

December 19, 2014

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

Re: Telecom Notice of Consultation CRTC 2013-551 Review of wholesale services and associated policies (File No. 8663-C12-201313601) – BCBA's Final Written Submission

Dear Mr. Traversy:

- 1 Thank you for the opportunity to provide a final submission as you consider this extremely important proceeding. Our members represent most of the independent ISPs in BC and feel that our industry's very survival hinges on the commission's determinations.
- 2 The key item that has caused the most spirited debate is FTTP and whether incumbent telephone and cable providers should be mandated to provide wholesale access.
- 3 On the topic of FTTP there has been a consistent message from incumbent providers. They say that mandating access to their fibre plants will de-incentivize further investment. They say that since these are next generation networks that were built after deregulation of phone services and not using that copper infrastructure that they should be exempt from tariff.
- 4 We strongly oppose this view. Firstly this type of network investment is taking place on a large scale today in BC. There are a number of communities that are well underway for FTTP deployment. It is expected that several of them will be fully lit by mid 2015. This investment is substantial and is being done with the spectre of regulation still hanging over this product. The idea that they would stop trying to provide the highest quality infrastructure for their customers to connect to because a small percentage of their business was opened to wholesale providers simply does not hold water.
- 5 Secondly we patently reject the notion that wholesale ISPs who purchase tariffed products from incumbents hurt the business models of those incumbents. ISPs purchase these services at pricing only slightly below retail but in turn take care of much of the support and all of the billing and customer care costs for those customers. They are also doing

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their own marketing and sales which saves incumbents a great deal on their soft costs. We feel that we are an important part of their financial ecosystem.

- 6 And finally there is the issue of a healthy competitive market. When fibre is introduced into a new premise the copper infrastructure will often be removed. We have actual evidence of this today. A previously available address is now rejected as being “fibre only”. It is safe to say that in 5-10 years ADSL will be a very niche product with few locations still having the necessary copper infrastructure to support it. As this market shift takes place, the already financially challenged surviving ISPs will in many cases also disappear from the landscape. There is ample evidence that most markets in Canada today are faced with a duopoly. Duopolies rarely provide consumers with enough choice to drive competitive pricing and innovation. Once the small to medium players are no longer able to compete in the marketplace it will be dominated by a few large national carriers. One need look only to the mobile phone market to see the effect on consumer pricing that that situation produces.
- 7 So it is with these points in mind that we implore the commission to mandate FTTP as a wholesale product. The price points will take some time to decide and undoubtedly there will be rounds of review and vary launched to prevent this. While this occurs FTTP deployments will continue to rob ISPs of potential and existing customers. The time to make this decision is now.
- 8 We will touch on a few other items in our final submission here.

Unbundled local loops have become an increasingly large part of the ADSL product component. As cord cutting has become the norm for most consumers, there is no longer an active phone line to use for the ADSL service. That requires ordering of an expensive ULL to carry the ADSL service. The pricing for ULLs should be looked at in light of retail pricing. Currently in BC the retail price for ULL offered by TELUS is zero. There can be some penalties for not carrying a full bundle but there is no line item on retail customer bills for ULL. For wholesale providers selling to customers in Rate band E it can easily be more of a cost input than the ADSL circuit itself. This is pushing ISPs out of the residential market as it makes it extremely difficult to be competitive on price. We would like the commission to reconsider the pricing for ULLs.

- 9 The ability for small to medium ISPs to attract capital has become increasingly difficult. The number of competitors is shrinking and in many cases in the face of aggressive customer acquisition tactics, ISPs are losing their already small market share. Few investors are willing to spend money into this sector given the poor historical returns. If FTTP were mandated it would represent an exciting time for ISPs as they would have a good news

story to tell for the first time in many years.

- 10 Determining the pricing of wholesale services is an area where we feel that an independent 3rd party could be employed to look at the real marketplace including retail pricing for determining wholesale price setting.
- 11 The self-submitted costing metrics supplied by incumbents are difficult to properly quantify as many of the same infrastructure pieces service their retail and wholesale services. For that reason it may never be possible to determine actual costing but keeping an eye on retail pricing as a gauge is something that should be considered.
- 12 Setting some type of quota or percentage of business that is expected of incumbents to the wholesale channel could also produce better results. If there were penalties for not reaching wholesale business targets it would incent incumbents to produce promotions or specials to grow their wholesale business.
- 13 In closing we again thank the Commission for looking at all of the issues surrounding wholesale internet delivery and the next generation of products for connecting Canadians to the internet. We urge you to pursue open access to the incumbent fibre infrastructure for the benefit of all Canadians.

Sincerely,



Bob Allen

President - BC Broadband Association

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