



## Telecom Order CRTC 2005-257

Ottawa, 11 July 2005

### TELUS Communications Inc.

Reference: Tariff Notice 408 (TCQ)

#### 2005 annual price cap filings - Digital Network Access rates

1. The Commission received an application by TELUS Communications Inc. (TCI), dated 23 June 2005, to revise the tariffs of the former TELUS Communications (Québec) Inc. (TCQ) for digital network access (DNA) services pursuant to *Implementation of price cap regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43).
2. The Commission notes that TCI proposed rate increases and decreases for its DNA services. The Commission finds that the rate increases comply with the price cap constraints established in Decision 2002-43.
3. The Commission notes that, in support of the proposed rate decreases, TCI submitted that its lowest proposed rates were two to four times higher than Bell Canada's rates for similar services and that the costs to offer the services were similar to those of Bell Canada, the only difference between them being the number of customers. The company concluded that the rates proposed exceeded its costs for the services and provided a substantial profit margin.
4. TCI noted that, in *TELUS Communications Inc. - 2004 Annual price cap filing*, Telecom Order CRTC 2004-357, 29 October 2004, the Commission approved rate reductions associated with its 2004 price cap filing based on alternate costing support. In light of this, the company submitted that the alternate costing methodology proposed for this application was appropriate.
5. In *Société en commandite Télébec and TELUS Communications (Québec) Inc. 2002 annual price cap filings*, Telecom Decision CRTC 2003-57, 22 August 2003 (Decision 2003-57), the Commission concluded that TCQ should file cost studies and imputation test results or alternate costing support, whichever is appropriate depending on the type of service, when filing tariff applications to introduce a new service or to propose implicit or explicit rate reductions to an existing service.
6. In Decision 2003-57, the Commission also acknowledged that it might be difficult for TCQ to file imputation test results and the associated cost studies in respect of access services until a decision has been issued in the proceeding initiated by *Implementation of competition in the local exchange and local payphone markets in the territories of Télébec and TELUS (Québec)*, Public Notice CRTC 2001-69, 14 June 2001 (Public Notice 2001-69). The Commission expected to issue its determinations on TCQ's Phase II costs for local loops and local exchange services at the conclusion of the Public Notice 2001-69 proceeding. Consequently, the Commission considered it appropriate, as an interim measure, to evaluate TCQ's applications for access services on a case-by-case basis, using alternate costing support submitted by the company.

7. *In Implementation of competition in the local exchange and local payphone markets in the territories of Société en commandite Télébec and the former TELUS Communications (Québec) Inc.*, Telecom Decision CRTC 2005-4, 31 January 2005 (Decision 2005-4), the Commission determined, among other things, TCQ's Phase II costs for local loops and local exchange services.
8. The Commission is of the view that its determinations in Decision 2005-4 provide TCI with the tools required to carry out cost studies and imputation tests in support of the proposed reductions in rates for DNA services.
9. The Commission notes that TCI has made a commitment to file, within six months from the date of this application, a cost study for its DNA services, together with the results of the imputation tests.
10. In light of the above, the Commission **approves on an interim basis** all rates proposed in this application and this approval shall be conditional upon TCI having provided the Commission with cost studies and imputation test results no later than six months from the date of this application.

Secretary General

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