



Telecom Order CRTC 2011-414

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Ottawa, 7 July 2011

Saskatchewan Telecommunications – Destandardization and withdrawal of Feature Package Service, and proposed rate changes to SmartTouch Subscription Service

File number: Tariff Notice 247

1. The Commission received an application by Saskatchewan Telecommunications (SaskTel), dated 20 January 2011, in which the company proposed changes to its General Tariff. Specifically, SaskTel proposed to (a) destandardize and withdraw item 300.05 – Feature Package Service (the existing package), and introduce item 300.10 – Feature Package Service (the new package); and (b) change the rates included in item 150.15 – SmartTouch Subscription Service (item 150.15).
 2. SaskTel indicated that it planned to notify the customers affected by the proposed withdrawal of the existing package by way of letters to be issued between 21 and 26 January 2011. Subsequent to the filing of its application, SaskTel informed the Commission that revised notification letters would be sent out between 17 and 22 February 2011, citing the need to correct certain information provided in the first notification letters.
 3. The Commission received 20 comments from residential and business customers regarding SaskTel’s application. The public record of this proceeding, which closed on 26 May 2011, is available on the Commission’s website at www.crtc.gc.ca under “Public Proceedings” or by using the file number provided above.
- a) Destandardization and withdrawal of the existing package/introduction of the new package**
4. SaskTel proposed to destandardize the existing package effective 1 April 2011, and withdraw the existing service on 31 December 2011 – that is, SaskTel planned to migrate customers to the proposed new package over a period of nine months. The existing package provides customers with a choice up to 8 out of 20 possible features, including SaskTel Voice Mail Service.¹ Residential customers currently pay \$12 per month while business customers pay \$17 per month.

¹ The 20 features in the existing package customers could choose from are Block The Blocker, Call Director, Call Display, Call Forward Busy, Call Forward Don’t Answer, Call Forward Remote Activation, Call Forward Universal, Call Return, Call Waiting, Data Ident-A-Call, Ident-A-Call, Intercom, Name Display, Residential/Business Voice Mail, Selective Call Accept, Selective Call Reject, Speed Call 8, Speed Call 30, Three Way Calling, and Visual Call Waiting.

5. The proposed new package would provide customers with a predetermined package of 10 SmartTouch Subscription Services.² For both residential and business customers, SaskTel proposed a monthly rate priced within a confidential range, where the proposed monthly rate of \$10 that would apply would be publicly specified in the company's tariff. Customers subscribing to the new package would also be able to purchase other SmartTouch Subscription Services for \$1 each per month, and Voice Mail³ for \$2 per month.
6. SaskTel indicated that the factors that led to its destandardization and withdrawal proposal were (a) consumer feedback calling for a simplified sales process, more succinct packaging, and consistent pricing between business and residential customers; and (b) the need to become more competitive. SaskTel submitted that the new package to which customers would be migrating would improve the company's competitiveness because customers would be receiving more for less – that is, customers would pay \$10 per month for 10 features under the new package, versus \$12 and \$17 per month for residential and business customers, respectively, for 8 features under the existing package.
7. Further, the company indicated that customers would still have access to all of the features that are available today, noting that other viable options would be available to customers, including subscribing to the new package or the stand-alone SmartTouch features.
8. In support of its application, SaskTel filed a price floor test,⁴ as well as additional costing information in response to a Commission request for information.
9. Interveners opposed SaskTel's proposal, generally submitting that based on their current selection of features, migrating to the new package would increase their overall subscription cost. Some interveners submitted that SaskTel should allow its customers to make their own selection of features, while others submitted that they were satisfied with their current package and price and, as such, did not want to change. One individual submitted that the notification letter was confusing.
10. SaskTel replied that, of the over 161,000 letters it sent out, the company received responses from only 20 customers. The company reiterated that existing customers would continue to have access to all of the current features on a stand-alone basis at a minimal rate. Further, SaskTel submitted that its research showed that 89 percent of customers subscribing to the existing package would see a decrease or no increase on their monthly bill if they switch to the proposed new package, and the remaining 11 percent of customers would see a slight increase in their monthly bill.

² The 10 features in the proposed new package are Call Display, Call Forward Universal, Call Return, Call Waiting, Data Ident-A-Call, Ident-A-Call, Name Display, Selective Call Reject, Three Way Calling, and Visual Call Waiting.

³ The Commission decided to forbear from the regulation of this service in Telecom Regulatory Policy 2010-777.

⁴ The Commission first made reference to the price floor test in Telecom Regulatory Policy 2009-80. Prior to that decision, the price floor test was referred to as the imputation test.

11. The Commission notes that SaskTel has notified its existing package customers of its intention to destandardize and withdraw the service, and that the company has identified viable service alternatives, including the proposed new package. In particular, the Commission notes that, despite SaskTel's proposal to withdraw the existing package, customers will still be able to subscribe to all the features they currently use under the existing package. Further, the Commission notes that most customers would not be affected by a rate increase if they were to continue using their current selection of features.
12. The Commission also notes that the services in question are classified as uncapped services pursuant to Telecom Decision 2007-27. Therefore, if the company had decided to implement a rate increase to the existing package, such a change would have been forborne from approval by the Commission, pursuant to Telecom Decision 2008-74 and Telecom Information Bulletin 2010-455, without any further justification required.
13. The Commission has reviewed the price floor test and the additional information filed by the company, and is satisfied that the proposed minimum rate in the range, taking into account possible subscriptions to voice mail and other additional features, meets the price floor test with an acceptable markup.
14. In light of the above, the Commission considers that SaskTel has met the requirements for destandardization and withdrawal consistent with Telecom Decision 2008-22. Accordingly, the Commission **approves** SaskTel's application to
 - a) destandardize the existing package effective the date of this order;
 - b) withdraw the existing package effective nine months from the date of this order; and
 - c) introduce the new package effective the date of this order.

b) Proposed rate changes to SmartTouch Subscription Service

15. The company proposed the following rate changes to item 150.15:
 - a) A reduction, from \$13 to \$9, to the Service Connection Charge rate applicable to business customers;
 - b) A reduction, from \$6 to \$5, to the monthly rental rate for the first feature applicable to business customers;
 - c) The introduction of a rate range for each additional feature, where the proposed monthly rate of \$4 and \$5 would apply for residential and business customers, respectively, and would be publicly specified in the company's tariff; and
 - d) The removal of alternative pricing for the Call Director feature.

16. In Telecom Decision 2007-36, the Commission permitted the use of rate ranges for services for which rate de-averaging is allowed. In Telecom Decision 2007-106, the Commission allowed rate de-averaging for uncapped services offered by the large incumbent local exchange carriers.
17. The Commission notes that the rate charged for each additional feature would increase. However, pursuant to Telecom Decision 2007-27, these services are classified as optional services under the Uncapped Services basket, and, as such, there are no upper pricing constraints on these services and the use of rate ranges is permitted.
18. In support of its application, SaskTel filed a cost study, as well as additional costing information in response to a Commission request for information. The Commission has reviewed the cost study and the additional information filed by the company, and is satisfied that the proposed rates meet the price floor test with an acceptable markup.
19. In light of the above, the Commission considers that the proposed rate changes to item 150.15 are acceptable. Accordingly, the Commission **approves** these proposed rate changes, effective the date of this order.

Other matter

20. The Commission notes that SaskTel's original letter to its customers regarding the destandardization and withdrawal of the existing package did not include appropriate information about how customers could participate in the Commission's process regarding the application. In a letter dated 4 February 2011, Commission staff requested that the company re-issue the letter to customers to include the correct information. The Commission considers that although SaskTel's second letter corrected this information, other details in the letter could have been clearer. The Commission reminds SaskTel that in the future it should ensure that customer communications are as clear as possible, to avoid any confusion.

Secretary General

Related documents

- *Forbearance from the regulation of retail voice mail services provided by the incumbent local exchange carriers*, Telecom Regulatory Policy CRTC 2010-777, 20 October 2010
- *Approval processes for tariff applications and intercarrier agreements*, Telecom Information Bulletin CRTC 2010-455, 5 July 2010
- *Review of the price floor test and certain wholesale costing methodologies*, Telecom Regulatory Policy CRTC 2009-80, 19 February 2009
- *Approval mechanisms for retail and CLEC tariffs*, Telecom Decision CRTC 2008-74, 21 August 2008

- *Mandatory customer contract renewal notification and requirements for service destandardization/withdrawal*, Telecom Decision CRTC 2008-22, 6 March 2008
- *Further rate de-averaging for pay telephone and business services for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-106, 9 November 2007
- *Follow-up to Decision 2006-75 - Range-within-a-range proposal*, Telecom Decision CRTC 2007-36, 25 May 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007