Conseil de la radiodiffusion et des télécommunications canadiennes | Canadian Radio-television and Telecommunications Commission

Telecom Decision CRTC 2010-787

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Ottawa, 25 October 2010

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Proposed revision to the treatment of imbalance traffic compensation

File number: 8622-B2-201008095

In this decision, the Commission determines that competitive local exchange carriers (CLECs) primarily focusing on dial-up Internet and two-stage long distance calling services create different traffic patterns than were originally expected when the interconnection compensation rules were established. The Commission therefore considers it appropriate to revise the compensation regime to address this situation. The Commission directs the Bell companies and all CLECs providing service in the Bell companies' operating territories to issue revised tariff pages within 30 days of the date of this decision to reflect the changes made in this decision.

Introduction

1. The Commission received an application from Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, the Bell companies), dated 10 May 2010, requesting that the Commission revise the current treatment of imbalance payments associated with the termination of traffic between local exchange carriers (LECs). The Bell companies proposed to eliminate compensation payments when the total volume of traffic exchanged is at least 10 million minutes per month and the volume of traffic in one direction is more than 80 percent of the total traffic exchanged between LECs for three months or more.

2. The Commission received comments from the Coalition of Internet Service Providers inc.; Distributel Communications Limited; Execulink Telecom Inc., in conjunction with Bruce Telecom, Huron Telecommunications Co-operative Limited, Mornington Communications Co-operative Limited, Nexicom Telecommunications Inc., NRTC Communications,[1] Ontera, Tuckersmith Communications Co-operative Limited, Wightman Telecom Limited, and WTC Communications; Fibernetics Corporation; Globility Communications Corporation; Iristel; Managed Network Systems, Inc. (MNSi), Telnet Communications (Telnet), and Vianet Internet Solutions (Vianet); MTS Allstream Inc. (MTS Allstream); Provincial Tel Inc.; Quebecor Media Inc. (on behalf of Videotron Ltd.); Rogers Communications Inc.; and TELUS Communications Company (TCC).

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[1] NRTC Communications was formerly known as the North Renfrew Telephone Company.

3. The public record of this proceeding, which closed on 25 June 2010, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.

Do dial-up Internet and two-stage long distance calling services materially affect the imbalance compensation regime?

Background

4. In Telecom Decision 97-8, the Commission established the framework for local competition and interconnection between LECs. The Commission, as part of this framework, determined that all LECs are to be equal co-carriers and that the call traffic exchanged between them would be exchanged over shared-cost facilities.

5. The Commission also established a compensation regime for the exchange of traffic between LECs. Among other things, when the traffic volume is unbalanced,[2] the originating LEC (i.e. the LEC whose customer initiates the call) compensates the terminating LEC (i.e. the LEC whose customer receives the call) for the cost of terminating the difference in the volume of traffic on the receiving LEC's network. This compensation regime applies in both directions to either incumbent local exchange carrier (ILEC) to CLEC traffic or CLEC to ILEC traffic.

6. In Telecom Decision 2004-46, the Commission reviewed the compensation regime with respect to one-way traffic related to dial-up Internet traffic. In that decision, the Commission noted that all LECs had such one-way Internet traffic. The Commission determined that any distortion caused by this type of traffic would be insignificant and that excluding it from the compensation regime would be discriminatory. The Commission determined the current imbalance compensation rates in Telecom Decision 2006-35.

Positions of parties

7. The Bell companies submitted that dial-up Internet and two-stage long distance calling services have created one-way traffic from the Bell companies' network to some CLECs' networks. The Bell companies argued that this high volume of one-way traffic has distorted the traffic compensation regime, requiring them to pay substantial compensation to CLECs for the resulting imbalance in traffic.

8. The Bell companies considered that this situation has unfairly and economically advantaged these CLECs and must be addressed in order to prevent distortion of the retail dial-up Internet and toll markets due to uneconomic entry or undue interference with retail markets. As a result, the Bell companies argued that the current compensation regime should be modified.

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[2] Traffic is considered to be balanced when the difference in the volume of traffic originating from each LEC is less than 10 percent of the total traffic exchanged between two LECs for more than three months.

9. MTS Allstream supported the applicants' position, and submitted that the application should be extended to its own ILEC territory. MTS Allstream requested, however, that the monthly 10-million minute threshold be reduced to 2 million minutes. TCC submitted that if this application were to be extended to its operating territory, then it would be necessary to conduct a further public proceeding.

10. As well, a number of parties considered that if the Commission deemed it necessary to make changes to the compensation regime, it should only be done in a broader review of the interconnection regime.

11. With the exception of MTS Allstream, the parties submitted that the Bell companies' application should be denied. They argued that it was the Bell companies' local telephone customers that were creating high traffic volumes by accessing dial-up Internet and two-stage long distance calling services provided by customers on the CLECs' networks. They submitted that the primary purpose of local competition and the interconnection framework was to support this type of local calling. Therefore, in keeping with the compensation regime established by the Commission, the CLECs should receive compensation for the costs they incur in terminating that traffic.

12. Some of the parties considered that the applicants' proposal would discourage CLECs, or other service providers on CLEC networks, from providing dial-up Internet or two-stage long distance calling services. They submitted that they would be unable to provide dial-up Internet services in underserved areas that lack alternative Internet access options. As such, they concluded that the application of the Bell companies' proposal would be unjustly discriminatory and punish them for being successful at providing these services in forborne markets. They noted that the Bell companies have similar one-way calling patterns including call centres, teleconferencing, and chat lines.

13. A number of parties submitted that the traffic volume thresholds of 80 percent and 10 million minutes per month, as proposed by the Bell companies, were arbitrary amounts, and appear to be selected in order to specifically target certain CLECs. They noted that the 80 percent traffic volume threshold would also capture CLECs that do not have any dial-up Internet or two-stage long distance calling customers, so its implementation would be broader than the Bell companies' stated intent.

Commission's analysis and determinations

14. The Commission introduced local competition in Telecom Decision 97-8. In that decision, the Commission recognized that, as the local competition market developed, there could be situations where traffic was not balanced and put in place a mechanism that compensated the LEC that was terminating more traffic than it originated. However, the Commission expected that, over time, there would be a balance in traffic exchanged and the imbalance payments from this compensation mechanism would be reduced or eliminated.

15. The Commission considers that CLECs that primarily provide dial-up Internet and two-stage long distance calling services create a significantly different traffic pattern than was originally expected when the interconnection compensation rules were established as they do not permit LECs to reach a balanced or nearly balanced exchange of traffic. The Commission therefore considers it appropriate to revise the compensation regime to address this situation.

16. Parties submitted two proposals to modify the compensation regime when there is a high level of traffic imbalance between LECs. The first was the Bell companies' proposal to eliminate the compensation payments when the total volume of traffic exchanged is at least 10 million minutes per month and the volume of traffic in one direction is more than 80 percent of the total traffic exchanged between LECs for three months or more. The other proposal, submitted jointly by MNSi, Telnet, and Vianet, was a sliding-scale reduction in the compensation payments where the volume of traffic in one direction is more than 95 percent of the total traffic exchanged between the LECs.

17. The Commission considers that a monthly 10-million minute threshold is appropriate as it ensures that small or start-up CLECs can still grow their business. The Commission considers, however, that the Bell companies' proposal is an all-or-nothing approach and may inadvertently capture CLECs that do not primarily focus on dial-up Internet or two-stage long distance calling services.

18. The Commission considers that, in contrast, a sliding-scale approach would ensure that LECs receive some compensation for terminating traffic on their networks, in line with the intent of the compensation regime. At the same time, this approach recognizes that the compensation regime was not initially established to sustain long-term one-way traffic only.

19. The Commission considers that the proposed sliding scale, beginning at 95 percent of total traffic exchanged, is too high a threshold level, and that a scale that begins instead at an 80 percent level, with increasing reduction values, is more appropriate. This scale will reduce compensation payments to those LECs who have little to no outbound traffic from their networks and specifically targets the situation addressed in this decision.

20. The Commission also considers that any revisions to the compensation regime should apply symmetrically to traffic flowing both from the Bell companies to CLECs and from CLECs to the Bell companies. In addition, this revised compensation regime is to only apply in the Bell companies' ILEC operating territories.

21. Accordingly, the Commission determines that when the volume of traffic in one direction (across all points of interconnection between LECs) is more than 80 percent of the total traffic exchanged for three months or more, the compensation otherwise payable will be cumulatively reduced by

- 5 percent, for every 2 percent increment, when the volume of traffic in one direction is more than 80 percent to less than or equal to 90 percent, and

- 10 percent, for every 2 percent increment, when the volume of traffic in one direction is more than 90 percent to less than or equal to 100 percent.

Refer to Appendix 1 of this decision for a table outlining the revised compensation regime.

22. The Commission directs the Bell companies and all CLECs providing service in the Bell companies' operating territories to issue revised tariff pages within 30 days of the date of this decision to reflect the changes made in this decision. These revisions are to come into effect 30 days after the revised pages are issued. The Bell companies are to also notify all CLECs in its operating territories of the effective date of the revised compensation regime.

Secretary General

Related documents

- *Follow-up to* Trunking arrangements for the interchange of traffic and the point of interconnection between local exchange carriers, *Telecom Decision CRTC 2004-46,* Telecom Decision CRTC 2006-35, 29 May 2006

- *Trunking arrangements for the interchange of traffic and the point of interconnection between local exchange carriers,* Telecom Decision CRTC 2004-46, 14 July 2004

- *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997

Appendix

Percentage of the compensation payments

The table below indicates the percentages of the monthly compensation payments to a LEC when the total volume of traffic exchanged between two LECs over all their local shared-cost trunks is at least 10 million minutes per month and the volume of traffic in the direction of that LEC network is more than 80 percent of the total traffic exchanged between LECs for three months or more.

Percentage of LEC traffic in one direction over total traffic exchanged between LECs	Percentage of the compensation payments* to a LEC with highest % traffic in one direction
<= 80	100
> 80	95
> 82	90
> 84	85
> 86	80
> 88	75
> 90	65
> 92	55
> 94	45
> 96	35
> 98	25

***** The compensation payments are established according to the existing tariff. The above percentages are applied to that amount.

Example: When the percent of the originating LEC traffic is greater than 90 percent and less than or equal to 92 percent of the total traffic, the terminating LECs would receive compensation payments of 65 percent of the total compensation payments the terminating LECs would have received as per the tariff.