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

Telecom Decision CRTC 2011-209

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Incumbent local exchange carriers' wholesale line-sharing services

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In this decision, the Commission approves revised monthly recurring rates and service charge rates for the wholesale line-sharing services of Bell Aliant, Bell Canada, MTS Allstream, SaskTel, and TCC. The Commission also establishes the conditions under which line-sharing service is to be offered.

Introduction

1. In the proceeding that led to Telecom Decision 2008-17, the Commission reviewed its regulatory framework for wholesale services and considered the appropriateness of continuing to require their provision. In that decision, the Commission revised its approach to wholesale services and assigned existing services to one of six categories. The line-sharing services[1] of the major incumbent local exchange carriers (ILECs)[2] were assigned to the conditional essential services category and the Commission determined that rates for these services would be established based on company-specific prospective incremental costs (Phase II costs) plus a markup of 15 percent.

2. Currently, the monthly recurring rates for line-sharing service offered by Bell Aliant Regional Communications, Limited Partnership in its Ontario and Quebec serving territories and Bell Canada (collectively, the Bell companies) reflect a markup of 15 percent, while those of Bell Aliant Regional Communications, Limited Partnership in its Atlantic serving territory (Bell Aliant), MTS Allstream Inc. (MTS Allstream), and TELUS Communications Company (TCC) reflect a markup greater than 15 percent. Saskatchewan Telecommunications (SaskTel) does not offer a line-sharing service.

[1] Line-sharing service is a wholesale service that provides access to the high-frequency band of unbundled copper local loops. Under a line-sharing service arrangement, the co-located competitor provisions its own digital subscriber line access multiplexer (DSLAM) to offer high-speed Internet access service to its end-customers. In Telecom Decision 2008-17, line-sharing service was referred to as "asymmetric digital subscriber line (ADSL) access service."

[2] In this decision, "ILECs" refers to Bell Aliant Regional Communications, Limited Partnership in its Atlantic serving territory (Bell Aliant); Bell Aliant Regional Communications, Limited Partnership in its Ontario and Quebec serving territories and Bell Canada (collectively, the Bell companies); MTS Allstream Inc. (MTS Allstream); Saskatchewan Telecommunications (SaskTel); and TELUS Communications Company (TCC).

3. In letters dated 20 February and 22 May 2009, Commission staff requested that each ILEC propose rates for its line-sharing service based on the service classification and pricing principles established in Telecom Decision 2008-17. In response, each ILEC submitted proposed rates for line-sharing service, supported by cost studies.[3]

4. The Commission received comments from the ILECs and TekSavvy Solutions Inc., as well as from the Canadian Association of Internet Providers (CAIP), Execulink Telecom Inc., Managed Network Systems, Inc., and Telnet Communications (collectively, CAIP et al.).

5. The public record of this proceeding, which closed on 8 October 2010, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file numbers provided above.

Preliminary matter: Quality of costing information

6. The Commission considers that the cost studies filed in this proceeding had several shortcomings, including little or no explanation for certain key costing assumptions. The Commission notes that deficient costing information typically increases the time required to assess proposed rates as well as the complexity of doing so, and thus affects the efficiency of the regulatory process. The Commission therefore notes that a future rate application or rate-related request may be returned if deficient costing information is submitted to support it.

Issues

7. The Commission has identified the following issues to be addressed in this decision:

   I. What monthly recurring rates and service charge rates are just and reasonable?

   II. Should the requirement to provide line-sharing service be subject to demand-related conditions and, if so, what should those conditions be?

   III. Should notification requirements regarding network changes be included in the ILECs' tariffs?

   IV. Are the Commission's determinations consistent with the Policy Direction?[4]

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[3] Bell Aliant Tariff Notice (TN) 353 for its Atlantic serving territory, Bell Aliant TN 260 for its Ontario and Quebec serving territories, Bell Canada TN 7196, MTS Allstream TN 678, and TCC TN 359. SaskTel, which does not currently offer line-sharing service, filed proposed tariff pages.

[4] *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006

I. What monthly recurring rates and service charge rates are just and reasonable?

8. The Commission reviewed the cost estimates that each ILEC submitted in support of its proposed rates and made a significant number of adjustments in three areas.

a) Assignment of cost activities

9. The Commission notes that the cost studies submitted by Bell Aliant, the Bell companies, SaskTel, and TCC departed from the Commission's costing practices with respect to the assignment of cost activities between the "monthly recurring" and "service charge" categories,[5] and between the "causal to service" and "causal to demand" categories.[6]

10. Accordingly, the Commission has modified Bell Aliant's, the Bell companies', SaskTel's, and TCC's proposed assignments of various cost elements to reflect Commission costing practices. Table 1 provides, for each affected ILEC, the relevant cost activity, the ILEC's proposed costing category for that activity, and the Commission's modifications and rationale.

Table 1: Assignment of cost activities

ILEC	Cost activity	ILEC's proposed category	Commission's modification	Rationale for modification
Bell Aliant, Bell companies	Loop qualification activities (related to determining whether a loop qualifies for the line-sharing service)	Monthly recurring – Expense causal to service	Service charge – Expense causal to demand	Loop qualification is a one-time activity to establish service for an end-user

[5] Under standard costing practices, ongoing expenses and amortized expenses associated with one-time capital costs are treated as monthly recurring costs in the cost study supporting the monthly recurring rate element, while one-time expenses incurred to establish the service are treated as service charge costs in the cost study supporting the service charge rate element.

[6] Under standard costing practices, a cost is causal to service if it is caused by the introduction of the service and does not vary with demand (e.g. service introduction hardware). In contrast, costs that vary with demand for the service are treated as costs causal to demand.

ILEC	Cost activity	ILEC's proposed category	Commission's modification	Rationale for modification
Bell companies	Sales management (defined by the Bell companies to include revenue and demand analyses, tariff interpretations, etc.)	Monthly recurring – Expense causal to demand	Monthly recurring – Expense causal to service	Sales management activities are ongoing support functions causal to the service, not causal to demand
SaskTel	Billing	Service charge – Expense causal to demand	Monthly recurring – Expense causal to demand	Billing expenses are incurred on a monthly basis
TCC	Product management (defined by TCC to include ongoing management, training, documentation)	Service charge – Expense causal to service	Monthly recurring – Expense causal to service	Product management functions are ongoing support functions causal to the service, and are not associated with the establishment of service for an end-user
TCC	Service provisioning (defined by TCC as cross-connection activities performed in the central office (CO))	Monthly recurring – Expense causal to demand	Service charge – Expense causal to demand	Cross-connection is a one-time activity to establish service for an end-user

ILEC	Cost activity	ILEC's proposed category	Commission's modification	Rationale for modification
TCC	Sales management (defined by TCC to include order generation activities)	Monthly recurring – Expense causal to demand	Service charge – Expense causal to demand	Sales management includes one-time activities to establish service for an end-user
TCC	Facility management system-related activities and loop qualification	Service charge – Expense causal to service	Service charge – Expense causal to demand	These are one-time activities to establish service for an end-user

b) Monthly recurring cost estimates

11. The Commission has reviewed each ILEC's monthly recurring cost estimates and has adjusted certain elements of the proposed costs. The Commission has also adjusted the ILECs' proposed study periods and forecast service demand, as appropriate.

12. The Commission notes that the ILECs' economic study manuals provide that the study period[7] adopted for a service should be the time period that captures the impact associated with the service's major cash flows. The Commission considers that the five-year study period proposed by Bell Aliant, the Bell companies, MTS Allstream,[8] and SaskTel, and the three-year study period proposed by TCC, are not of sufficient length to do so as, in its view, it is reasonable to expect line-sharing service to have a ten-year life.

13. The Commission notes that the ILECs' three- and five-year proposed study periods generally resulted in significantly higher service costs than a ten-year study period. The Commission further notes that, when taken together, the adjustments made to the ILECs' proposed costs in this decision support line-sharing service rate levels below those proposed by the ILECs. In the Commission's view, these lower rate levels will stimulate demand for line-sharing service over the study period.

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[7] The period of a regulatory economic study should be only as long as necessary to ensure that all the significant causal cash flows are reflected in the study; the study period is typically between three and ten years.

[8] MTS Allstream proposed a ten-year study period for the cost associated with conducting the economic study itself.

14. Accordingly, the Commission has adjusted the costs causal to service associated with the Bell companies', MTS Allstream's, and TCC's monthly recurring cost studies[9] to reflect a higher demand forecast. It has also adjusted costs causal to service for Bell Aliant's, the Bell companies', MTS Allstream's, and TCC's monthly recurring cost studies to reflect a ten-year service life.

15. The following table briefly describes the Commission's adjustments to the ILECs' proposed monthly recurring costs.

Table 2: Adjustments to proposed monthly recurring costs

ILEC	ILEC's proposed costs	Commission's adjustment	Rationale for adjustment
Bell Aliant	Proposed software capital costs causal to the service associated with various service introduction activities	Exclude activities that are not causal to service As a result, reduce proposed costs by 70%	Many of the proposed service introduction activities[10] are not causal to line-sharing service.
Bell Aliant	Recover proposed software capital costs causal to service over a five-year study period	Recover software capital costs over expected ten-year service life As a result, reduce proposed costs by 57%	Refer to paragraphs 12 to 14
Bell companies	Recover costs of performing economic study and sales management over a five-year study period, using proposed demand forecast	Recover activity costs over expected ten-year service life Increase proposed demand by 25% in the first year and 10% in each subsequent year As a result, reduce proposed costs by 40%	Refer to paragraphs 12 to 14

9 Bell Aliant submitted that it has no service demand at this time.

10 The following activities were excluded: Design Architect Contract, Bus Analysis Contract, Project Manager Blueprint, Service Architect, Business Analyst, Engineering SME-IP, Engineering SME-DSL Edge, Engineering SME-NW Integration, Data Broadband Mgmt Tech, Delivery Architect, and all activities related to network design, as well as a proportionate amount of the company's associated miscellaneous expenses.

ILEC	ILEC's proposed costs	Commission's adjustment	Rationale for adjustment
Bell Aliant, Bell companies	Proposed service provisioning costs associated with service cancellations based on time estimates, labour unit costs, and assumed churn rate	Adjust time estimates of order entry and CO work activities for service cancellations to match Commission-adjusted time estimates for similar activities associated with establishing the service[11] Adjust Bell companies' proposed costs to reflect a lower churn rate As a result, reduce proposed costs by 21% for Bell Aliant and by 41% for the Bell companies	Expect time estimates associated with service cancellations to not exceed time estimates for Bell Aliant's or Bell companies' comparable service establishment activities Bell companies' assumed churn rate much higher than Bell Aliant's; no support provided for assumed churn rate
MTS Allstream	Recover costs of performing economic study over ten-year period and product management and billing costs over five-year study life, using proposed demand forecast	Recover these activity costs over expected ten-year service life Double proposed forecast demand As a result, reduce economic study costs by 50%, product management costs by 53%, and billing costs by 54%	Refer to paragraphs 12 to 14
TCC	Do not recover product management costs through the monthly recurring rate element	Recover these activity costs through the monthly recurring rate element, which recovers costs an expected ten-year service life, and increase demand by 25% in the first year and 10% in each subsequent year	Refer to paragraphs 12 to 14

[11] Refer to ILEC's proposed costs – Proposed CO work activity costs based on proposed time estimates and Proposed order fulfillment activity costs based on time estimates under Table 3 of this decision.

c) Service charge cost estimates

16. CAIP et al. submitted that the Bell companies' proposed service charge rate of $85.81 per line is double its current rate and that the Commission must ensure the appropriateness of time estimates and labour costs submitted in support of this rate.

17. The Bell companies submitted that their proposed service charge rate is comparable to the rates proposed by Bell Aliant and MTS Allstream, and less than those proposed by SaskTel and TCC. The Bell companies also submitted that the activities and costs associated with their proposed rate were identified and assessed correctly.

18. The Commission notes that the ILECs have provided, in confidence, time estimates for their service charge activities and corresponding labour unit costs. The Commission also notes that the time estimates submitted for a given activity vary considerably across the ILECs. In the Commission's view, the degree of variation among the ILECs' time estimates is greater than would reasonably be expected for the various service charge activities. The Commission further notes that little evidence was provided in support of individual time estimates.

19. Accordingly, the Commission has adjusted each ILEC's proposed time estimates for service charge activities, as appropriate, taking into consideration the time estimates that each ILEC submitted in this proceeding.

20. The following table briefly describes the Commission's adjustments to the ILECs' proposed service charge costs and provides the rationale for each adjustment.

Table 3: Adjustments to proposed service charge costs

ILEC	ILEC's proposed costs	Commission adjustment	Rationale for adjustment
MTS Allstream, SaskTel, TCC	Loop qualification costs based on proposed time estimates	Reduce MTS Allstream's and SaskTel's time estimates by 70% and 40%, respectively Adjust TCC's costs to reflect its proposed time estimates[12]	Refer to paragraphs 17 to 19

[12] Provided in response to interrogatory TELUS(CRTC)30July09-7

ILEC	ILEC's proposed costs	Commission adjustment	Rationale for adjustment
Bell Aliant, MTS Allstream, SaskTel, TCC	CO work[13] activity costs based on proposed time estimates	Reduce Bell Aliant's, MTS Allstream's, and SaskTel's time estimates by 33%, 20%, and 56 %, respectively. For SaskTel, the revised time estimate includes time associated with connecting the splitter equipment.[14] For TCC, Commission applies a time estimate developed based on all time estimates submitted for this activity	Refer to paragraphs 17 to 19
Bell companies, MTS Allstream, SaskTel, TCC	Order fulfillment activity[15] costs based on time estimates	For Bell companies, reduce time estimate for the "order issuance" activity by 37% For MTS Allstream, reduce time estimates for "assigning circuit ID," "issue and track orders," and "update customer records" activities by 21% For SaskTel, reduce time estimate for "assignment labour" activity by 63% and reduce time estimate for each of the "BCIC installation labour," "CSG sales labour," and "CSG service representative labour" activities by 67% For TCC, reduce time estimate for "management of Facilities Management System database" activity by 5%;[16] the Commission also applies a time estimate for "sales management" activity based on all time estimates submitted	Refer to paragraphs 17 to 19

13 Jumper wire work in the CO required to connect the loop to the competitor's equipment in the co-location space

14 Splitter equipment separates/combines voice and data signals

15 These activities generally include receiving an order, verifying customer information, recording the circuit for billing, and generating a circuit order for the CO work required.

16 Based on TCC's response to interrogatory TELUS(CRTC)30July09-7

Conclusions

21. In light of the above, the Commission finds that the rates for line-sharing service in Table 4, which are based on each ILEC's proposed costs as adjusted in this decision and include a markup of 15 percent, are just and reasonable. Accordingly, the Commission **approves on a final basis** each ILEC's monthly recurring and service charge rates for line-sharing service as set out below.

Table 4: Line-sharing service rates

ILEC	Monthly recurring rate	Service charge rate
Bell Aliant	$3.74	$67.63
Bell companies	$1.68	$71.76
MTS Allstream	$2.08	$64.05
SaskTel	$3.40	$118.09
TCC	$2.00	$75.30

II. Should the requirement to provide line-sharing service be subject to demand-related conditions and, if so, what should those conditions be?

22. SaskTel submitted that it had not filed a tariff notice for line-sharing service because it does not anticipate demand for this service. The company also submitted that if demand for line-sharing service does develop, it will file a tariff notice and offer service within 90 days of demand exceeding the level of 50 lines. SaskTel further submitted that a requirement to offer line-sharing service when there is no demonstrable demand would contravene the Policy Direction.

23. Bell Aliant submitted that it currently has no demand for line-sharing service in Atlantic Canada.

24. MTS Allstream supported SaskTel's position, submitting that if any ILEC's demand for line-sharing service falls below the level of 50 lines, that ILEC should be able to destandardize the service. In particular, MTS Allstream submitted that it should be permitted to destandardize its own line-sharing service if demand does not exceed 50 lines in the next 12 months.

Commission's analysis and determinations

25. The Commission notes Bell Aliant's and SaskTel's submissions that they do not have demand for line-sharing service at this time.

26. In the Commission's view, it would be inconsistent with the Policy Direction to require that an ILEC offer this service where there is no or little forecast demand. The Commission considers that a minimum level of demand should exist to require an ILEC to offer, or continue to offer, line-sharing service.

27. However, having regard to the conditional essential service classification of line-sharing service, the Commission considers that SaskTel's proposed minimum level of demand of 50 lines is too high. In the Commission's view, a minimum threshold demand of 30 lines would be appropriate and consistent with the Policy Direction.

28. Accordingly, the Commission finds that

(i) an ILEC is to offer wholesale line-sharing service if it has service demand in the aggregate of at least 30 lines;

(ii) an ILEC that does not offer line-sharing service is to (1) file proposed tariff pages, within 30 days of the date that demand for such service reaches 30 lines, reflecting the service rates approved in this decision, and (2) be prepared to offer the service within 90 days of the date on which demand for the service reaches 30 lines;

(iii) Bell Aliant may withdraw the tariffs for its line-sharing service or issue revised tariff pages that include the rates approved in this decision; and

(iv) if an ILEC's demand for an existing line-sharing service is 30 lines or greater and subsequently falls below 30 lines for 12 consecutive months, the ILEC may file an application to destandardize the service pursuant to Telecom Decision 2008-22.

III. Should notification requirements regarding network changes be included in the ILECs' tariffs?

29. The Bell companies proposed to revise their tariffed terms to include a term that would provide that they do not guarantee the level of high-speed asymmetric digital data transmission service performance provided by the service provider over an individual line (transmission service performance). CAIP et al. submitted that the proposed wording in the Bell companies' tariffs for line-sharing service would allow the Bell companies to modify the characteristics of an end-user's access line at their own discretion and without notice to competitors.

30. The Bell companies submitted that other ILECs have almost the same wording in their line-sharing service tariffs, and that existing notification requirements under Telecom Letter Decision 94-11 would continue to apply.

31. The Commission notes that, consistent with Telecom Letter Decision 94-11, carriers are required to provide their wholesale customers with adequate notice of any network changes that could adversely affect those customers. The Commission also notes that it indicated in that decision that notification should generally be provided

at the time a carrier decides to proceed with such a change, or six months before the proposed change is to take effect, whichever is earlier. The Commission further notes that, as stated in that decision, an interested party may apply to the Commission for a determination, should that party consider that it was given inadequate notice in a particular case.

32. In light of the above, the Commission approves the Bell companies' proposed tariff term regarding transmission service performance and finds that no other changes are required to the terms of the ILECs' line-sharing service tariffs.

IV. Are the Commission's determinations consistent with the Policy Direction?

33. The Commission considers that its determinations in this decision advance the telecommunications policy objectives set out in paragraphs 7(*a*), 7(*b*), 7(*c*), and 7(*f*) of the *Telecommunications Act*.[17] The Commission also considers that its determinations are consistent with the Policy Direction requirements that (a) the measures in question be efficient and proportionate to their purpose and interfere with competitive market forces to the minimum extent necessary to meet the policy objectives, and (b) the measures neither deter economically efficient competitive entry into the market nor promote economically inefficient entry.

Directions

34. The Commission directs the Bell companies, MTS Allstream, and TCC to issue revised tariff pages that reflect its determinations in this decision, within 10 days of the date of this decision. The Commission also directs Bell Aliant to either file an application with the Commission to withdraw its line-sharing service tariff, or issue revised tariffed pages that reflect the determinations in this decision, within 10 days of the date of this decision.

35. In response to the Commission's direction to TCC in Telecom Decision 2006-55,[18] TCC submitted in this proceeding that the connection between the CO main distribution frame and the service provider's co-located ADSL equipment could be provisioned using Connecting Link A, as per TCC's carrier access tariff items 215 for Alberta and 105 for British Columbia. The Commission directs TCC, when issuing revised tariff pages, to revise the relevant service charge references in item 210.3 of its carrier access tariff accordingly.

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[17] The cited policy objectives of the Act are:
7(*a*) to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;
7(*b*) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;
7(*c*) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications; and
7(*f*) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective.

[18] Paragraph 18, third bullet

Secretary General

Related documents

- *Requests to review and vary directives in Telecom Decision 2008-17 related to the provision of central-office-based wholesale ADSL access service and aggregated ADSL access service*, Telecom Regulatory Policy CRTC 2009-34, 26 January 2009

- *Mandatory customer contract renewal notification and requirements for service destandardization/withdrawal*, Telecom Decision CRTC 2008-22, 6 March 2008

- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008

- *Part VII application by Bell Canada concerning TELUS Communications Company's ADSL Access to Individual Line Service*, Telecom Decision CRTC 2006-55, 8 September 2006