



Telecom Order CRTC 2005-365

Ottawa, 8 November 2005

Aliant Telecom Inc.

Reference: Tariff Notice 164

Enhanced Consumer Access Promotion

1. The Commission received an *ex parte* application by Aliant Telecom Inc. (Aliant Telecom) dated 27 May 2005, under Tariff Notice 164 (TN 164), proposing to introduce to its General Tariff item 904, Enhanced Consumer Access (ECA) Promotion. The promotion would be offered in all rate bands in Nova Scotia and Prince Edward Island from 1 July 2005 to 31 December 2005.
2. Aliant Telecom indicated that under the promotion, the standard service charge (item 255) would be waived for customers who subscribe to ECA service (item 300.1). Aliant Telecom submitted that to be eligible for the promotion, customers must be connecting service on a new ECA installation, or in the case of existing ECA subscribers, moving from one service address to another, in any exchange in Nova Scotia or Prince Edward Island and subscribe to ECA.
3. Aliant Telecom indicated that it wanted to promote ECA to all existing and new customers in Nova Scotia and Prince Edward Island and that the promotion would assist it in migrating customers from grandfathered access bundles to ECA, thereby streamlining the number of products in this category.

Process

4. The Commission granted interim approval to TN 164 in Telecom Order CRTC 2005-233, 16 June 2005.
5. On 28 July 2005, Bragg Communications Inc., carrying on business as EastLink, filed comments. On 11 August 2005, Aliant Telecom filed reply comments.

Background

6. In *Promotions of local wireline services*, Telecom Decision CRTC 2005-25, 27 April 2005 (Decision 2005-25), the Commission determined that promotions were generally a legitimate business practice and would be permitted in the local wireline services market with the following competitive safeguards. Promotions involving local wireline services must:
 - be available and equally promoted across one or more entire rate bands;
 - not be limited to competitors' customers;
 - pass an imputation test for the service, including the impacts of the promotion; and

- have a combined enrolment and benefit period that does not exceed six consecutive months, have no customer lock-in requirement beyond the promotion period, and have a minimum six-month waiting period after the expiry of the most recent previous promotion before offering a new promotion involving the same local wireline service.

Parties' comments

EastLink

7. EastLink noted that, pursuant to Decision 2005-25, incumbent local exchange carrier promotions involving local wireline services were not permitted to target the customers of competitors by being offered only in geographic areas where competitors are providing services. EastLink noted that the proposed promotion was not available across Aliant Telecom's entire territory but was, instead, restricted to Aliant Telecom customers in Nova Scotia and Prince Edward Island. EastLink submitted that, with the exception of one town of New Brunswick, EastLink's local phone service was only available in Nova Scotia and Prince Edward Island. EastLink argued that accordingly, Aliant Telecom has clearly chosen to restrict the scope of the proposed promotion in a manner designed to target EastLink customers. EastLink submitted that as this amounts to a violation of the competitive safeguards established in Decision 2005-25, the proposed promotion was invalid.
8. EastLink noted that Aliant Telecom provided three objectives for its promotion: to improve retention of existing ECA customers, to migrate customers from grandfathered bundles, and to improve Aliant Telecom's share of new installations. EastLink submitted that the promotion would not meet these objectives.
9. With respect to migrating customers from grandfathered bundles or improving retention of existing customers, EastLink noted that Aliant Telecom's tariff for service charges does not apply to its existing customers who migrate to ECA whether they are simply local service subscribers, or customers of grandfathered bundles. EastLink submitted that waiving service charges that do not apply in the first place would not help these customers. EastLink submitted that the only customers who could benefit from the promotion would be the small number of existing ECA customers who move from one service address to another.
10. With respect to the objective of improving Aliant Telecom's share of new installations, EastLink submitted that, as currently drafted, the proposed promotion applied not only to new installations but also to current EastLink customers, thereby granting Aliant Telecom the ability to target EastLink customers.
11. EastLink was of the view that the scope of the promotion as it currently stood was much broader than necessary to accomplish this goal and needlessly exposed EastLink to the potential of winbacks, while providing no additional benefit to ECA customers. EastLink took the position that the promotion should be amended to specify that it was only applicable to current ECA customers who moved their service to a new address so that the scope was more closely tailored to its purported purpose.

12. EastLink also argued that waiving service charges stands in sharp contrast to the strategy that Aliant Telecom has historically adopted in instances where it wished to demonstrate the value of selected services and/or increase market penetration of services. EastLink submitted that in such cases, Aliant Telecom has typically offered a service at a discounted rate for a number of months.¹ EastLink argued that based on Aliant Telecom's historical approach in such situations, one would assume that the proposed ECA promotion would have consisted instead of a discounted rate for ECA over a period of several months.
13. EastLink concluded that the proposed promotion was nothing more than a ruse designed to conceal Aliant Telecom's true intention: to win back customers from EastLink.

Aliant Telecom

14. Aliant Telecom submitted that the ECA promotion would be available to all eligible customers in all bands in Nova Scotia and Prince Edward Island and does not target EastLink customers. Aliant Telecom submitted that the promotion met the regulatory requirements provided in Decision 2005-25.
15. Aliant Telecom noted the promotion was targeted at new subscribers to local service and existing subscribers who were moving from one address to another. Aliant Telecom submitted that without the promotion, customers would be assessed a service connection charge for the installation or move under the standard service charge tariff, regardless of their subscription to ECA. Aliant Telecom submitted that waiving the service charge for ECA would increase the number of customers selecting this service because the promotion would provide an immediate benefit.
16. Aliant Telecom submitted that the promotion was neither a winback promotion nor targeted at EastLink customers, rather it was available to all new customers who select ECA. Aliant Telecom indicated that the promotion was not specific to or exclusive to EastLink customers. Aliant Telecom submitted that EastLink was confusing "targeted" with "including". Aliant Telecom submitted that customers who were dissatisfied with EastLink service, and would want to subscribe to ECA, whether or not they were a former Aliant Telecom customer, would be eligible and were not excluded from the promotion.
17. Aliant Telecom submitted that waiving the service charge was sufficient incentive to retain some existing Aliant Telecom customers and to attract a larger percentage of customers establishing service for the first time. Aliant Telecom indicated that while some dissatisfied EastLink customers may take advantage of the promotion to return to Aliant Telecom, the offer was not strong enough to entice reasonably satisfied cable bundle subscribers to change local service providers. Aliant Telecom also noted that EastLink made references to previous

¹ See, for example, Aliant Telecom's Tariff Notices 9, 13, 41 and 67.

Aliant Telecom promotions that included waiving service charges (i.e. APTC Tariff Notice 38 and APTC Tariff Notice 42)² which were targeted winback offers and included incentives in addition to waiving service charge. Aliant Telecom submitted that EastLink had not provided any evidence that demonstrated these targeted winback offers had any impact on the number of customers leaving EastLink for Aliant Telecom, reiterating that these targeted winback promotions, including the additional incentives, were not sufficiently strong to convince customers to change local carriers.

Commission's analysis and determination

18. The Commission notes that the promotion is available in all rate bands within Nova Scotia and Prince Edward Island. The Commission further notes that while Aliant Telecom operates in Nova Scotia, Prince Edward Island, New Brunswick, and Newfoundland and Labrador, the rate bands are still designated on a provincial basis: identical services are not required to be offered in identical bands in all provinces. The Commission considers that the criterion that the promotion be available and equally promoted across one or more entire rate bands has been met.
19. With respect to EastLink's concern regarding Aliant Telecom's objectives for the promotion, the Commission notes that customers moving to a new service address may consider subscribing to ECA service when they realize that they do not have to pay the standard service charge³ for the re-installation of basic exchange service. Further, potential new customers may subscribe to ECA when they also realize they do not have to pay the standard service charge during the promotion period. Therefore, the promotion would assist Aliant Telecom in its objective of moving customers of older residential bundles, in retaining existing customers and attracting new customers.
20. The Commission notes that in Decision 2005-25, the Commission determined that promotions were generally a legitimate business practice. With respect to EastLink's concern about the waiver of a service charge instead of a discounted monthly rate, the Commission considers that Aliant Telecom as a business can determine what type of promotion it will offer.
21. Aliant Telecom filed an economic study with an imputation test in support of the application. This imputation test was developed using a study period for the service of five years. The Commission is satisfied that the imputation test requirement in Decision 2005-25 has been met. However, the Commission notes that this promotion, which waives the standard service charge, has a duration that is much less than the five years used in the study. The Commission expects Aliant Telecom to justify in future applications involving promotions, the length of the study period employed in the imputation test.

² APTC stands for Atlantic Provinces Telecommunications Council.

³ Aliant Telecom's General Tariff – Standard Service Charges, Item 255(b) provides that service charges apply for the installation or reconnection of service, including that at a new address for an existing customer. Under this promotion, the standard service charge would be waived.

22. The Commission notes that the promotion meets the other requirements of Decision 2005-25: the promotion runs from 1 July to 31 December 2005, a period that does not exceed six consecutive months; has no contractual obligations beyond the minimum contract period provided in Aliant Telecom's General Tariff, Terms of Service, item 105.20, (i.e. one month); and there have been no promotions of ECA in the previous 12 months for this service.
23. In light of the above, the Commission **approves** TN 164 on a final basis.

Secretary General

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