



Telecom Decision CRTC 2007-128

Ottawa, 14 December 2007

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Application to reduce the rates for certain toll interconnection services of the small incumbent local exchange carriers

Reference: 8661-B2-200701682

In this Decision, the Commission denies an application by Bell Aliant Regional Communications, Limited Partnership and Bell Canada to reduce the rates for certain toll interconnection services of the small incumbent local exchange carriers.

Introduction

1. The Commission received an application by Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, Bell Canada et al.), dated 31 January 2007, in which they requested that the Commission direct the small incumbent local exchange carriers (ILECs) to reduce the rates for certain toll interconnection services that had been approved in Telecom Decision 2005-3 and confirmed in Telecom Decision 2006-14.
2. Bell Canada et al. indicated that the toll interconnection rates they paid to the small ILECs were direct connection (DC) rates, trunk rates, and equal access rates. Bell Canada et al. added that their application did not take issue with the small ILECs' rates for equal access.
3. The Commission received comments from the Canadian Independent Telephone Company Joint Task Force (the Task Force) representing the small ILECs,¹ dated 2 March 2007, and Bell Canada et al.'s reply comments on 12 March 2007.
4. The record of this proceeding closed on 10 July 2007 with Bell Canada et al.'s comments on the Task Force responses to the Commission's interrogatories. The public record of this proceeding is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings."

Issues

5. The Commission has identified the following two issues to be addressed in its determinations:
 - Was Bell Canada et al.'s application correctly filed as a new application?
 - Should the small ILECs' toll interconnection rates be reduced?

¹ A list of the small ILECs represented by the Task Force is included in the Appendix to this Decision.

Was Bell Canada et al.'s application correctly filed as a new application?

6. The Task Force submitted that Bell Canada et al.'s application should have been filed as an application to review and vary Telecom Decisions 2005-3 and 2006-14 and that the Commission should reject it because the application was procedurally defective. Bell Canada et al. replied that their application was properly filed as a new application because new circumstances had occurred since the issuance of those decisions.
7. The Commission notes that in Telecom Public Notice 98-6, it set out guidelines for review and vary applications. The Commission stated that where an application relates only to the legal or factual correctness of the original decision, it will generally be treated as a review and vary application, and that where an application raises an issue that was not addressed in the original decision, it will generally be considered as a new application.
8. The Commission is of the view that Bell Canada et al.'s application relates to new circumstances that have occurred since the original decisions were made. Accordingly, the Commission considers that it was correctly filed as a new application.

Should the small ILECs' toll interconnection rates be reduced?

Positions of parties

9. Bell Canada et al. noted that the Commission had established the toll interconnection rates for the small ILECs in Telecom Decision 2005-3 and approved the continued use of the rates in Telecom Decision 2006-14.
10. Bell Canada et al. stated that, subsequent to Telecom Decision 2006-14, the Commission had issued Telecom Decision 2006-31, which significantly reduced the wireless access service rates paid by the wireless service providers for interconnection with the small ILECs, thereby accepting that there had been reductions to the small ILECs' costs for interconnection services. Bell Canada et al. indicated that the Commission had used the decline in Bell Canada et al.'s Access Tandem costs to establish revised wireless access rates, among other things, for the small ILECs that offered this service.
11. Bell Canada et al. argued that, in Telecom Decision 2006-31, the Commission had established a precedent by revising interconnection rates charged by the small ILECs, based directly on the cost trends for similar services of the large ILECs, specifically of Bell Canada et al.
12. Bell Canada et al. submitted that, based on the cost trend experienced by the large ILECs and consistent with the approach taken by the Commission in Telecom Decision 2006-31, the small ILECs' current toll interconnection rates reflected outdated costs and overstated their current costs.
13. The Task Force argued that, in the small ILECs' territories, the costs of provisioning DC service had not diminished. It added that the growth technologies of 2005 used as the basis of the studies that led to Telecom Decision 2005-3 were the same technologies used today by the small ILECs. The Task Force indicated that capital unit costs had not materially decreased for the small ILECs in the provision of DC service since 2006. The Task Force submitted that there had been no cost reductions due to new growth technology implementations.

Commission's analysis and determinations

14. The Commission is of the view that, in establishing interconnection rates for the small ILECs in Telecom Decisions 2005-3 and 2006-31, it has remained consistent in its approach and has taken into consideration the gap between the interconnection rates of the large ILECs and those of the small ILECs. Further, the Commission recognized the small ILECs' limited resources and that conducting company-specific Phase II cost studies might be too expensive and time-consuming for these companies.
15. In Telecom Decision 2005-3, the Commission approved DC and trunk rates that were significantly lower than the Direct Toll rates they were replacing. The Commission notes that its determinations with regard to the small ILECs' DC rates were based on the Phase II-like cost studies filed by the Société d'administration des tarifs d'accès des télécommunicateurs and Ontera, because they better reflected the wide range of costs and operating conditions across the small ILECs.
16. In determining the revised trunk rates, the Commission noted that large ILECs have multiple customers with trunks of various lengths, which allows them to recover their costs over their entire customer base. The Commission also noted that many small ILECs have relatively few DS-1 interconnection trunks and that many of them have DS-1s with lengths of 25 miles or less between the small ILEC's or the large ILEC's host office and the interexchange carrier's point of interconnection, making it difficult for them to recover costs solely based on distance charges.
17. In Telecom Decision 2006-14, the Commission noted that in Telecom Decision 2005-3, the Commission had found that, on balance, the rates therein would contribute to the Commission's objectives of setting rates based on Phase II-like costs, moving rates more in line with current retail long distance prices and minimizing the financial hardship on the small ILECs. The Commission considers that the balancing of these objectives remains appropriate.
18. As noted above, the Task Force indicated that capital unit costs had not materially decreased and that the growth technologies used as the basis for deriving Phase II-like costs related to the provision of DC service remain in use today. The Commission therefore considers that it is highly unlikely that, in the territories of the small ILECs, the costs of providing this service have changed significantly since January 2005.
19. In light of the above, the Commission considers that Telecom Decision 2006-31 did not establish a new principle that would require a change to the DC and trunk rates approved in Telecom Decision 2005-3.
20. The Commission notes that the Governor in Council direction issued to the Commission, *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, dated 14 December 2007 (the Policy Direction), applies to Bell Canada et al.'s application.

21. The directives of the Policy Direction pertinent to Bell Canada et al.'s application are as follows:

1(a) the Commission should (i) rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives, and (ii) when relying on regulation, use measures that are efficient and proportionate to their purpose and that interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives;

1(b) the Commission, when relying on regulation, should use measures that satisfy the following criteria, namely, those that (i) specify the telecommunications policy objective that is advanced by those measures and demonstrate their compliance with this Order, (ii) if they are of an economic nature, neither deter economically efficient competitive entry into the market nor promote economically inefficient entry, ... and (iv) if they relate to network arrangements or regimes for access to networks, buildings, in-building wiring or support structures, ensure the technological and competitive neutrality of those arrangements or regimes, to the greatest extent possible, to enable competition from new technologies and not to artificially favour either Canadian carriers or resellers.

22. With respect to subparagraph 1(a)(i) of the Policy Direction, the Commission considers that in the small ILECs' territories the state of competition has not evolved to the extent that market forces can be relied upon to ensure the achievement of the telecommunications policy objectives outlined below. With respect to subparagraph 1(a)(ii) of the Policy Direction, the Commission considers that a determination that the current small ILEC toll interconnection rates should remain in place would interfere with the operation of market forces to the minimum extent necessary to meet the policy objectives outlined below.

23. With respect to subparagraph 1(b)(i) of the Policy Direction, the Commission is of the view that its determinations advance the telecommunications policy objectives set out in paragraphs 7(b), 7(f) and 7(h) of the *Telecommunications Act* that are, respectively, to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada, to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective, and to respond to the economic and social requirements of users of telecommunications services.

24. With respect to subparagraph 1(b)(ii) of the Policy Direction, the Commission considers that as the toll interconnection rates are based on Phase II-like costs, the rates neither deter economically efficient competitive entry into the market nor promote economically inefficient entry.

25. With respect to subparagraph 1(b)(iv) of the Policy Direction, the Commission notes that the rates are competitively neutral and do not favour either Canadian carriers or resellers.

26. In light of the above, Commission **denies** Bell Canada et al.'s application.

Secretary General

Related documents

- *Rogers Wireless Inc. – Part VII application seeking review of line-side wireless access service interconnection rates in the territories of Société en commandite Télébec, TELUS Communications Company operating in Quebec and the small incumbent local exchange carriers in Ontario and Quebec*, Telecom Decision CRTC 2006-31, 19 May 2006
- *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006
- *Direct toll and network access costing methodology for small incumbent local exchange carriers – Follow-up to Decision 2001-756*, Telecom Decision CRTC 2005-3, 31 January 2005
- *Guidelines for Review and Vary Applications*, Telecom Public Notice CRTC 98-6, 20 March 1998

This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>

**Members represented by the Canadian Independent Telephone Company
Joint Task Force**

Canadian Alliance of Publicly-Owned Telecommunications Systems

Bruce Telecom
Dryden Municipal Telephone System
Kenora Municipal Telephone System
TBayTel

Ontario Telecommunications Association

Amtelecom Limited Partnership
Brooke Telecom Co-operative Ltd.
Execulink Telecom Inc.
Gosfield North Communications Co-operative Limited
Hay Communications Co-operative Limited
Huron Telecommunications Co-operative Limited
Lansdowne Rural Telephone Co. Ltd.
Mornington Communications Co-operative Limited
Nexicom Telecommunications Inc.
Nexicom Telephones Inc.
North Frontenac Telephone Corporation Ltd.
NRTC Communications
People's Tel Limited Partnership
Quadro Communications Co-operative Inc.
Roxborough Telephone Company Limited
Tuckersmith Communications Co-operative Limited
Wightman Telecom Ltd.
WTC Communications

Société d'administration des tarifs d'accès des télécommunicateurs

CoopTel
Compagnie de téléphone Nantes inc.
La Cie de Téléphone de Courcelles Inc.
La Compagnie de Téléphone de Warwick
La Compagnie de Téléphone Upton Inc.
La Corporation de Téléphone de La Baie (1993)
Sogetel inc.
Téléphone Milot inc.

Other small ILECs

Téléphone Guèvremont inc.
La Compagnie de Téléphone de Lambton Inc.
Le Téléphone de St-Éphrem inc.
La Compagnie de Téléphone de St-Victor