



Telecom Order CRTC 2006-178

Ottawa, 12 July 2006

Aliant Telecom Inc.

Reference: Tariff Notices 180, 180A and 180B

Asymmetric digital subscriber line access service

The application

1. The Commission received an application by Aliant Telecom Inc. (Aliant Telecom) dated 18 October 2005, as amended on 24 October 2005 and 21 April 2006, which proposed the introduction of General Tariff item 626, ADSL Access Service.¹
2. Aliant Telecom's ADSL Access Service provides a broadband access service based on ADSL technology that would enable a competitive local exchange carrier or digital subscriber line service provider to provide a high-speed data access path between its end-user's location and an Aliant Telecom point of presence.
3. The ADSL Access Service consists of two main components: an ADSL access and an ADSL Aggregated High Speed Service Provider Interface port, which provides for the aggregation of a single service provider's end-user traffic and delivery of that traffic to the competitor's network. Each of these services has a monthly recurring rate element and a one-time service charge. An ADSL access can be provided in two ways: in conjunction with primary exchange service (PES) or over a loop that is not used to provide any other service (dry loop).

Process

4. The Commission received comments regarding Aliant Telecom's initial application from Primus Telecommunications Canada Inc. (Primus) dated 18 November 2005, Net Idea Telecommunications Inc. (Net Idea) dated 21 November 2005, and the Independent Members of the Canadian Association of Internet Providers (IMCAIP) and MTS Allstream Inc. (MTS Allstream) dated 23 November 2005. Aliant Telecom submitted reply comments dated 5 December 2005. On 14 December 2005, the Commission suspended the tariff notice proceeding so that Aliant Telecom could undertake negotiations with interested parties. Net Idea submitted additional comments dated 28 February 2006.
5. Aliant Telecom filed a revised tariff notice dated 21 April 2006, noting that no overall industry consensus had been achieved. The Commission received comments with respect to the amended application from Auracom/Interhop Internet Services (Interhop) dated 24 April 2006;

¹ ADSL means asymmetric digital subscriber line.

Xit telecom inc., on behalf of itself and Xittel telecommunications inc., (Xit telecom) dated 16 May 2006; Net Idea dated 19 May 2006; Cybersurf Corporation (Cybersurf) and IMCAIP dated 23 May 2006; and MTS Allstream dated 24 May 2006. Aliant Telecom submitted reply comments dated 1 June 2006.

6. By letter dated 4 May 2006, the Commission invited Aliant Telecom, MTS Allstream, and TELUS Communications Company to show cause why they should not make use of dry loops rated at 50 percent of the unbundled local loop rate for their ADSL access services, consistent with *Bell Canada – Gateway Access Service over dry loops*, Telecom Order CRTC 2005-415, 22 December 2005 (Order 2005-415), and *Saskatchewan Telecommunications – Aggregated Asymmetric Digital Subscriber Line (ADSL) Service, and Ethernet Access Services and Agreement*, Telecom Order CRTC 2006-64, 27 March 2006 (Order 2006-64).
7. Aliant Telecom provided comments regarding dry loops dated 12 May 2006. Cybersurf submitted comments dated 17 May 2006 and Aliant Telecom submitted reply comments dated 23 May 2006.

Positions of parties

8. Interveners expressed concern with the terms and conditions in Aliant Telecom's application. Primus, Net Idea, IMCAIP, Interhop, and MTS Allstream expressed concern with the proposed monthly recurring rate and the associated one-time service charge for ADSL Access Service.
9. Xit telecom submitted that Aliant Telecom had not recognized that the capital costs associated with its ADSL Access Service had decreased due to the subsidies Aliant Telecom had received from Industry Canada's Broadband for Rural and Northern Development (BRAND) program. Xit telecom further submitted that, in its view, the rates proposed by Aliant Telecom were not compliant with the BRAND program guidelines.
10. Cybersurf expressed concern over Aliant Telecom's inclusion of certain fibre cable and related equipment costs in its Phase II cost study associated with its ADSL Access Service.
11. In response to the Commission's show cause request, Aliant Telecom accepted the use of a dry loop rate at 50 percent of the unbundled local loop rate for its ADSL Access Service in all bands except its Nova Scotia (NS) Band A1. Aliant Telecom submitted that the dry loop rate for NS Band A1 should be 100 percent of the unbundled local loop rate since its customers in NS Band A1 were only served by copper facilities connected directly from the end-user premises to a wire centre. Aliant Telecom argued that since no fibre umbilical facilities were used for any customers in that band, the full unbundled local loop charge should apply to NS Band A1.
12. With respect to interveners' comments regarding the proposed pricing levels, Aliant Telecom noted that it had priced its ADSL Access Service based on Phase II costs plus an appropriate margin, consistent with the pricing principles applicable to Category II Competitor Services. Accordingly, Aliant Telecom submitted that its pricing for the ADSL Access Service was appropriate.

13. With respect to Xit telecom's comments regarding the BRAND program, Aliant Telecom submitted that funding from the BRAND program was minor in relation to the total cost that Aliant Telecom would have to incur to deploy the ADSL Access Service. Aliant Telecom further submitted that Industry Canada agreements associated with the BRAND program did not explicitly require a rate relationship between Aliant Telecom's retail and its competitor ADSL services.
14. With respect to Cybersurf's comments regarding the inclusion of certain fibre cable and other related equipment costs in Aliant Telecom's Phase II cost study, Aliant Telecom submitted that its inclusion was appropriate and consistent with costing methodology described in Telecom Letter Decision CRTC 93-1, 27 January 1993.

Commission's analysis and determinations

Regarding subsidies provided through the BRAND program

15. The Commission notes that the open access requirements associated with Industry Canada's BRAND program require that in cases where the service provider is subject to CRTC regulation, it must comply with the tariffs currently in place and any succeeding tariffs.
16. The Commission notes that Aliant Telecom's application is a request for approval of a tariff for its ADSL Access Service. Accordingly, the Commission is of the view that Aliant Telecom has complied with the above-mentioned BRAND program requirement.
17. With respect to Xit telecom's comment regarding capital costs associated with the ADSL Access Service, the Commission considers that Aliant Telecom's treatment of capital costs presented in its ADSL Access Service cost study is consistent with Phase II incremental costing principles. Accordingly, the Commission does not agree with Xit telecom's view of how Aliant Telecom should have accounted for the BRAND program funding.

Pricing of unbundled local loops used in conjunction with ADSL Access Service

18. The Commission notes that Aliant Telecom initially proposed to make its ADSL Access Service available only over unbundled local loops.
19. The Commission also notes that in response to the Commission's 4 May 2006 letter, Aliant Telecom accepted the use of the dry loop rate at 50 percent of the unbundled loop rate in all bands except its NS Band A1. With respect to Aliant Telecom's submission that it was inappropriate to apply the dry loop rate at 50 percent of the unbundled loop rate for NS Band A1, the Commission has analyzed the unbundled loop costs associated with this band. The Commission has compared the costs submitted by Aliant Telecom in support of this application with the costs approved for unbundled loops in *Restructured bands, revised loop rates and related issues*, Decision CRTC 2001-238, 27 April 2001, as amended by Decision CRTC 2001-238-1, 28 May 2001, and Decision CRTC 2001-238-2, 7 August 2001 (Decision 2001-238).
20. In the cost studies associated with the proceeding leading to Decision 2001-238, Aliant Telecom identified the inclusion of fibre-based PES-related equipment in NS Band A1. The Commission determines that it is appropriate to remove fibre-based PES-related costs from the unbundled loop costs, consistent with Order 2005-415 and Order 2006-64.

21. In light of the above, the Commission finds that in NS Band A1, a rate equal to 60 percent of Aliant Telecom's unbundled loop rate provides sufficient recovery of dry loop costs where ADSL Access Service is available or expected to be made available over dry loops. In all other bands in Aliant Telecom's serving territory, the Commission finds that a rate equal to 50 percent of Aliant Telecom's unbundled local loop rate provides sufficient recovery of the dry loop costs where ADSL Access Service is available or expected to be made available over dry loops.

Pricing of monthly recurring rate elements for ADSL Access Service

22. The Commission notes that Aliant Telecom proposed monthly rates for its ADSL Access Service that varied based on the contract term, the number of accesses, and the speed of service. The Commission considers that Aliant Telecom's proposed rates would not permit competitors to price their retail high-speed Internet service in a way that would reasonably allow them to compete with Aliant Telecom's retail offerings in residential and business markets. The Commission also considers that the ADSL Access Service rates approved in this Order should allow for mark-ups that ensure that the rate differentials between Aliant Telecom's proposed competitor ADSL Access Service and its retail high-speed Internet services are comparable to those of other incumbent local exchange carriers. The Commission therefore considers it appropriate to reduce the monthly recurring rates associated with the ADSL access used with Aliant Telecom's ADSL Access Service.
23. In light of the above and to ensure that Aliant Telecom's ADSL Access Service is available as soon as possible, the Commission determines that the rate for ADSL access is to be modified to reflect the following rates:

ADSL Access	1-year Minimum Commitment Period: Monthly Rate	3-year Minimum Commitment Period: Monthly Rate
<i>2 Mbps</i>		
First 1000, each	\$28.00	\$27.00
Next 2500, each	\$27.00	\$26.00
3501 or more, each	\$26.00	\$25.00
<i>5 Mbps</i>		
First 1000, each	\$32.00	\$31.00
Next 2500, each	\$31.00	\$30.00
3501 or more, each	\$30.00	\$29.00

24. Accordingly, the Commission **approves on an interim basis**, with the changes noted above, Aliant Telecom's application. The Commission directs Aliant Telecom to issue revised tariff pages for its General Tariff item 626, ADSL Access Service, within 10 days of the date of this Order, reflecting the Commission's determinations. The Commission notes that these rates take effect as of the date of this Order.
25. The Commission notes that issues raised by parties but not explicitly dealt with in this Order will be addressed in the final disposition of this application.

Secretary General

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