



## Telecom Decision CRTC 2016-182

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### **Sogetel inc. – Implementation of local competition for CoopTel on behalf of Câble Axion Digitel inc.**

*The Commission **approves with changes** Sogetel inc.'s implementation plan for local competition, including local number portability, for CoopTel on behalf of Câble Axion Digitel inc., in the exchanges of Saint-Camille, Saint-Odilon, Saint-Zacharie, Sainte-Justine, and Sainte-Rose, Quebec. The Commission's decision enables customers in these exchanges to benefit from local competition by allowing them to choose among the services, options, and prices offered by different service providers.*

#### **Background**

1. In Telecom Decision 2006-14, the Commission, among other things, set out the framework for local competition implementation in the serving territories of the small incumbent local exchange carriers (ILECs). That decision included directives that the small ILECs must follow when submitting their implementation plans.
2. The Commission reviewed this framework and determined, in Telecom Regulatory Policy 2011-291, that local competition should continue to be introduced in the serving territories of all the small ILECs based on the existing framework, subject to the modifications set out in Telecom Regulatory Policy 2011-291.

#### **Application**

3. The Commission received an implementation plan for local competition, including local number portability (LNP) [the implementation plan], dated 20 November 2015, from Sogetel inc. (Sogetel). In accordance with the framework set out in Telecom Decision 2006-14 and modified in Telecom Regulatory Policy 2011-291, the implementation plan was submitted in response to a formal signed expression of interest from CoopTel on behalf of Câble Axion Digitel inc. (Câble Axion), which indicated that Câble Axion wished to interconnect with Sogetel to provide local services as a competitive local exchange carrier in the exchanges of Saint-Camille, Saint-Odilon, Saint-Zacharie, Sainte-Justine, and Sainte-Rose, Quebec, located in the local interconnection region (LIR) of Lac-Etchemin, Quebec (referred to hereafter as the affected exchanges).
4. In its implementation plan, Sogetel identified the services and network components that it planned to make available to CoopTel, as well as the costs related to its implementation plan. Sogetel has, in the past, filed two similar applications for the LIR of Lac-Etchemin. The first was for TELUS Communications Company (TCC) on

behalf of Cogeco Cable Inc. (Cogeco), and the second was for Quebecor Media Inc. on behalf of Videotron G.P. (Videotron). The terms of these plans were approved with changes in Telecom Decisions 2012-42 and 2013-176, respectively.

5. The Commission received an intervention from CoopTel. The public record of this proceeding, which closed on 19 January 2016, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) or by using the file number provided above.

## Issues

6. The Commission has examined the following issues in considering whether to approve Sogetel's proposed implementation plan:
  - Which interconnection methods and options for implementing local competition in the affected exchanges would be appropriate?
  - Are new wholesale tariffs required to allow for the implementation of local competition in the affected exchanges?
  - What would be the additional costs related to the implementation of local competition in the affected exchanges for CoopTel, and what mechanisms are available to Sogetel to recover these costs?
  - What would be a reasonable time frame to implement local competition in the affected exchanges?

### **Which interconnection methods and options for implementing local competition in the affected exchanges would be appropriate?**

7. Sogetel proposed to respond to CoopTel's request by using the default point of interconnection in the Lac-Etchemin LIR. Sogetel noted that the details of the interconnection will have to be discussed between the two parties, but that its standardized transmission technology uses, at a minimum, the OC-3 standard.<sup>1</sup> Sogetel expected that it would need shared-cost circuits (in accordance with the bill-and-keep model) towards CoopTel's point of presence. In addition, Sogetel expected to use the terms and systems already approved for LNP in Telecom Decisions 2012-42 and 2013-176.

### **Commission's analysis and determinations**

8. In Telecom Decision 97-8, in which the Commission established the framework governing local competition in the large ILECs' serving territories, the Commission determined that competitors should be authorized to interconnect using shared-cost facilities in order to minimize local exchange carriers' costs. The Commission considered that this approach would help promote competitive equity and

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<sup>1</sup> An OC-3 circuit is a channel capable of digital transmission at a nominal rate of 155 megabits per second.

interconnection efficiency by reducing or eliminating any incentive to impose interconnection facility costs on competitors that are higher than necessary.

9. In Telecom Decision 2006-14, the Commission indicated that the interconnection framework that applies to the large ILECs should also apply to the small ILECs.
10. Accordingly, the principles of competitive equity and interconnection efficiency set out in Telecom Decision 97-8 should prevail in the interconnection between Sogetel and CoopTel to enable the parties to reduce their costs and, consequently, the impact on their subscribers.
11. In light of the above, the Commission finds that Sogetel and CoopTel must interconnect using the most efficient configuration, reducing as much as possible the costs incurred.

**Are new wholesale tariffs required to allow for the implementation of local competition in the affected exchanges?**

12. Sogetel indicated that in Telecom Order 2012-297, the Commission approved tariffs for the purpose of implementing local competition in Sogetel's serving territory. The company did not expect that it would need to file additional tariffs associated with CoopTel's request.
13. CoopTel indicated that these tariffs were prepared based on negotiations with companies that wanted to enter Sogetel's serving territory at the time, namely, Cogeco and Videotron. In CoopTel's view, the two latter companies may have had more technological options available to them than CoopTel or Câble Axion. CoopTel added that it would be premature to conclude that the existing tariff would be sufficient to enable it or Câble Axion to operate in the LIR of Lac-Etchemin, and reserved the right to request additional services.

**Commission's analysis and determinations**

14. Sogetel already has an Access Services Tariff that the Commission approved during the implementation of local competition in Sogetel's serving territory. Further, CoopTel, on behalf of Câble Axion, did not identify in this proceeding which services it may need.
15. Accordingly, Sogetel's current Access Services Tariff is acceptable, and the Commission encourages the parties to come to an agreement on which services to provide. If there is a change to the rates or services offered by Sogetel, it must file a new tariff with the Commission.

**What would be the additional costs related to the implementation of local competition in the affected exchanges for CoopTel, and what mechanisms are available to Sogetel to recover these costs?**

16. Sogetel proposed start-up and ongoing costs related to the implementation of local competition in the affected exchanges. The start-up costs relate to equipment and

installation, as well as consultation, while the ongoing costs relate to network maintenance.

17. The company indicated that in Telecom Decisions 2012-42 and 2013-176, the Commission approved exogenous adjustments<sup>2</sup> of \$71,000 and \$31,000, respectively, for the recovery of start-up costs, and reductions of \$0.64 and \$0.11 in Sogetel's primary exchange service (PES) rate component used to calculate its subsidy amount for the recovery of its ongoing costs.
18. The corresponding amounts for Sogetel's present application represent an additional exogenous adjustment of \$28,431 per year for the recovery of its start-up costs of \$113,000, as well as an additional reduction of \$0.39 in the PES rate component used to calculate its subsidy amount for the recovery of its ongoing costs.<sup>3</sup>
19. Sogetel noted that these costs were in addition to increases in the residential rate associated with the loss of subsidy following the Commission's determinations in Telecom Regulatory Policy 2011-291.

### **Commission's analysis and determinations**

20. In Telecom Regulatory Policy 2011-291, the Commission allowed for the recovery of start-up costs, finding that
  - the imputed \$30 rate component used in calculating the subsidy requirement would be lowered by an amount equal to the lesser of the approved ongoing local competition costs on a per-network-access-service (NAS), per-month basis, or \$2 per NAS per month; and
  - after the three-year period following the implementation of local competition, small ILECs that operate in competitive regulated exchanges would continue to receive monthly subsidies, but only for the number of residential NAS that they serve in those exchanges.
21. The Commission has reviewed the cost study and the breakdown of costs, taking into account the regulatory framework and costs approved in the past, and considers the proposed costs to be reasonable.
22. Accordingly, the Commission approves Sogetel's proposed costs, i.e. (a) start-up costs of \$113,000, which corresponds to an exogenous adjustment of \$28,431 per

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<sup>2</sup> An exogenous adjustment, which could result in a rate increase, reflects the financial impact associated with events or initiatives that are not captured by other elements of the price cap regime. Adjustments would be considered for events or initiatives that meet the following criteria: (a) they are legislative, judicial, or administrative actions beyond the control of the company; (b) they are addressed specifically to the telecommunications industry; and (c) they have a material impact on the company.

<sup>3</sup> This reduction is calculated based on revised forecasts of Sogetel's market loss over five years. The subsidy for high-cost serving areas is calculated based on several factors, after which the rate element, based on subscription revenues for residential PES, is determined. This allows for the subsidy to be increased to cover ongoing costs associated with the implementation of local competition.

year over a period of five years, and (b) an additional reduction of \$0.39 in the rate element used to calculate the amount of its subsidy.

### **What would be a reasonable time frame to implement local competition in the affected exchanges?**

23. Sogetel proposed to carry out its implementation plan within 180 days of the Commission approving the plan. It noted that the implementation time is based strictly on the competitor services specific to CoopTel's request.
24. Sogetel added that the main deadline for the implementation of the plan is the 90-day deadline for the placement of interconnection structures and equipment. It added that the remaining activities to finalize interconnection, within 60 days of placement, are essentially the same as those set out in Telecom Decision 2012-42, except for personnel training, which is no longer necessary. Sogetel noted that a time frame of 180 days is the same as that approved in Telecom Decision 2012-42.
25. CoopTel indicated that Sogetel's first implementation plan was approved in January 2012 (in Telecom Decision 2012-42), and that the Commission has since approved other implementation plans in Sogetel's serving territory. CoopTel considered that the local competition process should be well-established at this point. The company questioned the need for a 180-day time frame as was the case in 2012, and indicated that it should be possible to complete the interconnection process within a period of four months (120 days).

### **Commission's analysis and determinations**

26. The framework governing local competition applicable to the small ILECs did not set out a specific time frame to establish each element of an implementation plan. The Commission approved a time frame of 180 days in the context of the proceedings leading to Telecom Decisions 2012-42 and 2013-176.
27. Nonetheless, even if several activities related to the implementation of local competition for CoopTel must be undertaken independently of those already undertaken in the past, several elements should already be in place in the affected exchanges to respond to CoopTel's request, and Sogetel now has the experience to successfully complete the implementation of local competition. Further, in previous plans, the time needed between Commission approval and the signing of a local interconnection agreement was 90 days, while in this case, it is only 60 days. Implementation follow-up required a time frame of 90 days, rather than the 120 days proposed in the present application.
28. The Commission therefore **approves** a schedule of a maximum of **150 days** for the implementation of local competition in the affected exchanges.

## Conclusion

29. In light of all the above,

- the Commission **approves** Sogetel's implementation plan as modified above;
- the Commission **directs** Sogetel to provide information and assistance to CoopTel in the negotiation process, as required, to implement local competition and LNP as quickly as possible so that CoopTel may begin operating in the affected exchanges by no later than **10 October 2016**; and
- when implementing all aspects of local competition and LNP in the affected exchanges, including technical and network interconnection, Sogetel must abide by the industry consensus items outlined in the various CRTC Interconnection Steering Committee documents related to interconnection, as well as the existing rules as outlined in the various decisions, orders, and letters issued by the Commission pertaining to local competition and LNP.

## Policy Direction

30. The Commission considers that its approval of Sogetel's implementation plan for local competition, as modified above, allows customers in the exchanges of Saint-Camille, Saint-Odilon, Saint-Zacharie, Sainte-Justine, and Sainte-Rose, Quebec, to benefit from competition in the local services market by enabling them to choose among the services, options, and prices offered by different service providers. As a result, the Commission considers that its determinations in this decision will advance the policy objectives set out in paragraphs 7(b), (f), and (h) of the *Telecommunications Act*.<sup>4</sup>

31. In light of the above, the Commission considers that its determinations are consistent with the Policy Direction<sup>5</sup> requirements that 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.

Secretary General

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<sup>4</sup> These objectives are the following: 7(b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada; 7(f) 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 7(h) to respond to the economic and social requirements of users of telecommunications services.

<sup>5</sup> *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006

## Related documents

- *Sogetel inc. – Implementation of local competition and wireless number portability for Quebecor Media Inc. on behalf of its affiliate Videotron G.P.*, Telecom Decision CRTC 2013-176, 4 April 2013
- *Sogetel inc. – Local network interconnection*, Telecom Order CRTC 2012-297, 17 May 2012
- *Sogetel inc. – Implementation of local competition for Cogeco Cable Inc.*, Telecom Decision CRTC 2012-42, 24 January 2012
- *Obligation to serve and other matters*, Telecom Regulatory Policy CRTC 2011-291, 3 May 2011; as amended by Telecom Regulatory Policy CRTC 2011-291-1, 12 May 2011
- *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006
- *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997