

Secretary General

Canadian Radio-television and Telecommunications Commission

Ottawa, Ontario K1A 0N2

Re: Telecom Notice of Consultation CRTC 2023-56

Review of the wholesale high-speed access service framework

Response to Request for Information dated December 5, 2025

Given the importance of rate setting to support both investment and affordability, it is necessary to develop a strong record so that a fact-based decision regarding all aspects of the wholesale HSA rate, including the markup, can be made.

Mark-ups are primarily designed to cover fixed common costs and the embedded cost differential not otherwise captured by the incremental costing method. (Telecom Decision 2002-34)

In setting the mark-up, the Commission has considered various factors, including:

- Consistency: Whether the mark-up is consistent with other mark-ups (Telecom Decision 92-12; Telecom Regulatory Policy 2011-704; Telecom Decision 2013-73);*
- Competition: Whether the markup provides the appropriate incentives for competitive entry (Telecom Decision 2000-745); and*
- Investment: Whether there is an appropriate means of incentivizing investment in network infrastructure (Telecom Regulatory Policy 2010-632; Telecom Regulatory Policy 2011-703);*

The mark-up for wholesale HSA services has historically been set at 30%. Some parties made submissions to increase the mark-up to 40%. In order to ensure a complete record, parties are requested to provide the following:

- 1) Provide your views on whether the 30% markup should be maintained or changed, with supporting evidence for your position.*

ANSWER

1. The Canadian Anti-Monopoly Project (CAMP) submits this response to the Commission's Request for Information dated December 5, 2025. CAMP is a non-profit organization dedicated to promoting competitive markets across the Canadian economy.
2. We argue the Commission should reduce the markup for all wholesale HSA services and reject any proposal to increase it, including proposals for 40% markups on FTTP and 50% markups on XGS-PON speeds.

The Competitive Imbalance is Already Severe

3. The current wholesale rate structure does not create the conditions for sustainable competition because incumbents are already pricing service below the wholesale rate. Bell Canada currently offers retail 1.5 Gbps service for \$45 per month on a two-year term, while the interim wholesale access rate for equivalent AWHSA-FTTP service is \$68.94 per month - before accounting for capacity-based billing charges of \$64.24 per 100 Mbps.¹ Any proposal to increase the markup would widen this gap and further hamper service-based competition.
4. Incumbent and cable-based carriers now collectively hold 94% of the wireline retail market, while wholesale-based competitor market share declined from 8.2% in 2019 to 5.8% in 2023.² This proceeding was initiated to address declining competitive intensity in the wholesale market.³ Increasing the markup would further entrench incumbent dominance.

The Purpose of Markup: Fixed Common Costs, Not Investment Risk

5. The Commission's letter identifies three considerations for markup: consistency with other markups, competition incentives, and investment incentives. However, these policy considerations must be grounded in the original purpose of markups established in Telecom Decision 2002-34: to recover (1) fixed common expenses, "such as the ongoing corporate overhead costs that do not vary with the company's offering of services"; and (2) the embedded cost differential, being "the difference between embedded costs and Phase II current costs."⁴
6. Despite this clear framework, the Commission has gradually been persuaded to treat markups as policy levers for incumbent benefit rather than cost recovery mechanisms. The 2010 supplementary markup for FTTN was justified by "investment risk" - a concept absent from TD 2002-34.⁵ In Telecom Order 2019-288, the Commission found that this rationale was "no longer supported" and removed the supplementary markup.⁶ In Telecom Decision 2021-181, the Commission confirmed this removal, noting that "parties did not contest that the 10% supplementary markup should be removed."⁷ Now incumbents seek to extend this rejected precedent to FTTP, proposing tiered markups up to 50% based on speed rather than demonstrable increases in fixed common costs.

The Investment Risk Argument is Circular

¹Bell Canada retail pricing, <https://forums.redflagdeals.com/bell-gigabit-fibe-1-5-45-mo-3-55-mo-internet-promo-ftth-2794877/>, accessed 22 December 2025; Interim rates per Telecom Decision CRTC 2023-358, Appendix; Telecom Order CRTC 2024-261, Appendix 2.

²CRTC, Communications Market Reports Open Data, Supplementary Table 5: Wireline retail telecommunications revenue market share by type of service provider, 2015-2024.

³Telecom Notice of Consultation CRTC 2023-56, para 18.

⁴Telecom Decision CRTC 2002-34, 30 May 2002, para 204.

⁵Telecom Regulatory Policy CRTC 2010-632, 30 August 2010, para 46.

⁶Telecom Order CRTC 2019-288, 15 August 2019, para 308.

⁷Telecom Decision CRTC 2021-181, 27 May 2021, para 349.

7. Incumbents justify higher markups for XGS-PON by citing "low demand forecasts" and "significant risk in terms of customer uptake."⁸ But this argument is self-fulfilling. Higher markups translate to higher wholesale rates, which make it uneconomical for competitors to offer high-speed services, suppressing wholesale demand. Incumbents then cite this suppressed demand as evidence of "investment risk" requiring even higher markups. The proposal to apply a higher markup amounts to resurrecting an approach the Commission has explicitly rejected.

XGS-PON is an Overlay, Not New Infrastructure

8. The tariff record contradicts the claim that XGS-PON requires markup-justifying investment risk. Incumbent cost studies acknowledge that "XGS-PON was deployed on top of the GPON technology to provide higher speeds without significantly altering the underlying access network architecture or replacing the entire existing network infrastructure."⁹ The XGS-PON "overlay" consists of upgrading central office electronics and adding dedicated splitters - incremental equipment costs that are already captured in Phase II through depreciation.
9. Moreover, incumbent cost methodology "does not include utilization of the Company's pre-existing feeder fibre network" because this infrastructure is already deployed.¹⁰ The underlying fibre is treated as a sunk cost. The "millions of dollars" incumbents claim for XGS-PON overlay equipment do not justify inflating the markup - these technology-specific costs belong in Phase II, not in a markup designed for fixed common costs. The current proposals repeat the pattern of seeking technology-specific exceptions without demonstrating that fixed common costs have actually increased. The burden should be on incumbents to justify any departure from the established 30% rate with quantitative evidence, not assertions of investment risk.

The Incumbents Can Recover their Costs in Other Ways

10. The Commission has also taken other measures to ensure that incumbent carriers are compensated for their fixed costs.
11. Incumbents benefit from a regulatory framework that grants them a five-year exclusivity period on new network infrastructure before any wholesale access obligations apply. In TRP 2024-180, the Commission determined that "a five-year head start would provide additional incentive for the incumbents to invest in areas where they have not yet built FTTP by giving them an opportunity to more rapidly recoup their initial investments."¹¹ During this substantial window, incumbents have the exclusive opportunity to serve all customers in newly built or upgraded areas, allowing them to recover fixed costs without any wholesale competition on their network. This head start provides incumbents

⁸TELUS Communications Inc., Tariff Notice 601/672, Attachment 1, 30 April 2025, para 26.

⁹TELUS Communications Inc., Tariff Notice 601/672, Attachment 1, 30 April 2025, para 3.

¹⁰Ibid., para 62.

¹¹Telecom Regulatory Policy CRTC 2024-180, 12 August 2024, para 54.

with first-mover advantages including the ability to capture the most profitable early adopters, establish customer relationships and bundle packages, and generate uncontested revenue streams during the critical early years when subscriber adoption is highest.

12. By the time wholesale obligations take effect, incumbents have already had half a decade (or more) to amortize their infrastructure investments. The current regulatory framework already makes ample provision for incumbents to earn a reasonable return - through this mandated exclusivity period, through bundled service revenues unavailable to wholesalers,¹² and through the existing 30% markup. Any proposal to increase the markup to 40% would compound these advantages, effectively rewarding incumbents multiple times for the same fixed costs.

Higher Markups Harm Competition

13. The Commission has already determined that higher markups harm competition. In TD 2013-73, the Commission found that "higher business wholesale HSA service rates resulting from greater markups artificially favour the incumbents" and "interfere with the operation of competitive forces" in the retail market "to a greater extent than necessary."¹³
14. AWHSA services were confirmed as essential services in Telecom Regulatory Policy 2024-180.¹⁴ The Commission has historically applied lower markups to essential services. For example, in Telecom Decision 2008-17, the Commission applied a 15% markup to ILEC essential and conditional essential services.¹⁵ Proposals to increase the markup for AWHSA - now confirmed as essential - run counter to this policy trajectory.

Fixed Common Costs Should Be Declining, Not Markups Increasing

15. In Telecom Decision 2000-745, the Commission stated that "in a competitive local environment, the ILECs' fixed and common costs will decline as a result of increased operational efficiencies due to outsourcing, increased automation, and various other factors."¹⁶ Despite this expectation, the markup for wholesale HSA services has remained at 30% for over two decades.
16. Incumbents have publicly announced significant operational efficiencies from AI-powered software modernization and cloud services. Bell Canada reported a 75% increase in software delivery productivity and a 25% reduction in customer reported issues through its Google Cloud partnership.¹⁷ Any

¹²TELUS Communications Inc., Tariff Notice 601/672, Attachment 1, 30 April 2025, para 27.

¹³Telecom Decision CRTC 2013-73, 21 February 2013, para 32.

¹⁴Telecom Regulatory Policy CRTC 2024-180, 13 August 2024, para 30.

¹⁵Telecom Decision CRTC 2008-17, 3 March 2008.

¹⁶Telecom Decision CRTC 2000-745, 30 November 2000, para 67.

¹⁷Bell Canada, "Bell Canada launches AI-powered network operations solution built on Google Cloud," PR Newswire, 10 December 2024.

proposal to increase the markup contradicts the Commission's own expectation that fixed common costs should be declining, not increasing.

Recommendation

17. For the foregoing reasons, CAMP recommends that the Commission:

- (a) Reject the incumbents' proposal to increase the markup to 40%;
- (b) Impose a lower mark-up in light of the other advantages already conferred on incumbents, including through the mandated head-start;
- (c) Require parties seeking any markup change to provide quantitative evidence of investment harm, not merely assertions of investment risk.

Yours truly,

Keldon Bester

Executive Director

Canadian Anti-Monopoly Project

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