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# CRTC 2013-551 PRESENTATION

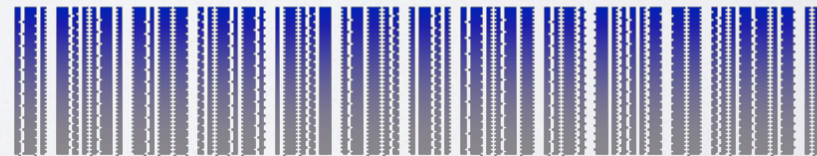
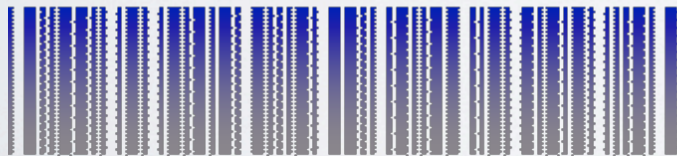
**8665-C12-201212448**

**Review of wholesale services and associated policies**

**Examen des services de gros et des politiques connexes**

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# DIALUP vs TODAY

- During the dialup days, there was plenty of competition in the ISP industry, and **There were no calls for ISPs to duplicate the telephone system.** Telcos were more than happy to get the increased business and subscriptions for telephone service.
- Since then, the Internet has become an integral part of the economy.
- Why did incumbents begin to lobby for ISPs to become **“facilities based”** ? To be blunt, it was the easiest way for them to get rid of the competition: Brainwash the policy makers into thinking that limiting the players to the 2 facilities based incumbents would increase competition, investment, and innovation.
- The 2009-261 consultation, despite having a goal of moving ISPs to “facilities based” concluded with TRP 2010-632 that GAS/TPIA were needed to prevent a duopoly and maintain sufficient competition in the retail market.
- **No evidence has been presented to invalidate TRP 2010-632.**

# COMPETITION

- **Market Power**

- The current evaluation of retail market power is based on the presence of thriving independent ISPs made possible by regulated wholesale. One cannot use this evaluation to predict sufficient competition if wholesale is removed, leaving the duopoly incumbents.

- **Market diversity**

- With telcos now in broadcasting and cablecos now in telecom, they each have similar business models and retail offerings do not differ significantly.
- Vertical integration amplifies this problem because of the instinct by incumbents to protect their media interests from internet competitors, either by limiting the internet offering (UBB) or giving their media business preferential treatment.
- Only the presence of independent ISPs helps keep the incumbents in check and give consumer options that meet the evolving market's demands.

# PRAGMATIC INTERPRETATION OF THE POLICY DIRECTION

- **The last mile is an essential “utility”**. Duplication beyond what the Canadian market can sustain is inefficient and leads to higher prices. 70% of OECD countries have regulated wholesale access prices<sup>1</sup>. Canada is not the odd one out.
- Municipal fibre deployments such as Olds AB, or fixed wireless such as CSUR in St-Rédempteur do not “duplicate”. They **fill a void left by absent incumbents**. They do not exist to increase competition, they exist to provide what the municipality considers an essential service the incumbents are not interested in providing.
- ISPs are traditionally aggregators of facilities-based telecom services such as last mile, carrier hotel facilities, transit providers, as well as providing their own services such as email, IP address assignments, web services, support etc. Each player does what they do best and that increases efficiency. It is wrong to require ISPs to string cables everywhere.
- The “facilities based” ideology has the perverse effect of killing competition before it has time to emerge by restricting players to incumbents.

<sup>1</sup> - Koske, I. et al. (2014), “The Internet Economy - Regulatory Challenges and Practices”, OECD Economics Department Working Papers, No. 1171, OECD Publishing, <http://dx.doi.org/10.1787/5jxszm7x2qmr-en>

# FORBEARANCE



- **Forbearance is not a tool to stimulate competition.** It is the end result of successful wholesale regulation. As such, it must be an ex-post process where the onus is on the regulated incumbent to show that competitors have reached a certain target market share and no longer require regulated rates and/or mandated access.
- The Commission must recognize there are services, such as the last mile, where duplication is not possible/desirable and never expect forbearance.
- The ability to offer off-tariff deals means that regulated incumbents are not prevented from competing where there is emerging competition.
- Because upgrades to technology (such as fibre replacing copper) are often long term projects, forbearance of older services needs to be done geographically as each geography gets an upgrade.

# AGGREGATION

- ISPs need to be able to serve FTTP homes via their existing CBB based links. The technical differences between the HSA/DHCP and PPPoE models are resolvable.
- CNOc's request for dis-aggregation is likely a means to escape the high CBB prices. **The solution is to reduce CBB pricing.**
  - Bell Canada has over 100 BRAS physical locations. At least 4 times as many COs. An ISP might connect to handful, but still requires the full aggregation for the rest. Connecting at the CO would require Bell deploy aggregation switches to pull traffic from its main trunks (DSL, FTTN, FTTP) to feed one ISP's traffic. Connecting at a BRAS would still require separate CBB tariffs between BRAS and DSLAMs. Focus should remain on **lowering CBB pricing.**
  - Vidéotron has a single POI location. Disaggregation not possible. **Lowering CBB prices is the only option**
  - Rogers has 31 or more aggregation points. ISP participants in 2009-261 provided plenty of evidence on why this was not workable. Rogers would need to buy new routers at each location. **Lowering CBB pricing is the logical solution.**
  - Off tariff negotiations for disaggregated access to specific locations are not prevented.

# QUÉBEC

- Contrairement à l'Ontario où le territoire de Bell Aliant est branché au GAS de Bell Canada, au Québec le réseau de Télébec est distinct et n'offre aucun service GAS en gros.
- Le territoire de Télébec s'étend de la frontière américaine jusqu'au Eeyou Istchee (Baie James), et de l'ouest de l'Abitibi jusqu'aux Iles de la Madeleine.
  - 150 000 clients
  - 300 Municipalités
- En Abitibi, "Cablevision du Nord" et Télébec sont toutes deux propriétés de Bell Aliant, créant un monopole sur les infrastructures sans offre de service en gros.
- Au Saguenay, Bell Aliant a annoncé du FTTP avec sa propre marque.
- Avec l'intégration de Bell Aliant dans Bell Canada il devrait y avoir une intégration des réseaux pour permettre au service en gros existant de Bell Canada de rejoindre les adresses desservies par Télébec et le FTTP de Bell Aliant.

# FTTP

- Whether FTTP is a “totally new” or an “upgrade”, Whether the incumbent benefits from incumbency or not, It does not change the fact that with exclusive access to FTTP, the incumbent gains a technological advantage (higher speeds and reliability) that ISPs cannot match, giving the incumbent unacceptable market power.
- In areas such as Lavaltrie QC where FTTP will be the only telco data service available, (no DSL), incumbents can sign up customers while independent ISPs cannot.
- The same principles which led 2010-632 to confirm that ISPs needed access to matching speeds apply to the speeds and reliability offered by FTTP.
- There are a number of technical aspects that need to be discussed such as policies and pricing for the CPE equipment (the ONT/UPS), aggregation, technologies used (DHCP, PPPoE, access to VoIP channel, VLANs etc). Important: there are no technological show stoppers.



# CABLE

- Having both CABLE and TELCO wholesale is necessary to provide a very minimum level of competition for wholesale business. In long term, as ISPs grow, the wholesale business they generate will become more important to incumbents.
- CABLE, having superior technology and reliability has far less motivation to promote the wholesale business as they don't need to work as much to attract customers. Rogers doesn't even have a wholesale product manager.
- CABLE has not offered layer2 connectivity to ISPs (sometimes called Ethernet over Coax) This would allow ISPs to manage IP address management, DHCP, provide IPv6, fixed IP addresses and resolve a number of problems raised in the CNOC omnibus part I. This is very relevant because it shows that cable companies will not take initiatives to improve the service unless forced by the regulator.

# PRICING

- Keeping regulated prices high to foster the “climbing of the investment ladder” may succeed in seeding facilities-based competitor investment where there is a ladder to climb, but achieves nothing when there is no ladder to climb, such as the last mile:
  - Duplication of last mile is not desirable.
  - Duplication of last mile is neither practical nor feasible.
    - low number of customers per last mile segments.
    - telephone pole/conduit capacity limits.
    - imagine 100 separate FTTP cables on a pole in a neighbourhood.
- High prices that do not result in increased facilities based competition hurt consumers, and limit growth in use of telecom facilities. Not quite what the Telecom Act Objectives want.

# PRICING 2

- High CBB pricing greatly limit adoption of more Internet applications by consumers. And hinders the ISPs ability to compete against incumbents. The is especially true for video and IPTV services.
- The ability to challenge technology in cost studies is important. If Bell claims it is using many 1gbps links, the Commission should consider setting the price as a single 10gbps link which is roughly 1/3 the price of 10 1gbps links. Current carrier grade technology is at 40gbps or 100gbps. 1gbps is ancient for carrier grade equipment.
- Carriers must not be rewarded for using antique telecom equipment which costs more. If regulated tariffs are adjusted to current equipment costs for that capacity, incumbents will have incentives to upgrade.
- If Commission staff had the ability to physically travel the lines between the Node and the ISP to audit what equipment is used and at what speeds, perhaps it would motivate incumbents to not inflate cost studies, especially with AMPS coming into force.

# CONCLUSION

Le Conseil doit choisir une approche pragmatique et non dogmatique.

Une réglementation des services en gros existe pour augmenter la compétition au détail pour l'accès à l'internet, et ce but est plus important qu'une idéologie visant à s'abstenir de réglementer.

Les Canadiens bénéficient beaucoup plus d'un grand choix de fournisseurs de services sur un fil que d'avoir accès qu'à 2 ou 3 fournisseurs sur leur propres fils.

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