



Telecom Decision CRTC 2012-354

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Ottawa, 28 June 2012

MTS Inc. and Allstream Inc. – Application to review and vary Telecom Order 2012-68 concerning TELUS Communications Company’s rate for Payphone Per Call Compensation service

File number: 8662-M59-201202340

In this decision, the Commission denies MTS Allstream’s application to review and vary Telecom Order 2012-68 to reduce the rate for TCC’s Payphone Per Call Compensation service.

Introduction

1. The Commission received an application by MTS Inc. and Allstream Inc. (collectively, MTS Allstream), dated 5 March 2012, in which they requested that the Commission review and vary *TELUS Communications Company – Application to increase the rate for Payphone Per Call Compensation service*, Telecom Order CRTC 2012-68, 2 February 2012 (Telecom Order 2012-68). Specifically, MTS Allstream requested that the Commission reduce the rate for TELUS Communications Company’s (TCC) Payphone Per Call Compensation (PPCC) service. MTS Allstream submitted that there is substantial doubt as to the correctness of the PPCC service rate set in Telecom Order 2012-68 due to three errors in fact regarding the method used to calculate the payphone agent commission costs.
2. The Commission received comments regarding MTS Allstream’s application from TCC. The public record of this proceeding, which closed on 15 May 2012, is available on the Commission’s website at www.crtc.gc.ca under “Public Proceedings” or by using the file number provided above.

Did the Commission err in fact in accepting TCC’s method for calculating payphone agent commission costs?

3. MTS Allstream submitted that there is an error in fact in TCC’s assertion and the Commission’s conclusion in Telecom Order 2012-68 that calculating payphone agent commission costs based on the average commission paid per call for all payphone-originated calls (per call method) is straightforward to calculate and verify, and that, by inference, calculating these costs based on the average percentage of commissions paid on payphone revenue (percent of revenue method) is not. MTS Allstream argued that both methods are equally straightforward to calculate.

4. MTS Allstream also submitted that there is an error in fact in the inclusion of a payphone agent commission cost per call that greatly exceeds any amount that will ever be paid to a payphone agent.
5. MTS Allstream further submitted that there is an error in fact in the Commission's approval of the use of the number of calls to determine the costs of payphone agent commissions. MTS Allstream stated that, based on its own experience as a provider of payphones across Manitoba, the vast majority of payphone agent commissions are paid as a percentage of total revenue generated by each payphone. MTS Allstream argued that, for this reason, payphone agent commission costs are correctly calculated based on the percent of revenue method, and not the number of calls.
6. TCC submitted that the Commission had already considered MTS Allstream's percent of revenue method as part of the proceeding that led to Telecom Order 2012-68. In TCC's view, a PPCC service rate that includes payphone agent commission costs that are based on revenue understates the costs associated with the service and would disproportionately load commission costs onto higher-revenue payphone calls. Further, TCC stated that because of the wide variation in the commission it pays to payphone agents in various locations, it did not support the inclusion of commission costs calculated on a percent of revenue basis in the PPCC service rate.

Commission's analysis and determinations

7. In the proceeding leading to Telecom Order 2012-68, the Commission reviewed, among other things, the costs that TCC proposed to cover commissions paid to payphone agents. The Commission noted that payphone commission contracts vary significantly by location and by agent. It also noted that TCC's proposed allocation of commission costs was straightforward to calculate and verify.
8. The Commission notes that in Telecom Order 2012-68, in accepting TCC's method, the Commission did not state or infer that MTS Allstream's percent of revenue method was complex. While MTS Allstream put forward this method on the record of the proceeding leading to Telecom Order 2012-68, the Commission notes that it did not address this method in that order. Therefore, the Commission considers that MTS Allstream's submission that its percent of revenue method was, by inference, not accepted due to complexity, has no basis as an error in fact.
9. In Telecom Order 2012-68, in considering TCC's method to determine the costs of payphone agent commissions, the Commission reviewed the costs that TCC proposed based on its payphone agent commission contracts, not MTS Allstream's payphone agent commission contracts. In this regard, in Telecom Order 2012-68, the Commission noted that the terms of TCC's payphone agent commission contracts vary significantly by location and payphone agent. The Commission found TCC's proposed allocation of commission costs based on the per-call method to be reasonable. Therefore, the Commission considers that MTS Allstream's submission

that the inclusion of TCC's payphone agent commission costs does not reflect the commissions actually paid, has no basis as an error in fact.

10. Further, the Commission notes that MTS Allstream's argument that costs of payphone agent commissions are more accurately and appropriately calculated based on payphone revenue is based on MTS Allstream's experience. The Commission considers that while MTS Allstream stated that it pays the majority of its payphone agent commissions based on a percentage of revenue, its experience is not relevant to TCC's situation. Therefore, the Commission considers that MTS Allstream's submission that payphone agent commission costs should be calculated using a percent revenue method, has no basis as an error in fact.

Conclusion

11. In light of the above, the Commission finds that MTS Allstream has not demonstrated that there is substantial doubt as to the correctness of the original decision. Accordingly, the Commission **denies** MTS Allstream's application.

Secretary General