



Telecom Notice of Consultation CRTC 2011-206

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Notice of hearing

24 October 2011

Gatineau, Quebec

Proceeding to review network interconnection matters

File number: 8643-C12-201105297

In this notice, the Commission initiates a proceeding to review the local, wireless, and toll network interconnection regulatory regimes.

The principle objectives of this proceeding are to determine to what extent

- existing interconnection regimes can be simplified and consolidated,*
- changes are necessary to enhance competition and, thus, benefit consumers, and*
- changes are necessary to ensure technological neutrality.*

The Commission will consider each of these objectives in light of recent and any possible future industry developments.

The proceeding will include a public hearing in Gatineau, Quebec, which will begin on 24 October 2011 and is expected to last approximately five days. Should additional time be required, the hearing may last until 4 November 2011.

Introduction

1. Currently, there are three distinct regulatory regimes related to the interconnection of telecommunications networks for the purpose of exchanging voice traffic: (i) local network interconnection between local exchange carrier (LEC) networks, (ii) wireless network interconnection between wireless carrier networks and LEC networks, and (iii) toll network interconnection between toll (long distance) networks and LEC networks.
2. In Telecom Decision 2011-69, the Commission stated that it would initiate a proceeding to examine the following matters, which are related to one or more of the existing network interconnection regimes:

- a. Wireless Interconnection: Bill & Keep,¹
 - b. Review interexchange carrier interconnection,
 - c. Review and streamline competitive local exchange carrier (CLEC) interconnection obligations as they apply to small CLECs,
 - d. Creation of CLEC-voice over Internet Protocol (VoIP) category, and
 - e. Administration of CLEC interconnection by incumbent local exchange carrier (ILEC).
3. In addition, as more fully discussed below, there have been many changes in the telecommunications industry since the Commission first established the local, wireless, and toll interconnection regimes. In particular, the Commission notes that networks are increasingly using Internet Protocol (IP) technology, and mobile wireless substitution is a growing trend.
 4. Accordingly, the Commission considers that it would be appropriate to conduct a broad policy review of network interconnection matters.² The principal objectives of this proceeding are to determine to what extent
 - existing interconnection regimes can be simplified and consolidated,
 - changes are necessary to enhance competition and, thus, benefit consumers, and
 - changes are necessary to ensure technological neutrality.

The Commission will consider each of these objectives in light of recent and any possible future industry developments.

Background

5. The existing local, wireless, and toll interconnection regimes are technology-specific and are based on the interconnection of circuit-switched networks. As explained in the following paragraphs, the main differences between each of these regulatory regimes relate to whether competitors are treated as customers of, or co-carriers with, the ILECs, and how network and interconnection facilities costs are recovered.

¹ Bill and keep is a compensation method that allows the originating carrier to bill its customer for the call and keep the corresponding revenue; the originating carrier does not compensate the terminating carrier for call termination expense. Bill and keep assumes that traffic exchanged between carriers is generally balanced.

² The scope of this proceeding is limited to matters related to wholesale services assigned to the interconnection category in Telecom Decision 2008-17. The appropriateness of these assignments is not within the scope of this proceeding.

Local network interconnection

6. The current local network interconnection regime was established in Telecom Decision 97-8 and modified in subsequent Commission decisions. The main principle on which the regime is based is that CLECs are equal carriers with the ILECs in the local exchange market.
7. As a result, the costs for interconnecting trunks between CLECs and ILECs are shared. The local network interconnection regime also includes two cost compensation mechanisms: bill and keep – in the event that traffic exchanged between two LECs is balanced; and mutual compensation – in the event the traffic is not balanced.
8. In addition, the Commission requires ILECs to make available to CLECs certain facilities and services – for example, extended area service (EAS) transport and transiting services, and local interconnection regions (LIRs). The Commission has also established various obligations³ that CLECs must meet when operating in local service markets.
9. In the proceeding leading to Telecom Decision 2011-69, some parties submitted that further elimination of certain obligations, as they apply to small CLECs, would accelerate entry and expansion of facilities-based competition in many small and rural communities.⁴
10. Also in the proceeding leading to Telecom Decision 2011-69, some parties submitted that many of the ILECs impose unreasonable time frames and requirements on network interconnection, and that this results in unnecessary costs and delayed entry for competitors.

Wireless carrier interconnection

11. The current wireless carrier interconnection regime was established in Telecom Decisions 84-10 and 84-29, and modified in subsequent Commission decisions. The main principle on which the regime is based is that wireless carriers are considered to be customers of, not equal carriers with, the ILECs.
12. As a result, the wireless carrier is responsible for (a) providing the interconnecting facility between its network and a LEC's network, and (b) paying Commission-approved tariff rates to the LEC for traffic routed from the wireless carrier to

³ While these obligations are referred to as CLEC obligations, they are, in general, based on obligations being met by all LECs.

⁴ The Commission has already granted small CLECs relief from certain obligations in Telecom Decisions 2006-58 and 2007-49.

the LEC, as well as for traffic routed from the LEC to the wireless carrier. The Commission does not require wireless carriers to meet the same obligations that CLECs must meet in local service markets.⁵

13. In the proceeding leading to Telecom Decision 2011-69, some parties submitted that without the ability to terminate traffic on a shared-cost basis – for example, on a bill and keep basis, wireless carriers would necessarily and artificially incur much higher traffic termination costs than other carriers. Other parties submitted that the option of obtaining shared-cost interconnection through CLEC status is currently open to all wireless carriers.

Toll interconnection

14. The current toll interconnection regime was established in Telecom Decision 92-12 and modified in subsequent Commission decisions. The main principle on which the regime is based is that long distance service providers are considered to be customers of, not equal carriers with, the ILECs.
15. As a result, the long distance service provider is responsible for (a) providing the interconnecting facility between its network and a LEC's network, and (b) paying Commission-approved tariff rates to the LEC for traffic routed from the long distance service provider to the LEC, as well as for traffic routed from the LEC to the long distance service provider.⁶
16. In the proceeding leading to Telecom Decision 2011-69, some parties submitted that the current toll interconnection regime is neither technologically nor competitively neutral.

Changes in the Canadian telecommunications industry

17. The Commission notes that there have been significant market and technology changes in the telecommunications industry since the Commission first established its network interconnection regimes. For example, many service providers have evolved from single-market players to integrated local/toll/wireless operators, the networks are increasingly using IP technology, and mobile wireless substitution is a growing trend.
18. In *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006 (the Policy Direction), the Governor in Council required the Commission to, among other things, rely on market forces to the maximum extent feasible to achieve the

⁵ In Telecom Decision 97-8, the Commission stated that a wireless carrier could become a CLEC and have the benefit of shared-cost interconnection with other LECs, as long as the wireless carrier accepted the CLEC obligations.

⁶ While both wireless and long distance service providers are responsible for interconnection facility and LEC network costs, the functionality and services provided by the LECs, as well as the corresponding costs, are different for each regime.

objectives set out in section 7 of the *Telecommunications Act* (the Act). The Policy Direction also requires that, when relying on regulation, the Commission 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.

19. In the proceeding leading to Telecom Decision 2011-69, some parties submitted that the existing local, wireless, and toll regimes create barriers that make it difficult for some carriers to evolve to more neutral and cost-effective technologies such as IP-based interconnection, and that it no longer makes sense to mandate interconnection based solely on standards grounded on circuit-switched technologies.⁷

Call for comments

20. The Commission hereby initiates a proceeding to address issues associated with the matters set out in this notice. The proceeding will include a public hearing as set out below.
21. In their interventions, parties should provide full supporting rationale and all evidence on which they rely, and structure their submissions according to the questions identified in the Appendix. In addition, parties requesting or proposing changes to the existing network interconnection regimes are expected to demonstrate, as applicable, how such changes would improve regulatory, economic, and/or network efficiencies. Parties are also expected to demonstrate how the adoption of their respective positions would benefit service providers and/or consumers.
22. The Commission notes that it will review the matters in this proceeding in light of the telecommunications policy objectives set out in section 7 of the Act and the Policy Direction.
23. The Commission notes that the outcome of this proceeding may result in changes to various regulatory regimes applicable to some or all telecommunications service providers.

Procedure

24. The new *Canadian Radio-television and Telecommunications Commission Rules of Practice and Procedure* SOR/2010-277 (the Rules of Procedure) will come into force on 1 April 2011 and will apply to this proceeding as of that date.⁸

⁷ In Telecom Decisions 2006-13 and 2007-22, the Commission approved two CRTC Interconnection Steering Committee reports related to IP interconnection between service providers.

⁸ The Rules of Procedure set out, among other things, the rules for the filing, content, format and service of interventions and interrogatories, the procedure for filing confidential information and requesting its disclosure, and the conduct of the public hearing. Accordingly, the procedure set out in this notice must be read in conjunction with the Rules of Procedure and its accompanying documents, which can be found on the Commission's website under "CRTC Rules of Practice and Procedure."

25. Any interested person who wishes merely to file written comments in this proceeding, but does not wish to become a party to the proceeding, may do so by using the following comments link or by writing to the Secretary General (by mail: CRTC, Ottawa, Ontario, K1A 0N2; by fax: 819-994-0218) by **14 November 2011**. Such persons will not receive copies of the various submissions, will not be permitted to ask or answer interrogatories, and will not have the right to appear at the public hearing.
26. Interested persons who wish to become parties to this proceeding must file an intervention with the Commission regarding the above-noted issues, by **12 May 2011**. In accordance with section 26 of the Rules of Procedure, this intervention must explicitly state that the person wishes to be considered an intervener, and **must indicate whether the person wishes to appear at the public hearing**. Shortly before the public hearing, parties will be provided an opportunity to confirm whether they still wish to appear.
27. In addition, each person who files an intervention must register as a party using the Commission's online form on or before **12 May 2011**. The Commission will post on its website a complete list of parties containing the contact information provided in this registration shortly thereafter. All documents required to be served on a party or parties to the proceeding must be served using the contact information on this list.
28. The Commission and parties may request information in the form of interrogatories from any party to the proceeding. In accordance with sections 73 and following of the Rules of Procedure, the requesting party must file its request for information with the Commission on or before **17 June 2011**, and must serve the request on the party to whom it is addressed.
29. Responses to requests for information from other parties or the Commission are to be filed with the Commission and served on all parties by **12 August 2011**.
30. Requests by parties for further responses to interrogatories posed in their request for information, specifying in each case why a further response is both relevant and necessary, and requests for public disclosure of information that has been designated confidential, setting out in each case the reasons for disclosure, must be filed with the Commission and served on the relevant party or parties by **24 August 2011**.
31. Written responses to requests for further responses to interrogatories and for public disclosure must be filed with the Commission and served on the party or parties making the request by **1 September 2011**.
32. Determinations will be issued regarding requests for further information and public disclosure as soon as possible. Any information to be provided pursuant to such determinations must be filed with the Commission and served on all parties by **16 September 2011**.
33. The Commission will hold a public hearing, beginning on **24 October 2011** at 9 a.m. at the Conference Centre, Phase IV, 140 Promenade du Portage, **Gatineau, Quebec**. The public hearing is expected to last approximately five days. Should additional

time be required, the public hearing will continue at that location and may last until 4 November 2011.

34. The public hearing will consist of two phases: (i) Phase I for opening presentations; and (ii) Phase II for oral rebuttal argument. The Commission expects all parties that appear at Phase I of the public hearing to also appear at Phase II. Parties who participate in Phase II of the proceeding are requested to remain available until the end of Phase II to respond to any questions which the Commission may have arising out of other parties' rebuttal submissions. There will be no cross-examination by parties.
35. Although the public hearing will be held in the National Capital Region, parties may participate from the Commission's regional offices via videoconferencing. Parties interested in doing so are asked to indicate the regional office where they wish to appear at the time they are requested to confirm their intention to appear. A list of the Commission's regional offices is provided in this notice.
36. The Commission will issue, as soon as possible, the list of parties who have confirmed their intention to appear at the public hearing and their order of appearance.
37. Persons requiring communications support such as assistive listening devices and sign language interpretation are requested to inform the Commission at least twenty (20) days before the commencement of the public hearing so that the necessary arrangements can be made.
38. An organization and conduct letter, providing directions on procedure with respect to the public hearing, including the scope of the issues to be examined during the public hearing, will be issued prior to the commencement of the public hearing.
39. All parties may file final written arguments with the Commission on any matter within the scope of this proceeding, serving copies on all other parties, by **14 November 2011**. Final arguments, including an executive summary, are not to exceed 15 pages.
40. The Commission expects to publish a decision on the issues raised in this notice within four months of the close of record.
41. The Commission will not formally acknowledge interventions or comments. It will, however, fully consider all submissions, which will form part of the public record of the proceeding.
42. Parties are reminded that, in accordance with the Rules of Procedure, if a document is to be filed or served by a specific date, the document must be actually received, not merely sent, by that date. A document must be filed with the Commission by 5 p.m. Vancouver time (8 p.m. Ottawa time) on the date it is due.

43. Parties may file their submissions electronically or on paper. Submissions longer than five pages should include a summary.
44. Electronic submissions should be in HTML format. Alternatively, Microsoft Word may be used for text and Microsoft Excel for spreadsheets.
45. Each paragraph of all submissions should be numbered. In addition, the line ***End of document*** should follow the last paragraph. This will help the Commission verify that the document has not been damaged during electronic transmission.
46. The Commission encourages parties to monitor the record of this proceeding and/or the Commission's website for additional information that they may find useful when preparing their submissions.

Important notice

47. Note that all information that persons provide as part of this public process, except information granted confidentiality, whether sent by postal mail, facsimile, email, or through the Commission's website at www.crtc.gc.ca, becomes part of a publicly accessible file and will be posted on the Commission's website. This includes personal information, such as full names, email addresses, postal/street addresses, telephone and facsimile numbers, and any other personal information persons provide.
48. The personal information provided will be used and may be disclosed for the purpose for which the information was obtained or compiled by the Commission, or for a use consistent with that purpose.
49. Documents received electronically or otherwise will be posted on the Commission's website in their entirety exactly as received, including any personal information contained therein, in the official language and format in which they are received. Documents not received electronically will be made available in PDF format.
50. Please note that the information persons provide to the Commission as part of this public process is entered into an unsearchable database dedicated to this specific public process. This database is accessible only from the web page of this particular public process. As a result, a general search of the Commission's website with the help of either its own search engine or a third-party search engine will not link directly to the information that was provided as part of this public process.

Location of CRTC offices

51. Submissions may be examined or will be made available promptly upon request at Commission offices during normal business hours.

Toll-free telephone: 1-877-249-2782

Toll-free TDD: 1-877-909-2782

Central Building
Les Terrasses de la Chaudière
1 Promenade du Portage, Room 206
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Regina, Saskatchewan S4P 0M8
Tel.: 306-780-3422

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Tel.: 780-495-3224

858 Beatty Street, Suite 290
Vancouver, British Columbia V6B 1C1
Tel.: 604-666-2111
Fax: 604-666-8322

Secretary General

Related documents

- *Updated action plan for reviewing regulatory measures*, Telecom Decision CRTC 2011-69, 4 February 2011, as amended by Telecom Decision CRTC 2011-69-1, 21 February 2011
- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008
- *Central office code obligations for competitive local exchange carriers*, Telecom Decision CRTC 2007-49, 6 July 2007
- *IP-to-IP interconnection report - Follow-up to Decision 2006-13*, Telecom Decision CRTC 2007-22, 12 April 2007
- *Canadian Cable Telecommunications Association - Part VII application regarding the application of some competitive local exchange carrier (CLEC) obligations to certain CLECs*, Telecom Decision CRTC 2006-58, 18 September 2006
- *IP-to-IP interconnection - Follow-up to Decision 2005-28*, Telecom Decision CRTC 2006-13, 16 March 2006
- *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997
- *Competition in the provision of public long distance voice telephone services and related resale and sharing issues*, Telecom Decision CRTC 92-12, 12 June 1992, as amended by Erratum 92-12-1, 28 August 1992
- *Cellular Radio Service*, Telecom Decision CRTC 84-29, 19 December 1984
- *Radio Common Carrier Interconnection With Federally Regulated Telephone Companies*, Telecom Decision CRTC 84-10, 22 March 1984

Questions for discussion in this proceeding

Parties are to take into consideration and address the relevant aspects of the telecommunications policy objectives set out in section 7 of the Act and the Policy Direction, as applicable, when submitting their responses to the questions below. Parties are also to take into account the Commission's principle objectives in this proceeding to determine to what extent

- existing interconnection regimes can be simplified and consolidated,
- changes are necessary to enhance competition and, thus, benefit consumers, and
- changes are necessary to ensure technological neutrality.

Consolidated regime

1. Should the existing regulatory regimes for local network interconnection, wireless carrier interconnection, and toll interconnection be simplified and consolidated into a single more efficient and cost-effective regime that better reflects recent and future industry developments, such as the increasing use of IP technology by carriers? If so, how should this be done and to what extent? If not, explain why not.
 - a. Should network and interconnection facility costs be shared?
 - b. Should a cost compensation mechanism be included in the event that traffic between two carriers is not balanced?
 - c. What should be the appropriate points of interconnection?
 - d. What obligations should apply to interconnecting carriers?
 - e. Should the network interconnection requirements based on circuit-switched technologies be phased out? If so, how should this be done and when? If not, why not?

Distinct regimes

2. If a consolidated regime cannot be established for local network interconnection, wireless carrier interconnection, and toll interconnection, what changes, if any, should be made to the existing regimes?
 - a. Should the existing regulatory regimes be modified to better reflect recent and future industry developments, such as the increasing use of IP technology by carriers? If so, how and to what extent? If not, explain why not.

- b. Are changes required to the existing cost compensation mechanisms for traffic exchanged between two carriers?
- c. Would changes be appropriate to the obligations⁹ that LECs must currently meet when operating in local service markets?
- d. Should the network interconnection requirements based on circuit-switched technologies be phased out? If so, how should this be done and when? If not, why not?

Network interconnection implementation

- 3. To what extent, if any, should standards be established by the Commission regarding implementation time frames for network interconnection implementation?

⁹ The issue of LECs filing serving area and exchange maps with the Commission will be addressed in a subsequent notice.