



Telecom Decision CRTC 2013-321

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Ottawa, 3 July 2013

MTS Inc. and Allstream Inc. – Application to replace a community in the companies’ deferral-account-funded broadband expansion plan

File number: 8678-A117-201304998

In this decision, the Commission denies MTS Allstream’s application to replace an approved community included in its deferral-account-funded broadband expansion plan with another community.

Introduction

1. The Commission received an application from MTS Inc. and Allstream Inc. (collectively, MTS Allstream), dated 19 March 2013, proposing to replace the approved community of Sunset Bay, Manitoba, with Reinland, Manitoba, in MTS Allstream’s deferral-account-funded broadband expansion plan.¹
2. MTS Allstream submitted that its detailed planning has shown that it would have to traverse rock formations in building out its network to Sunset Bay, which would increase the initial cost estimate by two to ten times. The company indicated, however, that the cost estimate to build to Reinland is in line with the original estimate to build to Sunset Bay.
3. MTS Allstream further submitted that, following the approval of its broadband expansion plan, it learned that Sunset Bay is largely a seasonal community with few permanent residents. It noted that, in contrast, most of Reinland’s population is permanent, and the community includes an educational institution. In addition, MTS Allstream submitted that Reinland has a much larger year-round population than Sunset Bay.
4. MTS Allstream submitted that its proposed change would better adhere to the purposes of broadband expansion established by the Commission. It added that substituting Reinland for Sunset Bay would benefit a greater number of permanent residents, which would be consistent with the Commission’s goal for the use of

¹ In Telecom Decision 2002-34, the Commission imposed a pricing constraint on residential local service in non-high-cost serving areas. In order to avoid an adverse effect on local competition, the Commission required the incumbent local exchange carriers (ILECs) subject to the decision to place in a deferral account amounts equal to the revenue reductions that would have resulted from the pricing constraint. In Telecom Decision 2006-9, the Commission approved the use of funds that had accumulated in the ILECs’ deferral accounts to, among other things, expand broadband services to rural and remote communities.

deferral account funds – specifically, to reduce the disparity between the broadband service available to people living in urban communities and the service available to those in rural and remote communities.

5. MTS Allstream submitted that its request is similar to a request to substitute communities made by TELUS Communications Company (TCC) in June 2012 and approved in Telecom Decision 2012-603.
6. The Commission received no submissions regarding this application. The public record of this proceeding, which closed on 30 April 2013, is available on the Commission’s website at www.crtc.gc.ca under “Public Proceedings” or by using the file number provided above.

Commission’s analysis and determinations

7. Between 2006 and 2009, the Commission conducted several proceedings to determine which communities should be approved for deferral-account-funded broadband rollout. The incumbent local exchange carriers (ILECs) were requested to submit proposed communities following consultation with provincial government agencies responsible for broadband initiatives. The Commission excluded from deferral account funding any communities where an alternative broadband service provider could show that it offered, or planned to offer in the near future, broadband service comparable to that of the ILEC. Throughout the process, the ILECs were required to provide cost estimates for rolling out broadband service when they proposed communities. They were also free to apply to revise these costs.
8. In Telecom Decision 2010-638, the Commission approved MTS Allstream’s planned expansion of broadband services to a total of 16 communities in Manitoba.
9. The Commission notes that, as part of the 2006 to 2009 proceedings to review MTS Allstream’s broadband rollout proposal, the company indicated that Sunset Bay was a seasonal community and that Reinland was one of three proposed communities that had a school. Therefore, the Commission concludes that MTS Allstream has been aware of these facts since 2006. Consequently, the only change in circumstance that occurred between the approval of MTS Allstream’s expansion plan in 2010 and the company’s current application is that the estimated rollout costs have increased from the original estimate.
10. In Telecom Decision 2010-638, the Commission indicated its intention to provide a level of certainty regarding the funds available for broadband expansion and to simplify the follow-up process by avoiding any requirement to review the costs as the broadband services are rolled out. This included eliminating, among other things, annual adjustments to the deferral account balances. Consequently, the Commission fixed the amount of funding available for broadband expansion and determined that no further adjustments would be permitted. The Commission considered that the

approved amount of funding should be more than adequate to provision broadband services to all the approved communities.²

11. The Commission considers that approving MTS Allstream's application would remove the certainty it sought to achieve in its decisions regarding the approved communities and deferral account drawdowns. The Commission also considers that approval would be unfair to consumers in Sunset Bay, given that they have had a reasonable expectation since 2010 that the service will be made available to them.
12. Accordingly, the Commission considers that it would not be appropriate to substitute Reinland for the approved community of Sunset Bay solely on the basis that the cost for the rollout of broadband service to Sunset Bay has increased.
13. With respect to MTS Allstream's claim that its application is similar to a request by TCC, the Commission notes that in 2012, it approved an application by TCC to replace three approved communities in its broadband expansion plan with three other communities. In its application, TCC submitted that the three approved communities had no permanent residents.
14. The Commission notes that, in response to a request for information, MTS Allstream indicated that a majority of the consumers in Sunset Bay are permanent. In addition, the Commission has reviewed MTS Allstream's estimates of subscribers if broadband service is provided in Sunset Bay and in Reinland, and considers that the difference between the estimated numbers in the two communities is not significant.
15. The Commission considers that TCC's case was exceptional because there were no permanent residents in the communities that were originally approved. Since the majority of the residents in Sunset Bay are permanent, the Commission considers that MTS Allstream's application is not similar to TCC's request.
16. In light of all the above, the Commission **denies** MTS Allstream's application. However, the Commission encourages MTS Allstream to include the community of Reinland in its ongoing broadband service expansion plans.

Secretary General

² The Commission made a similar determination in the case of Bell Aliant Regional Communications, Limited Partnership and Bell Canada. When those companies later requested to use a more expensive wireless technology for their broadband rollout, the Commission did not change the approved costs or communities.

Related documents

- *TELUS Communications Company – Application to replace communities in the company’s deferral account funded broadband expansion plan*, Telecom Decision CRTC 2012-603, 30 October 2012
- *Follow-up to Telecom Decision 2008-1 – Proposal by MTS Allstream Inc. to dispose of the funds remaining in its deferral account*, Telecom Decision CRTC 2010-638, 31 August 2010
- *Disposition of funds in the deferral accounts*, Telecom Decision CRTC 2006-9, 16 February 2006
- *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002