



Telecom Order CRTC 2006-64

Ottawa, 27 March 2006

Saskatchewan Telecommunications

Reference: Tariff Notices 102 and 69

Aggregated Asymmetric Digital Subscriber Line (ADSL) Service, and Ethernet Access Services and Agreement

The applications

1. The Commission received an application by Saskatchewan Telecommunications (SaskTel) dated 20 January 2006, Tariff Notice 102 (TN 102), proposing the introduction of Aggregated Asymmetric Digital Subscriber Line (ADSL) Service (Aggregated ADSL) under Competitor Access Tariff, item 650.32.
2. SaskTel's proposed Aggregated ADSL service is a broadband access service which would enable a competitive local exchange carrier, Internet service provider (ISP), or digital subscriber line service provider to provide services through the establishment of a high-speed data access path between an end-user's premises and a SaskTel designated point of aggregation.
3. Aggregated ADSL service consists of two main components: an Aggregated ADSL access, which has both a monthly recurring rate element and one-time service charge; and an ADSL Aggregated High Speed Service Provider Interface, which also has both a monthly recurring rate element and one-time service charge. An Aggregated ADSL access can be provided in two ways: in conjunction with primary exchange service (PES); or provided over a loop that is not used to provide any other service (dry loop).
4. The Commission received an application by SaskTel dated 15 July 2004, Tariff Notice 69 (TN 69), proposing the introduction of Ethernet Access Services and Agreement, pursuant to the Commission's directives in *Ethernet services*, Telecom Decision CRTC 2004-5, 27 January 2004, amended by Telecom Decision CRTC 2004-5-1, 6 February 2004.
5. SaskTel's proposed Ethernet Access Services and Agreement application consists of three components:
 - Ethernet Access Service, General Tariff, item 110.54;
 - Ethernet Central Office (CO) Connecting Link Service, Competitor Access Tariff, item 610.29;
 - Ethernet Interface Service, Competitor Access Tariff, item 610.30.

6. SaskTel noted that customers would only be able to utilize the proposed Aggregated ADSL Service in conjunction with the Ethernet Access Service or Ethernet CO Connecting Link service components of TN 69 in order to provide retail high-speed Internet service. SaskTel requested that final approval be granted to TN 69 prior to, or coincident with, the approval of TN 102, as TN 69 was a required input to TN 102.
7. The Commission notes that SaskTel filed an amendment, TN 69A, on 15 March 2006 proposing certain changes to TN 69. The Commission notes that SaskTel TN 69A does not propose to modify the components to TN 69 under consideration in this Order, and as such, is not addressed at this time.

Aggregated ADSL Service (TN 102)

Positions of parties

8. Comments were received with respect to TN 102 from the Independent Members of the Canadian Association of Internet Providers (IMCAIP), Bell Canada, and Cybersurf Corp. (Cybersurf) on 20 February 2006; Rogers Telecom Inc. (Rogers) on 21 February 2006; and MTS Allstream Inc. (MTS Allstream) on 22 February 2006. Reply comments were received from SaskTel on 7 March 2006.
9. Interveners expressed a number of concerns with respect to certain terms and conditions in SaskTel's tariff application. In particular, IMCAIP, Cybersurf, Rogers, and MTS Allstream submitted that the level of the monthly recurring rates, as well as with the level of the service order charge proposed for each Aggregated ADSL access, were too high when compared to rates for comparable services from the other incumbent local exchange carriers (ILECs).
10. In its reply comments, SaskTel responded to several concerns raised by the interveners. In response to the rate concerns expressed by parties, SaskTel proposed the removal of the volume commitments and the reduction of the service order charge proposed for each Aggregated ADSL access. SaskTel proposed to revise rates contained in TN 102 to \$36, \$32 and \$25 per access per month, for one, two or three year contracts respectively, and proposed revising the one-time service charge to \$260 for each Aggregated ADSL access.

Commission's analysis and determinations

11. The Commission notes that issues raised by parties but not explicitly dealt with in this Order will be addressed in the final disposition of TN 102.

Pricing of unbundled local loops used in conjunction with the Aggregated ADSL service

12. The Commission notes that in its application, SaskTel proposed per-band unbundled loop rates to be charged when an Aggregated ADSL access is provided over a dry loop. The Commission further notes that the approach taken by SaskTel in TN 102 was similar to the approach used by the Commission in *Bell Canada – Gateway Access Service over dry loops*, Telecom Order CRTC 2005-415, 22 December 2005 (Order 2005-415).

13. The Commission has compared the costs submitted by SaskTel in support of TN 102 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 as amended). The Commission notes that SaskTel's proposed costs exceed those approved in Decision 2001-238 as amended, and also notes that rates for unbundled loops based on these costs would significantly exceed rates offered by other ILECs for comparable services. The Commission has removed PES-related costs¹ from the unbundled loop costs, consistent with Order 2005-415, leaving capital costs and the associated maintenance. The Commission considers that the resulting dry loop costs represent approximately 50 percent of SaskTel's unbundled loop rate in Band A, and the resulting dry loop costs represent approximately 60 percent of SaskTel's unbundled loop rate in Bands B through G.
14. In light of the above, the Commission finds that in Band A, a rate equal to 50 percent of SaskTel's unbundled loop rate provides sufficient recovery of the dry loop costs where Aggregated ADSL service is available or expected to be made available over dry loops. In Bands B through G, the Commission finds that a rate equal to 60 percent of SaskTel's unbundled loop rate provides sufficient recovery of the dry loop costs where Aggregated ADSL service is available or expected to be made available over dry loops.

Pricing of rate elements for the Aggregated ADSL service

15. The Commission notes that certain competitors raised the issue of what they characterized as a retail price squeeze, which occurs when a competitor's total costs to provide retail high-speed Internet service exceed the rate at which SaskTel offers its retail high-speed Internet service. The Commission notes that the retail price squeeze issue is currently before it in the Part VII application made on 18 November 2005 by the Quebec Coalition of Internet Service Providers with respect to Bell Canada and the enforcement of *Forbearance from retail Internet services*, Telecom Order CRTC 99-592, 25 June 1999. The Commission further notes that the Aggregated ADSL service rates under consideration in this Order represent only one component of the total costs to provide high-speed retail Internet services, that SaskTel provides the Aggregated ADSL service as a Competitor Service at tariffed rates, and provides its retail high-speed Internet service, a forborne service, at non-tariffed rates.
16. The Commission notes that SaskTel proposed a range of monthly rates for the Aggregated ADSL access service component, depending on the term of the contract taken by the competitor. SaskTel proposed rates of \$36, \$32 and \$25 per access per month, for one, two or three year contracts respectively. In the Commission's view, these proposed rates would not permit competitors to price their retail high-speed Internet service in a way which would reasonably allow them to compete with SaskTel's retail offerings in residential and business markets. The Commission further considers that the Aggregated ADSL access rates approved in this Order should allow for service mark-ups and rate differentials between SaskTel's proposed competitor Aggregated ADSL service and its retail high-speed Internet services that would be comparable to those of other ILECs. The Commission therefore considers it appropriate to reduce the monthly recurring rates for SaskTel's Aggregated ADSL access.

¹ PES-related costs include equipment such as integrated digital loop carriers (IDLCs).

17. The Commission also notes that SaskTel proposed a one-time service charge of \$260 for each Aggregated ADSL access. The Commission is of the view that this service charge is not appropriate when compared to both the retail market as well as other ILEC service offerings for similar services. The Commission notes that SaskTel charges a maximum of \$100 for its retail one-time ADSL access service charge. The Commission further notes that the average one-time service charge for other ILECs' ADSL access services which are most analogous to SaskTel's Aggregated ADSL service is under \$100. Accordingly, the Commission determines that the one-time service charge for SaskTel's Aggregated ADSL service is to be set at \$100.
18. In light of the above and to ensure that SaskTel's Aggregated ADSL service is available as soon as possible, the Commission determines that the rate structure of the Aggregated ADSL access service is to be modified to reflect the following rates:

Aggregated ADSL Access; per Access	Monthly Rate	Service Charge
One-year rate	\$23.00	\$100.00
Two-year rate	\$21.00	\$100.00
Three-year rate	\$19.00	\$100.00

19. Accordingly, the Commission **approves on an interim basis, with changes**, SaskTel's TN 102. The Commission directs SaskTel to issue revised tariff pages for its Competitor Access Tariff item 650.32, Aggregated Asymmetric Digital Subscriber Line (ADSL) Service within 10 days of the date of this Order, reflecting the Commission's determinations. The Commission notes that these revised rates will be effective 31 March 2006.

Ethernet Access Service and Agreement (TN 69)

Positions of parties

20. No comments were received with respect to TN 69.

Commission's analysis and determinations

21. The Commission has reviewed the imputation tests filed by SaskTel in support of TN 69 and is satisfied that the Ethernet Access Service and Agreement tariff components pass the imputation test. The Commission will address interrogatories to SaskTel to validate the cost study methodology and assumptions and determine the appropriate mark-up for each component, prior to granting final approval.
22. The Commission notes that customers require SaskTel's Ethernet Access Service or Ethernet CO Connecting Link Service components of TN 69 to utilize Aggregated ADSL service.

23. In light of the above, the Commission grants **interim approval** to the Ethernet Access Service component and the Ethernet CO Connecting Link Service component of TN 69.

Secretary General

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