



Telecom Order CRTC 2012-267

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Ottawa, 3 May 2012

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Proposed revisions to residence service connection charge

File numbers: Bell Aliant Tariff Notice 389 and Bell Canada Tariff Notice 7336

1. The Commission received applications by Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, the Bell companies), dated 5 December 2011, proposing revisions to their respective General Tariffs, item 100 – Work-Function Structure, in order to allow them to waive or reduce the Residence Service Connection charge for all local residential installations. Specifically the Bell companies proposed to add the following wording to their tariffs

The Company is permitted to waive or reduce the Residence Service Connection charge for local residential installations.

2. The Commission received comments from TELUS Communications Company (TCC) and Comwave Telecom Inc. (Comwave). The public record of this proceeding, which closed on 24 January 2012, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.
3. The Bell companies submitted that they are currently permitted to waive the Residential Service Connection charge with respect to local residential winbacks, pursuant to Telecom Decision 2006-15. They submitted that due to the extent of local forbearance and the number of residential installations that are a result of winbacks, only a small portion of customers remain who are not eligible for offers which may include the waiver of the Residential Service Connection charge. The Bell companies also submitted that these remaining customers, residing in largely rural exchanges, that have not been granted local forbearance, represent either unserved customers, who are shopping for a service provider, or existing customers that may be moving to a new location.
4. The Bell companies submitted that they did not provide a price floor test in support of their proposal as it would not pass such a test. The Bell companies requested approval of their proposal on the basis that it would benefit customers, enhance competition, result in operational cost efficiencies, and represent efficient and proportionate regulation.
5. TCC submitted that it was in agreement with the Bell companies' applications.

6. Comwave submitted that the applications should be denied as the proposed change
 - a. fails the price floor test;
 - b. would not benefit all customers in non-forborne areas as the proposal is for a discretionary waiver or reduction, not a permanent waiver or reduction, of the Residence Service Connection charge;
 - c. would reduce the ability of competitors to be cost competitive with the Bell companies in non-forborne markets;
 - d. would not result in significant cost efficiencies because until the accepted statutory tests for forbearance are satisfied, the Bell companies will be required to differentiate between forborne and non-forborne customers for the purposes of applying any tariffed versus non-tariffed service rate; and
 - e. could establish a precedent that may allow the Bell companies to extend regulatory flexibility they have in forborne markets into non-forborne markets.

Commission's analysis and determinations

7. The Commission notes that in Telecom Decision 2007-27, it reaffirmed its previous determinations that incumbent local exchange carriers are required to pass a price floor test for new services or implicit or explicit price decreases in non-forborne exchanges. In Telecom Regulatory Policy 2009-80, the Commission reviewed the requirement for a price floor test and concluded that the test establishes a minimum price threshold to ensure that rates are just and reasonable and not unjustly discriminatory. In addition, the Commission concluded that the test guards against certain anti-competitive pricing, in order to facilitate the development of sustainable competition.
8. The Commission notes that the Bell companies acknowledged that their proposal to be allowed to reduce or waive the Residence Service Connection charge on a discretionary basis in regulated exchanges would not pass the price floor test.
9. The Commission considers that in areas that have not yet met the Commission's forbearance test, there is still a need to apply safeguards, such as the price floor test, to facilitate the development of sustainable competition.
10. In light of the above, the Commission **denies** the Bell companies' applications.
11. The Commission notes that the Bell companies have other options that meet the Commission's pricing requirements and that could provide the companies with the flexibility to reduce or waive the Residence Service Connection charges. Such options include a short-term promotion or a rate-range that meets the price floor test.

Secretary General

Related documents

- *Review of the price floor test and certain wholesale costing methodologies*, Telecom Regulatory Policy CRTC 2009-80, 19 February 2009
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15, 6 April 2006, as modified by the *Order varying Telecom Decision CRTC 2006-15*, Order in Council P.C. 2007-532, 4 April 2007