



Telecom Decision CRTC 2013-744

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Ottawa, 20 December 2013

Allstream Inc. – Request to review and vary Bell Aliant Regional Communications, Limited Partnership and Bell Canada’s low-speed competitor digital network access service rates in Ontario and Quebec

File number: 8661-A117-201312248

In this decision, the Commission finds that the current rates for low-speed competitor digital network (CDN) access services provided by Bell Aliant and Bell Canada (collectively, the Bell companies) in Ontario and Quebec may not be just and reasonable, and should be reviewed. Accordingly, the Commission makes these rates interim, and directs the Bell companies to file cost studies for the services within 90 days of the date of this decision. In addition, the Commission denies an application from Allstream to revise the Bell companies’ rates for these services in Ontario and Quebec so that they only reflect changes to approved unbundled local loop rates.

Introduction

1. Competitor digital network (CDN) services are wholesale services that large incumbent local exchange carriers (ILECs) provide to competitors. These services are used to interconnect networks and to enable competitors to offer local exchange services to end-customers. CDN services consist of access, transport, channelization, and central office link components. Low-speed CDN access services provide bandwidths of 64 kilobits per second (DS-0) and 1.544 megabits per second (Mbps) (DS-1). These services are provided on a tariffed basis, and the rates are based on the incremental costs of providing the services plus a markup of 15 percent. Other CDN access services provide bandwidths of 45 Mbps (DS-3) or more, and are forborne from Commission regulation.
2. As a result of the availability of CDN services for competitors, including low-speed CDN access services, residential and business end-customers have a greater choice of retail service providers.

The application

3. The Commission received an application from Allstream Inc. (Allstream), dated 29 August 2013, in which the company submitted that there was *prima facie* evidence that the rates being charged by Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) and Bell Canada (collectively, the Bell companies) for low-speed CDN access services in Ontario and Quebec are no longer just and reasonable. Accordingly, Allstream requested that the current rates for these services

be made interim, that the rates be revised, and that the revised rates be applied retroactively as of the date the current rates were made interim.

4. The Commission received interventions from Bell Aliant, Bell Canada, the Canadian Network Operators Consortium Inc. (CNOc), and Primus Telecommunications Canada Inc. (Primus). The public record of this proceeding, which closed on 16 October 2013, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.
5. The Commission has identified the following issues to be addressed in this decision:
 - I. Are the Bell companies' rates for low-speed CDN access services no longer just and reasonable?
 - II. Should the Commission adjust the Bell companies' low-speed CDN access service rates using Allstream's proposed process?
- I. Are the Bell companies' rates for low-speed CDN access services no longer just and reasonable?**
6. Allstream, supported by CNOc and Primus, submitted that there is a clear relationship between the costs for the access component of the Bell companies' low-speed CDN access services and the costs for their unbundled local loops. Specifically, Allstream submitted that for each rate band, the outside plant capital costs of the low-speed CDN access services are taken to be the same as the average costs for local loops used to provide unbundled local loops. When the unbundled local loop rate changes, the contribution of the average local loop cost element to the costs for low-speed CDN access services changes in the same direction.
7. Allstream noted that in Telecom Decision 2012-628, the Commission had reduced the rates for unbundled local loops provided by the Bell companies in Ontario and Quebec by up to 33 percent. According to Allstream, given the direct correlation described above between low-speed CDN access services and unbundled local loops, rate revisions to the former should automatically follow as a result of the approved revisions to unbundled local loop rates. Consequently, Allstream submitted that the existing rates for low-speed CDN access services can no longer be regarded as just and reasonable.
8. The Bell companies argued that Allstream's request should be rejected.
9. Bell Canada submitted that CDN access services are composed of a number of cost elements apart from imputed unbundled local loops. The company submitted that when changes to all cost elements are taken into account, using currently approved costing methods, the rates for low-speed CDN access services would likely increase.
10. Bell Canada identified several examples of how updating other cost inputs would offset any reduction in the rate imputed for unbundled local loops. For example, it specifically noted that since 2003 (the date of the Bell companies' original cost

studies for low-speed CDN access services), the percentage of CDN accesses provided using four wire loops – as opposed to two wire loops – has increased in certain rate bands, which would result in imputing the rate for two-wire unbundled local loops more frequently. In addition, Bell Canada submitted that the overall costs of low-speed CDN access services would change, since the percentage of CDN accesses that are provided over copper rather than fibre loops in certain rate bands has increased.

11. Bell Canada also noted that any updated cost study would rely on the cost methods approved in Telecom Decision 2008-14. In that decision, the Commission approved the removal of expense cost caps that had been used in the 2003 CDN access service cost studies, a change that would also increase costs for such services.
12. In reply, Allstream rejected Bell Canada's conclusion that these circumstances would result in increased rates, arguing, for example, that technological improvements should have increased the use of two-wire configurations relative to four-wire configurations.

Commission's analysis and determinations

13. The Commission considers that Allstream¹ and Bell Canada both provided evidence that the rates for the Bell companies' low-speed CDN access services have likely changed significantly since they were last reviewed in 2003. The Commission considers that there is sufficient evidence on the record of the proceeding to indicate that these rates may no longer be just and reasonable.

II. Should the Commission adjust the Bell companies' low-speed CDN access service rates using Allstream's proposed process?

14. Allstream proposed that, rather than undertake a complete cost review, the Commission should adjust the rates for the Bell companies' low-speed CDN access services based on information provided in the cost studies filed in 2003, modified to take into account the proportion of the costs accounted for by unbundled local loops. The proposed process would rely on the assumption that there is a direct relationship between CDN access service rates and unbundled local loop costs, and would reflect changes to unbundled local loop rates approved in Telecom Decision 2012-628.
15. Allstream further requested that the Bell companies' rates for low-speed CDN access services be made interim effective immediately.
16. The Bell companies submitted that any revision to CDN access service rates would require updating the cost studies entirely, not just updating the changes to the imputed value of the unbundled local loop. Further, Bell Canada submitted that the

¹ CNOC and Primus supported Allstream's position.

Commission has already rejected the approach of revising wholesale rates by updating only a single element of a cost study.²

17. Bell Aliant, for its part, submitted that a full review of the cost studies for CDN access services would not be warranted in light of the Commission's review of the entire wholesale services regime,³ as that review may result in a change to the regulatory status for these services or to the pricing principles that apply to them.
18. Bell Canada submitted that it is not opposed to conferring interim status on rates when it is likely that revised rates will be made final in a timely fashion. However, the company submitted that recent cost reviews for other wholesale services have not resulted in expeditious determinations with regard to final rates. Bell Canada further submitted that the Commission's ability to render a final determination with respect to CDN access service rates will also be impeded by the review of the wholesale services regime in 2014. Bell Aliant submitted that interim status would not be appropriate in light of these issues.
19. In reply, Allstream argued that the Bell companies have frequently asked for rates to be made interim when they have anticipated that rates might increase. Allstream also submitted that the examples of cost reviews that took an extended period to resolve were qualitatively different from the type of cost review proposed by Allstream. Allstream further submitted that in many of these cases, the Bell companies themselves were the parties that contributed to delays in the resolution of the cost review.

Commission's analysis and determinations

20. The Commission considers that to establish just and reasonable rates for low-speed CDN access services, it should rely on all currently available information that is relevant to the provision of the services. Allstream's proposed procedure would fail to take into account new information on cost elements that are not contained in the costs for unbundled local loops. Further, the Commission is of the view that the amount by which costs for low-speed CDN access services may have changed as a result of the reduction in unbundled local loop rates should not be considered in isolation from possible changes to other cost elements that are material to the provision of the wholesale service.
21. Based on the above, the Commission **denies** Allstream's request to update the Bell companies' low-speed CDN access service rates by reflecting the unbundled local loop rate changes approved in Telecom Decision 2012-628. However, in light of the Commission's determination that the rates for these services may no longer be just and reasonable, the Commission will undertake a review of the underlying costs for the services before the wholesale services review is completed.

² The Bell companies specifically referenced Telecom Decision 2011-562.

³ See Telecom Notice of Consultation 2013-551.

22. The Commission does not anticipate that the matters being considered in the wholesale services review will affect its ability to review the costs for low-speed CDN access services in a timely manner. Moreover, the Commission considers that making the current rates interim would be consistent with its statutory obligation to ensure that rates are just and reasonable at all times. It would also allow the Commission, if it so chooses, to make the revised final rates retroactive to the date they were made interim.
23. In light of the above, the Commission makes the Bell companies' current rates for low-speed CDN access services interim, effective the date of this decision, and directs the Bell companies to file cost studies for low-speed CDN access services in Ontario and Quebec within **90 days** of the date of this decision.

Secretary General

Related documents

- *Review of wholesale services and associated policies*, Telecom Notice of Consultation CRTC 2013-551, 15 October 2013, as amended by Telecom Notice of Consultation CRTC 2013-551-1, 8 November 2013
- *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*, Telecom Decision CRTC 2012-628, 15 November 2012
- *MTS Allstream Inc. – Impact of the Harmonized Sales Tax on wholesale service rates in British Columbia and Ontario*, Telecom Decision CRTC 2011-562, 1 September 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