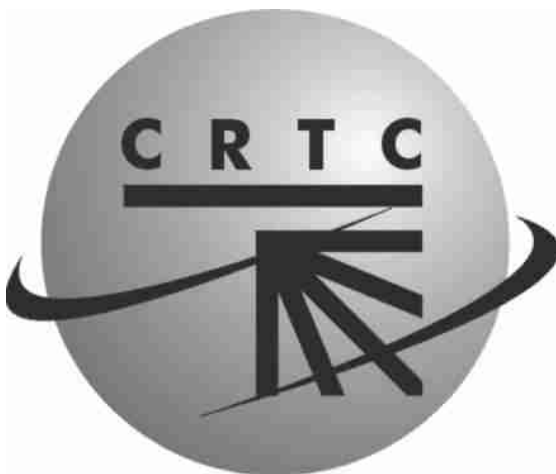


Canadian Radio-television and Telecommunications Commission



**2007-2008
Estimates**

Part III – Report on Plans and Priorities

A handwritten signature in black ink, appearing to read 'B. Oda', positioned above a horizontal line.

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

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SECTION I: Overview



Ottawa, Canada K1A 0M5



As a member of the Canadian Heritage Portfolio, the Canadian Radio-television and Telecommunications Commission (CRTC) plays a significant role in the cultural life of Canadians, as it regulates and supervises the Canadian broadcasting system and the telecommunications industry.

The *Report on Plans and Priorities for 2007-2008* outlines the CRTC goals and work plan for the year. It details its intention to increase 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. CRTC seeks to support a sustainable and competitive Canadian communications industry, and to increase access to a variety of innovative, high-quality communications services, at reasonable prices, that meet consumers' needs and reflect their values.

Canadians now have an unprecedented access to telecommunications, and the ways in which Canadians communicate and enjoy their information and entertainment have profoundly changed. As the world of broadcasting and telecommunications increasingly converge, we recognize the importance of the CRTC work in ensuring that our communications sector is strong and vibrant in the 21st century.

A handwritten signature in black ink, appearing to read 'B. Oda'.

Beverley J. Oda

Canada

Chairman's Message

As the new Chairman of the CRTC, I am pleased to present our Report on Plans and Priorities. During the first year of my mandate, I intend to review the Commission's regulatory approach under the *Broadcasting Act* and the *Telecommunications Act*. I also intend to meet with the various stakeholders in the communications industry to better understand the issues they are dealing with.



These interactions will also provide me with an opportunity to talk about the principles that guide us: transparency, fairness, predictability and diligence. Our decisions must be taken in light of the submissions put forth by the people and organizations who participate in our processes. They must be fair and seek to balance the interests of stakeholders, Canadians and the laws that govern us, while fostering healthy and fair competition in the various markets. Our decisions must also be consistent with previous rulings or carefully explain any deviations or innovations. In terms of diligence, our processes must be effective and expeditious to ensure that we do not impede the vitality of the industries. At the same time, they must make it possible for interested parties to share their points of view on the various issues being examined.

The competence and dedication of the Commission's staff will allow us to accomplish the tasks set out in the following Report. I am delighted to be able to rely on such a team to meet the many challenges awaiting us in the thriving world of communications, as well as relying on the cooperation of the industries and of Canadians. The communications sector has experienced unprecedented change over the last few years, and we are facing increasingly complex issues. However, I am convinced that the CRTC will rise to meet the many challenges awaiting it, while bearing in mind the technological, social and economic changes that are taking place.

A handwritten signature in black ink, which appears to read 'Konrad von Finckenstein'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Konrad von Finckenstein
Chairman

Management Representation Statement

I submit for tabling in Parliament, the 2007-2008 Report on Plans and Priorities (RPP) for the Canadian Radio-television and Telecommunications Commission.

This document has been prepared based on the reporting principles contained in *Guide for the Preparation of Part III of the 2007-2008 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's Strategic Outcomes and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- 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 Treasury Board Secretariat.



Diane Rhéaume, Secretary General
15 February 2007

Overview

The Canadian Radio-television and Telecommunications Commission (CRTC) was established to sustain and promote Canadian culture and achieve key social and economic objectives. The CRTC fulfills this mandate by regulating and supervising 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 ensure, among other things, that increased reliance on market forces for the provision of telecommunications services is fostered, that regulation, where required, is efficient and effective, and 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, the CRTC is an independent public authority and reports to Parliament through the Minister of Canadian Heritage.

The CRTC's 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 CRTC seeks to achieve the above-noted strategic outcome, through two main activities: regulation and supervision of the Canadian broadcasting and telecommunications industry. 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 CRTC fulfils its regulatory responsibilities through a number of interrelated tasks, including the following:

- 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, it must balance the needs and desires of Canadians with those of the communications industry. Through its regulatory function, the CRTC addresses, among other matters, social and cultural issues that might otherwise not receive the attention they deserve. For instance, the CRTC promotes the reflection of Canada's linguistic duality and cultural diversity, the provision of closed captioning for persons who are deaf or have a hearing impairment and descriptive video for persons who are blind or have a visual impairment, 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

CRTC Mandate				
<p>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>.</p>				
Financial Resources				
	2007-2008	2008-2009	2009-2010	
(\$ millions)	45.8	45.8	45.8	
Human Resources				
	2007-2008	2008-2009	2009-2010	
	422	422	422	
Departmental Priorities				
<p>Broadcasting and telecommunications industries that contribute to Canada's cultural, economic and social prosperity</p>				
		Planned Spending (\$ millions)		
Priorities	Type*	2007-2008	2008-2009	2009-2010
Broadcasting*	Ongoing**	23.5	23.5	23.5
Telecommunications*	Ongoing**	22.3	22.3	22.3

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

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

Program Activities by Strategic Outcome

		Planned Spending			
	Expected Results	2007-2008	2008-2009	2009-2010	Contributes to the following priority
Strategic Outcome: Broadcasting and telecommunications industries that contribute to Canada's cultural, economic and social prosperity					
Program Activity Title					
Broadcasting	Canadian content and programming that reflects Canadians Healthy broadcasting industry	\$23.5	\$23.5	\$23.5	A vibrant Canadian culture and heritage
Telecommunications	State-of-the-art technology at reasonable prices Competitive environment	\$22.3	\$22.3	\$22.3	A fair and secure marketplace

Departmental Plans and Priorities

Environmental Context

The 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 *Telecommunications Fee Regulations, 1995* and the *Broadcasting Licence Fee Regulations, 1997*.

The current broadcasting and telecommunications landscape is characterized by rapid technological innovation as well as changing social and economic conditions. Globalization, broadcasting and telecommunication industry convergence, industry competition and the fast changing pace of the economic landscape, the rapid adoption of the Internet and new information technologies, in addition to the changing fabric of Canadian society, all contribute to fast evolving realities. The Commission's ongoing challenge will be to ensure that policies and regulations respond to these new realities and continue to adapt to Canadians' needs.

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 CRTC's decisions, whether taken under the auspices of the *Telecommunications Act* or the *Broadcasting Act*, increasingly have profound ramifications for industry players, whether their respective businesses originated in telephony or broadcasting. The CRTC 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 for the 2007-2010 period

1) Cultural Prosperity:

- a) Linguistic Duality
- b) Cultural Diversity
- c) Implementation of the *Commercial Radio Policy, 2006*
- d) Review of Certain Aspects of the Regulatory Framework for Over-the-Air Television

- e) Review of Discretionary Television Services Framework
- f) Review of the Broadcasting Distribution Regulations

2) Economic Prosperity:

- a) Adapting to an Evolving Environment
- b) Policy Direction
- c) Implementation of Local Forbearance
- d) Industry Self-Regulation
- e) Wireless Number Portability
- f) Numbering
- g) Deferral Accounts
- h) Price Cap Framework
- i) Framework for Wholesale Services
- j) Phase II Costing Review
- k) Research on the Use of Section 36 of the *Telecommunications Act*
- l) Streamlined Procedures in Telecommunications and Broadcasting
- m) Expedited Proceedings and Dispute Resolution in Broadcasting

3) Social Prosperity:

- a) Accessibility Initiatives in Broadcasting
- b) New Technologies
 - Digital and High Definition Broadcasting
 - Mobile Television Broadcasting Services
- c) Telemarketing – National Do Not Call List

1) Cultural Prosperity

a) Linguistic Duality

Section 3(1)(c) of the *Broadcasting 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 *Broadcasting 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) of the *Broadcasting Act* require that CBC programming reflect the “particular needs and circumstances of English and French linguistic minorities” and “strive to be of equivalent quality in English and in French”.

The CRTC is designated by the Minister of Canadian Heritage as a key institution under Part VII of the *Official Languages Act* (OLA). In order to fulfil its mandate under section 41 of the OLA, the CRTC is required to develop an action plan with the

collaboration of minority communities of both official languages. This collaboration enables the CRTC to take into account the priorities of the minority communities in its activities, within the limits of its mandate under both the *Broadcasting Act* and the *Telecommunications Act*.

The CRTC has developed its second official language action plan based on a three-year period (2006-2009) and files annually with Canadian Heritage an achievements report. On an ongoing basis, the CRTC will continue to actively support initiatives that encourage linguistic duality, 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 Act* and *Telecommunications Act*.

b) Cultural Diversity

Beyond supporting linguistic duality, the *Broadcasting 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) of the *Broadcasting Act* 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 CRTC takes two broad approaches to fulfilling this objective. It licenses many services that focus on ethnic and Aboriginal communities, and requires television and radio broadcasters to reflect Canada's diverse reality on Canadian airwaves.

To expand the diversity and choice in television services available to underserved third-language ethnic communities in Canada, the CRTC has taken a number of key actions. In December 2004 the CRTC issued a revised, more open entry approach to the authorization of non-Canadian third-language general interest services for distribution on a digital basis in *Improving the diversity of third-language television services – A revised approach to assessing requests to add non-Canadian third-language television services, to the lists of eligible satellite services for distribution on a digital basis*, Broadcasting Public Notice CRTC 2004-96, 16 December 2004. In November 2005, the CRTC announced the establishment of an open-entry approach for general interest third-language ethnic Category 2 pay and specialty services in *Revised approach for the consideration of broadcasting licence applications proposing new third-language ethnic Category 2 pay and specialty services*, Broadcasting Public Notice CRTC 2005-104, 23 November 2005. To further encourage and expedite the entry of new Canadian third-language services, in November 2006, the CRTC proposed an exemption order for certain third-language services in *Call for comments on a proposed exemption order respecting certain third-language television undertakings*, Broadcasting Public Notice

CRTC 2006-151, 22 November 2006. A final decision is expected in Spring 2007. Meanwhile, the CRTC continues to process new third-language applications and has issued a considerable number of new licences.

The second arm of the CRTC's approach to cultural diversity involves requirements that all broadcasters must fulfil. The CRTC requires broadcasters to improve the reflection of Canadian diversity in programming including the representation, portrayal and participation of visible minorities, Aboriginal peoples and persons with disabilities through specific commitments made at the time of licence renewals. Television broadcasters must file corporate plans on cultural diversity and report annually on their accomplishments in this regard. These reports are available on the CRTC's website.

In addition, following two significant research efforts on the part of private television broadcasters to identify the most pressing needs for action on an industry-wide level (under the auspices of the Canadian Association of Broadcasters (CAB)), the CRTC requires the CAB to report annually on a range of initiatives to which it has committed in order to address those needs identified in the research concerning visible minorities, Aboriginal peoples and persons with disabilities (*Commission's response to the report of the Task Force for Cultural Diversity on Television*, Broadcasting Public Notices CRTC 2005-24, 21 March, 2005 and *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 CAB submitted its first annual report in April 2006.

One of the CAB's key initiatives to date has been a review of its broadcasting industry codes to determine whether they address concerns identified in the research findings regarding reflection and portrayal. The CAB determined that a revised, more inclusive code is needed to establish industry standards for the portrayal of ethnocultural and Aboriginal groups and persons with disabilities. An initial draft of a proposed Equitable Portrayal Code was submitted to the CRTC in July 2006. Commission staff requested adjustments to this draft code in September 2006. A revised draft of the proposed code is expected in March 2007. The CRTC will publish the proposed Equitable Portrayal Code for comments in early Fall 2007.

Furthermore, in *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158 (Public Notice 2006-158), 15 December 2006, the CRTC announced some of the results of its new radio policy following a comprehensive review. As part of that process, the CAB submitted a set of cultural diversity best practices and an annual reporting strategy for all commercial radio broadcasters in order to improve the representation, portrayal and participation of visible minorities and Aboriginal peoples in radio. The CRTC directed the CAB to make a number of amendments to these best practices, including the incorporation of persons with disabilities, and to develop an appropriate annual reporting strategy for small commercial radio stations. Revisions to the best practices are expected in March 2007, and the annual reporting proposal is expected in June 2007. Once the best practices are approved by the CRTC, all commercial radio broadcasters will be expected to adhere to them.

Finally, beginning immediately, the CRTC announced in Public Notice 2006-158 that more than 600 commercial radio stations are now permitted to direct a portion of their required Canadian content development (CCD) spending to projects by independent parties involving Native radio and to programming serving the particular needs and interests of children, Aboriginal peoples, and persons with disabilities. Commercial ethnic broadcasters are now able to direct all of their CCD spending to independent initiatives that support their unique programming content.

c) Implementation of the Commercial Radio Policy 2006

In Public Notice 2006-158, *Revised Policy concerning the issuance of calls for radio applications and a new process for application to serve small markets*, Broadcasting Public Notice CRTC 2006-159, and in *Digital Radio Policy*, Broadcasting Public Notice CRTC 2006-160 all issued 15 December 2006, the CRTC announced the results of its comprehensive review of its commercial radio policy. In the upcoming year, the *Radio Regulations, 1986* will be amended to implement the policy.

In its Digital radio policy, the Commission announced that the current replacement model for L-band digital radio broadcasting (DRB) should be replaced with a new flexible model allowing for new innovative services. For in-band-on-channel (IBOC) technologies, the CRTC stated that, if the Department of Industry authorizes IBOC technology (or another technology such as Digital Radio Mondiale (DRM) for the AM and/or FM bands, it would be prepared to authorize services using the technology under the *Broadcasting Act*. The CRTC also agreed that Digital Multimedia Broadcasting (DMB), Digital Video Broadcasting-Handheld (DVB-H) and other multimedia technologies could deliver innovative programming provided that the spectrum capacity issues are addressed.

The policy notice concluded with an announcement that the CRTC will convene a round table with chief executive officers of the major radio groups in six months time to discuss the industry's proposed plan and implementation schedules for DRB and related issues. The CRTC intends to convene such a round table within the proposed timeframes.

In addition, in order to continue to address market entry issues, and as mentioned in its Revised Policy, the CRTC will meet with the Canadian Association of Broadcasters (CAB) and other broadcasting groups in 2007 to discuss issues related to the confidentiality of financial information concerning stations in smaller radio markets, in an effort to publish as much information as possible concerning the financial health of these markets. It will also address possible approaches to the issuance of calls for applications for new radio licences.

d) Review of Certain Aspects of the Regulatory Framework for Over-The-Air Television

In 2006, the CRTC launched a review of certain aspects of its framework for over-the-air television. A public hearing was held beginning on 27 November 2006 in Gatineau (Broadcasting Notice of Public Hearing CRTC 2006-5, 12 June 2006), the objectives of which were the following:

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

The CRTC also considered it appropriate to review its overall approach to closed captioning.

The CRTC expects to complete its review and issue its conclusions in Spring 2007. Following the issuance of its conclusions the CRTC will be implementing its policy through updated regulations and licence renewal proceedings.

Furthermore, the CRTC intends to review its drama incentive program annually and expects to evaluate the success of the program in the context of the licence renewals for major television licensees scheduled for fiscal year 2008-2009. The CRTC receives detailed annual reports from licensees that participate in the incentive program. These reports are placed on the CRTC website.

e) Review of Discretionary Television Services Framework

Following its review of the regulatory framework for over-the-air television, the CRTC plans to launch a review of its policy frameworks for analog and digital (Category 1 and Category 2) specialty, pay, pay-per-view and video-on-demand services. The purpose of this review is to examine, among other things, the impact of new technologies on this sector, the effectiveness of the CRTC's approach to licensing new pay and specialty services, the appropriate licensing framework for on-demand services, as well as the appropriate contributions by specialty, pay, pay-per-view and video-on-demand licences

to the exhibition and development of, and, investment in, Canadian programming. At the end of the calendar year 2006, Commission staff undertook a series of informal consultations with industry and consumer representatives to assist the CRTC in identifying issues and priorities for that review. The CRTC anticipates that a public notice will be issued in the upcoming fiscal year (2007-2008) initiating the more formal phase of this review.

Following the issuance of its conclusions the CRTC will be implementing its framework through updated regulations and licence renewal proceedings.

f) Review of the *Broadcasting Distribution Regulations*

In last year's 3-Year Work Plan, the CRTC noted its intention to initiate, in 2007-2008, a review of the *Broadcasting Distribution Regulations*. The purpose of the review is to update and simplify the Regulations, and to reflect changes in the environment since they went into effect on 1 January 1998. At the end of the calendar year 2006, Commission staff undertook a series of informal consultations with industry and consumer representatives to assist the CRTC in identifying issues and priorities for that review. The CRTC anticipates that a public notice will be issued in the upcoming fiscal year (2007-2008) initiating the more formal phase of this review.

Following the issuance of its conclusions the CRTC will initiate its licence renewal proceedings.

2) Economic Prosperity

a) Adapting to an Evolving Environment

To ensure that the Canadian Broadcasting and Telecommunications policies and regulations are responsive to Canadian needs, the CRTC will continue to closely examine the Canadian broadcasting and telecommunications marketplace, benchmark with international partners, understand consumer needs, and conduct strategic research in collaboration with the industry, academia, and other private and government stakeholders. The planned strategic research for 2007-2008 will address the New Media environment with the aim of having a better understanding of this fast evolving landscape and its impact on the broadcasting and telecommunications system.

In 2006-2007 the CRTC has commissioned a wide array of analysis and research to support its decision making process with respect notably to new technologies, market conditions, audiences, competitive environment, and ownership issues. Several reports were also published including:

- Section 15 Broadcasting Report

At the request of the Government of Canada and pursuant to section 15 of the *Broadcasting Act*, the CRTC 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, 12 June 2006, to fulfil the request set out in the Order in Council to inform the Government's own policy determinations with respect to the future of broadcasting in Canada, as well as the CRTC's review of certain aspects of its regulatory framework for over-the-air television. Following examination of the comments received the CRTC prepared and issued a report on 14 December, 2006 entitled *The Future Environment Facing the Canadian Broadcasting System*. This report highlighted the evolution of audio-visual technologies and the profound impact this evolution is having on how Canadians communicate, express themselves and interact with various media, leading to important economic and social implications and a new communications and media environment.

- Broadcasting Policy Monitoring Report

As part of an ongoing and yearly assessment of the impact of regulations, policies and decisions on the achievement of the objectives of the *Broadcasting Act*, the CRTC issued on 30 June, 2006 the *Broadcasting Policy Monitoring Report*. This report, which draws upon several sources of information, highlighted the CRTC's initiatives to streamline the decision-making process and new service standards for processing certain types of broadcasting applications. The report also provided an expanded review of the CRTC's digital television policies and data on the availability of high definition services, in addition to the fast adoption of new technologies and devices in accessing new media.

- Telecommunications Monitoring Report

In July 2006, the CRTC issued the yearly *Telecommunications Monitoring Report*, highlighting the status of competition in the Canadian telecommunications markets and in the deployment and accessibility of advanced telecommunications infrastructure and services. The report provided the CRTC and stakeholders with an efficient and effective tool to assess the extent to which the CRTC's regulatory frameworks and determinations are fulfilling the Canadian telecommunications policy objectives set out in section 7 of the *Telecommunications Act*.

b) Policy Direction

The Governor in Council issued a direction, *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives* (the Policy

Direction), under the *Telecommunications Act*. This direction came into effect on 14 December 2006.

The Policy Direction requires that the CRTC, among other things, rely on market forces to the maximum extent feasible and 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.

The Policy Direction applies prospectively to the wide variety of telecommunications-related regulatory issues that the CRTC handles, including matters currently pending before the CRTC, subject to the limitations specified in section 11 of the *Telecommunications Act*.

The CRTC is required to exercise its powers and perform its duties under the *Telecommunications Act* in accordance with the Policy Direction. The CRTC, when relying on regulation, is required to specify the telecommunications policy objective that is advanced by those measures and demonstrate its compliance with the Policy Direction. The CRTC is also required to continue to explore and implement new approaches for streamlining its processes.

c) Implementation of Local Forbearance

On 6 April 2006, the CRTC issued *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15 (Decision 2006-15). This Decision, among other things, established a framework for assessing applications from the incumbent local exchange carriers (ILECs) for forbearance from the regulation of local exchange services (local forbearance).

In *Proceeding to reassess certain aspects of the local forbearance framework established in Decision 2006-15*, Telecom Public Notice CRTC 2006-12, 1 September 2006 (Public Notice 2006-12), the CRTC invited comments regarding whether the 25 percent market share loss test set out in Decision 2006-15 continued to be appropriate. The CRTC also invited comments on whether mobile wireless services should be considered to be part of the same relevant market as wireline local exchange services for forbearance analysis purposes.

On 16 December 2006, the Governor in Council published in the *Canada Gazette, Part I, Proposed Order Varying Telecom Decision CRTC 2006-15* (the proposed Order) pursuant to subsection 12(1) of the *Telecommunications Act*. The proposed Order sets out a revised framework to determine when local forbearance would be granted to the ILECs. The revised framework would, among other things, eliminate the CRTC's 25 percent market share loss test and replace it with a "competitive presence" test.

In light of the above, the CRTC deferred its consideration of the issues in Public Notice 2006-12 pending a final determination with respect to the proposed Order.

Upon coming into force (possibly the first quarter of the 2007-2008 fiscal year), the proposed Order would result in significantly more forbearance applications in the coming 12 to 18 months than would have been the case under the framework established in Decision 2006-15. In the proceedings the CRTC expects to conduct over the next 18 months, it will use the applicable criteria, i.e. the criteria established in Decision 2006-15 or the amended criteria recommended in the proposed Order.

d) Industry Self-Regulation

In Decision 2006-15, the CRTC outlined, among other things, the scope of forbearance to be granted under the local forbearance framework. The CRTC retained only those powers and duties that were strictly necessary to protect the interests of customers, particularly uncontested and vulnerable customers, and to further competition. The CRTC determined that those powers and duties that related strictly to economic regulation should be removed in a forborne environment.

Industry self-regulation in the broadcasting industry has proven to be a successful model for achieving a relaxation of CRTC regulation while still achieving important public policy goals. In Decision 2006-15, the CRTC invited proposals for an industry self-regulation scheme that would permit an even greater degree of deregulation in a forborne market and set out its intention to review which, if any, remaining obligations imposed on ILECs in forborne markets would still be required.

Various markets will be forborne from regulation in the next fiscal year, which will require the CRTC to encourage and monitor the development of self-regulatory systems applicable to all local exchange carriers in forborne markets. If required, the CRTC will conduct a proceeding to review the development of an industry self-regulatory system.

e) Wireless Number Portability

Wireless number portability permits customers to keep their telephone numbers when switching between wireless service providers or between wireless and wireline service providers.

In *Implementation of wireless number portability*, Telecom Decision CRTC 2005-72, 20 December 2005, the CRTC set out the regulatory framework for wireless number portability and set as the date for the launch of wireless number portability 14 March 2007. In *Regulatory issues related to the implementation of wireless number portability – Follow-up to Public Notice 2006-3*, Telecom Decision CRTC 2006-28, 18 May 2006, the CRTC ruled on a number of detailed implementation issues that have permitted the industry to proceed with implementation.

The industry is working diligently in this regard and is on track to start wireless number portability on 14 March 2007. Industry efforts to expand wireless number portability to the majority of the exchanges presently served by wireless carriers' networks will

continue throughout the balance of 2007. The CRTC will resolve, and provide direction on, any implementation issues that may arise as wireless number portability is introduced into smaller markets across Canada.

f) Numbering

Area code 250 in British Columbia and area codes 403 and 780 in Alberta are projected to run out of central office codes within the next several years. The CRTC has formed several ad hoc working groups under the CRTC Interconnection Steering Committee (CISC) to develop recommendations for the relief measures to be implemented for these area codes.

The recommendations have been received by the CRTC and the CRTC has issued *Relief planning for numbering plan areas 403 and 780 in Alberta*, Telecom Public Notice CRTC 2007-1, 11 January 2007, and *Relief planning for numbering plan area 250 in British Columbia*, Telecom Public Notice CRTC 2007-2, 11 January 2007, to seek public comments on the recommendations made by the CISC working groups. Once public input has been received, the CRTC will determine the relief method and the date of implementation for area code relief.

g) Deferral Accounts

In *Disposition of funds in the deferral accounts*, Telecom Decision CRTC 2006-9, 16 February 2006 (Decision 2006-9), the CRTC set out guidelines for the disposition of funds accumulated in the deferral accounts of the following incumbent telephone companies: Aliant Telecom Inc. (now part of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant)), Bell Canada, MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications (SaskTel), TELUS Communications Inc. (now called TELUS Communications Company (TCC)), Société en commandite Télébec (which is now part of Bell Aliant), and TELUS Communications (Québec) Inc. (TELUS Québec, which is now part of TCC). The CRTC concluded that these incumbent telephone companies should, to the greatest extent possible, propose to use funds accumulated in their deferral accounts for initiatives to expand broadband services to rural and remote communities and to improve accessibility to telecommunications services for persons with disabilities.

In particular, the CRTC directed each of these incumbent telephone companies with a positive accumulated balance in its deferral account to allocate a minimum of five percent to fund programs to improve accessibility to telecommunications services for persons with disabilities. These incumbent telephone companies were directed to consult and work with the appropriate advocacy organizations for persons with disabilities prior to submitting their proposals for approval. The CRTC also directed those incumbent telephone companies that wished to pursue broadband expansion to the customer premises located primarily in communities in Bands E and F in high-cost serving areas, where service was not available from any service provider and was not part of their existing commitments or previously planned roll-out, to file proposals in accordance with

the guidelines set out in Decision 2006-9. In preparing their proposals, the incumbent telephone companies were to exclude communities that had received funding or that had been approved for funding from any government broadband expansion program.

In Review of proposals to dispose of the funds accumulated in the deferral accounts, Telecom Public Notice CRTC 2006-15, 30 November 2006, the CRTC initiated a proceeding to consider the proposals submitted by Bell Aliant, Bell Canada, MTS Allstream, SaskTel, and TCC to dispose of the funds accumulated in their deferral accounts.

In the coming year, the CRTC will assess the proposals made by these incumbent telephone companies.

h) Price Cap Framework

In 2002, the CRTC set out the existing price cap regimes for the ILECs (Regulatory framework for second price cap period, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002, and Implementation of price regulation for Télébec and TELUS Québec, Telecom Decision CRTC 2002-43, 31 July 2002).

Price cap regulation places a ceiling on prices an ILEC can charge its subscribers for services that continue to be subject to regulation. Price cap regulation provides the ILECs with incentives to improve efficiency and introduce network and service innovations.

In Review of price cap framework, Telecom Public Notice CRTC 2006-5, 9 May 2006, the CRTC initiated a proceeding to establish the price cap regime that will go into effect in 2007. The proceeding has now concluded and a decision is expected to be issued by 30 April 2007.

i) Framework for Wholesale Services

In 2006, the CRTC issued Review of regulatory framework for wholesale services and definition of essential service, Telecom Public Notice CRTC 2006-14, 9 November 2006, as amended by Telecom Public Notice CRTC 2006-14-1, 15 December 2006 and Telecom Public Notice CRTC 2006-14-2, 15 February, 2007 (Public Notice 2006-14). In this Public Notice, the CRTC initiated a proceeding, including a public hearing to be held in October 2007, to consider a revised definition of essential service, and the classifications and pricing principles for essential and non-essential services made available by incumbent telephone companies, cable carriers, and competitive local exchange carriers (CLECs) to other competitors at regulated rates. The Policy Direction directs the CRTC to complete this review to determine the extent to which mandated access to wholesale services that are not essential services should be phased out and to determine the appropriate pricing of mandated services. It also indicates that the review should take into account the principles of technology and competitive neutrality, the

potential for incumbents to exercise market power in the wholesale and retail markets for the service in the absence of mandated access to wholesale services, and the impediments faced by new and existing carriers seeking to develop competing network facilities.

j) Phase II Costing Review

In response to industry requests and the recommendation set out in the final report of the Telecommunications Policy Review Panel, the CRTC will initiate a proceeding that will undertake a targeted review of the Phase II incremental costing methodology.

k) Research on the Use of Section 36 of the *Telecommunications Act*

Section 36 of the *Telecommunications Act* states the following:

Except where the Commission approves otherwise, a Canadian carrier shall not control the content or influence the meaning or purpose of telecommunications carried by it for the public.

In 2006, the CRTC denied an application filed on behalf of Richard Warman seeking, among other things, interim approval under section 36 of the *Telecommunications Act* to allow Canadian carriers to block access to certain websites. While section 36 of the *Telecommunications Act* does not permit the CRTC to block websites, the application raised important and fundamental questions with respect to the conditions under which the CRTC would make use of section 36 of the *Telecommunications Act*.

The CRTC plans to research the legal and policy issues related to section 36 of the *Telecommunications Act*, which could include consultation with the industry. The CRTC also plans to review and monitor the treatment of this issue in other jurisdictions.

l) Streamlined Procedures in Telecommunications and Broadcasting

The CRTC has been responsive to stakeholders' concerns in that it has improved with great success its regulatory processes. Streamlining of the CRTC's processes will remain a high priority in the next fiscal year to meet the following objectives: reduce delays in processing both broadcasting and telecommunications applications; establish reasonable service standards for the processing of applications; establish internal and external guidelines in support of service standards; consult and inform stakeholders; and continue to improve the quality of the analyses and decisions.

- **Telecommunications**

- Retail and Wholesale 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 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 filings, Telecom Circular CRTC 2005-9, 1 November 2005, the CRTC streamlined the process for the approval of retail tariff applications.

Under the streamlined process for retail tariff applications, the CRTC informs an applicant of the status of its retail tariff application within 10 business days of receipt of a complete application. In the second year of the implementation of the streamlined process, the CRTC issued status notifications within 10 business days on 99 percent of these applications, including interim approval for more than 73 percent of the applications. The CRTC has reduced its average time for the initial disposition of retail tariff applications by more than 50 percent. Results posted on the CRTC website indicate that the revised service standards have been met and exceeded (*Quarterly report on service standards for processing retail tariff applications 1 April 2006 to 31 March 2007*).

In New procedures for disposition of applications dealing with the destandardization and/or withdrawal of tariffed services, Telecom Circular CRTC 2005-7, 30 May 2005, the CRTC set in place procedural changes to expedite the processing of tariff applications dealing with the destandardization and/or withdrawal of tariffed services. These changes have significantly reduced the time required to process such applications.

In Service standards for the disposition of telecommunications applications, Telecom Circular CRTC 2006-11, 7 December 2006 (Circular 2006-11), the CRTC re-introduced service standards for applications regarding intercarrier agreements, international telecommunications services licences, and applications received pursuant to Part VII of the CRTC Telecommunications Rules of Procedure (Part VII applications). The Policy Direction directed the CRTC to publish and maintain performance standards for its various proceedings: Circular 2006-11 establishes standards for the CRTC's various proceedings. The CRTC also indicated that the internal service standards previously adopted for all tariff applications remained appropriate and that the common service standards would now be applied to all tariff applications, whether retail or wholesale in nature. The CRTC established these service standards as follows:

- 85 percent of determinations to be issued on an interim or final basis within two months of receipt of a complete application; and
- 95 percent of determinations to be issued on an interim or final basis within four months of receipt of a complete application.

Part VII Applications

As noted above, the CRTC introduced service standards for Part VII applications in Circular 2006-11. The CRTC noted that Part VII applications vary widely in scope and complexity and considered that a single standard for all Part VII applications would not provide the most meaningful information to applicants and interested parties about expectations for a completion date. Accordingly, the CRTC stated that it would categorize Part VII applications into two types: Type 1 applications that generally do not involve multiple parties or raise significant policy issues, and Type 2 applications that involve multiple parties and/or raise significant policy issues. The CRTC adopted the following service standards for Part VII applications:

- Type 1 Part VII applications:
90 percent of determinations to be issued on an interim or final basis within four months of the close-of-record.
- Type 2 Part VII applications:
85 percent of determinations to be issued on an interim or final basis within eight months of the close-of-record.
- **Broadcasting**

As reported last year, the CRTC announced service standards and put in place procedural changes to streamline and expedite licence amendment and renewal applications dealt with 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 (Circular 2006-1), the CRTC announced an expedited process whereby it would inform applicants of the status of their amendment applications within 15 business days of receiving an application. The CRTC estimated that, in the absence of any significant or unresolved issues or concerns surrounding the applications in question, the processing time could be reduced by approximately half.

In the first nine months of the first year of implementation, all the established service standards have been surpassed and the CRTC has reduced the average time to dispose of amendment applications by 50 percent over last year's results. The timeframes in support of the expedited process are reflected in *Introduction of service standards for certain broadcasting applications*, Broadcasting Circular CRTC 2006-2, 5 April 2006. The results are available on the CRTC website.

In Circular 2006-1, the CRTC announced other areas under review and it has since concluded streamlining review processes in the following areas: processing of requests to add foreign third-language services to the Lists of Eligible Satellite Services, exempting certain network operations from licensing requirements (see *Exemption order respecting certain network operations*, Broadcasting Public Notice

CRTC 2006-143, 10 November 2006); reviewing broadcasting application forms; and reviewing the policy concerning the issuance of radio calls for applications (see *Revised policy concerning the issuance of calls for radio applications and a new process for applications to serve small markets*, Broadcasting Public Notice CRTC 2006-159, 15 December 2006). In addition, the CRTC issued *Streamlining processes for annual reports filed by licensees*, Broadcasting Circular CRTC 2006-6, 21 December 2006, to streamline certain reporting requirements for Class 1 cable distribution undertakings having 20,000 or more subscribers and for television licensees. A public notice proposing to exempt third-language Category 2 specialty undertakings has been issued and this process is expected to be completed this year (see *Call for comments on a proposed exemption order respecting certain third-language television undertakings*, Broadcasting Public Notice CRTC 2006-151, 22 November 2006).

The CRTC has also undertaken an exhaustive review of the process for applications that are processed using the public hearing approach. Significant measures have been identified to streamline and expedite this review process. These measures should be announced in the next fiscal year. It is also expected that a public notice will be issued seeking comments on proposed service standards in this area. A determination will follow after the consultative process is completed.

m) Expedited Proceedings and Dispute Resolution in Broadcasting

The CRTC intends to place greater emphasis on informal dispute resolution and the use of expedited hearings for broadcasting sector disputes. Early resolution of disputes pre-empts the filing of applications with the CRTC, avoids lengthy processes and saves time and resources for stakeholders and the CRTC. Where informal intervention to assist parties in resolving their disputes proves insufficient, the CRTC considers that increased reliance on expedited hearings in certain cases may prove of great value for more timely resolution of those disputes. More generally, all of the existing dispute resolution support provided by the CRTC will remain available in 2007-2008 and subsequent years.

3) Social Prosperity

a) Accessibility Initiatives in Broadcasting

Over time, the CRTC has placed increasing emphasis on making television services more accessible to persons who are blind or who have a visual impairment and those who are deaf or who have a hearing impairment. This Commission objective is prescribed in section 3(1)(p) of the *Broadcasting Act*, which states, as part of the broadcasting policy for Canada, that “programming accessible by disabled persons should be provided within the Canadian broadcasting system as resources become available for the purpose.”

To that end the CRTC recently called for comments on ways to improve the accessibility of television programming for persons who are deaf or hard of hearing. In *Review of certain aspects of the regulatory framework for over-the-air television*, Broadcasting Notice of Public Hearing CRTC 2006-5, 12 June 2006, the CRTC called for comments on (a) the appropriateness of the CRTC adopting a requirement for the captioning of 100 percent of all television programming, (b) the feasibility of captioning in languages other than English or French and the obligations that should be applied to services that broadcast in third languages, and (c) proposals to address ongoing concerns about captioning quality, including the appropriateness of industry standards. The CRTC intends to issue its determinations on these matters in Spring 2007.

The CRTC has also been placing more emphasis on the provision of increasing amounts of programming with described video as a means of enriching the television experience of persons who are blind or who have a visual impairment. Described video is programming that is accompanied by a narrative description of the program’s key visual elements to allow persons who are blind or who have a visual impairment to understand what is occurring on screen.

Since 2001, the CRTC has been imposing conditions of licence on Canadian broadcasters requiring them to provide a certain amount of programming with described video. The CRTC intends to review the obligations of Canadian broadcasters in upcoming licence renewals.

As a follow-up to *Commission requirements for the pass-through of video description – Call for comments on the obligations of smaller broadcasting distribution undertakings*, Broadcasting Public Notice CRTC 2005-18, 25 February 2005, Commission staff is now exploring the extent to which broadcasting distribution undertakings are fulfilling their obligations to pass through the described video programming provided by broadcasters. This review is expected to be completed in Spring 2007, and any further steps will be determined at that time.

b) New Technologies

- **Digital and High Definition Broadcasting**

Since the demand by Canadian viewers, for digital and high definition ((HD) services is rising the CRTC intends to keep it as a high priority for the next fiscal years. On 15 June 2006, the CRTC issued *Regulatory framework for the licensing and distribution of high definition pay and specialty services*, Broadcasting Public Notice CRTC 2006-74, (Public Notice 2006-74). Public Notice 2006-74 was the latest in a series of policy determinations intended to guide the broadcasting industry in its transition from analog to digital technology and ultimately to high definition broadcasting. In the upcoming year, the CRTC intends to conduct a proceeding to implement changes to its regulations arising from Public Notice 2006-74 and from previous public notices dealing with the digital/HD transition. In addition, the CRTC intends to initiate a further proceeding that will finalize the details of the framework to apply to the distribution of HD services by direct-to-home distribution undertakings.

- **Mobile Television Broadcasting Services**

In *Regulatory framework for mobile television broadcasting services*, Broadcasting Public Notice CRTC 2006-47, 12 April 2006 (Public Notice 2006-47), the CRTC announced its determination that certain mobile television broadcasting services provided via cellular telephones by Bell Mobility Inc., TELUS Mobility and Rogers Wireless Inc. were “delivered and accessed over the Internet” and thus fell under the CRTC’s New Media Exemption Order. As a result, these services are not subject to licensing and other regulatory measures under the *Broadcasting Act*. In Public Notice 2006-47, the CRTC noted arguments put forth by interested parties that mobile broadcasting services, as described in the proceeding, are unlikely to compete significantly with traditional broadcasting services due to the limitations of the wireless technology employed, the battery life and screen size of the handset, the poor image and audio quality and the type and range of programming choices offered by the mobile broadcasters.

The CRTC also initiated a further proceeding on a proposed new exemption order that would include mobile television broadcasting undertakings that provide mobile television services that are not delivered and accessed over the Internet. In *Exemption order for mobile television broadcasting undertakings*, Broadcasting Public Notice CRTC 2007- 13, 7 February 2007, the CRTC exempted from licensing requirements and associated regulations those mobile television broadcasting undertakings that provide mobile television services that are received by way of mobile devices and that make use of point-to-point technology.

As noted in the 3-Year Work Plan issued last April, the CRTC monitors technological developments and new distribution platforms on an ongoing basis. The CRTC notes

that mobile broadcasting technologies and applications are evolving rapidly, and anticipates that further proceedings with regard to them will be required over the upcoming three-year period. The CRTC also anticipates that, at some point over the next three years, a wider review of new media and their impact on more traditional broadcasting services will be required.

Telemarketing – National Do Not Call List

Bill C-37, an Act to amend the *Telecommunications Act*, S.C. 2005, c. 50 (the amended Act), which received royal assent on 25 November 2005 and was proclaimed in force 30 June 2006, provides the CRTC 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 CRTC 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, as amended by Telecom Public Notice CRTC 2006-4-1, 13 March 2006, and the CRTC 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. Parties to this proceeding were given the opportunity to make submissions to the CRTC before, during and after the public consultation. In addition, the DNCL operations CISC subcommittee put forth various implementation and operational recommendations.

The CRTC will consider the submissions of all parties as well as the recommendations of the CISC.

Other Items of Interest

Implementing Government Initiatives

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

Modernization of Human Resources

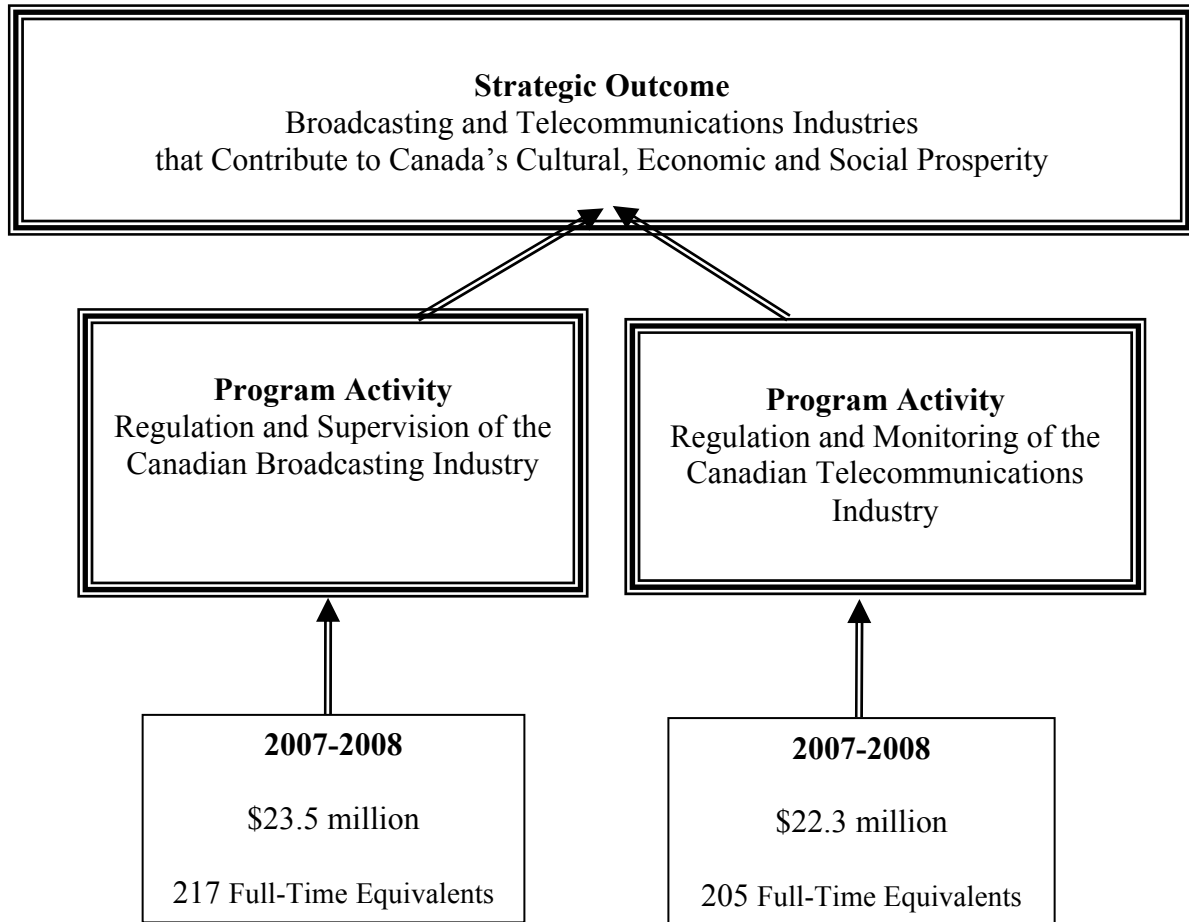
Modernization of Human Resources continues to be a key priority. As the CRTC continues to develop integrated HR and business plans, it will maximize the flexibility it has under the new legislation to attract and recruit the talent and expertise it needs to continue to meet the objectives set out in this report.

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:

Regulation and supervision of the Canadian broadcasting industry

Financial Resources:

2007-2008	2008-2009	2009-2010
\$23.5 million	\$23.5 million	\$23.5 million

Human Resources:

2007-2008	2008-2009	2009-2010
217	217	217

The broadcasting section provides the CRTC 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 CRTC 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; and
- √ 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 content development; the availability of ethnocultural and Aboriginal programming, and the availability of programming in the official language of the minority.

Program Activity:

Regulation and monitoring of the Canadian telecommunications industry

Financial Resources:

2007-2008	2008-2009	2009-2010
\$22.3 million	\$22.3 million	\$22.3 million

Human Resources:

2007-2008	2008-2009	2009-2010
205	205	205

The telecommunications section develops advice and recommendations to the CRTC 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 with 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 de-regulation. 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.

Shared Activity:

Industry and Consumer Research and Analysis

The Industry Analysis, Economic and Technology section conducts strategic research and analysis of trends and developments with respect to the financial, technological, legal, audience, and market conditions of the broadcasting and telecommunications sectors. In doing so, it provides advice on new policy measures to respond to the evolving social, cultural and economic dynamics of the Canadian marketplace.

The CRTC will continue to closely examine the Canadian marketplace, benchmark with international partners, determine consumer needs and conduct strategic research in collaboration with the industry, academia, and other private government stakeholders to:

- ensure that policies and regulations in broadcasting and telecommunications are responsive to Canadians' needs;
- measure and report on progress to ensure that Canadians have high quality services at affordable prices and that programming in Canada is reflective of Canadian society;
- foster increased reliance on market forces for the provision of telecommunications and broadcasting services taking into consideration the various ownership rules applicable to the broadcasting sector.

SECTION III:

Supplementary Information

CRTC Organization Chart

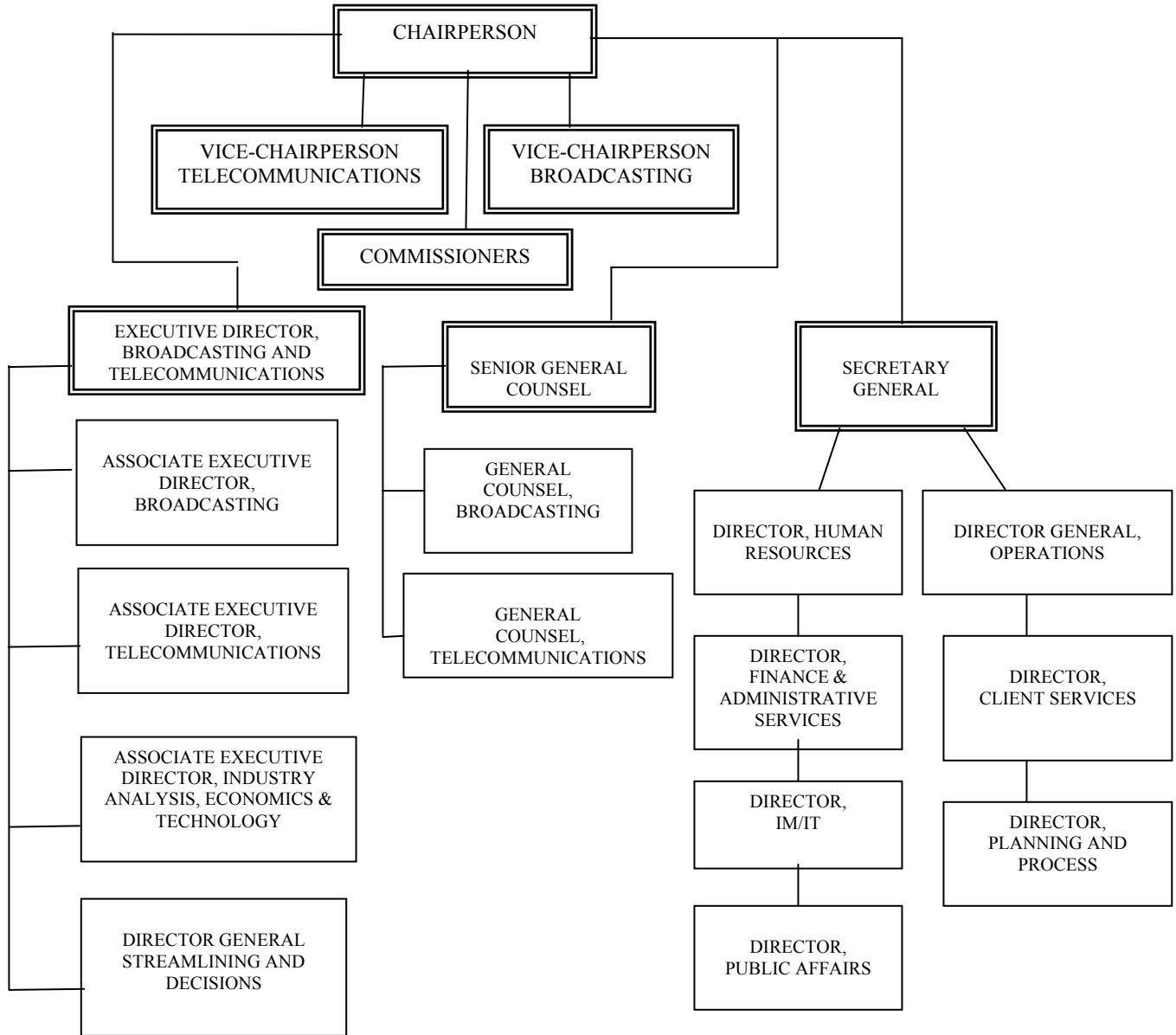


Table 1: CRTC Planned Spending and Full-Time Equivalents

(\$ millions)	Forecast Spending 2006-2007	Planned Spending 2007-2008	Planned Spending 2008-2009	Planned Spending 2009-2010
Regulation and Supervision of the Canadian Broadcasting Industry	23.4	23.5	23.5	23.5
Regulation and Monitoring of the Canadian Telecommunications Industry	22.2	22.3	22.3	22.3
Budgetary Main Estimates (gross)	45.6	45.8	45.8	45.8
Less: Respendable Revenue	39.8	40.1	40.1	40.1
Total Main Estimates	5.8	5.7	5.7	5.7
<i>Adjustment:</i>				
Supplementary Estimates				
Operating budget carry forward	1.9	-	-	-
Total Planned Spending	7.7	5.7	5.7	5.7

Planned Spending	7.7	5.7	5.7	5.7
Less: Non-Respendable revenue	135.5	14.4	11.9	11.9
Plus: Cost of services received without charge	15.9	15.7	15.7	15.7
Net Cost of Program	(111.9)	7.0	9.5	9.5

Full Time Equivalents	422	422	422	422
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Table 2: Resources by Program Activity

2007-2008										
Program Activity	Budgetary (\$ millions)						Non-Budgetary Loans, Investments and Advances	Total Main Estimates	Adjustments (planned spending not in Main Estimates)	Total Planned Spending
	Operating	Capital	Grants and Contributions	Gross	Revenue	Net				
Regulation and Supervision of the Canadian Broadcasting Industry	23.5	-	-	23.5	20.6	2.9	-	2.9	-	2.9
Regulation and Monitoring of the Canadian Telecommunications Industry	22.3	-	-	22.3	19.5	2.8	-	2.8	-	2.8
Total	45.8	-	-	45.8	40.1	5.7	-	5.7	-	5.7

Table 3: Voted and Statutory Items

(\$ millions)			
		2007-2008	2006-2007
Vote or Statutory Item	Truncated Vote or Statutory Wording	Current Main Estimates	Previous Main Estimates
40	CRTC Program Expenditures	-	-
(S)	Contributions to Employee Benefit Plans	5.7	5.8
	Total	5.7	5.8

Table 4: Services Received Without Charge

2007-2008			
(\$ 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)	1.4	1.4	2.8
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS	1.5	1.4	2.9
Worker's compensation coverage provided by Human Resources and Social Development Canada (Note)	-	-	-
Regulation of Broadcasting Spectrum – Industry Canada (IC)	10.0	-	10.0
<i>Total 2006-2007: Services received without charge</i>	12.9	2.8	15.7

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 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009	Planned Revenue 2009-2010
Regulation and Supervision of the Canadian Broadcasting Industry Broadcasting Licence Fees – Part I	20.4	20.6	20.6	20.6
Regulation and Monitoring of the Canadian Telecommunications Industry Telecommunications Fees	19.4	19.5	19.5	19.5
Total Respendable Revenue	39.8	40.1	40.1	40.1

Non- Respendable Revenue

(\$ millions)	Forecast Revenue 2006-2007	Planned Revenue 2007-2008	Planned Revenue 2008-2009	Planned Revenue 2009-2010
Regulation and Supervision of the Canadian Broadcasting Industry Broadcasting Licence Fees – Part I Broadcasting Licence Fees – Part II ¹	6.5 121.8	7.4 -	6.0 -	6.0 -
	128.3	7.4	6.0	6.0
Regulation and Monitoring of the Canadian Telecommunications Industry Telecommunications Fees	7.2	7.0	5.9	5.9
Total Non-Respendable Revenue	135.5	14.4	11.9	11.9

Total Respendable and Non-Respendable Revenue²	175.3	54.5	52.0	52.0
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1 Two legal proceedings have been filed in the Federal Court of Canada (court files T-2277-03 and T-276-04) challenging the legality of Part II Licence Fees. On December 14, 2006 the Federal Court rendered a decision declaring that the Part II Licence Fees are a tax and *ultra vires* the authority conferred on the CRTC by Section 11 of the *Broadcasting Act* to establish a schedule of fees. Fees prescribed by Section 11 of the Regulations were suspended for a maximum of nine (9) months to allow the appropriate branch of the government to react and to put in effect this judgment. In January 2007, Appeals of the decision were launched by the plaintiffs and Notices of Cross-Appeal have been filed by the Crown.

2 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 (Note 2 & 3)
Telecommunications Fees (Note 1)	Regulatory Service(R)	Telecommunications Act (Section 68) Telecommunications Fee Regulations, 1995	Part VII application to revise Telecom Fee Regs (Note 4)	To be determined	Full public consultation. See section "Explanation of Revenue" for further information. Telecom Decision CRTC 2006-71
Broadcasting Licence Fees (Note 1)	Regulatory Service (R)	Part I licence fee Broadcasting Act (Section 11) Broadcasting Licence Fee Regulations, 1997		-	-
	Right and Privilege (R&P)	Part II licence fee Broadcasting Act (Section 11) Broadcasting Licence Fee Regulations, 1997	Note 5	Note 5	Note 5

Note 1 The *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fees Regulations, 1995* can be found on the CRTC website 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)

Note 2 Full public consultations occur with each change to the telecommunications fee regulations or the broadcasting licence fee regulations.

Note 3 The CRTC's dispute resolution process regarding the assessment of broadcasting licence fees and telecommunications fees is summarized as follows:

- The first point of contact for fee payers concerning issues related to fee assessment or collection is the CRTC's Assistant Director, Financial Operations and Licence Fee Processing, and the second point of contact is the Director, Finance and Administrative Services. Fee payers may raise their concerns either by telephone conversation, e-mail or letter. To date, the CRTC notes that the majority of fee payers' concerns have been resolved at the staff level.
- Where an issue cannot be satisfactorily resolved at the staff level, fee payers are requested to document the nature of their concern in writing and submit it to the CRTC's Secretary General for formal consideration. Responses to all such letters would be provided by the CRTC.

Note 4 Aliant Telecom Inc. and Bell Canada (8657-A53-200606692) filed an application dated 26 May 2006, pursuant to Part VII of the *CRTC Telecommunications Rules of Procedure*, requesting that the CRTC revise the current regulations regarding telecommunications fees and, in particular, the basis on which telecommunications fees are determined and levied. In Telecom Decision CRTC 2006-71, 6 November 2006, the CRTC stated that there is merit to initiating changes to the regulations such that telecommunications service providers, including those not required to file tariffs, would pay fees using the same approach that applies under the existing contribution regime.

Note 5 A Federal Court decision rendered on 14 December, 2006 declared Part II fees to be a tax. See section "Explanation of revenue" for further information.

Explanation of Revenues

The CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. For fiscal year 2007-2008:

- ✓ CRTC Part I broadcasting licence fees are estimated at \$28.0 million (\$20.6 million spendable³ and \$7.4 million in non-spendable⁴ revenue). The broadcasting non-spendable revenue also includes a "true-up" adjustment⁵ of \$1.6 million; and
- ✓ CRTC telecommunications fees are estimated at \$26.5 million (\$19.5 million spendable and \$7.0 million in non-spendable revenue). The telecommunications non-spendable revenue also includes an estimated "true-up" adjustment of \$1.4 million. The actual amount of the true-up will be calculated at the completion of the fiscal year 2006-2007 and reflected in the invoices sent to telecommunications carriers as part of the fiscal year 2007-2008 telecommunications billing.

Broadcasting Licence Fees

Section 11 of the *Broadcasting Act* empowers the CRTC 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 CRTC annually.

For 2006–2007, the CRTC estimates a total of \$148.7 million in revenue from broadcasting undertakings (\$26.9 million in Part I licence fees – including "true-up" and adjustments - and \$121.8 million in Part II licence fees).

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

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

³ The CRTC retains spendable revenue to fund its operating budget.

⁴ 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).

⁵ The true-up adjustment represents the difference between the estimated costs initially billed in a previous fiscal year and the actual costs incurred.

The estimated total broadcasting regulatory costs of the CRTC are set out in the CRTC'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 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 licence fee is calculated at 1.365 percent of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the Part II licence 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.

Part II Licence Fee and Legal Proceedings

Several legal proceedings have been filed in the Federal Court of Canada by broadcasters⁶ challenging the legality of the Part II licence fee. These claims also seek the return of fees paid pursuant to section 11 of the *Broadcasting Licence Fee Regulations, 1997* (the Regulations) from 1998 to 2006, plus interest and costs.

On 14 December 2006, a decision was rendered by the Federal Court declaring that

- a) Part II licence fees prescribed by section 11 of the Regulations are a tax;
- b) Section 11 of the Regulations is *ultra vires* the authority conferred on the CRTC by Section 11 of the *Broadcasting Act* to establish a schedule of fees; and
- c) The plaintiffs are not entitled to the return of monies paid pursuant to section 11 of the Regulations for the years described in the plaintiffs' pleading.

The Federal Court suspended the fees prescribed by section 11 of the Regulations for a maximum of nine months to allow the appropriate branch of the government to react and to put in effect this judgement.

In January 2007, the plaintiffs filed Notices of Appeal regarding the portion of the decision of the Federal Court refusing the request for repayment of Part II licence fees, and the Crown filed Notices of Cross-Appeal regarding the issue of fee versus tax.

⁶ The fee paying members of the Canadian Association of Broadcasters (CAB) and 14 corporate plaintiffs, and Vidéotron Ltée, Vidéotron (Regional) Ltée, and CF Cable TV inc.

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 2006-2007, the CRTC assessed \$26.6 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 CRTC'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 CRTC's program attributable to its telecommunications activity.

The estimated total telecommunications regulatory costs of the CRTC are set out in the CRTC'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.

Revision of the Telecommunications Fees Regulations

In Part VII application to revise the *Telecommunications Fees Regulations, 1995*, Telecom Decision CRTC 2006-71, 6 November 2006, the CRTC addressed a request by Aliant Telecom Inc. and Bell Canada for revisions to the *Telecommunications Fees Regulations 1995* (the Fees Regulations). The CRTC considered there is merit to initiating changes to the Fees Regulations, with the share of fees paid by each telecommunications service provider being calculated using the approach that is used under the existing contribution regime for subsidizing local residential service in high-cost serving areas. This approach would exempt the telecommunications service providers with Canadian telecommunications services revenues below \$10 million.

Changes to the Fees Regulations require Treasury Board approval and, as such, will require the initiation of government inter-departmental deliberations. The CRTC intends to commence the necessary process to draft wording changes to the Fees Regulations. The CRTC notes that the proposed regulations must be published in the *Canada Gazette* at least 60 days before their proposed effective date, and interested parties will be given opportunity to comment on the proposed regulations.

SECTION IV:

Other Items of Interest

CRTC Members and Offices

CRTC Members		
Chairperson	<i>Konrad von Finckenstein</i>	(819) 997-3430
Vice-Chairperson, Broadcasting	<i>Michel Arpin</i>	(819) 994-0870
Vice-Chairperson, Telecommunications	<i>Richard French</i>	(819) 994-8156
Commissioner	<i>Joan Pennefather</i>	(819) 953-7882
Commissioner	<i>Stuart Langford</i>	(819) 953-2935
Commissioner	<i>Barbara Cram*</i>	(819) 997-4485
	<i>(Manitoba/Saskatchewan)</i>	(306) 780-3423
Commissioner	<i>Andrée Noël*</i>	(819) 997-3831
	<i>(Québec)</i>	(514) 761-3550
Commissioner	<i>Ronald D. Williams*</i>	(819) 953-0435
	<i>(Alberta/Northwest Territories)</i>	(780) 495-4544
Commissioner	<i>Rita Cugini*</i>	(819) 997-2431
	<i>(Ontario)</i>	(416) 954-6289
Commissioner	<i>Helen del Val*</i>	(819) 934-6347
	<i>(British Columbia/Yukon Region)</i>	(604) 666-2914
Commissioner	<i>Elizabeth Duncan*</i>	(819) 997-4764
	<i>(Atlantic)</i>	(902) 426-2644

* These commissioners also have regional responsibilities.

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Legislation and Associated Regulations

Statutes

<i>Canadian Radio-television and Telecommunications Commission Act</i>	R.S.C. 1985, c. C-22, as amended
<i>Broadcasting Act</i>	S.C. 1991, c. 11, as amended
<i>Telecommunications Act</i>	S.C. 1993, c. 38, as amended

Directions, Rules of Procedure 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