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MTS Allstream

13 February 2012

by Access Key

Mr. John Traversy
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, ON K1A 0N2

Dear Mr. Traversy:

Subject: CNOC Part I Application requesting expedited relief to address implementation of the capacity model approved in TRP 2011-703 – MTS Allstream comments

1. MTS Inc. and Allstream Inc. (collectively, MTS Allstream) is in receipt of a Part I Application filed 4 January 2012 by the Canadian Network Operators Consortium Inc. (CNOC). MTS Allstream is providing its comments on CNOC's application pursuant to the revised process set out in the Commission staff letter dated 3 February 2012 (the Staff Letter).
2. In the Staff Letter, Commission staff asked for comments not only on CNOC's application but also on using a single realm to support traffic splitting in conjunction with a 10% reduction in the access rate for business Gateway Access Service (GAS) as a longer term solution. Parties were also invited to propose other solutions that address traffic splitting.
3. In this submission MTS Allstream requests that the Commission:
 - Deny as a permanent solution the interim solution set out in Telecom Decision CRTC 201260, *Implementation date for the capacity model approved in Telecom Regulatory Policy 2011-703*, 27 January 2012 (Decision 201260);
 - Direct Bell Aliant Regional Communications, Regional Partnership (Bell Aliant) and Bell Canada (collectively, Bell) to file for Commission approval a revised rate for a stand-alone 1 Gbps interface, that does not include an implicit capacity charge and that reflects the Commission's determinations regarding allowed mark-ups; and

- Reduce the mark-ups on Bell's wholesale business high-speed access services.
- 4. MTS Allstream also addresses in this submission CNOC's request that the Commission direct MTS Allstream and a number of other incumbent carriers to make certain changes to their wholesale residential high-speed access service tariffs approved in Telecom Regulatory Policy CRTC 2011703, *Billing practices for wholesale residential high-speed access services*, 15 November 2011 (TRP 2011703).

Bell's tariffs are disproportionate

- 5. Upon closer examination it is evident that discrepancies exist in Bell's TNs 392 and 7339, and the interim solution, that are contrary to the Commission's policy objectives. Specifically:
 - 1) Bell's double counting of capacity costs within its Aggregated High-Speed Service Provider Interface (AHSSPI) interface;
 - 2) Bell's wholesale residential rates effectively surpass its retail rate; and
 - 3) The interim solution is disproportionate and highlights the excessive mark-up on wholesale business fibre-to-the-node (FTTN) rates.

Discrepancy #1: AHSSPI double counting

- 6. An independent ISP using Bell's GAS to provide end-user access will select an AHSSPI size sufficient to handle all the traffic destined for its own network over that interface port. Previously ILECs had incorporated an implicit capacity cost within their interface tariffs.
- 7. With the introduction of the new capacity charge, the end-to-end provisioning cost for wholesale services was divided into three distinct groups: access, transport/capacity and the interface. As Bell chose the capacity-based model, its new capacity charge should thus have been stripped out of both its former access charge as well as its AHSSPI

interface charge. Bell however, has not done so and thus is being compensated twice for the same capacity through its AHSSPI interface charge.

8. The evidence of Bell's double compensation is clear when comparing MTS Allstream's and SaskTel's AHSSPI interface rates with that of Bell. Under Bell's GAS tariff,¹ a 1 Gbps AHSSPI is priced at \$1,800 per month, plus or minus \$50 depending on the contract term. This contrasts with the monthly interface rate of \$105.72 approved for MTS Allstream's 1 Gbps AHSSPI. The equipment is the exact same yet Bell's costbased rates are 17 times more expensive than MTS Allstream. There is absolutely no reason for such a discrepancy between these rates, both of which should simply cover a single 1 Gbps interface port in the case of the "capacity-based" model approved in TRP 2011703.

Discrepancy #2: Bell's wholesale residential rates effectively surpass its retail rate

9. In a Response to Undertaking in Bell (CRTC)18Jul11-9 TNC 2011-77, Bell was asked to perform a comparison of its retail margins. In this Response to Undertaking Bell used an assumption of 1000 16 Mbps end-users on one 1000 Mbps (1 Gbps) interface.
10. Using Bell's assumptions and applying them to the rates set out in TRP 2011-703, monthly wholesale residential charges payable by a competitor are \$48,910 per 1000 Mbps of capacity or \$48.91 per user. (See Table 1).

Table 1. Bell wholesale residential rates, per 1000 users (16 Mbps service)					
	Access costs (1000 x \$24.98)	Capacity cost (10 x \$2,213 for 10 x 100 Mbps increments)	Interface cost (1 Gb AHSSPI)	Total monthly cost	Cost per user/ month

¹ Bell General Tariff Item 5410.

Bell's 16 Mbps FTTN service	\$24,980	\$22,130	\$1800	\$48,910	\$48.91
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11. In comparison Bell's non-promotional price for a 16 Mbps retail residential Internet access service is \$53.95, all monthly fees included, or \$48.95 in a bundle with one other Bell feature². Including service charges³, Bell's wholesale rates are effectively the same as or surpass its retail rates.
12. If an independent ISP were to attempt to provide competition under Bell wholesale residential tariffs, it would operate at a loss. This highlights the disproportionate mark-ups Bell has embedded in its capacity costs. In effect Bell's TNs 392/7339 preclude competition, contrary to the Commission's objective⁴.

Discrepancy #3: The interim solution is disproportionate and highlights the excessive mark-up on wholesale business rates

13. The interim solution set out in Decision 2012-60 to allow independent ISPs to share an AHSSPI across both residential and business traffic, can be used to demonstrate how disproportionate this solution is, as well as how excessive the mark-ups on the wholesale business rates are.
14. In Decision 2012-60, the Commission reduced the approved business access rate by 10% for those ISPs that choose to pay explicitly for capacity so that the ISP and its end-users are not being double charged for that capacity. For example, Bell's high-speed 16 Mbps wholesale business access rate was reduced from \$40.70 to \$36.63 for ISPs choosing to pay explicitly for capacity at a rate of \$2,213.00 per 100 Mbps increments – a reduction of \$4.07 which presumably equates to the implicit capacity charge embedded in access rates for wholesale business FTTN.

² http://www.bell.ca/Bell_Internet/Products/Fibe_16, February 13, 2012.

³ For example \$90.65 service charge per residential access (TRP 2011-703, Appendix 1)

⁴ Note TRP 2011-703, paragraph 78, "*In setting rates, the Commission balances the need to ensure that network providers are reasonably compensated for their costs with the need to ensure that markups are not so high as to significantly impede independent service providers from providing competitive alternatives in the marketplace.*"

15. Indeed a comparison of Bell's residential and business access rates post Decision 201260, with capacity stripped out of both, confirms that there are significantly higher mark-ups for wholesale business services. Post Decision 2012-60, it can be seen that Bell's 16 Mbps wholesale residential access rate is \$24.98 while its business rate, with the embedded capacity rate stripped out, is \$36.63, a nearly 50% increase over a rate that already incorporates a significant mark-up. This despite the fact that the cost to provision both residential and business accesses is the same.
16. As illustrated in Table 2 below, this situation is exacerbated by the interim solution where a competitor ISP choosing to use the reduced business access rate would still have to pay an access rate with an extremely high-mark-up as well as an inflated capacity cost.

Table 2. Wholesale rates, per 1000 users (16 Mbps service)					
	Access costs (1000)	Capacity cost (10 x \$2,213 for 10 x 100 Mbps increments)	Interface cost (1 Gb AHSSPI)	Total monthly cost	Total cost per user/month
Bell 16 Mbps wholesale residential	\$24,980	\$22,130	\$1800	\$48,910	\$48.91
Bell 16 Mbps wholesale business (interim solution)	\$36,630	\$22,130	\$1800	\$60,560	\$60.56

** Not including capacity costs embedded in Bell's AHSSPI interface charge*

17. It is difficult to square the implicit cost per user of \$4.07 embedded in the access cost derived from Decision 2012-60, with the cost of \$22.13 per user for residential capacity, to say nothing of the \$60.56 per end-user cost implicit in the interim rate. There is absolutely no correlation between these rates and the costs associated with the provisioning of the network.

CNOC's proposal to change MTS Allstream's wholesale residential high-speed access service tariffs

18. In its application, CNOC is requesting that the Commission direct MTS Allstream and a number of other incumbent carriers to make certain changes to their wholesale residential high-speed access service tariffs approved in Telecom Regulatory Policy

CRTC 2011703, *Billing practices for wholesale residential high-speed access services*, 15 November 2011 (TRP 2011703).

19. With respect to MTS Allstream's VDAS Service tariff, CNOC is seeking the following:
- i) The ability to use the same 1 Gbps interface port for both VDAS Service and MTS Allstream's legacy Asymmetric Digital Subscriber Line (ADSL) Data Access Service (ADAS Service);
 - ii) The ability to purchase capacity that is allocated dynamically to one or more interfaces, which CNOC contends will allow independent Internet service providers (ISPs) to "manage their networks by providing for ISP network redundancy and load balancing without having to pay for excess capacity that will never be used";⁵ and
 - iii) To obtain additional network capacity in real time or no later than two business days after such a request is made by an ISP.
20. With respect to CNOC's first request MTS Allstream is not currently capable of aggregating traffic from both its ADAS Service and VDAS Service to hand it off to an ISP via a single physical port. Additional equipment would be required to perform this function. However, even if the development work necessary to do this were undertaken, network capacity could not be combined between the two services. As depicted in the Attachment to MTS Allstream(CRTC)14Jul11-1 TNC 201177, filed in response to a request from Chairman von Finckenstein at the oral hearing for TNC 201177,⁶ these services do not share the same network equipment and the costs of providing interworking between the two were not factored into the cost studies used to support the rates for VDAS Service.

⁵ CNOC Part 1 Application, 4 January 2012, paragraph 11 (h).

⁶ Telecom Notice of Consultation CRTC 201177, *Review of billing practices for wholesale residential highspeed access services*, 8 February 2011 (TNC 2011 77).

21. If CNOC and the Commission wish MTS Allstream to modify its network to permit the aggregation of VDAS Service and ADAS Service traffic across a single physical port for each ISP and/or to allow for the possibility of capacity sharing between the two services, MTS Allstream would need to develop a new cost study and re-file its tariffs taking into account the additional costs to modify its network to make this possible.
22. With respect to CNOC's second request, MTS Allstream notes that VDAS Service, like MTS Allstream's own retail Internet services, is a "best effort" service. MTS Allstream's entire network has a certain degree of redundancy built in to support all services, both retail and wholesale. Beyond that, however, neither its retail Internet services nor VDAS Service are offered with any high availability or protection features. Since the intent of VDAS Service is to provide competitor ISPs with access to the same underlying facilities that MTS Allstream uses to serve its retail endusers, MTS Allstream designed the service to the same standard that it offers on a retail basis. Therefore, there is no question of MTS Allstream conferring an undue preference on itself, as CNOC alleges.
23. CNOC is requesting the ability to "allocate purchased capacity dynamically to one or more interfaces for the purpose of enabling independent ISPs to manage their networks by providing for ISP network redundancy and load balancing without having to pay for excess capacity that will never be used."⁷ This capability is well beyond the functionality that MTS Allstream provides on its own retail Internet services, which as already noted are "best effort" services, as is its VDAS Service. Enabling ISPs to dynamically allocate capacity to one or more interfaces, as CNOC requests, would drive up the costs of the service significantly, since MTS Allstream's network is currently not designed to permit this functionality for either VDAS Service or its own retail Internet services. Moreover, contrary to TNC 2011-703 it would alleviate the ISP of the responsibility to manage its own traffic.
24. Finally, with respect to CNOC's third request, MTS Allstream is committed to fulfilling wholesale ISPs' requests for additional units of capacity on a timely basis. However, doing so in real-time, or even within the period of two business days, is not a realistic

⁷ CNOC Part I Application, 04 January 2012, paragraph 64.


target. MTS Allstream estimates that approximately one week would be required to add additional capacity to an existing Very High-Speed Aggregated High-Speed Service Provider Interface (V-AHSSPI). Where the ISP is ordering capacity in conjunction with a V-AHSSPI, up to 30 days would be required. A detailed list of the activities that must be completed to create a new virtual local area network (VLAN) each time a V-AHSSPI is ordered is provided in Attachment 2 to MTS Allstream(CRTC)6Jan12 1 VDAS.

Conclusion

25. With respect to the relief requested by CNOC, MTS Allstream submits that the costs of implementing the CNOC proposal would far outweigh the benefits. This is particularly the case when the fact that customer demand for higher speed service will ultimately result in migration of all competitor ISP end-users to MTS Allstream VDAS service is taken into consideration. In terms of the remainder of CNOC's request, for the reasons described above, MTS Allstream submits that these should be denied.
26. With respect to the interim solution approved in Decision 2012-60, MTS Allstream submits that the Commission should:
 - Deny as a permanent solution the interim solution set out Decision 2012-60;
 - Direct Bell to file for Commission approval a revised rate for a stand-alone 1 Gbps interface, that does not include an implicit capacity charge and that reflects the Commission's determinations regarding allowed mark-ups; and
 - Reduce the mark-ups on Bell's wholesale business high-speed access services.
27. The rates proposed in TNs 392/7339 and the interim solution incorporate excessive and unnecessary mark-ups. These solutions are artificial, they have no bearing on the cost of provisioning service and, in fact, underscore the already high mark-ups implicit in the rates for Bell's business wholesale service. Implementation of either the interim solution or Bell's proposed TNs would only serve to reduce competition, efficiency, and flexibility.

Mr. John Traversy
13 February 2012
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Yours truly,

A handwritten signature in black ink, appearing to be 'T. Griffin-Muir', enclosed within a thin black rectangular border.

for Teresa Griffin-Muir
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