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## 1999 COMMUNICATIONS OUTLOOK

### TELECOMMUNICATIONS: Regulatory Issues

**Country:** CANADA

**Date completed:** 15 July, 1998

The attached questionnaire was undertaken in preparation for the biennial OECD *Communications Outlook*. The responses provided by countries on telecommunication regulation were used to provide information supporting the analytical sections published in association with data. A similar questionnaire with responses on broadcasting regulation is also available. In some cases, data for individual firms, used to compile OECD totals, have not been published at the request of the respondent. For further information, including data, see **OECD Communications Outlook 1999** and <http://www.oecd.org/dsti/sti/it/index.htm>

**Market Structure and Regulatory Status (Questions 1 -13)**

**1. Please provide details of the regulation of communication infrastructure, including the public switched telecommunication network (PSTN), provision in your country.**

Infrastructure provision for following service	Regulatory Status (e.g. monopoly, duopoly, limited number, fully open to any applicant)	Number of licensed operators (1998)
Local PSTN	Open to competition	9 regional incumbents 50 local incumbents 2 new entrants
National PSTN	Open to competition	13 including 9 regionally based carriers
International PSTN 1. Canada / United States	Open to competition	13 including 9 regionally based carriers
2. Overseas	Monopoly ends Oct. 1, 1998	1
Analogue Cellular Mobile (e.g. NMT etc.)	Competitive	1 national , 9 regional carriers
Digital Cellular Mobile (e.g. GSM etc.)	Competitive	Same as above
Other Mobile Communication (e.g. PCS, PCN, CT-2 etc.)	Competitive	3 national 9 regional
Payphones	Competitive	9 regional and 50 local

**2. Please provide details for the major public telecommunication operator (PTO) of public switched telecommunication services in your country. (PTOs are state and privately owned entities providing public switched telecommunication services over their own infrastructure)**

Name of PTO	PTO Ownership Status (1998) (e.g. state owned/privately owned) If a balance of ownership exists please indicate the share (%) held by the government
The Stentor member companies are : Bell Canada, BCTel, Telus, M.T.S., SaskTel, MT&T, NBTel, Island Tel and Newtel	- 9 provincially based providers of local and long distance telephone service; 8 are privately owned and one, SaskTel, is owned by a provincial government. - 50 independent local exchange operators; of which 37 are provincially incorporated private companies and 13 owned by municipalities
Alternative long distance service carriers: Sprint Canada, AT&T Canada LDS, Fonorola,	- 3 privately owned facilities-based competitive long distance service operators. There are also some 400 resellers
Teleglobe, Telesat and TMI	1 privately owned overseas operator (Teleglobe) 2 privately owned satellite operator (Telesat, TMI)
Cantel and Mobility Canada; Clearnet, Microcell, Mobility Personacom, Rogers Cantel MC	2 privately owned cellular service operators and four privately owned PCS service providers

**3. Please provide details of market share for the largest PTO in the following categories.**

	The largest PTO's share (End 1997)*	
Local Access (% of access lines)	1996 = 58.8%	1997 = NA*
National Long Distance (% of total minutes)	1996 = NA	1997 = NA
International (% of total outgoing MiTT)	1996 = NA	1997 = NA

\* Latest national total is available only for (End) 1996 as of June 1998. Total "wired" access lines for all PTOs was 18,051 thousand of which 12,167 thousand was residential and 5,884 thousand was business in 1996 Source StatsCan Catalogue No. 56-203.

**4. Please provide details of the number of subscribers by cellular and PCN mobile communication operators.**

Name of Operator	Number of Subscribers (End 1997)*	
1. Cantel	1996 = 1,369,600	1997 = 1,552,100
2. Bell Mobility	1996 = 1,044,000	1997 = 1,221,000
3. Clearnet	1996 = 59,303	1997 = 151,912
4. Microcell	1996 = 2,030	1997 = 65,667
5 Other including other Mobility Operators.	1996 = NA	1997 = NA
Total Cellular subscribers only (End) 1996	1996 = 3,420,318 *	1997 = NA

\* Latest national totals for cellular subscribers are available only for (End) 1996 as of June 1998. Total subscribers for all cellular operators were 3,420,318, Source StatsCan Catalogue No. 56-203. Data at company level includes all mobile services, except paging services, as reported in annual reports to shareholders.

**5. Please provide a description of the most significant recent policy changes affecting the provision of telecommunications services, as well as any draft laws, or regulatory proposals to be implemented in 1998.**

<ul style="list-style-type: none"> <li>- Implementation of competition in the local exchange market. Regulatory decisions issued May 1997, implementation expected in 1998.</li> <li>- Implementation of price cap regulation for the Utility local segment of the Stentor telcos effective January 1, 1998.</li> <li>- Implementation of a portable subsidy regime based on contributions from long distance revenues from all long distance service providers to ensure affordable local residential telephone service.</li> <li>- Forbearance from regulating the incumbent Stentor telephone companies' leased line and discounted long distance rates.</li> <li>- Lifting of restrictions on joint marketing and bundling of tariffed and competitive services for the Stentor telephone companies. (May 1998)</li> <li>- Termination of Teleglobe's overseas telecommunications service monopoly October 1, 1998</li> </ul>
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**6. Please provide a brief description of the responsibilities of the national regulatory authorities for public telecommunication services.**

The Canadian Radio-television and Telecommunications Commission (CRTC) is an independent federal agency with quasi-judicial status which is responsible for the supervision and regulation, where required, of Canadian telecommunications carriers in accordance with the terms and conditions specified in the *Telecommunications Act*. The Act gives the CRTC a broad range of powers, including the regulation of rates, conditions of service, approval of interconnection agreements, and enforcement measures. The CRTC must ensure that rates are just and reasonable and that carriers do not engage in undue preference or unjust discrimination. The CRTC may also forebear from regulating services, or exempt carriers from the Act, where it finds that there is sufficient competition to protect users. The CRTC can use any method of regulation it considers appropriate (e.g. rate of return regulation, price cap, etc.) Through its regulation, the CRTC must implement the policy objectives in Section 7 of the *Telecommunications Act*.

**7. Are there any foreign ownership, size of shareholding or other ownership restrictions on individuals and corporations investing in the incumbent PTO(s) in your country? Yes/ No**

Yes. Pursuant to section 16 of the *Telecommunications Act*, the Canadian Telecommunications Common Carrier Ownership Rules and Control Regulations govern the Canadian ownership rules for facilities-based telecommunications carriers foreign ownership is limited to a maximum of 20% i.e., Canadians must own a minimum of 80 per cent of voting shares in facilities-based carriers (20% foreign owned), and at least 80 per cent of the board of directors of facilities-based carriers must be Canadian. Investor companies in such carriers are treated as Canadian if at least 66 2/3 per cent of their voting shares are held by Canadians. In combination, this allows a total of 46.7% foreign ownership of voting shares. There are no limits on non-voting shares. The Regulations further specify that Carriers exceeding such limits as of July 22, 1987, and continuously operating since that date are "grand fathered" under the ownership and control policy, subject to restrictions on their operating territory. The provision applies to BCTel and Quebec Telephone which are approximately 51 per cent owned and controlled by GTE Corp.

**8. Are there any communication infrastructures or services (e.g. cable television, terrestrial broadcasting, satellite broadcasting) PTOs in your country are not permitted to directly provide? In addition, please specify any restrictions on PTOs investing in companies that such infrastructure or services.**

The only restriction is on the provision of facilities for overseas international service (excluding Canada-United States traffic) and fixed satellite facilities (Canada-Canada and Canada-United States) which are monopoly provided until October 1998 and March 2000 respectively.

**9. Is the incumbent PTO(s) in your country allowed to provide mobile communication services? Yes/No : YES**

**If 'yes', is there a requirement for accounting separation between the PTO's mobile and fixed operations?**

Accounting separation is required unless the service is provided by a structurally separable affiliate.

**10. What selection procedures are used to determine licenses for new PTOs (e.g. calls for tenders, government appointments, license on request)?**

PTOs who make use of the radio spectrum require a Radio License issued by Industry Canada under the Radiocommunication Act. Otherwise, entry is open. Carriers need only notify the CRTC or file tariffs where required.

**11. Please specify any restrictions or obligations imposed on new competitive network suppliers?**

All long distance service providers make contribution payments to support basic local telephone service. All incumbent LECs and competitive LECs must provide access to 911 and other emergency services.

**12. Are there any restrictions on the use of leased lines nationally or internationally (including resale)? Yes/No**

Yes, on traffic routing on international circuits which ends December 31, 1999.

**13. Under the communication regulation existing in your country how would national and international voice telephony services provided over the Internet, by entities other than a PTO, be defined and treated? Please mention any restrictions or obligations that may apply.**

The CRTC determined that most Internet service providers are not facilities-based telecommunications carriers as they do not own and operate a public telecommunications facility, and consequently they are not regulated. However, the Commission indicated that should an ISP wish to become a facilities-based carrier, then it would be subject to the same conditions and obligations as other facilities-based carriers.

**Pricing (Questions 14 -15)**

**14. What, if any, conditions are applied to the tariffs set by PTOs?** (Please include any price control information such as price caps and specify for which service they apply).

The CRTC has introduced, effective January 1, 1998, a four-year price cap regulation regime for a particular basket of services provided by incumbent local exchange carriers consisting of basic residential, business and other services considered essential for interconnecting with the local exchange carrier. The CRTC has forborne from regulating competitive long distance, wireless and leased line services and the prices charged by new competitive local service providers.

**15. If communication discount schemes are available in your country please provide information on one or more popular schemes applicable to residential users, dial-up Internet access users and a low user scheme from the incumbent PTO.** In the space below please indicate the main features:

**Residential User Discount Scheme**

A range of volume sensitive price discounts on long distance calls are available to residential customers from incumbent telephone companies as well as alternative service providers. For mainly residential customers one alternative service provider recently introduced a single flat rate per month for unlimited long distance calling on weekends and evenings and for the same market segment other incumbents offer a single flat rate per minute on weekends and evenings.

**Internet Access Discount Scheme:**

Internet is a competitive service provided by a large number of independent ISPs as well as affiliates of telephone companies, long distance service providers and some cable TV operators. A range of prices and service packages based of usage and discounts are available to consumers and business users.

**Low User Scheme:**

- 1) basic local telephone service (access only with no telephone set or optional features)
- 2) wireless and internet service packages are available to consumers from telephone companies' cellular and PCS services affiliates.

Note: Residential user refers to an average consumer's home telephone service. A dial-up Internet user refers to a consumer accessing the Internet via a PC with a modem over the local public switched telecommunication network. Low user schemes is a term sometimes applied by PTOs to schemes designed for segments of the community that are financially disadvantaged.

**Numbering/Domain Names (Questions 16 - 17)**

**16. Please describe the numbering policy in your country. Please mention the responsible authority and whether portability has been introduced and for which services (e.g. 800 numbers, cellular numbers, local PSTN numbers).**

An industry advisory committee has been set up to advise the Canadian Radio-television and Telecommunications Commission (CRTC), which is now responsible for regulating numbering administration, on eligibility criteria and technical matters.

Number portability was instituted for 800/888/877 toll free dialing on January 29, 1994 in cooperation with US 800 Number portability. Local number portability will commence later in 1998.

**17. Have there been any recent government policy initiatives in your country in respect to the administration of Internet top level domain names. (An example of a top level domain name is .be for Belgium). Yes/No**

The Government participates as an observer in a private-sector initiative to strengthen the mechanism for the assignment of the .ca TLD. The Government is currently examining certain policy issues and international developments associated with Generic TLDs in consultation with a private-sector working group. Issues being examined include intellectual property and competition issues. The results of this work, in the form of a policy discussion paper, are intended to be put out for public consultation in the July-August timeframe with a completed policy paper targeted for September 1998.

**Interconnection (Questions 18 - 21)**

**18. Are PSTN interconnect or access charges a matter for commercial agreement between operators and if so is there provision for arbitration and by whom? Is there a requirement to publish the rate for PSTN interconnect or access charges? Yes/No  
If 'yes' please provide a schedule of interconnection charges for the PSTN.**

Interconnection rates are approved by the CRTC and are published in approved tariff pages and were of specific interest in 1992 when the CRTC first opened competition in the provision of public long distance voice telephone services (Telecom Decision CRTC 92-12). More recently, in May 1997 the CRTC issued Telecom Decision CRTC 97-8, Local Competition, which dealt with the rules to facilitate the entry of new service providers into the local exchange market. To ensure subscriber-to-subscriber access is maintained, the CRTC requires all local exchange carriers to interconnect with each other and with all long distance carriers and wireless service providers. Within exchanges, the cost of interconnection between local telephone companies is to be shared equally. With respect to compensation for call termination, the CRTC adopted the "bill and keep" method, whereby originating carriers are not required to compensate terminating carriers for call termination expenses within established local exchanges, unless it is demonstrated that traffic between local carriers is not balanced for a significant period of time.

**19. For the purpose of establishing interconnect or access charges is accounting separation used?**

Yes. Accounting separation is used to isolate local utility service costs from the competitive services segment. To permit new entrants access to the facilities of incumbent local exchange carrier, the CRTC ordered the carriers to unbundle certain facilities. Unbundled facilities were classified as non-essential and essential facilities, e.g. facilities for which there are alternative sources of supply and facilities that are monopoly controlled, are required to provide service and cannot be economically or technically duplicated. Essential facilities are subject to mandatory unbundling and tariffs. The tariffed rates for these facilities are treated as cost subject to the imputation test plus a 25% mark up established by the CRTC. Individual carriers are required to file proposed rates and terms and conditions which are approved by the CRTC through a public proceeding.

**20. Once the interconnection or access charge has been established is it available as a standard rate for other service providers (including other PTOs and resellers)?**

Yes. See above.

**21. Does regulation specify that competitive service providers can co-locate facilities on the same site as incumbent PTOs? Please indicate whether resellers and Internet Service Providers can co-locate equipment under the same terms and conditions as PTOs without being designated as a PTO?**

The CRTC has determined that co-location would facilitate competition by providing competitors with the option of delivering their traffic to local switches over either leased or owned facilities, based on cost and efficiency considerations. The CRTC determined that co-location should be available only to Canadian carriers. Carriers who have co-location access at a CO can resell their transmission capacity and, in so doing, can create a competitive market for transmission capacity for connection at the CO.

**Information for Updating OECD Tariff Comparison Baskets (Question 22)**

**22. Please provide the following information for your largest PTO.\***

What is the average duration of a local call (i.e. average time of a call in the lowest tariff band for PSTN)?	NA	
What is the proportion of calls that fall within your lowest tariff band (i.e. local calls) as a percentage of total national calls?	Business (%) NA	Residential (%) NA
What percentage of calls from the fixed network (PSTN) terminate in mobile networks (e.g. analogue and digital cellular networks)?	Business (%) NA	Residential (%) NA

What percentage of total leased lines (i.e. leased circuits) are local (i.e. 2 km or less)?	NA
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**\* In 1997, its total conversation minutes was 9,935 million and its total network access services was 10,607 thousand of which 3,414 was from business and 7,193 was from residential customers. [Network access services represent approximately the number of lines in service (thousands)]  
Source: 1997 Annual Report to Shareholders of Bell Canada.**

**Universal Service/Consumer Issues (Questions 23 -25)**

**23. In the context of universal service policies which elements of telecommunication service are considered as part of universal service in your country?**

The provision of affordable, universal telephone service is a long standing objective of the Canadian telecommunications policy. This policy has been embedded in the 1993 Telecommunications Act which states as one of its objectives: “to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada”. There is no formal definition of universal service in law. Affordability and accessibility are considered key elements of universal basic service by the regulatory authority, the Canadian Radio-television and telecommunications Commission (CRTC). Specific requirements are embedded in the terms and conditions of service approved by the CRTC. Standard elements of the “basic” service package include: one connection device, often a jack; inside wiring to the jack; a protection device; a drop wire; a connecting device to the outside plant facilities; outside plant facilities to central office; unlimited local calling for a flat monthly fee; access to direct-dialed long distance service; maintenance and repair service (outside wiring and facilities); directory listing and a directory. The CRTC has recognized that the basic service package is evolving with consumer needs and technology. For example, “touch tone service” and 911 emergency calling service are considered essential features of basic service in most areas.

**24. Please provide details of any explicit funding mechanism for universal service and its coverage.**

Universality of basic service has been ensured through rate regulation and a complex system of cross-subsidies from long distance, business and other premium services revenues. Traditionally, excess revenues from these services have been used to subsidize rates for residential service particularly in high cost areas. This system of cross-subsidies is being replaced with price regulation and a system of portable subsidies funded solely from contribution charges from long distance toll operators. These contribution revenues will be disbursed to local exchange operators based on their subsidy requirement (which will be based on the incumbent operator’s costs). Under the new regime (effective Jan. 1, 1998) all fixed network and mobile network operators who carry long distance toll voice and data traffic on their facilities are required to contribute to a central fund which will be used to subsidize basic local residential service. Competitive local exchange carriers (CLECs) who meet specified requirements can access the subsidy fund. The CRTC has initiated a public proceeding to examine issues associated with the affordability of basic telephone service in high-cost serving areas, including, if necessary, consideration of a funding mechanism to ensure the affordability of local service.

**25. With what institutions other than telecommunication service providers can customers lodge complaints regarding these operators? (e.g. regulators, ombudsman, Ministry, etc.) Is there a requirement for annual reporting of the number of consumer complaints? If so how are complaints measured and reported.**

Complaints can be lodged with the CRTC, the federal Minister of Industry, or Members of Parliament. In addition, complaints regarding market practices of the telecommunications service providers may be filed with the Competition Bureau, a Branch of Industry Canada, which oversees the application of the *Competition Act*, including investigating complaints involving market abuse. The application of the *Competition Act* to telecommunications carriers is qualified by the existence of industry specific regulation of the CRTC.