



Telecom Decision CRTC 2008-43

Ottawa, 29 May 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

Reference: 8695-T69-200801036

In this Decision, the Commission approves a request by TELUS Communications Company (TCC) for a subsidy adjustment, for its operating territory in Quebec, for the period from 1 January 2003 to 31 December 2007. The Commission directs the Central Fund Administrator to remit \$0.882 million in additional subsidy to TCC, as a priority payment, within 30 days from the date of this Decision.

Introduction

1. In Decision 2000-745, the Commission determined that, effective 1 January 2002, the subsidies paid to the local exchange carriers by the Central Fund Administrator (CFA) would be calculated based on a subsidy per residential network access service (NAS) methodology in the territories of the incumbent local exchange carriers (ILECs).¹ On an annual basis, the Commission approves the final subsidy per residential NAS amounts for these ILECs.
2. The Commission received an application by TELUS Communications Company (TCC), dated 22 January 2008, requesting that the Commission direct the CFA to remit \$882,307 in retroactive subsidy from the National Contribution Fund (NCF) as a priority payment, for the period from 1 January 2003 to 31 December 2007 (the Relevant Period). TCC submitted that this payment would correct for an inadvertent error it made in its subsidy calculations for its operating territory in Quebec.
3. No comments were received with respect to this application. The public record of this proceeding, which closed on 22 February 2008, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings."

TCC's application

4. TCC noted that the band-specific subsidy per residential NAS calculations included, among other things, the average residential local rate by band. The company also noted that the annual subsidy requirement was then determined by multiplying the subsidy per residential NAS amounts by the corresponding number of residential NAS in that band.

¹ These companies are now known as Bell Aliant Regional Communications, Limited Partnership; Bell Canada; MTS Allstream Inc.; Saskatchewan Telecommunications; Télébec, Limited Partnership; and TELUS Communications Company.

5. TCC indicated that it had reported its average residential local rates based upon the actual monthly recurring rates billed to residential customers. TCC, however, noted that it had recently realized that these amounts included its Message Relay Service (MRS) that had been embedded in the monthly local rate since 1996 and that the MRS rate has been \$0.11 per NAS per month since 1998.
6. TCC submitted that, since the cost component of the subsidy calculations did not include MRS costs, the revenue component should not include the MRS rate.
7. TCC also submitted that its situation was similar to that of Saskatchewan Telecommunications (SaskTel). In this regard, TCC noted that the Commission, in Telecom Decision 2007-99, directed the CFA to remit to SaskTel a retroactive subsidy adjustment from the NCF as a priority payment.
8. TCC provided calculations showing that the inadvertent inclusion of the MRS rate in its subsidy calculations had resulted in it receiving \$882,307 less in subsidy over the years 2003 to 2007 than it would have received had the MRS rate not been included.

Commission's analysis and determinations

9. The Commission notes that TCC provided service to its residential customers in high-cost serving areas during the Relevant Period.
10. The Commission acknowledges that TCC provided the residential service in question at retail rates that included the \$0.11 per NAS per month for MRS, but that the monthly equivalent costs for residential service used in the subsidy per NAS calculation did not include the costs for MRS. The Commission finds that, like other ILECs that received subsidy for the provision of residential service in their high-cost bands during the Relevant Period, TCC would have received additional subsidy if it had correctly calculated its band-average residential local rates during the Relevant Period.
11. The Commission considers that the error that led to TCC's mistake was an inadvertent mistake made several years after the MRS rate had been embedded in the residential local rate (i.e. the MRS rate had not just recently been embedded in the residential local rate).
12. In the circumstances of this case, the Commission concludes that TCC should receive a subsidy adjustment for the Relevant Period.
13. The Commission notes that the subsidy calculation methodologies to be used by TCC, for its operating territory in Quebec, for the years 2003 to 2007, were approved in Telecom Decisions 2002-43 and 2007-27.

14. In light of the above, the Commission has calculated that TCC is entitled to \$0.882 million in additional subsidy from the NCF for the Relevant Period. Accordingly, the Commission **approves** a subsidy adjustment of \$0.882 million for TCC and directs the CFA to remit this amount to TCC, as a priority payment, within 30 days of the date of this Decision.

Secretary General

Related documents

- *Saskatchewan Telecommunications – Application for a subsidy adjustment for the period 1 January 2002 to 31 December 2006*, Telecom Decision CRTC 2007-99, 23 October 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002
- *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>