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**Canadian Radio-Television and Telecommunications Commission
(CRTC) Roundtable Consultations:**

CRTC Budgetary Requirements and Fees

OUTCOMES REPORT

August 2007

About the Roundtable Consultations

The roundtable consultations were organized and facilitated by Yves Poisson, Vice-President, Public Policy Forum. Matt Leblanc, Project Assistant, provided logistical support.

About the Author

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About the Public Policy Forum

Building Better Government

The Public Policy Forum is an independent, not-for-profit organization aimed at improving the quality of government in Canada through better dialogue between the public, private and voluntary sectors. The Forum's members, drawn from business, federal and provincial governments, the voluntary sector and organized labour, share a belief that an efficient and effective public service is important in ensuring Canada's competitiveness abroad and quality of life at home.

Established in 1987, the Forum has earned a reputation as a trusted, neutral facilitator, capable of bringing together a wide range of stakeholders in productive dialogue. Its research program provides a neutral base to inform collective decision making. By promoting more information sharing and greater links between governments and other sectors, the Forum helps ensure public policy in this country is dynamic, coordinated and responsive to future challenges and opportunities.

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EXECUTIVE SUMMARY

On behalf of the Canadian Radio-television and Telecommunications Commission (CRTC), the Public Policy Forum (PPF) organized and facilitated three roundtable consultations with CRTC fee stakeholders in Toronto (June 28), Montreal (June 29), and Ottawa (July 18). The purpose of the consultations was for the CRTC and its fee paying stakeholders to engage in a candid and constructive discussion about a proposed increase to the CRTC's operating budget for a period of five years. If approved, a review of the CRTC's budgetary requirements and resource allocations would occur after two and one half years and again in five years. A discussion paper with background information on the rationale and expected outcomes of the proposed fee increase was circulated to all participants in advance of the roundtables.

The CRTC described their rationale for the proposed budget increase as a necessary response to a number of pressure points:

- Delivering on tighter timelines for regulatory decisions.
- Managing the transition in the telecommunications sector toward increased de-regulation.
- New, legislated responsibilities, *e.g.* the National "Do Not Call List" (DNCL).
- The need to update aging information technology (IT) infrastructure and systems.
- A rapidly evolving regulatory landscape characterized by "mega-mergers" and the emergence of new media as a key factor going forward.
- Inflationary and workload pressures.

The CRTC also explained to its stakeholders the results they could expect to see with an increase:

- A 50 percent reduction in public hearing times for broadcasting decisions by the midpoint review.
- Streamlined and simplified processes.
- Reduced regulatory burden on stakeholders as a result of upgraded IT systems and infrastructure.
- Implementation of the government's policy direction to a market-driven telecommunications industry and smarter, lighter regulations in broadcasting.
- Delivering on the CRTC's established Service Standards.
- Research to address new media issues.

Seven major themes emerged from the stakeholder consultations. Further detail on these themes and the CRTC's detailed response is included in the body of the report.

1. Fee stakeholders are committed to working in partnership with the Commission.
2. In general, telecommunications industry stakeholders acknowledged the necessity of some form of fee increase.
3. Major broadcasting programmers do not support a permanent fee increase.
4. Amount and duration of the proposed increase to the CRTC's operating budget.
5. CRTC's internal assessment and review of current processes, operations, and priorities.
6. National Do Not Call List (DNCL).
7. Fee stakeholders offered a number of practical recommendations.

In summary...

On the whole, CRTC fee stakeholders were respectful of the regulator's challenges, appreciated the opportunity to engage in a dialogue about future priorities and budgetary requirements, and expressed willingness to work cooperatively with the Commission. They support the Chairman's four principles and look forward to lighter and smarter regulation.

Participants also expressed some distinct industry-specific messages:

Telecommunications

- Though some stakeholders from the telecommunications industry had concerns with respect to the amount and duration of the proposed fee increase, many understood and appreciated the CRTC's 'pressure points' and therefore why the Commission would seek additional funds at this time. Several telecommunications companies indicated that overall they support the CRTC's request for increased resources, except for the DNCL.
- Other stakeholders indicated that they could support a short-term increase in the CRTC's operating budget provided that it came down again in a few years, once de-regulation had in fact reduced the amount regulatory work for the CRTC

Broadcasting

- According to the broadcasting industry association, major broadcasting programmers do not support a permanent fee increase, and they reached no consensus as to whether a transitional increase over the next 24-30 months would be acceptable.
- Some cable companies expressed support for a short-term increase with a review at the end of that period. However, they pointed out that they are neither the cause nor the beneficiary of some of the CRTC's key pressure points—*e.g.* telecom de-regulation, mega mergers among broadcasting programmers—and therefore should not bear the burden of increased costs to the CRTC as a result of this added workload.

INTRODUCTION

The Canadian Radio-television and Telecommunications Commission (CRTC) was established in 1968 to regulate and supervise Canadian broadcasting and telecommunications in the public interest. 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 foster increased reliance on market forces for the provision of telecommunications services; provide efficient and effective regulation, where required; and ensure that Canadians have access to reliable telephone and other telecommunications services at reasonable prices.¹ The Acts also give authority to the CRTC to collect fees from the broadcasting and telecommunications industries, which fully fund the independent public authority's work.

The broadcasting and telecommunications landscape is evolving rapidly, the result of technological innovation and changing social and economic conditions: new information technologies, the widespread adoption of the Internet, as well as industry convergence and competition are all important facets of this changing reality. Periodically, the CRTC requests additional funds to fulfil its mandate and in order to keep pace with fast-moving industries operating in a competitive environment. In the fall of 2007, the CRTC will be seeking approval from Treasury Board to increase its operating budget by \$8.30-million in 2007-08, \$9.94-million in 2008-09, and \$9.07-million on an ongoing basis thereafter. If approved, a review of the CRTC's budgetary requirements and resource allocations would occur after two and one half years and again in five years.

According to the Treasury Board's *Policy on Service Standards for External Fees*, "it is the policy of the government that those who pay fees for government services are entitled to fundamental information on the services being provided and any associated service standards." On behalf of the CRTC, the Public Policy Forum (PPF) organized and facilitated three roundtable consultations with CRTC fee stakeholders from the broadcasting and telecommunications industries in Toronto (June 28), Montreal (June 29), and Ottawa (July 18), in accordance with the Treasury Board's *Policy on Service Standards for External Fees*. The purpose of the roundtables was to provide an opportunity for the CRTC to explain and justify its resource needs, for fee stakeholders to respond, and for both to engage in a candid and constructive discussion on the Commission's proposed budgetary increase.

To that end, the PPF's roundtable format aimed to provide a neutral space and process through which stakeholders could share perspectives and opinions in a frank manner. Each meeting was held under "Chatham House rules": the discussion was on the record, but individual comments have not been attributed. This report summarizes the major themes coming out of these consultations. The next section summarizes the CRTC's explanation of the need for, and

¹ *CRTC Report on Plans and Priorities, 2007-08.*

expected results of an increase to its operating budget. The following section highlights the major themes that emerged from stakeholder feedback.

REVIEW OF KEY ISSUES—CRTC

Opening Remarks – Robert A. Morin, Secretary-General, CRTC

Mr. Robert Morin, Secretary-General, CRTC, opened each meeting with brief introductory remarks, in which he delivered five messages to fee stakeholders:

- The CRTC considers the mandatory consultation process to be an essential part of engaging with its stakeholders.
- The CRTC consults with fee stakeholders annually on CRTC priorities as part of the Commission’s three-year planning process. The most recent consultation took place in January 2007, where input was received on the CRTC’s priorities.
- The CRTC has the legislative authority under the *Broadcasting Act* and *Telecommunications Act* to make regulations in order to assess fees and recover its costs associated with its statutory responsibilities provided for in these Acts.
- There are a number of CRTC “pressure points” that, collectively, set the context for the proposed budget increase: timeliness; lighter regulation; new media; new mandated obligations; IT infrastructure; and, inflationary and workload pressures.
- The additional resources will help reduce hearing times, lighten the regulatory burden on fee stakeholders, and make the CRTC more knowledgeable of best practices around the globe.

These general remarks were supplemented by brief statements from CRTC staff on specific aspects of the proposed budgetary increase. More details can be found in the Discussion paper (see Annex C).

Broadcasting – Scott Hutton, Associate Executive Director, Broadcasting

There are two key drivers for the CRTC’s budgetary request for additional funds to support its work regulating the broadcasting industry. The first is timeliness: the CRTC wants to reduce by fifty percent the time spent on public hearings (from 12 months to 6 months) to match the 50 percent improvement the CRTC has already made in other proceedings. Mr. Hutton noted that the CRTC has refined its internal process over the past several years, including re-assigning staff to key files, in order to speed up decision times. These efforts have produced positive results, but

they no longer have enough people to re-assign. To keep improving service standards, the broadcasting group needs more staff.

Second, on occasion the CRTC deals with complex cases that require outside expertise. In these instances, the CRTC needs to have the capacity to bring in experts for short periods of time. This will help keep the organization sufficiently nimble to respond quickly to emerging issues as well as reduce response time on complex regulatory decisions.

Policy Development and Research (PDR) – Namir Anani, Associate Executive Director, Policy Development and Research

New media has been exempted from regulation since 1999, a decision that at the time reflected the embryonic state of the industry. Since that time, however, the pace of change has been rapid. Almost 6 million Canadians have broadband connectivity to the Internet. Moreover, business models and the economics of the Internet have changed significantly in recent years with advertising spending on the Internet reaching approximately \$1-billion in 2006, double that of 2005 (\$562-million) and almost a third of the spending on TV advertising. Furthermore, Canadians' online habits and adoption of new media have seen a dramatic shift recently in the way they access, use, exchange, and interact with content and each other.

Additional resources will help the CRTC respond in a timely and informed manner to this fast evolving environment, and to the issues raised by the industry in the December 2006 Section 15² report. This report was prompted by a Governor-in-Council request for “a factual record on the future environment facing the whole broadcasting system that will inform the Government's own policy determinations with respect to the future of broadcasting in Canada”. Future work will build on this evaluation and include research/analysis, public hearings, and policy formulation to meet the objectives of the Broadcasting and Telecommunications Acts. A report is planned for release by the CRTC in March 2008 outlining the impacts of new media; this report will also serve as the basis for discussion at the public hearings to be held in 2008-2009.

The second proposed area of focus in PDR is the fast evolving economic landscape in the Broadcasting and Telecommunications industries—particularly the so-called “mega mergers”. These increasingly frequent mergers involve massive financial commitments driven by tight

² A section 15 report refers to a report prepared pursuant to section 15 of the *Broadcasting Act* in which the CRTC shall, on request of the Governor in Council, hold hearings or make reports on any matter within the jurisdiction of the CRTC under the *Broadcasting Act*. In June 2006, the Government issued a request to the CRTC to provide a report on the future environment facing the broadcasting system. On 14 December 2006, the Commission issued the report addressing the evolution of technologies, usage of audio-visual technologies by Canadians and the impact on the broadcasting system.

market deadlines. For broadcasters, these complex transactions require thorough evaluation and the ability to respond rapidly to these and other increasingly large number of ongoing change of ownership requests. The CRTC requires the resources to advance these cases as quickly as possible, while meeting the objectives of the *Broadcasting Act*.

Telecommunications – Fiona Gilfillan, Associate Executive Director, Telecommunications

The increased budget for the telecommunications branch reflects:

- the need to have the capacity to bring in specialized expertise on certain issues;
- the new legislated responsibility to establish and administer a National Do Not Call List (DNCL);

Without additional resources, the telecommunications branch's work on other priorities will be affected—*e.g.*, making the transition to less regulation, processing local forbearance applications, completing the essential services and Phase II costing reviews, and the on-going processing of complaints and other applications.

Information Technology (IT) – Jim Stefanik, Director, Finance and Administrative Services

For the past several years, the CRTC has re-allocated IT resources to the broadcasting and telecommunications divisions. As a result, IT expenditures have gone toward maintaining the existing infrastructure and information systems. But this has left IT services near a critical point, with an ever-increasing risk of system and equipment failure. There are five priority areas where IT investments are urgently required: Technology Platform and Equipment Upgrades (infrastructure); Systems Development and Enhancement; Public and Stakeholder Connectivity; Internet / Website Re-development and Enhancement; and IT security.

Communications – Renée Fairweather, Director-General, Communications

The CRTC's Strategic Communications branch has two main priorities:

- Enhanced support to the broadcast and telecommunications sectors, including meeting new, more strict standards of timeliness for posting decisions.
- Improvements to the CRTC website making it more interactive, allowing the filing of reports and enabling it to broadcast hearings in a real time fashion.

Inflationary and Workload Pressures - Jim Stefanik, Director, Finance and Administrative Services

The CRTC's budget has been stable for over four years (with the exception of increases in salary levels as a result of new collective agreements). During this same time, the CRTC has experienced an increase in its workload in several areas including the number of public consultations it has conducted. In addition to an increased volume of consultations, the CRTC has also been subject to general inflationary pressures for a number of items dealing with the public consultation process such as travel, translation and court reporting costs.

Furthermore, for broadcasting related proceedings, section 19 of the Broadcasting Act establishes the statutory requirement of the Commission to cause notice of CRTC documents (e.g. Public Notices and Notices of Public Hearings) to be published in newspapers. Since 2003-2004, CRTC advertising expenses have increased as a result of increased advertising rates and volumes and as such, the CRTC requires additional resources to meet its statutory responsibilities.

MAJOR THEMES—STAKEHOLDER FEEDBACK

The following section identifies seven major themes that emerged from the consultations and the CRTC response to the issues that were raised.

Fee stakeholders are committed to working in partnership with the Commission

Though some fee paying stakeholders opposed elements of the CRTC's proposal for a budgetary increase, there was a stated willingness to work in partnership with the CRTC to develop meaningful solutions to the Commission's resource requirements. Some expressed gratitude that the CRTC had made an effort to reach out to stakeholders by meeting with them on neutral ground in several cities. There was also broad support for the new Chairman's vision of the regulator's role, in particular his focus on timeliness, as well as on finding the right combination of regulation and market forces. Moreover, stakeholders expressed an appreciation of the CRTC's situation and constraints, particularly with respect to the DNCL. To this support of the CRTC's general direction a caveat was added by one participant—namely, a concern that the timeliness principle was being applied to high profile cases at the expense of other regulatory processes.

In general, telecommunications industry stakeholders acknowledged the necessity of some form of fee increase

Telecommunications fee stakeholders are encouraged by the CRTC's move toward deregulation of the telecommunications industry and recognized the irony that this will result in increased regulatory activity in the short term. They said they could support a short-term increase in the CRTC's operating budget provided that it came down again in a few years, once de-regulation had in fact reduced the amount regulatory work for the CRTC. According to one participant: "One of the interesting ironies...is that de-regulation begets regulation, which we like to call the 'regulation of de-regulation'. We've looked at this...and we're not opposed to some increase in funding. We understand that in the kind of transition we're going into, the workload increases dramatically."

Some telecommunications fee stakeholders, however, raised questions about a perceived mismatch between Industry Minister Bernier's policy directive to lighten the regulatory burden on the one hand, and increased fees on the other. The move toward deregulation on the telecommunications side should leave the CRTC with less to do, they argued. These stakeholders felt that the 'optics' of the situation were off—it's difficult for investors to understand the fundamental dynamic of an increased budget for the regulator at a time of de-regulation. The CRTC, they said, will have to better communicate the necessity of this increase to their company's senior executives and investors.

There were also questions as to whether or not the consumer protection agency model, which will monitor the deregulated telecommunications industry, would result in an increased workload for the CRTC.

CRTC Response

On the apparent mismatch between deregulation in the telecommunications industry and increased regulatory activity, the CRTC acknowledged that the workload on the telecommunications side would likely decrease in a few years' time. In the meantime, however, the road to deregulation actually will add to the Commission's workload. Tariff approvals and local forbearance applications were cited as examples of how deregulation will in fact add to the workload. They also expect an increase in consumer inquiries as a result of deregulation, in the short term. The CRTC also clarified that they had not requested any additional resources as part of this budget proposal to deal with the creation of a consumer protection agency, but had highlighted the point that this is another new workload issue the CRTC is dealing with to provide protection to Canadian consumers in an increasingly deregulated telecommunications market.

Major broadcasting programmers do not support a permanent fee increase

According to the broadcasting industry association, major broadcasting programmers do not support a permanent fee increase. They reached no consensus, however, as to whether a transitional increase over the next 24-30 months would be acceptable.

Some cable companies, on the other hand, expressed support for a short-term increase with a review at the end of that period. However, they pointed out that they are neither the cause nor the beneficiary of some of the CRTC's key pressure points—*e.g.* telecom de-regulation and mega mergers among broadcasting programmer—and therefore should not bear the burden of increased costs to the CRTC as a result of this added workload.

Amount and duration of proposed fee increase

Fee stakeholders' main concerns had to do with the amount and duration of the proposed fee increase. Broadcasting fee stakeholders, in particular, had reservations about the amount of the proposed fee increase and therefore could not support a permanent fee increase. Some objected to the CRTC's characterization of the budget as being "stable". They argued that their fees had in fact gone up over the past several years. Several participants noted that both the broadcasting and telecommunications industries are going through a transition period and felt that, in this context, an 18-19 percent increase was inappropriate. One participant warned that the fee increases would have a negative impact on customers. Finally, some pointed out that CRTC fees are only part of the cost of doing business in a regulated industry.

Stakeholders from both industries, but telecoms in particular, expressed concern about the duration of the proposed fee increases. Some of the initiatives (*e.g.* IT upgrades) entail significant upfront costs, but should decline thereafter, they argued. Many stakeholders felt that one-time re-structuring should not be the basis for a long-term fee increase. Telecommunications industry stakeholders were open to the idea of a two and a half year increase; major broadcasters, according to the industry association, did not reach a consensus on this question.

Finally, there were questions about whether the 2007-08 increase would be retroactive, given that budgets for this year have already been set.

CRTC Response

The CRTC responded that budget, and hence fee increases over the past four years have only been for non-discretionary items such as salary increases as a result of a new collective bargaining process. There has been no additional funding provided to the CRTC to deal with new statutory responsibilities or to deal with increased workload and inflationary pressures.

With respect to the duration of the rate increase, CRTC officials indicated that the proposed increase was for a period of five years to provide the CRTC with the financial certainty it requires to effectively plan its workload and to address its regulatory responsibilities. However, this being said, CRTC pointed out that it expects that as result of the transition to lighter and less regulation its workload would change and could potentially lessen and cause a reduction in the level of resources it requires. The CRTC indicated that it is committed to conducting a review of its resource requirements in two and a half years (i.e. 2009-2010). At that time the CRTC will re-assess its resource needs and allocations. This review will assist in determining what the appropriate resource levels should be on a going forward basis, based on the regulatory environment and the state of the communications industries at that time. They further pointed out that the cost recovery model for financing regulatory bodies such as the CRTC is standard for several other regulatory agencies in Canada as well as in other countries such as the United States.

With respect to the issue of one time expenditures, the CRTC referred its stakeholders to the discussion paper where it was indicated that the CRTC must make significant one-time expenditures during 2007-2008 and 2008-2009, mainly for conducting reviews and studies to facilitate the transformation of the CRTC and its regulatory frameworks, as well as making investments in information technology to respond to the needs of its stakeholders. Once these one-time projects are completed, the CRTC noted that that starting in 2009-2010, resource requirements and the related impact on CRTC fee payers (versus 2008-2009) would decrease by \$.875M (\$.134M for broadcasting and \$.741M for telecommunications).

The CRTC also noted that they appreciate industry's concerns about a retroactive rate increase, and would discuss with Treasury Board officials about how to recover costs for 2007-08. Industry will be advised of the outcome of these discussions.

CRTC's internal assessment and review of current processes, operations, and priorities

A key objection to the proposed fee increases had to do with what some participants perceived as a lack of transparency around the CRTC's internal processes and the extent to which the organization has adjusted its operating model to reflect new circumstances. In particular, stakeholders noted that information on the budgetary increases was incremental, and did not refer to the current baseline. From this perspective, objection to the Commission's fee increase stemmed not so much from an analysis of the merit of the proposed initiatives, but rather from a sense that the organization had not demonstrated that the only way to meet its objectives was through increased funds. Fee stakeholders wanted to see that the CRTC has made every effort to "do more with less," before raising fees. For example: doing less of some things (one participant cited the "Diversity of Voices" proceedings as an example of what they perceived as needless work); and doing other things differently (for example, reforming the way in which applications for Category 2—pay and specialty services—programming are processed). Several participants asked if the CRTC had gone through a prioritization exercise. According to one stakeholder, "that's the kind of re-setting the dial we would like to [see]...it's important to focus on what's

really important and do it really well, [and] it's going to mean some tough choices. Everybody's doing that.”

Some stakeholders noted positive changes at the CRTC, including improved response times on both the broadcasting and telecommunications sides. Without a full understanding of the extent to which the CRTC had prioritized and re-organized internally, however, some stakeholders raised questions about the necessity of several aspects of the fee increases. One had to with the need to bring in outside expertise. There have been large deals in the broadcasting and telecommunications industries in the past, the argument went; why does the CRTC need outside counsel at this point to help them manage ‘mega mergers’?

There was general agreement and support for the view that examining the New Media environment is vital to respond to the potential impacts on the current broadcasting and telecommunications systems. Yet, one participant raised the point that the Section 15 consultations and the subsequent report looked at new media and drew the conclusion that it should remain exempt from regulation. As such, if the CRTC is not going to regulate new media, how does one justify resources to study them? Another participant agreed that though a closer examination of the new media was timely and that some of the potential impacts may even be raised sooner during the upcoming hearings (Diversity of Voices and BDU), other funding avenues for the ongoing examination should be considered such as through the benefit allocation of various mega mergers that are taking place.

In general, the message from stakeholders was: “we respect your challenges, but we can't emphasize enough the need to see and understand that the CRTC is reviewing its operating principles.”

CRTC Response

CRTC staff acknowledged stakeholders' concerns. They emphasized that the Commission reviews and adjusts its processes and priorities on an ongoing basis, and highlighted the fact that opportunities for stakeholder feedback with respect to process improvements have been built into the priority setting process that takes place annually with industry representatives (and which last took place in January 2007). This process is followed up by an annual satisfaction survey of industry stakeholders. Consultation has also been built into the proposed rate increase process, whereby a review of the CRTC's budgetary requirements and resource allocations would occur after two and one half years and again in five years.

The CRTC noted that staff has been re-allocated to address priority concerns, such as telecommunications de-regulation and timeliness in broadcasting proceedings. The telecommunications side, for example, has done “more with less” for the past five years, meeting

a full workload in addition to other responsibilities, including responding to the recommendations in the Telecommunications Review Panel report, reconsidering the Voice-Over Internet Protocol regulatory framework, and establishing an essential facilities review—as well as improving response times. On the broadcasting side, the CRTC has responded to the Minister’s request for a section 15 report on new media and re-allocated staff to deal with the volume of mega mergers. In addition, they have moved people from cable to radio and specialty services because of increasing demand for these services. The Commission is also working on simplifying the application process for Category 2 licences and has been making use of exemption orders to get out of areas where regulation is not necessary. Even with all these internal resource re-allocations based on priorities, the CRTC has reached a point at which it cannot respond to the increased workload associated with non-discretionary regulatory and statutory responsibilities without an increase in funding.

In addition to this ongoing internal process of review, the CRTC will be engaging outside audit professionals to conduct an internal audit to assess the effectiveness and efficiency of the existing regulatory processes, systems and procedures and to serve as a baseline for the identification of future process, system and procedural enhancements. Finally, they noted that the CRTC, as a regulatory body, must take into consideration a range of different interests; they cannot simply abandon services in order to achieve savings.

With respect to new media, CRTC staff responded that this environment is important strategically for Canada from an economic, social, and cultural perspective. The Section 15 report conclusions, combined with the recent accelerated shift in Internet economics (advertising spending) and the increasing penetration of online services, have significant implications for conventional broadcasting and telecommunications systems. An examination of the New Media environment will lead to: an enhanced understanding of these trends and their impacts on existing regulations; informed decision making through a public process; and the formulation of potential policies to meet the objectives of the *Broadcasting* and *Telecommunications* acts.

National Do Not Call List

Telecommunications stakeholders sympathized with the Commission’s situation with respect to the DNCL—an example of a new, legislated responsibility—but they nevertheless objected to paying for the whole amount of CRTC related costs. Many stakeholders took issue with the fact that the telecommunications industry—the carriers—were being asked to pay for the service instead of telemarketers. This, they felt, was not an equitable policy approach to the recovery of costs since it is the telemarketing industry and not the carriers that are driving these incremental costs. Some companies, being both carriers and telemarketers, indicated that they would not object to paying their share as telemarketers.

Why don't telemarketers assume part or all of these costs, they asked? What about telling the government that it's not appropriate to get the program up and running until an appropriate funding situation is in place?

Telecom companies also indicated their willingness to assist the CRTC in convincing the Minister to either approve a change in the existing telecommunications fee regulations or create a new set of fee regulations that would allow the CRTC to charge telemarketers for DNCL related costs.

CRTC Response

The CRTC noted that it had tried to secure other resources to pay for the DNCL, but was not successful. The government's position is that the CRTC has the authority to recover their costs and should do so if necessary to meet this new statutory responsibility. The CRTC noted that it is open to exploring ideas for a long-term solution to fund its costs associated with the DNCL (*e.g.* examine the possibility of creating a new set of fee regulations to charge telemarketers for CRTC related costs), but until such a time the only way for them to pay for this new legislated responsibility is through the existing cost recovery mechanism.

Stakeholders' recommendations

In the spirit of collaboration, fee stakeholders offered a number of practical recommendations to the CRTC.

- Modify the existing telecommunications and broadcasting licence fee regulations. Specific recommendations included: a) broadening the base of telecommunications fee payers; and b) increasing the exemption levels in the broadcasting licence fee regulations, which has not been done for many years, in order to recognize growth in industry revenues and to provide relief to smaller industry players.
- Explore new sources of financing, including charging transaction fees to cover the costs of specific processes, *e.g.* sales of assets, applications for new licenses.
- Explore options to assess the CRTC's costs associated with the National Do Not Call List (DNCL) to the telemarketing industry (*e.g.* work with Treasury Board to amend the existing telecommunications fee regulations or create a new set of fee regulations specific to the telemarketing industry).
- Provide more information and evidence on the review and assessment of internal processes, operations and priorities that would better communicate the case for enhanced funding.
- Get tougher on applicants for licences—this would reduce the amount of public hearings.

- Instead of new legislation, consider reforming the existing *Broadcasting and Telecommunications Acts* to correct the most pressing issues. For example, this could include changing the advertising requirements in Section 19 of the *Broadcasting Act* in order to recognize mechanisms other than newspapers for public notification (e.g. on the CRTC website). These new ways of public notification would respect the policy objectives of the Act while at the same time substantially reducing CRTC costs and, subsequently, broadcasting licence fees.

CRTC Response

CRTC officials acknowledged these recommendations and stated that they would explore them. However, it was indicated that some of the changes requested are beyond the control of the CRTC as they would require either policy decisions of the government and/or legislative changes.

CONCLUSION

On the whole, CRTC fee stakeholders were respectful of the regulator's challenges, appreciated the opportunity to engage in a dialogue about future priorities and budgetary requirements, and expressed willingness to work cooperatively with the Commission. They also support the Chairman's approach, including his four principles, and look forward to continued de-regulation. And though there were questions about how the Commission could justify increasing fees while moving toward de-regulation, many stakeholders recognized that the road to de-regulation will in fact generate more work for the CRTC, at least in the short-term.

Stakeholders also delivered some distinct industry-specific messages:

Telecommunications

- Though some stakeholders from the telecommunications industry had concerns with respect to the amount and duration of the proposed fee increase, many understood and appreciated the CRTC's 'pressure points' and therefore why the Commission would seek additional funds at this time. Several telecommunications companies indicated that overall they support the CRTC's request for increased resources, except for the DNCL.
- Other telecom fee stakeholders indicated that they could support a short-term increase in the CRTC's operating budget provided that it came down again in a few years, once de-regulation had in fact reduced the amount regulatory work for the CRTC

Broadcasting

- According to the broadcasting industry association, major broadcasting programmers do not support a permanent fee increase, and there was no consensus as to whether a transitional increase over the next 24-30 months would be acceptable.
- Some cable companies expressed support for a short-term increase, with a review at the end of that period. However, they pointed out that they are neither the cause nor the beneficiary of some of the CRTC's key pressure points—*e.g.* telecom de-regulation and mega mergers among broadcasting programmer—and therefore should not bear the burden of increased costs to the CRTC as a result of this added workload.

ANNEX A – AGENDA

Canadian Radio-Television and Telecommunications Commission Roundtable Consultation: CRTC Budgetary Requirements and Fees

Toronto (June 28), Montreal (June 29), Ottawa (July 18)

Agenda

- 8:30 a.m. Registration and Continental breakfast
- 9:00 a.m. Welcome and Roundtable Introductions
- *Yves Poisson*, Director, Public Policy Forum
- 9:10 a.m. Introductory remarks
- *Robert A. Morin*, Secretary General, CRTC
- 9:20 a.m. Review of Key Issues – Part I
- Broadcasting issues
 - Policy Development and Research
 - Telecommunications Issues (Including funding requirements for the National Do Not Call List)
 - Information Technology Investments
- Each topic preceded by a brief introduction from CRTC*
- 10:15 a.m. Break
- 10:30 a.m. Review of Key Issues - Part II
- Legal resources
 - Strategic communications
 - Inflationary and Workload issues
 - Impact on CRTC Fee Payers
- Each topic preceded by a brief introduction from CRTC*
- 11:45 a.m. Wrap-up and closing remarks
- *Robert A. Morin*, Secretary General, CRTC
 - Moderator
- 12:00 p.m. Adjourn

ANNEX B – PARTICIPANT LISTS

All 3 meetings

CRTC

Mr. Namir Anani
Associate Executive Director
Policy Development and Research
Canadian Radio-television and Telecommunications Commission

Ms. Renée Fairweather
Director General, Strategic Communications
Canadian Radio-television and Telecommunications Commission

Ms. Fiona Gilfillan
Acting Associate Executive Director Telecommunications
Canadian Radio-television and Telecommunications Commission

Mr. Scott Hutton
Associate Executive Director, Broadcasting
Canadian Radio-television and Telecommunications Commission

Mr. Robert Morin
Secretary General
Canadian Radio-television and Telecommunications Commission

Mr. Jim Stefanik
Director Finance and Administrative Services
Canadian Radio-television and Telecommunications Commission

Public Policy Forum

Mr. Michael Lister
Research Associate
Public Policy Forum

Mr. Yves Poisson
Director, Special Projects
Public Policy Forum
(facilitator)

Toronto, June 28, 2007

Participants

Ms. Pam Dinsmore
Vice President
Rogers Communications Inc

Mrs. Elizabeth Duffy-MacLean
Vice President Public and Regulatory Affairs
Alliance Atlantis Communications Inc

Mr. Ken Engelhart
Vice-President, Regulatory
Rogers Communications Inc

Mr. Gary Maavara
Vice President and General Counsel
Corus Entertainment Inc

Ms. Esther Maier
Director of Finance
CanWest MediaWorks Inc

Mr. Jon Medline
Director, Regulatory Affairs
CanWest MediaWorks Inc

Mr. Glenn O'Farrell
President and Chief Executive Officer
Canadian Association of Broadcasters

Mr. Howard Slawner
Director, Regulatory Matters
Rogers Communications Inc

Montreal, June 29, 2007

Participants

M. Dennis Béland
Directeur, Affaires réglementaires, télécommunications
Quebecor Inc

Mr. Harris Boyd
Regulatory Advisor
Canadian Cable Systems Alliance

Mme Caroline Dignard
Directrice, Affaires juridiques
COGECO Inc

Mr. Chris Edwards
Vice President
Canadian Cable Systems Alliance

M. Michel Gilbert
Directeur Générale, Affaires réglementaires
Télébec

Mrs. Suzanne Gouin
President and Chief Operating Officer
TV5

M. Michel Messier
Directeur, Affaires réglementaires, télécommunications
COGECO Inc

Pierre-Louis Smith
Vice-président
Association canadienne des radiodiffuseurs

M. Denis Rozon
Vice-président et chef de la direction financière
Groupe TVA inc.

M. Édouard G Trépanier
Vice président, Affaires réglementaires
Quebecor Inc

Ottawa, July 18, 2007

Participants

Mr. Barry Chapman
Vice President, Regulatory Affairs
Bell Canada

Ms. Jenny Crowe
Counsel, Regulatory Affairs
MTS Allstream Inc

Mr. Willie Grieve
Vice President, Telecom Policy and Regulatory Affairs
TELUS

Mr. Denis Henry
Vice President Regulatory Affairs
Bell Aliant Regional Communications Inc

Mr. Mike MacInnis
Senior Director, Regulatory Affairs
Bell Canada

Ms. Ann Mainville-Neeson
Director, Broadcast Regulation
TELUS

Mr. Glenn O'Farrell
President and Chief Executive Officer
Canadian Association of Broadcasters

Ms. Cynthia Rathwell
Vice President, Regulatory Affairs and Programming
Shaw Communications

Mr. Dean Shaikh
Director, Regulatory Affairs
Shaw Communications

By Teleconference

Mr. Tim DeWeerd
Regulatory Committee Chair
Ontario Telecommunications Association

Ms. Natalie MacDonald
Director, Regulatory Matters
EastLink

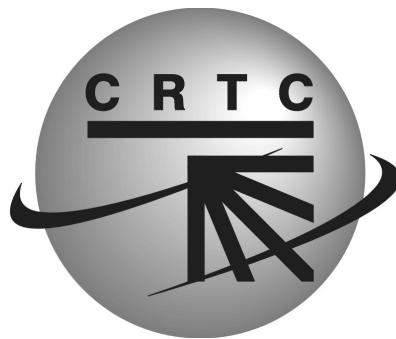
Mr. John Meldrum
Vice-President, Regulatory Affairs
Saskatchewan Telecommunications

Mr. Stan Rowe
Director of Regulatory Affairs
Saskatchewan Telecommunications

M. Édouard G Trépanier
Vice président, Affaires réglementaires
Videotron Ltd
Quebecor Inc

ANNEX C – DISCUSSION PAPER

DISCUSSION PAPER



CRTC FEE PAYER CONSULTATIONS 2007

Toronto – June 28

Montreal – June 29

Gatineau – July 18

Introduction

The Canadian Radio-television and Telecommunications Commission (CRTC) plays an essential role in the Canadian communications environment. It is responsible for regulating the telecommunications and broadcasting industries.

The Commission's work is guided by four principles: transparency, fairness, predictability, timeliness. In following these principles, the CRTC's processes will be completed faster, its guidelines clearer, and its policies forward-thinking.

In the coming years, the CRTC will have to deal with a host of new issues, over and above traditional work, such as:

- Assessing the impact of new media on the broadcasting system and developing appropriate response mechanisms.
- Regulating communications in an age of forbearance and convergence.
- Supervising an industry-driven consumer protection agency.
- Implementing the government policy direction in a systematic way so that all its telecom regulations relies first on market forces with government intervention limited to areas of market failure.
- Establishing a National Do Not Call List, including investigation of violations and enforcement.

The CRTC is funded through fees under the authority of the *Broadcasting Act* and *Telecommunications Act*. These fees are assessed to recover 100 per cent of the operating costs of the Commission.

The CRTC is seeking to increase its operating budget for a period of five years starting this fiscal year to meet the aforementioned challenges. If granted the increase by the Treasury Board, follow-up consultations will take place after two and a half years, and again in five years, with the intention of reporting on the Commission's progress and its ongoing budget requirements and priorities.

Public consultation is a key element of the Commission's operating approach. It allows the CRTC to respond to the Treasury Board policy on "Service Standards for External Fees," which indicates that: "It is the policy of the government that those who pay fees for government services are entitled to fundamental information on the services being provided and any associated service standards."

With the fees increase, CRTC fee payers can expect:

- Reduction of public hearing time for broadcasting decisions by 30 per cent immediately, and by 50 per cent by the midpoint review.
- Streamlining, simplifying and reviewing processes of the CRTC.
- Reduction of the regulatory burden on stakeholders with new IT systems and infrastructure.

- Putting into practice the government's policy direction to a market-driven telecommunications industry and smarter, lighter regulations in broadcasting.
- Delivering on the CRTC's established Service Standards.
- Conducting research to address new media issues and produce the monitoring report on the regulated integrated communications industry.

Scope

The Fee Payer Consultations 2007 will discuss the Commission's progress and goals with respect to its current and future resource allocation.

The scope of the consultations will be restricted to the issues raised in this discussion paper. Current issues before the Commission and substantive matters cannot be addressed during these consultations.

Other items that are not to be included in these consultations are the Part II Broadcasting Licence Fees³ and changing the telecommunications fee regulations to increase the number of fee payers⁴.

These consultations are not decisional in nature. They are intended as an open dialogue on the CRTC's resource requirements including the results that will be achieved. Any major issues raised by participants will be noted and considered by the CRTC.

CRTC Budgets and Funding

The Commission is 100 per cent cost recovered through Part I Broadcasting Licence Fees and Annual Telecommunications Fees. These fees are the Commission's only available source of funding to address its on-going and incremental budgetary requirements.

CRTC budget levels have been stable for over four years, with the exception of increases in salary levels as a result of ratified collective agreements.

³ Part II broadcasting licence fees were collected by the CRTC on behalf of the Government, with all funds deposited to the Consolidated Revenue Fund. The validity of these fees was challenged in the courts. In December 2006, the Federal Court ruled that the Part II licence fees were a tax and will no longer be payable by broadcasters. Reimbursement of sums paid in the past has been requested by fee payers who are plaintiffs in the lawsuits. This issue is currently in front of the Federal Court of Appeal, and it will be up to the Court to determine whether or not there is an entitlement to reimbursement. The CRTC is part of the Crown and therefore sides with the Crown for the purposes of the litigation. Regardless of the Court's ruling, the money will not be controlled by the CRTC.

⁴ CRTC telecommunications fees currently apply to all companies who file tariffs with the Commission. These fees recover all of the costs related to the regulation of the telecommunications industry, and are assessed to each company based on the company's revenue divided by the total telecom revenue, multiplied by the Commission's costs. In November 2006, the Commission issued a decision indicating that there is merit to changing the regulations. The CRTC has started the processes to change the fee regulations. The proposed changes would broaden the fee payer base (i.e. increase the number of companies that pay CRTC fees) and change the basis on which fees are determined and levied. The CRTC is continuing the processes that are necessary make these changes.

Other than non-discretionary increases, the CRTC has not received any additional funding to address its increased workload, inflationary pressures or new statutory responsibilities.

Environmental Scan

The Commission is currently challenged by limited human and financial resources. Technology, consumer habits and a rapidly evolving business environment have resulted in a highly competitive and fast changing marketplace. The following section will illustrate the current environment, and list the major issues facing the CRTC.

New Media

New Media is characterized by rapid technological innovation, along with changing social, cultural and economic conditions, which contribute to a complex regulatory environment. The CRTC realizes that fast access to all kinds of information, music, and video productions is a trait of the New Media environment that will greatly affect its stakeholders. New online services such as Joost and Babelgum promise to compete with conventional broadcasting models by offering parallel-to-TV experiences while bypassing the existing regulatory system.

Through these innovations, and other online broadcasting and telecommunications services, new business models are introduced (targeted advertising, subscription, pay per view). Advertising revenues in the New Media are hitting record highs, and with so many options for consumers, the CRTC must be prepared for the future. Content is becoming more interactive, personalized and, in certain instances, community-based. Consumer behaviour is changing, particularly in the way they access, use, exchange, and interact with content and each other. Interactive and online purchases have personalized the new media experience even further. In order to respond to this new environment, the Commission will need to learn how people are changing, and which factors influence companies when they develop their business plans.

With such an evolution in technology and media services, the Commission faces immense challenges with regard to regulation, content and competition. As the New Media was deemed exempt from regulation in 1999, there is currently minimal data available for any policy development. The Commission needs to research and streamline its current policies to work in a proactive, rather than a reactive manner, which will be of greater benefit to the industry.

It is essential for the Commission to have as much information and research at its disposal in order to make informed decisions. The information produced from the research will be made available to the public and stakeholders.

Mega-Transactions

The Commission is facing new realities in the marketplace. In recent years the Broadcasting and Telecommunications landscape has seen several mergers and acquisitions. This trend is expected to continue as the industry consolidates to respond to the changing economic and technological environment. This year has witnessed the advent of several major deals taking shape including CTV globemedia Inc/ CHUM Limited, CanWest/Alliance Atlantis, and Astral/Standard Radio.

The CRTC has already demonstrated that it can deliver on timeliness. For example, in the case of the CTV-CHUM acquisition, the transaction decision was issued 38 days after the end of the public hearing instead of the usual seven months. A modified procedure was developed and followed, but current resource allocations are inadequate to continue to support this standard. With an increase in the volume of applications, and without additional human and financial resources, the Commission's service levels will be negatively impacted and result in longer processing times.

In order to respond to this reality in an informed and timely manner, increased resource capacity is necessary to research, analyse, and formulate recommendations and policies to respond to the potential impacts that these mergers and acquisitions could have on the Canadian broadcasting landscape.

Telecom Policy Review Panel Report

The Telecom Policy Review Panel Report (TPRP) was published in 2006. It made several recommendations primarily for the telecommunications industry, but included others for the broadcasting industry. The Commission is in the process of implementing changes to comply with the report, mainly its role in the competitive telecom environment, establishing service standards, and setting up a detailed review of Canada's broadcasting policy and regulatory framework by an independent group of experts.

The report also noted the need for the Commission to get more funding. For example, recommendation 9-10 indicates that *"The CRTC should be granted clear authority and sufficient budget to retain outside expert consultants at market rates when they are required to provide specialized expertise or to meet heavy workload requirements."* The telecom industry is changing and in order to adapt, the CRTC will have to look to outside experts for assistance to address complex files.

The TPRP report also made recommendations to improve service standards. For example, recommendation 9-11: *"The CRTC should establish and adhere to published performance service standards for the various forms of regulatory proceedings it runs. These standards should be developed in consultation with the telecommunications industry and the public."* The CRTC has followed up on the recommendation, and publishes service standards on its website. It will continue with this objective, as it provides stakeholders with visible results and timely decisions.

With regard to broadcasting, the TPRP noted that the CRTC should hire a third party to conduct a study to review every aspect of broadcasting policies and regulation. The Commission has engaged communications experts to conduct such a study to cover all elements of radio and television. A report is expected in August 2007. The report will serve as a reference to policy proceedings for specialty services and Broadcast Distribution Undertakings (BDU).

Transformation of the Commission and Regulatory Frameworks

Stakeholders have been clear: The CRTC must remain responsive and timely. The changes occurring throughout the industry support the need for timelier decision-making. The

Commission is driven by the fact that the industry is identifying new opportunities for growth at a faster pace than in the past 20 years, and is expected to increase in speed in the coming years. The Commission's role is to allow the industry to manage change and succeed as well as ensure access and availability of services in the public interest. The CRTC cannot let down the industry or consumer by missing opportunities.

The Government of Canada is driving change at the Commission with the transformation to smarter, lighter regulation in broadcasting, and an increased reliance on market forces in telecom. The CRTC must ensure its infrastructure and processes are evolved to keep up with the demands. Additional resources are now required to assist in the transformation, and result in future benefits for all stakeholders.

Earlier this year, the Government directed the CRTC to oversee and approve the creation of a consumer protection agency. In order to do so, the Commission will have to create an independent agency that is both made up of and funded by telecom service providers. The agency will work under the CRTC's framework, and will develop a code of conduct for the telecom service providers. From there, the agency is to investigate and resolve small-business and consumer complaints. Supervision of the agency will demand the Commission's time and resources.

Information Technology Investments

For the past several years, the CRTC has been reallocating a substantial part of its resources from the Information Technology (IT) budget to the broadcasting and telecommunications divisions. As a result IT expenditures have been essentially made to maintain the existing infrastructure and information systems.

The Commission has now reached a critical point. If it does not invest in its systems developments and infrastructure, there is a risk of equipment failure for its servers and workstations. The CRTC's five year upgrade plan was not followed due to budget constraints and reallocations to the broadcasting and telecommunications divisions. The Commission's technology platform is no longer supported from the manufacturer. It is a crucial element of business matters, since many stakeholders have or will be making the move to the same platform. The Commission needs the technology and systems to continue to evolve with its stakeholders.

Investing in IT will assist in enhancing client services, reducing reporting burden, and providing CRTC staff with effective tools and systems. The Commission will handle business in a secure operating environment, and will have the information required to assist the Commission in the timely issuance of decisions.

Amount of Incremental Resources Requested and Impact on Fee Payers

The CRTC will be seeking approval from Treasury Board to increase its operating budget by \$8.298 million (M) this year, \$9.940M in 2008-2009 and \$9.070M in 2009-2010 and on-going. Taking into account the Public Works and Government Services Canada (PWGSC)

accommodation costs associated with the new employees that would be hired, the full-cost of this request (which would be assessed to CRTC fee payers) amounts to \$8.505M, \$10.461M and \$9.586M.

These requests would be allocated to the broadcasting and telecommunications fee payers as follows: Broadcasting industry: \$4.453M (2007-2008), \$ 5.504M (2008-2009) and \$5.370M (2009-2010) and for the Telecommunication industry \$4.052M (2007-2008), \$4.957M (2008-2009) and \$4.216M (2009-2010).

The CRTC needs to make significant one time expenditures during 2007-2008 and 2008-2009, mainly for conducting reviews and studies as well as making investments in information technology. This explains why resource requirements are higher in the first two years (including 2007-2008 which would only be a partial year if resources are approved this fall). Once these one-time projects are completed, the CRTC forecasts that starting in 2009-2010, on-going resource requirements and the related impact on CRTC fee payers would drop \$.875M (\$.134M broadcasting and \$.741M telecommunications).

Details of the resource requirements and the potential impacts on fee payers are presented in Appendix 2

Conclusion

The Commission believes that service standards, streamlining of processes and policies, reduced regulatory burden and increased timeliness of service to the industry and the public can be achieved with the requested resources.

Appendix 1

Detailed Resource Justifications by Branch

Broadcasting

The financial success of certain sectors of the broadcasting industry such as radio and specialty programming services result in a consistently high volume of broadcasting applications. This demand, along with the industry's pressure to reduce the processing time of applications and to establish service standards where they do not currently exist, can be achieved with additional resources dedicated to the licensing activities of the CRTC.

Within the broadcasting industry, new technologies such as the internet, iPods and digital video recorders are expanding consumers' options and creating new business opportunities. These same technologies are creating uncertainties in current business models.

The CRTC has responded to the new environment by initiating a review of all its main regulations and policies, with the objective of ensuring that the current broadcasting system continues to serve the objectives of the *Broadcasting Act*. It has also recently concluded a review of the Commercial Radio and Conventional Television Policies and has just begun to review its two remaining sectors of Cable Distribution and Pay and Specialty Television Services. As evidenced by the 3-Year Work Plan, each of these policy reviews will be followed by implementation proceedings to address changes to regulations and licence renewals.

The Broadcasting Branch will require resources to support research and development on a variety of policies and procedures that are currently in place, in order to mould them to new media and ownership transactions and regulation.

In order to allow regulatory frameworks and policies to keep pace both with important market and technological advances and continually seek out best practices, the Broadcasting Branch will conduct studies in relation to major policy hearings. These studies will serve to increase the quality and responsiveness of our regulatory regimes. The studies will be in three general areas: 1) International best practices comparisons 2) Update CRTC knowledge base of technology and business practices in relation to our specific regulations and 3) Allow the Broadcasting Branch to remain current with consumer reactions related to technological/business developments. New studies will be made public and will therefore be shared with Broadcasting fee payers.

Policy Development and Research

In June 2006, the Government issued a request to the Commission to provide a report on the future environment facing the broadcasting system. On 14 December 2006, the Commission issued the report addressing the evolution of technologies, usage of audio-visual technologies by Canadians and the impact on the broadcasting system. In the report, the Commission stated that it will conduct reviews of its regulatory frameworks for radio, television and distribution undertakings. In addition, the Commission expressed the view that the current circumstances do not warrant an immediate review of the new media exemption order, but that the Commission intends to continue to monitor this area closely.

New media and technology have allowed a significant amount of video distribution growth (landline and mobile) and the Canadian Internet advertising revenue had significant growth in 2006, surpassing \$1B for the first time. Given these trends, the Commission determined that a new media research project is a high priority issue and a clear understanding of the regulatory response required is necessary.

To meet the demands of media mergers and new media in an efficient, informed way, increased resource capacity is necessary. The CRTC must research, analyse, and develop recommendations and policies to respond to the potential impacts that these acquisitions could have on the Canadian broadcasting landscape.

Additional resources will be used to define the regulatory response as it relates to the new media environment. The activities will include ongoing research, analysis, public hearings, and policy formulation to assess the economic, social and cultural impacts of the New Media environment. The Commission will benchmark with international partners, understand consumer needs, and conduct consultation with the industry, academia, and other private and government stakeholders. With regard to the Ownership and Acquisition area, these resources will be used to enable an enhanced ownership data collection system to reduce the burden on licensees when filing ownership information.

Initial discussions with the industry indicate that fundamental shifts are underway to provide media content on all forms of distribution platforms. These trends raise fundamental questions on the regulations required for the future.

Telecom

The Telecom industry is making the transition to a new world of less telecom regulation. With this transition there will be significant costs in time and effort for the CRTC. The Commission is dedicated to following the government's policy direction, which encourages reliance on market forces, and a re-evaluation of current policies.

The Telecommunication branch is currently focused on processing local forbearance applications, the essential services review, the Phase II costing review, the implementation of the policy direction, the deferral account proceeding, and the on-going processing of complaints and other applications.

On June 30, 2006, amendments to the *Telecommunications Act* gave the Commission new legislative responsibilities to establish and administer the National DNCL. No additional funding was provided to the CRTC for this new statutory regulation. The Commission was also enlisted to enforce the Unsolicited Telecommunications Rules, including the governance of the National DNCL. The new regulatory role includes the power to conduct investigations of violations which could result in the issuance of a notice of violation, and impose an administrative monetary penalty. The Commission has tried unsuccessfully to obtain public funding for its own costs related to the National DNCL, and thus leaving the only available funding as CRTC Telecom Fees.

Additional resources will assist in the Telecom branch's transition to a competitive marketplace, adhere to the 3-Year Work Plan, and seamlessly implement the National Do Not Call List (DNCL) without negatively impacting one another. The Commission has a legislative obligation with respect to the National DNCL. Failure to obtain additional funding means that the Commission must modify its proposed 3-Year Work Plan. In such a case, there will be a significant and negative impact on the Commission's ability to achieve its service standards.

Information Technology

The Commission's IT branch is faced with several challenges in today's economy including complex technology, increased service levels, increased focus on cost efficiencies and security, as well as regulatory and legislative compliance. The CRTC needs to enhance its service level to its external stakeholders, and maintain a balance in the delivery of day to day services.

There are five key areas where IT investment is required:

1. Technology Platform and Equipment Upgrades (i.e. Infrastructure)
2. Systems Development and Enhancement
3. Public and Stakeholder Connectivity
4. Internet / Website Re-development and Enhancement; and
5. IT Security

Through investment in IT systems, the Commission will also reduce the reporting burden on stakeholders. A new system will be introduced that allows data submission to the Commission just once. It must answer to an exponential increase in the number of electronic transactions and information. Finally, to maintain service levels, the CRTC must provide instant feedback and automate many of the administrative functions associated with a paper-based collection.

Legal

The Commission must review its telecommunications policies in light of the Federal Government Cabinet policy direction. It must also assess its broadcasting policies to determine their continued relevance. The CRTC continues to be committed to finding expedited ways to deal with applications, keeping in mind the requirements of the statutes and natural justice. These actions will increase demand on already fully utilized resources. In order to address issues in a timely manner without adverse effects on other matters such as applications for licences or transactions, more resources are necessary to sustain the levels of service we have committed to provide.

The Commission, from time to time, must retain outside expertise in support of accelerated public processes and to provide specialized advice. An example of such needs is for complex ownership transactions. With the increase in ownership transactions and complex applications, these resources are expensive and must be obtained on a timely basis. The Commission's current resource allocation does not support this increase in workload.

The Legal team is involved in every process at the Commission. With the appropriate resources, it would be capable of implementing the National DNCL and carry out the Commission's legislative responsibilities. As the National DNCL becomes operational, there will be an increase in Legal workload. This will be due to the investigation and enforcement requirements for

telemarketers who have been alleged to have violated the National DNCL rules and adjudication for notices of violation. As a new statutory responsibility, the current staffing in the Legal Directorate does not meet the requirements of the program.

Strategic Communications

The Strategic Communications branch is responsible for ensuring the timely delivery of information to the industry, media, and consumers. This is achieved through the web, news releases and other public communications vehicles and tools. To support the Commission's four key principles of transparency, fairness, predictability and timeliness, one of the key objectives is to ensure that complex information is clearly communicated and easily understood by all audiences and communicated in a timely fashion.

One of the priorities of the Strategic Communications branch will be reviewing and revamping the CRTC web site to be more responsive to the industry and consumers. This will include automated technology to provide links to information and documents which is currently done manually. Resources are required to support the technical information needs for the web and to ensure continuous monitoring and updating of information as well as ensure continued support to the industry and consumers.

Inflationary & Workload Pressures

The Commission has been subject to general inflationary pressures for a number of items dealing with the public consultation process such as travel, translation and court reporting costs. Other costs such as external legal and consulting contracting have also increased due to more complex applications and transactions. Statutory requirements for Broadcasting-related proceedings dictate that the Commission must advertise Public Notices in newspapers. With increasing advertising rates and volumes, the CRTC needs additional resources to meet such demands.

Over the past four years, the CRTC's Finance and Human Resources Branches have experienced an increase in their workload due to reporting requirements that are to maintain public sector accountability. Examples of increased reporting includes proactive disclosure on the CRTC website, and increased reporting requirements in the *Report on Plans and Priorities* and *Departmental Performance Reports* which are tabled in Parliament on an annual basis. Additional resources are required by these branches to meet these increased workload requirements in order to support the organizational accountability.

The CRTC will also require resources to meet the statutory obligations of the Official Languages Act as set out in the 2006-2007 audit. The Commission must ensure that it meets the needs of both French and English languages in minority communities.

Reviews of Internal Processes

In 2007-2008 the CRTC will be engaging outside audit professionals to conduct an internal audit of the Broadcasting, Telecommunications, Policy Development and Research sectors and relevant sections within the Corporate Services and Operations sector (i.e. Planning and Process). The audit objective is to review and assess the effectiveness and efficiency of the existing regulatory processes, systems and procedures in support of achieving the CRTC's

statutory mandate and to serve as a baseline for the identification of future process, system and procedural enhancements including service standards.

Starting in 2008-2009 the CRTC will be re-instituting an internal audit capacity at the Commission. This action will allow the CRTC to comply with the Treasury Board Secretariat policy on Internal Audit. The objective of the policy is to strengthen public sector accountability, risk management, resource stewardship and good governance by reorganizing and bolstering internal audit on a government-wide basis. Departments and agencies are required to fully implement this policy before April 1, 2009.

In addition to internal audit, the CRTC intends to undertake a number of other reviews over the next two fiscal years which will look at internal processes to ensure that they are appropriately structured and provide responsive client service to both internal and external clients. The goal of the review will be to streamline CRTC processes and enhance organisational efficiency, effectiveness and economy.

APPENDIX 2

<u>IMPACT ON CRTC OPERATING BUDGET</u>	2007/08	2008/09	On-Going 2009/10
Approved Budget as per Main Estimates for 2007/08	\$45,881,000	\$45,840,000	\$45,840,000
Incremental Operating Budget Requirements	\$8,297,642	\$9,939,637	\$9,070,419
Total Proposed Operating Budget	\$54,178,642	\$55,779,637	\$54,910,419
Average 3 year increase	\$9,102,566	19.9%	

IMPACT ON FEE PAYERS

BROADCASTING	2007/08	2008/09	On-Going 2009/10
Initial 2007/08 Part I Licence Fee Billing Total (including annual adjustment)	\$28,097,000	\$28,100,000	\$28,100,000
Incremental resource requirements attributed to broadcasting activity	\$4,453,308	\$5,503,988	\$5,370,488
Total potential impact on Part I Licence Fees	\$32,550,308	\$33,603,988	\$33,470,488
Average 3 year increase	\$5,109,261	18.2%	

TELECOMMUNICATIONS	2007/08	2008/09	On-Going 2009/10
Initial 2007/08 Billing Total (including annual adjustment)	\$26,133,463	\$26,200,000	\$26,200,000
Incremental resource requirements attributed to telecommunications activity	\$4,051,929	\$4,957,411	\$4,216,036
Total potential impact on Telecommunications Fees	\$30,185,392	\$31,157,411	\$30,416,036
Average 3 year increase	\$4,408,459	16.8%	

Details of Incremental Resource Requirements	2007/08	2008/09	On-Going 2009/10
Broadcasting Sector	\$1,182,530	\$1,202,560	\$1,202,560
Policy Development & Research Sector	\$889,190	\$1,634,807	\$1,634,807
Telecommunications Sector			
National Do Not Call List	\$1,006,073	\$1,772,180	\$1,178,664
Expert consultants to provide specialized expertise & address workload issues	\$700,000	\$500,000	\$500,000
Information Technology Investments	\$2,378,288	\$1,650,903	\$1,533,903
Legal	\$507,963	\$639,230	\$639,230
Strategic Communications	\$190,820	\$464,531	\$464,531
Inflationary & Workload Pressures	\$723,401	\$882,296	\$882,296
Reviews of internal processes to enhance organizational efficiency, effectiveness and economy (e.g. Internal Audit)	\$400,000	\$390,420	\$240,420
	\$7,978,264	\$9,136,927	\$8,276,411
Incremental Employee Benefit Plan Costs	\$319,378	\$802,711	\$794,008
Incremental CRTC Operating Budget Requirements	\$8,297,642	\$9,939,637	\$9,070,419
Accommodation Costs for incremental employees - Public Works and Government Services Costs	\$207,596	\$521,762	\$516,105
Full Cost of Resource Requirement - Impact on CRTC Fee Payers	\$8,505,238	\$10,461,399	\$9,586,524
Incremental resource requirements attributed to broadcasting activity	\$4,453,308	\$5,503,988	\$5,370,488
Incremental resource requirements attributed to telecommunications activity	\$4,051,929	\$4,957,411	\$4,216,036
Total	\$8,505,238	\$10,461,399	\$9,586,524
<u>CRTC Employees</u>			
Number of forecasted employees as per the 2007/08 Report on Plans and Priorities	422	422	422
Incremental Staff Requirement	21	54	54
Total	443	476	476