



Canadian Radio-television and Telecommunications Commission

1997-98
Estimates

Part III

Expenditure Plan

The Estimates Documents

The Estimates of the Government of Canada are structured in three Parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve. The Part III documents provide additional detail on each department and its programs primarily in terms of the results expected for the money spent.

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Approved

Preface

This document is a report to Parliament to indicate how the resources voted by Parliament have or will be spent. As such, it is an accountability document that contains several levels of details to respond to the various needs of its audience.

The Part III for 1997-98 is based on a revised format intended to make a clear separation between planning and performance information, and to focus on the higher level, longer term plans and performance of departments.

This document is divided into four sections:

- The Chairperson's Message,
- Commission Plan,
- Performance Report, and
- Supplementary Information

It should be noted that, in accordance with Operating Budget principles, human resource consumption reported in this document will be measured in terms of employee full-time equivalents (FTEs).

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A MESSAGE FROM THE CHAIRPERSON

The convergence of communications technologies is rapidly changing the way Canadians interact with each other and quickly increasing the choice of programming and delivery options available to them. As regulator of the telecommunications and broadcasting systems in this country, we are in the enviable position of helping to shape the communications environment for the future.

The CRTC has already started to respond to the complex new realities. In its report to the government on convergence (May 1995), the Commission set out the terms under which it would expect to manage the transition to a fully competitive market. The Commission is working towards putting together as early as 1998, all the pieces of its framework for fair and coherent, full-fledged sustainable competition among communications services. In order to do this, we will establish, by early 1998, new broadcasting distribution regulations to provide a framework for competition among different distributors of programming services, and implement a new regulatory framework for telecommunications. This will allow for convergence to take place as quickly as industries are ready to move ahead.

We are also changing the way we do business. The CRTC has taken a number of steps to improve the speed and quality of our services to the industries and the public, reduce the burden of regulation, and use our resources more effectively. In particular cases related to convergence, we are introducing new integrated approaches to the public hearing process, bridging the traditional gap between our broadcasting and telecommunications procedures. We have forborne from regulating many telecommunications services. We have eliminated or reduced the amount of information and the frequency of some of the reporting requirements. We have posted much of our public information on the Internet, introduced electronic exchange of documents, and are eliminating functions that are not part of the core mandate, such as pre-clearing alcoholic beverage advertising. Finally, before converting our forms to electronic format, we are reviewing each one to eliminate redundancy and waste.

In order to continue to meet the objectives of the *Broadcasting Act* and the *Telecommunications Act*, it is timely for the Commission to take a thoughtful look at its own vision, objectives and processes. During the next six months, we will be developing a new common vision, and adapting processes, where necessary, to take the CRTC into the information age of the new millennium. Through consultations and a collaborative approach with industry players and consumers, we will ensure that we respond to public needs and expectations; promote the delivery of quality services to Canadians; maintain a Canadian presence in our broadcasting system; and continue to respond to dramatic changes in a competitive environment with appropriate and timely regulatory changes.

All these changes will position the CRTC to successfully face the challenge of the information age so that we can balance legitimate demands for increased choice with our national cultural and industrial objectives.

Françoise Bertrand
Chairperson
Canadian Radio-television and
Telecommunications Commission

I Commission Plan

A. Highlights

- The CRTC's priorities in the next three years will be governed by the need to ensure fair and sustainable competition within an orderly market and to ensure a Canadian presence, in a multi-media environment shaped by the convergence of technology used by the cable and telephone industries for the delivery of information and other services, and by the emergence of additional technologies to deliver broadcasting services to the home.
- The CRTC will undertake, as part of a vision exercise, an internal examination of the systems and procedures intended to put into place the mechanisms with which we can best achieve policy objectives and fulfill our mandate.
- In its report, *Competition and Culture on Canada's Information Highway: Managing the Realities of Transition* (May 1995), the CRTC recommended steps to accelerate fair and sustainable competition in the delivery of electronic information and programming services to Canadians, so that consumers have increased choice among distributors of telecommunications and broadcasting services, and have access to increased choice, diversity and innovation for new programming services. The Commission has indicated it is now prepared to accept all applications for competing distribution systems, whether they are cable, satellite or wireless. Telephone companies will not be permitted to own or control any broadcasting distribution undertaking until the barriers to local telephone competition have been eliminated. By early 1998, the CRTC will establish new broadcasting regulations that will promote, among other things, competition among different distributors of programming services, and will implement a new regulatory framework for telecommunications.
- The Commission has recently received Treasury Board authority to vote net part of the broadcasting licence fees and expects to be recognized as a self-funded agency, fully financed from industry fees on April 1, 1997.
- The Commission continues to encourage electronic exchange of documents (initiated on January 1, 1996), in its Telecom operations as a means of reducing the paper burden and providing speedier service to clients. The Commission commenced distributing its Telecom Orders, Public Notices and Decisions electronically, via Internet in July 1996, and substantially reduced the costly mailing of hard copies, while providing the general public with instant access to these documents. Similar measures will be implemented for broadcasting companies in the year to come; radio application forms will soon be available in an electronic format.
- The CRTC has begun an extensive exercise to develop service standards for its main lines of business. Standards are at various stages of development and implementation.

The Commission expects to publish and begin monitoring its performance in meeting the standards during the 1997/98 fiscal year.

- The Commission is eliminating responsibilities that are not part of its core mandate, such as the pre-clearance of alcoholic beverage advertising, while putting more emphasis on licensees' self-regulation.

B. Overview

1. Roles, Responsibilities and Mission

The Canadian Radio-television and Telecommunications Commission (CRTC) is an independent public authority constituted under the *Canadian Radio-television and Telecommunications Commission Act* (R.S.C. 1985, c. C-22) as amended by the *Broadcasting Act* (S.C. 1991 C.11). The Commission is an independent agency that operates at "arms' length" from government and reports directly to Parliament through the Minister of Canadian Heritage.

Our Mission

"For Communication in the Public Interest": We aim to help Canadians better understand how their values and diversities shape Canada's unique personality in the world. We do so by regulating our broadcasting and telecommunications industries in open, flexible ways to foster creative freedom and strengthen the prosperity of all our citizens.

Mandate

The CRTC is vested with the authority to license, regulate and supervise all broadcasting undertakings within Canada and to regulate telecommunications common carriers that fall under federal jurisdiction. The CRTC derives its regulatory authority for broadcasting from the *Broadcasting Act* (S.C.1991, c.11). Its telecommunications regulatory powers are derived from the *Telecommunications Act* (S.C. 1993, c. 38) and various "special acts" of Parliament created for specific telecommunications companies. Such special acts explicitly subject specified activities or functions of those companies to the authority of the CRTC. Some of these special acts include the *Bell Canada Act*, the *Telesat Canada Reorganization and Divestiture Act*, and the *Teleglobe Canada Reorganization and Divestiture Act*.

2. Corporate Objectives and Priorities

Program Objective

The objective of the CRTC is to regulate and supervise all aspects of the Canadian broadcasting system with a view to implementing the broadcasting policy set out in the Broadcasting Act; and to regulate telecommunications in Canada with a view to implementing the policy set out in the Telecommunications Act.

Priorities

The CRTC will in 1997-98:

- undertake a vision exercise to guide the CRTC into the information age of the 21st century.
- continue to adapt the broadcasting and telecommunications regulatory process to an increasingly competitive market environment.
- continue to ensure a Canadian presence in this multi-media environment.

3. Organization and Program Composition

Four activities contribute to achievement of the CRTC Program Objective: Broadcasting, Telecommunications, Executive Management and Corporate Services. The organizational structure of the CRTC can be found in Section III.

Broadcasting	Provides specific expertise in the evaluation and development of policy and regulations, by evaluating, analyzing and processing all applications received by the Commission and by monitoring the Canadian broadcasting system and ensuring compliance with statutes, conditions of licence and regulations.
Telecommunications	Provides specific expertise in the evaluation and development of policy and regulations, by evaluating, analyzing and processing all applications received by the Commission and advising the Commission on all matters related to telecommunications carrier regulations.
Executive Management	Provides operational guidance to the decision-making process. Includes Commission Members, executive offices, legal, information and administrative services to support the Commission, and the operations of four regional offices.
Corporate Services	Provides advisory and support services in the areas of finance, human resources, audit and evaluation, information management and information technology, planning, library services and general administration.

4. Resource Plans and Financial Tables

i) Authorities for 1997-98 - Part II of the Estimates

Financial Requirements by Authority

Vote	(thousands of dollars)	1997-98 Main Estimates	1996-97 Main Estimates
Canadian Radio-television and Telecommunications Commission			
75	Program expenditures	-	-
(S)	Contributions to employee benefit plans	3,769	3,271
Total Agency		3,769	3,271

Votes - Wording and Amounts

Vote	(dollars)	1997-98 Main Estimates
Canadian Radio-television and Telecommunications Commission		
75	Canadian Radio-television and Telecommunications Commission - Program expenditures and, pursuant to paragraph 29.1(2)(a) of the <i>Financial Administration Act</i> , authority to expend revenues received during the fiscal year arising from : a) the provision of regulatory services to telecommunications companies under the <i>Telecommunications Fees Regulations, 1995</i> ; and b) broadcasting fees and other related activities, up to amounts approved by the Treasury Board.	1

ii) **Net Cost of the Program by Business Line/Activity**

(thousands of dollars) 1997-98 Main Estimates			
Business Lines/Activities	Operating¹	Less: Revenue Credited to the Vote	Total Main Estimates
Broadcasting	10,036	8,867	1,169
Telecommunications	8,903	7,819	1,084
Executive Management	7,963	6,979 ²	984
Corporate Services	5,934	5,402 ²	532
	32,836	29,067	3,769
Other Revenues & Expenditures			
Revenue credited to the Consolidated Fund			(66,049)
Estimated Cost of services by other Departments			18,623 ³
Net Cost of the Program			(43,657)

Notes:

- ¹ Contributions to employee benefit plans are allocated in the operating expenditures.
- ² Revenue generated from broadcasting licence and telecommunications fees is apportioned to these business lines/activities.
- ³ Of this total, \$14 million is related to the regulation of the broadcasting spectrum by Industry Canada.

iii) Commission Overview

(thousands of dollars)	Main Estimates 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999-00
Gross Estimates	33,164	32,836	32,375	32,455
Revenue Credited to the Vote	(29,893)	(29,067)	(28,673)	(28,742)
Total Main Estimates	3,271	3,769	3,702	3,713
Revenue credited to the Consolidated Revenue Fund	(64,507)	(66,049)	(70,227)	(73,258)
Estimated Cost of Services by other Departments	18,263	18,623	17,983	17,987
Net Cost of the Commission	(42,973)	(43,657)	(48,542)	(51,558)

C. Details by Business Line

1. Broadcasting

Objective

To regulate and supervise all aspects of the Canadian broadcasting system with a view to implementing the Broadcasting Policy for Canada set out in section 3 of the *Broadcasting Act* proclaimed on June 4, 1991.

In summary, the policy declares that the system shall be effectively owned and controlled by Canadians, comprise public, private and community elements that should offer varied and comprehensive programming of high standard and provide a balance of information, enlightenment and entertainment for men, women and children of all ages, interests and tastes. The policy further states that the system will serve to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada by encouraging the development of Canadian expression.

The regulatory policy for the CRTC (section 5(2) of the *Broadcasting Act*), stipulates that the Canadian broadcasting system should be regulated and supervised in a flexible manner that recognizes the different characteristics of English- and French-language broadcasting, takes into account regional needs and concerns and facilitates the provision of Canadian programs to Canadians. Furthermore, it must be readily adaptable to scientific and technological change and must not inhibit the development of information technologies and their application of service

delivery to Canadians. Finally, it must be sensitive to the administrative burden that may be imposed on licensees.

Operating Context and Key Objectives/Change Management Issues

As the Commission takes steps to establish its broad regulatory approach to the introduction of competition in broadcasting distribution, it will face a multiplicity of detailed applications, as well as interpretive and dispute-resolution decisions. The thousands of affected interested parties will be adapting from a broadcasting distribution environment of controlled entry, to one of competition.

Existing cable licensees, in particular, are facing the reality of competition as new Canadian Direct to Home (DTH) satellite distribution undertakings, Multipoint Distribution Systems (MDS) and wireline competitors (e.g. a competitive cable licence was granted in early 1996 in Vancouver) are licensed. Further competition from local multipoint communications systems (LMCS) appears imminent. The debate over terms of entry, how to best ensure sustainable competition and how to address consumer protection issues (all in the context of preserving a Canadian presence in the coming multichannel and multisourced universe) is, and will continue to be, intense in the coming year.

Broadcasting Results Expectations

The year 1997-98 will provide the CRTC with a familiar challenge on how to ensure that attractive and viable Canadian services are available within a Canadian broadcasting system that implements the objectives set out in the *Broadcasting Act* while, at the same time, providing Canadian citizens with access to an increasing volume of foreign information and entertainment. The performance targets set out below must be considered in the context of the Commission's need to balance legitimate demands for increased choice with the national cultural and industrial objectives. Most of the targets require the cooperation of the CRTC and the regulated industries. In 1997-98 the CRTC will:

- a) **Encourage the exhibition of distinctly Canadian programming by:**
- promoting an increase in the number of hours of Canadian drama, children's and other entertainment programs shown on television in peak viewing hours;
 - promoting an increase of the overall amount of distinctively Canadian programs broadcast;
 - continuing to foster the development of French-language content in a multi-channel universe;
 - ensuring that Canadian television licensees broadcast a minimum of 60% Canadian programs during the broadcast year and a minimum of 50% during the evening broadcast period;

- ensuring that the broadcasting system is strong enough to allow French-language television broadcasters to continue to meet their minimum Canadian content requirements stipulated above; and
 - ensuring that Canadian radio licensees broadcast a minimum of 30% Canadian popular music selections.
- b) Provide Canadians with a wide range of programming choices by:**
- encouraging fair competition of broadcasting services in order to provide Canadians with increased choice at a reasonable cost;
 - monitoring the implementation of English- and French-language Specialty and Pay Television services approved in CRTC Decisions 96-595 to 617. The implementation of these services will enhance the development of Canadian expression by providing a wide range of programming that reflects attitudes, opinions, ideas, values and artistic creativity from a Canadian point of view; and
 - reviewing the regulations for distribution undertakings to ensure that an orderly transition takes place from a monopoly to a fully competitive environment whereby all distributors will be treated equitably and fairly. The new regulations will be in effect by early 1998.
- c) Support the production of attractive Canadian programming by:**
- encouraging television broadcasters to meet or exceed their requirements for Canadian programming and, in particular, scheduling Canadian entertainment programming during peak viewing hours;
 - encouraging the marketing of Canadian programs, both domestically and internationally;
 - encouraging English-language television network licensees and large broadcasters to increase their annual spending on Canadian programs and the exhibition of Canadian entertainment programming;
 - ensuring that all distributors contribute to the creation and presentation of Canadian programming.

d) Foster the development of Canadian talent by:

- ensuring that Canadian radio licensees continue to contribute a minimum of \$1.8 million per year for the development of Canadian talent; and
- supporting programming undertakings licensees to contribute to Canadian talent and production as public benefits related to approved changes in ownership.

e) Assist Canadians in gaining access to the full benefits and enjoyment of the broadcasting system by:

- continuing to monitor policies such as the CRTC Access Rules to ensure that broadcasting distribution undertakings distribute the services of all licensed Canadian programming undertakings;
- monitoring the provision of local news and other local reflection by television broadcasters and by distributors through community channels;
- monitoring of the policy regarding violence on television announced in March 1996 as well as a revised timetable of commitments for the implementation of a program classification system and V-chip technology, in concert with the Action Group on Violence on Television (AGVOT), with a deadline in the Fall of 1997;
- ensuring that all conventional television licensees with revenues of \$10M or more close caption 90% of their schedules by the end of their current licence term, and that French-language broadcasters increase the amount of closed-captioned programming each year; and
- encouraging licensees to implement policies and initiatives dealing with equitable employment of women, aboriginal people, persons with disabilities and members of visible minorities, particularly in on-air staff positions and in voice-overs of station-produced commercial messages.

f) Foster the development of a financially healthy industry capable of supporting the objectives of the *Broadcasting Act* by:

- creating the appropriate regulatory climate for the industries to make a reasonable return on their investment in the mid and long-terms;
- encourage radio stations to take advantage of digital technology; and
- assist the industry in adapting to the convergence of multimedia.

g) In terms of day-to-day operational activities:

- process over 1,800 broadcasting applications pertaining to television, radio, cable, pay and specialty services. These include requests for new licences, licence amendments and renewals, applications for authority to transfer effective control of licensed undertakings, and approximately 200 cable rate filings. The CRTC will also respond to approximately 50,000 telephone calls and 6,200 letters of inquiry or complaint and hold 18 public hearings. The CRTC is now responding to electronic mail as well;
- will implement electronic exchange of documents in its operations in the year to come, as a means of reducing the paper burden and providing speedier service to clients. Electronic forms for radio applications will soon be available.

2. Telecommunications

Objective

The Telecommunications' objective, which stems directly from the *Telecommunications Act*, is to regulate Canada's telecommunications systems, balancing the interests of consumers and the Canadian telecommunications carriers in implementing the public policy objectives established by Parliament. The Canadian Telecommunications Policy objectives are:

- to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;
- to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;
- to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications;
- to promote the ownership and control of Canadian carriers by Canadians;
- to promote the use of Canadian transmission facilities for telecommunications within Canada, and between Canada and points outside Canada;
- to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective;
- to stimulate research and development in Canada in the field of telecommunications and to encourage innovation in the provision of telecommunications services;

- to respond to the economic and social requirements of users of telecommunications services; and
- to contribute to the protection of the privacy of persons.

Operating Context and Key Objectives/Change Management Issues

Competition Policy and Convergence

The most significant development in recent years has been the application in the telecommunications industry of digital technology, taking advantage of the rapid evolution of computer-based techniques in exchange equipment, intercity transmission systems and fibre optic links. The convergence of broadcasting and telecom technologies has led to significant changes in the industry. The cable companies have begun entering the telecom business in niches that allow them to exploit their digital networks. The telephone companies are eager to enter the cable and multimedia business. They have begun offering their own Internet services and other broadband services, and are preparing for full competition with the cable companies. The Commission determined that companies whose core business is broadcasting (notably, cable companies) are, in certain circumstances, Canadian carriers when they offer telecommunications services. As such, these companies are also subject to regulation under the *Telecommunications Act* with respect to their telecommunications service offerings. There are approximately 1,600 cable companies in Canada (ranging in size from extremely small undertakings to larger companies such as Rogers Cablesystems, Videotron and Cogéco) which currently offer, or may be expected to offer, Internet access services, as well as other telecommunications services such as alarm system monitoring.

In its report to the government on convergence (May 1995), the Commission set out the terms under which it would expect to manage the transition to entry by the telephone companies and cable companies into the others' markets. The proceeding to set the rules for local unbundling, and competitive entry into the local telephone exchange market, announced in Telecom Public Notice CRTC 95-36, is one of the methods by which the Commission is meeting the terms set out in the May 1995 convergence report.

The introduction of competition to the industry began in the U.S.A. in 1968. In Canada, the first decision to introduce competition took place in 1978, with the CRTC making a milestone decision in the area of mobile radio communications that was eventually upheld by the Supreme Court. This began a series of pro-competitive decisions, including the decision in 1992 to introduce long-distance competition. This has led to the entry into the long distance market of a large number of firms, large and small, that have taken a market share of some 25% from the incumbent Stentor companies. As important, the Commission is currently conducting a proceeding to set the rules for competitive entry into local exchange service provision.

Regulatory Reform

The Commission has recognized the importance of adapting to new market realities, and in September 1994, issued a milestone decision (Decision 94-19) introducing major changes in the regulatory framework that would apply to the industry, principally the incumbent telephone

companies. In essence, the new framework calls for a fully competitive market, including local telephone service, and introduced a series of reforms that we are in the process of implementing.

Other reforms introduced recently include deregulation of many competitive services, new approaches to hearing processes and new methods of resolving the increasing number of competitive disputes.

Telecommunications Results Expectations

Telecommunications' crucial role as an economic enabler in Canada will continue to grow. Strategic challenges are posed by increasing globalization, rapid changes in technology, services and industry structure and the importance of ensuring sustainable competition. Under the *Telecommunications Act*, the Commission must continue to adapt Canada's regulation of telecommunications so that it can contribute to the ongoing development of a modern public infrastructure to meet the information and communications needs of Canadians into the next century, in the context of a world-wide economy based on information and knowledge. The development of competition in Canadian telecommunications markets is growing rapidly and has considerably increased the Commission's workload as well as the complexity of the issues before it.

The Commission will set provisions so that a new regulatory regime will be put in place by 1998. Based on its experience in introducing competition in the public long-distance voice and other markets, the Commission anticipates that opening local markets to competition will generate significant additional work on a going-forward basis for at least two to three years, involving in particular, the resolution of competitive and technical issues. In 1997-98, the Commission will:

- **promote and encourage economic entry and competition in local markets. The Commission will, particularly, facilitate the introduction of competition to the local telecommunications market.**

A major element of the reform package is a series of adjustments to local telephone rates to bring prices closer to their true costs—thus reducing artificial subsidies to residential local service that complicate the introduction of competition in the local market. The Commission will stimulate effective competition in the local telephony market including co-location, interconnection, number portability and unbundling (unbundling refers to the requirement that incumbent local telephone companies make available at tariffed rates those elements of their local service facilities to which competitors would require access in order to effectively enter the local telephone market). The resolution of local competition issues is a pre-condition in all aspects of the Information Highway. It is expected that, by the end of 1998, there will be several carriers starting to offer local services in competition to the Stentor companies.

- **increase incentive for productivity improvements and innovation and remove any incentive for over-capitalization and cross-subsidization.**

A major change to the future framework for regulation is the introduction of a price cap regime which will replace the traditional earnings-based method for regulating the

telephone companies with a price-based approach, giving them more freedom to price individual services, and to reap the benefits of productivity improvements. The price cap regime has been implemented in non-Canadian regulatory jurisdictions and the Commission anticipates that it may benefit to some extent from knowledge of the results.

- **facilitate competition by establishing a regulatory framework, in the context of convergence.**

The Commission will conduct a proceeding to resolve issues relating to the regulation of cable companies in their role as Canadian telecommunications common carriers. This proceeding will deal with a number of issues, including access, forbearance and competitive safeguards.

- **continue to reduce regulatory requirements**, so that more efficient use is made of Commission resources. There will be more use of responsive dispute resolution. This will reduce regulatory gaming.
- **continue to streamline regulatory procedures, where the changing industry structure makes this appropriate.**
- **continue to encourage electronic exchange of documents** in its Telecom operations (introduced on January 1, 1996), as a means of reducing the paper burden and providing speedier service to clients.
- **in terms of day-to-day operational activities**, process approximately 1,700 tariffs and other applications and agreements, respond to some 25,000 subscriber and competitor complaints and inquiries, hold four public hearings, issue approximately 1,500 Telecom Orders and process 14,000 electronic files. It is anticipated that considerable ongoing work will remain with respect to the implementation of the components of the new regulatory regime. The Commission anticipates that considerable ongoing resources must be devoted to ensuring that this new form of regulation suits the Canadian telecommunications environment.

3. Executive Management

Objective

To provide operational guidance to the decision-making process established to dispose of applications within the framework of the objectives outlined in the *Broadcasting Act*, the *Canadian Radio-television and Telecommunications Commission Act*, the *Telecommunications Act* and other related legislation.

Description

The Executive Management Activity comprises Commission Members, executive offices, legal, information and administrative services to support the Commission, and the operations of four regional offices.

Executive Offices	Includes the Chairperson's Office and the Office of the Secretary General.
Commission Members	The Commission on the broadcasting side consists of a maximum of 19 appointed members, of which a maximum of 13 are designated as "full-time" members and a maximum of 6 are designated as "part-time" members. In telecommunications, the Commission is composed solely of the 13 "full-time" members.
Legal Directorate	Is responsible for providing expert legal counsel on the interpretation and implementation of the <i>CRTC Act</i> , the <i>Broadcasting Act</i> , the <i>Telecommunications Act</i> , and statutory instruments made pursuant to them, as well as other relevant federal and provincial legislation. CRTC counsel advise on procedural matters, in addition to conducting questioning and cross-examination at public hearings and representing the Commission during legal proceedings.
Public Affairs	Is responsible for all media, public communications and relations, and internal communications within the Commission head office and regions.
Secretariat Operations	Is responsible for providing administrative services to Commission meetings and Committees.
Regional Offices	Offices in Vancouver, Winnipeg, Montreal and Halifax provide a closer link with the public in the regions. A member of the Commission has been designated by the Governor in Council to be a resident commissioner attached to each of these offices. In addition, Regional Commissioners reside in Toronto and Edmonton.

Results Expectations

- To ensure effective decision-making by rendering fair, timely and objective decisions;
- To contribute to the CRTC's effective decision-making process by providing timely expert legal counsel;
- To contribute to the fair and transparent management of the regulatory public process by providing timely administrative services;
- To facilitate communication with the Canadian public, media and stakeholders by providing quality services and products.

4. Corporate Services

Objective

To provide affordable, accessible and responsive services that serve the operational needs of the CRTC and to ensure the administration and execution of wider government policy and direction.

Description

The Corporate Services Activity provides advisory and support services in the area of finance, human resources, corporate services and review, information management and information technology, library services and general administration.

Results Expectations

- To provide accurate and timely financial management and reporting;
- To provide appropriate human resources services;
- To provide economical and timely information management and information technology support;
- To complete relevant management reviews and planning documents that will bring value to the effectiveness and efficiency of the organization;
- To provide adequate library and administrative services.

5. Comparative Financial Plans by Business Line

Planned Spending

(thousands of dollars)	Main Estimates¹ 1996-97	Main Estimates 1997-98	Planned 1998-99	Planned 1999-00
Business Lines/Activities				
Broadcasting	10,399	10,036	9,860	9,883
Telecommunications	8,718	8,903	8,786	8,803
Executive Management	7,577	7,963	7,846	7,870
Corporate Services	6,470	5,934	5,883	5,899
TOTAL	33,164	32,836	32,375	32,455

¹ Does not include Supplementary Estimates.

II Performance Report

A. Highlights

- The Commission encourages the development of Canadian programming and continues to provide more choice to Canadian viewers as Canadians have access to a more diversified range of television programs. The number of television and programming services has increased; and viewing of Canadian programming has also increased in the past ten years.
- The cost of telephone service (as measured by the “telephone price index”, a component of Statistics Canada Consumer Price Index), has been below the Consumer Price Index for the last decade. In addition, access to telephone service, which was already high, slightly increased in the last decade.
- The Commission is responding to the dramatic changes in the communications environment. In 1995/96 the Commission held a public hearing and issued a report entitled *Competition and Culture on Canada’s Information Highway: Managing the Realities of Transition*, proposing the mechanisms designed to remove barriers to competition, as well as safeguards to prevent anti-competitive practices.
- Further to the report, the Commission pursued its work on the review of the regulatory framework for telecommunications. It has forborne from regulating many services where it was convinced market forces were sufficiently strong to warrant it, and has issued several public notices to resolve issues for local competition.
- The Commission has also issued a policy decision to establish fair access rules for distribution undertakings for programming services, in order to be able to license new video services.
- The Commission has introduced a number of innovative processes aimed at streamlining the regulatory process.
- On January 1, 1996, the Commission introduced electronic exchange of documents and distribution of documentation for telecommunications carriers in order to improve the efficiency of its operations.

B. Overview

1. Performance Against Key Strategies

The Commission has launched a number of initiatives that transcend individual business lines. The purpose of this section is to report on the results of these initiatives.

The Commission needs to ensure fair and sustainable competition within an orderly market in an environment shaped by the **convergence** of technology used by the cable and telephone industries for the delivery of information and other services, and the emergence of additional technologies to deliver broadcasting services to the home. In 1995/96 the Commission held a public hearing and issued a report entitled *Competition and Culture on Canada's Information Highway: Managing the Realities of Transition*. In the 16 months since the publication of that report the Commission accomplished the following (see Figure 1).

Figure 1: Proceedings Related to 1995 Convergence Report

	Telecommunications Act	Broadcasting Act
1994	Review of Regulatory Framework, Dec. 94-19	
1995	Co-location, P.N. 95-13, Dec. early 1997	
May 95	<i>Convergence Report Issued</i>	
1996	"Local Competition", P.N. 95-36 Interconnection/Unbundling, Dec. mid-1997 Local Number Portability, P.N. 95-37, trial mid 1997 Development of Carrier Interfaces, P.N. 96-28, Dec. mid 1997 Tariffs for Education & Health Service Entities, Dec. 96-9	Access Rules, P.N. 96-60 Exemptions, P.N. 96-59 Distribution Regs., P.H. 7 Oct 96, P.N. early 1997, Regs. early 1998
1997		Non-Simultaneous Substitution, P.H. mid 1997
1998	<i>Telecommunication companies may enter broadcasting distribution business</i>	

P.H. = Public Hearing; P.N. = Public Notice; Dec. = Decision; Regs. = Regulations

In the Convergence Report the Commission indicated that the need to put in place conditions for effective competition in the local telephone market is a fundamental precondition to competition in all markets on the information highway. The process was begun with the *Review of the Regulatory Framework Decision* in 1994. A further step was taken when the Commission issued its public notice on *Co-Location* in March 1995, intended to facilitate competition by providing competitors with the option of delivering their traffic to local switches over either leased or owned facilities. The Commission followed with public notices on *Interconnection and Network Component Unbundling* and *Local Number Portability* in July 1995. Both were intended to further promote effective competition in the local telephone market.

Another building block was the development of **access rules**. The Commission had decided not to license cable affiliates for new programming services until rules to ensure fair access to distribution undertakings were in place. A public hearing was held in February 1996 and a policy decision, based on the principle that distribution undertakings should distribute the services of all licensed Canadian programming services appropriate for their markets, was issued in April.

The Commission also indicated that **distribution undertakings**, regardless of technology, should operate under similar **rules** where possible. It is now conducting a process to develop these comprehensive regulations for all broadband, subscription-based distribution undertakings, whether using wireline, satellite or wireless technologies. The written process is complete, the oral hearing was held in October 1996 and the new regulations are expected to be in place in early 1998.

These two major processes were central to introducing increased and sustainable competition into the broadcasting distribution sector while retaining support for and encouragement of the production and widespread distribution of Canadian cultural programming content. Additional activities promoting competition in broadcasting distribution included the licensing of a regional **Multipoint Distribution System (MDS)** undertaking, two national **Direct-to-home (DTH)** satellite distribution undertakings and the licensing of a **telephone company subsidiary to provide cable service** in the far north. The Commission also licensed a competing cable undertaking (Pacific Place Cable Ltd.) to serve an area of Vancouver.

The Commission also indicated that it would examine the feasibility of Non-Simultaneous Substitution as a means of protecting broadcasters' programming rights. This issue will be considered in 1997. Canadian television broadcasters are currently able to take advantage of regulations requiring simultaneous substitution. These regulations generally require that distributors substitute the signals of local broadcasters in favour of the signal of other stations when both the local and non-local stations are broadcasting the same program at the same time. The effect is that the local station's audience and advertising increases. This leads to additional revenue for the local broadcaster. Broadcasters have recently suggested other methods that could be undertaken to protect the program rights that they have acquired. One option is "non-simultaneous" substitution. This proposal would allow the party which owns the local rights for a program to request substitution for that program even when it is not being broadcast at the same time on both a local station and a non-local station. Other suggestions have also been made.

On the programming side the Commission licensed **22 new specialty services** undertakings and one new sports/specialty pay-per-view service undertaking to strengthen the Canadian presence

in a multi-channel universe. The Commission has also called for applications to provide **Video on Demand Services**. A public hearing will be held in the first half of 1997.

In June 1995 the Commission issued a decision establishing rates, terms and conditions governing access to, and placement of, facilities by telecommunications carriers and cable companies on support structures owned by regulated telephone companies. Later in 1995, the Commission issued its “**Split Rate Base**” Decision which dealt with a number of issues including costs and costing methodology. In this decision, the Commission also set out its approach to allocating telecommunication companies investment in broadband infrastructure.

In addition the Commission has **forborne from regulating** many services where it was convinced market forces were sufficiently strong to warrant it. For example, the Commission no longer regulates many of the services offered by non-dominant carriers.

Other telecommunications proceedings related to convergence include the Commission’s decision on the *Regulation of Broadcasting Distribution Undertakings that Provide Non-Programming Services (Decision 96-1)* in January 1996. These undertakings are subject to Commission jurisdiction under the *Telecommunications Act*, in certain circumstances. One implication is that cable companies must provide third party access to their distribution undertakings on a non-discriminatory basis to permit others to offer non-programming services. The Commission made several decisions in the application of Decision 96-1.

2. Technology and Service Standards

Electronic Exchange of Documents and Distribution of Information

Since it introduced electronic exchange and distribution of documentation on the telecommunications side of its operations on January 1, 1996, the Commission has received an overwhelming response from telecommunications carriers and other users. In the first seven months, 40 users, including all of the major telephone companies, have opted to communicate electronically with the Commission. We have already received 71,000 pages of documents via the information highway and are distributing 84% of Telecom Orders, Notices and Decisions electronically to clients instead of in hard copy through the mail.

Service Standards

The Commission began a comprehensive exercise to establish service standards for all of its major lines of business. To date, effective streamlining of correspondence and complaints procedures on the broadcasting side have yielded dividends. In the last year, the Commission has succeeded in reducing by two to three weeks its response time to 80% of the complaints or requests for information. For most inquiries or complaints (80% of the five to six thousand received annually) the Commission is committed to providing an initial substantive response within 48 hours. This standard of service is being met.

Internally, the Informatics Division and the Human Resources Division have implemented service standards and both have demonstrated tangible benefits. Informatics managers produce

regular reports on the achievement of their standards and use the information to improve service delivery. Most requests for service are processed within 72 hours (74%) and fewer than 7% require a negotiated delivery schedule of more than one week.

3. Update on Program Review

Implementation of Program Review I

Reductions made in context of Program Review I total \$2.9M, of which \$1.9 million came from reductions in FTEs and \$0.7 million in informatics.

FTE Reductions Required:			
Broadcasting	25		
Executive Management	10		
Corporate Services	<u>7</u>		
	42	=	\$1.9M

The Commission succeeded in implementing reductions of Program Review I mainly by reducing staff. Reductions were implemented through extensive consultation with employees and union representatives. Career plans were considered against organizational requirements and management was successful in obtaining almost 100% agreement on planned departures to 1998/99 Program Review I levels. It is important to note that there were no reductions to underrepresented groups or to our Official Languages employee profiles as a result of workforce adjustment. The majority of the Commission's downsizing occurred in the 1995-96 fiscal year when we were authorized 450 FTEs and actually reduced to 422 by April 1 1996. In fact of the 42 positions eliminated, 30 were abolished in 1995/96, five were removed this fiscal year and the remaining seven will be removed before March 31, 1998.

C. Details by Business Line

1. Broadcasting

The CRTC uses a variety of mechanisms to assess the effectiveness of its policies and regulations, as well as the performance of the companies it regulates.

In broadcasting, these include:

- the analysis of program information and of annually submitted financial data to ensure compliance with Canadian content and other requirements;
- the public process associated with the issuance, amendment, or renewal of all licences;

- the holding of policy hearings wherein interested parties are invited to comment on the current regulatory provisions and to suggest amendments to these provisions to achieve the various objectives set out in the *Broadcasting Act*.

The following are result statements on the Commission's intermediate term goals in broadcasting.

a) Exhibition of Distinctively Canadian Programming

- In most television markets the number and variety of Canadian television programs available to viewers has risen dramatically in the last 15 years. In 1981 for example, most households in large and medium urban centres had access to between 10 and 15 Canadian television channels. By 1995 that number had climbed to between 35 and 40.
- During 1995/96 the Commission pursued a number of activities to ensure the exhibition of distinctively Canadian programming. In approving renewal of licence applications during the period, the Commission was satisfied that Canadian television licensees have met or exceeded the minimum requirement of 60% Canadian programming during the broadcast year.

The Commission announced in CRTC Public Notice 1995-48, an approach that provided conventional English-language, private television stations across Canada (earning more than \$10 million in annual advertising revenues and network payments) with maximum flexibility to meet their responsibilities under the *Broadcasting Act*. The licensees had the opportunity to accept a continuation of the existing condition of licence approach which required an "*expenditure*" on Canadian programming (Option "A"), or a condition of licence stipulating a minimum hourly quantitative requirement for the exhibition of Canadian entertainment programming in the evening broadcast period (Option "B").

b) Providing Canadians with a wide range of programming choices:

- Most Canadians now have considerably more choice in television programming than they did 15 years ago. In 1981 for example, most households in large and medium urban centres had access to between 15 and 20 television channels. These included Canadian and foreign stations. By 1995 that number had climbed to between 50 and 60.
- During 1995/96 and in the current fiscal year, the Commission continued to ensure more choices to Canadian viewers. On September 4, 1996, the Commission approved, in Decisions 96-595 to 617, twenty-two high quality Canadian specialty services and one new sports/specials pay-per-view service. These included headline news, comedy, history, science fiction, regional sports, educational and ethnic-language services, animation and pre-school children's programming. These services will promote the development of original programming; will help provide a reflection of Canadian talent and ideas; and will provide opportunities for a stronger creative community and cultural identity in an ever increasing competitive environment.

c) Production of Attractive Canadian programming:

- Viewing of Canadian programs overall increased from 36.8% in 1986 to 41.3% in 1995.
- Viewing of Canadian programs on English-language stations grew from 28.2% in 1986 to 30% in 1995.
- Viewing of Canadian programs on French-language stations grew from 64.5% to 76.7% between 1986 and 1995.
- In 1995/96 and in the current fiscal year the Commission took further steps to promote the production of attractive Canadian programming. In approving the new Specialty applications announced in CRTC Decisions 96-596 to 617, the Commission included as a “condition of licence” for those services: a guaranteed access to distribution by September 1997; a *dollar* amount to be spent in the second year; and in each subsequent year, a *percentage* of the previous broadcast year’s gross revenues that would be spent on Canadian programming. For services whose access is guaranteed no later than September 1999, the requirement is a percentage starting in the third year of operations. This percentage ranged from 15% to 54% for most of the approved services. In 1995-96 the operational specialty and pay licensees contributed approximately \$238 million to the independent production of Canadian programs.
- The Commission requires that Direct-to-Home (DTH) pay-per-view licensees contribute a minimum of 5% of their annual gross revenues to the development and production of Canadian programs. Though some are licensed, none have yet begun to operate.
- Expenditures by conventional private television licensees on Canadian programs totalled \$474 million in 1995.
- The Cable Production Fund collected \$39 million from cable companies in the first year of operation (1995). Another \$45 million is expected by the end of 1996. The Fund expects to receive \$300 million over a five-year period.
- Over the last several years the number of broadcast facilities and the volume of business generated by them has increased steadily. Canadians now enjoy one of the highest levels of accessibility to radio and television services anywhere in the world. Figure 2 shows the growth of broadcasting undertakings from 1991 to 1996.

Figure 2: Growth of Broadcasting and Cable Television Undertakings (1991-1996)

	Mar. 31/96	Aug. 31/95	Mar. 31/92	Aug. 31/91
	Number of Licensed Stations/ Systems	Revenues Millions \$	Number of Licensed Stations/ Systems	Revenues Millions \$
AM Radio		335		442
-Originating	350		377	
-Rebroadcasting	247		293	
FM Radio		447		312
-Originating	467		333	
-Rebroadcasting	711		677	
Television		1,576		1,374
-Originating	137		127	
-Rebroadcasting	1,341		1,319	
Cable Television ¹	2,011	2,206	2,082	1,643
Networks & other ² broadcasting undertakings	375	988	248	727
Total	5,639	5,552	5,456	4,498

¹ Net of Affiliation Payments to Pay and Speciality Television Licensees

² Include Pay and Speciality Television Services, CBC, Cancom and other Networks

d) Development of Canadian talent:

- Canadian radio licensees contributed a minimum of \$1.8 million to third parties for the development of Canadian talent in 1995. It should be noted that on November 15, 1996, the Governor-in-Council asked the Commission to reconsider its approach to Canadian Talent Development.
- Canadian television licensees spent close to \$2.5 million dollars on script and concept development in 1995.
- Private television licensees spent \$70 million in acquiring Canadian independent programs in 1995.
- Canadian content regulations have created demand for Canadian programs. This leads to further development of the Canadian industry in terms of skills abilities and talent and

the establishment of strong independent production houses. These include Alliance Communications Corporation, Atlantis Communications Inc., The Cinar Group, and Paragon International.

- The impact of the Canadian independent production sector on the economy rose from \$385 million in 1985 to \$2.2 billion in 1995.
- In all areas of film and television production, employment increased almost 100% from 15,000 jobs in 1991 to over 30,000 jobs in 1995.

e) Providing Access to the Full Benefits and Enjoyment of the Broadcasting System:

- Cable licensees contributed 5% of the base portion of annual revenues to the creation and maintenance of a community channel.
- The Commission announced its “Policy on Violence in Television Programming” in Public Notice CRTC 1996-36. The policy is aimed at protecting children from the harmful effects of violent programming. The industry-wide parental control system will be launched in the Fall of 1997. Initially planned for September 1996, the launch date was revised by the Action Group on Violence on Television (AGVOT). The new timetable will provide more time for further consultation with anti-violence groups, allow the industry to perfect the V-Chip technology and encode the programming they broadcast in accordance with the classification system being developed by AGVOT.
- Canadian television licensees have increased the amount of closed-captioned programming available for the hearing-impaired. Most licensees are committed to having closed-captioning to 90% of their schedules by the year 2002.
- Canadian licensees have adhered to the appropriate industry codes about gender portrayal and advertising to children during their current licence term.

f) Applications, Public Hearings, Complaints and Inquiries

- In 1995/96, the CRTC processed 2,180 broadcasting applications pertaining to television, radio, cable, pay and specialty services. These included requests for new licences, licence amendments and renewals, applications for authority to transfer effective control of licensed undertakings and 335 cable rate filings. The CRTC also responded to 44,075 telephone calls and 5,644 letters of inquiry or complaint and held 11 public hearings.

g) Sectoral and Change Management Issues

- The Commission has taken steps to eliminate the requirement for the pre-clearance of alcoholic beverage advertisements. The CRTC understands that the broadcasting industry intends to ask the Canadian Advertising Foundation to set up a voluntary pre-clearance mechanism to ensure all messages comply with the Commission's regulations.

2. Telecommunications

The major issues confronting the CRTC in 1995-1996 were:

- rapid technological advances;
- an ongoing focus on streamlining telecommunications regulation;
- convergence of technologies - wireline, wireless and broadcast/cable - as a result of which related markets will impact one another and can be expected to eventually merge;
- requirement to ensure fair and sustainable competition within markets.

The Telecommunications performance anticipated for 1995/96 was accomplished in a context of major changes resulting from technological advances, economic conditions, evolving market demand, and increasingly competitive domestic and global forces. The number of companies under the Commission's jurisdiction has expanded in recent years from 11 to 84 companies in Canada that offer telecommunications services to the public using their own transmission facilities. The size, ownership, and market position of these carriers, as well as the nature of the services they offer, vary widely. Carriers within the Commission's jurisdiction, in addition to the traditional telephone companies, include AT&T Canada LDS, Sprint Canada, cellular and PCS service providers, Teleglobe Canada (which furnishes international telephone service) and Telesat Canada (which provides satellite telecommunications services).

Competitive service offerings are available in a large number of service areas, including wireline business and residential long distance, business services and, more generally, in some segments of the wireline local market, and in cellular and enhanced wireless services.

Figure 3 describes actual performance against planned activities in 1995-96.

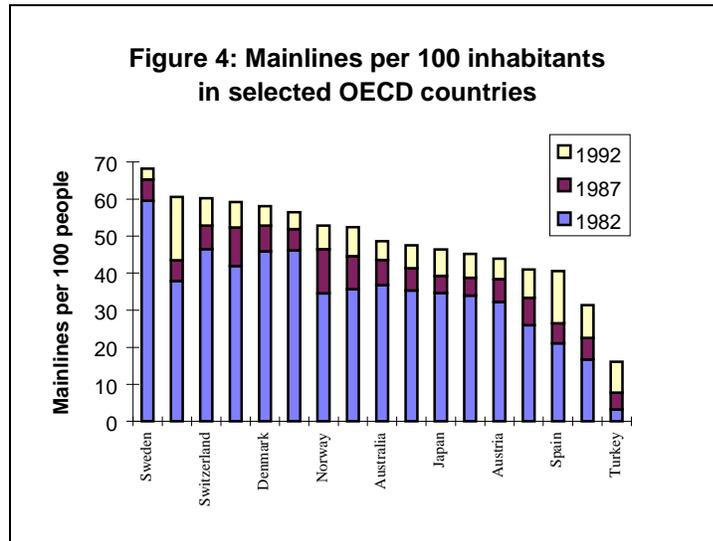
Figure 3: Telecommunications Planned Activities and Performance, 1995-96

Planned Activities	Actual Performance	Explanation
<ul style="list-style-type: none"> to determine the nature and extent of regulation that the Commission will apply to the 49 independent telecommunication companies that have recently come under federal jurisdiction; 	<ul style="list-style-type: none"> conducted a public hearing to deal with the regulatory framework for the independents in Ontario and Quebec, with the exception of the Ontario Northland Transportation Commission; Decision 96-6 was issued on August 7, 1996. 	
<ul style="list-style-type: none"> to conduct a public proceeding regarding implementation of Telecom Decision 94-19, which introduced a new regulatory framework to be phased in over the next three years. The proceeding will include an examination of the Commission's proposed approach to rebalancing as required by Order-in-Council 1994-2036; 	<ul style="list-style-type: none"> conducted four different public proceedings: co-location, local interconnection and network component unbundling, local number portability and price cap regulation (see Figure 1); 	
<ul style="list-style-type: none"> to complete a public proceeding regarding the appropriateness of forbearing from regulating the services of Canadian Carriers, other than Teleglobe Canada, mobile service providers and carriers that provide basic local telephone service; 	<ul style="list-style-type: none"> issued Telecom Decision CRTC 95-19 forbearing from regulating services provided by non-dominant Canadian carriers. 	
<ul style="list-style-type: none"> to process 1,950 tariffs and other applications and agreements; 	<ul style="list-style-type: none"> processed 1,690 tariffs and other applications and agreements; 	<ul style="list-style-type: none"> the independent telephone companies filed few tariff submissions; Stentor filed 140 submissions on behalf of its member companies;
<ul style="list-style-type: none"> to respond to some 19,100 subscriber and competitor complaints and inquiries; 	<ul style="list-style-type: none"> responded to some 23,042 subscriber and competitor complaints and inquiries; 	<ul style="list-style-type: none"> increase due to unauthorized transfer of long distance carriers by competitive long distance service providers;
<ul style="list-style-type: none"> to hold eight public oral hearings; 	<ul style="list-style-type: none"> held three public oral hearings; 	<ul style="list-style-type: none"> the Commission held paper proceedings to reduce the burden on the industry.

In the following pages, some of the elements of the impact of telecommunication regulations are described.

Universal access to telecommunications services

- In 1995, 98.5 % of Canadian households received telephone service, in both urban and rural areas (98.5% in urban and 98.6% in rural areas). In 1986, the penetration rate was 98.1%.
- Canada is among the five countries in the world offering the highest number of access lines per 100 inhabitants.



Convergence and Competition

- While Internet access is an important example of the telecommunications services offered by traditional cable companies, the convergence of technologies, combined with the progressive opening of formerly protected markets to competitive forces, has resulted in interest on the part of such companies and others (including current interexchange service providers) in competing in the provision of local telephone services to residential and business markets.

The Commission released a decision that non-programming services, such as the all-text news service received by many cable subscribers, are subject to Commission regulation under the *Telecommunications Act* when they are offered by cable and other broadcasting distribution undertakings.

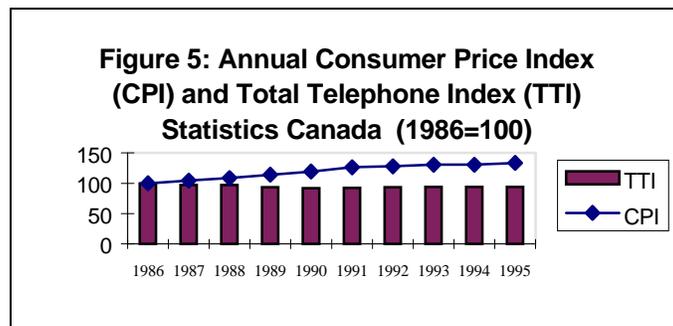
Efficiency and Effectiveness of Price Regulation

- The Commission broke the link between toll rate decreases and local rate increases in order to have Canadians benefit fully from increased competition and to reduce the bypass opportunities and the potential for uneconomic entry.
- The Commission approved a form of price regulation for Teleglobe Canada which will result in lower rates for many services to Canadian telecommunications carriers.

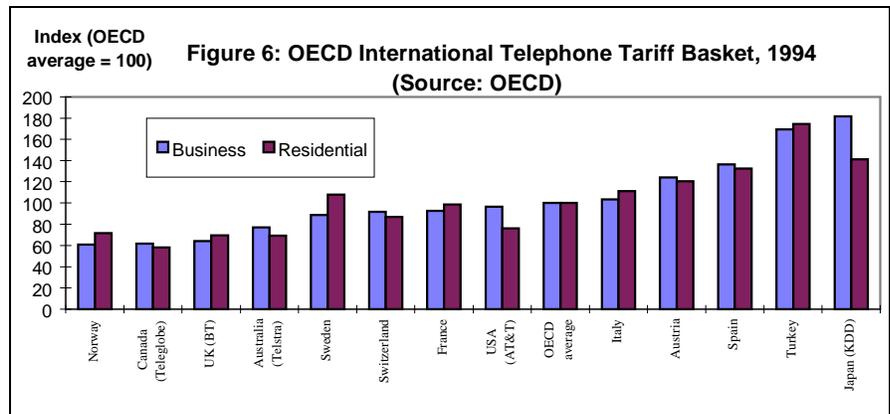
Canadian consumers will also benefit as the carriers pass on savings by lowering long distance overseas telephone rates.

- The Commission initiated proceedings to examine the local rate restructuring proposals of three major local telephone companies.
- The Commission initiated a proceeding to examine a number of issues related to the provisioning of special tariffs for educational and health service entities.

- While some prices increased in recent years (e.g. certain local services), other telecommunications service rates have decreased. The CPI has increased more than the Total Telephone Index over the last decade.



- Canada is the second country among OECD countries, to show the lowest tariff basket for international telephone calls.



Reform of Regulatory Framework

- In addition to the proceeding to review the regulatory framework for the independents, the Commission initiated a proceeding to review the regulatory framework for Teleglobe Canada.

Forbearance from Regulation

- The Commission has forborne from regulating a number of services. To date, where the Commission has determined that forbearance is appropriate, it has generally found it necessary to do so subject to certain conditions. This has been done to ensure, for example, that consumer interests remain protected or that the development of competitive markets is not impaired. Thus, while forbearance is providing increased flexibility for the regulated industry, it should be borne in mind that issues requiring regulatory resolution continue to arise for most of those services in respect of which the Commission has forborne. From the perspective of the Commission's ongoing workload, the many competitors that have benefited from forbearance with respect to some or all of their service offerings still retain an active interest in the regulatory process, participate in Commission proceedings, and continue to make applications for relief to the Commission.
- Pursuant to the *Telecommunications Act*, the Commission has forborne from exercising certain of its powers, such as the filing of tariffs, in respect of a number of services in 1995-96 including those provided by non-dominant Canadian carriers, such as AT&T Canada LDS, Sprint Canada and fONOROLA. The Commission forbore from regulating the provision of Telesat's tariffs for all bundled and standard services (non-space segment).
- The Commission initiated two proceedings to seek comment regarding the appropriateness of forbearing with respect to several services offered by certain telephone companies.

Promotion of the use of Canadian transmission facilities for telecommunications within Canada and between Canada and points outside Canada

- The Commission took a more active role in enforcing the rules against bypass by reminding the major domestic carriers of their obligation to enforce their tariff provisions prohibiting the routing by customers of basic service traffic by way of the U.S.A., when that traffic originates or terminates in Canada. (The Commission had previously approved provisions in Teleglobe's tariffs prohibiting the routing through a third country of Canadian international voice traffic carried on resold International Private Lines (IPLs)).

Streamlining the regulatory process

- It should be noted that during this period of increasing workload, the Commission has introduced a number of innovative processes aimed at streamlining the regulatory process. This includes the use of the Internet to exchange documents and to inform the public. Moreover, alternate dispute resolution and staff mediation techniques have been employed to dispose of competitive complaints.

Applications, Public Hearings, Complaints and Inquiries

- Another significant development had been the addition of 49 independent telephone companies to the CRTC's jurisdiction as a result of the Supreme Court of Canada's decision in the case of Téléphone Guèvremont. These changes presented a major new challenge, and increased the workload for the CRTC.
- Impact of electronic exchange of documents: instead of 54,000 copies of telecom orders, only 7,500 will be sent in paper format and 46,500 will be distributed electronically. For Telecom Public Decisions, instead of 4,200 hard copies, only 1,200 will be sent in paper format and 3,000 copies will be sent electronically.
- In 1995, there was a total of 23,042 complaints: 18,362 verbal and 4,680 written. It is estimated that 85% of verbal complaints are resolved immediately, while the remainder needs some follow-up.

3. Comparative Financial Performance by Business Line

i) Departmental Planned and Actual Spending

(thousands of dollars)	Actuals 1993-94	Actuals 1994-95	Main Estimates 1995-96	Actuals 1995-96
Business Lines/Activities				
Broadcasting	10,844	11,003	11,134	11,572
Telecommunications	6,770	7,468	8,641	8,083
Executive Management	7,967	8,219	8,057	7,929
Corporate Services	9,464	7,983	6,873	8,397
TOTAL	35,045	34,673	34,705	35,981¹

Note:

¹ The difference of \$1.276 million between actual and main estimates is due to severance and separation benefit payments made resulting from Program Review.

III Supplementary Information

1. Organization

- 1.1 Organization Chart
- 1.2 CRTC Organization Units by Business Line
- 1.3 Resource Requirements by Branch and Business Line/Activity

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 - 3.1.3 Presentation by Standard Object
- 3.2 Contingent Liabilities
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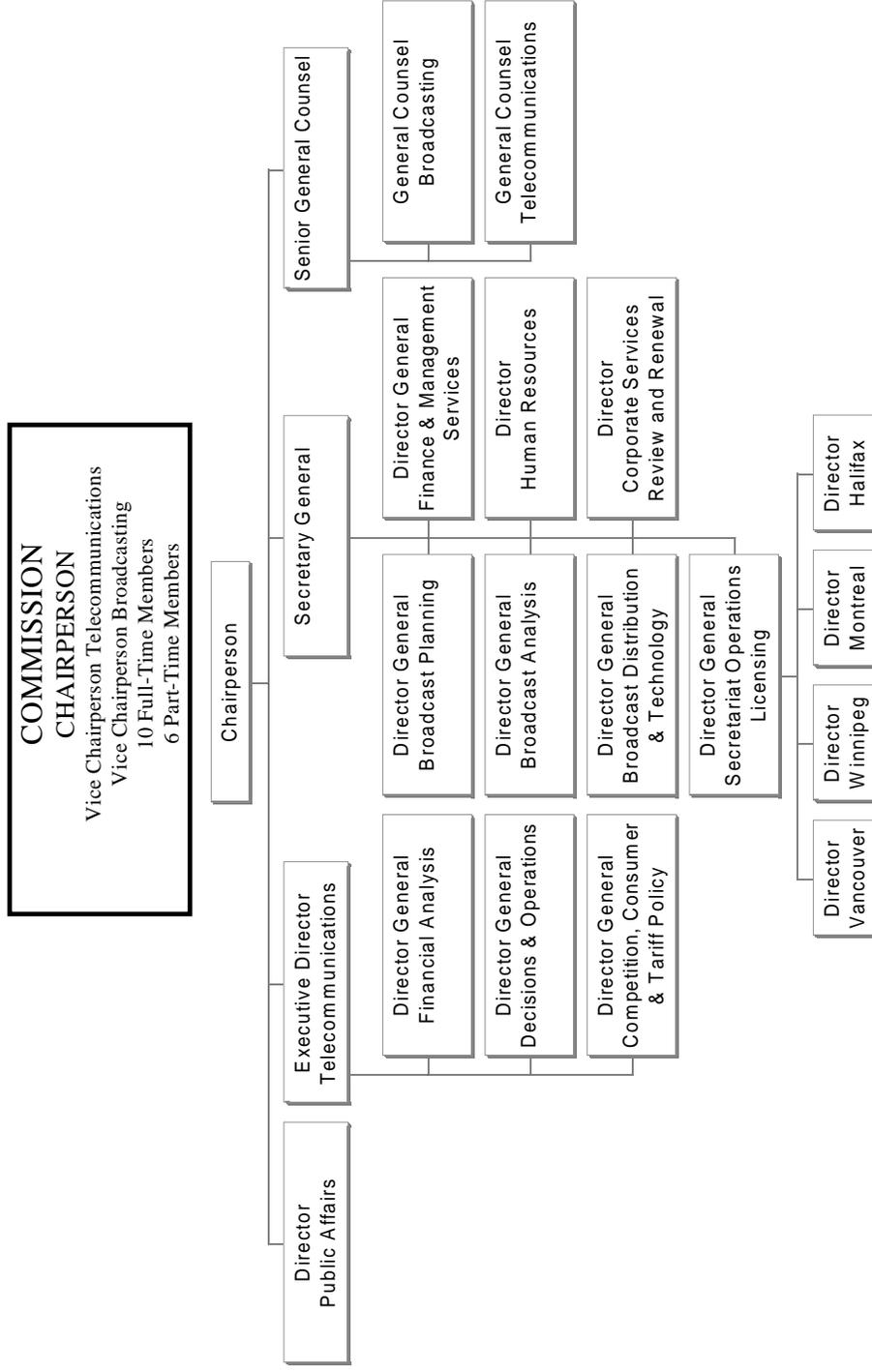
4. Statutes Administered by the CRTC

5. Regulations and Procedures

6. References

1. Organization

1.1 Organization Chart



1.2

CRTC Organization Units by Business Line

BROADCASTING	TELECOMMUNICATIONS	EXECUTIVE MANAGEMENT	CORPORATE SERVICES
<ul style="list-style-type: none"> • Broadcast Distribution & Technology • Broadcast Planning • Broadcast Analysis • Decisions & Licensing 	<ul style="list-style-type: none"> • Executive Director's Office • Decisions & Operations • Financial Analysis • Competition, Consumer & Tariff Policy 	<ul style="list-style-type: none"> • Executive • Secretary General • Legal Directorate • Public Affairs • Halifax, Montreal, Winnipeg & Vancouver Offices 	<ul style="list-style-type: none"> • Corporate Services, Review & Renewal • Human Resources • Finance & Management Services

1.3 Resource Requirements by Branch and Business Line/Activity (\$000)

BRANCHES	1997-98 Main Estimates				TOTAL
	Business Lines/Activities				
	Broadcasting	Telecommunications	Executive Management	Corporate Services	
Broadcast Distribution & Technology	1,060				1,060
Broadcast Planning	1,383				1,383
Broadcast Analysis	3,092				3,092
Decisions & Licensing	3,369				3,369
Executive Director Office		1,110			1,110
Decisions & Operations		2,255			2,255
Financial Analysis		2,981			2,981
Competition, Consumer & Tariff Policy		2,557			2,557
Executive			2,482		2,482
Secretary General	362		751		1,113
Legal Directorate			1,789		1,789
Public Affairs	770		1,521		2,291
Halifax, Montreal, Winnipeg & Vancouver Offices			1,420		1,420
Corporate Services, Review & Renewal				368	368
Human Resources				1,166	1,166
Finance & Management Services				4,400	4,400
TOTAL	10,036	8,903	7,963	5,934	32,836

2. Personnel Requirements

2.1 Details of Personnel Requirements by Business Line/Activity (FTEs)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Business Lines/Activities						
Broadcasting	161	139	146	142	137	137
Telecommunications	96	105	113	113	113	113
Executive Management	91	94	91	91	91	91
Corporate Services	74	70	72	69	67	67
TOTAL	422	408	422	415	408	408

2.2 Summary by Professional Category (FTEs)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Order-in-Council Appointments	12	11	13	13	13	13
Executive Group	21	21	21	20	20	20
Scientific and Professional	31	31	28	31	31	31
Administrative & Foreign Service	259	242	251	249	243	243
Technical	11	11	11	11	11	11
Administrative Support	88	92	98	91	90	90
Operational	-	-	-	-	-	-
TOTAL	422	408	422	415	408	408

3. Additional Financial Information

3.1 Revenues and Expenditures

Broadcasting: Licence fees are payable annually by all broadcasting undertakings, with the exception of those specifically exempted by the Regulations in accordance with the Commission's Broadcasting Licence Fee Regulations. The exemptions are:

- rebroadcasting transmitting stations;
- student carrier current broadcasting undertakings; and
- broadcasting undertakings carried on by the Canadian Broadcasting Corporation.

The annual fees are calculated as follows:

- for radio programming undertakings (including networks): where the fee revenue in the return year is \$2,000,000 or less, \$25. Where the fee revenue in the return year is greater than \$2,000,000, \$25 plus 1.8 % of the amount by which the fee revenue exceeds \$500,000. When an FM and AM station in the same market have one owner and the combined revenues of the two stations exceed \$4,000,000, \$25 plus 1.8% of the amount by which the fee revenue exceeds \$500,000;
- for television programming undertakings (including networks): \$25 plus 1.8% of annual revenue exceeding \$1,500,000; and
- for distribution undertakings which include cable television (CATVs), Relay Distribution (Cancom), Subscription Television (STV) and Multipoint Distribution Service (MDS): \$25 plus 1.8% of total annual revenue exceeding \$175,000.

It should be noted that a portion of the fees collected by the CRTC are also allocated to cover expenses of Industry Canada for services provided through its Spectrum Management and Regional Operations Activity. These services include the certification of broadcast undertakings, the broadcast inspection program and the investigation of complaints of interference to broadcast reception.

The Commission is to implement new Broadcasting Licence Fee Regulations, effective 1 April 1997. This is in direct response to a Treasury Board decision granting the Commission “vote netting” authority for its broadcasting activity. Funding, in the form of licence fee revenues, will now be required by 1 April of each year in order to finance the Commission’s operating expenditures related to the regulation of the broadcasting industry.

Telecommunications: The Telecommunications Fees Regulations 1995, made under s. 68 of the *Telecommunications Act*, set out the formula for the collection of telecommunications fees from the carriers that the Commission regulates. Each company is required to pay fees based on

its operating revenues as a percentage of the revenues of all the carriers that are regulated. The annual fees that the CRTC collects is equal to the aggregate of:

- the cost of the Commission's telecommunications activity;
- the share of the costs of the Commission's Executive Management and Corporate Support activities that is attributable to its telecommunications activity; and
- the other costs that are taken into account to arrive at the net cost of the Commission's program that is attributable to its telecommunications activity.

These costs are set out in the Expenditure Plan published in The Estimates of the Government of Canada. Beginning in 1995-96 the Commission obtained authority for revenues to be based on current year estimates and to adjust the annual telecommunications fees that have been charged to the Commission's actual expenditures on telecommunications activities during the fiscal year. Any excess fees are credited to the carriers, while shortfalls are subject to an additional billing.

3.1.1 Licence Fee Revenues Received from the Regulated Broadcasting and Telecommunications Industries

A) Revenue credited to the Consolidated Revenue Fund

(thousand dollars)	Forecast 1997-98	Forecast 1996-97	Actual 1995-96
Broadcast licence fees	63,249	61,707	71,441
Telecommunications fees	2,800	2,800	2,794
Sub-Total	66,049	64,507	74,235

B) Revenue credited to the Vote

Broadcast licence fees	15,857	16,683	-
Telecommunications fees	13,210	13,210	13,459
Sub-Total	29,067	29,893	13,459
Total Revenues	95,116	94,400	87,694

Note: Vote netting was introduced in 1994-95 for Telecommunications and in 1996-97 for Broadcasting.

3.1.2 Details of Revenues by Business Line/Activity (\$000)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Revenue credited to the Vote by Business Lines/Activities						
Broadcasting	-	-	9,353	8,867	8,717	8,737
Telecommunications	7,052	7,813	7,797	7,819	7,719	7,734
Executive Management	2,749 ¹	2,992 ¹	6,754 ²	6,979 ²	6,879 ²	6,899 ²
Corporate Services	3,026 ¹	2,654 ¹	5,989 ²	5,402 ²	5,358 ²	5,372 ²
Total credited to the Vote	12,827	13,459	29,893	29,067	28,673	28,742
 Revenue credited to the Consolidated Revenue Fund by Business Lines/ Activities						
Broadcasting	68,280	71,441	61,707	63,249	67,427	70,458
Telecommunications	1,140	2,794	2,800	2,800	2,800	2,800
Total revenue credited to the Consolidated Revenue Fund	69,420	74,235	64,507	66,049	70,227	73,258
 Total Program Revenues	 82,247	 87,694	 94,400	 95,116	 98,900	 102,000

Notes:

¹ Revenue generated from telecommunications fees is apportioned to these business lines/activities.

² Revenue generated from broadcasting licence and telecommunications fees is apportioned to these business lines/activities.

3.1.3 Presentation by Standard Object (\$000)

	Actuals 1994-95	Actuals 1995-96	1996-97 Estimates	1997-98 Estimates	1998-99 Planned	1999-00 Planned
Personnel						
Salaries and wages	23,747	24,174	22,557	22,169	21,775	21,844
Contributions to employee benefit plans	3,008	3,222	3,271	3,769	3,702	3,713
Other salary and wages						
Other personnel costs						
	26,755	27,396	25,828	25,938	25,477	25,557
Goods and services						
Transportation and communications	1,635	1,698	1,824	1,960	1,960	1,960
Information	1,358	1,349	1,351	1,350	1,350	1,350
Professional and special service	2,672	2,890	2,258	1,830	1,830	1,830
Rentals	184	237	302	345	345	345
Purchased repair and maintenance	363	410	422	405	405	405
Utilities, materials and supplies	954	1,256	850	680	680	680
Other subsidies and payments	70	64	2	1	1	1
	7,236	7,904	7,009	6,571	6,571	6,571
Capital	682	681	327	327	327	327
Gross expenditures	34,673	35,981	33,164	32,836	32,375	32,455
Less:						
Revenues credited to the Vote	12,827	13,459	29,893	29,067	28,673	28,742
Net budgetary expenditures	21,846	22,522	3,271	3,769	3,702	3,713

3.2 Contingent Liability

3.2.1 List of Contingent Liabilities

As at November 18, 1996, contingent liabilities estimated at \$1.85 million were outstanding against the Canadian Radio-television and Telecommunications Commission.

- \$1.1 million relates to pending or threatened litigation alleging that the Commission failed to furnish the claimant with information necessary for her to carry on an action against a radio station in Toronto.
- an unspecified amount of damages, plus interest and costs relates to pending or threatened litigation for alleged breach of contract in the tendering process for court reporting services.
- \$750,000 plus interest and costs relates to pending or threatened litigation for damages and other relief. On July 10, 1996, a motion for dismissal was filed by the CRTC and the Federal Crown, and granted. The plaintiffs appealed that decision and have filed their factum. It is expected the CRTC 's factum will be filed in December.

These cases are currently in various stages of litigation. It is not the policy of the Commission to comment on the expected outcomes of each case. They are, however, recognized as potential liabilities against the Crown and are therefore presented for information purposes only.

4. Statutes Administered by the CRTC

Canadian Radio-television and Telecommunications Commission Act, R.S.C. 1985, c. C-22) as amended

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

Telecommunications Act, S.C. 1993, c.38

Bell Canada Act, S.C. 1987, c.19

Telesat Canada Reorganization and Divestiture Act, S.C. 1991, c.52

Teleglobe Canada Reorganization and Divestiture Act, S.C. 1987, c.12

5. Regulations and Procedures

CRTC Rules of Procedure

Broadcasting Information Regulations, 1993

Broadcasting Licence Fee Regulations

Cable TV Regulations, 1986

Pay TV Regulations, 1990

Radio Regulations, 1986

Specialty Service Regulations, 1990

Television Broadcasting Regulations, 1987

Telecommunications Fees Regulations, 1995

6. References

Competition and Culture on the Information Highway: Managing the Realities of Transition, May 1995.

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