



Telecom Order CRTC 2009-731

Ottawa, 27 November 2009

Review of the large incumbent local exchange carriers' support structure service rates – Requests from cable carriers

File number : 8690-C12-200910408

In this order, the Commission directs each incumbent local exchange carrier to file updated support structure costs on the public record, in the format set out in the Appendix.

Introduction

1. The Commission received an application by Bragg Communications Inc., The Canadian Cable Systems Alliance Inc., Cogeco Cable Inc., Rogers Communications Inc., Shaw Communications Inc., and Quebecor Media Inc. on behalf of its affiliate Videotron Ltd. (collectively, the cable carriers), dated 2 September 2009, requesting certain modifications to some of the information provided in the proceeding initiated by Telecom Notice of Consultation 2009-432. Specifically, the cable carriers requested that
 - Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), Bell Canada, MTS Allstream Inc. (MTS Allstream), Télébec, Limited Partnership (Télébec), and TELUS Communications Company (TCC) (collectively, the incumbent local exchange carriers or ILECs) be required to remove certain interrogatory responses from the record; and
 - the ILECs be required to file, without any claim for confidentiality, cost information for pole, strand, and conduit throughout their incumbent serving areas that both complies with the methodology established in Telecom Decision 95-13 and is consistent with the template provided in Attachment A to the cable carriers' application.
2. The cable carriers requested that, in the alternative, the Phase II cost information identified in Table 2 of their application be removed from the record of this proceeding and that the ILECs be directed to file, without any claim for confidentiality, the missing cost information shown in Table 3 of their application.
3. The Commission received a supplementary application by the cable carriers, dated 11 September 2009, requesting that the Commission rule on their request to disclose on the public record the detailed cost information identified in Attachment A to their 2 September 2009 application – that is, each ILEC's historical and current estimates for each of the cost elements and allocation factors, consistent with the pricing methodology established in Telecom Decision 95-13.

4. The Commission received comments from Bell Aliant, Bell Canada, and Télébec (collectively, Bell Canada et al.), MTS Allstream, TCC, and Xittel Telecommunications Inc. (Xittel). The public record of this proceeding is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.
5. The Commission has identified the following five issues to be addressed in its determinations:
 - I. Should the ILECs be required to provide cost information that is consistent with the methodology specified in Telecom Notice of Consultation 2009-432, and should the Commission remove from the record of the proceeding the ILECs' cost information that is not consistent with that methodology?
 - II. Should the ILECs be required to provide the cost information specified in Telecom Notice of Consultation 2009-432 on the public record?
 - III. Should the Commission require that support structure rates be uniform across the ILECs instead of company-specific?
 - IV. Should the ILECs be required to file province-specific costs?
 - V. Should the Commission finalize the rates it made interim in Telecom Notice of Consultation 2009-432?

I. Should the ILECs be required to provide cost information that is consistent with the methodology specified in Telecom Notice of Consultation 2009-432, and should the Commission remove from the record of the proceeding the ILECs' cost information that is not consistent with that methodology?

6. The cable carriers noted that in Telecom Notice of Consultation 2009-432, the Commission found that the pricing methodology that applies to the ILECs' support structure rates is the one that was established in Telecom Decision 95-13. The cable carriers, supported by Xittel, submitted that there are significant gaps between the cost information required for the review of support structure rates in a manner consistent with the Telecom Decision 95-13 methodology, and the cost information provided by the ILECs in the proceeding.
7. The cable carriers further submitted that the ILECs had used the interrogatory process as an opportunity to introduce costing information based on a pricing methodology that differs from that applied in Telecom Decision 95-13. They submitted that much of the information in the ILECs' responses is irrelevant and requested that such information be removed from the record of the proceeding.
8. Bell Canada et al. submitted that assessing the cost of support structure services on an embedded basis would not provide any meaningful results and that the relevant comparison should be on the basis of Phase II costs.

9. TCC submitted that based on the Commission's recognition that Phase II costs are relevant to the rates for support structures, the Phase II cost information it had filed is relevant and should be taken into account for the review of support structure rates.
10. MTS Allstream stated that it did not oppose filing a current cost study for support structures consistent with the Telecom Decision 95-13 methodology but indicated that it would require six weeks to provide the information.
11. The Commission notes that the Phase II costs provided by Bell Canada et al. and TCC include the Phase II capital and capital-related costs associated with the structures themselves.
12. In Telecom Notice of Consultation 2009-432, the Commission indicated that, consistent with Telecom Decision 95-13, the pricing methodology for the ILECs' support structures requires that the service rates must, at a minimum, exceed the causally attributable prospective incremental costs¹ and make a reasonable and appropriate contribution to the ILECs' fixed structure costs, calculated on an embedded basis.
13. The Commission notes that the ILECs' support structure tariffs specify that the ILECs have priority access to their support structures to meet their current and anticipated future needs, which means that the ILECs will provide access to a competitor only if space is available and with no requirement to add new structures. As a result, the pricing methodology for the ILECs' support structure excludes the Phase II capital and capital-related costs associated with the structures themselves.
14. In light of the above, the Commission determines that the ILECs are to provide cost information that is consistent with the methodology specified in Telecom Notice of Consultation 2009-432, to the extent set out below. The Commission directs each ILEC to file, by 18 January 2010,
 - historical costs, where available, and updated costs,² by type of support structure and in the format provided in the Appendix to this order;
 - the associated proposed revised rates, consistent with the pricing methodology specified in Telecom Notice of Consultation 2009-432;
 - economic cost studies to support the annualized prospective incremental costs associated with loss of productivity, administration, and other activities performed to serve the requirements of support structure service customers, as applicable; and
 - supporting assumptions and methodologies for the ILEC's calculations.

¹ Referred to as “causally attributable Phase II costs” in Telecom Decision 95-13.

² Current cost information is to be provided for each ILEC's operating territory. If an ILEC proposes support structure costs and rates at a level that differs from its total operating territory, the ILEC is to provide the necessary justification for doing so.

15. The Commission also agrees with the cable carriers' view that a significant amount of the cost information filed by the ILECs is not relevant to the proceeding. However, the Commission notes that there are administrative complexities associated with removing this information from the record. The Commission notes that in arriving at its decision it will not take into account information on the record that is beyond the scope of this proceeding or is otherwise irrelevant.
16. Accordingly, the Commission does not consider it necessary to remove certain ILEC cost information from the record of this proceeding.

II. Should the ILECs be required to provide the cost information specified in Telecom Notice of Consultation 2009-432 on the public record?

17. The cable carriers, supported by Xittel, requested that the Commission direct the ILECs to disclose on the public record their historical and current estimates for each of the cost elements and allocation factors, consistent with the Telecom Decision 95-13 methodology. They submitted that no competitive harm would result from the disclosure since the ILECs do not compete with any entity in the provision of support structure services.
18. The cable carriers also submitted that it is in the public interest to require disclosure that would permit the public to participate meaningfully in the development of the evidentiary record in this proceeding.
19. Bell Canada et al. submitted that placing the requested information on the public record would allow existing and potential competitors to formulate more effective business plans and marketing strategies, which would prejudice Bell Canada et al.'s competitive position and cause specific direct harm.
20. TCC noted that it had many different and complex arrangements for support structures and submitted that public disclosure would negatively affect its ability to maintain favourable arrangements for these services. TCC also submitted that support structures, as a general category, are subject to competitive supply and that there was no justification for the Commission to enact disclosure requirements for support structures that are different from other wholesale services.
21. The Commission notes that requests for disclosure of information for which confidentiality has been claimed are addressed in light of sections 38 and 39 of the *Telecommunications Act* and section 19 of the *CRTC Telecommunications Rules of Procedure*. In evaluating a request, an assessment is made as to whether any specific direct harm is likely to result from the disclosure of the information in question. Further, in order to justify a claim of confidence, any such harm must be sufficient to outweigh the public interest in disclosure.
22. The Commission notes that support structures are not provided on a competitive basis. In Telecom Decision 2008-17, the Commission stated that it would not be in the public interest to engage in the construction of duplicate support structures because it would result in the inefficient use of public and private resources and would be an inconvenience to the public.

23. The Commission considers that given the level of aggregation at which cost information is to be provided as set out in the Appendix, disclosure of the information in question would not materially affect TCC's ability to maintain favourable arrangements for support structures.
24. In light of the above, the Commission finds that any specific direct harm that the ILECs might suffer if the information in question were disclosed is not sufficient to outweigh the public interest in disclosure.
25. Accordingly, the Commission directs the ILECs to disclose on the public record all of the cost information required by paragraph 14 above.

III. Should the Commission require that support structure rates be uniform across the ILECs instead of company-specific?

26. MTS Allstream submitted that the rates for support structure services should continue to be uniform across all carriers because, in its view, support structure costs should not differ materially from carrier to carrier.
27. The Commission notes that in Telecom Decision 2008-14, it recognized the use of company-specific costing for regulatory purposes.
28. In light of the above and consistent with its view expressed in Telecom Notice of Consultation 2009-432, the Commission anticipates that any revised support structure rates would be company-specific.

IV. Should the ILECs be required to file province-specific costs?

29. Xittel submitted that because of significant changes in circumstances in Quebec and Ontario since Telecom Decision 95-13, it might be more appropriate to set rates on the basis of provincial boundaries. It requested that the Commission direct Bell Aliant in the operating territories of Ontario and Quebec, and Bell Canada, to submit costs specific to each of these provinces.
30. The Commission notes that, consistent with Telecom Decision 2008-14, regulatory cost studies filed in support of regulated service prices are expected to be based on company-average costs over an ILEC's operating territory.³
31. In light of the above, the Commission considers that it is neither necessary nor appropriate to require Bell Aliant and Bell Canada to file province-specific costs.

³ If an ILEC proposes company average costs at a level that differs from its total operating territory, the ILEC is to provide the necessary justification for doing so.

V. Should the Commission finalize the rates it made interim in Telecom Notice of Consultation 2009-432?

32. Xittel submitted that the ILECs have delayed the proceeding by making it more complicated than it needs to be. It requested that the Commission finalize the support structure rates it had made interim in Telecom Notice of Consultation 2009-432.
33. The Commission notes that it approved the ILECs' existing support structure service rates on an interim basis on 21 July 2009. The Commission considers that the proceeding has not been unduly long.
34. In light of the above, the Commission considers that it is neither necessary nor appropriate to finalize the support structure rates at this time.

Secretary General

Related documents

- *Call for comments – Review of the large incumbent local exchange carriers' support structure service rates*, Telecom Notice of Consultation CRTC 2009-432, 21 July 2009, as amended by Telecom Notice of Consultation CRTC 2009-432-1, 20 August 2009
- *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
- *Access to telephone company support structures*, Telecom Decision CRTC 95-13, 22 June 1995

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>

Support Structure Costing Template
(For each pole, conduit, and strand* support structure)

Embedded and net embedded costs per unit (year-end 2008)

Embedded cost (book value or original cost)	\$XX
Net embedded cost (NBV) [used for determining capital carrying costs]	\$XX

(1) **Annual embedded costs per unit** (2008)

Depreciation		\$XX
Maintenance		\$XX
Removal		\$XX
Salvage		\$XX
Capital taxes		\$XX
Other taxes		\$XX
Revenue charge		\$XX
Debt interest		\$XX
Return on equity		\$XX
Income tax expense		\$XX
Other costs (specify)		\$XX
Total annual embedded cost	(A)	\$XX
Allocation factor**	(B)	XX%
Embedded cost per unit	(C) = (A) x (B)	\$XX
Number of units	(D)	XX
Total embedded cost	(E) = (C) x (D)	\$XX
(2) Annualized prospective incremental costs (AEC)		
Loss in productivity costs	(F)	\$XX
Administration costs	(G)	\$XX
Other costs (specify)	(H)	\$XX
Total annualized prospective incremental costs	(I) = (F) + (G) + (H)	\$XX
(3) Total costs		
Number of licensees	(J) = (E) + (I)	\$XX
Total cost per licensee	(K)	\$XX
	(L) = (J) / (K)	\$XX

* If embedded cost information is unavailable, an ILEC is to provide on the public record its alternative approach to assessing that embedded cost, including the methodology, assumptions, and values used in determining the cost inputs, with supporting rationale, and the resulting costs.

** Allocation factor represents the proportion of the costs per unit to be assigned to each licensee and should reflect assumptions associated with percent communication space (for poles), percent utilization (for poles, strands, and conduit), joint use, and joint ownership, as appropriate. The methodology, assumptions, and values (e.g. percent communication space, percent utilization, and pole height distribution) used in determining the contribution factor, with supporting rationale, are to be provided on the public record. For poles, percent utilization should take into account that a licensee could have several attachments even though the licensee would only be charged for one rental pole unit.

Note: For each line where a cost input is provided, the methodology, assumptions, and values used in determining the cost input, with supporting rationale, are to be provided on the public record.