



## Telecom Notice of Consultation CRTC 2016-180

PDF version

Reference: 2015-39

Ottawa, 12 May 2016

*File number: 1011-NOC2016-0180*

### Call for comments

#### Review of the rates for Northwestel Inc.'s Wholesale Connect service

**Deadline for submission of interventions: 13 June 2016**

[\[Submit an intervention or view related documents\]](#)

*The Commission initiates a proceeding to examine whether the rates for all of Northwestel's Wholesale Connect service speeds, for all community types, should be reviewed in light of information filed in the proceeding associated with Northwestel's Tariff Notice 923 and the Commission's determinations set out in Telecom Decision 2016-117 related to wholesale high-speed access services.*

*The Commission will also examine whether (i) the current fibre cost factor and costing parameters remain appropriate, and (ii) the existing approved rates for Northwestel's Wholesale Connect service should be made interim.*

### Introduction

1. In Telecom Order 2013-93 and Telecom Regulatory Policy 2013-711, the Commission made several determinations regarding Northwestel Inc.'s (Northwestel) Wholesale Connect service, which provides for the transport of telecommunications traffic across communities served by the company's fibre or high-capacity microwave radio transport links. Northwestel's Wholesale Connect service is available in 30 communities in the company's operating territory. Northwestel has categorized these 30 communities into 4 distinct types of bands.<sup>1</sup> Competitors can use the Wholesale Connect service to connect their points of presence in those communities and provide telecommunications services to their own end-users in those communities. The Wholesale Connect service is available at different bandwidth levels.

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<sup>1</sup> Type A band consists of core communities served by fibre transport links (e.g. Whitehorse and Yellowknife). Type B band consists of communities connecting to Type A communities using fibre transport links (e.g. Fort Providence). Type C band consists of communities connecting to Type A communities by a combination of high-capacity microwave radio and fibre transport links (e.g. Dawson City). The Breakout band consists of communities outside of Northwestel's operating territory (e.g. High Level and Fort St. John).

2. The Commission received an application from Northwestel (Tariff Notice 923), dated 28 January 2015, in which the company proposed to introduce new speeds of 150 megabits per second (Mbps) and 200 Mbps in Type A and Breakout communities for its Wholesale Connect service. Northwestel also proposed to add 24 Type B and C communities to its Wholesale Connect Tariff. The Commission approved Tariff Notice 923 on an interim basis in Telecom Order 2015-39.
3. Northwestel supported its proposed rates for the proposed new speeds using the monthly equivalent costs set out in Telecom Regulatory Policy 2013-711, adjusted to reflect the higher bandwidth of the proposed speeds.
4. As part of Tariff Notice 923, interveners<sup>2</sup> challenged the rates proposed by Northwestel, in part on the basis that Northwestel's costs needed to be updated since they no longer reflect current circumstances. In response, Northwestel made some adjustments and filed a revised cost study. These adjustments represent a reduction in Northwestel's proposed rates of approximately 17% on average for both proposed speeds (150 and 200 Mbps). Both interveners argued that similar adjustments should be applied to the existing approved rates for all Wholesale Connect service speeds (from 5 Mbps to 100 Mbps), on the basis that the rates are neither just nor reasonable.
5. Northwestel's existing approved rates and proposed rates in Tariff Notice 923 include a fibre cost factor (FCF)<sup>3</sup> as established in Telecom Regulatory Policy 2013-711, which is based on five years of historical data.
6. In Telecom Decision 2016-117, the Commission made certain changes to the costing assumptions applicable to wholesale high-speed access (HSA) services. Specifically, the Commission made interim all existing wholesale HSA service rates, and directed wholesale HSA service providers to file new cost studies in light of updated costing parameters that reflect changed circumstances since the publication of Telecom Regulatory Policies 2011-703 and 2011-704, including a revised annual traffic growth assumption and an adjusted annual capital unit cost change assumption. The Commission specified that the updated cost studies could allow for the recovery of any unrecovered costs from previous cost study periods, where applicable.
7. The Wholesale Connect service is similar in many respects to wholesale HSA services. For instance, both types of services provide high-speed transport facilities that can be used by competitors to provide Internet access services to end-users, and both employ similar switching and transport equipment.

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<sup>2</sup> The Canadian Network Operators Consortium Inc. and the SSi Group of Companies participated in the Tariff Notice 923 proceeding.

<sup>3</sup> The FCF approach is used by large incumbent local exchange carriers to estimate transport fibre costs associated with a service. This approach relies on the ratio of fibre cable investments to the related fibre electronic investments. For example, an FCF of 0.25 means that for every \$100 invested in fibre electronic equipment, \$25 will be spent on fibre cable investment.

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8. In light of the above, the Commission considers it appropriate to examine whether the rates for all of Northwestel's existing Wholesale Connect service speeds remain just and reasonable. As well, given that approximately three years have elapsed since the publication of Telecom Regulatory Policy 2013-711, a review of the Wholesale Connect service rates represents an opportunity for the Commission to inquire into whether Northwestel's current FCF and costing parameters remain appropriate.
9. Accordingly, the Commission invites comments on the questions identified below. In their interventions, parties should provide supporting rationale and all evidence on which they rely to formulate their positions.

**Q.1:** Should the rates for Northwestel's existing Wholesale Connect service speeds, for all community types, be reviewed in light of the following? Explain why or why not, with supporting rationale.

- a. In Tariff Notice 923, a 17% rate reduction has been proposed for the new speeds (150 Mbps and 200 Mbps) in Type A and Breakout communities. Should this 17% rate reduction also apply to all existing Northwestel Wholesale Connect service speeds, for all community types?
- b. In Telecom Regulatory Policy 2013-711, the Commission determined that an FCF of 5.5 should be used in estimating Northwestel's Wholesale Connect service costs. Should this FCF be updated?
- c. In Telecom Decision 2016-117, the Commission made determinations with respect to certain components of cost studies in support of wholesale HSA service rates. Should these determinations, specifically (i) the annual traffic growth assumption, (ii) the annual capital unit cost change assumption, and (iii) the ability to recover certain costs when service rates are revisited prior to the end of an original study period, apply to Northwestel's Wholesale Connect service speeds (existing and proposed), for all community types? Propose any appropriate assumption(s) that should apply to the Wholesale Connect service.

**Q.2:** In the event that Northwestel is required to file a revised cost study as a result of this proceeding, should the existing rates for Northwestel's Wholesale Connect service be made interim? Explain why or why not, with supporting rationale.

10. The Commission will not make a determination regarding Tariff Notice 923 until the proceeding initiated by this notice and all of the necessary follow-up has concluded.

## Procedure

11. The *Canadian Radio-television and Telecommunications Commission Rules of Practice and Procedure* (the Rules of Procedure) apply to this proceeding. The Rules of Procedure set out, among other things, the rules for the content, format, filing, and service of interventions, answers, replies, and requests for information; the procedure

for filing confidential information and requesting its disclosure; and the conduct of public hearings. Accordingly, the procedure set out below must be read in conjunction with the Rules of Procedure and related documents, which can be found on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca), under "[Statutes and Regulations](#)." The guidelines set out in Broadcasting and Telecom Information Bulletin 2010-959 provide information to help interested persons and parties understand the Rules of Procedure so that they can more effectively participate in Commission proceedings.

12. Northwestel, the Canadian Network Operators Consortium Inc., and the SSi Group of Companies are made parties to this proceeding and may file interventions with the Commission by **13 June 2016**.
13. Interested persons who wish to become parties to this proceeding must file an intervention with the Commission regarding the above-noted issues by **13 June 2016**. The intervention must be filed in accordance with section 26 of the Rules of Procedure.
14. Parties are permitted to coordinate, organize, and file, in a single submission, interventions by other interested persons who share their position. Information on how to file this type of submission, known as a joint supporting intervention, as well as a [template](#) for the accompanying cover letter to be filed by parties, can be found in Telecom Information Bulletin 2011-693.
15. All documents required to be served on parties to the proceeding must be served using the contact information contained in the interventions.
16. All parties may file replies to interventions with the Commission by **23 June 2016**.
17. The Commission encourages interested persons and parties to monitor the record of this proceeding, available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca), for additional information that they may find useful when preparing their submissions.
18. Submissions longer than five pages should include a summary. Each paragraph of all submissions should be numbered, and the line **\*\*\*End of document\*\*\*** should follow the last paragraph. This will help the Commission verify that the document has not been damaged during electronic transmission.
19. Pursuant to Broadcasting and Telecom Information Bulletin 2015-242, the Commission expects incorporated entities and associations, and encourages all Canadians, to file submissions for Commission proceedings in accessible formats (for example, text-based file formats that enable text to be enlarged or modified, or read by screen readers). To provide assistance in this regard, the Commission has posted on its website [guidelines](#) for preparing documents in accessible formats.
20. Submissions must be filed by sending them to the Secretary General of the Commission using **only one** of the following means:

**by completing the**  
[\[Intervention form\]](#)

or

**by mail to**  
CRTC, Ottawa, Ontario K1A 0N2

or

**by fax to**  
819-994-0218

21. Parties who send documents electronically must ensure that they will be able to prove, upon Commission request, that service/filing of a particular document was completed. Accordingly, parties must keep proof of the sending and receipt of each document for 180 days after the date on which the document is filed. The Commission advises parties who file and serve documents by electronic means to exercise caution when using email for the service of documents, as it may be difficult to establish that service has occurred.
22. In accordance with the Rules of Procedure, a document must be received by the Commission and all relevant parties by 5 p.m. Vancouver time (8 p.m. Ottawa time) on the date it is due. Parties are responsible for ensuring the timely delivery of their submissions and will not be notified if their submissions are received after the deadline. Late submissions, including those due to postal delays, will not be considered by the Commission and will not be made part of the public record.
23. The Commission will not formally acknowledge submissions. It will, however, fully consider all submissions, which will form part of the public record of the proceeding, provided that the procedure for filing set out above has been followed.
24. The Commission expects to publish a decision on the issues raised in this notice within four months of the close of record.

### **Important notice**

25. All information that parties provide as part of this public process, except information designated confidential, whether sent by postal mail, facsimile, email, or through the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca), becomes part of a publicly accessible file and will be posted on the Commission's website. This includes all personal information, such as full names, email addresses, postal/street addresses, and telephone and facsimile numbers.
26. The personal information that parties provide will be used and may be disclosed for the purpose for which the information was obtained or compiled by the Commission, or for a use consistent with that purpose.
27. Documents received electronically or otherwise will be posted on the Commission's website in their entirety exactly as received, including any personal information contained therein, in the official language and format in which they are received. Documents not received electronically will be available in PDF format.

28. The information that parties provide to the Commission as part of this public process is entered into an unsearchable database dedicated to this specific public process. This database is accessible only from the web page of this particular public process. As a result, a general search of the Commission's website with the help of either its search engine or a third-party search engine will not provide access to the information that was provided as part of this public process.

### **Availability of documents**

29. Electronic versions of the interventions and other documents referred to in this notice are available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) by using the file number provided at the beginning of this notice or by visiting the "Participate" section of the Commission's website, selecting "Submit Ideas and Comments," then selecting "our open processes." Documents can then be accessed by clicking on the links in the "Subject" and "Related Documents" columns associated with this particular notice.
30. Documents are also available from Commission offices, upon request, during normal business hours.

### **Commission offices**

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Secretary General

**Related documents**

- *Review of costing inputs and the application process for wholesale high-speed access services*, Telecom Decision CRTC 2016-117, 31 March 2016
- *Filing submissions for Commission proceedings in accessible formats*, Broadcasting and Telecom Information Bulletin CRTC 2015-242, 8 June 2015
- Telecom Order CRTC 2015-39, 11 February 2015
- *Northwestel Inc. – Regulatory Framework, Modernization Plan, and related matters*, Telecom Regulatory Policy CRTC 2013-711, 18 December 2013

- *Northwestel Inc. – Wholesale Connect Service*, Telecom Order CRTC 2013-93, 25 February 2013
- *Billing practices for wholesale business high-speed access services*, Telecom Regulatory Policy CRTC 2011-704, 15 November 2011
- *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
- *Filing of joint supporting interventions*, Telecom Information Bulletin CRTC 2011-693, 8 November 2011
- *Guidelines on the CRTC Rules of Practice and Procedure*, Broadcasting and Telecom Information Bulletin CRTC 2010-959, 23 December 2010