



## Telecom Public Notice CRTC 2008-5

Ottawa, 5 June 2008

### Notice of consultation

#### **Review of regulatory requirements pertaining to the imputation test for retail services and to costing methodologies for wholesale services**

Reference: 8661-C12-200807779

### Introduction

1. In *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006 (the Policy Direction), the Governor in Council required the Commission to, among other things, rely on market forces to the maximum extent feasible to achieve the telecommunications policy objectives (the policy objectives) set out in section 7 of the *Telecommunications Act* (the Act).
2. In Telecom Decision 2007-51, the Commission issued an action plan in which it indicated its intention to review existing regulatory measures in light of the Policy Direction. The action plan identified the imputation test as a matter to be reviewed during the 2008-2009 fiscal year.

### Background

3. In Telecom Decision 94-13, the Commission established an imputation test as a safeguard to ensure that retail tariff applications for toll rate reductions and new toll services were not anti-competitive. In Telecom Decision 97-8, the Commission extended the imputation test requirement to retail local exchange services.
4. The imputation tests for retail local exchange services and other retail services have been reviewed and modified on an ongoing basis in subsequent decisions, orders, and directives to reflect, among other things, changes in the Commission's other regulatory frameworks. The imputation tests for retail services are summarized in the table provided in the Attachment to this Public Notice. These imputation tests are also described in Section 2.1 of the proposed Regulatory Economic Studies Manual of the major incumbent local exchange carriers, dated 21 April 2008 (Economic Studies Manual), which was filed in the follow-up proceeding to Telecom Decision 2008-14.
5. The Commission notes that an imputation test, as such, has not been adopted for wholesale services since no service elements are imputed at tariffed rates in the development of wholesale service costs. The Commission notes, however, that it has adopted certain costing methodologies that are specific to wholesale service tariff applications. Costing methodologies for wholesale services are described in Section 2.2 of the Economic Studies Manual (wholesale service costing methodologies).

6. The Commission notes that the imputation tests for retail services and the wholesale service costing methodologies are described with reference to the Commission's regulatory framework for wholesale services as it existed before Telecom Decision 2008-17 (that is, to Categories I and II competitor services). In Telecom Decision 2008-17, the Commission revised its regulatory framework for wholesale services and assigned competitor services previously classified as Category I or Category II competitor services to one of six wholesale service categories: essential, conditional essential, conditional mandated non-essential, public good, interconnection, and non-essential subject to phase-out.

### **Call for comments**

7. The Commission invites parties to comment, in light of the Policy Direction, on the continued appropriateness of each of the imputation tests for retail services.
8. Parties should address each of the following matters in their initial comments, providing full supporting rationale and all evidence on which they rely. Parties are requested to structure their submissions according to the issues identified below.

A) Comment on, with supporting rationale, whether market forces can be relied on to achieve the relevant policy objectives.

- (i) Identify the purpose of the current imputation test and the policy objectives that are relevant to this purpose.
- (ii) Identify the relevant market forces.

B) Comment on whether

- (i) the current imputation test is efficient and proportionate to its purpose;
- (ii) the current imputation test interferes with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives;
- (iii) the current imputation test either deters economically efficient competitive entry into a market or promotes economically inefficient entry; and
- (iv) the current imputation test is as minimally intrusive and minimally onerous as possible.

C) In light of the responses provided to parts A) and B) above, and in the event the Commission determines that market forces cannot be relied on to achieve the policy objectives, parties are invited to comment on whether

- (i) changes to the current imputation test methodology(ies) are required, and if so, the changes required, with supporting rationale; and
- (ii) streamlining or other changes to the application of the imputation test is required, and if so, describe the changes, with supporting rationale.

D) With reference to each of the wholesale service categories established in Telecom Decision 2008-17 and in the event the Commission determines that market forces cannot be relied on to achieve the policy objectives, comment, with supporting rationale, on whether the costs or rates of wholesale services should be included in each of the imputation tests for retail services.

Parties are further invited to comment on, with supporting rationale, whether

- (i) wholesale competitor services now classified as essential, conditional essential, and interconnection services should be imputed at tariffed rates and, if not, why not;
- (ii) wholesale competitor services now classified as non-essential services subject to phase-out should be included at Phase II cost and, if not, why not; and
- (iii) wholesale competitor services now classified as conditional mandated non-essential services or as public good should be imputed at tariffed rates or included at Phase II cost.

9. Furthermore, parties are invited to comment, in light of the Policy Direction, and having regard to the wholesale service categories established in Telecom Decision 2008-17, on the continued appropriateness of the wholesale costing methodologies. Accordingly, in their initial comments, parties should also address the matters set out in paragraph 8 A) to C) above with respect to the wholesale service costing methodologies, providing full supporting rationale and all evidence on which they rely and structuring their submissions according to the issues identified.

## **Procedure**

10. Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, TELUS Communications Company, and Télébec, Limited Partnership are made parties to this proceeding.
11. Other persons interested in participating in this proceeding (including receiving copies of all submissions) must notify the Commission of their intention to do so by filling out the [online form](#); or by writing to the Secretary General, CRTC, Ottawa, Ontario, K1A 0N2; or by faxing to: 819-994-0218 by **26 June 2008** (the registration date). Parties are to provide their email address, where available. If parties do not have access to the Internet, they are to indicate in their notice whether they wish to receive disk versions of hard-copy filings.

12. The Commission will post on its website, as soon as possible after the registration date, a complete list of interested parties and their mailing addresses (including their email addresses, if available), identifying those parties who wish to receive disk versions.
13. All parties may file with the Commission, serving a copy on all other parties, comments with regard to the above-noted issues by **28 July 2008**.
14. All parties may file with the Commission, serving a copy on all other parties, reply comments by **18 August 2008**.
15. Following its consideration of the comments received, the Commission will determine what further public process, if any, will be necessary prior to rendering a decision on the issues raised in this proceeding.
16. The Commission will not formally acknowledge comments. It will, however, fully consider all comments and they will form part of the public record of the proceeding.
17. Where a document is to be filed or served by a specific date, the document must be actually received, not merely sent, by that date.
18. Parties may file their submissions electronically or on paper. Submissions longer than five pages should include a summary.
19. Electronic submissions should be in HTML format. As an alternative, those making submissions may use "Microsoft Word" for text and "Microsoft Excel" for spreadsheets.
20. Each paragraph of all submissions should be numbered. In addition, the line \*\*\*End of document\*\*\* should be entered following the last paragraph. This will help the Commission verify that the document has not been damaged during electronic transmission.
21. The Commission also encourages parties to monitor the record of this proceeding (and/or the Commission's website) for additional information that they may find useful when preparing their submissions.

### **Important notice**

22. Note that all information that you provide as part of this public process, except information granted confidentiality, whether sent by postal mail, facsimile, email, or through the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca), becomes part of a publicly accessible file and will be posted on the Commission's website. This information includes your personal information, such as your full name, email address, postal/street address, telephone and facsimile number(s), and any other personal information you provide.
23. The personal information you provide will be used and may be disclosed for the purpose for which the information was obtained or compiled by the Commission, or for a use consistent with that purpose.

24. Documents received electronically or otherwise will be posted on the Commission's website in their entirety exactly as you send them, including any personal information contained therein, in the official language and format in which they are received. Documents not received electronically will be available in PDF format.
25. Please note that the information you provide to the Commission as part of this public process is entered into an unsearchable database dedicated to this specific public process. This database is accessible only from the web page of this particular public process. As a result, a general search of our website with the help of either our own search engine or a third-party search engine will not provide access to the information which was provided as part of this public process.

### **Location of CRTC offices**

26. Submissions may be examined or will be made available promptly upon request at the Commission offices during normal business hours.

Toll-free telephone: 1-877-249-2782

Toll-free TDD: 1-877-909-2782

Central Building  
Les Terrasses de la Chaudière  
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Toronto, Ontario M4T 1M2  
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Tel.: 604-666-2111 – TDD: 604-666-0778  
Fax: 604-666-8322

Secretary General

## **Related documents**

- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008
- *Review of certain Phase II costing issues*, Telecom Decision CRTC 2008-14, 21 February 2008, as amended by Telecom Decision CRTC 2008-14-1, 11 April 2008
- *Review of general tariff bundling rules and requirements for market trials*, Telecom Decision CRTC 2007-117, 23 November 2007
- *Bell Canada – Application to modify the rules for mixed Type 2 customer-specific arrangements*, Telecom Decision CRTC 2007-74, 17 August 2007
- *Action plan for the review of Commission regulatory measures in light of Order in Council P.C. 2006-1534*, Telecom Decision CRTC 2007-51, 11 July 2007
- *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997
- *Review of regulatory framework – Targeted pricing, anti-competitive pricing and imputation test for telephone company toll filings*, Telecom Decision CRTC 94-13, 13 July 1994

*This document is available in alternative format upon request, and may also be examined in PDF format or in HTML, at the following Internet site: <http://www.crtc.gc.ca>*

<b>TABLE</b>					
<b>Summary description of cost inclusions under the current imputation test rules for retail services</b>					
<b>Proposed Service</b>	<b>Competitor Services Category I</b>	<b>Third-Party Services</b>	<b>Forborne Services</b>	<b>Other service components/ functionalities</b>	<b>GT Services</b>
<b>1. GT Stand-alone</b>	Tariffed rates	Acquisition costs	Phase II costs	Phase II costs	Not applicable
<b>2. Non-qualifying GT Bundle (Note 1)</b>	Tariffed rates	Acquisition costs	Phase II costs	Phase II costs	Tariffed rates for non-forborne residential, primary exchange service, local Voice over Internet Protocol and interexchange private line; Phase II costs for other GT services
<b>3. CSA – Type 1</b>	Tariffed rates	Acquisition costs	Phase II costs	Phase II costs	Not applicable
<b>4. Non-qualifying Type 2 CSA (Note 2)</b>	Tariffed rates	Acquisition costs	Phase II costs	Phase II costs	Tariffed rates (Note 3)
<p>Note 1 – In accordance with Telecom Decision 2007-117, imputation tests are not required for qualified General Tariff (GT) bundles. Qualified GT bundles are those for which the retail price of the bundle is at least equal to the sum of the rates of all retail tariffed services in the bundle and the terms and conditions for those tariffed components are consistent with the applicable tariff(s).</p> <p>Note 2 – In accordance with Telecom Decision 2007-74, imputation tests are not required for qualifying mixed Type 2 customer-specific arrangements (CSAs). Qualifying mixed Type 2 CSAs are those for which the proposed price is at least equal to the sum of the rates of all its tariffed components and the terms and conditions for those tariffed components are consistent with the applicable tariff(s).</p> <p>Note 3 – Includes Category II competitor service tariffs.</p>					