



Telecom Order CRTC 2007-81

Ottawa, 14 March 2007

Northwestel Inc.

Reference: Tariff Notice 838

Primary Link Service

In this Order, the Commission approves on a final basis Northwestel Inc.'s request to introduce Primary Link Service.

The application

1. The Commission received an application by Northwestel Inc. (Northwestel), dated 29 September 2006, in which the company proposed to introduce General Tariff item 230 – Primary Link Service. Northwestel requested approval effective 20 October 2006.
2. The company submitted that Primary Link Service was a central office-based service that would digitally transmit data between its serving wire centre and customer premises-located Integrated Services Digital Network (ISDN) compatible terminal equipment. The company noted that the service consisted of a minimum of twenty-three 64 kilobit-per-second (Kbps) digital information channels (or B channels) and one 64 Kbps signalling and control channel (or D channel). Northwestel indicated that the service would only be available where it had the required facilities.
3. In its application, Northwestel proposed to offer Primary Link Service only in Yellowknife, in the Northwest Territories, where facilities were available and customer demand had materialized. The company submitted that to expand the service to other major centres in the North would require additional capital investment and, given that there had been no significant demand in all other locations, it was not proposing to offer service in other locations at this time.
4. In Telecom Order CRTC 2006-267, 10 October 2006, the Commission approved Northwestel's application on an interim basis.

Process

5. The Commission received comments from First Yellowknife Capital Corporation (FYCC), dated 28 October 2006, and the Government of the Northwest Territories (GNWT), dated 30 October 2006. The Commission also received comments dated 15 November 2006 from each of CasCom, the Canadian Federation of Independent Business (CFIB), and the Yellowknife Chamber of Commerce (YKCC).
6. Northwestel filed reply comments dated 17 November 2006.

Positions of parties

7. The GNWT supported the introduction of Primary Link Service and noted that a number of customers had been seeking this service, which was widely available in southern Canada. The GNWT also noted that Northwestel's proposed rates for the service were significantly higher than rates in Southern Canada and that no provision had been made for fractional service for those customers requiring less than 24-channel capacity. It suggested that the application should be approved, but at lower rates that were more comparable to those available in southern Canada and with fractional service.
8. The GNWT requested that the Commission direct Northwestel to comment on the feasibility of extending the service to areas outside of Yellowknife in the future. It submitted that without access to a comparable range of services at prices comparable to those available in southern Canada, northern businesses would be further handicapped in the provision of their services, and northern consumers would suffer both economically and socially.
9. The FYCC and CasCom also objected to the proposed rates for the service, the lack of a fractional primary rate interface (PRI) feature, and the proposed name of the service.
10. The FYCC submitted that the proposed rates were 150 to 250 percent above those in major southern locations with economic environments similar to that of Yellowknife. It suggested that Primary Link Service was a new name for an old service that had been in place for a significant period of time. The FYCC submitted that the Commission should require the company to rename its service to correspond to the industry definition, include a fractional PRI alternative, and revisit and revise the installation and monthly charges to be more in line with those in southern markets.
11. CasCom noted that this service was marketed around the world under the term PRI and that this term was a universal naming convention. CasCom submitted that Northwestel should call its service PRI rather than Primary Link Service to avoid customer and regulatory confusion. CasCom also submitted that telecommunications services should be standardized and that the name of a service was the fundamental starting point of this standardization process.
12. CasCom submitted that PRI and fractional PRI were ISDN interfaces to the public switched telephone network (PSTN) that included between 3 and 23 B channels, with a D channel for digital signalling purposes. CasCom also submitted that Northwestel should offer full PRI and optional fractional increments to serve its small customer needs in the same manner as many other telephone companies around the world. It submitted, further, that in regions where there was competition, there were often several fractional PRI offerings.
13. CasCom submitted that Northwestel's rates for its service with 23 B channels and 1 D channel included a total monthly fee of \$2,504.40 and an installation fee of \$2,600. It submitted that the monthly rate was equivalent to \$108.89 per channel and that this rate was 2.6 times higher than the rate charged by TELUS Communications Company (TCC) and 3.6 times higher than the rate charged by MTS Allstream Inc. (MTS Allstream) for the same service.

14. CasCom submitted that PRI was a digital service that was less expensive than analogue service for the telephone companies to provide, for several reasons. It indicated that the service's high port density meant that there was less equipment to purchase and maintain; fewer copper facilities per channel meant fewer cable plant upgrades; and its digital platform meant less expense to diagnose and repair problems.
15. CasCom argued that the largest cost for adding PRI service was the initial infrastructure purchase and it suggested that Northwestel had twice implied that it already had these facilities in place in Yellowknife. CasCom submitted that since the company had no plan to offer this service in remote high-cost serving areas, there was no reason for PRI pricing to be inflated in Yellowknife to compensate for these high-cost areas.
16. CasCom submitted that PRI service was essential to offering key digital services and that the Commission should mandate Northwestel to re-file its application with rates equivalent to those in southern markets. It requested that the Commission review the company's rate rationalization for the service if Northwestel did not re-file its application. CasCom indicated that it expected Northwestel to standardize the naming of the PRI service and to offer various forms of fractional PRI.
17. The CFIB noted that Northwestel's proposed rates were substantially higher than those of other service providers in western Canada. It urged the Commission to request the company to resubmit its application with rates that were more consistent with other service providers in western Canada.
18. The YKCC supported CasCom's position regarding Northwestel's proposed rates and submitted that the Commission should investigate whether the company's filing justified the pricing disparities in comparison to similar tariffs filed by Bell Canada, TCC, and MTS Allstream.

Northwestel's reply comments

19. Northwestel submitted that the rates it had proposed for Primary Link Service had been developed to ensure that the service was compensatory. It stated that it had provided an economic evaluation with its initial application, and was providing an additional economic study with its reply, and submitted that even with these rates, the economic return from providing the service was marginal. The company noted that its costing inputs for most services were different from communication companies in the South due to the remote nature and the small population densities of the communities it served.
20. Northwestel submitted that it was not appropriate to compare its rates to those of the large incumbent local exchange carriers (ILECs) operating in the South. It submitted that while the Commission had approved rates for certain services in the North at rates comparable to those for the same services in the South, as per *Long-distance competition and improved service for Northwestel customers*, Decision CRTC 2000-746, 30 November 2000, and had provided the company with supplementary funding to do so, it did not mean that all of the company's regulated services would be offered at the same rates as similar services offered in the South.

21. Northwestel noted that southern ILECs typically did not offer PRI service in communities of a size comparable to Yellowknife, which consisted of less than 20,000 people. The company suggested that if PRI access was available in such communities, then additional digital network access (DNA) interexchange service typically must have been used to extend PRI service from a larger exchange.
22. Northwestel submitted that although its proposed rates were higher than those for PRI service in the South, the rate comparison used by CasCom was misleading. The company indicated that there were three components to PRI service: Access Facility, PSTN Termination, and PSTN Connection. Northwestel suggested that it appeared that only the PSTN Termination and PSTN Connection charges had been included for the southern carriers in the comparison provided by CasCom. It noted, however, that access facilities – usually DNA – were also required in the South.
23. Northwestel indicated that as it did not have the switching capability to make use of the remaining channels of a partial Primary Link Service for internal use, or for another customer, the costs to the company of providing 10 or 24 channels did not change. It noted that it had therefore not proposed to introduce a partial PRI service.

Commission's analysis and determinations

24. The Commission notes that the following four issues have been raised in this proceeding:
 - the appropriate name for the service;
 - the unavailability of a fractional service option;
 - the level of the proposed rates; and
 - expansion of the service to other major centres in Northwestel's territory.
25. Regarding the name of this service, the Commission notes that the term ISDN-PRI refers to a set of standards from the former International Telegraph and Telephone Consultative Committee of the International Telecommunication Union (CCITT/ITU) and that the ILECs offer services based on the North American version of these standards.
26. The Commission notes that ISDN-PRI was introduced by the former Stentor Resource Centre Inc. companies as Megalink service. The Commission also notes that Bell Canada, Bell Aliant Regional Communications, Limited Partnership, MTS Allstream, and Saskatchewan Telecommunications have retained the Megalink name, while TCC changed the name of its service in Alberta and British Columbia to Integrated Services Digital Network-Primary Rate Interface Service. The Commission considers that it is within a company's prerogative to choose service names that reflect the company brand and marketing strategy for a service.
27. Regarding the unavailability of a fractional service option, the Commission notes Northwestel's comment that it incurred the same costs for providing 10 or 24 channels. In the circumstances, the Commission considers that the fact that the company has chosen not to offer a fractional service option is acceptable. In this regard, the Commission notes that not all the large ILECs provide partial service capability for ISDN-PRI service.

28. Regarding the level of the proposed rates, the Commission notes that Primary Link Service is a new retail service and finds that the service passes the imputation test at the proposed rates. Thus, the Commission finds that the rates offered for Primary Link Service are appropriate in this case.
29. Finally, regarding the expansion of Primary Link Service, the Commission notes Northwestel's comments that to expand the service to other major centres in the North would require additional capital investment and that it had not proposed to offer service in other locations due to lack of demand. The Commission also notes that Primary Link Service is not a basic exchange service or a Competitor Service which Northwestel is obliged to provide. Accordingly, the Commission considers that it would not be appropriate to direct the company to expand this service in the circumstances.
30. In light of the above, the Commission **approves on a final basis** Northwestel's application.

Secretary General

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