



Telecom Order CRTC 2009-698

Ottawa, 6 November 2009

Bell Aliant Regional Communications, Limited Partnership – Application to introduce a new high-speed Internet service option as part of ADSL WAN Service

File number: Bell Aliant Tariff Notice 338

Introduction

1. The Commission received an application by Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), dated 13 March 2009, in which the company proposed changes to Aliant Telecom's General Tariff item 624 – ADSL WAN Service.¹ Specifically, Bell Aliant proposed to introduce a new service option that would provide speeds of up to 5 megabits per second (Mbps) downstream and of up to 640 kilobits per second upstream. Bell Aliant also filed a cost study in support of its application.
2. The Commission issued three sets of interrogatories to Bell Aliant, dated 15 May 2009, 8 June 2009, and 26 June 2009, seeking further clarification with respect to the company's cost study assumptions.
3. The Commission received comments from MTS Allstream Inc. (MTS Allstream) and Acanac Inc. (Acanac). The public record of this proceeding, which closed on 29 July 2009, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.
4. The Commission has identified the following two issues to be addressed in its determinations:
 - I. Does the proposed 5 Mbps service option comply with the Commission's directives in Telecom Decision 2008-117 and Telecom Order 2009-111?
 - II. Are Bell Aliant's proposed rates just and reasonable?

¹ ADSL WAN Service – which stands for asymmetric digital subscriber line wide area network service – is a tariffed wholesale service provided by Bell Aliant that is used by competitors to provide various services, including retail Internet service. This wholesale aggregated service is comparable to Bell Canada's General Tariff item 5420 – High Speed Access Service, and provides a dedicated data channel from the end-users' location to a Bell Aliant wire centre.

I. Does the proposed 5 Mbps service option comply with the Commission's directives in Telecom Decision 2008-117 and Telecom Order 2009-111?

5. Bell Aliant proposed to introduce the new 5 Mbps service option for wholesale customers to match its retail high-speed Internet access service offered at the same speed. The company submitted that this new service option will ensure that all of Bell Aliant's retail ADSL speeds provided over legacy asynchronous transfer mode (ATM) networks are available to wholesale customers, where there is demand for those services.
6. MTS Allstream and Acanac argued that Bell Aliant's tariff filing was not fully compliant with Telecom Decision 2008-117 and Telecom Order 2009-111 to the extent that Bell Aliant offers retail internet services at speeds not contained in the tariff proposal and for which the company has no approved wholesale tariff.
7. In Telecom Decision 2008-117 and subsequently in Telecom Order 2009-111, the Commission directed that upon the introduction of a new retail Internet service speed by an incumbent local exchange carrier (ILEC), the ILEC is to file, on the same date, proposed revised tariff pages for wholesale aggregated ADSL services at the same speed. Bell Aliant's application responds to this direction with respect to the 5 Mbps service option.
8. Notwithstanding the concerns raised by MTS Allstream and Acanac, the Commission finds that it is in the public interest to approve Bell Aliant's proposal in order to give competitors access to the 5 Mbps service option that Bell Aliant already offers in the retail market.²
9. Accordingly, the Commission considers that Bell Aliant's proposal to introduce the new ADSL WAN 5 Mbps service option under consideration is consistent with Telecom Decision 2008-117 and Telecom Order 2009-111, in so far as they apply to Bell Aliant's provision of a 5 Mbps service option in the retail market.

II. Are Bell Aliant's proposed rates just and reasonable?

10. In assessing the proposed rates submitted by Bell Aliant, the Commission has reviewed the company's cost study and associated methodologies. The Commission finds that with the exception of the three costing adjustments discussed below, all other proposed costing methods and cost estimates associated with the 5 Mbps service option are appropriate.
11. The Commission notes that Bell Aliant proposed significant increases to the switching and transmission capital costs causal to demand for the new 5 Mbps service option, compared to the previous cost study for the 3 Mbps service option, on the basis of increased average peak bandwidth assumptions. The Commission considers that Bell Aliant's proposed bandwidth assumptions for this 5 Mbps service option are not adequately justified.

² The matter of the wholesale provision of other speed options not provided over legacy networks is currently the subject of separate petitions to the Governor in Council: by Bell Aliant and Bell Canada on 11 March 2009, and by TELUS Communications Company (TCC) on 12 March 2009. In light of these petitions, Bell Canada and TCC have each filed applications for a stay of Telecom Decision 2008-117 and Telecom Order 2009-111.

12. Accordingly, the Commission has adjusted the capital costs causal to demand for switching and transmission by reducing the average peak bandwidth growth assumptions to be consistent with those used in Bell Aliant's cost study submitted in support of its wholesale 3 Mbps service option tariff application. Further, the Commission has also adjusted these capital costs to take into account the decrease in prices for the associated hardware. These adjustments to the capital costs also result in a reduction in the associated maintenance expenses.
13. With respect to modem costs, the Commission has modified these costs to reflect supplier price reductions for this type of equipment.
14. The Commission also notes that the proposed costs causal to service for the 5Mbps service option are several times greater than those proposed in the company's previous cost study submitted in support of its 3Mbps service option, which is part of the same tariff service. The Commission considers that the large difference in costs is not justified. Accordingly, the Commission has adjusted the proposed service introduction costs for the 5 Mbps option to be more consistent with the costs identified by the company in its previous cost study associated with the 3 Mbps service option.
15. With respect to the markups proposed for the 5 Mbps service option, the Commission considers that use of the markups approved for the 3 Mbps service option would ensure greater consistency between the two speed options. Accordingly, the Commission has applied the approved markups associated with the 3 Mbps service option to the adjusted costs for the 5 Mbps service option to determine the approved rates.
16. The Commission considers that its determinations in this order advance the telecommunications policy objectives set out in paragraphs 7(b), (c), and (f) of the *Telecommunications Act*.³ The Commission further considers that its determinations are consistent with the Policy Direction⁴ requirements that (a) the measures in question are efficient and proportionate to their purpose, and that they minimally interfere with competitive market forces to meet the above policy objectives, and (b) the measures neither deter economically efficient competitive entry into the market nor promote economically inefficient entry.

Conclusion

17. Consistent with the above determinations with respect to Bell Aliant's proposed costs, the Commission **approves on an interim basis**, effective 90 days from the date of this order, Bell Aliant's new 5 Mbps service option for its ADSL WAN Service with the following rates:

³ The cited policy objectives of the *Telecommunications 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.

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

		Company Provided Modem		
ADSL WAN Access		One-Year Contract	Three-Year Contract	
		Rate/Month	Rate/Month	
First 500, each		\$97.00	\$86.00	
Next 500, each		\$86.00	\$76.00	
1001 or more, each		\$71.00	\$61.00	
		Customer Provided Modem		
ADSL WAN Access		One-Year Contract	Three-Year Contract	
		Rate/Month	Rate/Month	
First 500, each		\$84.00	\$75.00	
Next 500, each		\$75.00	\$66.00	
1001 or more, each		\$62.00	\$53.00	

Secretary General

Related documents

- *Cybersurf Corp.'s application related to matching service speed requirements for wholesale Internet services*, Telecom Decision CRTC 2008-117, 11 December 2008
- *Cybersurf's application related to the implementation of Telecom Decision 2008-117 regarding the matching speed requirement*, Telecom Order CRTC 2009-111, 3 March 2009

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