



GOVERNMENT OF BERMUDA
Ministry of Energy, Telecommunications and E-Commerce

Telecommunication Commission

Date: November 20, 2009

By Mail and Email

Bermuda Telephone Company Ltd.
30 Victoria Street
Hamilton HM 12
Attn: Jeanne M. Schaaf, Ph.D.,

Re: Residential Access Service Portfolio Tariff Filing.

BACKGROUND

By way of a tariff filing to the Telecommunications Commission ("Commission") on the 2nd January, 2009, the Bermuda Telephone Company ("BTC") requested to vary its existing rates for residential phone service ("The Filing").

The Filing proposed an increase in the "basic service" (referred to in the Filing as the Standard 50 Calls) from \$ 26.00 per month (including 50 free calls and then 20 cents per call thereafter) to \$ 29.00 per month (including 50 free calls and then 25 cents per call thereafter).

The Filing additionally proposed four new service packages, namely the "Standard 100 Calls" at \$ 35.00 per month (including 100 free calls and then 25 cents per call thereafter), the "Standard 150 Calls" at \$ 45.00 per month (including 150 free calls and then 25 cents per call thereafter), the "Standard 200 Calls" at \$ 55.00 per month (including 200 free calls and then 25 cents per call thereafter) and the "Unlimited Calls" at \$ 59.00 per month (including unlimited local calls).

BTC provided volume and non volume sensitive cost information with their tariff filing and provided competitive comparison information on voice prices with other providers.

The Commission requested and received further information from BTC on its cost justification and also requested and received BTC's financials for the current and previous years.

The Commission requested and received various opinions from its technical advisors on the accuracy of the cost information submitted and the methodologies used to calculate the cost information.



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The Commission, as required by the Telecommunication Act 1986, also considered the following:-

- (i) the cost to the Carrier of the service in question;

BTC submitted cost information to the Commission.

- (ii) the desirability and need to subsidize other non-profitable services offered by the Carrier in the public interest;

The Commission carefully considered this issue and, in past studies, it did not find that the residential service is being subsidized by other services.

- (iii) the needs of the Carrier for adequate working capital and to establish reasonable reserves;

Based on financial data provided by BTC, the Commission felt that BTC does not suffer from inadequate working capital and/or a lack of reasonable reserves.

- (iv) international accounting standards where applicable and modifications thereto;

International accounting standards do not directly affect the tariff filings.

- (v) technological advances;

Technological advances have minimal impact on the tariff filing.

- (vi) market conditions in Bermuda and overseas including the likely impact of a new service on other Carriers;

The Commission carefully considered the impact of its proposed tariff on other Carriers. The Commission benchmarked the proposed rates against other jurisdictions and concluded that the proposed rates would move BTC's rates farther above the prices that exist in other Island jurisdictions.

- (vii) regulatory changes where applicable;

There were no applicable regulatory changes that impacted the tariff filings.



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(viii) the need to afford investors a reasonable rate of return on their investment;

The Commission believes that BTC's investors will earn a reasonable rate of return even if we do not approve the proposed rate change.

(ix) the question whether in the light of the foregoing, any proposed tariff is just and reasonable and any rates and charges contained therein are applied equally to all persons in substantially similar circumstances and conditions;

The tariff filing does not propose unequal rates and charges but instead proposes universal rate increases with increased choice to the consumer.

(x) the question whether the Carrier, in respect of the application of rates and charges, the provision of services and the use of its facilities—

(a) gives any preference or advantage to any person or to any particular description of telecommunication;

(b) subjects any person or any particular description of telecommunication to any disadvantage;

The Commission has no evidence before it that the BTC's filing gives any preference or advantage to any person. The tariff filing could subject any persons in the lowest income categories to be disadvantaged.

(xi) the public interest.

REASONINGS/FINDINGS

The Commission recognizes that residential voice service is considered BTC's most essential service being provided to the public.

The Commission accepts that it has been in excess of 10 years since the local residential rates were set at \$ 26.00 per month.

The Commission accepts BTC's evidence of the declining popularity of "fixed" residential lines and the competition it faces from cellular and VOIP providers.

The Commission finds that the broad difference of opinion expressed between BTC and the Commission's advisors on the "true" cost of residential services to BTC remains unresolved and continuing efforts must be made to come to a clear understanding of BTC's costs for this service line.



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However, the burden of proof to show that, on the balance of probabilities, any new service, the rates or charges in respect thereof or any variation in the rates or charges of an existing service are just and reasonable is upon the specified Carrier seeking to introduce the new service or the variation, as the case may be. (Telecommunications Act 1986 sec 24 (3)). The Commission finds that BTC has not adequately convinced the Commission of its residential cost data. Furthermore, the proposed rates appear unreasonable when benchmarked against other Island jurisdictions.

The Commission reasons that those members of the public on limited incomes will continue to be attracted to and benefit from BTC's basic service (the new Standard 50 Calls).

The Commission finds that the four new service offerings by BTC are in the public interest as they provide the public with further choice.

The Commission believes that BTC's financial position will not be significantly adversely affected by its decision today.

The Commission reasons that, as BTC and the Commission's advisors agree on BTC's cost information, a subsequent tariff filing may be received from BTC on this same service offering.

DIRECTION

The Commission hereby directs that:

- 1) BTC continue to provide its basic residential service (Standard 50 Calls) at \$26.00 per month with 50 free calls and then 20 cents per local call thereafter and;
- 2) BTC provide a new residential service (Standard 100 Calls) at \$35.00 per month with 100 free calls and then 20 cents per local call thereafter and;
- 3) BTC provide a new residential service (Standard 150 Calls) at \$45.00 per month with 150 free calls and then 20 cents per local call thereafter and;
- 4) BTC provide a new residential service (Standard 200 Calls) at \$55.00 per month with 200 free calls and then 20 cents per local call thereafter and;



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5) BTC provides a new residential service (Unlimited Calls) at \$59.00 per month with unlimited local calls.

The Commission further directs these new services to be offered to the public as soon as BTC desires but no later than 1 January, 2010.

Sincerely,


Ronald E. Simmons, JP, CA
Chairman, Telecommunications Commission