



Aliant Telecom Inc.
Bell Canada
Saskatchewan Telecommunications
TELUS Communications Company

2 June 2006

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Janet Yale
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Dear Sir:

Subject: In the Matter of the Petitions to the Governor in Council to Reconsider Telecom Decision CRTC 2006-15, *Forbearance from the regulation of retail local exchange services*, by Aliant Telecom Inc., Bell Canada, Saskatchewan Telecommunications, and TELUS Communications Company (the Companies)

The attached supplementary information to the Companies' Petition of 12 May 2006 is filed on behalf of Aliant Telecom Inc., Bell Canada, Saskatchewan Telecommunications, and TELUS Communications Company.

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Yours truly,



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c.c.: The Honourable Maxime Bernier, Minister of Industry
Ms. Diane Rhéaume, Secretary General, CRTC
Mr. Michael Binder, Assistant Deputy Minister,
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In electronic format, to telecom@ic.gc.ca

Comparing the TPR Panel Report and CRTC Decision 2006-15 (Local Forbearance)

Subject	CRTC (Local Forbearance)	TPR Report
State of competition	<ul style="list-style-type: none"> • CRTC "has seen the beginnings" of a marked increase in competition (para. 6) but "considers that below 25 percent market share loss competition in a relevant market would be unlikely to be sustainable in a forbore environment" (para. 248) 	<ul style="list-style-type: none"> • "Competition is increasing as IP reduces and in some cases almost eliminates economic barriers to entry" (p. 1-26) • "...Canada has one of the most competitive telecommunications markets in the world" (p. 1-22) • A new regulatory approach is warranted by "the very substantial level of competition that has emerged in Canadian telecommunications markets, including the establishment of at least two competitive local access network infrastructures in the large majority of Canadian markets" (p. 2-11)
Trust in markets	<ul style="list-style-type: none"> • Sets a very stringent test for forbearance which requires 5 separate tests (para. 242): <ul style="list-style-type: none"> ○ 25% NAS (network access services) market share loss; ○ demonstrated compliance with wholesale quality of service (Q of S) parameters for 6 months; ○ offering of specified wholesale services; ○ competitor access to operations support systems (OSS); and ○ evidence of rivalrous behaviour • All five tests must be satisfied before forbearance is granted (para. 243) 	<ul style="list-style-type: none"> • "There should be a general predisposition in favour of reliance on market forces" (p. 2-11) • "Canada has reached the point, for the vast majority of retail telecommunications markets, where the potential costs to the Canadian economy of continued regulation outweigh any real benefits" (p. 3-11) • "An overall thrust of the Panel's recommendations is that competitive market forces now can achieve many of Canada's telecommunications policy objective without regulatory or government intervention" (p. 2-7)
Appropriateness of marketing restrictions	<ul style="list-style-type: none"> • Maintains all marketing restrictions (although reduces winback restriction on residential customers from 12 to 3 months and may remove it entirely if lose 20% market share and meet Q of S for 3 months) (s. VIII) • States that one reason for choosing a larger geographic area (Census Metropolitan Area) is to prevent anti-competitive activities such as targeted pricing (para. 150) 	<ul style="list-style-type: none"> • Calls for the removal – even for services still subject to retail regulation – of <i>ex ante per se</i> controls such as winback restrictions (p. 3-23), bundling restrictions (p. 3-29), restrictions on promotions (p. 3-27), and bans on price differentiation (targeted pricing) (pp. 3-19 to 3-21)
Wireless in the same market as wireline	<ul style="list-style-type: none"> • Wireless substitution is "very low" (para. 60) and "not significant enough" (para. 61) to place a constraint on the market power of ILECs¹. Therefore it is not included as part of the same market (para. 62) 	<ul style="list-style-type: none"> • Wireline penetration has declined slightly in recent years because of wireless substitution (p. 11-19)

¹ Incumbent Local Exchange Carriers (the traditional telephone companies).

Subject	CRTC (Local Forbearance)	TPR Report
Role of wholesale services	<ul style="list-style-type: none"> • ILEC quality of service to competitors for wholesale services, and by extension, wholesale services themselves, are an "important factor in limiting an ILEC's market power and helping to ensure that competition within a relevant market will be sustainable" (para. 260) 	<ul style="list-style-type: none"> • "There is no evidence in Canada that the CRTC's 'stepping-stone' strategy has provided an effective transition to greater reliance by entrants on their own facilities. There is, on the other hand, reason to believe these policies have distorted the behaviour and incentives of new entrants in Canadian telecommunications markets" (p. 3-35) • "Therefore, while the CRTC has identified facilities-based competition as an objective of its regulatory framework, it has adopted mandated wholesale access policies that, in the Panel's view, seriously undermine, if not foreclose, the achievement of that objective" (p. 3-35)
Role of future wholesale services	<ul style="list-style-type: none"> • New competitor services may evolve in future which should be made part of the local forbearance framework as criteria for forbearance (para. 271) 	<ul style="list-style-type: none"> • "Tariff regulation should not apply to new, non-essential wholesale services" (p. 3-39)
Regulatory gaming	<ul style="list-style-type: none"> • Creates forbearance criteria that are dependent upon competitor demands. For example, if a competitor seeks access to OSS in an ILEC territory, then all of sudden, OSS availability becomes a criterion for forbearance thereby delaying possible forbearance (para. 277) 	<ul style="list-style-type: none"> • Raises many concerns about the cost of regulation, which, by implication, include regulatory gaming (pp. 2-6, 2-11, 2-12, 3-10 and 3-11)
Need for continued economic regulation in forborne markets	<ul style="list-style-type: none"> • Even in a so-called forborne market, the CRTC preserves price ceilings for residential PES (para. 452), a host of tariff obligations (para. 454) and ss. 27(2) powers for unjust discrimination between retail customers (para. 461) 	<ul style="list-style-type: none"> • "Where the forbearance is conditional, with the CRTC having retained some regulatory conditions, these conditions should be reviewed and removed where no service provider has SMP." (p. 3-15) • The <i>Telecommunications Act's (Act's)</i> lack of guidance raises the potential for "overregulation in markets where some regulation may still be required but where market forces may be sufficient to supplement some or all of it" (p. 2-10)
Need for a ban on unjust discrimination and undue preferences (<i>Act</i> , ss. 27(2))	<ul style="list-style-type: none"> • CRTC preserves ss. 27(2) to prevent unjust discrimination between retail customers even in a forborne market (para. 461) 	<ul style="list-style-type: none"> • Standards for price regulation in s. 27 should be replaced as they are "too general and allow for too much discretion" (p. 3-21). "While appropriate in a monopoly environment, this provision has run its course and should be replaced by reliance on competitive market forces where possible" (p. 3-21)

Subject	CRTC (Local Forbearance)	TPR Report
Applying social obligations on all LECs	<ul style="list-style-type: none"> • CRTC imposes a suite of obligations on former incumbents in forborne local markets that do not apply to other local exchange carriers (see Attachment) 	<ul style="list-style-type: none"> • "The social goals of telecommunications regulation should be more clearly defined and separated from economic regulation of service providers. They should be directly addressed through competitively neutral regulatory measures that should generally apply to the whole industry" (p. 3-4)
Discretionary services	<ul style="list-style-type: none"> • While the CRTC finds optional services to be part of the local market (para. 46) it does not address Bell Canada's proposal to forbear, considering that they are discretionary, from rate regulating these services under subsection 34(1) of the <i>Act</i> 	<ul style="list-style-type: none"> • CRTC should not rate regulate discretionary telecommunications services (p. 3-14)
Privacy issues	<ul style="list-style-type: none"> • "The Commission considers that, in the case of the customer confidentiality requirements, it has chosen to impose a higher standard of privacy protection than that which would be available under the PIPED Act"² (para. 366) and therefore concludes the CRTC will preserve all of its privacy obligations even in a forborne market (para. 367) 	<ul style="list-style-type: none"> • Privacy Commissioner has jurisdiction over disclosure of customer information from common commercial sources. Division of responsibility (between the CRTC and the Privacy Commissioner) in this way is consistent with the Panel's proposals (p. 6-14)

² *Personal Information Protection and Electronic Documents Act.*

Post-Forbearance Obligations in Decision 2006-15 Applying to Former Incumbents Only

1. Must provide stand-alone residential primary exchange service (PES) (paragraph 379)
2. Have obligation to serve with respect to residential stand-alone PES (paragraph 381)³
3. Must make rate schedules publicly available for residential stand-alone PES (including touch-tone and a free primary directory listing) and connection charges (paragraphs 385 and 399)
4. Must undertake CRTC programs to provide service to unserved areas (SIP (Service Improvement Program)), and maintain existing limitations on customers' contributions (paragraph 386)⁴
5. Have limited ability to disconnect or suspend service (paragraph 393)
6. Cannot terminate residential stand-alone PES for non-payment of other services where partial payments have been made that are sufficient to cover arrears for the residential stand-alone PES (paragraph 394)
7. Are subject to limits on amount of deposits that can be requested (paragraph 396)
8. Must provide residential customers with copies of white and yellow pages directories, free of charge (paragraph 399)
9. Must provide unlisted number at a rate not exceeding \$2.00 per month for residential consumers (paragraphs 402 and 405)
10. Must provide call trace service, at a fixed rate per use, with a monthly cap of \$10.00, for residential consumers (paragraph 403 and 405)⁵
11. Must provide free per-call blocking of caller number identification information to all customers and free per-line blocking of caller number identification information to certified shelters for victims of domestic violence (paragraph 404 and 405)⁶
12. Must offer toll restriction service at no monthly charge, with no set-up charge (paragraphs 406 and 410)
13. Must allow payment of up-front connection charges to be spread over six months. (paragraphs 406 and 410)
14. Must provide free blocking of 900/976 calls (paragraphs 407 and 410)
15. Must waive certain 900/976 service charges (paragraphs 408 and 410)
16. Must provide rate discounts on various residential local exchange services to persons with disabilities (paragraphs 409 and 410)
17. Are subject to price ceilings on rates for stand-alone residential PES (including touch-tone and primary directory listings), connection charges, late payment charges, interest charges and not sufficient funds cheque charges (paragraph 454)

³ In the case of Bell Canada, this obligation is also reflected in the *Bell Canada Act*.

⁴ The Companies are not proposing that the current SIP program (completing in 2006) should be changed.

⁵ All local exchange carriers (LECs) are required to provide this service but other LECs are not subject to the price restrictions that are and will continue to be imposed on former incumbents.

⁶ All LECs are required to provide these services, but other LECs are not subject to the price restrictions that are and will continue to be imposed on former incumbents.