



## Telecom Decision CRTC 2008-18

Ottawa, 5 March 2008

### **CISC Business Process Working Group – Thresholds for the termination of Billing and Collection for 900 service**

Reference: 8622-M59-200513962 and 8622-B2-200600123

*In this Decision, the Commission approves several consensus items and resolves several non-consensus issues submitted by the CRTC Interconnection Steering Committee (CISC) Business Process Working Group related to the billing and collection for 900 service.*

*The Commission determines that a biller will have the option to terminate the 900 service portion of a billing and collection services (BCS) agreement with a particular interexchange service provider when the thresholds of 15 percent for chargebacks, or 10 percent for bad debt, of the total 900 service accounts receivable are exceeded for a period of three consecutive months for that service provider.*

*The Commission directs i) CISC to add new Article 12.4.1, as modified by the determinations in this Decision, to the currently approved BCS agreement; and ii) billers to add this new article as modified to all executed BCS agreements currently in operation, within 60 days of the date of this Decision. In addition, the Commission determines that billers are not required to insert a 900 service inquiry number into their bills.*

### **Introduction**

1. In Telecom Decision 2006-48, the Commission directed the CRTC Interconnection Steering Committee (CISC) Business Process Working Group (BPWG) to develop a threshold for the termination of services under a billing and collection services (BCS) agreement, specific to 900 calls.
2. The Commission received *Thresholds for Termination of Billing & Collection for 900 Service*, dated 30 March 2007 (BPRE063b), from the BPWG.
3. BPRE063b included several consensus items that operationalized the determinations made by the Commission in Telecom Decision 2006-48. The Commission has reviewed these consensus items and **approves** them. The report and other pertinent documentation can be accessed on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) under "Public Proceedings."
4. With the filing of BPRE063b, the BPWG also sought Commission determinations with regard to the following non-consensus issues:
  - 1) What is an appropriate level of threshold(s) of chargeback and/or bad debt circumstances in a BCS agreement that would permit termination of the 900 service portion of the BCS agreement by a biller?

- 2) Should the threshold(s) apply on a 900 program or on an interexchange (IX) service provider basis?
  - 3) Should proposed new terms and conditions be inserted in the template BCS agreement?
  - 4) Should a 900 end-customer service inquiry number be implemented?
5. The Commission notes that 900 service calling is a toll service offered through an interexchange carrier (IXC) such as an incumbent local exchange carrier (ILEC) or through an IX service provider such as a competitive IXC. The IXC or the IX service provider routes the 900 calls dialed by customers from their local service provider over the toll network to a 900 service content provider. An IXC or an IX service provider can acquire billing and collection services from a local service provider such as an ILEC or a competitive local exchange carrier (CLEC) and in those circumstances the ILEC or CLEC would be the biller.

## **Issues**

- 1) **What is an appropriate level of threshold(s) of chargeback and/or bad debt circumstances in a BCS agreement that would permit termination of the 900 service portion of the BCS agreement by a biller?**
6. Triton Global Communications (Triton) submitted that it would be appropriate to use the terms and conditions, including the thresholds for termination, that were applied by the ILECs in their 900 Service Accounts Receivable Management (ARM) agreements with their own 900 content provider customers. Triton proposed that any combination of chargebacks and bad debt exceeding 25 percent of total accounts receivable would be an appropriate threshold for termination of the 900 service in a BCS agreement. Triton also submitted that an IXC should only have the option to terminate a BCS agreement with respect to 900 service if the above threshold was exceeded in at least three consecutive months.
7. Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, and TELUS Communications Company (collectively, the ILECs) submitted that it was inappropriate to use the terms and conditions of their ARM agreements with their 900 content provider customers for the development of the termination threshold(s) in the Commission-mandated BCS agreement for 900 service. The ILECs argued that 900 services offered under an ARM agreement operated on substantially different operational and financial models. The ILECs submitted that the thresholds established for the termination of 900 calls under a BCS agreement should not be different than those already contained in the BCS agreement for other eligible services, which are 15 percent for chargebacks and 10 percent for bad debt.

*Commission's analysis and determinations*

8. The Commission notes that this particular issue has three components that need to be addressed.
  1. What are the appropriate threshold levels for chargebacks and bad debt for 900 service?
  2. Should those thresholds apply to the 900 service (900 number/program) solely or to all billable accounts?
  3. What is the appropriate amount of time that should elapse before termination of 900 service under a BCS agreement can occur?
9. The Commission notes that the currently approved BCS agreement between a biller and an IXC or IX service provider has termination thresholds, applicable to all eligible services, of 15 percent for chargebacks and 10 percent for bad debt of the IXC's or IX service provider's total accounts receivable. If an IXC or IX service provider exceeds either of these thresholds for two consecutive months, the biller has the option, with appropriate notification to the service provider, to terminate the BCS agreement.
10. The Commission notes that 900 content providers can choose any IXC or IX service provider to deliver their 900 content. The Commission considers that, subject to certain regulatory conditions, it is appropriate that each IXC or IX service provider have the flexibility to establish the terms and conditions of its agreements with its own 900 service content provider customers. The Commission considers that because the terms and conditions of the agreement between a 900 content provider and its underlying IXC or IX service provider are not mandated by the Commission, they therefore can differ from those in the Commission-mandated BCS agreement.
11. In Telecom Decision 2006-48, the Commission noted that the ILECs, and by extension the Commission, had borne the brunt of subscriber complaints related to 900 service billing disputes because of current BCS arrangements, which require 900 service charges to be included on the ILEC's customers' bills. The Commission notes that it required CISC to develop thresholds for the termination of services under a BCS agreement that were specific to 900 services. Accordingly, the Commission determines that for consistency purposes and in order to alleviate the burden caused by the subscribers' complaints, it is appropriate that the thresholds of 15 percent for chargebacks and 10 percent for bad debt, established in the BCS agreement for other eligible services, should also be made to apply to 900 service calls.
12. As to whether these thresholds should apply solely to 900 service or all billable accounts, for administrative simplicity, the Commission considers that such thresholds should apply solely to 900 service.
13. The Commission notes that the process of allowing for an end-customer to receive and analyze his/her bill, then contact the biller in the case of a disputed 900 service charge, and then have the biller analyze the dispute and finally contact the IXC or IX service provider for resolution of the issue could be lengthy. Given the length of an ILEC's 30-day billing cycle, the Commission notes that it could take up to 45 calendar days before an IX service provider such

as Triton would be made aware by a biller of chargeback and bad debt details related to 900 service for a particular month. The Commission considers that the condition in the current BCS agreement that a biller has the option to terminate the agreement following two consecutive months of above-threshold chargebacks or bad debt is insufficient and thus inappropriate for 900 service. The Commission therefore considers that for chargebacks and bad debt issues related to 900 service, it would be more appropriate that a biller should have the option of terminating the 900 service portion of the BCS agreement only if the chargeback and/or the bad debt thresholds are exceeded for three consecutive months to allow the IX service provider sufficient time to take remedial action.

**2) Should the threshold(s) apply on a 900 program or on an IX service provider basis?**

14. Triton submitted that, if an IXC exceeded the threshold for chargebacks and/or bad debt in a BCS agreement, only the 900 program that triggered the situation should be terminated and the IXC should be permitted to continue submitting call records for its other 900 programs, arguing that a single undisciplined 900 content provider could jeopardize the rest of the IXC's 900 content provider customer base. Triton submitted that this was particularly important during the initial entry of an IXC into the 900 service market when it might not have a broad enough base of customers to absorb a wayward content provider.
15. The ILECs disagreed, noting that, in general, the separation of 900 calls would trigger significant and costly changes to the current BCS processes as the BCS agreement does not currently distinguish between an IXC's customers for any other eligible call type.

*Commission's analysis and determinations*

16. The Commission considers that structuring the BCS agreement so that chargebacks and bad debt specific to 900 service are monitored at the 900 number or program level would introduce complexity and costs that were not considered when the Commission mandated implementation of the industry BCS agreement. The Commission is of the view that the three-month period provided for above allows IX service providers such as Triton sufficient time and opportunity to address chargebacks or bad debt situations, and deal with wayward 900 content provider customers.
17. The Commission notes that IXCs and IX service providers such as Triton have direct influence over the structure and content of agreements they enter into with their 900 content provider customers. Therefore, such service providers have the ability to negotiate terms and conditions at contract renewal or implementation time with their 900 content provider customers in order to mitigate the potential amount of chargebacks and bad debt that could occur. Such an opportunity would be equally available to any IXC or IX service provider entering into the 900 service market at a future date.
18. Accordingly, given the above, the Commission determines that the thresholds of 15 percent for chargebacks and 10 percent for bad debt in the BCS agreement for 900 service are to apply on an IXC or IX service provider basis rather than a 900 number/program basis.

**3) Should proposed new terms and conditions be inserted in the template BCS agreement?**

19. The ILECs proposed that the following two new articles be added after Articles 12.3 and 12.4, respectively, of the current template BCS agreement:

12.3.1 If, in the Biller's reasonable judgment, the provision of Billing and Collection Services for 900 calls under this Agreement gives rise to an unreasonable number of Customer complaints, the Biller may at its sole discretion terminate the portion of the Agreement related to the exchange of 900 bill records and remove 900 Service Calls from the list of eligible services under this Agreement. Notwithstanding Article 12.7 below, the Biller will provide thirty (30) days prior written notice to the SP<sup>1</sup> for termination under this Article.

12.4.1 In the event the Chargebacks associated with the SP's Accounts Receivable related to charges incurred by accessing 900 Service content are at a level of X% or more of the SP's total Accounts Receivable related to charges incurred by accessing 900 Service content for a period of two (2) consecutive months, or if the Bad Debt associated with the SP's Accounts Receivable related to charges incurred by accessing 900 Service content is at a level of Y% or more of the SP's total Accounts Receivable related to charges incurred by accessing 900 Service content for a period of two (2) consecutive months, the Biller may at its sole discretion terminate the portion of the Agreement related to the exchange of 900 bill records and remove 900 Service Calls from the list of eligible services under this Agreement, as specified in Article 12.7.

20. The BPWG indicated that it would review the term "unreasonable" (see proposed Article 12.3.1) in the context of customer complaints, and would submit its recommendations to the Commission in a separate report.

21. Triton submitted that an industry trial was required to define the thresholds and language for the new articles, and that the above proposal was therefore irrelevant.

***Commission's analysis and determinations***

22. The Commission is concerned that proposed Article 12.3.1 with no consensus definition of the term "unreasonable," applicable to 900 service, may confer an undue preference to the biller that would jeopardize the ability of an IX service provider like Triton and its associated 900 content provider customers to continue their business. The Commission notes that this proposed article, specific to 900 service, is similar to Article 12.3 which is spelled out for the eligible services in the currently approved BCS agreement. Given the above concern and the existence of Article 12.3, the Commission determines that the insertion of proposed Article 12.3.1 in the BCS agreement with regard to 900 service is currently not warranted.

23. The Commission notes that proposed Article 12.4.1, when appropriately modified, will reflect the Commission's determinations set out in this Decision. Accordingly, the Commission determines that Article 12.4.1 should be inserted into the current template BCS agreement and

---

<sup>1</sup> "SP" stands for service provider.

modified to reflect the threshold levels of 15 percent (X) for chargebacks and 10 percent (Y) for bad debt. In addition, the period of two consecutive months should be modified to three consecutive months.

**4) Should a 900 end-customer service inquiry number be implemented?**

24. Triton submitted that billers should be required to post the IX service provider's toll-free telephone number on the third-party bill, and have the biller's customer service agents refer all caller inquiries to this telephone number instead of issuing a chargeback. Triton indicated that including the IXC number in its United States operations reduced the number of customer complaints, chargebacks, and bad debts. Triton reported that billers in Canada were currently referring only a portion of service and rate inquiries to the IXCs, thus increasing the IXCs' chargeback and bad debt levels.
25. The ILECs submitted that the biller was the first to be contacted by the end-customer in the event of a complaint about a charge on a bill. The ILECs submitted that the current procedures were appropriate and sufficient to maximize the collection of these accounts receivable, and to minimize chargebacks to IXCs.

*Commission's analysis and determinations*

26. The Commission considers that, notwithstanding any success that Triton has enjoyed in the United States, Triton's proposal to have the end-customer deal with a 900 IX service provider directly when challenging a billed amount rather than with the biller would add significant administrative complexity to the current BCS mechanism and confusion for the end-customer. In particular, the Commission notes that a mechanism would need to be developed to allow the 900 IX service providers to notify the biller of the end-customer's decision to accept and pay the charges, negotiate a settlement, or reject the billed amount. In addition, under the terms and conditions of the billing and collection process, the charges are held by the biller as an accounts receivable and the disposition of these charges is solely under the control of the biller.
27. The Commission considers that the current chargeback and bad debt mechanisms included in the BCS agreement appropriately protect the rights of both the biller and the parties acquiring BCS 900 service. The Commission therefore determines that the biller will not be required to post the 900 IX service provider's toll-free number along with the charges on the billing statement.

**Conclusion**

28. The Commission determines chargebacks or bad debt thresholds of 15 percent or more, and 10 percent or more, respectively, of the total 900 service accounts receivable from an IXC or an IX service provider, during three consecutive months, to be appropriate whereby a biller would have the option to, following a prescribed notice period, terminate the 900 service portion of the BCS agreement with that particular IXC or IX service provider.

29. The Commission directs CISC to reflect the determinations set out above in the template BCS agreement within 60 days of the date of this Decision. The Commission also directs all service providers offering billing and collection services for 900 service to an IXC or an IX service provider through the Commission-approved template BCS agreement to modify any existing agreement to reflect these determinations within 60 days of the date of this Decision.

Secretary General

### **Related document**

- *MTS Allstream and Bell Canada – Part VII applications regarding 900 service*, Telecom Decision CRTC 2006-48, 3 August 2006

*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>*