



Telecom Decision CRTC 2007-60

Ottawa, 30 July 2007

Follow-up to Decision 2007-27 - Show cause submission related to the application of the price cap regime to Télébec, Limited Partnership

Reference: 8638-C12-200708183

In this Decision, the Commission establishes the price cap regime that will apply to Télébec, Limited Partnership (Télébec). The Commission concludes that the determinations set out in Telecom Decision 2007-27 also apply to Télébec.

The dissenting opinion of Commissioner Langford is attached.

Introduction

1. Price cap regulation generally places upward constraints on prices that an incumbent local exchange carrier (ILEC) can charge its customers for various telecommunications services. The price cap regime includes other rules which govern the rates charged to residential and business customers.
2. In Telecom Decision 2007-27, the Commission established the price cap regime that applies to Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, and TELUS Communications Company (collectively, the large ILECs).
3. Under the price cap regime, the large ILECs must file, among other things, by 31 March of each year, a submission demonstrating compliance with the applicable pricing constraints by comparing a price index of actual price changes with a price index of allowable price changes. The allowable average price changes are reflected through a service basket limit (SBL) while the actual average price changes are reflected through a service basket index (SBI). The rate changes take effect on 1 June of each year.
4. In Telecom Decision 2007-27, the Commission directed Télébec, Limited Partnership (Télébec) to show cause as to why the determinations made in that Decision should not apply to it.

The application

5. The Commission received a submission by Télébec, dated 15 June 2007, in response to the show cause request. In its submission, Télébec stated that it agreed with all the Commission's conclusions as set out in Telecom Decision 2007-27.
6. No comments were filed with respect to Télébec's submission.

Commission's analysis and determinations

7. As noted above, Télébec agreed with all the Commission's conclusions in Telecom Decision 2007-27. In addition, the Commission notes that Télébec did not propose any changes to the determinations made in Telecom Decision 2007-27, including those which pertained to the implementation of the price cap regime.
8. The Commission considers it appropriate to maintain a consistent regulatory framework that applies to all the large ILECs in Canada, including Télébec. Accordingly, the Commission concludes that its determinations in Telecom Decision 2007-27 will apply to Télébec, effective 1 August 2007.

Implementation

9. The Commission notes that the price cap regime applicable to the services provided by Télébec is currently scheduled to expire on 31 July 2007. Accordingly, the Commission concludes that the SBLs and SBIs should be set at 100 effective 31 July 2007, with updates effective 31 March for subsequent years.
10. The Commission expects that any rate changes approved by the Commission to meet the 2007 price cap commitment would be effective as of 1 August 2007.
11. Accordingly, the Commission directs Télébec:
 - i) for the year 2007, to file its SBL and SBI with supporting calculations, formulae and spreadsheets, for each basket of capped services, as applicable, by **29 August 2007**;
 - ii) for subsequent years, on an annual basis on 31 March, to file updates to its SBL and SBI, with supporting calculations, formulae and spreadsheets, for each basket of capped services, as applicable; and
 - iii) to issue tariff pages reflecting the application of the inflation minus productivity constraint on rates for Category I competitor services effective 1 August 2007, and for subsequent years, on an annual basis effective 1 June.

Other matters

12. As part of its submission, the Commission notes that Télébec also provided comments relating to (1) a follow-up issue from Telecom Decision 2007-27 regarding the price ceiling when forbearance is granted, and (2) Télébec's proposal for the recovery of a recurring shortfall in its deferral account. The Commission considers that Télébec's comments on these matters would be more appropriately addressed in the context of those other proceedings, and accordingly will rule on them in subsequent decisions.

13. The dissenting opinion of Commissioner Langford is attached.

Secretary General

Related document

Price cap framework for large incumbent local exchange carriers,
Telecom Decision CRTC 2007-27, 30 April 2007

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Dissenting opinion of Commissioner Stuart Langford

I disagree with the majority decision in this matter for all the reasons set out in my dissent to the original Price Cap 3 decision, Telecom Decision CRTC 2007-27. I reiterate, as well, my dissenting position in Telecom Decision CRTC 2007-36 (Decision 2007-36) which allowed Télébec and other former monopoly telephone services providers such as Bell Canada, to implement a "range-within-a-range" price setting scheme.

In my view, the impact of the pricing powers given to Télébec by today's majority decision combined with those it obtained under Decision 2007-36, will be negative on two fronts. First, most telephone subscribers living in Télébec's operating territory will soon be paying more for almost all the local services Télébec provides. Second, after today, the likelihood that other telephone companies will enter Télébec territory as competitors will decrease, perhaps disappear. With little regulated price protection to rely upon and no competitive market forces to discipline Télébec's profit motive, telephone users living in Télébec's remote operating territory will be left in an extremely vulnerable position.

For these reasons, as explained in far greater detail in the two earlier dissents referred to above, I cannot agree with today's majority decision.