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

Telecom Decision CRTC 2012-628

PDF version

Ottawa, 15 November 2012

Applications to review and vary Telecom Decision 2011-24 regarding rates for unbundled local loops provided by Bell Aliant Regional Communications, Limited Partnership and Bell Canada in Ontario and Quebec

File numbers: 8662-B54-201107285
8662-M59-201104398
8662-P11-201107673
8680-P11-201107699

In this decision, the Commission revises the rates for unbundled local loops provided by Bell Aliant and Bell Canada in Ontario and Quebec that were determined in Telecom Decision 2011-24. The Commission also makes the revised rates effective 14 December 2009.

Introduction

1. In 1997, the Commission announced that local competition in telecommunications would be introduced in Canada. To foster competition, the Commission regulates wholesale access services offered by network providers, such as the large telephone companies, known as the large incumbent local exchange carriers (ILECs). These companies are required to offer wholesale services to competitors under terms and conditions approved by the Commission. Competitors, in turn, provide services to their own retail residential or business customers.

2. One of the above-mentioned wholesale services is unbundled local loops. An unbundled local loop is the physical connection between an ILEC's premises and a residential or business customer's premises. The local loop is owned by the ILEC and the Commission considers that it is not always feasible for a competitor to duplicate this physical connection in order to provide their own retail services. For that reason, incumbents are mandated to provide access to these loops to their competitors.

3. In Telecom Decision 2011-24, the Commission established rates for unbundled local loops in the serving territories of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) and Bell Canada (collectively, the Bell companies) in Ontario and Quebec. The new rates, which were, on average, higher than the previously approved rates, were made effective 14 December 2009.

The applications

4. The Commission received an application from MTS Allstream Inc. (MTS Allstream),[1] dated 7 March 2011, requesting that it review and vary Telecom Decision 2011-24 in order to correct errors in fact regarding the data and methodology used by the Commission in setting the monthly rates for unbundled local loops approved in that decision. The Commission also received a review and vary application related to the same decision from the Bell companies, dated 26 April 2011, requesting that it correct a number of errors cited by themselves and MTS Allstream.

5. The Commission also received an application from Primus Telecommunications Canada Inc. (Primus), dated 4 May 2011, requesting that it review and vary its determination in Telecom Decision 2011-24 to make the rates for unbundled local loops effective 14 December 2009.[2] Primus also requested that retroactive implementation of the rates be stayed until a decision has been rendered on its application. Finally, Primus submitted that if the Commission granted the relief requested by MTS Allstream in its application, this would likely obviate the need for the Commission to render a ruling on its application because the rate adjustments described would eliminate, almost in their entirety, the retroactive increases contemplated in Telecom Decision 2011-24.[3]

6. The Commission received comments regarding the above-noted applications from the Canadian Network Operators Consortium Inc. (CNOC), Distributel Communications Limited (Distributel), and TELUS Communications Company (TCC). The public record of these proceedings, which closed on 16 July 2012, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file numbers provided above.

7. In Telecom Information Bulletin 2011-214, the Commission outlined the criteria it would apply in considering whether to review and vary applications filed pursuant to section 62 of the *Telecommunications Act* (the Act). Specifically, the Commission stated that applicants must demonstrate that there is substantial doubt as to the correctness of the original decision, due to, for example, one or more of the following: i) an error in law or in fact, ii) a fundamental change in circumstances or facts since the decision, iii) a failure to consider a basic principle which had been raised in the original proceeding, or iv) a new principle which has arisen as a result of the decision.

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[1] Now MTS Inc. and Allstream Inc.

[2] The date at which the previously approved rates for these services were made interim.

[3] By letter dated 17 May 2011, Commission staff notified parties that the above-noted review and vary applications would be considered by the Commission together.

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

   I. Did the Commission err in using the net book value (NBV)[4] of copper cable assets as the incremental cost for such facilities?

   II. Did the Commission err in basing the rates for unbundled local loops on incorrect average remaining lives (ARLs)[5] for copper cable assets?

   III. Did the Commission err in respect of certain cost determinations underlying the rates for unbundled local loops?

I. Did the Commission err in using the NBV of copper cable assets as the incremental cost for such facilities?

9. In Telecom Decision 2011-24, the Commission determined that, since the demand for unbundled local loops is not growing, and there is abundant spare capacity[6] in the copper cables used to provide unbundled local loops, the cost of new copper cable assets could not reflect the incremental cost of unbundled local loops. The Commission determined that, in these circumstances, the cost associated with the use of existing copper cables for providing unbundled local loops is the net salvage value,[7] proxied by the NBV of copper cable assets.

10. The Bell companies submitted that if the NBV of copper cable assets represents the opportunity cost of using copper cable, then the opportunity cost of those facilities should be reflected in a Phase II cost study as a forgone revenue cash flow occurring at the beginning of the study period rather than as a capital cash flow. The Bell companies further submitted that if this change were made, then the ARLs of the copper cable assets would be irrelevant to the cost study.

11. MTS Allstream, supported by CNOC, Distributel, and Primus, submitted that the Commission's decision to treat the NBV of copper cable plant as a capital cash flow is supported by the Bell companies' regulatory economic studies manuals, which reflect the Commission-approved framework applicable to regulatory cost studies.

Commission's analysis and determinations

12. With regard to the treatment that should be accorded to the NBV of a capital asset in a Phase II cost study, the Commission considers that the Bell companies will continue to maintain and replace existing copper cable plant as required in the future in order to meet existing demand.[8] Given this, the Commission considers that the treatment of

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[4] Net book value is the original cost of an asset or an asset class minus the associated depreciation.
[5] Average remaining life is the average remaining useful life of an asset or asset class.
[6] In this context, spare capacity refers to unused copper pairs that could be used to provide loop service.
[7] Net salvage value is the proceeds from disposing of an asset outside the company net of removal costs.
[8] While the Commission determined in Telecom Decision 2011-24 that the Bell companies would not have to provide unbundled local loops if to do so would require the Bell companies to purchase copper cables, the existing network is to be maintained by the Bell companies so as to continue to provide existing unbundled local loops.

copper cable NBV as a capital cost in a Phase II cost study is consistent with the treatment of any asset which is maintained and replaced over its useful life. Accordingly, the Commission determines that it did not err in Telecom Decision 2011-24 by treating the NBV as an asset, rather than as forgone revenue, and using the ARLs applicable to copper cable plant to establish the cost.

II. Did the Commission err in basing the rates for unbundled local loops on incorrect ARLs for copper cable assets?

13. The Bell companies submitted that, if the Commission requires the Bell companies to represent the NBV as a capital cash flow, then the ARLs applicable to copper cable assets should be based on updated depreciation studies that the Bell companies filed in this proceeding.

14. MTS Allstream submitted that the depreciation studies filed by the Bell companies in this proceeding to determine the ARLs of copper cable plant cannot be relied on as they have not been properly tested. As such, in MTS Allstream's view, the ARLs appropriate for copper cable plant are the ARLs based on the depreciation studies filed in the proceeding that led to Telecom Decision 2008-14.

15. MTS Allstream further submitted that the ARLs for certain classes of copper plant applied by the Bell companies in the cost studies used to support the unbundled local loop rates established in Telecom Decision 2011-24 were not the ARLs approved in Telecom Decision 2008-14. According to MTS Allstream, when the correct, approved life characteristics of the affected asset classes are used, the overall ARLs for copper cable are significantly increased.

16. The Bell companies agreed that the ARLs reported by MTS Allstream in its Part 1 application were the ARLs approved in Telecom Decision 2008-14 and that the cost studies underlying the unbundled local loop rates set out Telecom Decision 2011-24 did not use those ARLs. However, the Bell companies further submitted that if the ARLs were adjusted for these changes, then the NBV used as the cost base for copper cable plant in the unbundled local loop cost studies should also be adjusted to reflect the ARL changes.

17. MTS Allstream argued that any revision to the NBVs used in the unbundled local loop cost studies were outside the scope of this proceeding since the Bell companies had not raised the issue of such revisions in their review and vary application.

Commission's analysis and determinations

18. The Commission notes that the updated depreciation studies filed by the Bell companies in this proceeding rely on methods previously rejected by the Commission in Telecom Decision 2011-24. The Commission also notes that these studies result in significant decreases in copper cable ARLs which are not consistent with the long-term use of copper cable plant by the Bell companies to support their Fibre-to-the-Node (FTTN) program. Based on these considerations, the Commission does not accept the updated depreciation studies proposed by the Bell companies in this

proceeding. The Commission considers that the unbundled local loop cost studies should be based on the ARLs that are given by the depreciation studies filed in the proceeding that led to Telecom Decision 2008-14.

19. With regard to MTS Allstream's submission that the Bell companies' proposed adjustments to the NBVs used in the cost studies are not within the scope of this proceeding, the Commission notes that the NBV is correlated to the asset lives. Therefore, any change to the asset lives in the cost studies would necessitate corresponding NBV adjustments. The Commission further notes the Bell companies' submission was made in response to Commission staff interrogatories and that MTS Allstream and other parties were provided an opportunity to comment on the Bell companies' submission on the issue. Based on these considerations, the Commission therefore determines that the Bell companies' proposed adjustments to the NBVs used in the cost studies are within the scope of this proceeding.

20. Based on all of the above, the Commission therefore determines that it erred in Telecom Decision 2011-24 in respect of the ARLs and the NBVs used to establish rates for unbundled local loops and that these elements should be amended in accordance with the evidence provided by MTS Allstream and the Bell companies in this proceeding. The impacts of these amendments on the costs for unbundled local loops provided by the Bell companies are shown in row 2 of Tables 1 and 2 of the Appendix to this decision.

III. Did the Commission err in respect of certain cost determinations underlying the rates for unbundled local loops?

21. The Bell companies submitted evidence that the cost studies used to set the rates for unbundled local loops in Telecom Decision 2011-24 contained a number of material errors. The Bell companies indicated that these errors were related to the fungibility of certain copper cable asset classes, the inconsistent treatment of replacement costs for copper cable, the underestimation of both maintenance and removal costs, and the use of incorrect NBVs for one Bell Aliant band.

22. The Bell companies also submitted that adjustments made by the Commission in Telecom Decision 2011-24 to the costs associated with order fulfillment expenses for unbundled local loops should be reversed. In their view, the Commission's adjustments were based on its conclusion that these expenses included activities that were associated with the Bell companies' retail telephony and Internet services. The Bell companies submitted that the costs provided by them solely reflected costs associated with the provision of unbundled local loop services, and, as such, the adjustment should be reversed.

23. CNOC, Distributel, MTS Allstream, and Primus submitted that the maintenance costs for unbundled local loops approved in Telecom Decision 2011-24 were properly estimated by applying maintenance expense factors to the NBV of copper cable plant. These parties submitted that the NBV is a proxy for the market value of the copper cables, which is the appropriate representation of the incremental cost of these

facilities. For the same reasons, these parties also submitted that the application of removal cost factors to the NBV of copper cable plant is the appropriate method to evaluate the removal costs associated with copper cable plant.

24. MTS Allstream further submitted that the Commission should reject the Bell companies' estimates of the costs to replace copper cable assets. According to MTS Allstream, there is evidence to support the view that very little actual retirement of copper cable assets is occurring and, as such, there is little reason to believe that replacement is actually an issue. MTS Allstream submitted that the Commission should increase the ARLs associated with copper cable plant to reflect the longer useful life that is realized by these assets.

25. MTS Allstream further submitted that the Bell companies' proposed addition of replacement costs to the costs for an unbundled local loop should be considered as outside the scope of this proceeding. It noted that the Bell companies did not request a review and vary of the Commission's determination that the Bell companies are not obliged to provide unbundled local loop service where an existing copper cable is not available to provide such a service. According to MTS Allstream, that condition means that there will never be an instance where replacement costs are incurred to provide unbundled local loops.

Commission's analysis and determinations

26. Based on the record of this proceeding, the Commission considers that issues related to the following costs should be considered in this decision: (1) maintenance costs; (2) replacement costs; (3) removal costs; (4) order fulfillment costs; and (5) other cost adjustments proposed by the Bell companies relating to the fungibility of certain copper cable asset classes, the use of incorrect NBVs for one Bell Aliant band, and other miscellaneous cost issues. Each of these issues is addressed further below.

Maintenance costs

27. The Commission notes that the copper cable maintenance expenses associated with unbundled local loops are estimated by applying a cost factor to copper cable capital. The particular cost factor employed by the Bell companies for this purpose is created by taking historical annual maintenance expenses and dividing these by copper cable plant-in-service (PIS)[9] amounts, restated to current dollar terms.

28. Since the maintenance cost factor is itself derived on the basis of PIS restated to current dollar terms, which reflects the current cost of the assets rather than their NBV, the Commission considers that an appropriate estimate of the copper cable maintenance expenses associated with unbundled local loops would be based on the application of the maintenance cost factor to current costs rather than NBV. The Bell companies had previously applied the maintenance cost factor to NBV.

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[9] PIS is the original capital investment in plant and equipment that is providing service.

29. As such, the Commission determines that it erred in Telecom Decision 2011-24 in respect of the copper cable maintenance expenses used to establish rates for unbundled local loops and that these expenses should be amended in accordance with the evidence provided by the Bell companies in this proceeding. The impacts of these amendments on the maintenance costs for unbundled local loops provided by the Bell companies are shown in row 3 of Tables 1 and 2 of the Appendix to this decision.

Replacement costs

30. With respect to MTS Allstream's procedural objection regarding the inclusion of replacement costs, the Commission notes that the Bell companies' submissions were made in response to Commission staff interrogatories and that MTS Allstream and other parties were provided with an opportunity to comment on the Bell companies' submissions with regard to replacement costs. The Commission further notes that the issue of what costs are incurred to maintain existing unbundled local loops is relevant to the proceeding. The Commission therefore determines that this matter is within the scope of the proceeding.

31. The Commission notes that the cost studies used as the basis for unbundled local loop rates in Telecom Decision 2011-24 were based on the assumption that none of the existing copper facilities used to provide unbundled local loops would be retired over the study period and hence no assets currently used to provide existing unbundled local loops would need to be replaced.[10] The Commission considers that this assumption is not appropriate in view of the evidence provided by the Bell companies demonstrating that retirements[11] of copper cable occur each year.

32. The Commission notes that, in Telecom Decision 2011-24, it determined that the Bell companies would not be required to provide unbundled local loops to competitive local exchange carriers if to do so would require the Bell companies to purchase additional copper cables. The Commission's determination in that instance was with reference to growth in the network. However, with regard to existing copper cables, the Commission considers that it would be appropriate to include costs associated with the replacement of the existing copper cable plant when it is retired in order to support existing local loops.

33. In the course of this proceeding, the Bell companies made several proposals by which the appropriate level of replacement costs could be estimated. In one proposal, the Bell companies suggested that the level of replacement costs could be estimated using the survivor curve[12] characteristics for copper cable that underlie the estimates of Phase II capital costs. In a second proposal, the Bell companies suggested that all capital expenditures on copper cables could be regarded as replacement costs, since the Commission's adoption of the NBV approach to the valuation of copper cable plant presumes that there is no growth in the demand for unbundled local loops. In a

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[10] The Bell companies included a level of replacement in these cost studies, except for two copper asset classes. This was subsequently corrected in cost studies filed in this proceeding.

[11] Retirement value refers to the original value of investment in assets removed from service.

[12] The survivor curve is a mathematical function that describes the retirement pattern of an asset.

third proposal, the Bell companies suggested that the level of replacement costs could be estimated from the current value of copper cable retirements estimated from the survivor curve, but adjusted to take into account the extent to which copper technologies are being replaced in the feeder[13] part of the network by alternative technologies.[14]

34. The Commission also notes that the Bell companies filed evidence on the actual retirements of copper cable that have occurred over the past four years. Further, the Bell companies filed evidence regarding the extent to which the prices of various types of copper cable (aerial, buried, underground, in-building, and submarine) have changed since 1960 as measured by Telephone Plant Indices (TPIs), along with data on the vintage of copper cable plant (by type of plant) that has been retired over the past four years.

35. The Commission considers that, when data on historical retirements, by vintage, are restated into current dollar terms using TPIs, the result is a direct estimate of the current cost incurred by the Bell companies to replace their retired copper cable assets. This measure of replacement costs provides an estimate of the actual retirements experienced by the Bell companies, restated into current dollars.

36. The Commission considers that the alternative measures of replacement costs proposed by the Bell companies are deficient in important respects. First, they are all hypothetical constructs, and are not related to the actual retirement and replacement experience of the Bell companies. Second, the levels of replacement costs that result from the application of the different proposals are orders of magnitude higher than the actual retirements reported by the Bell companies (restated into current dollars), a result that undermines the credibility of these estimates.

37. Based on all of the above, the Commission determines that the appropriate level of replacement costs for copper cable plant that should be included in the costs for unbundled local loops is the average level of costs that is obtained from a restatement of historical retirements of copper cable plant over the past four years into current dollar terms using the TPIs provided on the record of this proceeding by the Bell companies.

38. As such, the Commission determines that it erred in Telecom Decision 2011-24 in establishing rates for unbundled local loops on the basis of the assumption that no replacement costs will be incurred by the Bell companies and that such costs, estimated on the basis of restated historical retirements, should be included in the costs for unbundled local loops. The impacts of these amendments on the replacement costs for unbundled local loops provided by the Bell companies are shown in row 4 of Tables 1 and 2 of the Appendix to this decision.

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[13] Feeder cables provide the connections between the copper distribution cables that serve customer premises and the ILEC central offices and may consist of copper or fibre cables.

[14] The principal replacement occurs with fibre-optic technology.

Removal costs

39. The Bell companies submitted that, when copper cable plant is retired, they incur costs to remove that plant, whether that plant is replaced or not. The Bell companies explained that these types of costs are incurred to remove aerial and some underground cables upon retirement, whereas buried and submarine cables are never removed.

40. The Bell companies submitted that, in the Phase II costs studies that were used to establish the rates set out in Telecom Decision 2011-24, they had estimated the costs incurred to remove copper cables by applying their cost of removal factors (as defined and explained in their regulatory economic studies manuals) to the NBVs of copper cable plant. The Bell companies submitted that removal costs should instead have been estimated by applying the cost of removal factors to the installed first cost (IFC)[15] of copper cable plant, since the cost of removal factor is defined as the ratio of the actual costs incurred to remove copper cable plant to the cost of removed copper cable plant.

41. Based on the evidence provided in this proceeding, the Commission notes that the level of retirements actually incurred by the Bell companies, and the costs incurred to remove plant over the past five years,[16] are both relatively small, certainly much smaller than the retirements and removal costs that are indicated by the cost studies that the Bell companies have provided. As such, the Commission is of the view that the cost studies submitted by the Bell companies do not provide a credible basis for estimates of removal costs.

42. Further, the Commission notes that the Bell companies provided evidence that a significant part of the removal costs incurred by them in recent years is partially offset by the salvage value of the plant that is removed. In this regard, the Commission notes that no salvage value was reflected in the Phase II cost studies filed in the course of the proceeding that led to Telecom Decision 2011-24, nor in the cost studies filed in the course of these review and vary proceedings.

43. The Commission considers that an appropriate basis for an estimate of removal costs over the study period would be provided by utilizing the estimated average level of removal costs, net of salvage that has been earned from retired copper cable. The Commission notes that these data are only available at a total company level (i.e. the total of Bell Aliant and Bell Canada).

44. For the purpose of estimating the level of removal costs that should apply to each of the Bell companies, the Commission has taken total company information and determined the removal costs and the associated salvage value per unbundled local loop. The Commission considers that this metric provides a reasonable estimate of the

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15 Installed first cost is the total cost incurred when an asset is installed, and reflects the equipment costs and associated installation labour.

16 As estimated by applying the Bell companies' cost of removal factors to retired plant.

removal costs, net of salvage, per unbundled local loop that is likely to be incurred by the Bell companies over the study period.

45. As such, the Commission determines that it erred in Telecom Decision 2011-24 in regard to the net removal costs that will be incurred by the Bell companies, and that such costs should be estimated on the basis of the methodology described above. The impacts of these amendments on the removal costs, net of salvage value, for unbundled local loops provided by the Bell companies are shown in row 5 of Tables 1 and 2 of the Appendix to this decision.

Order fulfillment costs

46. The Bell companies submitted that the Commission's determination set out in Telecom Decision 2011-24 to reduce their estimated order fulfillment costs was inappropriate. In Telecom Decision 2011-24, the Commission had concluded that only 50 percent of the estimated costs would be allowed in the costs for an unbundled local loop, since the evidence on the record of that proceeding suggested that a substantial portion of the costs were associated with retail Internet services, not unbundled local loop services.

47. The Commission notes that the Bell companies provided detailed information about the specific administrative activities that were included in their estimate of order fulfillment expenses associated with the provision of unbundled local loops. Based on its review of these activities, the Commission considers that many of the inclusions proposed by the Bell companies are in fact activities that are associated with the retail service offerings of the Bell companies, and not with the provision of unbundled local loops. On this basis, the Commission considers that the adjustments made to the Bell companies' order fulfillment costs in Telecom Decision 2011-24 were appropriate.

48. Based on the above, the Commission determines that it did not err in Telecom Decision 2011-24 with regard to the adjustment that was made to the order fulfillment costs proposed by the Bell companies.

Other cost adjustments proposed by the Bell companies

49. The Bell companies identified a number of other errors that had been made in the Phase II cost studies that were used as the basis for the unbundled local loop rates approved by the Commission in Telecom Decision 2011-24. The Bell companies indicated that these errors were related to the fungibility assumptions made with respect to certain copper cable asset classes, the use of incorrect NBVs for one Bell Aliant band, and other miscellaneous issues.

50. The Commission is satisfied that the errors identified by the Bell companies are material and, as such, it erred in Telecom Decision 2011-24 in setting rates for unbundled local loops on the basis of cost studies incorporating these errors, and that these costs should be amended to correct the errors. The impacts of these amendments on the costs for unbundled local loops provided by the Bell companies are shown in row 6 of Tables 1 and 2 of the Appendix to this decision.

Summary of cost changes and rate impacts

51. The Commission notes that its determinations in this decision with regard to the cost issues identified above result in significant changes to the Phase II costs for unbundled local loops in the serving territories of the Bell companies in Ontario and Quebec, and thus impact the rates for these services. Summaries of the cost impacts by rate band, for each of Bell Aliant and Bell Canada, are provided in Tables 1 and 2, respectively, of the Appendix to this decision. The first row of each table provides the Phase II costs for unbundled local loops that were approved in Telecom Decision 2011-24. Rows 2 to 6 of each table provide the cost adjustment that applies to the previously approved Phase II costs as a result of the Commission's review of the issues discussed in this decision. The second last row of each table presents the total revised Phase II costs that the Commission determines to be appropriate for unbundled local loops in view of the issues raised in this proceeding, and the final row of each table presents the revised unbundled local loop rates appropriate to those Phase II costs, based on the application of a 15 percent markup.

52. The Commission notes that it approved the rates determined in Telecom Decision 2011-24 on a final basis, and retroactive to 14 December 2009. However, the Commission also notes that parties to this proceeding have provided evidence that the rates determined in Telecom Decision 2011-24 were based on incorrect costs and were therefore not just and reasonable. As such, the rates determined in this decision replace the rates set out in Telecom Decision 2011-24. Consistent with the Commission's determinations in Telecom Decision 2011-24, the revised rates for unbundled local loops determined in this decision, as set out in the Appendix to this decision, are made effective as of 14 December 2009. In light of its decision, which eliminates the retroactive rate increases established in Telecom Decision 2011-24, the Commission considers that it is not necessary to address the relief sought in Primus' application.

Conclusion

53. Based on all of the above, the Commission determines that there is substantial doubt as to the correctness of the rates established in Telecom Decision 2011-24 for unbundled local loops provided by the Bell companies, and that the rates for such services should be amended to incorporate the cost changes detailed above. The impacts of these amendments on the Bell companies' rates for unbundled local loops are shown in row 8 of Tables 1 and 2 of the Appendix to this decision. The Commission determines that, based on the record of this proceeding, these rates are just and reasonable and **approves such rates on a final basis**, effective 14 December 2009. The Commission further directs the Bell companies to issue revised tariff pages reflecting its determinations with regard to the rates for unbundled local loops **within 30 days of the date of this decision**.[17]

[17] The revised tariff pages can be submitted to the Commission without a transmission page or an approval request; a tariff application is not required.

54. The Commission considers that its determinations in this decision advance the policy objectives set out in paragraphs 7(*b*), 7(*c*), and 7(*f*) of the the Act.[18] The Commission considers that the ability of competitors that rely on unbundled local loops to compete in the retail market would be restricted if unbundled local loop services were not available at the rates established in this decision. Further, the wholesale cost-based rates identified in this decision are established with a view to ensuring that competitors pay rates constituting Phase II costs plus a 15 percent markup, while the incumbents legitimately recover the costs that are incurred. The Commission therefore finds that, in accordance with subparagraphs 1(*a*)(ii) and 1(*b*)(ii) of the Policy Direction,[19] the rates for unbundled local loops established in this decision (a) are efficient and proportionate to their purpose and interfere with competitive market forces to the minimum extent necessary to meet the policy objectives noted above, and (b) neither deter economically efficient competitive entry into the market nor promote economically inefficient entry.

Secretary General

Related documents

- *Revised guidelines for review and vary applications*, Telecom Information Bulletin CRTC 2011-214, 25 March 2011
- *Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Monthly recurring rates and service charge rates for unbundled loops in Ontario and Quebec*, Telecom Decision CRTC 2011-24, 12 January 2011
- *Review of certain Phase II costing issues*, Telecom Decision CRTC 2008-14, 21 February 2008, as amended by Telecom Decision CRTC 2008-14-1, 11 April 2008

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[18] The cited policy objectives of the Act are
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.

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

Appendix

Table 1

Revised Phase II costs and rates applicable to unbundled local loops provided by Bell Aliant

Description	Rate Band				
	Band B	Band C	Band D	Band E	Band F
1 Phase II costs approved in Telecom Decision 2011-24	$9.53	$11.72	$14.15	$25.71	$26.32
2 Impact of adjusted ARLs	-$0.30	-$0.38	-$0.50	-$1.17	-$0.80
3 Impact of maintenance cost adjustment	+$0.85	+$1.21	+$1.32	+$2.92	+$3.30
4 Impact of replacement cost adjustment	+$0.12	+$0.16	+$0.15	+$0.30	+$0.33
5 Impact of removal cost adjustment	-$0.42	-$0.58	-$0.66	-$1.73	-$1.21
6 Impact of Bell Aliant corrections	-$0.79	-$0.82	-$1.16	-$1.82	-$4.20
7 Revised Phase II costs	$8.99	$11.31	$13.30	$24.21	$23.74
8 Revised rates for unbundled local loops	$10.34	$13.01	$15.29	$27.84	$27.30

Table 2

Revised Phase II costs and rates applicable to unbundled local loops provided by Bell Canada

Description	Rate Band					
	Band A	Band B	Band C	Band D	Band E	Band F
1 Phase II costs approved in Telecom Decision 2011-24	$5.87	$11.70	$13.41	$15.31	$24.69	$19.50
2 Impact of adjusted ARLs	-$0.19	-$0.50	-$0.59	-$0.71	-$1.17	-$0.74
3 Impact of maintenance cost adjustment	+$0.13	+$0.42	+$0.75	+$0.97	+$1.99	+$2.06
4 Impact of replacement cost adjustment	+$0.03	+$0.08	+$0.11	+$0.12	+$0.22	+$0.22
5 Impact of removal cost adjustment	-$0.34	-$0.69	-$0.70	-$0.70	-$1.00	-$0.89
6 Impact of Bell Canada corrections	-$0.56	-$1.00	-$0.98	-$1.12	-$1.85	-$1.14
7 Revised Phase II costs	$4.94	$10.01	$12.00	$13.87	$22.88	$19.01
8 Revised rates for unbundled local loops	$5.69	$11.52	$13.80	$15.95	$26.31	$21.86