



Telecom Order CRTC 2004-357

Ottawa, 29 October 2004

TELUS Communications Inc.

Reference: Tariff Notice 385

2004 Annual price cap filing

1. In *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), the Commission established the price cap regime that is now applicable to Société en commandite Télébec and TELUS Communications (Québec) Inc. (TCQ). As part of that Decision, the Commission directed that, starting in 2003, TCQ submit its annual price cap filings by 31 May of each year.
2. The Commission received a letter from TCQ, dated 12 May 2004, requesting that the Commission extend the deadline for its 2004 price cap filing by two months, from 31 May 2004 to 31 July 2004. TCQ indicated that its 2004 price cap filing would be delayed as a result of ongoing modifications to its 2002 and 2003 price cap filings. In a Commission staff letter dated 4 June 2004, the deadline for filing TCQ's 2004 price cap filing was extended to 31 July 2004.
3. In *TELUS Québec – Interim rates for the 2004 annual price cap period*, Telecom Decision CRTC 2004-48, 16 July 2004, the Commission approved TCQ's request to make its rates in the Residential Optional Local Services in the high-cost serving areas (HCSAs) sub-basket and in the Single and Multi-line Business Local Exchange Services basket interim, effective 1 August 2004.
4. In *2003 Annual price cap filing*, Telecom Order CRTC 2004-255, 29 July 2004 (Order 2004-255), the Commission maintained the interim status of the rates in the Other Capped Services basket in order for TCQ to apply the basket constraint equal to inflation less productivity, for the 2004 price cap period, to that basket of services.
5. The Commission received an application by TELUS Communications Inc. (TCI) dated 23 July 2004, proposing tariff revisions to meet the 2004 price cap commitment of the former TCQ.¹
6. In its application, TCI proposed revisions to the following items in TCQ's General Tariff:
 - item 2.01, Basic Service and Regional Service;

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. (TCQ).

- item 2.07, Intra-Exchange Distance Charges;
- item 2.12, Telephone Number Reservation Service;
- item 2.19, Voice Messaging Service;
- item 2.20, TELUS Québec SmartTouch Services;
- item 2.28, Residential Bundles;
- item 5.01, Digital Network Services;
- item 5.03, Multiflex Service; and
- item 5.05, Integrated Services Digital Network – Primary Rate Interface (ISDN-PRI) Service.

Residential Local Optional Services

7. In the Residential Local Optional Services in HCSAs sub-basket, TCI proposed to:
 - for the following SmartTouch service features:
 - increase the rate of per use optional service billing by \$0.25;
 - increase the monthly rates for Mini Voice Messaging, 8-code and 30-code Speed Calling, Conferencing, Call Waiting, Ident-a-call, Call Return, Call Forwarding, Call Screen, Intercommunication, Voice Messaging, Voice Messaging with Voicemail and Multi-user Voice Messaging by \$0.50;
 - increase the monthly rates for Call Display (Number) and Call Display (Name and Number) by \$0.75; and
 - increase the monthly rates for additional optional services made available to customers who also subscribe to one of TCQ's residential bundles by amounts ranging from \$0.42 to \$0.43.
 - increase the monthly rate for the Basic Bundle by \$1.00; the monthly rates for Intermediate Bundles 1 and 2 by \$1.80; and the monthly rates for Intermediate Bundles 3 and 4 by \$1.40.
8. TCI submitted that the proposed rate increases to the rates for individual features did not exceed the limit of \$1.00 per feature per year, applicable to Residential Optional Local Services pursuant to Decision 2002-43.

Business Local Exchange Services

9. In the Single and Multi-line Business Local Exchange Services basket, TCI proposed to:

- increase the non-contracted monthly rates for Local Business service by amounts ranging from 4.5% to 5.2%;
- increase the one-year contracted monthly rates for Local Business service by amounts ranging from 0.5% to 0.7%;
- increase the monthly rates for Shared-use service by amounts ranging from 4.5% to 5.2%;
- increase the monthly rates for Semi-public Telephone service by amounts ranging from 4.5% to 5.2%; and
- introduce 1-year and 3-year contract options at lower rates for Local Business service subscribers who do not choose TCQ as their primary interexchange carrier. These contract options would not be made available to subscribers residing in the exchanges of Baie-des-Moutons, Bonne-Espérance, Chevery, Harrington Harbour, La Romaine, Lourdes-de-Blanc-Sablon, Port-Meunier, St-Augustin (Duplessis) and Tête à la Baleine. The rate reductions associated with the contract options would range from 3.4% to 8.9% off the proposed non-contracted monthly rates for Local Business service.

10. TCI submitted that the proposed tariff revisions would ensure that the service basket index (SBI) would not exceed the service basket limit (SBL) for the Single and Multi-line Business Local Exchange Services basket. TCI also submitted that the proposed rate increases did not exceed the 10% individual rate element constraint.

Other Capped Services

11. In the Other Capped Services basket, TCI proposed to:

- increase the monthly rates for various components of Intra-exchange Distance service by 10.0%;
- increase the monthly rates for Telephone Number Reservation service by amounts ranging from 4.5% to 5.2%;
- increase the monthly rates of ProxiRéseau service for transmission speeds of 256 to 768 kilobits per second by amounts ranging from 1.3% to 4.0%;
- decrease the monthly rates of ProxiRéseau service for transmission speeds of 1024/1536 kilobits per second by amounts ranging from 2.3% to 3.8%;

- decrease the monthly rates for various components of Digital Network services by amounts ranging from 3.0% to 8.1%;
 - increase the monthly rate for Multiflex Access by 10.0%;
 - decrease the monthly rates for various components of ISDN-PRI by amounts ranging from 4.1% to 21.7%; and
 - introduce 1-year, 2-year, 3-year and 5-year contract options at lower rates for ISDN-PRI Digital Trunk Controller Port service. The rate reductions associated with the contract options would range from 25.9% to 67.6% off the current monthly rate.
12. TCI indicated that the proposed tariff revisions would ensure that the SBI would not exceed the SBL for the Other Capped Services basket.
 13. TCI filed cost information in support of the proposed rate reductions to ProxiRéseau service, Digital Network service and ISDN-PRI service.
 14. TCI also proposed wording changes to TCQ's Telephone Number Reservation service in order to clarify that the rates for this service would be linked to the monthly non-contract rates of TCQ's Single-line Business or Residential Local Exchange service.
 15. TCI indicated that the proposed tariff revisions complied with all the pricing constraints set out in Decision 2002-43 and would ensure that TCQ met its price cap obligations for 2004.
 16. TCI requested that the proposed tariff revisions become effective on 1 August 2004.
 17. The Commission received no comments with respect to the application.

Commission's analysis and determination

Costing issues

18. In *Société en commandite Télébec and TELUS Communications (Québec) Inc. 2002 annual price cap filings*, Telecom Decision CRTC 2003-57, 22 August 2003, the Commission concluded that TCQ should file cost studies and imputation test results or alternate costing support, depending on the type of service, when filing tariff applications to introduce a new service or to propose implicit or explicit rate reductions to an existing service.
19. The Commission notes that cost studies or alternate costing support are the accepted method, under the current regulatory regime, of determining whether the proposed rates for TCQ would be anti-competitive.
20. The Commission is satisfied that TCI's cost information, filed with its application, demonstrates that the proposed rates for ProxiRéseau service, Digital Network service and ISDN-PRI service exceed their associated costs.

Compliance with pricing constraints set out in Decision 2002-43

21. In Decision 2002-43, the Commission applied a number of basket and rate element constraints to services in certain service baskets, in order to provide customers of those services with price protection.
22. The pricing constraints which apply to services in the Residential Local Optional Services sub-basket include:
 - a rate element constraint limiting rate increases to no more than \$1.00 per feature per year for Residential Optional Local Services in HCSAs, which is not applicable to the prices of service bundles that include a Residential Local Exchange Service or a Residential Optional Local Service; and
 - a provision, in order to prevent an incumbent local exchange carrier (ILEC) from decreasing rates in more competitive areas and increasing rates in less competitive areas of the same band, that rates for Residential Optional Local Services in HCSAs would not be permitted to be further de-averaged within a band.
23. The Commission notes that the proposed increases to the monthly rates for Residential Optional Local Services in HCSAs do not exceed the limit of \$1.00 per feature per year. The Commission also notes that the proposed increases to the rates for Residential Bundles do not contravene any of the rate element constraints in Decision 2002-43, since in that Decision, the Commission determined that prices for these bundled services were not capped.
24. The Commission also finds that the proposed tariff revisions comply with the Commission's prohibition against further de-averaging of rates for Residential Optional Local Services in HCSAs within a band.
25. The pricing constraints that apply to services in the Single and Multi-line Business Local Exchange Services basket include:
 - a basket constraint, operating through the SBL for that basket, which must be updated annually by the rate of inflation;
 - a rate element constraint limiting rate increases for a service to 10% per year; and
 - a provision, in order to prevent an ILEC from decreasing rates in more competitive areas and increasing rates in less competitive areas of the same band, that rates for business services should not generally be permitted to be further de-averaged within a band.
26. The Commission finds that the proposed tariff revisions comply with the basket constraint requirement that the SBI not exceed the SBL for the Single and Multi-line Business Local Exchange Services basket. The Commission notes that the proposed increases to the monthly rates

for Local Business service do not exceed the rate element constraint of 10%. Further, the Commission finds that the proposed tariff revisions comply with its prohibition of further de-averaging rates for Single and Multi-line Business Local Exchange Services within a band.

27. The pricing constraints that apply to services in the Other Capped Services basket include:
 - a basket constraint, operating through the SBL for that basket, which must be updated annually by the rate of inflation less the productivity offset;
 - a rate element constraint limiting rate increases for a service to 10% per year; and
 - a provision, in order to prevent an ILEC from decreasing rates in more competitive areas and increasing rates in less competitive areas of the same band, that the rates for other capped services should not generally be permitted to be further de-averaged within a band.
28. The Commission finds that the proposed tariff revisions would ensure that the SBI would not exceed the SBL for the Other Capped Services basket. The Commission notes that the proposed rate increases to Inter-exchange Distance service, Telephone Number Reservation service, ProxiRéseau service and Multiflex Access do not exceed the rate element constraint of 10%. Further, the Commission finds that the proposed tariff revisions would not further de-average the rates for Other Capped Services within a band.
29. Accordingly, the Commission finds that all the proposed tariff revisions are in compliance with the Commission's determinations in Decision 2002-43.
30. In addition, since the proposed wording changes to Telephone Number Reservation service clarify the tariff, the Commission finds they are acceptable.
31. In Order 2004-255, the Commission specifically maintained the interim status of the rates in the Other Capped Services basket in order for TCQ to apply the basket constraint equal to inflation less productivity over the entire 2004 price cap period. Pursuant to Decision 2002-43, the 2004 price cap period started on 1 August 2004. Consequently, the Commission considers TCI's request that the rates in the Other Capped Services basket come into effect on 1 August 2004 to be appropriate.
32. The Commission notes that TCI also requested that the rates in the Residential Optional Local Services in HCSAs sub-basket and in the Single and Multi-line Business Local Exchange Services basket come into effect on 1 August 2004.
33. The Commission notes that the onus is on TCI to ensure that TCQ's price cap filing deadlines are met and that TCQ failed to meet the deadline of 31 May 2004 for its 2004 price cap filing. Under the circumstances, the Commission considers that it would not be appropriate to penalize residential and business customers by permitting TCI to implement the rate increases as of 1 August 2004.

34. In light of the foregoing, the Commission **approves on final basis** TCI's application. The revisions to the Other Capped Services basket take effect 1 August 2004, and the revisions to the Residential Optional Local Services in HCSAs sub-basket and to the Single and Multi-line Business Local Exchange Services basket take effect on the date of this Order.

Secretary General

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