



Telecom Decision CRTC 2019-361

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9315-1884 Québec inc. – Implementation of local competition for TELUS Communications Inc. in the exchanges of Courcelles and Lambton, Quebec

*The Commission **approves** 9315-1884 Quebec inc.'s implementation plan for local competition, including local number portability, for TELUS Communications Inc. in the exchanges of Courcelles and Lambton, Quebec. The Commission's decision gives customers in these exchanges a greater choice of telecommunications services.*

Application

1. The Commission received an implementation plan for local competition, including local number portability (LNP) [the implementation plan], dated 21 December 2018, from 9315-1884 Québec inc. (9315-1884 Québec). In accordance with the framework set out in Telecom Decision 2006-14 and modified in Telecom Regulatory Policies 2011-291 and 2018-213, the implementation plan was submitted in response to a formal signed expression of interest from TELUS Communications Inc. (TCI), which indicated that TCI wished to interconnect with 9315-1884 Québec in order to provide local services as a competitive local exchange carrier in the exchanges of Courcelles and Lambton, Quebec (hereafter, the affected exchanges).
2. In its implementation plan, 9315-1884 Québec identified the services and network components that it planned to make available to TCI, as well as costs related to its implementation plan.
3. 9315-1884 Québec indicated that it planned to use Sogetel inc.'s (Sogetel's) switching and interconnection facilities, situated in the Lac-Etchemin local interconnection region (LIR), to serve the affected exchanges, and Sogetel's terms and systems to process requests for LNP. 9315-1884 Québec added that in previous decisions, including Telecom Decision 2018-250, the Commission had already approved the terms of implementation of local competition and LNP for Sogetel in various exchanges in the Lac-Etchemin LIR.
4. 9315-1884 Québec indicated that it would require a period of 180 days from the date of the Commission's approval of its plan to implement local competition and LNP in the affected exchanges. The company also filed its proposal to recover costs related to its implementation plan.

5. The Commission received an intervention from TCI in support of the implementation plan proposed by 9315-1884 Québec.

Issues

6. The Commission examined the following issues in considering 9315-1884 Québec's proposed implementation plan:
 - Which interconnection methods and options would be appropriate for implementing local competition for TCI in the affected exchanges?
 - Are new wholesale tariffs required to allow for the implementation of local competition for TCI in the affected exchanges?
 - What additional costs would be incurred related to the implementation of local competition for TCI in the affected exchanges, and what mechanisms are available to 9315-1884 Québec to recover those costs?
 - What would be a reasonable time frame to implement local competition for TCI in the affected exchanges?

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

Positions of parties

7. 9315-1884 Québec proposed to respond to TCI's request by using Sogetel's default point of interconnection (POI)¹ located in the Lac-Étchemin LIR. 9315-1884 Québec's implementation plan involves making use of existing capacity and shared-cost circuits located at the Lac-Étchemin POI towards TCI's point of presence, as well as Sogetel's terms and systems for LNP. 9315-1884 Québec submitted that this interconnection is already in place as a result of previous Commission decisions, including Telecom Decision 2018-250. 9315-1884 Québec proposed to undertake the necessary steps to establish the required agreements with TCI.
8. TCI supported the implementation plan submitted by 9315-1884 Québec.

Commission's analysis and determinations

9. The services and components of the proposed network in the implementation plan are reasonable and similar to those that the Commission has approved for the small incumbent local exchange carriers (ILECs) that have implemented local competition in their serving territories.

¹ The default POI is the point located in an LIR for the purpose of a new interconnection agreement, unless a different POI has been mutually agreed to.

10. The Commission considers that 9314-1884 Québec's proposal reflects the most efficient interconnection configuration and reduces the costs to be incurred as much as possible. The Commission expects the two parties to be guided by these principles when negotiating terms. Accordingly, the Commission **approves** the use of the existing interconnection in the Lac-Étchemin LIR to serve the affected exchanges.

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

Positions of parties

11. 9315-1884 Québec proposed to file with the Commission an additional tariff application for services to competitors in order to implement local competition in the affected exchanges.

Commission's analysis and determinations

12. In accordance with the framework established in Telecom Decision 2006-14 and modified in Telecom Regulatory Policy 2011-291, the small ILECs are required to file tariffs for services to competitors if they receive a request from a competitor for the implementation of local competition and LNP. However, the specific services required under this application have yet to be defined. The Commission encourages the parties to come to an agreement on the local interconnection services to be provided by 9315-1884 Québec in accordance with the proposed implementation plan. If there is a change in the services offered by 9315-1884 Québec in connection with this plan, the company must file a new tariff with the Commission to reflect the change.

What additional costs would be incurred related to the implementation of local competition for TCI in the affected exchanges, and what mechanisms are available to 9315-1884 Québec to recover those costs?

Positions of parties

13. 9315-1884 Québec proposed start-up costs related to the implementation of local competition in the affected exchanges, including costs for consultation and for system modifications. 9315-1884 Québec indicated that forecasted start-up costs are based on an estimate of the consultation costs to prepare the implementation plan and the costs of the materials to be installed at the three POIs.
14. In its application, 9315-1884 Québec proposed to recover its start-up costs and its ongoing costs related to the implementation of local competition for TCI in the affected exchanges. However, in a letter dated 7 May 2019, 9315-1884 Québec informed the Commission that it was withdrawing its application to recover ongoing costs, in accordance with Telecom Regulatory Policy 2018-213.

15. With regard to its start-up costs, 9315-1884 Québec proposed to recover those costs through an exogenous adjustment,² such as the Commission has authorized for certain small ILECs that have implemented local competition in their serving territories, for example, Sogetel in Telecom Decision 2018-250.

Commission's analysis and determinations

16. The Commission has reviewed the study of the start-up costs and the breakdown of these costs, taking into account the regulatory framework and costs approved in the past. It considers the proposed costs to be reasonable and comparable to costs submitted in previous applications for local competition implementation.
17. In Telecom Regulatory Policy 2018-213, the Commission began the phase-out of the local service subsidy regime. It also determined, among other things, that as of 26 June 2018 it would no longer accept either new applications for lost network access services (NAS) subsidy or new applications for local service subsidy for the recovery of ongoing costs related to local competition or wireless number portability. In accordance with that policy, 9315-1884 Québec cannot use this mechanism to recover its ongoing costs.
18. Accordingly, the Commission **approves** the start-up costs proposed by 9315-1884 Québec.³ The proposed costs can be partially recovered through an exogenous adjustment, should 9315-1884 Québec decide to take advantage of this mechanism, by filing a tariff application with the Commission.

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

Positions of parties

19. 9315-1884 Québec proposed to carry out its implementation plan within 180 days of the date of the Commission's approval of the plan. It noted that this time frame is based strictly on competitor services that are specific to TCI's application. In addition, 9315-1884 Québec indicated that if certain issues were not resolved within the proposed time frame, the company would inform the Commission and, if required, propose another solution.
20. TCI supported 9315-1884 Québec's proposal.

² 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 that are 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.

³ This amount represents 9315-1884 Québec's start-up costs of \$178,853. Annualized over a period of five years, these costs would allow for an exogenous adjustment of \$45,000 per year.

Commission's analysis and determinations

21. The framework governing local competition applicable to the small ILECs did not set out a specific time frame for establishing each element of the implementation plan.
22. Nonetheless, even if several activities must be undertaken related to the implementation of local competition for TCI, the company has several elements in operation that have already been established in the exchanges served by the Lac-Échemin LIR. In addition, 9315-1884 Québec, through its agreements with Sogetel, can benefit from the latter's experience to successfully complete the implementation of local competition.
23. Accordingly, the Commission considers that instead of the 180 days proposed by 9315-1884 Québec, the 160-day time frame that the Commission has allowed in previous decisions is appropriate.
24. Therefore, the Commission **approves** a maximum time frame of **160 days** for the implementation of local competition in the affected exchanges.

Conclusion

25. In light of all the above, the Commission **approves** the implementation of local competition for TCI in the affected exchanges within **160 days** of the date of this decision.
26. The Commission **directs** 9315-1884 Québec to supply information and assistance to TCI as needed during the negotiation process in order to enable local competition and LNP to be implemented as quickly as possible and to ensure that TCI can begin its activities in the affected exchanges within a maximum of **160 days** of the date of this decision.

Policy Direction

27. In accordance with the 2019 Policy Direction,⁴ the Commission considers that its approval of 9315-1884 Québec's implementation plan for local competition, which is based on a complete record, can promote competition, affordability, consumer interests, and innovation. Specifically, the approval of this application will promote consumer interests, since it will (i) give customers in the affected exchanges a greater choice of telecommunications services and (ii) help to ensure that consumers have access to high-quality telecommunications services resulting from local competition. Further, the Commission considers that its conclusions in this decision serve to

⁴ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation*, SOR/2019-227, 17 June 2019

further the achievement of the policy objectives set out in paragraphs 7(b), (f), and (h) of the *Telecommunications Act*.⁵

Secretary General

Related documents

- *Sogetel inc. – Implementation of local competition for Iristel Inc. in the exchanges served by the local interconnection regions of Lac-Étchemin, Nicolet, and St-Liboire, Quebec*, Telecom Decision CRTC 2018-250, 20 July 2018
- *Phase-out of the local service subsidy regime*, Telecom Regulatory Policy CRTC 2018-213, 26 June 2018
- *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

⁵ These objectives are as follows: 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.