



## Telecom Order CRTC 2014-22

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Ottawa, 24 January 2014

### **Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Monthly payment amount for installation of legacy business Gateway Access Service accesses**

File numbers: 8740-B54-201312660, 8740-B2-201312678, Bell Aliant Tariff Notice 456, and Bell Canada Tariff Notice 7404

*In this order, the Commission approves a request by Bell Aliant and Bell Canada to increase the monthly payment amount of the service charge for installing legacy business Gateway Access Service accesses from \$1.00 to \$1.50 per month per access, under payment option 3 of their tariffs. The Commission also approves CNOC's request that contractually committed independent service providers be permitted to select a different installation charge payment option for new accesses due to this increase. The Commission denies CNOC's request that the current \$1.00 monthly payment be grandfathered for existing business accesses. Therefore, as of the date of this order, the revised business monthly payment amount of \$1.50 will apply to all existing and new accesses for independent service providers under payment option 3.*

#### **Introduction**

1. Gateway Access Service (GAS) is a service provided by Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, the Bell companies) that enables independent service providers to provide Internet and other services to their end-customers. Currently, the service charge for installing either a business or a residential legacy GAS access (installation charge) is \$50.
2. According to item 5410 – Gateway Access Service of the Bell companies' respective General Tariffs, an independent service provider can elect to use one of three options to pay the installation charge:
  - option 1: pay the \$50 installation charge up front;
  - option 2: pay \$2.25 per month per access for a 24-month period; or
  - option 3: pay \$1.50 per month per residential access and \$1.00 per month per business access until the associated GAS access is disconnected or terminated.
3. The Commission received applications from the Bell companies, dated 12 September 2013, proposing to increase the monthly service charge payment (monthly payment) for business accesses under option 3 to \$1.50, to match the existing monthly

payment for residential accesses. The Bell companies filed 12 months of data to support the proposed increase.

4. The Commission received interventions regarding the Bell companies' applications from the Canadian Network Operators Consortium Inc. (CNOc). The public record of this proceeding, which closed on 4 November 2013, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) under "Public Proceedings" or by using the file numbers provided above.
5. The Commission considers that it must address the following issues in its determinations:
  - I. Should the Commission approve the Bell companies' proposed increase to the monthly payment under option 3 for business GAS access installations?
  - II. If yes, should the current \$1.00 monthly payment be grandfathered for existing legacy business GAS accesses under option 3?
  - III. Should independent service providers be allowed to switch payment options for new accesses installed during an existing contract term?
- I. Should the Commission approve the Bell companies' proposed increase to the monthly payment under option 3 for business GAS access installations?**
6. The Bell companies submitted that under option 3, a monthly payment of \$1.58 for both residential and business accesses, paid over the average service life of the accesses, would compensate them for not receiving the \$50 installation charge up front. However, rather than seeking an \$0.08 increase in the monthly payment for residential accesses and a \$0.58 increase for business accesses, they proposed to simply increase the business monthly payment amount to match the existing residential amount. The Bell companies based their proposal on the Commission's determination, in Telecom Decision 2013-73, that residential and business wholesale high-speed access services are essentially the same, which was upheld in Telecom Decisions 2013-399 and 2013-480.
7. CNOc submitted that under option 3, the sum of the monthly payments made until a GAS access is disconnected or terminated may be either more or less than the one-time \$50 installation charge. CNOc also submitted that, based on the fact that option 3 monthly payments continue until a given access is disconnected or terminated, it is important for the Commission to maintain a rate that will not, on average, become a burden to independent service providers and their customers after the \$50 installation charge has been recovered.
8. CNOc indicated that it would support the proposed increase to the business monthly payment amount under option 3, so long as the costs incurred by the Bell companies are the same for both business and residential accesses, and those costs support the proposed \$1.50 amount. CNOc submitted that this situation could occur only if the

Bell companies' churn data is essentially the same for business and residential GAS accesses, since all other costs incurred by the Bell companies for GAS installations are common to both business and residential GAS.

9. The Bell companies replied that the installation charge is the same for both residential and business GAS (i.e. \$50), while the churn rates and lifespans of accesses are not. They submitted, however, that the proposed increase would not become a burden to independent service providers as it does not, on average, provide full recovery of the \$50 installation charge. They argued that the proposed revised amount would continue to offer independent service providers an option that reduces their immediate entry costs per end-customer rather than requiring an upfront \$50 payment per access.

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

10. The Commission notes that the Bell companies' proposal reflects the Commission's determination, made in Telecom Decisions 2013-73, 2013-399, and 2013-480, that residential GAS and business GAS are essentially the same.
11. The Commission has examined the data provided by the Bell companies, including lifespans and churn rates for residential and business accesses, and concludes that the Bell companies are not recovering their \$50 installation charge, on average, when independent service providers select option 3.
12. Further, the Commission considers that the \$0.50 increase to the monthly payment for business accesses is not significant in consideration of recent decreases in legacy business GAS access monthly rates of at least \$6 per month, as approved in Telecom Decision 2013-480.
13. In light of the above, the Commission **approves** the Bell companies' proposed increase, to \$1.50 per month per business access, in the monthly payment under option 3, effective the date of this order.

### **II. If yes, should the current \$1.00 monthly payment be grandfathered for existing legacy business GAS accesses under option 3?**

14. CNOC requested that the Commission grandfather the current monthly payment amount for existing accesses, unless the Bell companies can clearly demonstrate that failure to implement the proposed increase would not allow them to fully recover the \$50 installation charge.
15. The Bell companies submitted that grandfathering the current \$1.00 monthly payment would be contrary to the Commission's implementation of other GAS price changes in Telecom Decision 2013-480.
16. The Bell companies also submitted that it is unnecessary to protect the independent service providers from a \$0.50 increase when monthly wholesale business GAS access rates have been significantly reduced. They added that grandfathering the

current payment amount would result in significant costs to change billing and ordering systems. Finally, the Bell companies submitted that the proposed increase would help them recover the \$50 installation charge from the declining base of legacy GAS customers.

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

17. The Commission is satisfied that the data provided by the Bell companies reflects reasonable estimates of churn rates for both residential and business accesses. The Commission notes that the monthly payment amount is developed based on an approved service charge, taking into consideration access lifespans and churn rates. It is set at a level that, on average, will recover the \$50 installation charge per access.
18. However, the Commission notes that, as raised by the Bell companies, a business GAS monthly payment amount of \$1.58 would be required to recover the \$50 installation charge, on average, and therefore the proposed \$1.50 monthly payment amount for business accesses is not sufficient to recover that charge. If the Commission were to grandfather the existing \$1.00 monthly payment, the Bell companies would recover even less of the installation charge.
19. In light of the above, the Commission **denies** CNOC's request to grandfather the current \$1.00 business GAS monthly payment for existing accesses under option 3. Therefore, as of the date of this order, the revised business monthly payment amount of \$1.50 will apply to all existing and new accesses for independent service providers under option 3.

### **III. Should independent service providers be allowed to switch payment options for new accesses installed during an existing contract term?**

20. CNOC submitted that a GAS customer must make a series of projections and calculations, and determine an optimal economic course of action, before selecting a payment option for installation charges for a contract term. CNOC argued that a rate increase of 50 percent for one of those options is a significant change that would have a substantial adverse impact on the GAS customer's business.
21. CNOC also submitted that it is just and reasonable to give GAS customers who are already contractually committed to option 3 an opportunity to modify their payment option for newly installed accesses, without any delay or penalty, within 90 days of a determination to change the monthly payment amount. CNOC further submitted that the Bell companies should be required to send two separate notifications regarding this opportunity to the independent service providers, the first within 30 days of any Commission determination and the second within 60 days of any determination.

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

22. According to the Bell companies' tariffs, one installation charge payment option must be selected at the start of the contract period and remain in force for its duration. However, if an independent service provider selects option 3 for a contract

period, the monthly payment continues until the associated accesses are disconnected or terminated, which could occur after the original contract period expires. In some cases, the independent service provider may enter into a new contract and select a different payment option for new accesses. Thus, the Bell companies must be prepared to accommodate changes to payment options for independent service providers once a contract expires.

23. In view of the above, and taking into account CNOC's arguments regarding the impact of a rate increase on GAS customers, the Commission considers that CNOC's request to allow independent service providers 90 days to change their payment option for new accesses is reasonable.
24. With respect to CNOC's request that the Bell companies send the independent service providers two notifications of the opportunity to modify their payment option, within 30 days and 60 days of any determination, the Commission considers that one notification within 30 days should be sufficient.
25. In light of the above, the Commission directs the Bell companies to notify contractually committed independent service providers, within **30 days** of the date of this order, that for new accesses installed during their current contract period, independent service providers may choose an alternative payment option, within 90 days of the date of this order. Independent service providers can choose another option, without penalty, due to the increase in the business monthly payment amount.

## Policy Direction

26. The Policy Direction<sup>1</sup> states that the Commission, in exercising its powers and performing its duties under the *Telecommunications Act* (the Act), shall implement the policy objectives set out in section 7 of the Act, in accordance with paragraphs 1(a), (b), and (c) of the Policy Direction.
27. The Commission considers that its determinations in this order will advance the policy objectives set out in paragraphs 7(b), (c), and (f)<sup>2</sup> of the Act. The Commission also considers that its determinations are consistent with the Policy Direction requirements that (i) the measures in question are efficient and proportionate to their

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<sup>1</sup> *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006

<sup>2</sup> These objectives are the following:

7(b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;

7(c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications; and

7(f) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective.

purpose and interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives, and (ii) the measures neither deter economically efficient competitive entry into the market nor promote economically inefficient entry.

Secretary General

### **Related documents**

- *Review of rate principles for legacy business wholesale high-speed access services*, Telecom Decision CRTC 2013-480, 11 September 2013
- *Bell Aliant Regional Communications, Limited Partnership, and Bell Canada – Application to review and vary determinations made in Telecom Decisions 2013-72 and 2013-73 regarding the use of a common billing model for both residential and business wholesale high-speed access (HSA) services and the markup associated with business wholesale HSA services*, Telecom Decision CRTC 2013-399, 9 August 2013
- *Canadian Network Operators Consortium Inc. – Application to review and vary Telecom Regulatory Policies 2011-703 and 2011-704*, Telecom Decision CRTC 2013-73, 21 February 2013