



Telecom Decision CRTC 2008-66

Ottawa, 23 July 2008

Bell Aliant Regional Communications, Limited Partnership – Application for a subsidy adjustment for the period 1 January 2002 to 31 December 2007

Reference: 8695-B54-200804460

In this Decision, the Commission approves a request by Bell Aliant for a subsidy adjustment for the period from 1 January 2002 to 31 December 2007. The Commission directs the Central Fund Administrator to remit \$2.4 million in additional subsidy to Bell Aliant, as a priority payment, within 30 days of 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 Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), dated 26 March 2008, requesting that the Commission direct the CFA to remit \$2.4 million in retroactive subsidy from the National Contribution Fund (NCF) as a priority payment, for the period from 1 January 2002 to 31 December 2007 (the Relevant Period). Bell Aliant submitted that this payment would correct an inadvertent error it had made in its subsidy calculations.
3. No comments were received with respect to this application. The public record of this proceeding, which closed on 15 May 2008, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings."

Bell Aliant's application

4. Bell Aliant 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. Bell Aliant further noted that any misstatement of the residential primary exchange service revenues in the subsidy calculation would result in a misstatement of the subsidy requirement.
5. Bell Aliant indicated that it had reported its average residential local rates based upon the monthly recurring rates found in its tariff. Bell Aliant, however, noted that these amounts included its Message Relay Service (MRS) that had been embedded in the monthly local rates since 1990.

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.

6. Bell Aliant submitted that, since the cost component of the subsidy calculations did not include MRS costs, the revenue component should not include the MRS rates.
7. Bell Aliant also submitted that its situation was similar to that of Saskatchewan Telecommunications (SaskTel). In this regard, Bell Aliant 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. Bell Aliant requested that the Commission approve the use of its unbundled MRS rates, approved pursuant to Telecom Decision 98-22, because the costing information from 1990 was not available. Bell Aliant noted that the approved unbundled MRS rates were \$0.05 for New Brunswick, \$0.08 for Newfoundland and Labrador, and \$0.17 for Nova Scotia and Prince Edward Island and that these rates remain in effect today.
9. Bell Aliant provided calculations showing that the inadvertent inclusion of these MRS rates in its subsidy calculations had resulted in it receiving \$2.4 million less in subsidy over the years 2002 to 2007 than it would have received had the MRS rates not been included.

Commission's analysis and determinations

10. The Commission notes that Bell Aliant provided service to its residential customers in high-cost serving areas during the Relevant Period.
11. The Commission acknowledges that Bell Aliant provided the residential service in question at retail rates that included 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, Bell Aliant would have received additional subsidy if it had correctly calculated its band-average residential local rates during the Relevant Period.
12. The Commission notes that the error that led to Bell Aliant's mistake was made years after the MRS rates had been embedded in the residential local rates (i.e. the MRS rates had not just recently been embedded in the residential local rates), and considers that the mistake was inadvertent.
13. In the circumstances of this case, the Commission concludes that Bell Aliant should receive a subsidy adjustment for the Relevant Period.
14. The Commission notes that, in Telecom Decision 98-22, it approved final rates for unbundled local network components, including MRS rates, for the four Atlantic telephone companies that are now part of Bell Aliant.² As noted above, the approved unbundled MRS rates were \$0.05 for New Brunswick, \$0.08 for Newfoundland and Labrador, and \$0.17 for Nova Scotia and Prince Edward Island.

² The four Atlantic telephone companies were known as Island Telecom Inc., Maritime Tel & Tel Limited, NBTel Inc., and NewTel Communications Inc.

15. Since MRS was implemented during rate of return regulation and separate retail MRS rates were not approved for the four Atlantic telephone companies, the Commission considers Bell Aliant's proposal to use its unbundled MRS rates from Telecom Decision 98-22 to be the best information available and, therefore, reasonable.
16. The Commission notes that the subsidy calculation methodologies to be used by Bell Aliant for the years 2002 to 2007 were approved in Telecom Decisions 2002-34 and 2007-27.
17. In light of the above, the Commission has calculated that Bell Aliant is entitled to \$2.4 million in additional subsidy from the NCF for the Relevant Period. Accordingly, the Commission **approves** a subsidy adjustment of \$2.4 million for Bell Aliant and directs the CFA to remit this amount to Bell Aliant, 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
- *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002
- *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000
- *Final rates for unbundled local network components*, Telecom Decision CRTC 98-22, 30 November 1998, as amended by Telecom Decision CRTC 1998-22-1, 10 December 1998

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