



Telecom Order CRTC 2014-390

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MTS Inc. – Revisions to Very High-Speed Digital Subscriber Line Data Access service

The Commission approves the introduction of MTS's wholesale 50 megabit-per-second (Mbps) Very High-Speed Digital Subscriber Line (VDSL) Data Access service (VDAS) and Bonded VDSL Access, with modified monthly recurring rates and service charges. The Commission also approves MTS's adoption of 25 Mbps as the default speed profile for its current 32 Mbps VDAS, in line with the company's retail service speed.

Introduction

1. The Commission received an application from MTS Inc. (MTS), dated 29 November 2013, in which the company proposed to introduce a 50 megabit-per-second (Mbps) Very High-Speed Digital Subscriber Line (VDSL) Data Access service (VDAS) and Bonded VDSL Access (or bonded service). MTS also proposed to adopt 25 Mbps as the default speed profile for its current 32 Mbps VDAS, in line with its retail service speed.
2. VDAS is a wholesale high-speed access service that provides a very-high-speed access path from an end-user's premises, through an incumbent local exchange carrier's (ILEC) network (in this case, MTS), to an interface where a competitor connects its own network. The service enables a competitor to provide high-speed Internet and other services to its end-users. ILECs are allowed to bill for the service using either i) a flat rate per end-user, or ii) a flat rate per end-user in conjunction with capacity-based billing to pay for the network usage generated through end-user traffic.
3. Bonded VDSL Access, which is an option for standard VDAS, provides a second copper pair to connect an end-user to provide the chosen optional speed in locations where service is not possible on a single copper pair. It is provided at a supplemental charge to standard VDAS.
4. The Commission received no interventions regarding MTS's application. The public record of this proceeding, which closed on 18 March 2014, is available on the Commission's website at www.crtc.gc.ca or by using the file number provided above.

Issues

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

- Are the proposed costs for the 50 Mbps VDAS appropriate?
- Are the proposed costs for Bonded VDSL Access appropriate?
- Are the proposed costs for the Bonded VDSL Access service charge appropriate?
- Is it appropriate to lower the default speed profile of the 32 Mbps VDAS to 25 Mbps?

Are the proposed costs for the 50 Mbps VDAS appropriate?

6. MTS proposed a rate of \$30.65 for the 50 Mbps VDAS, which is based on the current tariff for the 32 Mbps service, plus a claim for costs causal to the service. These proposed costs are related to process development, other miscellaneous items, and billing system changes required for the implementation of the service.
7. The current rate for the 32 Mbps service already includes costs causal to the service that are not causal to the new 50 Mbps service. Therefore, the Commission has removed these costs from MTS's proposed costs for the 50 Mbps service.
8. The Commission also notes that MTS included pre-introduction¹ expenses in its costs causal to the service. These costs do not qualify as Phase II costs under Telecom Decision 2008-14. Therefore, the Commission has removed these costs.
9. Based on the adjustments above, the Commission **approves** a monthly rate of \$26.74 for the 50 Mbps VDAS.

Are the proposed costs for Bonded VDSL Access appropriate?

Dry loop

10. MTS included charges for a blended Type A dry loop in its proposed monthly charge for Bonded VDSL Access.
11. In its cost study, MTS determined a cost of \$4.99 for the blended dry loop, based on an average of costs over bands. MTS applied a markup of 15 percent² to its dry loop

¹ Pre-introduction expenses are expenses incurred prior to the decision to introduce a service. They are associated with the development and testing of new products/services, including expenses associated with the related data processing, system development, sales design, network design and development, service evaluation, preparation of material for the filing of tariff applications, etc.

² MTS applied the 15-percent markup on the Phase II costs that were determined for conditional essential services such as dry loop. Refer to Telecom Decision 2008-17 for details.

costs, along with an additional 40-percent markup, for a total charge of \$8.04 for the blended dry loop. According to Appendix D of the Phase II methodology manual, the 15-percent markup is not to be applied when including the cost of another service in a cost study. Accordingly, the appropriate amount to be included should be \$6.99 (\$4.99 plus a 40-percent markup).

12. Under MTS's proposal, a blended rate causes the competitor to pay a higher rate for a dry loop in some bands than if the competitor obtains the dry loop at the tariffed rate.³
13. Further, if a competitor orders the bonded service for a customer that does not have local service with MTS, the competitor would have to order a dry loop at the tariffed rate, and then pay a different rate for the second dry loop (\$8.04 under MTS's proposal). In this situation, the Commission considers that it is more appropriate to apply a consistent rate for both dry loops.
14. In view of the above, the Commission has removed the blended dry loop from the proposed bonded service rate. Accordingly, competitors may obtain the dry loop at the tariffed rate as a separate item.

Pre-introduction expenses

15. MTS also included pre-introduction expenses that do not qualify as Phase II costs, as discussed above for the 50 Mbps VDAS. Therefore, the Commission has removed these costs from the bonded service rate.

Cost increase factors and study period

16. The Commission notes that MTS used the standard company capital increase factors (CIFs), ranging from minus 4.7 percent to 3.3 percent, when determining its proposed rate for Bonded VDSL Access.
17. The bonded service is used to provide an additional access loop to increase service speed for either the proposed 25 Mbps (formerly 32 Mbps) or 50 Mbps services. It uses the same access-related equipment (i.e. digital subscriber line access multiplexer ports and associated common equipment) that those services use.
18. MTS proposed to use the rate approved for its 32 Mbps VDAS for its proposed 25 Mbps VDAS and 50 Mbps VDAS (augmented by service introduction charges). The approved rate for the 32 Mbps VDAS is based on a 10-year study period and a CIF of minus 5 percent for the access components.

³ If a competitor orders a dry loop separately from the bonded service, it would pay the following tariffed monthly rates: Band A: \$2.78 / B: \$6.25 / C: \$8.07 / D: \$9.85 / E: \$20.43 / F: \$16.50 / G: \$20.51, plus a service charge of \$18.50 (standard across all bands).

19. The rate for 32 Mbps VDAS was set in Telecom Regulatory Policy 2011-703, where the Commission determined that

- a study period of 10 years would be appropriate to reflect potential reductions in capital unit costs that may occur over the years due to technological advancements and increases in network usage over the study period; and
- while the use of standard CIFs is in line with the approved filing process, this does not preclude the use of service-specific capital unit cost changes that are deemed more appropriate, such as a CIF of minus 5 percent, for the access components of wholesale high-speed access services.

20. Consistent with the underlying rate, the Commission determines that a 10-year study period with a CIF of minus 5 percent for the access components should be applied in estimating the costs for Bonded VDSL Access.

Conclusion

21. The Commission **approves** a monthly rate of \$19.63 for the Bonded VDSL Access, reflecting the removal of the blended dry loop costs, the removal of pre-introduction expenses, and the application of a 10-year study period with a CIF of minus 5 percent for the access components.

Are the proposed costs for the Bonded VDSL Access service charge appropriate?

22. MTS proposed a one-time service charge based on time estimates, labour unit costs, and occurrence rates for business office and technical activities to install and provision Bonded VDSL Access.

23. The Commission finds that certain service charge costs are not appropriate, and has made the following adjustments:

- removed the “Connect station to appropriate pair” activity that was included twice.
- removed all dry-loop-related activities, since the Commission determined that the dry loop should be charged separately based on the existing tariff.
- determined a maximum time for two sub-activities (i.e. Bad port and Bad cabinet wiring; replace wiring) remaining in the “Troubleshoot from cabinet” activity. Contrary to what MTS assumed, the Commission is of the view that it is unlikely that both types of trouble would occur at the same time.
- reduced the occurrence rate for some of the activities. Some activities are to occur only if a previous activity has failed, such as an extended check for a port after a regular check has not worked. In that case, the extended check would only occur if the regular check failed and should therefore have a lower

occurrence rate than the regular check. Since MTS proposed identical occurrence rates, the Commission reduced the occurrence rate for those activities.

24. In light of the above, the Commission **approves** a service charge of \$185.24 for Bonded VDSL Access, based on the adjustments described above.

Is it appropriate to lower the default speed profile of the 32 Mbps VDAS to 25 Mbps?

25. MTS proposed to amend its tariff for its current 32 Mbps VDAS to change the default speed profile for the service to 25 Mbps so that it aligns with the company's retail Internet service speed.
26. MTS proposed that the current 32 Mbps speed profile be grandfathered for existing customers.
27. The Commission notes that the costs for providing the access service at 32 Mbps or at 25 Mbps is the same, since they do not include usage charges, which are covered by another item.
28. The Commission also notes that the ILECs are required to offer a wholesale high-speed access service that matches the speed of each of their respective retail Internet service offerings, as set out in Telecom Decision 2008-117 and reaffirmed in Telecom Regulatory Policy 2010-632.
29. MTS does not offer a 32 Mbps retail Internet service, but does offer a 25 Mbps service. Therefore, the Commission **approves** MTS's proposal to change the default speed profile of its 32 Mbps VDAS to 25 Mbps.
30. The Commission also **approves** MTS's proposal to grandfather the 32 Mbps VDAS.

Secretary General

Related documents

- *Billing practices for wholesale residential high-speed access services*, Telecom Regulatory Policy CRTC 2011-703, 15 November 2011, as amended by Telecom Regulatory Policy CRTC 2011-703-1, 22 December 2011
- *Wholesale high-speed access services proceeding*, Telecom Regulatory Policy CRTC 2010-632, 30 August 2010
- *Cybersurf Corp.'s application related to matching service speed requirements for wholesale Internet services*, Telecom Decision CRTC 2008-117, 11 December 2008

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