



Telecom Decision CRTC 2016-473

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Final 2016 revenue-percent charge and related matters

*The Commission **approves on a final basis**, effective 1 January 2016, a 2016 contribution collection revenue-percent charge of 0.53% and the 2016 subsidy per residential network access service (NAS) amounts for the incumbent local exchange carriers (ILECs).*

*In addition, the Commission **approves on an interim basis**, effective 1 January 2017, a 2017 contribution collection revenue-percent charge of 0.63% and the 2017 subsidy per residential NAS amounts for the ILECs.*

The determinations in this decision ensure that residential local telephone service rates in high-cost serving areas are just and reasonable and will also provide funding for video relay service in Canada.

Introduction

1. During the 1990s, through a series of proceedings and decisions, the Commission opened up various telecommunications markets to competition, including the local telephone market, to enhance the Canadian telecommunications system and to give Canadians the benefits of competition. The Commission also established a subsidy regime, whereby money collected from telecommunications companies is used to subsidize residential local telephone service. This subsidy regime ensures that residential local telephone service rates are just and reasonable, as required by subsection 27(1) of the *Telecommunications Act*.
2. In Decision 2000-745, the Commission modified the subsidy regime to introduce a national revenue-based contribution collection mechanism and a new methodology for calculating the subsidy afforded to high-cost serving areas (HCSAs)¹ in the territories of the incumbent local exchange carriers (ILECs).²
3. Contribution is paid into a national fund, known as the National Contribution Fund (NCF), by telecommunications service providers (TSPs), or groups of related TSPs, that have \$10 million or more in Canadian telecommunications service revenue. Subsidy is then paid out to the ILECs, who are also TSPs, for providing residential local telephone service in regulated HCSAs. While non-ILEC TSPs only pay into the fund, the ILECs can be either net payers into the fund or net receivers from the fund,

¹ An HCSA is a clearly defined geographical area where the monthly costs to provide basic service are greater than the associated revenues generated by service rates.

² Since Decision 2000-745, modifications have been made to various components of the subsidy regime.

depending on how much they have to pay in and how much they are entitled to receive each month.

4. In Telecom Regulatory Policy 2014-187, the Commission determined that a national Video Relay Service (VRS) would be implemented in Canada with funding being provided through the NCF. The Commission also established a \$30 million funding cap to cover all administrative and service-related costs for VRS.
5. Annually, the Commission finalizes the subsidy amounts/rates to be paid to ILECs providing residential local telephone service in regulated HCSAs. In order to provide this subsidy and VRS funding, the Commission establishes a final revenue-percent charge to ensure that the amount of money collected is sufficient to meet the subsidy and VRS payments. The Commission also sets interim contribution and subsidy amounts/rates for the following year, so that the NCF can continue to pay the ILECs' subsidy and provide VRS funding until the following year's contribution and subsidy amounts/rates are finalized.
6. In Telecom Decision 2015-533, the Commission set, on an interim basis for 2016, a revenue-percent charge of 0.56% and the subsidy per residential network access service (NAS) amounts for the ILECs. The interim revenue-percent charge included VRS funding for 2016.
7. The Commission received submissions regarding subsidy amounts/rates from the ILECs, namely Bell Canada,³ MTS Inc. (MTS), Saskatchewan Telecommunications (SaskTel), Télébec, Limited Partnership (Télébec), and TELUS Communications Company (TCC) [collectively, the large ILECs]; the small ILECs;⁴ and Northwestel Inc. (Northwestel). The Commission also received a submission from Canadian Telecommunications Contribution Consortium Inc. (CTCC).⁵ The public record of this proceeding, which closed on 8 July 2016, is available on the Commission's website at www.crtc.gc.ca or by using the file number provided above.⁶
8. The Commission addresses the following matters in this decision:
 - the estimated national subsidy and VRS requirement for 2016;
 - the final 2016 revenue-percent charge;
 - the final 2016 and interim 2017 subsidy payments from the NCF;
 - the interim 2017 revenue-percent charge; and
 - the excess NCF funds after processing the December 2016 data-month.

³ Included the company formerly known as Bell Aliant Regional Communications, Limited Partnership (Bell Aliant).

⁴ See Table 2 for a list of the small ILECs.

⁵ CTCC is responsible for establishing the procedures necessary for the operation of the NCF and contracting with a company to act as the Central Fund Administrator.

⁶ As noted in this decision, funding requirements for VRS are determined in a separate proceeding.

Estimated national subsidy and VRS requirement for 2016

9. The national subsidy and VRS requirement is based on the sum of (1) the estimated HCSA total subsidy amount for the ILECs, (2) the funding for VRS, and (3) the administrative and operational costs of CTCC and the Central Fund Administrator (CFA).⁷

Estimated HCSA total subsidy amount for the ILECs

10. As stated earlier in this decision, ILECs receive subsidy for providing residential local telephone service in regulated HCSAs. This subsidy is based upon the monthly number of residential NAS in each ILEC HCSA band⁸ and the corresponding subsidy per residential NAS amounts. The subsidy per residential NAS amounts are calculated annually and approved by the Commission. Each ILEC HCSA band subsidy per residential NAS amount, in simplified terms, is the net of the cost component less the revenue component. However, the calculations for these components can vary by ILEC or groups of ILECs.⁹

Large ILECs

11. The large ILECs are required to file, by 31 March of each year, their subsidy per residential NAS calculations, which includes their residential NAS information from the previous year.
12. The Commission finds the 2016 subsidy calculations for the large ILECs to be in accordance with the directives set out in Telecom Decisions 2007-27 and 2007-60, and Telecom Regulatory Policy 2011-291.
13. The Commission estimates (a) the 2016 total subsidy amount for the large ILECs to be \$69.7 million and (b) based on the 31 December 2015 NAS information, approximately 486,400 residential NAS would be subsidized.

Small ILECs

14. The small ILECs are required to file, by 15 April of each year, information for their subsidy per residential NAS calculations, which includes their residential NAS information from the previous year.

⁷ The CFA is responsible for (i) maintaining the system used by TSPs to report contribution-eligible revenue and by ILECs to report subsidy-eligible NAS, (ii) calculating monthly contribution payments and monthly subsidy entitlements, (iii) collecting contribution, and (iv) paying subsidy and VRS funding.

⁸ An HCSA band represents a group of exchanges or wire centres with similar characteristics, such as number of lines, remoteness, and, in some cases, loop length. Band costs may vary by ILEC or by region within ILEC territories. See Decisions 2001-238 and 2001-756, and Telecom Decisions 2005-4 and 2007-5 for more details.

⁹ See Telecom Regulatory Policies 2011-291, 2013-160, and 2013-711 for decisions related to the large ILECs, the small ILECs, and Northwestel, respectively.

15. The Commission finds the subsidy information filed by the small ILECs to be in accordance with the directives set out in Telecom Regulatory Policy 2011-291. The Commission estimates (a) the 2016 total subsidy amount for the small ILECs to be \$11.4 million and (b) based on the 31 December 2015 NAS information, approximately 104,300 residential NAS would be subsidized.

Northwestel

16. Northwestel is required to file, by 31 March of each year, its subsidy per residential NAS calculation, which includes its residential NAS information from the previous year.
17. The Commission finds Northwestel's subsidy calculation to be in accordance with the directives set out in Telecom Regulatory Policies 2011-771 and 2013-711. The Commission estimates (a) the 2016 total subsidy amount for Northwestel to be \$8.8 million and (b) based on the 31 December 2015 NAS information, approximately 16,100 residential NAS would be subsidized.
18. In Telecom Decision 2007-5, the Commission approved \$10.1 million in annual funding related to the non-access portion of Northwestel's service improvement program (SIP) that was completed in 2005. This amount is in addition to Northwestel's 2016 total subsidy amount.

Funding for VRS

19. In Telecom Decision 2015-532, the Commission approved \$5.5 million in funding for VRS for 2016.

CTCC and CFA administrative and operational costs

20. The Commission received notification from CTCC that the estimated CTCC and CFA administrative and operational costs would be approximately \$0.9 million for 2016. This amount has been included in the national subsidy and VRS requirement.

Estimated 2016 national subsidy and VRS requirement

21. In light of the above, the Commission estimates the total 2016 national subsidy and VRS requirement to be \$106.4 million.

Final 2016 revenue-percent charge

22. The revenue-percent charge is calculated using the ratio of the national subsidy and VRS requirement to the estimated total contribution-eligible revenues of all TSPs that are required to contribute.
23. The Commission considers that a final 2016 revenue-percent charge of 0.53% would be appropriate to ensure the stability of the NCF.

24. Therefore, the Commission **approves** a final 2016 revenue-percent charge of 0.53%, effective 1 January 2016.

Final 2016 and interim 2017 subsidy payments from the NCF

Subsidy payments for the large ILECs

25. The Commission **approves on a final basis**, effective 1 January 2016, and **approves on an interim basis**, effective 1 January 2017, the monthly subsidy per residential NAS amounts for each HCSA band for the large ILECs as shown in Table 1.

Table 1

Final 2016 monthly subsidy per residential NAS amounts by HCSA band

Large ILEC	HCSA Band (\$)		
	E	F	G
Bell Canada – New Brunswick	0.00	0.00	n/a
Bell Canada – Newfoundland and Labrador	0.34	0.40	5.75
Bell Canada – Nova Scotia	0.00	0.00	n/a
Bell Canada – Ontario and Quebec (formerly Bell Aliant)	0.00	0.00	14.25
Bell Canada – Prince Edward Island	0.00	1.10	n/a
Bell Canada	0.00	0.00	n/a
MTS	14.73	7.51	60.98
SaskTel	17.34	9.03	26.21
TCC – Alberta	3.91	0.00	4.08
TCC – British Columbia	20.64	7.36	18.34
TCC – Quebec	9.39	0.00	43.85
Télébec	18.85	6.30	16.39

n/a: not applicable

26. The Commission **directs** the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts for 2016. The Commission also **directs** the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2017.

Subsidy payments for the small ILECs

27. The Commission **approves on a final basis**, effective 1 January 2016, and **approves on an interim basis**, effective 1 January 2017, the monthly subsidy per residential NAS amounts for each HCSA band for the small ILECs as shown in Table 2.

Table 2

Final 2016 monthly subsidy per residential NAS amounts by HCSA band

British Columbia

Small ILEC	HCSA Band (\$)					
	E	F-1	F-2	F-3	F-4	G
CityWest Telephone Corporation	n/a	n/a	n/a	n/a	0.00	n/a

Ontario

Small ILEC	HCSA Band (\$)					
	E	F-1	F-2	F-3	F-4	G
Amtelecom Limited Partnership	15.06	14.42	n/a	n/a	6.80	n/a
Brooke Telecom Co-operative Ltd.	8.41	n/a	n/a	n/a	n/a	n/a
Bruce Telecom	2.17	1.65	n/a	0.00	n/a	n/a
Cochrane Telecom Services	n/a	n/a	0.00	n/a	n/a	n/a
DMTS	n/a	n/a	n/a	4.12	n/a	n/a
Execulink Telecom Inc.	8.57	7.93	n/a	n/a	n/a	n/a
Gosfield North Communications Co-operative Limited	n/a	7.77	n/a	n/a	n/a	n/a
Hay Communications Co-operative Limited	9.07	n/a	6.85	n/a	n/a	n/a
Huron Telecommunications Co-operative Limited	8.41	7.77	n/a	n/a	n/a	n/a
KMTS	8.57	n/a	n/a	n/a	0.31	n/a
Lansdowne Rural Telephone Co. Ltd.	n/a	7.77	n/a	n/a	n/a	n/a
Mornington Communications	n/a	9.77	n/a	n/a	n/a	n/a

Co-operative Limited						
Nexicom Inc.	8.41	7.77	n/a	n/a	n/a	n/a
North Frontenac Telephone Corporation Ltd.	12.31	n/a	n/a	n/a	n/a	n/a
NorthernTel, Limited Partnership	12.84	12.20	10.62	8.39	n/a	n/a
NRTC Communications	8.41	n/a	n/a	n/a	n/a	n/a
Ontera	8.87	n/a	n/a	n/a	n/a	30.17
People's Tel Limited Partnership	9.18	n/a	6.96	n/a	n/a	n/a
Quadro Communications Co-operative Inc.	8.41	n/a	n/a	n/a	n/a	n/a
Roxborough Telephone Company Limited	8.41	n/a	n/a	n/a	n/a	n/a
Tuckersmith Communications Co-operative Limited	9.13	n/a	n/a	n/a	n/a	n/a
Wightman Telecom Ltd.	9.64	n/a	n/a	n/a	n/a	n/a
WTC Communications	n/a	7.77	n/a	n/a	n/a	n/a

Quebec

Small ILEC	HCSA Band (\$)					
	E	F-1	F-2	F-3	F-4	G
9315-1884 Québec inc.	8.57	7.93	n/a	n/a	n/a	n/a
CoopTel	9.75	n/a	7.53	n/a	n/a	n/a
Groupe Maskatel LP	8.57	7.93	7.66	n/a	n/a	n/a
Sogetel inc.	9.32	8.68	n/a	4.87	n/a	n/a
Sogetel inc. – Milot	9.67	9.03	7.45	n/a	n/a	n/a
Sogetel inc. – Nantes	19.63	n/a	n/a	n/a	n/a	n/a

n/a: not applicable

28. The Commission **directs** the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amounts for 2016. The Commission also **directs** the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2017.

Subsidy payments for Northwestel

29. The Commission **approves on a final basis**, effective 1 January 2016, and **approves on an interim basis**, effective 1 January 2017, a monthly subsidy per residential NAS amount of \$45.34 for Northwestel's Band H1.
30. The Commission **directs** the CFA to adjust the distribution of monthly subsidy to reflect the final subsidy per residential NAS amount for 2016. The Commission also **directs** the CFA to distribute the monthly subsidy on an interim basis, effective 1 January 2017, plus one twelfth of the \$10.1 million for annual SIP funding.

Interim 2017 revenue-percent charge

31. In Telecom Decision 2016-472, the Commission approved an application from the Canadian Administrator of VRS (CAV), Inc. requesting approximately \$26.1 million in annual funding for 2017 and made the necessary directions to the CFA to provide VRS funding.
32. In order that the appropriate amount of funding is available for the increase in VRS funding in 2017, the Commission considers that an interim 2017 revenue-percent charge of 0.63%, effective 1 January 2017, would be appropriate to ensure the continued stability of the NCF.
33. Therefore, the Commission **approves on an interim basis** a 2017 revenue-percent charge of 0.63%, effective 1 January 2017.

Excess NCF funds after processing the December 2016 data-month

34. In Telecom Decision 2007-98, the Commission approved revised procedures for the operation of the NCF that resulted in funds in excess of CTCC's 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.
35. CTCC's current requested NCF minimum balance is \$5 million.
36. Therefore, the Commission considers that any uncalled contribution in excess of the \$5 million minimum balance after processing the December 2016 data-month is not required by the NCF and that the uncalled contribution can be released.
37. Accordingly, the Commission **directs** the CFA, after it has processed the December 2016 data-month, to release any 2016 uncalled contribution.

Secretary General

Related documents

- *Canadian Administrator of VRS (CAV), Inc. – Application requesting video relay service funding for 2017*, Telecom Decision CRTC 2016-472, 2 December 2016
- *Final 2015 revenue-percent charge and related matters*, Telecom Decision CRTC 2015-533, 1 December 2015
- *Canadian Administrator of VRS (CAV), Inc. – Application requesting video relay service funding for 2016*, Telecom Decision CRTC 2015-532, 1 December 2015
- *Video relay service*, Telecom Regulatory Policy CRTC 2014-187, 22 April 2014
- *Northwestel Inc. – Regulatory Framework, Modernization Plan, and related matters*, Telecom Regulatory Policy CRTC 2013-711, 18 December 2013
- *Regulatory framework for the small incumbent local exchange carriers and related matters*, Telecom Regulatory Policy CRTC 2013-160, 28 March 2013
- *Northwestel Inc. – Review of regulatory framework*, Telecom Regulatory Policy CRTC 2011-771, 14 December 2011
- *Obligation to serve and other matters*, Telecom Regulatory Policy CRTC 2011-291, 3 May 2011, as amended by Telecom Regulatory Policy CRTC 2011-291-1, 12 May 2011
- *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
- *Price cap regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007
- *Implementation of competition in the local exchange and local payphone markets in the territories of Société en commandite Télébec and the former TELUS Communications (Québec) Inc.*, Telecom Decision CRTC 2005-4, 31 January 2005
- *Regulatory framework for the small incumbent telephone companies*, Decision CRTC 2001-756, 14 December 2001

- *Restructured bands, revised loop rates and related issues*, Decision CRTC 2001-238, 27 April 2001, as amended by Decisions CRTC 2001-238-1, 28 May 2001, and 2001-238-2, 7 August 2001
- *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000