

**Canadian
Radio-television and
Telecommunications
Commission**

Performance Report

**For the
period ending
March 31, 1998**

Sheila Copps
Minister of Canadian Heritage

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Executive Summary

1997-98 was a year of significant accomplishment for the CRTC. Our decisions and our collaboration with both consumers and the communications industry have brought many advantages to Canadians, and will continue to do so. This report notes the many benefits Canadians can expect to enjoy in the competitive and rapidly evolving communications marketplace. These benefits include greater consumer choice and diversity among services and service providers.

The results of our new business lines of “Canadian Voices” and “Choices for Canadians” are directly contributing to the objectives set out in the *Broadcasting Act* and *Telecommunications Act*. In addition, these accomplishments are being recognized both nationally and internationally.

In the promotion of “Canadian Voices”, we conducted a proceeding that led to the development and release of a new policy framework for commercial radio. Overall, the new policy represents a balancing act between a financially stronger radio industry, and access by Canadians to quality Canadian programming and increased exposure to Canadian musical artists. We also note that Canadian television programming has been attracting a larger share of total viewing over the past several years, indicating that viewers are finding value in programming that reflects their identities and values.

In promoting “Choices for Canadians”, the CRTC made a series of decisions that will facilitate local telephone competition. These decisions mean that Canada will enjoy the benefits of one of the most competitive telecommunications markets in the world. Canadian consumers already have a choice of long-distance companies and will soon have the opportunity to choose from among local service providers. We have already seen the launch of commercial local competition in several major urban centres across the country, with the strong expectation of a much wider roll-out in the coming months. This past year also saw the implementation of new broadcasting distribution regulations to usher in competition in distribution. These regulations and the associated competitive framework will facilitate increased choice for consumers, promote competitive prices and stimulate increased competition in the marketplace.

In achieving these results, the CRTC remains an organization that is fully funded from fees that it collects from the broadcasting and telecommunications industries. In 1997-98, the CRTC collected a total of \$103 million in fees. The total cost of operating the CRTC (excluding \$18 million in services provided by other government departments without direct charge to the CRTC) totaled \$33.9 million.

Chart of Key Results Commitments

Canadian Radio-television and Telecommunications Commission (CRTC)		
<i>Assurance that Canadian communications contribute fairly and equitably to Canada's economic, social and cultural prosperity through regulation, supervision and public dialogue</i>		
To provide Canadians with:	To be demonstrated by:	Achievement reported in :
a place for Canadian voices in national and, thus, global communications	<ul style="list-style-type: none"> a. content that reflects the linguistic duality, cultural diversity and social values of Canada b. Canadian content in communications services c. programming that reflects national, regional and community voices d. programming that features Canadian creative talent e. meaningful investment in Canadian audio and video content 	<p>Pages 13-15</p> <p>Pages 15-16 Pages 16-17</p> <p>Pages 18-19 Pages 19-20</p>
a broad range of communications services through competitive communications industries	<ul style="list-style-type: none"> a. competitive Canadian communications industries b. availability of a broad range of Canadian communications services c. reliable, high-quality communication services that are responsive to consumer needs and social values d. core communications services that are reasonably priced e. a communications infrastructure that is innovative and supports evolving communications services 	<p>Pages 22-27 Pages 27-29</p> <p>Pages 29-30</p> <p>Pages 31-32</p> <p>Pages 32-34</p>
credibility and value of the governance process	<ul style="list-style-type: none"> a. fair and impartial decisions b. collaborative processes with many players c. teamwork, trust, openness, pride and respect at the CRTC d. effective, efficient, timely and clear actions (processes and services) 	<p>Page 36</p> <p>Pages 36-38</p> <p>Pages 38-39</p> <p>Pages 39-42</p>

Section I: Message

The Minister's Message:

The Canadian Heritage Portfolio *Strengthening and Celebrating Canada*

The main objective of the Canadian Radio-television and Telecommunications Commission, an independent regulatory agency reporting to Parliament, is to supervise and regulate Canada's broadcasting and telecommunications systems.

The Canadian Heritage Portfolio was created in June 1993 to consolidate national policies and programs that maintain Canada's culture and promote Canadian identity.

The Canadian Radio-television and Telecommunications Commission, with its specific mandate, plays an important role in the Canadian Heritage Portfolio's goal of strengthening and celebrating Canada. Working together for Canadians, the Department, agencies and Crown corporations all contribute to the growth and development of Canadian cultural life, the promotion of a fairer, more equitable society, the nation's linguistic duality and multicultural character, and the preservation of Canada's national parks, national historic sites and heritage.

As Minister responsible for the Canadian Heritage Portfolio, it is my pleasure to present this report on the accomplishments of the Canadian Radio-television and Telecommunications Commission: its ongoing and special endeavours are a driving force in helping us build a strong, prosperous Canadian presence and community.

Sheila Copps
Minister of Canadian Heritage

The Canadian Heritage Portfolio includes:

- the **Department of Canadian Heritage**, responsible for broadcasting policy, cultural industries, arts policy, heritage, Canadian identity, multiculturalism, official languages, sport and national parks and national historic sites; as well as the Canadian Conservation Institute, the Canadian Heritage Information Network, the Cultural Property Export Review Board and the Historic Sites and Monuments Board of Canada.

- **six departmental agencies:** the Canadian Radio-television and Telecommunications Commission (an independent regulatory agency), the National Archives of Canada, the National Battlefields Commission, the National Film Board of Canada, the National Library of Canada and Status of Women Canada.

- **ten Crown corporations:** the Canada Council, the Canadian Broadcasting Corporation, the Canadian Film Development Corporation (Telefilm Canada), the Canadian Museum of Civilization, the Canadian Museum of Nature, the Canadian Race Relations Foundation, the National Gallery of Canada, the National Arts Centre, the National Capital Commission and the National Museum of Science and Technology.

- As well, the Public Service Commission reports to Parliament through the Minister of Canadian Heritage

The Chairperson's Message

For the CRTC and the industries it regulates, 1997-98 has been a year of considerable activity and progress. To meet the challenges of the information age, we are adapting the approaches we take in discharging our responsibilities. We have pursued several initiatives to encourage more effective citizen engagement and dialogue with all interested parties. We also announced our Vision, which articulates our mission, key thrusts, goals and values, while reaffirming the objectives of the *Broadcasting Act* and the *Telecommunications Act*. In April 1998, we published a report on our progress toward achieving the Vision's objectives. We continue on track in implementing all of these. The Commission's performance in responding to an increasingly complex communications environment has been recognized internationally: in September 1998, the Bertelsmann Foundation of Germany honoured the Commission by naming it a co-winner of its 1998 award for "Innovation and Responsibility in the Information Society".

In telecommunications, the CRTC Interconnection Steering Committee (CISC) has made significant headway toward the goal of establishing a truly competitive local telecommunications market. In broadcasting, a new commercial radio policy announced in April 1998 lays the groundwork for a radio industry more financially capable of providing Canadians with access to quality Canadian programming. In December 1997, the Commission announced new broadcasting distribution regulations that will promote greater choice for consumers among competing service distributors.

Our efforts have largely been in response to recent advances and innovations in communications technologies. These, together with international agreements among governments to remove or reduce trade restrictions, have vastly and rapidly expanded the global exchange of information and entertainment. They have also obliged our domestic telecommunications and broadcasting industries to become much more efficient and competitive. Meanwhile, the public's appetite for the advantages of competition, including greater consumer choice and diversity among services and service providers, has never been more loudly expressed. While the evolving communications environment thus presents many challenges, the Commission has an opportunity to help shape that environment. By facilitating the transition from monopoly to competition, we act in full accordance with the wishes of the public and of Parliament, and help to ensure a continuing, vibrant Canadian presence in all facets of an increasingly converged communications industry.

In the coming year, we will maintain our efforts to facilitate the emergence of fair competition. Although this objective implies a greater reliance on market forces, we will monitor the continued relevance and effectiveness of our policies and regulations, taking into account developments in the various communications industries, including their diligence in providing services of high quality at reasonable cost. We will ensure that the objectives of the *Broadcasting Act* and the *Telecommunications Act* are well served, in the public interest. We will continue to pursue realization of our Vision, encourage effective citizen engagement, and promote development of strong and successful communications industries offering services of world-class quality with a distinctive Canadian flavour.

Françoise Bertrand
Chairperson
Canadian Radio-television & Telecommunications Commission

Section II: CRTC Overview

Mandate

The Canadian Radio-television and Telecommunications Commission (CRTC) was established by Parliament in 1968. It is an independent public authority constituted under the *Canadian Radio-television and Telecommunications Commission Act* (R.S.C. 1985, c. C-22, as amended) and reports to Parliament through the Minister of Canadian Heritage.

The CRTC is vested with the authority to regulate and supervise all aspects of the Canadian broadcasting system and to regulate telecommunications common carriers that fall under federal jurisdiction. The CRTC derives its regulatory authority over broadcasting from the *Broadcasting Act* (S.C. 1991, c. 11, as amended). Its telecommunications regulatory powers are derived from the *Telecommunications Act* (S.C. 1993, c. 38, as amended) and various “special” acts of Parliament related to specific telecommunications companies, for example, the *Bell Canada Act*, and the *Telesat Canada Reorganization and Divestiture Act*.

Vision and Mission

In 1997, the CRTC announced its Vision for the new information age. The Vision articulates the CRTC’s mission which stems directly from the objectives of the *Broadcasting Act* and the *Telecommunications Act*. The Vision also takes into account the changing communications environment, which is characterized by rapidly evolving technologies, and an increasing rate of domestic and international competition. The Vision helps the CRTC focus on how it carries out its mandate, achieves objectives, improves operations and measures results in this increasingly competitive environment.

VISION
World-class, quality communications,
with a distinct Canadian presence,
in the public interest.

Further, the Commission’s Vision anticipates the evolution of an integrated communications environment: it applies to the entire communications system, and not just specific aspects of broadcasting or telecommunications. The Vision supports both maximum choice and maximum access to Canadian content and services.

MISSION
To ensure that Canadian
communications contribute fairly and
equitably to Canada’s economic, social
and cultural prosperity, through
regulation, supervision and public
dialogue.

The Vision has three components: *Canada’s Voices*, *Choices for Canadians* and *Good Governance*. *Canada’s Voices* and *Choices for Canadians* are business lines. *Good Governance* is a management strategy that applies to the business lines and to the organization as a whole.

The actions of the CRTC have a significant impact on various dimensions of Canadian life. The CRTC's decisions benefit Canadians by increasing the availability of diverse programming that reflects Canadian society (Canada's Voices), and by promoting access to a broad range of communications services at reasonable prices (Choices for Canadians) through strong, competitive industries that can thrive in a global communications market.

Good Governance supports both of the business lines and permeates everything the CRTC does to ensure an effective decision-making process, and that practices and processes are transparent, inclusive, efficient, timely and carried out by due process. A major aspect of Good Governance is the CRTC's public process, which promotes citizen engagement and open dialogue. The CRTC also promotes teamwork and a results-orientated approach that supports its decision-making process.

VISION THRUSTS

We will:

- promote an environment in which existing and new communications services are available to Canadians;
- ensure a strong Canadian presence in content that fosters creative talent and reflects Canadian society, including its linguistic duality and cultural diversity;
- promote choice and diversity of high quality communications services; and
- foster strong, competitive and socially responsive communications industries.

Operating Environment

Objectives

The objectives of the CRTC are:

- to regulate and supervise all aspects of the Canadian broadcasting system to implement the broadcasting policy set out in the *Broadcasting Act*; and
- to regulate telecommunications in Canada to implement the policy set out in the *Telecommunications Act*.

Strategic Priorities

The CRTC's strategic program priorities are to:

- ensure that Canadian voices and images can be seen and heard, and that Canadians have access to attractive Canadian products in a competitive and technologically advanced communications environment;
- shape the regulatory framework and related processes to allow the broadcasting and telecommunications industries to position themselves as strong, viable participants within an increasingly competitive market;
- foster fair, sustainable competition in the delivery to Canadians of electronic information, and of Canadian and foreign programming services, thereby giving Canadian consumers increased choice among domestic and foreign distributors of

telecommunications and broadcasting services, and access to diverse and innovative new programming services;

- facilitate the deployment of new technologies such as digital radio and television broadcasting, digital video compression, and universal addressability to ensure Canadians have access to the full range of new services these technologies are able to deliver;
- review carefully the many complex broadcasting mergers and acquisitions that are expected, as firms position themselves to compete;
- implement changes to the *Telecommunications Act*, reflecting Canada's commitments to the World Trade Organization (WTO) agreement on basic telecommunications services and the liberalization of the provision of international and satellite services;
- assess the impact of the Internet on telephony; in particular, the challenges it may create with respect to the relevance of regulatory frameworks now in place and the potential need for changes;
- implement the CRTC's strategic plan contained in its Vision, by establishing priorities, clarifying responsibilities for results, and developing and implementing effective communication strategies;
- improve public participation to promote citizen engagement and high-quality service to industry and the public; and
- implement effective communications strategies to reach out to the public and inform them of key processes and decisions.

Opportunities and challenges

Convergence

The new technology used by cable and telephone industries, and the capability of satellite and wireless technologies to deliver broadcasting and telecommunications services, are shaping the communications environment of the future. The most significant recent development in communications has been termed "convergence". Convergence has been referred to as the intersection of cable and telecommunications, and to the transmission of digital information. But now convergence also encompasses more than the use of evolving digital techniques for the exchange of information to include multimedia whereby new services and products combine voice, data, text and/or image. Convergence also affects mergers and consolidations, whereby organizations come to operate across previously distinct boundaries.

Underlying these phenomena is a political, social, economic and cultural revolution, in which Canadians are witnessing redefinition of their business, social and institutional environments. Convergence is a new platform for interaction that provides for much greater access to information than was previously possible.

A Global Information Society

The advancement of communication technologies, along with the abundance of information in today's knowledge-based society, is creating a new, integrated "global" information society. While globalization offers vast opportunities for marketing cultural products, it also provides regulatory and policy challenges that demand new approaches to support domestic cultures. Government policies can be used to promote and support culture in the domestic market as well as to promote and develop cultural products for international markets. Achieving a successful balance between the demands of the open market, and the need to maintain and promote cultural sovereignty and national identity, reflecting Canada's cultural diversity and linguistic duality, will be key to maximizing gains from the global information society.

Globalization and International Competition

Industry participants are repositioning and consolidating, and companies are developing strategic alliances to strengthen their position vis-à-vis their competitors. By extending their geographic reach through global alliances, companies can increase the competitive advantages to be realized from their control of intellectual property, and from the integration of previously unconnected businesses and new businesses.

With the WTO agreement on basic telecommunications, which was concluded 15 February 1997, Canada has agreed to end its remaining telecommunications monopolies – the Teleglobe monopoly on overseas traffic will end 1 October 1998 and the Telesat monopoly on fixed satellite services will end on 1 March 2000 – and to liberalize the provision of international services and satellite services. This will increase competition in Canada for the provision of international telecommunications services and will offer new opportunities for Canadian companies to compete in foreign markets.

New Media

For Canada to develop a new media industry that is globally positioned, much remains to be learned about this industry, including how to create one that is sustainable. The CRTC has initiated a public proceeding, under both the *Broadcasting Act* and the *Telecommunications Act*, to examine the rapidly expanding range of services known as "new media" (Broadcasting Public Notice CRTC 1998-82/Telecom Public Notice CRTC 98-20, New Media – Call for Comments, 31 July 1998). At a public hearing to commence in November 1998, the Commission will explore with interested parties a broad range of issues including: a) the ways, and the extent to which new media affect, or are likely to affect, the broadcasting undertakings and telecommunications carriers now regulated by the Commission; b) the ways, and the extent to which some or any new media services are broadcasting or telecommunications services; c) the Commission's role, if any, in regulating and supervising these services under the *Broadcasting Act* and the *Telecommunications Act*; and d) other issues related to new media that parties to the proceeding may identify.

Digitization

The development of digital delivery systems for broadcasting services will increase capacity so that consumers may be offered a wider choice of both Canadian and foreign services and accelerate the development of a competitive market. However, the transition to digital is a costly one for cable companies because significant investment is required. The anticipated expansion of capacity that would permit the addition of new Canadian services has not occurred. There are 71 applications for specialty licences on file with the Commission, and six licences from the previous round of licensing that are not yet being delivered due to lack of capacity. At the same time, consumer demand for choice is increasing and the existing specialty channels have captured a significant market share.

The expected competition to cable from telephone companies, Direct-to-Home (DTH) satellite and Multi-Point Distribution Systems (MDS) – all of which are digital – has been slow to penetrate the market. The result is that competition in broadcasting distribution is requiring a significantly longer transition period than anticipated. The CRTC must monitor this transition, determine the impacts of the delay and anticipate the needs of an evolving system in order to ensure that competition is fair and sustainable, that consumers and citizens are well served, and that the economic, social, cultural and linguistic objectives of the *Broadcasting Act* are met.

Market impact on regulatory affairs

The rapidly evolving communications industry is resulting in increasingly complex regulatory issues for the CRTC and other participants in the regulatory arena. At a time when the market is becoming more complex, the need to consult industry and consumer groups remains an essential regulatory function.

Changes and challenges, such as facilitating increased competition, convergence, and technology development and adoption, have necessitated changes in the Commission's approach to regulation. As part of our Vision, we recognize that we must use the "full tool box" of regulatory approaches. These new approaches involve fundamental changes along the regulatory continuum. For example:

- the CRTC will utilize approaches ranging from protection to promotion in order to preserve Canadian content and culture;
- the CRTC will encourage competition to ensure maximum choice for Canadians, and use constraint only where necessary to achieve our legislated objectives;
- in its overall regulatory approach, the CRTC will move away from detailed legislation towards a reliance on market forces and an emphasis on broad parameters and enabling frameworks; and
- the CRTC, where appropriate, will move from a detailed judicial approach in its processes and procedures to one that emphasizes more collaboration.

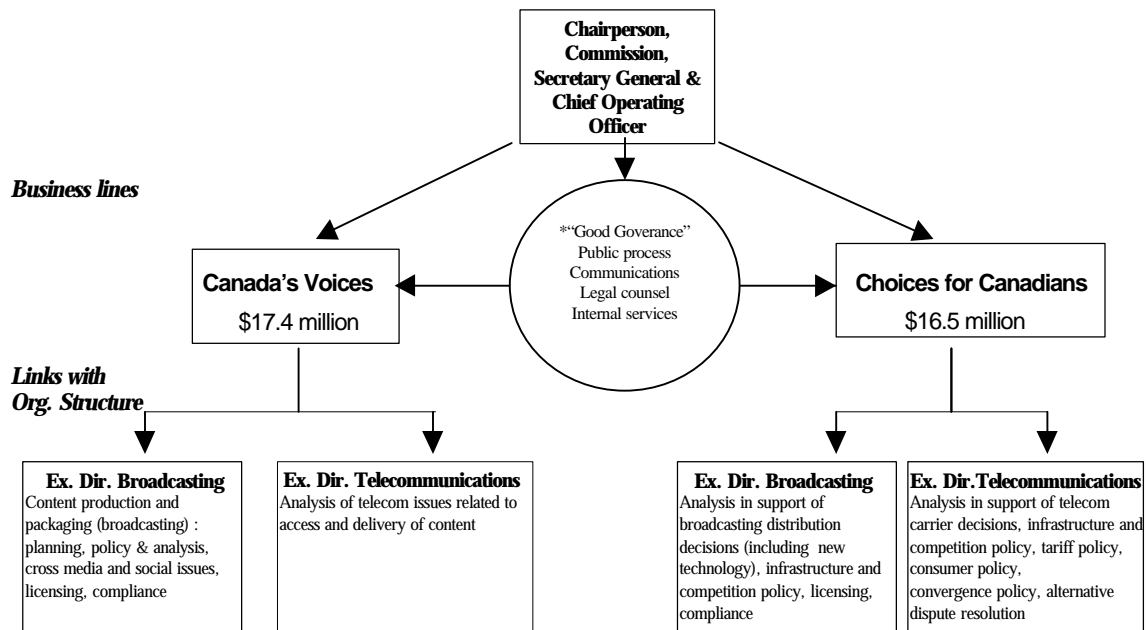
Competition has developed in Canadian communications markets over the past several years, and has considerably increased the choice of both communications services and service providers to Canadians. The CRTC’s workload has and will continue to increase over the next several years as we establish and implement new frameworks to facilitate competition. While the CRTC will actively promote fair competition, it is essential to note that more competition and less regulation does not mean that we will cease monitoring the evolution of communications industries – their structures, their pricing and their provision of service. We will continue to meet our public interest responsibilities, safeguard consumers, and ensure that the objectives of the *Broadcasting Act* and *Telecommunications Act* are met.

Departmental Organization and Accountabilities

The CRTC’s external accountability is by its two business lines, namely “Canada’s Voices” and “Choices for Canadians”. Internally, the management of resources and delivery of results is by responsibility centre, in an organizational structure (see Section VI: Other Information) that cuts across the business lines to facilitate convergence and promote competition.

An accountabilities chart linked to the organizational structure and activities is noted below.

ACCOUNTABILITIES AND LINKS TO ORGANIZATIONAL STRUCTURE



Accountabilities

Executive Director (Ex. Dir.) of Broadcasting

Executive Director (Ex. Dir.) of Telecommunications

* Good Governance is not a business line. Rather it is a management strategy that supports the two business lines.

Section III: CRTC Performance

Summary of Performance Expectations

This report examines the CRTC's performance in discharging its mandated responsibilities under the *Broadcasting Act* and the *Telecommunications Act* under the business lines of "Canada's Voices" and "Choices for Canadians". The governance results statement is a management strategy which will be reported in a fashion similar to that used in reporting on the two business lines, as it ultimately has an impact on program service delivery and outcomes.

The performance expectations for the CRTC are set out in its Vision and in the CRTC's Planning, Reporting and Accountability Structure (PRAS), which was approved by Treasury Board in October 1997. This Performance Report uses the key elements of the PRAS framework – supported by planning initiatives documented in Part III of the Main Estimates – to report on results achieved in 1997-98.

To facilitate results reporting, the CRTC developed a performance framework measurement plan after approval of its PRAS. This plan includes performance indicators that will be phased in over the next three years, starting with 1997-98 performance information. More work is needed to report on all of the expected results. The CRTC will continue to review, adjust and refine its performance indicators to ensure that performance information relevant to Canadians is reported. Performance indicators include short-term measures, such as steps taken to achieve objectives (decisions, for example), as well as some intermediate measures (compliance with regulations) and longer-term measures (trends of specific outcomes, such as affordability of communications services).

Although for each goal, the CRTC makes a distinct and important contribution, it must be stressed that the CRTC cannot achieve these goals alone. Other players and external factors are equally essential. The fact that Canadians can watch Canadian programs on television is partly a result of the CRTC policies and requirements for Canadian programming, but also a result of Canada's healthy broadcasting and independent production sectors, creative Canadian talent, and funding initiatives for the industry. In telecommunications, the CRTC has established the components of a fair regulatory framework that fosters competition in the delivery of innovative communications products and accessible services. Some of the external factors that influence the achievement of these objectives are the status of international competition, the impact of international trade agreements and industry's access to capital to finance its endeavours.

Performance Accomplishments

Canada's Voices

Objective

The objective of Canada's Voices is to ensure that diverse Canadian content and an appropriate mix of foreign programs are made available to consumers.

CANADA'S VOICES

Presence and diversity of Canadian voices at home and abroad

The CRTC continues to face the challenge of ensuring that attractive Canadian services are available, within the Canadian broadcasting system, so as to implement the objectives set out in the *Broadcasting Act*, while providing Canadians with access to an increasing volume of foreign information and entertainment. Key results must be considered in the context of the CRTC's need to balance legitimate demands for increased choice with cultural and economic objectives.

Activities

This business line includes activities related to the provision of specific expertise in the evaluation and development of policy and regulations, by:

- evaluating, analyzing and processing applications received;
- monitoring the Canadian broadcasting system;
- ensuring compliance with statutes, regulations and conditions of licence; and
- identifying policy issues for consideration.

Values

- A balanced reflection of social values
- Linguistic duality and cultural diversity
- The expression of Canadian creativity

Key Strategies

To ensure that diverse Canadian content and an appropriate mix of foreign programs are made available to consumers, the CRTC utilizes the following strategies:

- create and implement policies on content display and expenditures that recognize economic and cultural objectives;
- develop mechanisms to encourage the creation and promotion of Canadian content in traditional and new media;
- ensure access to distribution for Canadian and foreign services;
- support the distinctive role of public broadcasting;
- foster industry self-regulation, where appropriate, to respond to social issues; and
- develop a comprehensive international approach.

Resources

Planned Spending	\$16.7 million	(Represents planned spending at the beginning of the year)
<i>Total Authorities</i>	<i>\$17.6 million</i>	(Additional spending Parliament approved to reflect changing priorities and unforeseen events)
1997-98 Actuals	\$17.4 million	(Amount actually spent)

Accomplishments

Following are the key results of the CRTC's efforts and measures that demonstrate how the CRTC has achieved its "Canada's Voices" goals.

Results Statement

A PLACE FOR CANADIAN VOICES IN NATIONAL AND THUS GLOBAL COMMUNICATIONS

a. Content that reflects the linguistic duality, cultural diversity and social values of Canada

Canadian programming attracting more viewers

Canadian programming has been attracting a larger share of total viewing over the past several years, indicating that viewers are finding value in programming that reflects their identities and values.

English-language television stations

- Overall viewing of Canadian-produced programs has grown from 39.5% in 1991 to 43.8% in 1996.
- Canadian entertainment programming in comedy and in the under-represented categories of drama, music and dance, and variety increased its share of total viewing from 9.5% in 1991 to 12.0% in 1996.
- Viewing of Canadian news and sports programming remained high over this period, well in excess of 80%.

French-language television stations

- Canadian productions continue to attract large audiences – a share of 73.6% in 1991 and 75.2% in 1996.
- Viewing of Canadian programming in the categories of news, education, sports, and other entertainment remains high in French-language markets at over 90% in each category.
- Entertainment programming in the under-represented categories referred to above continues to be the type of programming watched most by French-language viewers. Of the 47.4% of total viewing in these categories, 51.7% are Canadian-produced programs.

New policies reflect Canada's values and beliefs

With regard to social issues, the Commission has developed a number of policies that reflect Canadian society's values and beliefs. Examples include policies on violence in television programming, native and ethnic broadcasting, gender portrayal, and on the provision of closed captioning. In 1997-98, the Commission undertook a number of initiatives to further these policies.

- *TV Rating System* - In June 1997, the Commission approved the program rating system of the Action Group on Violence on Television. Broadcasters began providing on-screen program ratings using the approved system in October 1997. This system contributed to informing Canadians on the nature of programming content that they could expect to see in a given program. This provides them with the opportunity to decide whether or not the content is acceptable to them or their families. Since its implementation, the number of calls the Commission receives regarding violence in programming has declined. In 1997-98, only 300 calls were received versus the 550 calls in 1996-97, and 1,000 in 1995-96.

- Native Broadcasting

Native Radio Stations - The Commission called for comments in January 1998 on a proposal to exempt certain native radio stations from licensing, and from most of the obligations under the *Radio Regulations, 1986* in order to make the establishment of such radio stations much easier and less costly. In July 1998, the Commission adopted such an exemption order in Public Notice CRTC 1998-62.

Native Television Network - Television Northern Canada (TVNC) - In a February 1998 report to the Government respecting additional national television networks, the Commission recognized that TVNC is a unique and significant undertaking serving the public interest and the objectives of the *Broadcasting Act*, especially those objectives that relate to the special place of Aboriginal peoples within Canadian society. The Commission stated that such a service should be widely available throughout Canada in order to serve the diverse needs of the various Aboriginal communities, as well as other Canadians. Accordingly, the Commission will consider any application by TVNC designed to achieve these objectives. (Public Notice CRTC 1998-8 - Additional National Television Networks. A Report to the Government of Canada pursuant to Order-in-Council P.C. 1997-592.)

These two initiatives directly support the Government priority of "Expanding Opportunities in Aboriginal Communities", that was announced in the 1997 Speech from the Throne.

- *Industry self-regulation* - In addition to its own initiatives, the Commission has actively promoted industry self-regulation, including the development of appropriate standards and mechanisms to address social issues. In 1997, the Commission initiated a review of industry self-regulation to evaluate its effectiveness and future role. As a preliminary step, the Commission requested,

and received, self-assessment reports from the various self-regulatory bodies under its purview.

b. Canadian content in communications services

CRTC policies and regulations promote Canadian content

Through its policies and regulations respecting Canadian content, the Commission has done much to ensure the availability of Canadian programs. In 1997-98, Canadian licensees met or exceeded the minimum requirement of 30% Canadian content in radio, and 60% Canadian content in television programming.

Radio

For radio broadcasters, the 30% Canadian content requirement is based on a weekly average. As shown in the following analysis of specific markets conducted during the summer and fall of 1997, there is a relatively balanced distribution of Canadian content between weekdays and weekends.

Market	Weekday	Saturday	Sunday
Calgary	31.8%	31.1%	31.8%
Toronto	33.1%	30.3%	34.8%
Montreal (English)	28.6%	37.5%	36.4%
Montreal (French)	50.1%	50.4%	54.3%
Quebec City	43.8%	48.3%	53.1%

The Commission held a public hearing in December 1997 to review its policy framework for commercial radio, and subsequently issued its revised commercial radio policy in April 1998. Regarding the level and distribution of Canadian content, the Commission intends to amend the *Radio Regulations, 1986* to increase the required level of Canadian content for popular music selections to 35% and to require that a minimum of 35% of such selections played between 6:00 a.m. and 6:00 p.m., Monday through Friday, be Canadian (Public Notice CRTC 1998-41 dated 30 April 1998). This will serve to increase support for Canadian artists and will result in more Canadian programming broadcast on radio airwaves.

Television

For the broadcasting year ending 31 August 1997, Canadian conventional television stations showed a total of 541,976 hours of Canadian programs during the broadcasting day. This amount represents 66.73% of the total amount of television hours broadcast during this period. From an industry-wide perspective, this amount exceeds the Commission requirement of 60%, thus demonstrating the industry's commitment to providing Canadian content.

The Commission has initiated a comprehensive review of its policies for commercial television and in particular, how these policies can best support creative and competitive Canadian television programming. This review will provide an opportunity to assess the existing regulatory framework, identify achievable goals, and articulate imaginative and practical strategies to maximize the success of Canadian programs in both domestic and international markets. (Television Policy Review - Public Notice CRTC 1998-44 dated 15 May 1998).

Broadcasting Distribution Undertakings

In 1997, the Commission completed a two-year proceeding with the issuance of new *Broadcasting Distribution Regulations* that took effect in January 1998. These regulations implement a regulatory framework, applicable to all broadcasting distribution undertakings (BDUs). This framework is designed to foster the development of effective competition in the distribution of broadcasting services to Canadians, while attaining the cultural goals of the *Broadcasting Act*. Among other things, these rules ensure that BDUs generally give priority to the carriage of licensed Canadian programming services and carry all the programming services appropriate to each market. (Public Notice CRTC 1997-150 dated 22 December 1997).

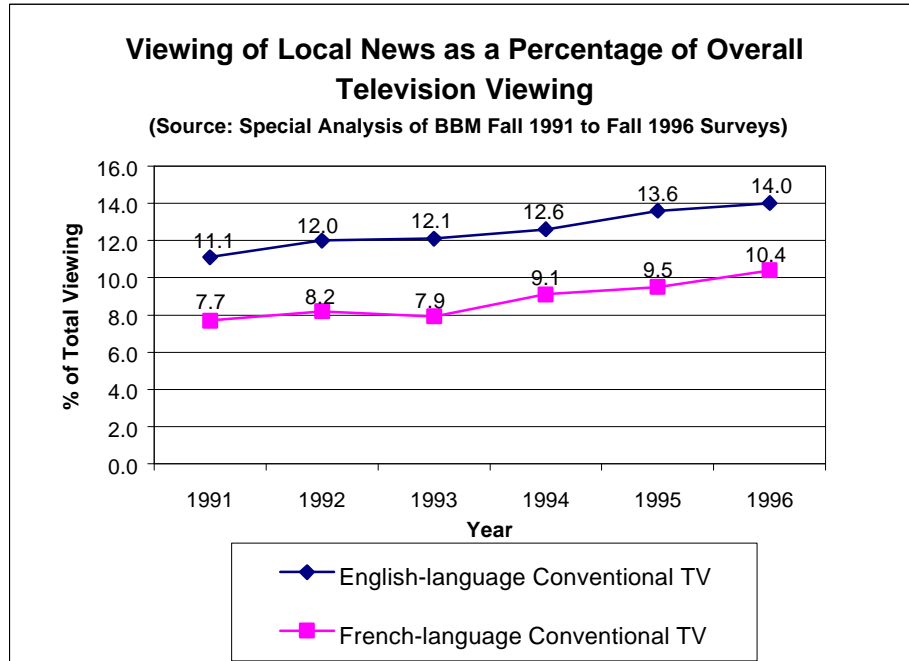
Specialty Services

The CRTC requires most of the new specialty services licensed in 1996-97 (Decisions CRTC 96-596 to 96-617) to meet Canadian programming expenditure requirements. Specialty services may contribute a specific dollar amount, a specific percentage of the previous broadcast year's gross revenues, or a combination of both. The percentage ranges from 15% to 54% for most of the approved services. For the broadcast year ending 31 August 1997, the 22 Canadian specialty services in operation spent approximately 46% (\$239 million) of their previous years' gross revenues on Canadian programs.

c. Programming that reflects national, regional and community voices

Canadians watch local news

For English-language conventional television, the constant growth in overall viewing of local news, from 11.1% in 1991 to 14.0% in 1996, is evidence that Canadians want to be informed about their communities and local news provides this avenue. Similarly, local news on French-language conventional television has also gained a wider audience, from 7.7% in 1991 to 10.4% in 1996.



New regulatory framework supports the production of community programming

While the new regulatory framework for BDUs (Public Notice CRTC 1997-150 dated 22 December 1997) no longer requires distributors to provide a community channel, it does include provisions to support the production of community programming. Terrestrial distributors are given the flexibility to support local Canadian programming for wider audiences, according to their circumstances.

Community channels provide distributors with a unique opportunity to develop and showcase the talent and creativity of community volunteers and to establish close contact with their customers. A new funding mechanism enables community programming to continue to flourish. This approach also gives new competitors the opportunity to present innovative proposals for local expression to complement existing community channels.

d. Programming that features Canadian creative talent

Content regulations promote Canadian talent

Canadian content regulations have created a demand for Canadian programs. This has further developed the skills and talent of the Canadian industry and supported the emergence of strong, independent production houses.

In April 1997, the Commission confirmed its approach to the development of Canadian talent. Commercial radio stations may make annual payments to third parties associated with Canadian talent development at levels identified for them in the *Canadian Association of Broadcasters' Distribution Guidelines for Canadian Talent Development*. Under these guidelines, Canadian radio licensees contributed some \$1.9 million to third parties to develop Canadian talent in 1997.

Canadian Talent

- ◇ Canadian radio licensees contributed a minimum of \$1.9 million to third parties to develop Canadian talent in 1997.
- ◇ Canadian television licensees spent close to \$4.3 million on script and concept development in 1997.
- ◇ Private conventional television licensees spent \$72 million to acquire Canadian independent programs in 1997.
- ◇ The pay, specialty and private television licensees' demand for Canadian independent production rose from \$124 million in 1991 to \$181 million in 1997.

CRTC amends benefits policy - transfers of ownership and control

In Public Notice CRTC 1998-41 (30 April 1998), the Commission modified its benefits policy in respect of all transfers of ownership and control of commercial radio undertakings. Specifically, the Commission now expects a minimum direct contribution to Canadian talent development representing 6% of the value of the transaction; of which, 3% is to be allocated to a new Canadian music marketing and promotion fund, 2% to FACTOR or MusicAction, and a further 1% to either of the above or to any other Canadian talent development initiative.

New commercial radio policy announced

In 1997-98, the CRTC held a proceeding to review the Commission's policies for commercial radio. This proceeding led to the development and release of a new policy framework (Public Notice CRTC 1998-41 dated 30 April 1998) for commercial radio that calls for a much stronger working relationship between the broadcasting and music industries, building on their complementary strengths. Among other things, this policy sets out changes in the quantity and scheduling of Canadian music that listeners can expect to hear on their radios and amended the rules about how many radio stations one owner can hold in any market. Overall, the new policy is a balancing act between a financially stronger radio industry, and access by Canadians to quality Canadian programming and increased exposure to Canadian musical artists.

The policy focuses on three key points, namely: 1) Canadian artists must have a “pride of place” on Canadian radio airwaves; 2) a distinctive French-language presence in radio broadcasting must be assured; and 3) the radio industry must be positioned financially to achieve its obligations under the *Broadcasting Act* and to meet the challenges of the 21st century.

Television programming features Canadian creative talent

A significant amount of Canadian-produced programming in the under-represented categories, particularly entertainment programs of drama, music and dance, and variety, was broadcast in the period 1 September 1996 to 31 August 1997. This gave Canadians ample opportunity to view programming that features creative Canadian talent.

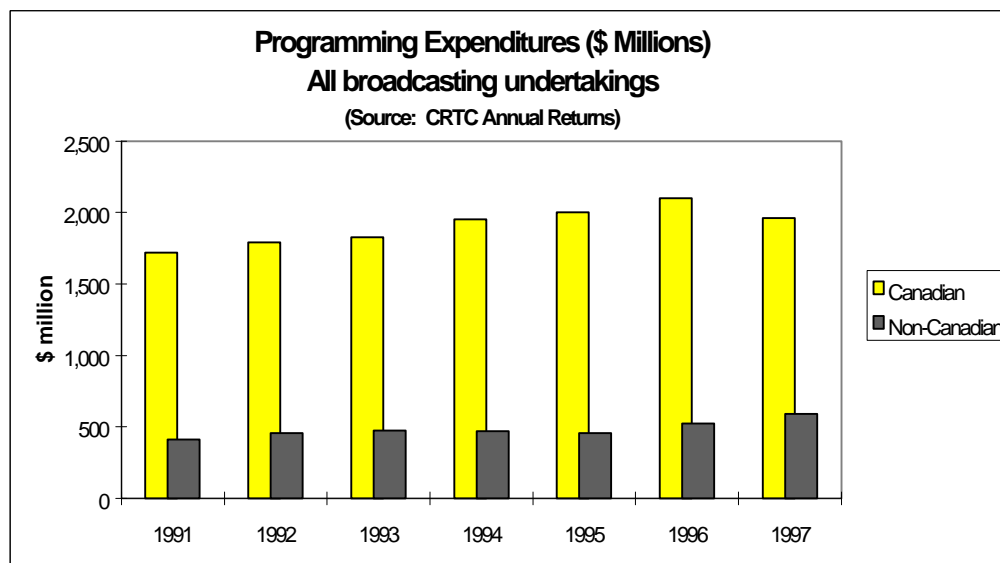
Canadian entertainment programs - For the broadcast year ending 31 August 1997 a total of 200,078 hours of Canadian entertainment programming was shown throughout the broadcast day. Of this total, drama accounted for 84,949 hours, music and dance 7,480 hours, and variety 16,138 hours.

Canadian entertainment programs in peak viewing hours - The number of hours of Canadian drama and other entertainment programs that were shown in the peak viewing hours of 7:00 p.m. to 11:00 p.m. totaled 44,763 hours (28,145 in English-language markets and 16,618 in French-language markets) or 36.8% of the total 121,800 hours of entertainment programs shown in peak viewing hours for the broadcasting year ending 31 August 1997.

e. Meaningful Investment in Canadian Audio and Video Content

Increased spending on Canadian programming

Expenditures on Canadian programming by Canadian broadcasters increased by 14% between 1991 and 1997. Over this period, Canadian broadcasters devoted an average of approximately 75% of their programming expenditures to Canadian programs.



There was significant spending by Canadian broadcasters on Canadian programs during the broadcast year ending on 31 August 1997. The extent of this investment is noted as follows:

- specialty services - \$239 million;
- pay licensees - \$24 million;
- conventional private television licensees - \$475 million; and
- broadcast distribution undertakings (BDUs) - \$132 million comprised of \$46 million in contributions to the Canada Television and Cable Production Fund and \$86 million invested in other Canadian programming.

Canadian private television broadcasters contributed approximately \$48.5 million to other production funds, including \$2 million to the Bell Broadcast and New Media Fund and \$0.5 million to the Stentor New Media Fund. In total, the contributions from BDUs and private television broadcasters accounted for approximately 35% of the total production funds for 1997.

New funding mechanism to support Canadian programming

Under the funding mechanism contained in the revised *Broadcasting Distribution Regulations*, most BDUs – including cable systems, direct-to-home (DTH) satellite distributors, and “wireless” services – must contribute 5% of their gross revenues derived from their broadcasting activities to support the creation of distinctive Canadian programming.

Choices for Canadians

Objective

The objective of Choices for Canadians is to ensure that a broad range of communications services, and affordable communications services will be provided to Canadians, through competitive industries.

CHOICES FOR CANADIANS

A wide array of choices for Canadians through strong, competitive communications industries

Activities

The activities include the provision of specific expertise in the evaluation and development of policy and regulations, by:

- evaluating, analyzing and processing all applications received by the CRTC;
- providing advice on all matters related to telecommunications carrier regulations and broadcasting distribution; and
- identifying policy issues for consideration.

Values

- Innovation in communications services
- Reasonable pricing and accessibility of services
- Diverse and high quality services
- Fairness in competition

Key Strategies

To ensure that a broad and affordable range of communications services will be provided to Canadians through competitive industries, the CRTC utilizes the following strategies:

- rely more on market forces;
- monitor competition and regulate when market forces are not achieving public interest objectives;
- support evolving convergence; and
- monitor the evolution of industry structure.

Resources

Planned Spending	\$16.1 million
<i>Total Authorities</i>	<i>\$16.4 million</i>
1997-98 Actuals	\$16.5 million

Accomplishments

Following are the key results of the CRTC's efforts and measures that demonstrate how the CRTC has achieved its "Choices for Canadians" goals.

Results Statement

A BROAD RANGE OF COMMUNICATIONS SERVICES THROUGH COMPETITIVE COMMUNICATIONS INDUSTRIES

a. Competitive Canadian communications industries

Competitive frameworks result in “dynamic” communications industry

The competitive frameworks that the CRTC has introduced to date have resulted in many players entering the communications marketplace. The days of monopoly domination are disappearing. There are a large number of players offering a wide variety of communications services and generating substantial levels of revenue.

In the telecommunications market, the pace at which competition has emerged over the past several years has accelerated. As a result, almost all telecommunications services offered by major carriers are now subject to competition. Similarly, in the broadcasting market the Commission has put in place measures that encourage competition amongst different players.

In developing its competitive frameworks, the Commission has sought to ensure that each framework is capable of supporting sustained competition. Moreover, where appropriate, the Commission has put in place processes to permit industry participants to resolve issues of common concern.

Diverse players in the communications marketplace

There are various players in the telecommunications markets. For example:

- i. “Incumbent” companies include:
 - The Stentor members, i.e., Canada’s nine major regional telephone companies (e.g. Bell Canada) and two associate members (Québec Téléphone and NorthwTel);
 - Approximately 45 independent telephone companies operating mostly in Ontario and Quebec;
 - Wireless service providers of traditional cellular and Personal Communication Services (PCS). For example, Rogers Cantel and the Stentor-owned Mobility companies; and
 - Overseas and domestic satellite carriers (e.g. Teleglobe Canada Inc. and Telesat Canada Inc.).
- ii. “Alternative” service providers (e.g. AT&T Canada Long Distance Services, Sprint Canada, and ACC Long Distance) and resellers.

The number and type of broadcasting players has also grown over the past several years as demonstrated by the following chart:

Growth of Programming and Broadcasting-Distribution Undertakings (1993-1998)

	31 March 1993	31 March 1998
	Number of licensed stations and systems	Number of licensed stations and systems
Commercial AM radio	313	273
Commercial FM radio	<u>171</u>	<u>302</u>
Total commercial radio	484	575
Commercial television	89	104
Broadcast distribution ¹	2,119	2,394
Pay and specialty	19	53
Other broadcasting undertakings ²	2,849	2,758
Total	5,560	5,884

¹Includes Cancom.

²Includes CBC, other not-for-profit undertakings and networks.

Industry revenues and competition

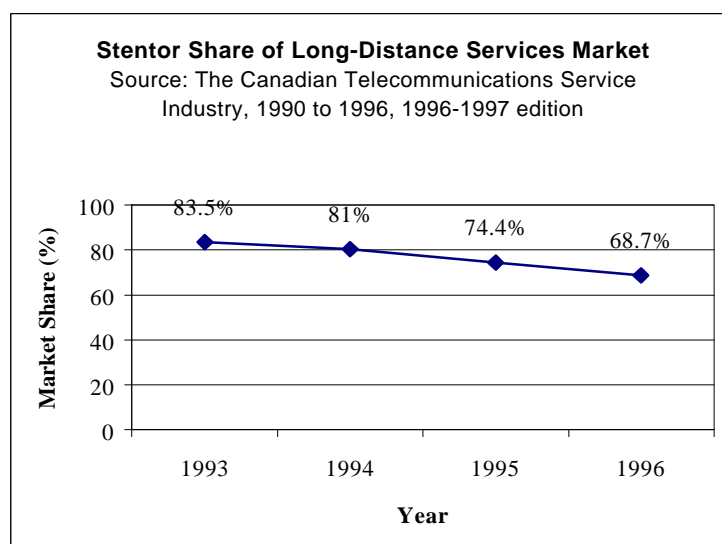
Telecommunications Revenues¹

In 1995, Stentor members (excluding associate members) earned estimated combined revenues of \$14.3 billion, independent telephone companies \$0.9 billion, Teleglobe Canada \$0.5 billion, Telesat Canada \$0.24 billion and incumbent wireless providers \$1.7 billion. In the cellular market, Rogers Cantel Mobile and BCE Mobility continued to divide the Canadian cellular market just about evenly with combined revenues of \$2.03 billion in 1996.

Alternative telecommunications firms participate in almost all telecommunications markets. Wireline alternate service providers include firms which offer local and long-distance services, as well as competitors in the long-distance market, including resellers and facilities-based carriers such as AT&T Canada Long Distance Services, Sprint Canada and ACC Long Distance. In 1995, these alternative wireline providers earned \$1.6 billion in revenues in all service markets.

In 1993, one year after the introduction of long-distance competition, the share of the toll market held by Stentor, based on revenues, dropped from about 85% to less than 70% in 1996 (see following chart). The facilities-based operators, as well as resellers, share the market with Stentor-member companies and have gained an increasing portion of the long-distance market. The overall size of the toll market has grown from \$7.9 billion in 1993 to \$8.3 billion in 1996.

¹ *The Canadian Telecommunications Service Industry, 1990-1996, 1996-1997 Edition*, published by Industry Canada. This is the most recent information available.



Broadcasting Revenues

In an era of increasing competition, the total revenue earned by Canadian programming and distribution undertakings rose by 19.5% between 1992 and 1997, from approximately \$5.9 billion to \$7 billion. In addition, the industry enjoyed a profit before interest expenses and income taxes (PBIT) of \$342 million in 1997, as opposed to a loss of \$293 million experienced in 1992. A more detailed breakdown by type of undertaking is provided in the following table.

Revenue Growth for Programming and Broadcasting Distribution Undertakings (1992-1998)

	31 August 1992		31 August 1997	
	Revenue (\$ millions)	PBIT (\$ millions)	Revenue (\$ millions)	PBIT (\$ millions)
Commercial AM radio	425	-33	319	-23
Commercial FM radio	342	43	543	114
Commercial television	1,488	166	1,707	267
Broadcast distribution ¹	1,690	448	2,294	674
Pay and specialty	395	85	716	125
Other broadcasting undertakings ²	1,524	-1,002	1,426	-815
Total	5,864	-293	7,005	342

¹ Includes Cancom; the revenues are net of affiliation payments.

² Includes CBC, other not-for-profit undertakings and networks.

Forbearance acknowledges competition while protecting consumer interests

The *Telecommunications Act* empowers the Commission to forbear from regulating the rates and other terms on which services are offered when the service is or will be subject to competition sufficient to protect the interests of users or where forbearance would be consistent with the Canadian telecommunications policy objectives. Such forbearance may be in whole or in part, and may be conditional or unconditional.

Although the Commission may forbear from regulation, it normally retains certain powers that permit it to continue to address important issues such as access and privacy. In 1997-98 the Commission forbore from regulating various important telecommunications services on the basis that the markets under consideration were found to be sufficiently competitive to protect the interests of users. Key forbearance decisions are noted as follows:

Local competition - The Commission forbore from regulating the retail rates for telecommunications services offered by new facilities-based entrants into the local exchange market (*Local Competition Decision*, Telecom Decision CRTC 97-8, 1 May 1997). However, the new entrants (which are referred to as Competitive Local Exchange Carriers or “CLECs”), must meet certain conditions to address consumer issues. These include requirements to provide 911 service, Message Relay Service (which helps deaf and hearing impaired persons use telecommunications services), and to protect customer privacy. To address competitive concerns, CLECs must interconnect with other local telephone service providers. CLECs must also ensure that customers have access to the local telephone service company of their choice, offer local number portability (where customers may keep the same telephone number when switching suppliers) and must provide equal access to long-distance carriers and providers.

Among the most significant milestones in local competition in the past year was the offering of local services by Canada’s first CLEC. In December 1997, the Commission approved the interim tariffs for MetroNet, which operates in Montreal, Vancouver and Calgary. Interim tariffs for Vidéotron were approved by the Commission on 3 June 1998. As of 2 July 1998, seventeen other carriers have been authorized to operate as CLECs once they have met all the requirements.

Retail Level Internet Services - During 1997-98, the Commission forbore from regulating retail level Internet services offered by a number of Canadian carriers. In July 1998, the CRTC issued a public notice seeking comment on its preliminary view that the Internet service market is generally competitive and that it would be appropriate to forbear from regulating Internet service provided by all Canadian carriers in respect of which the Commission has not already forbore (Telecom Public Notice CRTC 98-17).

Discount Toll and Toll-Free Rates - The CRTC issued important decisions with respect to the regulation of Stentor companies' toll and interexchange private line services. Notably, the Commission will no longer regulate the discount toll and 800/888 (toll-free) rates for long-distance services offered by Stentor member companies and Sogetel. (*Forbearance - Regulation of Toll Services*, Telecom Decision CRTC 97-19, 8 December 1997.) To ensure that basic long-distance rates continue to be reasonable, the Commission placed a ceiling on the telecommunication companies overall rates for basic long-distance service for the next four years.

Competitive Network Services - The Commission also forbore from regulation of certain Competitive Network services offered by NorthwesTel and by Ontario Northland Telecommunications (Telecom Orders CRTC 97-572, 29 April 1997 and 97-688, 26 May 1997 respectively). In both cases, the Commission determined that there was not, nor is there likely to be, sufficient competition in the companies' territories to support forbearance. Nonetheless, the Commission determined that forbearance was appropriate because the companies in question set their rates with reference to those prevailing in the operating territories of the Stentor companies. Those rates, in turn, are set based on competitive market conditions.

Local telephone and cable competition - How is it going?

Local telephone service - A year after announcing that local competition would be introduced in Canada (Telecom Decision CRTC 97-8), it is fair to call the initial phase of the introduction a success, both within Canada and in relation to the pace of the introduction of local competition in other countries. To date, not all issues have been fully resolved, but significant progress has been made. Consumers can be assured that Canada is close to the beginning of local competition in the Canadian market. For example, local competition has begun in several major urban centres across the country, with the strong expectation of a wider roll-out in the coming months. The few bottlenecks that remain, whether technical, commercial or regulatory in nature, are being resolved through the CRTC Interconnection Steering Committee (CISC) and through other public processes. CISC has worked extremely well in getting the industry players together to resolve technical and administrative issues related to local competition.

Broadcasting distribution services - In December 1997, the Commission completed a two-year proceeding with the issuance of new *Broadcasting Distribution Regulations*, which took effect in January 1998. These regulations implement a regulatory framework, applicable to all broadcasting distribution undertakings (BDUs). The framework is designed to foster the development of effective competition in the distribution of broadcasting services to Canadians, while attaining the cultural goals of the *Broadcasting Act*. The Commission will closely monitor the transition to competition and will continue to review the appropriateness of the BDU regulatory framework, in order to address any concerns related to the market power of cable undertakings and to ensure that a diversity of broadcasting services are available to viewers (Public Notice CRTC 1997-150 dated 22 December 1997).

Although a competitive framework is now in place, the CRTC recognizes that the BDU marketplace is still dominated by the cable industry. Accordingly, to promote the development of a competitive marketplace for the distribution of broadcasting services to Canadians, we have, and we continue to look at licensing new types of distributors such as MDS (multi-point distribution systems) and DTH (direct-to-home) satellite systems.

- Most markets in Canada now have access to at least three competitive suppliers of multichannel broadcasting services – the incumbent cable television distributor and two DTH satellite distributors, ExpressVu and Star Choice. In 1998, each of Canada’s two DTH firms have reportedly surpassed the 100,000 customer mark.
- Some markets, including most of Manitoba and Saskatchewan, are served by a fourth competitive distributor using “wireless” MDS technology. In 1997-98 the Commission granted new MDS licences to LOOK-TV to serve southern Ontario, the National Capital Region, as well as Montreal and Quebec and surrounding areas. These systems are expected to commence operations in 1998-99, further enhancing consumer choice in those markets and providing increased revenue opportunities for producers of Canadian feature films and other programming.
- On 1 May 1997, the Commission announced that, effective 16 June 1997, it would be prepared to receive applications by telephone companies to enter the broadcasting distribution market as of 1 January 1998. The Commission considered the first such application by NBTel at a public hearing in March 1998. NBTel was subsequently licensed in June 1998 to serve the cities of Saint John and Moncton.

The CRTC continues to regulate the monthly fee for basic service for all cable companies serving 6,000 or more subscribers. Discretionary services are not rate regulated by the Commission. Under the new competitive framework, the CRTC will cease to regulate the basic service fee of a cable company when that company can demonstrate that it has lost at least 5% of its subscribers to a competitive service provider.

b. Availability of a broad range of Canadian communications services

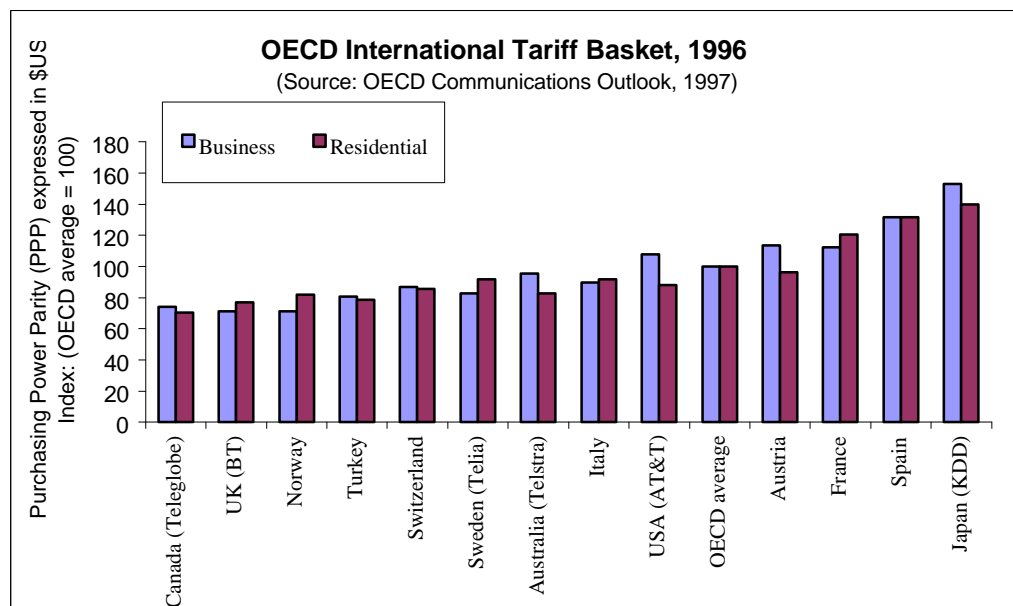
Competitive frameworks encourage more communications services

The CRTC competitive frameworks are designed to encourage industries to provide a broad range of communications services to Canadians. In telecommunications, Canadians have access to a broad range of services such as wireline local service, call management services, analogue cellular, digital cellular and Personal Communication Services (PCS), dial-up and dedicated services providing access to the Internet, paging services and long-distance services, to name a few. Canadian businesses also have a wide

choice of sophisticated services and technologies available to them. For example, data packet services have been available for about 15 years, and more recently, frame relay and Asynchronous Transfer Mode (ATM) based services have been made available by various suppliers. A variety of mobile and satellite-based services are also available.

- *Competition in the Provision of International Telecommunications Services* - The Commission conducted a proceeding in 1997-98 to consider the regulatory regime that should apply to the provision of competitive international telecommunications services, effective 1 October 1998 – the scheduled date for the termination of the Canada-overseas facilities monopoly of Teleglobe Canada Inc. (*Competition in the Provision of International Telecommunications Services*, Telecom Public Notice CRTC 97-34, 2 October 1997). This proceeding was conducted because of the increasingly competitive environment expected as a result of the General Agreement on Trade in Services (GATS) agreement on basic telecommunications under the WTO, and proposed amendments to various Canadian statutory authorities.

Although Canada already has the lowest tariff basket for international telephone calls among OECD countries (see following chart) the Commission expects that with increased competition, businesses and members of the general public could benefit from further price reductions and an increased number of new services and technologies.



*The OECD Communications Outlook is produced every two years. Data reflected here from the 1997 Report is the most current information available.

- In broadcasting, the Commission made several important decisions to increase the range of communications services available to Canadians.

Digital Radio - In accordance with the provisions of Public Notice CRTC 1995-184 entitled “A Policy to Govern the Introduction of Digital Radio”, the CRTC received

19 applications from AM and FM radio stations in Toronto for licences to implement transitional digital radio undertakings (DRU). These applications were approved in May 1998 for licence terms of 3 years. Digital radio, which allows CD quality sound, is expected to replace AM and FM radio over time. (For further information see Section V).

Video-on-demand - In 1997, the CRTC granted five licences for video-on-demand (VOD) services. Customers will not only have access to a vast programming resource, but will also have the flexibility to choose the time of the program. The CRTC expects that VOD will be introduced gradually in Canadian markets, due to the technological development and financial investment required.

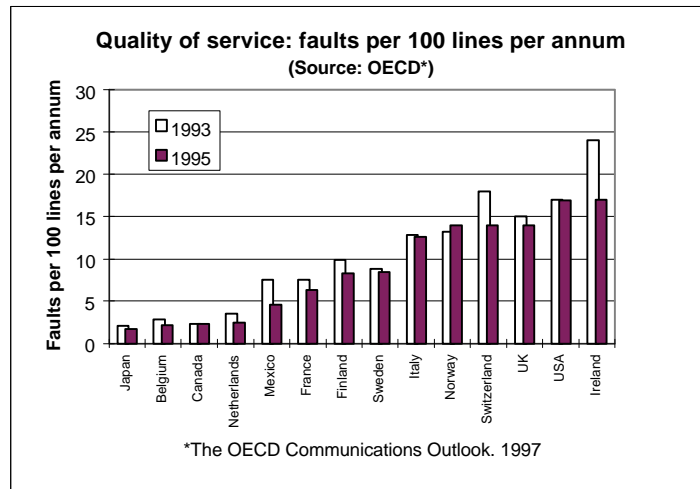
Satellite Relay Distribution Undertakings - These undertakings deliver packages of radio and television signals by satellite to cable systems and other types of terrestrial broadcast distributors. Their fundamental purpose is to make Canadian and foreign services available to remote and underserved communities, but they can also serve as signal suppliers for urban areas. Cancom held a monopoly in this market until the Commission licensed Star Choice Television Network Incorporated as a competitor (Decision CRTC 1998-172, dated 23 June 1998).

c. Reliable, high-quality communications services that are responsive to consumer needs and social values

Canada ranks high in providing a reliable and quality infrastructure

OECD quality of service indicators measure the effectiveness of policy reform and provide essential information on regulatory safeguards. As can be seen from the following chart, the incidence of service faults in Canada is one of the lowest for OECD countries, thus demonstrating a reliable, high-quality telecommunications infrastructure.

Although no single indicator can appropriately depict quality of service, in 1995 Canada was among the three countries of the OECD with the lowest faults per 100 lines per year, i.e. less than 3 faults per 100 lines.



CRTC looks at service to high cost areas

In 1997 the CRTC initiated a proceeding to consider the optimal regulatory approach to achieving the *Telecommunications Act's* policy objective of reliable and affordable telecommunications services of high quality which are accessible to Canadians in all regions of Canada (*Service to High-Cost Serving Areas*, Telecom Public Notice CRTC 97-42, 18 December 1997).

Achievement of this objective will support the Government's priority of "Investing in Knowledge and Creativity" announced in the 1997 Speech from the Throne. Specifically, it will assist in ensuring that an information and knowledge infrastructure is accessible by the year 2000 to all Canadians, not just those individuals living in urban areas.

CRTC monitors telcos - Quality of service is satisfactory

Canadians rely on the high quality of telecommunications services offered by numerous service providers, both wireline and wireless. The Commission oversees the service quality of certain wireline telecommunications services, while relying on market forces to ensure that, for other services, customers are provided with high quality service.

The CRTC relies on market forces to ensure that companies which compete with the incumbent telephone companies (e.g. CLECs) and alternative service providers of long-distance service offer reliable, high-quality service. Beginning 1 January 1998, incumbent telephone companies (telcos) with 25,000 or more network access service (NAS) lines, started submitting to the CRTC quarterly quality of service reports showing monthly quality of service performance. (Reference - *Quality of Service Indicators For Use In Telephone Company Regulation*, Telecom Decision CRTC 97-16, 24 July 1997). Based on these initial submissions, which cover the first quarter of 1998, the quality of service performance of these telephone companies is satisfactory.

The complete report submitted quarterly by each telephone company and a comparison of the quality of service performance between telephone companies may be accessed at the Commission's Internet Web site located at the following address:

http://199.246.230.7/ENG/PROC_REP/TELECOM/1998/8660/98qs_ixa.htm

For incumbent "independent" telephone companies with less than 25,000 NAS lines, the Commission oversees the quality of service through the resolution of customer complaints. This approach takes into account the generally smaller customer base and staff size of these companies. Complaints are generally resolved at the operations level. [Reference - *Regulatory Framework for the Independent Telephone Companies in Quebec and Ontario (Except Ontario Northland Transportation Commission, Quebec-Telephone and Télébec Limitée)*, Telecom Decision CRTC 96-6, 7 August 1996].

d. Core communications services that are reasonably priced

Reasonable telephone rates for Canadians

After extensive public proceedings, the Commission released a series of major decisions establishing the regulatory framework to support the development of a competitive market in local telecommunications, while addressing the policy objective of affordable local telephone service. The Commission is conducting a further proceeding to more completely address the ongoing fulfillment of this social policy objective in a fully competitive telecommunications environment. The Commission intends to implement any safeguards or mechanisms required to address the issue of service to high-cost service areas by 1 January 2000. (*Local Competition Decision*, Telecom Decision CRTC 97-8, 1 May 1997, *Price Cap Regulation and Related Issues*, Telecom Decision CRTC 97-9, 1 May 1997 and *Service to High-Cost Serving Areas*, Telecom Public Notice CRTC 97-42, 18 December 1997).

In 1996, the Commission concluded a proceeding that examined issues related to the affordability of basic telephone service in Canada provided by the Stentor member companies, as well as by Québec-Téléphone, an independent telephone company (Telecom Decision CRTC 96-10, 15 November 1996). While the Commission concluded that basic telephone service is currently affordable throughout Canada, it also implemented an affordability monitoring plan composed of Annual and Quarterly Monitoring Reports.

The Commission determined that the national telephone penetration rate is the key indicator of overall affordability and ordered the Stentor member companies to monitor this indicator. On 11 January 1997, the Stentor member companies filed their first Annual Monitoring Report which demonstrated, among other things, that in 1996, the national telephone penetration rate stood at 98.8% of all Canadian households.

Why some households don't subscribe to local telephone services

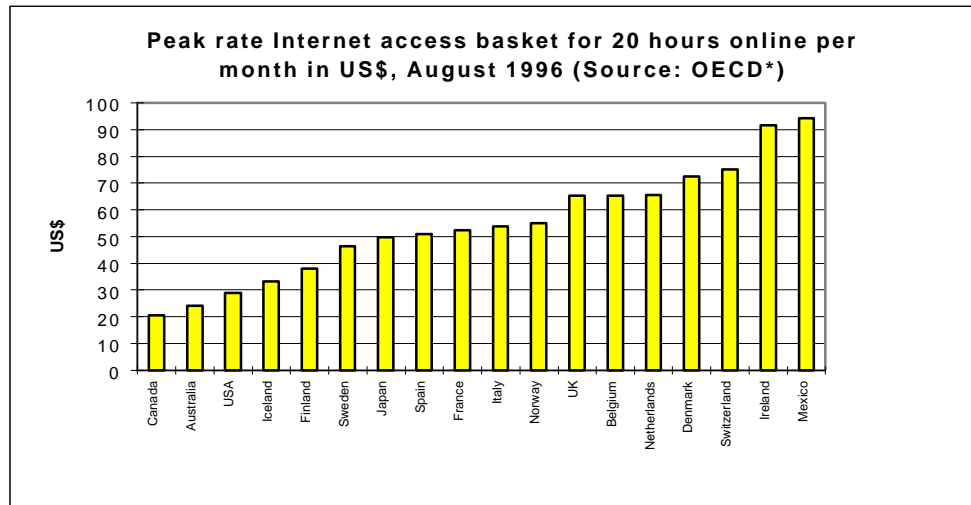
The Commission recognizes the usefulness of supplementing its analysis of telephone penetration rates with an examination of other affordability indicators. For example, the Commission monitors, among other things, the reasons why households do not subscribe to local telephone service.

In Stentor's first Annual Monitoring Report, it estimated that in 1996, 132,000 (or 1.2%) of Canadian households were without basic telephone service in their home. Of these households, 66.8% indicated that the reason for non-subscription was that they could not afford it. It should be noted, however, that of the non-subscribing households, 82.7% had access to a telephone for emergency purposes.

The CRTC will continue to monitor local telephone rates and look at the options available in order to promote the provision of affordable, high-quality telecommunications services, accessible to Canadians in all regions of Canada.

Reasonably priced Internet access

Competition in the provision of Internet access has resulted in reasonably priced service for Canadians. In August 1996, Canada ranked first in terms of the lowest average rate (US\$20.59) for a 20-hour Internet access basket, whether at peak or off-peak hours. In contrast, the OECD average peak rate was \$59.21 (US\$), while the off-peak average rate stood at \$47.20 (US\$).



* The OECD Communications Outlook 1997

e. A communications infrastructure that is innovative and supports evolving communications services

Convergence and the Information Highway

In 1997-98, the Commission undertook a number of activities to foster convergence (of broadcasting and telecommunications) and the development of the Information Highway. For example:

- A major decision was released permitting telecommunications carriers into the cable distribution market. (*Applications by Telephone Companies to Carry on Broadcasting Distribution Undertakings*, Public Notice CRTC 1997-49, 1 May 1997);
- The CRTC approved proposals by Bell Canada and Telus Multimedia to enter the cable business on a trial basis. (Broadcasting Decisions CRTC 1997-192 and 193, Telecom Decisions 97-11 and 12, 8 May 1997).

Convergence implies much more than the merging of new technologies and the technical transmission of information. On 31 July 1998, the Commission initiated a public proceeding, under both the *Broadcasting Act* and the *Telecommunications Act*, to examine the rapidly expanding range of services known as “new media” (Broadcasting

Public Notice CRTC 1998-82/Telecom Public Notice CRTC 98-20, New Media – Call for Comments).

Infrastructure promotes evolving communications services

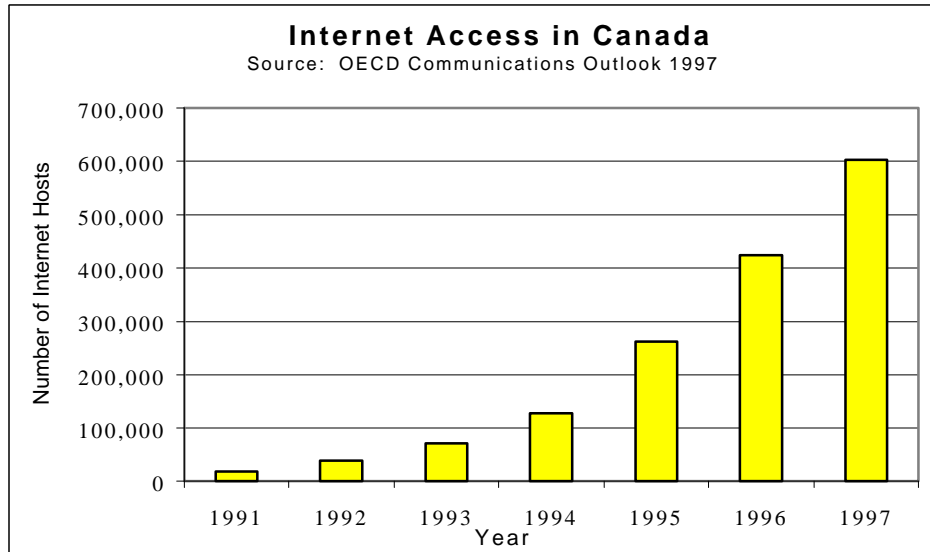
Infrastructure - Despite Canada's vast and sparsely populated territory, it is among the top five OECD countries with the highest number of mainlines per 100 inhabitants. OECD predicted that in 1997, the average number of mainlines would break through 50 mainlines per 100 inhabitants. As of 1995, Canada had already surpassed that amount by having 60 mainlines per 100 inhabitants. (Source: OECD Communications Outlook, 1997). This infrastructure provides us with a solid foundation to support the development and provision of evolving communications services.

"Next Generation" Internet Network - In June 1997, CANARIE Inc. and its telecommunications partners launched CA*net II. Built on Asynchronous Transfer Mode (ATM) facilities, it is described as the world's first "next generation" Internet network. It will provide the Canadian research community with the ability to develop new applications not possible on today's Internet, and to collaborate in the advancement of Internet technology and the creation of new network services. (CANARIE Inc. is a not-for-profit, industry-led and managed consortium which was created as an innovative way for the federal government, the research community and the private sector to collaborate in stimulating the development of the Information Highway in Canada.)

Canada on the Information Highway

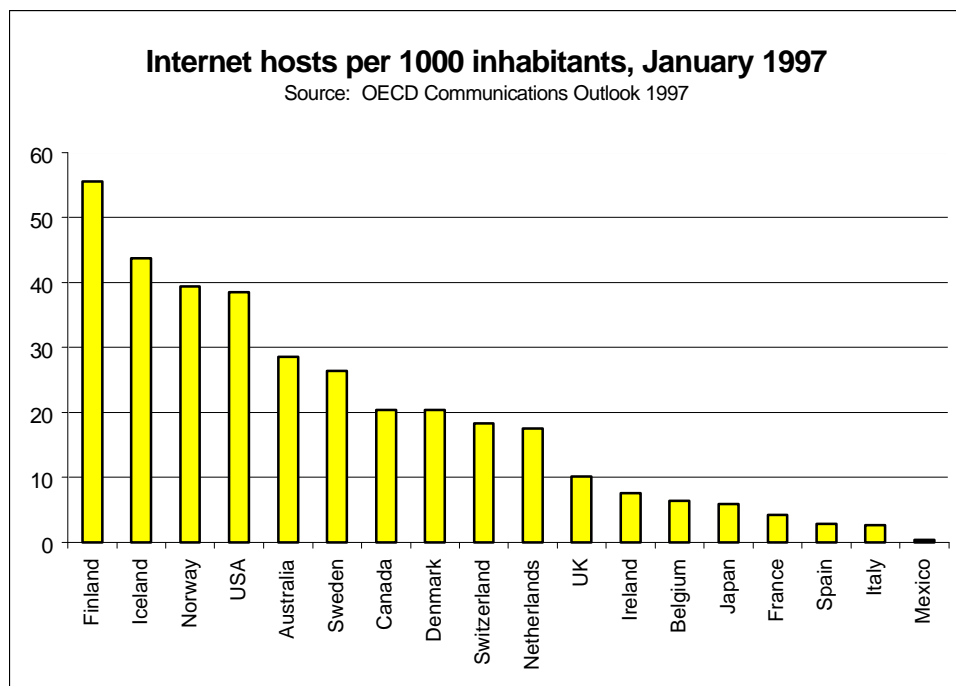
Canada is well placed to participate in the information society. The proportion of Canadian households with telephone service is very high (98.8% in 1996). Moreover, approximately three quarters of Canadian households subscribe to cable, with others increasingly served by satellite and other alternative distribution technologies. The penetration rate of computers has been increasing, and access by Canadians to the Internet is facilitated by its relative affordability.

Canada continues to make progress in providing Internet access. This is demonstrated in the following chart, which shows the growth in the number of Canadian Internet hosts over the past seven years. An Internet host is a domain name that has an Internet protocol address record associated with it (i.e. any computer system connected to the Internet) and provides a measure of the infrastructure access capabilities.



Where we stand in the world

As of January 1997, Canada ranked seventh among the OECD countries that provide access to the Internet. Finland leads Internet growth, due in large part to the fact that it is home to long established public telecommunications operators competing in local telecommunications access markets. Local competition is intense in Finland, which is a country that leads fellow OECD members in many telecommunications benchmarks of best practices. As concluded in the OECD Communications Outlook 1997, "the main message for policy makers is that competition can be applied to improve performance". The direction the CRTC is taking with respect to promoting competition should result in increased growth in Canadian communications services, including Internet access.



Good Governance

Objective

Good Governance is a management strategy that supports the two business lines, Canada's Voices and Choices for Canadians. Its goal is to ensure the credibility and value of the governance process for Canadians through a public process, open dialogue, teamwork and a results orientation.

GOOD GOVERNANCE

Public process, openness, fairness, effectiveness and trust

Good Governance is the component of the Commission's Vision that ensures an effective decision-making process, and that practices and processes are transparent, inclusive, efficient, timely and carried out using due process. It includes communications, legal counsel, and the internal advisory and support services to guide program delivery and the decision-making process.

VALUES

- Public interest and results-oriented processes
- Transparency
- Inclusiveness
- Timeliness
- Due process

Regulatory bodies also must find ways to become more effective and efficient in serving the often conflicting demands and desires of the public and in meeting public interest objectives. In implementing its Vision, the CRTC will pay particular attention to enhancing the public process with a view to ensuring effective citizen engagement and development of a productive dialogue with many partners.

Key Strategies

The CRTC employs the following strategies to ensure the credibility and value of the governance process for Canadians:

- implement a more proactive and flexible approach to public processes, including increased public participation in an evolving competitive environment;
- develop a strategic communications approach;
- enhance information for decision-making;
- increase the CRTC's role as an impartial referee in the resolution of disputes;
- promote excellence and professionalism in the CRTC's working relationships; and
- foster high-quality management practices that are results-oriented, cost-effective, timely and focused on client service.

Accomplishments

Following are the key results of the CRTC's efforts and measures that demonstrate how the CRTC has achieved its "Good Governance" goals.

Results Statement

CREDIBILITY AND VALUE OF THE GOVERNANCE PROCESS

a. Fair and impartial decisions

Public input provides a basis for fair decisions

Participation by Canadian citizens in all our public proceedings is considered essential, particularly with respect to regulatory policy-based hearings. A high level of participation by the general public and interested parties, such as industry representatives and members of consumer interest groups, assists the Commission in ensuring that a balance of views are considered in the decision-making process and that the public interest objectives of the *Broadcasting Act* and *Telecommunications Act* are well served. The CRTC follows established public processes which assist in ensuring that the principles of natural justice and procedural fairness are respected. While a number of appeals of Commission decisions have been made over the past several years, it is important to note that none of these decisions have been overturned by the courts on the basis of fairness.

The Commission actively encourages high levels of participation in its public proceedings, and was particularly successful in doing so in 1997-98. For the 14 broadcasting related public hearings that were conducted during that fiscal year, the Commission received a total of 20,066 interventions, which it considered in the process of rendering its decisions. We also held five telecommunications public hearings and issued 39 public notices for which we received interventions, comments and petitions representing the views of more than 36,200 parties and individuals. This demonstrates that the public wants to participate and provide input to decisions that ultimately have an effect on their daily lives.

b. Collaborative processes with many players

Citizen engagement - New ways to enhance public participation

In 1997-98, the CRTC continued to pay particular attention to the public process, with a view to encouraging effective citizen engagement and development of a productive dialogue with as many parties as possible. To complement our established consultative processes of public hearings and public notices, we have introduced innovative, flexible and less formal means of soliciting the views of the public we serve and the industries we regulate. For example:

- *Regional consultations* - these processes are less formal than public hearings and are aimed at gaining valuable information from the general public on specific issues or topics that affect them. In 1998, for example, we held consultations in nine remote communities regarding telephone services to high-cost areas;
- *Public forums and town hall meetings* - these are similar to regional consultations, but are even less formal in structure and form. They are aimed at encouraging open

discussion on unspecified broadcasting and/or telecommunications issues that affect the general public;

- *Round tables and workshops* - these meetings involve representatives of public or consumer groups, industry players or experts in a particular subject. One example is the June 1997 workshop held to consider “Public Participation in the Commission’s Public Proceedings”. The aim of these processes is to gather information or suggestions on specific regulatory or procedural issues; and
- *CRTC Interconnection Steering Committee (CISC)* - CISC is an ongoing collaborative process involving the participation of industry players, the general public, and public interest and consumer groups.

The above mechanisms facilitate effective citizen engagement and input. Many make use of such technologies as video and audio conferencing that maximize our public accessibility. Furthermore, these consultations are conducted during the evenings and weekends as often as possible, to encourage the maximum participation. Feedback to date has been extremely favourable from both industry players and members of the general public.

CISC - A success story

In 1996, the Commission established a process – the CRTC Interconnection Steering Committee (CISC) – on the telecommunications side of its jurisdiction to resolve certain contentious issues relating to the implementation of competition. Using this approach, Commission staff, industry representatives, public advocacy groups and other interested parties identify their requirements and work together to develop the necessary systems to facilitate the implementation of competition.

CISC and its working groups have been successful in resolving many complex technical and administrative issues, on a timely basis, by getting the parties together and discussing them in an open forum. Industry participants strongly support the CISC approach as an alternative to formal dispute resolution.

The Commission issued a number of decisions between May 1997 and June 1998 that were based on the work of the CISC committees. These decisions have clearly defined the ground rules for local competition, established roll-out dates and other time tables, and settled a number of contentious issues.

The full text of the CISC Report Card, 1997-98 may be found on the Commission’s Web site at the following Internet address: <http://www.crtc.gc.ca/eng/backgrnd/cisce.htm>. Building on its experience with CISC on the telecommunications side, the Commission has now implemented this approach with respect to certain broadcasting issues.

CRTC recognized as a world leader

The Commission's ability to introduce and promote innovative practices in an increasing complex and technologically advanced telecommunications environment has attracted the attention of many foreign countries. This has led to requests from foreign countries for the Commission to deliver training and send some of its senior staff to speak to representatives of such foreign governments as Germany, India, Peru, Russia, as well as to their regulators and companies involved in their telecommunications industries. The nature of services provided is from a regulatory perspective and is supportive of overall Government objectives.

We note that, by the CRTC performing these types of services, the Canadian government gains from the credibility it receives from having its regulatory model recognized internationally. Secondly, it is beneficial in "opening doors" for Canadian businesses operating abroad. Thirdly, it is important in relation to promoting the Canadian policy perspective. During 1997-98, we participated in 38 international projects involving 27 countries.

CRTC co-awarded 1998 Carl Bertelsmann Award

On 10 September 1998, the Bertelsmann Foundation named the CRTC as co-winner of the 1998 Carl Bertelsmann Award for "Innovation and Responsibility in the Information Society". The award recognizes innovative contributions in key areas of social policy. Out of a field of more than 100 candidates from Great Britain, France, Australia, New Zealand, United States, Canada and Germany, six finalists were nominated. The two winning candidates were chosen by a panel of international experts based on three areas of responsibility: supervision of the communications and media markets, self-regulatory initiatives and the promotion of media competency.

c. Teamwork, trust, openness, pride and respect at the CRTC

CRTC develops new Human Resources strategy

The CRTC's Vision, themes from La Relève and extensive input from management, staff and unions, were used in 1997-98 to develop the Commission's Human Resources Strategy entitled "Moving Together Towards the Future - 1998-2001". This new strategy:

- guides management decision-making in establishing corporate priorities for human resource management;
- defines where the organization will invest resources to ensure that its human resources align with the need of the Vision and its business lines;
- defines the CRTC's human resources strategies to ensure the continuity of a knowledgeable and skilled workforce that has the competencies to deliver its emerging business lines and that is representative of the Canadian population; and

- describes our work environment as one that supports employees in achieving the Commission's mandate, and at the same time, supports the balance between career and personal life.

A three-year action plan, starting with fiscal year 1998-99, has been developed to realize the intended results of this new strategy.

d. Effective, efficient, timely and clear actions (processes and services)

New approaches to service delivery

The CRTC shares the Government's commitment to improve the delivery of programs and services to Canadians by fostering quality management practices and processes that are results-oriented, cost-effective, timely and focused on client service. Some examples of initiatives that were conducted in 1997-98 are noted below:

- 1. Single point of contact and toll-free number** - The CRTC has consolidated the headquarters broadcasting and telecommunications client services functions to facilitate convergence, and to provide a single point of contact for the public. The Commission has also introduced a nation-wide toll-free telephone line that enables the public to contact us to obtain information, to share their views or ask us to investigate specific complaints.
- 2. Electronic exchange** - The CRTC continued to encourage the electronic exchange of documents to reduce the paper burden and provide faster service to clients. Electronic filing has been an option available to clients of the CRTC since 1 January 1996. Approximately 60 telecommunications companies now use electronic filing. In 1997-98, these companies submitted 15,815 electronic files to the Commission. Similar measures are being implemented for broadcasting companies, and radio application forms are now available electronically.

In 1997-98, the volume of electronic messages received via the Internet increased by 50% over the previous year to more than 3,000. This is almost a third of the volume of hard-copy correspondence (9,200) received by post and fax.
- 3. CRTC Web site** - The CRTC makes all of its Orders, Public Notices and Decisions available to the public electronically, via the Internet. This substantially reduces the Commission's costs of distribution while providing instant access to its documents. In 1997-98, the Commission had a total of 8.9 million hits on its Web site from approximately 382,000 different users. Of this total, approximately 43% were Canadian users.
- 4. Review of service delivery options** - In 1997-98, a working group was formed to review and enhance our service delivery practices. As a result, we are now using Canada Post offices to disseminate information in remote and rural areas. We have also established a pilot documentation centre in Toronto to increase our presence. We will continue to explore partnerships with other organizations, such as Canadian Business Service Centres, so that information about the Commission's decisions and general documentation may be more widely available across Canada.

CRTC - An impartial referee of disputes

Our Vision promotes enhanced mechanisms and processes to work with the various parties in a competitive environment. These mechanisms are being developed to complement our existing regulatory processes and to be responsive to the needs of the various parties who are seeking a quick resolution to outstanding problems.

In 1997-98, we actively used an alternative dispute resolution (ADR) process to better work with the various parties in a competitive marketplace. The dispute resolution process is designed to provide an informally structured and efficient means to expeditiously identify the issues, clarify and establish the pertinent facts required to resolve these issues and find appropriate solutions. CRTC's staff's primary function is to facilitate and encourage all parties to resolve their disputes through the formulation of their own mutually acceptable settlement. In addition to being timely and more responsive, alternative dispute resolution and staff mediation techniques have the benefit of minimizing administrative burden on parties. We foresee an increased use and role of ADR in light of competition, convergence, mergers and vertical integration which may result in disputes that would require the Commission to act as referee.

Year 2000

During the period from January to March 1998, the Commission sent an excess of 1,100 letters to broadcasting and telecommunications companies stressing the importance of being prepared for the Year 2000. The objective of this notification was to encourage companies to take the necessary steps to review their operations and to take appropriate actions to address their needs relating to the Year 2000. In its decision implementing a price cap regime for major telephone companies, the Commission included approval of significant expenditures for Year 2000 compliance. We have also asked telephone companies to provide us with the milestones of their plans to address this issue. Information provided as of July 1998 shows that the companies recognize the challenge and are working to address it.

Internally, the CRTC's Y2000 team has conducted an in-depth analysis and has concluded that the operational exposure to Year 2000 problems is relatively minimal. In 1988, the Commission adopted a fixed format eight-digit date standard (YYYYMMDD) and all corporate systems have subsequently been designed based on this standard. By 31 December 1998, we intend to finish an assessment of all of the Commission's information technology-based products to ensure Year 2000 compliance. Any non-compliance issues are expected to be resolved by April 1999. For any items that are not resolved by that date, contingency plans will be made.

The Commission's Year 2000 team participates in the Treasury Board Year 2000 Interdepartmental Working Group and the Locally Shared Informatics Year 2000 Group. The CRTC's team has established guidelines for hardware and software acquisitions to ensure compliance. All current purchases are made against these specifications and appropriate testing methods are in place to ensure compliance.

The CRTC Year 2000 team is also providing assistance to staff who have developed small information systems and databases using a variety of tools. While these end user developed systems/databases are generally not operationally critical, the CRTC's Y2000 team is committed to ensuring that all of the Commission's informatics supported resources will be Year 2000 compliant. Accordingly, guidelines and testing procedures have been distributed to all end users to assist them in assessing their stand-alone systems.

Communication concerns? We're listening

Number of calls and correspondence

In 1997-98, we received and responded to 64,817 calls and letters. Almost 37,000 of these pertained to broadcasting issues, with a large proportion relating to the Howard Stern program and the cable industry's launch of the new specialty services. Cable subscribers wanted to know about their options for receiving programming services and inquired frequently about direct-to-home satellite services and other competitors to cable.

The remaining calls and letters (approximately 27,800) concerned telecommunications matters. Our "price cap" decision generated a lot of comments and concerns about the cost and affordability of local telephone service. Slamming, and unsolicited marketing techniques that make use of faxes and telephone calls, remain high on the list of subscriber concerns. We also receive numerous requests to extend the local calling area in a number of communities.

Another busy year for the CRTC

Although we address a number of significant regulatory issues pertaining to communications frameworks, we are also responsible for the day to day processing of the many applications we receive pursuant to the *Broadcasting Act* and *Telecommunications Act*. In 1997-98:

- We processed 2,124 telecommunications-related applications. These include tariffs, agreements, and other applications such as competitive disputes, social and consumers issues, contribution exception, etc. In addition, we issued a total of 1,912 telecommunications Decisions, Orders, Public Notices, Cost Orders and Taxation Orders; and
- We processed 1,379 broadcasting applications pertaining to television, radio, BDU (e.g. cable), pay and specialty services undertakings. These included requests for new licences, licence amendments and renewals, applications for authority to transfer effective control of licensed undertakings, and cable rate filings. In total, we also issued 658 broadcasting Decisions and 143 Public Notices.

Improvements in application processing time

Applications vary widely in complexity, as does the time spent in rendering decisions on them. This being said, we note that there was a decrease in the time taken to process broadcasting applications in 1997-98 in the three main categories of public hearing, public notice and administrative.

For telecommunications tariffs, section 26 of the *Telecommunications Act* states that the Commission must, within 45 business days, either approve, disallow or make public the reasons why the Commission has not dealt with a given application. In calendar year 1997, the Commission rendered 1,864 tariff decisions that took an average processing time of 34.1 days per item. For the period 1 January to 30 June 1998, the Commission rendered 564 decisions at an average processing time per item of 17.3 days. Both figures are well within the statutory limits.

Section IV: Financial Performance

Financial Table 1 - Summary of Voted Appropriations

Authorities for 1997-98					
Financial Requirements by Authority (\$ millions)					
Vote			1997-98 Planned Spending	1997-98 Total Authorities	1997-98 Actual
Canadian Radio-television and Telecommunications Commission					
75	Program expenditures		-	1.1	1.0
(S)	Contributions to employee benefit plans		3.8	3.8	3.8
Total CRTC			3.8	4.9	4.8

Financial Table 2 - Comparison of Total Planned to Actual Spending

Departmental Planned versus Actual Spending by Business Line (\$ millions)									
Business Lines	FTEs	Operating¹	Capital	Voted Grants and Contri- butions	Subtotal: Gross Voted Expendi- tures	Statutory Grants & Contri- butions	Total Gross Expendi- tures	Less: Revenue Credited To the Vote	Total Net Expendi- tures
Voices	218	16.7	-	-	16.7	-	16.7	14.8	1.9
<i>(Total authorities)</i>	<i>218</i>	<i>17.6</i>	-	-	<i>17.6</i>	-	<i>17.6</i>	<i>15.0</i>	<i>2.6</i>
(Actuals)	212	17.4	-	-	17.4	-	17.4	14.9	2.5
Choices	197	16.1	-	-	16.1	-	16.1	14.2	1.9
<i>(Total authorities)</i>	<i>197</i>	<i>16.4</i>	-	-	<i>16.4</i>	-	<i>16.4</i>	<i>14.1</i>	<i>2.3</i>
(Actuals)	192	16.5	-	-	16.5	-	16.5	14.2	2.3
Total	415	32.8	-	-	32.8	-	32.8	29.0	3.8
<i>(Total authorities)</i>	<i>415</i>	<i>34.0</i>	-	-	<i>34.0</i>	-	<i>34.0</i>	<i>29.1</i>	<i>4.9</i>
(Actuals)	404	33.9	-	-	33.9	-	33.9	29.1	4.8
Other Revenues and Expenditures									
Revenue credited to the Consolidated Revenue Fund									(66.0)
<i>(Total authorities)</i>									<i>(69.3)</i>
(Actuals)									(73.9)
Cost of services provided by other departments									18.6
<i>(Total authorities)</i>									<i>18.0</i>
(Actuals)									18.0
Net cost of the program									(43.6)
<i>(Total authorities)</i>									<i>(46.4)</i>
(Actuals)									(51.1)
Note: Numbers in italics denote <i>Total Authorities</i> for 1997-98 (main and supplementary estimates and other authorities).									
Bolded numbers denote actual expenditures/revenues in 1997-98.									
¹ Due to rounding, figures may not add to totals shown.									

Financial Table 3 - Historical Comparison of Total Planned to Actual Spending

Departmental Planned versus Actual Spending by Business Line (\$ millions)					
Business Lines	Actuals 1995-96	Actuals 1996-97	Planned Spending 1997-98	Total Authorities 1997-98	Actuals 1997-98
Broadcasting	11.6	10.2			
Telecommunications	8.1	8.2			
Executive Management	7.9	7.6			
Corporate Services	8.4	8.1			
Voices			16.7	17.6	17.4
Choices			16.1	16.4	16.5
Total	36.0	34.1	32.8	34.0	33.9

Note: Due to rounding, figures may not add to totals shown.

Financial Table 4 - Crosswalk between Old Resource Allocation and New Allocation

Crosswalk between Old and New Structures (\$ millions)					
Old Structure	New Structure		Old Structure		
	Voices	Choices	Total (\$M)	FTEs	% of Total
Broadcasting	9.5	.5	10.0	142	30.5%
	9.4	.5	9.9	134	29.2%
Telecommunications	.2	8.7	8.9	113	27.1%
	.2	8.3	8.5	106	25.1%
Executive Management	4.0	4.0	8.0	91	24.4%
	4.4	4.3	8.7	94	25.7%
Corporate Services	3.0	2.9	5.9	69	18.0%
	3.4	3.4	6.8	70	20.0%
New Structure Total (\$M)	16.7	16.1	32.8		
	17.4	16.5	33.9		
FTEs	218	197		415	
	212	192		404	
% of TOTAL	50.9%	49.1%	100.0%		100.0%
	51.3%	48.7%	100.0%		100.0%

Figures in normal font represent planned expenditures; **actual figures are bolded.**

Note: Due to rounding, figures may not add to totals shown.

Financial Table 5 - Resource Requirements by Organization and Business Line

Comparison of 1997-98 Planned Spending and Total Authorities To Actual Expenditures by Organization and Business Line (\$ millions)			
Business Lines			
Organization	Voices	Choices	TOTALS
Broadcasting Distribution and Technology	.5	.5	1.0
<i>(total authorities)</i>	.6	.5	1.1
(actuals)	.6	.5	1.1
Broadcast Planning	1.4		1.4
<i>(total authorities)</i>	1.6		1.6
(actuals)	1.7		1.7
Broadcasting Analysis	3.1		3.1
<i>(total authorities)</i>	3.1		3.1
(actuals)	2.9		2.9
Decisions and Licensing	3.4		3.4
<i>(total authorities)</i>	3.5		3.5
(actuals)	3.1		3.1
Executive Director, Telecommunications		1.1	1.1
<i>(total authorities)</i>		1.0	1.0
(actuals)		.9	.9
Decisions and Operations		2.3	2.3
<i>(total authorities)</i>		2.1	2.1
(actuals)		2.1	2.1
Financial Analysis	.1	2.9	3.0
<i>(total authorities)</i>	.1	2.8	2.9
(actuals)	.1	2.8	2.9
Competition, Consumer and Tariff Policy	.1	2.4	2.5
<i>(total authorities)</i>	.1	2.5	2.6
(actuals)	.1	2.4	2.5
Executive	1.3	1.2	2.5
<i>(total authorities)</i>	1.5	1.4	2.9
(actuals)	1.4	1.4	2.8
Secretary General and Chief Operating Officer	.7	.4	1.1
<i>(total authorities)</i>	.7	.5	1.2
(actuals)	.7	.5	1.2
Legal	.9	.9	1.8
<i>(total authorities)</i>	.9	.9	1.8
(actuals)	.9	.8	1.7
Communications	1.6	.7	2.3
<i>(total authorities)</i>	1.8	.9	2.7
(actuals)	1.8	1.0	2.8
Regional Offices	.7	.7	1.4
<i>(total authorities)</i>	.8	.7	1.5
(actuals)	.7	.7	1.4
Corporate Services, Review and Renewal Division	.2	.2	.4
<i>(total authorities)</i>	.1	.2	.3
(actuals)	.1	.2	.3
Human Resources	.6	.6	1.2
<i>(total authorities)</i>	.6	.6	1.2
(actuals)	.6	.5	1.1
Finance and Management Services	2.2	2.2	4.4
<i>(total authorities)</i>	2.2	2.3	4.5
(actuals)	2.7	2.7	5.4
TOTALS	16.7	16.1	32.8
<i>(total authorities)</i>	17.6	16.4	34.0
(actuals)	17.4	16.5	33.9
	% of TOTAL	51.3%	48.7%
		100.0%	

Note: Due to rounding, figures may not add to totals shown.

Financial Table 6 - Revenues to the Vote

Revenues Credited to the Vote by Business Line (\$ millions)					
Business Lines	Actual 1995-96	Actual 1996-97	Planned Revenues 1997-98	Total Authorities 1997-98	Actual 1997-98
Broadcasting licence fees	-	16.7			
Telecommunications fees	13.5	13.4			
Voices			14.8	15.0	14.9
Choices			14.2	14.1	14.3
Total Revenues Credited to the Vote	13.5	30.1	29.0	29.1	29.1

Note: Due to rounding, figures may not add to totals shown.

Financial Table 7 - Revenues to the CRF

Revenues Credited to the Consolidated Revenue Fund by Business Line (\$ millions)					
Business Lines	Actual 1995-96	Actual 1996-97	Planned Revenues 1997-98	Total Authorities 1997-98	Actual 1997-98
Broadcasting licence fees	71.4	61.2			
Telecommunications fees	2.8	3.5			
Voices			63.2	65.4	70.1
Choices			2.8	3.9	3.8
Sub-total	74.2	64.7	66.0	69.3	73.9
Unplanned	-	-	-	-	-
Total Revenues Credited to the CRF	74.2	64.7	66.0	69.3	73.9

Note: Due to rounding, figures may not add to totals shown.

Financial tables 8 to 14 dealing with Statutory Payments, Transfer Payments, Capital Spending by Business Line, Capital Projects, Status of Major Crown Projects, Loans, Investments and Advances and Revolving Fund Financial Summaries, respectively, **are not applicable to the CRTC.**

Financial Table 15 - Contingent Liabilities

Contingent Liabilities (\$ millions)			
List of Contingent Liabilities	Amount of Contingent Liabilities		
	March 31, 1996	March 31, 1997	Current as of March 31, 1998
Litigations	1.9	1.9	3.6
Total			3.6

Note: A contingent liability estimated at \$1.8 million as of March 31, 1998 has since been resolved by way of an out-of-court settlement.

Section V: Consolidating Reporting

Regulatory Initiatives

The CRTC's 1997 Federal Regulatory Plan had outlined four initiatives. A report on the outcome of each of the initiatives is noted as follows:

1. Radio, Television and Specialty Services Regulations

Amendments to the radio, television and specialty services regulations came into effect on 31 January 1997. These amendments included a requirement for broadcasters to adhere to a strengthened *Code for Broadcast Advertising of Alcoholic Beverages* (*Code*), which governs the content of broadcast alcohol advertisements. The Commission also introduced a new *Interpretation of the Code for Broadcast Advertising of Alcoholic Beverages*, which removes ambiguity and provides a clearer understanding of the *Code*.

The new regulations eliminated the requirement that all scripts for alcohol advertisements be pre-cleared by the Commission. They also eliminated the restriction on who may sponsor alcoholic beverage advertisements.

Implementation of these amendments will have the following results:

- the strengthened *Code* addresses concerns about the effects of alcoholic beverage advertising on society, especially its influence on youth;
- the Commission can deploy staff resources more effectively, since it is no longer required to perform advertisement pre-clearance; and
- removing the restriction on who may advertise alcoholic beverages will ensure that such a restriction will not be subject to a Canadian Charter of Rights and Freedoms challenge. In 1995, a challenge of this nature initiated by the Association of Canadian Distillers led to the Federal Court's declaration of subsection 6(2) of the television regulations (which prohibited the broadcast advertising of spirits-based beverages) as having no force or effect.

2. Digital Radio

In 1997, the Commission received applications by the licensees of 19 AM and FM stations in Toronto for licences to implement transitional digital radio undertakings (DRUs) to serve Toronto. These applications were submitted in accordance with the provisions of Public Notice CRTC 1995-184 entitled "A Policy to Govern the Introduction of Digital Radio". The notice outlined a two-stage approach in which transitional licences for digital radio undertakings that generally simulcast the programming of an associated analogue radio service will be approved in the short term, and a broad policy process will be held in the long term.

In May 1998, the Commission approved these applications for a licence term of three years. This period should be sufficient for the Commission to implement a long-term

policy and licensing regime for DRUs following completion of an appropriate public process. The Commission expects to consider additional applications for transitional DRUs to serve other markets in 1998.

3. Broadcasting Licence Fee Regulations 1997

The Commission implemented new *Broadcasting Licence Fee Regulations*, effective 1 April 1997. This was in direct response to a Treasury Board decision granting the CRTC “vote netting” authority for regulation of the broadcasting industry. As a result of Treasury Board’s decision, the CRTC requires funding by 1 April of each year, in the form of licence fee revenues, to finance the Commission’s operating expenditures for the regulation of the broadcasting industry.

Changes to these fee regulations provide support to small Canadian broadcasting undertakings; specifically, the number of classes of undertakings exempted from the requirements of the regulations was expanded to include native, community and campus-community undertakings. As a result, approximately 2,000 undertakings no longer have to file an annual licence fee return or pay the fees. This initiative serves to minimize the regulatory burden on these small undertakings.

The Commission’s intent in drafting the new regulations was to create a system that, in relation to the previous fee structure, would result in approximately the same amount of fees payable on both an industry-wide and individual undertaking basis over a period of three years, assuming that the Commission’s approved funding level remains stable.

4. Broadcasting Distribution Regulations

In Public Notice CRTC 1997-25 dated 11 March 1997, the Commission published a new policy framework, applicable to all BDUs, that would respond to the needs and realities of a rapidly emerging competitive broadcasting distribution environment. In updating its regulatory framework, the Commission’s objectives were thus to foster the development of effective competition in the broadcasting distribution industry while ensuring attainment of the objectives of the *Broadcasting Act*.

The Commission published for public comment proposed regulations to implement the new policy framework in Public Notice CRTC 1997-84 dated 2 July 1998. Following receipt of comments, the Commission announced the final *Broadcasting Distribution Regulations* in Public Notice CRTC 1997-150 dated 22 December 1997. The new regulations came into effect on 1 January 1998.

The Commission intends to closely monitor the development of the competitive environment and will address specific issues and concerns as they are brought to its attention. The Commission also intends to undertake a general review of the effectiveness and appropriateness of the new regulations after two years, and to consider whether further refinements to the regulatory framework are appropriate in pursuit of the objectives of the *Broadcasting Act*.

Section VI : Other Information

References and Contacts

CRTC Addresses, Locations and Contact Numbers

CRTC Head Office mailing address	CRTC Ottawa, Ontario K1A 0N2
CRTC Head Office street address	1, Promenade du Portage Terrasses de la Chaudière Central Building Hull, Quebec
CRTC e-mail address	info@crtc.gc.ca
CRTC WWW address	http://www.crtc.gc.ca
CRTC Head Office contact numbers	Client Services (819) 997-0313 Client Services - Toll-free Number 1-877-249-2782 Human Resources Information (819) 997-2219 Public Examination Room (819) 997-2429 Library (819) 997-4484 Access to information and privacy co-ordinator (819) 994-5366 Fax (General) (819) 994-0218 Fax (Telecommunications) (819) 953-0795 Fax (General Counsel) (819) 953-0589 Fax (Finance) (819) 953-5107 TDD (819) 994-0423
Documentation Centre	Toronto (416) 954-6269
Regional Office: Atlantic Region	Bank of Commerce Building Suite 1007, 1809 Barrington Street Halifax, Nova Scotia B3J 3K8 Tel.: (902) 426-7997 Fax: (902) 426-2721 TDD: (902) 426-6997
Regional Office: Quebec Region	Place Montreal Trust Suite 1920, 1800 McGill College Avenue Montreal, Quebec H3A 3J6 Tel.: (514) 283-6607 Fax: (514) 283-3689 TDD: (514) 283-8316
Regional Office: Prairie Region	Suite 1810, 275 Portage Avenue Winnipeg, Manitoba R3B 2B3 Tel.: (204) 983-6306 Fax: (204) 983-6317 TDD: (204) 983-8274
Regional Office: Western and Territories	530 - 580 Hornby Street, Vancouver, British Columbia V6C 3B6 Tel.: (604) 666-2111 Fax: (604) 666-8322 TDD: (604) 666-0778

Legislation and Associated Regulations Administered by the CRTC

Statutes	
<i>Canadian Radio-television and Telecommunications Commission Act</i>	R.S.C. 1985, c. C-22, as amended
<i>Broadcasting Act</i>	S.C. 1991, c. 11, as amended
<i>Telecommunications Act</i>	S.C. 1993, c. 38, as amended
<i>Bell Canada Act</i>	S.C. 1987, c. 19, as amended
<i>Telesat Canada Reorganization and Divestiture Act</i>	S.C. 1991, c. 52
Regulations and Rules of Procedure	
CRTC Rules of Procedure	
CRTC Telecommunications Rules of Procedure	
Broadcasting Information Regulations, 1993	
Broadcasting Licence Fee Regulations, 1997	
Broadcasting Distribution Regulations	
Pay Television Regulations, 1990	
Radio Regulations, 1986	
Specialty Service Regulations, 1990	
Television Broadcasting Regulations, 1987	
Telecommunications Fees Regulations, 1995	
Statutes and Regulations for which changes are planned	
<i>Telecommunications Act</i>	1998-99. Changes to respond to WTO Agreement (15 February 1997) on basic telecommunications
<i>Teleglobe Canada Reorganization and Divestiture Act</i>	1998-99. Changes to respond to WTO Agreement (15 February 1997) on basic telecommunications
Television Broadcasting Regulations	To be initiated in 1998-99
Radio Regulations	To be initiated in 1998-99
CRTC Rules of Procedure	Internal review initiated in 1997-98. Target completion date 1998-99
CRTC Telecommunications Rules of Procedure	Internal review initiated in 1997-98. Target completion date 1998-99

CRTC Reports

The following information is provided as reference material that the reader may consult in order to gain further insight on the CRTC's performance and business lines. Copies of these documents may be obtained directly from the CRTC's Client Services Branch or by accessing the referenced Internet address.

Guide to the CRTC

Internet Address http://www.crtc.gc.ca/ENG/BACKGRND/guide_e.htm

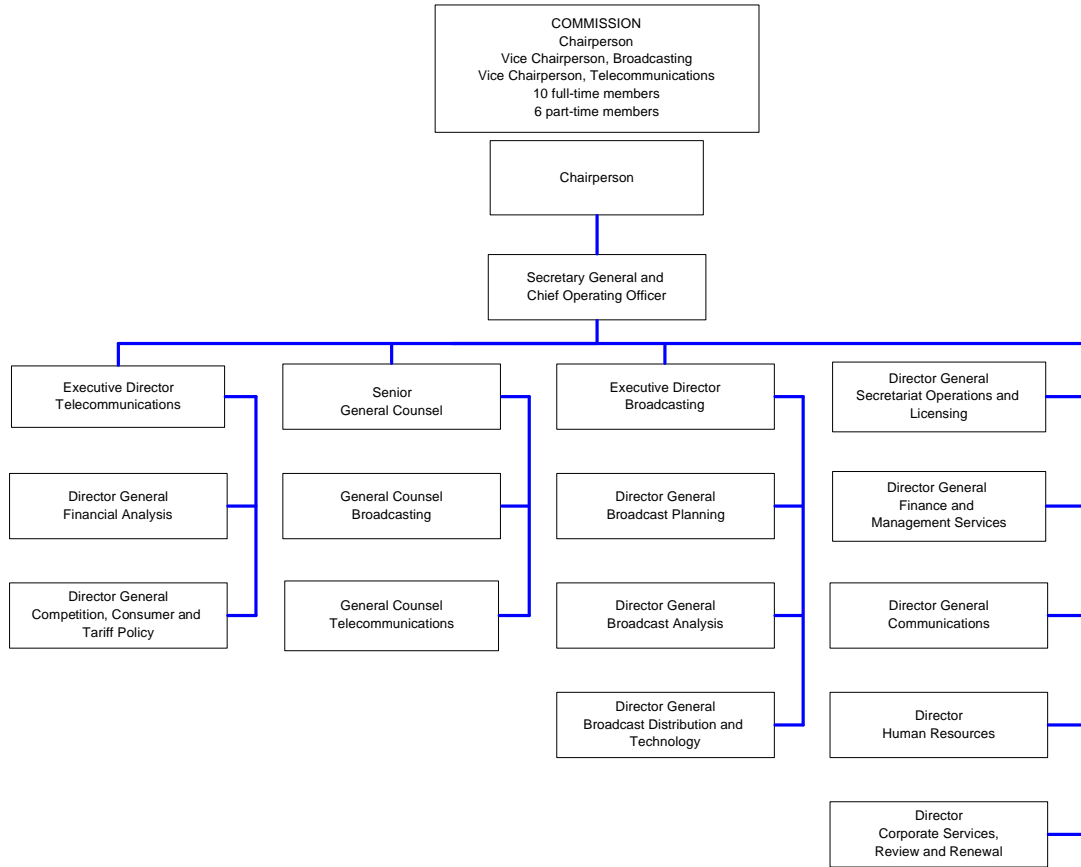
From Vision to Results at the CRTC - Revised May 1998

Internet Address <http://www.crtc.gc.ca/ENG/BACKGRND/Vis9805e.htm>

Report Cards

- **Vision Report Card 1997-1998**
Internet Address <http://www.crtc.gc.ca/eng/backgrnd/reptcrde.htm>
- **Report Card 16 June 1997 Workshop**
Internet Address <http://www.crtc.gc.ca/eng/backgrnd/rep9805e.htm>
- **CRTC Interconnection Steering Committee (CISC) Report Card 1997-1998**
Internet Address <http://www.crtc.gc.ca/eng/backgrnd/cisce.htm>

Organizational Structure, 1997-98



CRTC Fee Regulations - Broadcasting and Telecommunications

Broadcasting

Section 11 of the *Broadcasting Act* empowers the Commission to make regulations respecting licence fees. Pursuant to this section of the Act, the Commission implemented new *Broadcasting Licence Fee Regulations*, effective 1 April 1997. These regulations apply to all licensees other than those classes of undertakings specifically exempted under section 2 of the *Fee Regulations*.

Every applicable licensee shall pay annually to the Commission a Part I licence fee, payable on 1 April each year, and a Part II licence fee, payable on or before 30 November each year. 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:

- (a) the costs of the Commission's broadcasting activity; and
- (b) the share that is attributable to the Commission's broadcasting activity of:
 - i. the costs of the Commission's administrative activities, and
 - ii. the other costs that are taken into account to arrive at the net cost of the Commission's program, excluding the costs of regulating the broadcasting spectrum.

There is an annual adjustment amount to the Part I Fee to adjust estimated costs to actual expenditures. Any excess fees are credited to the licensee in the following year's invoice while shortfalls are charged to the licensees.

The Part II fee amounts to 1.365% of a licensee's gross revenue in excess of an applicable exemption limit. A portion of the Part II fees collected by the CRTC is allocated to cover the expenses of Industry Canada for services provided through its Spectrum Management and Regional Operations Activity, including the certification of broadcast undertakings, the broadcast inspection program and the investigation of complaints of interference to broadcast reception.

Telecommunications

The *Telecommunications Fees Regulations 1995*, made under section 68 of the *Telecommunications Act*, set out the formula for collecting telecommunications fees from the carriers that the Commission regulates. Each company must pay fees based on its operating revenues, as a percentage of the revenues of all the carriers that are regulated.

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.

Similar to the Broadcasting Licence Fee Part I, telecommunications fees are adjusted on an annual basis from estimated costs to the actual expenditures that were incurred in conducting telecommunications activities during the fiscal year. Any excess fees are credited to the carriers, while shortfalls are subject to an additional billing.

Glossary of Acronyms

- ADR - Alternative Dispute Resolution
- ATM - Asynchronous Transfer Mode
- BDU - Broadcasting Distribution Undertaking
- CISC - CRTC Interconnection Steering Committee
- CLEC - Competitive Local Exchange Carrier
- CRTC - Canadian Radio-television and Telecommunications Commission
- DRU - Digital Radio Undertaking
- DTH - Direct-to-Home
- GATS - General Agreement on Trade in Services
- MDS - Multi-Point Distribution System
- NAS - Network Access Service
- OECD - Organization for Economic Co-operation and Development
- PBIT - Profit before interest and taxes
- PCS - Personal Communication Services
- PRAS - Planning, Reporting and Accountability Structure
- Telcos - Telecommunications Companies
- TVNC - Television Northern Canada
- VOD - Video-on-demand
- WTO - World Trade Organization
- Y2000 - Year 2000