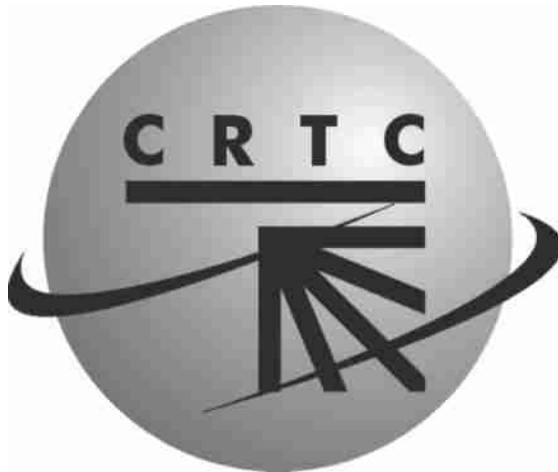


# Canadian Radio-television and Telecommunications Commission



## Performance Report

For the period ending  
March 31, 2005

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Liza Frulla  
Minister of Canadian Heritage



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## Executive Summary

The CRTC maintains the important function of regulating and supervising/monitoring the broadcasting and telecommunications industries with a view to implementing the objectives set out in the *Broadcasting Act* and *Telecommunications Act*. Each year, the Commission examines activities occurring in broadcasting and telecommunications and undertakes the task of determining what measures are necessary in order to encourage industry advancement in a manner that is in keeping with the CRTC mandate.

This year's report identifies the specific actions the CRTC took to implement its policies. These include: **Cultural Prosperity** — increased availability of Canadian content and programming that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics; **Economic Prosperity** — a sustainable, competitive Canadian communications industry; **Social Prosperity** — increased access to a variety of innovative, high-quality communications services at reasonable prices, that meet consumers' needs and reflect their values; and **Equity and Fairness** — Commission processes that are fair, transparent and effective.

For each task the CRTC undertook, a primary concern was to balance the objectives of the Acts with the needs and desires of Canadians as well as those of the communications industries. For instance, the Commission continued to foster the reflection of Canada's linguistic duality and cultural diversity, increase the provision of closed captioning for persons who are hearing impaired and descriptive video for persons who are visually impaired, and ensure protection from excessive violence in broadcast media. The CRTC sought to ensure that its policy directions for the Canadian broadcasting and telecommunications industries kept pace with emerging technology and supported directions such as increased competition in local telephone markets.

Canada's broadcasting system is one of the most open and advanced broadcasting systems in the world — one that can be characterized by its many successes. These successes include: giving Canadians access to hundreds of broadcasting services regardless of where they live; providing Canadians with ever-increasing choices in niche programming; embarking on the transformation of the Canadian broadcasting system to digital technology; establishing policies and regulations to ensure that broadcasting services are available in both official languages throughout the country; and making important cultural and economic contributions to Canada. In spite of these successes, the Commission also recognizes that there are challenges facing the broadcasting industry. Some of the key challenges include increased access to a wide variety of services from around the world, while also fostering a financially viable and culturally important Canadian system. From a social standpoint, the broadcasting system must ensure that it meets the needs of all Canadians, reflects Canada's changing cultural diversity, and is more accessible to people with visual and hearing impairments. As well, the system must continue to build on its technological successes and keep pace with changing technologies.

The Commission wants Canadians to have access to the best possible local telecommunications services at affordable prices and to have a healthy telecommunications industry that gives Canadians the most advanced telecommunications infrastructure and services.

As part of its streamlining initiative, the Commission implemented a state-of-the-art, secure, web-based data collection system to improve the way in which information is collected and allow for information sharing amongst government departments, which reduces duplicate efforts.

A successful regulatory environment comes from understanding the perspectives of Canadians along with the industries we regulate and finding a balance that will enable all parties to effectively meet their goals. The resulting report represents a concise look at the policies, decisions and guidelines of the past year in broadcasting and telecommunications. The Commission has initiated a number of processes in order to increase the efficiency and effectiveness of its regulatory regime and allow it to improve its ability to respond to the needs of the broadcasting and telecommunications industries, and to Canadian consumers. While progress is being made, we will continue to outline where regulation, monitoring, change and forbearance are needed to reflect the times, improve these industries and facilitate competition, resulting in a better broadcasting and telecommunications environment for all Canadians.

**SECTION I:**  
**Overview**







Ottawa, Canada K1A 0M5

## Minister's message

**A**s Minister of Canadian Heritage and Minister responsible for Status of Women, I am proud to present this Departmental Performance Report (2004-2005) for the Canadian Radio-television and Telecommunications Commission (CRTC) to Parliament and to all Canadians. This report details how the CRTC has worked toward its goals and objectives over the past year, and indicates how it has contributed to a more cohesive and creative Canada.



**A**n essential part of the Canadian Heritage Portfolio, the CRTC regulates and supervises the Canadian broadcasting system and telecommunications industry to ensure a strong Canadian presence on our airwaves. The Commission facilitates the creation of high-quality programming, and strives to adopt processes that balance the needs of Canadians with those of the industries it regulates.

**I** am pleased to be able to count on the support and commitment of Crown corporations and Agencies, like the CRTC, to help carry out the many responsibilities of this Portfolio, which include increasing the cultural vitality of our communities, preserving our multicultural heritage, promoting our official languages, ensuring equal opportunity, and strengthening Canada's cultural sovereignty.

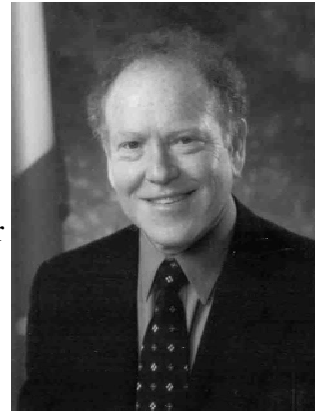
**T**ogether, we ensure that citizens of all ages can make the most of their creativity, talent and skills, so that our entire society can benefit. Together, we work to make Canada a prosperous country, distinguished by its diversity, cultural vitality, and spirit of innovation.

Liza Frulla



## Chairperson's Message

Our activities in 2004-2005 were determined by our mandate, as outlined in the *Broadcasting Act* and *Telecommunications Act*, to regulate and supervise Canada's broadcasting system and to regulate telecommunications services in Canada in a manner that contributes to the objectives set out in the legislation. These activities were set out in our Three-Year Work Plan and in our Report on Plans and Priorities issued at the start of the year. As our activities are to a large extent driven by applications that are filed with us, our priorities reflect the needs of Canadians and of the industries we regulate.



In an era where technological changes are many and their impacts sometimes difficult to predict, the Commission must, with the help of the industries involved and interested parties, determine appropriate regulatory responses in the light of our legislation. In the past year, we addressed the issue of voice communication services using Internet Protocol (VoIP). We held a public proceeding to examine the matter, including a public consultation at which over 30 interested parties made submissions. We decided to regulate VoIP services offered by incumbent local exchange carriers (ILEC) in order to try to ensure that competition in the local Canadian telephone market would not be stifled and that consumers would benefit from increased choice. We also decided that VoIP providers must offer emergency 9-1-1 service.

In 2004 we held a public hearing on subscription radio, including satellite radio, another new technology. This hearing enabled us to evaluate three proposals for Canada's first subscription radio services and to develop a licensing framework for satellite radio.

On the television front, we announced measures to stimulate the production and airing of Canadian drama. The new incentives for English-language drama are intended to increase the amount of original Canadian drama broadcast and to encourage greater viewing and higher expenditures on such programs. Similar incentives were adopted to maintain a balanced level of original drama broadcast in peak viewing hours on French-language television stations.

The Commission also announced in 2004 a new approach to assessing requests for the delivery of foreign third-language television channels to Canadians by licensed Canadian broadcast distribution undertakings (e.g. cable systems and direct-to-home satellite systems). This new approach provides greater diversity and choice for third-language communities, while fostering the viability of licensed Canadian ethnic services.

On 15 July 2004, the Task Force for Cultural Diversity on Television established by the Canadian Association of Broadcasters (CAB), comprising five industry and four non-industry representatives, tabled its report aimed at improving the on-air and behind the scenes reflection of Canada's ethnocultural and Aboriginal diversity. The Commission reviewed the report's conclusions and recommendations and published its response in March 2005. Overall, the Commission found that significant work remains to be done to diversify Canadian private television in all areas of English-language programming, and in most French-language programming, and that improvements are overdue in news programming as well as in English-language drama. The Commission also indicated that it is concerned by the serious systemic gaps uncovered by the Task Force in its research, namely the virtual absence of Aboriginal peoples in mainstream television and the significant under-representation of Asian Canadians on screen. The Commission will continue to review broadcasters' annual reports for evidence of progress in better reflecting Canada's diversity on television and expects further industry initiatives under the aegis of the CAB.

In the telecommunications sector, Canada remains a world leader, with long-distance and local rates that are among the lowest in the world, widespread access to the Internet – particularly high-speed access – as well as a healthy and profitable wireless industry.

During the year, the Commission continued to streamline its regulatory procedures, focussing on tariff filings for which we instituted service standards and on our competitive dispute settlement processes. In the case of major decisions we now provide timelines in order to assist regulated industries to plan more effectively. As a result of these and other measures, the speed of decision-making has improved, in some cases dramatically.

The Commission continues to encourage competition in the interests of increased consumer choice, lower sustainable prices, and higher service quality. In February 2005, we determined the terms and conditions, as well as the rates that competitor companies must pay the incumbent telephone companies for digital network services they rely on to provide services to their customers. Last March, we finalized a plan for rebates that incumbent local exchange carriers must provide to competitors if their services do not meet 14 quality-of-service indicators. Finally, we have commenced a proceeding to develop a framework for forbearing from the regulation of local telephone services.

To ensure adequate service quality for retail telephone subscribers, the Commission also adopted 13 quality-of-service indicators and provided for subscribers to receive credit on their telephone bills if telephone companies fail to meet these indicators. We also increased consumer safeguards for 1-900 services by establishing a number of guarantees with regard to charges for these services.

The Commission also worked to resolve telemarketing issues. The Commission participated in Parliament and with Industry Canada in the development of the proposed legislation.

Those are just a few examples of the accomplishments of the Commission and its staff in 2004-2005. We work in areas that impact very directly on Canadians, and we attempt to respond to their needs and to ensure that they receive the broadest range and highest quality of broadcasting and telecommunications services, in fulfillment of the policy objectives of our governing legislation.

Charles M. Dalfen

## Management Representation Statement

I submit, for tabling in Parliament, the 2004–2005 Departmental Performance Report (DPR) for the Canadian Radio-television and Telecommunications Commission (CRTC).

This report has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the preparation of 2004-2005 Departmental Performance Reports*:

- It adheres to the specific reporting requirements;
- It uses an approved Program Activity Architecture;
- It presents consistent, comprehensive, balanced and accurate information;
- It provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Name: \_\_\_\_\_  
Diane Rhéaume, Secretary General

Date: \_\_\_\_\_

## **Raison d'Être**

The CRTC was established to sustain and promote Canadian culture and achieve key social and economic objectives. The Commission does this by regulating and supervising Canadian broadcasting and telecommunications in the public interest. In doing this, the CRTC is governed by the Broadcasting Act of 1991 and the Telecommunications Act of 1993.

The *Broadcasting Act* seeks to ensure that all Canadians have access to a wide variety of high quality Canadian programming.

The *Telecommunications Act* seeks to ensure that Canadians have access to reliable telephone and other telecommunications services at reasonable prices.

Since 1928, when the Government of Canada created the first Royal Commission on Broadcasting, the government has sought to develop policies to keep pace with changing technology. This has been the government's central goal from the early days of radio and television, to our current information highway era characterized by rapid technological change.

Today, we are an independent public authority. The CRTC reports to Parliament through the Minister of Canadian Heritage.

Our challenge is to serve the public interest by maintaining a balance between the cultural, social and economic goals of the legislation on broadcasting and telecommunications, taking into account the wants and needs of Canadian citizens, industries and various interest groups.

Like most organizations, the CRTC does not work in isolation. Environmental factors over which it has little or no control, such as the state of the economy, capital markets, societal change and emerging technology, influence the CRTC's work, priorities and outcomes.

## **Telecommunications**

Canada's telecommunications environment can point to four competitive successes:

1. Canada has some of the lowest long distance services prices in the world;
2. Canada has a healthy, competitive and profitable wireless industry;
3. Internet and wireless penetration continue to be the fastest growing market in the industry; and
4. In terms of broadband deployment, approximately 86% of Canadians are living in communities that are served by high-speed Internet access and in terms of penetration, Canada is ahead of all G8 countries at 16.7 subscribers per 100 inhabitants. The market is roughly evenly split between cable and digital

subscriber line (DSL), two facilities-based carriers. Pricing remains very competitive.

In these instances, given the state of competition in the marketplace, the Commission was able to forbear or partially forbear in these markets.

The CRTC recognizes, however, that certain challenges remain. Some significant obstacles need to be removed in order to achieve sustainable local competition as the large incumbents continue to hold the lion's share of the market. In 2004, several competitors and cable companies have entered, or announced their intention to enter the local market via the use of Internet Protocol technologies.

The CRTC remains committed to competition and is a strong advocate of the benefits of competition for all three major stakeholders: customers, incumbent local exchange carriers (ILECs) and competitors.

## **Broadcasting**

Canada's broadcasting system remains one of the most open and advanced broadcasting systems in the world, both technologically and in terms of variety of programming. Canadians enjoy a vast array of radio and television services that offer a wide range of programming choices from around the world, as well as from domestic sources. In addition, the broadcasting system has benefited from the contributions of private, public and community broadcasters, with each sector playing a distinct and important role.

Several successes can be identified which characterize our state-of-the-art broadcasting system:

- The Canadian broadcasting system gives Canadians access to hundreds of broadcasting services regardless of where they live in Canada.
- Canadian specialty television services have flourished, providing Canadians with ever-increasing choices of niche programming.
- The evolution to digital technology has begun, and the Canadian broadcasting system is poised to embark on a full transformation.
- Policies and regulations are in place to ensure that broadcasting services are available in both official languages throughout the country.
- The Canadian broadcasting industry is making important contributions to Canada, both culturally and economically. It has grown to become a multi-billion dollar industry, employing Canadians in diversified fields, from artists, writers and actors to technicians and engineers.

The above successes notwithstanding, the Commission fully recognizes that there are substantial challenges facing the broadcasting system. Foremost among them is to continue to provide increased access to a wide variety of services from around the world, while also fostering a financially viable and culturally important Canadian system. In this context, the Commission is working diligently to increase viewing to Canadian



content generally and drama particularly, while also increasing the availability of foreign language services to better serve the changing Canadian population.

Numerous social issues also pose specific challenges ahead. It is important that the cultural diversity of Canada be reflected in the broadcasting system, and the Commission is working with the broadcasting industry to achieve this goal. In addition, the system should be more accessible to people with visual and hearing impairments, and measures are in place in this regard.

A few years ago, the biggest challenge facing our broadcasting system was to make it accessible to all Canadians whatever area they lived in, no matter how remote. This challenge has been fully met and the objective achieved. Now one of the key challenges is to ensure that the broadcasting system meets the needs of all Canadians, including reflecting our changing cultural diversity.

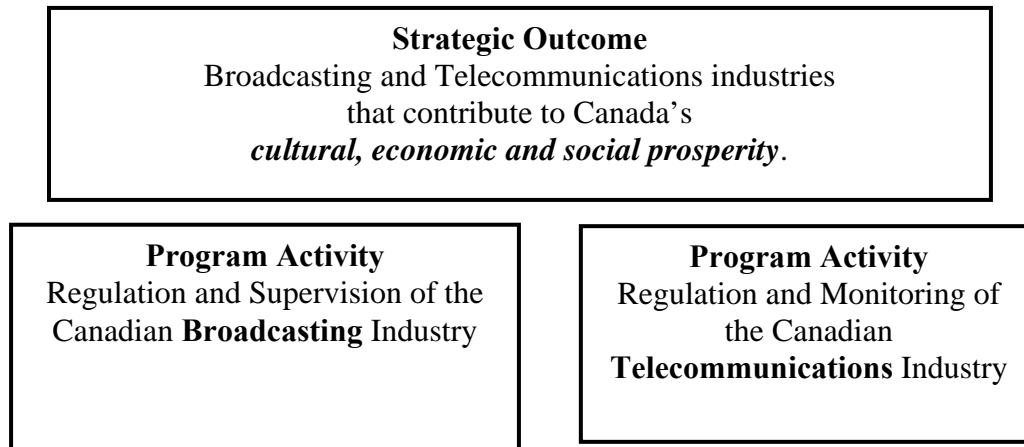
Finally, the system must continue to build on its technological successes and keep pace with changing technologies. The Commission held a public hearing on subscription radio in November 2004, at which it examined each of the three applications received as well as related policy questions. The transformation to digital television has indeed begun, and a policy and licensing framework is largely in place, but significant challenges lie ahead. The Commission will continue its work, in consultation with affected industries, to ensure that the business and cultural challenges that await us can be successfully met.



**SECTION II:**  
**Analysis of Performance by Strategic Outcome**



## Strategic Outcome



The Commission seeks to achieve, through a number of activities, the above strategic outcome, which is defined as follows:

1. **Cultural prosperity:** increased availability of Canadian content and programming that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics;
2. **Economic prosperity:** a sustainable, competitive Canadian communications industry; and
3. **Social prosperity:** increased access to a variety of innovative, high-quality communications services, at reasonable prices, that meet consumers' needs and reflect their values.

### Activities to Achieve the Outcome:

The Commission fulfils its regulatory responsibilities by means of a number of inter-related activities, including:

- √ issuing, renewing and amending licences for broadcasting undertakings;
- √ making determinations on mergers, acquisitions and changes of ownership in the broadcasting industry;
- √ processing tariff applications for the telecommunications industry;
- √ fostering increased reliance on market forces for the provision of telecommunications services and ensuring that regulation, where required, is efficient and effective;
- √ monitoring competition and removing obstacles to competition;
- √ collaborating with industry to resolve competitive disputes;
- √ developing and implementing regulatory policies with a view to meeting the objectives of the *Broadcasting Act* and the *Telecommunications Act*;

- √ monitoring, assessing and reviewing, where appropriate, regulatory frameworks to meet policy objectives; and
- √ monitoring the programming and financial obligations of broadcasting undertakings to ensure compliance with regulations and conditions of licence.

In all of the activities it undertakes, the Commission must balance the needs and desires of Canadians with those of the communications industries. Through its regulatory function, the Commission ensures that social and cultural issues are addressed by the regulated industries. For instance, the Commission fosters the reflection of Canada's linguistic duality and cultural diversity, the increased provision of closed captioning for persons who are hearing impaired and descriptive video for persons who are visually impaired, and the development of mechanisms to address concerns such as violence or abusive comment in the broadcast media. It also seeks to ensure that its policies keep pace with emerging technology and support such directions as increased competition in local telephone markets and broadcast distribution systems.

### **Total Financial Resources**

<b>Planned</b>	<b>Authorities</b>	<b>Actual</b>
\$43.7 million	\$44.0 million	\$44.0 million

### **Total Human Resources**

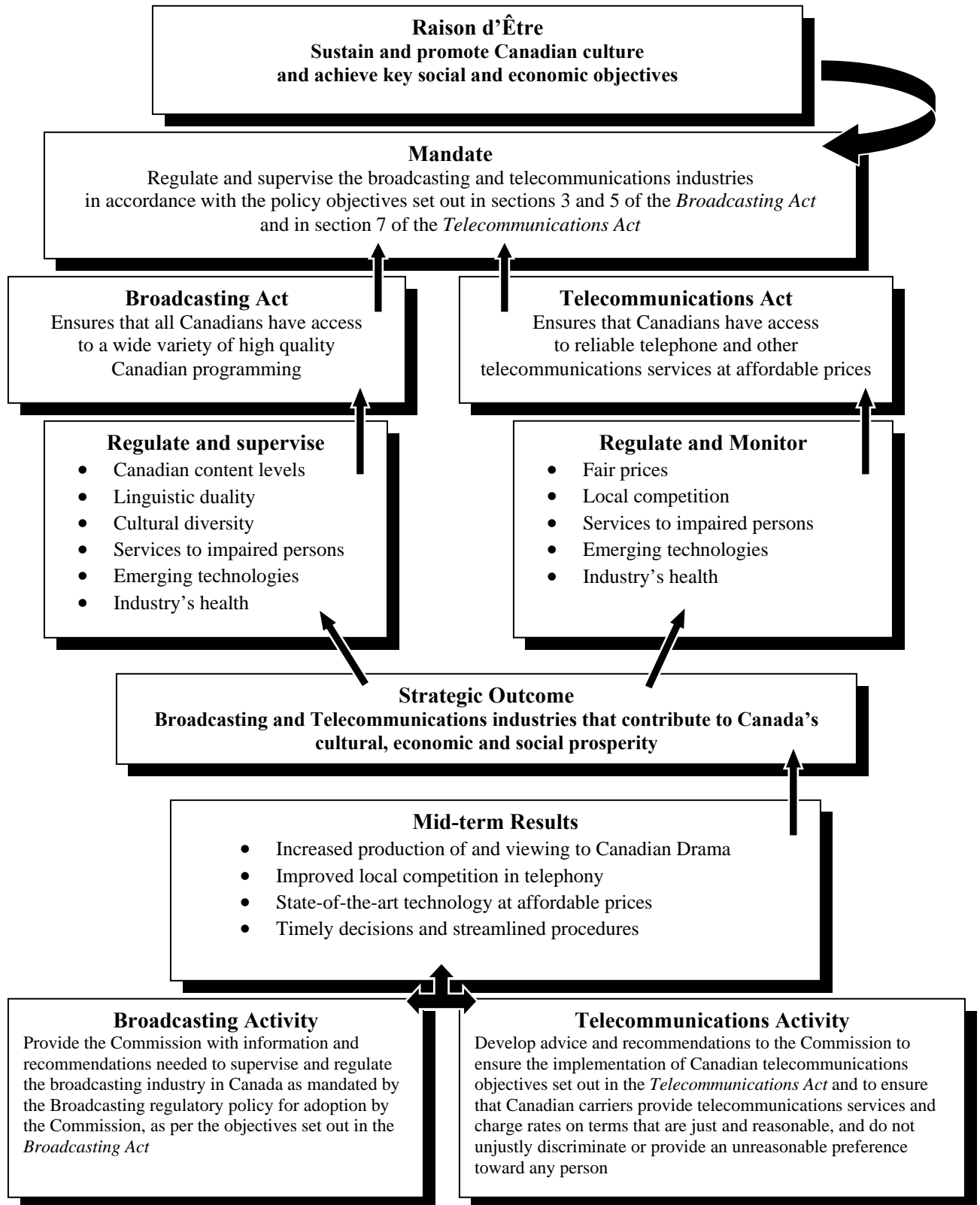
<b>Planned</b>	<b>Actual</b>	<b>Difference</b>
410 FTEs	401 FTEs	9 FTEs

### **Summary of Performance in Relationship to the Agency Strategic Outcomes, Priorities and Commitments**

<b>Strategic Outcome</b>	<b>2004-2005 Priorities/ Commitments</b>	<b>Planned Spending</b>	<b>Actual Spending</b>	<b>Expected Results and Current Status</b>
Broadcasting and Telecommunications industries that contribute to Canada's cultural, economic and social prosperity	Cultural Prosperity	\$13.5 M	\$13.6 M	Canadian content and programming that reflects Canadians
	Economic Prosperity	\$10.7 M	\$10.8 M	Healthy broadcasting and telecommunications industries
	Social Prosperity	\$12.5 M	\$12.6 M	State-of-the-art technology at reasonable prices
	Commission processes that are fair, transparent and effective*	\$ 7.0 M	\$ 7.0 M	Issuance of decisions in a timely manner and improved procedures

\* This activity has been incorporated in the Social prosperity activity in the 2005-2006 RPP and the budget has been adjusted accordingly.

**CRTC - RESULT CHAIN**



## CRTC's Priorities for 2004-2005

Activity	Priority	Expected Results
Cultural Prosperity	Increase the production and the broadcast of, the viewing to, and the expenditures on, high quality original, Canadian programming Canadian Drama	Increased use of Canadian resources, increased exposure of Canadian artists and more choices for Canadians viewers
Economic Prosperity	Provide access to infrastructure to encourage and facilitate local competition	Increase reliance on market forces for the provision of telecommunications services and offer customers a choice of local services
	Eliminate Signal Theft	Protect the Canadian industry
Social Prosperity	Keep abreast of emerging technologies	Offer state-of-the-art technology at a reasonable and affordable price to customers
	Monitoring and supervising of regulations and policies	Ensure compliance of regulated undertakings
	Streamlining processes and issuance of decisions in a timely manner	Accelerate the Commission response time to industry inquiries and applications
Implementing Government Initiatives		Abide by Government directives

## Priorities

### Canadian Drama

**English-language drama:** On 6 May 2004, the Commission issued, for comment, its proposed incentive package for English-language Canadian drama. Following receipt of comments, the final incentive package was released in November 2004 (*Incentives for English-language Canadian television drama*, Broadcasting Public Notice CRTC 2004-93, 29 November 2004). The drama incentive program rewards those broadcasters that meet the Commission's objective for new hours of Canadian drama, as well as increased viewing to and spending on such programs, with valuable extra minutes of advertising time. Subsequently, the Commission approved conditions of licence implementing the incentive program for most of the major television groups who broadcast drama.



**French-language drama:** In June 2004, the Commission announced proposed measures to ensure that French-language original Canadian drama remained a key component of prime time television. Following the examination of comments received, the Commission published its decision in January 2005 (*Incentives for original French-language Canadian television drama*, Broadcasting Public Notice CRTC 2005-8, 27 January 2005). In accordance with the program incentives, broadcasters wishing to adhere to the program will be awarded additional minutes of advertising for each hour of original French-language drama broadcast during prime time. TVA and TQS, the two private networks, as well as their respective affiliates, submitted the required amendments to their conditions of licence to adhere to and benefit from the program. These were completed and approved at the end of March 2005.

It is possible to evaluate the success of the Commission's drama policies by examining three key criteria: hours of Canadian drama broadcast, expenditures on Canadian drama and viewing to Canadian drama.

- √ **Hours of Canadian drama broadcast**  
Licensees are required to submit logs identifying all the programs that they broadcast.
- √ **Expenditures on Canadian drama**  
Although the Commission removed expenditure requirements from most broadcasters as part of *Building on Success – A Policy framework for Canadian Television*, Broadcasting Public Notice CRTC 1999-97, 11 June 1999, it continues to monitor licensees' spending on all types of programming based on their annual returns.
- √ **Viewing of Canadian drama**  
The Commission has been tracking viewing of Canadian drama programs, as a percentage of all viewing of drama on English-language stations, since the early 1980s. The information is based upon the Broadcast Bureau of Measurement (BBM) Fall sweep weeks.

## **Provide Access to Infrastructure (part of local competition initiatives)**

Subsection 7(c) of the *Telecommunications Act* establishes the objective of enhancing the efficiency and competitiveness, at national and international levels, of Canadian telecommunications. Subsection 7(f) of the *Telecommunications Act* establishes the objective of fostering increased reliance on market forces for the provision of telecommunications services and ensuring that regulation, where required, is efficient and effective.

In the long distance, wireless data, private line and retail Internet markets, the CRTC has forborne from regulating prices because it found competition to be sufficient to protect

the interests of users. The Commission continues to find it necessary to regulate, in a technology-neutral manner, markets that are not workably competitive.

Ultimately the most sustainable form of competition will be achieved with facilities-based competition, whereby competitive local exchange carriers (CLECs) offer services using their own equipment and facilities, rather than having to rely on the facilities of other carriers. However, while the Commission's goal is to have facilities-based competition, it recognizes that it is necessary to have a period of transition to that model. This transition is characterized by a hybrid approach that allows new entrants to use the facilities of the incumbent telecommunications companies that are deemed to be important to the entrants' operations at regulated rates.

In its continued effort to encourage local competition and facilitate competitors' entrance in local markets, the Commission, through public processes for obtaining comments, initiated the following measures:

- removed the restriction of Digital Subscriber Lines (DSL) and local business service being tied. This has meant customers have the ability to choose their local service provider separate from their high-speed access provider. (*FCI Broadband – Request to lift restrictions on the provision of retail digital subscriber line Internet services to business customers*, Telecom Decision CRTC 2004-34, 21 May 2004);
- established the cable modem requirements Internet service providers (ISPs) must meet to be able to offer high speed access service to their customers when using the cable companies' networks. (*Cable modems for third-party Internet access*, Telecom Decision CRTC 2004-37, 4 June 2004);
- modified the regulatory framework for the interconnection of local exchange carriers to allow for greater efficiency in the carriers networks (*Trunking arrangements for the interchange of traffic and the point of interconnection between local exchange carriers*, Telecom Decision CRTC 2004-46, 14 July 2004). The Commission found that requiring fewer interconnection points between carriers would provide for an overall reduction in costs for carriers and that this benefit would ultimately be passed on to the consumers of telecommunications services.
- reduced the rates that competitors are required to pay both incumbent telephone and cable companies for wholesale services. Some of the most significant of these included the third party internet access rates paid to cable, Primary Inter-exchange carrier processing charged to long distance service providers, and the rates charged for competitive digital network services (*Point of interconnection and service charge rates, terms and conditions for third party Internet access using cable networks*, Telecom Decision CRTC 2004-69, 2 November 2004; *Primary inter-exchange carrier processing charges review*, Telecom Decision CRTC 2004-72, 9 November 2004; *Competitor Digital Network services*, Telecom Decision CRTC 2005-6, 3 February 2005).

- determined the terms and conditions, as well as the final rates, that competitors will pay the incumbent telephone companies for the digital network services they rely on to provide services to their own customers (*Competitor Digital Network Services*, Telecom Decision CRTC 2005-6, 3 February 2005). The decision struck a balance between the interests of competitors, telephone companies and consumers. Competitors will generally pay lower rates for the digital network components, telephone companies will be compensated for the revenue losses associated with these rate reductions and consumers will not pay higher rates as a result of this decision. It furthers the objective of facilities-based competition in that rates for high speed services, which are generally fibre-based and easier to replicate, have been set with sufficiently high margins to encourage competitors to invest in their own facilities, whereas rates for access to low speed services, which are legacy copper-based, have been set at cost plus 15%.
- established a final rebate plan for competitors who purchase incumbent local exchange carrier (ILEC) services based on 14 quality of service (QoS) indicators (*Finalization of quality of service rate rebate plan for competitors*, Telecom Decision CRTC 2005-20, 31 March 2005). If an ILEC fails to meet any of the indicators, the competitor is eligible for a rebate from the ILEC amounting to 5% of all its one-time or monthly charges.

The Commission considers that there is still a long way to go in order to achieve its policy objective of sustainable, facilities-based competition. Competition, particularly in local markets, is not evolving as quickly as the Commission had hoped. The Commission considers, however, that the development of competition in the local market may be accelerated by the continuing consolidation of the industry along with the potential for new players using new technologies to enter.

The Commission remains committed to achieving a sustainable, competitive Canadian communications industry that provides innovative, high-quality communications services to the benefit of consumers and in recent decisions and follow-up procedures, it has sought to remove obstacles to facilitate this.

## **Eliminate Signal Theft**

Signal theft continues to be a widespread problem within the Canadian broadcasting system. This activity can take many forms, and includes the theft of both cable television and satellite services signals.

The theft of signals harms Canadian industries both economically and culturally. From an economic perspective, signal theft deprives the Canadian broadcasting industry of substantial amounts of revenue, weakening the ability of satellite and cable distributors to support their infrastructure and invest in new technologies. Reductions in revenues to cable and satellite distributors, television broadcasters, producers and program rights holders, lessen the ability of broadcasters to acquire and air Canadian programming. Further, it reduces the level of the Canadian Television Fund (CTF), which is tied to the

levels of revenues achieved by licensees. CTF provides key financing for distinctively Canadian productions.

In response to the issue of satellite signal theft, in 2004, the Government introduced Bill C-2: *An act to amend the Radiocommunication Act*. Bill C-2 was intended to strengthen the ability of law enforcement and the industry to prevent satellite signal theft.

Among the key amendments was a new requirement that an import certificate be obtained from the Minister of Industry for anyone wishing to bring satellite equipment into Canada. In order to further deter dealers of illegal satellite equipment, Bill C-2 provided for significantly increased penalties in order to better reflect the seriousness of this offence. Bill C-2 also strengthened the right of civil action, allowing the aggrieved party to recover damages stipulated in the Act.

In the Spring of 2004, The Standing Committee on Industry, Science and Technology considered these amendments, with a number of industry and government representatives, including the Commission, appearing as witnesses. However, with the call of the election on 23 May 2004, and the dissolution of Parliament, Bill C-2 died on the Order Paper.

In their ongoing efforts to combat signal theft, the key industry players have each undertaken various initiatives. A sample of these activities is provided in the *Broadcasting Policy Monitoring Report 2005*.

## **New Technologies**

### ***Voice communications using Internet protocol (VoIP)***

The Commission initiated a proceeding in April of 2004 to establish the regulatory framework for VoIP and set out its preliminary views regarding certain regulatory obligations for providers of VoIP services, including those related to incumbent telephone companies filing tariffs, provision of 9-1-1, and E9-1-1, message relay service, privacy safeguards and contribution payments (*Regulatory framework for voice communication services using Internet Protocol, Telecom Public Notice CRTC 2004-2, 7 April 2004*). The Commission concluded the proceeding in October and issued its decision in May 2005 (*Regulatory framework for voice communications services using Internet Protocol, Telecom Decision CRTC 2005-28, 12 May 2005*).

In its decision the Commission determined that it would regulate VoIP service only when it is provided and used as local telephone service. The decision is consistent with previous Commission decisions not to regulate retail Internet services. The decision also means that the CRTC will not regulate computer-to-computer (peer-to-peer) VoIP services, which reside solely on the Internet.

The Commission ruled that VoIP is a telephone service because Canadians use it as a telephone service, it's being sold as a telephone service and it functions as a telephone service. It provides two-way real-time voice communications to and from anyone with a telephone number on the public switched telephone network anywhere in the world. This decision is consistent with the focus in the *Telecommunications Act* on services rather than technologies.

VoIP services under offer at this time are not materially different from primary exchange services – the kind of local telephone service now in general use. VoIP lacks the characteristics of a new service because:

- √ Many customers regard VoIP telephony as the equivalent to or a close substitute for primary exchange services, making it unlikely that most consumers or businesses would have both VoIP and traditional phone service.
- √ Most companies selling VoIP services offer them with the same core attributes as local exchange services. VoIP may offer certain distinct features, but these do not define it as an entirely different kind of communications service.

This decision will further the goal of building sustainable competition in local telephone markets. Under this decision, incumbent local exchange carriers – those with market power – cannot price their local VoIP services below cost to stifle competition.

Local telephone markets are among the few remaining telecommunications markets in Canada that are regulated by the CRTC. These markets were opened to competition in 1997. The incumbent local exchange carriers continue to have market power and competition is not yet entrenched in those markets.

The Commission believes that VoIP represents a key moment in the evolution of local exchange telephone services and that Canada needs a regulatory framework that will provide the quickest road to competition.

This decision also comes at the beginning of a broader process that aims ultimately to eliminate price regulation in local telephone service, including VoIP.

In April 2005, the CRTC issued a public notice (*Forbearance from regulation of local exchange services*, [Telecom Public Notice CRTC 2005-2](#), 28 April 2005) seeking comments on how to reduce the regulation of residential and business local exchange telephone services, as competition becomes sustainable in those markets.

### ***Subscription Radio***

The Commission received three applications for subscription radios, including two for satellite-delivered services and one for terrestrial service. They were gazetted in June 2004 and a public hearing was held in November 2004. The public hearing examined each of the applications as well as related policy questions.

### ***High Definition programming***

In August 2004, the Commission requested comment on a comprehensive proposed framework for the transition of pay and specialty television services to high definition (HD). The framework adopted as a result of this proceeding will govern the licensing and distribution of HD versions of existing Canadian and non-Canadian pay and specialty services, as well as new Canadian and non-Canadian HD services. The proceeding will address the regimes for the licensing of Canadian HD pay and specialty services and for their carriage by the country's various classes of broadcasting distribution undertakings, including the establishment of minimum HD content levels that Canadian pay and specialty services must offer in order to obtain mandatory carriage by distribution undertakings (*Call for comments on a proposed framework for the licensing and distribution of high definition pay and specialty services*, Broadcasting Public Notice CRTC 2004-58, 6 August 2004).

At the same time, the Commission is considering comments with regard to a framework to guide the migration of the existing analog pay and specialty services to a digital distribution environment (*Determinations with respect to the establishment of rules to govern the distribution of specialty services on the basic service of fully digital cable undertakings; and call for proposals for a framework to guide the migration of pay and specialty services from analog to a digital distribution environment*, Broadcasting Public Notice CRTC 2005-1, 7 January 2005).

### ***Digital subscriber line***

In November 2004, the Commission issued regional licences to Bell Canada to provide digital subscriber line (DSL) distribution services in a number of communities in the provinces of Ontario and Quebec. Under these licences, Bell Canada will be able to compete with other distributors in offering the residents of these provinces a wide range of broadcasting services over its telecommunications infrastructure. The Commission considered various competitive issues related to the distribution services proposed by Bell Canada, and concluded that Bell Canada's provision of terrestrial distribution services would contribute to competition in the distribution market, resulting in associated benefits for the Canadian broadcasting system, such as increased choice and greater efficiency (*Regional broadcasting distribution undertakings in Ontario and Quebec*, Broadcasting Decision CRTC 2004-496, 18 November 2004).

## **Enforcement**

The CRTC considers that its powers of enforcement would be enhanced if it could impose administrative monetary penalties. The Commission does not currently have the authority to impose administrative monetary penalties (fines) pursuant to the statutes that empower it. The Commission notes that Parliament has given the power to impose fines to other agencies and departments. The Commission considers that such a fining power would give it another tool to use in appropriate circumstances to assist its enforcement of the laws for which it is responsible. Nevertheless, the Commission continues to ensure regulatory compliance within the scope of its powers under the *Telecommunications Act* and the *Broadcasting Act*.

Although the government has indicated that it is prepared to give the telecom sector the power to impose fines, and looking into it on the broadcasting side, it has not at this time introduced legislation in Parliament to do so.

## **Streamlining Processes**

### **Broadcasting Sector**

#### *Public Processes*

During this period, the Commission held 12 broadcasting related public hearings. Applications heard at these hearings can be summarized as follows:

- 52 applications for new radio services affecting various markets across the country, including Halifax, Moncton, Saint John, Fredericton, Ottawa/Gatineau, Vancouver and Kamloops.
- Three applications for new subscription radio services in Canada.
- 12 radio renewal applications, of which nine raised the issue of Local Management Agreements (LMAs) and Local Sales Agreements (LSAs) in four different markets in Ontario, Nova Scotia and Prince Edward Island.
- Four ownership transactions including the transfer of Craig Media television undertakings in Alberta and Manitoba to CHUM Ltd.; the transfer of Toronto One television undertaking at Toronto from Craig Media to Québecor; the Astral/Corus transaction involving 13 AM and FM radio undertakings in Quebec; and, the transfer of CJUK-FM Thunder Bay from Big Pond to Newcap.

The 12 public hearings generated approximately 63,350 interventions. The Commission also issued 65 public notices dealing with approximately 200 applications and 15 policy reviews that generated approximately 4,000 interventions. Overall, the Commission issued 598 broadcasting decisions. Also, the monitoring activities included the review of 2,800 Annual Returns, 5,940 TV Logs Filings and the monitoring of programming content of 35 radio stations.

### ***Competitive Disputes***

A trend of note in this report period is a gradual shift towards more and earlier informal staff alternative dispute resolution (ADR) intervention. Typically, these interventions have taken place prior to the filing of formal complaints or requests for dispute resolution and prior to the provision of any related documentation. Such interventions serve primarily to assist in early detection and removal of actual or probable obstacles to resolution of the given dispute, thus saving significant resources for the parties and the Commission. Should the dispute remain unresolved, the earlier intervention permits the parties to better understand and more effectively use the Commission's dispute resolution resources.

Significant progress has been made in concluding disputes handled by the Competitive Disputes Group. At the beginning of fiscal year 2004-2005, 36 files were outstanding and 15 new files were received. 44 files were concluded over the year.

### ***Expedited Process***

Early in 2004, the Commission launched an accelerated process under the banner of Expedited Process aimed at increasing the speed with which competitive issues arising under the *Telecommunications Act* are resolved (*Expedite procedure for resolving competitive issues*, Telecom Circular CRTC 2004-2, 10 February 2004). March of 2005 saw the first use of an expedited hearing process that involved a competitive dispute brought under both the *Telecommunications Act* and the *Broadcasting Act*. The Commission has now announced that it is prepared to use the expedited hearing process to resolve broadcasting disputes (Broadcasting Circular CRTC 2005-463, 18 April 2005).

### ***Exemption Orders***

In June 2004, the Commission issued an exemption order regarding cable broadcasting distribution undertakings that serve between 2,000 and 6,000 subscribers and in November 2004, an exemption order for certain low-power radio programming undertakings that provide live or pre-recorded messages about traffic, weather conditions, highway construction and closures, etc. Other instances where exemptions could be of benefit are being explored.

### ***Streamlining***

In addition to expedited hearings and exemption orders, the Commission has developed other streamlining measures to accelerate its decision-making, such as accelerating the issuance of administrative decisions, reducing the number of deficiencies and limiting the number of appearing items at public hearings. Informal consultations with industry representatives have begun in order to develop further initiatives in this regard.



## **Telecom Sector**

### ***Smart Regulation***

The Commission made significant progress in reducing its backlog from previous years. This progress is attributable to initiatives that fostered increased cooperation between the Commission and industry. Many applications were resolved using alternative dispute resolution, which avoided longer, more formal CRTC processes. In an unprecedented move, the incumbent telephone companies were also able to negotiate some wholesale service offerings with their competitors, again saving resources within the Commission and the companies. Deficient applications are now being returned immediately to applicants, rather than the Commission spending additional resources trying to bolster deficient applications. All of these initiatives improved the Commission's ability to serve constituents better.

### ***Forbearance***

In order to accelerate the processes and lessen the workload, the Commission, in accordance with the *Telecommunications Act*, will forbear from regulation where it can be demonstrated that such markets are workably competitive. Forbearance applications dealt with this year included: inter-exchange private line (IXLP) services and Section 29 agreements for toll and IXPL for incumbent telephone companies, electronic messaging and voice messaging in Sask Tel, wide area networks and cellular in small independent telephone company territories.

### ***Expedited Process***

Early in 2004, the Commission launched an accelerated process aimed at increasing the speed with which competitive issues arising under the *Telecommunications Act* are resolved. Under the banner of this new Expedited Process, the Commission established a series of panels to conduct brief public hearings to address competitive disputes generally involving two parties, where the issues are largely factual. The Expedited Process is logistically set up to hear, if required, three applications on the same day. Decisions are generally published within a week following the public hearing. Six Expedited Processes have taken place in which nine applications were disposed of by Commission rulings. Positive feedback from the industry has clearly demonstrated that the program has been successful. (*Expedited procedure for resolving competitive issues*, Telecom Circular CRTC 2004-2, 10 February 2004).

## ***Streamlining***

In November 2004, the Commission issued its fourth Report to the Governor in Council on the status of competition in Canadian telecommunications markets and the deployment/accessibility of advanced telecommunications infrastructure and services. This report is an invaluable and authoritative source of information on the Canadian telecommunications industry. As part of compiling this report, the Commission made significant improvements in data collection with the introduction of a web-based data collection system. The new system consolidated into one electronic filing, the requirements for Registration Lists, International licences, Telecom Fees, Revenue-based subsidy determination and data collected for the report itself. Additionally the Commission reduced the burden of data reporting on small firms by simplifying the reporting requirements and forms for these companies under the new system. (*Report to the Governor in Council – Status of Competition in Canadian Telecommunications Markets and the Deployment/Accessibility of Advanced Telecommunications Infrastructure and Services*, November 2004, *Telecommunications industry data collection: updating of CRTC registration lists, telecommunications fees, Canadian contribution mechanism fund administration, international licences and monitoring of the Canadian telecommunications industry*, Telecom Circular CRTC 2005-4, 9 February 2005).

## ***Informal Dispute Resolution and the CRTC Interconnection Steering Committee (CISC)***

The Commission staff addressed more than 25 informal disputes between parties this year. Each time one of these is resolved in this way, a more formal Part VII process is avoided, thus saving significant resources for the parties and the Commission.

The Commission established the CISC working groups to deal with operational and technical issues related to local competition. Four decisions were issued by the Commission dealing with a number of CISC issues.

## **Other Items of Interest**

(For further details please refer to the CRTC 3-Year Work Plan 2004-2007)

### **Broadcasting Sector**

#### ***Linguistic Duality***

In May 2004, the Commission, as a newly designated agency, presented its first Action Plan to implement Section 41 of the *Official Languages Act*. In May 2005, the Commission submitted to Canadian Heritage, according to its plan, a report on its accomplishments for the period ending on 31 March of the same year. The report reflected the Commission's willingness to continue ensuring, within its mandate limitations, a better balance of Canadian services in minority markets.

Overall, the Commission met the objectives set in its Action Plan 2004-2005 in pursuing the implementation of its recommendations regarding broadcasting services in minority markets, in encouraging the communication within the official languages communities in minority markets and in taking into account the specificity of the community radios in the analyses guiding its decisions.

### ***Cultural Diversity***

In the summer of 2004, the Canadian Association of Broadcasters' (CAB) Task Force for Cultural Diversity on Television reported to the Commission on the status of diversity on Canadian television, the identification of "best practices", and the development of industry-wide solutions towards improving the presence and portrayal of Canada's diverse reality (*Reflecting Canadians – Best Practices for Cultural Diversity in Private Television - CAB Report*). The Commission issued its response to the report in March 2005. (*Commission's response to the report of the Task force for Cultural Diversity on Television, Broadcasting Public Notice CRTC 2005-24, 21 March 2005*).

To assist the broadcasting industry in developing strategies for enhancing the inclusion of persons with disabilities in television, the Commission also called upon the CAB to develop and file an action plan to examine issues surrounding the presence, portrayal and participation of persons with disabilities in broadcasting. The CAB filed its action plan in August 2004. In response to that filing, the Commission now expects the CAB to report, in July 2005, on the research and consultation processes proposed in its action plan, along with an implementation plan, setting out which initiatives or deliverables will be undertaken.

### ***Non-Canadian Third-Language Programming Services***

In July 2004, the Commission approved the addition of nine new non-Canadian third-language programming services to its lists of satellite services authorized for distribution in Canada on a digital basis, and denied requests to add six other non-Canadian largely third-language services. In so doing, the Commission took note of the view of third-language ethnic communities that they were underserved, and their requests for greater access to third-language programming services. Accordingly, the Commission undertook a reassessment of its approach for the addition of third-language non-Canadian services to the lists of satellite services authorized for distribution on a digital basis. As a result of that reassessment, in December 2004, the Commission adopted a revised approach to the authorization of non-Canadian third-language television services, putting greater emphasis on expanding the diversity and choice in television services available to underserved third-language ethnic communities in Canada. In its determination, the Commission stated that, on a going-forward basis, non-Canadian general interest third-language television services would generally be approved for addition to the digital lists, subject, as appropriate, to new distribution and linkage requirements set out in the Commission's ruling.

In addition to non-Canadian third-language services, the Commission also added the following non-Canadian English-language services to the lists of satellite services eligible for digital distribution: MSNBC, Bloomberg Television, Fox News, and NFL Network.

### ***Improving Service to People with Disabilities***

In February 2005, the Commission reminded distributors of their responsibilities under the *Broadcasting Distribution Regulations* to pass through described video programming to their subscribers. However, recognizing that there are certain technical, operational and costs constraints, the Commission also called for comments on the most appropriate obligations for smaller broadcast distributors. Comments were filed by 19 April 2005. (*Commission requirements for the pass-through of video description – Call for comments on the obligations of smaller broadcasting distribution undertakings*, Broadcasting Public Notice CRTC 2005-18, 25 February 2005).

### ***Broadcasting Policy Monitoring Report***

The Commission issued its fifth edition of the *Broadcasting Policy Monitoring Report* in December 2004. The report provides an ongoing assessment of the impact of CRTC regulations, policies and decisions towards the achievement of the objectives of the Broadcasting Act. It provides a wide range of information on television, radio, broadcasting distribution, social issues and the Internet. The 2004 report introduced audience measures in regard to the viewing to Canadian programming using metered data. The Commission has been part of a working group that has successfully added the country of origin and program genre for each program captured by the Bureau of Broadcast Measurement Canada (BBM) and Nielsen Media Research people meter databases as of 1 September 2003.

## **Telecom Sector**

### ***Consumer safeguards***

The Commission strengthened a number of its consumer safeguards. Examples include resellers being required to adhere to the same confidentiality provisions as carriers and incumbent local exchange carriers (ILECs) being required to have express consent from customers when offering reverse directory services. The Commission also ensured that incumbent telephone companies would not be allowed to suspend or terminate tariffed services if the customer has paid enough to cover outstanding tariffed amount and they must also provide itemized billing on a monthly basis for their customers. The Commission also approved the offering of wireless E9-1-1 in the province of Manitoba.

### ***Service Improvement Program***

One of the objectives of the Commission is to ensure all regions of Canada have reliable and affordable high quality telecommunication service. To help achieve this, the Commission approved increases in the capital expenditures for several service improvement programs (SIPs) of the incumbent telephone companies. These expenditures will help extend service to un-served premises as well as to upgrade service in those areas where customers do not have access to telecommunications services that meet the basic service.

### ***Quality of Service***

The Commission implemented quality of service rate adjustment mechanisms for both consumers and competitors who are customers of the incumbent telephone companies. These mechanisms are put in place to ensure Canadians continue to receive reliable high quality service from their incumbent telephone company. The Commission decided it was not able to rely solely on competition itself to ensure delivery of high quality services to customers. As such, the Commission issued decisions, which will provide consumers and competitors with credits on their bills whenever the incumbent telephone company does not meet the quality of service standards established by the Commission.

### ***Telemarketing Rules***

The Commission announced changes to the telemarketing rules to better protect the privacy of consumers from undue inconvenience and nuisance caused by unsolicited telecommunications. In its decision, the Commission stated that it believed there was considerable merit in the establishment of a national do not call list. However, the Commission indicated that implementing such a national list would be counter-productive without appropriate start-up funding and without an effective fining power for enforcement. On 13 December 2004, the Honourable David L. Emerson, Minister of Industry, announced that the Government of Canada was introducing legislation that would amend the *Telecommunications Act* in order to provide the Commission with the ability to establish a national do not call list. It would also give the Commission the power to levy substantial penalties against telemarketers who do not follow the rules, and the power to contract with a private sector third-party to operate the service. The legislation amending the *Telecommunications Act* has not yet been adopted.

### ***Last Pay Telephone in a Community***

The Commission put in place a notification process in instances where the last pay telephone in a community is scheduled for removal. The Commission also directed the ILECs to implement a teletypewriter upgrade program for certain pay telephones to improve the service for consumers who are hearing impaired.

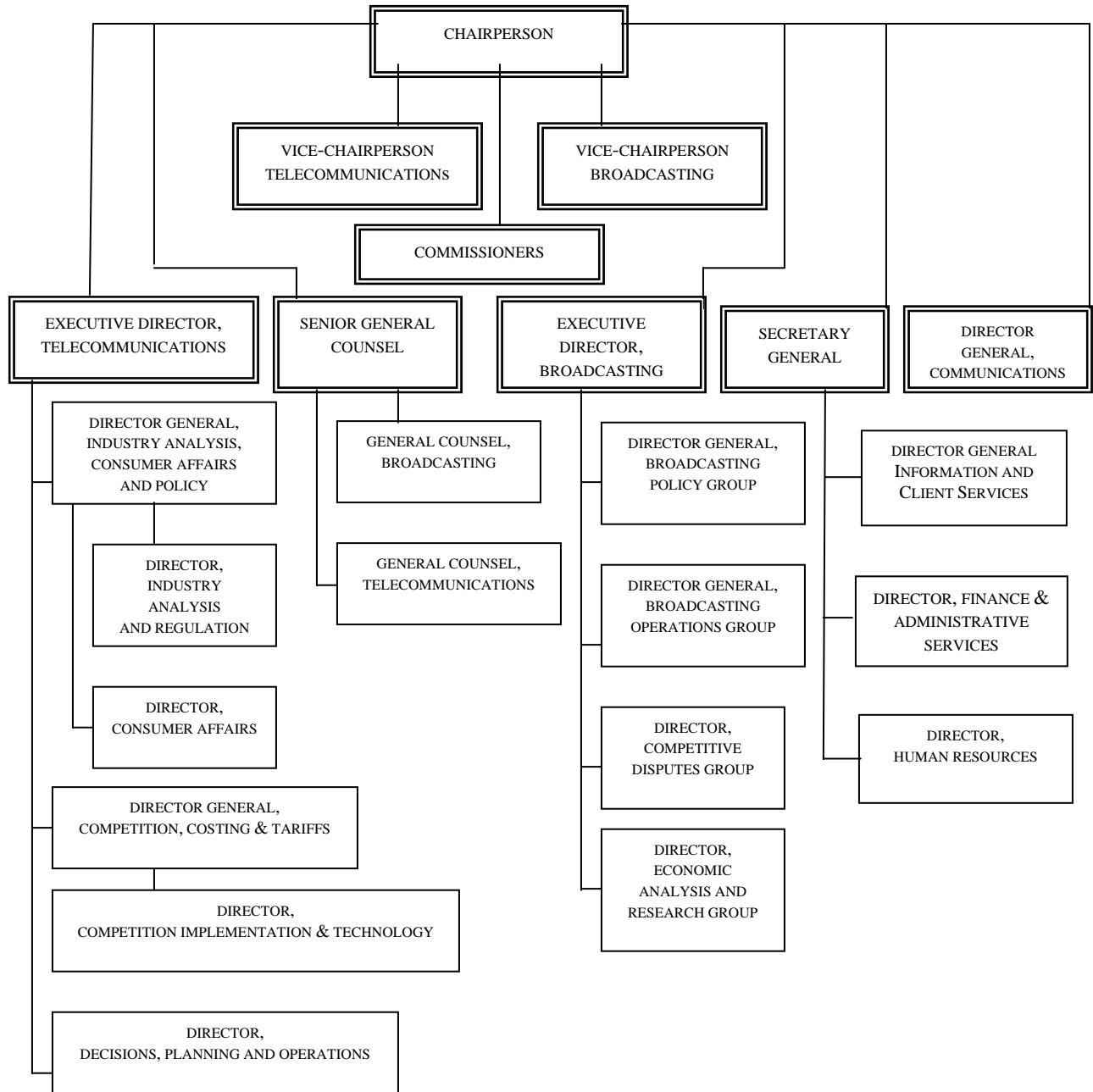


**SECTION III:**  
**Supplementary Information**





## CRTC Organization Chart



- Parliament set out our present structure and powers in the *Canadian Radio-television and Telecommunications Act*. The Broadcasting Act of 1991 amended this Act.
- Under the Act, the Cabinet may appoint up to 13 full-time and 6 part-time commissioners for renewable terms of up to 5 years.
- Full-time positions include that of the chairperson, the vice-chairperson of broadcasting, and the vice-chairperson of telecommunications.
- Only the full-time commissioners are involved in the decision-making process for telecommunications, but all commissioners participate in broadcasting decisions.
- 410 employees specializing in broadcasting and telecommunications also contribute their talents and services to respond to our immediate and long-term responsibilities concerning legislation, the Canadian public, government and industry.

## Financial Information & Summary Tables

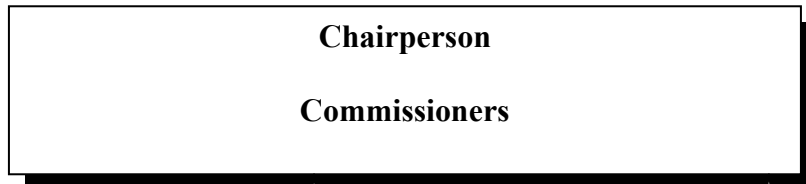
A graphical representation of the accountability and activity structure, including resource levels, is noted below.

### CRTC Accountability Activity Structure

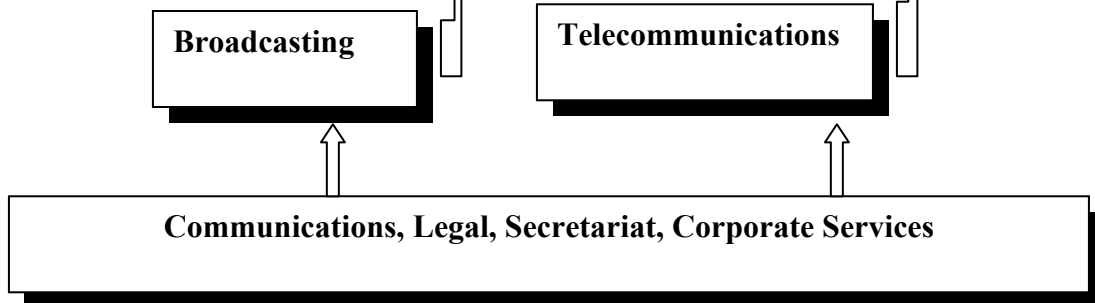
#### *Business Line*

<b>Regulation of Communications in the Public Interest</b>	
<b>Planned spending</b>	<b>\$43.7 million</b>
<b>Total authorities</b>	<b>\$44.0 million</b>
<b>2004-2005 Actual</b>	<b>\$44.0 million</b>

#### *Accountability Structure*



#### *Organizational Activities*



Note: The CRTC reports to Parliament through the Minister of Canadian Heritage

**Table 1: Comparison of Planned to Actual Spending (\$ millions)**

Business Line	2002-03 Actual	2003-04 Actual	2004-2005			
			Main Estimates	Planned Spending	Total Authorities	Actual
Regulation of Communications in the Public Interest	42.3	43.2	43.7	43.7	44.0	44.0
Less: Respendable Revenue (note 1)	33.0	35.0	37.6	37.6	37.6	37.6
Net Expenditures	9.3	8.2	6.1	6.1	6.4	6.4
Adjustments: Supplementary Estimates: Operating budget carry forward				0.5		
TB Vote 15: Collective agreements and other compensation adjustments				0.2		
Total Net Expenditures	9.3	8.2	6.1	6.8	6.4	6.4
Less: Non-Respendable revenue (note 1)	103.4	115.2	-	118.1	118.1	118.1
Plus: Cost of services received without charge (note 2)	15.0	14.5	-	15.8	15.5	15.5
Net cost	(79.1)	(92.5)	6.1	(95.5)	(96.2)	(96.2)
Full Time Equivalents (note 3)	415	417	-	410		401

**Note 1** For more information on CRTC revenues refer to the section entitled "Explanation of Revenue".

**Note 2** The costs of services provided by other departments (Table 3) includes: the regulation of the Broadcasting Spectrum by Industry Canada ; the accommodation provided by Public Works and Government Services Canada; the employer's share of employees' insurance premium and expenditures paid by Treasury Board Secretariat and associated expenditures of legal services provided by justice Canada.

**Note 3** Full time equivalents (FTEs) reflect the human resources that the CRTC uses to deliver its program and services. The number is based on a calculation that considers full-time, part-time, term and casual employment. The CRTC is no longer required to control the number of FTEs it may use. Rather, CRTC manages a personnel budget within its operating expenditures and has the latitude to manage as needed. This data is included for information purposes only.

**Note 4** Brackets indicate that the revenue received exceeds the gross costs of program.

**Table 2: Voted and Statutory Items**

This table provides information regarding that portion of the Commission's budget that is funded through appropriations.

(\$ millions)		2004-2005			
Vote or Statutory Item	Canadian Radio-television and Telecommunications Commission	Main Estimates	Planned Spending	Total Authorities	Actual
45	Program expenditures	-	0.7	1.3	1.3
(S)	Contributions to employee benefit plans	6.1	6.1	5.1	5.1
	<b>Total</b>	6.1	6.8	6.4	6.4

**Table 3: Net Cost of CRTC**

(\$ millions)	2004-2005
Total Actual Spending	6.4
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	2.9
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS	2.4
Worker's compensation coverage provided by Social Development Canada	
Salary and associated expenditures of legal services provided by Justice Canada	.2
Regulation of Broadcasting Spectrum - Industry Canada	10.0
<i>Less: Non-responsible Revenue</i>	118.1
<b>2004-2005 Net cost</b>	<b>(96.2)</b>

**Table 4: Respendable and Non-Respendable Revenue**

(\$ millions)	Actual 2002-03	Actual 2003-04	2004-2005			
			Main Estimates	Planned Revenue	Total Authorities	Actual
<b>Respendable Revenue (note 1)</b>						
<b>Regulation of Communications in the Public Interest</b>						
Broadcasting Licence Fees Part I	17.8	18.2		19.8	19.8	19.8
Telecommunications Fees	15.2	16.8		17.8	17.8	17.8
<b>Total Respendable Revenue</b>	<b>33.0</b>	<b>35.0</b>	<b>37.6</b>	<b>37.6</b>	<b>37.6</b>	<b>37.6</b>

<b>Non-Respendable Revenue (note 2)</b>						
Broadcasting Licence Fees						
Part I	5.3	6.7		6.0	6.0	6.0
Part II	92.6	102.5		107.2	107.2	107.2
Telecommunications Fees	5.5	6.0		4.9	4.9	4.9
<b>Total Non-Respendable Revenue</b>	<b>103.4</b>	<b>115.2</b>		<b>118.1</b>	<b>118.1</b>	<b>118.1</b>

<b>Total Revenue (note 3)</b>	<b>136.4</b>	<b>150.2</b>	<b>37.6</b>	<b>155.7</b>	<b>155.7</b>	<b>155.7</b>
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**Note 1** The CRTC retains respendable revenue to fund its operating budget.

**Note 2** Non-respendable revenue for Part I broadcasting licence fees and CRTC telecommunications fees recover the costs incurred by other federal government departments for services (excluding Industry Canada spectrum management) rendered without charge to the CRTC as well as the statutory costs of employee benefit plans. Part II broadcasting fees are also considered to be non-respendable revenue.

**Note 3** All revenues are credited to the Consolidated Revenue Fund.

## Explanation of Revenue

The CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these Acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. For fiscal year 2004-2005:

- ✓ CRTC Part I broadcasting licence fees were \$25.8 million (\$19.8 million spendable and \$6.0 million non-spendable revenue);
- ✓ CRTC Part II broadcasting licence fees were \$107.2 million; and
- ✓ CRTC telecommunications fees were \$22.7 million (\$17.8 million spendable and \$4.9 million non-spendable revenue).

**Table 5: CRTC Fees (note 1)**

Name of Fee	Fee Type	Fee Setting Authority	Date Last Modified	2004-2005		Public Consultation
				Actual Revenue (\$000)	Full Cost (\$000)	
Telecommunications Fees	Regulatory (R)	Telecommunications Act (Section 68)  Telecommunications Fee Regulations 1995	1995	\$22.7	\$22.7	<u>Broadcasting and Telecommunications</u>  Full public consultations occur with each change to the telecommunications fee regulations or the broadcasting licence fee regulations.
Broadcasting Licence Fees  Part I	Regulatory (R)	Broadcasting Act (Section 11)		\$25.8	\$25.8	
Part II	Right & Privilege	Broadcasting Licence Fee Regulations 1997	1997	\$107.2	(note 2)	
				\$155.7	\$48.5	

**Note 1** The information presented in this table is provided with a view to being as comprehensive and transparent as possible with respect to CRTC fees.

**Note 2** The rationale for assessing Part II fee is three-fold:

- To earn a fair return for the Canadian public for access to, or exploitation of, a publicly owned or controlled resource (i.e. broadcaster's use of the broadcasting spectrum);
- To recover Industry Canada costs associated with the management of the broadcasting spectrum (i.e. approximately \$10 M per year); and
- To represent the privilege of holding a broadcasting licence for commercial benefit.

**Note 3** Forecast revenue for 2004-2005 and planned revenue from 2005-2006 to 2007-2008 are published in table 5 of the 2005-2006 Report on Plans and Priorities ([http://www.crtc.gc.ca/eng/publications/reports/rpps/2005\\_06.htm](http://www.crtc.gc.ca/eng/publications/reports/rpps/2005_06.htm))

**Note 4** The *Broadcasting Licence Fee Regulations* and the *Telecommunications Fees Regulations* can be found on the CRTC web site at: <http://www.crtc.gc.ca/eng/LEGAL/LICENCE.HTM> (i.e. broadcasting) and <http://www.crtc.gc.ca/eng/LEGAL/TFEES.HTM> (i.e. telecommunications)

## Broadcasting Licence Fees

Section 11 of the *Broadcasting Act* empowers the Commission to make regulations respecting licence fees. These regulations apply to all licensees other than those classes of undertakings specifically exempted under section 2 of the fee regulations. Every licensee subject to the regulations is required to pay a Part I and a Part II<sup>1</sup> licence fee to the Commission annually. For 2004-2005 the CRTC collected a total of \$133 million from broadcasting undertakings (\$25.8 million in Part I fees and \$107.2 million in Part II fees).

The Part I fee is based on the broadcasting regulatory costs incurred each year by the Commission and other federal departments or agencies, excluding spectrum management costs, and is equal to the aggregate of:

- ✓ the costs of the Commission's broadcasting activity;
- ✓ the share of the costs of the Commission's administrative activities that is attributable to its broadcasting activity; and
- ✓ the other costs included in the net cost of the Commission's program attributable to its broadcasting activities, excluding the costs of regulating the broadcasting spectrum.

The estimated total broadcasting regulatory costs of the Commission are set out in the Commission's Expenditure Plan published in Part III of the Estimates of the Government of Canada (i.e. Part III Report on Plans and Priorities). There is an annual adjustment amount to the Part I fee to adjust estimated costs to actual expenditures. Any excess fees or shortfalls are credited or charged to the licensee in a following year's invoice.

The Part II fee is calculated at 1.365% of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the Part II fees on behalf of the government, with all revenues collected being deposited to the Government of Canada's Consolidated Revenue Fund (CRF). The rationale for assessing the Part II licence fee is three-fold:

- ✓ to earn a fair return for the Canadian public for access to, or exploitation of, a publicly owned or controlled resource (i.e. broadcasters use of the broadcasting spectrum);
- ✓ to recover Industry Canada costs associated with the management of the broadcasting spectrum; and
- ✓ to represent the privilege of holding a broadcasting licence for commercial benefit.

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<sup>1</sup> Two legal proceedings have been filed in the Federal Court of Canada (court files T-2277-03 by the Canadian Association of Broadcasters and T-276-04 by Vidéotron Ltée, Vidéotron (Régional) Ltée and CF Cable TV inc.) challenging the legality of Part II Licence Fees.

## **Telecommunications Fees**

Section 68 of the *Telecommunications Act* sets out the authority for collecting telecommunications fees from carriers that the Commission regulates. Each company that files tariffs must pay fees based on its operating revenue, as a percentage of the revenue of all the carriers that file tariffs. For 2004-2005, the CRTC collected \$22.7 million in telecommunications fees.

The annual fees the CRTC collects is equal to the aggregate of:

- ✓ the cost of the Commission's telecommunications activity;
- ✓ the share of the costs of the administrative activities that is attributable to its telecommunications activity; and
- ✓ the other costs included in the net cost of the Commission's program attributable to its telecommunications activity.

The estimated total telecommunications regulatory costs of the Commission are set out in the Commission's Expenditure Plan published in Part III of the Estimates of the Government of Canada (i.e., Part III Report on Plans and Priorities). There is an annual adjustment amount to the telecommunications fees to adjust estimated costs to actual expenditures. Any excess fees or shortfalls are credited or charged to the carriers in a following year's invoice.

## **Dispute Resolution – Fee Assessment**

The CRTC's dispute resolution process regarding the assessment of broadcasting licence fees and telecommunications fees is summarized as follows:

- The first point of contact for fee payers concerning issues related to fee assessment or collection is the Commission's Assistant Director, Financial Operations and Licence Fee Processing followed by the Director Finance and Administrative Services. Fee payers may raise their concerns either by telephone conversation, e-mail or letter. To date the CRTC notes that the majority of fee payers concerns have been resolved at the staff level.
- Where an issue cannot be satisfactorily resolved at the staff level, fee payers are requested to document the nature of their concern in writing and submit it to the CRTC's Secretary General for formal consideration. Responses to all such letters would be provided by CRTC.



### **Policy on Service Standards for External Fees**

With respect to the Treasury Board *Policy on Service Standards for External Fees*, the CRTC has established a working group to start a process to develop service standards which are considered to be a good management practice and accountability instruments. We anticipate that a consultation process will occur and that service standards will be available for publication in the 2005-2006 Departmental Performance Report.

### **Travel Policies**

The CRTC uses Treasury Board Secretariat (TBS) travel policies. This includes the TBS Special Travel Authorities and the TBS Travel Directive, Rates and Allowances.

**Table 6: Response to Parliamentary Committees for FY 2004-2005**

<b>Response to Parliamentary Committees</b>
<b>The Standing Committee on Official Languages</b>
<p>In August 1994, the Government of Canada approved the establishment of an accountability framework for the implementation of sections 41 and 42 of the <i>Official Languages Act</i> (OLA). Under section 41, the federal government is committed to enhancing the vitality of English and French linguistic minority communities in Canada and to supporting and assisting their development, thus fostering the full recognition and use of both English and French in Canadian society.</p> <p>On 3 February 2003, the Standing Committee on Official Languages recommended that the Government of Canada add the CRTC to the list of designated federal institutions in the accountability framework adopted in 1994. After the government accepted that recommendation, the Minister of Canadian Heritage, as interdepartmental co-ordinator for implementation of section 41 of the OLA, informed the CRTC on 22 August 2003, of its designation, and pointed out that the decision was motivated by the important role the CRTC plays with respect to minority official-language communities.</p> <p>The Minister's letter also noted the CRTC's duty to develop, following consultation with minority official-language communities, an action plan on official languages based on due consideration of the needs of those communities, within the confines of its mandate.</p> <p>On 14 May 2004, the Commission published its first Action Plan for the implementation of Section 41 of the OLA (<i>Official Languages – CRTC Action Plan 2004-2005</i>), including a summary of recent accomplishments to support the minority official language communities. The Commission in preparation of its first action plan consulted organizations representing those communities.</p> <p>In May 2005, the Commission submitted to Canadian Heritage, according to its plan, a report on its accomplishments for the period ending on 31 March of the same year. The report reflected the Commission's willingness to continue ensuring, within its mandate limitations, a better balance of Canadian services in minority markets.</p> <p>Overall, the Commission met the objectives set in its Action Plan 2004-2005 in pursuing the implementation of its recommendations regarding broadcasting services in minority markets, in encouraging the communication within the official languages communities in minority markets and in taking into account the specificity of the community radios in the analyses guiding its decisions.</p>

**Modern Comptrollership (now referred to as Management Accountability Framework (MAF))**

In December 2002, a Modern Management Steering Committee was created with a view to introduce and implement the Modern Management Initiative (MMI) within the CRTC.

In November 2003, the CRTC conducted a MMI Capacity Assessment. It was a self-assessment of current CRTC capabilities relative to modern management practices identified by Treasury Board Secretariat according to 33 Modern Management criteria. The assessment included interviews conducted individually with six senior managers, and six focus groups held with approximately 60 managers.

A report summarizing the findings was then circulated for validation to all participants. The results were reviewed and discussed at the Commission's Managers' Forum held on 31 March 2004 (meeting of managers held twice yearly) and input was sought for actions to be taken on priority elements. The Members of the Modern Management Committee then used this information as the basis for the development of an Action Plan published in September 2004.

The Action Plan took into consideration the following elements, which were of utmost importance to the CRTC management team: strategic leadership, motivating people, knowledge transfer, succession planning and learning plans. The follow-up Action Plan will be published in September 2005.

**Table 7: Service Improvement Initiative (SII)**

***Expedited procedure for resolving issues arising under the Broadcasting Act, Broadcasting Circular CRTC 2005-463, 18 April 2005***

As a further means to hasten the resolution of broadcasting disputes, the Commission considers that it would be appropriate at this time to implement procedures for the conduct of expedited public hearings. These hearings would complement the Commission's existing dispute resolution guidelines and tools, and be similar to the procedures that it recently established for resolving disputes arising under the *Telecommunications Act (Expedited procedure for resolving competitive issues, Telecom Circular CRTC 2004-2, 10 February 2004)*.

***Introduction of Streamlined process for retail tariff filings, Telecom Circular CRTC 2005-6, 25 April 2005***

With this Circular, the Commission has taken several major steps to increase regulatory efficiency. In the Commission's view, regulatory delay will be reduced significantly as a result of the initiatives outlined in this Circular, given its stated intention to respond to each and every retail tariff application within 10 business days, and to dispose of virtually all of them within 45 business days. With the introduction of these initiatives, the Commission has also introduced increased certainty to the process, as applicants will know quickly the amount of time the processing of their applications will likely take.

### **How new retail tariff procedures work**

Retail tariff applications are required when a regulated telephone company introduces a new product or service. The faster the application is disposed of, the faster the telephone company can introduce a new product or service to customers.

In the interest of speedy turnaround and competitive fairness, the Commission now requires that applications be fully complete at filing to warrant consideration. Companies not already doing so, must file applications electronically, as of May 1, 2005.

The new procedures ensure that, within 10 business days of receiving a complete retail tariff application, the Commission will issue either:

- a) an order granting the application interim approval,
- b) a letter stating that it intends to dispose of the application within 45 business days of receipt of the application, setting out the reasons why interim approval was not granted,
- c) a letter either with interrogatories included or confirmation that interrogatories are to follow within 5 business days, and an indication that it still intends to dispose of the application within 45 business days, or
- d) a letter indicating that the file is being closed due to deficiencies in the application, identifying the specific deficiencies.

The streamlined process also reduces the time to file comments. Interested parties will be expected to provide comments within 25 calendar days of the filing date of an application and the applicant must file reply comments within 7 calendar days after the final date for interventions. Parties have the right to request an extension, providing justification for the request.

### ***New procedures for disposition of applications dealing with the destandardization and/or withdrawal of tariffed services, Telecom Circular CRTC 2005-7, 30 May 2005***

With this Circular, the Commission has taken several major steps to increase regulatory efficiency. In the Commission's view, regulatory delay will be reduced significantly as a result of the initiatives outlined in this Circular, given its intention to dispose of a significant number of applications for the destandardization and/or withdrawal of tariffed services within 45 to 65 business days. The Commission has also introduced increased certainty to the process, as applicants will know at an early stage the criteria that the Commission will use to assess their applications and the amount of time the processing of their applications will likely take.

## **Commission Process**

### **Anticipated outcomes and timelines under the new process**

<b>Situation</b>	<b>Anticipated outcomes and timelines under the new process</b>
<b>A) There are no customers, and, in the Commission's view, there are no significant issues</b>	<p>Interim approval within 10 business days from the date of the application.</p> <p>Final decision issued within 45 business days from the date of the application.</p>
<b>B) There are no customers, and, in the Commission's view, there are significant issues</b>	<p>If required, interrogatories issued within 15 business days from the date of the application, and responses due within 5 to 10 business days depending on the complexity of the information being sought.</p> <p>Final decision issued within 55 business days from the date of the application.</p>
<b>C) There are no existing customers but there are comments from potential customers</b>	<p>Reply comments, if any, from applicant due within 10 business days following the close of the 45 calendar day comment period.</p> <p>Final decision issued within 65 business days from the date of the application.</p>
<b>D) There are customers but no comments, and, in the Commission's view, there are no significant issues</b>	<p>Final decision issued within 45 business days from the date of the application.</p>
<b>E) There are customers but no comments, and, in the Commission's view, there are significant issues</b>	<p>If required, interrogatories issued within 15 business days from the date of the application, and responses due within 5 to 10 business days depending on the complexity of the information being sought.</p> <p>Final decision issued within 55 business days from the date of the application.</p>

**F) There are customers and comments, and, in the Commission's view, there are no significant issues**

Reply comments, if any, from applicant due within 10 business days following the close of the 45 calendar day comment period.

Final decision issued within 65 business days from the date of the application.

**G) There are customers and comments, and, in the Commission's view, there are significant issues**

If required, interrogatories issued within 15 business days from the date of the application, and responses due within 5 to 10 business days depending on the complexity of the information being sought.

Reply comments, if any, from applicant due within 10 business days following the close of the 45 calendar day comment period.

Final decision issued within 75 business days from the date of the application.

## **APPENDICES**





## Appendix A: CRTC Members and Offices

<b>CRTC Members</b>		
Chairman	<i>Charles Dalfen</i>	(819) 997-3430
Vice-Chairman, Broadcasting	<i>Andrée Wylie*</i>	(819) 997-8766
Vice-Chairman, Telecommunications	<i>Richard French</i>	(819) 997-8766
Commissioner	<i>Joan Pennefather</i>	(819) 953-7882
Commissioner	<i>Rita Cugini,** Ontario</i>	(819) 997-2431 (416) 954-6269
Commissioner	<i>Stuart Langford</i>	(819) 997-4126
Commissioner	<i>Barbara Cram,** Manitoba/ Saskatchewan</i>	(819) 997-4485 (306) 780-3422
Commissioner	<i>Andrée Noël,** Québec</i>	(819) 997-3831 (514) 496-2370
Commissioner	<i>Ronald D. Williams,** Alberta/ Northwest Territories</i>	(819) 953-0435 (780) 455-6390
Commissioner	<i>Helen del Val,** British Columbia/Yukon)</i>	(819) 934-6347 (604) 666-2914
Commissioner	<i>Elizabeth Duncan,** Atlantic</i>	(819) 997-4764 (902) 426-2644

\* Michel Arpin has been appointed beginning 31 August 2005.

\*\* These commissioners also have regional responsibilities.

<b><i>Client Services – Central Office Telephone (Toll-Free)</i></b>	<b><i>1-877-249-CRTC (2782)</i></b>
<i>Client Services</i>	(819) 997-0313
<i>Public Examination Room</i>	(819) 997-2429
<i>Access to Information and Privacy</i>	(819) 994-5366
<i>Library</i>	(819) 997-4484
<i>TDD (Toll-Free)</i>	1-877-909-2782
<i>Media Relations</i>	(819) 997-9403
<b><i>Fax Numbers</i></b>	
<i>General</i>	(819) 994-0218
<i>Communications</i>	(819) 997-4245
<i>Finance and Corporate Services</i>	(819) 953-5107
<i>General Counsel</i>	(819) 953-0589
<i>Human Resources Information</i>	(819) 953-5107
<b><i>Electronic Access</i></b>	
<i>Internet</i>	<a href="http://www.crtc.gc.ca">http://www.crtc.gc.ca</a>
<i>E-mail</i>	<a href="mailto:info@crtc.gc.ca">info@crtc.gc.ca</a>

<b>Our Offices</b>	
<p><b>Central Office</b>  Les Terrasses de la Chaudière  Central Building  1 Promenade du Portage  Gatineau, Quebec  J8X 4B1</p> <p>Tel: (819) 997-0313  Fax: (819) 994-0218  TDD: 1-877-909-2782</p> <p><b>Mailing address:</b>  CRTC  Ottawa, Ontario  K1A 0N2</p>	<p><b>In Ontario</b>  55 St. Clair Avenue East  Suite 624  Toronto, Ontario  M4T 1M2</p> <p>Tel: (416) 952-9096  Fax: (416) 954-6343</p>
<p><b>In Nova Scotia</b>  Metropolitan Place  99 Wyse Road  Suite 1410  Dartmouth, Nova Scotia  B3A 4S5</p> <p>Tel: (902) 426-7997  Fax: (902) 426-2721  TDD: (902) 426-6997</p>	<p><b>In Saskatchewan</b>  Cornwall Professional Bldg.  2125-11<sup>th</sup> Avenue  Suite 103  Regina, Saskatchewan  S4P 3X3</p> <p>Tel: (306) 780-3422  Fax: (306) 780-3319</p>
<p><b>In Québec</b>  205 Viger Avenue West  Suite 504  Montréal, Québec  H2Z 1G2</p> <p>Tel: (514) 283-6607  Fax: (514) 283-3689</p>	<p><b>In Alberta</b>  Standard Life Centre  10405 Jasper Avenue, Suite 520  Edmonton, Alberta  T5J 3N4</p> <p>Tel: (780) 495-3224  Fax: (780) 495-3214</p>
<p><b>In Manitoba</b>  275 Portage Avenue  Suite 1810  Winnipeg, Manitoba  R3B 2B3</p> <p>Tel: (204) 983-6306  Fax: (204) 983-6317  TDD: (204) 983-8274</p>	<p><b>In British Columbia</b>  580 Hornby Street  Suite 530  Vancouver, British Columbia  V6C 3B6</p> <p>Tel: (604) 666-2111  Fax: (604) 666-8322  TDD: (604) 666-0778</p>

## Appendix B: Legislation, Directions and Associated Regulations

### Statutes

<u>Canadian Radio-television and Telecommunications Commission Act</u>	R.S.C. 1985, c. C-22, as amended
<u>Broadcasting Act</u>	S.C. 1991, c. 11, as amended
<u>Telecommunications Act</u>	S.C. 1993, c. 38, as amended

### Directions, Regulations and Rules of Procedure

<u>Direction to the CRTC (Ineligibility of Non-Canadians)</u>	
<u>Direction to the CRTC (Ineligibility to Hold Broadcasting Licences)</u>	
<u>Direction to the CRTC (Reservation of Cable Channels)</u>	
<u>CRTC Rules of Procedure</u>	
<u>Broadcasting Information Regulations, 1993</u>	
<u>Broadcasting Licence Fee Regulations, 1997</u>	
<u>Broadcasting Distribution Regulations</u>	
<u>Pay Television Regulations, 1990</u>	
<u>Radio Regulations, 1986</u>	
<u>Specialty Service Regulations, 1990</u>	
<u>Television Broadcasting Regulations, 1987</u>	
<u>CRTC Tariff Regulations</u>	
<u>CRTC Telecommunications Rules of Procedure</u>	
<u>Telecommunications Fee Regulations, 1995</u>	
<u>Canadian Telecommunications Common Carrier Ownership and Control Regulations</u>	