



Telecom Order CRTC 2025-195

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Follow-up to Telecom Decision 2023-196 – Review of the approach to rate setting for wholesale telecommunications services – Cable carrier Regulatory Economic Studies Manuals

Summary

Canadians need reliable, affordable, and high-quality telecommunications services for every part of their daily lives.

One of the ways that the Commission helps make telecommunications services more affordable for Canadians is through access to wholesale services. Wholesale services allow competitors to sell services to consumers using the networks of Canada’s largest telephone and cable companies. These companies are known as incumbents. Wholesale services increase competition between service providers and provide consumers with more choice for telecommunications services.

Regarding its frameworks for wholesale services, the Commission, in most cases, sets the wholesale rates that incumbents charge competitors to obtain access. The Commission’s primary approach to setting wholesale rates is the “Phase II” methodology. Under this methodology, the Commission determines wholesale rates using the incremental costs of providing a service over the long run, with the addition of an associated markup to contribute to a company’s fixed and common expenses. This methodology is detailed in the Regulatory Economic Studies Manuals (Manuals) for each company.

In this order, the Commission approves the Phase II Manuals for the cable carriers, subject to the modifications outlined in Appendix B of the Manuals.

Background

1. In Telecom Decision 2008-14, the Commission determined the appropriate expenses to include, and the related approaches and methods for estimating the causal expenses to be included, in Phase II regulatory economic studies for the large incumbent local

exchange carriers (ILECs).¹ The Commission also determined the appropriate capital asset lives² to be used in these studies. The Commission required that each ILEC file for approval certain costing methodologies documented in a Regulatory Economic Studies Manual (Manual), reflecting the determinations in the decision.

2. Pursuant to Telecom Decision 2008-14, each ILEC filed its own Manual for Commission approval. The Manuals were approved in Telecom Order 2008-237. In Telecom Regulatory Policy 2019-69, the Commission directed Northwestel Inc. to file its own Manual for Commission approval, which was approved in Telecom Order 2020-327.
3. Since then, various modifications to the ILEC Manuals and their submission directives were made through Commission decisions and staff letters.³
4. Each company's Manual consists of the following:
 - sections 1.0 to 5.0 and Appendices A to F, describing the Commission's general framework for conducting regulatory economic studies (common Manual component); and
 - company-specific Appendices G through Z, providing the capital and expense methodologies and study parameters, as well as additional documentation pursuant to Telecom Decision 2008-14.
5. Historically, the requirement to file company-specific Manuals only applied to the ILECs. However, in numerous decisions and orders,⁴ the Commission has required Bragg Communications Incorporated, carrying on business as Eastlink; Cogeco Communications Inc., on behalf of Cogeco Connexion Inc.; Québecor Media Inc., on behalf of Videotron Ltd.; and Rogers Communications Canada Inc. (Rogers) [collectively, the cable carriers] to apply the Phase II costing methodology to their

¹ Bell Aliant, a division of Bell Canada; Bell Canada; MTS Allstream (now Bell MTS Inc.); Saskatchewan Telecommunications; and TELUS Communications Inc.

² Capital asset lives refer to the period of time over which an asset is expected to be used by a company to provide service.

³ These directives are outlined in Commission staff letters dated 12 July 2013, 24 July 2013, 13 September 2013, and 30 September 2013. The changes included items such as the required information to support wholesale service tariff applications, the methodologies used to estimate company-specific working fill factors, and the recovery of past introduction costs not fully recovered in prior rate studies.

⁴ Such as Telecom Decision 2016-117 and Telecom Notice of Consultation 2023-56.

wholesale high-speed access services, and in the case of Rogers, to its wholesale domestic roaming service.⁵

6. In Telecom Decision 2023-196, the Commission directed the cable carriers to develop and file company-specific Manuals for the Commission's approval within nine months of the date of the decision.
7. The cable carriers filed their proposed company-specific Manuals on 8 April 2024, which include a common Manual component as well as company-specific Appendices G through Z.
8. On 23 September 2024, the Commission requested additional information regarding the Manuals. Responses to the Commission's requests for information were filed on 8 November 2024.

Commission's analysis

9. The cable carriers filed Manuals that generally follow the approved ILEC Manuals from Telecom Decision 2008-14, as modified through subsequent Commission staff letters. The Commission considers that the cable carrier Manuals should have the same content as the Commission-approved ILEC Manuals, with the exception of the changes approved in this order.
10. The cable carriers proposed a number of deviations from previously approved common Manual components. These deviations are addressed in the sections that follow.

Removing text from the Commission-approved Manual

11. The cable carriers removed certain paragraphs from the Commission-approved Manual, including paragraphs on retail service tariffs and wholesale support structure tariffs. The cable carriers noted that these components are only relevant for ILECs and should not apply to the cable carriers since they do not have any retail service tariffs or wholesale support structure tariffs.
12. The Commission considers that these deviations are appropriate, since the removed paragraphs relate to services that are not offered by the cable carriers.

⁵ As per Telecom Regulatory Policy 2015-177.

Adding text to the Commission-approved Manual

13. The cable carriers added text on treatment of the capacity cost method⁶ and working fill factors⁷ (WFFs) in the Manual and Appendix B. This text consisted of a “Quality of Experience” factor. The cable carriers submitted that this additional factor results in WFFs that more accurately reflect the way the cable carriers’ networks are provisioned.
14. The Commission is of the view that these proposed deviations should be considered during the follow-up proceeding on the Commission’s directives regarding the information and calculations to be used in rate-setting studies. Accordingly, the Commission directs the cable carriers to remove these proposed deviations in their Manuals and Appendix B.

Inconsistencies and omissions in certain company-specific appendices

15. In Telecom Decision 2023-196, the Commission stated that it would be important and necessary to hold a follow-up proceeding to determine whether its existing directives regarding the information and calculations to be used in rate-setting studies are adequate or require future revision. The Commission also stated that the appropriate time for such a follow-up proceeding would be after the receipt and approval of the cable carriers’ Manuals, since this would allow the Commission to identify key issues for consideration in that proceeding.
16. The Commission notes that these appendices⁸ contain company-specific calculations, details, and procedures that are often dependent on the tools and information sources available to and specific for each company. The inclusion of this company-specific information is consistent with the approach used for the ILECs in Telecom Order 2008-237 and for Northwestel Inc. in Telecom Order 2020-327. The Commission notes that company-specific information has not been subject to the Commission’s approval, consistent with Telecom Order 2008-237.⁹ Accordingly, the Commission does not take issue with this company-specific information at this time, including the calculations and procedures documented in the regulatory economic studies.
17. The Commission further notes that, consistent with the process of analysis for each regulatory economic study by each company, the inputs and parameters are analyzed

⁶ The capacity cost method is used to estimate the capital cash flows associated with the use of a shared facility.

⁷ The use of the capacity cost method requires an estimation of utilization (fill factor) associated with a shared facility.

⁸ Appendices G, H, I, K, L, P, R, S, T, U, W, X, and Y.

⁹ Telecom Order 2008-237 indicated that the other company-specific appendices were out of scope. The issues reviewed were limited to expense inclusions and life estimates of assets.

on a study-by-study basis. The applicability and reasonableness of these company-specific inputs are analyzed on their own merit with each individual costing submission. Furthermore, some items contained in these appendices, such as WFFs, are often raised in various Commission proceedings separate from the Manual review. These matters will be reviewed as part of a future proceeding on the Phase II cost components, as outlined in Telecom Decision 2023-196. For the remaining company-specific appendices,¹⁰ the Commission has not identified any issues and therefore approves them.

Conclusion

18. The Commission considers that the cable carrier Manuals should have the same content as the Commission-approved ILEC Manuals, with the exception of the changes approved in the appendix to this order. The Commission directs the cable carriers to remove their proposed deviations to the Commission-approved capacity cost method and WFFs in their Manuals and Appendix B. The Commission also directs the cable carriers to make the minor adjustments to their Manuals outlined in the appendix to this order.
19. In light of the above, the Commission directs the cable carriers to file updated Manuals by **2 September 2025**. Subject to these directions, the Commission approves the common Manual component of the cable carriers' Phase II Manuals. The Commission also approves the company-specific Appendices J, M, N, O, Q, V, and Z, except for the information¹¹ in the tables to Appendix V, which contain data that is periodically updated by the companies.

Secretary General

Related documents

- *Review of the approach to rate setting for wholesale telecommunications services*, Telecom Decision CRTC 2023-196, 7 July 2023
- *Notice of hearing – Review of the wholesale high-speed access service framework*, Telecom Notice of Consultation CRTC 2023-56, 8 March 2023, as amended by Telecom Notices of Consultation CRTC 2023-56-1, 11 May 2023;

¹⁰ Appendices J, M, N, O, Q, V, and Z.

¹¹ Appendix V has two separate components. The main body of Appendix V details the frequency of updates to company-specific unit costs, factors, and parameters. The other component, the tables to Appendix V, contains numerous costing inputs, parameters, factors, and unit costs. These tables to Appendix V are updated periodically by the companies as new information is developed. When updates or revisions are made to the tables in Appendix V, the companies do not seek the Commission's approval. The Commission can, however, review the revised values when they are used in company-specific costing submissions to see if they are appropriate.

2023-56-2, 4 July 2023; 2023-56-3, 6 November 2023; and 2023-56-4, 8 April 2024

- *Application of the Commission's determinations set out in Telecom Decision 2008-14 to Northwestel Inc.: development of a Regulatory Economic Studies Manual and company-specific appendices*, Telecom Order CRTC 2020-327, 8 September 2020
- *Application of the Commission's determinations set out in Telecom Decision 2008-14 to Northwestel Inc.*, Telecom Regulatory Policy CRTC 2019-69, 11 March 2019
- *Review of costing inputs and the application process for wholesale high-speed access services*, Telecom Decision CRTC 2016-117, 31 March 2016
- *Regulatory framework for wholesale mobile wireless services*, Telecom Regulatory Policy 2015-177, 5 May 2015
- *Regulatory Economic Studies Manuals – Follow-up proceeding to Telecom Decision 2008-14*, Telecom Order CRTC 2008-237, 25 August 2008
- *Regulatory policy – 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

Appendix to Telecom Order CRTC 2025-195

Summary of the Commission’s adjustments to proposed cable carrier costing Manuals

Manual reference	Proposal from cable carriers	Commission’s determination	Rationale
Paragraph 1-1	Proposed removal of the text “or price reduction.”	No adjustment is required.	The text refers to price reductions regarding retail rate regulated tariffs, the need to reduce prices, and associated cost studies (price floor tests), which is not applicable to the cable carriers.
Paragraph 1-2	Proposed removal of the text “or Commission staff” from the sentence “Regulatory economic studies are developed in accordance with generally accepted economic concepts and methods and incorporate the prospective incremental costing principle and methodologies set out in Decision 79-16, as amended in subsequent Commission or Commission staff determinations described in this manual.”	Revert to the text in the Commission-approved Manual.	Commission staff may at times update the Manual, appendices, and tables when appropriate. For example, the Commission staff letter dated 30 September 2013, directed the ILECs to file updated Manuals, appendices, and tables.
Paragraph 3-20	Proposed removal of the text “switching equipment” from the sentence “When a new service, a rate reduction, or a change in the service functionalities	No adjustment is required.	In response to a request for information from the Commission, the cable carriers indicated that

	is introduced, the provisioning requirement of customer premises equipment, access facilities, switching equipment, inter office facilities, or other hardware and software used to determine the capital expenditure impacts are identified.”		they do rely on equipment that routes and directs packets which could be associated with switching equipment as a category and reverted to text in the Commission-approved Manual.
Paragraphs 2-1 to 2-15, 2-18 to 2-32, 3-10, 3-11, 3-61, 3-62	Proposed removal of several paragraphs relating to price floor tests, retail service tariffs, and blended expenses.	No adjustment is required.	These paragraphs are not applicable to the cable carriers.
Paragraph 3-9	Proposed inclusion of the text “geography.”	No adjustment is required.	The word “geography” was included in the revised wording to replace “exchange” which is a term that does not apply to cable networks.
Paragraph 3-43	Proposed inclusion of the text “If information is not available to develop the explicit costs of these facilities.”	Revert to the text in the Commission-approved Manual.	The wording in the approved Manuals already allows for the use of a proxy when it is inappropriate to explicitly estimate the casual costs of the facility.
Appendix B	Proposed inclusion of a revised capacity cost method.	Revert to the text in the Commission-approved Manual.	The Commission considers that adjustments to the capacity cost method should be

			considered in a future proceeding on the various costing components used in rate-setting studies.
Appendix S and T (Rogers Communications Canada Inc. [Rogers] only)	Rogers' Appendix S and Appendix T did not include the tariffs for one-way domestic wireless roaming service in Appendix S and Appendix T.	Include the tariff for one-way domestic wireless roaming service in Appendix S and Appendix T.	As tariffs relating to one-way domestic wireless services are still in place and have not been withdrawn, Rogers should include the tariffs in Appendix S and T.