Telecom Order CRTC 2006-165

Ottawa, 30 June 2006

TELUS Communications Company

Reference: Tariff Notice 555

Deductions – Churches, Community Centres and Senior Citizen Drop-In Centres

The Commission ***approves*** *with an amendment, TELUS Communications Company's request to grandfather General Tariff item 430, Deductions – Churches, Community Centres and Senior Citizen Drop-In Centres. The Commission determines that existing customers who request moves or changes to the Deduction service offering will continue to qualify for it.*

1. The Commission received an application by TELUS Communications Company (TCC),[1] dated 18 January 2006, proposing to grandfather General Tariff item 430, Deductions – Churches, Community Centres and Senior Citizen Drop-In Centres (the Deduction). The Deduction allows qualifying organizations[2] to pay the residence local exchange service rate (the residence rate) rather than the rate for business local exchange service (business rate) for one line.

2. TCC submitted that the Deduction was a legacy service offering that the former Public Utilities Board of Alberta had approved for the former Alberta Government Telephones (AGT), prior to AGT's privatization and its falling under the Commission's jurisdiction in 1990.

Background

3. In *New procedures for disposition of applications dealing with the destandardization and/or withdrawal of tariffed services*, Telecom Circular CRTC 2005-7, 30 May 2005 (Circular 2005-7), the Commission determined that to properly assess a proposal for destandardization and/or withdrawal, the applicant must file an application containing the following information:

   a) service proposed to be destandardized and/or withdrawn;

   b) proposed date for destandardization;

   c) proposed date for ultimate withdrawal of service;

   d) type of destandardization;

   e) rationale for the application;

[1] Effective 1 March 2006, TELUS Communications Inc. (TCI) assigned and transferred all of its assets and liabilities, including all of its service contracts, to TELUS Communications Company (TCC).

[2] The Deduction is limited to churches, community centres and senior drop-in centres that are incorporated under the *Societies Act of Alberta*.

f) availability of a substitute, with rationale as to why it is reasonable in terms of equivalent functionality, availability in the same geographical area, and cost (including the initial outlay and ongoing costs to the customer);

g) the transition plan;

h) relevant information concerning existing customers such as the numbers of customers affected;

i) a copy of the notice to affected customers; and

j) any other information the applicant believes is relevant.

4. The Commission further indicated in Circular 2005-7 that if the applicant considered that certain criteria did not apply to a particular application, the applicant was expected to provide submissions on why it believed those criteria should not apply.

5. The Commission noted in Circular 2005-7 that the applicant had to provide notice to each customer affected by its application to destandardize and/or withdraw a particular service, and that the notices should be sent to affected customers on the date the application was filed. In the notice, the applicant had to include items a) to g) set out in paragraph 3 above, as well as clear and detailed information as to how an affected customer could participate in the Commission's process, including the date when comments must be received by the Commission. Further, the Commission noted in Circular 2005-7 that interested parties should be allowed 45 calendar days to comment on an applicant's destandardization and/or withdrawal application.

The application

6. TCC submitted that its application was consistent with the criteria established in Circular 2005-7 as follows:

a) service proposed to be destandardized and/or withdrawn:

TCC proposed to destandardize the Deduction.

b) date for destandardization:

TCC requested that the Commission grant approval to the proposed destandardization of the Deduction with an effective date of 10 April 2006.

c) proposed date for ultimate withdrawal of service:

TCC submitted that it was not proposing to withdraw the Deduction at this time.

d) type of destandardization:

TCC proposed that as of the approved effective date for its application, any church, community centre or senior citizen drop-in centre which had not applied or which were not already receiving the Deduction would not be eligible to receive the Deduction and would pay the business rates. In addition, TCC proposed that organizations that currently received the Deduction would become ineligible for it on a going-forward basis if they requested any moves or changes to the primary line to which the Deduction applied.

e) rationale for the application:

TCC proposed to grandfather the Deduction in order to align its Alberta tariff with that of British Columbia, where a similar service offering is not provided. TCC submitted that grandfathering the Deduction would also align TCC's Alberta tariff with the Commission's determinations in *Review of the general regulations of the federally regulated terrestrial Telecommunications Common Carriers*, Telecom Public Notice CRTC 1985-22, 6 March 1985 (Public Notice 1985-22), where the Commission noted that it had generally favoured the approach of ensuring that the rates for all subscribers are as low as possible rather than approving reduced rates for special groups. TCC added that the Commission had indicated that it did not propose to change the existing practice of charging charitable or non-profit organizations full business rates in Public Notice 1985-22.

f) availability of a substitute, with rationale as to why it is reasonable in terms of equivalent functionality, availability in the same geographical area, and cost (including the initial outlay and ongoing costs to the customer):

TCC indicated that organizations which had not applied or which were not already receiving the Deduction would not be eligible to receive the Deduction and would have to pay the full business rates.

g) the transition plan:

TCC indicated that its longer-term goal was to eliminate the Deduction over time by means of gradual, annual rate increases that will move customers that receive the Deduction closer to business rates over time. TCC anticipated introducing these increases later in 2006 within the context of the price cap framework established in *Regulatory framework for second price cap period,* Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34).

h) relevant information concerning existing customers such as the numbers of customers affected:

TCC provided, in confidence, the number of lines to which the Deduction applied on a per sub-band basis. The attachment showed the percentage and dollar-value difference between the residential rate paid by existing customers of the Deduction and the business rate that would be in effect if the Deduction were not in place. The discount from the business line rate to provide the residential line rate ranged from $10.05 to $33.20 or 29 percent to 55 percent, depending on the rate band.

i) a copy of the notice to affected customers:

TCC indicated that it had notified existing subscribers of its application by way of a letter that was sent concurrently with its application being filed. TCC provided a copy of the customer notification letter with its application, which provided its customers a comment period of 45 calendar days, as required in Circular 2005-7.

j) any other information the applicant believes is relevant:

No additional information was filed.

Process

7. The Commission received 26 comments from 22 organizations and 4 individuals.

8. TCC filed reply comments on 16 March 2006.

Comments

9. Generally, customers opposed TCC's proposal. In their view, TCC's proposal placed a burden on non-profit organizations that were funded by donations and run by volunteers, and had no means of recovering the additional costs. Many expressed concern that removing the Deduction would cause rates to rise which would result in reduced services to seniors and communities and, therefore, a reduction in quality of life. Many suggested that TCC should instead offer the Deduction in British Columbia (B.C.) in order to harmonize its practices in B.C. with those in Alberta.

TCC's reply comments

10. TCC noted that the comments received represented less than 1 percent of the existing Deduction customers.

11. TCC noted that moves were costly for any organization. TCC argued that if an existing Deduction customer considered moving locations, losing the Deduction as a result of a move was one of the many impacts on operating costs that the organization would have to consider.

12. In regard to extending the Deduction to B.C., TCC reiterated that the Deduction was a legacy rate structure approved for the former AGT, prior to its privatization and falling under the Commission's jurisdiction in 1990. TCC submitted that extending the Deduction to B.C. would require the company to maintain unique billing codes and processes, and manually verify the eligibility and status of each applicant for the Deduction.

13. TCC submitted that in Public Notice 1985-22, the Commission indicated that it had "generally favoured the approach of ensuring that the rates for all subscribers are as low as possible rather than approving reduced rates for special groups."

14. TCC submitted that, more recently, in *Royal Canadian Air Cadets 828 Hurricane Squadron – Application to amend TELUS Communications Inc.'s General Tariff to qualify non-profit societies for reduced local exchange rates,* Telecom Decision CRTC 2005-48, 31 August 2005 (Decision 2005-48), the Commission denied a request by the Royal Canadian Air Cadets 828 Hurricane Squadron (828 Squadron) that TCC be directed to amend its General Tariff to permit qualifying non-profit societies to have up to two business individual lines at residential rates.

TCC submitted that, in Decision 2005-48, the Commission noted that the likely revenue impact would have been significant, and would have been borne by other subscribers. The Commission concluded that "the general body of subscribers should not be required to pay higher rates to subsidize such organizations," and that providing such a subsidy "would not be congruent with competition in the local exchange market."

15. TCC submitted that, based on the Commission's previous findings, the Deduction was an unjustifiable subsidy, which conferred a preference on the organizations that received it as opposed to those who did not.

16. In regard to the impact of the proposed rate increases, TCC expressed the view that gradual increases to the full business rate, rather than a "flash cut" instant transfer, would represent a reasonable balance between the interests of the company and the need for customers to have a gradual, predictable and manageable series of rate increases. TCC noted that any rate increases it would propose in the future would be subject to the 10 percent maximum annual increase limit set out in Decision 2002-34.

Commission's analysis and determination

17. The Commission notes that comments from organizations that subscribed to the Deduction were unanimously opposed to TCC's proposal.

18. The Commission notes that it has exercised its authority to approve concessionary rates sparingly in recent years. For example, in *Megalink bundle for health and education entities*, Telecom Order CRTC 2003-454, 10 November 2003 (Order 2003-454), the Commission denied an application by Bell Canada to introduce a flat-rate service bundle comprising Megalink service, Direct Inward Dialing numbers and white page directory listings, at rates lower than the current general tariff rates, to eligible customers within the health and education sector willing to commit to either a three-year or a five-year minimum contract period. Among other things, the Commission considered that approving preferential tariffs for educational and health entities would not be consistent with the competitive environment.

19. In *Eligibility criteria for preferential tariffs to educational or health service entities*, Telecom Order CRTC 2004-59, 27 February 2004 (Order 2004-59), the Commission denied an application by TELUS Communications (Québec) Inc. to introduce terms of eligibility to exclusive tariffs for health and education services entities on a similar basis to Order 2003-454.

20. In Decision 2005-48, the Commission denied a request by 828 Squadron that TCC be directed to amend its General Tariff for B.C. in order to permit qualifying non-profit societies to have up to two business individual lines at residential rates. Specifically, the 828 Squadron requested that the Commission direct TCC to establish a concessionary rate for certain non-profit groups who are neither business nor residential customers. 828 Squadron proposed that the general tariff be modified to define customers qualifying for concessionary rates to include churches, youth groups, veterans associations, associations for the elderly or infirm, and community centres.

21. In Decision 2005-48, the Commission considered that the general body of subscribers should not be required to pay higher rates to subsidize such organizations. The Commission further considered that, consistent with its determinations in Order 2003-454 and Order 2004-59, the provision of residential rates for the subscribers identified by 828 Squadron would not be congruent with competition in the local exchange market.

22. Consistent with its earlier determinations, the Commission considers that the general body of subscribers should not continue to be required to pay higher rates to subsidize churches, community centres and senior citizen drop-in centres in Alberta indefinitely.

23. The Commission notes that if TCC were to increase the rates for the Deduction-eligible lines by 10 percent, that is the maximum annual rate element increase limit established in Decision 2002-34, the increases would vary from $2.38 to $5.40 per month, depending on the rate band. The Commission considers that such increases to the Deduction rate would be more manageable for the affected customers than immediately moving to the full business rates, which would result in increases of $10.05 to $33.20 per month.

24. However, the Commission has concerns with TCC's proposal that would make customers who move or make changes with respect to the primary line to which the Deduction is applied ineligible for the Deduction and would require them to pay the full business rates immediately. The Commission notes that, in their comments, some organizations pointed out that the telephone to which the Deduction applied was likely to be moved. Under TCC's proposal, customers who request any moves or changes would be required to pay the regular business rate immediately thereby imposing a hardship on these customers when compared to others who would continue to receive the Deduction. The Commission considers this to be unjustified.

25. The Commission therefore considers that existing customers who request moves or changes to the Deduction should continue to qualify for it.

26. The Commission finds that TCC has fulfilled the customer notification and evidentiary requirements of Circular 2005-7, and considers TCC's application to destandardize the Deduction in Alberta to be reasonable, with the exception of its proposal to require existing customers who request moves or changes to the Deduction to immediately pay the full business rate.

Conclusion

27. In light of the above, the Commission **approves** TCC's application with one change: Deduction customers who request moves or changes will continue to qualify for the Deduction.

Secretary General

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