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

Telecom Order CRTC 2009-805

Ottawa, 23 December 2009

Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Introduction of Local Service Request Rejection Charge

File numbers: Bell Aliant Tariff Notice 202
Bell Canada Tariff Notice 7144

In this order, the Commission requests that the CRTC Interconnection Steering Committee (CISC) propose solutions to reduce local service request rejection rates and approves the introduction of a local service request rejection charge, with modifications, effective 90 days after the Commission's disposition of CISC's report. The Commission also directs the Bell companies to make changes to their respective tariffs to permit wireless service providers and Internet service providers to access their respective CLEC Access to Operational Support Systems Service.

Introduction

1. The Commission received applications by Bell Aliant Regional Communications, Limited Partnership and Bell Canada (collectively, the Bell companies), dated 4 July 2008, proposing revisions to their respective Access Services Tariffs in order to introduce item 108, Local Service Request (LSR) Rejection Charge.[1]

2. Specifically, each of the Bell companies proposed to charge $90 for each LSR submitted by a given telecommunications service provider (TSP) – including competitive local exchange carriers (CLECs), wireless service providers (WSPs), and Internet service providers (ISPs) – that is subsequently rejected and falls above a rejection rate threshold of five percent of that TSP's total number of LSRs submitted to that Bell company in a month. They submitted that the proposed charge would address the continuing high levels of LSR rejections and the limited use of CLEC Access to Operational Support Systems (OSS) Service.

3. The Bell companies submitted that an adjustment period of three months for new CLEC Access to OSS Service users was reasonable and, consequently, proposed not to apply the LSR rejection charge to these users during this period. The Bell companies requested, however, that the proposed LSR charge apply, as of the effective date of the proposed tariff and in each of their respective incumbent serving territories, to those TSPs that have been subscribing to CLEC Access to OSS Service for more than three months.

[1] Telecommunications service providers (TSPs) use LSRs in order to, among other things, transfer customers from one TSP to another.

4. The Commission received comments from MTS Allstream Inc. (MTS Allstream), Quebecor Media Inc. (QMI) on behalf of its affiliate Videotron Ltd., and Rogers Communications Inc. (RCI) [collectively, the interveners]. The public record of this proceeding, which closed on 15 December 2008, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file numbers provided above.

5. The Commission has identified the following three issues to be addressed in its determinations:

   I. Should the Bell companies be permitted to introduce an LSR rejection charge?

   II. What is the appropriate LSR rejection rate threshold?

   III. Is the proposed LSR rejection charge of $90 appropriate?

I. Should the Bell companies be permitted to introduce an LSR rejection charge?

6. The Bell companies submitted that LSR rejections occur when the requesting party provides incorrect details in submitted LSRs and that each LSR rejection requires the manual intervention of the Bell companies' respective Carrier Services Group representatives.

7. The Bell companies argued that the proposed LSR rejection charge would provide an incentive for competitors to reduce the level of LSR rejections and address the limited use of CLEC Access to OSS Service. Further, the Bell companies submitted that a reduction in LSR rejections would result in reduced provisioning intervals, new revenues due to improved customer service, significant cost savings for TSPs, and improved productivity for the Bell companies.

8. The interveners opposed the introduction of an LSR rejection charge. They submitted that LSRs are sometimes rejected for reasons beyond the control of the competitor, such as errors in the Bell companies' OSS databases, customers having been won back by the Bell companies, or telephone numbers having been deactivated subsequent to the LSR submission.

9. The interveners argued that given that LSRs are rejected for a variety of reasons, the responsibility for which is often difficult to ascertain, the LSR process and the causes and relative responsibilities for errors should be investigated by the CRTC Interconnection Steering Committee (CISC).

10. In their reply comments, the Bell companies submitted that the majority of LSRs are within the ability of the TSP to issue correctly. They agreed, however, that TSPs should not be assessed charges for LSRs that are found to have been rejected due to errors on the part of the Bell companies. They indicated that credits would be issued when LSRs are rejected due to such errors.

11. Regarding investigation by CISC, the Bell companies submitted that much time and effort had been spent over many years reviewing and enhancing the LSR process. They further submitted that the last version of the Canadian Local Ordering Guidelines, which contained many improvements, had been implemented in 2008 and that it was therefore highly improbable that carriers would embark on further OSS changes anytime soon. The Bell companies indicated that they were also willing to discuss LSR issues, including the LSR rejection charge, in industry forums but that such discussions should only be undertaken in conjunction with the establishment of their proposed LSR rejection charge.

Commission's analysis and determinations

12. In Telecom Decision 2005-14, the Commission, among other things, directed Bell Canada and TELUS Communications Inc. (now TELUS Communications Company) to develop and implement CLEC access to OSS service in order to reduce LSR rejections to acceptable levels. The Commission notes that despite these measures, LSR rejection rates in the Bell companies' incumbent operating territories are still high and competitors make limited use of the Bell companies' CLEC Access to OSS Services.

13. The Commission notes that reduced LSR rejection rates would lower the number of changes in installation dates, resulting in faster installations for end-customers, as well as decrease the costs to TSPs associated with correcting and resubmitting LSRs. The Commission considers that an LSR rejection charge would provide incentive for competitors to increase their use of the Bell companies' CLEC Access to OSS Services, and to otherwise reduce the overall LSR rejection rate in the Bell companies' incumbent operating territories.

14. The Commission considers, however, that TSPs should not have to pay for a rejected LSR if the reason for the rejection is attributable to the Bell companies or if the telephone number was deactivated subsequent to the LSR submission.

15. In light of the above, the Commission determines that it would be appropriate to allow the Bell companies to introduce an LSR rejection charge. The Commission further determines that this charge should not apply when the reason for the rejection is attributable either to the Bell companies or to deactivation of the telephone number subsequent to the LSR submission.

16. The Commission considers that in order to be consistent with the Bell companies' applications, the Bell companies should make their CLEC Access to OSS Services available to WSPs and ISPs. In this regard, the Commission notes that the Bell companies' proposed Access Services Tariff item 108 contemplates that users of CLEC Access to OSS Service include WSPs and ISPs as well as CLECs. Moreover, the Commission notes that the Bell companies' applications are premised in part on the need to encourage use of their respective CLEC Access to OSS Service and propose that WSPs and ISPs be subjected to the LSR rejection charge under consideration.

17. The Commission considers that parties involved should have an opportunity to propose solutions for reducing the number of rejected LSRs before the introduction of an LSR rejection charge. Accordingly, the Commission requests that CISC prepare and submit a report with proposed solutions to reduce the rejection rates.

18. The Commission considers that upon disposition of the CISC report, TSPs should be allowed 90 days to implement solutions to reduce LSR rejections before the introduction of an LSR rejection charge.

II. What is the appropriate LSR rejection rate threshold?

19. As noted above, the Bell companies proposed to introduce, in each of their incumbent serving territories, a charge for each rejected LSR above a rejection rate threshold of five percent of the total number of LSRs submitted by a TSP in a month.

20. The Bell companies noted that in Telecom Decision 2003-72, the Commission had approved a standard of five percent for competition-related quality of service (competitor Q of S) indicator 1.17 – Local Service Request Rejection Rate (indicator 1.17), and that the proportion of LSR rejections remains significantly higher than the five-percent objective. The Bell companies noted that while their LSR validations have become more flexible, and some TSPs do not exceed a five-percent LSR rejection rate, the average percentage of LSRs rejected by the Bell companies is increasing.

21. RCI submitted that the Bell companies' proposed five-percent rejection rate threshold is unreasonably low. RCI submitted that the Commission's view, expressed in Telecom Decision 2005-14, that LSR rejection rates would be reduced to acceptable levels if CLECs had access to the customer information contained in the incumbent local exchange carrier's (ILEC) OSS does not justify implementing a five-percent rejection rate threshold after which an LSR rejection charge would apply.

22. QMI submitted that the proposed five-percent threshold is below most of the competitors' typical monthly rejection rates. QMI argued that the Bell companies had proposed, and the Commission had approved, a threshold of 10 percent for the local number portability and wireless number portability port-out cancellation charge,[2] and that there is no compelling basis for applying a lower threshold for LSR rejections. QMI further submitted that a five- percent threshold would serve not as an incentive for TSPs to reduce LSR rejection rates but rather as a revenue grab from all competitors.

23. QMI submitted that, considering that the threshold for the port-out request cancellation charge was set at 10 percent, where the average cancellation rate varied between 3 and 7 percent, the Commission should set the LSR rejection rate threshold at no less than 12 percent. In its view, this would be more reasonable because the average LSR rejection rate in the Bell companies' operating territories is 9.6 percent.

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[2] In Telecom Order 2007-478, the Commission approved, on an interim basis, the introduction of Port-Out Request Cancellation service by the Bell companies. The service applies a charge to each port-out request cancellation by a local exchange carrier or WSP when such cancellations exceed a threshold of 10 percent of that service provider's port-out requests in a month.

24. Bell Canada submitted that a threshold of 12 percent is too high since the Commission cited a rejection rate of 12 percent when it directed that CLEC access to OSS service be developed. The Bell companies further submitted that, if the threshold were set at 10 percent, TSPs with LSR rejection rates close to 10 percent would have little incentive to modify their behaviour and improve the accuracy of their LSRs.

25. MTS Allsteam submitted that the proposed threshold of five percent would result in unjust discrimination against those TSPs that offer primarily business services since LSRs for business services are more complex than those for residential services and would be rejected more frequently.

Commission's analysis and determinations

26. The Commission notes that indicator 1.17 was introduced to monitor the possibility of biased treatment of a CLEC by an ILEC regarding the rejection of LSRs. The Commission considers that this is not sufficient rationale for choosing five percent as the LSR rejection rate threshold beyond which an LSR rejection charge would apply. Subject to the discussion below, the Commission finds that a five-percent rejection rate threshold is, in some circumstances, appropriate to provide TSPs with adequate incentive to reduce errors in submitted LSRs though not so low as to constitute a punitive threshold.

27. The Commission notes that introducing the proposed five-percent rejection rate threshold would be too abrupt and that TSPs should be afforded sufficient time to implement solutions to be provided by CISC and to improve their processes. The Commission therefore considers that a gradual reduction in the LSR rejection threshold would be more appropriate.

28. The Commission notes that a large proportion of rejected LSRs are associated with TSPs that submit a large number of LSRs. The Commission also notes that these TSPs have access to the Bell companies' CLEC Access to OSS Service. The Commission notes, however, that it may not be economically feasible for TSPs that submit a small number of LSRs to subscribe to CLEC Access to OSS Service in order to reduce their rejection rates. The Commission also notes that LSRs for business services provided by a TSP are frequently more complex than LSRs for residential services since they may require more service and feature information.

29. In light of the above, the Commission considers that it would be appropriate to apply two different thresholds: one for TSPs that submit large monthly volumes of LSRs to a given Bell company, and another for those that either (a) submit small monthly volumes of LSRs to a given Bell company – that is, 500 or fewer in a month – or (b) submit LSRs primarily for business services – that is, where 75 percent or more of LSRs submitted to a given Bell company in a given month relate to business services.

30. The Commission considers that setting the monthly LSR rejection rate threshold at eight percent initially for TSPs that submit large volumes of LSRs that do not primarily relate to business services, and reducing this to five percent over a period of two years (the lower threshold) would be appropriate. The Commission also considers that the appropriate monthly LSR rejection rate threshold for TSPs that either submit low monthly volumes of LSRs or that submit LSRs primarily for business services should be set at twice the threshold established for TSPs that submit large volumes of LSRs (the higher threshold).

31. In calculating whether the monthly LSR thresholds have been met, the Bell companies are to exclude those LSR rejections where the reason for the rejection is attributable either to the Bell companies or to deactivation of the telephone number subsequent to the LSR submission.

III. Is the proposed LSR rejection charge of $90 appropriate?

32. The Commission notes that in order to assess whether the proposed charge of $90 is appropriate, it must first address the issue of service classification.

a. What service classification is appropriate for the proposed charge?

33. The Bell companies submitted that the proposed charge is avoidable and should be classified as conditional mandated non-essential.[3]

Commission's analysis and determinations

34. The Commission notes that services in the conditional mandated non-essential category are those that do not meet the criteria for essential services but that the Commission determines must continue to be mandated until changes in market conditions result in it no longer being necessary to mandate them. The Commission notes that TSPs are generally required to interconnect to other TSPs to permit the interchange of traffic. The Commission further notes that the proposed LSR rejection charge is related to the processing of LSRs which are required for the efficient exchange of information between interconnected TSPs and the development and sustainment of a competitive marketplace.

35. Accordingly, the Commission considers that the use of LSRs will continue to be necessary regardless of market conditions, and that, therefore, classifying the proposed LSR rejection charge as conditional mandated non-essential would be inappropriate. In light of the above, the Commission considers that the proposed LSR rejection charge should be classified as an interconnection service.

b. Is the proposed LSR rejection charge of $90 just and reasonable?

36. The Bell companies noted that the proposed markup is similar to the markup for the port-out request cancellation charge and submitted that a low markup would not provide the necessary incentive for TSPs to submit accurate LSRs.

37. The interveners submitted that, should the Commission approve an LSR rejection charge, the rate approved should be based on the costs specific to the activities involved in rejecting an LSR. In this regard, the interveners submitted that the proposed LSR rejection charge of $90 does not reflect the activities undertaken by the Bell companies in reviewing and disposing of rejected LSRs and, thus, the proposed rate is intended to be punitive rather than compensatory.

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[3] In Telecom Decision 2008-17, the Commission classified existing wholesale services into six categories: essential, conditional essential, conditional mandated non-essential, public good, interconnection, and non-essential subject to phase-out.

38. MTS Allstream submitted that the costs that the proposed LSR rejection charge is intended to recover may already be recovered, in whole or in part, through already-approved order processing charges. MTS Allstream and QMI submitted that any LSR rejection charge approved by the Commission should not be set at a level higher than incremental costs plus a markup of 15 percent.

39. The Bell companies submitted that the costs included in their LSR rejection charge study represent an average of the time estimates for manually reviewing both complex and non-complex LSRs. The Bell companies further submitted that these costs are not being recovered elsewhere.

Commission's analysis and determinations

40. The Commission has reviewed the Bell companies' costs and considers that these costs are not being recovered elsewhere and are reasonable.

41. The Commission considers that the rate for the LSR rejection charge should be set at a level sufficient to provide TSPs with an adequate incentive to reduce errors in submitted LSRs. The Commission considers that a markup of 15 percent for the LSR rejection charge would not result in an adequate incentive. The Commission also considers that the markup should not be so high as to result in a punitive LSR rejection charge. Accordingly, the Commission finds that an LSR rejection charge of $70 is just and reasonable.

Conclusions

42. In light of the above, the Commission

a. directs the Bell companies to file changes to their tariffs within 30 days of the date of this order to allow WSPs and ISPs to subscribe to their CLEC Access to OSS Services;

b. requests that CISC submit a report to the Commission, within 90 days of the date of this order, that identifies the reasons for LSR rejections and proposes solutions for reducing the number of LSR rejections; and

c. **approves** the introduction of an LSR rejection charge of $70 by the Bell companies, effective 90 days after the Commission's disposition of the CISC report, with the following modifications:

i) the LSR rejection charge is not to apply where the rejection is due to

- errors in the Bell companies' OSS databases,
- other errors attributable to the Bell companies,
- the Bell companies' winback activities, or
- deactivation of the telephone number subsequent to LSR submission; and

ii) a monthly LSR rejection rate threshold of 8 percent in 2010, 6.5 percent in 2011, and 5 percent as of 2012 is to apply to each TSP that submits more than 500 LSRs in a month unless at least 75 percent of the LSRs it submits in that month relate to business services;

iii) a monthly LSR rejection rate threshold of 16 percent in 2010, 13 percent in 2011, and 10 percent as of 2012 is to apply to each TSP that submits 500 or fewer LSRs in a month and to each TSP where at least 75 percent of the LSRs it submits in that month relate to business services.

Secretary General

Related documents

- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008

- *Bell Aliant Regional Communications, Limited Partnership and Bell Canada – Local Number Portability and Wireless Number Portability Port-Out Request Cancellation service*, Telecom Order CRTC 2007-478, 12 December 2007

- *Competitive local exchange carrier access to incumbent local exchange carrier operational support systems*, Telecom Decision CRTC 2005-14, 16 March 2005

- *Finalization of interim competition-related Quality of Service indicators and standards*, Telecom Decision CRTC 2003-72, 30 October 2003