Telecom Decision CRTC 2010-848

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Ottawa, 17 November 2010

Provincial Tel Inc. – Application to consolidate two local interconnection regions in Manitoba

File number: 8643-P50-200916736

In this decision, the Commission denies Provincial Tel's request that MTS Allstream be directed to consolidate the Melita and Brandon local interconnection regions.

Introduction

1. The Commission received an application from Provincial Tel Inc. (Provincial Tel), dated 22 October 2009, requesting that it direct MTS Allstream Inc. (MTS Allstream) to consolidate the Melita and Brandon local interconnection regions (LIRs) in Manitoba into one LIR.

2. The Commission received comments from MTS Allstream. The public record of this proceeding, which closed on 30 July 2010, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.

Should the Commission direct MTS Allstream to consolidate the Melita and Brandon LIRs?

3. Provincial Tel cited Telecom Decision 2006-35 as supporting its consolidation request. Provincial Tel asserted that the Commission had determined in that decision that the Melita and Brandon LIRs should be combined to facilitate cost-effective entry into those markets by competitive local exchange carriers (CLECs), but that MTS Allstream could delay consolidation until there was CLEC demand for interconnection.

4. Provincial Tel argued that CLEC demand to enter Melita now exists, noting that it intends to expand into the Melita LIR. However, Provincial Tel indicated that it is currently unable to expand into this LIR because the cost of transporting traffic to and from Melita using facilities leased from MTS Allstream's network is prohibitively high. Provincial Tel went on to state that there is no business case to invest in a point of interconnection (POI) in Melita because the customer base is too small.

5. Provincial Tel submitted that a large portion of the traffic it expects to generate in Melita will initially be data traffic from dial-up Internet services, but that it intends to eventually offer a full range of services, including voice services.

6. Provincial Tel proposed alternative solutions to consolidation, each of which would have MTS Allstream alter its network in such a way as to eliminate transport charges to Melita. Provincial Tel submitted that these options would achieve the same effect as consolidation but would be less expensive for MTS Allstream to implement.

7. MTS Allstream submitted that Telecom Decision 2006-35 does not mandate that these LIRs should be combined, arguing that Telecom Decision 2006-35 requires it to assess the option of either combining the Melita and Brandon LIRs or implementing alternative arrangements, in the event CLEC demand materializes.

8. MTS Allstream submitted that there is no evidence of true CLEC demand in the Melita LIR. MTS Allstream acknowledged that Provincial Tel has met the requirements to become a CLEC, but argued that it may have done so as a potential means to create efficiencies for its dial-up Internet service provider (ISP) operations. MTS Allstream submitted that most of the traffic exchanged with Provincial Tel is terminated on Provincial Tel's network, which is consistent with traffic patterns for dial-up Internet traffic, and not consistent with the interchange of voice traffic between local exchange carriers.

9. MTS Allstream submitted that consolidating the Melita and Brandon LIRs would be a significant and costly undertaking in terms of network redesign and facility installation, and that any investments made in this regard could be stranded if Provincial Tel were to exit the Melita market. MTS Allstream further submitted that Provincial Tel's proposed alternate solution of reconfiguring its network to allow Brandon to function as a secondary POI for Melita would cost roughly the same as consolidating the two LIRs.

10. MTS Allstream proposed an alternative arrangement whereby it would file a Special Facilities Tariff (SFT)[1] with the Commission for approval, which would effectively provide CLECs with discounted transport services between Melita and Brandon.

Commission's analysis and determinations

11. The Commission notes that the LIR framework was established in Telecom Decisions 2004-46 and 2006-35 and was designed to facilitate CLEC entry into the local voice services market by consolidating the exchanges of incumbent local exchange carriers into larger LIRs to lower interconnection costs. In the specific case of the Melita and Brandon LIRs, the Commission determined in Telecom Decision 2006-35 that it would consider consolidating the Melita and Brandon LIRs, or alternative suitable arrangements, if a CLEC indicated that it intended to serve local customers in Melita.

12. The Commission notes that CLEC obligations are in place to define the requirements companies must satisfy in order to provide local voice services in a given exchange. The Commission also notes that Provincial Tel, as acknowledged by MTS Allstream, has met its requirements to operate as a CLEC.

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[1] Specifically, MTS Allstream proposed to file an SFT to provide a discount of 50 percent off the regular monthly price of tariffed digital private lines between the Melita exchange and the Brandon exchange.

13. However, in this case, the Commission notes that the pattern of network traffic exchanged between MTS Allstream and Provincial Tel indicates that Provincial Tel is predominantly providing dial-up Internet services to its customers in Manitoba, and that Provincial Tel currently has very few local voice customers elsewhere in the province. Therefore, based on the evidence presented, the Commission considers that Provincial Tel is operating almost exclusively as an ISP in Manitoba, with minimal local voice operations. In the Commission's view, Provincial Tel has not provided compelling evidence that it intends to enter the Melita LIR to provide local voice services.

14. The intent of the LIR framework is to facilitate competition in the local voice services market. Taking this into account, and the fact that consolidating the LIRs will subject MTS Allstream to additional costs and risks, the Commission concludes that it would not be appropriate to direct the company to consolidate the Melita and Brandon LIRs at this time. In light of the above, the Commission **denies** Provincial Tel's request for MTS Allstream to consolidate the Melita and Brandon LIRs.

15. With regard to Provincial Tel's alternatives to consolidation, the Commission considers that these solutions would require MTS Allstream to reconfigure its network and install additional facilities, and that these options are tantamount to consolidation in terms of cost and risk to MTS Allstream. As such, the Commission concludes that Provincial Tel's suggested alternatives would also not be appropriate at this time.

16. However, the Commission directs MTS Allstream to file, for approval with the Commission, the SFT for discounted transport services between Melita and Brandon described above, if requested to do so by Provincial Tel or another CLEC.

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