



Telecom Order CRTC 2005-211

Ottawa, 30 May 2005

Aliant Telecom Inc.

Reference: Tariff Notice 117

Construction charges

*The Commission **approves with changes** Aliant Telecom Inc.'s proposal to introduce General Tariff item 275, Construction Charges.*

1. The Commission received an application by Aliant Telecom Inc. (Aliant Telecom), dated 4 December 2004, for approval of the introduction of General Tariff item 275, Construction Charges, and the migration and consolidation of the following tariff items to the new tariff:
 - the former Maritime Tel & Tel Limited (MTT) General Tariff item 550;
 - the former Island Telecom Inc. General Tariff items 860, 870, and 880; and
 - the former NewTel Communications Inc. (NewTel) General Tariff item 100.

Process

2. The Commission addressed interrogatories to Aliant Telecom on 18 December 2004, and Aliant Telecom filed its responses on 19 January 2005.
3. The Commission did not receive any comments on the application.

The application

4. In item 275, Construction Charges, Aliant Telecom proposed to introduce:
 - an allowance for free construction of 90 metres within the exchange boundary;
 - rates for construction beyond the allowance for free construction of 90 metres, based on the recovery of the construction costs incurred;
 - special provisions regarding the construction charges applicable in the following service improvement plan (SIP) areas:
 - for the period ending 31 December 2005, in an area where facilities have been constructed pursuant to the 2002-2005 SIP, the construction charge would equal the SIP construction charge which was applied in that area;
 - as of 1 January 2006, in a SIP area the construction charge would equal the higher of the SIP construction charge which was applied in that area or the construction charge determined as noted in this item; and
 - rebates for the developer or applicant based on the number of premises connected to the constructed facilities, within five years of the facilities'

ready for service date.

5. With regard to the construction charges as of 1 January 2006 being equal to the higher of the SIP construction charge which was applied in that area or the construction charge as determined by proposed item 275, Aliant Telecom argued that this would ensure that potential customers in SIP areas did not wait for facilities to be installed in their area under the SIP in order to avoid payment of the SIP customer contribution.
6. Aliant Telecom stated that it had based its proposal on the former MTT's General Tariff item 550, Construction Charges, with the following modifications:
 - to increase the rebate period provided to subdivision developers under MTT item 550 from three years to five years of the facilities' ready for service date; and
 - to incorporate the provision in NewTel General Tariff item 100.2, Construction Charges, so that when construction is furnished to provide service outside an exchange boundary, the adjustment for free construction per service does not apply.
7. Aliant Telecom proposed to calculate the construction charge based on the cost of installing wire or cable and support strand; poles, anchors and joint use plant costs as applicable; the costs of other material; the cost of any unusual requirements; labour charges; and engineering charges, less an adjustment to account for the proposed allowance for free construction.
8. In response to an interrogatory, Aliant Telecom stated that its proposal would allow the company to implement one consistent practice across all four Atlantic provinces, thereby minimizing the costs associated with administration, training and customer communications. With respect to Newfoundland and Labrador, the company submitted that while the change in the allowance for free construction would have a potential impact on customers in that region, that impact would be offset by customers having access to a rebate process that was not available under the terms and conditions of the current construction charges tariff for that province.

Commission's analysis and determinations

9. The Commission notes that in Aliant Telecom's operating territory, the following allowances for free construction are currently in place:
 - in Nova Scotia, 90 metres within or beyond the current exchange boundary;
 - in Newfoundland and Labrador, 160 metres within the exchange boundary;
 - in Prince Edward Island, each case is determined on its merits, subject to the Commission's approval in case of a dispute; and
 - in New Brunswick, there are no provisions in the tariffs of the former NBTel Inc. for construction charges, however, Aliant Telecom's policy is to provide

90 metres of free construction on requests that would involve extension of service.

10. The Commission notes that Aliant Telecom's proposal for an allowance for free construction of 90 metres to apply throughout its territory would have no impact on potential customers in New Brunswick and Nova Scotia, and would establish a fixed allowance for free construction for potential customers in Prince Edward Island. The Commission is concerned, however, that it would have a significant negative impact on potential customers in Newfoundland and Labrador.
11. The Commission disagrees that the impact on customers in Newfoundland and Labrador would be offset by the customers having access to a rebate process that is unavailable under the terms and conditions of the current construction charges tariff for Newfoundland and Labrador. In the Commission's view, this rebate would not be helpful to potential customers when no additional premises are connected to the constructed facilities within five years of the facilities' ready for service date. In addition, the Commission notes that Aliant Telecom's proposed tariff states that these rebates would be available upon request. In that regard, the Commission is concerned that applicants or developers might not be aware of subsequent requests for service and therefore might never be compensated.
12. The Commission notes that the allowance for free construction currently provided in Newfoundland and Labrador is in line with those provided by larger incumbent local exchange carriers (ILECs). The Commission also notes that the proposed allowance of 90 metres for Aliant Telecom's territory is much less generous than that provided by larger ILECs. The Commission considers that it would be reasonable to require Aliant Telecom to provide an allowance for free construction that is consistent with those provided by the other large ILECs.
13. In that regard, the Commission notes that with the SIP program that will be completed at the end of 2005, a large segment of unserved customers in Aliant Telecom's serving territory will have been served. Consequently, the Commission considers that any adverse impact on Aliant Telecom of extending the allowance for free construction currently provided in the tariff for Newfoundland and Labrador to the rest of Aliant Telecom's territory would be minimal. In the Commission's view, Aliant Telecom should be required to provide the allowance for 160 metres of free construction currently provided in the tariff for Newfoundland and Labrador.
14. The Commission notes that Aliant Telecom's proposal to set its construction charges on the basis of cost recovery is consistent with the construction charges for service extension tariffs approved for all of the other ILECs. The Commission considers, therefore, that Aliant Telecom's proposal to set construction charges on the basis of cost recovery is appropriate.
15. With regard to Aliant Telecom's proposal to charge the SIP construction charge in SIP areas during the 2002-2005 SIP period, the Commission notes that this proposal is consistent with the Commission's determinations in *Regulatory framework for second price cap period*,

Telecom Decision CRTC 2002-34, 30 May 2002.

16. With respect to its proposal as to the construction charges that should apply after the completion of the SIP, the Commission notes Aliant Telecom's argument that potential customers in SIP areas should not be able to wait for the SIP to be completed in their area in order to avoid payment of the SIP construction charge. The Commission agrees that it would be unfair to customers who obtained service under the SIP if, shortly after its completion, potential customers in the SIP area who waited to request service were able to obtain it at substantially lower costs. Consequently, the Commission considers that it would be reasonable if, after the completion of the SIP, such customers were charged the higher of the SIP construction charge or the construction charge applicable per the proposed tariff, as Aliant Telecom proposed. The Commission is concerned, however, that Aliant Telecom would have the higher charge apply indefinitely. The Commission considers that it would be reasonable to limit the period of time over which customers would be charged the higher of the SIP construction charge or the construction charge applicable per the proposed tariff to three years after the SIP ends. The Commission considers that, after that period, construction charges should be calculated according to the proposed tariff.
17. The Commission considers that Aliant Telecom's proposal to provide partial rebates of construction charges to subdivision developers and other applicants based on the number of premises connected to the constructed facilities within five years of the facilities' ready for service date is appropriate. The Commission considers that Aliant Telecom's proposal to extend the rebate period to five years is reasonable as that will more closely align the rebate period with the time required to complete construction of a subdivision.
18. However, as previously noted, the Commission is concerned that developers and applicants might not be aware of subsequent requests for service made by others or, in the case of individual applicants, of the rebate provisions, and thus might never be able to benefit from these rebates. The Commission considers that applicants would be more likely to be rebated part of the construction charges they paid if Aliant Telecom were to notify the individual subscribers and developers of subsequent requests. Accordingly, the Commission considers that Aliant Telecom should notify the individual subscribers and developers of subsequent requests.
19. Accordingly, the Commission **approves**, with the changes set out below, Aliant Telecom's tariff application effective the date of this Order. The company is directed to modify the proposed tariff as follows:
 - to provide an allowance of 160 metres of free construction within the exchange boundary across all of Aliant Telecom's operating territory, rather than the allowance of 90 metres of free construction it had proposed; and
 - state that the special provisions regarding the construction charges applicable in SIP areas, as of 1 January 2006, will apply for a period of three years, after which the regular calculation for construction charges will apply.

20. The Commission also directs Aliant Telecom to notify developers and applicants by letter when they become eligible for rebates and how to apply to obtain them.

Secretary General

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