



## Telecom Decision CRTC 2008-112

Ottawa, 27 November 2008

### Final 2008 revenue-percent charge and related matters

Reference: 8695-C12-200804403

*In this Decision, the Commission approves on a final basis, effective 1 January 2008, a 2008 contribution collection revenue-percent charge of 0.87 percent and the 2008 subsidy per residential network access service (NAS) amounts for the territories of the large incumbent local exchange carriers (ILECs) and Télébec, Limited Partnership (Télébec).*

*In addition, the Commission approves on an interim basis, effective 1 January 2009, a 2009 contribution collection revenue-percent charge of 0.87 percent and the subsidy per residential NAS amounts for the territories of the large ILECs and Télébec.*

### Introduction

1. In Decision 2000-745, the Commission introduced a national revenue-based contribution collection mechanism and a new methodology for calculating the subsidy for high-cost serving areas (HCSAs) in the territories of the large incumbent local exchange carriers (ILECs)<sup>1</sup> and Télébec, Limited Partnership (Télébec).<sup>2</sup>
2. In Decision 2001-238, the Commission established the costing rules to be used for determining the subsidy per residential network access service (NAS) amounts for the territories of the large ILECs. The subsidy per residential NAS amounts for HCSAs is approved annually by the Commission.
3. In Telecom Decision 2007-103, the Commission set, on an interim basis for 2008, a revenue-percent charge of 0.94 percent and the subsidy per residential NAS amounts for the territories of the large ILECs and Télébec.
4. The Commission received submissions from Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), Bell Canada, MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications (SaskTel), and TELUS Communications Company (TCC) (collectively, the large ILECs); Télébec; and the Canadian Portable Contribution Consortium Inc. (CPCC). The public record of this proceeding, which closed on 17 April 2008, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) under "Public Proceedings."
5. The Commission will determine the following in this Decision:
  - I. The estimated national subsidy requirement for 2008;

<sup>1</sup> The carriers referred to as large ILECs in Decision 2000-745 are now known as Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, and TELUS Communications Company.

<sup>2</sup> Télébec was known as Télébec ltée at the time Decision 2000-745 was issued.

II. The final 2008 and interim 2009 revenue-percent charge; and

III. The final 2008 and interim 2009 subsidy per residential NAS amounts.

6. In the final section of this Decision, the Commission will address other matters.

### **I. The estimated national subsidy requirement for 2008**

7. The national subsidy requirement is based on the sum of the administrative and operational costs of the CPCC and the Central Fund Administrator (CFA), the subsidy amount for Northwestel Inc. (Northwestel), the subsidy amounts for the small ILECs (SILECs), the estimated HCSA total subsidy requirements for the territories of the large ILECs and Télébec, and subsidy adjustments.

#### **CPCC and CFA administrative and operational costs**

8. The Commission received notification from the CPCC, dated 3 April 2008, that the estimated CPCC and CFA administrative and operational costs would be approximately \$0.8 million for 2008. The Commission notes that this amount is slightly less than the amount for 2007.

#### **Subsidy amount for Northwestel**

9. In Telecom Decision 2007-127, the Commission determined that Northwestel would receive a revised fixed subsidy amount of \$20.8 million per year for each of the years 2008 through 2010. The Commission directed the CFA to make the related monthly subsidy payments to Northwestel.

#### **Subsidy amounts for the SILECs**

10. In Telecom Decision 2006-14, the Commission determined that the SILECs would receive fixed subsidy amounts totalling approximately \$23.0 million per year for each of the years 2006 through 2009. The Commission directed the CFA to make the related monthly subsidy payments to the SILECs.

#### **Estimated HCSA total subsidy requirements for the large ILECs and Télébec**

11. In Telecom Decisions 2007-27 and 2007-60, the Commission directed the large ILECs and Télébec to file, by 31 March of each year, subsidy per residential NAS calculations that included annual costs adjusted (a) upward for inflation and downward for a productivity rate of 3.2 percent; (b) for any service improvement plan (SIP) cost changes; (c) upward to include a 15 percent mark-up; and (d) upward for the cost recovery of the revenue-percent charge. The Commission also directed the large ILECs and Télébec to impute HCSA residential local rate increases for subsidy calculation purposes, whether or not the rate increases were actually taken. This imputation was to be based upon the price cap constraints.
12. The Commission received the 2008 HCSA subsidy calculations from the large ILECs and Télébec between 20 March and 17 April 2008. The Commission notes that TCC's subsidy calculations included SIP cost adjustments that were subsequently approved by the Commission in Telecom Decision 2008-103.

13. The Commission notes that in Telecom Decisions 2007-27 and 2007-60, it approved a change to the time period for the subsidy per residential NAS amounts for TCC, in its operating territory in Quebec, and Télébec. Specifically, the time period changed from 1 August to 31 July, to 1 January to 31 December, starting in 2008, so as to be consistent with the subsidy period of the large ILECs.
14. The Commission has reviewed the subsidy calculations for the large ILECs and Télébec and finds them to be in accordance with the directives set out in Telecom Decisions 2007-27 and 2007-60.
15. The Commission notes that based upon the 2007 year-end NAS information, the 2008 total subsidy requirement for the large ILECs and Télébec is approximately \$177.8 million.

#### **Subsidy adjustments**

16. The Commission notes that it made two subsidy adjustments during 2008.
  - a) In Telecom Decision 2008-43, the Commission approved a one-time subsidy payment of approximately \$0.9 million from the National Contribution Fund (NCF) to TCC for its operating territory in Quebec.
  - b) In Telecom Decision 2008-66, the Commission approved a one-time subsidy payment of \$2.4 million from the NCF to Bell Aliant.
17. Based on the above, the Commission finds that the estimated 2008 national subsidy requirement is approximately \$225.7 million.

#### **II. Final 2008 and interim 2009 revenue-percent charge**

18. The revenue-percent charge is calculated using the ratio of the national subsidy requirement to the total estimated contribution-eligible revenues of all telecommunications service providers that are required to contribute.
19. The Commission considers that a final 2008 revenue-percent charge of 0.87 percent would be appropriate to ensure the stability of the NCF. The Commission also considers that an interim 2009 revenue-percent charge of 0.87 percent, effective 1 January 2009, would also be appropriate.
20. Therefore, the Commission **approves** a final 2008 revenue-percent charge of 0.87 percent, effective 1 January 2008, and an interim 2009 revenue-percent charge of 0.87 percent, effective 1 January 2009.

#### **III. Final 2008 and interim 2009 subsidy per residential NAS amounts**

21. Based on the final 2008 revenue-percent charge of 0.87 percent, the Commission calculates the final 2008 subsidy per residential NAS amounts for each HCSA band in the territories of the large ILECs and Télébec to be as set out in Table 1.

**Table 1**

**Final 2008 monthly subsidy per residential NAS amounts by HCSA band**

<b>Territory</b>	<b>Band E (\$)</b>	<b>Band F (\$)</b>	<b>Band G (\$)</b>
<b>Bell Aliant</b>			
New Brunswick	4.66	0.00	n/a
Newfoundland and Labrador	5.18	6.23	10.97
Nova Scotia	0.05	0.00	n/a
Ontario and Quebec	3.88	1.98	22.08
Prince Edward Island	4.02	5.37	n/a
<b>Bell Canada</b>	3.95	1.49	n/a
<b>MTS Allstream</b>	19.96	14.22	64.60
<b>SaskTel</b>	21.40	14.24	31.94
<b>Télébec</b>	17.64	5.85	15.53
<b>TCC</b>			
Alberta	4.63	0.68	5.38
British Columbia	25.19	12.46	22.89
Quebec	14.20	2.63	47.30

n/a: not applicable

22. The Commission **approves on a final basis**, effective 1 January 2008, and **approves on an interim basis**, effective 1 January 2009, the monthly subsidy per residential NAS amounts for each HCSA band for the territories of the large ILECs and Télébec as shown in Table 1.
23. The Commission directs the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts for 2008. The Commission also directs the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2009.

## **Other matters**

### **Excess NCF funds after processing the December 2008 data-month**

24. In Telecom Decision 2007-98, the Commission approved revised procedures for the operation of the NCF that resulted in funds in excess of the CPCC requested minimum balance being retained by the required contributors as uncalled contribution, rather than being held by the NCF as a cash surplus. In addition, the Commission indicated that it would direct the CFA to release the uncalled contribution at year-end because these amounts would not be needed by the NCF in that year.
25. The Commission notes that the current CPCC requested NCF minimum balance is \$5 million.
26. The Commission considers that any uncalled contribution in excess of the \$5 million minimum balance after processing the December 2008 data-month is not required by the NCF and that the uncalled contribution can be released.
27. Accordingly, the Commission directs the CFA, after it has processed the December 2008 data-month, to release any 2008 uncalled contribution.

Secretary General

## **Related documents**

- *TELUS Communications Company – 2008 application to update its funding requirements for its service improvement plan and related matters*, Telecom Decision CRTC 2008-103, 23 October 2008
- *Bell Aliant Regional Communications, Limited Partnership – Application for a subsidy adjustment for the period 1 January 2002 to 31 December 2007*, Telecom Decision CRTC 2008-66, 23 July 2008
- *TELUS Communications Company – Application for a subsidy adjustment, for its operating territory in Quebec, for the period 1 January 2003 to 31 December 2007*, Telecom Decision CRTC 2008-43, 29 May 2008
- *Northwestel Inc. - Residential primary exchange service costs for Band H1*, Telecom Decision CRTC 2007-127, 10 December 2007
- *Final 2007 revenue-percent charge and related matters*, Telecom Decision CRTC 2007-103, 2 November 2007
- *Revised procedures for the operation of the National Contribution Fund, effective January 2008*, Telecom Decision CRTC 2007-98, 11 October 2007

- *Follow-up to Decision 2007-27 – Show cause submission related to the application of the price cap regime to Télébec, Limited Partnership*, Telecom Decision CRTC 2007-60, 30 July 2007, as amended by Telecom Decision CRTC 2007-60-1, 10 August 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006
- *Restructured bands, revised loop rates and related issues*, Decision CRTC 2001-238, 27 April 2001, as amended by Decision CRTC 2001-238-1, 28 May 2001, and Decision CRTC 2001-238-2, 7 August 2001
- *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000

*This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>*