



Telecom Decision CRTC 2005-38

Ottawa, 29 June 2005

Bill management tools - Debt repayment plans

Reference: 8638-C12-46/01

In this Decision, the Commission directs Aliant Telecom Inc. (Aliant Telecom), Bell Canada, MTS Allstream Inc. (MTS Allstream) and TELUS Communications Inc. (TCI) to conduct a pilot bad debt repayment plan (BDRP) for a period of 18 months commencing no later than 29 August 2005, with a representative sample of 600 former subscribers who have been disconnected because of outstanding debt.

The Commission directs Aliant Telecom, Bell Canada, MTS Allstream and TCI to file results no later than 30 days after 12 months of the pilot and to show cause at that time why the BDRP should not be permanently instituted by the parties. The Commission also directs Aliant Telecom, Bell Canada, MTS Allstream and TCI to provide their views, with full support, as to when customers should be eligible for the BDRP.

The Commission also directs Saskatchewan Telecommunications (SaskTel) to file comparable results for the same 12-month period no later than 30 days after 12 months of the pilot and to show cause why its BDRP should not be modified to conform with the terms of the pilot BDRPs set out by the Commission. The Commission also directs SaskTel to provide its views, with full support, as to when customers should be eligible for the BDRP.

Background

1. In Commission modifies reporting requirements for affordability, Order CRTC 2000-393, 10 May 2000, the Commission created a Bill Management Tools (BMT) Committee comprised of consumer groups and incumbent local exchange carrier (ILEC) representatives. The BMT Committee's mandate was to examine avenues and approaches that could be used to promote BMTs and to improve access to telephone service.
2. On 2 April 2001, at the first BMT Committee meeting, the Public Interest Advocacy Centre, on behalf of itself, l'Union des consommateurs and the National Anti-Poverty Organization (the Consumer Groups) expressed concern that, with the exception of Saskatchewan Telecommunications (SaskTel), the ILECs did not have written policies in respect of debt repayment.
3. By letter dated 1 May 2001, the ILECs participating in the BMT Committee were asked by the Commission to provide, among other information, all policies, guidelines and specific instructions given to customer service representatives to deal with bad debt repayment by residential subscribers. On 17 May 2001, the following parties provided their responses: Aliant Telecom Inc. (Aliant Telecom), Bell Canada, MTS Communications Inc. (now known as MTS Allstream Inc.) (MTS Allstream), Northern Telephone Limited Partnership (now known as NorthernTel, Limited Partnership), Northwestel Inc. (Northwestel), the

Ontario Telephone Association (now known as the Ontario Telecommunications Association), SaskTel, Société en commandite Télébec (Télébec), and TELUS Communications Inc. (TCI) (collectively, the respondents). With the exception of SaskTel, the respondents indicated that their current practice was generally to require full repayment of outstanding arrears plus a security deposit before reconnecting a customer's local service.

The Proposal

4. On 29 May 2002, the Consumer Groups filed a submission with the BMT Committee. The Consumer Groups noted that SaskTel was the only ILEC with a bad debt repayment plan (BDRP) tariff, whereas the other ILECs negotiated repayment plans on a case-by-case basis, depending on the customer's payment history and credit rating. The Consumer Groups expressed concern that telephone service was inaccessible to a number of low-income households because of the significant financial barriers imposed by the ILECs and because repayment arrangements were at the discretion of most ILECs. The Consumer Groups provided a number of examples of how inflexibility on the part of the ILECs with regard to bad debt repayment had limited access to telephone service by households in need.
5. The Consumer Groups provided examples of two BDRPs, one offered by SaskTel under its tariff, and the other offered by Hydro-Québec. Under the SaskTel BDRP, the customer's local service is restored while the outstanding debt is repaid over time. Under the Hydro-Québec BDRP, called clientèle à faible revenu (CFR) agreements, the customer's service is reconnected while he or she repays the outstanding debt. The repayment schedule is generally spread over 12 to 24 months but can be extended to 32 months if this results in an agreement that will more likely be adhered to by the customer. When customers miss one or two payments, the payment schedule is extended to cover these payments. If a third payment is missed, the customer must make the missing payment immediately and a new agreement is negotiated.
6. The Consumer Groups proposed that a pilot project be launched, under which Aliant Telecom, Bell Canada, MTS Allstream and TCI (the Companies) would offer some form of BDRP based on options developed by the BMT Committee. The Consumer Groups proposed that each of the Companies choose the options it wished to try out. Data, such as subscription and default rates, would be tracked during the trial period. The Consumer Groups proposed that the success of the pilots should be assessed after the trial period and suggested a one-year trial.

Process

7. On 12 August 2002, the Consumer Groups filed more information on Hydro-Québec's repayment plan.
8. On 13 August 2002, Aliant Telecom, Bell Canada, MTS Allstream and TCI were asked by Commission staff to provide their views on the Consumer Groups' proposal that the ILECs conduct pilot BDRPs. On 27 August 2002, Aliant Telecom, MTS Allstream and TCI filed comments and on 28 August 2002, Bell Canada filed comments. On 10 September 2002, the Consumer Groups filed reply comments.

9. On 20 March 2003, the Consumer Groups filed additional information pertaining to Hydro-Québec's repayment plan.
10. On 7 May 2003, the Commission addressed interrogatories to Aliant Telecom, Bell Canada, MTS Allstream, TCI, and the Consumer Groups. Responses to these interrogatories were filed on 6 June 2003.
11. On 25 July 2003, the Consumer Groups submitted further information regarding Hydro-Québec's repayment plan.

Positions of the parties

The Consumer Groups

12. In response to interrogatories, the Consumer Groups submitted that several of the objectives of the Canadian telecommunications policy as set out in section 7 of the *Telecommunications Act* (the Act) supported their position. They noted that subsection 7(a) of the Act establishes an objective "to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions". The Consumer Groups argued that ignoring the needs of subscribers who could not afford reconnection of local service because of accumulated debts was contrary to that objective, as it adversely affected the social and economic fabric of communities and the country. The Consumer Groups submitted that the Commission's telecommunications policy should include reasonable measures to minimize barriers to subscription.
13. The Consumer Groups also noted that subsection 7(b) of the Act establishes the objective "to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada". The Consumer Groups argued that regulatory measures were required to make telecommunications services more accessible and affordable because subscribers with low revenue potential were not attractive to the telephone companies. The Consumer Groups further argued that the value of the Companies' networks increased if more consumers were reconnected.
14. The Consumer Groups also referred to subsection 7(h) of the Act, which establishes the objective "to respond to the economic and social requirements of users of telecommunications services". The Consumer Groups submitted that people with low income, including those disconnected for non-payment, were an important class of telecommunications users and argued that the Companies had an obligation to respond to the needs of those experiencing difficulty affording local telephone service.
15. The Consumer Groups further submitted that the Companies should not make access to local service more difficult by demanding full repayment of outstanding debts and large security deposits before reconnecting subscribers. The Consumer Groups considered that a BDRP tariff would make telephone service more accessible to consumers with low income by permitting the subscriber to make monthly instalments to repay debt and by eliminating the requirement for a large security deposit.

SaskTel

16. In the information it submitted on 17 May 2001, SaskTel stated that it had introduced its BDRP tariff to allow former residential subscribers whose bad debt had been transferred to a collection agency to immediately obtain local telephone service while repaying their debt over a period of time. Subsequently, in response to interrogatories, SaskTel stated that the elapsed time between disconnection and transferring the account to a collection agency ranged between 13 and 18 working days.
17. Under the SaskTel tariff, BDRP subscribers are limited to a monthly maximum of \$13.80 in charges for optional local services and are restricted from using long distance services (other than by means of prepaid phone cards) or Internet service until their debt is fully repaid. In addition, reconnection charges are spread over a period of time and security deposits are not required. SaskTel's BDRP conditions of service require payment for monthly charges before the next bill is issued; if the account is not kept current and BDRP customers default, their accounts are closed, their service is terminated and their further eligibility to the BDRP is forfeited.
18. SaskTel's tariff sets out a monthly repayment schedule as follows:
 - \$10 for debts less than \$250;
 - \$25 for debts between \$250 and \$1,000; and
 - \$50 for debts exceeding \$1,000.
19. In response to interrogatories, SaskTel stated that it had underestimated the need for, and the interest in, a BDRP as more than 2,300 residential subscribers enrolled in the program within the first six weeks. SaskTel reported that of the 25,319 subscribers reconnected between October 1997, when the BDRP was implemented, and April 2003, 6,261 subscribers had repaid their bad debt. SaskTel reported that the subscribers who defaulted had, on average, repaid 28.7 percent of their bad debt at the time of default.
20. SaskTel also provided copies of correspondence received from Saskatchewan Social Services and the Regina Work Preparation Centre supporting SaskTel's BDRP because of the importance of providing telephone service to lower income households. In that correspondence, Saskatchewan Social Services stated that by facilitating access to telephone service, SaskTel's BDRP and other BMTs could save lives in the community of people who lived in poverty and were most vulnerable. Saskatchewan Social Services provided examples of how telephone service decreased social isolation and improved safety. The Regina Work Preparation Centre stated that it considered the BDRP to be the most important step in the previous ten years to assist people on social assistance to obtain employment.

The Companies

21. In Aliant Telecom's comments dated 27 August 2002, the company expressed the view that a BDRP would not increase the reconnection rate of accounts disconnected for non-payment, but could increase bad debt because a significant number of subscribers reconnected under the BDRP would likely default on their payments.

22. Aliant Telecom submitted that it would be difficult to discontinue a pilot BDRP regardless of the success rate or financial impact on the Companies because a pilot would require the development of new processes, training and means to recover accounts referred to collection agencies and the notification of social services agencies. In Aliant Telecom's view, only one of the Companies should conduct the pilot BDRP and track costs, subscriptions and default rates, before all of the Companies are required to adopt a BDRP.
23. In response to interrogatories, Aliant Telecom stated that 10 to 15 days after the customer's service is suspended, the disconnection order is initiated and the customer receives a first final bill on the next regular bill date. The company sends the account to a collection agency 30 to 36 days after the first final bill has been sent.
24. Bell Canada, in its comments dated 28 August 2002, was of the view that implementing a permanent BDRP could potentially increase bad debt and significantly impact their operational and system costs. It was unwilling to undertake a pilot BDRP unless the Commission would allow Bell Canada to recover the incremental costs and increased business risk from the trial and any subsequent tariff through a draw-down from the deferral account.
25. Subsequently however, in response to interrogatories, Bell Canada offered to conduct a limited pilot BDRP without compensation from the deferral account. Bell Canada proposed a 12-month pilot BDRP of 600 former subscribers, using a manual process to enrol, track and process subscriber payments to determine the time it would take for customers to repay their bad debt. Bell Canada further proposed that participants in its pilot BDRP should be toll restricted and limited to a maximum of \$10.75 in optional services, for call answer and wirecare services. Bell Canada considered that a \$25 monthly payment as outlined in SaskTel's BDRP was too low, and that a monthly payment of \$40 was more appropriate.
26. Bell Canada proposed establishing eligibility and payment performance conditions, such as limiting the number of "chances" given to a subscriber. In addition, Bell Canada proposed to establish the structure of the bad debt repayment instalments in consultation with the BMT Committee, which could later be modified based on the outcome of the pilot.
27. While Bell Canada did not expect to be reimbursed from the deferral account if the Commission agreed to its proposed limited BDRP pilot, it submitted that it might seek funding from the deferral account if the Commission determined that the scope of the pilot should be more encompassing.
28. In response to interrogatories, Bell Canada stated that there is a delay of at least 90 days between an account being written off and transferred to a collection agency.
29. MTS Allstream, in its comments dated 27 August 2002, opposed a BDRP because, in its view, the cost and disadvantages of implementation would outweigh the benefits of its existing debt repayment arrangements. In MTS Allstream's view, its existing informal plan offered flexibility and subscriber-specific arrangements to reconnect former subscribers. MTS Allstream stated that there was no evidence to indicate that its existing repayment arrangements did not work or required modifications; however, the company admitted that it had not actively sought feedback from its subscribers.

30. In response to interrogatories, MTS Allstream stated that once a customer's service has been permanently disconnected, a final bill is printed on the next regular bill date. The account is then sent to a collection agency about 30 days after the final bill is mailed.
31. TCI stated in its comments dated 27 August 2002 that it would neither offer a BDRP nor participate in a pilot BDRP due to resource limitations. TCI submitted that a BDRP would have a negative impact on its credit practices, including its instalment payment plan, agreements with collection agencies, and subscriber complaints about the company's credit policies and practices. In response to interrogatories, TCI stated that accounts are generally referred to a collection agency 90 days after the first closed bill date, which is the next bill sent to the customer after a disconnection order has been issued.

Consumer Groups' reply

32. In their reply of 10 September 2002, the Consumer Groups challenged Aliant Telecom's opinion that a BDRP tariff would not increase reconnection rates and submitted that reconnection rates could only be evaluated once the data from the pilot projects had been analysed. The Consumer Groups were of the view that although a pilot BDRP would entail some start-up costs, a BDRP could also reduce existing collection costs and increase the collection rate, which might offset some or all of the implementation costs.
33. The Consumer Groups opposed using the deferral account to fund a pilot BDRP and considered that the cost of the pilot BDRP should be shared and allocated among the Companies, according to company size. They also considered that Bell Canada should not be reimbursed for any recurring costs.
34. In a submission dated 20 March 2003, the Consumer Groups provided copies of documentation filed with the Régie de l'énergie du Québec (the Régie) as part of a proceeding indicating that the number of Hydro-Québec's service interruptions had diminished by half since the introduction of its CFR agreements. In response to an interrogatory in the Régie proceeding, Hydro-Québec reported that the average duration of the CFR agreements in 2001 was 23 months.
35. In their submission dated 25 July 2003, the Consumer Groups noted that Hydro-Québec reported a marked improvement in its bad debt rate, attributable at least in part to its CFR agreements and considered that some customers did not meet the terms of the CFR agreement because either the initial debt was too high or the repayment schedule was too short.

Commission's analysis and determinations

36. In *Disconnection of Telephone Service for Unpaid Debts of Others*, Telecom Decision CRTC 77-14, 24 November 1977, and *Terms of Service - Disconnection for partial payment of charges*, Telecom Decision CRTC 2004-31, 11 May 2004 (Decision 2004-31), the Commission set out its views on the seriousness of disconnection of customers' local telephone service. The Commission considered that the adverse effects of disconnection on subscribers can in many cases exceed any financial return to the ILEC.

37. The Commission also noted in Decision 2004-31 that with the subsequent development and use of emergency 9-1-1 access, telephone networks have become an even more important component of public safety.
38. The Commission considers that the telecommunications policy objectives set out in subsections 7(a), (b) and (h) of the Act support the institution of a repayment plan that facilitates access to telephone service for consumers on low income. In the Commission's view, reconnection would provide many important benefits, including increased employment and income potential, greater safety and less social isolation for those consumers.
39. The Commission notes Aliant Telecom's claim that a BDRP would not increase reconnection rates. The Commission notes that Aliant Telecom provided no data to support its claim and considers that the initial take rate for SaskTel's BDRP demonstrates that there was significant interest from consumers on low income. The Commission considers that, contrary to Aliant Telecom's claim, a BDRP would likely increase reconnection rates.
40. The Commission notes that Aliant Telecom and Bell Canada claimed that a BDRP would increase bad debt because, in their view, many subscribers would default. The Commission notes that prior to Decision 2004-31, none of the Companies differentiated between bad debt for tariffed services and those for non-tariffed services. The Commission considers, therefore, that subscribers may have been prematurely disconnected and that bad debt, as estimated by the Companies, is likely to be inflated. The Commission notes that over a third of SaskTel's BDRP subscribers did not default and, of those that defaulted, SaskTel had collected almost 30 percent of bad debt at the time of default. Accordingly, the Commission considers that a BDRP would not likely increase bad debt.
41. The Commission notes that MTS Allstream considered its current repayment arrangements for disconnected subscribers were flexible and did not need to be revised or formalized into a BDRP tariff. The Commission notes that repayment terms and conditions can be inconsistently applied when they are purely discretionary. The Commission considers that a tariffed BDRP would ensure that all subscribers are treated consistently, and would also facilitate reconnection by easing the financial burden for consumers on low income.
42. Accordingly, the Commission concludes that a pilot BDRP should be undertaken. The Commission considers it appropriate, however, to modify Bell Canada's model for a pilot BDRP to address some of the concerns raised by the parties. Specifically, the Commission considers that:
 - a) Each Company is to undertake a pilot BDRP.
 - b) Each pilot BDRP is to be limited to a representative sample of 600 former subscribers disconnected because of bad debt.
 - c) The repayment schedule structure and the monthly repayment amounts in SaskTel's tariffed BDRP are to be used. No interest is to be charged on amounts owing, the security deposit is to be waived, and the reconnection charge must be spread over six months.

- d) Pilot BDRP subscribers are to be restricted to local service unless other services are expressly required to address safety, medical or special needs issues.
 - e) The pilot BDRPs are to be conducted for a period of 18 months.
43. The Commission directs Aliant Telecom, Bell Canada, MTS Allstream and TCI to conduct a pilot BDRP as outlined in paragraph 42 above, for a period of 18 months commencing no later than **29 August 2005**. The Commission directs Aliant Telecom, Bell Canada, MTS Allstream and TCI to file the following results pertaining to the pilot BDRP no later than 30 days after 12 months of the pilot:
- total number of subscribers placed on the pilot;
 - description of the method used to select the representative sample of subscribers placed in the pilot;
 - total amount of bad debt repaid during the pilot;
 - total number of subscribers who defaulted during the pilot, broken down by month of participation in the pilot;
 - total amount of bad debt repaid by those who defaulted;
 - total number of subscribers who fully repaid their bad debt;
 - total number of subscribers still repaying their bad debt;
 - for each subscriber, the total amount of bad debt to be repaid under the pilot, the monthly repayment amount, and the current monthly charges;
 - total number of subscribers who require special features to expressly address safety, medical or special needs, and the monthly charges for those features for each such subscriber;
 - for those subscribers who defaulted, a list of reasons for the default and how many subscribers cited each reason; and
 - total number of subscribers in the pilot who incurred their bad debt prior to Decision 2004-31.
44. The Commission also directs Aliant Telecom, Bell Canada, MTS Allstream and TCI to show cause at that time why the BDRP should not be permanently instituted. The Commission notes that under the SaskTel tariff customers are not eligible for the BDRP until their accounts have been referred to a collection agency. The Commission further directs Aliant Telecom, Bell Canada, MTS Allstream and TCI to provide their views, with full support, as to when customers should be eligible for the BDRP.

45. The Commission directs SaskTel to file comparable results for the same 12-month period no later than 30 days after 12 months of the pilots and to show cause at that time why its BDRP should not be modified to conform with the terms of the pilot BDRP set out by the Commission above. The Commission also directs SaskTel to provide its views, with full support, as to when customers should be eligible for the BDRP.
46. The Commission notes that Bell Canada indicated that it would not seek recovery from the deferral account because the costs of a pilot BDRP of the scope that it proposed would not be very significant. The Commission considers that the modifications it has made to the pilot BDRP do not materially alter the scope of Bell Canada's proposal and that the costs would not be material to Aliant Telecom, Bell Canada, MTS Allstream or TCI. Accordingly, the Commission concludes that the costs of the pilot BDRPs do not warrant any draw-down from the deferral account.

Secretary General

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