



Telecom Decision CRTC 2005-48

Ottawa, 31 August 2005

Royal Canadian Air Cadets 828 Hurricane Squadron - Application to amend TELUS Communications Inc.'s General Tariff to qualify non-profit societies for reduced local exchange rates

Reference: 8661-R27-200505357

*In this Decision, the Commission **denies** a request by the Royal Canadian Air Cadets 828 Hurricane Squadron that TELUS Communications Inc. be directed to amend its General Tariff to permit qualifying non-profit societies to be entitled to two individual lines at residential rates.*

The application

1. The Commission received an application by the Royal Canadian Air Cadets 828 Hurricane Squadron (the Applicant), dated 24 April 2005, requesting that the Commission direct TELUS Communications Inc. (TCI) to amend item 26 of its General Tariff for British Columbia to permit qualifying non-profit societies to be entitled to two individual lines at residential rates. The application was filed pursuant to Part VII of the *CRTC Telecommunications Rules of Procedure*.
2. Specifically, the Applicant requested that the Commission direct TCI to modify item 26 to define 'Business Service Customer' in a manner consistent with the definition of 'Business Service' on page 42 of its General Tariff for British Columbia and to establish a concessionary rate for certain non-profit groups who are neither business nor residential customers. The Applicant proposed that item 26 be modified to define customers qualifying for concessionary rates to include churches, youth groups, veterans associations, associations for the elderly or infirm, and community centres.
3. The Applicant recommended that qualifying non-residential customers be entitled to two individual lines at the residential rate thus allowing such customers to have a concessionary rate for basic phone and fax service in order to reduce their telecommunications expenses.
4. The Applicant submitted that its application was based on, but not identical to, a discount structure that TCI was extending to customers in Alberta under its General Tariff, item 430 Deductions - Churches, Community Centres and Senior Citizen Drop-In Centres. Item 430 states that a customer shall pay the residence classified exchange service monthly rate and service charge for one business main service only which is used for the administrative purposes of the church, community centre or senior citizen drop-in centre in all exchanges except Edmonton.
5. The Applicant submitted that its application was consistent with paragraph 27(6)(b) of the *Telecommunications Act* (the Act), which allows for reduced rates for telecommunications services in certain circumstances.

Process

6. The Commission received comments from TCI dated 24 May 2005.
7. The Commission received reply comments from the Applicant dated 28 May 2005.

TCI's position

8. In its comments, TCI opposed the application and requested that the Commission deny the application.
9. TCI noted that the Act permits a Canadian carrier to offer services at no charge or at reduced rates to charitable or non-profit organizations, so long as the carrier seeks and obtains the Commission's approval pursuant to paragraph 27(6)(b). TCI submitted that it however remained solely the Canadian carriers' decision whether or not to seek Commission approval to offer reduced rates or free service to charitable organizations, disadvantaged or other persons.
10. TCI submitted that, as a matter of policy, the Commission has exercised its authority to approve concessionary rates sparingly.
11. TCI noted that in *Review of the General Regulations of the Federally Regulated Terrestrial Telecommunications Common Carriers, Phase II - Draft Revisions to the General Regulations*, Telecom Public Notice CRTC 1985-22, 6 March 1985, the Commission expressly ruled that charitable and non-profit organizations were to be charged full business rates for telephone service. TCI submitted that, based on its review of Bell Canada's tariffs, it did not appear that Bell Canada was providing a concession or reduced rates for charitable and non-profit organizations.
12. TCI submitted that, assuming that the Commission were to determine that it had the jurisdiction to direct TCI to reduce rates for charitable and/or non-profit organizations, the requested rate reductions and concession would cause a significant expense and/or revenue loss that would necessarily have to be borne by other subscribers, such as by way of an exogenous adjustment to the price cap. TCI estimated that the revenue impact of the proposed tariff change could be as high as \$17 million annually and noted that this estimate did not include the additional cost of administering the program.
13. TCI submitted that item 430 in its General Tariff for Alberta represented an anomaly and was a hold-over from a time when Alberta Government Telephones was owned by the Province of Alberta. TCI submitted that, in light of the privatization of TCI, the fact that the company had been subject to the Commission's regulation for well over ten years, the emergence of competition in the local exchange market which erodes the company's ability to recoup lost revenues resulting from such social and public policy concessions, and TCI's desire to be in control of its own charitable giving and community support, it was necessary for the company to reconsider the appropriateness of the rate reductions set out in item 430.

14. TCI stated that it intended to file an application in the August/September 2005 timeframe to amend its General Tariff for Alberta to grandfather item 430. TCI indicated that, if approved, this would bring its Alberta tariffs in line with its British Columbia tariffs, as well as in line with the tariffs or terms and conditions of the majority of the other local exchange carriers in Canada.

The Applicant's reply comments

15. The Applicant submitted that residential customers were billed rates that were approximately half that of business service rates with no concern with respect to discrimination or favouritism. The Applicant submitted that the same principle could be applied to non-profit societies.
16. The Applicant questioned the consistency of TCI's position, submitting that in response to a request for relief from business service rates by the Applicant, TCI had stated that it is constrained by its tariffs, whereas in response to an application to change the applicable tariff, TCI's position is that it is not subject to constraints as only the company can decide whether it is appropriate to offer a discount.
17. The Applicant submitted that TCI's estimated revenue impact of \$17 million, which would result from the proposed tariff change, overlooks a number of factors, including:
 - The projected cost impact of including Alberta's non-profit societies is not relevant to this proceeding as no credit or consideration had been included in TCI's estimate to reflect the fact that many Alberta non-profit societies already benefit from a residential rate.
 - No consideration seemed to have been given to assess what percentage of Alberta's non-profit societies would fall under the Applicant's proposed definition of customers that would qualify for concessionary rates.
 - No consideration had been given to assess what percentage of non-profit societies have telephone service.
 - No consideration had been given to assess what percentage of non-profit societies have more than one line.
 - No consideration had been given for the increased revenue that would be generated by non-profit societies that had previously not been able to afford a first or second line.

Commission's analysis and determinations

18. The Commission notes that pursuant to paragraph 27(6)(b) of the Act, a Canadian carrier may provide telecommunication services at no charge or at preferential rates to charitable organizations, disadvantaged or other persons, so long as the carrier obtains the Commission's approval.

19. The Commission further notes that TCI in British Columbia does not provide preferential rates to charitable and non-profit organizations, and that the circumstances that led to the provision of preferential rates to customers in Alberta under its General Tariff, item 430, are very specific for the reasons given by TCI.
20. The Commission notes TCI's estimated revenue impact of \$17 million on an annual basis if preferential rates were provided to registered non-profit organizations in Alberta and British Columbia. The Commission also notes the Applicant's submissions that TCI's estimate of \$17 million is overstated. While this estimate may be somewhat overstated because, for instance, TCI's figure assumes that all non-profit organizations in Alberta are paying the business service rates, which is not the case for those organizations in Alberta that pay the rates under item 430 of its General Tariff, the Commission considers if the application were to be approved, that the likely revenue impact would nevertheless be significant.
21. The Commission agrees that the revenue loss resulting from the application of residential rates to non-profit organizations would have to be borne by other subscribers, most likely through an adjustment to TCI's price cap regime as an exogenous factor. The Commission considers that the general body of subscribers should not be required to pay higher rates to subsidize such organizations.
22. Consistent with its determinations in *Megalink bundle for health and education entities*, Telecom Order CRTC 2003-454, 10 November 2003 and *Eligibility criteria for preferential tariffs to educational or health service entities*, Telecom Order CRTC 2004-59, 27 February 2004, the Commission considers that the provision of residential rates for the subscribers identified by the Applicant would not be congruent with competition in the local exchange market.
23. **In view of the above, the Commission denies the Royal Canadian Air Cadets 828 Hurricane Squadron's application.**

Secretary General

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