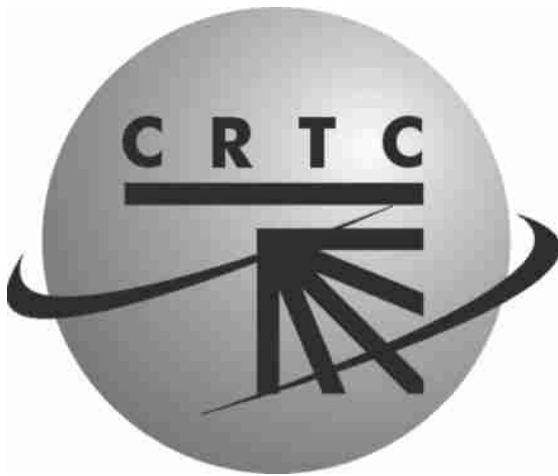


Canadian Radio-television and Telecommunications Commission



Performance Report

For the period ending
March 31, 2003

Sheila Copps
Minister of Canadian Heritage

Table of Contents

<i>Executive Summary</i>	<i>pages i-iii</i>
SECTION I: Messages	
<i>Message from the Minister of Canadian Heritage</i>	<i>page 3</i>
<i>Chairperson's Message</i>	<i>pages 5, 6</i>
SECTION II: CRTC Strategic Context and Performance	
<i>CRTC Mandate</i>	<i>page 9, 10</i>
<i>Results for Canadians</i>	<i>pages 11-29</i>
<i>Government-Driven Projects and Initiatives</i>	<i>pages 30-32</i>
APPENDICES:	
<i>Appendix A: Measures Taken During the 2002-2003 Fiscal Year</i>	<i>pages 35-44</i>
<i>Appendix B: Financial Information and Summary Tables</i>	<i>pages 45-52</i>
<i>Appendix C: CRTC Members and Offices</i>	<i>pages 53, 54</i>
<i>Appendix D: Legislation, Directions and Associated Regulations</i>	<i>page 55</i>

Executive Summary

Regulating and supervising the telecommunications and broadcasting industries in Canada in 2002 remained a complex and challenging process. Improvement in global and Canadian capital markets was limited, new technologies continued to emerge, and serving Canadians continued to demand new and better solutions.

During the past year, the CRTC focused on four broad strategic aims: increasing the production and broadcast of high quality Canadian programming; increasing the availability of services and programs that reflect Canada's linguistic duality and cultural diversity for Canadians; removing obstacles to sustainable competition; and ensuring that the Commission's regulatory processes are well-informed, fair, transparent and effective.

Certain CRTC regulations have been designed to ensure financial support from industry for funding the development of Canadian talent and programming as part of the approval of mergers and license renewals. These mechanisms continued to provide support in 2002 to Canadian talent and programming production. Some highlights between April 1, 2002 and March 31, 2003 included \$3.1 million in Canadian talent development initiatives from radio licence renewals; \$37.5 million to Canadian talent development through transfer of ownership or control of radio stations; \$2 million from television broadcasting undertaking transfers, and \$118.8 million from broadcasting distribution undertakings to the creation of Canadian programming.

In recognition that maintaining a financially healthy Canadian broadcasting system is an important strategic objective, the CRTC convened a meeting with the heads of the nation's broadcasting industry to combat theft or "piracy" of broadcast signals, a crime that is costing the industry as much as \$400 million a year and undermining Canadian jobs and businesses. The CRTC will continue to do everything in its power to combat this threat in the future.

To help improve the presence of Canadian television drama on our screens, the CRTC, in conjunction with Telefilm Canada, commissioned industry experts to prepare reports on the state of television drama in English and French Canada and also commissioned research to canvass the state of home-grown drama internationally with a view to making comparisons to the Canadian situation. These studies are expected to be of great value as the CRTC continues to work with the industry and government agencies to bring more Canadian stories to air that more Canadians watch.

To ensure more locally produced community-based programming and to foster greater diversity and the entrance of new participants by creating a new class of licence, the Commission set out a policy framework for community-based media, community channels, community-based television programming and low-power radio.

The CRTC also supported the transition to digital television in several ways, including the release of its *Licensing policy to oversee the transition from analog to digital over-the-air television broadcasting* and calls for comments on related issues. The

Commission's aim is several fold: to allow the market to drive the transition, allow consumers to upgrade their equipment at their own pace, and ensure that viewers will not lose access to their over-the-air analog services during the transition.

The CRTC took several steps during the year to foster increased Canadian content that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics. These include the presence of more French language broadcasting across Canada, new multilingual television stations for Vancouver and Toronto, and additional French and multilingual radio stations in Toronto.

In addition to these initiatives, the CRTC approved CPAC's request for mandatory nation-wide distribution of its service, in both official languages. The Commission also renewed the licence for TV5 Quebec Canada, providing TV5 with the latitude and flexibility necessary for its programming and prime-time schedule to reflect all French-speaking communities, both Canadian and international. To further enhance cultural diversity, the CRTC created a task force of major private broadcasters and community representatives in support of conducting research, defining issues and presenting the best practical solutions to supporting cultural diversity in broadcasting. In addition, the CRTC approved 31 English-language and 8 third-language Category 2 ethnic specialty channels, and established a new licensing framework in support of specialty audio-programming services to underserved audiences throughout Canada, including ethnic communities.

In 2002, the Commission issued its *Regulatory framework for the second price cap period*. This decision established the regulatory regime that will be applicable to the incumbent telephone companies during the next four years. The regime has been designed to meet the following objectives: i.) to render reliable and affordable services of high quality, accessible to both urban and rural area customers; ii.) to balance the interests of the three main stakeholders in telecommunications markets, (customers, competitors and incumbent telephone companies); iii.) to foster facilities-based competition in Canadian telecommunications markets; iv.) to provide incumbents with incentives to increase efficiencies and be more innovative, and v.) to adopt regulatory approaches that impose the minimum regulatory burden compatible with the achievement of the previous four objectives.

In the telecommunications wireline market, although some inroads have been made by the competitors, achieving fair and sustainable competition is still a challenge. The Commission therefore took a number of steps in 2002 to address issues dealing with the removal of barriers to competition. Most notably, these included decisions and public notices that dealt with the following: rules with respect to customer winbacks; incumbent telephone company regulatory compliance; services and facilities of incumbents that are to be made available to competitors, and issues of anti-competitive behaviour. The Commission is committed to fostering facilities-based competition and excellence in service for the benefit of all the stakeholders in the market (customers, incumbents, and competitors alike).

Local competition was further enhanced through the Commission's establishment of the conditions and principles that will allow access by telecommunications and broadcasting service providers to equipment and wiring in buildings known as multi-dwelling units. These principles are intended to provide customers in these units with the opportunity to choose whatever package of services and whichever supplier best suits their particular needs for both telephone and television services.

Finally, further progress was made throughout 2002 on both the Commission's and Government of Canada's initiatives:

- ✓ In keeping with the CRTC's efforts to measure the impact of its policies, annual monitoring reports were released for the broadcasting and telecommunications industries.
- ✓ The Commission continued to streamline its processes to improve efficiency. Its approach to decision writing has been revised to enhance clarity, precision and adequacy of reasons for its decisions.
- ✓ In the fall of 2003, the CRTC will join the 90-plus departments and agencies that have formally launched the Treasury Board Secretariat's modern management initiative. This should lead to better organization, better integration and ultimately, better results for Canadians.

SECTION I:
Messages

The Canadian Heritage Portfolio, which includes the Canadian Radio-television and Telecommunications Commission (CRTC), collaborates with partners across Canada to develop policies and deliver programs that help strengthen the connections between Canadians and encourage understanding between our diverse communities.

Through its regulation and supervision of the broadcasting and telecommunications industry, the CRTC is committed to ensuring a strong Canadian presence in a sector that plays an important role in the lives of all Canadians. The Commission facilitates the creation of high-quality programming that reflects our values and ensures a strong and competitive Canadian telecommunications industry. As well, the CRTC strives to balance the needs of the industries it regulates with those of Canadians and to provide effective and fair processes.



This Performance Report highlights the important contributions from a key member of the Canadian Heritage Portfolio. Through this report, the CRTC presents us with the results of its established partnerships and collaborations. It also sends a message that the Government of Canada and its employees take pride in strengthening and promoting our artists, athletes, language and cultural communities.

Sheila Copps

Canada

Chairperson's Message

After my first full year as Chairman, it is my pleasure to present the accomplishments of the CRTC as well as the challenges that we continue to face.

This year's report is a reflection of our continuing efforts to regulate in the public interest.

It is our duty to guide the industries under our jurisdiction towards achieving the objectives set out in the *Broadcasting Act* and the *Telecommunications Act*.



In telecommunications, this means ensuring that Canada has a strong industry that provides accessible and high quality services at affordable prices. To this end, we released our *Regulatory framework for second price cap period*, which will govern prices in the local service market until 2006. While protecting the interests of consumers, this framework should enhance local competition and ensure that telephone companies have the flexibility they need to operate their business effectively.

Meanwhile, we have been working to remove other obstacles to competition. In separate proceedings, we have established guidelines that will allow different broadcasting distribution and telephone undertakings access to the wiring and equipment inside apartments and other multi-unit buildings. Consumers living in those buildings should now have more choice in terms of who provides them with telephone or television service.

In conjunction with Telefilm Canada, we asked industry experts Trina McQueen and Guy Fournier to prepare reports on the state of television drama in English and French Canada. We also commissioned researcher Barry Keifl to canvass the state of home-grown drama internationally with a view to making comparisons to the Canadian situation. Their reports will be of great value as we continue working with the industry and other government agencies to find a way of bringing more Canadian stories to air that more Canadians watch.

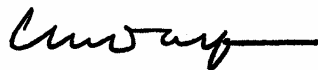
To provide Canadians with high quality services and invest meaningfully in the development of Canadian talent, the industry must first be financially stable. That is why the Commission is concerned about the problem of program signal theft in Canada that threatens this stability. According to some estimates, several hundred thousand Canadians get their TV signals illegally, causing an estimated loss to the broadcasting system of up to 400 million dollars per year. At the end of 2002, I convened a summit of industry CEO's on the problem and the CRTC has been since working with all players in

the industry, enforcement agencies and other branches of the government to establish a united effort to combat signal theft.

Canada's communications industries need to stay on pace with the latest technology. In the broadcasting system, the transition to digital television (DTV) is underway. DTV is a broadcast transmission technology that will eventually replace the current analog over-the-air system, providing high definition images with better colour and quality. In recognizing the potential and importance of this new technology, the CRTC released its *Licensing policy to oversee the transition from analog to digital over-the-air television broadcasting* and a number of calls for comments on related issues. While intended to encourage the use of DTV, it will allow the market to drive the transition. Consumers will be able to upgrade their equipment at their own pace and viewers will not lose access to their over-the-air analog services during the transition.

A strong, advanced broadcasting system that showcases Canadian stories will continue to more accurately reflect Canadian society. It is a society that is becoming more diverse in culture and ethnicity and the CRTC is guiding the system towards reflecting this reality both in programming and in participation. And reflection does not end here; it must extend to our linguistic duality, the special place of Canada's aboriginal peoples and our local communities across the country. I am happy to say that we are making progress on all of these fronts.

In the coming year, we will continue to address these issues while staying vigilant to recognize other unnecessary obstacles to competition, consumer access or the reflection of Canadian identity. We will carry on regulating and supervising the communications industries in a manner that fosters economic growth and embraces new technology. Meanwhile, we will constantly be looking for ways to make our processes and actions more transparent, fair and effective. And as always, we will strive towards achieving the objectives of the *Telecommunications Act* and the *Broadcasting Act* while fulfilling our duty to regulate in the public interest.



Charles M. Dalfen

**SECTION II:
CRTC Strategic Context
and Performance**

CRTC Mandate

To regulate and supervise the broadcasting and telecommunications industries in accordance with the policy objectives set out in sections 3 and 5 of the *Broadcasting Act* and in section 7 of the *Telecommunications Act*.

Strategic Outcomes

The Commission sought to achieve, through a number of measures, four broad strategic outcomes:

- √ *increased availability of Canadian content and programming that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics;*
- √ *increased access to a variety of innovative, high quality communications services, at reasonable prices, that meet consumers' needs and reflect their values;*
- √ *a sustainable, competitive Canadian communications industry; and*
- √ *Commission processes that are fair, transparent and effective.*

Regulating in the Public Interest

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

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

For each task the CRTC undertook, a primary concern was to balance the needs and desires of Canadians with those of the communications industry it regulates. Through its regulatory function, the Commission addressed, among other matters, social and cultural issues that might otherwise not have received the attention they deserved. For instance, the Commission fostered the reflection of Canada's linguistic duality and cultural diversity, provision of additional closed captioning for the hearing impaired and

descriptive video for the visually impaired and protection from excessive violence in the broadcast media. It also encouraged certain policy directions, such as increased competition in telephone markets, or ensuring Canadian industry keeps pace with emerging technologies.

Results for Canadians

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

The State of the Economy and Communications Competition

The continued downturn that characterized the world economy and capital markets had an impact on the profitability and, in some cases, the viability of many firms in the global communications industry. Canadian firms were no exception. The number of significant mergers and acquisitions in Canada's broadcasting industry was low compared to previous years. However, the strong consolidation of ownership seen during the previous year enabled major firms to reach greater numbers of Canadians and to compete better globally.

On the telecommunications side, the downturn in the economy prevalent in 2001 and part of 2002 levelled off somewhat in 2003. Notwithstanding these improvements, the wait-and-see prognosis of market observers continued to restrict the ability of competitive telecommunications firms to raise capital for new investment purposes.

Consequently, some telecommunications competitors, although able to restructure their balance sheets due to the intense competition, the oversupply of capacity and the general state of the economy and capital markets, are still in a very precarious financial position. Although some inroads in the incumbents' market have been made by competitors, there is still a long way to go to achieve fair and sustainable competition in the wireline market. That said, the Commission took a number of initiatives, including removal of some of the obstacles, to help foster competition in the telecommunications market. The Commission remains committed to competition and is a strong advocate of the benefits of competition for all three major stakeholders (customers, incumbent local exchange carriers and competitors).

While the CRTC remains a strong advocate of competition, national and global economies and capital markets, as well as Canadian demographics, play a role in determining how successful the Commission's long-range competitive frameworks will be. For example, long-distance competition became a reality in the strong economy that characterized the 1990s, while local competition suffered from the exuberance of capital markets and the weakening of the economy in the first part of the 21st century. In the broadcasting sector, competition between cable and satellite firms is now a reality. The market shares of cable distribution undertakings have decreased to 78.3 percent in 2002 (from 97.2 percent in 1998), while the direct-to-home satellite distribution undertakings (DTH) market shares have increased to 21.2 percent (from 2.6 percent in 1998). The CRTC has encouraged growth in the delivery of satellite services and adopted policies and regulations to ensure fair competition in the distribution sector.

Canadian Content

The *Broadcasting Act* states that “each broadcasting undertaking shall make maximum use, and in no case less than predominant use, of Canadian creative and other resources in the creation and presentation of programming unless, the nature of the service provided by the undertaking, such as specialized content or format or the use of languages other than French and English, renders that use impracticable, in which case the undertaking shall make the greatest practicable use of those resources (Paragraph 3(1)(f)).” Through its regulations and conditions of licence, the CRTC articulates how broadcasters must comply with both the intent and the spirit of the Act.

The scope of Canadian content policies and regulations includes, but is not limited to:

- √ financial support for the creation of Canadian content by the broadcasting undertakings;
- √ the amount of Canadian content that must be made available by broadcasting undertakings;
- √ other regulatory measures serving to increase the creation and production of Canadian programs and music; and
- √ Canadian ownership and control of the broadcasting system.

The CRTC’s special role in advancing Canadian culture is demonstrated, in part, by the financial support that the Commission has caused to be directed into funding the development of Canadian talent and programming to help Canadian artists. Such as:

- √ **Canadian Talent Development Contributions:** The CRTC requested that all private commercial radio licensees make an annual financial commitment to Canadian talent as part of their licence renewal applications. In 2002, radio licence renewals have generated \$3.1 million in Canadian talent development initiatives.
- √ **Transfer of Ownership or Control Benefits:** Applicants for a transfer of ownership or control of radio stations must generally commit to make a minimum direct financial contribution of 6 percent of the value of the transaction to Canadian talent development. Between April 1, 2002 and March 31, 2003, such benefit commitments totalled \$37.5 million. Applicants for transfers of ownership or control of commercial television broadcasting undertakings must commit a direct financial contribution of 10 percent of the value of the transaction to the Canadian broadcasting system. Between April 1, 2002 and March 31, 2003, such tangible benefit commitments totalled \$2 million.
- √ **Broadcasting Distribution Undertakings (BDUs) Contributions to Programming Funds:** The *Broadcasting Distribution Regulations* require that all Class 1 and Class 2 terrestrial BDUs, as well as all direct-to-home (DTH) distribution undertakings, contribute a minimum of 5 percent of their gross annual

revenues to the creation and presentation of Canadian programming. Between April 1, 2002 and March 31, 2003, such contributions totalled \$118.8 million.

- √ **Expenditures on Canadian Programming:** To meet their licensing requirements for Canadian content, Canada's television broadcasters must either purchase or produce Canadian programs. Since 1997, that spending, as detailed in the table below, has totalled \$8.6 billion.

Eligible Expenditures on Canadian Programming (\$000,000)*

Source	1997	1998	1999	2000	2001	2002	Total
English-language TV							
Private conventional and CBC	568	716	742	700	684	890	4,300
Pay, PPV and specialty services	196	221	306	365	415	510	2,013
French-language TV							
Private conventional and SRC	255	268	304	330	296	304	1,757
Pay, PPV and specialty services	61	75	79	90	106	120	531
Ethnic specialty services	6	7	8	8	9	10	48
Total	1,086	1,286	1,440	1,493	1,510	1,834	8,649

Source: CRTC financial database

* Excludes allocations to the CTF (Canadian Television Fund) reported by licensees

Repatriating Viewership to Canadian Programming

The Commission was and is still facing two challenges regarding the repatriation of viewership to Canadian programming:

- √ increasing the production of and those tuning in to Canadian television drama, more specifically English-language drama; and
- √ responding to signal theft practices.

Of the 10 top-rated dramatic series on Canadian English-language television, none were created by Canadians and about Canadians. Within the drama category, 91 percent of the programming watched during prime time is of foreign origin and only 9 percent Canadian. These figures remained virtually unchanged for years.

Signal theft had very serious and detrimental effects on the Canadian broadcasting system, in that it deprived cable and satellite distributors, television broadcasters, producers and program rights holders of hundreds of millions of dollars of revenues annually. The loss of these revenues weakened the ability of distribution undertakings to support their existing infrastructure and to invest in new and innovative technologies. It lessened the ability of broadcasters to acquire and air Canadian television programming. It reduced the funding necessary to support the production of Canadian programs that tell our stories and that reflect our society. It caused a loss of jobs in the Canadian broadcasting sector, affecting artists, producers, engineers and technicians. Ultimately, the effects of signal theft were felt by consumers, who were required to pay higher prices for services from distributors and were left with a more limited range of programming.

A) Canadian Television Drama

The viewing of Canadian programs by Anglophone viewers differed significantly according to program genre. Viewing of news and other information programs was predominantly to Canadian programs. In contrast, viewing by Anglophones of drama programming was predominantly to foreign programs (89 percent). Overall viewing of Canadian programs by Anglophone viewers constituted 32 percent of total viewing in the fall of 2002. On the other hand, viewing by Francophones was predominantly to Canadian programs in all genres, with the exception of drama programs where viewing has remained almost evenly split between Canadian and foreign programs (48 percent/52 percent). Overall viewing of Canadian programs by Francophone viewers remained at 71 percent for 2002. Domestic production of French-language drama was healthy, as was the size and loyalty of its audience.

The challenge for the Canadian broadcasting system is to find ways to attract larger numbers of viewers of English Canadian drama. Solutions involve not only regulation but also marketing, scheduling and funding mechanisms. It is important that all stakeholders understand the challenges and proceed with a collaborative and coordinated approach.

To help improve the presentation of television drama, the CRTC, in conjunction with Telefilm Canada, asked industry experts Trina McQueen and Guy Fournier to prepare reports on the state of television drama in English and French Canada. We also commissioned researcher Barry Kiefl to canvass the state of home-grown drama internationally with a view to making comparisons to the Canadian situation. Their reports, issued in May 2003, will be of great value as we continue working with the industry and other government agencies to find a way of bringing more Canadian stories to air that more Canadians watch.

B) Signal Theft

Theft or “piracy” of broadcast signals is an illegal activity. It can take a number of forms, ranging from individuals tampering with locked service boxes to make unauthorized cable television service connections, to highly organized groups selling access codes and equipment that enable their customers to illegally decode encrypted satellite signals. An entire surreptitious industry has developed in Canada, which includes the importation of illegal equipment, networks of retail dealers selling such equipment, software “hackers” who continuously work at defeating security systems and the distribution of “how to” guides on numerous Internet Web sites.

If left unchecked, the problem will pose a serious threat to the financial health and future of the Canadian broadcasting system and to the achievement of the objectives set out by Parliament in the *Broadcasting Act*.

All parties who have a stake in the Canadian broadcasting system, including broadcasting licensees, government departments and law enforcement agencies, have remained

committed to ensuring its success and its integrity by assuming a role in combating and defeating signal piracy.

At the end of 2002, the Chairman of the CRTC met with the Chief Executive Officers of the key players in the broadcasting distribution industry and in the major broadcasting industry associations to address the issue of signal piracy and to explore potential courses of action to address signal theft throughout the system. The meeting provided a forum for the parties to exchange views and information about the measures that each company or organization would undertake to control the theft of signals. Each of the participants confirmed specific measures their companies will take to address the problem of signal theft. A second meeting was held on August 19, 2003 to discuss the progress made on the measures undertaken at the March 20 meeting.

Though these efforts have achieved some progress in combating signal theft, more must be done by all concerned to protect the integrity of the Canadian broadcasting system. For its part, the Commission, in carrying out its role of supervising all aspects of the Canadian broadcasting system will continue to do everything in its power to combat this serious threat.

Linguistic Duality

The Commission's policy is to increase the amount of French-language programming available to communities where French-speaking Canadians are a minority as the technology to do so becomes available. Following the publication of *Achieving a Better Balance: Report on French-language Broadcasting Services in a Minority Environment*, Broadcasting Public Notice [CRTC 2001-25](#), 12 February 2001, the Commission issued a number of decisions and public notices that will enhance the linguistic duality that characterizes Canadian society:

- √ A series of decisions authorizing the CBC to operate French-language rebroadcasting stations throughout Canada was published with a view to extending the broadcast of "La Chaîne Culturelle" in French minority markets, in accordance with the expectations expressed in the CBC licence renewal decisions.
- √ In *Licence renewal for CPAC; and issuance of a distribution order*, Broadcasting Decision [CRTC 2002-377](#), 19 November 2002, the Commission approved CPAC's request for the mandatory nation-wide distribution of its service, in both official languages, on the basic service of most distribution undertakings. The distributors that serve the vast majority of Canadians are now required to provide the service in the language of the majority as part of their basic service. These distributors are also required to offer this service in the official language of the minority using the secondary audio program (SAP) channel and, depending on their capacity and on the technology they use, on a separate video channel.

- √ In *Renewal of the licence for TV5 Québec Canada*, Broadcasting Decision [CRTC 2003-77](#), 27 February 2003, the Commission approved a proposed amendment to the specialty service's nature of service providing TV5 the latitude and flexibility necessary for its programming schedule and its prime-time schedule, to reflect all French-speaking communities, both Canadian and international, as well as programming from Canadian sources that reflect the diversity of French-speaking communities in Canada.

- √ In *French-language community radio station in Toronto*, Broadcasting Decision [CRTC 2003-116](#), 17 April 2003, the Commission approved a French-language station in a French minority market to 'La Coopérative radiophonique de Toronto inc.'. The station's primarily musical format and its spoken-word programming will reflect the diversity of the francophone community in Toronto.

- √ In *Call for comments on the channel placement of services whose distribution has been required pursuant to section 9(1)(h) of the Broadcasting Act*, Broadcasting Public Notice [CRTC 2002-49](#), 16 August 2002, the Commission sought comments on questions surrounding the channel placement of programming services, such as the Aboriginal Peoples Television Network (APTN) and TVA, that were licensed for mandatory carriage as part of the basic service of distribution undertakings, pursuant to section 9(1)(h). In particular, the Commission expressed concerns that the cable distribution undertakings' practice of placing the signals of APTN and TVA on the top-end analog channels might be inconsistent with its public policy objectives in ordering the mandatory distribution of these services as part of the basic service pursuant to section 9(1)(h) and sought comments on whether these services were actually as widely available and as readily accessible to Canadians as they should be.

Cultural Diversity

All Canadians whatever their cultural heritage want, and are entitled, to be seen and heard in the media and they want to be portrayed with fairness and respect. The programming of mainstream broadcasters needs to be written, created, acted and produced by Canadians from a diversity of cultures.

We also need to ensure a diversity of perspectives in decision-making on boards, on selection committees and in program choices so that what we call mainstream television will draw on all the different streams that make up the people of Canada.

Canada has a relatively low birth rate. That means that the greater part of our population growth is going to come from immigration. Our people will become more and more diverse ethnically and culturally, and minority groups will make up an increasingly larger segment of the population. By 2006, they will represent between 14.7 percent and 20 percent of the population; nearly one in six persons living in Canada is expected to be a member of a visible minority group.

It is a great challenge and an opportunity for our broadcasting system to reflect these changing realities and to become more and more diverse in programming and in participation. The CRTC must ensure that all its policies and decisions consider, and are used to increase, cultural diversity.

The three aspects of diversity - presence, portrayal and participation - are at the heart of the CRTC television policy. The Commission now requires all conventional television licensees to make specific commitments toward the achievement of these goals, including the solicitation of effective feedback from viewers. They must also submit progress reports every year detailing their success. The CBC is also mandated by the *Broadcasting Act* to reflect the multicultural and multiracial nature of Canada, and the Corporation reports annually on this issue as part of its annual report to the CRTC.

The Commission is discussing all these diversity plans with broadcasters to ensure that they are comprehensive and results-oriented.

In Representation of cultural diversity on television – Creation of an industry/community task force, Broadcasting Public Notice [CRTC 2001-88](#), 2 August 2001, the Commission called for a joint industry/community task force to sponsor research, identify “best practices,” and help define the issues and present practical solutions to ensure that the entire Canadian broadcasting system reflects all Canadians. The major private broadcasters have agreed to take part in this initiative and support it financially. The task force consists of a wide range of broadcasters, the production community and community groups. The task force held its first meeting in July 2002 and filed its report with the Commission in September 2002. The CRTC is working with the Canadian Association of Broadcasters to fine-tune its blueprint and, as it is rolled out, there will be opportunity for public input.

Canadians currently enjoy 14 multilingual radio stations serving Montréal, Toronto, Winnipeg, Edmonton, Calgary and Vancouver. In television, Montréal, Toronto and Vancouver also have conventional ethnic TV stations. In *New multilingual ethnic television to serve Vancouver*, Broadcasting Decision [CRTC 2002-39](#), 14 February 2002, a licence was granted for a new conventional ethnic television station in Vancouver that was launched in September 2002. Furthermore, Toronto is now enjoying a second conventional ethnic television station approved in *New television station for Toronto/Hamilton*, Broadcasting Decision [CRTC 2002-81](#), 8 April 2002, which recently launched in June 2003.

There are five analog Canadian ethnic specialty channels serving Chinese, Italian, Hispanic, South Asian and Greek audiences. In addition to the 40 plus Category 2 ethnic specialty services and the 16 English-language Category 1 digital services previously approved, 39 digital Category 2 services were approved on 1 September 2002, of which 31 were English-language services and 8 were third-language services. Subsidiary communications multiplex operations (SCMO) FM services in Chinese, Hebrew,

German, Greek, Korean, Indo-Pakistani, Persian and Tamil, to name just a few, are also offered in numerous urban markets.

Furthermore, in *New licensing framework for specialty audio programming services*, Broadcasting Public Notice [CRTC 2002-53](#), 12 September 2002, the Commission set out its framework for audio programming services that will generally be distributed on the digital tiers of broadcasting distribution undertakings. Specialty audio programming services, including ethnic services, have the potential to offer a wide range of programming throughout Canada. By addressing underserved audiences with programming not generally available on over-the-air radio, these services will add diversity to the Canadian broadcasting system.

In terms of Aboriginal broadcasting, there are roughly 120 community-based native radio stations mainly in the northern territories. There are also a number of native community-based television stations. Four new native radio stations of Aboriginal Voices Radio in Vancouver, Calgary, Toronto and Ottawa are scheduled to launch soon.

Canadians also enjoy the world's first national indigenous television network, Aboriginal Peoples' Television Network (APTN). To ensure APTN is widely available and readily accessible to Canadians, the Commission issued *Call for comments on the channel placement of services whose distribution has been required pursuant to section 9(1)(h) of the Broadcasting Act*, Broadcasting Public Notice [CRTC 2002-49](#), 16 August 2002, as previously mentioned in this document.

Local Reflection

In its *Policy framework for community-based media, community channel, community-based television programming undertakings and low-power radio*, Broadcasting Public Notice [CRTC 2002-61](#), 10 October 2002, the Commission set out an integrated policy framework for community-based media.

The Commission's objectives for community-based media were:

- √ to ensure the creation and exhibition of more locally produced, locally reflective community programming; and
- √ to foster a greater diversity of voices and alternative choices by facilitating the entrance of new participants at the local level by creating a new class of licence, the new community-based television programming undertaking.

Under the policy framework, the Commission is implementing a number of measures to achieve these objectives, including the establishment of minimum requirements for local and community access programming on cable community channels, and more opportunities for individuals and groups to operate community-based television programming undertakings.

Direct-to-home (DTH) broadcasting distribution undertakings – simultaneous and non-simultaneous program deletion and the carriage of local television signals in smaller markets, Broadcasting Public Notice [CRTC 2003-37](#), 16 July 2003, marked the culmination of a public process initiated in *Call for comments, Carriage of local television stations by DTH undertakings in smaller markets*, Public Notice [CRTC 2001-103](#), 28 September 2001, held to investigate concerns about the impact of the distribution of optional local television signals by DTH broadcasting distribution undertakings (BDUs) on smaller market television stations across Canada. The public process also came to include consideration by the Commission of applications filed in the summer and fall of 2002 by the licensees of Canada's two DTH BDUs, namely Star Choice Television Network Incorporated and Bell ExpressVu Inc. These applications were for licence amendments that would suspend the existing conditions of licence that specify the applicants' obligations for carrying out simultaneous and non-simultaneous program deletions.

The conditions of licence mentioned above were imposed by the Commission in order to protect the program rights purchased by the licensees of local television programming undertakings. The conditions of licence were also intended to protect the advertising base of local and regional television stations, and thus their ability to meet their commitments to Canadian programming.

Furthermore, the Commission approved the establishment of a new, independently administered fund to assist small market, independently owned television licensees in contributing to Canadian programming and, in particular, to meeting their commitments to local programming, *Contributions to Canadian programming by broadcasting distribution undertakings*, Broadcasting Public Notice, [CRTC 2003-38](#), 16 July 2003.

Keeping Pace with Technology - the Canadian Transition from Analog to Digital Television

The digital transition is an industry-wide transformation from today's 50-year-old analog technology to tomorrow's high definition services including interactivity. The Commission's regulatory frameworks must not only encompass today's challenges, it must ensure that tomorrow's challenges are successfully met, and that there is an orderly transition between the two.

Everyone, program producers, broadcasters (over-the-air, pay, specialty, video-on-demand) and distributors (telephony, cable, satellite and wireless) must transform their products and plants while maintaining their business models and customer service in the face of foreign competition. In order to embrace this new technology, listeners and viewers, as well, will have to eventually upgrade their radio, television, communication and broadband equipment and services.

The transition has been under way for some time, satellites are entirely digital and all but the smallest cable undertakings offer digital services with their analog packages.

Currently, broadcasters in Toronto, Montréal and Vancouver are launching high definition television services. They face serious challenges which they must overcome while maintaining their financial viability:

- √ to increase the market demand for digital television sets;
- √ to upgrade the technical quality of Canadian program productions;
- √ to extend digital services beyond the major urban areas; and
- √ to counter the entry of foreign high definition services.

The Canadian distribution industry faces many challenges in this digital transformation which it must overcome while maintaining the objectives of the *Broadcasting Act*:

- √ to duplicate a communications infrastructure that has taken at least half a century to build; and
- √ to phase out current analog services without compromising service to the public.

Following a public process, *Call for comments on proposed policy to oversee the transition from analog to digital over-the-air television broadcasting*, Broadcasting Public Notice [CRTC 2001-62](#), 5 June 2001, the Commission issued *A licensing policy to oversee the transition from analog to digital, over-the-air television broadcasting*, Broadcasting Public Notice [CRTC 2002-31](#), 12 June 2002, announcing its policy framework for the broadcast of digital over-the-air television services.

In the public proceeding initiated in Public Notice [2001-62](#), the Commission had also asked various questions about what would constitute an appropriate regulatory framework for the distribution of these Canadian over-the-air digital television services and of other, optional Canadian and non-Canadian DTV services. In *Call for comments on a proposed policy framework for the distribution of digital television services*, Broadcasting Public Notice CRTC [2002-32](#), 12 June 2002, the Commission examined these views and suggestions and set out, for further public comment, its preliminary conclusions regarding the policy and related regulatory amendments that should govern the distribution of digital television services.

But there are other aspects of the digital transition that also require careful consideration. For example, program production, broadcasting and distribution cannot be considered in isolation; their interrelationships are a matter of regulatory concern. The Commission issued *Call for comments on the establishment of the rules to govern the distribution of specialty services on the basic service of fully digital cable undertakings*, Broadcasting Public Notice [CRTC 2002-48](#), 16 August 2002, with respect to the appropriateness of reassessing the rules governing the distribution of specialty services on the basic service of fully digital cable undertakings, i.e. those cable distribution undertakings that distribute programming to subscribers exclusively via digital technology (digital cable undertakings). Such a review is particularly relevant now, given that direct-to-home (DTH) satellite distribution undertakings, which distribute programming on a fully digital basis, have established themselves as viable alternatives to cable and are subject to less extensive carriage requirements than cable licensees.

On 22 October 2002, the Commission issued its [Report on Interactive Television Services](#). The report set out the Commission findings on its inquiry into the development of interactive television (ITV) services in Canada. The inquiry was initiated by the Commission in *Fact finding inquiry on interactivity*, Broadcasting Public Notice [CRTC 2001-113](#), 2 November 2001.

A question on which the Commission solicited comment in Public Notice CRTC 2001-113 was which interactive activities, if any, might fall within the definition of broadcasting under the *Broadcasting Act*. While parties presented a wide variety of views on this question, the Commission did not consider that the record of the proceeding provided sufficient information to enable it to make a determination.

Consequently, the Commission also issued *Call for comments on program-related interactive television (ITV) services*, Broadcasting Public Notice [CRTC 2002-63](#), 22 October 2002, seeking comment on methods or tests to determine whether or which ITV activities are program-related, which would be a factor in determining whether or not they fall under the definition of “broadcasting.”

Fee for the Use of Cable Inside Wire in Multiple-Unit Dwellings

In *Cable inside wire fee*, Broadcasting Public Notice [CRTC 2002-51](#), 3 September 2002, the Commission established a fee for the use of cable inside wire in multiple-unit dwellings with a view to ensuring that consumers enjoy the full benefits of competition in distribution, including the benefits of end-user choice, while the interests both of incumbents and of new entrants were taken into account. The Commission considered that a just and reasonable fee should not create inappropriate price incentives or disincentives that could impede efficient delivery of programming using the most effective technologies available at a reasonable cost.

Exemption of Cable Systems and Regional Licensing

In its ongoing effort to reduce the administrative and financial burden on small cable systems, the Commission issued *Changes to the Commission’s approach to cable undertakings – Proposed exemption for cable systems with fewer than 2,000 subscribers, and implementation of a regional licensing model*, Broadcasting Public Notice [CRTC 2001-59](#), 29 May 2001 leading to the:

- √ *Revocation of the licences of exempted small cable distribution undertakings, various licensees*, Broadcasting Decision [CRTC 2002-88](#), 17 April 2002.
- √ *Exemption order respecting radiocommunication distribution undertakings (RDUs)*, Broadcasting Public Notice [CRTC 2002-45](#), 12 August 2002.
- √ *Proposal by the Canadian Cable Television Association (CCTA) to exempt small cable undertakings – Call for comments*, Broadcasting Public Notice [CRTC 2002-62](#), 18 October 2002.

- √ *Call for comments – Proposed amendments to the Broadcasting Distribution Regulations – Implementation of a regional licensing approach for cable distribution undertakings*, Broadcasting Public Notice [CRTC 2002-81](#), 23 December 2002.
- √ *Exemption of cable broadcasting distribution undertakings that serve between 2,000 and 6,000 subscribers*, Broadcasting Public Notice [CRTC 2003-23](#), 30 April 2003.

Impact of Mergers, Acquisitions and Media Convergence

The CRTC's mandate in this area stems from the broadcasting policy for Canada, set out in the *Broadcasting Act*. Section 3(1) of the *Broadcasting Act* declares, as the broadcasting policy for Canada, that the Canadian broadcasting system shall among other things, be effectively owned and controlled by Canadians.

One of the most important factors to consider is the need to ensure that the Canadian public is well-served with a wide variety of voices, while allowing an opportunity for Canadian media companies to grow and prosper in an increasingly competitive domestic and international environment.

Another is the need to allow Canadian broadcasters to explore the potential synergies in news gathering that newspaper affiliation might allow, while maintaining the broadcasters' editorial independence. Over the years, the Commission has addressed the issue of cross-media ownership in numerous decisions and has imposed a number of safeguards to protect Canadian choices, including the following:

- √ separate management of broadcast newsrooms and newspaper newsrooms;
- √ the creation of independent, neutral monitoring committees to receive and handle complaints; and
- √ the filing of annual reports with the Commission on all complaints received by the committee.

Industry consolidation and the resulting media convergence, or common ownership of television, radio, newspaper and Internet properties, will continue to influence the CRTC's operating environment and the Commission continues to closely monitor their impact on the Canadian broadcasting system.

Industry consolidation has also resulted in increased competition within a given market where there are fewer competing players. This has impacted on retailers' ability to place advertising in given sectors of the broadcasting industry. This has also blurred the boundaries between the Competition Bureau and the Commission with regard to the economics of proposed transactions involving broadcasting undertakings. This was particularly evident when the Commission considered and approved the Astral / Télémédia transaction in 2002 while, at the same time, the Competition Bureau objected to the transaction and required Astral to divest some of its broadcasting assets.

Price Cap Regime

Since 1998, major telephone companies in Canada namely, TELUS, Sasktel, MTS, Bell Canada and Aliant Telecom have been subject to price regulation – a form of regulation that focused on controlling regulated prices. It has been the Commission’s view that this pricing regime would be sufficient to protect customers from excessive price increases, while, at the same time, encouraging incumbent telephone companies to become more innovative and efficient, as well as allowing for the development of sustainable competitive telecommunications markets. However, the findings of the Commission in its December 2002 [*Report to the Governor in Council: Status of Competition in Canadian Telecommunications Markets*](#), suggested that the price cap regime itself could not provide the benefits of competition that had been expected.

The weak state of competitive markets can be attributed to a number of factors, some of which are unrelated to the regulatory regime. In the Commission’s view, however, the current state of competition is due, in part, to the extent of obstacles that exist for competitors as well as the flexibility permitted to the large incumbent local exchange carriers (ILECS) under the regulatory regime.

Looking back over the past four years, it was clear that for the most part, price regulation had worked well. However, it was also clear in hindsight that, when the Commission designed the initial price cap regime, it made certain assumptions about how the world would unfold, especially concerning how local competition would unfold. A number of those assumptions have not come true.

As a result, the benefits of the first regime have not been as evenly distributed among all stakeholders as desired: some business customers have enjoyed significant price reductions while other customers, in particular residential telephone customers, have generally faced price increases.

On 30 May 2002, the Commission issued *Regulatory framework for second price cap period*, Telecom Decision [CRTC 2002-34](#). In this decision, the Commission established new rules for local telephone rates, which took effect on 1 June 2002 and will apply over the next four years to the largest telephone companies in Canada: TELUS, Sasktel, MTS, Bell Canada and Aliant Telecom.

The Commission’s objectives in reaching the new price cap decision were to:

- √ make high-quality, reliable and affordable telephone service accessible to both urban and rural customers;
- √ balance the interests of the three main stakeholder groups in the telecommunications markets (customers, ILECs and competitors);
- √ foster facilities-based competition in Canadian telecommunications markets;
- √ provide incentives to the incumbent telephone companies to increase efficiencies and be more innovative; and
- √ adopt regulatory approaches that impose the minimum regulatory burden compatible with the achievement of the previous four objectives.

To achieve the goals of protecting and promoting the interests of customers, encouraging the development of local competition, and ensuring that the telephone companies have the pricing flexibility and financial incentives they need to operate their businesses effectively, the new price regulation regime differs from the first in a number of important ways. Specifically, it includes a greater number of service baskets and groups (eight in total). This change permits the Commission to structure its pricing constraints more precisely to achieve economic objectives.

The Commission also refined its regulatory approach to a number of incumbent local exchange carriers (ILECs) services (Competitor Services), which competitors require to provide their own services but find difficult to self-supply (or obtain from non-ILECs). The Commission identified two categories within Competitor Services: the first category comprises ILEC services that are in the nature of essential service, while the second category comprises services that, while developed by ILECs for use by competitors, are not in the nature of essential services.

To further its objectives, the Commission issued *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision [CRTC 2002-43](#), 31 July 2002, adopting a regime that is similar, in most respects, to the regime implemented for the other large ILECs in *Regulatory framework for second price cap period*, Telecom Decision [CRTC 2002-34](#), 30 May 2002. The basket structure and pricing constraints ensure that the benefits of productivity gains are equitably distributed across the services offered by the Companies. The regime also indirectly helps to foster local competition by ensuring that companies cannot reduce prices in a competitive market and recoup lost revenues by raising prices when competition is weak or absent.

Competition: Strengthening the Safeguards

In December 2002, the Commission issued *Regulatory safeguards with respect to incumbent affiliates bundling by Bell Canada and related matters*, Telecom Decision [CRTC 2002-76](#), 12 December 2002, a decision that strengthened the safeguards to permit fair and sustainable competition. These safeguards apply when a telephone company's affiliate provides services in the telephone company's operating territory that, if provided by the telephone company, would require CRTC approval of tariffs setting out their rates, terms and conditions.

In that decision, the CRTC has modified the affiliate rule, which applies to reseller affiliates of a telephone company. When such an affiliate wishes to resell a tariffed service of the telephone company, the telephone company will be required to obtain Commission approval of a tariff setting out the rates, terms and conditions under which the service can be resold by the affiliate.

Finally, the decision addressed certain practices by Bell Canada and its affiliate, Bell Nexxia. The Commission has found that Bell Canada breached the CRTC's bundling rules when Bell Canada provided certain services through Bell Nexxia, without obtaining

Commission approval. The CRTC has directed Bell Canada to file tariffs in respect of those arrangements and to provide the Commission with additional information about other bundling arrangements involving Bell Canada and Bell Nexxia or other Bell Canada affiliates. This will allow the CRTC to determine if additional measures may be required.

In addition, in a follow up proceeding, the Commission has invited comments on its preliminary view that a telephone company's facilities-based affiliate should be required to obtain CRTC tariff approval before providing services that would require such approval if provided by the telephone company. Until the Commission makes its determination on this question, these affiliates will be required to obtain Commission tariff approval if they wish to resell the telephone company's tariffed services.

Access to Multi-Dwelling Units

Competitors continue to rely largely on the incumbent's facilities and services to serve their customers. A key factor to increase facilities-based competition would be to resolve the access issues related to municipal rights-of-way, support structures and multi-unit buildings, in a way that is favourable to consumers.

The ongoing analysis and review of comments in public proceedings initiated in *Seeking public input on access to multi-dwelling units, in-building wiring and riser space*, Telecom Public Notice [CRTC 2000-124](#), 25 August 2000 (as amended by Telecom Public Notice [CRTC 2000-124-1](#), 21 September 2000, revised schedule for filing comments and Telecom Public Notice [CRTC 2000-124-2](#), 15 October 2001, where the Commission re-opened the proceeding initiated in CRTC 2000-124), led to the publication of *Provision of telecommunications services to customers in multi-dwelling units*, Telecom Decision [CRTC 2003-45](#), 30 June 2003. In this decision, the Commission announced principles that will allow access by all local telephone companies to equipment and wiring in buildings known as multi-dwelling units (MDUs). This means that residential and business customers in MDUs should be able to choose from among a number of local telephone service providers. The Commission established the conditions and principles for the provision of telecommunications services to customers located in MDUs, including guidelines that will assist building owners and local exchange carriers (LECs) in negotiating just and expedient conditions of access to MDUs. This decision also addressed a number of related matters, including the terms and conditions of access to MDUs via the LECs' facilities.

With respect to access to support structures, the Federal Court of Appeal overruled the Commission's determination of Telecom Decision [CRTC 99-13](#), 28 September 1999, *Part VII Application - Access to Supporting Structures of Municipal Power Utilities - CCTA vs. MEA et al—Final Decision*.

Other Ongoing Related Telecom Processes

900 service - Agreements and Consumer Safeguards

In *900 Service – Agreements and consumer safeguards*, Telecom Public Notice [CRTC 2002-2](#), 9 April 2002, the Commission invited public input on proposed changes to agreements between telephone companies and service providers that provide information and entertainment services to consumers through 900-service numbers for which users are billed by the telephone company or by the service provider. The Commission will also consider whether existing consumer safeguards are effective or need to be changed, and whether additional safeguards should apply when consumers are billed directly by the service provider for 900-service calls.

Winback Promotions

Review of winback promotions, Telecom Public Notice [CRTC 2003-1](#), 15 January 2003. Given the state of competition in the local wireline telephone market, the Commission invited public comment on the appropriateness of continuing to approve winback promotions by incumbent telephone companies, and has temporarily suspended the approval of such promotions.

Telemarketing Issues

The Commission continued to receive and monitor telemarketing complaints from the Canadian public. In recent years, there has been a broad range of concerns and complaints with respect to unsolicited live-voice calls and fax transmissions for solicitation of money or the sale of goods and services. The nature and number of telemarketing related complaints have led the Commission to evaluate the effectiveness of the current rules and determine if any further measures are required.

Consequently, the Commission issued *CRTC seeks public input on telemarketing rules*, Telecom Public Notice [CRTC 2001-34](#), 5 March 2001, in which it sought comments on those matters.

The proceeding record closed on 31 May 2002. The Commission expects to render its determination later this year.

Compliance by Incumbent Telephone Companies

In *Measures with respect to incumbent telephone company regulatory compliance*, Telecom Public Notice [CRTC 2003-4](#), 10 April 2003, the Commission announced that it will designate inspectors, pursuant to section 71 of the *Telecommunications Act*, for the purpose of verifying compliance with the Act and its decisions. The Commission notified the incumbent telephone companies

that inspections could begin at any time following 60 days from the date of this public notice

Broadcasting Policy Monitoring Report

The 2002 edition of the CRTC's [*Broadcasting Policy Monitoring Report*](#), continued to measure the evolution of the Canadian broadcasting system. The report was developed to provide an on-going assessment of the impact of the many new regulatory frameworks implemented by the CRTC since 1997. This report was designed to help foster a more open and better informed public discussion of broadcasting policy in Canada. The Commission invites parties to use the report to enrich their participation in its regulatory policy and licensing proceedings.

The 2002 edition updated the performance indicators outlined in previous reports and introduced new performance indicators to monitor the CRTC's social policy objectives. In that regard, a new social issues section was added to the report. An industry overview has also been added summarizing the diversity of services and of voices available in the Canadian broadcasting system. The overview also provides new indicators to monitor the television viewing preferences of Canadians.

Annual Report on Canada's Telecommunications Industry

The second [*Report to the Governor in Council: Status of Competition in Canadian Telecommunications Markets, Deployment/Accessibility of Advanced Telecommunications Infrastructure and Services*](#), 20 December 2002, is based in large part on responses to the CRTC's 2002 telecommunications industry data collection forms and internal analyses, as well as on data collected from other sources, including Statistics Canada, Industry Canada, company-specific financial reports and information previously filed with the CRTC. The report provided:

- √ discussion on the role of market information in monitoring progress and changes within the industry;
- √ an overview of the telecommunications industry and regulation, as well as an overall review of service providers in the market;
- √ a review of financial information, including revenue, capital expenditures and other operational data for various sectors of the industry, and examination of the status of competition in each of the major market segments, including long distance, local, Internet, mobile, and data and private line;
- √ discussion of the status of broadband infrastructure deployment in Canada and consideration of the potential for the development of advanced infrastructure in rural and remote areas; and
- √ results of a consumer survey commissioned by the CRTC to assess household demand and expenditures on telecommunications services.

Alternative Dispute Resolution: The CRTC Competitive Disputes Team

In *Practices and procedures for resolving competitive and access disputes*, Broadcasting Public Notice [CRTC 2000-65](#), 12 May 2000, it is stated that, before Commission staff dealt with disputes involving broadcasting undertakings, parties would generally be required to attempt to resolve their differences through private, third party mediation, bilateral negotiations or some other means. The intent of the framework was thus to have the Commission or its staff intervene only in a small minority of disputes, as a sort of last recourse, if the parties proved unable, despite bona fide efforts, to achieve resolution on their own.

During the period of April 1, 2002 to March 31, 2003, the alternative dispute resolution (ADR) team handled 52 disputes with the average completion time of 74 days. Files relating to disputes in connection with sections 12 to 15 of the *Broadcasting Distribution Regulations* (42) were on average resolved within 69 days while those (10) relating to section 9 of the regulations were on average resolved within 107 days. These averages have been skewed upwards by a small number of complex files that required development of extensive public files (allegations of undue preference or disadvantage) or confidential files (final offer situations).

Utilization of ADR mechanisms at the Commission is rising such that, while in calendar years 2001 and 2002, the group received 17 and 36 dispute resolution files respectively. As of August 12, 2003, the group has received 32 complaint files.

Of the 52 disputes handled during fiscal year 2002-2003, a number of disputes (18) involved the negotiation or application of affiliation agreements, most often wholesale rates, between broadcasting distributors and specialty service providers. Another type of dispute (2) concerned multiple unit dwellings (MUDs). Historically, disputes involving MUDs deal with such things as access to inside wire and/or allegations of breach of winback rules or other perceived unfair marketing practices as well as undue interference with competitive access by broadcasting distributors to those MUDS. There have also been a significant number of disputes (27) that involved, in whole or in part, a desire for the conduct of audits to substantiate reported subscriber totals or counting methodology as well as touching on concerns about signal theft. The balance of disputes (5) involved matters including such things as an inability to obtain programming rights (2), channel placement (2) and alleged violations of conditions of licences (1).

Service Standards (Broadcasting and Telecommunications)

The Commission has, over the past year, continued to strive to make its processes more efficient, responsive and streamlined, with a view to processing broadcasting and telecommunications applications on a timely basis in accordance with its service standards.

The Commission has also taken steps to improve the linkages between its public processes and its decisions, through a revised approach to decision writing. The revised approach was developed to improve the clarity and precision of the language of decisions and to expand the portrayal of intervenors and the rationale for the Commission's conclusions. This approach will provide Canadians with more information and enhance their ability to participate in the CRTC's public processes while contributing to regulatory certainty.

The Commission remains committed to implementing and adhering to service standards that take into account not only the timeliness of issuing decisions, but also the need to ensure that the quality of its decisions are reflective of the stature which is expected of the CRTC as a quasi-judicial body.

Government-driven projects and initiatives

The Standing Committee on Canadian Heritage and the *Broadcasting Act*

In June 2003, the Canadian Heritage Standing Committee issued its report on the review of the *Broadcasting Act*. This report proposes new initiatives and measures with respect to all aspects of the Canadian broadcasting system and includes several recommendations that could impact on the CRTC.

The Commission is awaiting the government's response to this report.

The Standing Committee on Official Languages

The report of the Standing Committee on Official Languages, *Roles and Responsibilities of the Canadian Radio-television and Telecommunications Commission in Developments in the Area of Official Languages in Canada*, was issued in February 2003. The report includes several recommendations.

The House of Commons' Committee on Industry, Science and Technology

In November 2002, the Minister of Industry called for a review of restrictions that put limits on foreign holdings in Canada's telecommunications sector.

The House of Commons' Committee on Industry, Science and Technology has been asked to determine whether Canada can secure access to a larger capital pool for investment in infrastructure without compromising its national interests.

Current restrictions on foreign investment in the Canadian telecommunications sector have been in place since 1993. Foreign ownership rules stipulate that at least 80 percent of the members of the board of directors of a telecom company must be Canadians. At least 80 percent of the company's voting shares must also be held by Canadians, either directly or indirectly.

Conclusions of the review are expected by the end of February 2004.

Order in Council P.C. 2002-1043 – Internet Retransmission

On 12 June 2002, the Governor General in Council issued Order in Council P.C. 2002-1043, requesting that the Commission seek public comment and, by 17 January 2003, report with respect to:

- a) the broadcasting regulatory framework for persons who retransmit, by the Internet, the signals of over-the-air television or radio programming undertakings;
- b) the appropriateness of amending the *Exemption Order for New Media Broadcasting Undertakings* (the New Media Exemption Order) published in Appendix A to Broadcasting Public Notice [CRTC 1999-197](#), 17 December 1999,

- regarding persons who retransmit, by the Internet, the signals of over-the-air television or radio programming undertakings; and
- c) any other measures the Commission considers appropriate in this regard to meet the objectives of the broadcasting policy set out in the *Broadcasting Act*.

Internet retransmission, Report to the Governor in Council, Broadcasting Public Notice [CRTC 2003-2](#), was published on 17 January 2003. In light of the results of the public proceeding initiated in *Call for comments concerning Internet Retransmission (Order in Council P.C. 2002-1043)*, Broadcasting Public Notice [CRTC 2002-38](#), 19 July 2002, the Commission concluded that it did not consider it necessary or appropriate, at this time, to require the licensing of Internet retransmitters or to amend the New Media Exemption Order.

Government on Line

The Commission Web site complies with the Government of Canada's "common look and feel" guidelines. The CRTC Web site offers a wide variety of topics and options, in both official languages, and the site is closely and regularly monitored to ensure the high quality of its content. Customers are asked on-line for their comments and suggestions for improvement.

To improve service to customers and to better serve applicants and the public in general, the Commission has introduced a new version of the electronic broadcasting application forms and intervention form.

The Commission is also currently setting up a new Web-enabled application designed for use by telephone companies to assist in the submission of their retail Quality of Service results, in accordance with the Commission's service standards requirements. The system has been designed to provide each company with company-specific input grids that divide the indicators by service interfaces:

- Interface 1: Service Provisioning
- Interface 2: Repair Service
- Interface 3: Local Services
- Interface 4: Directory Services
- Interface 5: Complaints

In each interface, the user will be presented with a grid made up of all the indicators for which the company must provide results, along with the standard that must be met for each.

Quarterly results must be provided for all interfaces/indicators. Monthly results, plus an Exception Report and Plan of Action, are required for any indicators that have fallen below standard for three consecutive months, or for seven out of 12 consecutive months.

Modern Comptrollership

Treasury Board Secretariat's Modern Comptrollership Initiative is intended to enable public servants to work smarter and achieve better results, better decisions, better policy and better service for Canadians.

Modern Comptrollership is first and foremost a culture change within the agency that will in time result in improved workloads through integration and better organization.

The CRTC will join the ranks of over 90 federal departments and agencies that have formally launched modern management in the fall of 2003. A Modern Management Committee was established in December 2002, comprising representatives of each directorate, to oversee the introduction and implementation of the initiative. The committee is currently negotiating the consulting contract to perform its capacity assessment, which will enable it to determine areas in need of improvement.

APPENDICES

Appendix A: Measures Taken During the 2002-2003 Fiscal Year

The following tables list the measures taken by the CRTC in 2002-2003 according to the strategic outcomes, objectives and plans as stated in the [Report on Plans and Priorities](#) for the reporting period. The list of measures highlights the major accomplishments of the past fiscal year. In addition, although they are not mentioned in the following tables, many calls for public comments, public notices, notices of public hearings and decisions issued during the year were important to the achievement of the Commission's goals and objectives.

1. Strategic Outcome: Cultural Prosperity

Increased availability of Canadian content and programming that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics.

1.1 Strategic Objective:

The CRTC will continue to promote both Canadian content and investment in Canadian talent and production, and will also take steps to facilitate the entry of more community-based media into the system.

1.2 Dedicated Resources	\$13.0 million	132.9 FTEs
--------------------------------	-----------------------	-------------------

1.3 Plans	1.4 Measures taken
<p>√ Develop, review, implement, monitor and assess the impact of regulatory policies to ensure the availability of quality Canadian programming, particularly in important areas such as drama, music, dance and variety</p>	<p>Third annual Broadcasting Policy Monitoring Report issued on 20 November 2002.</p> <p>The CRTC commissioned a number of experts to study various issues relating to Canadian dramatic programming. The following reports were issued in May 2003:</p> <p style="text-align: center;"><u>Dramatic Choices</u> <i>A report on Canadian English-language drama</i> prepared by Trina McQueen for the CRTC and Telefilm Canada</p> <p style="text-align: center;"><u>What about Tomorrow ?</u> <i>A report in Canadian French-language drama</i> prepared by Guy Fournier for the CRTC and Telefilm Canada</p> <p style="text-align: center;"><u>International TV Programming and Audience Trends 1996-2001</u> A report prepared for the CRTC by Barry Kiefl Canadian Media Research Inc.</p>

<p>√ Welcome public input into our policy for low-power and community-channel television, low-power radio and digital television policy</p>	<p>Public proceedings initiated in <i>Proposed policy framework for community-based media</i>, Broadcasting Public Notice CRTC 2001-129, 21 December 2001 leading to <i>Policy framework for community-based media, community channel, community-based television programming undertakings and low-power radio</i>, Broadcasting Public Notice CRTC 2002-61, 10 October 2002.</p> <p>Ongoing review and analysis of comments received in:</p> <ul style="list-style-type: none"> √ <i>Call for comments on a proposed policy framework for the distribution of digital television services</i>, Broadcasting Public Notice CRTC 2002-32, 12 June 2002. √ <i>Call for comments on the establishment of rules to govern the distribution of specialty services on the basic service of fully digital cable undertakings</i>, Broadcasting Public Notice CRTC 2002-48, 16 August 2002. 										
<p>√ Evaluate proposals for new radio and television services, and renew and modify conditions for existing licences</p>	<p>Between 1 April 2002 and 31 March 2003, 882 broadcasting applications were received of which 735 were approved.</p> <table data-bbox="654 1010 1284 1192"> <tr> <td>New licences:</td> <td>116</td> </tr> <tr> <td>Licence Amendments:</td> <td>287</td> </tr> <tr> <td>Acquisition of assets:</td> <td>181</td> </tr> <tr> <td>Transfer of control and minor transactions:</td> <td>71</td> </tr> <tr> <td>Licence renewals:</td> <td>80</td> </tr> </table> <p>Some of those applications were dealt with through the 14 Public Hearings (appearing and non-appearing) that were held during that same period and 59,478 interventions were received with respect to the above Public Hearings. Other applications were dealt with through Public Notices (approximately 1600 interventions received) or through administrative proceedings.</p>	New licences:	116	Licence Amendments:	287	Acquisition of assets:	181	Transfer of control and minor transactions:	71	Licence renewals:	80
New licences:	116										
Licence Amendments:	287										
Acquisition of assets:	181										
Transfer of control and minor transactions:	71										
Licence renewals:	80										
<p>√ Work with representatives of the broadcasting industry to expand self-regulation and accountability on social issues, including the development of an industry code on adult content, corporate and other initiatives regarding</p>	<p>The Commission approved a new code drafted by Canada's pay television, video-on-demand and pay-per-view licensees, with the assistance of other industry experts in <i>The Industry code of programming standards and practices governing pay, pay-per-view and video-on-demand services</i>, Broadcasting Public Notice CRTC 2003-10, 6 March 2003.</p>										

cultural diversity, and access by visual- and hearing-impaired persons to programming	
√ Work with interested Canadians and the broadcasting industry to ensure Canada's broadcasting system reflects its multicultural and multiracial diversity and Aboriginal reality	<p>Creation and participation in the Task Force on cultural diversity as contemplated in <i>Representation of cultural diversity on television – Creation of an industry/community task force</i>, Broadcasting Public Notice CRTC 2001-88, 2 August 2001.</p> <p>Pursuant to the Commission's request, broadcasters submitted reports describing their plans and activities with respect to equitable employment and on-air representation of the four designated groups (women, Aboriginal peoples, persons with disabilities and visible minorities).</p> <p>The Commission also received reports from television licensees relating to detailed corporate plans that include specific commitments to corporate accountability, the reflection of diversity in programming and the solicitation of effective feedback from viewers.</p>
√ Monitor policies relating to Canadian content, linguistic duality and cultural diversity, regional voices, violence, the disabled, privacy, affordability and accessibility to communication services	<p>Third annual <i>Broadcasting Policy Monitoring Report</i> issued on 20 November 2002.</p> <p>Second annual Report to the Governor in Council: Status of Competition in Canadian Telecommunications Markets, Deployment/Accessibility of Advanced Telecommunications Infrastructure and Services, 20 December 2002.</p>

2. Strategic Outcome: Social Prosperity

Increased access to a variety of innovative, high-quality communications services, at reasonable prices, that meet the consumer's needs and reflect their values.

2.1 Strategic Objective:

The CRTC will concentrate on the roll-out of digital technology and programming, competitive markets and access to affordable high-quality communications services for all Canadians.

2.2 Dedicated Resources	\$10.4 million	91.8 FTEs
--------------------------------	-----------------------	------------------

2.3 Plans	2.4 Measures taken
<p>√ Develop and implement a digital television policy and a digital radio policy to replace the transitional policy</p>	<p>√ <i>A licensing policy to oversee the transition from analog to digital, over-the-air television broadcasting</i>, Broadcasting Public Notice CRTC 2002-31, 12 June 2002.</p> <p>√ <i>Call for comments on a proposed policy framework for the distribution of digital television services</i>, Broadcasting Public Notice CRTC 2002-32, 12 June 2002.</p> <p>√ <i>Call for comments on the establishment of rules to govern the distribution of specialty services on the basic service of fully digital cable undertakings</i>, Broadcasting Public Notice CRTC 2002-48, 16 August 2002.</p>
<p>√ Implement a regional approach to licensing larger cable systems, review various rates filings; amendments to the lists of eligible satellite services and licence broadcasting distribution undertakings</p>	<p><i>Changes to the Commission's approach to cable undertakings – Proposed exemption for cable systems with fewer than 2,000 subscribers, and implementation of a regional licensing model</i>, Broadcasting Public Notice CRTC 2001-59, 29 May 2001 leading to:</p> <p>√ <i>Revocation of the licences of exempted small cable distribution undertakings, various licensees</i>, Broadcasting Decision CRTC 2002-88, 17 April 2002.</p> <p>√ <i>Exemption order respecting radiocommunication distribution undertakings (RDUs)</i>, Broadcasting Public Notice CRTC 2002-45, 12 August 2002.</p> <p>√ <i>Proposal by the Canadian Cable Television Association (CCTA) to exempt small cable undertakings – Call for comments</i>, Broadcasting Public Notice CRTC 2002-62, 18 October 2002.</p> <p>√ <i>Call for comments – Proposed amendments to the Broadcasting Distribution Regulations – Implementation of a regional licensing approach for cable distribution undertakings</i>, Broadcasting Public Notice CRTC 2002-81, 23 December 2002.</p> <p>√ <i>Exemption of cable broadcasting distribution undertakings that serve between 2,000 and 6,000 subscribers</i>, Broadcasting Public Notice CRTC 2003-23, 30 April 2003.</p>
<p>√ Implement and monitor a new price cap regulatory framework for large incumbent</p>	<p><i>Regulatory framework for second price cap period</i>, Telecom Decision CRTC 2002-34, 30 May 2002.</p>

<p>telecommunications companies and introduce price cap regulation for TELUS (Québec) and Télébec</p>	<p><i>Implementation of price regulation for Télébec and TELUS Québec</i>, Telecom Decision CRTC 2002-43, 31 July 2002.</p>
<p>√ Approve telecommunications companies' service improvement plans to ensure that they address the basic service objective; monitor the implementation of those plans; and take action for non-compliance</p>	<p>Issuance of a number of decisions approving service improvement plans.</p> <p>See for example:</p> <ul style="list-style-type: none"> √ <i>Telus Communication (Québec) Inc.'s proposed service improvement plan</i>, Telecom Decision CRTC 2002-16, 19 March 2002; √ <i>Request for telephone service by the community of Fort Fitzgerald, Alberta</i>, Telecom Decision CRTC 2003-9, 28 February 2003; or √ consult our website at the following address : http://www.crtc.gc.ca/eng/decisions
<p>√ Encourage a competitive marketplace and regulate to address issues such as affordability, directory assistance, 9-1-1, services for the disabled, consumer privacy and telemarketing; examine issues related to consumer literacy and affordability; and monitor the quality of services offered by telephone companies</p>	<p><i>Regulatory Framework for second price cap period</i>, Telecom Decision CRTC 2002-34, 30 May 2002.</p> <p><i>Implementation of price regulation for Télébec and TELUS Québec</i>, Telecom Decision CRTC 2002-43, 31 July 2002.</p> <p><i>Extending the availability of alternative formats to consumers who are blind</i>, Telecom Decision CRTC 2002-13, 8 March 2002.</p> <p><i>Bell Canada – customer name and address</i>, Telecom Decision CRTC 2002-52, 30 August 2002.</p> <p><i>Saskatchewan Telecommunications – transitions to federal regulations – reporting quality of service</i>, Telecom Decision CRTC 2002-53, 30 August 2002.</p> <p><i>Provincial enhanced 9-1-1 service, Saskatchewan Telecommunications</i>, Telecom Decision CRTC 2003-20, 26 March 2003.</p>
<p>√ Develop a strategy and plan to address the expansion of North American Numbering Plan and continue to oversee the</p>	<p><i>Area code 519 relief plan</i>, Telecom Decision CRTC 2002-25, 22 April 2002.</p> <p><i>Deferral of area code 514 relief date</i>, Telecom Decision CRTC 2003-6, 14 February 2003.</p>

implementation of new area codes in conjunction with the U.S. Federal Communications Commission and other regulatory bodies	<i>Deferral of relief dates for area codes 613 and 819, Telecom Decision CRTC 2003-10, 28 February 2003.</i>
√ Ensure Canadians have access to high-quality and affordable communications services by completing the implementation of the changes to the contribution regime that subsidizes residential local services in high-cost areas and providing ongoing oversight of the regime	<i>National contribution fund – designation of administrator, Telecom Decision CRTC 2002-59, 24 September 2002. Final 2002 revenue-percent charge and related matters, Telecom Decision CRTC 2002-71, 22 November 2002. Revised procedures for the revenue-based contribution regime, Telecom Decision CRTC 2003-8, 28 February 2003.</i>
√ Develop a framework for the expansion of local calling areas and related issues	<i>Framework for the expansion of local calling areas, Telecom Decision CRTC 2002-56, 12 September 2002.</i>
√ Undertake a public proceeding on the payphone industry to address such social issues as universal accessibility to telecommunications services	<i>Access to pay telephone service, Telecom Public Notice CRTC 2002-6, 5 May 2002.</i>

3. Strategic Outcome: Economic Prosperity

A sustainable, competitive Canadian communications industry.

3.1 Strategic Objective:

As competition increases and financial pressures mount, industry consolidation often results. Firms merge with, or acquire, other firms to capitalize on economies of scale and enhance their access to financial markets. In an economic environment where the strongest survive, monopoly is an ever-present threat.

3.2 Dedicated Resources	\$12.1 million	113.4 FTEs
--------------------------------	-----------------------	-------------------

3.3 Plans	3.4 Measures taken
<p>√ Monitor and adjust competitive frameworks that impede fair and sustainable competition and remove obstacles to ensure a smooth transition to a competitive telephone environment</p>	<p><i>CRTC approves revised unbundled loop service order charges for Bell Canada, Aliant Telecom Inc. and MTS Communications Inc.</i>, Telecom Decision CRTC 2002-11, 18 February 2002.</p> <p><i>Services intervals for the provision of unbundled loops</i>, Telecom Decision CRTC 2002-68, 1 November 2002.</p> <p><i>Call-Net Enterprises Inc. vs. Bell Canada – Compliance with winback rules</i>, Telecom Decision CRTC 2002-73, 4 December 2002.</p> <p><i>Regulatory safeguards with respect to incumbent affiliates, bundling by Bell Canada and related matters</i>, Telecom Decision CRTC 2002-76, 12 December 2002.</p> <p><i>Interim competitor digital network access service</i>, Telecom Decision CRTC 2002-78, 23 December 2002.</p> <p><i>GT Group Telecom Services Corp. vs. Aliant Telecom Inc. – Tariff violations and contraventions of the Telecommunications Act</i>, Telecom Decision CRTC 2003-23, 10 April 2003.</p>
<p>√ Address policy frameworks and disputes related to access to rights-of-way, inbuilding wire and support structures</p>	<p>Ongoing analysis and review of comments in public proceedings initiated in <i>Seeking public input on access to multi-dwelling units, in building wiring and riser space</i>, Telecom Public Notice CRTC 2000-124, 25 August 2000 (as amended by Telecom Public Notice CRTC 2000-124-1, 21 September 2000 and 2000-124-2) leading to <i>Provision of telecommunications services to customers in multi-dwelling units</i>, Telecom Decision CRTC 2003-45, 30 June 2003</p> <p><i>Mandatory Order issued pursuant to subsection 12(2) of the Broadcasting Act against Vidéotron Ltée and its subsidiaries</i>, Broadcasting Decision CRTC 2002-299, 9 October 2002.</p> <p><i>Cable Inside wire fee</i>, Broadcasting Public Notice CRTC 2002-51, 3 September 2002.</p> <p><i>Complaint by VDN Cable Inc. against Vidéotron ltée alleging failure to provide access to Vidéotron’s Customer Service Enclosures; Counter complaint by Vidéotron ltée against VDN Cable Inc. alleging non-</i></p>

	<p><i>authorized access by VDN Cable Inc. to Vidéotron's customer Service Enclosures</i>, Broadcasting Decision CRTC 2003-24, 24 January 2003.</p> <p><i>Complaint by VDN Cable Inc. against Vidéotron ltée alleging that Vidéotron ltée contravened section 9 of the Broadcasting Distribution Regulations</i>, Broadcasting Decision CRTC 2003-25, 24 January 2003.</p>						
<p>√ Examine mergers, acquisitions and transfers of ownership in the broadcasting industry; monitor their impact on the structure of the industry; and assess their impact on the diversity of voices in the affected communities</p>	<p>In the past fiscal year, 252 ownership applications were approved throughout the nation.</p> <table> <tr> <td>Acquisition of assets:</td> <td>181</td> </tr> <tr> <td>Transfer of control:</td> <td>49</td> </tr> <tr> <td>Minor transactions:</td> <td>22</td> </tr> </table>	Acquisition of assets:	181	Transfer of control:	49	Minor transactions:	22
Acquisition of assets:	181						
Transfer of control:	49						
Minor transactions:	22						
<p>√ Address issues regarding access to infrastructure under both the <i>Broadcasting Act</i> and the <i>Telecommunications Act</i> by examining an increasing number of applications concerning rights-of-way and inbuilding wire. For example, the CRTC is currently seeking input into a fair regulatory approach to providing telephone and cable companies with access to multiple-unit dwellings</p>	<p><i>Cable inside wire fee</i>, Public Notice CRTC 2002-51, 3 September 2002</p> <p><i>Provision of telecommunications services to customers in multi-dwelling units</i>, Telecom Decision CRTC 2003-45, 30 June 2003.</p>						
<p>√ Develop a comprehensive system to monitor and analyse the state of competition in Canadian telecommunications markets and the deployment of advanced infrastructure, and report</p>	<p>Report to the Governor in Council: Status of Competition in Canadian Telecommunications Markets, Deployment/Accessibility of Advanced Telecommunications Infrastructure and Services, 20 December 2002.</p>						

to the Governor in Council (P.C. 2000-1053) annually	
--	--

4. Strategic Outcome: Equity and Fairness

Commission processes that are fair, transparent and effective.

4.1 Strategic Objective:

The Commission is taking steps to make its processes even more open and the linkages between its public processes and its decisions even more transparent. These steps will provide Canadians with more information, enhance their ability to participate in the Commission's public processes, and give them greater confidence in CRTC decisions.

4.2 Dedicated Resources	\$6.8 million	65.3 FTEs
--------------------------------	----------------------	------------------

4.3 Plans	4.4 Measures taken
√ Collaborate with industry and public interest groups through the CRTC Interconnection Steering Committee (CISC) and other alternative dispute resolution mechanisms to settle disputes quickly and effectively	Ongoing activities by participating in various CISC committees and in dealing with disputes through its <i>Competitive Disputes Team</i> .
√ Monitor and improve service standards for the broadcasting application review process, and develop and implement service standards for processing telecommunications applications	<u>Quarterly report on service standards for processing broadcasting applications.</u> <u>Quarterly report on service standards for processing telecommunications applications.</u>
√ Streamline processes to become more efficient and to reduce regulatory requirements as competition increases, while at the same time ensuring that appropriate regulatory safeguards remain in place in the absence of fully competitive markets	<i>The CRTC streamlines Radio Renewals Process, Broadcasting Circular <u>CRTC 2002-448</u>, 7 June 2002.</i> As demonstrated throughout this document, many steps were taken to reduce regulatory requirements namely new exemption orders, review of current exemption orders and new and revised policy frameworks.

<p>√ Improve electronic outreach capabilities by completing the Commission's ongoing Government on Line initiative; provide an electronic application process for companies and electronic access to public files; provide an electronic complaints and inquiries service on the Web site; and enhance information available to consumers through the Web site and through participation in the Canadian Consumer Information Gateway</p>	<p>Improvements to our Web site include the introduction of <i>Electronic application forms and intervention form</i>, Broadcasting Circular CRTC 2003-450, 3 March 2003 and Web-enabled applications system for telephone companies.</p>
<p>√ Improve service to Canadians and commit to citizen-centred service delivery by undertaking a client satisfaction survey to find out about Canadians' satisfaction with front-line services and their priorities for improving them, and by using the survey results to develop and implement action plans to improve services to all Canadians</p>	<p>√ During 2002-2003, members of the public contacting CRTC Client Services Offices across Canada were canvassed for their willingness to participate in a survey to measure client satisfaction, as well as to identify areas that may require revision and/or adjustment.</p> <p>√ This upcoming survey to be conducted during the summer of 2003 as part of Treasury Board's Service Improvement Initiative, will include questions regarding the accessibility and quality of services offered in both official languages by Client Services Offices across Canada.</p> <p>√ A follow-up report and action plan will be prepared during the fall/winter of 2003/2004.</p>
<p>√ Improve the management of the Commission through undertaking a capacity check, and developing and implementing action plans to address any weaknesses it may reveal</p>	<p>√ Modern Comptrollership Committee formed in December 2002.</p> <p>√ Initial steps were taken in June 2003 to develop a work plan with the consultant assigned by Treasury Board.</p> <p>√ The CRTC capacity assessment to be conducted in the fall of 2003.</p> <p>√ Action plans and implementation strategies will then be developed during the winter/spring of 2003-2004.</p>

Appendix B: Financial Information & Summary Tables

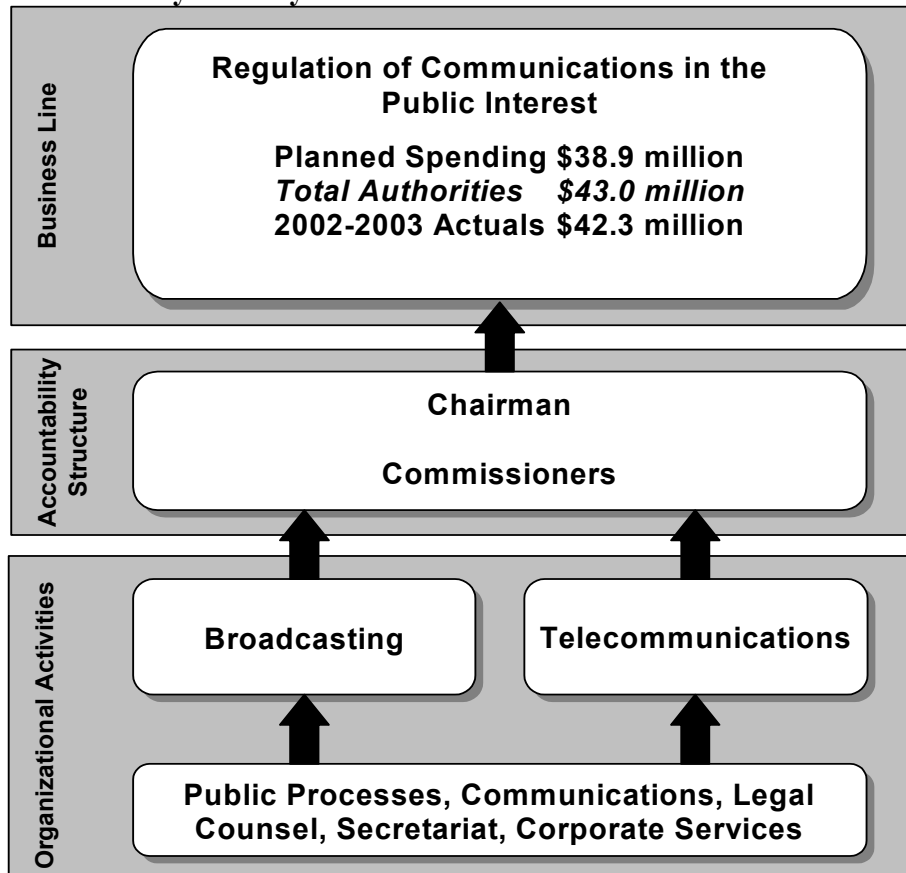
Crosswalk Table

In its 2000 Planning, Reporting and Accountability Structure (PRAS), the CRTC adopted one business line, Regulation of Communication in the Public Interest. The crosswalk table below illustrates the change; the remaining financial tables, where appropriate, report on only one business line.

Business Lines	Business Line	
Canada's Voices Planned Spending Total Authorities 2000-2001 Actuals	Regulation of Communication in the Public Interest	
Choices for Canadians Planned Spending Total Authorities 2000-2001 Actuals	Planned Spending Total Authorities 2001-2002 Actuals	Planned Spending Total Authorities 2002-2003 Actuals

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

CRTC Accountability Activity Structure



Financial Summary Tables

Table 1: Summary of Voted Appropriations

Table 2: Comparison of Total Planned Spending to Actual Spending

Table 3: Historical Comparison of Total Planned Versus Actual Spending by Business Line

Table 4: Crosswalk between Strategic Outcomes and Business Line

Table 5: Respendable and Non-Respendable Revenues

Table 6: External Charging Information

Table 1: Summary of Voted Appropriations

		Financial Requirements by Authority – (\$ millions)		
		2002-2003		
		Total Planned Spending	Total Authorities	Total Actual Spending
Vote	Canadian Radio-television and Telecommunications Commission			
50	Program expenditures	2.5	4.3	3.6
(S)	Contribution to employee benefit plans	5.2	5.7	5.7
Total CRTC		7.7	10.0	9.3

Table 1 provides information regarding that portion of the Commission's budget that is funded through appropriations. The total of \$9.3 million includes \$5.7 million in costs related to Employee Benefit Plans and \$3.6 million in program expenditures (\$2.4 million in temporary funding that is not recoverable from CRTC fee payers and \$1.2 million related to approved salary increases as well as maternity and severance payments).

Table 2: Comparison of Total Planned Spending to Actual Spending

The total cost of the CRTC is funded by a combination of appropriations and responsible revenue recovered from the broadcasting and telecommunications industries (for more information on the CRTC's cost recovery methodology, please see *Explanation of Revenue*). The CRTC's total authorities, or its approved Treasury Board funding level, for 2002-2003 totalled \$43.0 million. The Commission's actual expenditures for the year totalled \$42.3 million.

Planned versus Actual Spending (\$ millions)			
	2002-2003		
Business Line: Regulation of Communication in the Public Interest	Total Planned Spending	Total Authorities	Total Actual Spending
Full time equivalents*	401	421	415
Operating	38.9	43.0	42.3
Capital	-	-	-
Grants & Contributions	-	-	-
Total Gross Expenditures	38.9	43.0	42.3
Less: Responsible Revenue	31.2	33.0	33.0
Total Net Expenditures	7.7	10.0	9.3
Other Revenue and Expenditures	-	-	-
Non-Responsible Revenue	(102.0)	(103.4)	(103.4)
Cost of Services Provided By Other Departments	14.3	15.0	15.0
Net Cost of Program**	(80.0)	(78.4)	(79.1)

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

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

Table 3: Historical Comparison of Total Planned versus Actual Spending by Business Line

Historical Comparison of Total Planned Spending to Actual Spending (\$ millions)					
Business Lines	Actual 2000-2001	Actual 2001-2002	2002-2003		
			Total Planned Spending	Total Authorities	Total Actual Spending
Formerly					
Voices	20.9				
Choices	18.6				
Now					
Regulation of Communication in the Public Interest		41.6	38.9	43.0	42.3
Total	39.5	41.6	38.9	43.0	42.3

Table 4: Crosswalk between Strategic Outcomes and Business Line

Table 4 provides a summary of the amounts expended on each of the Commission's four strategic objectives for FY2002-2003. The amount expended and the number of full time equivalents (FTEs) employed in pursuit of each strategic objective are located in Section II of this report.

Crosswalk between Strategic Outcomes and Business Line (\$millions)					
Business Line	Strategic Outcomes				Total
	Cultural Prosperity	Social Prosperity	Economic Prosperity	Equity and Fairness	
Regulation of Communication in the Public Interest	13.0	10.4	12.1	6.8	42.3

Table 5: Respendable and Non-Respendable Revenues

Revenues (\$ millions) ¹					
<i>Respendable Revenue (note 1)</i>					
	Actual 2000- 2001	Actual 2001- 2002	Planned Revenue	2002-2003 Total Authorities	Actual
Business Lines					
Canada's Voices*	16.6				
Choices for Canadians**	13.5				
Regulation of Communication in the Public Interest					
<i>Broadcasting Licence Fees – Part I</i>		17.1	17.1	17.8	17.8
<i>Telecommunications Fees</i>		13.9	14.1	15.2	15.2
Total Respendable Revenue	30.1	31.0	31.2	33.0	33.0
<i>Non-Respendable Revenue (note 2)</i>					
	Actual 2000- 2001	Actual 2001- 2002	Planned Revenue	2002-2003 Total Authorities	Actual
Business Lines					
Canada's Voices*					
Part I	4.5				
Part II	83.7				
Choices for Canadians**	4.1				
Regulation of Communication in the Public Interest					
<i>Broadcasting Licence Fees</i>					
Part I		5.4	6.0	5.3	5.3
Part II		88.0	90.0	92.6	92.6
<i>Telecommunication Fees</i>		5.2	6.0	5.5	5.5
Total Non-Respendable Revenue	92.3	98.6	102.0	103.4	103.4
Total Revenue	122.4	129.6	133.2	136.4	136.4
* Broadcasting licence fees.					
** Telecommunications fees.					

Note 1: The CRTC retains respendable revenue to fund its operating budget.

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

¹ For further details regarding the CRTC's revenue, please see *Explanation of Revenues*, which follows.

Table 6: External Charging Information

External Charging Information							
Fee Activity	Fee Type	Fee Setting Authority	2002-03 Actual Revenue (\$000)	Estimated Full Cost to provide good or service (\$000)*	Consultation and Analysis	Service Standard	Performance Results
Telecom – communications regulatory activities	Regulatory Service (R)	Telecom- munications Act (Section 68)	\$20.7	\$22.1**	Full public consultation with each change to the telecom- munications fee regulations	n/a	n/a
Broadcasting regulatory activities	Regulatory Service (R)	Part I licence fee	\$23.1	\$24.5**	Full public consultation with each change to the broadcasting licence fee regulations	n/a	n/a
	Right and Privilege (R&P) including Industry Canada Costs (\$10 M) for the management of the broadcasting spectrum	Broadcasting Act (Section 11) Part II licence fee	\$92.6				

* The difference between estimated full cost and actual revenue represents temporary funding received to address workload pressures for FY 2002-2003 that was not recovered from broadcasting and telecommunications fee payers. Of this total, \$0.4 million pertains to EBP while \$2.4 million pertains to non-recoverable operating expenses.

**As indicated in the 2003-2004 RPP, starting April 1, 2004 the CRTC will recover the full cost of its regulatory activities from the broadcasting and telecommunication industries.

Note: The BROADCASTING LICENCE FEE REGULATIONS and the TELECOMMUNICATIONS FEES REGULATIONS can be found on the CRTC web site at:

<http://www.crtc.gc.ca/eng/LEGAL/LICENCE.HTM> (i.e. broadcasting) and <http://www.crtc.gc.ca/eng/LEGAL/TFEES.HTM> (i.e. telecommunications)

Dispute Resolution – Collection and Fee Assessment

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

- The first point of contact for fee payers concerning issues related to fee assessment or collection is the Commission’s Assistant Director, Financial Operations and Licence Fee Processing followed by the Director Finance and Corporate Services. Fee payers may raise their concerns either by telephone conversation, e-mail or letter. To date the CRTC notes that the majority of fee payers concerns have been resolved at the staff level.

- Where an issue cannot be satisfactorily resolved at the staff level, fee payers are requested to document the nature of their concern in writing and submit it to the CRTC's Secretary General for formal consideration. Responses to all such letters would be provided by CRTC.

Explanation of Revenue

The CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these Acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. For fiscal year 2002-2003:

- ✓ CRTC Part I broadcasting licence fees were \$23.1 million (\$17.8 million spendable and \$5.3 million non-spendable revenue);
- ✓ CRTC Part II broadcasting licence fees were \$92.6 million; and
- ✓ CRTC telecommunications fees were \$20.7 million (\$15.2 million spendable and \$5.5 million non-spendable revenue). The \$20.7 million total includes an adjustment of \$0.7 million in deferred revenue received in FY 2001-2002 but recognized as revenue in FY 2002-2003.

Broadcasting Licence Fees

Section 11 of the *Broadcasting Act* empowers the Commission to make regulations respecting licence fees. These regulations apply to all licensees other than those classes of undertakings specifically exempted under section 2 of the fee regulations. Every licensee subject to the regulations is required to pay a Part I and a Part II licence fee to the Commission annually. For 2002-2003 the CRTC collected a total of \$115.7 million from broadcasting undertakings (\$23.1 million in Part I fees and \$92.6 million in Part II fees).

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

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

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

The Part II fee is calculated at 1.365% of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the Part II fees on behalf of the government, with all revenues collected being deposited to the Government of Canada's Consolidated Revenue Fund (CRF). Consistent with the policy objectives outlined in the government's *Cost Recovery and Charging Policy* (1997) and as explained in the 1999 roundtable consultation with broadcasting fee payers the rationale for assessing this fee is three-fold:

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

Telecommunications Fees

Section 68 of the *Telecommunications Act* sets out the authority for collecting telecommunications fees from carriers that the Commission regulates. Each company that files tariffs must pay fees based on its operating revenue, as a percentage of the revenue of all the carriers that file tariffs. For 2002-2003, the CRTC collected \$20.7 million in telecommunications fees.

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

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

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

Appendix C: CRTC Members and Offices

CRTC Members		
Chairperson	<i>Charles Dalfen</i>	<i>(819) 997-3430</i>
Vice-Chairperson, Broadcasting	<i>Andrée Wylie</i>	<i>(819) 994-0870</i>
Vice-Chairman, Telecommunications	<i>David Colville*</i>	<i>(819) 997-8766</i>
	<i>(Atlantic)</i>	<i>(902) 426-7998</i>
Commissioner	<i>Andrew Cardozo</i>	<i>(819) 997-4330</i>
Commissioner	<i>Joan Pennefather</i>	<i>(819) 953-7882</i>
Commissioner	<i>Jean-Marc Demers</i>	<i>(819) 997-4206</i>
Commissioner	<i>Stuart Langford</i>	<i>(819) 953-2935</i>
Commissioner	<i>Barbara Cram*</i>	<i>(819) 997-4485</i>
	<i>(Manitoba/Saskatchewan)</i>	<i>(306) 780-3423</i>
Commissioner	<i>Andrée Noël*</i>	<i>(819) 997-3831</i>
	<i>(Québec)</i>	<i>(514) 761-3550</i>
Commissioner	<i>Ronald D. Williams*</i>	<i>(819) 953-0435</i>
	<i>(Alberta/Northwest Territories)</i>	<i>(780) 495-4544</i>
Commissioner	<i>Cindy Grauer*</i>	<i>(819) 997-9411</i>
	<i>(B.C./Yukon)</i>	<i>(604) 666-2914</i>

* These commissioners also have regional responsibilities.

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

Our Offices	
<p>Central Office Les Terrasses de la Chaudière Central Building 1 Promenade du Portage Gatineau, Quebec J8X 4B1</p> <p>Tel: (819) 997-0313 Fax: (819) 994-0218 TDD: 1-877-909-2782</p> <p>Mailing address: CRTC Ottawa, Ontario K1A 0N2</p>	<p>In Ontario 55 St. Clair Avenue East 6th Floor, Room 624 Toronto, Ontario M4T 1M2</p> <p>Tel: (416) 952-9096 Fax: (416) 954-6343</p>
<p>In Nova Scotia Metropolitan Place 99 Wyse Road Suite 1410 Dartmouth, Nova Scotia B3A 4S5</p> <p>Tel: (902) 426-7997 Fax: (902) 426-2721 TDD: (902) 426-6997</p>	<p>In Saskatchewan Cornwall Professional Bldg. 2125-11th Avenue Suite 103 Regina, Saskatchewan S4P 3X3</p> <p>Tel: (306) 780-3422 Fax: (306) 780-3319</p>
<p>In Quebec 405 de Maisonneuve blvd. East Suite B2300 Montréal, Quebec H2L 4J5</p> <p>Tel: (514) 283-6607 Fax: (514) 283-3689</p>	<p>In Alberta Standard Life Centre 10405 Jasper Avenue, Suite 520 Edmonton, Alberta T5J 3N4</p> <p>Tel: (780) 495-3224 Fax: (780) 495-3214</p>
<p>In Manitoba 275 Portage Avenue Suite 1810 Winnipeg, Manitoba R3B 2B3</p> <p>Tel: (204) 983-6306 Fax: (204) 983-6317 TDD: (204) 983-8274</p>	<p>In British Columbia 530-580 Hornby Street Suite 530 Vancouver, B.C. V6C 3B6</p> <p>Tel: (604) 666-2111 Fax: (604) 666-8322 TDD: (604) 666-0778</p>

Appendix D: Legislation, Directions and Associated Regulations

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

Directions, Regulations and Rules of Procedure

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