



Telecom Order CRTC 2016-304

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Ottawa, 1 August 2016

File number: Tariff Notice 7489

Bell Canada – Application to modify the residential Service Connection charge

*The Commission **denies** an application from Bell Canada to modify its residential Service Connection charge on the basis that the company has not sufficiently justified its application.*

Introduction

1. The Commission received an application from Bell Canada, dated 10 February 2016, in which the company proposed revisions to its General Tariff item 100 – Work Function Structure – Residence Service – Service Connection to (i) introduce, in non-high-cost serving areas (non-HCSAs), a rate range for its residential Service Connection charge; and (ii) reduce the minimum rate in the existing range for the same charge in high-cost serving areas (HCSAs).
2. For non-HCSAs, Bell Canada proposed a range with a maximum rate of \$49.95, which would replace the current approved single rate of \$49.95. For HCSAs, Bell Canada proposed to decrease the current approved minimum rate while keeping the current approved maximum rate of \$66.73.¹
3. The Commission received no interventions regarding Bell Canada’s application. The public record of this proceeding, which closed on 11 March 2016, is available on the Commission’s website at www.crtc.gc.ca or by using the file number provided above.

Background

4. Bell Canada’s residential Service Connection charge applies to, among other things, work done to receive, record, and process information related to a customer’s request for the installation of residential primary exchange service (PES) at a given premises, and the restoration of each line suspended due to violations of the company’s terms of service.
5. In *Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Request to waive the price floor test for non-recurring charges associated with residential local exchange services*, Telecom Decision CRTC 2013-733, 19 December 2013 (Telecom Decision 2013-733), the Commission waived the

¹ Bell Canada filed the proposed minimum rates in confidence with the Commission.

requirement for Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, the Bell companies) to pass the price floor test² for certain non-recurring charges, provided that they apply a uniform, province-wide rate across Ontario and Quebec for these charges. The Commission also imposed a new minimum rate of \$49.95 for the residential Service Connection charge because it considered that a pricing restriction continued to be necessary to facilitate competitive entry in local exchange service markets where competition is low or non-existent.

Bell Canada's submission

6. Bell Canada submitted that approval of the proposed rate ranges would allow it to charge different rates for different categories of service installation that are consistent with market conditions. The company stated that all customers within the same category of service installation (e.g. new installation or moves) in its serving territories in Ontario and Quebec would be charged the same rate, within the approved rate range, regardless of whether they are located in forborne or regulated areas. Bell Canada referred to this as its "Matching Commitment." The company submitted that while approval of its application would benefit customers in regulated exchanges, even more customers in forborne exchanges would benefit from further savings from reduced rates.
7. Bell Canada submitted that if the proposal is not approved, due to the complexity of its billing systems, the current approved minimum rate of \$49.95 for the residential Service Connection charge would continue to apply, in all instances, in regulated and forborne exchanges. Alternatively, Bell Canada stated that it could attempt to offer customers in forborne exchanges a lower competitive rate for the Service Connection charge for different categories of service installation; however, the company submitted that this may lead to customer confusion since not all customers would have access to the reduced rates. Bell Canada further argued that there would be an increase in the potential for billing errors since the company's customer service representatives would have to manually apply the lower residential Service Connection charge for customers in forborne exchanges. Given the risk of errors and the administrative costs, Bell Canada argued that it is likely that denial of its proposal would result in residential customers simply being billed the current minimum rate of \$49.95 going forward, without any opportunity to benefit from competitive rates.
8. Bell Canada submitted that its proposal is consistent with the Commission's determination in Telecom Decision 2013-733, wherein the Commission waived the requirement for the company to pass the price floor test in its Ontario and Quebec serving territories for certain non-recurring charges, including the residential Service Connection charge, provided that the company apply uniform, province-wide rates across its regulated and forborne areas in Ontario and Quebec for these charges.

² The price floor test establishes a minimum price threshold to ensure that rates are just and reasonable and not unjustly discriminatory. It also guards against certain anti-competitive pricing in order to facilitate the development of sustainable competition.

9. Bell Canada argued that the price floor test is designed to ensure that a dominant provider does not engage in predatory pricing. The company submitted that (i) the circumstances in the current application are identical to the circumstances that led to Telecom Decision 2013-733, (ii) providing the Matching Commitment demonstrates that its proposal is not meant to target specific markets in an anti-competitive manner, and (iii) its proposal is consistent with the intent of regulation, which is to mimic the workings of a competitive market, as recognized by the Policy Direction.³ Further, Bell Canada did not believe that, in regulated exchanges, a competitor could be driven out of the market or prevented from entering the market as a result of the proposed modifications to the residential Service Connection charge – which is a one-time, non-recurring charge – being below the price floor, while monthly rates for residential PES in regulated exchanges are maintained at levels already approved by the Commission.

Commission's analysis and determinations

10. Regarding Bell Canada's submission that its application is consistent with the Commission's determination in Telecom Decision 2013-733, there are significant differences in the proposals made by Bell Canada in the current application: (i) the fact that the company is proposing to introduce a new rate range in non-HCSAs with a maximum rate of \$49.95, (ii) the extent of the potential price change resulting from the proposed reduction in the minimum rate in HCSAs and the proposed new minimum rate in non-HCSAs, and (iii) the fact that the company is proposing to apply different rates to different categories of service installation, rather than a single uniform rate.
11. In Telecom Decision 2013-733, the Commission determined that in the event that the Bell companies filed tariff applications for Commission approval of a price that is below the price floor test, they must ensure that their proposed tariffs comply with the Commission's determinations set out in that decision.
12. In Telecom Decision 2013-733, the Commission stated that the Bell companies should be given more flexibility than they had previously been allowed under the price floor test. However, in the same decision, the Commission also imposed a new minimum rate of \$49.95 in Ontario and Quebec for the residential Service Connection charge. The Commission considered that a pricing restriction for this service continued to be necessary to facilitate competitive entry in local exchange service markets where competition is low or non-existent. Giving Bell Canada the flexibility to further reduce the residential Service Connection charge in regulated exchanges, to the extent proposed in the company's present application, is not consistent with the Commission's finding that a certain level of pricing restriction continues to be necessary to facilitate competitive entry in local exchange service markets where competition is low or non-existent.

³ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006

13. Only slightly more than two years passed between the issuance of Telecom Decision 2013-733 and the filing of Bell Canada's application, and market conditions are unlikely to have changed materially in that period, particularly in regulated areas, to the point where it would now be appropriate for the company to have the level of pricing flexibility that it asked for in its application. Although Bell Canada asserted that a competitor would not likely be driven out of the market or be prevented from entering the market as a result of the proposed modifications to the residential Service Connection charge, the company did not provide any evidence to support this view.
14. Bell Canada did not demonstrate in its application why it should be granted the extent of flexibility requested with respect to the pricing restriction. Further, the fact that some exchanges are not yet forborne indicates that the level of competition in these areas is low or non-existent. As a result, a minimum rate of \$49.95 for the residential Service Connection charge continues to be necessary to facilitate competitive entry.
15. In light of all the above, the Commission **denies** Bell Canada's application.

Policy Direction

16. The Policy Direction states that the Commission, in exercising its powers and performing its duties under the *Telecommunications Act* (the Act), shall implement the policy objectives set out in section 7 of the Act, in accordance with paragraphs 1(a), (b), and (c) of the Policy Direction.
17. The Commission considers that its findings in this order advance the policy objectives set out in paragraphs 7(c), (f), and (h)⁴ of the Act. The Commission also considers that its determinations will facilitate competitive entry while limiting any potential anti-competitive impact in areas where competition is low or non-existent. The Commission therefore considers that, in accordance with subparagraphs 1(a)(ii) and 1(b)(ii) of the Policy Direction, its determinations in this order (a) are efficient and proportionate to their purpose, and interfere with competitive market forces to the minimum extent necessary to meet the policy objectives noted above, and (b) neither deter economically efficient competitive entry into the market nor promote economically inefficient entry.

Secretary General

⁴ The cited policy objectives of the Act are 7(c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications; (f) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective; and (h) to respond to the economic and social requirements of users of telecommunications services.