Canadian Radio-television and Telecommunications Commission
Conseil de la radiodiffusion et des télécommunications canadiennes

Telecom Order CRTC 2006-189

Ottawa, 20 July 2006

Bell Canada

Reference: Tariff Notices 6823, 6823A, and 6823B

Ethernet T1 Access service

Application

1. The Commission received an application by Bell Canada, dated 14 June 2004, as amended on 19 October and 1 November 2004, to introduce item 124, Ethernet T1 Access, to its Access Services Tariff (AST). The proposed Ethernet T1 Access service would provide an access facility for the transmission of information between the customer premises and the serving central office (CO) for a connection to the Ethernet packet network at a speed of 1.544 megabits per second (Mbps). The company submitted that the proposed Ethernet T1 Access service was intended to complement Bell Canada General Tariff (GT) item 5020, Ethernet Access,[1] and Bell Canada AST item 123, Ethernet Transport Service.[2]

2. Comments were received from MTS Allstream Inc. (MTS Allstream) on 13 July and 19 November 2004; and Quebecor Media Inc. (QMI), on behalf of its subsidiary Videotron Telecom Ltd., on 5 November 2004. Bell Canada replied to those comments on 23 July, 15 November, and 10 December 2004. On 6 February 2006, Bell Canada responded to Commission interrogatories dated 6 January 2006.

Positions of parties

3. MTS Allstream submitted that the Ethernet T1 Access service constituted an essential or near-essential facility and should be classified as a Category I Competitor Service (Category I service) as competitors were not able to realistically duplicate Bell Canada's Ethernet packet network in the near-to-medium term.

4. MTS Allstream objected to the mandatory bundling of the router and modem at the customer premises with the access facility. MTS Allstream submitted that it was not aware of technical reasons, operational support issues, or service development costs to justify the bundling of equipment on the customer premises with the Access service.

[1] Ethernet Access Service provides for the transmission of customer Ethernet traffic between a customer's premises and Bell Canada's serving CO at transmission speeds of 10/100/1,000 Mbps.
[2] Bell Canada filed a proposed revision to item 123 under Bell Canada Tariff Notice 6822 dated 11 June 2004.

5. MTS Allstream submitted that Bell Canada's proposed rates for the Ethernet T1 Access service were excessive. MTS Allstream also submitted that the requirement for competitors to use retail Digital Network Access (DNA) Intra-exchange Channel service or the retail Digital Network Services Inter-office Digital Channel service disadvantaged competitors and would lead to a potential margin squeeze if these services were only available at retail rates.

6. QMI submitted that it was unclear whether Bell Canada had fully accounted for the underlying transport facility costs when developing the proposed tariff for its Ethernet T1 Access service.

Bell Canada's reply

7. Bell Canada noted that Allstream Corp., prior to the merger with MTS Communications Inc., owned and operated its own Ethernet network. Bell Canada submitted that MTS Allstream could therefore provide Ethernet services without necessarily leasing facilities from Bell Canada. Accordingly, Bell Canada submitted that the Ethernet T1 Access service should not be classified as an essential or near-essential service.

8. Bell Canada noted that an Ethernet service was defined by having an Ethernet interface facing the customer. Bell Canada submitted that from a technical perspective, the customer premise equipment (CPE) in the form of a router was required at the customer location to perform the protocol conversion to allow the transport of the customer Ethernet traffic over the access between the customer location and the packet network. Bell Canada also submitted that the CPE was integral to the Ethernet T1 Access service in that it enabled service-related operational support for the service and that specific network parameters were programmed into the CPE to define service characteristics that were necessary when the Ethernet Access Service was combined with the Ethernet Transport Service.

9. Bell Canada submitted that the Ethernet T1 Access service included company-owned and company-provided equipment on the customer's premises that acted in part as a demarcation device for service assurance and management purposes. Bell Canada argued that this helped to ensure the continuity and integrity of the service and that unbundling the equipment on the customer's premises would result in additional service development costs as well as changes to many of the processes and operational procedures.

10. Bell Canada submitted that the proposed rates for its Ethernet T1 Access service were not excessive and that interveners neglected to take into account other cost components, including installation and engineering, associated with the provisioning of the equipment on the customer's premises. Bell Canada further submitted that the Ethernet cost studies were conducted in accordance with Bell Canada's Phase II costing procedures and the Commission's imputation test requirements.

11. Bell Canada submitted that the proceeding initiated by *Competitor Digital Network Access service proceeding*, Telecom Public Notice CRTC 2002-4, 9 August 2002, would address MTS Allstream's concerns regarding the potential margin squeeze associated with the competitor use of retail DNA Intra-exchange Channel service or the retail Digital Network Services Inter-office Digital Channel service.

Commission's analysis and determinations

12. The Commission notes that Competitor Service rates for intra-exchange and interexchange facilities were set in *Competitor Digital Network Services*, Telecom Decision CRTC 2005-6, 3 February 2005, as amended by Telecom Decision CRTC 2005-6-1, 28 April 2006 (Decision 2005-6). In the Commission's view, Decision 2005-6 addresses MTS Allstream's concern regarding the potential margin squeeze associated with the competitor use of retail DNA Intra-exchange Channel service or the retail Digital Network Services Inter-office Digital Channel service.

Unbundling of the service

13. The Commission notes that the Ethernet T1 Access service is comprised of the following components: a) a CPE consisting of a router and modem; b) a business Primary Exchange Service (PES) line connected to the modem; and c) a DS-1 digital access service which connects the router to the serving CO.

14. The Commission notes MTS Allstream's request to have Bell Canada unbundle the Ethernet T1 Access service on the basis that it was not aware of any technical reasons, operational support issues, or service development costs to justify the bundling of equipment on the customer premises with the Access service. The Commission also notes Bell Canada's opposition to that request in which it argued that the CPE is integral to the Ethernet T1 Access service as it performs the protocol conversion and allows specific network parameters to be programmed into the CPE, which would define the service characteristics of the Ethernet Access Service in association with the Ethernet Transport Service.

15. The Commission further notes Bell Canada's position that if Bell Canada were to unbundle the Ethernet T1 Access service into its underlying components, Bell Canada would not allow the individual unbundled components to interconnect with Bell Canada's Ethernet Transport Service.[3]

16. Based on the service configuration proposed by Bell Canada in this application for its Ethernet T1 Access service, the Commission considers that the Bell Canada-provided CPE acts in part as a demarcation device for service assurance and management purposes, which helps ensure the continuity and integrity of Bell Canada's Competitor Ethernet service.

17. In light of the above, the Commission considers that it would not be appropriate to require Bell Canada to unbundle its proposed Ethernet T1 Access service.

Classification of the service

18. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002 (Decision 2002-34), the Commission described a Category I service as a competitor service

[3] Ethernet Transport Service provides transport for Ethernet traffic from a Bell Canada wire centre in which an Ethernet Access terminates. Ethernet Transport Service is only available in association with the company's GT item 5020, Ethernet Access, at rates of 10 Base-T and 100 Base-T, and AST item 124, Ethernet T1 Access, at rates of T1.

that is in the nature of an essential service. A Category I service makes available a facility that is a critical input for competitors in light of its very limited competitive supply. The Commission considers the nature of the facility in question, and circumstances relevant to its supply by competitors and third parties, when it assesses whether to classify a competitor service as a Category I service. A competitor service that does not meet the criteria for a Category I service is classified as a Category II Competitor Service (Category II service).

19. The Commission notes that Bell Canada proposed that the Ethernet T1 Access service be classified as a Category II service.

20. The Commission is of the view that a competitor has the ability to duplicate the functionality of the Ethernet T1 Access service by placing its own equipment on the customer's premises and using a DS-1 access service and a combination of intra-exchange and/or interexchange services to backhaul the Ethernet traffic to its nearest CO or co-location site for interconnection with its own network.

21. In light of the above, the Commission finds that Bell Canada's Ethernet T1 Access service does not meet the criteria for a Category I service and finds that Bell Canada's Ethernet T1 Access service is a Category II service.

Costs, mark-ups, and rates

22. The Commission notes that in Bell Canada's supporting cost study, the business PES costs were estimated by imputing the applicable tariff rates. Consistent with the economic study guidelines for incumbent local exchange carriers, the Commission considers it appropriate to replace the imputed business PES rates with the business PES costs. Accordingly, the Commission has adjusted Bell Canada's proposed Ethernet T1 Access service costs by including business PES costs instead of imputing the business PES rate.

23. The Commission notes that it approves mark-ups for Category II services on a case-by-case basis.

24. Consistent with Bell Canada's existing Ethernet Access services, the proposed Ethernet T1 Access service provides for the transmission of customer Ethernet traffic between a customer's premises and Bell Canada's serving CO, although at the lower transmission speed of 1.544 Mbps. The Commission notes that the mark-ups contained in the proposed Ethernet T1 Access service are significantly higher than those proposed by Bell Canada for its other Ethernet Access services and approved on an interim basis in *Ethernet services*, Telecom Decision CRTC 2004-5, 27 January 2004, as amended by Telecom Decision CRTC 2004-5-1, 6 February 2004. The Commission also notes that it did not receive justification for the higher mark-ups proposed by Bell Canada for its Ethernet T1 Access service. The Commission is of the view that the mark-up associated with Bell Canada's Ethernet T1 Access service should be similar to the mark-ups approved for its other Bell Canada Ethernet Access services.

25. Accordingly, the Commission **approves on an interim basis** the rates set out below for Bell Canada's Ethernet T1 Access service, effective the date of this Order. Revised tariff pages are to be issued within 10 days of the date of this Order.

	Rates						
Contract term	**Band A**	**Band B**	**Band C**	**Band D**	**Band E**	**Band F**	**Band G**
One-year	$174.18	$177.90	$184.40	$188.34	$216.78	$220.57	$219.71
Three-year	$160.99	$164.71	$171.22	$175.16	$203.60	$207.38	$206.52
Five-year	$148.99	$152.70	$159.21	$163.15	$191.59	$195.37	$194.51

Secretary General