basis.
2. The Commission received submissions from Télébec and TELUS Québec on 30 August 2002 and comments from l'Union des consommateurs (l'Union) on 10 September 2002. The Commission received reply comments from Télébec and TELUS Québec on 20 September 2002.
3. On 19 December 2002, the Commission sent interrogatories to Télébec and TELUS Québec; both companies filed their responses to these interrogatories on 13 January 2003. On 15 January 2003, l'Union filed a request for public disclosure of information filed in confidence with the Commission by Télébec. Télébec placed the requested information on the public record on 17 January 2003. The Commission received further comments from l'Union on 27 January 2003 and further reply comments from Télébec and TELUS Québec on 4 and 5 February 2003, respectively.
4. On 12 February 2003, the Commission received a request from TELUS Québec for an extension, to 25 February 2003, to submit further responses to the Commission's interrogatories noted above; TELUS Québec's request was approved on 13 February 2003. TELUS Québec filed its further responses on 25 February 2003. The Commission received supplementary comments from l'Union by letter dated 17 March 2003.

¹ Effective 1 July 2004, TELUS Communications Inc. (TCI) has assumed all rights, entitlements, liabilities and obligations relating to the provision of telecommunications services in the territories previously serviced by TELUS Communications (Québec) Inc.

Background

5. In *Review of the general regulations of the federally regulated terrestrial telecommunications common carriers*, Telecom Decision CRTC 86-7, 26 March 1986 (Decision 86-7), the Commission first set out the conditions on the frequency of issuing itemized billing statements.² While Decision 86-7 applied only to CNCP Telecommunications, Bell Canada, British Columbia Telephone Company, Northwestel Inc. and Terra Nova Telecommunications Inc., other carriers adopted similar practices as they became subject to regulation by the Commission.
6. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34), the Commission noted that the incumbent local exchange carriers (ILECs) had varying policies regarding the frequency with which they sent itemized billing statements to customers. The Commission specifically noted that TELUS Communications Inc. (TCI), MTS Communications Inc. and Saskatchewan Telecommunications were issuing monthly itemized billing statements to their customers. The Commission then expressed the preliminary view that the issuance of monthly itemized billing statements to customers was a policy that should be extended to all ILECs subject to Decision 2002-34. Accordingly, the Commission directed Bell Canada and Aliant Telecom Inc. (Aliant Telecom) to show cause why they should not be directed to send their customers monthly itemized billing statements at the same level of detail as they provided on an annual basis. In *Bell Canada and Aliant Telecom Inc. – Show Cause on the issuance of monthly itemized billing statements – Follow-up to Decision 2002-34*, Telecom Decision CRTC 2003-86, 23 December 2003 (Decision 2003-86), the Commission directed Bell Canada and Aliant Telecom to commence providing their customers with monthly itemized billing statements, within six months of the date of Decision 2003-86, at the same level of detail as they provided on an annual basis.
7. In Decision 2002-43, the Commission extended the preliminary view expressed in Decision 2002-34 on itemized billing statements to Télébec and TELUS Québec and directed the companies to show cause why they should not be directed to issue monthly itemized billing statements to their customers at the same level of detail as was provided on an annual basis.

Position of parties

Initial comments

Télébec

8. Télébec submitted that, in its view, its customers were satisfied with its existing billing statement, noting that it currently provided an itemized billing statement to all of its customers on a yearly basis and following any changes to rates, services or equipment. Télébec submitted that it would be unnecessary to provide all of its customers with a monthly itemized billing statement given that customers can request and receive detailed billing information verbally at any time.

² In Decision 86-7, the Commission directed the carriers to provide their single-line customers, with a detailed itemization of service and equipment charges at service commencement, after any service and equipment changes, after general rate proceedings and, at a minimum, once a year.

9. Télébec submitted that, should the Commission maintain its preliminary view to extend the practice of sending monthly itemized billing statements, the company should be entitled to recover the administrative expenses and any systems-related costs that would be incurred due to the implementation of a new billing policy. Télébec submitted that the additional expenses it would incur to produce monthly itemized billing statements met the criteria for exogenous factor adjustments established by the Commission in *Price cap regulation and related issues*, Telecom Decision CRTC 97-9, 1 May 1997.

TELUS Québec

10. TELUS Québec submitted that its policy on the issuance of itemized billing statements already complied with the Commission's requirements.

L'Union

11. L'Union supported the view that Télébec and TELUS Québec should provide customers with monthly itemized billing statements. L'Union submitted that the mandatory issuance of monthly itemized billing statements should be a standard practice in the best interests of consumers.
12. L'Union noted that the majority of telephone companies in Canada have adopted a billing policy of sending monthly itemized billing statements, which included an itemization of basic and optional services, to their customers. L'Union submitted that all billing statements should be sufficiently detailed so that customers can clearly determine, from each billing statement, what services they subscribe to and how much they are paying for each service.
13. L'Union, noting Télébec's view that its customers were satisfied with its existing billing statement, submitted that this did not justify customers not be clearly informed on each billing statement of the services for which they were being billed.
14. With respect to a customer's ability to obtain detailed billing information via the telephone, l'Union submitted that such a practice was unacceptable as it put the onus of obtaining the information on the customer. L'Union argued that this practice did not guarantee that all telephone service customers have access to the complete and transparent information that they are entitled to.

Reply comments

Télébec

15. Télébec submitted that the results of surveys performed by the company did not indicate the need for a monthly itemized billing statement. Télébec argued that l'Union did not provide any evidence to support its view that customers were dissatisfied with the level of detail contained in its current billing statements.
16. Télébec reiterated its submission that an exogenous factor adjustment was appropriate should it be directed to provide monthly itemized billing statements, since any additional expenses associated with monthly itemized billing statements would be incurred as a direct result of a regulatory requirement specifically affecting Télébec, a telecommunications company, as opposed to all companies that issue billing statements.

TELUS Québec

17. TELUS Québec submitted a revised description of its current billing practice, and sample itemized and non-itemized billing statements. TELUS Québec also indicated that it provided itemized billing statements to all of its customers once a year or whenever there was a change to any of the services or equipment subscribed to by customers.
18. TELUS Québec indicated that, in 1997, it had adopted its current billing format as well as the practice of sending customers a summary billing statement by default with an option for customers to receive monthly itemized billing statements upon request (the opt-in approach). TELUS Québec stated that this change was in response to focus group consultations with both residential and business customers following complaints that the company's bills were too detailed and difficult to understand.
19. TELUS Québec submitted that, given customers' positive feedback with the current summary billing statement content and given the possibility for customers to request and receive monthly itemized billing statement upon request, it would not be in the public interest to require it to issue monthly itemized billing statements to all of its customers.

Responses to the Commission's interrogatories

Télébec

20. Télébec indicated that if it were required to provide monthly itemized billing statements to all of its residential customers, it would incur an estimated initial cost of \$11,360, or 0.06 cents per network access service (NAS), and estimated monthly costs of \$2,000, or 0.01 cents per NAS.³
21. Télébec estimated that its initial costs under an opt-in or opt-out approach⁴ would be \$55,000, or 0.30 cents per NAS, and that monthly costs of \$1,000, or 0.005 cents per NAS, would be incurred for an opt-in approach, while monthly costs of \$1,500 per month, or 0.008 cents per NAS, would be incurred for an opt-out approach. Télébec indicated that the difference in start-up costs between the mandatory and the optional issuance of monthly itemized billing statements was justified by the need for the additional development required to administer a customer registration process for an option plan.
22. Télébec provided copies of its survey results which, in its view, demonstrated customer satisfaction with existing billing statements. Télébec also provided sample itemized and non-itemized billing statements, information regarding the percentage of customers who subscribed to optional services and the number of customers who used Internet billing, and provided lists of its optional services available.
23. Télébec stated that if it were required to provide all of its customers with monthly itemized billing statements, it would require, on average, 25 additional lines of information to produce an itemized billing statement, and estimated that it would be necessary to print additional billing statement pages for approximately 52 percent of its residential customers. Télébec

³ Télébec indicated that all of its cost estimates were only accurate to within 50 percent.

⁴ Under an opt-out approach, customers would be offered the choice not to receive monthly itemized billing statements.

submitted that it would not be a viable solution to make changes to the current billing statement layout since it believed that it was adequate, and that any re-design of the billing statement format would have to consider many issues.

TELUS Québec

24. TELUS Québec indicated that if it were required to provide monthly itemized billing statements to all of its residential customers, it would incur estimated initial costs of \$74,700, or 0.34 cents per NAS, and monthly costs of \$1,000, or 0.004 cents per NAS. TELUS Québec further estimated that under an opt-out approach, it would incur initial costs of \$118,000, or 0.53 cents per NAS, and monthly costs of \$1,000, or 0.004 cents per NAS. TELUS Québec noted that any similar option would incur similar additional costs which related to the providing and management of such an option.
25. TELUS Québec stated that offering an option to customers would create an additional volume of calls to its call centers of approximately 4.5 percent, and that two-thirds of these calls would require a change to the customer's account while the other third would be for information purposes only. TELUS Québec estimated that, in the event that itemized billing statements will be required to be sent to all of its customers and that an opt-in or opt-out approach will not be offered to customers, approximately 3 percent of its residential customers would contact its call centres for information purposes only.
26. TELUS Québec estimated that a monthly itemized billing statement for one of its residential customers would require, on average, seven more lines than the current summarized billing statement. TELUS Québec further estimated that approximately 10 percent of its billing statements would require the printing of additional pages, while 2 percent of its billing statements would require additional sheets of paper if the company were required to provide all of its customers with monthly itemized billing statements. TELUS Québec was of the view that changing the format of its current billing statement was not a viable option. TELUS Québec submitted that, in order to save paper, the only possible changes to the billing statement would be to reduce the font or the spaces between lines. The company noted, however, that such a change would make it difficult for elderly customers to read the bills. TELUS Québec submitted that its existing billing statement layout was the optimal format and many issues would have to be considered if any changes to its presentation were made.
27. In support of its view that it should not be required to send monthly itemized billing statements to its customers, TELUS Québec provided reports which had been prepared on the basis of focus groups conducted in 1996 and 1997. TELUS Québec noted that, at that time, it had rearranged its billing statements in response to customer complaints about the complexity of the statements, and implemented the practice of sending a monthly summarized billing statement as the default billing statement. The company indicated that its customers were provided with the option of receiving an itemized billing statement upon request, but noted that it currently does not publicize this option. TELUS Québec proposed to issue a billing insert to notify its customers of the availability of the itemized billing statements upon request.
28. TELUS Québec indicated that its customers have electronic access to their summarized and detailed billing statements over the Internet.

Further comments from l'Union

29. L'Union submitted that TELUS Québec's customers probably do not know that detailed monthly billing statements were available, since TELUS Québec did not make its customers aware of this service. L'Union argued that customers experiencing a change in economic circumstances and seeking ways to reduce their monthly telephone expenses might, absent an itemized billing statement, be unaware that they could do so by cancelling certain optional services.
30. L'Union submitted that the availability of the itemized billing statement on the Internet was insufficient since all telephone service customers should have equal access to the same detailed billing information whether they have Internet service or not.
31. L'Union questioned TELUS Québec's focus groups' results, noting that one of the key elements in a billing statement's clarity relates to the quality of its organization into large sections. L'Union submitted that it appeared that the focus groups had identified the itemized listing of services as an important element which should remain available on customers' billing statements. L'Union also submitted that the focus groups were not unanimous on the proposed new prototype billing statement or what should be the frequency of issuing itemized billing statements. L'Union considered that the frequency of issuing itemized billing statements should be monthly.
32. L'Union submitted several cost comparisons between the costs per NAS of providing itemized billing statements, as submitted by Télébec, and the costs per NAS filed by Bell Canada in the proceeding leading to Decision 2003-86. L'Union noted that Télébec's monthly costs were significantly higher than those of Bell Canada. L'Union submitted that Télébec may have over-estimated the average amount of lines that would be required to be added, noting that TELUS Québec's proposed detailed billing sample only contained about eight additional lines. L'Union submitted that, in its view, the initial costs submitted by Télébec to provide monthly itemized billing statements to customers were very small compared with the company's residential local services revenues.
33. L'Union noted that of the three approaches to providing a monthly itemized billing statement, namely (i) mandatory for all subscribers, (ii) opt-in, and (iii) opt-out, the mandatory approach would be the least costly option. With respect to the opt-in and opt-out approaches, l'Union noted the results of a Bell Canada study, filed in the proceeding leading to Decision 2003-86, which indicated that approximately 10 percent of that company's customers would opt-in to receive a detailed monthly bill, while approximately 1 percent of Bell Canada's customers would opt-out of receiving a detailed monthly bill. L'Union submitted that Télébec and TELUS Québec should provide customers with monthly itemized billing statements as the default statement and offer customers the choice to opt-out of receiving monthly itemized billing statements.
34. With respect to TELUS Québec's practice of only sending monthly itemized billing statements upon request, l'Union argued that using billing inserts to inform customers of the option of receiving monthly itemized billing statements would be ineffective as many customers never or rarely read billing inserts. In support of this view, l'Union noted a survey entitled "Consumer Perceptions surrounding Telephone Service" produced for the Consumer Groups in 1996 by

EKOS Research Associates Inc., where 34 percent of the respondents stated that they seldom looked at billing inserts, while 35 percent of the respondents said that they sometimes looked at billing inserts. L'Union argued that the results of opt-in processes are always biased towards the default position as a result of customer inertia; therefore, many people who would prefer to receive the monthly itemized billing statement would be denied meaningful choice under such an approach.

Further reply comments

Télébec

35. With respect to the cost comparisons between Télébec, TELUS Québec and Bell Canada provided by l'Union, Télébec submitted that it was difficult to make such cost comparisons since the companies' billing systems were different and would not require the same modifications. Télébec also submitted that cost comparisons were arduous since these companies did not have the same number of customers. Télébec disagreed with l'Union's interpretation of its monthly costs, arguing that it had to spread its fixed costs over a smaller customer base which supported the view that its costs per NAS were higher.
36. Télébec further disagreed with l'Union's interpretation of the estimated number of additional lines that would be required on a detailed billing statement. Télébec submitted that its estimate, as well as Bell Canada's estimate, of approximately 20 to 25 more lines on an itemized billing statement, related to the space that would be required to insert an entire block of services and equipment as opposed to just a few lines of details as submitted by TELUS Québec. Télébec stated that the difference in the estimates was related to the companies' different billing statement formats.
37. Télébec opposed l'Union's view that itemized billing statements were important to customers stating that it had not received any such comment from its customers or any evidence as to why it would be necessary to produce monthly itemized billing statements.

TELUS Québec

38. TELUS Québec submitted that it had spent thousands of dollars during 1997 and 1998 in order to offer billing statements to its customers that would meet their needs, and that the low rates of customer complaints with respect to billing services seemed to demonstrate customer satisfaction with the company's current practices. TELUS Québec submitted that its surveys and focus groups led to its decision to offer a summarized billing statement as the default with a detailed statement provided at least once a year, or whenever there was a change to a customer's account. TELUS Québec submitted that, after five years of such a practice, it had no reason to believe that its customers were dissatisfied with the existing billing practices. TELUS Québec further submitted that, in light of apparent customer satisfaction with the company's current billing statements, the magnitude of the estimated costs that would be incurred to provide monthly itemized billing statements, and the risk of a negative impact on the quality of service indicators due to additional telephone calls at the business office, there was no reason to conclude that its current billing practices needed to be changed.

39. TELUS Québec did not agree with l'Union's view as to the efficiency of the use of a billing insert to notify customers of the option of obtaining an itemized billing statement, referencing a 2001 survey which indicated that this was a valid method of communicating with its customers.

Supplementary comments from l'Union

40. L'Union noted that the cost estimates provided by TELUS Québec were higher than those submitted by Télébec, and that these costs confirmed for both companies that the opt-in and opt-out approaches were always the most costly ones.

Commission's analysis and determination

41. The Commission notes that Télébec and TELUS Québec currently provide their single-line customers with billing statements providing detailed itemization of service and equipment charges following any rate, service or equipment changes, and, at a minimum, once a year. TELUS Québec customers can also request a monthly itemized billing statement by contacting the business office.
42. The Commission notes that in Decision 2002-43, it expressed the preliminary view that the policy of providing monthly itemized billing statements to all customers should be extended to Télébec and TELUS Québec.
43. The Commission notes that Télébec and TELUS Québec submitted that they should not be directed to provide monthly itemized billing statements to their customers because their customers appeared to be satisfied with existing billing practices. The Commission notes that the arguments on customer satisfaction presented by Télébec and TELUS Québec are consistent with the evidence that was before the Commission when it set out its preliminary view in Decision 2002-43. The Commission, however, is not convinced that the survey results, as interpreted by Télébec and TELUS Québec, provide evidence of customers' preferences for billing statements and considers that the TELUS Québec focus group results could be interpreted to indicate customers' preferences for itemization of services in their statements. Furthermore, the Commission considers that the survey results presented by Télébec and TELUS Québec do not indicate a clear customer preference regarding the frequency with which they would wish to receive itemized billing statements, or the extent of detail contained in billing statements.
44. The Commission considers that all billing statements should provide sufficient detail to allow customers to clearly determine what local and optional services they subscribe to and how much they are paying for each service. The Commission is of the view that monthly itemized billing statements would enable customers to verify the accuracy of their billing statements on an ongoing basis and dispute any errors promptly. The Commission is also of the view that without monthly itemized billing statements, customers experiencing a change in their economic situation and seeking ways to manage their monthly telephone expenses might be unaware that they could reduce their telephone expenses by cancelling certain chargeable local optional services.

45. To that effect, the Commission notes that in *Local service pricing options*, Telecom Decision CRTC 96-10, 15 November 1996, and *Commission modifies reporting requirements for affordability*, Order CRTC 2000-393, 10 May 2000, the Commission introduced bill management tools as important means to facilitate consumer access to telephone service and consumer management of their telephone services. The Commission considers that requiring Télébec and TELUS Québec to issue monthly itemized billing statements would be in the public interest as a means to assist consumers in understanding and managing their accounts while maintaining basic local telephone service.
46. The Commission notes that TELUS Québec indicated that it would be prepared to provide monthly itemized billing statements to customers who indicated a preference for such a bill under an opt-in approach. The Commission notes l'Union's submission regarding the estimated low take-up rate of monthly itemized billing statements under the opt-in approach attributable to customer inertia. The Commission is of the view that it would be inappropriate if customer inertia precluded customers from receiving monthly itemized billing statements when the issuance of such statements would benefit customers. The Commission further notes that the estimated costs for both the opt-in and opt-out approaches are higher than the estimated costs associated with the mandatory issuance of itemized billing statements to all customers.
47. The Commission considers that the mandatory issuance of monthly itemized billing statements to all customers would be in the public interest as it would serve to achieve the following objectives and results: it would be consistent with other Commission initiatives to assist customers in managing their telephone services; it would allow customers to verify the accuracy of their bills on an ongoing basis and in a timely manner; audit would assist consumers in making choices in a competitive telecommunications environment.
48. Accordingly, the Commission concludes that the mandatory issuance of monthly itemized billing statements is the preferable approach.
49. Since the issuance of monthly itemized billing statements can result in increased call volumes to the business office call centres, the Commission is of the view that the impact of such calls could be minimized if implementation is phased-in over a period of time.
50. In light of the above, the Commission directs Télébec and TCI⁵ to provide their customers with monthly itemized billing statements, at the same level of detail as they currently provide on an annual basis, within nine months of the date of the Decision. Télébec and TCI may utilize a phased-in implementation process so long as all customers are receiving monthly itemized billing statements by the end of the nine-month period.

⁵ Following the close of this proceeding, the Commission was advised that, as of 1 July 2004, TELUS Québec ceased to operate as a Canadian carrier or telecommunications service provider and that TCI assumed all rights, entitlements, liabilities and obligations relating to the provision of telecommunications services in the territories previously served by TELUS Québec. Accordingly, reference to TCI for the purposes of this decision relates to the provision of telecommunications services in the territories previously served by TELUS Québec.

51. The Commission notes that Télébec requested that it be allowed to recover the costs associated with the introduction of monthly itemized billing statements under an exogenous adjustment. The Commission notes that in Decision 2002-43, it established criteria for exogenous adjustments. The Commission stated that the Z-factor or exogenous factor adjustment would be considered for events or initiatives which satisfy the following criteria: (a) they are legislative, judicial or administrative actions that are beyond the control of the company; (b) they are addressed specifically to the telecommunications industry; and (c) they have a material impact as measured against the total company. The Commission considers that the requirement to send monthly itemized billing statements meets criteria (a) and (b) but does not meet criterion (c) since the expenses are not material. The Commission notes that Télébec estimated that sending itemized billing statements on a monthly basis would cost \$11,360 in start-up costs and \$2,000 per subsequent month. The Commission considers that measured against total company revenues, these expenses are not material. The Commission, therefore, concludes that the financial impact on Télébec is not material enough to warrant compensation.
52. In light of the above, the Commission **denies** Télébec's request that it be allowed to recover any costs associated with the introduction of monthly itemized billing statement through an exogenous adjustment.

Secretary General

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