

## CANADIAN COMPETITION RECORD

# REGULATORY AND TRADE DEVELOPMENTS

## THE ADVENT OF LOCAL TELECOMMUNICATIONS COMPETITION

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As of 1994, the CRTC put the Stentor companies on notice that it intended to establish a framework that removed all technical and regulatory barriers to local telecommunication competition. This approach was subsequently endorsed by the federal government in the context of a general policy framework to deploy an "Information Highway" comprising a "network of networks".

Underlying these vague terms is the policy assumption that rapid deployment of new communications technologies, particularly those facilitating home computer communications, can best be achieved through facilitating competition. Regulatory policy, therefore, becomes directed at reducing incumbent telephone company regulation essentially to a temporary set of antitrust rules aimed at preventing abuse of market dominance pending the establishment of sufficient competition to allow either full deregulation, or alternatively selective regulatory forbearance of the former Stentor monopolies.

In 1996, the CRTC took the first steps in establishing a mechanism for local number portability to be administered by a third party supplier, independent

of any particular industry segment. The CRTC has endorsed, as well, transfer of number plan administration from Stentor to an independent administrator accountable to all market participants as well as to the CRTC.

Following hearings in 1996, on May 1, 1997, the CRTC published a comprehensive local competition implementation decision (Telecom Decision CRTC 97-8).

The Commission's current objective is to have the Stentor service offerings found to be "essential" to provide for local competition in place prior to 1998, and to have appropriate technical interconnection and inter-competitor shared service data exchange and customer transfer protocols established, again prior to 1998. These rules will be formulated by a CRTC-supervised industry committee structure, known as the CRTC Interconnection Standards Committee ("CISC", which was originally established in 1992 to help establish interconnection standards to facilitate long distance competition and was subsequently given the job of recommending how to implement local number portability).

The key elements of Decision 97-8 are:

- (1) In its work to reduce technical barriers to local telecommunications competition, CISC (and therefore the CRTC) will "rely

## CANADIAN COMPETITION RECORD

<p>on industry standard network interfaces to the fullest extent possible". Use of non-standard interfaces and reliance on proprietary standards will be permitted only in exceptional circumstances.</p> <p>(2) Telephone company exchanges are retained as the elementary unit for interconnection and the calculation of contribution (i.e., mandated surcharges on interconnection trunks or in connecting minutes to support social pricing of basic phone service).</p> <p>(3) An equal sharing of the costs of interconnecting trunks and CCS7 signaling links (the current North American inter-carrier signalling standard) between phone companies and new local service providers, to be established through CRTC approved interconnection agreements between various Local Exchange Carriers ("LECS").</p> <p>(4) Phone companies to designate at least one point of interconnection/gateway in each exchange. Phone company must install tandeming software at each gateway and must engineer its network to take into account new local exchange carrier tandem traffic requirements.</p> <p>(5) Interchange of traffic between LECS to be on an exchange basis. Mandated interconnection solely at end offices is rejected as too costly. Each local exchange carrier to designate a gateway switch within an exchange area for interconnection purposes.</p> <p>(6) CISC to recommend phone company switches to be designated as gateways, and gateway selection criteria.</p>	<p>(7) Phone company can establish additional points of interconnection by private agreements, including end office interconnection, if wants to.</p> <p>(8) Interconnection of CCS7 signaling networks essential. There must be one CCS7 point of interconnection in each Number Plan Area ("NPA") (i.e., area code areas such as 416) required for each phone company and for each new local exchange carrier for each NPA served. CISC to develop recommendations on the location and implementation of signaling exchange, points, and to recommend a minimum set of CCS7 message types to be exchanged between LECS.</p> <p>(9) Phone companies required to provide advance notification of network changes and terminal standards; all LECS to provide notification of network interface changes.</p> <p>(10) Interconnection trunking - two way wherever possible.</p> <p>(11) 800/888 calls CISC to investigate alternative arrangements for routing.</p> <p>(12) Deemed Essential Facilities (Network elements and services that must be sold on an unbundled basis by all incumbent phone companies under a CRTC regulated tariff):</p> <p style="margin-left: 20px;">Central Office Codes (NXX or the first 3 digits of a 7 digit telephone number)</p> <p style="margin-left: 20px;">Subscriber Listings</p> <p style="margin-left: 20px;">Local loops</p> <p style="margin-left: 20px;">Carriers to submit essential facility tariffs during summer</p>
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(13) Carrier transiting and signaling transiting to be unbundled and tariffed by incumbent LECS CISC to provide recommendations on implementation.

(14) All LECS, including new entrants that are not mere resellers, must meet minimal CRTC - mandated consumer protection safeguards in order to be eligible to acquire unbundled "essential" services from the phone companies.

All LECS to be subject to CRTC jurisdiction under the *Telecommunications Act*, but not subject to price regulation.

All local exchange carriers must:

provide access to 911 emergency service and message relay service;  
 comply with customer privacy and carrier information confidentiality requirements; and  
 provide customers with detailed information on billing policies, directory assistance, access to operator services.

All carriers subject to the *Telecommunications Act* may, as a last resort, acquire access to rights-of-way and support structures through the Act's expropriation and mandatory facility access powers.

The future rate and geographic coverage of competitive entry in the supply of local switched telecommunications services, particularly those not relying on new wireless technologies, is very hard to anticipate.

The CRTC has declined to require Stentor members to offer blocks of local services at "wholesale" rates to stimulate entry, as occurred *de facto* in the long distance market with the CRTC's decisions to permit resale of interconnected private line services, and, subsequently, to require equal access interconnection subject to a local carrier "contribution" discount. And much more so than for long distance competition, effective entry will depend upon speedy implementation of numerous technical interconnection and data exchange standards, and in particular, local number portability among carriers for subscribers, none of which have to date been completely worked out, let alone implemented.

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