



## Telecom Notice of Consultation CRTC 2009-464

Ottawa, 30 July 2009

### Call for comments – Regulatory framework for the small incumbent local exchange carriers

File number: 8663-C12-200907058 and 8663-C12-200910829

#### Introduction

1. There are currently 36 small incumbent local exchange carriers (ILECs) in Canada. These companies operate in limited areas of Ontario, Quebec, and British Columbia, and include municipally owned and publicly and privately held carriers. These small ILECs are listed in the Appendix to this notice.
2. The rates that a small ILEC can charge its residential and business customers for various telecommunications services are governed by a price cap regime. Price cap regulation generally includes upward pricing constraints for these services and other rules that govern the associated rates.
3. In *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006, the Commission set out a price cap regime for the small ILECs.<sup>1</sup> This regime came into effect in 2006 for a period of four years. The current price cap regime for the small ILECs is set to expire on 31 December 2009.
4. On 15 July 2009, the Commission received a submission from the Canadian Independent Telephone Company Joint Task Force (CITC Joint Task Force),<sup>2</sup> representing the small ILECs with the exception of NorthernTel, Limited Partnership (NorthernTel) and Kenora Municipal Telephone System (KMTS). The submission included a proposal regarding the regulatory framework for the small ILECs that would take effect on 1 January 2010.
5. In its submission, the CITC Joint Task Force stated that it had developed its proposal for the next small ILEC regulatory framework through negotiations with Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) and Bell Canada, and that as with any negotiation there had been concessions by all parties within the context of the entire set of

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<sup>1</sup> The small ILECs' local exchange services are grouped into four separate baskets of services. The first basket is comprised of residential primary exchange services, with rates generally capped at existing levels. The second basket is comprised of business primary exchange services, with rates generally capped at existing levels. The third basket is comprised of 9-1-1 service, message relay service, and toll restriction service; these rates are frozen. The fourth basket is comprised of all other exchange services; rates for these services may increase up to any already-approved rate for the same service.

<sup>2</sup> The CITC Joint Task Force is comprised of the Association des Compagnies de Téléphone du Québec inc., the Ontario Telecommunications Association, the Canadian Alliance of Publicly-Owned Telecommunications Systems, la Société d'administration des tarifs d'accès des télécommunicateurs, and TBayTel.

complex issues. The CITC Joint Task Force further stated that the proposal must be considered a complete package, no element of which may be altered without compromising the entire proposal and the related negotiation process.

6. Attached to the CITC Joint Task Force's submission was a letter from Bell Aliant and Bell Canada, dated 15 July 2009, supporting the adoption of the CITC Joint Task Force's proposed regulatory framework. In a letter dated 22 July 2009, NorthernTel and KMTS confirmed that they also supported the CITC Joint Task Force's proposal.
7. A summary of the key elements of the CITC Joint Task Force's proposal is provided below. The CITC Joint Task Force's complete proposal is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) using file number 8663-C12-200907058.

### **Proposed framework for small ILECs**

8. In its submission, the CITC Joint Task Force stated that the viability of the small ILECs continues to be in the public interest and that they must be able to respond effectively to competitors who enter their territories. It also stated that the small ILECs' limited economies of scale and scope mean that financial predictability over the next regulatory framework period is critical.
9. The CITC Joint Task Force proposed that the length of the new regime be four years and that the current basket structure be maintained. However, it also proposed changes to pricing constraints for certain services and to the way rates are determined for services.
10. The CITC Joint Task Force proposed that rates for both residential and business primary exchange services be permitted to increase in a manner consistent with previous Commission decisions. Specifically, the CITC Joint Task Force proposed that the Commission allow
  - a) the monthly rate for residential primary exchange service to increase by up to \$3 on 1 January 2010 and, after that, on 1 June of each year from 2011 to the end of the next regime, by the lesser of the previous year's rate of inflation or five percent per year; increases would be permitted to a maximum of \$30;
  - b) the monthly rate for business primary exchange service to increase by up to \$5 in any one year, to a maximum of \$45.45; after reaching the maximum rate, the monthly rate would be allowed to increase by up to the previous year's rate of inflation; and
  - c) increased pricing flexibility consistent with that given to large ILECs in previous decisions,<sup>3</sup> in recognition of the increasing level of competition faced by the small ILECs.

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<sup>3</sup> In previous decisions, the Commission has permitted large ILECs to de-average rates and use rate ranges when pricing certain services. Rate de-averaging allows a large ILEC to change a rate for a service in one part of an exchange without changing the rate for that service throughout the entire exchange. A rate range allows a service to be priced anywhere between the minimum and maximum rate of a specified range.

11. The CITC Joint Task Force also proposed that a small ILEC funding pool be established and that it be comprised of three compensation elements: a local contribution subsidy, a portion of revenue currently derived from direct connection (DC) services, and a portion of revenue currently derived from toll trunk interconnection services.<sup>4</sup> It further proposed that the funding pool be administered on the same basis as the National Contribution Fund (NCF). Telecommunications service providers would contribute to the funding pool on the same basis that they contribute to the NCF. Specifically, the CITC Joint Task Force proposed that
- a) the small ILEC local contribution subsidy be established based on 31 December 2008 data and then reduced to reflect 75 percent of the assumed price increases to residential primary exchange service throughout the next regime;
  - b) large competitors be ineligible for the local contribution subsidy in the small ILECs' territories; and
  - c) Bell Aliant's and Bell Canada's rates be adopted for the small ILECs' DC and toll interconnection trunk rates, and that the corresponding reduction in revenues be recovered from the small ILECs' funding pool.
12. In addition to the above, the CITC Joint Task Force proposed, among other things, that
- a) rates for 9-1-1 service, message relay service, and toll restriction service continue to be frozen;
  - b) other services such as optional local, special facilities tariffs, support structure tariffs, and competitor access tariffs be priced up to any Commission-approved rate or any forborne rate in Canada;
  - c) no explicit productivity offset factor be implemented for the small ILECs; and
  - d) the current approach regarding quality of service reporting be maintained.

### **Call for comments**

13. The Commission invites parties to comment on the CITC Joint Task Force's proposed regulatory framework.

### **Procedure**

14. The small ILECs listed in the Appendix to this notice are made parties to this proceeding.

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<sup>4</sup> The local contribution subsidy compensates carriers for providing residential primary exchange service in areas where the revenues exceed the cost of providing the service. Revenues from DC and toll trunk services compensate the small ILECs for the costs they incur to originate and terminate toll traffic on behalf of long distance service providers.

15. Parties interested in participating in this proceeding (including receiving copies of all submissions) must notify the Commission of their intention to do so by filling out the online form; or by writing to the Secretary General, CRTC, Ottawa, Ontario, K1A 0N2; or by faxing to: 819-994-0218 by **13 August 2009** (the registration date). Parties are to provide their email address, where available. If parties do not have access to the Internet, they are to indicate when they notify the Commission whether they wish to receive disk versions of hard-copy filings.
16. As soon as possible after the registration date, the Commission will post on its website a complete list of interested parties, their mailing addresses, and, if available, their email addresses, identifying those parties who wish to receive disk versions.
17. Any party who wishes merely to file written comments in this proceeding, without receiving copies of the various submissions, may do so by writing to the Commission by **11 September 2009** at the address or fax number noted above, or by filling out the online form.
18. The Commission will address interrogatories to the small ILECs by **7 August 2009**. Responses to these interrogatories are to be filed with the Commission and served on all parties by **28 August 2009**.
19. All parties may file comments with the Commission on any matter within the scope of this proceeding, serving copies on all other parties, by **11 September 2009**.
20. All parties may file reply comments with the Commission, serving copies on all other parties, by **21 September 2009**.
21. The Commission will not formally acknowledge comments. It will, however, fully consider all comments and they will form part of the public record of the proceeding.
22. Where a document is to be filed or served by a specific date, the document must be actually received, not merely sent, by that date.
23. Parties may file their submissions electronically or on paper. Submissions longer than five pages should include a summary.
24. Electronic submissions should be in HTML format. As an alternative, those making submissions may use Microsoft Word for text and Microsoft Excel for spreadsheets.
25. Each paragraph of all submissions should be numbered. In addition, the line **\*\*\*End of document\*\*\*** should be entered following the last paragraph. This will help the Commission verify that the document has not been damaged during electronic transmission.
26. 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**

27. Note that all information that parties 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](http://www.crtc.gc.ca), becomes part of a publicly accessible file and will be posted on the Commission's website. This information includes personal information, such as full names, email addresses, postal/street addresses, telephone and facsimile numbers, and any other personal information parties provide.
28. The personal information that parties provide 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.
29. 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 available in PDF format.
30. Please note that the information that parties 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 webpage of this particular public process. As a result, a general search of our website with the help of either our 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**

31. 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

Gatineau, Quebec J8X 4B1

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Fax: 819-994-0218

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99 Wyse Road, Suite 1410  
Dartmouth, Nova Scotia B3A 4S5  
Tel.: 902-426-7997  
Fax: 902-426-2721

205 Viger Avenue West, Suite 504  
Montréal, Quebec H2Z 1G2  
Tel.: 514-283-6607

55 St. Clair Avenue East, Suite 624  
Toronto, Ontario M4T 1M2  
Tel.: 416-952-9096

Kensington Building  
275 Portage Avenue, Suite 1810  
Winnipeg, Manitoba R3B 2B3  
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2220 12th Avenue, Suite 620  
Regina, Saskatchewan S4P 0M8  
Tel.: 306-780-3422

10405 Jasper Avenue, Suite 520  
Edmonton, Alberta T5J 3N4  
Tel.: 780-495-3224

580 Hornby Street, Suite 530  
Vancouver, British Columbia V6C 3B6  
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Secretary General

*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>*

## Small incumbent local exchange carriers by province

### British Columbia

CityWest Telephone Corporation

### Ontario

Amtelecom Limited Partnership  
Brooke Telecom Co-operative Ltd.  
Bruce Telecom  
Cochrane Telecom Services  
Dryden Municipal Telephone System  
Execulink Telecom Inc.  
Gosfield North Communications Co-operative Limited  
Hay Communications Co-operative Limited  
Huron Telecommunications Co-operative Limited  
Kenora Municipal Telephone System  
Lansdowne Rural Telephone Co. Ltd.  
Mornington Communications Co-operative Limited  
Nexicom Telecommunications Inc.  
Nexicom Telephones Inc.  
North Frontenac Telephone Corporation Ltd.  
NorthernTel, Limited Partnership  
NRTC Communications  
Ontera  
People's Tel Limited Partnership  
Quadro Communications Co-operative Inc.  
Roxborough Telephone Company Limited  
TBayTel  
Tuckersmith Communications Co-operative Limited  
Wightman Telecom Ltd.  
WTC Communications

### Québec

La Cie de Téléphone de Courcelles Inc.  
La Compagnie de Téléphone de Lambton Inc.  
La Compagnie de Téléphone de St-Victor  
La Compagnie de Téléphone Upton Inc.  
La Compagnie de Téléphone de Warwick  
Le Téléphone de St-Éphrem inc.  
Sogetel inc.  
Téléphone Guèvremont inc.  
Téléphone Milot inc.