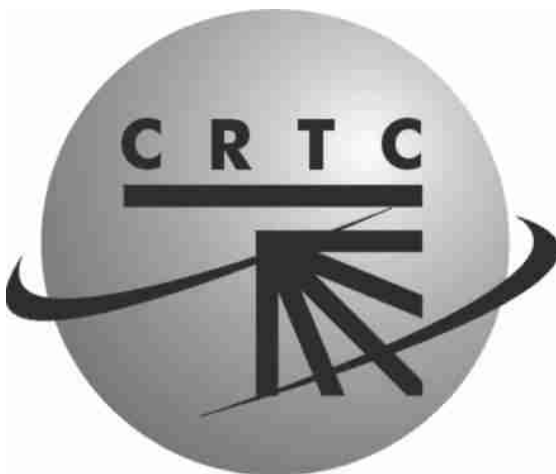


# Canadian Radio-television and Telecommunications Commission



**2006-2007  
Estimates**

Part III – Report on Plans and Priorities

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Beverley J. Oda  
Minister of Canadian Heritage and  
Status of Women



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## **SECTION I: Overview**

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Ottawa, Canada K1A 0M5

## Minister's Message



**A**s a member of the Canadian Heritage Portfolio, the Canadian Radio-television and Telecommunications Commission (CRTC) has an important responsibility in the cultural life of Canadians.

**A**s articulated in the Broadcasting Act, the CRTC regulates and supervises the Canadian broadcasting system and the telecommunications industry. Rapid technological advances are challenging many of the traditional approaches taken in the electronic communications sphere. They are providing unprecedented access and altering the ways in which Canadians communicate and enjoy their information and entertainment.

**T**he *Report on Plans and Priorities for 2006-2007* outlines the CRTC's goals and work plan for the year. It has indicated its intention to complete its review of commercial radio as well as its television policy. I look forward to the results of these important processes as they impact on our creative sector and the Canadian economy.

**I** also appreciate the Commission's cooperation in undertaking a review on the impact that the changes in technology will have on the various sectors of the broadcasting industry and future audiences. As stated in the Section 15 Directive, the CRTC's report is due on December 31, 2006.

**A**long with my colleague the Minister of Industry, the Honourable Maxime Bernier, we welcome the CRTC's response to his policy direction on telecommunications calling for greater reliance on market forces. As the world of broadcasting and telecommunications increasingly converge, we recognize the importance of the work of the CRTC in those areas of our shared responsibilities.

**T**he CRTC has an important role in ensuring that our communications sector is strong and vibrant in this new century.

Beverley J. Oda



## Chairman's Message

I am pleased to present the CRTC Report on Plans and Priorities for 2006-2007. New technologies have resulted in continuing evolution in the sectors regulated by the Commission. Our work should reflect that evolution as we strive to meet the needs of the Canadian public and support the broadcasting and telecommunications industries. We will be working hard over the coming year so that Canadians from coast to coast can continue to enjoy leading-edge communications at an affordable price.



In everything it does, the Commission seeks to balance the cultural, social and economic objectives set out in the *Broadcasting Act* and the *Telecommunications Act*, which are the Acts that govern our activities. From these objectives flows the Commission's strategy, which is designed to foster Canada's cultural, economic and social prosperity.

In terms of **cultural prosperity**, over the next year, the Commission will conclude a commercial radio review that will examine our policies in the radio sector. We will also review our major policies affecting Canadian television services and, in particular, conventional over-the-air television. The Commission will continue to support Canadian drama, including production, exhibition, viewing, and financial support for such programming. To this end, we will examine the results of our broadcasters' incentive program for drama, and will revise it as needed. The Commission will also continue to support the availability of broadcasting services in both official languages throughout the country. We will consider granting new licences to Aboriginal and ethnic services in order to meet the needs of Canadians of diverse backgrounds, and continue to require that the broadcasters reflect the cultural and racial diversity of Canadian society, as well as people with disabilities, in their programming.

The Commission will initiate or continue to pursue a variety of activities to encourage the **economic prosperity** of the Canadian broadcasting and telecommunications systems. We have announced the criteria under which telephone companies can become deregulated in local telephone markets and will likely be reviewing specific forbearance applications during the year. With respect to forbearance issues, we will consider whether mobile wireless services should be considered part of the same market as local wireline services.

We will continue to monitor the state of competition in the telecommunications sector. The Commission began a process in 2005 that will allow wireless telephone users to transfer their telephone numbers from one service provider to another, by the end of the 2006-2007 fiscal year in most of Canada. In order to encourage the expansion of broadband services in rural and remote regions and to increase disabled persons' access to telecommunications services, the Commission recently decided to direct the major telephone companies to allocate funds that had accumulated over the last few years in special accounts called deferral accounts. This measure will enable rural and remote communities to experience greater social and economic development and will reduce the gap between the services they receive and those available to urban communities.

At the request of the Government, we will be reconsidering our decision of May 2005 on telephone service through Voice over Internet Protocol, in order to take into account recent developments in the environment.

We will also continue to examine our processes in order to increase their efficiency and effectiveness, in both the broadcasting and telecommunications sectors.

In order to encourage **social prosperity**, the Commission will continue to examine and address new technologies, which are developing at an increasingly rapid pace and becoming more diversified. In response to a request by the Government, we will undertake a study of how these new technologies will reshape the broadcasting industry in the years to come. We will implement our new licensing policy for high definition (HD) digital television services, including specialty and pay-per-view services, as well as the rules governing their distribution. We will also monitor implementation of our regulatory framework for the transition from analog to digital technologies. Finally, following passage of a bill to create a National Do Not Call List, the Commission is carrying on a public process to consult Canadians on the rules that should be adopted for this list, as well as for telemarketing.

And there you have an overview of the work the Commission will be doing, in the interests of the Canadian public, over the course of 2006-2007.

Charles M. Dalfen

## **Management Representation Statement**

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I submit for tabling in Parliament, the 2006-2007 Report on Plans and Priorities (RPP) for the Canadian Radio-television and Telecommunications Commission (CRTC).

This document has been prepared based on the reporting principles contained in the *Guide to the Preparation of the 2006-2007 Report on Plans and Priorities*.

It accurately portrays the organization's plans and priorities.

- ✓ It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat (TBS) guidance;
- ✓ It uses an approved program activity architecture (PAA) structure;
- ✓ It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- ✓ It reports finances based on approved planned spending numbers from the TBS.

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

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

## Overview

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

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

The *Telecommunications Act* seeks to ensure, amongst other things, to foster increased reliance on market forces for the provision of telecommunications services, to ensure that regulation, where required, is efficient and effective and to ensure that Canadians have access to reliable telephone and other telecommunications services at reasonable prices.

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

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

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

### **Strategic Outcome:**

Broadcasting and Telecommunications industries that contribute to Canada's cultural, economic and social prosperity.

The Commission seeks to achieve, through two main activities (i.e. regulating and supervising Canadian broadcasting and telecommunications), the above strategic outcome. Elements of the strategic outcome are defined as follows:

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

## Tasks to Achieve the Outcome:

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

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

For each task the CRTC undertakes, a primary concern is to balance the needs and desires of Canadians with those of the communications industry. Through its regulatory function, the Commission addresses, among other matters, social and cultural issues that might otherwise not receive the attention they deserve. For instance, the Commission fosters the reflection of Canada's linguistic duality and cultural diversity, the provision of closed captioning for persons who are hearing impaired and descriptive video for persons who are visually impaired, and the development of mechanisms to address concerns such as violence or abusive comment in the broadcast media. The CRTC seeks to ensure that its policy directions for the Canadian industry keep pace with emerging technology and that regulation, where required, is efficient and effective.

## Summary Information

<b>CRTC Mandate</b>				
The CRTC mandate is to regulate and supervise the broadcasting and telecommunications industries in accordance with the policy objectives set out in sections 3 and 5 of the <i>Broadcasting Act</i> and in section 7 of the <i>Telecommunications Act</i> .				
<b>Financial Resources</b>				
<b>(\$ millions)</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	
	45.6	45.7	45.7	
<b>Human Resources</b>				
	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>	
Full Time Equivalents	433	433	433	
<b>Departmental Priorities</b>				
<b>(\$ millions)</b>		<b>Planned Spending</b>		
<b>Priorities</b>	<b>Type*</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
Broadcasting and Telecommunications industries that contribute to Canada's cultural, economic and social prosperity				
Broadcasting*	Ongoing**	23.4	23.5	23.5
Telecommunications*	Ongoing**	22.2	22.2	22.2

\* *Priorities in support of the strategic outcome for each program activity are detailed in the following departmental plans and priorities section*

\*\* *Type of priority: new, ongoing or previously committed to (i.e. reported on in previous Report on Plans and Priorities or Departmental Performance Report)*

## **Departmental Plans and Priorities**

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### **Environmental Context**

CRTC is fully funded by the fees it collects from the telecommunications and broadcasting industries. The CRTC collects fees under the authority of the *Telecommunications Act*, the *Broadcasting Act* and the regulations made pursuant to these acts, namely the CRTC *Telecommunications Fee Regulations, 1995* and the CRTC *Broadcasting Licence Fee Regulations, 1997*.

Although rapid technological and societal changes have been constant for decades, never have these changes been more dramatic than they are today. New digital technologies and distribution platforms provide for a wide range of sources for news, information and entertainment. Younger Canadians have particularly embraced new technologies resulting in changes to the manner in which programming is distributed and consumed. Our on going challenge will be to ensure that Canadians have access to a wide variety of Canadian programming options in an ever increasing competitive environment.

Looking forward, the economy as a whole is expected to continue to grow. The communications sector is expected to contribute to this growth through innovation in the form of new products and services, and improved business processes. Competition will continue to expand in certain markets. Overall, the outlook for the communications sector is positive.

The Commission's decisions, whether taken under the auspices of the *Telecommunications Act* or the *Broadcasting Act*, increasingly has profound ramifications for industry players, whether their respective businesses historically originated in telephony or broadcasting. The Commission remains dedicated, pursuant to its legislative mandate, to sustainable competition and the emergence of new services.

The following paragraphs describe the priorities that the CRTC will pursue over the next three years to move its strategic outcome forward. These priorities reflect the current and anticipated social, cultural and economic environments.

### **Priorities**

The CRTC's priorities for the 2006-2009 period are:

#### 1) Cultural Prosperity:

- Canadian Drama
- Linguistic Duality
- Cultural Diversity
- Commercial Radio Policy Review
- Review of certain aspects of the Regulatory Framework for over-the-air television
- Review of Discretionary Services Framework

## 2) Economic Prosperity:

- Forbearance from Regulation - Local Telephone Service
- Wireless Substitution
- Wireless Number Portability
- Deferral Account
- Price Cap Framework
- Telecom Policy Review
- Proposed Policy Direction
- Reconsideration of VoIP
- Streamlining Procedures

## 3) Social Prosperity:

- New Technologies
  - Subscription Radio Services
  - Distribution of High Definition Pay and Specialty Services
  - Digital Migration
- Telemarketing – National Do Not Call List

## 1) Cultural Prosperity:

### ▪ **Canadian Drama**

The Commission set out its incentive program designed to increase the production and the broadcast of, the viewing to, and the expenditures on, high quality original Canadian drama programming in *Incentives for English-language Canadian television drama*, [Broadcasting Public Notice CRTC 2004-93](#), 29 November 2004. In the same notice, the Commission stated that it would issue a further public notice in the 2004/2005 broadcast year to announce its proposed targets for both the viewing and expenditure components of the incentive program. This was undertaken in *Viewing and expenditure incentives for English-language Canadian television drama – Call for comments*, [Broadcasting Public Notice CRTC 2005-81](#), 10 August 2005 (Public Notice 2005-81).

In Public Notice 2005-81, the Commission examined the 2003/2004 data provided by BBM Canada and Nielsen Media Research with respect to viewing to Canadian drama, and called for comments on a proposed industry viewing objective as well as on viewing targets for the ownership groups participating in the incentive program for English-language Canadian television drama. The Commission also reviewed the 2003/2004 data with respect to expenditures on English-language Canadian drama programming by individual, private, conventional television services and by the largest conventional ownership groups, and called for comments on proposed expenditure targets.

In *Viewing and expenditure incentives for English language Canadian television drama*, [Broadcasting Public Notice CRTC 2006-11](#), 27 January 2006, the Commission reviewed



the comments received in response to Public Notice 2005-81 and set out the targets for the viewing and expenditure components of the Commission's drama incentive program.

The Commission intends to review the drama incentive program on an annual basis and expects to evaluate the success of the program in the context of the licence renewals for major TV licensees scheduled for fiscal year 2008/2009.

- **Linguistic Duality**

Section 3 1)(c) of the *Broadcasting Act* (the Act) acknowledges that "English and French language broadcasting, while sharing common aspects, operate under different conditions and may have different requirements". Section 3 1)(k) of the Act requires that "a range of broadcasting services in English and in French shall be extended to all Canadians as resources become available" and sections 3 1 (m) (iv and v), that CBC programming reflect the "particular needs and circumstances of English and French linguistic communities" and be 'of equivalent quality in English and French'.

Furthermore, the CRTC is required pursuant to section 41 of the *Official Languages Act* (OLA) to develop, with the collaboration of minority communities in both official languages, an action plan on official languages. This collaboration enabled the CRTC to take into account the priorities of the minority communities in its actions, within the limits of its mandate under both the Broadcasting and Telecommunications Acts.

The steps taken by the Commission to support the objectives of the Act and to implement section 41 of the OLA are described in its Official Languages Action plan and achievements Report (2004-2005).

The Commission is presently preparing a three-year action plan for the CRTC's implementation of Section 41 of the OLA and has completed a Results-based Achievements Report for the 2005-2006 period. Both documents will be available on the CRTC web site in the Fall.

The Commission will continue to actively support initiatives to encourage linguistic duality, help foster the recognition and use of both English and French in Canada and support and assist the development of the English and French linguistic minority communities, within the limits of its mandate under both the Broadcasting and Telecommunications Acts.

- **Cultural Diversity**

Beyond supporting linguistic duality, the Act also contains provisions requiring the broadcasting system to respect and reflect the 200 or more cultures, languages and ethnic traditions that today constitute Canadian society. Section 3(1) (d) (iii) states that the Canadian broadcasting system should:

serve the needs and interests, and reflect the circumstances and aspirations, of Canadian men, women and children, including equal rights, the linguistic duality and multicultural and multiracial nature of Canadian society and the special place of aboriginal peoples within that society.

The Commission takes two broad approaches to fulfilling this objective. It licenses many services that focus on ethnic and Aboriginal communities, and requires broadcasters to reflect Canada's diverse reality on Canadian television screens.

In December 2004 the Commission issued a revised, more open entry approach to the authorization of non-Canadian third language general interest services for distribution on a digital basis (Broadcasting Public Notice CRTC 2004-96). Further, in November 2005, the Commission issued Broadcasting Public Notice 2005-104, which announced the establishment of an open-entry approach for general interest third-language ethnic Category 2 pay and specialty services. The Commission's objective in revising its approaches to the authorization of non-Canadian third language services and the licensing of Canadian Category 2 third language services is to expand the diversity and choice in television services available to underserved third-language ethnic communities in Canada.

The second arm of the CRTC's approach to cultural diversity involves requirements that broadcasters must fulfill. The Commission requires broadcasters to improve the reflection of Canadian diversity in programming including the representation, portrayal and participation of visible minorities and Aboriginal peoples. They must also file corporate plans on cultural diversity and report annually on their accomplishments in this regard.

At the request of the CRTC, the Canadian Association of Broadcasters (CAB) created a task force, which undertook research on diversity on Canadian television and proposed industry-wide approaches for improving the presence and portrayal of Canadian diversity on television. The Task Force's final report entitled *Reflecting Canadians: Best Practices for Cultural Diversity in Private Television* includes the results of an extensive qualitative and quantitative study of the state of the presence and portrayal of visible minorities and Aboriginal peoples on Canada's privately-owned television services. The report also includes a set of recommended best practices for broadcasters and a range of industry-wide initiatives directed to a variety of groups, including broadcasters, industry organizations, and funding bodies. The Commission issued its response in *Commission's response to the report of the Task Force for Cultural Diversity on Television*, [Broadcasting Public Notice CRTC 2005-24](#), 21 March 2005. In addition to overall improvements in the representation and reflection of ethnocultural diversity on television, the Commission expects progress to be made in addressing the specific key gaps identified in the research. The Commission will assess progress in these areas by examining broadcasters' corporate plan annual reports and the annual reports submitted by the CAB on the implementation of industry initiatives.

The Commission also expanded its diversity initiatives to include the improved reflection and portrayal of persons with disabilities. In [Broadcasting Public Notice CRTC 2004-2](#), introducing the renewal of 22 specialty services, the Commission announced that it expects broadcasters to include persons with disabilities in their cultural diversity corporate plans. Moreover, in response to a request by the Commission that the CAB undertake a process to examine issues surrounding the presence, portrayal and participation of persons with disabilities in broadcasting, the CAB filed a report on 16 September 2005. The report entitled *Final Report on the Presence, Portrayal and Participation of Persons with Disabilities in Television Programming*, contains the results of qualitative research on the subject and a series of tools and initiatives to be implemented by the CAB and its members, as well as recommendations for industry partners.

The Commission issued its response in *Commission's response to the Canadian Association of Broadcasters' final report on the presence, portrayal and participation of persons with disabilities in television programming*, Broadcasting Public Notice CRTC 2006-77, 19 June 2006. The notice sets out the specific areas in which the Commission expects progress to be made to address the key gaps identified in the research. The Commission will examine the annual reports it receives from the CAB regarding the implementation of industry initiatives and broadcasters' cultural diversity reports to assess the extent to which progress has been made and if further intervention is required.

In addition, the Commission directed the CAB in Broadcasting Public Notice CRTC 2005-24 to review its broadcasting industry codes to determine whether they address concerns identified in the research findings regarding reflection and portrayal. In a report filed on 23 December 2005, the CAB stated its intention to submit a new code to the Commission that establishes industry standards for the portrayal of ethnocultural and Aboriginal groups and persons with disabilities. The code is to be filed in July 2006.

#### ▪ **Commercial Radio Policy Review**

In 2003, the Commission was in the process of launching a review of the 1998 Policy when it received an application for a licence to operate a satellite radio undertaking. The Commission decided that the radio policy review should be postponed until the subscription radio licensing process was complete. That process culminated in the licensing of three subscription radio undertakings on 16 June 2005 ([Broadcasting Decisions CRTC 2005-246](#), [247](#), and [248](#)), and the recent launch of two satellite subscription radio undertakings.

On 15 May 2006, the Commission held a Public Hearing in Gatineau ([Broadcasting Notice of Public Hearing CRTC 2006-1](#), 13 January 2006) to review its commercial radio policies.

The Commission set out its proceeding objectives for the commercial radio review:

- A. A strong, well-financed commercial radio sector in both official languages capable of contributing to the fulfillment of the policy objectives set out in the Act.
- B. A commercial radio sector that makes effective contributions to Canadian artists through airplay of Canadian music, French-language vocal music, and contributions to Canadian talent development (CTD) that are commensurate with the financial health of the sector.
- C. A commercial radio sector that provides listeners with a greater diversity of musical genres, and airplay for a greater variety of Canadian artists in both official languages.
- D. A commercial radio sector that reflects the multicultural and multiracial nature of Canadian society and the special place of Aboriginal peoples within society.
- E. A commercial radio sector that provides listeners with an appropriate amount of regularly-scheduled, locally-produced news and information.
- F. A commercial radio sector capable of making the transition to digital transmission, and of exploiting new and emerging distribution platforms in a manner that furthers the objectives of the Act.

▪ **Review of certain aspects of the regulatory framework for over-the-air television**

In 2006 the Commission launches a review of certain aspects of its framework for over-the-air television. The Commission will hold a Public Hearing beginning on 27 November 2006 in Gatineau ([Broadcasting Notice of Public Hearing CRTC 2006-5](#), 12 June 2006).

The objectives of this proceeding are:

- A. To ensure that over-the-air (OTA) television licensees contribute, in the most effective manner possible, to the production, acquisition and broadcast of high quality Canadian programming that attracts increasing numbers of viewers.
- B. To provide Canadian OTA television licensees with greater clarity regarding regulations that affect certain costs and revenues so that they are in a position to propose maximum contributions to the production, acquisition and broadcast of high quality Canadian programming.

- C. To examine options for the most effective means of delivering Canadian digital/high definition (HD) television to Canadians.
- D. To examine the current and future economic status of small market television stations.

The Commission also considers that it is appropriate to review its overall approach to closed captioning.

- **Review of Discretionary Services Framework**

Following its review of the regulatory framework for over-the-air television, the Commission plans to launch a review of its policy frameworks for analog and digital (Category 1 and Category 2) specialty and pay services, pay-per-view services and video-on-demand services. The Commission will examine, among other things, its approach to licensing new pay and specialty services as well as appropriate contributions by specialty, pay, pay-per-view and video-on-demand licences to exhibiting, developing and investing in Canadian programming. The Commission intends to initiate this review in Spring of 2007.

## 2) Economic Prosperity:

- **Forbearance from Regulation - Local Telephone Service**

During 2005 the Commission conducted a proceeding, including a public hearing, to consider criteria for the de-regulation of local telephone services. Where competition develops in a market such that consumers have sufficient and sustainable choice of service providers, the competitive market rather than regulation protects consumer interests and the Commission, in compliance with the *Telecommunications Act*, forbears from regulation. The Commission concluded its proceeding on this matter in the fall of 2005 and issued its decision, *Forbearance from the regulation of retail local exchange services*, [Telecom Decision CRTC 2006-15](#), 6 April 2006. Alternative providers of local telephone service are offering innovative and competitively priced local telephone service in several market areas. This trend has recently accelerated with the introduction of Voice over Internet Protocol (VoIP) technology that facilitates the provision of local telephone services over high-speed Internet connections, as well as over the managed networks of many cable television providers. The Commission will apply its criteria for forbearance from the regulation of local telephone service in proceedings that it expects to conduct in the coming 18 months in response to applications by the telephone companies.

- **Wireless Substitution**

In *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15, 6 April 2006, the Commission considered that mobile wireless did not belong in the same relevant market as wireline local exchange services at that time. The Commission's conclusion was based on the following considerations:

- While the prices of wireline local exchange services and mobile wireless services may be similar in some cases, the pricing methodologies represent a fundamental difference in how the services are priced;
- Generally mobile wireless services are not marketed as a replacement for wireline services;
- The Statistics Canada *Residential Telephone Service Survey*, December 2004, in which Statistics Canada had estimated that, as of December 2004, only 2.7 percent of all households in Canada had replaced their wireline services with wireless services; and
- The Commission's view that while some consumers were substituting mobile wireless services for their wireline services, the level of substitution was not significant enough at the time to provide a constraint.

In *Proceeding to examine whether mobile wireless services should be considered to be in the same relevant market as wireline local exchange services with respect to forbearance, and related issues*, [Telecom Public Notice CRTC 2006-9](#), 16 June 2006, the Commission noted that on 5 April 2006, Statistics Canada released its *Residential Telephone Service Survey*, December 2005 (the 2005 Survey). In the accompanying official release bulletin, Statistics Canada indicated that as of December 2005, the estimated percentage of households in Canada that had replaced their wireline services with wireless services had increased to 4.8 percent. It also indicated that British Columbia, at approximately 7.1 percent, and Alberta, at approximately 5.8 percent, led the way in growth. In the 2005 Survey, Statistics Canada estimated that the percentage of households that had replaced their wireline services with wireless services was approximately 9.6 percent in Vancouver, approximately 6.2 percent in Victoria, and approximately 6.4 percent in Calgary.

In light of this more recent information, which was not available to be taken into account in the proceeding leading to [Decision 2006-15](#), the Commission is re-examining the issue of whether mobile wireless services are in the same relevant market as wireline local exchange services.

- **Wireless Number Portability**

Wireless number portability would allow customers to keep their telephone numbers when switching between wireless service providers, or between wireless and wireline providers. The Budget Plan tabled in Parliament on 23 February 2005 indicated the Government of Canada's preference that the Commission move expeditiously to implement wireless number portability (WNP). On 21 April 2005, the Canadian Wireless Telecommunications Association (CWTA) announced that Canada's wireless carriers had agreed to implement WNP, and on 12 September 2005 presented a report proposing an implementation plan.

In *Implementation of wireless number portability*, [Telecom Public Notice CRTC 2005-14](#), 16 September 2005, the Commission proposed to get the project underway expeditiously, and on 20 December 2005 rendered its decision on issues that required resolution. In its decision the Commission granted wireless carriers direct access to the Canadian number portability systems, determined the acceptable time interval to port a telephone number from one service provider to another and set the dates by which WNP must be implemented, commencing in British Columbia, Alberta, Ontario, and Québec by 14 March 2007.

In *Regulatory issues related to the implementation of wireless number portability*, [Telecom Public Notice CRTC 2006-3](#), 6 February 2006, the Commission launched a follow-up proceeding to resolve remaining operational and service issues. The Commission through this proceeding, and through stakeholder consultation committees, will establish the terms and conditions for the implementation of wireless number portability.

- **Deferral Account**

As a result of the Commission's price regulation and several other determinations in recent years, the major telephone companies accumulated funds in deferral accounts amounting to a total of several hundred million dollars.

In *Disposition of funds in the deferral accounts*, [Telecom Decision CRTC 2006-9](#), 16 February 2006, the Commission determined the guidelines for the disposition of funds remaining in the deferral accounts for the following incumbent local exchange carriers (ILECs): Aliant Telecom Inc., Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications, TELUS Communications Inc., Société en commandite Télébec (Télébec), and TELUS Communications (Québec) Inc. (collectively, the ILECs).

The Commission determined that initiatives 1) to expand broadband services to rural and remote communities and 2) to improve accessibility to telecommunications services for persons with disabilities were appropriate uses of funds in the deferral accounts.

The Commission considered that expanding broadband services in rural and remote communities would enhance their social and economic development, and would be an effective way to reduce the disparity that exists with urban communities. The ILECs are to file proposals for these initiatives by 1 September 2006.

The Commission considered that in order to ensure that funds did not continue to accumulate in the deferral accounts, the ILECs should implement rate reductions. The Commission directed these ILECs to file, by 15 May 2006, proposed rate changes to monthly primary exchange services and optional services for residential subscribers in non-high-cost serving areas. Requirements for Télébec were different from those for other companies.

The Commission will conduct proceedings in the coming year to consider the proposals filed by the ILECs in response to this decision.

- **Price Cap Framework**

In 2002, the Commission set out the four-year price regulation regimes for the ILECs (*Regulatory framework for second price cap period*, [Telecom Decision CRTC 2002-34](#), 30 May 2002 and *Implementation of price regulation for Télébec and TELUS Québec*, [Telecom Decision CRTC 2002-43](#), 31 July 2002). During the 2005-2006 fiscal year, the Commission initiated two proceedings (*Proceeding to consider extending the price regulation regime*, [Telecom Public Notice CRTC 2005-3](#), 13 May 2005 and *Proceeding to consider extending the price regulation regime for Télébec and TELUS*, [Telecom Public Notice CRTC 2005-4](#), 13 May 2005) that sought comments on extending the current frameworks without changes.

In *Extension of the price regulation regime for Aliant Telecom Inc., Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications and TELUS Communications Inc.*, [Telecom Decision CRTC 2005-69](#), 16 December 2005 and *Extension of the price regulation regime for Société en commandite Télébec and TELUS Communications (Québec) Inc.*, [Telecom Decision CRTC 2005-70](#), 16 December 2005, the Commission extended the current price regulation regimes without changes for the ILECs for a period of one year.

The Commission will conduct a review of these regimes in the coming year.

- **Telecom Policy Review Panel**

The Telecom Policy Review Panel provided its final report on 22 March 2006 which contained 127 proposed recommendations, including numerous changes to the policy and regulatory framework for telecommunications. The Commission has begun and will continue to review all the recommendations that apply to it. The Commission will consider which recommendations are appropriate to be implemented in the short term, and will participate by providing analysis and advice where legislative changes and other



initiatives are undertaken by the government. The Commission has struck a working group with the Bureau of Competition Policy to develop recommendations on how the Canadian telecom sector can more effectively benefit from the expertise resident in both agencies: in telecommunications proceedings where principles of competition law and policy and their application are pertinent; in the development of consistent definitions of key terms such as essential facilities; and in the development by the Bureau of guidelines on abuse of dominant power by telecommunications service providers.

- **Proposed Policy Direction**

On 17 June 2006, in the Canada Gazette, the government released a proposed policy direction to the CRTC flowing from the panel's report, following consultation with the Commission. The proposed direction would, among other things, direct the CRTC to rely on market forces to the maximum extent feasible and to regulate, where there is still a need to do so, in a manner that interferes with the operation of market forces to the minimum extent necessary to meet the policy objectives. Prior to the finalization of the proposed policy direction, the Commission will again be consulted. Once a final policy direction is issued, the Commission is required to exercise its powers and perform its duties under the *Telecommunications Act* in accordance with the direction.

- **Reconsideration of VoIP Framework**

In *Regulatory framework for voice communication services using Internet Protocol*, [Telecom Decision CRTC 2005-28](#), 12 May 2005 (Decision 2005-28), the Commission set out the details of the appropriate regulatory framework applicable to the provision of VoIP services.

On 4 May 2006, in Order in Council P.C. 2006-305, the Governor in Council, pursuant to subsections 12(1) and 12(5) of the Act, referred Decision 2005-28 back to the Commission for reconsideration. The Commission was directed to complete its reconsideration of Decision 2005-28 within 120 days of the date of the Order in Council.

In *Reconsideration of Regulatory framework for voice communications services using Internet Protocol*, [Telecom Decision CRTC 2005-28](#), [Telecom Public Notice CRTC 2006-6](#), 10 May 2006, the Commission initiated a proceeding on the reconsideration of Decision 2005-28 as well as on any other matters that may be pertinent to the regulatory framework for VoIP services.

- **Streamlining Procedures**

- **Review of Commission processes**

Streamlining of the Commission processes is of high priority for the coming year. The objectives of the revision are to reduce delays in processing both broadcasting

and telecommunications applications; to establish reasonable service standards for the processing of applications; to establish internal and external guidelines in support of service standards; to consult and inform stakeholders; and to continue to improve the quality of the analyses and decisions.

On the broadcasting side, a public notice seeking comments on proposed broadcasting standards for certain types of applications was issued on 10 February 2006 (*Call for comments on the Commission's service standards*, [Broadcasting Public Notice CRTC 2006-16](#)).

In *Introduction of service standards for certain broadcasting applications*, Broadcasting Circular CRTC 2006-2, 5 April 2006, the Commission announced new service standards for its processing of the following types of applications filed after 31 March 2006: applications for licence amendments and licence renewals currently processed using the public notice approach, as well as applications processed using the administrative approach that does not entail a public process. In *Streamlined processes for certain broadcasting applications*, Broadcasting Circular CRTC 2006-1, 27 March, 2006, the Commission announced procedural changes that it was introducing to streamline and expedite the processing of such applications. It set out an expedited process which entails changes to filing procedures by the industry and an objective to inform applicants, within 15 business days of receipt of an application, of a course of action relative to their application.

The Commission undertook to measure the effectiveness of the streamlined process announced in Circular 2006-1 on an annual basis. It will also post quarterly and annual statistics on its web site to allow an evaluation of its performance in meeting the service standards.

The Commission will examine, in 2006-2007, additional options to increase efficiency. The following areas are currently under review: the processing of requests to add foreign third-language services to the Lists of Eligible Satellite Services; a proposal to exempt from licensing requirements certain types of network operations; revisions to the broadcasting application forms; and a further streamlining of the licence renewal process.

The Commission will issue during 2006-2007 proposed service standards for the processing of applications that are dealt with using the public hearing approach. In the 2006 fiscal year, the Commission will examine streamlining initiatives relative to the public hearing process. This will include a review of the policy concerning the issuance of calls for applications (as a component of the commercial radio policy review); the scheduling of some competitive applications as non-appearing items as a means to expedite the process and reduce appearances at hearings; the use of an accelerated public hearing process; and the processing of Category 2 applications.

On the telecommunication side, the Commission has consulted its stakeholders regarding recent changes to service standards and has sought input for further

refinement of its service standards. Once the consultation processes are completed, the Commission will issue its revised service standards.

- **Expedited Proceedings and Dispute Resolution**

During the past year the Commission employed its expedited hearing process for the resolution of disputes between telecommunications service providers and for a distributor/programmer dispute in broadcasting, together with its dispute mediation and other initiatives for both telecommunications and broadcasting disputes. Early resolution of disputes pre-empts the filing of applications with the Commission, avoids lengthy processes and saves time and resources for stakeholders and the Commission. The Commission will continue its dispute resolution initiatives in 2006-2007.

- **Retail Tariff Applications**

Under the *Telecommunications Act*, the CRTC is required to issue, within 45 business days of receipt of a tariff application, a decision on the application, or if it cannot do so, indicate in writing when it will issue a decision.

In response to stakeholder comments received, the Commission issued *Introduction of a streamlined process for retail tariff filings*, [Telecom Circular CRTC 2005-6](#), 25 April 2005, and *Finalization of the streamlined process for retail tariff filing*, [Telecom Circular CRTC 2005-9](#), 1 November 2005.

Under the streamlined processes the CRTC informs applicant(s) of the status of retail tariff applications within 10 business days of receipt of a complete application. In the first year of its implementation, the Commission issued interim decisions within 10 business days on 70% of these applications, and it has reduced its average time to dispose of retail tariff applications by 50 percent. Results posted on the CRTC Web site indicate that the new service standards have been met and exceeded.

- **Applications for Rate Ranges**

In response to specific applications concerning local VoIP services, the Commission recently approved ranges of rates for a number of VoIP services being introduced by the major telephone companies. In *Rate ranges for services other than voice over Internet protocol services*, [Telecom Public Notice CRTC 2006-8](#), 9 June 2006, the Commission initiated a proceeding on establishing guidelines for dealing with applications requesting approval of rate ranges for regulated services other than local VoIP services.

### 3) Social Prosperity:

- **New Technologies**

- **Subscription Radio Services**

In *Introduction to Broadcasting Decisions CRTC 2005-246 to 2005-248: Licensing of new satellite and terrestrial subscription radio undertakings*, [Broadcasting Public Notice CRTC 2005-61](#), 16 June 2005, the Commission introduced its Broadcasting Decisions CRTC 2005-246 to 2005-248 in which it approved, subject to certain conditions of licence, applications by Canadian Satellite Radio Inc. (CSR), SIRIUS Canada Inc. (Sirius Canada), and CHUM Limited, on behalf of a corporation or a partnership to be established (CHUM/Astral), for licences to operate new radio undertakings that will each provide a package of radio channels to subscribers for a monthly fee. In this notice, the Commission also provides a licensing framework for satellite subscription radio undertakings

CSR launched its service on 21 November 2005, and Sirius Canada launched on 1 December 2005. CHUM has not yet indicated when it will commence operations.

The programming of the CSR and Sirius Canada undertakings is delivered primarily by satellite, with terrestrial transmitters as required to fill in gaps in coverage. Each of these undertakings provides a mix of Canadian-produced channels and non-Canadian produced channels. The service of the CHUM/Astral undertaking is to be delivered entirely by terrestrial transmitters and all channels will be Canadian-produced.

Following the release of the licensing decisions, CSR and Sirius Canada applied to amend their licences to reflect commitments to increase the number of Canadian and French-language channels distributed or contributions to Canadian talent development initiatives, if subscriber levels exceed projections in the 36 months following the launch of their services. These applications were approved in *Satellite Subscription radio undertaking – Licence amendment*, [Broadcasting Decisions CRTC 2006-37](#) and [CRTC 2006-38](#), 10 February 2006.

Since its licensing decision was issued, CHUM has applied to remove the restriction to only distribute 50 Canadian channels, allow a linkage of one foreign channel for each Canadian channel distributed, and be permitted to broadcast 6 minutes per hour of national advertising. In *Terrestrial subscription radio undertaking – Licence amendments*, [Broadcasting Decision CRTC 2006-51](#), 24 February 2006, the Commission approved CHUM's proposal to broadcast no more than six minutes per hour of national commercial messages on any Canadian-produced channel; denied CHUM's proposal to link each Canadian-produced channel offered by the undertaking with a non-Canadian channel and deferred its decision on the proposed amendments related to an increase in the number of channels offered, the percentage of Canadian musical selections broadcast on Canadian-produced channels, and the percentage of programming on those channels that may be devoted to programming

originally broadcast on licensed AM or FM stations. The Commission will make its decision on those proposed amendments if and when CHUM informs the Commission that it intends to launch the service, provides further details on the proposed roll-out of the service, and provides more detail on the nature of any additional channels that it may wish to offer.

- **Distribution of High Definition Pay and Specialty Services**

On 15 June 2006, the Commission issued its *Regulatory framework for the licensing and distribution of high definition pay and specialty services* (Broadcasting Public Notice CRTC 2006-74).

In general, the proposed licensing and distribution framework is intended to encourage the transition of the Canadian broadcasting system to high definition technology. Salient components of the framework include the adoption of a hybrid regime aimed ultimately at issuing new HD-transitional licences to the existing pay and specialty services, but permitting such services to proceed in the short term by way of amendment to their current licences, should that approach better suit their immediate circumstances. In addition, holders of HD-transitional licences will be granted genre protection, consistent with the Commission's existing policies. However, the Commission has also provided that an upgraded programming service's right to distribution will be conditional on a firm commitment on its part to provide certain minimum levels of HD programming. In return, the Commission will require the majority of BDUs to distribute these HD-transitional services but a distributor's obligation to provide distribution will be subject to available capacity until such time as the distributor has completely ceased the distribution of programming services on an analog basis.

The framework imposes the same quality standards for the distribution of the pay and specialty services as previously provided by the Commission for the distribution of the over-the-air services. More specifically, the term "high definition" encompasses both the 720p and 1080i picture formats, as defined by the Advanced Television Systems Committee in its A/53 digital television standard. Additional common measures provide that low definition images subjected to line-doubling techniques or algorithms that stretch a 4:3 picture to fill a 16:9 screen will not be considered to be HD for the purposes of the framework and the program signals of pay and specialty services distributed by a BDU must be of the same quality and in the same format as those received by it, without any degradation.

As regards some of the other matters covered, consistent with the framework's general orientation for a market-driven transition to HD, it eliminates the status provisions (dual status, modified dual status) of the distribution and linkage requirements in a HD environment. It also adheres to the view that wholesale rates for HD services are generally best left to negotiations between the parties as being most consistent with a transition to HD that is market-driven. However, while discretionary wholesale rates will not be set by the Commission, for any HD specialty

service that is mandated for basic distribution under section 9(1)(h) of the Act, the current wholesale rate for the basic distribution of the corresponding analog or SD digital service will apply to the HD version, unless the service applies for and is granted a different rate.

Finally, the Commission noted that the slow pace of the Canadian transition to HD relative to that of the U.S. is a matter of growing comment and concern, both with respect to over-the-air services and pay and specialty services. Given the potential consequences of delay for the Canadian broadcasting system, the Commission expected the broadcast industry to pick up the pace of its transition and noted further that, should this prove not to be the case, it Commission would be prepared to consider further measures to ensure that the objectives of the Act, as well as the Commission's principles and objectives for the transition to digital and HD broadcasting, are accomplished.

#### - **Digital Migration**

A component of the transition to fully digital distribution in Canada is the migration of the existing analog pay and specialty services to a digital distribution environment, and more specifically the migration from an analog to a digital regulatory framework. In *Determination with respect to the establishment of rules to govern the distribution of specialty services on the basic service of fully digital cable undertakings; and call for proposals for a framework to guide the migration of pay and specialty services from analog to digital distribution environment*, [Broadcasting Public Notice CRTC 2005-1](#), 7 January 2005, the Commission called for comments on a framework to guide the transition in a manner that will contribute to the attainment of the objectives of the *Broadcasting Act* and advance, rather than compromise, the transition to high definition digital technology.

Digital technology will permit more efficient delivery of programming services, provide increased flexibility for distributors, facilitate the development of new types of services and related revenue sources for both programmers and distributors, and expand the choice of services for subscribers. The Commission therefore wishes to encourage the rollout of digital distribution technology, and seeks to maximize its contribution to the attainment of the objectives set out in section 3(1) of the Act.

The *Digital Migration Framework*, [Broadcasting Public Notice CRTC 2006-23](#), 27 February 2006, generally requires cable operators, except under specific circumstances, to obtain programmer consent prior to distributing their services on a digital basis. At the same time, the framework provides flexibility to broadcasting distribution undertakings (BDUs) by permitting digital migration to occur, without the need for programmer consent, once the penetration of digital set-top boxes in subscriber households achieves a specified level (a threshold of 85% of subscribers to any given tier). This flexibility ensures that a large proportion of analog subscribers continue to benefit from the analog distribution of the tiers, and that digital subscribers continue to have access to those services on an analog basis on their

second or third television sets, at least for a period of time.

Continued support for programming services is also provided through specific packaging rules which govern, in the analog world how these services are carried and how they may be packaged with non-Canadian services. They will also govern digital distribution over the transition period, including the obligation to mirror the existing analog tiers and analog basic service on a digital basis.

The framework also permits BDUs to respond to consumer demands for increased choice and control by enabling BDUs to offer programming services in many different packaging combinations. Additional flexibility has also been granted to small BDUs.

For the purposes of this framework the Commission has used the following definitions:

- *migration* means the complete shift of a service, or tier of services, from analog to digital distribution by cable BDUs, i.e. the service or tier is no longer available on analog basis;
- *duplication* of service, or tier services, means that it becomes available as a digital offering on a cable BDU, but also remains available as an analog cable service offering; and
- *mirroring* means the replication of an existing analog tier on a cable BDU as a digital package, whether via migration or duplication. When migrated, the tier would be made available on a digital basis, but would no longer be available on analog basis, when duplicated, the tier of services would be available on both an analog and a digital basis.

#### ▪ **Telemarketing – National Do Not Call List**

Bill C-37, an Act to amend the *Telecommunications Act*, S.C. 2005, c.50 (the amended Act), received royal assent on 25 November 2005, and was proclaimed in force 30 June 2006, provides the Commission with the authority to establish a national do not call list (national DNCL) and to delegate the administration of the national DNCL and related functions to a third party. The amended Act also empowers the Commission to levy administrative monetary penalties for violations of its telemarketing rules.

In *Proceeding to establish a national do not call list framework and to review the telemarketing rules*, [Telecom Public Notice CRTC 2006-4](#), 20 February 2006, the Commission initiated a public proceeding, including a public consultation that commenced on 2 May 2006, in relation to the implementation of the national DNCL, the establishment of the national DNCL rules and all the rules related to telemarketing.





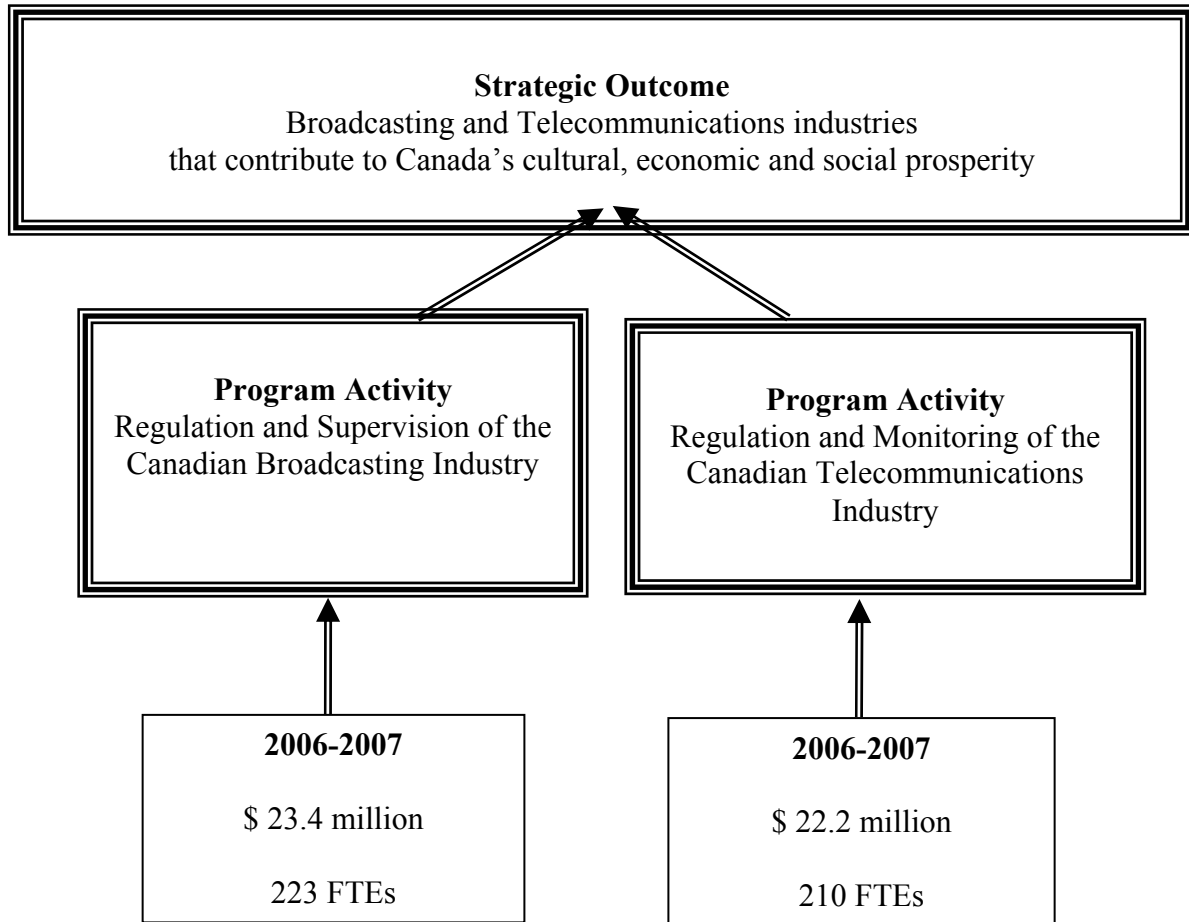
**SECTION II:**

**Analysis of Program Activities by Strategic Outcome**



## Detailed analysis of Program Activity

The CRTC's Program Activity Architecture (PAA), as approved by Treasury Board, is comprised of the following:



**Strategic outcome:**

Broadcasting and Telecommunications industries that contribute to Canada’s cultural, economic and social prosperity.

**Program Activity Name:**

Regulation and supervision of the Canadian broadcasting industry

**Financial Resources:**

2006-2007	2007-2008	2008-2009
\$23.4 million	\$23.5 million	\$23.5 million

**Human Resources:**

2006-2007	2007-2008	2008-2009
223	223	223

The Broadcasting sector provides the Commission with advice and recommendations in support of its mandate to supervise and regulate all aspects of the Canadian broadcasting system in order to implement the broadcasting policy set out in the *Broadcasting Act*.

To meet its objectives, the Commission must encourage the promotion of Canadian creativity, the reflection of Canadian society, and ensure that Canadian programming is prominently displayed in an increasingly globalized world.

To achieve the desired outcomes, the CRTC plans to:

- √ increase the production and viewing of Canadian drama;
- √ ensure diversity of services to reinforce the Canadian broadcasting system;
- √ increase the presence, participation, and portrayal of and access to persons with disabilities and improve representation of our ethnocultural and Aboriginal societies;
- √ ensure licensee compliance with regulations and conditions of licence.

The CRTC will measure its success in achieving the objectives of the *Broadcasting Act* using indicators such as: the number of scheduled hours of Canadian programming; the viewership for Canadian programs; the amount invested in Canadian talent development; the availability of ethnocultural and Aboriginal programming; and the availability of programming in the official language of the minority.

**Program Activity Name:**

Regulation and monitoring of the Canadian telecommunications industry

**Financial Resources:**

2006-2007	2007-2008	2008-2009
\$22.2 million	\$22.2 million	\$22.2 million

**Human Resources:**

2006-2007	2007-2008	2008-2009
210	210	210

The Telecommunications sector develops advice and recommendations to the Commission to ensure the implementation of Canadian telecommunications objectives set out in the *Telecommunications Act*.

The rapid and continued evolution of the telecommunications industry, and the introduction of new services, provides businesses and consumers better and faster ways to communicate. The new services and changes in technology also raise complex issues.

The CRTC will continue to address these issues to take advantage of the innovative technologies that will better serve the telecommunications industries as well as the Canadian public.

To continue to ensure access to a wide variety of communications services for all Canadians, the CRTC plans to:

- √ foster increased reliance on market forces for the provision of telecommunications services;
- √ ensure that regulation, where required, is efficient and effective; and
- √ promote access by all consumers in all regions of the country to reliable and affordable telecommunications services.

The CRTC will continue to monitor the evolution of new technologies in the telecommunications industry and the impact of regulation and deregulation. It will measure progress in ensuring that Canadians have better access to innovative, high-quality and affordable communications services, using national and international indicators such as: analysis of competition (profile of competitors, emergence of alternative service providers); national trends in market share in regulated and unregulated markets; and selected financial (revenue, profits) and economic indicators of industry.



**SECTION III:**

**Supplementary Information**

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## **CRTC Reorganization**

On 15 December 2005, the Commission announced a structural reorganization (detailed in the following CRTC Organization Chart), which will enhance its ability to fulfill the objectives of the *Broadcasting Act* and the *Telecommunications Act* more effectively, and to discharge its regulatory responsibilities more efficiently. This reorganization will place it in a better position to respond to the realities with which the industries it regulates are grappling, as a result of massive and rapid technological change and the blurring of traditional boundaries and lines of business.

Broadcasting and Telecommunications policy and operations will now largely be grouped under a converged structure and leadership. A new integrated Industry Analysis, Economics and Technology section has been created as a resource for both broadcasting and telecommunications. This new section should permit improved understanding of the technological and business changes affecting the industries we regulate.

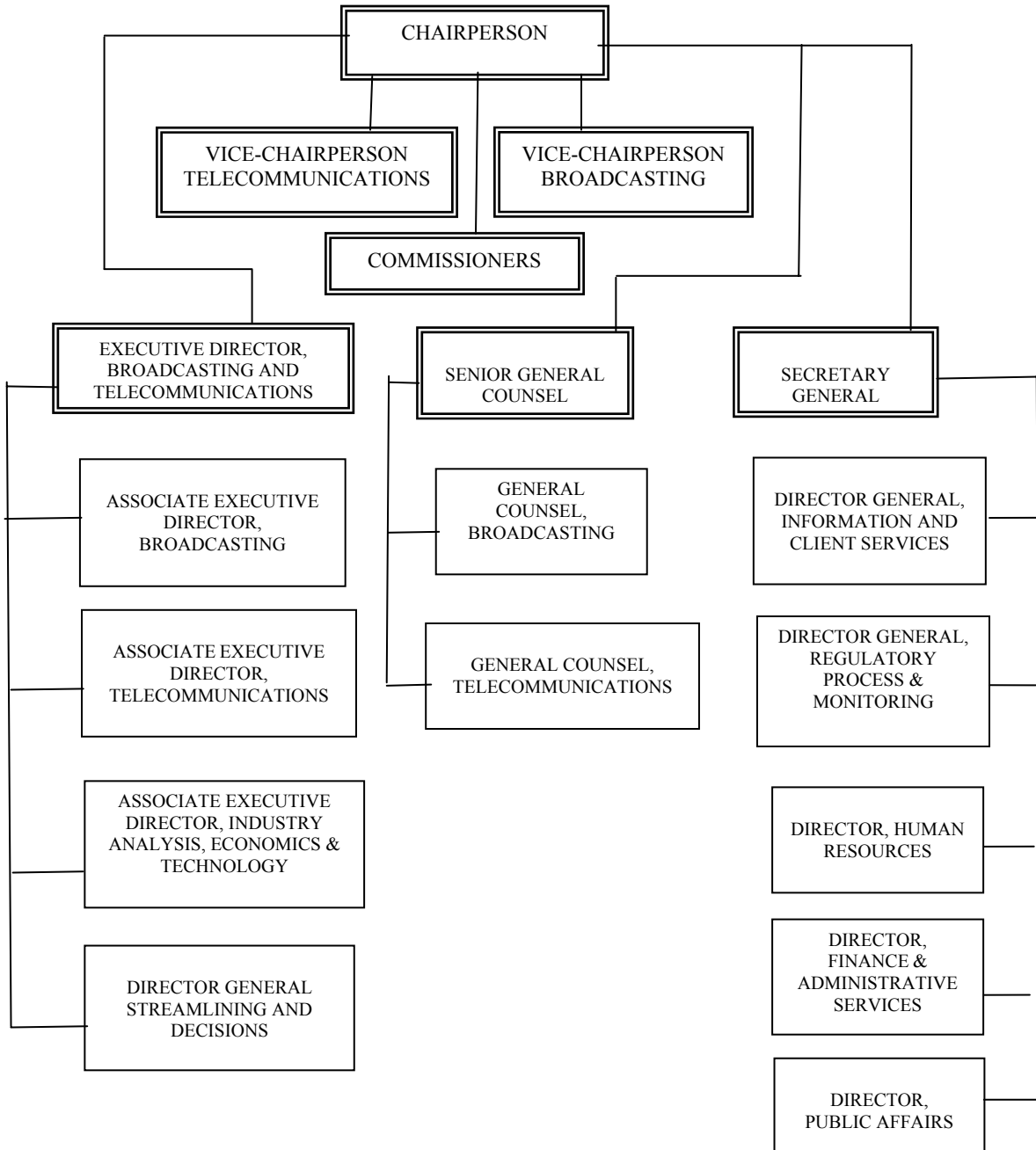
This new structure counts three units, one dedicated to each of broadcasting and telecommunications, and the newly integrated section that will undertake activities of a more converged analytical nature on the broader communications industries, markets and technologies.

The second major change will be a new section which will report to the Secretary General and will be responsible for the monitoring and process activities of the Commission.

It is expected that refinements of this structure will be needed over the next few months, as the Commission learns more about the requirements of the environment and the potential in the organization. These changes will not, however, be of the same magnitude and will be incremental in nature.

# CRTC Organization Chart

(As of 15 December 2005)



*Prior to the reorganization, broadcasting and telecommunications were both headed by their respective Executive Director.*

*Both sectors will now be headed by an Associate Executive Director reporting to the Executive Director, Broadcasting and Telecommunications.*

**Table 1: CRTC Planned Spending and Full Time Equivalents**

(\$ millions)	Forecast Spending 2005-2006	Planned Spending 2006-2007 <sup>1</sup>	Planned Spending 2007-2008	Planned Spending 2008-2009
Regulation and Supervision of the Canadian Broadcasting Industry	22.7	23.4	23.5	23.5
Regulation and Monitoring of the Canadian Telecommunications Industry	20.6	22.2	22.2	22.2
Budgetary Main Estimates (gross)	43.3	45.6	45.7	45.7
Less: Respendable Revenue	37.6	39.8	39.9	39.9
<b>Total Main Estimates</b>	<b>5.7</b>	<b>5.8</b>	<b>5.8</b>	<b>5.8</b>
<i>Adjustments:</i>				
Governor General Special Warrant:				
Operating budget carry forward	1.9	-	-	-
Collective agreements and other compensation adjustments	2.6			
Less: Respendable Revenue	<u>0.9</u>			
Net Amount	1.5	-	-	-
Employee Benefit Plan (EBP)	0.5	-	-	-
<b>Total Planned Spending</b>	<b>9.6</b>	<b>5.8</b>	<b>5.8</b>	<b>5.8</b>
Planned Spending	9.6	5.8	5.8	5.8
Less: Non-Respendable revenue	122.8	130.9	134.5	139.5
Plus: Cost of services received without charge	15.9	15.9	15.9	15.9
<b>Net Cost of Program</b>	<b>(97.3)</b>	<b>(109.2)</b>	<b>(112.8)</b>	<b>(117.8)</b>
Full Time Equivalents	402	433	433	433

<sup>1</sup> The Budgetary Main Estimates for Fiscal Year 2006-2007 includes the voted amount of \$4.9 M (i.e. \$2.5M for the Regulation and Supervision of the Canadian Broadcasting Industry and \$2.4M for the Regulation and Monitoring of the Canadian Telecommunications Industry) appropriated through Governor General Special Warrant.

**Table 2: Resources by Program Activity**

2006-2007										
(\$ millions)	Budgetary						Non-Budgetary	Total Main Estimates	Adjustments (planned spending not in Main Estimates)	Total Planned Spending
Program Activity	Operating	Capital	Grants and Contributions	Gross	Revenue	Net	Loans, Investments and Advances			
Regulation and Supervision of the Canadian Broadcasting Industry	23.4	-	-	23.4	20.4	3.0	-	3.0	-	3.0
Regulation and Monitoring of the Canadian Telecommunications Industry	22.2	-	-	22.2	19.4	2.8	-	2.8	-	2.8
Total	45.6	-	-	45.6	39.8	5.8	-	5.8	-	5.8

**Table 3: Voted and Statutory Items**

(\$ millions)			
		2006-2007	2005-2006
Voted or Statutory Items	Truncated Vote or Statutory Wording	Current Main Estimates	Previous Main Estimates
45	CRTC Program Expenditures	-	-
(S)	Contributions to Employee Benefit Plans	5.8	5.7
	Total	5.8	5.7

**Table 4: Services Received Without Charge**

2006-2007			
(\$ millions)	Regulation and Supervision of the Canadian Broadcasting Industry	Regulation and Monitoring of the Canadian Telecommunications Industry	Total
Accommodation provided by Public Works and Government Services Canada (PWGSC)	1.5	1.4	2.9
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS	1.5	1.5	3.0
Worker's compensation coverage provided by Human Resources & Skills Development Canada (Note)	-	-	-
Regulation of Broadcasting Spectrum – Industry Canada (IC)	10.0	-	10.0
<i>Total 2006-2007: Services received without charge</i>	13.0	2.9	15.9

Note: Amount is less than \$0.1M therefore no amount is reflected in the table.

**Table 5: Sources of Respendable and Non-Respendable Revenue**

**Respendable Revenue**

(\$ millions)	Forecast Revenue 2005-2006	Planned Revenue 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009
Regulation and Supervision of the Canadian Broadcasting Industry Broadcasting Licence Fees – Part I Plus: Adjustments –Collective Agreements	19.4 0.6	20.4	20.5	20.5
Regulation and Monitoring of the Canadian Telecommunications Industry Telecommunications Fees Plus: Adjustments –Collective Agreements	18.2 0.3	19.4	19.4	19.4
<b>Total Respendable Revenue</b>	<b>38.5</b>	<b>39.8</b>	<b>39.9</b>	<b>39.9</b>

**Non- Respendable Revenue**

(\$ millions)	Forecast Revenue 2005-2006	Planned Revenue 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009
Regulation and Supervision of the Canadian Broadcasting Industry  Broadcasting Licence Fees – Part I Broadcasting Licence Fees – Part II <sup>2</sup>	5.1 112.1	6.6 117.1	6.3 122.1	6.3 127.1
	117.2	123.7	128.4	133.4
Regulation and Monitoring of the Canadian Telecommunications Industry Telecommunications Fees	5.6	7.2	6.1	6.1
<b>Total Non-Respendable Revenue</b>	<b>122.8</b>	<b>130.9</b>	<b>134.5</b>	<b>139.5</b>
<b>Total Respendable and Non-Respendable Revenue<sup>3</sup></b>	<b>161.3</b>	<b>170.7</b>	<b>174.4</b>	<b>179.4</b>

<sup>2</sup> Two legal proceedings have been filed in the Federal Court of Canada (court files T-277-03 and T-276-04) challenging the legality of Part II Licence Fees.

<sup>3</sup> See section entitled “Explanation of Revenue” for further information.

**Table 6: CRTC Fees**

Name of Fee	Fee Type	Fee Setting Authority	Reason for Fee Amendment	Effective date of planned change to take effect	Planned Consultation & Review Process
Telecommunications Fees	Regulatory Service(R)	Telecommunications Act (Section 68)  Telecommunications Fee Regulations, 1995	-	-	See section “Explanation of Revenue” for additional information.  <u>Broadcasting and Telecommunications</u>
Broadcasting Licence Fees	Regulatory Service (R)  Right and Privilege (R&P)	Part I licence fee Broadcasting Act (Section 11) Broadcasting Licence Fee Regulations, 1997  Part II licence fee Broadcasting Act (Section 11) Broadcasting Licence Fee Regulations, 1997	-	-	Full public consultations occur with each change to the telecommunications fee regulations or the broadcasting licence fee regulations.  The CRTC dispute management process pertaining to fees is in place and can be found in Annex B of the Departmental Performance Report 2005, on the CRTC web site at: <a href="http://www.crtc.gc.ca/eng/BACKGRND/dpr2005/dpr2005.htm">http://www.crtc.gc.ca/eng/BACKGRND/dpr2005/dpr2005.htm</a>

Note: The *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fees Regulations, 1995* 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)

## 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*. The CRTC recovers all of the costs incurred for the regulation of the broadcasting and telecommunication industry. For fiscal year 2006-2007:

- ✓ CRTC Part I broadcasting licence fees are estimated at \$27.0 million (\$20.4 million spendable<sup>4</sup> and \$6.6 million in non-spendable<sup>5</sup> revenue). The broadcasting non-spendable revenue also includes a "true-up" adjustment<sup>6</sup> of \$0.3 million; and
- ✓ CRTC telecommunications fees are estimated at \$26.6 million (\$19.4 million spendable and \$7.2 million in non-spendable revenue). The telecommunications non-spendable revenue also includes a "true-up" adjustment of \$1.1 million.

## Broadcasting Licence Fees

Section 11 of the *Broadcasting Act* empowers the Commission to make regulations respecting licence fees. The *Broadcasting Licence Fee Regulations, 1997* apply to all licensees other than those classes of undertakings specifically exempted under section 2 of the 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 2005–2006, the CRTC estimates a total of \$137.2 million in revenue from broadcasting undertakings (\$25.1 million in Part I fees – including "true-up" and adjustments - and \$112.1 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

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<sup>4</sup>The CRTC retains spendable revenue to fund its operating budget.

<sup>5</sup> Non-spendable revenue for Part I broadcasting licence fees and CRTC telecommunications fees recovers the costs incurred by other federal government departments for services (excluding Industry Canada spectrum management) rendered without charge to the CRTC (see table 4 entitled "Services Provided Without Charge" for the Estimates Year) as well as the statutory costs of employee benefit plans. Part II broadcasting licence fees are also considered to be non-spendable revenue. These revenues are credited to the Consolidated Revenue Fund (CRF).

<sup>6</sup> The true-up adjustment represents the difference between the estimated costs initially billed in a previous fiscal year and the actual costs incurred.



Canada (i.e. *Part III Report on Plans and Priorities*). There is an annual adjustment ("true-up") amount to the Part I fee to adjust estimated costs to actual expenditures. Any excess fees or shortfalls are credited or charged to the licensee in a following year's invoice.

The Part II fee is calculated at 1.365% of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the Part II fees on behalf of the government, with all revenues collected being deposited to the Government of Canada's Consolidated Revenue Fund. 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 making the *Telecommunications Fees Regulations*. 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 2005–2006, the CRTC assessed \$24.1 million in telecommunications fees including "true-up" and adjustments.

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 ("true-up") 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.



**SECTION IV:**

**Other Items of Interest**

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## **Implementing Government Initiatives**

The Commission remains fully committed to government-wide initiatives to streamline and modernize the federal legal, regulatory and policy environment.

## **Modernization of Human Resources**

Modernization of HR will continue to be a key priority over the next two years. The CRTC has implemented the initiative in two phases: Phase 1 saw the completion of a generic competency profile for CRTC employees in 2004-2005; Phase 2, extending over the next two years, will see the development of integrated HR and business plans, including succession plans and a strategic learning plan.

## **Order in Council issued by the Governor in Council**

On 8 June 2006, the Governor in Council issued Order in Council P.C. 2006-519 (the OIC), pursuant to section 15 of the *Broadcasting Act* (the Act), which provides that the Governor in Council may request that the Commission hold hearings or make reports on any matter within its jurisdiction under this Act.

In the OIC, the Governor in Council notes that the evolution of audio-visual technologies is profoundly changing how Canadians communicate, express themselves and interact with various media, bringing with it important economic and social implications and leading to a new communications and media environment. The Governor in Council is of the view that the Canadian broadcasting system, using various audio-visual technologies, must remain relevant in a global digital environment and that Canada should continue to play a leading role in the development and usage of world class communications technologies while fostering Canadian cultural choices and broadening public access to local, regional, national and international information and programming. The Governor in Council has therefore requested that the Commission provide a factual report on the future environment facing the whole broadcasting system.

On 12 June 2006, the Commission issued *Call for comments on a request by the Governor in Council pursuant to section 15 of the Broadcasting Act to prepare a report examining the future environment facing the Canadian Broadcasting system*, [Broadcasting Public Notice CRTC 2006-72](#), to fulfill the request set out in the OIC, seeking information from the public addressing the points set out in the OIC. This information will inform the Government's own policy determinations with respect to the future of broadcasting in Canada, as well as the Commission's review of certain aspects of its regulatory framework for over-the-air television.

## **CRTC Members and Offices**

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<b>CRTC Members</b>		
Chairperson	<i>Charles Dalfen</i>	<i>(819) 997-3430</i>
Vice-Chairperson, Broadcasting	<i>Michel Arpin</i>	<i>(819) 994-0870</i>
Vice-Chairperson, Telecommunications	<i>Richard French</i>	<i>(819) 994-8156</i>
Commissioner	<i>Joan Pennefather</i>	<i>(819) 953-7882</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>Rita Cugini*</i>	<i>(819) 997-2431</i>
	<i>(Ontario)</i>	<i>(416) 954-6289</i>
Commissioner	<i>Helen del Val*</i>	<i>(819) 934-6347</i>
	<i>(British Columbia/Yukon Region)</i>	<i>(604) 666-2914</i>
Commissioner	<i>Elizabeth Duncan*</i>	<i>(819) 997-4764</i>
	<i>(Atlantic)</i>	<i>(902) 426-2644</i>

\* These commissioners also have regional responsibilities.

<b>Client Services – Central Office Telephone (Toll-Free)</b>	<b>1-877-249-CRTC (2789)</b>
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<i>Access to Information and Privacy</i>	<i>(819) 997-4274</i>
<i>Information Resource Centre</i>	<i>(819) 997-4484</i>
<i>TDD (Toll-Free)</i>	<i>1-877-902-2782</i>
<i>Media Relations</i>	<i>(819) 997-9403</i>
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<b>Electronic Access</b>	
<i>Internet</i>	<a href="http://www.crtc.gc.ca">http://www.crtc.gc.ca</a>

<b>Our Offices</b>	
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<p><b>In Manitoba</b>  275 Portage Avenue  suite 1810  Winnipeg, Manitoba  R3B 2B3</p> <p>Tel: (204) 983-6306  Fax: (204) 983-6317  TDD: (204) 983-8274</p>	<p><b>In British Columbia</b>  580 Hornby Street  Suite 530  Vancouver, B.C.  V6C 3B6</p> <p>Tel: (604) 666-2111  Fax: (604) 666-8322  TDD: (604) 666-0778</p>

## **Legislation and Associated Regulations**

### **Statutes**

*Canadian Radio-television and Telecommunications Commission Act*

R.S.C. 1985, c. C-22, as amended

*Broadcasting Act*

S.C. 1991, c. 11, as amended

*Telecommunications Act*

S.C. 1993, c. 38, as amended

### **Directions, Rules of Procedures and Regulations**

*Direction to the CRTC (Ineligibility of Non-Canadians)*

*Direction to the CRTC (Ineligibility to Hold Broadcasting Licences)*

*Directions to the CRTC (Direct-to-Home (DTH) Pay-Per-View Television Programming Undertakings) Order*

*Directions to the CRTC (Direct-to-Home (DTH) Satellite Distribution Undertakings) Order*

*Direction to the CRTC (Reservation of Cable Channels)*

*Direction to the CRTC (Reservation of Channels for the Distribution of CPAC)*

*CRTC Rules of Procedure*

*Broadcasting Information Regulations, 1993*

*Broadcasting Licence Fee Regulations, 1997*

*Broadcasting Distribution Regulations*

*Pay Television Regulations, 1990*

*Radio Regulations, 1986*

*Specialty Service Regulations, 1990*

*Television Broadcasting Regulations, 1987*

*CRTC Tariff Regulations*

*CRTC Telecommunications Rules of Procedure*

*Telecommunications Fee Regulations, 1995*

*Canadian Telecommunications Common Carrier Ownership and Control Regulations*