



Telecom Decision CRTC 2006-24

Ottawa, 27 April 2006

Part VII application by Rogers Telecom Holdings Inc. for certain relief of billed number screening charges

Reference: 8622-C25-200502858

In this Decision, the Commission approves Rogers Telecom Holdings Inc.'s (Rogers Telecom's) request for a revised rate for Bell Canada's billed number screening (BNS) database service transaction charge for additions, removals, and changes in billing restrictions of numbers, and for porting of numbers, effective the date of this Decision. The Commission denies Rogers Telecom's request for Bell Canada to cease charging the BNS database service transaction charge for each telephone number that Rogers Telecom ports.

The Commission also directs TELUS Communications Inc. (TCI) to show cause, within 30 days of this Decision, why it should not revise the rate for its BNS database service transaction charge to reflect updated Phase II costs and why the Commission should not make TCI's rate for its BNS database service transaction charge interim pending the Commission's final decision on the appropriate rate.

Introduction

1. The Commission received an application from Call-Net Enterprises Inc., now Rogers Telecom Holdings Inc. (Rogers Telecom), dated 14 March 2005, filed pursuant to Part VII of the *CRTC Telecommunications Rules of Procedure*, requesting relief with respect to tariffed rates for Bell Canada's billed number screening (BNS) database service. Specifically, Rogers Telecom requested that the Commission:
 - a) order Bell Canada to update its Phase II cost study for the BNS database service transaction charge, reduce the mark-up to 15 percent, and update the corresponding tariff; and
 - b) order Bell Canada to cease charging the BNS database service transaction charge for each telephone number that Rogers Telecom ported.

Process

2. On 13 April 2005, the Commission received Bell Canada's answer to Rogers Telecom's application. The Commission also received comments from Quebecor Media Inc. (QMI) on 13 April 2005, Rogers Communications Inc. (Rogers) on 14 April 2005, and the Canadian Cable Telecommunications Association (the CCTA) on 14 April 2005. The Commission received Rogers Telecom's reply comments on 25 April 2005.

3. By letter dated 3 June 2005, Bell Canada filed updated cost studies, illustrative tariff pages, and interrogatory responses in response to a Commission letter dated 27 April 2005.
4. Rogers Telecom filed comments on 18 July 2005, and Bell Canada filed reply comments on 25 July 2005.

Background

5. In Stentor Tariff Notice 674 (TN 674), 28 July 1998, the former Stentor companies submitted their BNS database service tariff application. The BNS database service rates were approved on an interim basis in *Re: 1. TELUS Communications Inc. Tariff Notice 1083/A – Public Telephone Access Line Service, 2. TELUS Communications (Edmonton) Inc. Tariff Notice 95/A – Public Telephone Access Line Service, 3. Stentor Resource Centre Inc. Tariff Notice 677 – Pay Telephone Basic Access Line Service, 4. Stentor Resource Centre Inc. Tariff Notice 674 – Billed Number Screening Database Service*, Commission Letter, 13 November 1998.
6. In *CRTC sets final rates for payphone access lines*, Order CRTC 2000-858, 15 September 2000 (Order 2000-858), the Commission stated that it would initiate further procedure on TN 674 while maintaining the existing interim-approved rates. In Order 2000-858, the Commission expressed the preliminary view that, in light of the break-up of the Stentor alliance, the arrangements and the proposed rate structures for BNS database service might no longer be appropriate. The Commission noted that in the United States (U.S.), a competitive local exchange carrier (CLEC) or wireless service provider (WSP) could select the most economical supplier and service offerings that met its requirements for liability protection.
7. In Order 2000-858, the Commission directed CLECs and WSPs to specify in a database which of their customers could assume responsibility for collect and bill-to-third-party (C/BTT) calling in Canada. The Commission noted that this provided CLEC customers with the ability to complete all types of calls with at least the same ease and efficiency that incumbent local exchange carrier (ILEC) customers enjoyed, regardless of the service provider that originated, routed and/or terminated the call. The Commission further noted that while any service provider could establish a billing validation database, only the ILECs had been mandated to make the BNS database service available to toll service providers on an essential facility basis in *Competition in the provision of public long distance voice telephone services and related resale and sharing issues*, Telecom Decision CRTC 92-12, 12 June 1992.
8. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34), the Commission classified the BNS database service as a Category I Competitor Service and directed the ILECs to decrease service rates by 8 percent, to reflect the change in mark-up for Category I Competitor Services from 25 percent to 15 percent.
9. In *Follow-up to Regulatory framework for second price cap period, Telecom Decision CRTC 2002-34 – Service basket assignment*, Telecom Decision CRTC 2003-11, 18 March 2003 (Decision 2003-11), the Commission finalized the classification of the BNS database service as a Category I Competitor Service.

10. In *Rates for Competitor Services*, Telecom Decision CRTC 2003-13, 18 March 2003 (Decision 2003-13), the Commission approved on a final basis the revised rates for the BNS database service incorporating the 8 percent reduction set out in Decision 2002-34.

The application

11. Rogers Telecom requested an update of Bell Canada's BNS database service transaction charge to reflect updated Phase II costs plus a 15 percent mark-up, and to update the corresponding tariff.
12. Rogers Telecom submitted that the current rate for the BNS database service transaction charge was outdated, as the rate was based on studies filed in July 1998. Rogers Telecom submitted that upgrades in information systems and information technology systems had led to automation of processes for updating transactions. Rogers Telecom further submitted that justification for an updated study was provided in Decision 2002-34, where, in Rogers Telecom's view, the Commission had stated that the primary rationale for seeking cost study updates was a change in Phase II costs, such as for services that had not been subject to recent regulatory scrutiny and would possibly no longer have rates reflective of the underlying costs.
13. Rogers Telecom submitted that a comparison of BNS database service transaction rates with rates for updating other similar commercially available database systems demonstrated that the BNS database service transaction rates, at \$3.16 per transaction, were an order of magnitude higher than what could reasonably be expected. Rogers Telecom noted that NeuStar, Inc.'s (NeuStar's)¹ transaction rate for making a change to the local number portability (LNP) database was \$1.65 U.S. per number. Rogers Telecom was of the view that NeuStar's non-regulated transaction rate was significantly higher than the underlying cost of the transaction.
14. Rogers Telecom stated that the mark-up included in the interim rate was much larger than 15 percent, although the Commission had categorized the BNS database service as a Category I Competitor Service in Decision 2003-11.
15. Rogers Telecom requested that the Commission order Bell Canada to cease charging the BNS database service transaction charge for each telephone number that Rogers Telecom ported from Bell Canada.
16. Rogers Telecom submitted that the telephone number was already in the BNS database when the number was ported to Rogers Telecom from Bell Canada and that, therefore, there should be a charge only when Rogers Telecom explicitly asked for a change in the billed number screening status.

¹ NeuStar is the commercial provider and administrator for the Number Portability Administration Center, which supports the implementation of local number portability (LNP). NeuStar provides a solution for the maintenance, administration, and operation of the regional number portability administration centre and service management system for the implementation of LNP.

17. Rogers Telecom further submitted that, although it had agreed in the past to have Bell Canada update the BNS database automatically from an LNP feed so that a ported customer could continue to use C/BTT services, there was no reason to expect any change to the BNS database and therefore no reason for a charge to be levied.
18. Rogers Telecom submitted that while it had paid the transaction fees for LNP processing historically, the Commission had not approved the practice.

Positions of parties

19. Rogers, the CCTA, and QMI supported Rogers Telecom's application and requested that the BNS database service transaction fee be updated. Rogers, the CCTA, and QMI also agreed with Rogers Telecom's submission that there was no justification to charge a BNS transaction fee for each telephone number that was ported from Bell Canada to a CLEC, unless there was a request to modify the billing options associated with the number in question.
20. Bell Canada submitted that it incurred costs when a telephone number was ported and required compensation for those costs. Bell Canada submitted that it incurred costs because all numbers were not in the correct format and there was a need to check each number and generate a record with the appropriate format, the record profile for a ported number had to be set to the carrier's specific parameters, and, regardless of whether a record update was manual or automatic, Bell Canada incurred fees to a third party for mainframe processing along with administrative costs associated with updating and maintaining the BNS database.
21. Rogers Telecom agreed that some information in the BNS database needed to be updated for ported numbers. Rogers Telecom submitted, however, that because it used the automated feed from the LNP database, the update process costs for ported numbers should be minimal and far less than the charge for additions of new numbers to the database. Rogers Telecom submitted that Bell Canada should provide a cost study with separate costing for the addition of new numbers to the database and for the porting of other local exchange carrier (LEC) numbers that were already in the database.
22. Bell Canada submitted that the BNS database service did not meet any of the essentiality criteria for a Category I Competitor Service identified in *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997. Bell Canada submitted that the BNS database service should be reclassified from a Category I to a Category II Competitor Service. Bell Canada submitted that the BNS database service was an optional service that CLECs and WSPs could choose to subscribe to. Bell Canada noted that not all CLECs or WSPs subscribed to Bell Canada's BNS database service. Bell Canada indicated that alternatives included TELUS Communications Inc.'s (TCI's) BNS database service, which had essentially the same rates as Bell Canada's service, and, potentially, other line information database (LIDB) services offered by U.S. companies. Further, Bell Canada submitted that the existing rates for the BNS database service were appropriate.

23. Rogers Telecom stated that, due to the confidentiality of Bell Canada's cost study, it was uncertain whether cost elements included in the transaction charge were being recovered elsewhere. Rogers Telecom requested that the Commission ensure that cost elements recovered in the transaction charge were not recovered again in the service establishment charge or maintenance/support charge rate elements of the BNS database service.
24. Rogers Telecom further requested that the Commission assess the appropriateness of a single rate for new additions/changes to the database and for the porting of numbers as part of the local migration, as the two activities had different steps associated with them.
25. Rogers Telecom submitted that in Decision 2003-11, the Commission determined that the BNS database service should be treated as a Category I Competitor Service and that other competitors supported this Category I classification.
26. Rogers Telecom submitted that there was no incentive for a competitor to favour either TCI's or Bell Canada's BNS database service, as they were priced the same. Rogers Telecom submitted that there was no practical option to obtain the service from a non-Canadian carrier because it had invested time, effort, and money to optimize the local migration process with the ILECs.
27. In reply, Bell Canada stated that there was no overlap of the costs causal to BNS database service transaction queries with the service establishment charge and maintenance/support charge rate elements. Bell Canada submitted that the service establishment charge recovered the costs incurred to establish BNS database service contracts and did not include any causal costs associated with BNS database service transaction queries. Bell Canada further submitted that the maintenance/support charge recovered the maintenance and support costs associated with Bell Canada's servers and databases used to provide the BNS database service. Bell Canada noted that it had not included maintenance costs in its BNS database service transaction charge cost study.

Commission's analysis and determinations

Competitor Service category classification for the BNS database service

28. In Decision 2002-34, the Commission classified a number of ILEC services, including the BNS database service, as Category I Competitor Services. In that decision, the Commission established two categories of Competitor Services. The first category comprised those services that were in the nature of an essential service and were known as Category I Competitor Services. Services in the nature of an essential service comprise interconnection and ancillary services required by Canadian carriers and resellers interconnecting to the ILECs' networks, including essential and near-essential services. An essential service is a monopoly-supplied service, facility or function that a competitor requires as an input and that it cannot duplicate economically or technically. A near-essential service makes a facility available that is a critical input for a competitor in light of its very limited competitive supply. The second group of Competitor Services included those services that were developed for use by telecommunications service providers – other than services in the nature of an essential service – and were defined as Category II Competitor Services.

29. The Commission notes that Bell Canada argued that the BNS database service should be reclassified from a Category I to a Category II Competitor Service because alternatives to the service included TCI's BNS database service and potentially other LIDB database services offered by U.S. companies.
30. The Commission notes that BNS database services are available from Bell Canada and TCI at essentially the same rates. In the Commission's view, there is no incentive for a competitor to favour either TCI's or Bell Canada's BNS database service, given that they are priced the same. The Commission notes that Bell Canada did not provide support for its submission that other BNS database service providers are available to Canadian LECs.
31. Accordingly, the Commission considers that the BNS database service is a significant input for competitors that is in limited competitive supply. The Commission therefore determines that the BNS database service is appropriately classified as a Category I Competitor Service.

BNS database service transaction charge rate

32. The Commission notes that although the BNS database service was classified as a Category I Competitor Service in Decision 2002-34, the existing rates are value-based rather than cost-based. The Commission further notes that changes in technology since the rate for the BNS database service transaction charge was originally developed, in 1998, could give rise to changes to the underlying costs. Accordingly, the Commission determines that it is appropriate to examine the underlying BNS database service transaction costs and rates.
33. With respect to Rogers Telecom's request to cease charging a BNS database service transaction charge for each telephone number that is ported from Bell Canada to a CLEC unless there is a request to change BNS database status, the Commission notes that Rogers Telecom concurred with Bell Canada that processing of a ported number was required regardless of whether there was a change in BNS database status.
34. The Commission agrees that there are costs associated with the porting activity, which justify compensation for each ported telephone number. Therefore, the Commission determines that it is appropriate for Bell Canada to continue to charge for both an update (addition, removal, or change in billing restriction) made to a CLEC number and a porting of a Bell Canada number to a CLEC. Accordingly, the Commission **denies** Rogers Telecom's request.
35. With respect to Rogers Telecom's request for Bell Canada to provide separate transaction charges for additions, removals, or changes made to CLEC numbers and for the porting of Bell Canada numbers to a CLEC, the Commission considers that the different transaction types have similar resource requirements and, hence, similar costs.
36. Accordingly, the Commission determines that it is appropriate for Bell Canada to charge a single transaction charge for each of the additions, removals, or changes in billing restrictions of CLEC numbers and for the porting of Bell Canada numbers to CLECs.
37. With respect to whether cost elements recovered in the BNS database service transaction charge are also recovered in the service establishment charge or the maintenance/support charge, the Commission accepts Bell Canada's submission that there is no overlap of the costs causal to BNS database service transaction queries with these other rate elements.

38. With respect to the Phase II costs for BNS database service transactions, the Commission considers that Bell Canada's proposed updated Phase II costs are appropriate.
39. Consistent with the pricing treatment of Category I Competitor Services, Bell Canada's BNS database service transaction charge is to be determined based on Bell Canada's updated Phase II costs plus a 15 percent mark-up, or \$0.34 per transaction. Accordingly, the Commission **approves** the rate of \$0.34 per transaction charge for Bell Canada's BNS database service, effective the date of this Decision.
40. The Commission notes that the rates for TCI's BNS database service were also established in 1998. In light of significant changes in technology since TCI's BNS database service transaction charge was originally developed, and in accordance with the rationale outlined above, the Commission determines it appropriate to re-examine the underlying costs of TCI's BNS database service transaction charge. Accordingly, the Commission directs TCI to show cause, within 30 days of the date of this Decision, why it should not revise its BNS database service transaction charge to reflect updated Phase II costs and why the Commission should not make TCI's BNS database service transaction charge interim pending the Commission's determination on the appropriate rate for this service.

Secretary General

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