



## Telecom Decision CRTC 2018-11

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Ottawa, 12 January 2018

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### **Bell Canada – Application to amalgamate the price cap indices and models of Bell Canada and the former MTS Inc.**

#### **Background**

1. Under price cap regulation, as set out in Telecom Decisions 2002-34 and 2007-27, upward constraints are generally placed on the retail and wholesale service prices that an incumbent local exchange carrier (ILEC) can charge its customers. Regulated services are assigned to service baskets. Each basket has certain constraints (in the form of indices) on service rates and, in some cases, on specific rate elements. ILECs submit price cap models annually to the Commission to demonstrate their compliance with its pricing constraints.

#### **Application**

2. The Commission received an application from Bell Canada, dated 6 September 2017, in which the company proposed to amalgamate, for Bell Canada and the former MTS Inc.,<sup>1</sup> the price cap models for each applicable service basket into a single model for each basket.<sup>2</sup> Bell Canada also proposed to amalgamate the current price cap indices (i.e. the Service Band Limit [SBL] and the Service Band Index [SBI])<sup>3</sup> for each company's respective Business and Other Capped service baskets to which the price cap indices apply.
3. Bell Canada provided its proposed methodology to calculate the SBL and SBI for each service basket. Specifically, Bell Canada proposed to add the revenue-weighted SBL and SBI for Bell Canada and the former MTS Inc. for each applicable service basket. The company stated that its proposed SBL and SBI for each service basket would constitute the starting point for calculating the corresponding SBLs and SBIs for the 2018 price cap year. Bell Canada submitted that the Commission approved

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<sup>1</sup> In March 2017, BCE Inc. completed its acquisition of MTS Inc., which is now operating as Bell MTS, a division of Bell Canada.

<sup>2</sup> Specifically, these service baskets consist of the Residential Basic Non-High Cost Serving Area (HCSA), Residential Basic HCSA, Business Basic, and Other Capped service baskets.

<sup>3</sup> The SBL reflects the annual allowable weighted-average price change. For retail services, it is revised each year by the rate of inflation. The SBI reflects the actual weighted-average price change and must not exceed the SBL in a price cap year. The price cap year runs from 1 June of one year to 31 May of the following year. Companies are required to file their SBLs by 31 March each year.

this approach in the context of the amalgamation of the price cap indices and models of Bell Canada and Bell Aliant Regional Communications Inc. in 2016.

4. The company stated that it had no plans to make further changes to any capped service prices for Bell Canada or the former MTS Inc. during the remainder of the 2017 price cap year.
5. Bell Canada submitted that its proposal would reflect the integration of the former MTS Inc. into Bell Canada on 17 March 2017. The company added that this integration has no effect on the other regulated services that are subject to pricing rules, since the pricing constraints for those services are service-specific, and no aggregate basket-specific constraints apply.
6. The Commission received no interventions regarding Bell Canada's application.

### **Commission's analysis and determinations**

7. The Commission has approved revised tariff applications, such as Bell MTS Tariff Notice 784, that reflect Bell Canada's ownership of the former MTS Inc. in its Manitoba serving territory.
8. The Commission has also approved similar amalgamations of ILECs' price cap indices and models, including those of Bell Canada and Bell Aliant Regional Communications Inc. in Telecom Decision 2016-120. Bell Canada's proposal to reflect the integration of the former MTS Inc. into Bell Canada is consistent with previously approved amalgamations.
9. The Commission has reviewed the methodology that Bell Canada proposed to apply to calculate the amalgamated price cap indices and considers it appropriate.
10. Accordingly, the Commission **approves** Bell Canada's application.

Secretary General

### **Related documents**

- *Bell Canada – Proposal to amalgamate the price cap indices and models of Bell Canada and Bell Aliant Regional Communications Inc.*, Telecom Decision CRTC 2016-120, 1 April 2016
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002; as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002