December 17, 2015

Ms. Janice Charette
Clerk of the Privy Council
and Secretary to Cabinet
Langevin Block
80 Wellington Street
Ottawa, ON  K1A 0A3

Dear Ms. Charette:


1. Saskatchewan Telecommunications (SaskTel) has reviewed the petition (“the petition”) to the Governor in Council (GiC) from Bell Canada (Bell) requesting that you vary the CRTC’s decision, in Telecom Regulatory Policy CRTC 2015-326, Review of wholesale wireline services and associated policies (“RP 15-326”), to mandate wholesale access fibre-to-the-home and to next-generation DOCSIS 3.1 cable networks.

2. The following constitutes SaskTel’s comments on the petition. Failure by SaskTel to address any specific assertion made in the petition should not be construed as acceptance of such assertion where acceptance would be inconsistent with the interests of SaskTel.

3. In the petition, Bell asks the GiC to vary the CRTC’s decision so that it does not extend legacy wholesale regulation to fibre-to-the-home (FTTH) or to DOCSIS
3.1 cable networks. Incumbents would still be required to provide reseller ISPs with access to fibre-to-the-node (FTTN) or DOCSIS 3.0 networks and provide wholesale matching of retail services offered at broadband speeds up to 100 Mbps anywhere they have such plant today.

4. SaskTel wishes to express our support for Bell’s petition. SaskTel notes Bell’s submission that “[t]here should be no doubt that going forward, as a result of the CRTC’s decision, each fibre-to-the-home investment opportunity will be reviewed and the pace and scale of our investment will unequivocally be affected”\(^1\). This is consistent with SaskTel’s often-expressed opinion that mandating additional wholesale services will slow the pace of network expansion and reduce innovation, while not providing a meaningful increase in the degree of competition present in the marketplace.

5. As we have argued before the CRTC, mandating the provision of wholesale services at artificially low rates reduces build incentives for both larger incumbents and smaller start-up competitors.

6. In RP 15-326, the CRTC required the provision of disaggregated wholesale HSA services, also known as disaggregated broadband services or DBS, “at wholesale rates that are compensatory and that provide a reasonable rate of return, resulting in profit on the associated investment”\(^2\). SaskTel believes, given this language, that any such rates which are eventually set by the CRTC will be based on the approved incremental costs of the investment, plus a markup level determined by the CRTC.

7. However the incumbents’ business cases, including those of SaskTel, would otherwise assume that we receive retail revenues from every premise passed which chooses to take service from us. In addition, we would assume that in many cases those retail revenues would be received for the provision of multiple services, such as internet access, broadcast television, and home

\(^{1}\) The petition, paragraph E22
phone service. In addition, due to a retail relationship with these end users, SaskTel would also anticipate greater retail revenues from services such as home security and wireless telephony. Rates mandated by the CRTC, based on incremental costs only plus a CRTC-determined markup, are extremely unlikely to reach or even approach the retail revenues previously assumed.

8. If large incumbents must provide wholesale access at mandated rates, there will be less incentive to invest as it is possible that some of the facilities constructed will now be used by the competition to provide service to subscribers. This means that, not only will the incumbents receive far less revenue for the wholesale accesses we must provide, there will also be no competitive advantage to us to build such facilities since any improvements we build for ourselves are automatically built for our competition. At the same time, there is no incentive for the competition to build out any network. Purchasing wholesale services provides resellers with a risk-free alternative to building their own networks since they need only order wholesale service at a location once they have secured a retail customer. Therefore, there is no incentive to build their own networks.

9. Deployment of FTTH networks is a very capital-intensive and risky exercise. There will always be communities where FTTH business cases are more positive, due to the size of the potential customer base and the estimated costs to reach that base, and other communities where anticipated returns are marginal at best. As discussed above, the introduction of mandated wholesale services at arbitrarily low rates will reduce anticipated revenues in all communities. This reduction will mean that those marginal business cases may become negative or at least be surpassed by other potential business opportunities. This will lead to less construction in Canada as a whole.

10. In the petition, Bell presents a large amount of evidence illustrating the large amount of investment in fibre deployment that has been occurring in Canada.

2 RP 15-326, paragraph 141
and that is at risk. SaskTel will not attempt to recreate such evidence, we merely state our concurrence with Bell.

11. We note, and agree with, Bell’s position that investments in FTTH networks and DOCSIS 3.1 result in increased employment and increased capital spending and, help “prepare large and small communities for the economy of the future”3. We strongly believe that the current competitive marketplace is driving such investments and that regulatory interference may jeopardize this.

12. We further note that, as the petition states, in the proceeding leading to RP 15-326, the Competition Bureau stated, based on the data available that “‘strong competition’ exists and supported its 2008 position that mandated access was not necessary for a competitive broadband market”4. Therefore, we do not believe that the mandated access to FTTH and DOCSIS 3.1 networks ordered by the CRTC in RP 15-326 is required to promote competition.

13. As the mandated services are not required to promote competition and will harm the case for deploying advanced networks to smaller communities, we urge the Governor in Council to grant Bell’s petition.

All of which is respectfully submitted.

Sincerely,

John Meldrum  
Vice President, Regulatory Affairs and Corporate Counsel  
AM/nb  
c.c.: Director General, Telecommunications, Policy Branch, Industry Canada, ic.telecomsubmission-soumissiontelecom.ic@canada.ca

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3 The petition, page 20  
4 The petition, paragraph 54