



Telecom Decision CRTC 2008-71

Ottawa, 11 August 2008

Regulatory policy

Review of the regulatory requirements for sharing groups

Reference: 8663-C12-200803115

In this Decision, the Commission eliminates the requirement for a sharing group to register with the Commission and the requirement to treat a sharing group as a single customer for the purposes of billing, collection, and liability for services rendered.

Introduction

1. In Telecom Decision 2007-51, the Commission issued an action plan indicating its intention to review existing regulatory measures in light of the Governor in Council's *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006 (the Policy Direction). As part of the action plan, the Commission identified the regulatory requirements related to sharing groups as a matter to be reviewed.
2. In Telecom Public Notice 2008-3, the Commission initiated a proceeding in which it invited parties to comment on, among other things,¹ the continued appropriateness of the regulatory requirements related to sharing groups.
3. The Commission received submissions from Bell Aliant Regional Communications, Limited Partnership, Bell Canada, Saskatchewan Telecommunications, and Télébec, Limited Partnership; MTS Allstream Inc. (MTS Allstream); Rogers Communications Inc.; and TELUS Communications Company.
4. The public record of this proceeding, which closed on 14 April 2008, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings."

Background

5. The Commission's definition of a sharing group is the use by two or more persons, in an arrangement not involving resale, of a telecommunications service leased from a company. Sharing group rules allow smaller users to combine their usage of a telecommunications service in order to obtain an economic advantage from the shared-use of discounted services that are otherwise only available to large customers.

¹ In Telecom Public Notice 2008-3, parties were also invited to comment on the continued appropriateness of the regulatory requirements relating to the basic international telecommunications services licensing regime and the provision of 9-1-1 service by competitive local exchange carriers.

6. In Telecom Letter Decision 93-13, the Commission determined that a sharing group must be treated as a single customer for the purposes of billing, collection, and liability for services rendered.
7. Sharing groups are required to register with the Commission and provide contact information as part of the Commission's annual data collection process.

Policy Direction test

8. In order to determine whether the sharing group rules continue to be appropriate, the Commission will consider the following:
 - What is the purpose of the regulatory measure and what are the telecommunications policy objectives that are relevant to this purpose?
 - Can market forces be relied on to achieve the telecommunications policy objectives?
9. If the Commission determines that market forces cannot be relied on to achieve the telecommunications policy objectives, it will then address the following, as required:
 - Is the regulatory measure efficient and proportionate to its purpose?
 - Does it interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives?

What is the purpose of the regulatory measure and what are the telecommunications policy objectives that are relevant to this purpose? Can market forces be relied on to achieve the telecommunications policy objectives?

10. Parties submitted that the purpose of the regulatory requirements related to sharing groups was (a) to require sharing groups to register with the Commission to ensure that the Commission was aware of their existence, (b) to obtain data as part of the Commission's annual collection of data, and (c) to address issues such as contribution erosion.
11. Parties in support of retaining this regulatory measure argued that the relevant policy objectives were paragraphs 7(a), (c), and (f)² of the *Telecommunications Act* (the Act). MTS Allstream argued that the elimination of the regulatory measure could result in customized service arrangements that could be contrary to section 27³ of the Act.

² These policy objectives are:

7(a) to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;

7(c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications; and
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.

³ Subsection 27(2) of the Act states that no Canadian carrier shall, in relation to the provision of a telecommunications service or the charging of a rate for it, unjustly discriminate or give an undue or unreasonable preference toward any person, including itself, or subject any person to an undue or unreasonable disadvantage.

12. Parties in favour of eliminating this regulatory measure submitted that it did not serve any of the telecommunications policy objectives. In their view, the rules regarding sharing groups were established when the long distance services market was being opened to full competition and that market is now forborne from regulation.
13. The Commission notes that the original intent of the regulatory measure was to provide individuals with discounted private line and long distance services on a shared basis that were otherwise only available to large customers. Accordingly, the Commission concludes that the policy objectives that were relevant to this purpose were paragraphs 7(a), (c), and (f) of the Act. However, in light of the evolution of competition in the telecommunications industry, the Commission considers that individuals can obtain similar discounted services without the use of a sharing group. In 1997, the Commission forbore from regulating long distance services and also set out criteria to forbear from regulating private line services.⁴
14. With respect to the concern regarding customized service arrangements, the Commission removed the prohibition on de-averaged rates in Telecom Decision 2007-27 for residential services and in Telecom Decision 2007-106 for business services. As noted in Telecom Decision 2007-117, the Commission does not regard targeted pricing in and of itself as necessarily anti-competitive or unjustly discriminatory.
15. The Commission notes that the issue of contribution erosion regarding sharing groups is no longer relevant under the current revenue-based contribution regime. Furthermore, although sharing groups are required to register with the Commission and provide contact information, they are not required to provide data for the Commission's annual monitoring report.
16. In light of the above, the Commission finds that market forces can be relied upon to achieve the telecommunications policy objectives and that eliminating the current sharing group rules would be consistent with the Policy Direction.

Conclusion

17. Effective the date of this Decision, the Commission eliminates the requirement for a sharing group to register with the Commission and the requirement to treat a sharing group as a single customer for the purposes of billing, collection, and liability for services rendered.

Secretary General

⁴ In 2007, approximately 75 percent of data and private line revenues were from forborne services. By the end of 2007, the Commission had forbore from regulating approximately 2,900 private line routes.

Related Documents

- *Review of the regulatory requirements pertaining to the BITS licensing regime, sharing groups, and CLEC/Municipality agreements for the provision of 9-1-1 service in light of Telecom Decision 2007-51*, Telecom Public Notice CRTC 2008-3, 3 March 2008
- *Review of general tariff bundling rules and requirements for market trials*, Telecom Decision CRTC 2007-117, 23 November 2007
- *Further rate de-averaging for pay telephone and business services for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-106, 9 November 2007
- *Action plan for the review of Commission regulatory measures in light of Order in Council P.C. 2006-1534*, Telecom Decision CRTC 2007-51, 11 July 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Re: Sharing groups*, Telecom Letter Decision CRTC 93-13, 19 August 1993

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>