



Telecom Order CRTC 2015-163

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Ottawa, 28 April 2015

File numbers: Bell Aliant Tariff Notices 485 and 485A, and Bell Canada Tariff Notices 7433 and 7433A

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Introduction of wholesale 10 Gigabit Ethernet interface service

*The Commission **approves on a final basis, with changes**, the Bell companies' request to introduce a wholesale 10 Gigabit Ethernet interface service.*

Applications

1. The Commission received applications from Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) and Bell Canada (collectively, the Bell companies), dated 27 May 2014, in which the Bell companies proposed to introduce a wholesale 10 Gigabit Ethernet (GE) Internet Protocol (IP) asymmetric digital subscriber line aggregated high-speed service provider interface (AHSSPI) service (the 10 GE interface service), with an effective date of 28 November 2014. This service would enable an independent service provider (ISP) to interconnect with the Bell companies' broadband network to exchange Internet traffic at speeds of up to 10 gigabits per second (Gbps).
2. Specifically, the Bell companies proposed the following for their 10 GE interface service:
 - a one-time service charge of \$1,159.00, the same service charge that applies to their other interface services;¹
 - a monthly rate of \$477.16, supported by a cost study and based on Phase II costs plus a 30% markup; and
 - a minor change in the wording of their General Tariffs, paragraph 3(d), item 5410 – Gateway Access Service, under which the proposed service would be offered.
3. The Commission approved the Bell companies' applications on an interim basis in Telecom Order 2014-313, effective 28 November 2014.

¹ Under the same General Tariff item (5410 – Gateway Access Service), the Bell companies also offer wholesale interface services at speeds of 100 megabits per second (Mbps) and 1000 Mbps.

4. The Commission received amended applications from the Bell companies, dated 21 November 2014, in which the companies proposed to withdraw the above-mentioned wording change.
5. The Commission received an intervention regarding the Bell companies' applications from the Canadian Network Operators Consortium Inc. (CNOCC). The public record of this proceeding, which closed on 21 November 2014, is available on the Commission's website at www.crtc.gc.ca or by using the file numbers provided above.

Issues

6. The Commission has identified the following issues to be addressed in this order:
 - Is the proposed one-time service charge appropriate?
 - Is the proposed monthly rate appropriate?
 - Should the proposed cost study expenses be included?
 - Is the proposed annual capital unit cost change for the 10 GE interface port appropriate?
 - Should all of the proposed one-time service development costs be included?

Is the proposed one-time service charge appropriate?

7. The Bell companies proposed the same one-time service charge for their proposed 10 GE interface service as the one that applies to all their other existing IP AHSSPI services. The Bell companies indicated that this service charge covers the processing activities required to fulfill a wholesale interface service order, which are the same for all wholesale interface services regardless of their speeds.

Commission's analysis and determinations

8. The Commission considers that the processing activities required to fulfill a wholesale interface service order are the same regardless of the service's speed, as submitted by the Bell companies. The Commission also notes that approval of the proposed one-time service charge for the 10 GE interface service would be consistent with its previous service charge determinations for the Bell companies' lower-speed wholesale interface services set out in Telecom Decision 2013-659. The Commission therefore considers that the one-time service charge of \$1,159.00 for the Bell companies' 10 GE interface service is appropriate.

Is the proposed monthly rate appropriate?

Should the proposed cost study expenses be included?

9. The Bell companies proposed to include the expenses associated with the preparation of their cost study report in their proposed monthly costs of the 10 GE interface service.
10. CNOc submitted that the Bell companies' cost of preparing their cost study report, as set out in their cost study, is excessive.

Commission's analysis and determinations

11. In Telecom Decision 2008-14, the Commission determined that pre-introduction expenses, such as service evaluation expenses, which include cost study expenses, are not to be included in regulatory economic studies. Accordingly, the Commission has adjusted the Bell companies' monthly costs for the 10 GE interface service to exclude cost study expenses.

Is the proposed annual capital unit cost change for the 10 GE interface port appropriate?

12. In their cost study, the Bell companies applied an annual capital unit cost change² of minus 5% for their 10 GE interface port on the basis that the interface port is access-driven and not usage-driven.
13. CNOc submitted that in Telecom Decision 2013-659, the Commission mandated an annual capital unit cost change of minus 10% for usage-driven equipment, and that since routers and Ethernet switches are usage-driven equipment, an annual capital unit cost change of minus 10% should be used for the 10 GE interface port.

Commission's analysis and determinations

14. In Telecom Decision 2013-659 and Telecom Regulatory Policy 2011-703, the Commission determined that, for all incumbent local exchange carriers, annual capital unit cost changes of minus 5% for access-driven equipment and minus 10% for usage-driven equipment are appropriate.
15. In Telecom Regulatory Policy 2011-703, the Commission stated that usage-driven network equipment includes IP routers and Ethernet switches, as well as their associated interconnection links. The Commission considers that the driver for the provisioning of these types of equipment, including the interface ports on line cards

² "Annual capital unit cost change" refers to the annual percent change in the prices of a given class of assets.

housed within the router, is traffic demand.³ Therefore, the Commission considers that the interface ports are usage-driven.

16. Accordingly, the Commission considers that an annual capital unit cost change of minus 10% for the Bell companies' 10 GE interface port is appropriate. The Commission has reflected this adjustment in the Bell companies' monthly costs.

Should all of the proposed one-time service development costs be included?

17. In estimating the monthly costs of the 10 GE interface service, the Bell companies proposed to include costs associated with different activities related to the preparation and development of various documents and provisioning software. Specifically, the Bell companies argued that the 10 GE interface service is not merely a speed upgrade of existing services. They submitted that these costs were based on the incremental time estimates required to assess and modify their existing documents and software specific to their wholesale 1 GE interface service and/or their retail 10 GE interface service, to implement the wholesale 10 GE interface service.
18. The Bell companies further submitted that since the 10 GE interface service will be provided only when the capacity ordered by the wholesale customer is equal to or greater than 3 Gbps, this service differs from other AHSSPI services.
19. CNOC submitted that the Bell companies' proposed 10 GE interface service is basically an update to their existing 100 megabits per second and 1 GE interface services. CNOC argued that therefore, the Bell companies already have the technical documents, procedures, service provisioning and testing requirements, and software required for the 10 GE interface service. Given this, CNOC submitted that the time and cost estimates included in the Bell companies' cost study are excessive.

Commission's analysis and determinations

20. Regarding the Bell companies' submission that their 10 GE interface service differs from other AHSSPI services, the Commission notes that the minimum capacity demand requirement of 3 Gbps for the 10 GE interface service is only a condition for customers to order the service. The Commission does not consider that this condition makes the 10 GE interface service different from other AHSSPI services.
21. The Commission also notes that the Bell companies have confirmed that the ports on a line card used to provide the 10 GE interface service can be shared among the Bell companies themselves, their enterprise customers, and ISPs. The Bell companies also confirmed that they have service documents and software available related to the provision, management, and testing of their wholesale 1 GE interface service as well

³ The number of 10 GE interface ports that an ISP requires to connect its network to the Bell companies' network is based on the ISP's traffic demand. For example, for traffic less than 10 Gbps, one interface port may be sufficient; for greater traffic demand, additional interface ports would be required.

as their retail 10 GE interface service used by either the Bell companies themselves or their enterprise customers.

22. Based on the above, the Commission is of the view that an ISP could be considered similar to an enterprise customer of these services, and therefore, the same documents and software could be used regardless of whether the customer is an ISP or an enterprise customer.
23. The Commission therefore considers that eight activities related to the preparation of service documents and software in provisioning the wholesale 10 GE interface service are redundant. The first four of these activities are expense related and the latter four are capital related: (i) Field Management Services, (ii) Network Planning and Provisioning, (iii) Service Provisioning, (iv) Trouble Management Service Assurance, (v) Field Management Services, (vi) Local Tools Development, (vii) Order Acquisition and Fulfillment, and (viii) Trouble Management Service Assurance.
24. Consequently, the Commission considers that the expenses and capital costs associated with these activities are not incremental to providing the service. Accordingly, the Commission determines that these costs and expenses are to be excluded from the estimation of the monthly costs of the service.
25. The Commission has adjusted the Bell companies' proposed Project Management costs proportionally to reflect the elimination of the eight activities listed above. The Commission finds that the remaining service development costs filed by the Bell companies are just and reasonable.

Conclusions

26. In light of all the above, the Commission **approves on a final basis** the Bell companies' applications, effective 28 November 2014, subject to the following modifications regarding the Bell companies' proposed 10 GE interface service:
 - the Commission **approves** a one-time service charge of \$1,159.00; and
 - the Commission **approves** a revised monthly rate of \$327.88.
27. The Commission considers that the approved rates set out in the paragraph above are just and reasonable, and that it is therefore appropriate to apply them effective the date of the interim order.
28. The Commission **directs** the Bell companies to issue, within **10 days** of the date of this order, revised tariff pages⁴ reflecting the determinations set out above.

⁴ Revised tariff pages can be submitted to the Commission without a description page or a request for approval; a tariff application is not required.

29. The Commission notes that the monthly rate it has approved in this order is lower than the interim rate it approved in Telecom Order 2014-313. Consequently, the Commission **directs** the Bell companies to determine the rebates owed to applicable wholesale customers for the period from 28 November 2014 to the date of this order, and to provide these rebates within **90 days** of the date of this order.

Secretary General

Related documents

- Telecom Order CRTC 2014-313, 10 June 2014
- *Review of outstanding wholesale high-speed access service issues related to interface rates, optional upstream speed rates, and modem certification requirements*, Telecom Decision CRTC 2013-659, 6 December 2013
- *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
- *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