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Confidentiality of information used to establish wholesale service rates

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In this decision, the Commission establishes more extensive disclosure guidelines for cost information, including the proposed markup, filed in support of all wholesale services at the time a wholesale service application is filed or at the time costing information is filed in response to requests for information. Further, the Commission determines that the final markup used to set wholesale service rates will be disclosed in all future decisions.

The Commission is also updating Broadcasting and Telecom Information Bulletin 2010-961 to reflect the new disclosure guidelines related to telecommunications proceedings included in this decision.

Introduction

1. The Commission has mandated incumbent telephone companies and cable carriers (incumbent carriers)¹ to provide certain services to competitors on a wholesale basis in order to foster retail service competition.
2. When establishing just and reasonable wholesale service rates, as required by subsection 27(1) of the *Telecommunications Act* (the Act), the Commission generally uses an incremental costing approach, known as Phase II costing, to assess the incumbent carrier's costs of providing wholesale service to competitors. The Commission then applies a markup² to these incremental costs to determine wholesale service rates. The markup provides a contribution to the incumbent carrier's fixed and common costs.³

¹ These companies are included in this decision: Bell Aliant Regional Communications, Limited Partnership, Bell Canada, Cogeco Cable Inc., MTS Allstream Inc. (now known as MTS Inc. and Allstream Inc.), Northwestel Inc., Rogers Communications Partnership, Saskatchewan Telecommunications, Shaw Communications Inc., Télébec, Limited Partnership, TELUS Communications Company, and Videotron Ltd. As noted in Telecom Notice of Consultation 2012-168, the determinations in this decision also apply to parties of future wholesale services proceedings.

² Markup is defined as the difference between the cost and rate of a service. For example, if the service cost is \$100 and the markup is 15 percent, then the service rate is \$115.

³ Fixed and common costs are costs that do not vary with the offering of a service. These costs are not incremental to providing wholesale services and hence are not recovered in incremental wholesale cost studies. Markup should not be confused with profit margin, given that a number of costs such as corporate overheads and past network investments may be excluded from the incremental costing analysis but would be included in the profit margin analysis.

3. In support of their wholesale service tariff filings, incumbent carriers submit regulatory economic studies⁴ that reflect the costs of incremental resources used to provide the service. Mandated wholesale service rates are generally based on the service's incremental costs plus a markup. Accordingly, the cost information and assumptions underlying the cost study and the markup are key components in establishing wholesale service rates.
4. As set out in section 39 of the Act, parties have the right to designate information filed with the Commission as confidential. The incumbent carriers have generally filed the majority of their cost information in confidence, following existing disclosure guidelines.⁵
5. In light of the above, the Commission initiated Telecom Notice of Consultation 2012-168 to consider if additional cost elements and markups should be expected to be disclosed on the public record, and invited parties to comment regarding the specific additional information that should be expected to be provided on the public record in the context of setting rates for wholesale services.
6. The Commission received submissions from Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), Bell Canada, and Télébec, Limited Partnership (collectively, Bell Canada et al.); the Canadian Network Operators Consortium Inc. (CNOc); Cogeco Cable Inc. (Cogeco), Quebecor Media Inc., on behalf of its affiliate Videotron G.P. (Videotron), Rogers Communications Inc. (RCI), and Shaw Communications Inc. (Shaw) (collectively, the Cable carriers); GATPE Services, operating as Miniphone.ca; MTS Inc. and Allstream Inc. (collectively, MTS Allstream); Primus Telecommunications Canada Inc. (Primus); the Public Interest Advocacy Centre (PIAC); Saskatchewan Telecommunications (SaskTel); SSi Micro Ltd. (SSi Micro); TELUS Communications Company (TCC); Union des consommateurs; and Vaxination Informatique (Vaxination).
7. The public record of this proceeding, which closed on 28 June 2012, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.

⁴ The cost information provided in these regulatory economic studies are consistent with those prescribed in each incumbent telephone company's regulatory economic studies manual. The regulatory economic studies manuals have been approved for several large incumbent telephone companies in Telecom Order 2008-237, and describe the general procedures, methods, and data assumptions and sources used by them in developing regulatory economic studies. The Commission notes that, while incumbent cable carriers do not have regulatory economic studies manuals, they apply the incremental costing methodologies and assumptions in the development of their cost studies in support of their wholesale third-party Internet access services. These methodologies and assumptions were included on the record of the relevant proceedings.

⁵ Existing disclosure guidelines define information to be placed on the public record as: cost of capital, cost of debt, cost of equity, debt ratio, revenue-percent charge, income tax rate, revenue miscellaneous tax rate, large corporations tax rate, capital miscellaneous tax rate, other tax rates, structure cost factors and technology cost factors (e.g. buildings, land, poles, conduits, power), working fill factors, asset lives used in the study, and productivity factors. With respect to services subject to Phase II costs plus 15 percent markup pricing, additional information is required to be placed on the public record.

Issues

8. The Commission has identified the following issues to be addressed in this decision:
 - I. Should additional cost information be disclosed?
 - II. What additional cost information should be disclosed?
 - III. Should markups be disclosed?
 - IV. When and how should the determinations in this decision be implemented?

I. Should additional cost information be disclosed?

9. Bell Canada et al., the Cable carriers, SaskTel, and TCC submitted that the existing disclosure guidelines for cost information are appropriate as there is already sufficient information provided on the public record for competitors to participate in wholesale services proceedings.
10. Bell Canada et al., supported by the Cable carriers, submitted that increased disclosure of cost information could be used by competitors to gather competitive intelligence which could enable competitors to formulate more effective business strategies and to target specific markets, thereby causing financial harm to the incumbents.
11. Bell Canada et al. submitted that, while it would be inappropriate to impose a uniform set of disclosure requirements across all mandated wholesale services, disclosure of cost information filed in support of essential, conditional essential, and interconnection wholesale services⁶ would be less likely to result in harm. SaskTel, supported by the Cable carriers, submitted that the level of disclosure should continue to be greater for cost information filed in support of wholesale services where a predetermined markup is applied.
12. CNOc, Primus, SSi Micro, and Vaxination (collectively, the competitors), supported by MTS Allstream, submitted that increased disclosure is in the public interest. CNOc submitted that, since the primary focus of setting rates is to ensure that rates are just and reasonable, maximum disclosure of cost information would allow parties to contribute more in the establishment of a full and complete record. SSi Micro submitted that increased disclosure will allow a more complete and detailed analysis of the costs and rates proposed by incumbent carriers which should lead to fairer wholesale service rates.
13. PIAC, supported by Vaxination, submitted that a more transparent process would make the regulatory process more efficient by reducing the costs associated with the processing of requests for disclosure. Vaxination submitted that a more transparent process would reduce the regulatory load as fewer decisions would be challenged.

⁶ In Telecom Decision 2008-17, the Commission defined essential services, conditional essential services, and interconnection wholesale services.

14. The competitors, supported by MTS Allstream and PIAC, submitted that treatment of cost information filed in support of all wholesale services should be uniform, regardless of markup or wholesale service category, and that there is no reason to provide lesser disclosure for some wholesale services and greater disclosure for others based solely on the current rating principles.

Commission's analysis and determinations

15. To foster competition, the Commission regulates rates for wholesale services offered by the incumbent carriers. Competitors use these wholesale services to provide their own retail services. The Commission considers that services provided by competitors bring pricing discipline, innovation, and consumer choice to the retail service market.
16. The Commission therefore seeks to obtain as full and complete a record as possible on which to base its decisions during wholesale services proceedings.
17. The Commission notes that, in past wholesale services proceedings, the incumbent carriers initially disclosed a limited amount of information on the public record and that increased disclosure was generally imposed as a result of individual disclosure requests from competitors. The Commission further notes that when such requests were granted, a more fulsome and complete record resulted, with the greater level of transparency of information allowing all parties to a proceeding, many of whom had related subject matter expertise, to comment more meaningfully on the proposed costs submitted by the incumbents.
18. However, the Commission notes that individual requests for disclosure extended the length of proceedings, and often additional comments from competitors were submitted too late in the process to be of maximum benefit.
19. Accordingly, the Commission determines that in order to provide greater transparency, an increased reliance on competitor expertise, and to ensure an efficient and effective regulatory process for wholesale rate-setting proceedings, more extensive disclosure guidelines should be applied at the time a wholesale service tariff application is filed or at the time costing information is filed in response to requests for information, noting that greater transparency and an increased reliance on competitor expertise when setting wholesale service rates will foster competition and lead to a greater reliance on market forces.
20. The Commission further determines that the new disclosure guidelines should apply to cost information filed in support of all mandated wholesale services, regardless of service category or markup. The Commission considers that the new disclosure guidelines will address specific harm relative to individual cost study elements, as set out in the Appendix to this decision, regardless of the service category.
21. The Commission notes that incumbent carriers continue to have the right, under section 39 of the Act, to designate information as confidential and intervening parties continue to have the right to request disclosure of such information. The Commission notes that the rules with respect to the treatment and disclosure of confidential

information are set out in sections 30 to 34 of the *Canadian Radio-television and Telecommunications Commission Rules of Practice and Procedure* (the Rules of Procedure). The Commission considers that any disclosure requests will be guided by subsection 39(4) of the Act, based on evidence submitted by parties and using the disclosure guidelines set out in this decision as the basis for its determinations.

II. What additional cost information should be disclosed?

22. The Commission considers that, while increased disclosure is generally in the public interest, the disclosure of certain cost information may lead to specific harm (e.g. revealing the incumbent carriers' business strategies or hampering the incumbent carriers' ability to negotiate with suppliers of equipment or labour).
23. The result of this evaluation is a set of disclosure expectations for a number of cost study elements that are discussed here and set out in the corresponding detailed disclosure guidelines in the Appendix to this decision. The cost study inputs include demand forecasts; resource unit costs; and corporate cost factors and parameters, financial parameters, and other inputs. The overall cost results are expressed on a present worth or per demand unit basis and are referred to as the service level costs.

a) Demand forecasts

24. In a regulatory economic study, the annual demand forecast for a particular wholesale service is generally expressed based on the annual competitor demand for that service. For certain wholesale services, this demand is expressed as the annual competitor demand plus the incumbent carrier's own annual retail customer demand (all-carriers' demand).
25. The demand forecast is a critical input into the determination of the wholesale service cost as the total cost of the wholesale service is divided by the demand in order to calculate a unit cost and, as such, the underestimation of the demand forecast may lead to an overstatement of this cost.
26. Bell Canada et al., the Cable carriers, SaskTel, and TCC generally submitted that demand estimates are developed on a company- and service-specific basis and that disclosure would enable competitors to estimate the current and potential size of the wholesale market. These incumbent carriers submitted that this would provide competitors with information which they could then use to formulate more effective business strategies causing direct harm to the incumbent carriers.
27. The competitors, supported by MTS Allstream, submitted that while the competitor demand forecasts are frequently disclosed, the all-carriers' demand forecasts should also be disclosed. The competitors submitted that these demand forecasts are highly aggregated at a company level over their entire territories and in the context of a broad scope of operations and, as such, are not meaningful outside the context of the wholesale cost study.

28. The Commission considers that, given that competitors have knowledge of their own demand, increased disclosure of the incumbent carriers' competitor demand forecasts would allow competitors to provide very meaningful comments related to competitor demand forecasts used to calculate proposed wholesale costs.
29. However, the Commission also considers that knowledge of the number of end-customers of a particular competitor could provide competitively sensitive information that would be harmful to the competitor.
30. The Commission notes that this risk would be minimized by disclosing aggregate competitor demand (i.e. demand forecasts based on the overall demand of three or more competitors).
31. The Commission further considers that disclosure of the all-carriers' demand forecasts, along with the competitor demand, would reveal the incumbent carrier's number of retail customers, potentially resulting in harm as other parties could use this information to their competitive advantage.
32. Accordingly, the Commission determines that competitor demand forecasts should generally be disclosed, provided that the forecast includes the demand of at least three competitors. The Commission further determines that the all-carriers' demand forecasts should generally not be disclosed as this information may result in harm that would outweigh the public interest in disclosure.

b) Resource unit costs

33. In a regulatory economic study, one of the key cost study inputs used to determine the service level costs is the resource unit costs for the various activities, equipment, and facilities used to provide the wholesale service. Resource unit costs include the labour unit costs of the various types of labour used; the costs of the equipment, facilities, and systems; service-specific and corporate average expense unit costs; and third-party service acquisition costs.
34. Bell Canada et al., the Cable carriers, SaskTel, and TCC generally submitted that disclosure of the hourly labour rate cost input could be used by competitors and suppliers during contract negotiations to their competitive advantage. These incumbent carriers submitted further that disclosure of the resource unit costs related to the purchase of equipment and facilities or systems obtained from a third party would reveal supplier discounts, as these resource unit costs likely reflect discounts which are not available to other companies.
35. Bell Canada et al. submitted that, in some cases, wholesale resource cost inputs are also used as inputs for cost studies in support of their retail services. As a result, disclosure of these cost inputs would permit competitors to gain intelligence about the costs associated with Bell Canada et al.'s retail services, enabling them to develop business strategies for their own retail services in the same market to their competitive advantage.

36. CNOC submitted that disclosure of resource unit costs is justified as the information has no tangible value to other parties and would therefore not competitively disadvantage the incumbent carriers. Primus submitted that disclosure is justified so that incumbent carriers' cost information can be subject to a complete review.
37. CNOC argued that retail prices are set to respond to market forces and competitors cannot know what factors have specifically been taken into consideration by incumbent carriers when they set rates for forborne retail services. PIAC submitted that retail pricing and market competition are also affected by marketing strategies, such as bundling, customer service initiatives, and billing system capabilities, and therefore there is no specific harm in disclosing resource unit costs. PIAC, supported by Vaxination, submitted that some of the costing information used to set rates for wholesale services is unique to those services and, as such, cannot cause harm in retail markets.
38. The Commission notes that resource unit costs are the foundational costs upon which various other cost factors and loadings are applied in a regulatory economic study and, as such, considers that it is important that these costs be accurate. The Commission must, however, weigh the public interest with potential specific harm that may be caused by having the incumbent carriers disclose this information.
39. The Commission notes that disclosure of unit costs for labour, equipment, and third-party supplied services directly provides information to competitors about contracts, either labour or supplier-based, and therefore could result in direct harm to the incumbent carriers in disclosing this information.
40. However, the Commission considers that potential harm is minimized if third-party service acquisition costs are sufficiently aggregated, such that the individual unit costs are not revealed.
41. The Commission considers that other resource unit costs, for example expense costs that are used to calculate both retail and wholesale service costs, may provide direct information related to an incumbent carrier's retail cost studies. The Commission considers, however, that if the expense unit cost is wholesale-specific, this risk is minimal.
42. In light of the above, the Commission determines that labour, capital, and corporate average expense unit costs should generally not be disclosed, service-specific expense resource unit costs should only be disclosed if they are wholesale-specific, and aggregated third-party service acquisition costs should generally be disclosed unless individual third-party service acquisition costs would be disclosed as a result.

c) Corporate cost factors and parameters, financial parameters, and other inputs

43. In a regulatory economic study, corporate cost factors and parameters, financial parameters, and other inputs⁷ are also used to determine certain costs of providing the wholesale service.
44. Bell Canada et al., the Cable carriers, SaskTel, and TCC generally submitted that disclosure of certain corporate cost factors would disclose historical and projected cost changes for equipment and facilities. These incumbent carriers submitted that disclosure of these factors would permit other parties to develop more effective business strategies leading to specific harm to their competitive position.
45. The competitors, supported by MTS Allstream, submitted that corporate cost factors related to historical cost changes have no real competitive value. With respect to corporate cost factors related to projected cost changes, the competitors submitted that disclosure would not competitively disadvantage the incumbent carrier as these factors represent information that is highly aggregated.
46. The Commission notes that corporate cost parameters (with the exception of salvage values), financial parameters, and other inputs are generally currently disclosed.
47. The Commission considers that corporate cost factors, particularly those relating to the rate of technological change, are key inputs to the cost studies and that the additional evidence which could be provided by other parties with respect to these inputs would further contribute to the setting of just and reasonable wholesale service rates. Further, the Commission considers that evidence on the record of this proceeding did not demonstrate specific harm with respect to disclosure of these cost elements.
48. Accordingly, the Commission considers that the public interest in disclosure outweighs any specific harm that could reasonably be expected to result from the disclosure of corporate cost factors and parameters, financial parameters, and other inputs identified in the Appendix to this decision.

d) Service level costs

49. Service level costs are the overall costs for the service expressed on a present worth or per demand unit basis. These costs are generally broken down by several pre-determined cost categories,⁸ for example, billing-related costs, maintenance costs, and switching equipment costs.

⁷ Other inputs are cost inputs such as time estimates and percentage occurrence rates that are typically used to derive the costs of a specific function.

⁸ In regulatory economic studies, these costs are set out in the Detailed Summary of Causal Costs Table – refer to each incumbent telephone company’s regulatory economic studies manual, Appendix D, Table 7.

50. Bell Canada et al., the Cable carriers, SaskTel, and TCC generally submitted that disclosure of service level costs, along with other cost elements, would allow competitors to derive resource unit costs, which in some cases may be equivalent to the resource unit costs used for retail services. These incumbent carriers submitted that this would allow competitors to derive commercially sensitive information related to retail services, resulting in harm to the incumbent carriers.
51. The competitors, supported by MTS Allstream, submitted that service level costs are highly aggregated at a company level over their entire operating territories and in the context of a broad scope of operations and, as such, do not disclose actual annual costs. CNOC submitted that disclosure of service level costs would allow competitors to assess the reasonableness of the cost study results, since these costs provide an indication of the relative weight of the different cost elements as compared to the overall cost study results, which can then be tested against current industry practices.
52. The Commission notes that service level costs are calculated by applying mathematical formulae to cost inputs which generally include multiple resource unit costs, all of which may vary over each year of the study period. The outputs from this process are costs that are aggregated at the service level and expressed on a present worth or per demand unit basis.
53. The Commission considers that disclosure of service level costs does not reveal costs at the individual activity and/or equipment level as the service level costs are sufficiently aggregated across all activities and/or equipment within a cost category.
54. Further, the Commission considers that the combination of activities and/or equipment used for the wholesale service are unlikely to be identical to the incumbent carrier's end-to-end service and that the service level cost information is sufficiently aggregated such that any harm with respect to retail services is minimized. The Commission considers that competitors are unlikely to derive the retail price by reverse engineering wholesale service level costs. The Commission further considers that a service's cost is only one element of a retail pricing strategy.
55. However, the Commission considers that disclosure of service level costs would allow competitors to compare and comment on service level costs between incumbent carriers and to compare relative costs on a service level cost category basis.
56. Accordingly, the Commission considers that the public interest in disclosure outweighs any specific harm that could reasonably be expected to result from the disclosure of service level costs.

III. Should markups be disclosed?

57. In addition to the cost information filed in support of their wholesale services, incumbent carriers apply a proposed markup to the service level costs to determine the proposed wholesale service rate. After assessing the incumbent carrier's cost information and proposed markup, the Commission sets and applies a final markup to the approved service level cost to set the wholesale service rate.

58. Bell Canada et al., the Cable carriers, and TCC submitted that disclosing the markups would reveal the underlying service level cost which would result in harm. The Cable carriers submitted that, as some cost elements are the same or similar to equivalent retail service cost elements, sensitive retail information could be revealed.
59. The competitors, supported by MTS Allstream, submitted that, as there is no harm in revealing the underlying wholesale service level cost, the markups should be disclosed. The competitors submitted that disclosure of the markups would contribute to the determination of just and reasonable wholesale service rates, as markups constitute a significant portion of the overall rates.
60. The Commission agrees that disclosing the markups would reveal the underlying service level costs. However, in light of the determinations above to disclose service level costs, the incumbent carriers' arguments that disclosure of the markups would lead to disclosure of the service level costs are no longer a consideration.
61. The Commission notes that the 15 percent markup included in the rates for wholesale services classified in the essential, conditional essential, public good, and interconnection categories⁹ is already disclosed. While the markups included in the rate for most wholesale services which are classified as conditional mandated non-essential have not generally been disclosed,¹⁰ the Commission notes that the markup for the wholesale residential high-speed access service has recently been filed on the public record by one of the incumbent carriers which indicates that no harm will result in the disclosure of that markup.
62. The Commission considers that disclosure of the markups for the remaining services proposed by incumbent carriers will result in the development of a more complete record as other parties will be able to provide comments on the proposed markups. Further, the Commission considers that the increased transparency resulting from the disclosure of the markups proposed by incumbent carriers and disclosure of the final markups set by the Commission to determine wholesale service rates is in the public interest.
63. Accordingly, the Commission considers that, for all wholesale services, the public interest in disclosure outweighs any specific harm that could reasonably be expected to result from the disclosure of the proposed markups and the final markups.

⁹ In Telecom Decision 2008-17, the Commission assigned existing wholesale services to one of six categories: essential, conditional essential, conditional mandated non-essential, public good, interconnection, and non-essential subject to phase-out. Wholesale services in the non-essential subject to phase-out category are not included in this proceeding as their rates are not, or will not be, subject to prior Commission approval.

¹⁰ Note that for co-location service, which is a conditional mandated non-essential service, the 15 percent markup included in the rates is already disclosed.

IV. When and how should the determinations in this decision be implemented?

64. The Commission notes that there are ongoing wholesale service rate-setting proceedings in various stages of completion.
65. The Commission considers that where the record of an ongoing proceeding is closed, all parties have had the opportunity to request disclosure and have been afforded procedural fairness. The Commission further considers it inefficient to reopen ongoing proceedings where the record is closed. Therefore, the Commission determines that the disclosure guidelines set out in this decision do not apply to cost information submitted in ongoing wholesale service rate-setting proceedings where the record is closed.
66. The Commission notes that where the record of an ongoing proceeding is open, it may receive additional disclosure requests from parties. The Commission considers that any disclosure requests will be guided by subsection 39(4) of the Act, based on evidence submitted by parties and using the disclosure guidelines set out in this decision as the basis for its determinations.
67. With respect to the markup, the Commission determines that the final markup used by it to set wholesale service rates will be disclosed in all future decisions where wholesale service rates are set, including future decisions resulting from any ongoing proceedings.
68. In light of the considerations above, for all new applications filed in support of any wholesale service, the Commission determines that each incumbent carrier is expected to place on the public record, at the time an application is filed or at the time costing information is filed in response to requests for information, all relevant cost information included in its regulatory economic study according to the guidelines included in the Appendix to this decision, including the proposed markup for the service.
69. The Commission notes that for some incumbent carriers, certain cost information identified in the Appendix to this decision is filed in confidence in their regulatory economic studies manuals. Accordingly, the Commission directs Bell Aliant, Bell Canada, MTS Allstream, SaskTel, and TCC to file updates to the company-specific appendices of the regulatory economic studies manuals to disclose the additional information, as identified in the Appendix to this decision **within 45 days of the date of this decision**.
70. The Commission also notes that some incumbent carriers do not file regulatory economic studies manuals. Accordingly, the Commission directs Cogeco, Northwestel, RCI, Shaw, and Videotron to follow the disclosure guidelines as set out in the Appendix to this decision when filing any new application, or at the time costing information is filed in response to requests for information, in support of any wholesale service at the time of the application.

Policy Direction¹¹

71. The Policy Direction requires, among other things, that the Commission rely on market forces to the maximum extent feasible as the means of achieving the policy objectives set out in the Act. The Policy Direction also requires the Commission to regulate, where there is still a need to do so, in a manner that interferes with market forces to the minimum extent necessary to meet these policy objectives.
72. The Policy Direction states that the Commission, in exercising its powers and performing its duties under the Act, shall implement the policy objectives set out in section 7 of the Act, in accordance with paragraphs 1(a), (b), and (c) of the Policy Direction.
73. Consistent with subparagraph 1(a)(i) of the Policy Direction, in all cases where the Commission has maintained regulatory requirements, whether in existing or modified form, it has done so because market forces alone cannot be relied upon to achieve the policy objectives set out in section 7 of the Act. The Commission considers that greater transparency and an increased reliance on competitor expertise when setting wholesale service rates will foster competition and lead to a greater reliance on market forces.
74. Consistent with subparagraph 1(a)(ii) of the Policy Direction, the Commission considers that the regulatory measures approved in this decision are efficient and proportionate to their purpose, and minimally interfere with market forces. In this regard, the Commission considers that guidelines that encourage increased disclosure of cost information and disclosure of the markup contribute to the setting of just and reasonable wholesale service rates, thereby promoting greater competition. In addition, in setting more extensive disclosure guidelines, the Commission has considered potential harm that could reasonably be expected to result from disclosure and balanced that potential harm against the public interest in disclosure.
75. The Commission considers that the policy objectives set out in paragraphs 7(a), (b), (c), (f), and (h) of the Act¹² are advanced by the regulatory measures established in this decision. In particular, the Commission notes that wholesale services are services that competitors use to provide their own retail services. The Commission considers that services provided by competitors bring pricing discipline, innovation,

¹¹ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, P.C. 2006-1534, 14 December 2006

¹² The cited policy objectives of the Act are

7(a) to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;

7(b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;

7(c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications;

7(f) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective; and

7(h) to respond to the economic and social requirements of users of telecommunications services.

and consumer choice to the retail market and that measures established in this decision allow retail services to be provided to consumers by competitors who will have access to just and reasonable wholesale service rates.

76. With respect to subparagraph 1(b)(ii) of the Policy Direction, which requires that regulatory measures that are of an economic nature neither deter economically efficient competitive entry into the market nor promote economically inefficient entry, the Commission considers that the disclosure guidelines contribute to the setting of just and reasonable wholesale service rates which in turn promotes competition.
77. With respect to subparagraph 1(c)(i) of the Policy Direction, which requires that the Commission, to enable it to act in a more efficient, informed and timely manner, should use only tariff approval mechanisms that are as minimally intrusive and as minimally onerous as possible, the Commission considers that guidelines that encourage increased disclosure of cost information will enable competitors to comment meaningfully on the cost information which will provide it with more information on which to base its wholesale service rate-setting determinations. The Commission considers further that, given that cost information is already provided by incumbent carriers, the record of this proceeding did not demonstrate that requiring increased disclosure of the cost information already provided would result in a more onerous tariff approval mechanism.

Other matters

78. Bell Canada et al., CNOC, and Primus proposed measures which would require the incumbent carriers to submit additional detailed cost information to address concerns with respect to the inconsistency of cost information provided by incumbent carriers. The Commission considers that these proposals are outside the scope of this proceeding.
79. In addition, CNOC submitted that a new process involving an independent third-party review of costs should be introduced. The Commission considers that implementing this process would require changes to the Rules of Procedure and, as such, this proposal is outside the scope of this proceeding.
80. As a result of the Commission's determinations in this decision, Broadcasting and Telecom Information Bulletin 2010-961 is being updated to reflect the new disclosure guidelines.

Secretary General

Related documents

- *Confidentiality of information used to establish wholesale service rates*, Telecom Notice of Consultation CRTC 2012-168, 22 March 2012
- *Procedures for filing confidential information and requesting its disclosure in Commission proceedings*, Broadcasting and Telecom Information Bulletin CRTC 2010-961, 23 December 2010, as amended by Broadcasting and Telecom Information Bulletin CRTC 2010-961-1, 25 October 2012
- *Regulatory Economic Studies Manuals – Follow-up proceeding to Telecom Decision 2008-14*, Telecom Order CRTC 2008-237, 25 August 2008
- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008

Disclosure Guidelines

The following table sets out, for each Phase II cost study element, the expected disclosure guidelines.

Cost Study Element	Disclosure Guideline	Cost Category
Financial Parameters and Tax Rates		
Financial Parameters		
After-tax Weighted Average Cost of Capital, Cost of Debt, Debt Ratio, Return on Preferred Equity, Preferred Equity Ratio, Common Equity Ratio	Disclose	Financial Parameters
Tax and Revenue-Percent Charge Rates		
Income Tax Rate, Large Corporations Tax Rate, Capital Miscellaneous Tax Rate, Revenue Miscellaneous Tax Rate, Other Tax Rate (specify), Revenue-Percent Charge Rate	Disclose	Financial Parameters
Study Period		
Study Period	Disclose	Financial Parameters
Demand Estimates		
Year-end or Average In-service Annual Wholesale Demand Forecasts, including In-service Wholesale Demand at the beginning of the study period (by band or speed if applicable)	Disclose, unless forecast reflects demand of less than three competitors	Demand Forecasts
All-Carriers' Year-end or Average In-service Annual Wholesale Demand Forecasts, including In-service Wholesale Demand at the beginning of the study period (by band or speed if applicable)	Do not disclose	Demand Forecasts

Cost Study Element	Disclosure Guideline	Cost Category
Study Cost Results (Present Worth of Annualized Costs (PWAC))		
Expenses Causal to the Service		
Advertising and Promotion	Disclose	Service Level Costs
Billing-related	Disclose	Service Level Costs
Other	Disclose	Service Level Costs
Capital Causal to the Service		
Hardware	Disclose	Service Level Costs
Software	Disclose	Service Level Costs
Capital Causal to Demand		
Outside Plant Equipment	Disclose	Service Level Costs
Switching Equipment	Disclose	Service Level Costs
Transmission Facilities	Disclose	Service Level Costs
Land, Building and Other	Disclose	Service Level Costs
Expenses Causal to Demand		
Maintenance	Disclose	Service Level Costs
Service Provisioning	Disclose	Service Level Costs
Advertising and Sales Management	Disclose	Service Level Costs
Billing	Disclose	Service Level Costs
Other	Disclose	Service Level Costs
Other		
Present Worth of Major Demand Units	Disclose	Service Level Costs
Present Worth of End of Study Value (included in the PWAC)	Disclose	Service Level Costs

Cost Study Element	Disclosure Guideline	Cost Category
Causal Acquisition costs (PWAC) by major third-party service component	Disclose	Service Level Costs
Causal Costs (PWAC) associated with major wholesale service component costs and other imputed costs	Disclose	Service Level Costs
Study Cost Inputs		
Vintage Year of each input data, Annual retrospective and prospective Productivity Improvement Factor (PIF)	Disclose	Corporate Cost Factors
Annual retrospective Capital Increase Factors by Asset Class (CIF)	Disclose	Corporate Cost Factors
Annual prospective Capital Increase Factors by Asset Class (CIF)	Disclose	Corporate Cost Factors
Annual retrospective Expense Increase Factors (EIF)	Disclose	Corporate Cost Factors
Annual prospective Expense Increase Factors (EIF)	Disclose	Corporate Cost Factors
Capital by Major Equipment		
Capital Unit Costs (installed first costs including Equipment Price, Engineering, and Installation Labour)	Do not disclose	Resource Unit Costs
Capacity (if applicable), Survivor Curve, Life Estimate	Disclose	Corporate Cost Parameters
Salvage Value	Disclose	Corporate Cost Parameters
Capital Cost Allowance	Disclose	Corporate Cost Parameters
Working Fill Factors	Disclose	Corporate Cost Factors
Structure and Technology Cost Factors	Disclose	Corporate Cost Factors

Cost Study Element	Disclosure Guideline	Cost Category
Other Capital Cost Loadings (e.g. Warehouse and Distribution)	Disclose	Corporate Cost Factors
Expenses by Major Function		
Corporate Average Operating Expense Unit Costs (e.g. Maintenance and Repair)	Do not disclose	Resource Unit Costs
Service-specific Operating Expense Unit Costs (e.g. competitor digital network (CDN))	Do not disclose unless the expense resource unit cost is wholesale service specific	Resource Unit Costs
Corporate Average Factors (e.g. Information Systems/ Information Technology (IS/IT), Cost of Removal, Marketing and Sales)	Disclose	Corporate Cost Factors
Maintenance and Repair Factors	Disclose	Corporate Cost Factors
Labour Unit Cost by Major Function	Do not disclose	Resource Unit Costs
Time Estimates	Disclose	Other inputs
Percentage Occurrence Rates (% of time function occurs)	Disclose	Other inputs
Acquisition Costs by major third-party service component	Do not disclose unless aggregated such that individual third-party acquisition costs are not disclosed	Resource Unit Costs
Other Expense Factors or Loadings	Disclose	Corporate Cost Factors