

Canadian Radio-television and Telecommunications Commission



Performance Report

For the period ending
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Sheila Copps
Minister of Canadian Heritage

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Executive Summary

- ✓ Canadians have long benefited from the CRTC's Canadian content (CanCon) regulations, which ensure that Canadian artists and Canadian stories are available to Canadians through their broadcasting system. Radio and television stations must ensure that a portion of their daily programming is dedicated to airing Canadian music and Canadian productions. In fulfilling these requirements, the Canadian broadcasting system provides Canadians with programming that reflects Canada's linguistic duality, cultural diversity and Aboriginal reality; creates a demand for Canadian productions and music; and provides financial support for Canadian talent. An ongoing challenge is to develop creative ways to promote English-language Canadian drama that will speak to English-speaking Canadians the way *Fortier* speaks to French-speaking Canadians.
- ✓ Technology is driving massive change in the broadcasting industry. Digital signal transmission represents the largest advance and the biggest technological challenge today. For decades, Canadians have received their over-the-air signals in an analog format. Today, the possibility exists to receive digital over-the-air signals. To pave the way for this transition, as it did for digital cable and satellite distribution, the CRTC issued a new over-the-air digital transmission policy and called for applications. It is now up to the broadcasting industry to take digital over-the-air signals from a possibility to a reality.
- ✓ Competition in telecommunications markets has brought Canadians the lowest long distance telephone rates in North America. Canadians are waiting for competition to develop in the local telephone service market. While this competition is developing more slowly than originally anticipated, the CRTC has taken numerous measures to foster the development of facilities-based competition. In May 2002, the Commission released its new price cap decision. Under the new price cap regime, consumers are protected from increases in local service rates unless the rate of inflation exceeds 3.5 percent. At the same time, the Commission made numerous provisions in the regime to assist both new competitors and incumbent telephone companies to move toward facilities-based competition.
- ✓ Canadians also benefit from the CRTC's wide-ranging social agenda. Over the past several years, the Commission has allocated the three-digit number 211 to community information and referral services; required closed captioning for the hearing impaired and descriptive video for persons with visual disabilities; and ensured that telecommunications carriers and long distance resellers will provide essential information in alternative formats for persons who are visually impaired.

- ✓ The Commission also makes significant contributions to the Government's agenda (as set out in the 2001 Speech from the Throne) in pursuing its four strategic objectives. Through its activities in the past year, the Commission has:
 - ✓ implemented recommendations from its *Achieving a Better Balance: Report on French-language Broadcasting Services in a Minority Environment* to ensure that French-language services are available in areas where French-speaking Canadians are in the minority;
 - ✓ licensed new multicultural specialty channels to ensure that Canada's broadcasting system reflects our cultural diversity;
 - ✓ revamped its web site to make more information more readily and easily available to Canadians; and
 - ✓ undertaken a variety of initiatives to ensure that Commission processes are both effective and efficient and that its decisions convey thoughtfulness, knowledge and common sense.

Section I: Messages



The Canadian Radio-television and Telecommunications Commission continues to be instrumental in fostering a strong and vibrant Canadian society. Ours is a country that is diverse and dispersed, but there is something that connects us no matter where we are, or who we are.

That something is our culture. It is what defines us as a society, and it is what we are referring to when we talk about our Canadian identity. Our goal is to strengthen and promote the diverse elements that make us a country that is respected for its bilingualism, multiculturalism, valuing our cultural and natural heritage, creativity, innovation and cohesiveness.

The CRTC is committed to ensuring a Canadian presence and content in telecommunications and broadcasting through its regulation of these industries. It consults with Canadians and stakeholders in the industries it regulates to create equitable communications standards that ensure access to high-quality Canadian programming that reflects our cultural diversity and linguistic duality.

In a constantly evolving world, the CRTC and the 18 other Canadian Heritage Portfolio members, as well as a broad range of other partners across the country, strive to create programs and policies that represent what matters to Canadians.

This Performance Report highlights the outcome of the partnerships and collaborations established by the CRTC, a key member of the Canadian Heritage Portfolio. It emphasizes the pride that the Government of Canada and its employees take in its artists, athletes, language and cultural community, our cultural and natural resources, and our commitment to making Canada's stories, culture, and values available to the world and right here at home.

Sheila Copps

Canada

Chairperson's Message



It is the CRTC's responsibility to make decisions and to develop, implement, enforce and monitor policies and regulations to fulfil the objectives set out in the *Broadcasting Act* and the *Telecommunications Act*. In this past year, the Commission has made significant contributions to Canadians' cultural, social and economic prosperity by acting on these responsibilities. It is my pleasure to introduce both our achievements and our challenges.

One of the CRTC's longest standing and most successful endeavours is ensuring – through our Canadian content policy and regulations – that Canadians have access to Canadian artists and Canadian stories. It is the Commission's goal to encourage and promote the production of high-quality Canadian drama. While Canadian artists, producers and directors have made tremendous strides in producing and distributing French-language drama series, we believe that there is yet untapped potential to create and air new and truly Canadian English-language television drama series. The Commission is accordingly exploring new and creative ways to encourage and promote the production of high-quality English-language Canadian drama.

While our Canadian content policy and regulations seek to foster the production of programming that Canadians want to watch and listen to, our new price cap regime seeks to bring Canadians together by ensuring reasonably priced local telecommunications services in both urban and rural areas. Under the new price cap regime, for the next four years, Canadians will not face rate increases for their residential telephone service unless inflation exceeds 3.5 percent. Local business rates will not increase during the period by more than the rate of inflation. Our objective in making these determinations was to continue to make reliable and reasonably priced telephone services accessible to all Canadians.

The other objective of the new price cap regime is to foster facilities-based local telephone competition. The industry is still in the process of transition from what was a largely protected environment to one that fosters more open competition. In making our decisions, and in devising and revising our policies, we want to ensure that this transition is successful, notwithstanding a very difficult economic environment. We believe that fair competition keeps the industry healthy, drives technological innovation and creates more choice and better service for Canadians. To further competition, we have removed and will continue to remove regulatory obstacles wherever possible

We attempt to achieve fairness and balance in all our decisions, policies and actions. Fairness includes ensuring that Canadians have access to programming in the official language of their choice, particularly where that language is the official language of the minority in their region. In the past year, the CRTC has taken progressive steps in this direction by ensuring that large and medium-sized cable distributors carry more

programming in both official languages, including the proceedings of the House of Commons.

Of course, Canadians speak more than just our two official languages. In fact, Canada is now home to citizens of more than 150 different ethnic backgrounds. Today, Canadians enjoy over 30 licensed ethnic services and our broadcasting system is a model for the world. The quality, diversity and affordability of our information and entertainment choices are unparalleled. However, we cannot be complacent. Our demographic make-up is continuously changing. The Canadian broadcasting system needs to keep up with those changes, to help provide all Canadians with a sense of belonging, and to encourage dialogue and harmony among our different communities.

The regulator's role is to open doors and to remove obstacles that interfere with the pursuit and attainment of the objectives set out in the Acts of Parliament that govern our activities. In so doing, we will hopefully continue to bring results to Canadians.

Charles M. Dalfen

Section II:
CRTC
Strategic Context and
Performance

CRTC Mandate

CRTC Mandate

To regulate and supervise the broadcasting and telecommunications industries in accordance with the policies established consonant with the *Broadcasting Act* and the *Telecommunications Act*.

Strategic objectives: results for Canadians

In pursuing its regulatory responsibilities, the Commission is guided by four broad strategic objectives. These are to provide Canadians with:

- ✓ Canadian content in broadcasting that supports the development of Canadian talent and reflects Canadian values, including linguistic duality and cultural diversity;
- ✓ access to a broad range of innovative, high-quality communications services that meet consumer needs at reasonable prices;
- ✓ competition in all areas of communications; and
- ✓ Commission processes that are fair, equitable and effective.

Regulating in the public interest

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

- ✓ issuing, renewing and amending licences for broadcasting undertakings;
- ✓ developing, reviewing, implementing, monitoring and assessing the impact of regulatory policies;
- ✓ making determinations on mergers, acquisitions and changes of ownership in the broadcasting industry;
- ✓ approving tariffs for the telecommunications industry;
- ✓ developing, implementing and refining regulatory frameworks for the telecommunications industry;
- ✓ fostering competition and regulating where market forces are not achieving public interest objectives;
- ✓ monitoring competition; and
- ✓ collaborating with industry to resolve competitive disputes.

For each task the CRTC undertakes, a primary concern is balancing the needs and desires of Canadians with those of the communications industry it regulates. Through its regulatory function, the Commission addresses, among other matters, social and cultural issues that might otherwise not receive the attention they deserve. These activities include: the promotion of Canada's cultural diversity in the broadcast media; provision of additional closed captioning for the hearing impaired and descriptive video for the visually impaired; protection from excessive violence in the broadcast media; and the introduction of special telephone numbers such as 211, which provides speedy access to social services as does 911 for emergency services.

Social and Economic Environment: Challenges Past and Present

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 downturn that characterized the world economy and capital markets for most of last year 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. Declining advertising revenues reduced broadcasters' overall revenues. New lows in stock valuations for both broadcasting and telecommunications firms restricted their ability to raise capital for investment purposes, and even prompted calls for lifting foreign investment limits on telecommunications firms.

This downturn also ravaged a number of Canadian telecommunications firms' bottom lines. Some local telephone competitors declared bankruptcy while others are in precarious financial situations. Overall, the result has been the erosion of the number of competitors serving Canadians in the local telecommunications market.

A trend toward consolidation of ownership also exists in Canada's broadcasting industry. In the last few years, the Commission has approved a significant number of mergers and acquisitions, which enabled major firms to reach greater numbers of Canadians and to compete better globally.

In combination, these parallel trends raise two distinct issues. First, given Canada's large geographic size and proportionately small population, how many independent communications firms can the economy sustain? And, second, what effect will ongoing consolidation in the communications industry have on the state of competition in Canadian communications?

While the CRTC remains a strong advocate of competition, national and global economies and capital markets and Canadian demography 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 weakening of the economy in the first part of the 21st century.¹ In the broadcasting sector, competition between cable and satellite firms is becoming a reality. The CRTC has encouraged growth in the delivery of satellite services and adopted policies and regulations to ensure fair competition in the distribution sector.

¹ The industry, the level of investment required for local telephone service and the regulator must also assume some responsibility in this up- and -down cycle for local competition.

Canadian Content (CanCon): The spirit and the regulations

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 a specialized content or format or the use of languages other than French or 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.

In April 2002, Heritage Minister Sheila Copps initiated a review of the CanCon rules for television and film production. The CanCon goals – to ensure that Canadians have choices, to connect Canadians to the diverse Canadian experience, and to maintain and promote Canadian identity and cultural diversity nationally and internationally – are, and will remain, important to the Commission. The CRTC will continue to find ways to promote the realization of those goals.

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

During its comprehensive review of the *Broadcasting Act*, the Standing Committee on Canadian Heritage has heard both praise and criticism for the Act as well as the policies and activities that flow from it. Issues being raised before the Committee include Canadian content, public financial support for private broadcasters, foreign ownership and the CRTC’s Part II licence fees. The CRTC has assisted the Committee in its deliberations and stands ready to provide any future assistance it may require.

Diversity is real and growing

Immigration to Canada has reached record levels in recent years; in the face of declining birth rates in most provinces, some experts believe that levels should increase for Canada to maintain its essential labour force. Indeed, the Government of Canada is committed to streamlining the immigration process to enable Canada to attract the skilled workers it needs (2001 Speech from the Throne). To support Canada’s cultural mosaic, the government is committed to promoting inclusiveness for all Canadians who are not members of the two primary linguistic groups. The CRTC will continue to support cultural diversity and building bridges between Canada’s cultural groups through activities such as licensing ethnic radio and television stations and requiring broadcasters to accurately reflect the presence of cultural and racial minorities and Aboriginal peoples.

Canada’s Aboriginal population is growing at a faster rate than ever before, particularly in large, urban centres. This growth has highlighted the need to reflect Canada’s Aboriginal reality in the Canadian broadcasting system. The CRTC has responded by licensing Aboriginal television and radio services and ensuring that the broadcasting system accurately reflects the presence of Aboriginal peoples in Canada.

What's in a number?

With the growth in use of both cellular and landline telephones, demand for telephone numbers is growing faster than supply (number exhaust). This fact obviously has implications for the supply of numbering resources for Canada, the United States and the 19 Caribbean countries that comprise the membership of the North American Numbering system. The time estimates concerning number exhaust vary from year to year, depending on the extent to which current demand affects forecasts, but all estimates agree that number exhaust is looming within the next two decades at best. The CRTC joins with the U.S. Federal Communications Commission, regulatory bodies in the Caribbean, the system-wide Industry Numbering Committee and the U.S. North American Numbering Council to find solutions to numbering exhaust and to manage Canadian numbering resources in the most efficient and effective manner possible.

These and other social and economic factors represent both opportunities and risks as the Commission establishes its priorities and makes decisions. The following report describes the CRTC's accomplishments over the past year, along with the challenges it faces.

Strategic Outcomes

The CRTC's four strategic objectives are outlined in its Planning, Reporting and Accountability Structure (PRAS). They are:

- ✓ **Cultural prosperity:** The availability of Canadian content and programming that reflects Canadian creative talent, Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community differences.
- ✓ **Social prosperity:** Canadians have access to a variety of innovative, high-quality, reasonably priced communications services that meet their needs and reflect their values.
- ✓ **Economic prosperity:** Competitive Canadian communications industry.
- ✓ **Equity and fairness:** Commission processes that are fair, credible and effective.

The CRTC dedicates all of its resources to achieving these four strategic objectives for Canadians. The chart below provides a guide to finding the CRTC's performance accomplishments and challenges.

Chart 2.1: Strategic Outcomes

To provide Canadians with Canadian communications that contribute fairly and equitably to Canada's economic, social and cultural prosperity			
To provide Canadians with:	To be demonstrated by:	Performance accomplishments and challenges:	Page
Cultural prosperity	✓ Canadian content	⇒ Funding for Canadian content	16
		⇒ Scheduling and viewing of Canadian programming	17
	✓ Linguistic duality, cultural diversity and Aboriginal reality	⇒ Implementing the recommendations of the CRTC's <i>Achieving a Better Balance: Report on French-language Broadcasting Services in a Minority Environment</i> .	18
		⇒ Emphasis on issuing ethnic licences	20
	⇒ Licensing Aboriginal broadcasting services	21	

Chart 2.1: Strategic Outcomes continued

To provide Canadians with:	To be demonstrated by:	Performance accomplishments and challenges:	Page
Social prosperity	✓ Fair rates and access	⇒ Customers benefit from new price cap regime	22
		⇒ Implementing the new contribution regime	23
		⇒ Telecom service improvement plans	23
	✓ Meeting Canadians' needs and reflecting their values	⇒ Implementing 211	23
		⇒ Closed captioning	25
Economic prosperity	✓ Local competition	⇒ Impact of new price cap regime on industry	28
	✓ State of the industry	⇒ <i>Broadcasting Policy Monitoring Report, Report to the Governor-in-Council: Status of Competition in Canadian Telecommunications Markets and Deployment/Accessibility of Advanced Telecommunications Infrastructure and Services</i>	31
Equity and fairness	✓ CRTC initiatives	⇒ Reducing the regulatory burden on small telephone companies, radio licence renewals	33
		⇒ Application processing standards	33
		⇒ Public processes	34
	✓ Government-sponsored initiatives	⇒ Government On-Line and the new web site	34
		⇒ Service Improvement Initiative	35
		⇒ Values and ethics	35

Performance Accomplishments

The following performance report highlights the Commission's major accomplishments and ongoing challenges.

Cultural prosperity

The Government of Canada is committed to sustaining a vibrant Canadian culture through cultural policies that focus on excellence in the creative process and on diverse Canadian content (2001 Speech from the Throne). The CRTC contributes to Canadians' cultural prosperity through policies, regulations and licensing decisions that give Canadians a wide choice of broadcasting services from around the world, while ensuring a Canadian presence globally. The Commission also fosters Canadian talent and programming, in both official languages, through requirements for direct financial support from broadcasters and distributors and its rules regarding Canadian content levels. The CRTC also develops policies and licenses broadcasting services that support and reflect the Aboriginal and multicultural and multi-ethnic Canadian reality. Thus, the CRTC's performance story is, in part, about how the Commission has risen to meet the challenge of sustaining a vibrant Canadian culture.

Strategic Objective	Dedicated Resources ²	
The availability of Canadian content and programming that reflects Canadian creative talent, Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community differences	\$12.8 million	131.4 FTEs

Canadian Content (CanCon)

Ensuring the availability of Canadian content is one of the cornerstones of the *Broadcasting Act*. One of its primary purposes is to make Canadian artists and Canadian stories available to Canadians. The CRTC establishes and monitors the implementation of policies and regulations that ensure that Canada's broadcasting system meets Parliament's objectives for the development and presence of Canadian content. The scope of the CanCon policies and regulations includes, but is not limited to:

- ✓ the broadcasting system's financial support for the creation of Canadian content;
- ✓ the creation and production of Canadian programs and music;

² While the performance story highlights only the CRTC's major accomplishments, the dedicated resources indicated are the totals utilized for all activities related to each strategic objective

- ✓ the amount of Canadian content that must be made available by distribution undertakings; and
- ✓ Canadian ownership and control of the broadcasting system.

The CRTC does not claim that it is the sole guardian of Canadian culture. In this endeavour and others, the Commission has many partners. Together with a variety of private and public institutions - notably the Department of Canadian Heritage and the other organizations in the Canadian Heritage Portfolio – as well as a myriad of Canadian artists and performers, a host of Canadian cultural groups and millions of ‘ordinary’ Canadians, the Commission helps nurture and sustain a vibrant and unique Canadian culture.

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:³

- ✓ **Canadian Talent Development contributions:** The CRTC requests that all private commercial radio licensees make an annual financial commitment to Canadian talent as part of their licence renewal applications. Since 1997, radio licence renewals have generated \$13.7 million for Canadian Talent Development initiatives.
- ✓ **Transfer of ownership or control benefits:** Applicants for a transfer of ownership or control of radio stations must commit to make a minimum direct financial contribution of 6 percent of the value of the transaction to Canadian Talent Development. Between April 1998 and July 2002, such benefits have totalled \$92.6 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 June 1999 and July 2002, such tangible benefits have totalled \$515 million.
- ✓ **Broadcasting Distribution Undertakings (BDU) contributions to programming funds:** The Broadcasting Distribution Regulations require that all Class 1 and Class 2 terrestrial BDUs as well as all satellite distribution undertakings contribute a minimum of 5 percent of their gross annual revenues to the creation and presentation of Canadian programming. Since 1997, such contributions have totalled \$398.5 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 Table 2.1, has totalled \$6.932 billion.

³ For greater detail concerning the funding of Canadian talent and programming, please see the CRTC’s forthcoming *Broadcasting Policy Monitoring Report*, which may be found at <http://www.crtc.gc.ca/eng/publications/reports.htm>.

Table 2.1: Eligible Expenditures on Canadian Programming (\$million)*

Source	1997	1998	1999	2000	2001
English-language TV					
Private conventional	367.2	417.5	403.4	393.6	394.8
CBC	203.8	311.4	353.0	324.3	299.6
Pay, PPV and specialty services	198.7	226.7	320.9	374.8	428.2
French-language TV					
Private conventional and SRC	254.5	267.7	304.0	329.9	296.4
Pay, PPV and specialty services	60.8	77.7	82.6	93.1	109.1
Ethnic specialty services	5.7	7.4	7.8	8.3	9.1
Total	1090.7	1308.4	1471.7	1524.0	1537.2

* Source: CRTC financial database and CBC annual returns.

CanCon policies and regulations also influenced the competitive licensing process for television.⁴ Often, competing applicants promise to deliver above the minimum amount of CanCon required by CRTC regulations. Thus, the Commission's competitive licensing process results in two different benefits for Canadians. The first, demonstrated in Table 2.1, is expenditures on Canadian programming that help support Canadians who work in the field. The second benefit is the number of hours of Canadian programming available to Canadian viewers.

While the CRTC has been highly successful in fostering the scheduling of Canadian programming during most of the broadcast day, the scheduling of Canadian priority programming, especially drama, during the evening hours (7 p.m. to 11 p.m.) has been a challenge. Over the last several years, the Commission has made the scheduling of Canadian priority programming in the evening hours a priority. The result has been a significant increase in the amount of English-Canadian priority programming that is available to Canadians.⁵ One of the remaining challenges is to promote an increase in the drama component of that programming.

The increase in the scheduling of English-Canadian programming has not been reflected in the number of viewers and therein lies one of the CRTC's challenges. While the trend over the last several years has been a significant increase in scheduling, the trend in terms of numbers of viewers has been at best, flat, and at worst, downward. Although there is no simple explanation for this continuing challenge, English-Canadians appear to have an appetite for foreign drama. The *Broadcasting Policy Monitoring Report, 2001* (which can be accessed on the CRTC's web site at <http://www.crtc.gc.ca/eng/publications/reports/PolicyMonitoring/2001/bpmr.htm>) shows

⁴ The same type of competition also draws promises of higher levels of Canadian programming in radio licence renewals.

⁵ Please see the forthcoming *Broadcasting Policy Monitoring Report 2002* for further details (<http://www.crtc.gc.ca/eng/publications/reports.htm>).

that English Canadians' choices include a large component of foreign programming; recent increases in Canadian purchases of grey market satellite dishes and services⁶ may further support that argument. An important question is why? The CRTC does not have all of the answers, but is actively engaged in seeking them out. Since the CRTC remains committed to continue making Canadian broadcasting licences conditional upon airing Canadian priority programming during the evening hours, it will continue to work on ways to foster increased viewing of that programming.

“The question I am interested in exploring ... is how...we can reach the point where we have English-language dramatic television series that we can relate to as Canadians; the way the Americans can relate to *The West Wing* ...or that French Canadians can relate to *Fortier*; dramatic television that reflects us, amuses us, moves us; television that we try and make sure to be home to watch.”

Charles M. Dalfen
Chairman
10 June 2002

Such steps are not required to stimulate the production and viewing of French-language drama. Domestic production of French-language drama is healthy, as is the size and loyalty of its audience.

Linguistic duality, cultural diversity and Aboriginal reality

The Canadian government is committed to sustaining Canada's linguistic duality, which is “fundamental to our Canadian identity and is a key element of our vibrant society. The protection of our two official languages is a priority of the Government...” (2001 Speech from the Throne). The CRTC remains committed to furthering the government's agenda in this area.

Most recently, the CRTC has taken action to implement the recommendations in its 2001 report *Achieving a Better Balance: Report on French-language Broadcasting in a Minority Environment*, (please see the press release for a précis of the report at <http://www.crtc.gc.ca/ENG/NEWS/RELEASES/2001/I010212.htm>). 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. Specifically, the new policy requires all large and mid-sized (Class 1 and Class 2) cable television distributors who distribute programming services to their

⁶ Grey market satellite dishes and services originate in the United States and allow Canadians to receive programming that is not subject to the CanCon rules.

customers in digital mode using high capacity digital technology (750 MHz and above) to offer their customers all Canadian English- and French-language specialty services and at least one pay television service in English and in French in either analog or digital format. This portion of the policy affects 21 distributors and approximately 22.6 percent of all cable subscribers in Canada. Class 1 and Class 2 cable distributors using lower-capacity digital technology (less than 750 MHz and more than 550 MHz) are now required to offer their customers at least one Canadian specialty service in the official language of the minority in either analog or digital mode for every 10 (Canadian or non-Canadian) programming services they distribute in the official language of the majority. In this category, 113 distributors provide services to approximately 56.6 percent of Canadian cable subscribers.

The Commission recognizes that many cable customers will continue to receive their services in analog format in the short term. To ensure that Canadians continue to have those services in the language of their choice, the Commission decided not to permit any reduction in the number of Canadian French-language services cable companies distribute on analog channels in Anglophone markets. Compliance with this policy by cable distributors will mean that Canadians whose language is the official language of the minority in their area will have access to programming in the language of their choice.

To further support Canada's tradition of linguistic duality, the Commission now requires all Class 1 and Class 2 as well as some small (Class 3) cable television distributors to distribute the House of Commons proceedings in the official language of the majority as part of their basic service. They must also offer the proceedings in the official language of the minority by utilizing their secondary audio program (SAP) technology. Since September 1, 2002, a majority of Canadian cable subscribers have had access to the Canadian Parliamentary Affairs Channel (CPAC) in the language of their choice.

Canada is also home to citizens of more than 150 ethnic backgrounds and is the first officially multicultural country in the world. Canadians are proud of our cultural mosaic and wish it to thrive and grow. *Canada's Performance 2001* (which can be accessed electronically at http://www.tbs-sct.gc.ca/report_e.html) suggests that Canadian society is enriched by Canadians' acceptance of different ethnic groups and by positive social interaction between people of diverse backgrounds. In 1996, immigrants represented 17.4 percent of Canada's total population and ethnic minorities made up between 30 percent and 40 percent of the population in Canada's largest urban centres (Vancouver, Toronto and Montreal).⁷

To encourage greater cultural diversity in the broadcasting system, the CRTC has increased the emphasis it places on reflecting Canada's cultural diversity. In addition to licensing numerous new multicultural and multilingual radio and television stations, the Commission has recently required the large English- and French-language television networks (Global, CTV and TVA) and specialty services to develop and submit cultural diversity plans as part of their licence renewals and has called upon the Canadian

⁷ See *Canada's Performance 2001* (http://www.tbs-sct.gc.ca/report_e.html).

Association of Broadcasters to develop an action plan to improve the portrayal of cultural diversity throughout the private broadcasting industry. The Commission’s goal is to ensure the Canadian broadcasting system is reflective of Canadian society. This is an ambitious goal but, in the CRTC’s view, not being inclusive would represent a greater risk.

“The Commission has always recognized the role of ethnic broadcasting to ensure the full participation of members of different ethnic groups in Canadian society.”

Andrée Wylie
Vice-Chairperson, Broadcasting
15 February 2002

In November 2000, the CRTC approved 283 new digital Category 2 licences, 50 of which were for ethnic services. From November 2000 to 18 March 2002, 9 of 39 new Category 2 services launched were ethnic. Today, Canadians of Korean, Punjabi, Hindi, Tamil, Portuguese and Greek origin are able to access new digital broadcasting services in their native languages.

The CRTC has also recently licensed two new multicultural television stations (one in Vancouver and the other in Toronto) and two multicultural radio stations (in Ottawa and in Montreal). These newly licensed stations will increase the number of hours of multilingual programming that is currently available nationally (see Table 2.2).

Table 2.2: Availability of multilingual programming in selected locations

Location	Languages	Number of stations	Broadcast hours/week
Radio			
Vancouver	40	3	378.0
Edmonton	22	1	88.7
Calgary	22	1	168.0
Winnipeg	17	1	75.6
Toronto	51	6	835.0
Montréal	22	1	150.0
Television			
Montréal	15	1	75.0
Toronto	20	1	68.5

Source: CRTC *Broadcasting Policy Monitoring Report 2001*

The *Broadcasting Act*, Section 3(1)(d)(iii), declares that the Canadian broadcasting system should reflect “the linguistic duality and multicultural and multiracial nature of

Canadian society and the special place of aboriginal people within that society.” The CRTC has supported portrayal of Canada’s Aboriginal reality over the years by licensing approximately 120 community-based native radio stations and numerous community-based television stations. Furthermore, in 1999 the Commission approved the world’s first national indigenous television network, the Aboriginal People’s Television Network (APTN); in 2001, it approved the Aboriginal Voices Radio network, which will have stations in Toronto, Calgary, Vancouver and Ottawa. The CRTC also approved contributions to Aboriginal Voices Radio as tangible benefits in a variety of ownership transfers. In addition to licensing and providing tangible benefits to Aboriginal television and radio services, the Commission is dedicated to seeing an accurate reflection and portrayal of Canada’s Aboriginal peoples in the English- and French-language broadcasting services.

Cultural prosperity means more than CanCon, linguistic duality, cultural diversity and Aboriginal reality. Other CRTC achievements that support this strategic objective include:

Other Supporting Achievements

- ✓ In support of local programming, the Commission has initiated a review, and will issue a revised version, of its community media policy (<http://www.crtc.gc.ca/archive/ENG/Notices/2001/pb2001-129.htm>).
- ✓ The CRTC issued a policy framework for the transition to over-the-air digital television and has called for applications in Public Notice 2002-31 (<http://www.crtc.gc.ca/archive/ENG/Notices/2002/pb2002-31.htm>).
- ✓ Through its policy framework and subsequent licensing of a large number of services, the CRTC has facilitated the introduction of digital specialty services which, in turn, have given Canadian citizens more programming choices and Canadian services more national and international exposure.
- ✓ The CRTC has launched a review process on Internet retransmission of broadcast signals (<http://www.crtc.gc.ca/archive/ENG/Notices/2002/pb2002-38.htm>).

Social prosperity

The 2001 Speech from the Throne highlighted the Government’s intention to help strengthen Canadian communities. The CRTC believes that better, more inclusive communications lead to stronger communities. Thus, it is committed to fostering Canadians’ access to a variety of reasonably priced, innovative, high-quality communications services that meet their needs and reflect their values. Over the last several years, the Commission has asked Canadians for their views on such subjects as prices, conditions of service and access to services for those who are hearing and visually impaired. Closed captioning, the 211 number for referrals to social services, descriptive video and telephone statements in formats suited to Canadians who are visually impaired

are some of the innovations the CRTC has enabled. The different ways in which Canadians have benefited from these and other initiatives are outlined below.

Strategic Objective	Dedicated Resources	
<p>Canadians have access to a variety of innovative, high-quality, reasonably priced communications services that meet their needs and reflect their values.</p>	<p>\$10.2 million</p>	<p>96.9 FTEs</p>

Fair rates and access

Basic telephone service is essential for Canadians. The CRTC is committed to ensuring that all Canadians in all regions of the country have access to high-quality, affordable telecommunications services and it will continue to promote universal service throughout Canada.

In its May 2002 price cap decision (which can be accessed in its entirety at <http://www.crtc.gc.ca/archive/ENG/Decisions/2002/dt2002-34.htm>) the Commission set out the rules governing the rates five incumbent local telephone companies (TELUS, SaskTel, MTS, Bell Canada and Aliant Telecom) can charge to residential and business customers⁸. In view of the relatively low level of competition in local telephone service delivery and the dearth of price competition in the local telephone market, the CRTC determined that consumers still require price protection. The new pricing rules took effect on 1 June 2002 and will be reviewed in four years.

Under the new price regime, the average Canadian will benefit from zero increase in the cost of their basic telephone service unless inflation exceeds 3.5 percent. Indeed, the Commission denied requests from Bell Canada, TELUS and three other incumbent local exchange carriers (ILECs) that would have given those companies the flexibility to increase both telephone and pay-phone rates.⁹ In its price cap decision, the Commission also restricted the average increases in local service rates for business customers to the rate of inflation. The CRTC's objective in making this determination was to make reliable and reasonably priced telephone services accessible to both urban and rural customers.

With the introduction of its new contribution mechanism effective 1 January 2001,¹⁰ the Commission established the means to maintain affordable local residential services for Canadians in rural and remote areas, or high-cost service areas (HCSAs). In its decision, the Commission reduced the national subsidy for HCSAs by 70 percent or from \$1 billion

⁸ The decision also set out rules for the rates incumbent local telephone companies can charge their competitors. This is discussed at length in the section entitled Economic Prosperity.

⁹ The Commission is completing a policy proceeding before it issues a decision on aspects of pay-phone provision.

¹⁰ Please see: <http://www.crtc.gc.ca/archive/ENG/Decisions/2000/DT2000-745.htm>.

in 2001 to less than \$300 million in 2002. The ILECs proposed rate increases for HCSAs that would further reduce the national subsidy. The CRTC determined that local residential customers in HCSAs would benefit from the same rate protection as local residential customers in non-HCSAs. Thus, for the next four years, the average Canadian in rural and remote areas will benefit from zero increase in the cost of their basic local telephone service.

To ensure that local residential telephone services are also reliable, the Commission's price cap decision included interim quality-of-service mechanisms and approved service improvement plans for the ILECs. In September 2002, the Commission initiated a proceeding to finalize the interim quality-of-service rate adjustment regime for cases in which ILECs fail to meet the Commission's mandated quality-of-service indicators. The ILECs' service improvement plans will ensure service is provided to customers in regions without telephone service and will upgrade service to customers whose present service does not meet the basic service objectives established by the Commission.

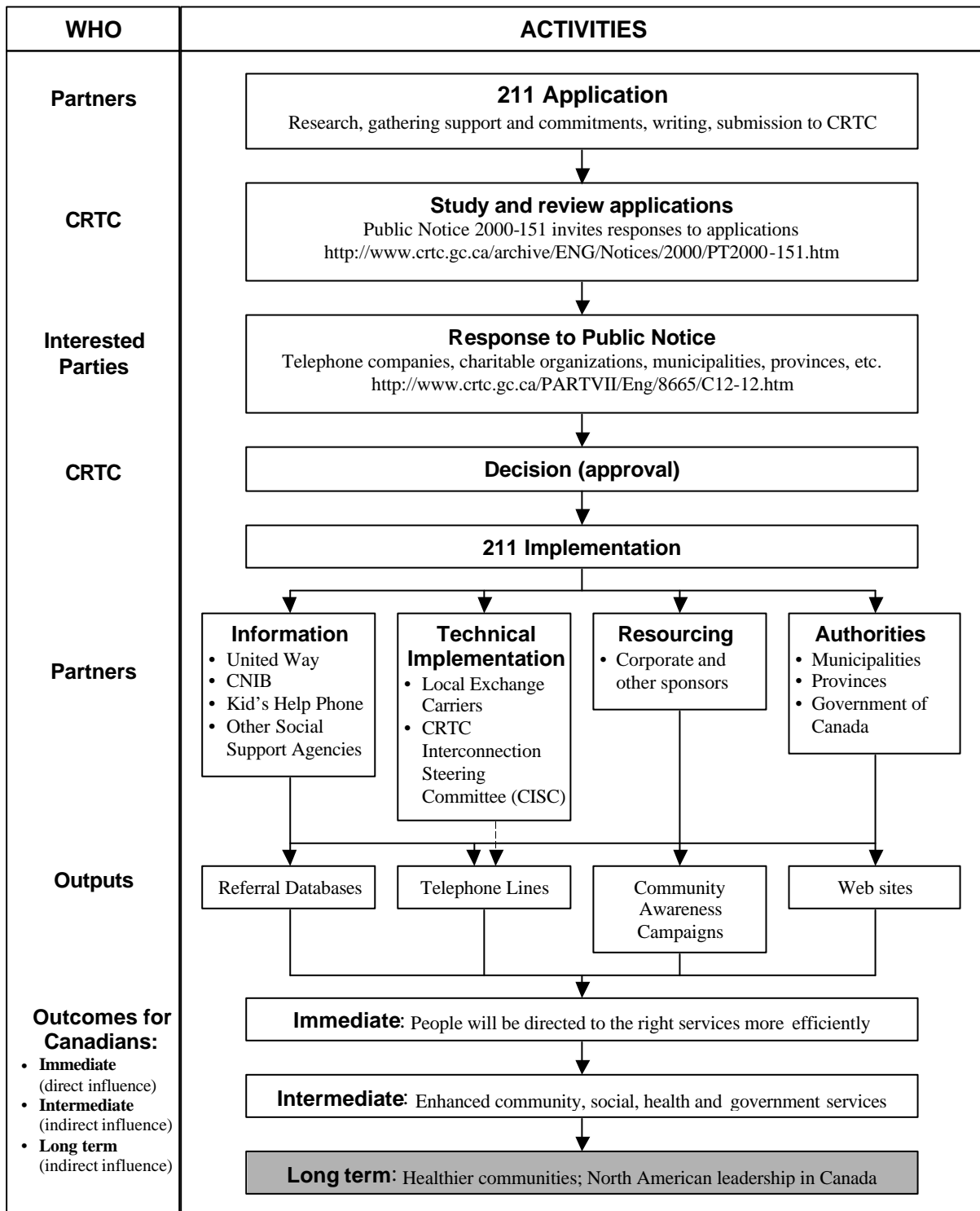
One risk involved in relying on regulation to provide Canadians with affordable local telephone services lies in its potential impact on competition in the local market. Conversely, the risk of relying on market forces when local residential competition is at a nascent stage is too significant a risk for a regulator to ignore. Regulatory protection will need to continue in this market until market forces will sufficiently protect consumers. The actions the CRTC has taken to balance the needs and desires of all its stakeholders – customers, new competitors and the incumbent telephone companies – are discussed in the following section of this performance report on economic prosperity.

Meeting Canadians' needs and reflecting their values

The diversity that Canadians cherish is not limited to cultural and linguistic diversity. Our communities are composed of individuals with widely varying needs and deeply-rooted social values. The Commission has played an important supporting role in helping Canada to meet its objective of strong, healthy communities (*Canada's Performance 2001*, http://www.tbs-sct.gc.ca/report_e.html).

Last year, the CRTC approved the application by the United Way and other agencies and allocated the 211 number to community information and referral services (<http://www.crtc.gc.ca/archive/ENG/Decisions/2001/DT2001-475.htm>). Its intention was to help communities help themselves by providing a nationally recognized, locally implemented single-point-of-contact referral service for people seeking assistance from various health and social agencies. Such an important undertaking could not be realized without a number of partners. The Commission is completing a policy proceeding before it issues a decision on aspects of pay-phone provision (for an illustration of the partnerships involved, please refer to Chart 2.2 below). Municipalities endorse the business plans of groups who will offer the service; telecommunications carriers bear the cost of re-routing the calls from current information and referral numbers to 211; and voluntary agencies, such as the United Way, the Kids Help Phone and local distress centres provide expertise as well as information.

Chart 2.2: Logic Model for Implementation of the 211 Number



The potential benefits are enormous. In the United States, United Way Atlanta established a free, 24-hour 211 line in 1997. Atlanta's multilingual service has a database of more than 2,000 agencies and it receives about 200,000 calls annually, or 40 percent more than the agencies received before 211 service¹¹. In Canada, the Community Information Centre of Metropolitan Toronto launched Canada's first 211 initiative in June 2002, in partnership with the United Way of Greater Toronto, the City of Toronto and the Government of Canada and other sponsors, including Hydro One and Toronto Hydro. The Toronto initiative, which includes both a 211 telephone service and a web site, could provide a model for other municipalities to follow. To date, Edmonton, Calgary, Vancouver, Windsor and Winnipeg are also exploring the possibilities of 211 service.

Meeting Canadians' needs also includes meeting the needs of those who have disabilities. In the late 1980s, the Commission began to encourage, and then to expect, Canadian broadcasters to provide Canadians who are hearing impaired with closed captioning. In 1987, when granting CBC its licence renewal, the CRTC set its expectations for closed captioning at 15 hours per week. By 1995, large English-Canadian broadcasters were expected to provide closed captioning for 90 percent of all programming and for 100 percent of local news; small and medium English-language broadcasters were encouraged to achieve similar levels. As of 2002, the 90/100 percent standard is applicable to all English-language broadcasters.

Due to technical challenges and a smaller market base, providing closed captioning in French is a greater challenge than it is in English. Accordingly, the Commission set the bar lower for French-language broadcasters while encouraging them to move toward English-language levels. Last year (2001), when renewing TVA's licence, the Commission set the standard for French-language broadcasters. TVA is now required to caption 100 percent of all news by September 2004 and 90 percent of all of its programming by 2007 (the end of its licence term).

In 1991, an estimated 5.5 million Canadians had some form of hearing disability.¹² Greater levels of closed captioning are providing the means for Canadians who are hearing impaired to take a more active role in their communities and to enjoy the wide variety of voices and choices available on the Canadian broadcasting system.

The CRTC's goal in supporting services such as 211, closed captioning and the other services listed below, is to make Canadian communities stronger, more vibrant and more inclusive.

¹¹ Bill Mah, "Support Network: developing non-emergency aid number," *Edmonton Journal*, 23 March 2002

¹² A more recent count of the hearing impaired from the 2001 Census will be available from Statistics Canada in due course.

Other Supporting Achievements

- ✓ In August 2001, a CRTC order made it mandatory for Canadian telecommunications carriers to provide essential information in alternative formats for persons who are visually impaired. In March 2002, CRTC decision 2002-13 <http://www.crtc.gc.ca/archive/ENG/Decisions/2002/dt2002-13.htm> established a condition of service that requires carriers to ensure that long distance resellers also provide billing options in alternative formats on demand.
- ✓ Canada's incumbent local exchange carriers have varying policies with respect to the frequency with which they send itemized statements to customers. As part of the new price cap regime, the Commission expressed the preliminary view that the TELUS, MTS and SaskTel policies of issuing their customers itemized monthly statements should be extended to Bell Canada and Aliant Telecom.
- ✓ The Commission recently placed greater emphasis on improving television services for Canadians who are visually impaired. In 2001, the CRTC made it a condition of licence renewal that CTV and Global begin to provide descriptive video services (DVS) of a portion of their programming. The Commission also expects TVA to increase the number of hours of DVS it provides during peak periods from two hours per week in years one and two of their licence to four hours per week in year five and thereafter. To make this possible, the National Broadcast Reading Service, which provides Voiceprint, received funding from transfer benefits to pursue work in the descriptive video arena. Canadians are now beginning to benefit from the implementation of descriptive video.

Economic prosperity

The CRTC's third strategic objective means fostering a competitive Canadian communications industry. Over the past decade, the Commission's competitive frameworks have supported the advent of significant long distance competition,¹³ which has given Canadians the lowest long distance rates in North America.¹⁴ Since 1997, the Commission has turned its attention to fostering similar levels of competition in the local telephone market. In fact, fostering facilities-based competition was one of the objectives the Commission's price cap decision was designed to achieve. The CRTC has undertaken other supporting initiatives as well. This section details some CRTC policies and decisions that have facilitated economic results for Canadians.

¹³ OECD. *Communications Outlook 2001*. OECD, 2001.

¹⁴ The Yankee Group. *Canadian Consumer Communications Costs: Talk is (Still) Cheap!* The Yankee Group, 2001.

Strategic Objective	Dedicated Resources	
Competitive Canadian communications industry	\$11.9 million	113.4 FTEs

Local telecommunications competition

The first price cap regime was established by CRTC Decision 97-9 (which can be found at <http://www.crtc.gc.ca/archive/eng/Decisions/1997/DT97-9.htm>). That regime was designed to:

- ✓ make high-quality, reliable and affordable services available to both urban and rural area customers;
- ✓ foster competition in the Canadian telecommunications industry;
- ✓ provide incumbents with incentives to increase efficiencies and to be more innovative and with a reasonable opportunity to earn a fair return for their utility segments; and
- ✓ implement a price cap regime that was simple and straightforward and that would reduce the regulatory burden to the greatest extent possible.

In its decision, the Commission indicated that it would conduct a review of the initial regime in the fourth year of the price cap period to determine if and how pricing levels should be altered under the next regime.

When it was first conceived, the price cap review was primarily intended to set pricing rules for certain non-forborne services. In July of 2000, the Commission requested comments on the scope of the upcoming review of the price cap regime, indicating that it would consider, among other things:

- a) whether a price cap regime would permit sustainable competition to evolve;
- b) criteria to measure the success of the current regime; and
- c) issues that should be considered in the review.

Following its initial consultations, the Commission issued Public Notice CRTC 2001-37 indicating that it would consider whether price cap regulation continued to represent an appropriate basis of regulation to balance the interests of three main stakeholder groups – consumers, ILECs and competitors – and sought proposals on elements that should be included in the new regime. The Public Notice led to public proceedings in which eight different telephone companies and 53 individuals, municipalities, provincial governments, corporations and other organizations registered as interested parties. The CRTC and ILECs also received 1,935 letters and e-mails on a number of subjects, including the companies' proposed service improvement plans. However, the dominant theme of the correspondence was Canadians' objection to the companies' proposed rate increases.

The previous section on social prosperity discusses how Canadians will benefit from the price cap decision; this section discusses the decision as it pertains to ILECs and competitors.

“Striking the right balance between producer and consumer and between incumbent and competitor is never easy, but it is an objective the regulator must aim to achieve in the best way possible.”¹⁵

David Colville
Vice-Chair, Telecommunications

The Commission’s objectives in reaching the new price cap decision (which is available at <http://www.crtc.gc.ca/archive/ENG/Decisions/2002/dt2002-34.htm>) 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 achievement of the previous four objectives.

To further these objectives, in May 2002 the Commission adopted a price regulation regime that differs from the initial regime in certain important respects. The new price regulation regime 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 ILEC services (Competitor Services) that 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 and assigned each Competitor Service to one of the two categories. The first category comprises ILEC services that are in the nature of an essential service. The pricing of these services was revised and the mark-up over Phase II costs was generally reduced to 15 percent. Pricing constraints were applied to this category of Competitor Services to ensure that competitors have access to relevant services at rates that will foster the development of facilities-based competition. In

¹⁵ Decima Publishing, *Network Letter*, Volume 22, Issue 12, 18 June 2002.

addition, the Commission has required that ILECs introduce a Competitor Digital Network Access service. The Commission anticipates that this new service will make it easier for competitors to obtain access to customers, particularly in densely populated urban areas. The second category of Competitor Services comprises services that, while developed by ILECs for use by competitors, are not in the nature of essential services; rates for these services will continue to be approved on a case-by-case basis.

As it has done for customers, the Commission also took steps to ensure that competitors receive quality service from ILECs. The Commission established an interim quality-of-service rate adjustment regime for competitors for cases in which ILECs fail to meet the Commission's mandated quality-of-service indicators. The CRTC initiated a proceeding in September 2002 to finalize the quality-of-service rate adjustment regime.

The CRTC is very conscious of the administrative burden that regulators can impose on regulated carriers. In its price cap decision, the Commission reduced the regulatory burden on the ILECs by eliminating the requirement to file Phase III/Split Rate Base reports and the intercorporate transaction report. The CRTC's decision to eliminate both reports should free up resources for other operational purposes.

Fair rates and improved access to services for competitors, quality of service and reduction of the administrative burden on ILECs are only the highlights of a lengthy and complex decision that will have a profound impact on Canada's telecommunications industry for the next several years. To read the full decision, please see <http://www.crtc.gc.ca/archive/ENG/Decisions/2002/dt2002-34.htm>.

In March 2001, the Commission initiated a proceeding to develop and implement a price regulation regime for Télébec and TELUS Québec. Concurrently, the CRTC undertook a financial review of both companies to set just and reasonable rates to coincide with implementation of price regulation. The Commission released a decision in July 2002 in which it adopted a price regulation regime for Télébec and TELUS Québec similar to the one set out in the May 2002 price cap decision.¹⁶

It is readily apparent that one of the CRTC's major challenges has been, and remains, creation of sustainable competition in local telephone service. To date, results have lagged behind expectations, particularly when compared to the growth in long distance competition. The Commission firmly believes that Canada's sound economic base and the potential of new technologies will make a difference and that local competition will become a reality.

¹⁶ At the time of writing, the Commission had not released the Télébec and TELUS Québec decision. The CRTC's 2003 *Departmental Performance Report* will outline the benefits of this decision.

State of the industry

To determine how competitive the Canadian communications industry actually is, the CRTC monitors both the broadcasting and telecommunications industries and produces annual reports on each. In addition to providing Canadians with information on two very important drivers of the Canadian economy, these reports provide Canadians with objective means to assess the CRTC's performance vis à vis the success of its policies and regulatory initiatives.

The *Broadcasting Policy Monitoring Report* (the *Monitoring Report*) provides Canadians with data on, and analysis of, a number of performance indicators the Commission uses in its ongoing assessment of the impact of broadcasting regulations, policies and decisions (the 2000, 2001 and the soon to be published 2002 report can be found on the CRTC's web site at <http://www.crtc.gc.ca/eng/publications/reports.htm>). Each year, the Commission updates the *Monitoring Report* with the most current data available on competitive licensing, Canadian Talent Development, ethnic radio and television, scheduling and viewing of Canadian programming, transfer benefits and the financial performance of radio, television and broadcasting distribution undertakings (BDUs) along with indicators for new policies and decisions. A portion of data the Commission uses to support the accomplishments conveyed in the broadcasting portions of its annual *Departmental Performance Report* is collected and analyzed for the purposes of the *Monitoring Report*.

In September 2001, the CRTC published its first *Report to the Governor in Council: Status of Competition in Canadian Telecommunications Markets and Deployment/Accessibility of Advanced Telecommunications Infrastructure and Services* (the *Report on Competition*) in compliance with Order in Council P.C. 2000-1053. The Commission will continue to monitor and report annually on the state of competition in telecommunications (the 2001 report and the soon-to-be published 2002 report are available on the CRTC web site at <http://www.crtc.gc.ca/eng/publications/reports.htm>). The 2001 *Report on Competition* offers information, facts and data on the telecommunications industry, including:

- ✓ an overview of the Canadian telecommunications industry and its regulation;
- ✓ general data on players in the Canadian telecommunications industry;
- ✓ information on the status of competition in telecommunications in Canada, by market;
- ✓ a description of the impact of competition on customers; and
- ✓ an overview of the deployment of broadband infrastructure across Canada.

Canadians are invited to read the report on the CRTC web site and to determine for themselves how successful the Commission has been in facilitating a competitive Canadian telecommunications industry.

The price cap review and decision is not the only way the CRTC attempts to foster sustainable local competition. Other activities and decisions that contribute to the realization of sustainable local competition are described below.

Other Supporting Achievements

- ✓ The CRTC Industry Steering Committee (CISC) has been, and continues to be, effective in resolving competitive disputes over issues such as competitive pay-phones, co-location and inbuilding wire. For additional details on co-location, please see <http://www.crtc.gc.ca/PartVII/Eng/8621/C12-01.htm>. For additional details on inbuilding wire, go to http://www.crtc.gc.ca/ENG/Proc_rep/TELECOM/1999/8644/E17-01.htm.
- ✓ In Decision CRTC 2001-238 (<http://www.crtc.gc.ca/archive/ENG/Decisions/2001/DT2001-238.htm>) the Commission revised the rates competitors pay for the use of ILEC's unbundled loops. CRTC staff estimates that this decision will save competitors \$12 million annually.
- ✓ In changing the basis for the contribution regime to 4.5 percent of revenues, the CRTC saved competitors approximately \$160 million and by further reducing the charge to 1.4 percent of revenues, the CRTC provided them with an additional annual saving of approximately \$30 million.
- ✓ The Commission estimates that competitors' savings from other recent CRTC decisions, including the price cap, amount to approximately \$150 million annually.

Equity and fairness

The CRTC strives to ensure that its regulatory decisions are equitable and fair and that its processes are efficient, transparent and effective. The CRTC has taken many steps to re-engineer its processes and to set and meet rigorous service standards for itself. These initiatives are further enhanced by making as much information as possible, including applications and reporting forms, available on its new and improved web site (<http://www.crtc.gc.ca/>). The final chapter of this performance report demonstrates how Canadian citizens and industry have benefited, and will continue to benefit, from the Commission's progress toward its fourth strategic objective of equity and fairness.

Strategic Objective	Dedicated Resources	
Commission processes that are fair, credible and effective.	\$6.7 million	65.3 FTEs

CRTC initiatives

The Commission recognizes that some of its policies and regulations may impose a significant regulatory burden on small businesses. The CRTC is itself a small entity within the federal government and, at times, it too feels the burden of central agencies' administrative demands. The CRTC recognized such a problem in its work with the 39 small incumbent telephone companies that serve less than 2 percent of the Canadian population. In its decision CRTC 2001-756 (which can be accessed at <http://www.crtc.gc.ca/archive/ENG/Decisions/2001/dt2001-756.htm>), the Commission determined that those small telephone companies would be regulated under a framework that focuses on prices, rather than on earnings, commencing 1 January 2002. This new framework also allows annual price increases based on inflation and incorporates the new contribution mechanism. To further reduce the regulatory burden, the Commission now permits those small telephone companies to use a proxy approach to determine their subsidy requirements, thereby eliminating the need to perform detailed costing studies.

Another avenue the Commission is pursuing to reduce the regulatory burden is the application process. Each year, the Commission considers approximately 125 to 150 applications for radio licence renewal. Eighty percent of those renewals raise no concerns for either intervenors or the Commission. Thus, the CRTC decided to adopt a new, short, licence renewal application for AM and FM radio licensees whose performance in their past licence term has raised no concern and who wish to renew their licences under the same terms and conditions as their current licence. This decision is intended to reduce the regulatory burden on the radio stations while maintaining the integrity of the regulatory process. The Commission will assess the effectiveness of this measure after the 2003 round of radio licence renewals has been completed.

Since the Commission expects the industries it regulates to meet specific quality-of-service standards, it is only fair that the Commission also set and meet quality-of-service standards for itself. Effective 1 April 2002, the Telecommunications Branch of the CRTC implemented a series of service standards for processing applications (please see http://www.crtc.gc.ca/eng/publications/reports/st2002_t.htm). The Telecommunications Branch will post quarterly and annual reports on its progress in meeting those standards on the CRTC web site (<http://www.crtc.gc.ca/>). The Broadcasting Branch's annual report on processing broadcasting applications for the 2001-2002 fiscal year can be found at <http://www.crtc.gc.ca/ENG/publications/reports/standards2001.htm>.

The CRTC's public proceedings afford Canadians the opportunity to participate in regulatory processes that affect or simply interest them. In the last year, the Commission

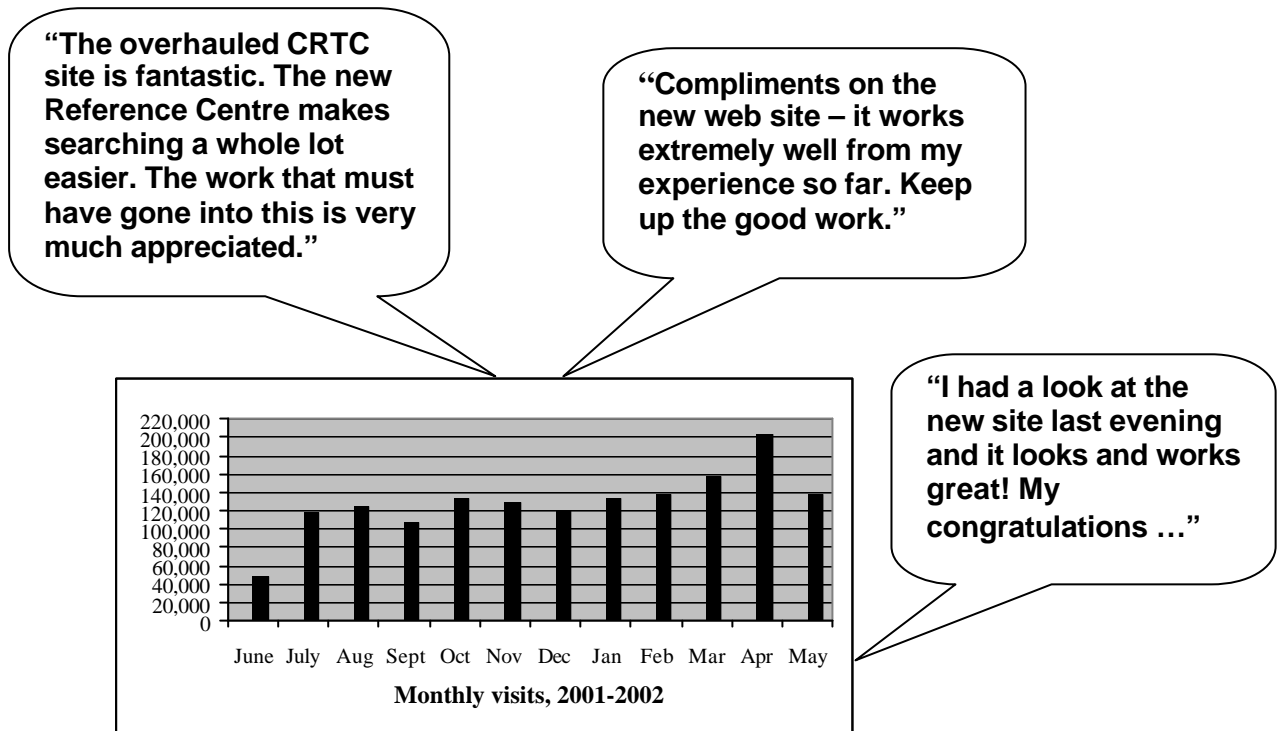
held a number of public hearings on new broadcasting licences and the price cap regime. As the price cap hearings approached, Canadians in Atlantic Canada affected by the Aliant Telecom price cap submission requested that the Commission hold its hearing in the Atlantic Provinces instead of near its headquarters building in Gatineau, Québec. While it was not possible to change the venue of the hearing, the Commission took a series of steps to accommodate those who wished to participate in the hearing without travelling. For example, eight individuals appeared at the hearing as designated representatives, ten individuals participated via CRTC-sponsored conference calls and 388 (representing 1,847 signatures) wrote or e-mailed either the CRTC or Aliant itself to protest the proposed rate increase. The Commission duly considered all of their submissions.

Government driven initiatives

On 25 March 2002, the CRTC launched its new and improved web site (<http://www.crtc.gc.ca/>). The Commission's site now complies with the Government of Canada's 'common look and feel' guidelines, and has a number of significant improvements that clients have told the Commission they appreciate (see Chart 2.3 for examples of the comments):

- ✓ the Telecommunications Branch's monitoring survey assists companies in providing information for the *Report on Competition* (<http://www.crtc.gc.ca/PartVII/eng/monitor/index.htm>);
- ✓ a rich reference centre contains more information;
- ✓ a larger and improved search function with metatags facilitates searching the web site;
- ✓ interactive forms for application processes as well as complaints make Canadians' interactions with the Commission faster and easier;
- ✓ broadcasting forms in HTML (an ongoing project) are easier to use;
- ✓ consolidation of all industry information under one button: 'Industries at a Glance' provides easier access to a wealth of information;
- ✓ quicker access to 'Headlines' (formerly 'What's New?');
- ✓ consumer information sheets provide Canadians with easy to access descriptions of both current and ongoing issues; and
- ✓ a 'Canadian Content' button provides information and also welcomes comments.

Chart 2.3: Monthly Visits to the CRTC Web Site, 2001-2002



One of the most frequently used features of the Commission’s web site is the ‘Complaints and Inquiries’ button.¹⁷ The Commission receives thousands of complaints and requests for information annually, which are handled by Client Services.¹⁸ In addition to responding to calls, letters and e-mails, this group is also in the process of devising a methodology to test the effectiveness of their service to the Commission’s clients under the Service Improvement Initiative. To implement its client satisfaction survey, the CRTC will go directly to Canadians who have contacted the Commission in the six months prior to the survey. Bearing in mind that, in the last few years, the Commission’s clients have expressed their displeasure at receiving unsolicited telephone calls, Client Services is building a database of clients who wish to be contacted about the service they received. During this time, Client Services will also be designing the survey strategy and survey instrument. The Commission expects to be able to report on its initial client satisfaction results in the 2003 *Departmental Performance Report*.

In the autumn of 2001, the Government of Canada began a dialogue with members of the Public Service on the subject of values and ethics. The Commission embraces the importance of values and ethics in all of the work it does. As a part of its work on this subject, the Commission has completed a series of Information Protection Sensitization

¹⁷ Canadians may also access the CRTC’s toll-free line at 1-877-249-2782 to raise issues within the Commission’s jurisdiction.

¹⁸ For example, in 2001 the CRTC received and responded to 59,501 complaints.

Sessions. These sessions were designed to provide staff with a greater awareness of how individuals might attempt to extract information that should be protected and how to protect the Commission and its clients from the inadvertent release of sensitive information. The CRTC's staff was enthusiastic and participated vigorously in the sessions. Results achieved included:

- ✓ a greater awareness of how people try to gather information for their own benefit (such as early knowledge of a decision for financial gain) and of measures staff can take to prevent premature disclosure of protected information;
- ✓ a greater awareness of what can be released and, therefore, release of more non-confidential information to create a better informed public; and
- ✓ a greater appreciation for the confidentiality of information so that industry can be assured that its information is, and will continue to be, kept confidential.

The sessions included recently appointed staff. In keeping with the Government's Public Service Revitalization initiative, the CRTC held two national recruitment campaigns over the past year to add several telecommunications analysts and legal advisors to the Commission's ranks. Both competitions reached out to candidates in both official languages and welcomed candidates from groups designated under Employment Equity. The individuals who ultimately joined the Commission will help to preserve and promote the integrity and fairness of the Commission's processes and decisions.

The Commission sets high standards for itself and its dedicated, professional staff strives to meet those standards in every respect. The initiatives described above are only some of the ways in which the CRTC accomplishes its strategic objective of equity and fairness. Others are described below.


Other Supporting Achievements and Forthcoming Initiatives
<ul style="list-style-type: none">✓ In its price cap decision, the Commission pledged to hold a Phase II costing consultation to review the methodologies used to determine the pricing levels of ILEC's services and the subsidy for basic local residential services in high-cost serving areas (HCSAs). This consultation is intended to increase the reliability and transparency of the costing process to benefit all stakeholders.✓ In 2000, the Commission began broadcasting oral hearings via its Internet site. A total of 635 visitors logged in to listen to the price cap hearing.✓ The CRTC and the Department of Canadian Heritage have now completed one year of sharing the services of a combined Pay and Benefits office.


ANNEXES

Annex A: 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		Regulation of Communication in the Public Interest	
Planned Spending			
<i>Total Authorities</i>			
2000-2001 Actuals		Planned Spending	
		<i>Total Authorities</i>	
Choices for Canadians		2001-2002 Actuals	
Planned Spending			
<i>Total Authorities</i>			
2000-2001 Actuals			



Regulation of Communication in the Public Interest	
Planned Spending	\$39.0 million
<i>Total Authorities</i>	\$41.9 million
2001-2002 Actuals	\$41.6 million

Financial Summary Tables

Table 1: Summary of Voted Appropriations
Table 2: Comparison of Total Planned to Actual Spending
Table 3: Historical Comparison of Total Planned Spending versus Actual Spending
Table 4: Crosswalk between Strategic Outcomes and Business Lines
Table 5: Revenue by Business Line
Table 6: Contingent Liabilities

Table 1: Summary of Voted Appropriations

Financial Requirements by Authority – 2001-2002 (\$ millions)				
Vote	Canadian Radio-television and Telecommunications Commission	2001-2002		
		Planned Spending	Total Authorities	Actual
50	Program expenditures	3.5	5.8	5.5
(S)	Contribution to employee benefit plans	4.9	5.1	5.1
	Total CRTC	8.4	10.9	10.6

Table 1 provides information regarding that portion of the Commission's budget that is funded through appropriations. The total of \$10.6 million includes \$5.1 million in costs related to Employee Benefit Plans and \$5.5 million in program expenditures (\$3.5 million in temporary funding that is not recoverable from CRTC fee payers and \$2.3 million related to approved salary increases as well as maternity and severance payments).

Table 2: Comparison of Total Planned 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*, which follows Table 6). The CRTC's total authorities, or its approved Treasury Board funding level, for 2001-2002 totalled \$41.9 million. The Commission's actual expenditures for the year totalled \$41.6 million.

Comparison of Total Planned to Actual Spending (\$ millions)							
Business Line	FTEs	Operating	Capital	Grants & Contributions	Total Gross Expenditures	Less: Responsible Revenue	Total Net Expenditures
Regulation of Communication in the Public Interest	420	39.0	-	-	39.0	30.6	8.4
<i>(Total Authorities)</i>	420	41.9	-	-	41.9	31.0	10.9
(Actuals)	407	41.6	-	-	41.6	31.0	10.6
Total (Planned)	420	34.0	-	-	34.0	30.6	8.4
<i>(Total Authorities)</i>	420	41.9	-	-	41.9	31.0	10.9
(Actuals)	407	41.6	-	-	41.6	31.0	10.6
Other Revenue and Expenditures							
Non-Responsible Revenue							(94.3)
<i>(Total Authorities)</i>							(98.6)
(Actuals)							(98.6)
Cost of Services Provided By Other Departments							14.3
<i>(Total Authorities)</i>							14.2
(Actuals)							14.2
Net Cost of Program*							(71.6)
<i>(Total Authorities)</i>							(73.5)
(Actuals)							(73.8)

* 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 versus Actual Spending by Business Line (\$ millions)*					
Business Lines	Actual 1999-2000	Actual 2000-2001	2001-2002		
			Planned Spending	Total Authorities	Actual
<i>Formerly</i>					
Voices	20.1	20.9			
Choices	17.5	18.6			
<i>Now</i>					
Regulation of Communication in the Public Interest	-	-	39.0	41.9	41.6
Total	37.6	39.5	39.0	41.9	41.6

* For the difference between the CRTC's actual and planned spending, please see the explanatory note for Table 2.

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 FY2001-2002. 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	12.8	10.2	11.9	6.7	41.6

Table 5: Revenue by Business Line

Revenue by Business Line (\$ millions)¹⁹					
Responsible Revenue					
Business Line	Actual 1999- 2000	Actual 2000- 2001	2001-2002		
			Planned Revenue	Total Authorities	Actual
Canada's Voices*	16.3	16.6	-	-	-
Choices for Canadians**	13.0	13.5	-	-	-
Regulation of Communication in the Public Interest	-	-	30.6	31.0	31.0
Total Responsible Revenue	29.3	30.1	30.6	31.0	31.0
Non-Responsible Revenue					
Business Line	Actual 1998- 1999	Actual 1999- 2000	2001-2002		
			Planned Revenue	Total Authorities	Actual
Canada's Voices*	80.4	88.2	-	-	-
Choices for Canadians**	4.6	4.1	-	-	-
Regulation of Communication in the Public Interest	-	-	94.3	98.6	98.6
Total Non-Responsible Revenue	85.0	92.3	94.3	98.6	98.6
Total Revenue	114.3	122.4	124.9	129.6	129.6
* Broadcasting licence fees. ** Telecommunications fees.					

Table 6: Contingent Liabilities

Contingent Liabilities (\$ millions)			
	March 31, 2000	March 31, 2001	Current as of March 31, 2002
Litigations	0	0	0
Total	0	0	0*
* Note: In the Public Accounts for the period ending March 31, 2002 a contingent liability totalling \$60,000 was identified.			

¹⁹ For further details regarding the CRTC's revenue, please see *Explanation of Revenues*, which follows.

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 2001-2002:

- ✓ CRTC Part I broadcasting licence fees were \$22.5 million (\$17.1 million respondable²⁰ and \$5.4 million non-respondable²¹ revenue); and
- ✓ CRTC telecommunications fees were \$19.1 million (\$13.9 million respondable and \$5.2 million non-respondable revenue).

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 2001-2002, the CRTC collected a total of \$110.5 million from broadcasting undertakings (\$22.5 million in Part I fees and \$88.0 million in Part II fees).

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

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

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

The Part II fee is calculated at 1.365% of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the Part II fees on behalf of the government, with all revenues collected being deposited to

²⁰ The CRTC retains respondable revenue to fund its operating budget.

²¹ Non-respondable revenue represents 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. It also includes the adjustment to actual costs for the previous year. These revenues are credited to the Consolidated Revenue Fund.

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 2001-2002, the CRTC collected \$19.1 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.

Annex B: CRTC Members and Offices

CRTC Members

Chairperson	<i>Charles M. Dalfen</i>	(819) 997-3430
Vice-Chairperson, Broadcasting	<i>Andrée P. Wylie</i>	(819) 997-8766
Vice-Chairman, Telecommunications	<i>David Colville*</i> (Atlantic)	(819) 997-8766 (902) 426-7997
Commissioner	<i>Andrew Cardozo</i>	(819) 997-4330
Commissioner	<i>David McKendry</i>	(819) 997-4813
Commissioner	<i>Joan Pennefather</i>	(819) 953-7882
Commissioner	<i>Jean-Marc Demers</i>	(819) 997-4206
Commissioner	<i>Stuart Langford</i>	(819) 953-2935
Commissioner	<i>Barbara Cram*</i> (Manitoba/Saskatchewan)	(819) 997-4485 (204) 983-6306
Commissioner	<i>Andrée Noël*</i> (Quebec)	(819) 997-3831 (514) 496-2370
Commissioner	<i>Ronald D. Williams*</i> (Alberta/Northwest Territories)	(819) 953-0435 (780) 455-6390
Commissioner	<i>Cindy Grauer*</i> (B.C./Yukon)	(819) 997-9411 (604) 666-2914

* These commissioners also have regional responsibilities.

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Annex C: Legislation Administered 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

Regulations and Rules of Procedure

<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>	

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