



Canadian Radio-television and  
Telecommunications Commission

Conseil de la radiodiffusion et des  
télécommunications canadiennes



# Communications Monitoring Report

## 2008

Canada





# **CRTC Communications Monitoring Report**

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Interested parties are welcome to provide comments for improvements or additions to future editions of the report. You can send your comments to the attention of the Secretary General, CRTC, Ottawa, K1A 0N2 or by using our On-Line Services located on our website at [www.crtc.gc.ca](http://www.crtc.gc.ca).



## *Executive summary*

Communications companies are crossing what have been traditional boundaries between broadcasting and telecommunications. The *CRTC Communications Monitoring Report* combines the previous broadcasting and telecommunications monitoring reports into one report to address these developments by providing a more holistic view of the industries and their markets than in past reports specific to each industry.

Broadcasting is an important element in the cultural, social, political and economic lives of Canadians while telecommunications are an important element in their social and economic lives. Radio and television broadcasting, whether over-the-air (OTA) or over broadcasting distribution undertaking (BDU) networks, such as cable and satellite, is available to virtually all Canadians. As well, over 98% of Canadians subscribe to telecommunications services.

Cable BDUs have benefited from technological developments as they have transformed their networks from one-way broadcasting networks to two-way broadband communications networks. They have expanded their services and are now providers of telecommunications and broadband services. In 2007 their landline telecommunications service revenues represented approximately 30% of their revenues. Similar technological developments have enabled telephone companies to transform their landline networks from analog to digital to broadband networks. With these developments telephone companies have expanded their services to include broadband and broadcasting services. In 2007 their Internet protocol television (IPTV) service revenues represented less than 2% of their revenues.

Canadians have benefited from these developments as they now have more choice of suppliers for broadcasting and telephony services. Approximately 93% of Canadian households can access broadband services using landline facilities. Satellite facilities can extend this reach to virtually all Canadian households which is only limited by capacity constraints. Approximately 64% of households subscribe to high-speed Internet access service. Of these 75% subscribe to broadband service with speeds of 1.5 mbps or higher and 59% subscribe to service with speeds of 5 mbps or higher.

With respect to wireless services, approximately 98% of Canadians live within the wireless footprint. Wireless service providers have also benefited from technology and enhanced their networks to provide 3G or 3G-equivalent wireless service that is now available to 78% of Canadians. These Canadians now have access to a wireless network capable of providing them with broadband equivalent services.

These developments position Canada well to take advantage of the services, opportunities and benefits that broadband has to offer.

### *Industry Revenue Growth*

Total broadcasting and telecommunications revenues increased 5.7% from \$48 billion in 2006 to \$51 billion in 2007. Broadcasting revenues increased 6.7% from \$12 billion in 2006 to \$13 billion in 2007; whereas telecommunications revenues increased 5.3%, from \$36 billion to \$38 billion.

#### **Broadcasting**

In 2007, BDU broadcasting revenues increased 1.4 and 2.0 times faster than radio and television respectively: BDU broadcasting revenues increased 8.8% from \$5.8 billion in 2006 to \$6.3 billion in 2007; whereas private commercial radio revenues increased 6.2% from \$1.4 billion to \$1.5 billion and television revenues increased 4.3% from \$5.0 billion to \$5.3 billion.

#### *Radio*

There were 1,222 radio and audio services in Canada in 2007, of which 8.5% were operated by the national broadcaster. These services were broadcast to English-language Canadians (75%), French-language Canadians (22%) and third-language Canadians (3%). There were 59 digital radio and audio services in 2007.

Nationally, average weekly hours tuned per capita have declined by 2% annually from 19.5 hours in 2003 to 18.3 hours in 2007. On a per listener basis, average weekly hours tuned also declined but at a slower rate, declining 1% annually from 21.0 hours in 2003 to 20.2 hours in 2007.

Private commercial broadcasters representing 60% of radio and audio services, generated \$1.5 billion in 2007, a 6% or \$87 million increase over the previous year. Although 47 AM stations have been converted to FM since 2003, the average revenues and profit before interest and taxes (PBIT) per FM station has remained relatively unchanged at \$2.5 million and \$0.6 million per station respectively; whereas the average revenues per AM station have increased from \$1.5 million in 2003 to \$1.9 million in 2007 and the PBIT has increased from almost nil to \$0.1 million.

#### *Television*

There were 685 television services in 2007. The number of third language television stations increased 12% from 113 stations in 2006 to 126 stations in 2007. Pay, pay per view (PPV), video-on-demand (VOD) and specialty services had the highest revenue growth in 2007, increasing from \$2.5 billion in 2006 to \$2.7 billion in 2007, a \$226 million or 9% increase. Pay, PPV, VOD and specialty service revenues were 52% of total television revenues.

Industry PBIT margins have generally increased for English- and French-language private conventional OTA television and pay, PPV, VOD and speciality services.



Overall viewing of Canadian programs on Canadian English-language services decreased from 52% in 2006 to 48% in 2007, whereas viewing of Canadian programs on French-language services remained relatively unchanged at 65% in 2007. While drama & comedy continues to be the most popular type of programming, it is predominantly of non-Canadian programs. In 2007, 79% of viewing of English-language drama/comedy was of non-Canadian programs and 63% of viewing of French-language services was of non-Canadian programs.

### *BDU*

The cable BDU footprint encompasses over 12.4 million Canadian households<sup>1</sup>. In 2007 approximately 10.7 million or 90% of Canadian households subscribed to a BDU for television service, an increase of 0.2 million or 1.7% over the previous year. Of those subscribing to a BDU, 25% subscribed either to a direct-to-home (DTH) or multipoint distribution system (MDS) BDU. The top 4 cable BDUs and the two DTH providers captured 91% of all BDU subscribers in 2007.

BDU programming revenues per subscriber per month<sup>2</sup> increased \$3.26 or 7% from \$46.56 in 2006 to \$49.82 in 2007.

Combined with their telephony services, over the 2002 to 2007 period the cable BDU earnings before interest, taxes, depreciation and amortization (EBITDA) margin remained within the 40.2% to 43.9% range whereas the DTH and MDS EBITDA margin steadily increased from a negative 9.2% in 2002 to 16.9% in 2007.

### *New Media broadcasting*

Canadians are increasingly benefiting from the wide spread availability of broadband services. A growing numbers of Canadians report using the Internet for things such as watching video (36% in 2007), as well as using other technologies such as MP3 players (31% in 2007). Canadians are also spending more time using new media technologies as part of their everyday lives. Average hours of Internet usage has grown to over 10 hours per week, and it increases for those with high-speed broadband Internet access.

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<sup>1</sup> Source: Statistics Canada 2007, “*Cable, satellite and multipoint distribution systems, 2006*”, 56-001-XIE, Vol. 37, no. 2, for the August 2006 period.

<sup>2</sup> Revenues per subscriber per month were derived by dividing total revenues by the number of subscribers and by the number of months in the year.

## **Telecommunications**

The vast majority of the \$1.9 billion increase in telecommunications revenues is directly attributable to the 14% and 17% revenue growth of mobile phone and residential high-speed Internet services, respectively. The number of mobile phone subscribers increased 8.2% in 2007. Canadians continued to embrace technologies including broadband access to the Internet as the number of residential subscribers to high-speed Internet services increased by 12%.

To a lesser extent, overall industry revenues continued to benefit from the revenue growth of the newer data services that meet business customer requirements for increased speed, functionality and cost efficiency. These services now represent over 70% of the data protocol revenues, with data services such as Ethernet and Internet Protocol (IP) based virtual private networks (VPNs) having a combined revenue growth of 20%.

Over the 2003 to 2007 period, the incumbent TSPs' EBITDA declined from \$7.2 billion to \$6.7 billion or 7%. In contrast, the wireless EBITDA steadily increased from \$3.1 billion in 2003 to \$6.5 billion in 2007 or 110%. Although wireless revenues accounted for 38% of the telecommunications revenues in 2007, the wireless EBITDA accounted for an estimated 50% of industry EBITDA. Capital expenditures increased from \$6.9 billion in 2006 to \$8.2 billion in 2007, a \$1.3 billion or 18.7% increase.

### *Competition*

The alternative TSPs' share of total wireline telecommunications revenues continued to increase and reached 32% or \$7.5 billion in 2007. The alternative TSPs' market share included the incumbent telephone companies' activities when operating outside of their traditional territories (8%), other facilities-based TSPs such as cable companies and hydro utility companies with telecommunications activities (18%) and resellers (6%).

The large cable companies are major providers of high-speed Internet service, as they have approximately 55% of high-speed residential Internet subscribers in 2007. In 2005, they started to provide local telephone service generally over a managed network and by end 2007 they captured almost 12% of local residential lines to become major competitors of the incumbent telephone companies in residential markets.

The competitors of the incumbent telephone companies which include incumbent telephone companies when operating outside of their traditional territories, continued to gain market share primarily due to the dramatic growth in local competition. Competitors had strong growth in their number of local lines; both in the residential market, essentially from cable BDUs, where competitor lines increased 38% and, to a lesser extent, in the business market, where competitor lines increased 7%.

### *Regulation*

The Commission has forbore from economic regulation approximately 73% of residential local exchange lines and 65% of business local exchange lines or 80% of local revenues. With respect to the remaining telecommunications services, the Commission has forbore from economic regulation 95% of long distance, 94% of data, 47% of private line, 98% of Internet, and 100% of wireless service revenues. Overall, approximately 90% of total telecommunications revenues were from forbore services. The remaining 10% consists of revenues from the remaining non-forbore retail (75%) and wholesale (25%) revenues.

### *International*

In terms of pricing, Canadian rates for wireline telecommunications service compare favourably with other foreign jurisdictions. For wireless service, at a low usage level Canadian rates are below those in the United States, but tend to be higher than in other countries surveyed. At a high usage level, Canadian wireless rates are comparable to the United States and France, but significantly higher than in the United Kingdom and Australia. For Internet service, Canada appears to be mid-range in terms of international pricing.

Canada has the highest proportion of households taking up broadband connections among all of the G7 countries. Broadband to the home in Europe is primarily supplied via DSL technology over fixed telephone lines, whereas in Canada (as in the United States) consumers have more choice as broadband delivery is widely available over both cable and DSL.



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## **1.0 Introduction**

### **1.1 Purpose of the report**

This report provides a window on the broadcasting and telecommunications industries and is intended to foster an open and better-informed public discussion of broadcasting and telecommunications policies and issues.

The report contains disaggregated data on the Canadian broadcasting and telecommunications industries and markets. It provides a means to assess the impact of market and technological developments on, but not limited to, the cultural, social and economic objectives of the *Broadcasting Act* and the *Telecommunications Act* (the Acts), and the effectiveness of the Commission's regulatory frameworks and determinations in achieving the objectives.

Domestic and global competition as well as consumer demands for greater control over the communications experience has spurred rapid corporate and technological convergence in the communications landscape in Canada and abroad. The evolving borderless world of communications is a source of innovation and opportunities for carving out a special place within the broadcasting system for Canadian voices. The Commission invites parties to use this report to enrich their participation in the regulatory process.

#### **What's new in this report?**

The broadcasting and telecommunications industries are increasingly interwoven. As an example, dial-up Internet access service has given way to high-speed Internet service. This has contributed to and, with the introduction of higher access speeds, will continue to contribute to the development and evolution of New Media broadcasting. This offers a significant opportunity to further contribute to the broadcasting policy objectives of the *Broadcasting Act*. Communications companies are crossing what have been traditional boundaries between broadcasting and telecommunications. The *CRTC Communications Monitoring Report* combines the previous broadcasting and telecommunications monitoring reports into one report to address these developments by providing a more holistic view of the industries and their markets than in past reports specific to one industry or the other. The report updates and expands on the performance indicators and trends presented in previous broadcasting and telecommunications monitoring reports. The report has been expanded to include:

1. An overview of the broadcasting and telecommunications service providers and markets;
2. International price and availability comparisons with which to benchmark communications services;
3. Broadband availability by speed for both wireline and wireless platforms;
4. An expanded New Media section; and

5. An assessment of the impact of competition on communications service providers and consumers.

## **1.2 Data collection and outline of the report**

### *Data collection and reduced regulatory reporting*

This report is based on the responses from the industry to the Commission's annual broadcasting returns and telecommunications data collection forms (referenced collectively as 'CRTC data collection'), data collected from other sources, including Statistics Canada, Industry Canada, company-specific financial reports, BBM Canada, BBM Nielsen Media Research, BBM Analytics' Media Technology Monitor (MTM) reports and information previously filed with the Commission. All broadcasting data in this report, unless otherwise noted, is for the twelve month period ending August 31 whereas telecommunications data, including Internet service, is for the twelve month period ending December 31.

In order to minimize response burden on the industry, make more efficient use of resources and promote coherence of the Canadian statistical system, Statistics Canada and the Commission have been working together to eliminate overlap in their respective data collection activities and, where possible, to use common concepts and definitions. In that spirit the two organizations have jointly issued the Annual Returns for broadcasting licensees for many years. In 2008 a similar arrangement was introduced for the collection of telecommunications data from telecommunications service providers. Statistics Canada's Annual Survey of Telecommunications and Annual Survey of Internet Services Providers have been merged with the CRTC's annual telecommunications data collection. Thus, the CRTC annual data collection process was enhanced to include the compilation of information essential for the production of national and provincial economic accounts. As well, Statistics Canada streamlined and redesigned its quarterly survey of telecommunications in order to improve the coherence between annual and quarterly statistics for this sector.

International comparisons or analyses are made based on data obtained from reports published by international organizations such as the Organisation for Economic Co-operation and Development (OECD) as well as reports or data published by national regulatory agencies (NRAs) in other countries.

Specific elements of the monitoring exercise change over time to take into account regulatory or market developments, such as new technologies; changes in the market structure or in domestic or international regulations or agreements; or the introduction of new or evolving services. These changes serve to ensure that the monitoring reports continue to be useful tools for all stakeholders, including regulators, customers and industry players. Certain figures published in prior years' monitoring reports may be restated to be consistent with data displayed in this report. Other figures may change as a result of broadcasters or service providers resubmitting prior years' data. All revised numbers are identified by means of a number sign (#).

## *Outline of Report*

This report is divided into a number of sections and appendices. An overview of the Commission's regulatory frameworks, streamlining initiatives and recent regulatory and industry developments is provided in Section 2. This section also compares and contrasts the key objectives of the broadcasting and telecommunications legislation. Section 3 examines the key financial indicators of the communications industry. It addresses the financial landscape of the broadcasting and telecommunications industries by examining key financial indicators including revenue, capital expenditures and other operational data. As well, it provides an overview of the broadcasters and telecommunications service providers. The performance of the Canadian broadcasting system is presented in Section 4, encompassing traditional radio, television and distribution undertaking broadcasting results and non-traditional New Media broadcasting results. Section 5 discusses the major telecommunications market segments: local and access; long distance; Internet; data and private line; and wireless. The section also reviews the availability of broadband service. Section 6 presents current regulatory developments in other countries and compares Canada's performance in broadcasting and telecommunications to that of those countries.

A description of the data collection methodology and analysis is provided in Appendix 1. A summary of the Canadian telecommunications markets subject to economic forbearance rulings is provided in Appendix 2. Appendix 3 discusses the classification of the telecommunications service providers. The status of local forbearance applications in residential and business exchanges is provided in Appendix 4. Appendix 5 lists the pricing assumptions used in the development of the price comparison of telecommunications services in Canada to that in other countries.



## 2.0 The CRTC, policies and regulation

### 2.1 The CRTC

The CRTC is an independent public authority in charge of regulating and supervising Canadian broadcasting and telecommunications. It serves the public interest and its power and jurisdiction are set out in the Acts. The CRTC reports to Parliament through the Minister of Canadian Heritage. The Governor in Council may issue directions of general application to the Commission on matters with respect to the objectives of the telecommunications, broadcasting or regulatory policy objectives set out in the Acts.

The components of broadcasting policy set out at section 3 of the *Broadcasting Act* are directly or indirectly tied to the cultural, social, political and economic fabric of Canada while those of the *Telecommunications Act*, as set out in section 7 of that Act, are tied to the social and economic fabric of the country.

Access to Canadian content, in particular its creativity and availability to Canadians, is the underlying principle of the broadcasting objectives. Canadian content must not only exist, it should also be available to all Canadians both as participants in the industry and as members of the audience. To achieve the objectives of the *Broadcasting Act*, the Commission is guided by the regulatory policy objectives set out in subsection 5(2) of that Act which requires the Commission to regulate and supervise the broadcasting system in a flexible manner that, among other things, takes into account regional concerns, is adaptable to technological developments and facilitates provisioning of broadcasting Canadian programmes to Canadians.

With respect to telecommunications, pursuant to the *Telecommunications Act*, the Commission strives to ensure the provision of reliable and affordable telecommunications services of high quality accessible to both urban and rural area customers, to foster facilities-based competition, to provide incumbents with incentives to increase efficiencies and be more innovative, and to adopt regulatory approaches, where necessary, that impose the minimum regulatory burden possible.

Since its coming into force in December 2006, the Commission has applied the Policy Direction<sup>3</sup> in the exercise of its powers and performance of its duties under the *Telecommunications Act*. The Policy Direction mandates the CRTC to 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 market forces to the minimum extent necessary. The Policy Direction specifies criteria to encourage effective regulation which must be met by any new regulatory measure. The Policy Direction further directs the CRTC to adopt operational practices that promote more efficient, informed and timely regulation where it is required.

In addition to implementing the policy objectives in its governing legislation and the Policy Direction, the Commission also seeks to ensure that its regulatory frameworks for the

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<sup>3</sup> Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives (the Policy Direction) issued by the Governor in Council.

Canadian broadcasting and telecommunications industries are keeping pace with emerging technologies. In all its activities, the Commission is guided by four basic working principles: transparency; fairness; predictability and timeliness. Consequently, it endeavours to make and publish its decisions promptly with a clear rationale and to regulate only where necessary, and then in the least intrusive manner possible. To further the transparency of Commission processes, the CRTC prepares each year (a) a summary of its activities related to the Canadian broadcasting and telecommunications industries and (b) its three-year work plan in consultation with industry stakeholders. These documents are available to the public on the CRTC's website.<sup>4</sup>

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<sup>4</sup> <http://www.crtc.gc.ca/eng/publications/reports.htm>

## 2.2 Regulatory oversight of broadcasting and telecommunications

### Overview

The Commission uses a variety of means to exercise its regulatory powers. Under section 6 of the *Broadcasting Act*, the Commission has the power to establish policy guidelines and statements. These policy guidelines and statements are periodically reviewed to ensure that they are current. When reviewing the guidelines and statements, the Commission consults with the industry and the public by holding hearings. The Commission also has the power, pursuant to the *Broadcasting Act*, to establish regulations<sup>5</sup> applicable to the broadcasting industry. Under subsection 9(1) the Commission has the authority to establish classes of licence and impose conditions of licence. The Commission imposes conditions of licence when issuing a licence and modifies these conditions as necessary when renewing the licence, to achieve the Canadian broadcasting policy objectives as set out in the *Broadcasting Act*.

Pursuant to section 47 of the *Telecommunications Act*, the Commission must exercise its powers and perform its duties with a view to implementing the telecommunications policy objectives set out in section 7 of the *Telecommunications Act*, ensuring that the rates charged by Canadian telecommunications carriers are just and reasonable, that, in relation to the provision of telecommunications services, Canadian carriers do not discriminate unjustly or accord any undue or unreasonable preference<sup>6</sup> and in accordance with any order made by the Governor in Council or any standards prescribed by the Minister of Industry.<sup>7</sup> In addition to regulating the rates, terms and conditions under which telecommunications services are provided, the Commission has the power to forbear from regulating telecommunications services or classes of service where it finds, among other things, that there is sufficient competition to protect the interests of users.<sup>8</sup>

The Commission fulfils its broadcasting and telecommunications regulatory and supervisory responsibilities by means of a number of inter-related activities, which include:

- i) establishing, monitoring, assessing and reviewing, where appropriate, regulatory frameworks to meet its policy objectives;
- ii) implementing procedures for the efficient and effective resolution of competitive disputes; and
- iii) making determinations on industry mergers, acquisitions and changes of ownership in the industry.

The Commission also monitors the programming and financial obligations of broadcasting undertakings to ensure compliance with regulations and conditions of licence.

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<sup>5</sup> *Radio Regulations, Television Broadcasting Regulations, Broadcasting Information Regulations, Broadcasting Licence Fee Regulations, Broadcasting Rules of Procedure, Broadcasting Distribution Regulations, Pay Television Regulations, Specialty Services Regulation.*

<sup>6</sup> Subsections 27(1) and 27(2) of the *Telecommunications Act*.

<sup>7</sup> Sections 8, 15 and 47 of the *Telecommunications Act*.

<sup>8</sup> Section 34 of the *Telecommunications Act*.

## Regulatory framework within a competitive environment

In exercising its statutory powers under the Acts and predecessor legislation, the Commission has, where feasible gradually and in an orderly manner, opened up monopoly-based markets to competition to allow consumers multiple means of receiving programming services that include not only traditional cable companies but also satellite, wireless and telephone companies. In Broadcasting Public Notice CRTC 1997-25,<sup>9</sup> the Commission established the conditions under which it would forbear from the regulation of Class 1 undertakings.<sup>10</sup> In the process of opening the broadcast distribution undertaking (BDU) market to competition, the Commission has implemented self-regulatory mechanisms in the broadcasting industry where appropriate. The Commission has encouraged industry associations, such as the Canadian Association of Broadcasters (CAB), to develop self-regulating codes of conduct and standards pertaining to their industries.

Similarly since the early nineties, the Commission has moved toward greater deregulation of the telecommunications market. In Telecom Decision 94-19,<sup>11</sup> the Commission established a three-step process by which it could determine whether a telecommunication market is, or is likely to become competitive for the purpose of considering forbearance applications.<sup>12</sup>

As outlined in Appendix 2, since 1994 the Commission has forborne from regulating a number of telecommunications services including mobile services, retail Internet services, long distance and international services, various data and private line services, terminal equipment and inside wiring, satellite services and services provided by non-dominant carriers. More recently, frameworks have been established for the forbearance from regulating retail local exchange services. The Forbearance Order<sup>13</sup> modified the Commission's framework established in Telecom Decision 2006-15<sup>14</sup> for forbearing from regulating retail local exchange services. In the HSDS Decision<sup>15</sup> the Commission established a framework for forbearing from regulating high-speed intra-exchange digital network access (high-speed DNA) services and metropolitan wavelength services (MWS). In this decision, the Commission also forbore from regulating Bell Canada's high-speed DNA services in a number of wire centres and from regulating the company's MWS in the Toronto, Montreal and Ottawa census metropolitan areas.

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<sup>9</sup> *New regulatory framework for broadcasting distribution undertakings*, Public Notice CRTC 1997-25, 11 March 1997.

<sup>10</sup> BDUs are classified based on number of subscribers as follows: Class 1 refers captures BDUs with more than 6000 subscribers, Class 2 includes BDUs that have between 2000 to 6000 subscribers and Class 3 encompasses BDUs with less than 2000 subscribers.

<sup>11</sup> *Review of regulatory framework*, Telecom Decision CRTC 94-19, 16 September 1994 (Decision 94-19).

<sup>12</sup> The three steps consisted of (a) identifying the relevant market; (b) determining whether the applicant has market power with respect to the relevant market; and (c) determining whether, and to what extent, forbearance should be granted.

<sup>13</sup> *Order varying Telecom Decision CRTC 2006-15*, Order in Council P.C. 2007-532, issued 4 April 2007 (the Forbearance Order).

<sup>14</sup> *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15, 6 April 2006 (Decision 2006-15)

<sup>15</sup> *Framework for forbearance from regulation of high-speed intra-exchange digital network access services*, Telecom Decision CRTC 2007-35, 25 May 2007 (the HSDS Decision).

## 2.3 Diversity and social issues

### Part 1 - Broadcasting

For the purposes of this report, the Commission's key social policy objectives can be described under four general headings: (i) diversity, (ii) official languages, (iii) accessibility and (iv) programming standards.

#### (i) *Diversity*

The Commission's objective with regard to diversity is to ensure all broadcasters contribute to a system that accurately reflects the presence in Canada of ethnocultural minorities, Aboriginal peoples and persons with disabilities. Consistent with subsection 3(1)(d)(iii) of the *Broadcasting Act*, the Canadian broadcasting system should:

through its programming and the employment opportunities arising out of its operations, serve the needs and interests, and reflect the circumstances and aspirations of Canadian men, women and children, including equal rights, the linguistic duality and multicultural and multiracial nature of Canadian society and the special place of Aboriginal peoples within that society.

The Commission's diversity objectives, as they pertain to the Canadian broadcasting system require:

1. that the broadcasting system should be a mirror in which all Canadians can see themselves; and
2. that the broadcasting system should be one in which producers, writers, technicians and artists from different cultural and social perspectives have the opportunity to create a variety of programming and to develop their skills.<sup>16</sup>

The Commission's objectives are to ensure:

1. the accurate reflection of the presence (i.e., "who we see" and "who we hear") of ethnocultural minorities, Aboriginal peoples and persons with disabilities; and
2. the accurate, fair and non-stereotypical portrayal (i.e., "how we see" and "how we hear") of such groups.

The Commission is achieving its objectives by licensing services that target specific communities and through expectations with regard to private broadcasters and the national broadcaster, the Canadian Broadcasting Corporation (CBC).

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<sup>16</sup> *Building on success – A policy framework for Canadian television*, Broadcasting Public Notice CRTC 1999-97, 11 June 1999.

### *Broadcasting services and community needs*

The Commission continues to license services dedicated to serving specific communities such as:

1. over-the-air ethnic radio and television services;
2. ethnic specialty and pay services;
3. native radio and television undertakings; and
4. The Aboriginal Peoples Television Network.

The Commission authorizes non-Canadian third-language services for distribution in Canada, subject to certain criteria. In December 2004, the Commission issued Broadcasting Public Notice 2004-96,<sup>17</sup> which announced a revised approach to the assessment of requests to add non-Canadian third-language television services to the lists of eligible satellite services for distribution on a digital basis. The revised policy, which established a more open-entry approach to the authorization of non-Canadian third-language general interest services, puts a greater emphasis on expanding the diversity and choice in television services available to underserved third-language ethnic communities in Canada.

Subsequently, Broadcasting Public Notice 2005-104<sup>18</sup> established an open-entry approach for general interest third-language ethnic Category 2 pay and specialty services. In order to expand the diversity and range of services available to underserved communities, the Commission issued Public Notice 2007-33,<sup>19</sup> an exemption order that exempts from regulation certain third-language television undertakings, provided they meet the terms of the exemption order.

### *Persons with Disabilities*

In response to Broadcasting Public Notice 2004-2,<sup>20</sup> wherein the Commission called upon the CAB to examine issues surrounding the presence, portrayal and participation of persons with disabilities in television programming, the CAB submitted, in September 2005, its final report. Entitled *The Presence, Portrayal and Participation of Persons with Disabilities in Television Programming*, the report included the results of a three-part qualitative research project on the state of the presence, portrayal and participation of persons with disabilities on Canada's privately-owned television services, as well as proposed initiatives, tools and recommendations for both the CAB, its members and its industry partners. On 19 June 2006, the Commission issued its response to the CAB's final report in Broadcasting Public Notice

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<sup>17</sup> *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.

<sup>18</sup> *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.

<sup>19</sup> *Exemption order respecting certain third-language television undertakings*, Broadcasting Public Notice CRTC 2007-33, 30 March 2007.

<sup>20</sup> *Introduction to Broadcasting Decisions CRTC 2004-6 to 2004-27 renewing the licences of 22 specialty services*, Broadcasting Public Notice CRTC 2004-2, 21 January 2008.

2006-77.<sup>21</sup> The Commission concluded that it expects progress to be made by both the CAB and broadcasters in addressing the key gaps identified in the research. The Commission indicated its expectation to see progress, in licensees' annual reports on cultural diversity described above, in the following areas:

1. increasing knowledge of the needs and abilities of persons with disabilities at all corporate levels;
2. implementing measures to increase the presence and participation of persons with disabilities, both on-air and behind the camera in terms of access and accommodation; and
3. community outreach initiatives involving persons with disabilities and disability organizations.<sup>22</sup>

#### *Cultural Diversity Corporate Plans & Annual Reports*

The Commission requires broadcasters to describe their plans and activities with respect to the equitable employment and on-air representation of the four designated groups: visible minorities, Aboriginal persons, women and persons with disabilities.

In July 2004, the Task Force for Cultural Diversity on Television (the Task Force), which was formed by the CAB in 2001, published an extensive report.<sup>23</sup> The report includes the results of a landmark quantitative and qualitative study of the state of representation on private Canadian television as well as a recommended set of best practices and industry initiatives.

The Commission issued its response to the report in Broadcasting Public Notice 2005-24.<sup>24</sup> The Commission stated that, in addition to overall improvements in the representation and reflection of ethnocultural diversity on television, it expected progress to be made by broadcasters in addressing the key gaps identified by the research, namely:

1. the virtual absence of Aboriginal peoples in all genres of programming;
2. the significant under-representation of Asian Canadians in all genres of programming; and,

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<sup>21</sup> 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.

<sup>22</sup> For further details on the CAB's initiatives regarding persons with disabilities, please see CAB's website at: [www.cab-acr.ca/english/social/diversity/disabilities.shtm](http://www.cab-acr.ca/english/social/diversity/disabilities.shtm).

<sup>23</sup> *Reflecting Canadians: Best Practices for Cultural Diversity in Private Television*, is available on the CAB website ([http://www.cab-acr.ca/english/social/diversity/taskforce/report/cdtf\\_report\\_jul04.pdf](http://www.cab-acr.ca/english/social/diversity/taskforce/report/cdtf_report_jul04.pdf))

<sup>24</sup> Commission's response to the report of the Task Force for Cultural Diversity on Television, Broadcasting Public Notice CRTC 2005-24, 21 March 2005.

3. the lack of visible minorities and Aboriginal peoples in French-language news, in lead roles in English-language news programming, and in primary roles in English-language drama.

The Commission stated that it expected the CAB to report annually on its progress in implementing the industry initiatives recommended by the Task Force. The CAB filed its third annual report on diversity on 30 April 2008.

### **Television broadcasters**

Since August 2001, the Commission has required television licensees to develop and file detailed corporate plans that include specific commitments to corporate accountability, the reflection of diversity in programming, and the solicitation of effective feedback from viewers.<sup>25</sup> As a key tool for monitoring progress in this respect, the Commission also requires television licensees to file annual reports outlining progress made to achieve the stated goals and any new initiatives undertaken. These reports are available on the Commission's website.

### **Radio broadcasters**

In November 2007 the Commission followed up on the new *Commercial Radio Policy 2006* by establishing reporting requirements on cultural diversity for commercial radio operators<sup>26</sup> and approving the CAB's best practices for diversity in radio. Like television licensees, large radio operators (with revenues above \$50 million) are required to report annually to the Commission, starting 31 January 2009. Medium-sized radio operators (with revenues between \$20 and \$50 million) are required to report every five years from the date of the publication of the public notice (i.e., starting 2 November 2012). Small radio operators (with revenues below \$20 million) are exempt from reporting but should be prepared to describe their efforts in implementing the CAB's best practices at licence renewal.

### *Diversity of Voices*

The Commission considers that the concept of "diversity" in the Canadian broadcasting system should be approached at three distinct levels: diversity of elements, plurality of editorial voices within the private element, and diversity of programming.<sup>27</sup> In its Diversity of voices determination, the Commission established an approach that will preserve the plurality of editorial voices and the diversity of programming available to Canadians, both locally and nationally, while allowing for a strong and competitive industry. The Commission introduced new policies with regard to cross-media ownership; the common ownership of television services, including pay and specialty services; and the common ownership of broadcasting distribution undertakings. The Commission's existing policies with respect to the common ownership of over-the-air television and radio undertakings remain in effect.

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<sup>25</sup> Broadcasters' corporate plans for cultural diversity are available on the Commission's diversity public file.

<sup>26</sup> *Canadian Association of Broadcasters' Best Practices for Diversity in Private Radio; Reporting requirements on cultural diversity for commercial radio operators*, Broadcasting Public Notice CRTC 2007-122, 2 November 2007

<sup>27</sup> *Regulatory policy – Diversity of voices*, Broadcasting Public Notice CRTC 2008-4, 15 January 2008 (Diversity of voices).



In addition, in Broadcasting Public Notice CRTC 2008-5,<sup>28</sup> the Commission conditionally approved the *Journalistic Independence Code* proposed by the Canadian Broadcast Standards Council (CBSC). The Commission directed the CBSC to include a minimum number of journalists on the panels that study complaints and to formalize the process used to select panel members. The principles set out in the Code will ensure a diversity of professional editorial voices and will eventually apply to all broadcasters who own a newspaper in the same market.

*The National Broadcaster – Canadian Broadcasting Corporation (CBC)*

As the national broadcaster, the CBC, pursuant to paragraph 3(1)(l) of the *Broadcasting Act*, is required to provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains. Paragraph 3(1)(m) of the *Broadcasting Act* states that CBC's programming should:

- i. be predominantly and distinctively Canadian,
- ii. reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions,
- iii. actively contribute to the flow and exchange of cultural expression,
- iv. be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities,
- v. strive to be of equivalent quality in English and French,
- vi. contribute to shared national consciousness and identity,
- vii. be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose, and
- viii. reflect the multicultural and multiracial nature of Canada.

The Commission requires that the CBC include in its annual reports a description of how it is fulfilling its commitment to more adequately reflect the multicultural and multiracial nature of Canada and the special place of Aboriginal Peoples and to balance on-air representation of racial and cultural minority groups and Aboriginal Peoples in a manner that realistically reflects their participation in Canadian society and that help to counteract negative stereotypes.<sup>29</sup>

**(ii) Official languages**

The *Broadcasting Act* recognizes that "English and French language broadcasting, while sharing common aspects, operate under different conditions and may have different requirements." 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 also requires that CBC programming "reflect the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities" so as "to be of equivalent quality in English and in French."

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<sup>28</sup> *Regulatory policy – Journalistic Independence Code*, Broadcasting Public Notice CRTC 2008-5, 15 January 2008 (Diversity of voices).

<sup>29</sup> *A distinctive voice for all Canadians: Renewal of the Canadian Broadcasting Corporation's licences*, Public Notice CRTC 2000-1, 6 January 2000.

As a designated agency under the *Official Languages Act* (OLA), the Commission has the responsibility to take positive measures to enhance the vitality of the English and French linguistic minority communities in Canada and support and assist their development as well as foster the full recognition and use of both English and French in Canadian society. The Commission intends to continue its efforts, within the limits of its mandate, in promoting linguistic duality, and in strengthening the vitality and fostering the development of the English and French language minority communities in Canada.

To this end, the CRTC has created a discussion group with representatives of official language minority communities (OLMCs) associations and organisations. The group's mandate is to provide a forum in which the CRTC and OLMCs can identify ways to maximize OLMCs' participation in CRTC public proceedings and ensure that their realities are taken into account in Commission's decisions. More specifically, these meetings provide opportunities to discuss trends in the area of broadcasting and telecommunications, inform communities about the Commission's public proceedings of interest to them, and discuss tools and methods for improving their interventions at public hearings.<sup>30</sup>

The CRTC *Action Plan 2008-2011* also anticipates awareness and training activities, as well as communication, liaison and coordination, and reporting activities.

### **(iii) Accessibility**

Paragraph 3(1)(p) of the *Broadcasting Act* states that "programming accessible by disabled persons should be provided within the Canadian broadcasting system as resources become available for the purpose." The Commission considers that improved accessibility to television service is clearly a key tool for social integration. Television is an essential source of information for Canadians, enabling them to involve themselves knowledgeably and effectively, in Canadian society. As a vehicle for entertainment, television also allows Canadians to participate in a shared culture and shared social values.

#### *a) Access for persons who are deaf or hard of hearing*

Access for persons who are deaf or hard of hearing is provided through closed captioning.<sup>31</sup> In Broadcasting Public Notice 2007-54<sup>32</sup> the Commission established a new policy with respect to closed captioning, which requires television broadcasters to caption 100% of their programs over the broadcast day. Recognizing that 100% error-free captioning requirement is impossible, largely due to technical and/or human error, the 100% requirement is subject to exceptions that take into account instances of equipment/technical malfunctions and human errors that are beyond the broadcaster's control, or exceptional circumstances beyond the broadcaster's control where captioning may not be available but not patterns of such malfunctions and errors.

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<sup>30</sup> Documents related to OLMCs including the CRTC's Action Plans to implement section 41 of the OLA and its report on results, can be found on the CRTC web site.

<sup>31</sup> Closed captioning provides on-screen textual representation of the audio component of a television program. It is generally presented as a banner at the bottom of the screen, showing on-screen dialogue and selected sounds in text form.

<sup>32</sup> *A new policy with respect to closed captioning*, Broadcasting Public Notice CRTC 2007-54, 17 May 2007.

As noted in Broadcasting Public Notice 2007-54, the underlying rationale of the new policy applies to all broadcasters, including educational broadcasters and specialty, pay, pay-per-view and video-on-demand services. Accordingly, the Commission will discuss the application of this policy to such undertakings at the time of their license renewals.

Recognizing that the quality of captioning is a growing concern, in Broadcasting Public Notice 2007-54 the Commission also stated its expectation that broadcasters focus on improving the quality, reliability and accuracy of closed captioning, and work with representatives of the deaf and hard of hearing communities to develop and implement measures to improve the quality of closed captioning, including the development of universal standards in English and French. The Commission also called upon the industry to establish working groups in each of the English- and French-language markets to develop and implement universal standards and to propose and implement concrete solutions with respect to other aspects of captioning quality, including mechanisms aimed at reducing errors and technical malfunctions.

On 7 December 2007, the CAB submitted its *Action Plan for Closed Captioning* which included the proposed membership of the English- and French-language working groups. The Commission approved the plan on 28 February 2008 and noted in its approval letter that it expects to receive the results of the working groups in November 2008.

*b) Access for persons who are blind or whose vision is impaired*

Access for blind or visually impaired persons is provided through audio description<sup>33</sup> and video description<sup>34</sup> (described video programming). The Commission expects licensees to provide audio description, wherever appropriate.

*Broadcasters*

Broadcasters are generally expected to broadcast described versions of their programming, wherever available. In addition, the Commission imposes conditions of licence on individual broadcasters at licence renewal or upon initial licensing.

*Distributors*

In Broadcasting Public Notice 2005-18,<sup>35</sup> the Commission reminded Class 1 cable operators and direct-to-home (DTH) providers of their obligation to pass through all described video programming being provided to them by programming services. In Broadcasting Public

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<sup>33</sup> Audio description is the provision of basic voice-overs of textual or graphic information displayed on screen.

<sup>34</sup> Described video programs have narrated descriptions of key visual elements that are timed to occur during lapses in dialogue. Description is normally provided on the secondary audio programming (SAP) channel. Programming such as drama, documentary and children's programs best lend themselves to described video.

<sup>35</sup> *Commission requirements for the pass-through of video description - Call for comments on the obligations of smaller broadcasting distribution undertakings*, Public Notice CRTC 2005-18, 25 February 2005.

Notice 2006-6,<sup>36</sup> the Commission stated that, while Class 2, Class 3 and exempt BDUs are required to pass through video description of all programming services on a digital basis, it would be prepared to relieve exempt BDUs and certain Class 2 and Class 3 BDUs of the requirement to pass through video description on an analog basis. The Commission also stated that it finds it appropriate to relieve multipoint distribution system (MDS) BDUs of the pass through requirements due to difficulties experienced in the existing competitive environment. The Commission is monitoring the activities of Class 1 and DTH BDUs to assess the extent to which these distribution undertakings are passing description through to their subscribers.

#### *National reading services*

VoicePrint and La Magnétothèque are national reading services which were licensed in 1990 to provide programming of benefit to persons who are blind, whose vision is impaired, or who are print-restricted. These services provide full-text reading of stories, information, news and features published by a variety of newspapers, magazines and periodicals. VoicePrint has mandatory carriage in English-language markets pursuant to an order issued under paragraph 9(1)(h) of the *Broadcasting Act*.<sup>37</sup> Cable companies distributing VoicePrint on an analog basis distribute it on CBC Newsworld's SAP channel. MDS licensees, DTH satellite distributors and cable companies distributing Voiceprint on a digital basis distribute it on an audio channel located near a CBC channel.

La Magnétothèque is provided by cable undertakings as background audio on alphanumeric channels or as audio services on audio channels of their undertakings. It is also offered to FM radio station licensees for broadcast on Subsidiary Communications Multiplex Operation Channels (SCMO).

In July 2007 Broadcasting Decision 2007-246,<sup>38</sup> the Commission approved the licensing and mandatory distribution of *The Accessible Channel*, a national, English-language digital specialty described video television service that will provide 100% of its programming in open format described video.

#### **(iv) *Programming standards***

The Commission is required, pursuant to section 5(1) of the *Broadcasting Act*, to regulate and supervise the Canadian broadcasting system with a view to implementing the broadcasting policy set out in subsection 3(1) of the *Broadcasting Act*. Subsection 3(1) sets out an extensive declaration of the broadcasting policy for Canada and lists a number of policy objectives that address programming standards. Subparagraph 3(1)(d)(i) declares that the

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<sup>36</sup> *Distribution of video description by Class 2, Class 3 and exempt cable distribution undertakings (BDUs) and by multipoint distribution system BDUs*, Broadcasting Public Notice CRTC 2006-6, 19 January 2006.

<sup>37</sup> Distribution Order 2000-1 set out in Decision CRTC 2000-380, 11 September 2000 and Decision CRTC 2000-380-1, 21 September 2000.

<sup>38</sup> *New digital specialty described video programming undertaking; Licence amendments; Issuance of various mandatory distribution orders*, Broadcasting Decision CRTC 2007-246, 24 July 2007 (Broadcasting Decision 2007-246).

Canadian broadcasting system should "serve to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada." Subparagraph 3(1)(d)(ii) states that the Canadian broadcasting system should "encourage the development of Canadian expression by providing a wide range of programming that reflects Canadian attitudes, opinions, ideas, values and artistic creativity." Subparagraph 3(1)(d)(iii) states that the Canadian broadcasting system should, through its programming and employment opportunities arising out of its operations, "serve the needs and interests, and reflect the circumstances and aspirations, of Canadian men, women and children, including equal rights." Paragraph 3(1)(g) states that "the programming originated by broadcasting undertakings should be of high standard."

a) *Policy achievement*

The Commission balances the achievement of the broadcasting policy against the requirement to apply the *Broadcasting Act* in a manner consistent with freedom of expression and the journalistic, creative and programming independence enjoyed by broadcasting undertakings, as set out in Subsection 2(3). Paragraph 3(1)(h) of the *Broadcasting Act* states that the broadcasters themselves "have a responsibility for the programs they broadcast."

b) *Standards*

A key mechanism for achieving these objectives is through self-regulation. The industry must abide by the following industry codes,<sup>39</sup> some of which apply as a result of the Commission's regulations, some by condition of licence, and some as a result of membership in the Canadian Broadcast Standards Council (CBSC) or the Advertising Standards Canada<sup>40</sup> (ASC):

- ASC Canadian Code of Advertising Standards
- Broadcast Code for Advertising to Children
- Cable Television Community Channel Standards
- Cable Television Customer Service Standards
- CAB Code of Ethics
- CAB Equitable Portrayal Code<sup>41</sup>
- CAB Voluntary Code Regarding Violence in Television Programming
- CBC Guidelines on Sex-Role Portrayal
- Code for Broadcast Advertising of Alcoholic Beverages
- Industry Code of Programming Standards and Practices Governing Pay, Pay-Per-View and Video-On-Demand Services
- Pay Television and Pay-Per-View Programming Code Regarding Violence

<sup>39</sup> Links to these codes are available on the Commission's website [www.crtc.gc.ca](http://www.crtc.gc.ca) under Industries at a Glance.

<sup>40</sup> ASC is a not-for-profit industry body committed to creating and maintaining community confidence in advertising.

<sup>41</sup> *Regulatory policy - Equitable Portrayal Code*, Broadcasting Public Notice CRTC 2008-23, 17 March 2008 (Broadcasting Public Notice 2008-23). In this public notice, the Commission approves the CAB's *Equitable Portrayal Code* which replaces CAB's *Sex-Role Portrayal Code for Television and Radio Programming* approved by the Commission in Public Notice 1990-99. The code incorporates standards, not only for the portrayal of women, but also for the portrayal of ethnocultural groups, Aboriginal peoples and persons with disabilities.

- Radio-Television News Directors Association of Canada (RTNDA Canada) Code of Ethics
- Journalistic Independence Code

The Commission has indicated its expectation that any discretionary service broadcasting adult programming adhere to the adult programming provisions contained in *Industry Code of Programming Standards and Practices Governing Pay, Pay-Per-View and Video-on-Demand Services*.<sup>42</sup> The code includes a comprehensive section specifically addressing adult programming that provides clear guidance for broadcasters regarding the classification and scheduling of adult films. Furthermore, the Commission expects all licensees that distribute adult programming to develop internal policies for the broadcast of adult programming to be submitted at the time of licensing, licence renewal or in the event of a complaint.

In Broadcasting Public Notice 2005-24, the Commission directed the CAB to review its broadcasting industry codes to determine whether they address concerns identified in the research findings regarding reflection and portrayal. The CAB did so in 2005 and concluded that a new code would be developed to establish industry standards for the portrayal of ethnocultural groups, Aboriginal Peoples and persons with disabilities. The CAB submitted its revised *Equitable Portrayal Code* on 12 March 2007. This code expands and effectively replaces the *CAB Sex-Role Portrayal Code for Radio and Television Programming*. The Commission approved the CAB's *Equitable Portrayal Code* in Broadcasting Public Notice 2008-23.<sup>43</sup> It is a condition of licence for all broadcasters.

#### c) *Complaints and inquiries*

Between April 2007 and 31 March 2008, the Commission received 1,118 broadcasting complaints. Most (57%) of the complaints were related to conventional television, followed by those related to radio (28%).

The CBSC<sup>44</sup> administers specific codes of broadcast conduct and provides a means of recourse for members of the public regarding the application of the standards set out in the following codes:

- CAB Code of Ethics
- CAB Voluntary Code Regarding Violence in Television Programming
- CAB Equitable Portrayal Code
- RTNDA of Canada Code of Ethics.

The Commission deals primarily with complaints that are related to non-member broadcasters who are not CBSC members and with issues that do not fall within the parameters of the codes administered by the CBSC. Of the complaints received by the Commission, approximately 27% were referred to the CBSC.

<sup>42</sup> *Industry code of programming standards and practices governing pay, pay-per-view and video-on-demand services*, Broadcasting Public Notice CRTC 2003-10, 6 March 2003.

<sup>43</sup> *Regulatory Policy – Equitable Portrayal Code*, Broadcasting Public Notice 2008-23, 17 March 2008

<sup>44</sup> [www.cbsc.ca](http://www.cbsc.ca)

The ASC responds to complaints by consumers and special interest groups regarding advertising with respect to all media subject to the Canadian Code of Advertising Standards, the principal instrument of advertising self-regulation. In addition, ASC undertakes pre-clearance functions in five industry categories based on applicable legislation, regulations, and/or industry codes and guidelines.

Viewers and listeners may request that the Commission consider their complaints at first instance, or where they are not satisfied with the results of the self-regulatory process.

## Statistical information - Diversity and social issues (Broadcasting)

**Table 2.3.1 Broadcasting complaints by sector, by issue**

Topic	1 April to 31 March							
	2004-05		2005-06		2006-07		2007-08	
	Complaints received	Referrals to CBSC	Complaints received	Referrals to CBSC	Complaints received	Referrals to CBSC	Complaints received	Referrals to CBSC
<b>Radio</b>								
Abusive comment <sup>a</sup>	64	27	108	57	141	64	11	-
Adult content	26	14	28	23	13	5	8	3
Alcohol advertising	-	-	2	2	3	2	-	-
Gender portrayal	3	1	2	2	3	-	-	-
Offensive comment <sup>b</sup>	367	197	250	114	204	127	89	30
Offensive language <sup>c</sup>	43	18	54	22	52	20	24	8
<b>Conventional television</b>								
Abusive comment	260	60	378	105	124	87	5	1
Adult content	286	138	245	123	132	66	84	34
Alcohol advertising	21	3	6	2	9	2	4	-
Gender portrayal	26	2	3	1	10	3	-	-
Offensive comment	348	144	563	317	154	61	107	6
Offensive language	56	23	66	28	47	19	34	14
Television violence	113	36	86	31	110	59	40	9
<b>Specialty channels</b>								
Abusive comment	129	4	15	10	10	8	2	-
Adult content	135	76	109	68	90	55	32	14
Alcohol advertising	1	-	-	-	1	1	1	-
Gender portrayal	-	-	3	2	2	-	-	-
Offensive comment	59	31	44	31	38	25	12	2
Offensive language	32	4	29	20	14	7	7	2
Television violence	19	16	19	10	16	11	14	5
<b>Pay television and pay-per-view services</b>								
Abusive comment	-	-	-	-	-	-	-	-
Adult content	5	-	5	-	14	-	4	-
Alcohol advertising	-	-	-	-	-	-	-	-
Gender portrayal	-	-	-	-	-	-	-	-
Offensive comment	-	-	-	-	-	-	-	-
Offensive language	-	-	1	-	-	-	-	-
Television violence	4	-	1	-	1	-	-	-
<b>Subscription Radio (Satellite)</b>								
Abusive comments	-	-	3	3	-	-	-	-

Notes: a) Where a complaint alleges that hatred or contempt was incited on-air against one of the groups identified in the Television, Radio, and Specialty Regulations  
b) Where a complaint alleges offensive humour or other comments that do not fall under the "abusive comment" provision  
c) Where a complaint alleges offensive language in song lyrics or in spoken word

Source: CRTC Correspondence Tracking System. (The Rapids tracking system counts multiple contacts from the same client on the same complaint as separate units, therefore the actual number of complaints received should be slightly lower.)



**Table 2.3.2 Number of contacts by public**

	1 April to 31 March			
	2004-05	2005-06	2006-07	2007-08
Broadcasting related enquiries	19,493	17,418	13,947	14,594
Broadcasting complaints	9,880	9,469	7,951	5,581

Source: CRTC Correspondence Tracking System (The Rapids tracking system counts multiple contacts from the same client on the same complaint as separate units, therefore the actual number of complaints received should be slightly lower.)

**Table 2.3.3 Complaints handled by the CBSC**

	2002-03	2003-04	2004-05	2005-06	2006-07
Files handled by the CBSC	1,873	2,369	1,924	1,917	1,426
Referred by the CRTC	941	1,066	1,013	1,150	795

Source: CBSC annual reports

**Table 2.3.4 Complaints handled by the ASC**

	2003	2004	2005	2006	2007
Complaints received by the ASC	1,133	1,540	1,271	1,040	1,445
Complaints about television ads	588 (52%)	939 (61%)	579 (46%)	527 (51%)	857 (59%)
Complaints about radio ads	51 (5%)	90 (6%)	57 (4%)	73 (7%)	52 (4%)

Source: Ad complaints reports



## **Part 2 - Telecommunications**

The *Telecommunications Act* affirms that telecommunications perform an essential role in the maintenance of Canada's identity and sovereignty. With respect to social issues Canadian telecommunications policy has as its objectives:

- 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 (subsection 7(a) of the Act);
- to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada (subsection 7(b) of the Act);
- to respond to the economic and social requirements of users of telecommunications services (subsection 7(h) of the Act); and
- to contribute to the protection of the privacy of persons (subsection 7(i) of the Act).

### **(i) Connections**

The telecommunications network has evolved from a landline twisted-pair based communications network to an interconnected multiplatform network that provides Canadians with both voice and data communications when and where they want it. These connections consist of the traditional wired local exchange service, wireless or mobile service, IP based connections utilizing the underlying Internet and Internet subscriptions. In 2007 there were approximately 19.2 million residential and business local exchange lines (including VoIP), 20.3 million residential and business wireless subscribers and 9.3 million residential Internet subscribers for a total of 48.8 million connections, an increase of approximately 5% over the previous year.

Internet connections allow Canadians to essentially merge their voice and data communications activities. For example, there is the rapid growth of social networking sites and similar services, such as instant messaging, which allows users to communicate with one another in new ways. These media combine elements of both audio-visual content as well as telecommunications (online conversations) in order to allow Canadians to share common experiences and to connect with others who share common interests, languages and/or cultural values. Over the past year, the changes have been seen through a rise in the use of social networking sites, combined with a decline in instant messaging application usage. Of particular interest is the growth of social networking sites such as Facebook.com, not just in Canada, but globally as well.

Although how Canadians communicate is changing, penetration rates still provide a useful indicator of consumer access to the public switched telephone network (PSTN). Penetration rates are measured by identifying the percent of households that subscribe to various local services that utilize or access the PSTN such as wireline local telephone service and wireless telephone service.

The penetration rate of wireline and/or wireless services, including VoIP based local service remained relatively constant<sup>45</sup> over the 2001 to 2007 period, at approximately 98.8% of households. Wireline penetration gradually declined over this period from 97.4% to 92.5% of households. In contrast, over the same period, wireless penetration increased from 47.6% to 71.9% of households in 2007 and wireless-only households increased more than five-fold from 1.2% in 2001 to 6.3%.

In Telecom Decision 2008-1,<sup>46</sup> the Commission approved the use of deferral account funds<sup>47</sup> by incumbent local exchange carriers for certain initiatives including improvements to access to telecommunications services for persons with disabilities. The Commission also directed<sup>48</sup> that any balance remaining in the deferral accounts be rebated to residential subscribers in non-high-cost serving areas.<sup>49</sup>

## ***(ii) Price indices and the consumer price index***

Price indices provide a useful means to assess the movement of the price for a basket of goods or services. For the Canadian communications industry, Statistics Canada provides three indices: the telephone price index (TPI),<sup>50</sup> the cablevision and satellite services (including pay television) index and the Internet access services.<sup>51</sup>

Throughout the 2002 to 2007 period, the TPI and the Internet access services index remained below the consumer price index (CPI). Over this 5-year period telephone prices, on average increased 1.6% whereas the price of Internet access services declined 2.6%. Video distribution services as captured by the cablevision and satellite services

<sup>45</sup> June 2008 Affordability Monitoring Report pursuant to Modification to the affordability monitoring program for residential telephone service in Canada, Telecom Decision CRTC 2004-73, 9 November 2004. Data source: Statistics Canada.

<sup>46</sup> Use of deferral account funds to improve access to telecommunications services for persons with disabilities and to expand broadband services to rural and remote communities, Telecom Decision CRTC 2008-1, 17 January 2008

<sup>47</sup> In *Disposition of funds in the deferral account*, Telecom Decision CRTC 2006-9, 16 February 2006, the Commission determined the guidelines for disposition of funds remaining in the deferral accounts for several Incumbent TSPs. The deferral accounts were created by *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 and *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002. The incumbent TSPs were directed to place into those accounts amounts equal to the revenue reductions that would otherwise have resulted from application of the price cap formula, in order to avoid a negative impact on local competition.

<sup>48</sup> Portions of the decision related to, among other things, rebates were stayed until the Supreme Court of Canada decides upon Bell Canada's application for leave to appeal the decision of the Federal Court of Appeal regarding Telecom Decision 2006-9.

<sup>49</sup> Companies were directed to file proposals outlining how rebates could be most effectively made both in terms of benefits to customers and minimal disruption to companies.

<sup>50</sup> The TPI reflects the price changes experienced by a household for a basket of telephone services. The basket of telephone services reflects a weighted average of consumer expenditures on basic local service, other local services (such as options and features), and long distance, installation and repair services. They do not, however, include wireless or Internet service expenditures

<sup>51</sup> Statistics Canada Catalogue No. 62-001-XPB 2001-2005.

(including pay television) index increased 22.7% over the 5-year period compared to an 11.4% increase in the CPI.

During this period, residential local service was forborne in many residential local exchange markets. A review of the rates for residential local exchange service in the major cities where local residential telephone service had been forborne indicates that, on average, local rates had increased slightly over the last two years by less than 3%, consistent with the increase in the TPI and below that of the CPI. Most of the increase was attributable to increases in local feature rates such as call display and voice mail, that had risen by approximately 6% over that period. Company-specific price changes vary considerably. For instance, rates declined in Regina and Calgary, whereas increases of close to 6% overall occurred in the Atlantic Provinces (due largely to feature price increases).

It should be noted, however, that bundled access and feature packages were increasingly available from the incumbent local exchange carriers (ILECs). For instance, Bell Canada offered a Home Phone Basic Package which included call display and voice mail. This represented a significant reduction in rates compared to its existing standalone rates. However this rate applied to new or returning customers rather than existing customers.

### **(iii) *The Consumer***

#### *Statement of consumer rights*

The statement of consumer rights provides a guide to help consumers understand their rights with respect to local home phone services.<sup>52</sup> The Commission determined in Telecom Decision 2006-52 that the statement of consumer rights should be limited to telecommunications services as defined under the *Telecommunications Act* and the rights that apply to regulated retail tariff services.

In its earlier decisions on local forbearance the Commission had established a list of obligations common to all local exchange carriers (LECs).<sup>53</sup> The obligations on the list include issues of customer confidentiality, emergency service obligations, customer notification and disconnection of local service for non-payment of long distance service.

#### *Accessibility*

Subsection 27(2) of the *Telecommunications Act* prohibits a Canadian carrier from unjustly discriminating against or giving an unreasonable preference toward anyone or subjecting anyone to an unreasonable disadvantage in relation to providing a telecommunications service.

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<sup>52</sup> *Statement of consumer rights*, Telecom Decision CRTC 2006-52, 29 August 2006 (Telecom Decision 2006-52).

<sup>53</sup> *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15, 6 April 2006.

Some services for people with disabilities are mandated by the CRTC. These include: Message Relay Service, which allows callers unable to use a regular phone to place telephone calls to people who use a regular phone and vice-versa; a 50% discount off Basic Toll Rates for telecommunications device for the deaf (TDD) users; alternative billing formats (e.g., Braille, large print); free directory assistance; automatic directory assistance call completion and a teletypewriter upgrade program for pay telephones.

In January 2008, the Commission approved the use of deferral account funds by ILECs for certain initiatives to improve access to telecommunications services for persons with disabilities. These initiatives included the following: establishing a single point of contact for persons with disabilities to receive customer service tailored to the specific needs of the customer; conducting research into the needs of persons with disabilities during the development process of new products and services; establishing accessibility committees; incorporating inclusive design considerations in service development; developing specific inclusiveness guidelines; and working with wireless device manufacturers to procure accessible wireless handsets.

#### *Commissioner for Complaints for Telecommunications Services*

Following a public proceeding,<sup>54</sup> the CRTC approved the structure and mandate of the Commissioner for Complaints for Telecommunications Services Inc. (CCTS or agency) subject to certain conditions being met. The CCTS, which began operating on 23 July 2007, provides residential and small business customers with an effective, accessible and consumer-friendly recourse when they are unable to resolve a disagreement with their telecommunications service provider. It aims to resolve complaints from residential and small-business subscribers about deregulated services.

TSPs with annual service revenues exceeding \$10 million are required to be members of the Agency. Some TSPs, however, have yet to join the CCTS and some TSPs that did join made an application to review and vary the decision, questioning the CRTC's authority to determine the CCTS's membership requirements. The Commission released its decision<sup>55</sup> on the application on 30 May 2008.

The Commission requested that the CCTS report back to it on issues related to the CCTS' operating procedures and public awareness campaign. In March 2008, the CCTS provided some preliminary comments on the progress that it had accomplished to date. The CCTS received 3,731 contacts from consumers and small businesses between 23 July 2007 and 29 February 2008. These contacts included 1,351 complaints that fell within the CCTS' mandate and related to one of its members.

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<sup>54</sup> *Establishment of an independent telecommunications consumer agency*, Telecom Decision CRTC 2007-130, 20 December 2007

<sup>55</sup> *Applications to review and vary certain determinations in Telecom Decision 2007-130 regarding the establishment of an independent telecommunications consumer agency*, Telecom Decision CRTC 2008-46, 30 May 2008.

**(iv) Privacy**

The Commission has established a number of privacy safeguards and obligations to protect consumers of telecommunications services. These include, for example, confidentiality of consumer information which says that all information regarding the customer, other than the customer's name, address and listed telephone number is confidential and may not be disclosed to anyone except under certain circumstances. With respect to the distribution of listing information by telephone companies, certain safeguards exist for protecting the privacy of consumers. Consumers with non-published telephone numbers are not included in listings that are provided by ILECs to third parties. Consumers with published telephone numbers can request that their names and numbers be removed from listings sold or rented to third parties. Consumers can also access other services to help them control and protect privacy, such as call blocking.

The Commission has a framework for unsolicited telemarketing calls and other unsolicited telecommunications received by consumers.<sup>56</sup> This framework includes rules for a National Do Not Call List (DNCL) which is expected to be in operation by September 2008, as well as rules regarding telemarketing and automatic dialling-answering devices (the Unsolicited Telecommunications Rules).

The National DNCL will be a nationwide registry that will allow consumers to reduce the number of unsolicited telemarketing calls they receive. Currently, each telemarketer is required to maintain its own "do not call list", which consumers must register on separately to reduce or avoid calls. With the National DNCL, they will only have to register their telephone number on one list.<sup>57</sup>

**(v) Emergency services**

In Telecom Decision 2005-21 the Commission mandated that all service providers offering local VoIP service must notify their customers, and potential customers, of any service limitations with respect to their 9-1-1 or Enhanced 9-1-1 (E9-1-1) service. The Commission requested the CRTC Interconnection Steering Committee (CISC) to develop standard notifications for the implementation of that requirement.

On 12 August 2005, CISC submitted its report<sup>58</sup> for Commission approval. The Report recommended the minimum requirements for customer notification regarding the availability, characteristics, and limitations of the local VoIP service provider's 9-1-1/E9-1-1 service, as compared to wireline E9-1-1 service.

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<sup>56</sup> *Unsolicited Telecommunications Rules framework and the National Do Not Call List*, Telecom Decision CRTC 2007-48, 3 July 2007.

<sup>57</sup> Company specific lists would still be required for certain situations (e.g., existing business relationship).

<sup>58</sup> Emergency Services Working Group (ESWG) Consensus Report ESRE039D – *Customer Notification Issues re: 9-1-1 calls on VoIP*, 21 July 2005 (the Report).

In Telecom Decision 2005-61<sup>59</sup> the Commission approved the Report and directed all Canadian carriers offering local VoIP service to abide by the customer notification requirements set out in the Report.

With respect to emergency 9-1-1 services, the Commission notes that it is inappropriate for VoIP service providers to deliver 9-1-1 calls from their fixed/non-native and nomadic VoIP customers to public safety answering points (PSAPs) using low-priority telephone lines or restricted numbers. The Commission considers that zero-dialed emergency call routing service (0-ECRS) is the only available 9-1-1 call routing method on the record that is functionally comparable to basic 9-1-1 service.<sup>60</sup>

The Commission requires all Canadian carriers offering local VoIP service to use 0-ECRS as the interim solution to route fixed/non-native or nomadic VoIP 9-1-1 calls to the PSAPs, pending the development and implementation of a long-term fixed/non-native and nomadic VoIP enhanced E9-1-1 solution.

The Commission has a framework for emergency community notification which allows ILECs to provide enhanced E9-1-1 information for a telephone-based community notification service, subject to limitations to its circumstances of use, with appropriate safeguards, notification requirements and other constraints.<sup>61</sup>

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<sup>59</sup> *Follow-up to Emergency service obligations for local VoIP service providers, Decision CRTC 2005-21-Customer notification requirements*, Telecom Decision CRTC 2005-61, 20 October 2005 (Telecom Decision 2005-61).

<sup>60</sup> *Routing of fixed/non-native and nomadic VoIP 9-1-1 calls to public safety answering points*, Telecom Decision CRTC 2007-44, 15 June 2007.

<sup>61</sup> *Use of E9-1-1 information for the purpose of providing an enhanced community notification service*, Telecom Decision CRTC 2007-13, 28 February 2007.



## Statistical information - Diversity and social issues (Telecommunications)

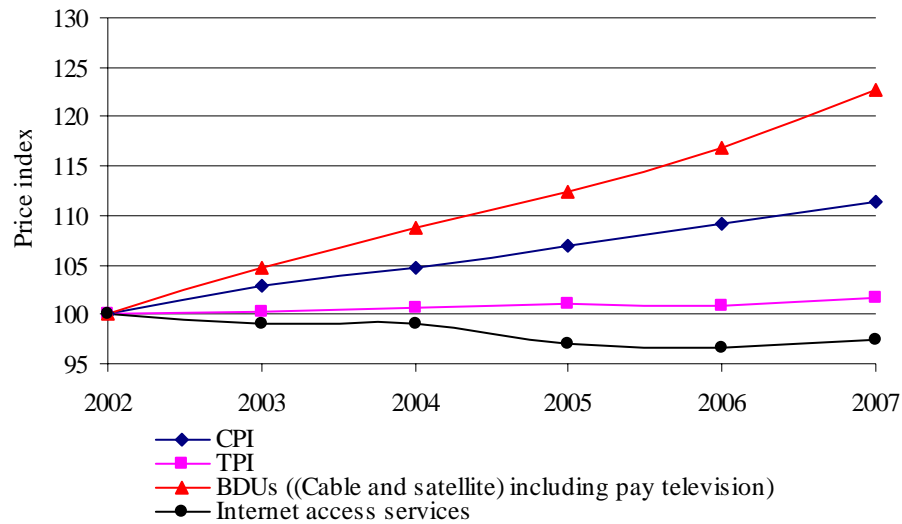
**Table 2.3.5 Canadian penetration rates - Wireline and wireless subscribers (per 100 households)**

Year	Wireline	Wireless	Wireline and/or wireless	Wireless (only)
2001	97.4	47.6	98.6	1.2
2002	97.0	51.6	98.7	1.7
2003	96.3	53.9	98.8	2.5
2004	96.2	58.9	98.9	2.7
2005	94.0	n/a	98.8	4.8
2006	93.6	66.8	98.6	5.0
2007	92.5	71.9	98.8	6.3

Source: Statistics Canada

n/a: not available

**Figure 2.3.1 Price Indices (TPI, BDU (Cable and Satellite (including pay television)), Internet access services and CPI)**



Source: Statistics Canada



## 2.4 Regulatory frameworks

### A) Broadcasting

To achieve the cultural, social, political and economic objectives of the *Broadcasting Act*, the Commission established a set of policies and regulations that address the unique characteristics of the Canadian broadcasting environment.

#### i) *Regulatory framework - Radio*

The Commission has established policies and regulations with respect to radio that encompass:

- Conventional over-the-air radio
  - a. Commercial radio<sup>62</sup>
  - b. Public radio<sup>63</sup>
  - c. Campus radio<sup>64</sup>
  - d. Community radio<sup>65</sup>
  - e. Aboriginal/Native radio<sup>66</sup>
  - f. Digital radio<sup>67</sup>
  - g. Ethnic radio<sup>68</sup>
  - h. Religious radio<sup>69</sup>
- Multi-channel subscription radio services<sup>70</sup>
  - a. Satellite subscription radio services
  - b. Terrestrial subscription radio services
- Audio services delivered by BDUs<sup>71</sup>
  - a. Speciality audio
  - b. Pay audio

These regulations address radio programming, levels of Canadian content and other matters. Content regulations include the levels of Canadian music and French-language vocal music that must be broadcast by licensed radio undertakings.

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<sup>62</sup> *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006.

<sup>63</sup> *Broadcasting Act*.

<sup>64</sup> *Campus radio policy*, Broadcasting Public Notice CRTC 2000-12, 28 January 2000.

<sup>65</sup> *Policy framework for community-based media*, Broadcasting Public Notice CRTC 2002-61, 10 October 2002. *Community Radio Policy*, Broadcasting Public Notice 2000-13, 26 January 2000.

<sup>66</sup> *Native Broadcasting Policy*, Broadcasting Public Notice CRTC 1990-89, 20 September 1990.

<sup>67</sup> *Digital radio policy*, Broadcasting Public Notice CRTC 2006-160, 15 December 2006.

<sup>68</sup> *Ethnic broadcasting policy*, Broadcasting Public Notice CRTC 1999-117, 16 July 1999.

<sup>69</sup> *Religious Broadcasting Policy*, Broadcasting Public Notice CRTC 1993-78, 3 June 1993.

<sup>70</sup> *Introduction to Broadcasting Decisions CRTC 2005-246 to 2005-248: Licensing of new satellite and terrestrial subscription radio undertakings*, Broadcasting Public Notice CRTC 2005-61, 16 June 2005.

<sup>71</sup> *New licensing framework for specialty audio programming services*, Broadcasting Public Notice CRTC 2002-53, 12 September 2002.

- Commercial, campus and community radio stations are required to devote at least 35% of their musical selections drawn from content category 2 (popular music) to Canadian selections each week.<sup>72</sup> This minimum level also applies to the 6 a.m. – 6 p.m. period from Monday to Friday on commercial stations only.
- French-language stations are required to devote at least 65% of musical selections from category 2 to musical selections in the French language each week. Commercial French-language radio stations are also required to broadcast at least 55% of their category 2 vocal selections between the 6 a.m. to 6 p.m. period from Monday to Friday in the French-language.
- Stations that broadcast ethnic programming have the flexibility to choose to program either a minimum of 35% Canadian music over the entire broadcast week or to provide at least 7% Canadian music during ethnic programming periods and at least 35% during the non-ethnic programming.
- In the 2006 Commercial Radio Policy, the Commission increased the minimum requirements for Canadian concert music (subcategory 31) to 25% and jazz and blues music (subcategory 34) to 20%. The revised Canadian content levels of concert music and jazz and blues is expected to come into effect by way of amendments to the Radio Regulations later in 2008. The Radio Regulations require that stations airing music from other category 3 special interest subcategories broadcast at least 10% Canadian selections in those subcategories each week.
- In the 2006 Commercial Radio Policy, the Commission also indicated that applicants for new licences, licence renewals and transfers of ownership or control of radio stations would be asked to make specific commitments to provide airplay and promotion for emerging Canadian artists and their music.

### *Licensing of new radio stations*

When issuing licences for new radio stations, the Commission follows a competitive licensing process that allows for the evaluation of competitive licence applications.<sup>73</sup> In Broadcasting Decision 99-480, the Commission outlined the factors that will generally be among those relevant to the evaluation of competitive applications. The factors were: (i) quality of the application; (ii) diversity of news voices in the market; (iii) market impact; and (iv) competitive state of the market. The Commission noted that the relative weight and significance of the factors would vary depending on the specific circumstances of the market concerned. The Commission also considers the extent to which approval of the application would further the objectives of the *Broadcasting Act*, particularly with respect to the production of local and regional programming.

Applications for new radio stations in smaller markets are subject to the revised market evaluation process outlined in Broadcasting Public Notice 2006-159.<sup>74</sup> If the Commission's

<sup>72</sup> Seven consecutive broadcast days (6 a.m. to midnight) beginning on Sunday.

<sup>73</sup> *Introductory statement – Licensing new radio stations*, Decision CRTC 99-480, 28 October 1999 (Broadcasting Decision 99-480).

<sup>74</sup> *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 (Broadcasting Public Notice 2006-159).

final determination is that the market is incapable of supporting a new radio station, the application will be either returned to the applicant or a public notice will be issued detailing the Commission's conclusions for not proceeding with a call for applications. Where the Commission decides not to issue a call based on unfavourable market conditions or after the issuance of a decision following a call for applications, the Commission will not generally be disposed to accepting applications for this market for a period of two years from the date of the public notice announcing the Commission decision.

### *Commercial Radio*

The Commission stated in its Commercial Radio Policy 2006 that although the radio industry is currently healthy, it was entering a period of uncertainty as it comes to grips with the challenges and opportunities that will be provided by new technologies for the distribution of audio programming. The Commission therefore continues to monitor how new distribution technologies for audio programming are affecting the radio industry.

The Commission also noted that many radio broadcasters are exploring ways of using new distribution platforms to complement the service provided by their conventional radio stations. The Commission therefore indicated its intention to question radio licensees, at licence renewal and in new licensing and ownership transfer proceedings, about their plans to employ new distribution platforms to the benefit of the Canadian broadcasting system.

### *Digital Radio*

In Broadcasting Public Notice 2006-160,<sup>75</sup> the Commission set out its revised policy for digital radio broadcasting. Under this revised policy, the replacement model for L-band digital radio broadcasting (DRB) was replaced with a flexible model allowing for new innovative services. The Commission will now accept applications to obtain permanent digital licences from applicants wishing to develop whatever broadcast services they believe will be of greatest interest to the listening public. These new digital radio licence holders will fall under the same regulatory framework as existing FM analog services. The revised policy eliminated transitional digital licences.

For in-band-on-channel (IBOC) technologies, the CRTC stated that, if the Department of Industry authorized 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.

### **ii) *Regulatory framework - Television***

The Commission has established policies and regulations with respect to television that encompass:

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<sup>75</sup> *Digital radio policy*, Broadcasting Public Notice CRTC 2006-160, 15 December 2006 (Broadcasting Public Notice 2006-160).

- Conventional over-the-air television<sup>76</sup>
- Public television<sup>77</sup>
- Digital Pay and Speciality Services<sup>78</sup>

In the 1999 Television Policy, the Commission indicated that one of its goals in developing the policy was to "ensure quality Canadian programs at times when Canadians are watching." The policy also stated that the Commission wished to ensure the availability of a sufficient number of hours of diverse Canadian programming in order to attract audiences during peak viewing periods (i.e. 7 p.m. to 11 p.m.).

In the 1999 Television Policy, "under-represented" Canadian drama, music and dance, and variety programs were redefined as "priority programming" and expanded to include long-form documentaries, regionally-produced programs and entertainment magazine programs.

The 1999 Television Policy also requires that the largest multi-station ownership groups offer as a minimum, in each broadcast year, an average of eight hours per week of Canadian priority programming during the 7 p.m. to 11 p.m. peak viewing period. This requirement is in addition to any benefit commitments made by these broadcasters in connection with transfers of ownership or control.

#### *Over the Air (OTA) Digital television services*

In Broadcasting Public Notice 2002-31,<sup>79</sup> the Commission set out a policy framework for the licensing of over-the-air (OTA) digital television (DTV) services. The Commission's DTV television services policies are based on the principle that digital technology will replace analog technology and are intended to encourage the transition of the Canadian broadcasting system from analog to digital and high definition (HD) technology.

Recognizing the need to provide regulatory certainty and encouragement during the transition period, the Commission instituted the regulatory frameworks for the licensing and distribution of digital OTA services in Broadcasting Public Notice 2003-61.<sup>80</sup> In Broadcasting Public Notice 2006-74 it established the regulatory framework relating to the licensing and carriage of high definition pay and specialty services. The distribution of HD and discretionary programming services by cable distribution undertakings, and DTH undertakings, are also among the issues being addressed in current BDU Proceeding.<sup>81</sup> In the

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<sup>76</sup> *Building on Success - A Policy Framework for Canadian Television*, Public Notice CRTC 1999-97, 11 June 1999 (1999 Television Policy).

<sup>77</sup> *Broadcasting Act*

<sup>78</sup> *Regulatory framework for the licensing and distribution of high definition pay and specialty services*, Broadcasting Public Notice CRTC 2006-74, 15 June 2006 (Broadcasting Public Notice 2006-74).

<sup>79</sup> *A licensing policy to oversee the transition from analog to digital over-the-air television broadcasting*, Broadcasting Public Notice CRTC 2002-31, 12 June 2002 (Broadcasting Public Notice 2002-31).

<sup>80</sup> *The regulatory framework for the distribution of digital television signals*, Broadcasting Public Notice CRTC 2003-61, 11 November 2003 (Broadcasting Public Notice 2003-61).

<sup>81</sup> *Review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services*, Broadcasting Notice of Public Hearing CRTC 2007-10, 5 July 2007 (BDU Proceeding).

meantime, the Commission has, as of 31 December 2007, authorized 21 originating and seven rebroadcast over-the-air transitional digital television licences to help support the transition from analog to digital.

Transitional DTV licensees are allowed to broadcast a maximum of 14 hours per week of high definition programming that is not duplicated on the analog version of the service. A minimum of 50% of this unduplicated high-definition programming must be Canadian and all of the unduplicated programming must be in high definition television (HDTV) format. This OTA policy was subsequently updated in Broadcasting Public Notice 2007-63.<sup>82</sup>

In the 2007 OTA television policy, the Commission announced that analog licences would not be renewed beyond August 2011. The adoption of a shut down date is expected to provide the television industry with the necessary regulatory certainty to expedite the transition from analog to digital. The Commission further noted that it would also help advance the production of Canadian HD programming.

To ensure that Canadians are not deprived of OTA television service, the Commission indicated that it was willing to consider, on an exceptional basis, the continuation of analog OTA service in northern and remote communities where spectrum is not in short supply and where there would be no interference with the transmission of other signals.

In Broadcasting Public Notice 2007-62<sup>83</sup> the Commission issued a call for applications from parties wishing to obtain OTA digital/HD broadcasting licences in markets across Canada.

#### *Digital pay and specialty services*

In Broadcasting Public Notice 2000-6<sup>84</sup> and in Broadcasting Public Notice 2004-8<sup>85</sup> the Commission set out a framework for licensing digital Canadian pay and specialty programming services. This framework established two categories of digital services that are designed to enhance diversity and choice for Canadian viewers:

Category 1 services: These services have digital carriage privileges and genre protection to support them during the uncertain early digital rollout period. Only a limited number of specialty services have been licensed as Category 1 services.

Category 2 services: These services are not assured digital carriage and do not have genre protection. Applicants that meet the basic licensing criteria and that are not

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<sup>82</sup> Broadcasting Public Notice CRTC 2007-63, 12 June 2007

<sup>83</sup> *Call for applications for a broadcasting licence to carry on an over-the-air digital/high definition (HD) television programming undertaking to serve locations across Canada*, Broadcasting Public Notice CRTC 2007-62, 11 June 2007 (Broadcasting Public Notice 2007-62). This call was issued in response to an application from HDTV Networks Incorporated for a broadcasting licence to carry on an over-the-air digital/HD television programming undertaking to serve Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montreal and Halifax markets.

<sup>84</sup> *Licensing framework policy for new digital pay and specialty services*, Public Notice CRTC 2000-6, 13 January 2000 (Broadcasting Public Notice 2000-6).

<sup>85</sup> *Revised procedures for processing applications for new digital Category 2 pay and specialty television services*, Broadcasting Public Notice CRTC 2004-24, 8 April 2004 (Broadcasting Public Notice 2004-8).

directly competitive with any analog pay or specialty or Category 1 services are licensed as Category 2 services.

In 2005 to expand the diversity and the range of Canadian television services available to underserved third-language ethnic communities, the Commission adopted a more open entry approach to applications proposing new third-language ethnic Category 2 pay and specialty services.<sup>86</sup> In March 2007, the Commission issued a new exemption order respecting certain third-language services.<sup>87</sup>

*Migration of pay and specialty services from analog to digital distribution*

In Broadcasting Public Notice 2006-23<sup>88</sup> the Commission set out the framework that will guide the migration to a digital distribution environment for those pay and specialty services that were approved under the analog licensing framework. The Commission's goal was to develop a framework that would ensure an orderly transition from the current highly structured technological and regulatory environment to an environment characterized by a more market-driven approach. In designing this framework, the Commission also sought to achieve the following objectives:

- encourage the transition to digital and eventually high definition distribution;
- permit BDUs to take advantage of the flexibility of digital distribution, to the benefit of consumers;
- help ensure that, during the transition, analog programmers can reasonably expect to operate within their business plans, in order to continue to meet their programming obligations and the objectives of the *Broadcasting Act*, including objectives related to linguistic duality;
- design an approach that recognizes the unique challenges and characteristics of the French-language market and services;
- introduce a more simplified regulatory regime, where appropriate; and
- harmonize the obligations of different types of BDUs.

The Commission foresees the transition as taking place over the following three stages, of which the cable BDUs are currently in the first stage:

1. The distribution of analog as well as digital services.
2. No analog services will be distributed. Instead, BDUs will offer a mix of predominantly low definition digital services with some HD services.
3. HD digital services will predominate.

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<sup>86</sup> *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

<sup>87</sup> *Exemption order respecting certain third-language television undertakings*, Broadcasting Public Notice CRTC 2007-33, 30 March 2007.

<sup>88</sup> *Digital migration framework*, Broadcasting Public Notice CRTC 2006-23, 27 February 2006, (Broadcasting Public Notice 2006-23).



The latter two stages will occur at different times for different BDUs, and each stage will have its own regulatory obligations.

#### *Canadian pay and specialty services in HD format*

As part of the migration of analog to digital services, in Broadcasting Public Notice CRTC 2006-74, the Commission announced its HD licensing and distribution policy framework for Canadian pay and specialty service.<sup>89</sup>

The framework takes a hybrid approach under which existing pay and specialty services licensees who wish to launch a HD service could choose between a licence amendment and a new licence. HD authorities granted by licence amendment would be subject to certain restrictions. For example, carriage arrangements would have to be negotiated with distributors, the term of the authority would be limited to three years and the programming of the analog and HD replacement services would have to be comparable, that is, at least 95% of the video and audio components would have to be the same. New HD-transitional licences would be issued to services that offer the benchmark amounts of HD programming. These licences would confer carriage rights and the current genre protections. A limited amount of separate HD programming would also be allowed.

In general, the licensing and distribution policy is intended to encourage the transition of the Canadian broadcasting system to HD technology. It does so by providing a mechanism for the licensing of transitional HD pay and specialty services that will permit easy entry for the new technology. The policy also encourages BDUs to carry HD services by permitting flexibility in the packaging of such services. At the same time it provides regulatory certainty by setting out the details of the distribution framework for the new HD services, including the distribution and linkage rules, the carriage of non-Canadian HD signals, and provisions governing technical quality and simultaneous substitution.

#### **iii) Regulatory framework - BDUs**

The essentials of the regulatory framework currently applicable to BDUs were announced in Broadcasting Public Notice 1997-150.<sup>90</sup> This framework establishes the authorizations and obligations applicable to BDUs, and generally governs the relationship between these undertakings and the various types of programming services that they distribute.

The new regulations announced in Broadcasting Public Notice 1997-150 came into effect in January 1998. Consistent with the policy announced in Broadcasting Public Notice 1997-150, they were intended to promote competition among BDUs. In the decade since these regulations were adopted, the BDU sector has experienced a fundamental shift towards increased competition.

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<sup>89</sup> The policy proceeding was initiated by *Call for comments on a proposed framework for the licensing and distribution of high definition pay and specialty services*, Broadcasting Public Notice CRTC 2004-58, 6 August 2004 that set out a proposed policy framework in some detail. The framework was based where appropriate on the principles set out in Broadcasting Public Notices 2002-31 and 2003-61.

<sup>90</sup> *Broadcasting Distribution Regulations*, Public Notice CRTC 1997-150, 22 December 1997.

Reflecting that increased competition, the vast majority of cable BDUs are no longer subject to retail rate regulation by the Commission. Further, a large number of smaller BDUs have been exempted from detailed regulation in general and indeed from the requirement to be licensed by the Commission, as discussed in section 2.6 of this report. In support of its policies in favour of competition among BDUs, the Commission also established processes for the orderly transfer of customers from one BDU to a competitor.

With competition among BDUs increasingly established in the industry landscape, the Commission has now undertaken a review of the applicable regulatory framework to establish an approach to permit the industry to meet the increasing challenges of providing service in a digital and fully converged environment, as discussed in section 2.7 of this report.

#### *Non-Canadian satellite services authorized in Canada<sup>91</sup>*

In addition to Canadian programming services, the Commission also authorizes BDUs to provide a number of non-Canadian programming services. It does so by adding such services to a list of services eligible for distribution in Canada.

In Broadcasting Public Notice CRTC 2004-96<sup>92</sup> the Commission adopted a more open approach to the entry of non-Canadian third-language general interest television services which previously precluded the addition of English- or French-language non-Canadian services to the lists if they were found to be either partially or totally competitive with Canadian specialty or pay television services. This was changed in order to expand the diversity of and choice in television services available to underserved third-language communities in Canada. In so doing, the Commission established conditions for the distribution of non-Canadian third-language services, in order to ensure that the viability of Canadian third-language services and their ability to meet their obligations under the *Broadcasting Act* was not adversely affected.

As set out in Broadcasting Public Notice 2006-55<sup>93</sup> the Commission will periodically issue public notices setting out revised lists of satellite services that include references to all amendments that have been made since the previous public notice setting out the lists was issued. These public notices provide a link to an up-to-date version of the lists on the Commission's website.

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<sup>91</sup> Carriage of non-Canadian eligible satellite services is at the discretion of the BDU. In some cases, distribution is authorized under specific terms or conditions.

<sup>92</sup> *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 (Broadcasting Public Notice CRTC 2004-96).

<sup>93</sup> *A new approach to revisions to the Commission's lists of eligible satellite services*, Broadcasting Public Notice CRTC 2006-55, 28 April 2006, (Broadcasting Public Notice 2006-55).

iv) ***Regulatory framework – New Media Broadcasting***

Since the inception of New Media, the Commission has relied on market forces for the regulation of New Media Broadcasting.

In Telecom Public Notice 99-14 / Broadcasting Public Notice 1999-84<sup>94</sup> (the New Media Policy) the Commission clarified that services consisting predominantly of alphanumeric text and those with the potential for significant user customization do not “involve the transmission of programs for reception by the public and are, therefore, not broadcasting.”

The Commission concluded that those elements of New Media that do not consist predominantly of alphanumeric text or have potential for significant user customization fall within the definition of “broadcasting”.<sup>95</sup>

In the accompanying 1999 New Media Exemption Order, the Commission determined that with respect to the remaining services that do fall within the scope of the regulations of the *Broadcasting Act*, compliance with Part II of the *Act* and applicable regulations made thereunder by new media broadcasting undertakings providing broadcasting services delivered and accessed over the Internet would not contribute in a material manner to the implementation of the broadcasting policy set out in subsection 3(1) of the *Broadcasting Act*. The 1999 New Media Exemption Order has since been clarified in Broadcasting Public Notice 2003-2 and expanded in Broadcasting Public Notice 2006-47 and Broadcasting Public Notice 2007-13 (collectively, the New Media Exemption Orders).<sup>96 97</sup>

In Broadcasting Public Notice 2006-47, which called for comments on a proposed exemption order for mobile television broadcasting services, the Commission again confirmed its exemption of new media as the new undertakings in question had yet to have an impact on the achievement of the *Broadcasting Act*'s objective.

In Broadcasting Public Notice 2007-13, the Commission exempted undertakings that “provide television broadcasting services that are received by way of mobile devices, including cellular telephones and personal digital assistants.” It was further clarified that

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<sup>94</sup> *New Media*, Telecom Public Notice CRTC 99-14 / Broadcasting Public Notice CRTC 1999-84, 17 May 1999; *Exemption order for new media broadcasting undertakings*, Public Notice CRTC 1999-197, 17 December 1999.

<sup>95</sup> According to the *Broadcasting Act*, “broadcasting” means “any transmission of programs, whether or not encrypted, by radio waves or other means of telecommunication for reception by the public by means of broadcasting receiving apparatus, but does not include any such transmission of programs that is made solely for performance or display in a public place.”

<sup>96</sup> *Internet retransmission – Report to the Governor in Council pursuant to Order in Council P.C. 2002-1043*, Broadcasting Public Notice CRTC 2003-2, 17 January 2003; *Regulatory framework for mobile television broadcasting services*, Broadcasting Public Notice CRTC 2006-47, 12 April 2006; *Exemption order for mobile television broadcasting undertakings*, Broadcasting Public Notice CRTC 2007-13, 7 February 2007.

<sup>97</sup> The Commission also regulates telephone companies carrying on distribution undertakings over private IP networks (IPTV or “Telco TV”) within the BDU licensing framework. The Commission began issuing BDU licences to telephone companies in 1998.

only point-to-point technology was included within the exemption order. The Commission determined, at that time, that the potential impact of point-to-multipoint broadcast technologies was still uncertain, and thus decided not to include them in the exemption order.

In Broadcasting Public Notice 2008-4,<sup>98</sup> the Commission noted that, with regard to professional editorial voices, new media platforms largely offer content that was originally produced for licensed radio or television stations or for newspapers. As a consequence, the Commission's approach to ensuring a plurality of editorial voices on traditional media would also benefit the plurality of voices available on new media undertakings. In addition, the Commission recognized the availability on New Media platforms of an enormous range of user-generated editorial content from Canadian and foreign sources.

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<sup>98</sup> *Regulatory Policy - Diversity of voices*, Broadcasting Public Notice 2008-4, 15 January 2008.

## B) Telecommunications

As the Commission, pursuant to section 34 of the *Telecommunications Act*, forbears from regulating a growing number of telecommunications services, the Commission is regulating an increasingly smaller percentage of telecommunications service revenues and only regulates where competition is not sufficient to protect the interests of consumers. The percentage of revenues that were subject to regulation in 2007 was approximately 10%. Of these, approximately 25% was related to wholesale services that are generally provided by the incumbent TSPs to other TSPs.

In Telecom Decision 2008-17<sup>99</sup>, the Commission restructured its regulatory framework for regulated wholesale services provided by the major incumbent carriers to competitors (formerly referred to as competitor services). Existing wholesale services were assigned to one of six new service categories: i) Essential; ii) Conditional essential; iii) Conditional mandated non-essential; iv) Public good; v) Interconnection; and vi) Non-essential subject to phase-out. The Commission also, among other things, determined the pricing principles for each category and the length and terms of phase-out periods for services classified as non-essential subject to phase-out. Further, the Commission approved, on a prospective basis, forbearance with respect to services classified as Non-essential subject to phase-out at the end of the phase-out period, and determined that it will review the assignment of all remaining mandated wholesale services six years from the date of that decision. Certain determinations in Telecom Decision 2008-17 are currently under appeal.

### *Local and access*

Local telephone service in the territories of all incumbent TSPs is open to competition. In the case of the large incumbent TSPs local competition in their territories is open to facilities-based competition and resale of local service; whereas in the territories of the remaining incumbent TSPs, facilities-based competition is on a case by case basis, except for the operating territory of Northwestel where only the resale of local service is permitted. As of 30 June 2008, the Commission has forbore from regulation over 73% of the residential lines and 65% of the business lines and approximately 80% of local and access revenues were from forbore local services.

In the case of large incumbent TSPs,<sup>100</sup> local services that are still subject to economic regulation include a limited number of local exchange residential and business single and multi-line services and associated services such as local calling features and options, pay telephone, digital network access, local channels, and competitor services. These services are subject to price cap regulation.<sup>101</sup>

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<sup>99</sup> *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008 (Telecom Decision 2008-17).

<sup>100</sup> These include: Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), Bell Canada, MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications (SaskTel), TELUS Communications Company (TCC) and Télébec Société en commandite (Télébec).

<sup>101</sup> *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007 (Telecom Decision 2007-27) and *Follow-up to Decision 2007-27 - Show cause*

In the case of Northwestel, the Commission established a simplified, four-year price cap regime.<sup>102</sup> This framework was intended to provide the company with certainty over the price cap period and significantly reduce Northwestel's regulatory burden.

In the case of the small incumbent TSPs, in Telecom Decision 2001-756,<sup>103</sup> the Commission established a simplified price regulation regime which it extended, with minor modifications, in Telecom Decision 2006-14.<sup>104</sup>

### *Long distance*

Competition in the long distance market exists in all of the operating territories of the incumbent TSPs. The Commission has forbore from regulating the long distance market through a series of decisions and orders that addressed various service providers and market segments.<sup>105</sup> Pursuant to Telecom Decision 97-19, the Commission forbore from regulating the incumbents' long distance service rates, with the exception of Northwestel, and imposed certain regulatory constraints on the incumbents' provisioning of long distance services, most notably price ceilings applying to each basic long distance rate schedule. With respect to Northwestel, in Decision 2007-5,<sup>106</sup> the Commission forbore from regulating all toll services except for toll-free services.

In Telecom Decision 2007-56,<sup>107</sup> the Commission removed the constraints applied to the basic toll schedules in Telecom Decision 97-19 except in relation to registered or certified hearing- or speech-impaired teletypewriter users. In 2007 approximately 95% of long distance revenues were from forbore long distance services.

While the Commission has generally forbore from regulating long distance services, it continues to regulate wholesale services such as access tandem and direct connect. Access tandem and direct connect rates were updated in 2006, resulting in modifications

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*submission related to the application of the price cap regime to Télébec, Limited Partnership, Telecom Decision CRTC 2007-60, 30 July 2007 (Telecom Decision 2007-60).*

<sup>102</sup> *Price cap regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007.

<sup>103</sup> *Regulatory framework for the small incumbent telephone companies*, Telecom Decision CRTC 2001-756, 14 December 2001 (Telecom Decision 2001-756).

<sup>104</sup> *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006 (Telecom Decision 2006-14).

<sup>105</sup> *Review of regulatory framework*, Telecom Decision CRTC 94-19, 16 September 1994. *Forbearance – Services provided by non-dominant Canadian carriers*, Telecom Decision CRTC 95-19, 8 September 1995. *Teleglobe Canada Inc. – Resale and sharing of international private line services*, Telecom Decision CRTC 97-10, 5 May 1997. *Forbearance – Regulation of toll services provided by incumbent telephone companies*, Telecom Decision CRTC 97-19, 18 December 1997 as amended by Telecom Decision CRTC 97-19-1, 9 March 1998 and *Forbearance for agreements between domestic and foreign common carriers*, Telecom Order CRTC 99-1202, 22 December 1999.

<sup>106</sup> *Price Cap Regulation for Northwestel Inc.*, Telecom Decision CRTC 2007-5, 2 February 2007.

<sup>107</sup> *Review of the regulatory constraints that apply to the basic toll schedules*, Telecom Decision CRTC 2007-56, 23 July 2007 (Telecom Decision 2007-56). The determinations apply to Bell Aliant Regional Communications, Limited Partnership; Bell Canada; MTS Allstream Inc.; Ontera; Saskatchewan Telecommunications; Télébec, Limited Partnership; and TELUS Communications Company.

to the rates paid by long distance service providers to the incumbent TSPs for originating and terminating long distance traffic.<sup>108</sup>

### *Internet*

While retail Internet access services are forborne from regulation, the Commission continues to regulate the provision of wholesale Internet access services. In the case of the incumbent TSPs, wholesale Internet access services are subject to price regulation and generally fall within the Competitor Services basket of services under the current price cap regime. Cable BDUs are also required to provide wholesale Internet access services. In 2007 approximately 98% of Internet revenues were from forborne Internet services.

In 1999, in its consideration of an appropriate framework for new media,<sup>109</sup> the Commission found that while some Internet applications fell under the definition of "program" and "broadcasting" under the *Broadcasting Act*, regulation was not necessary to achieve the objectives under that Act.

In Telecom Decision 2008-1,<sup>110</sup> the Commission approved several initiatives to utilise deferral account funds<sup>111</sup> for the deployment of broadband in rural and remote communities, among other initiatives. Bell Canada has applied to the Supreme Court of Canada for leave to appeal the Federal Court of Appeal's judgement in the appeal of Telecom Decision 2006-9 regarding the disposition of funds in the deferral account. Portions of Telecom Decision 2008-1 including those regarding the disposition of broadband are currently stayed.

### *Data and private line*

Competition was first permitted in the data and interexchange (IX) private line market in 1979. The Commission has since forborne from regulating many of the incumbent TSPs' data services as well as their private line services on thousands of IX routes. Telecom Order

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<sup>108</sup> *Aliant Telecom, Bell Canada, MTS Allstream, SaskTel and TCI – Approval of rates on a final basis for Access Tandem service*, Telecom Decision CRTC 2006-22, 27 April 2006, and *Aliant Telecom, Bell Canada, MTS Allstream, SaskTel and TCI – Approval of rates on a final basis for Direct Connection service*, Telecom Decision CRTC 2006-23, 27 April 2006.

<sup>109</sup> *New Media*, Telecom Public Notice CRTC 99-14 and Broadcasting Public Notice CRTC 1999-84, 17 May 1999

<sup>110</sup> *Use of deferral account funds to improve access to telecommunications services for persons with disabilities and to expand broadband services to rural and remote communities*, Telecom Decision 2008-1, 17 January 2008.

<sup>111</sup> In Telecom Decision 2006-9, *Disposition of funds in the deferral account*, 16 February 2006, the Commission determined the guidelines for disposition of funds remaining in the deferral accounts for several incumbent TSPs. The deferral accounts were created by Telecom Decisions 2002-34 and 2002-43. The incumbent TSPs were directed to place into those accounts amounts equal to the revenue reductions that would otherwise have resulted from application of the price cap formula, in order to avoid a negative impact on local competition.

99-434<sup>112</sup> directed alternative TSPs to file with the Commission on 1 April and 1 October of every year, the list of IX private line routes on which they offer or provide service at the equivalent of DS-3 (44.736 mbps) or greater, using their own terrestrial facilities, or terrestrial facilities leased from a company other than an incumbent TSP or an affiliate of an incumbent TSP. The order also had provisions for the Commission to expedite the forbearance if certain criteria were met. Incumbent TSPs are also free to apply for forbearance at any time.

In 2007 approximately 75% of data and private line revenues were from forborne services. By the end of 2007, the Commission has forborne from regulating approximately 2,900 private line routes.

X.25 and frame relay services were forborne from regulation under Telecom Order 96-130<sup>113</sup> in February 1996. Under Telecom Order 2000-553,<sup>114</sup> in June 2000, WAN services were also forborne from regulation. The access components of ATM and Ethernet services provided by incumbent TSPs continue to be regulated.

### *Wireless*

Industry Canada has responsibility for the licensing regime governing wireless communications, including the awarding of spectrum licences to companies, and for the terms and conditions for these licences.

In Telecom Decisions 94-15,<sup>115</sup> 96-14,<sup>116</sup> and 98-18,<sup>117</sup> the Commission forbore from regulating mobile wireless services on the basis that such services were sufficiently competitive. In public notices released in early 2006, the Commission ruled that mobile television services which offer television programming accessible through a wireless handset, such as a cell phone, are exempt from regulation.<sup>118</sup> However, the Commission will continue to monitor the developments in this area closely. One hundred percent of wireless revenues were from forborne wireless services.

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<sup>112</sup> Telecom Order CRTC 99-434, 12 May 1999.

<sup>113</sup> Telecom Order CRTC 96-130, 19 February 1996.

<sup>114</sup> *Forbearance granted for telcos' wide area network services*, Telecom Order CRTC 2000-553, 16 June 2000.

<sup>115</sup> *Regulation of wireless services*, Telecom Decision CRTC 94-15, 12 August 1994, as amended by an erratum dated 8 September 1994.

<sup>116</sup> *Regulation of mobile wireless telecommunications services*, Telecom Decision CRTC 96-14, 23 December 1996.

<sup>117</sup> *NBTel Inc. – Forbearance from Regulating Cellular and Personal Communications Services*, Telecom Decision CRTC 98-18, 2 October 1998.

<sup>118</sup> In reference to Broadcasting Public Notices CRTC 2006-47 and 2006-48 dated 12 April 2006.



## 2.5 Contribution and spending regimes

The Commission uses a number of approaches to achieve the cultural, social and economic objectives set out in the Acts. One such method has been the establishment of contribution and spending regimes.

In 2007, broadcasting and telecommunications providers contributed over \$2.7 billion towards the achievement of these objectives. Approximately 92% of these funds were for cultural and programming initiatives under the *Broadcasting Act* and the remaining 8% were for the achievement of the social and economic objectives under the *Telecommunications Act*.

### ***A - Broadcasting***

In addition to Canadian exhibition and carriage requirements, broadcasters are also generally expected to make contributions towards the promotion, development, creation and broadcast of Canadian talent and content. These spending and funding activities are intended to ensure the availability of Canadian content within the Canadian broadcasting system.

The Commission sets out its general expectations and policies relating to spending and contribution initiatives for radio, television and BDUs in various regulatory and policy frameworks which are reviewed every few years. The Commission also reviews contribution requirements and commitments of individual broadcasters and BDUs in the context of:

- i) commitments made during the renewal of existing licences,
- ii) commitments relating to the licensing of new broadcasting and distribution undertakings, and
- iii) additional benefits resulting from the transfer of ownership or control

In 2007, broadcasters contributed over \$2.5 billion towards the development, creation, and exhibition of Canadian programming and talent.

#### ***a) Radio and audio services - contributions towards Canadian content development<sup>119</sup>***

Under the *Canadian content development* (CCD) contribution regime, radio stations operating under the Commercial Radio Policy are expected to make a basic annual contribution towards various CCD funds and initiatives. The regime places an emphasis on the creation and promotion of audio content for broadcast through the development of Canadian musical and spoken word talent, including journalists. This approach is

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<sup>119</sup> In the Radio Commercial 2006 Policy (*Commercial Radio Policy 2006*, Broadcasting Public Notice 2006-158, 15 December 2006), the Commission introduced a new funding formula to Canadian Talent Development (CTD) called Canadian Content Development (CCD). Under this new approach, contributions are based on the radio station's previous year's revenues, rather than on the size of the market in which it operates. CCD replaces CTD effective 1 September 2008. As a transitional measure, all decisions issued after 1 June 2007 were made in accordance with the revised policy. For the purposes of this report, references to CCD include contributions made under both the CTD and CCD regimes.

expected to help increase the amount of high-quality Canadian music and spoken word material, and promote emerging Canadian talent.

Radio broadcasters contributed \$23.5 million to CCD initiatives in 2006/07.

*i) Commitments made during the renewal of existing radio and audio undertakings*

Each radio station holding a commercial radio licence must make basic annual contributions to CCD initiatives. Beginning 1 September 2008, the amount of these contributions will be based on the station's previous year's revenues.<sup>120</sup>

Pay audio services are required to contribute a minimum of 4% of their previous year's annual gross revenues to CCD. Multichannel subscription radio services are required to contribute at least 5% of their gross annual revenues to CCD. The percentage rate increases to 6%, if the number of subscribers exceeds a certain level.<sup>121</sup> Half of the contributions are directed to the development of Canadian French-language talent and the other half is directed to the development of Canadian English-language talent.

*ii) Commitments related to the licensing of new radio undertakings*

Applicants for new commercial radio stations, especially those made in the context of a competitive process, often make contribution commitments that exceed the required basic annual CCD contributions. Effective 1 September 2008, no less than 20% of this amount will be allocated to FACTOR<sup>122</sup> or MUSICACTION.<sup>123</sup> The balance may be directed to any eligible CCD initiative, at the discretion of the applicant.

Between 1 January 2003 and 31 December 2007, the Commission licensed 76 new radio stations through competitive processes in markets across Canada. The successful applicants committed more than \$55.4 million to CCD initiatives over their initial licence terms. In addition, during that period, there were 212 new radio licences or AM to FM conversions granted without a competitive process. These licensees committed a combined \$7.1 million towards CCD initiatives.

*iii) Benefits resulting from the transfer of ownership or control*

In addition to the basic annual contributions required under the CCD contribution regime, applicants for the transfer of ownership or control of profitable commercial radio stations are also required to make commitments that represent a minimum direct financial contribution to CCD of 6% of the value of the transaction. Three percent is to be

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<sup>120</sup> Methodology and criteria is set out in the Radio Commercial 2006 Policy and in *Call for comments on proposed amendments to the Radio regulations, 1986 – Implementation of the Commercial Radio Policy 2006 and the Digital Radio Policy*, Broadcasting Public Notice CRTC 2007-79, 12 July 2007

<sup>121</sup> See *Satellite subscription radio undertaking – Licence amendment*, Broadcasting Decision CRTC 2006-37, 10 February 2006, for Canadian Satellite Radio Inc. and *Satellite subscription radio undertaking – Licence amendment*, Broadcasting Decision CRTC 2006-38, 10 February 2006, for SIRIUS Canada Inc.

<sup>122</sup> Foundation Assisting Canadian Talent on Recordings, website: <http://www.factor.ca>

<sup>123</sup> MUSICACTION, website: <http://www.musicaction.ca/accueil/index.asp>

allocated to the Radio StarMaker Fund/Fonds RADIOStar<sup>124</sup> music marketing and promotion fund, two percent to either FACTOR or MUSICACTION and one percent at the discretion of the purchaser to other eligible<sup>125</sup> CCD initiatives. These contributions are usually made over a seven year period.

Between 1 April 1998 and 31 December 2007, the Commission approved 126 changes in ownership or control involving 503 radio stations. CCD commitments (benefits) from these transactions have totalled \$200 million. There were two significant transfers in ownership approved by the Commission in 2007 resulting in \$95.3 million in tangible benefits for radio.<sup>126</sup>

***b) Television - contributions to Canadian programming***

The Canadian television sector plays an essential role in ensuring a strong Canadian presence in the Canadian broadcasting system by providing distinct and diverse Canadian programming. Canadian programming expenditures (CPE) reported by the Canadian television sector in 2006-07 totalled \$2.14 billion.

***i) Conventional over-the-air television***

Conventional over-the-air (OTA) television plays a vital role in the broadcasting system by providing local television programming that reflects Canadian interests and the needs of the communities that they are licensed to serve. It is because of its ability to reach mass audiences that it remains a dominant force in the provision and production of Canadian programming.

In the 1999 Television Policy, the Commission eliminated CPE requirements for the private OTA television sector.<sup>127</sup> Any concerns relating to expenditure and exhibition contributions towards the production and acquisition of Canadian programming, including local programming, are now reviewed with each licensee at the time of licensing and subsequent licence renewals.

In the 2007 OTA Television Policy,<sup>128</sup> the Commission noted that, although the English-language OTA television sector has maintained CPE as a percentage of revenues, the continued decline in proportion to total programming expenditures was a cause for concern. In order to ensure that an appropriate proportion of financial resources are allocated towards the production and acquisition of Canadian programming, the

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<sup>124</sup> Radio StarMaker Fund, website: <http://www.starmaker.ca/> ; Fonds RADIOStar: <http://www.fondsradiostar.com>

<sup>125</sup> Refer to CRTC website for examples of qualifying parties and initiatives  
<http://www.crtc.gc.ca/eng/GENERAL/ccdparties.htm>

<sup>126</sup> Astral / Standard (Broadcasting Decision 2007-359) and CTVglobemedia / CHUM (Broadcasting Decision 2007-165)

<sup>127</sup> Prior to 1 September 2000, most OTA broadcasters were required to meet minimum CPE levels that were tied to their advertising revenues. Attempting to provide private OTA television broadcasters with the flexibility necessary to adapt their programming strategies in a complex and highly competitive marketplace, the Commission removed this requirement, in *Building on success – A policy framework for Canadian television*, CRTC Broadcasting Public Notice 1999-97, 11 June 1999 (1999 Television Policy).

<sup>128</sup> *Determinations regarding certain aspects of the regulatory framework for over-the-air television*, Broadcasting Public Notice CRTC 2007-53, 17 May 2007 (2007 OTA Television Policy)

Commission indicated that it would review this matter during the licence renewal process for the major broadcast groups that is currently scheduled to take place in 2009. In 2006/07, OTA television stations reported \$1.2 billion in CPE. Private OTA television stations accounted for 52% of this amount.

ii) *Specialty, pay, pay-per-view and video on demand television services*

In contrast to OTA television, most Canadian specialty, pay, pay-per-view (PPV) and video on demand (VOD) services are required, by condition of licence, to expend on the acquisition of and/or investment in Canadian programs, a minimum percentage of their gross revenues derived from the operation of the service during the previous broadcast year. The amount, imposed at the time of licensing or at licence renewal, is determined on a case-by-case basis. The requirements are based on considerations such as the genre of the services proposed, the availability of Canadian programming falling within that genre, and the applicant's other plans and commitments. The Commission also takes into account the applicant's proposed wholesale fee and the type of distribution by BDUs that the services will receive. In the 2004 licence renewal hearing for specialty services, the Commission required increases in CPE based on historical PBIT<sup>129</sup> levels. In 2006/07, specialty, pay, PPV and VOD reported CPE of \$941.6 million.

iii) *Benefits resulting from the transfer of ownership or control*<sup>130</sup>

Since competing applications are not solicited in the case of transfer of ownership or control, the Commission generally expects applicants to make commitments to clear and unequivocal benefits representing a financial contribution of 10% of the value of the transactions, as accepted by the Commission, for television. The onus is on the applicant to demonstrate that the application filed is the best possible proposal under the circumstances and that the benefits proposed in the application are commensurate with the size and nature of the transaction. Television stations that earn less than \$10 million in annual revenues and are eligible to receive support from the Small Market Programming Fund are exempted from the application of the benefits test.<sup>131</sup>

The policy was re-examined in 2007 in the context of the Diversity of Voices public proceeding<sup>132</sup> and the Commission determined that it would retain its current policy.

From 11 June 1999 to 31 December 2007, the Commission approved 48 changes in ownership or control providing \$836.6 million in tangible benefits.<sup>133</sup> In 2007, the

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<sup>129</sup> Profit before interest and taxes

<sup>130</sup> The principal components of the Commission's television undertaking policies with respect to benefits resulting from the transfer of ownership or control are set out in *Application of the Benefits Test at the Time of Transfers of Ownership or Control of Broadcasting Undertakings*, Public Notice CRTC 1993-68, 26 May 1993. In the 1999 Television Policy, the Commission set tangible financial contribution benefits of at least 10% of the value of the transaction.

<sup>131</sup> This exemption is set out in the 2007 OTA Television Policy.

<sup>132</sup> In September 2007 public hearing proceedings were held to review the Commission's approach to ownership consolidation and other issues related to the diversity of voices in Canada. The Commission's determinations are set out in Broadcasting Public Notice 2008-4.

<sup>133</sup> These contributions are usually made over a seven year period.

Commission approved three significant transfers in ownership resulting in \$286 million in tangible benefits for the English-language television sector.<sup>134</sup>

***c) BDU – Contributions to Canadian programming and local expression***

Class 1 and 2 cable, DTH and MDS distribution undertakings contribute a minimum of 5% of their gross annual revenues derived from broadcasting activities to support Canadian programming. Contributions to Canadian programming are made through the Canadian Television Fund (CTF) and other independent production funds, as well as through contributions to local expression.

***i) Contributions to Canadian production funds***

At least 80% of the contributions that are directed to production funds must be made to the CTF. The remaining 20% may be directed to one or more independently administered production funds.<sup>135</sup> In 2006/07, BDUs reported contributions of \$194 million to programming funds.

***CRTC Report on the CTF***

In June 2008, following an extensive review process, the Commission issued a report to the Minister of Canadian Heritage on the CTF.<sup>136</sup> In this report, the Commission reaffirmed the important role that the CTF and the independent production sector play in producing quality Canadian television programming. Nevertheless, given the increasingly competitive environment facing the Canadian broadcasting system, the Commission also recommended that several changes be made to the fund.

The Commission recommended the creation of separate public and private sector funding streams, each managed by its own board of directors, with the day to day administration remaining with the CTF. The public sector funding stream would rely on public funding and be made available to the CBC/SRC, educational and other not-for-profit broadcasters. This funding stream would concentrate on the production of programming that contributes to the fulfillment of the cultural objectives set out in the *Broadcasting Act*. The private sector funding stream would be market-oriented, concentrating on the production of programming with broad popular appeal to Canadian audiences. It would rely on contributions from the BDUs and be made available to private commercial broadcasters.

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<sup>134</sup> CTVglobemedia / CHUM (Broadcasting Decision 2007-165), Rogers Media / City-TV (Broadcasting Decision 2007-360) and Canwest / Alliance Atlantis (Broadcasting Decision 2007-429)

<sup>135</sup> The criteria to be met by these independently administered funds are set out in *Contributions to Canadian Programming by Broadcasting Distribution Undertakings*, Broadcasting Public Notices CRTC 1997-98 issued 22 July 1997, 2003-38 issued 16 July 2003 and 2004-21 issued 31 March 2004.

<sup>136</sup> *CRTC Report to the Minister of Canadian Heritage on the Canadian Television Fund* was released on 5 June 2008. This report was prepared in response to Order in Council P.C. 2008-289, 14 February 2008, which requested that the CRTC issue a report to the minister of Canadian Heritage providing recommendations on the CTF.

The Commission also made several recommendations relating to how audience success should be measured, as well as the extent to which other criteria should be used in determining the level of CTF funding that broadcasters receive.

Other recommendations included the establishment of a new media funding stream, based on incremental funding, to support Canadian programming designed for new media platforms.

The Commission also indicated that it would launch two public processes in July 2008. One, to amend its benefits policy so that tangible benefits can be used to support CTF and, the other, to review its Certified Independent Production Funds Policy with a view to providing greater support for new media projects.

*ii) Local expression*

Although the Commission is of the view that community programming, and the broader goal of local expression, are important components of the broadcasting system, it removed the requirement to provide an outlet for local expression in Broadcasting Public Notice 1997-25.<sup>137</sup> However, while no longer obliged to do so, class 1 and 2 BDU licensees with fewer than 20,000 subscribers<sup>138</sup> are permitted under the BDU Regulations<sup>139</sup> to allocate all of their Canadian programming contributions to local expression. Class 1 licensees with more than 20,000 subscribers may allocate up to 2% of their contributions to local expression.

The number of licensees that have reported community channel expenses has remained relatively unchanged since 2004 at approximately 131. Total expenditures relating to community channel programming in 2007 were \$103 million.

*iii) Benefits resulting from the transfer of ownership or control*

The benefits test does not apply in the case of changes in effective control of BDUs.<sup>140</sup>

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<sup>137</sup> *New Regulatory Framework for Broadcasting Distribution Undertakings*, CRTC Public Notice 1997-25, 11 March 1997

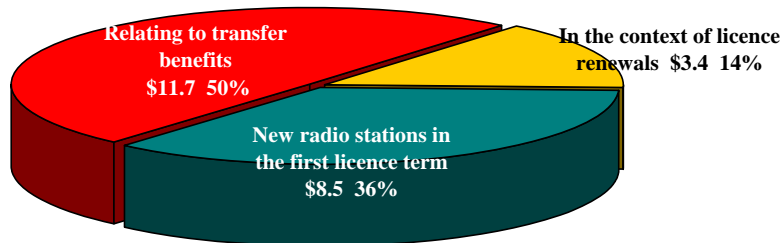
<sup>138</sup> Class 1 BDU licensees are generally undertakings with 6,000 subscribers and greater. Class 2 BDU licensees are generally undertakings with 2,000 to less than 6,000 subscribers.

<sup>139</sup> *Proposed Broadcasting Distribution Regulations*, Public Notice CRTC 1997-84, 2 July 1997 and *Broadcasting Distribution Regulations*, Public Notice CRTC 1997-150, 22 December 1997 (the BDU Regulations)

<sup>140</sup> In CRTC Public Notice 1996-69, the Commission concluded that, as a result of its decision to remove "all or most of the existing licensing restrictions on market entry" and its encouragement of competition in the BDU sector, it would no longer apply the benefits test in the case of changes in the effective control of distribution undertakings. The Commission noted that benefits in these cases had been largely applied to technical upgrades and that a competitive environment would now provide further incentives for BDUs to make the necessary investments.

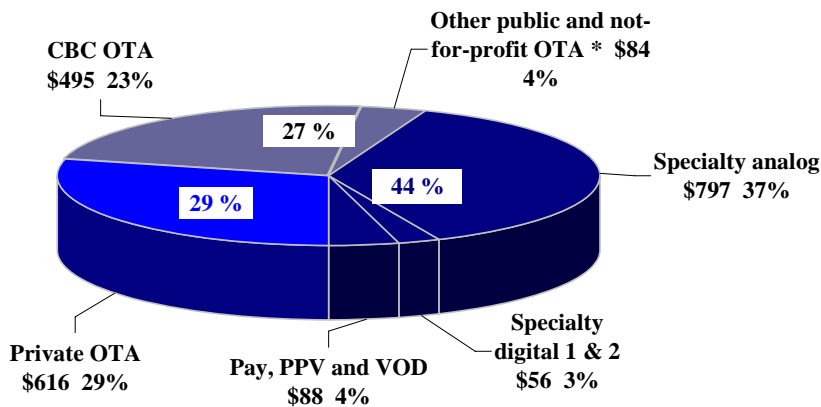
## Statistical Information Contribution and spending regimes - Broadcasting<sup>141</sup>

**Figure 2.5.1 2007 Contributions to CCD reported by commercial radio & audio services \$23.5M**



Minor variances are due to rounding.  
Includes contributions made under both the CTD and CCD regimes.  
Source: CRTC data collection

**Figure 2.5.2 2007 Television CPE \$2,137 M**



Minor variances are due to rounding.  
CPE: Includes expenditures on Canadian programs telecast, write-down of Canadian inventory, script and concepts and loss on equity Canadian programs. Includes expenditures relating to ownership transfer benefits and to commitments made at the time of licensing. Excludes CTF "top-up" reported by private OTA, specialty, Pay, PPV and VOD television services. CBC OTA excludes indirect and facility cost allocations.

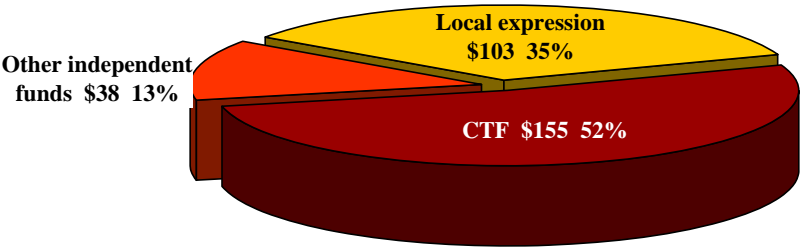
\* Estimate based on 2006 results.

Source: CRTC data collection

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Based on 1 September 2006 to 31 August 2007 broadcast year. Refer to the Broadcasting section of this report for additional statistical information. These charts do not reflect additional funding, incentives or contributions made by private institutions or government bodies towards the development and production of Canadian audio and visual content that are outside of the CRTC's administrative scope and mandate.

**Figure 2.5.3    2007 BDU contributions to Canadian programming and local expression  
\$296.7M**



Minor variances are due to rounding.  
Source: CRTC data collection



## ***B - Telecommunications***

The Commission implemented a national revenue-based contribution collection mechanism in 2001 to collect the moneys required to subsidize the cost of residential telephone service in high-cost serving areas.

Under this contribution mechanism, all TSPs, or groups of related TSPs, with Canadian telecommunications service revenues equal to or greater than \$10 million are required to contribute towards the subsidization of residential telephone service in high-cost serving areas. Contribution is collected based upon a TSP's contribution-eligible revenues and the Commission approved revenue-percent charge. Contribution-eligible revenues are calculated based upon a TSP's Canadian telecommunications service revenues less certain specific deductions including retail Internet and retail paging revenues. The revenue-percent charge is calculated using the ratio of the national subsidy requirement to the total estimated contribution-eligible revenues of all TSPs who are required to contribute.

In 2007, LECs received approximately \$219 million in subsidy and the final revenue-percent charge was 0.94% of contribution-eligible revenues.

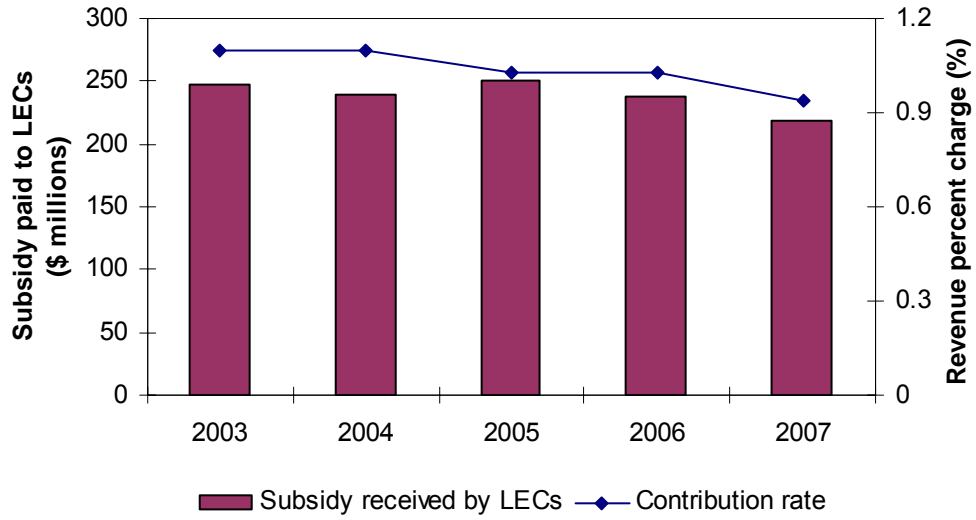
The revenue-percent charge has gradually decreased since 2003. The increase in the subsidy paid to the LECs in 2005 was the result of the approval of the costs used to calculate the subsidy rates for two of the smaller incumbent LECs.<sup>142</sup>

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<sup>142</sup> *Implementation of competition in the local exchange and local payphone markets in the territories of Société en commandite Télébec and the former TELUS Communications (Québec) Inc.*, Telecom Decision CRTC 2005-4, 31 January 2005.

## Statistical Information Contribution and spending regimes – Telecommunications

**Figure 2.5.4 Subsidy paid to LECs and the revenue percent charge**



Sources: CRTC data collection and decisions

## 2.6 Simplifying regulation and dispute resolution

The Commission has put in place a wide range of mechanisms to ensure effective and efficient regulation. These mechanisms include both streamlining initiatives and dispute resolution mechanisms.

### *Simplifying regulation*

#### *i) BDU Exemptions*

In 2001, the Commission began the process to exempt from licensing requirements and associated regulations, those cable systems with less than 6,000 subscribers that serve small and rural communities. As of 2007, approximately 74% and 91% of the Class 2 and Class 3 cable BDUs respectively had exemption status.

#### *ii) Streamlining initiatives*

### *Broadcasting*

The Commission has put in place a number of mechanisms to ensure effective and efficient regulation of broadcasting in Canada. These include:

- an expedited process whereby the Commission would inform applicants of the status of their licence amendment applications within 15 business days of receiving an application.
- Reduction of the average time it takes to deal with amendment applications by 50 percent compared to the 2005-06 fiscal year.<sup>143</sup>
- the exemption of certain network operations from licensing requirements; reviewing broadcasting application forms; and reviewing the policy concerning the issuance of radio calls for applications in the processing of requests to add foreign third-language services to the Lists of Eligible Satellite Services. The Commission has also set out measures to streamline certain reporting requirements for Class 1 cable distribution undertakings having 20,000 or more subscribers and for television licensees, and has issued an exemption order for certain third-language television undertakings from licensing requirements.
- new service standards for applications for licence amendments and licence renewals currently processed by public notice, as well as applications processed using an administrative approach that does not entail a public process.<sup>144</sup> The quarterly and annual statistics for the period 1 April 2006 to

<sup>143</sup> Quarterly statistics for the period 1 April 2006 to 31 March 2007 are available on the CRTC website: [http://www.crtc.gc.ca/eng/publications/report.htm#quart\\_report](http://www.crtc.gc.ca/eng/publications/report.htm#quart_report).

<sup>144</sup> *Introduction of service standards for certain broadcasting applications*, Broadcasting Circular CRTC 2006-2, 5 April 2006.

31 March 2007<sup>145</sup> show that the Commission has either met or surpassed these standards.

### *Telecommunications*

With respect to telecommunications the Commission has also put in place a range of mechanisms to ensure effective and efficient regulation of telecommunications. These include:

- expedited processes for retail tariff filings. The Commission recognizes the need for timely disposition of tariff applications by incumbent TSPs for new or amended services. Since 2005, the Commission has streamlined and expedited the processing of retail tariff filings<sup>146</sup> and the processing of applications concerning the withdrawal of services for which new technologies are employed and for which there are replacement services.<sup>147</sup>
- approval of price ranges within which incumbent TSPs can offer certain services such as local exchange and related services<sup>148</sup> as well as VoIP related services. This permits the incumbent TSPs to respond to market forces by providing pricing flexibility and eliminating the need for regulatory approval of price changes within the range.
- deemed approval of certain inter-carrier agreements filed pursuant to section 29 of the *Telecommunications Act* upon filing with the Commission.<sup>149</sup>

In Telecom Decision 2006-15,<sup>150</sup> among other things, the Commission set out the details of the framework for forbearance from the regulation of local exchange services including the local forbearance criteria such as a 25% market share loss threshold. The Commission determined that residential local exchange services and business local exchange services are in different relevant markets for the purpose of the local forbearance framework. The Commission also outlined the scope of forbearance to be granted under the local forbearance framework. The Commission determined it to be appropriate to retain only those powers and duties that are strictly necessary to protect the interests of customers, particularly uncontested and vulnerable customers, and to further competition. The Commission also determined that those powers and duties that relate strictly to economic regulation should be removed in a

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<sup>145</sup> Available on the CRTC website: [http://www.crtc.gc.ca/eng/publications/reports.htm#quart\\_report](http://www.crtc.gc.ca/eng/publications/reports.htm#quart_report).

<sup>146</sup> *Introduction of a streamlined process for retail tariff filings*, Telecom Circular CRTC 2005-6, 25 April 2005.

<sup>147</sup> *New procedures for disposition of applications dealing with the destandardization and/or withdrawal of tariffed services*, Telecom Circular CRTC 2005-7, 30 May 2005

<sup>148</sup> *Rate ranges for services other than voice over Internet Protocol services*, Telecom Decision CRTC 2006-75, 23 November 2006 and *Follow-up to Decision 2006-75 – Range-within-a-range proposal*, Telecom Decision CRTC 2007-36, 25 May 2007 (Telecom Decision 2007-36).

<sup>149</sup> *Forbearance with respect to certain inter-carrier agreements filed pursuant to section 29 of the Telecommunications Act*, Telecom Decision CRTC 2007-129, 14 December 2007.

<sup>150</sup> *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15, 6 April 2006 (Telecom Decision 2006-15).

forborne environment. The Commission adopted certain transitional measures to aid in the development of sustainable local competition.

In the Forbearance Order,<sup>151</sup> the Governor in Council, among other things, replaced the Commission's market share loss criterion with one that emphasizes the presence of facilities-based competitive TSPs and replaced the geographic regions by incumbent TSP exchange boundaries. The Forbearance Order also modified the competitor quality of service indicators for forbearance purposes and eliminated the winback rules which determined when an incumbent telephone company could contact customers that were switching to their competitors and removed the competitive safeguards for promotions which addressed issues such as the availability, timing, duration and limitations of the promotion as well as the price of the service promoted.

In an effort to deal with local forbearance applications as expeditiously and fairly as possible, the Commission issued Telecom Circular 2007-13,<sup>152</sup> to set out the timelines for submissions regarding local forbearance applications. In addition, the Commission also issued letters to the incumbent and alternative TSPs to notify them of the type of data and level of detail to be provided in local forbearance applications or proceedings.

The Policy Direction requires the CRTC to act in a more efficient, informed and timely manner to achieve the telecommunications policy objectives set out in section 7 of the *Telecommunications Act*. With greater reliance on market forces, monitoring of the industry will continue to be a valuable tool to assess the extent to which these objectives are being met.

### iii) *Dispute resolution*

The Commission has established the following dispute resolution mechanisms for broadcasting and telecommunications:

- the CRTC Interconnection Steering Committee (CISC) process provides a forum for interested parties, with the assistance of Commission staff, to resolve telecommunications related competition issues of a technological, operational or administrative nature;
- third-party mediation or staff-assisted dispute resolution to encourage and promote bilateral negotiations;
- expedited procedures for resolving competitive broadcasting<sup>153</sup> and telecommunications<sup>154</sup> issues. The issues must be factual in nature, and generally

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<sup>151</sup> *Order varying Telecom Decision CRTC 2006-15*, Order in Council P.C. 2007-532, issued 4 April 2007 (the Forbearance Order).

<sup>152</sup> *Timelines for submissions regarding local forbearance applications*, Telecom Circular CRTC 2007-13, 19 April 2007 (Telecom Circular 2007-13).

<sup>153</sup> *Expedited procedure for resolving issues arising under the Broadcasting Act*, Broadcasting Circular CRTC 2005-463, 18 April 2005.

<sup>154</sup> *Expedited procedure for resolving competitive issues*, Telecom Circular CRTC 2004-2, 10 February 2004.

relate to the application of existing rules, and not to the creation of new ones. This process is an efficient and effective way of dealing with disputes. The expedited hearings generally result in decisions being issued within 10 calendar days after the hearing.

### *Broadcasting*

The Broadcasting ADR group was created in 2000 to process and resolve competitive and access disputes involving broadcasting matters. The process and procedures used by the Commission are outlined in Broadcasting Public Notice 2000-65.<sup>155</sup>

The kinds of disputes handled by this group generally fall into three categories: (1) disputes between broadcasting distributors and programming services relating to the terms of distribution, including wholesale rates; (2) disputes between competing broadcasting distributors over access to buildings and the end-user; and (3) disputes between programmers regarding programming rights and markets served.

Wherever possible, ADR techniques, such as fact-finding meetings, mediation and staff-opinions are used to attempt to break deadlocks, identify core issues, and assist disputing parties to directly resolve their disputes. When these techniques are insufficient, the Commission may, where appropriate, render determinations on disputes, generally by way of “final-offer” selection (e.g., under sections 12 to 15 of the *BDU Regulations*) or by way of decisions involving allegations of undue preference or disadvantage (e.g., under section 9 of the *BDU Regulations*).

Final offer selection processes are typically conducted on a confidential basis both to permit candour on the part of the parties and to take into account that the matters in dispute often involve commercially sensitive information, the disclosure of which could cause harm that would outweigh any public interest benefit.

In certain disputes that come before the Commission as allegations of undue preference or disadvantage, the complainant seeks a ruling by the Commission that the preference or disadvantage has material and serious consequences for the complainant and/or the Canadian broadcasting system, and that are contrary to the public interest. Cases involving such public issues are usually immediately placed on a public file.

#### *a) Review of existing broadcasting practices and procedures*

In the context of the BDU and discretionary programming review of the regulatory frameworks proceedings,<sup>156</sup> the Commission invited comments on its existing practices with regard to competitive disputes and undue preference. The Commission also sought specific comments on whether parties felt a reversal of onus on undue preference matters would be appropriate.

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<sup>155</sup> *Practices and procedures for resolving competitive and access disputes*, Public Notice CRTC 2000-65, 12 May 2000

<sup>156</sup> *Review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services*, Broadcasting Notice of Public Hearing CRTC 2007-10, 5 July 2007.

Many parties took the opportunity to provide comments on the need for continued dispute resolution by the Commission, particularly in an environment of reduced regulatory protections. The notion of a reversal of onus was widely supported. The Commission's determinations are expected to be released in the fall 2008.

*b) Number, type, trends and time to closure of broadcasting disputes*

Between 1 April 2007 and 31 March 2008, the Commission dealt with three outstanding dispute files from the previous period and opened six new files. There were three dispute files outstanding at the end of the period - one of these files has been suspended at the request of the parties for quite some time, and the remaining two were received from December 2007 to March 2008.

During the same period, the Commission also resolved four of the six informal dispute interventions received.

A trend of note in the report period is the shift back to more formal interventions. These formal files involved major players and, all but one, featured disputes between programmers and BDUs. The number of informal files has also decreased. This may have been due to parties focussing their efforts on a particularly heavy regulatory agenda in 2007/08.

*Telecommunications*

The Commission has strongly encouraged parties to pursue independent negotiations to resolve any competitive dispute. In instances where the parties can not settle a dispute by mutual agreement, the CRTC has successfully used a number of resolution mechanisms to settle a number of competitive disputes. In 2007 17 disputes were resolved using various dispute resolution mechanisms.

The kinds of telecommunications competitive disputes handled through alternative dispute resolution generally fall into the following categories: (1) access to support structures, (2) billing and collection service, (3) access to Multi-dwelling unit buildings, (4) access to municipal rights-of-way, and (5) interconnection issues.

## Statistical Information - Simplifying regulation and dispute resolution

**Table 2.6.1 Number of dispute files received in 2007/08**

Formal dispute files				Informal interventions
Type of disputes				
Dispute issues	Undue preference or disadvantage (2)	Dispute resolution (3)	Total	Total
Building access	1	1	2	-
Distribution / programming	3	1	4	6
<b>Total</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>6</b>

(1) 1 April 2007 to 31 March 2008

(2) Section 9 of the *Broadcasting Distribution Regulations*

(3) Sections 12 to 15 of the *Broadcasting Distribution Regulations*

**Table 2.6.2 Fiscal year comparisons of the average number of days to resolve disputes**

Disputes	2005 / 06	2006 / 07	2007 / 08
Undue preference	135	89	106
Sections 12 to 15	86	53	68
Section 9(1)(h)	-	-	-

Notes: Excludes informal interventions. Files commenced in one year but concluded in another are included in the calculation for the year of closure. Files can be suspended for various periods of time in order to permit the parties to negotiate. Suspension times are not included in these calculations.



## 2.7 Current major CRTC initiatives

The following is a brief summary of some of the major initiatives currently underway by the Commission.

### *Accessibility proceeding*

In June the Commission launched a review of unresolved accessibility issues.<sup>157</sup> The review will cover accessibility issues in telecommunications, broadcasting and New Media broadcasting. The proceeding will include a public consultation component to allow interested parties and organizations to make all stakeholders more aware of the issues and barriers faced by people with disabilities.

### *Ownership*

In the fall of 2008 the Commission will implement a broadcasting ownership reporting mechanism with the objective of starting the collection and review of broadcasting ownership data in the Winter of 2009. The initiative is primarily designed to provide greater flexibility in the furnishing of ownership information and documents, and to ease related general administrative burden.<sup>158</sup>

In June of this year, the Commission considered the applications filed by TQS Inc. for authority to change its effective control and to renew its conventional television stations licences.<sup>159</sup>

### *BDU-Discretionary Review*

In Notice of Public Hearing 2007-10,<sup>160</sup> the Commission announced that it would conduct a review of the regulatory frameworks for BDUs and discretionary programming services and invited written comments and proposals from the industry and interested parties.

In Notice of Public Hearing 2007-10, the Commission indicated that BDUs and programmers must be able to respond to the evolving expectations, tastes and demographics of Canadian viewers. In order to meet the challenges of the years ahead, licensees will need to have the flexibility to react quickly and creatively to the

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<sup>157</sup> *Unresolved issues related to the accessibility of telecommunications and broadcasting services to persons with disabilities*, Telecom Public Notice CRTC 2008-8, 10 June 2008 and *Unresolved issues related to the accessibility of telecommunications and broadcasting services to persons with disabilities*, Broadcasting Notice of Public Hearing CRTC 2008-8, 10 June 2008.

<sup>158</sup> *Call for comments on a proposed Broadcasting Ownership Information Management System*, Broadcasting Public Notice CRTC 2007-64, 15 June 2007.

<sup>159</sup> *Notice of consultation and hearing Broadcasting*, Broadcasting Notice of Public Hearing CRTC 2008-5, 25 April 2008.

<sup>160</sup> *Review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services*, Broadcasting Notice of Public Hearing CRTC 2007-10, 5 July 2007 (Notice of Public Hearing 2007-10).

opportunities and challenges they encounter, and not be burdened by detailed or unnecessary regulations.

To this end, the Commission indicated that it would consider a revitalized regulatory approach to both distribution and discretionary programming undertakings that would aim to reduce regulation to the minimum necessary to achieve the objectives of the *Broadcasting Act*, relying instead on market forces wherever possible. In particular, the Commission is sought to:

- develop forward-looking regulatory frameworks that are strategic, straightforward, flexible, and equitable;
- ensure a strong Canadian presence in the broadcasting system in the form of distinct and diverse Canadian programming and services; and
- recognize the increasing autonomy of audiences and consumers, providing them with the greatest possible choice of services at affordable prices.

#### *New Media Broadcasting Proceeding*

In 2007, to investigate the cultural, economic, and technological issues associated with new media broadcasting, the Commission launched the New Media Project Initiative (the Initiative). In May 2008, the Commission released a document<sup>161</sup> which reflected stakeholder views relating to Canadian broadcasting in new media (the new media document). Concurrent with the release of this document, Broadcasting Public Notice 2008-44<sup>162</sup> was released, with the purpose of gathering additional comments and input from the industry and the public. This will ultimately lead to a Public Hearing at a future date to examine the new media broadcasting environment and the continued appropriateness of the existing new media exemption orders.

The Commission launched Broadcasting Public Notice 2008-44 to examine the new media broadcasting environment to determine whether the new media broadcasting environment is contributing sufficiently to the achievement of the broadcasting policy objectives of the *Broadcasting Act* and will continue to do so or whether the New Media Exemption Order and the Mobile Broadcasting Exemption Order need to be revised. Fundamentally, it is necessary to determine if public consultations regarding Canadian new media broadcasting content and access to such content are necessary to explore the contribution by new media broadcasting undertakings to the achievement of the broadcasting policy objectives of the *Broadcasting Act*.

Upon receipt of comments pursuant to the public notice, the Commission will make a determination as to the matters to be dealt with in the future public hearing and will issue a Notice of Public Hearing in the late summer of 2008 outlining the details of the new media broadcasting public hearing to be held in 2009.

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<sup>161</sup> *Perspectives on Canadian Broadcasting in New Media*, released 15 May 2008

<sup>162</sup> *Call for comments on the scope of a future proceeding on Canadian broadcasting in new media*, Broadcasting Public Notice CRTC 2008-44, 15 May 2008 (Broadcasting Public Notice 2008-44).

Included in the information discussed in the new media document was the stated desire by some stakeholders for data and knowledge sharing to further understand this evolving Canadian industry. Accordingly, this report contains an expanded new media section which captures additional facts and information about the new media industry in Canada, as well as consumer trends having an impact on new media. Details may be found in section 4.5 of this document.

#### *National Do Not Call List (National DNCL)*

In June 2006, Bill C-37 came into force. It amended the *Telecommunications Act* to grant the CRTC the powers required to establish a National DNCL. In July 2007 the Commission established the rules of the National DNCL.<sup>163</sup> The rules are part the unsolicited Telemarketing Rules that cover all aspects of telemarketing calls. These rules are meant to balance the privacy of individuals with the legitimate uses of telemarketing.

There are exemptions set out in the *Telecommunications Act* that will permit certain types of unsolicited calls even though the phone number is on the National DNCL. For example, calls from registered charities and political parties will be exempted, as well as calls from organizations with which the consumer already has a business relationship.

Organizations that are exempt from the National DNCL are nonetheless required to establish their own internal do not call list, and add to it the phone number of any consumer who does not want to be called by that organization.

The Commission will not manage the National DNCL itself. After issuing a Request for Proposal, the Commission awarded a five-year contract to Bell Canada for the development, implementation and operation of the National DNCL. The National DNCL will be funded by fees paid by the telemarketers and is expected to be launched by the end of September 2008.

The Commission is in the process of establishing a framework for investigating possible violations of the telemarketing rules, including those of the National DNCL. Companies who are found in violation will be subject to administrative monetary penalties.

#### *Policy Direction*

The Commission is required to apply the Policy Direction when exercising its powers and performing its duties under the *Telecommunications Act*.

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<sup>163</sup> *Unsolicited Telecommunications Rules framework and the National Do Not Call List*, Telecom Decision CRTC 2007-48, 3 July 2007 (Telecom Decision 2007-48).

The Policy Direction requires that the Commission rely on market forces to the maximum extent feasible and when relying on regulation should use measures that satisfy the following criteria:

- specify the telecommunications policy objective that is advanced by those measures and demonstrate their compliance with this Order;
- if they are of an economic nature, they should neither deter economically efficient competitive entry into the market nor promote economically inefficient entry;
- if they are not of an economic nature, to the greatest extent possible, they are implemented in a symmetrical and competitively neutral manner; and
- if they relate to network interconnection arrangements or regimes for access to networks, buildings, in-building wiring or support structures, they should ensure the technological and competitive neutrality of those arrangements or regimes, to the greatest extent possible, to enable competition from new technologies and not to artificially favour either Canadian carriers or resellers.

To enable the Commission to act in a more efficient, informed and timely manner, the Policy Direction also requires the Commission, among other things, to use only tariff approval mechanisms that are as minimally intrusive and as minimally onerous as possible, and, to continue to explore and implement new approaches for streamlining its processes.

Accordingly in Telecom Decisions 2007-51<sup>164</sup> and 2008-34,<sup>165</sup> the Commission established action plans to review the existing economic, non-economic and social regulatory measures, with a view to ensuring that such measures are implemented in a manner consistent with the Policy Direction.

The Commission has already completed its review of some of the measures. These include:

- general tariff bundling rules and requirement for market trials,<sup>166</sup> and
- mandatory customer contract renewal notification and requirement for service destandardization/withdrawal.<sup>167</sup>

More information about the Commission's action plans may be obtained from the CRTC's website.<sup>168</sup>

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<sup>164</sup> *Action plan for the review of Commission regulatory measures in light of Order in Council P.C. 2006-1534*, Telecom Decision CRTC 2007-51, 11 July 2007.

<sup>165</sup> *Action plan for reviewing social and other non-economic regulatory measures in light of Order in Council P.C. 2006-1534*, Telecom Decision CRTC 2008-34, 17 April 2008.

<sup>166</sup> *Review of general tariff bundling rules and requirements for market trials*, Telecom Decision CRTC 2007-117, 23 November 2007 (Telecom Decision 2007-117)

<sup>167</sup> *Mandatory customer contract renewal notification and requirements for service destandardization/withdrawal*, Telecom Decision CRTC 2008-22, 6 March 2008 (Telecom Decision 2008-22)

<sup>168</sup> <http://www.crtc.gc.ca/eng/publications/reports.htm>

## *Net neutrality*

On 3 April, the Canadian Association of Internet Providers (CAIP) filed an application requesting that the Commission issue an order directing Bell Canada to cease and desist from "throttling"<sup>169</sup> its wholesale Asymmetric Digital Subscriber Line (ADSL) services and in particular, the wholesale service known as Gateway Access Service (GAS). The Commission has sought additional information from the parties and expects to deliver a decision on CAIP's application this fall.

The Commission is addressing the traffic-shaping issue in the context of Bell Canada's wholesale broadband access tariff; however the question of "net neutrality" raises a whole range of questions affecting consumers and service providers. Fundamental issues of technology, economics, competition, access and freedom of speech are all involved. Examples include:

- i) access to content or services – blocking of services or websites, preferential treatment for certain content providers, and modification of content;
- ii) carriage-related issues - which devices can be connected to the networks of different providers and disclosure by ISPs to ensure transparency in their service agreements with consumers regarding, for example, network management and speed; and
- iii) privacy concerns.

The Commission expects to continue to study the issues surrounding net neutrality in the coming year. This process could evolve into a major public consultation in order to obtain the views of interested parties.

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<sup>169</sup> "Throttling" has been used by CAIP in reference to traffic management activities implemented by Bell Canada to control traffic flow, delaying some packets in order to meet certain criteria. In its application CAIP also refers to activities to "shape," "throttle," and/or "choke" traffic. In this Report the terms "throttling" and "traffic shaping" are used interchangeably and are assumed to include all such traffic management activities.



### **3.0 The Communications Service Industry**

#### **3.1 Financial Overview**

This section provides a broad overview of the financial performance of the broadcasting and telecommunications industries (the Canadian communications industry) and briefly examines how convergence is enabling industry participants to offer communications services outside of their traditional core services. The financial performance of individual sectors within broadcasting and telecommunications is found in sections 4 and 5.

##### *Revenue Trends*

In 2007, total broadcasting and telecommunications revenues increased by 5.7% to \$51.1 billion, contributing nearly 4.2% towards Canada's annual GDP,<sup>170</sup> an increase of 0.1% over 2006. During the same period, telecommunications industry revenue accounted for 74% of Canadian communications industry revenue as total broadcasting industry revenue increased by 6.7% to \$13.1 billion and total telecommunications industry revenue rose by 5.3% to \$38.0 billion.

Total revenue for both the broadcasting and telecommunications industries has exhibited growth each year since 2003, with broadcasting industry revenue experiencing compounded growth of 6.5% over this period, as compared to 4.4% for the telecommunications industry.

##### *A Converging Industry*

Figure 3.1.6 illustrates the various types of players in the Canadian communications industry and how they deliver their service offerings to consumers. The deployment of high-capacity digital networks and the emergence of IP as the standard for data transmission and delivery have facilitated the carriage of multiple types of data on a single network; and has been a major enabler of network convergence. Today's unified data networks are capable of delivering all forms of information, be it voice, data, text or video.

The capability and capacity of these underlying technologies and the regulatory response of allowing and encouraging competition in formerly non-competitive sectors has encouraged convergence. The blurring of the traditional distinction between a telecommunications company and a cable company is manifested by traditional telephony companies offering broadcasting services and cable companies adding telecommunications services, such as Internet and telephony, to their service offerings. Further, content providers are increasingly utilizing the Internet to distribute various forms of media and entertainment.

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<sup>170</sup>

Source: Statistics Canada - 2007 Canadian GDP figure was approximately \$1.2 trillion.

The rationalization of networks and services within the broadcasting industry is demonstrated by the increase of non-programming<sup>171</sup> service revenues as a share of total revenues (excluding mobile telephone and DTH) reported by the largest cable companies. In 2003, non-programming service revenues represented approximately 24% of total cable company revenues, primarily due to increasing take-up of Internet access services. In 2007, non-programming service revenues increased to 39% of total cable company revenues. This increased as a result of further adoption of broadband Internet and, most recently, the inroads made by their residential telephone service. During the period from 2003 to 2007, cable company revenues increased by 60% or \$2.6 billion to \$7.1 billion, of which non-programming services represented 64% or \$1.7 billion of this increase. Clearly, the cable companies have been successful in “up-selling” telecommunications services to their customer base.

A similar magnitude of broadcasting revenue to total revenue (excluding mobile telephone and DTH) was not exhibited by the incumbent telephone companies. During 2007, their broadcasting revenue, although experiencing growth of approximately 40%, represented just 3.1% of incumbent telephone company wireline revenues. Wireline based broadcasting services are not uniformly available across Canada. Within certain geographic regions, however, the telephone companies successfully increased their market-share for broadcasting services.

Figure 3.1.7 represents revenue makeup and relative revenue magnitude of eight selected companies. Each company is displayed by a bubble which represents the magnitude of the respective company’s revenues. The position of the bubble determines the extent of each company’s telephony versus broadcasting revenues; the closer the bubble is to the x-axis indicates that the company generates revenues mainly through broadcasting activities and vice versa for telecommunications revenues.

Given that the telecommunications and broadcasting industries are converging, the business of communication services may focus less on the distribution, and more on the services themselves being delivered to Canadians. Referring to Figure 3.1.8, from a regulatory perspective, the Commission will need to track the impact of convergence as it applies to corporate structure, technology and customers. Within this framework it will need to consider a number of complex issues including, among others, concentration of ownership, net neutrality, service quality and affordability, open access, and consumer protection and privacy.

### *Competition*

Service convergence has led to increased competition and encouraged innovation through offering multiple service bundles to consumers. TSPs providing local service are bundling long distance service with their local service offering. Others, such as the wireless service providers, offer friend and family plans.

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<sup>171</sup> Non-programming services include telecommunications services such as Internet access services and telephone services.



In 2007, over 25% of residential accounts included service bundles that consisted of two or more of the following services: local, Internet, video, and wireless.<sup>172</sup> This is up from 15% in 2006. The extent to which residential customer accounts contained service bundles varied by TSP, ranging from a low of 15% of residential accounts to a high in excess of 55%. The financial impacts to TSPs and Cable companies, due to convergence, can be seen in the tables and charts of this section.

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<sup>172</sup> Source: CRTC data collection.

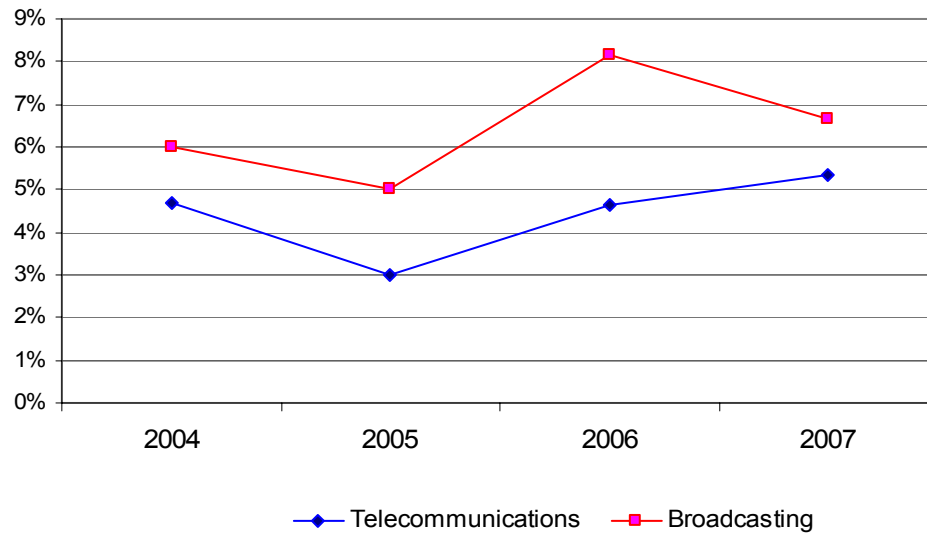
## Statistical information – Financial overview

**Table 3.1.1 Telecommunications and broadcasting revenues (\$ billions)**

	2003	2004	2005	2006	2007	<i>Growth</i> 2006- 2007	<i>CAGR</i> 2003- 2007
Wireline	23.9	24.0	23.5	23.4	23.6	0.7%	-0.4%
Wireless	8.1	9.5	11.0	12.7	14.5	14.0%	15.6%
<b>Total telecommunications revenues</b>	<b>32.0</b>	<b>33.5</b>	<b>34.5</b>	<b>36.1</b>	<b>38.0</b>	<b>5.3%</b>	<b>4.4%</b>
Radio AM/FM	1.2 #	1.2 #	1.3 #	1.4 #	1.5	6.2%	6.0%
Television	4.3 #	4.5 #	4.7 #	5.0 #	5.3	4.3%	5.2%
BDU	4.7 #	5.0 #	5.3 #	5.8 #	6.3	8.8%	7.7%
<b>Total broadcasting revenues</b>	<b>10.2 #</b>	<b>10.8 #</b>	<b>11.3 #</b>	<b>12.2 #</b>	<b>13.1</b>	<b>6.7%</b>	<b>6.5%</b>
<b>Total telecommunications and broadcasting revenues</b>	<b>42.2 #</b>	<b>44.3 #</b>	<b>45.8 #</b>	<b>48.3 #</b>	<b>51.1</b>	<b>5.7%</b>	<b>4.9%</b>

Source: CRTC data collection

**Figure 3.1.1 Broadcasting and telecommunications annual revenue growth rates**



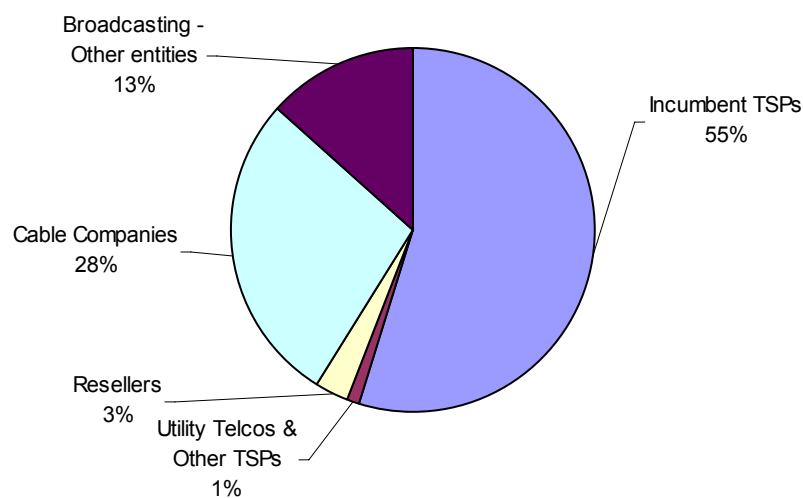
Source: CRTC data collection

**Table 3.1.2 Industry revenues by type of provider (\$ thousands)**

	2006	2007	<i>Growth 2006-2007</i>
Incumbent TSPs			
Telecommunications	26,195.4	26,705.0	1.9%
Broadcasting distribution	1,129.8	1,311.0	16.0%
Subtotal	27,325.2	28,016.0	2.5%
Utility telcos and other TSPs	343.6	477.8	39.0%
Resellers	1,798.4	1,615.2	-10.2%
Cable Companies			
Telecommunications	7,731.9	9,229.8	19.4%
Broadcasting distribution	4,661.5	4,990.7	7.1%
Subtotal	12,393.4	14,220.5	14.7%
Broadcasting - Other entities	6,448.3	6,746.9	4.6%
<b>Total</b>	<b>48,308.9</b>	<b>51,076.4</b>	<b>5.7%</b>

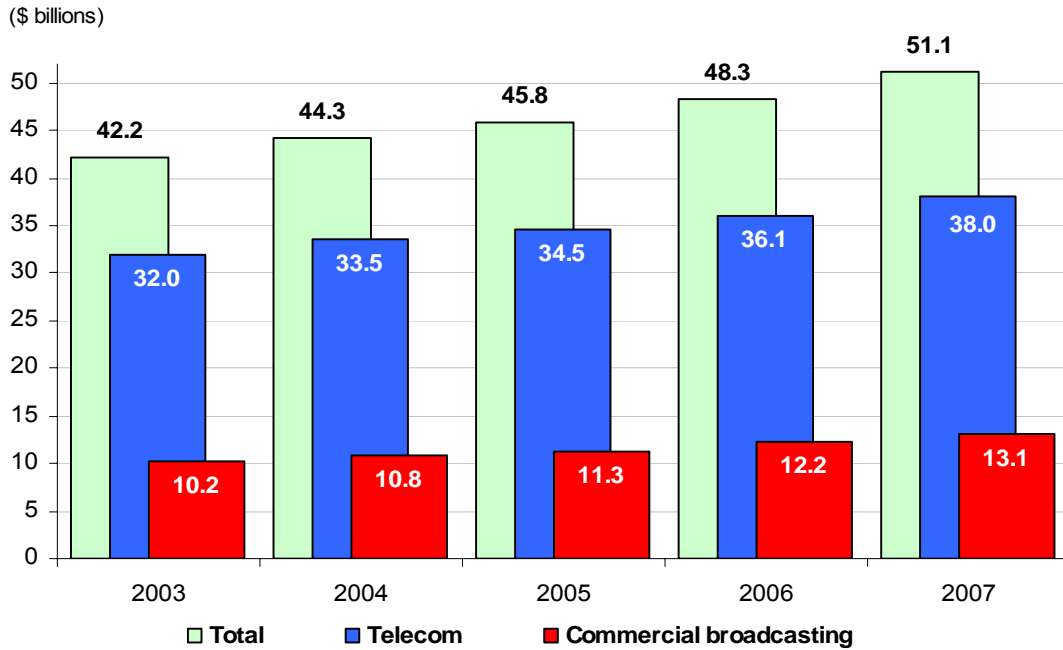
Source: CRTC data collection

**Figure 3.1.2 Broadcasting and telecommunications revenues by type of provider (Percent based on 2007)**



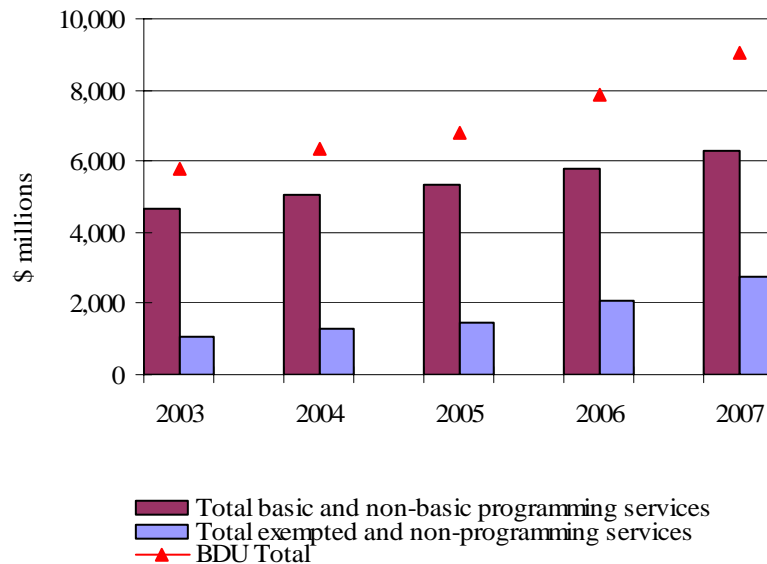
Source: CRTC data collection

**Figure 3.1.3 Commercial broadcasting and telecommunications revenues (excluding non-programming and exempt services)**



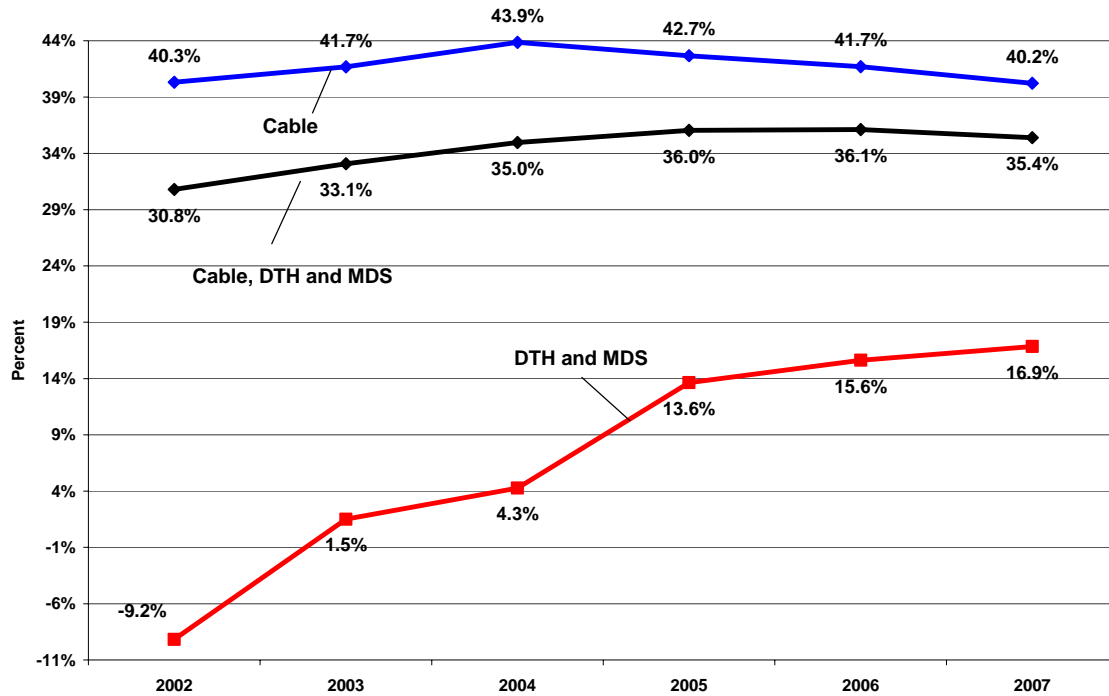
Source: CRTC data collection

**Figure 3.1.4 BDU revenues by service type**



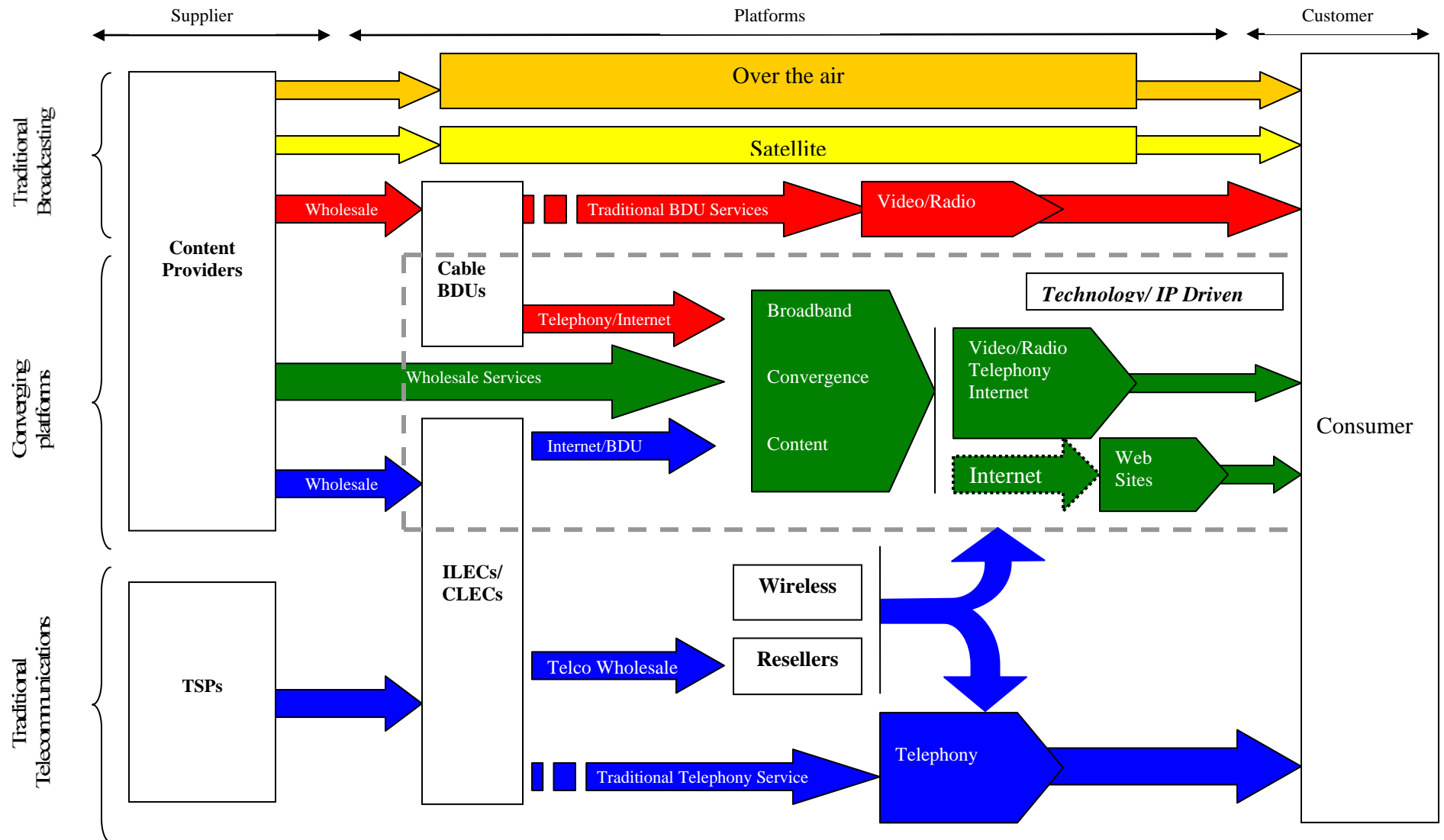
Source: CRTC data collection

**Figure 3.1.5 BDU – EBITDA margins achieved from all services  
(programming, exempted and non-programming services)**

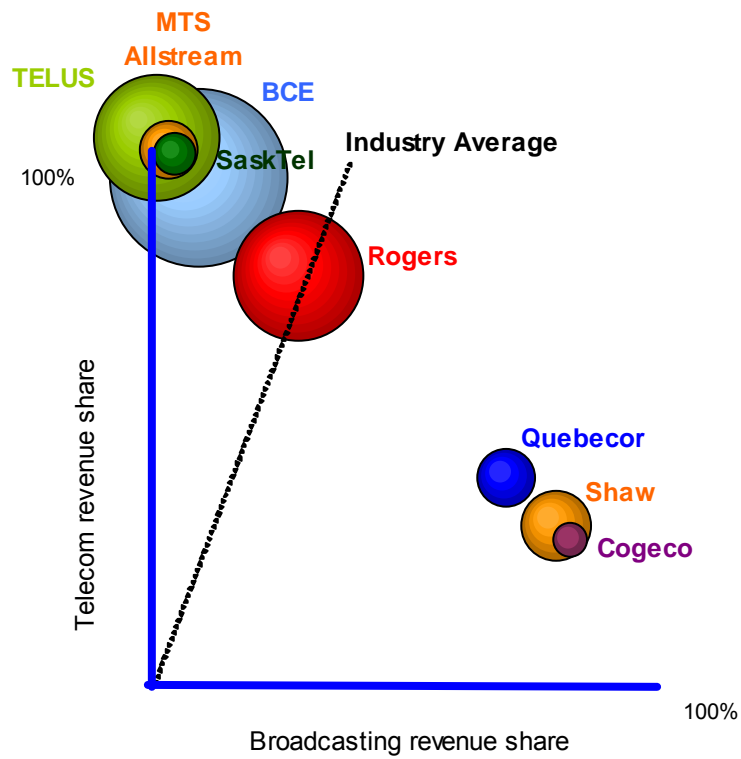


Source: CRTC data collection

**Figure 3.1.6 Broadcasting and telecommunications operating platforms**



**Figure 3.1.7**      **Select Canadian communications companies revenue composition**



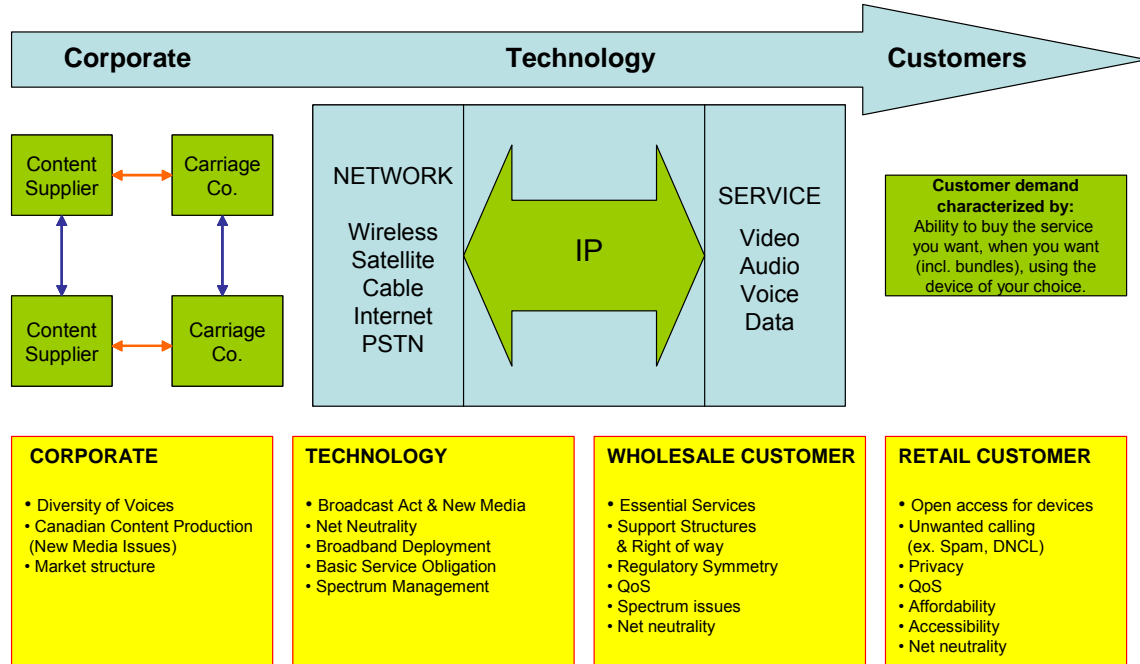
Note:

- (1) Bubble represents estimated total telecommunications and broadcasting revenues

Source: Company websites and other public annual reports

Figure 3.1.8

# Regulatory considerations in a converging industry





## 4.0 Broadcasting

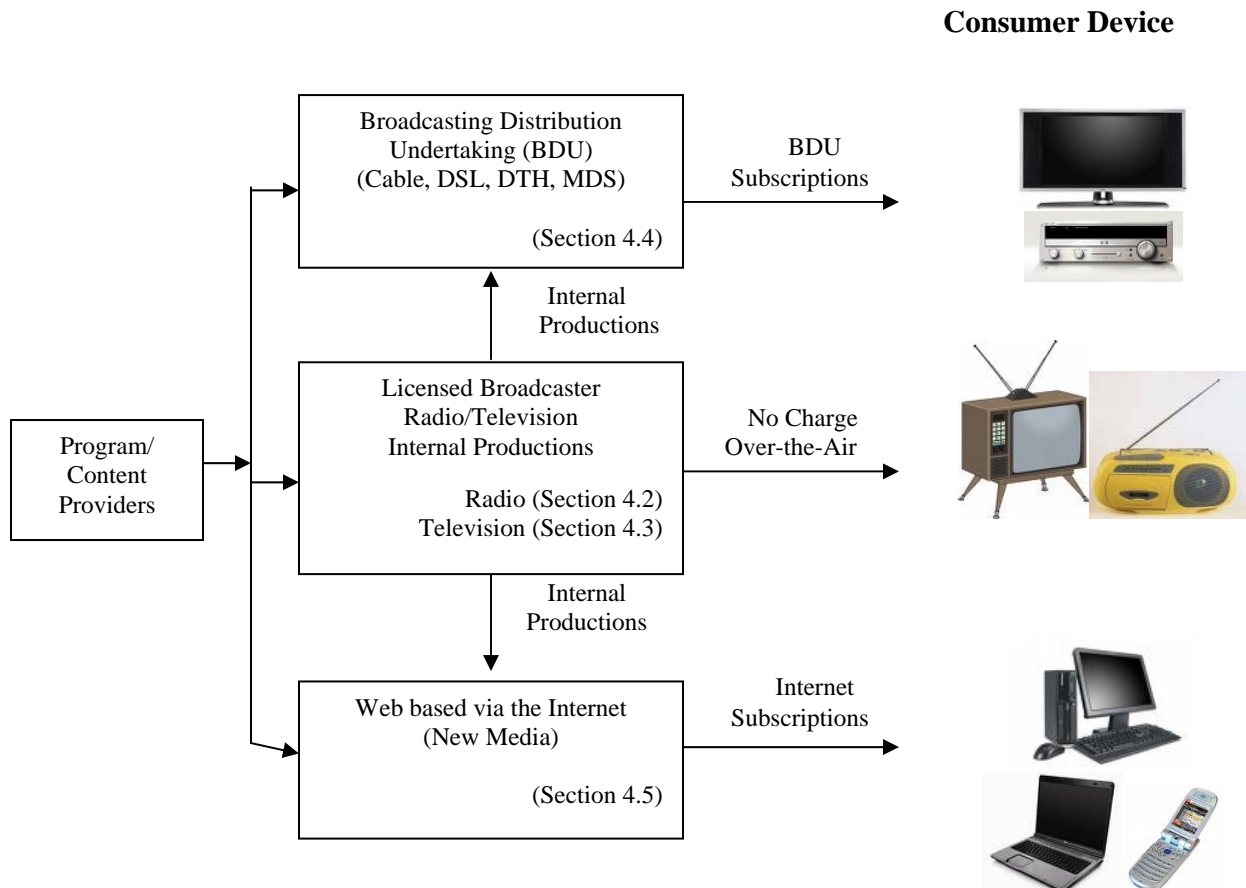
### 4.1 Broadcasting - Financial review

#### Overview

Broadcasting of radio and television programming can be made by utilizing one of three delivery platforms: (i) over the air (OTA) transmission where the licensed broadcasters transmit either radio or television programs to the general public free of charge over assigned frequencies or channels in the appropriate spectrum (AM, FM, VHF, UHF or L-Band); (ii) over dedicated landline (cable or DSL) or wireless (satellite, DTH, MDS), facilities of licensed broadcasting distribution undertakings (BDUs) who transmit radio and television programming over their network to subscribers of their service for a monthly subscription fee; and, more recently, (iii) via the Internet utilizing web-based facilities or sites to subscribers of high-speed or broadband Internet service. Various models have been developed by the providers to recover the costs of the content that users access via the Internet. These models range from free, as the costs are recovered through advertisements (Joost and Hulu), to subscription based (Jump TV), to pay-per-view (Apple TV).

Broadcasters who produce their own content can broadcast their content over their own facilities, use their web-based facilities or use the services of a BDU.

**Diagram 4.1.1 Program distribution**



## Financial discussion and analysis<sup>173</sup>

Broadcasting revenues include revenues from radio, television, and BDUs. Radio revenues include AM and FM commercial radio stations. Television revenues include CBC conventional OTA television, private conventional OTA television, and pay, pay-per-view (PPV), video-on-demand (VOD) and specialty services. BDU revenues include DTH/MDS as well as IPTV service, but exclude Internet and telephony service revenues.<sup>174</sup> All revenues from these three markets, radio, television and BDU are analysed in greater detail in subsections 4.2, 4.3, and 4.4 respectively.

### A) *The Industry*

In 2007, there were several large consolidations in the broadcasting industry that are worth noting as they reflect the trend of converging services and ownership.

First, CTVglobemedia expanded its broadcasting interest by acquiring effective control of CHUM's radio stations, television specialty services and the A-Channel OTA conventional television stations.<sup>175</sup> Second, Astral Media acquired Standard Radio's<sup>176</sup> radio and television stations to become the largest radio operator in Canada. Third, Canwest acquired effective control of Alliance Atlantis Broadcasting's<sup>177</sup> specialty television services, further increasing its presence as a national television broadcaster in Canada. Fourth, Rogers Media acquired effective control of CHUM's five CityTV<sup>178</sup> OTA conventional television stations. Combined, these four transactions will generate \$383 million in tangible benefits to the Canadian broadcasting system.

#### a. *Radio*

The radio industry had six large companies that collectively had 72% of the commercial radio revenues in 2007. Four of these companies had between 10% and 22% of the radio revenues and the remaining two had less than 10%. The remaining 28% of commercial radio revenues was captured by a large number of smaller companies.

#### b. *Television*

By the end of 2007, the television industry had 13 large companies that collectively controlled directly or indirectly over 89% of the television revenues in 2007 which can be seen in Figure 4.1.2

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<sup>173</sup> Additional data relating to financial performance of the private commercial radio broadcasting industry is available on the CRTC website for industry under 'Industries at a glance'.

<sup>174</sup> Internet and telephony services are discussed in section 5 of this report.

<sup>175</sup> Broadcasting Decision 2007-165, 8 June 2007

<sup>176</sup> Broadcasting Decision 2007-359, 28 September 2007

<sup>177</sup> Broadcasting Decision 2007-429, 20 December 2007

<sup>178</sup> Broadcasting Decision 2007-360, 28 September 2007

*c. Broadcast Distribution*

The broadcast distribution industry had 5 large companies that captured approximately 93% of the broadcast distribution revenues.

**B) Revenues**

Total revenues from broadcasting services were approximately \$13.1 billion in 2007, an increase of 6.7%. Radio revenues increased from \$1.4 billion in 2006 to \$1.5 billion in 2007 an increase of \$0.1 billion or 6.2%, while television revenues increased from \$5.0 billion in 2006 to \$5.3 billion in 2007 an increase of \$0.3 billion or 4.3% and BDU revenues increased from \$5.8 billion in 2006 to \$6.3 billion in 2007. Revenue growth in broadcasting came predominantly from the pay, PPV, VOD and speciality services and BDUs.

Revenues reported by the pay, PPV, VOD and specialty services continue to increase annually and since 2005 they have been the largest revenue component of total television revenues. The revenues reported by these services increased 9.1% or \$226 million from 2006 to 2007. Since 2003, these services have increased by an average of 9.7% per year which represents the largest growth component of the television market. The number of services reporting financial results over this same period has increased from 117 in 2003 to 176 in 2007. This was largely due to the proliferation of digital services.

Revenues reported by the CBC and private conventional OTA television sector decreased by \$8 million or 0.3% from 2006 to 2007. Since 2003, these revenues have grown by an average of 1.3% per year. During this same period, CBC and the private conventional OTA television sector garnered 56% of total television revenues reported, but in 2007, this percentage decreased to 48%.

The sector that experienced the most revenue growth in 2007 was the BDUs. As seen in Table 4.1.1, cable and DTH and MDS revenues grew by \$0.3 billion or 7.7% and \$0.2 billion or 11.8% in 2007 respectively.

*i) Radio - Revenues*

Revenues generated by radio operators were derived mainly through advertising. In 2007, advertising revenues increased \$79.6 million, an increase of 5.7% over the previous year, consistent with the 6.0% annual growth rate over the 2003 to 2007 period.

*ii) Television - Revenues*

Pay, PPV and VOD services rely entirely on subscription revenues while specialty services, have both advertising and subscription revenue streams. In 2007, 44% of specialty service revenues were derived from advertising and the remaining 56% was generated through subscription fees. Total television advertising revenues experienced a slight increase in growth of 1.8% from 2006 to 2007 while subscription revenues increased 9.6% for the same period.

### *iii) BDU - Revenues*

BDU revenues from basic and non-basic programming services increased 8.8% from \$5.8 billion in 2006 to \$6.3 billion in 2007. BDU revenues represent approximately 48% of total broadcasting revenues in 2007.

### **C) EBITDA and PBIT margins**

#### *i) Radio PBIT*

- AM radio reported a \$1.4 million or 8.0% decrease in profit before interest and taxes (PBIT) from 2006 to 2007. The PBIT margin for AM radio in 2007 was 4.96%.
- FM radio reported a \$17.1 million or 6.4% increase in PBIT from 2006 to 2007. The PBIT margin for FM radio in 2007 was 24.21%.

#### *ii) Television PBIT*

PBIT and PBIT margins for the private conventional OTA television and pay, PPV, VOD and specialty services, excluding CBC conventional OTA television, gradually increased from \$0.6 billion in 2003 to \$0.8 billion in 2005. Since 2005, it has declined by \$0.04 billion, resulting in a 5.0 % decline.

- The PBIT reported by the private conventional television sector increased from \$90.9 million in 2006 to \$112.9 million in 2007. The number of private conventional television services reporting financial results stayed unchanged at 97 in 2007.
- The PBIT reported by the Pay, PPV and VOD television services increased \$74.3 million (13%) to \$647 million from 2006 to 2007. The number of Pay, PPV and VOD services reporting financial results also increased from 166 in 2006 to 176 in 2007.
- Overall television PBIT grew by \$96.3 million or 14.5% from 2006 to 2007.

#### *iii) BDU*

- The EBITDA margin for cable undertakings from basic and non-basic programming activities continues to decrease from 27.8% in 2006 to 23.3% in 2007. In contrast, the EBITDA margin from basic and non-basic programming activities reported by DTH and MDS undertakings continues to increase to 17.1% in 2007.
- The combined EBITDA margin for cable, DTH and MDS undertakings from basic and non-basic programming activities has been steadily declining since 2004.<sup>179</sup>

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<sup>179</sup>

EBITDA margins for BDUs (basic and non-basic programming) can be found in Figure 4.4.1 in the broadcast undertaking section of the report.

## Statistical Information - Broadcasting revenues

**Table 4.1.1 Broadcasting revenues (\$ millions)**

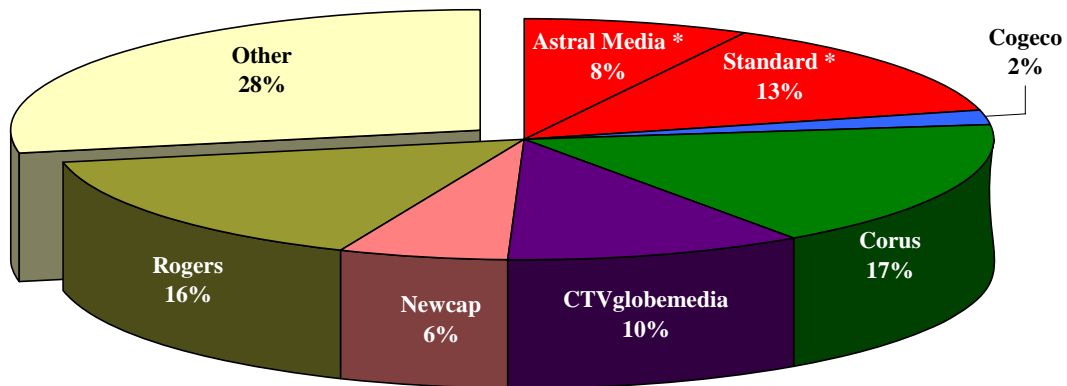
	2003	2004	2005	2006	2007	<i>Growth</i> 2006- 2007	<i>CAGR</i> 2003- 2007
<b>Radio</b>							
AM	306 #	303 #	306 #	322 #	329	2.4%	1.9%
FM	884 #	924 #	1,031 #	1,093 #	1,173	7.3%	7.3%
Radio Total	1,190 #	1,227 #	1,337 #	1,415 #	1,502	6.2%	6.0%
<b>Television</b>							
CBC conventional OTA television*	352	375	292	392	356	-9.2%	0.3%
Private conventional OTA television	2,050 #	2,066 #	2,147 #	2,143 #	2,171	1.3%	1.4%
Pay, PPV, VOD, and specialty service	1,885 #	2,065 #	2,222 #	2,499 #	2,725	9.1%	9.7%
Television Total	4,287 #	4,506 #	4,661 #	5,034 #	5,252	4.3%	5.2%
<b>BDU</b>							
Cable	3,364 #	3,405 #	3,522 #	4,008 #	4,315	7.7%	n/m
DTH/MDS undertakings	1,167 #	1,329 #	1,438 #	1,641 #	1,834	11.8%	n/m
Non-reporting BDUs	157 #	306 #	350 #	142 #	153	7.7%	n/m
BDU Total	4,687 #	5,039 #	5,310 #	5,791 #	6,302	8.8%	7.7%
<b>Broadcasting Total</b>	<b>10,164 #</b>	<b>10,773 #</b>	<b>11,308 #</b>	<b>12,240 #</b>	<b>13,056</b>	<b>6.7%</b>	<b>6.5%</b>

nm = not meaningful

\* CBC revenues include advertising and other commercial revenues. Parliamentary appropriations are not included.

Source: CRTC data collection

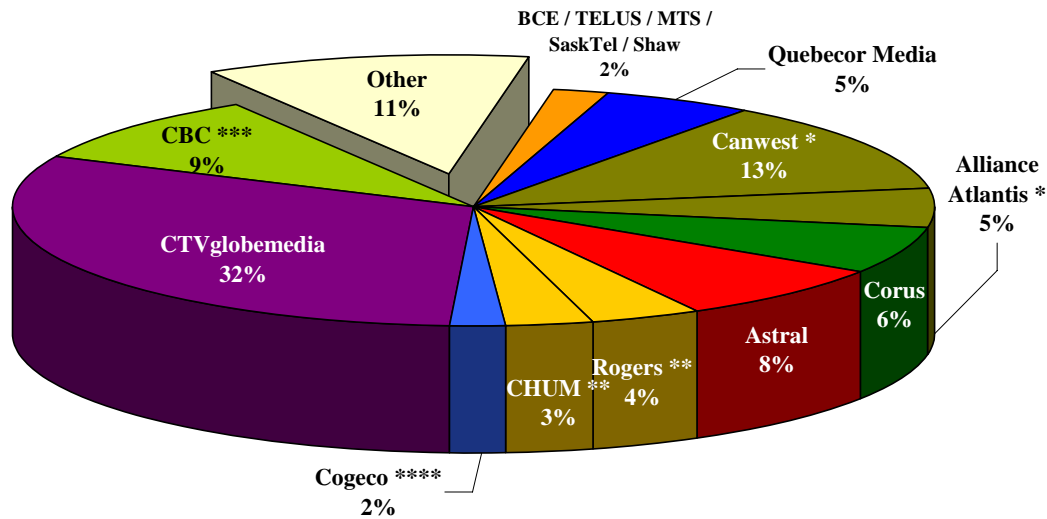
**Figure 4.1.1 2007 Commercial radio revenues by broadcaster**



Source: CRTC data collection

\* In December 2007, the Commission approved an application by Astral Media to acquire Standard's radio assets. Percentage of total revenue calculation is based on total revenues reported for each service where the broadcaster had greater than 50% direct and indirect voting interest as of 31 August 2007.

**Figure 4.1.2 2007 Commercial television revenues by broadcaster**



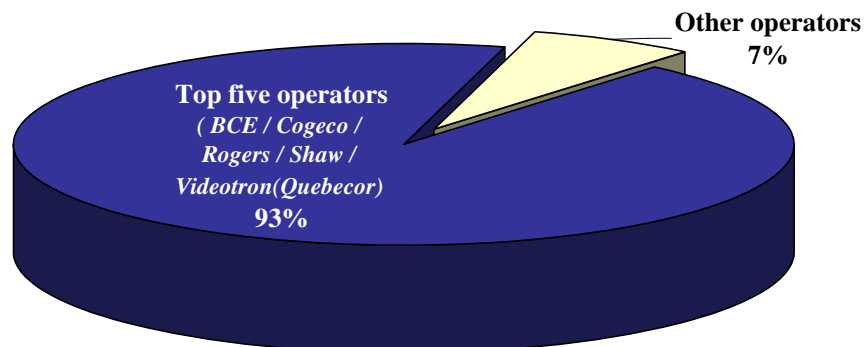
Source: CRTC data collection

**Notes:**

- \* In December 2007, the Commission approved an application by Canwest for authority to transfer effective control of Alliance Atlantis's television specialty services.
- \*\* In September 2007, the Commission approved an application by Rogers for authority to transfer effective control of the five OTA CityTV stations previously owned and operated by CHUM Limited.
- \*\*\* Based on advertising, subscriber and other commercial revenues only. Therefore does not include parliamentary appropriations.
- \*\*\*\* Includes OTA TQS stations. In June 2008, the Commission approved, subject to certain conditions, the acquisition by Remstar Diffusion Inc. of TQS's network and television stations in Montreal, Quebec, Trois-Rivières, Sherbrooke and Saguenay. The Commission also approved the acquisition by CBC of the assets of the French-language television programming undertakings CKSH-TV Sherbrooke, CKTM-TV Trois-Rivières and CKTV-TV Saguenay and its transmitter CKTV-TV-1 Saint-Fulgence, Quebec, from TQS inc.

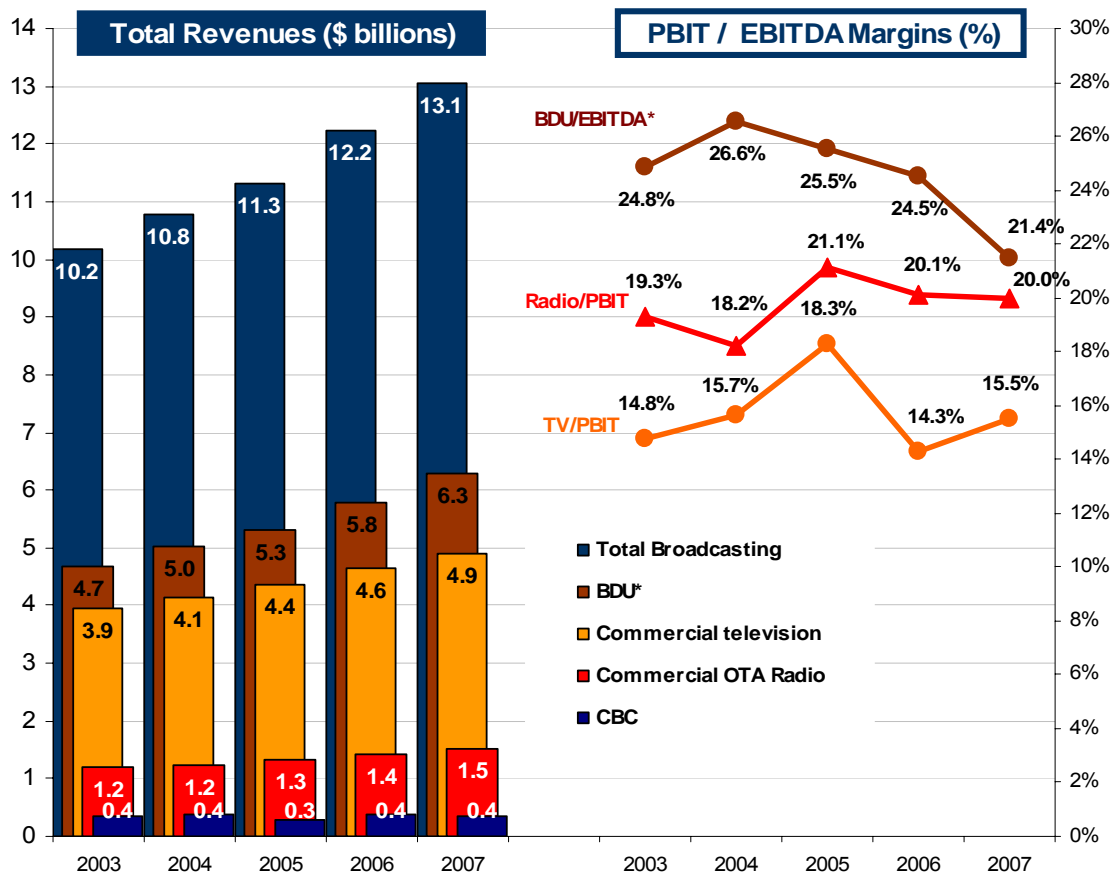
Percentage of total revenue calculation is based on total revenues reported for each service where the broadcaster had greater than 50% direct and indirect voting interest as at 31 August 2007.

**Figure 4.1.3 2007 BDU revenues by operator**



Source: CRTC data collection

**Figure 4.1.4 Total broadcasting revenues and PBIT/EBITDA margins (\$ billions)**



Source: CRTC data collection

\* BDU revenues include non-reporting BDU revenues, but exclude exempt and non-programming services. BDU EBITDA represents only basic and non-basic services.





## 4.2 Radio

### Overview

As of 31 December 2007, there were 1,222 radio and audio services in Canada. Ninety-nine percent of radio and audio services were over-the-air while the remaining 1% was delivered by BDUs. Canada's national broadcaster, the CBC, accounted for approximately 8.5% of radio and audio services while the private commercial broadcasters accounted for 59.7%. The remaining 31.8% consisted of religious, community, campus, Aboriginal and other radio and audio services. There were approximately 619 private commercial undertakings operating in 2007 with revenues of approximately \$1.5 billion.

### Highlights

- As of 31 December 2007, there were 23 private commercial over-the-air ethnic radio stations, 71 radio stations licensed to broadcast religious music, 50 Type B Native radio stations, and 53 campus stations licensed across Canada.
- The private commercial broadcasters, representing 60% of audio and radio services, generated revenues of \$1.5 billion in 2007, a 6% increase or \$88 million over the previous year.
- Average weekly hours tuned per capita have declined by 2% annually since 2003 from 19.5 hours per week to 18.3 hours in 2007. The age groups with the largest declines were the 18 to 24 age group with a 5% annual decrease and teens in the 12 to 17 age group with a 4% annual decrease.
- Weekly hours per listener have declined 1% annually since 2003 from 21.0 hours per week in 2003 to 20.2 hours in 2007.
- FM revenues increased 7% from \$1,093 million in 2006 to \$1,173 million in 2007. AM revenues increased 2% from \$322 million in 2006 to \$329 million in 2007.

### Industry

Five operators accounted for 71% of the revenues in the English –language market:<sup>180</sup>

- Rogers Communications Inc. (19%),
- Corus Entertainment (17%),
- Astral Media Inc. (16%),<sup>181</sup>
- CTVglobemedia Inc.(12%), and
- Newcap Inc. (7%).

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<sup>180</sup> Refer to Table 4.2.9 for further details.

<sup>181</sup> Astral Media acquired assets of Standard Broadcasting Corporation Limited as in Broadcasting Decision CRTC 2007-359, 28 September 2007.

The three largest operators in the French-language market accounted for 83% of the revenues in the French-language market:<sup>182</sup>

- Astral Media Inc. (48%),
- Corus Entertainment Inc. (21%), and
- Cogeco Inc. (13%).

## **Analysis**

### *Revenue and PBIT analysis*

Revenues from private commercial radio stations have increased 6% annually from \$1.2 billion in 2003 to \$1.5 billion in 2007. As displayed in Figure 4.2.5 and Table 4.2.8, over the 2003 to 2007 period, revenues from AM private commercial radio increased 2% annually from \$306 million to \$329 million in 2007. Revenues from FM private commercial radio stations increased 7% annually from \$884 million to \$1,173 million. During this period, there was also a steady conversion of AM stations to FM stations. The impact of this conversion on the radio industry is displayed in Figure 4.2.6. Over the 2003 to 2007 period on a per station basis, AM station revenues increased from \$1.5 million per AM station to \$1.9 million and FM station revenues remained relatively unchanged at \$2.6 million per FM station. In addition, over this period the PBIT increased 10-fold from \$0.01 million per AM station in 2003 to \$0.1 million in 2007, whereas the PBIT remained relatively unchanged at \$0.6 million per FM station.

### *Tuning trends*

In 2007 there was a 2% decrease in the weekly radio listening levels per capita of approximately 18 minutes, mostly due to those in the 12 to 17 and 18 to 24 age groups. This was partially offset by the increases in radio listening among adults aged 50-54 and 65 and over, who increased their radio listening by approximately 1% or 12 minutes.

Fall weekly tuning trends per listener decreased 1% from 20.4 hours to 20.2 hours. Private commercial radio captured 80.5% of total tuning. In 2007, the six largest private commercial radio operators represented over 54% of the tuning, down from 55% in 2006. The remaining 46% was shared among the other private operators and public broadcasters.

Similar trends were evident in both English and French language tuning. With respect to English-language tuning, the five largest private commercial operators maintained their tuning share at 59% of the English language radio listening hours. Their revenues represented 71% of the total private English radio revenues. These revenues increased 9% from \$815 million in 2006 to \$885 million in 2007. The top three private operators in the French-language market captured 63% of the listening hours. These operators captured 83% of the total private French-language radio revenues in 2007. These revenues increased 4% from \$179 million in 2006 to \$187 million in 2007.

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<sup>182</sup>

Refer to Table 4.2.9 for further details.

## **Transfer Benefits**

As of 31 December, 2007, transfer benefits increased more than 100% compared to the accumulated transfer benefits from 1 May 1998 to 31 December 2006. The total amount for the period ending 31 December 2007 was \$100.8 million whereas from 1 May 1998 to 31 December 2006, the total was \$99.3 million for a total of \$200.0 million. This increase can be attributed to two major ownership changes in 2007:

- i. the CTVglobemedia Inc. acquisition of 34 radio stations from CHUM Limited (CHUM)<sup>183</sup>
- ii. the Astral Media Inc. acquisition of 55 radio stations from Standard Broadcasting Corporation Limited.<sup>184</sup>

## **Digital radio**

As of 31 December 2007, the Commission renewed 59 transitional digital radio licences, of which 41 were to private commercial radio programming undertakings and 18 were to existing CBC stations. All 59 licences will expire on 31 August 2009.

## **Cultural Diversity:**

As of 31 December 2007, the Commission had authorized 23 private commercial over-the-air ethnic radio stations in the major cities such as Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Montréal, and Ottawa. The Commission directed these stations to provide programming to a number of cultural and linguistic groups.

As of 31 December 2007, there were 71 radio stations licensed to broadcast primarily religious music and/or spoken word; 27 were French-language, 43 were English-language and one was third-language.

In 2007, there were 50 Type B Native radio stations and six Native network radio licences and 30 undertakings that together reported revenues of \$18.2 million.

As of 31 December 2007, there were 44 Type A, 55 Type B and ten Developmental community stations. Of the Type A community stations, 34 were French-language, 9 were English-language and one was bilingual. Of the Type B community stations, 28 were French-language, 26 were English-language and one was multicultural. There were nine English-language and one bilingual developmental community stations. There were 84 undertakings with reported revenues of \$21.6 million.

At the end of 2007, there were 53 campus stations licensed across Canada: 41 Community-based of which 34 were English-language stations, five French-language stations,

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<sup>183</sup> CTVglobemedia acquired assets of CHUM as in Broadcasting Decision CRTC 2007-165, 8 June 2007.

<sup>184</sup> Astral Media acquired assets of Standard Broadcasting Corporation Limited as in Broadcasting Decision CRTC 2007-359, 28 September 2007.

two bilingual stations, 11 English-language instructional stations and one English-language developmental station. There were 42 undertakings with reported revenues of \$8.1 million.

As of 31 December 2007, the Commission approved seven specialty audio services of which three were targeted at ethnic communities.

### **Multi-channel subscription services**

In Broadcasting Public Notice CRTC 2005-61,<sup>185</sup> the Commission set out the licensing framework for satellite subscription radio services and announced approval of three national subscription radio undertakings that provide a package of radio channels to subscribers for a monthly fee: the programming of one of the authorized services<sup>186</sup> to be delivered by terrestrial transmitters and all channels to be Canadian-produced, two other authorized programming services<sup>187</sup> to deliver primarily by satellite with terrestrial transmitters, as required to fill the gaps in coverage. Each of these North American satellite-based services provide a mix of Canadian and non-Canadian channels.

### **The National public broadcaster**

The CBC/SRC operates four national radio network services: Radio One and Radio 2 in English, and La Première Chaîne and Espace musique in French. Additionally, the CBC provides a unique radio service serving Canada's northern communities, broadcasting in English, French and eight Aboriginal languages. The CBC also operates Radio-Canada International, an international radio service broadcasting in nine languages. The CBC radio services broadcast commercial-free and is funded by the federal government.

The CBC/SRC owned and operated the national pay audio service Galaxie, offering 45 channels of continuous music, without talk, to nearly six million subscribers.<sup>188</sup> Revenues for this bilingual service were derived entirely from subscriber revenues.

The CBC/SRC was also a partner in the satellite radio service SIRIUS Canada, which was launched in December 2005.

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<sup>185</sup> *Introduction to Broadcasting Decisions CRTC 2005-246 to 2005-248: Licensing of new satellite and terrestrial subscription radio undertakings*, Broadcasting Public Notice CRTC 2005-61, 16 June 2005 (Broadcasting Public Notice CRTC 2005-61).

<sup>186</sup> An undertaking to be operated by CHUM, a service that had not been launched as of 31 December 2006.

<sup>187</sup> Services delivered by Canadian Satellite Radio Inc. (CSR) and SIRIUS Canada Inc. (Sirius Canada) where CSR offers programming channels provided by U.S. based XM Satellite Radio Inc. (XM) and Sirius Canada offers programming channels provided by U.S. based SIRIUS Satellite Radio Inc. (SIRIUS).

<sup>188</sup> *CBC/Radio-Canada Services*, CBC/SRC website, 4 July 2008 [http://www.cbc.radio-canada.ca/annualreports/2006-2007/pdf/AR0607\\_e.pdf](http://www.cbc.radio-canada.ca/annualreports/2006-2007/pdf/AR0607_e.pdf)

## Statistical Information - Radio

**Table 4.2.1 Number and type of radio and audio services authorized to broadcast in Canada**

	English Language <sup>2</sup>		French Language <sup>3</sup>		Third Language		All Languages	
	2006	2007	2006	2007	2006	2007	2006	2007
<b>Over-the-air radio services<sup>4</sup></b>								
<b>National public broadcaster</b>								
CBC Radio One / Première chaîne	36	36	20	20			56	56
CBC Radio 2 / Espace Musique	14	14	12	12			26	26
CBC Radio network licences	2	2	2	2			4	4
CBC digital: Radio One / Première chaîne <sup>10</sup>	5	5	4	4			9	9
CBC digital: Radio Two / Espace musique <sup>10</sup>	5	5	4	4			9	9
<b>Private Commercial</b>								
AM stations	157	152	15	15	12	13	184	180
FM stations <sup>5</sup>	367	391	89	92	9	10	465	493
AM and FM network licenses <sup>6</sup>	26	9	9	7			35	16
Digital radio (stand-alone and transitional) <sup>10</sup>	42	32	9	4	7	5	58	41
<b>Religious (music and spoken word) <sup>7</sup></b>	42	43	26	27	1	1	69	71
<b>Community</b>								
Type A stations <sup>8</sup>	11	10	34	34			45	44
Type B stations	23	26	26	28	1	1	50	55
Developmental	10	10					10	10
<b>Campus</b>								
Community based	36	36	5	5			41	41
Instructional	9	11					9	11
Developmental	1	1					1	1
<b>Aboriginal - Type B stations<sup>8</sup></b>	36	39	10	11			46	50
<b>Other (tourist/traffic; Environment Canada; special event , other network licences, etc)<sup>11</sup></b>	97	81	21	9	3	3	121	93
<b>Total number of over-the-air Canadian radio services</b>	<b>919</b>	<b>903</b>	<b>286</b>	<b>274</b>	<b>33</b>	<b>33</b>	<b>1238</b>	<b>1210</b>
<b>Multi-channel subscription radio services &amp; Audio services delivered by BDUs</b>								
Satellite subscription radio service	2	2					2	2
Terrestrial subscription radio service <sup>9</sup>	1	1					1	1
Specialty audio (commercial / Non-profit, regional / national)	5	4			4	3	9	7
Pay audio (English and French national services)	2	2					2	2
<b>Total number of Canadian radio and audio services</b>	<b>929</b>	<b>912</b>	<b>286</b>	<b>274</b>	<b>37</b>	<b>36</b>	<b>1252</b>	<b>1222</b>

- Notes:
1. Number of services approved, but not necessarily broadcasting. Unless a request for an extension of time is approved by the Commission, most undertakings must be operational within 24 months of the decision date. The data is as of 31 December 2007.
  2. Includes bilingual (English and French) and English-native services.
  3. Includes French-native services.
  4. Excludes radiocommunication distribution undertakings (RDU), rebroadcasters and exempted radio services.
  5. Approval of a new FM radio station resulting from an AM to FM band conversion will result in station double counting until the AM licence is surrendered by the licensee - roughly three months after AM and FM simulcast transition period.
  6. Most of the commercial network licences noted here fall under *Exemption order respecting certain network operations*, Broadcasting Public Notice CRTC 2006-143, 10 November 2006 and will not need to be renewed after their current licence term expires.
  7. Includes commercial and not-for-profit religious radio stations.
  8. Excludes network licences.
  9. Not in operation.
  10. Number of transitional digital radio stations approved but not necessarily on air. For detailed markets, see table 4.2.2
  11. The decline in these services was mostly due to expiration of licences as of 7 August 2007. A large part of these licences met the *exemption orders respecting certain classes of low-power and very low-power programming undertakings*, Broadcasting Public Notice CRTC 2003-35, 10 July 2003, and Broadcasting Decision CRTC 2007-280, 7 August 2007

Source: CRTC APP1205 and APP1200 reports – run 2 January 2008

**Table 4.2.2 Markets with transitional digital<sup>(1)</sup> radio stations in Canada<sup>(2)</sup>**

Market, Province <sup>(3)</sup>	Commercial			CBC English		CBC French		Total
	English	French	Ethnic	Radio One	Radio Two	Première chaîne	Espace musique	
Montréal, QC	2	3	-	1	1	1	1	9
Ottawa/Gatineau, ON/QC	-	1	-	1	1	1	1	5
Toronto, ON	15	-	5	1	1	1	1	24
Vancouver, BC	11	-	-	1	1	1	1	15
Windsor, ON	4	-	-	1	1			6
All Canada	32	4	5	5	5	4	4	59
	41			18				

Notes: 1. L – Band – From 1452 to 1492 MHz.

2. Number of stations approved but not necessarily on air.

3. Based on BBM Radio Markets.

Source: CRTC APP1205 and APP1200 reports – run 2 January 2008

**Table 4.2.3 Number of new over-the-air radio stations approved from 1 January 2003 to 31 December 2007**

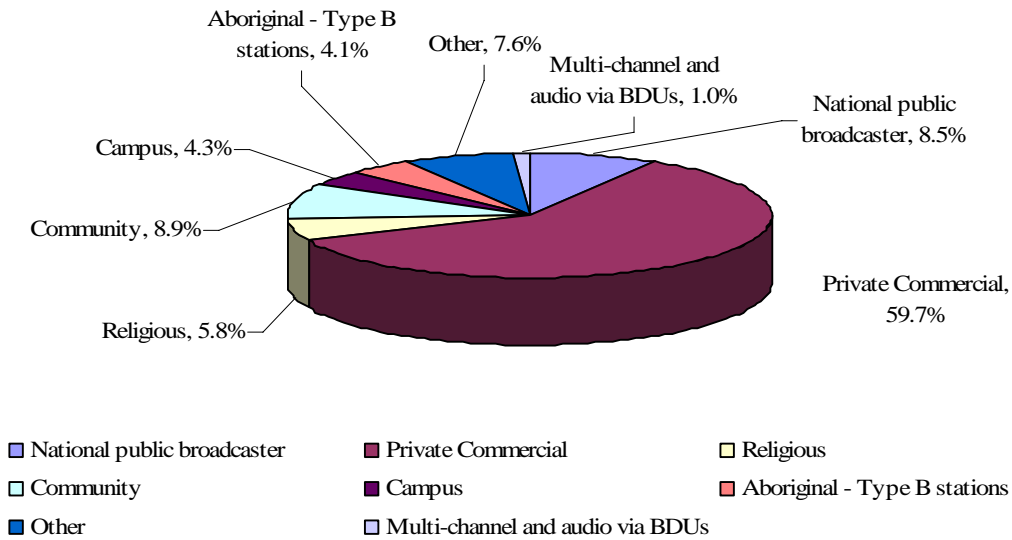
		2003	2004	2005	2006	2007	Total
<i>Number of new over-the-air radio stations approved</i>		68	49	44	72	55	288
<i>Number of stations approved by:</i>							
<i>Language</i>	English-language	51	43	38	54	46	232
	French-language	12	5	4	16	7	44
	Ethnic	5	1	2	2	2	12
<i>Licence category</i>	Commercial	36	26	33	48	36	179
	Community	11	10	8	13	7	49
	Campus	4	2	-	3	3	12
	Native	7	2	-	2	4	15
	Other	10	9	3	6	5	33
<i>Type</i>	Stand-alone digital	1	-	-	-	-	1
	Digital Radio					2	2
	AM Frequency	3	-	2	4	2	11
	FM Frequency	64	49	42	68	51	274
	<i>AM to FM Conversions (included in FM)</i>	9	4	9	12	13	47
<i>Process</i>	Competitive	17	15	9	18	17	76
	Non-Competitive	51	34	35	54	38	212

Notes: a) Excludes radiocommunication distribution undertakings (RDU), rebroadcasters, pay audio, specialty audio services and multi-channel subscription radio services.

b) “Other” includes not-for-profit, CBC/SRC, tourist, Environment Canada, etc. radio stations

Sources: CRTC Decisions issued from 1 January 2003 to 31 December 2007

**Figure 4.2.1 Type of radio and audio services authorized to broadcast in Canada (2007)**



Source: CRTC APP1205 and APP1200 reports – run 2 January 2008

**Table 4.2.4 Average weekly hours tuned per capita<sup>a</sup> by age group (average hours)**

	2003	2004	2005	2006	2007
<b>Weekly hours per age group</b>					
All persons 12+	19.5	19.5	19.1	18.6	18.3
Annual Growth	-3.5%	0.0%	-2.1%	-2.6%	-1.6%
Teens 12 - 17	8.5	8.5	8.6	7.6	7.2
Annual Growth	-9.6%	0.0%	1.2%	-11.6%	-5.3%
Adults					
18 - 24	16.3	15.7	15.2	14.1	13.3
Annual Growth	-2.4%	-3.7%	-3.2%	-7.2%	-5.7%
25 - 34	19.3	19.3	18.1	18.3	17.4
Annual Growth	-4.0%	0.0%	-6.2%	1.1%	-4.9%
35 - 49	21.3	21.5	21.0	20.6	20.2
Annual Growth	-1.8%	0.9%	-2.3%	-1.9%	-1.9%
50 - 54	21.8	21.6	21.5	21.0	21.2
Annual Growth	-2.2%	-0.9%	-0.5%	-2.3%	1.0%
55 - 64	21.9	22.1	21.9	21.1	21.1
Annual Growth	-5.2%	0.9%	-0.9%	-3.7%	0.0%
65 +	22.3	22.3	21.6	21.3	21.5
Annual Growth	-2.2%	0.0%	-3.1%	-1.4%	0.9%

Note: a) Average weekly hours per capita is determined by dividing the total number of hours tuned by the population

Source: BBM Canada radio Fall Surveys, MicroBBM – all persons 12+, Monday to Sunday, 5 a.m. to 1 a.m.

**Table 4.2.5 Radio tuning share in an average week and average weekly hours tuned by listener<sup>1</sup> for English and French AM and FM bands**

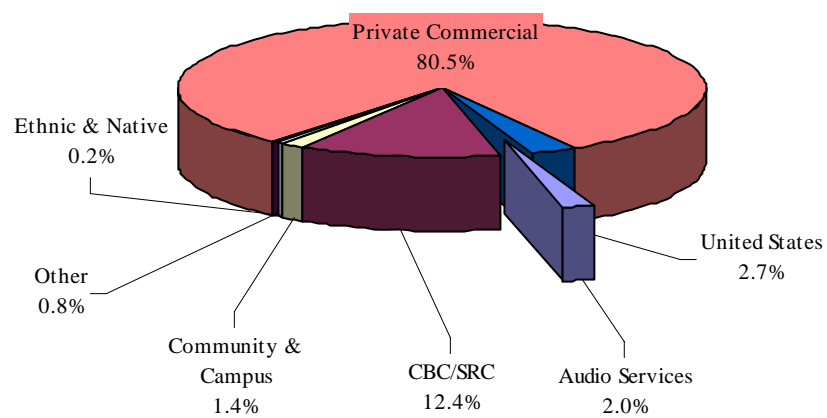
	2003	2004	2005	2006	2007	<i>Growth 2006-2007</i>
<b>Percentage of Hours Tuned (%)</b>						
English AM	22.2	21.2	21.0	19.3	19.1	-1.0%
English FM	52.1	52.7	52.7	55.0	54.8	-0.4%
<i>Subtotal</i>	<i>74.3</i>	<i>73.9</i>	<i>73.7</i>	<i>74.3</i>	<i>73.9</i>	
<i>Annual Growth</i>	<i>0.8%</i>	<i>-0.5%</i>	<i>-0.3%</i>	<i>0.8%</i>	<i>-0.5%</i>	
French AM	2.4	2.1	1.9	1.6	0.9	-43.8%
French FM	18.4	18.8	18.9	17.9	18.7	4.5%
<i>Subtotal</i>	<i>20.8</i>	<i>20.9</i>	<i>20.8</i>	<i>19.5</i>	<i>19.6</i>	
<i>Annual Growth</i>	<i>-1.4%</i>	<i>0.5%</i>	<i>-0.5%</i>	<i>-6.2%</i>	<i>0.5%</i>	
Other	4.9	5.2	5.6	6.2	6.5	4.8%
<i>Annual Growth</i>	<i>-5.8%</i>	<i>6.1%</i>	<i>7.7%</i>	<i>10.7%</i>	<i>4.8%</i>	
<b>Average weekly hours per listener</b>	<b>21.0</b>	<b>21.0</b>	<b>20.7</b>	<b>20.4</b>	<b>20.2</b>	<b>-1.0%</b>
<i>Annual Growth</i>	<i>-3.2%</i>	<i>0.0%</i>	<i>-1.4%</i>	<i>-1.4%</i>	<i>-1.0%</i>	
<b>Total average national hours (millions)</b>	<b>529.6</b>	<b>538.1</b>	<b>531.6</b>	<b>525.5</b>	<b>521.3</b>	<b>-0.8%</b>
<i>Annual Growth</i>	<i>-2.0%</i>	<i>1.6%</i>	<i>-1.2%</i>	<i>-1.1%</i>	<i>-0.8%</i>	

- Notes:
1. Average weekly hours per listener are determined by dividing the total number of hours tuned by reach.
  2. "Other" is principally over-the-air tuning to U.S. border stations. "Other" also includes tuning to Internet radio that is not attributed to Canadian over-the-air radio stations, multi-channel subscription (satellite radio) services, pay and specialty audio services, over-the-air and video services available on cable and unknown.

Source: BBM Canada Fall 2003 to Fall 2007 for all persons 12+, Monday to Sunday, 5 a.m. to 1 a.m.  
BBM Canada, 2007-2008 Radio Databook



**Figure 4.2.2      Radio tuning share in an average week**



Note: "Audio Services" includes tuning to: multi-channel subscription (satellite radio) services, pay & specialty audio services, OTA radio stations & video services broadcast on cable and the internet.

Source: BBM Canada Fall 2007 for all persons 12+, Monday to Sunday, 5 a.m. to 1 a.m; and CRTC data collection.

**Table 4.2.6 Fall tuning achieved by the largest private commercial radio operators in Canada <sup>(1)</sup>**

Listening hours (thousands) per Corporation	2005	2006	2007
Corus Entertainment Inc.	91,725	87,258	83,424
<i>Share of national tuning</i>	<i>17%</i>	<i>17%</i>	<i>16%</i>
Astral Media Inc. <sup>4</sup>	38,139	37,681	33,812
<i>Share of national tuning</i>	<i>7%</i>	<i>7%</i>	<i>6%</i>
Standard Broadcasting Corporation Limited <sup>4</sup>	65,643	61,653	60,604
<i>Share of national tuning</i>	<i>12%</i>	<i>12%</i>	<i>12%</i>
Rogers Communications Inc.	48,243	46,772	47,380
<i>Share of national tuning</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>
CTVglobemedia Inc.			35,008
<i>Share of national tuning</i>			<i>7%</i>
CHUM Limited	36,116	34,004	
<i>Share of national tuning</i>	<i>7%</i>	<i>6%</i>	
Newcap Inc.	21,224	21,724	21,724
<i>Share of national tuning</i>	<i>4%</i>	<i>4%</i>	<i>4%</i>
Total largest private commercial radio operators	301,090	289,092	281,952
<i>Share of national tuning</i>	<i>57%</i>	<i>55%</i>	<i>54%</i>
Total Canadian private commercial radio <sup>2</sup>	442,123	424,515	417,596
<i>Share of national tuning (%)</i>	<i>83%</i>	<i>81%</i>	<i>80%</i>
Total all radio <sup>3</sup>	531,607	525,481	521,335

Notes: 1 Refer to "Notes to tables 4.2.6, 4.2.7 and 4.2.9" following Table 4.2.9.

2. Listening hours include tuning to Canadian private commercial radio service.

3. Listening hours include tuning to public and private Canadian and U.S. radio stations.

4. Astral Media acquired assets of Standard Broadcasting Corporation Limited as in Broadcasting Decision CRTC 2007-359, 28 September 2007.

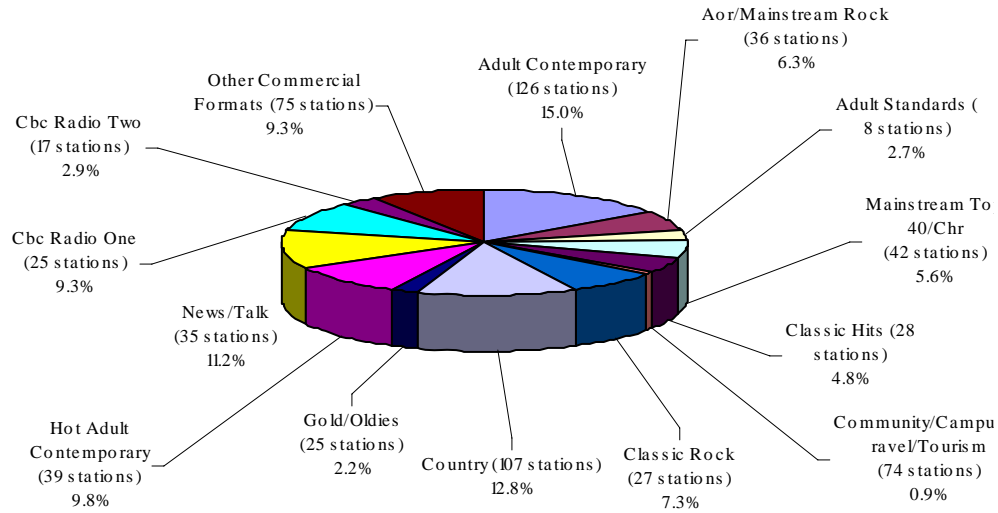
Source: BBM Canada Fall 2005 to 2007 surveys, 5 a.m. to 1 a.m., all persons 12+; and CRTC APP and CRTC data collection

**Table 4.2.7 Fall tuning achieved by largest English and French - language private commercial radio operators in Canada<sup>(1)</sup>**

Listening hours (thousands) per Corporation	2005	2006	2007
<b>Largest Canadian English-language radio</b>			
Corus Entertainment Inc.	67,880	64,498	61,834
<i>Share of tuning to English-language radio</i>	<i>17%</i>	<i>17%</i>	<i>16%</i>
Astral Media: Standard Broadcasting Corporation Limited <sup>3</sup>	65,643	61,653	60,604
<i>Share of tuning to English-language radio</i>	<i>17%</i>	<i>16%</i>	<i>16%</i>
Rogers Communications Inc.	48,243	46,772	47,380
<i>Share of tuning to English-language radio</i>	<i>12%</i>	<i>12%</i>	<i>12%</i>
CTVglobemedia Inc.			35,008
<i>Share of tuning to English-language radio</i>			<i>9%</i>
CHUM Limited	36,116	34,004	
<i>Share of tuning to English-language radio</i>	<i>9%</i>	<i>9%</i>	
Newcap Inc.	21,224	21,724	21,724
<i>Share of tuning to English-language radio</i>	<i>5%</i>	<i>6%</i>	<i>6%</i>
Total largest private English commercial operators	239,106	228,651	226,550
<i>Share of tuning to English-language radio</i>	<i>61%</i>	<i>59%</i>	<i>59%</i>
<b>Total Canadian English-language radio<sup>2</sup></b>	<b>391,468</b>	<b>390,148</b>	<b>385,116</b>
<b>Largest Canadian French-language radio</b>			
Astral Media Inc. <sup>3</sup>	35,212	34,514	30,868
<i>Share of tuning to French-language radio</i>	<i>32%</i>	<i>34%</i>	<i>30%</i>
Corus Entertainment Inc.	23,846	22,760	21,590
<i>Share of tuning to French-language radio</i>	<i>22%</i>	<i>22%</i>	<i>21%</i>
Cogeco Inc.	10,881	10,500	11,634
<i>Share of tuning to French-language radio</i>	<i>10%</i>	<i>10%</i>	<i>11%</i>
Total largest private French commercial operators	69,939	67,774	64,092
<i>Share of tuning to French-language radio</i>	<i>63%</i>	<i>66%</i>	<i>63%</i>
<b>Total Canadian French-language radio<sup>2</sup></b>	<b>110,559</b>	<b>102,817</b>	<b>102,280</b>

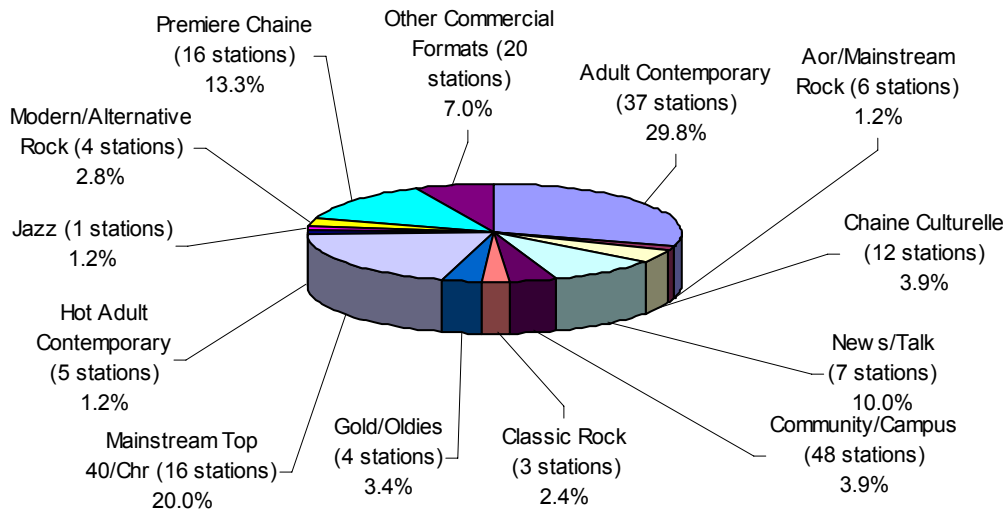
Notes: 1. Refer to "Notes to tables 4.2.6, 4.2.7, and 4.2.9" following Table 4.2.9  
2. Listening hours include tuning to public and private Canadian English-language and French-language stations.  
3. Astral Media acquired assets of Standard Broadcasting Corporation Limited as in Broadcasting Decision CRTC 2007-359, 28 September 2007  
Source: BBM Canada Fall 2005 to 2007 surveys, 5 a.m. to 1a.m., all persons 12+; and CRTC data collection

**Figure 4.2.3 English-language station formats – BBM Canada Fall 2007, 5 a.m. to 1 a.m., all persons 12+ Monday to Sunday**



Source: BBM Canada Fall 2007 survey data, and CRTC data collection

**Figure 4.2.4 French-language station formats – BBM Canada Fall 2007, 5 a.m. to 1 a.m., all persons 12+, Monday to Sunday**



Source: BBM Canada Fall 2007 survey data, and CRTC data collection

**Table 4.2.8 Revenues and number of undertakings reporting financial results for private commercial radio stations – English, French and Ethnic**

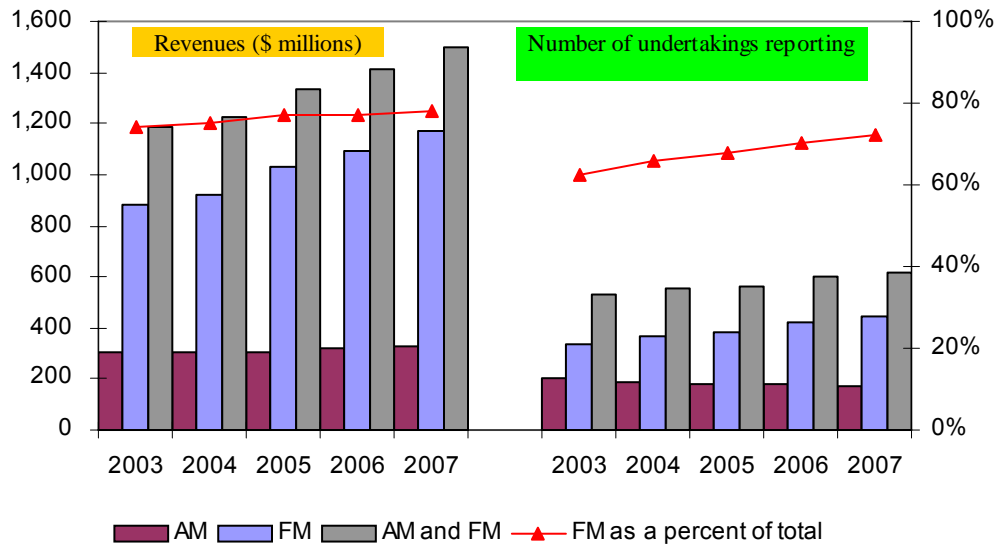
	2003	2004	2005	2006	2007	<i>Growth</i> <i>2006-</i> <i>2007</i>	<i>CAGR</i> <i>2003-</i> <i>2007</i>
<b>Revenues (\$ Millions)</b>							
AM English	259.8	259.8	266.3	282.1	291.7	3%	3%
AM French	26.1	22.5	17.9	18.2	15.9	-12%	-12%
AM Ethnic	19.6	20.6	21.7	21.5	21.8	2%	3%
AM Total	305.5	303.0	306.0	321.8	329.4		2%
<i>Annual Growth</i>		-1%	1%	5%	2%		
FM English	701.5	740.9	826.6	877.4	947.5	8%	8%
FM French	172.9	172.6	191.2	200.5	209.0	4%	5%
FM Ethnic	9.8	10.6	13.1	15.1	16.1	7%	13%
FM Total	884.2	924.0	1,030.9	1,093.0	1,172.6		7%
<i>Annual Growth</i>		5%	12%	6%	7%		
<b>Total revenues</b>	<b>1,189.7</b>	<b>1,227.0</b>	<b>1,336.9</b>	<b>1,414.7</b>	<b>1,502.0</b>	<b>6%</b>	<b>6%</b>
<b>Number of undertakings reporting financial results</b>							
AM English	176	165	158	155	150	-3%	-4%
AM French	16	15	14	14	12	-14%	-7%
AM Ethnic	9	9	9	9	10	11%	3%
AM total	201	189	181	178	172		-4%
<i>Annual Growth</i>		-6%	-4%	-2%	-3%		
FM English	257	280	297	332	354	7%	8%
FM French	70	78	78	80	84	5%	5%
FM Ethnic	5	6	8	9	9		16%
FM total	332	364	383	421	447		8%
<i>Annual Growth</i>		10%	5%	10%	6%		
<b>Total number of undertakings reporting</b>	<b>533</b>	<b>553</b>	<b>564</b>	<b>599</b>	<b>619</b>	<b>3%</b>	<b>4%</b>

Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.
- (3) Minor variances are due to rounding.

Source: CRTC data collection

**Figure 4.2.5 Revenues - private commercial radio stations**

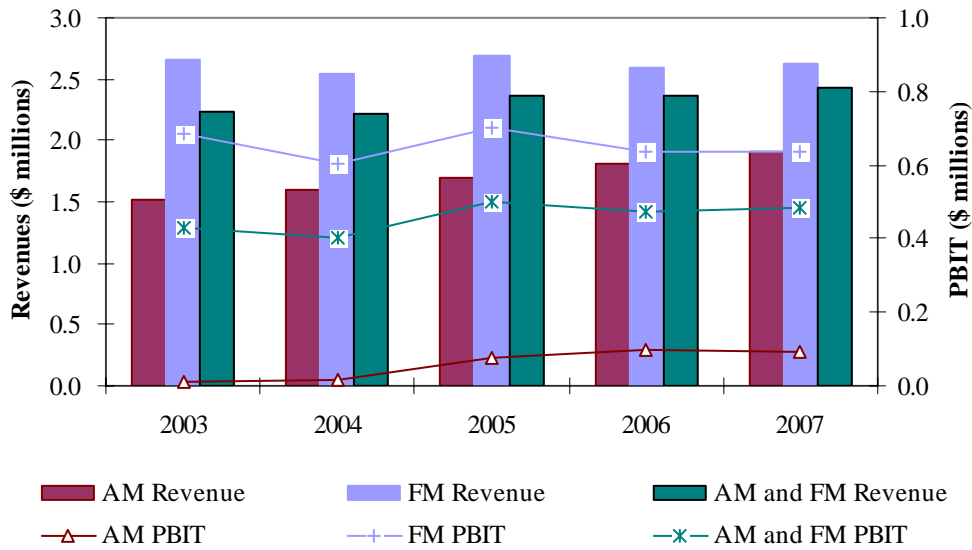


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.6 Average annual revenues and PBIT per station – private commercial radio stations**

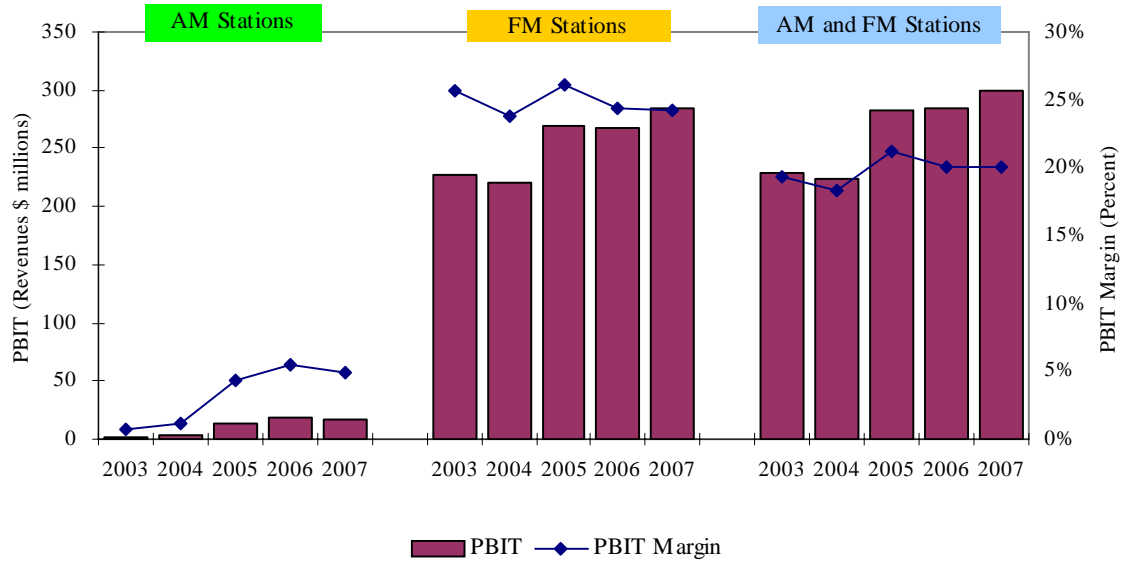


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results;

Source: CRTC data collection

**Figure 4.2.7 PBIT and PBIT Margin - private commercial radio stations**

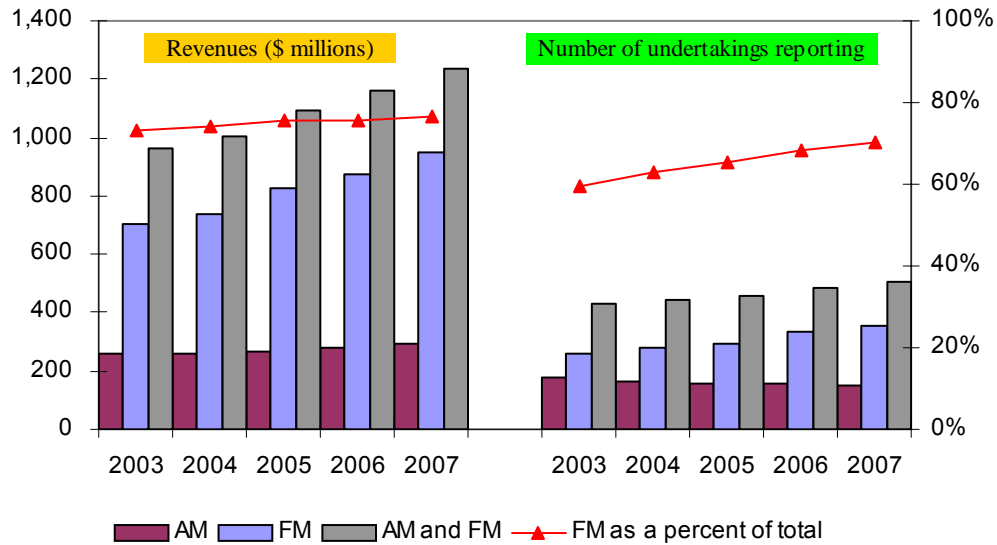


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.8 Revenues – English-language private commercial radio stations**

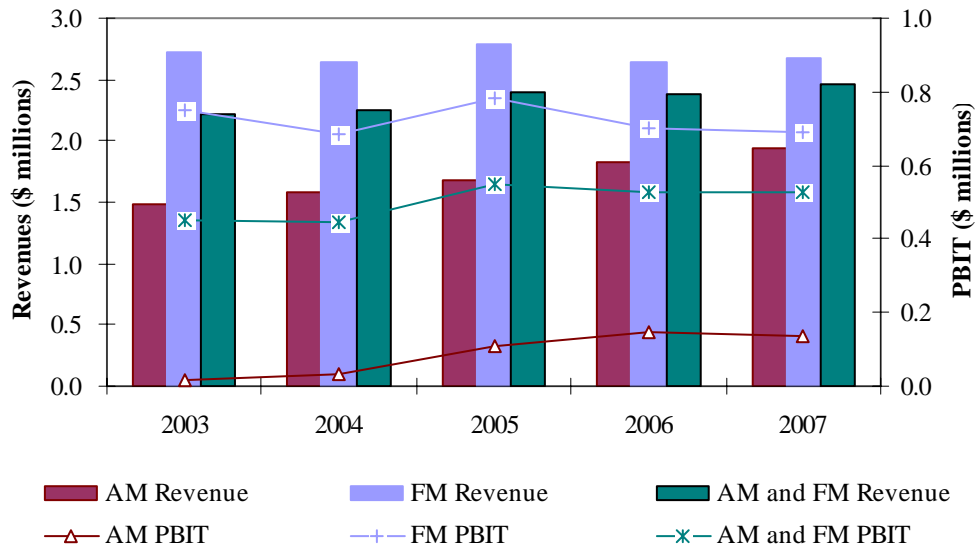


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.9 Average annual revenues and PBIT per station – English-language private commercial radio stations**

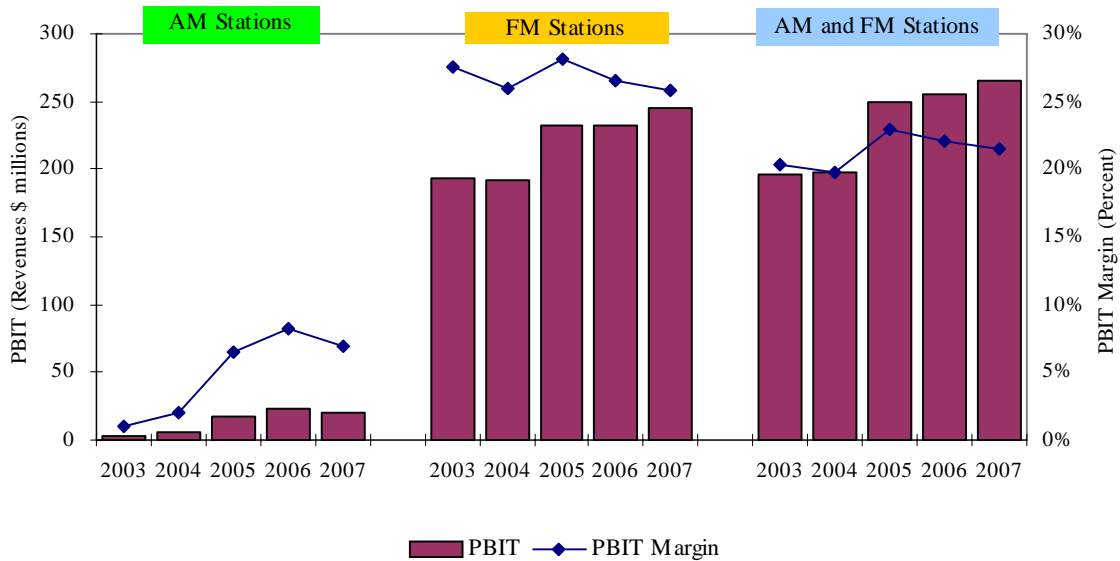


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results

Source: CRTC data collection

**Figure 4.2.10 PBIT and PBIT Margin – English private commercial radio stations**



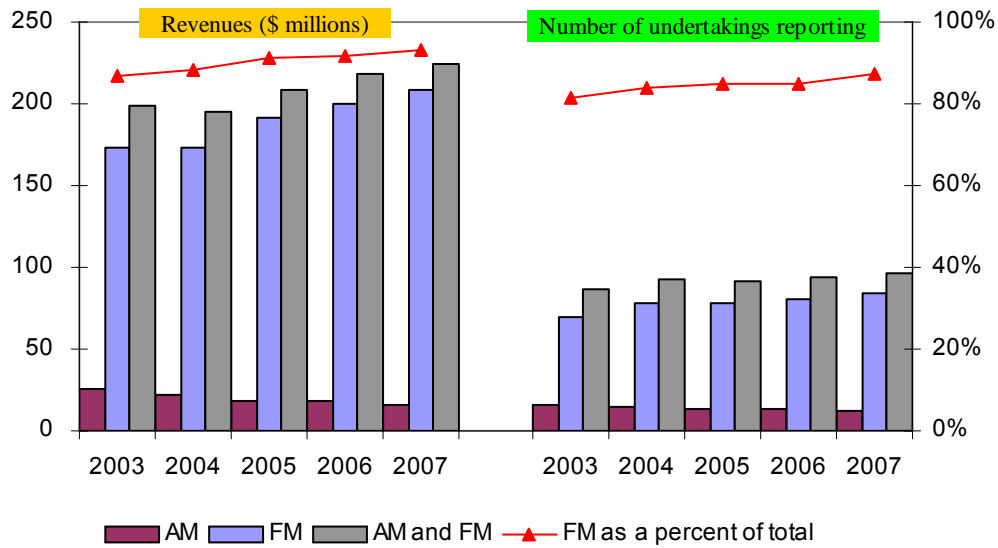
Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection



**Figure 4.2.11 Revenues – French-language private commercial radio stations**

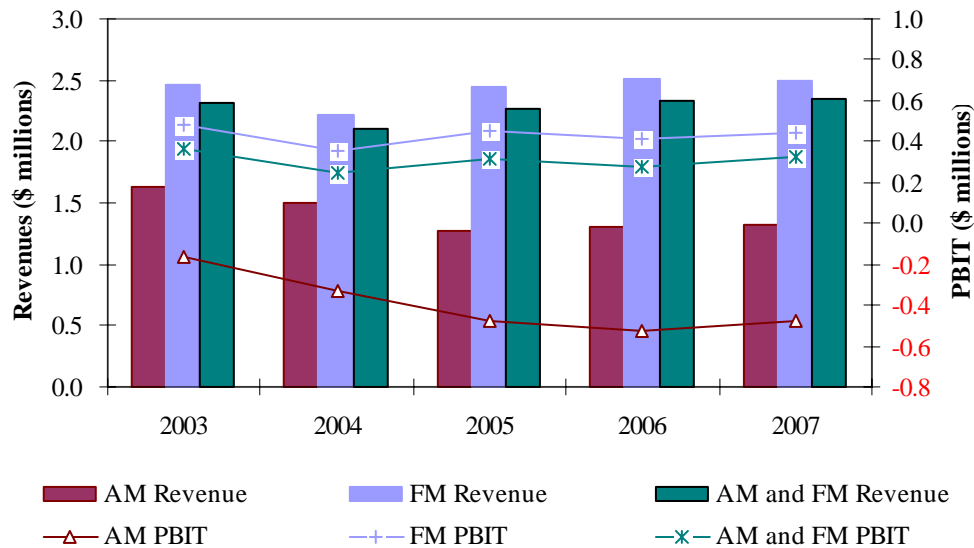


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.12 Average annual revenues and PBIT per station – French-language private commercial radio stations**

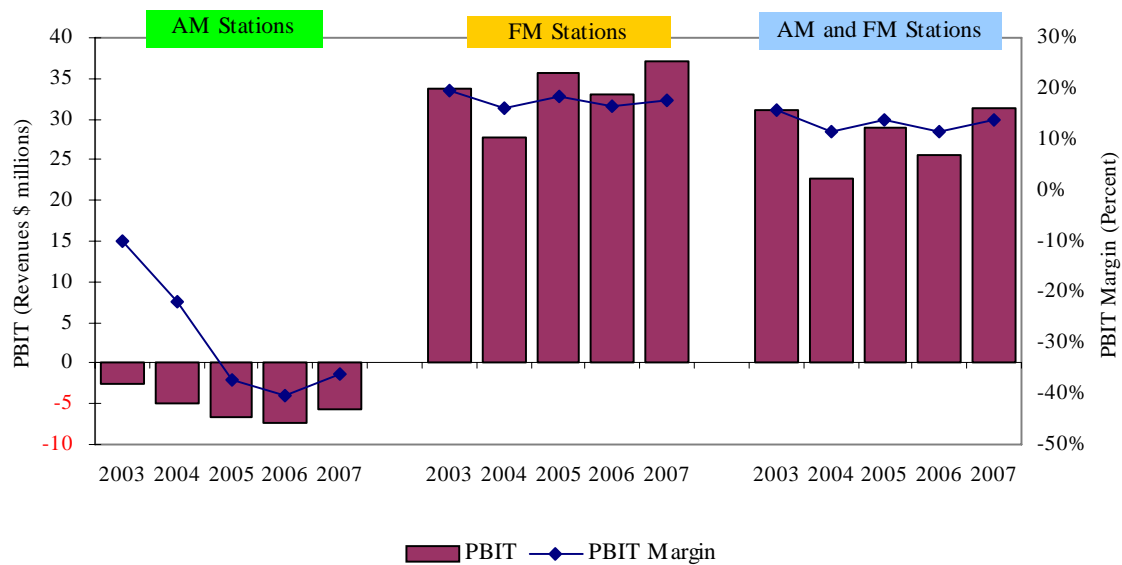


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.13 PBIT and PBIT Margin – French-language private commercial radio stations**

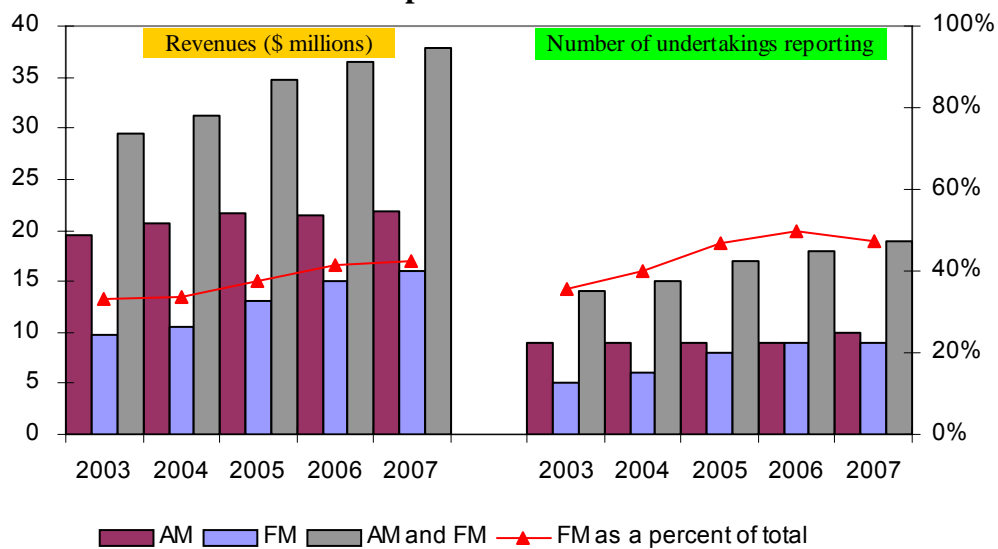


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.14 Revenues – Ethnic private commercial radio stations**

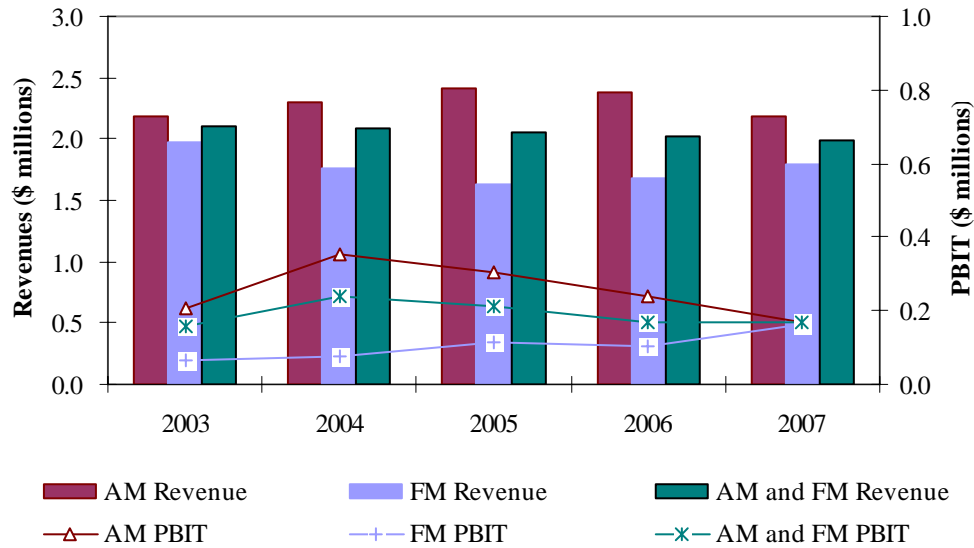


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.15 Average annual revenues and PBIT per station – Ethnic private commercial radio stations**

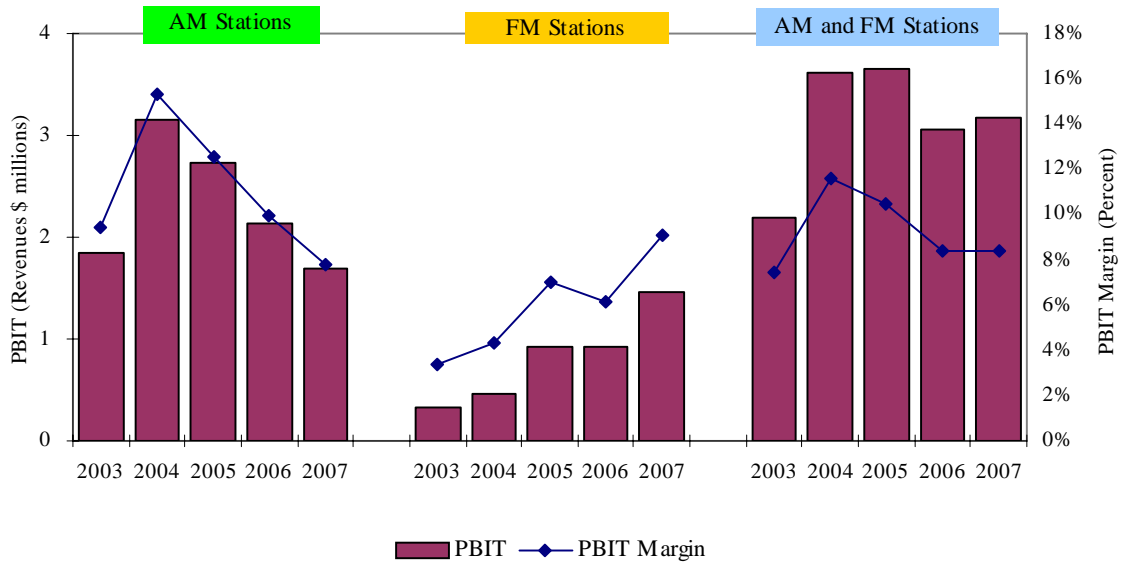


Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Figure 4.2.16 PBIT and PBIT Margin – Ethnic private commercial radio stations**



Notes:

- (1) Includes network results. Excludes pay and specialty audio programming services as well as multi-channel subscription radio services.
- (2) 2003 to 2006 figures may have been updated to reflect current August aggregate results.

Source: CRTC data collection

**Table 4.2.9 English-language, and French-language radio revenues and number of undertakings reporting for the largest radio operators in Canada <sup>(1)</sup>**  
(Part 1 of 2)

Corporation	Revenues (\$ thousands)			Number of radio undertakings reporting			Share of national revenue		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
<b>Largest private radio operators</b>									
Corus Entertainment Inc.	237,380	248,905	259,961	50	50	52	18%	18%	17%
Rogers Communications Inc.	192,667	203,759	233,858	43	47	52	14%	14%	16%
Astral Media Inc. <sup>10</sup>	112,583	114,969	118,677	31	31	31	8%	8%	8%
Standard Broadcasting Corp Ltd <sup>10</sup>	180,533	190,710	197,848	51	51	51	14%	13%	13%
CTVglobemedia Inc. <sup>9</sup>			153,619			34			10%
CHUM Limited	132,771	138,305		33	33		10%	10%	
Newcap Inc.	73,355	80,400	88,219	46	54	56	5%	6%	6%
<b>Total largest private radio operators</b>	<b>929,289</b>	<b>977,048</b>	<b>1,052,182</b>	<b>254</b>	<b>266</b>	<b>276</b>	<b>70%</b>	<b>69%</b>	<b>70%</b>
<b>Total private radio operators<sup>2</sup></b>	<b>1,336,865</b>	<b>1,414,732</b>	<b>1,502,040</b>	<b>564</b>	<b>599</b>	<b>619</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Largest English-language radio operators</b>									
Rogers Communications Inc.	192,667	203,759	233,858	43	47	52	18%	18%	19%
Corus Entertainment Inc.	192,055	201,664	211,907	38	38	40	18%	17%	17%
Astral Media Inc. <sup>10</sup>									
Standard Broadcasting Corp Ltd <sup>10</sup>	180,533	190,710	197,848	51	51	51	17%	16%	16%
CTVglobemedia Inc. <sup>9</sup>			153,619			34			12%
CHUM Limited	132,771	138,305		33	33		12%	12%	
Newcap Inc.	73,355	80,400	88,219	46	54	56	7%	7%	7%
<b>Total English-language largest private radio operators</b>	<b>771,381</b>	<b>814,838</b>	<b>885,452</b>	<b>211</b>	<b>223</b>	<b>232</b>	<b>71%</b>	<b>70%</b>	<b>71%</b>
<b>Total English-language private radio operators<sup>3</sup></b>	<b>1,092,920</b>	<b>1,159,575</b>	<b>1,239,276</b>	<b>455</b>	<b>487</b>	<b>504</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Largest French-language radio corporations</b>									
Astral Media Inc.	102,572	105,404	108,751	23	23	23	49%	48%	48%
Corus Entertainment Inc.	45,324	47,241	48,054	12	12	12	22%	22%	21%
Cogeco Inc.	19,637	26,466	30,333	5	5	5	9%	12%	13%
<b>Total French-language largest private radio operators</b>	<b>167,533</b>	<b>179,111</b>	<b>187,138</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>80%</b>	<b>82%</b>	<b>83%</b>
<b>Total French-language private radio operators<sup>3</sup></b>	<b>209,127</b>	<b>218,620</b>	<b>224,901</b>	<b>92</b>	<b>94</b>	<b>96</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Notes: 1. Includes private commercial networks and commercial ethnic radio stations.

2. Includes private commercial network radio revenues.

Notes to tables 4.2.6 – 4.2.7 and 4.2.9:

1. The ownership structure reflects transactions authorised by the Commission during the broadcast year, not the closing date of the transaction.
2. An undertaking's entire annual revenue is attributed to the corporation that was deemed to be its owner as of 31 August.
3. 2005-2006 revenue figures have been updated to reflect current August 31<sup>st</sup> aggregate results.
4. Corus' 2005 results reflect the sale of CIZZ-FM and CKGY-FM Red Deer to Newcap.
5. Newcap's 2005 results reflect the new CKWY-FM Wainwright station as well as the following five stations that were acquired through the transfer of ownership or control: CIZZ-FM and CKGY-FM Red Deer from Corus, CJUK-FM Thunder Bay from Big Pond Communications 2000 Inc., and CKSA-FM Lloydminster from Sask-Alta Broadcasters Limited. The 2006 results also reflect four new stations (CILV-FM Ottawa-Gatineau, CFRK-FM Fredericton, CJEG-FM Bonnyville and CIXF-FM Brooks) and four stations acquired through the transfer of ownership or control (CFXW-FM Whitecourt, CKJS and CKFE-FM Winnipeg, and CFCW-FM Camrose).

**Table 4.2.9 Total, English-language, and French-language radio revenues and number of undertakings reporting for the largest radio operators in Canada <sup>(1)</sup> (Part 2 of 2)**

6. Astral's and Corus' results for 2005 reflect the transaction that was approved pursuant to *Exchange of radio assets in Quebec between Astral Media Radio inc. and Corus Entertainment Inc.*, Broadcasting Decision CRTC 2005-15, 21 January 2005, in which Astral acquired five stations from Corus and Corus acquired eight stations from Astral.
7. CHUM's 2005 results include the new Edmonton station as well as CFAX Victoria and CHBE-FM acquired from Seacoast Communications Group Inc.
8. Rogers' 2006 results include three new stations (CHNI-FM Saint John, CJNI-FM Halifax, and CKNI-FM Moncton) as well as a new network radio undertaking.
9. CTVglobemedia and CHUM Limited's results reflect the *Transfer of effective control of CHUM Limited to CTVglobemedia Inc.*, Broadcasting Decision CRTC 2007-165, 8 June 2007.
10. Astral Media acquired assets of Standard Broadcasting Corporation Limited as in Broadcasting Decision CRTC 2007-359, 28 September 2007.
11. Corus' 2007 results reflect the acquisition of assets of radio programming undertakings CKBT-FM Kitchener and CJZZ-FM Winnipeg from CanWest MediaWorks Inc., pursuant to *CKBT-FM Kitchener, Ontario and CJZZ-FM Winnipeg, Manitoba-Acquisition of assets*, Broadcasting Decision CRTC 2007-215, 6 July 2007.

Source: CRTC data collection

**Table 4.2.10 Revenues for Type B Native, Community, and Campus radio stations**

	2003	2004	2005	2006	2007
Native Type B radio stations					
Number of radio undertakings reporting	20	24	27	29	30
Revenues (\$ thousands)					
Advertising	2,427	2,589	3,212	3,546	4,363
Other*	10,089	10,420	10,426	15,268	13,821
Total revenues	12,516	13,009	13,637	18,814	18,184
Other* as a percent of total revenues	80.6%	80.1%	76.4%	81.2%	76.0%
PBIT margin	11.9%	2.7%	4.8%	15.9%	9.8%
Community radio stations					
Number of radio undertakings reporting	57	55	69	78	84
Revenues (\$ thousands)					
Advertising	9,006	8,830	9,638	11,448	11,547
Other**	7,832	7,941	8,715	10,141	10,089
Total revenues	16,838	16,770	18,353	21,589	21,636
Other** as a percent of total revenues	46.5%	47.3%	47.5%	47.0%	46.6%
PBIT margin	4.9%	2.8%	3.9%	6.5%	4.4%
Campus radio stations					
Number of radio undertakings reporting	32	35	44	44	42
Revenues (\$ thousands)					
Advertising	811	610	1,045	1,212	1,372
Other***	4,382	4,793	6,017	6,432	6,718
Total revenues	5,193	5,403	7,063	7,644	8,091
Other*** as a percent of total revenues	84.4%	88.7%	85.2%	84.1%	83.0%

Notes: 2003 to 2006 figures have been updated to reflect current August 31<sup>st</sup> aggregate results.

\*Includes government and band council grants and contributions from other sources.

\*\* Includes fundraising, grants and other sources.

\*\*\* Includes fees, fundraising and grants.

Source: CRTC financial database

**Table 4.2.11 Value of radio transactions and corresponding transfer benefits for the period 1 May 1998 to 31 December 2007**

<b>RADIO Tangible Benefits (\$ millions)</b>	English-language services			French-language services			Total benefits
	# of Trans.	Value of the transaction*	Benefits	# of Trans.	Value of the transaction*	Benefits	
1 May 98 to 31 Mar. 05	72	1,257	72.1	14	376	21.9	93.9
1 Apr. 05 to 31 Mar. 06	12	24	1.3	2	-	-	1.3
1 Apr. 06 to 31 Dec. 06	5	68	4.1	2	-	-	4.1
1 Jan. 07 to 31 Dec. 07**	13	1,675	88.9	6	4	11.8	100.8
<b>Total</b>	<b>102</b>	<b>3,024</b>	<b>166.4</b>	<b>24</b>	<b>380</b>	<b>33.7</b>	<b>200.0</b>

Notes: \*Value determined by the Commission for the purpose of calculating transfer benefits.

\*\* Total tangible benefits relating to the Astral / Standard (Decision 2007-359) and CTVglobemedia / CHUM (Decision 2007-165) radio ownership transactions totalled \$95.3 million. Of this amount, \$11.6 million is to be directed in support of French-language CCD initiatives.

Minor variances are due to rounding.

Source: CRTC Decisions and Administrative approvals

**Table 4.2.12 Summary of annual CCD contributions reported by radio licensees (\$ thousands)**

RADIO - CCD	2002-03	2003-04	2004-05	2005-06	2006-07	% annual increase / decrease			
						04/03	05/04	06/05	07/06
i) CCD contributions by new stations during the first licence term									
FACTOR	441	1,183	1,340	1,552	1,266	168%	13%	16%	-18%
MUSICACTION	11	76	168	191	238	605%	120%	14%	25%
Music organization	174	248	205	2,733	586	42%	-17%	1,236%	-79%
Performing arts groups	666	1,219	1,625	2,840	3,426	83%	33%	75%	21%
Schools or scholarships	575	626	580	678	596	9%	-7%	17%	-12%
StarMaker Fund / Fonds									
Radio Star		80	130	435	1,019		62%	234%	134%
Other eligible CTD initiatives	913	1,312	2,379	572	1,324	44%	81%	-76%	132%
Total	2,781	4,743	6,427	9,001	8,457	71%	36%	40%	-6%
ii) CCD contributions reported by radio licensees in the context of licence renewals									
FACTOR	750	736	761	749	946	-2%	3%	-2%	26%
MUSICACTION	248	330	339	337	343	33%	3%	-1%	2%
Music organization	282	306	319	461	588	9%	4%	45%	27%
Performing arts groups	634	652	810	753	1,068	3%	24%	-7%	42%
Schools or scholarships	95	91	140	154	279	-4%	53%	10%	80%
StarMaker Fund / Fonds									
Radio Star	2			2	23	nm			nm
Other eligible CTD initiatives	189	296	50	72	141	56%	-83%	46%	95%
Total	2,200	2,412	2,418	2,528	3,387	10%		5%	34%
iii) CCD contributions relating to transfers of control or ownership									
FACTOR	3,728	2,364	2,822	3,132	2,580	-37%	19%	11%	-18%
MUSICACTION	1,447	1,067	1,373	1,125	1,464	-26%	29%	-18%	30%
Music organization	1,015	496	476	543	436	-51%	-4%	14%	-20%
Performing arts groups	678	310	528	795	529	-54%	70%	51%	-33%
Schools or scholarships	194	57	111	166	354	-71%	96%	49%	114%
StarMaker Fund / Fonds									
Radio Star	5,867	5,425	6,425	6,400	5,975	-8%	18%		-7%
Other eligible CTD initiatives	251	271	592	329	354	8%	118%	-44%	8%
Total	13,181	9,989	12,327	12,489	11,692	-24%	23%	1%	-6%
Total annual CCD contributions i), ii) & iii)	18,161	17,145	21,173	24,017	23,536	-6%	23%	13%	-2%

Notes:

- Contributions are based on annual disbursements reported by licensees for the period 1 September to 31 August.
- Includes contributions made under both the CTD and CCD regimes.
- Minor variances are due to rounding.

Source: CRTC data collection



## 4.3 Television

### Overview

In 2007, there were approximately 685 television services offered in Canada with revenues of approximately \$5.3 billion. Of these services, 25% were from conventional over-the-air television services, 28% from Canadian speciality, pay, pay-per-view (PPV) and video on demand (VOD). The remaining 47% were community related services and non-Canadian satellite services authorized for distribution.

### Highlights

- The television broadcasting industry had revenues of \$5.3 billion in 2007, a 4% increase from \$5.0 billion in 2006. Pay, PPV, VOD and specialty services represented the largest growth area, reflecting a growth of 9% or \$226 million from \$2.5 billion in 2006 to \$2.7 billion in 2007.
- As of 31 December 2007, there were 685 television services authorized to broadcast in Canada.
- The largest increase in the number of television services was in the third language stations which increased 12% from 113 stations in 2006 to 126 stations in 2007.

### The Industry

As of 31 December 2007, the television broadcasting industry was comprised of a number of large ownership groups which represent over 90% of the revenues in the specific service categories: private conventional OTA television, pay, PPV, VOD & specialty services.

- In the English-language private conventional OTA television<sup>189</sup> market, there were three major ownership groups: CTVglobemedia Inc. (CTVglobemedia) with the largest share of the English revenue share at 48%, Canwest Media Inc. (Canwest) with 34%, and CHUM Limited (CHUM) with 9%. In contrast, in the French-language private conventional OTA, there were two major players: Quebecor Inc. (Quebecor) with the largest revenue share at 62%, and Cogeco Inc. (Cogeco)<sup>190</sup> at 28%.
- In the English pay, PPV, VOD & specialty services, there were five major ownership groups:<sup>191</sup> CTVglobemedia with the largest revenue share of the market at 35%, Canwest with 17%, Corus Entertainment Inc. (Corus) with 16%, Astral Media Inc. (Astral Media) and Rogers Communications Inc. (Rogers) each with 11%. In the French-language pay, PPV, VOD & specialty services, there were three major players: Astral Media with the largest revenue share at 53%, CTVglobemedia at 27%, and CBC/SRC at 12%.

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<sup>189</sup> Refer to Figure 4.3.12 for further details.

<sup>190</sup> Refer to Figure 4.3.13 for further details.

<sup>191</sup> For pay, PPV, VOD & specialty services, organizations which controlled greater than 50% or more of a service are included to determine revenue share. Refer to Table 4.3.17 for further details.

## **Analysis**

The number and type of television services authorized to broadcast in Canada increased 3% from 662 licensed television services in 2006 to 685 in 2007. English-language television services increased 2% from 445 stations in 2006 to 456 stations in 2007. French-language television services decreased slightly from 104 stations in 2006 to 103 stations in 2007. Third-language stations, however, showed a marked increase of 12% from 113 stations in 2006 to 126 stations in 2007.

### ***Viewing Trends***

#### *National viewing trends*

Overall viewing decreased 6 minutes for all persons, aged 2+ for the average weekly viewing hours. This decrease was most notable for teens 12–17 where the weekly hours decreased 18 minutes from 18.8 hours in 2006 to 18.5 hours in 2007 and for ages 25-54 where the weekly hours decreased 30 minutes from 27.0 hours in 2006 to 26.5 hours in 2007.

#### ***Viewing trends by program origin and genre***

##### *English and French-language services*

Viewing of Canadian programs on Canadian English-language services represented 48% of total viewing in 2007 compared to 52% in 2006. In 2007, the viewing of English-language news and analysis & interpretation programming represented 20% of total viewing of which 94% was Canadian. However, the drama/comedy genre was more popular than the other genres, representing approximately 41% of total viewing of which only 21% was Canadian.

In contrast, viewing of Canadian programs on French-language Canadian television services represented 65% of total viewing in 2007 as compared to 66% in 2006. As in the English-language services, the drama/comedy genre was the most popular genre representing 43% of total viewing of which 37% was Canadian.

##### *Private conventional services*

In 2007, overall viewing of Canadian programs on English-language private conventional services remained relatively unchanged at 33% of the total viewing. Drama/comedy continued to have the largest viewing, representing 42% of total viewing of which 8% was Canadian. News and analysis & interpretation, however, represented 23% of total viewing of which 97% was Canadian.

In 2007, for the French-language services in the Quebec Franco Market, Canadian programming remained unchanged at 71% of total viewing. News and analysis & interpretation represented 37% of total viewing of which 100% was Canadian. Drama/comedy had the second largest representation of total viewing at 35% of which 29% was Canadian.

### *CBC/SRC conventional services*

For the English-language CBC/SRC conventional services, Canadian programming represented 75% of the total viewing in 2007 compared to 79% in 2006. As a percent of total, drama/comedy programming represented 35% in 2007 whereas the sports genre represented 36%. The sports genre, however had a higher representation of Canadian programming at approximately 100% versus drama/comedy at 31%.

For the French-language services, Canadian programming represented 86% of the total viewing. The sports genre however represented less than 1% of total viewing all of which was Canadian and drama/comedy represented 36% of total of which 63% was Canadian.

### *Pay, specialty services*

For the English-language Canadian pay and specialty services, Canadian programming represented 54% of the total viewing in 2007 compared to 59% in 2006. The drama/comedy genre in 2007 represented 40% of total viewing of which 26% was Canadian. The news and analysis & interpretation genre represented 21% of total viewing of which 92% was Canadian.

For the French-language pay and specialty services, Canadian programming represented 52% of total viewing in 2007 versus 53% in 2006. The drama/comedy genre represented 52% of the total viewing of which 34% was Canadian.

### ***Revenue and PBIT Trends***

The television broadcasting industry reported revenues of \$5.3 billion in 2007, a 4% increase from \$5.0 billion in 2006. This increase was partially due to the growth in pay, PPV, VOD & specialty services which grew 9% or \$226 million from \$2.5 billion in 2006 to \$2.7 billion in 2007. Since 2003, the revenues for pay, PPV, VOD & specialty services have increased 10% annually. This was partly due to the increase in the number of services reporting financial results as well as a proliferation of digital services from 54 in 2003 to 110 in 2007. In 2007, the total digital revenues were \$317 million or 12% of total pay, PPV, VOD & specialty services.

Ninety four percent of private conventional OTA revenues were from advertising. However, ninety eight percent of pay, PPV, VOD, and specialty service revenues were from advertising and subscription fees. Pay, PPV and VOD services are mostly subscription based whereas specialty services generate both advertising revenues and subscription fees. For specialty services, advertising revenues which represent 44% of total specialty revenues increased \$65 million or 7% to \$948 million. For pay, PPV, VOD, and specialty services, subscription revenues increased \$152 million or 10% to \$1,732 million.

The PBIT margins for private conventional OTA television increased from 4% in 2006 to 5% in 2007. Revenues for private conventional OTA television increased 1% from \$2.1 billion in 2006 to \$2.2 billion in 2007. The PBIT margin for pay, PPV, VOD and specialty services increased from 23% in 2006 to 24% in 2007. The revenues increased by 9% from \$2.5 billion in 2006 to \$2.7 billion in 2007. Digital category 1 specialty service PBIT margin increased

from a negative 3% to 2% in 2007. Their revenues increased 11% from \$70.8 million in 2006 to \$79.0 million in 2007. Similarly, for category 2 specialty services, the PBIT margins increased from a negative 13% in 2006 to 1% in 2007 and the revenues increased 23% from \$125.3 million in 2006 to \$154.1 million in 2007.

#### *CBC/SRC conventional*

For CBC/SRC Conventional OTA television, total revenues decreased 9% from \$392 million in 2006 to \$356 million in 2007. Similarly, advertising revenues decreased 8% from \$339 million in 2006 to \$310 million in 2007.

#### *English, French, and Ethnic or Third-language services*

##### *Private conventional OTA*

Advertising revenues are the primary source of revenues for conventional OTA television operators. Advertising revenues represent over 90% of the revenues for English-language private conventional OTA television operators. The total revenues increased 2% from \$1,756 million in 2006 to \$1,790 million in 2007 and their PBIT margin increased from 3% in 2006 to 5% in 2007.

Advertising revenues represent over 80% of the revenues for French-language private conventional OTA television operators. Total revenues declined 2% from \$387 million in 2006 to \$381 million in 2007. Their PBIT margins, however, remained relatively unchanged at 8% in 2007.

##### *Pay, PPV, VOD and specialty services*

With respect to English-language specialty services, advertising revenues, representing approximately 45% of total specialty revenues, increased 7% or \$49.0 million from \$725 million in 2006 to \$774 million in 2007. For pay, PPV, VOD, and specialty services, subscription revenues, representing 63% of total pay, PPV, VOD and specialty services revenues, increased 9% or \$118 million from \$1,270 million in 2006 to \$1,388 million in 2007. This resulted in total revenues for English-language pay, PPV, VOD and specialty services increasing approximately 9% or \$180 million from \$2,020 million in 2006 to \$2,200 million in 2007. The PBIT margins, however, remained relatively unchanged at 23% in 2007.

With respect to French-language specialty services, advertising revenues, representing 36% of total specialty revenues, increased 11% from \$126 million in 2006 to \$139 million in 2007. For pay, PPV, VOD and specialty services, subscription revenues, representing 68% of total pay, PPV, VOD and specialty services revenues, increased 10% from \$278 million to \$306 million. This resulted in total revenues for French-language pay, PPV, VOD and specialty services increasing 10% from \$410 million in 2006 to \$450 million in 2007. PBIT margins continued an upward trend, increasing from 24% in 2006 to 26% in 2007.

With respect to ethnic & third language specialty services, advertising revenues representing 49% of total specialty revenues increased 9% from \$32 million in 2006 to \$35 million in 2007. Pay digital category 2 and specialty services, subscription revenues, representing 51%

of total pay digital category 2 and specialty revenues, increased 18% from \$32 million to \$38 million. This resulted in total revenues increasing 7% from \$70 million in 2006 to \$75 million in 2007. PBIT margins, however, decreased from 23% in 2006 to 21% in 2007.

### **Television programming expenditures**

For conventional OTA television and pay, PPV, VOD, and specialty services, public and commercial broadcasters are required to spend a percentage of their revenues on Canadian programming. As set out in Broadcasting Public Notice CRTC 2007-53, 17 May 2007 (2007 OTA television policy), the Commission noted that the French-language OTA broadcasters have provided sufficient Canadian content in relation to their expenditures whereas the English-language broadcasters have lagged in this regard, even though they have maintained their programming expenditures in relation to revenues.

Canadian programming expenditures by the CBC/SRC declined 7% from approximately \$531 million in 2006 to \$495 million in 2007. Conventional private OTA television declined slightly whereas non-Canadian programming expenditures increased 5% to \$722 million in 2007 from \$688 million in 2006. Canadian programming expenditures for pay and specialty services increased 3% from \$888 million in 2006 to \$918 million in 2007 whereas non-Canadian expenditures increased 10% from \$294 million in 2006 to \$324 million in 2007. With respect to PPV and VOD there was increase of 16% from \$20 million in 2006 to \$24 million in 2007.

### **Television Cultural Diversity**

#### **1) Ethnic programming services**

In 2007, the Commission licensed two ethnic conventional television stations for a total of six. There is one station in each of the Montréal, Vancouver, Edmonton, and Calgary<sup>192</sup> markets, and two stations in the Toronto market.

In addition to ethnic conventional services, the Commission has also licensed a number of Canadian ethnic specialty services such as Analog ethnic and Category 2 digital ethnic pay & specialty services. Between 1984 and 1996, the Commission approved five national analog Canadian ethnic specialty services offering in a variety of languages as follows:

- Fairchild Television for Cantonese;
- Telelatino for Italian and Hispanic/Spanish;
- Asian Television Network for South Asian communities in 15 South languages, predominantly Hindi, and some English;
- Talentvision for Mandarin, Vietnamese, and Korean; and
- Odyssey for the Greek community.

For Category 2 digital ethnic pay & specialty services, as of 31 December 2007, the Commission approved over 211 Canadian ethnic category 2 digital pay and specialty

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<sup>192</sup> *Ethnic television stations in Calgary and Edmonton*, Broadcasting Decision CRTC 2007-166, 8 June 2007

services. Of these, 28 specialty and 4 pay services were launched. In March 2007, the Commission announced that it will exempt third-language services, provided they fall under the terms of the new exemption order.<sup>193</sup> As of 31 December 2007 there were 81 non-Canadian third-language programming services authorized for distribution.

## **2) Religion television services**

In 2007, the Commission approved two religious<sup>194</sup> television stations for a total of seven.

## **3) Native television services**

As of 31 December 2007, there were seven originating native television stations in operation including two native television network programming services: Aboriginal Peoples Television Network (APTN) which has mandatory national carriage under an order issued pursuant to subparagraph 9(1)(h) of the *Broadcasting Act*; and Wawatay Native Communications.

## **4) Community-based television services**

There were 12 community-based television programming undertakings licensed in Canada, ten English, one French and one bilingual. The licensees of these services must be non-profit organizations with membership, management and programming that is mainly from the community

## **Specialty, pay, PPV and VOD services**

### **a) Specialty services**

In 2007 there were 49 Canadian analog specialty services: 28 English-language, 14 French-language, 2 bilingual and 5 Ethnic.

There were 18 category 1 digital specialty services: 15 English-language<sup>195</sup> which have been in service since the Fall of 2001 and three French-language services<sup>196</sup> which were launched in Fall of 2004. These services were approved following a competitive hearing and were licensed on a one-per-genre basis in 2000.

Category 2 digital specialty services were approved on a more competitive, open-entry basis. The Commission continued to approve additional category 2 services. As of 31 December 2007, there were approximately 351 approved category 2 specialty services, including 135

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<sup>193</sup> *Exemption order respecting certain third-language television undertakings*, Broadcasting Public Notice CRTC 2007-33, 30 March 2007.

<sup>194</sup> *In Religious television stations in Calgary and Edmonton*, Broadcasting Decision CRTC 2007-167, 8 June 2007,

<sup>195</sup> There were 16 English-language category 1 digital specialty services authorized by the Commission in November 2000. One of these, WSTN (Women's Sport Television Network), is no longer in operation.

<sup>196</sup> There were five French-language category 1 digital specialty services authorized by the Commission in November 2000. The licensees of Télé Ha! Ha! and Perfecto, La Chaîne have decided not to launch these services.

English-language, 15 French-language, 7 bilingual, and 194 Ethnic or third-language. Of these services, 81 services have been launched: 50 English-language, 2 French-language, one bilingual and 28 Ethnic.

***b) Pay services***

Five English-language and one French-language pay television services were licensed prior to 1995. In May 2006,<sup>197</sup> the Commission approved a new national English-language general interest pay service. The Commission also approved 33 pay services of which 26 were digital category 2 pay services. As of 31 December 2007, seven digital category 2 pay services were launched: two English-language, one French-language, and four third-language.

***c) PPV services***

There were seven terrestrial pay-per-view services: five English-language, one bilingual and one French-language. There were six direct-to-home (DTH) pay-per-view services: four English-language, one bilingual, and one French-language.

***d) VOD services***

As of 31 December 2007, there were 18 licensed video-on-demand programming undertakings, ten of which have been launched.

***e) Over-the-air transitional (OTA) digital television services***

As of 31 December 2007, there were 21 originating stations and seven rebroadcasters authorized transitional digital OTA television licences.

**National public broadcaster**

The Canadian Broadcasting Corporation / Société Radio-Canada (CBC/SRC) is Canada's national public broadcaster. Pursuant to subparagraph 3(1)(l) of the *Broadcasting Act*, the CBC/SRC should provide radio and television services, both over-the-air conventional and specialty services, incorporating a wide range of programming that informs, enlightens and entertains.

The CBC/SRC operates two national over-the-air conventional television network services, one in English and the other in French. The CBC/SRC also provides a distinctive television service in northern Canada, broadcasting in English, French and eight Aboriginal languages. Privately-owned stations affiliated with the CBC/SRC allow it to reach more Canadians.

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<sup>197</sup> *Applications for new pay television services*, Broadcasting Decision CRTC 2006-193, 18 May 2006

With regards to specialty services, the CBC/SRC owns and operates a number of services:

- CBC Newsworld, a national English-language news and information specialty service
- Le Réseau de l'information (RDI), a national French-language news and information specialty service; and
- bold<sup>198</sup>, a national English-language category 1 digital specialty service.
- Documentary<sup>199</sup>, a national English-language category 1 digital specialty service that broadcasts documentary programming on a 24-hour basis (82% owned).

The CBC/SRC also has partial ownership interests in specialty services as well. It has a 45% ownership in ARTV<sup>200</sup>, a national French-language specialty service dedicated to the arts.

### Transfer Benefits

As shown in table 4.3.24 for 2007, transfer benefits were \$291.1 million. This represents more than 50% of the accumulated benefits for the period 11 June 1999 to 31 December 2006. The total amount for the period 11 June 1999 to 31 December 2006 was \$545.6 million. This increase can be attributed to three major ownership changes as of 31 December 2007:

- i. CTVglobemedia acquisition of CHUM's eight conventional TV stations and twenty Specialty services<sup>201</sup>
- ii. Rogers acquisition of CHUM's five CityTV stations<sup>202</sup>
- iii. Canwest acquisition of Alliance Atlantis' thirteen Specialty services.<sup>203</sup>

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<sup>198</sup> Previously referred to as Country Canada

<sup>199</sup> Previously referred to as Canadian Documentary Channel

<sup>200</sup> In *change of effective control of ARTV*, Broadcasting Decision CRTC 2008-126, 20 June 2008, the Commission approved, subject to certain conditions, a change in ARTV's effective control. The CBC's voting interest in ARTV will increase from 45.1% to 60.7%.

<sup>201</sup> CTVglobemedia and CHUM reflect the *Transfer of effective control of CHUM Limited to CTVglobemedia Inc.* Broadcasting Decision CRTC 2007-165, 8 June 2007.

<sup>202</sup> Pursuant to conditions of approval in CRTC 2007-165, CHUM's City-TV stations were held in trust pending their acquisition by a third party, which was approved in *Transfer of effective control of 1708487 Ontario Inc., 1738700 Ontario Inc. and CHUM Television Vancouver Inc. to Rogers Media Inc.* - Broadcasting Decision CRTC 2007-360, 28 September 2007.

<sup>203</sup> Canwest reflects the *Transfer of effective control of Alliance Atlantis Broadcasting Inc.'s* broadcasting companies to Canwest MediaWorks Inc. Broadcasting Decision CRTC 2007-429, 20 December 2007. Refer to Table 4.3.17 for details and corresponding footnote 1.



## Statistical Information - Television

**Table 4.3.1 Number and type of television services authorized to broadcast in Canada**

	English Language		French Language		Third language		All Languages	
	2006	2007	2006	2007	2006	2007	2006	2007
<b>Canadian conventional (over-the-air) (OTA)<sup>1</sup></b>								
National public broadcaster (CBC)								
Owned and operated	15	15	8	8	-	-	23	23
Transitional digital <sup>7</sup>	4	4	3	3	-	-	7	7
Private commercial <sup>8</sup>	74	75	23	23	4	6	101	104
Religious <sup>9</sup>	5	7	-	-	-	-	5	7
Educational	4	4	3	3	-	-	7	7
Aboriginal	7	7	-	-	-	-	7	7
Transitional digital <sup>7</sup>	8	9	3	3	3	2	14	14
<b>Canadian specialty, pay, pay-per-view (PPV) and video-on-demand (VOD)</b>								
Analog specialty services	30	30	14	14	5	5	49	49
Digital category 1 specialty services	15	15	3	3	-	-	18	18
Digital category 2 specialty services <sup>2</sup>	51	51	2	2	26	28	79	81
Pay television services <sup>3</sup>	7	8	2	2	4	4	13	14
PPV services (direct-to-home (DTH) and terrestrial)	11	11	2	2	-	-	13	13
VOD services <sup>4</sup>	15	17	1	1	-	-	16	18
<b>Other Canadian services</b>								
Community channels <sup>5</sup>	102	101	32	30	-	-	134	131
Community program services	11	11	1	1	-	-	12	12
House of Commons - Cable Public Affairs Channel (CPAC)	1	1	1	1	-	-	2	2
<b>Non-Canadian services<sup>6</sup></b>								
Non-Canadian satellite services authorized for distribution in Canada	85	90	6	7	71	81	162	178
<b>Total number of television services</b>	<b>445</b>	<b>456</b>	<b>104</b>	<b>103</b>	<b>113</b>	<b>126</b>	<b>662</b>	<b>685</b>

Notes: Excludes radiocommunication distribution undertakings (RDU), re-broadcasters, exempt television services and those specialty services where the authority has expired. Also, excludes some network licences.

However, English-language includes bilingual (English and French) and native services.

1. Includes satellite to cable services.

2. Includes only digital category 2 specialty services that have been launched as of 31 December. As of 31 December 2007, the Commission approved 351 digital category 2 specialty services.

3. Includes only pay services that have been launched as of 31 December. 33 pay services have been approved by the Commission.

4. Number of services approved but not necessarily in operation. Five English-language, one French-language and 12 bilingual VOD services have been approved. Of these, it is estimated that, as of 31 December 2007, 10 had been launched.

5. Number of channels reported by BDU licensees as of 31 August. Excludes class 2 and 3 BDUs.

6. Carriage of authorized services is at the discretion of the BDU. Refer to Appendix 2 of *Revised lists of eligible satellite services*, Broadcasting Public Notice CRTC 2008-8, 18 January 2008 for complete listing of eligible services approved to the end of 31 December 2007.

7. Number of OTA transitional digital television approved, but not necessarily in operation. As of 31 December 2007, 18 stations were broadcasting. Refer to Table 4.3.2 for detailed listing.

8. Excludes private commercial religious stations.

9. Includes 5 private commercial OTA television stations.

Source: CRTC APP1205 report dated 31 December 2007, CRTC decisions and CRTC data collection.

**Table 4.3.2 Over-the-air transitional digital television**

Market	Broadcasting Station	Language	Source station		Actual or planned launch date
Montréal		F	CFJP	TQS	-
		F	CBFT	SRC	March 2005
		F	CIVM	Télé-Québec ( <i>educational &amp; cultural service</i> )	September 2007
		F	CFTM	TVA	August 2009
		E	CBMT	CBC	March 2005
Québec		F	CBVT	SRC	January 2006
Ottawa	R	F	CBOFT	SRC	September 2006
		E	CKXT	Quebecor	September 2008
	R	E	CBOT	CBC	September 2006
	R	O/E	OMNI 1	Rogers ( <i>Toronto ethnic stations</i> )	June 2007
Toronto	R	O/E	OMNI 2	Rogers ( <i>Toronto ethnic stations</i> )	June 2007
		F	CBLFT	Rebroad of CBOFT Ottawa station with regional news programming	September 2005
		E	CBLT	CBC	March 2005
		E	CFTO	CTV	July 2005
		E	CIII	Global	November 2004
		E	CITS	Crossroads ( <i>religious programming</i> )	January 2008
		E	CITY	Rogers	January 2003
		E	CKXT	Quebecor	February 2004
		O/E	OMNI 1	Rogers ( <i>ethnic station</i> )	October 2006
		O/E	OMNI 2	Rogers ( <i>ethnic station</i> )	October 2006
London	R	E	CKXT	Quebecor	September 2008
Hamilton	R	E	CHCH	Global	February 2008
		E	CKXT	Quebecor ( <i>Toronto station</i> )	February 2004
Vancouver		E	CBUT	CBC	January 2006
		E	CHAN	Global	February 2008
		E	CIVT	CTV	July 2005
		O/E	CHNM	Multivan ( <i>ethnic station</i> )	-
Victoria	R	O/E	CHNM	Multivan ( <i>Vancouver station</i> )	-

Notes: 1. Number of stations approved as of 31 December 2007 but not necessarily in operation.

2. E: English; F: French; O/E: Multi/English; R: Rebroadcaster

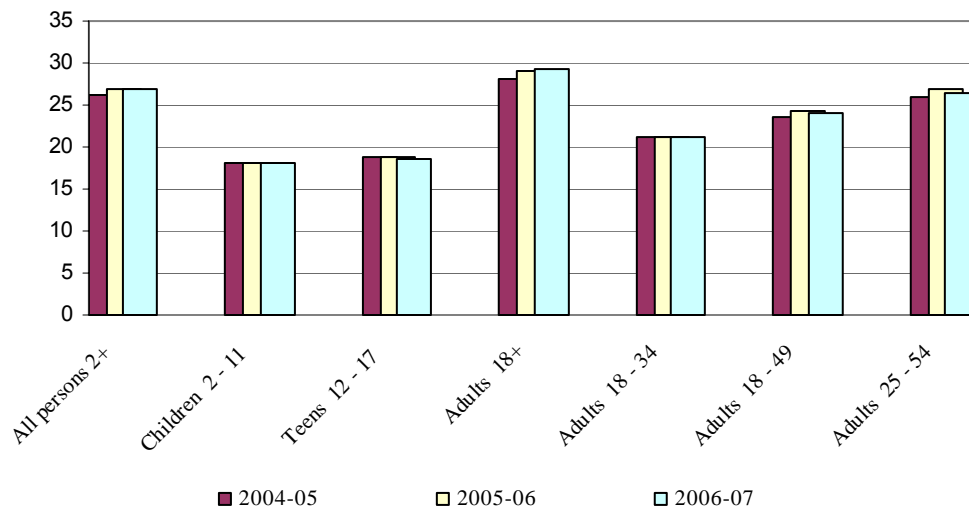
Source: CRTC APP 1205 (31 December 2007) and licensees

**Table 4.3.3: National average weekly viewing hours by age group  
(All persons 2+, Monday to Sunday, 6 a.m. to 6 a.m.)**

	2004-05	2005-06	2006-07
All persons 2+	26.1	26.9	26.8
<i>Annual Growth</i>	<i>n/a</i>	<i>3.1%</i>	<i>-0.4%</i>
Children 2 - 11	18.0	18.2	18.1
<i>Annual Growth</i>	<i>n/a</i>	<i>1.1%</i>	<i>-0.5%</i>
Teens 12 - 17	18.7	18.8	18.5
<i>Annual Growth</i>	<i>n/a</i>	<i>0.5%</i>	<i>-1.6%</i>
18+	28.1	29.0	29.2
<i>Annual Growth</i>	<i>n/a</i>	<i>3.2%</i>	<i>0.7%</i>
18 - 34	21.2	21.2	21.2
<i>Annual Growth</i>	<i>n/a</i>	<i>0.0%</i>	<i>0.0%</i>
18 - 49	23.5	24.2	24.0
<i>Annual Growth</i>	<i>n/a</i>	<i>3.0%</i>	<i>-0.8%</i>
25 - 54	26.0	27.0	26.5
<i>Annual Growth</i>	<i>n/a</i>	<i>3.8%</i>	<i>-1.9%</i>

Source: BBM Canada 2006-2007 TV Meter Databook.

**Figure 4.3.1: National average weekly viewing hours by age group  
(All persons 2+, Monday to Sunday, 6 a.m. to 6 a.m.)**



Source: BBM Canada 2006-07 TV Meter Databook.

**Table 4.3.4 Viewing share of Canadian and non-Canadian services by language and type of service – All Canada, excluding Quebec Franco market 2004/2005 – 2006/2007 television seasons<sup>1</sup> (Part 1 of 2)**

Viewing Share (%)	2004-2005	2005-2006	2006-2007	2004/2005- 2006-2007 Inc./.(Dec.)
<b>Canadian Services</b>				
English-language				
CBC	4.9	5.7	5.0	0.10
Private conventional OTA	28.3	26.9	25.6	-2.70
Specialty	27.8	28.9	28.4	0.60
Pay	4.1	4.3	4.8	0.70
Digital pay & specialty	3.1	2.9	3.4	0.30
Other services <sup>2</sup>	2.5	2.7	2.7	0.20
Total English-language	70.6	71.3	69.6	-1.00
<i>Percent growth</i>		1%	-2%	
French-language				
SRC	0.5	0.5	0.7	0.20
Private conventional OTA	0.4	0.5	0.6	0.20
Télé-Québec	0.0	0.0	0.0	0.00
Other Services <sup>3</sup>	0.0	0.0	0.0	0.00
Specialty	0.4	0.5	0.7	0.30
Pay	0.0	0.0	0.1	0.10
Digital pay & specialty	0.0	0.0	0.0	0.00
Total French-language	1.4	1.7	2.2	0.80
<i>Percent growth</i>		21%	29%	
Other-languages				
Private conventional OTA	1.3	1.2	1.2	-0.10
Specialty	0.3	0.3	0.3	0.00
Digital	0.1	0.0	0.1	0.00
APTN	0.1	0.1	0.2	0.10
Total Other-languages	1.8	1.6	1.7	-0.10
<i>Percent growth</i>		-11%	6%	
Community Services	1.0	0.9	0.9	-0.10
Demand/Pay per View	0.3	0.4	0.4	0.10
<b>Total Canadian services</b>	75.1	75.9	74.9	-0.20
<i>Percent growth</i>		1%	-1%	

**Table 4.3.4 Viewing share of Canadian and non-Canadian services by language and type of service – All Canada , excluding Quebec Franco market 2004/2005 – 2006/2007 television seasons<sup>1</sup> (Part 2 of 2)**

<b>Non-Canadian services</b>				
U.S. conventional OTA	14.5	13.7	12.8	-1.70
U.S. specialty	8.5	8.4	9.7	1.20
International	0.2	0.1	0.1	-0.10
<b>Total non-Canadian services</b>	<b>23.2</b>	<b>22.2</b>	<b>22.6</b>	<b>-0.60</b>
<i>Percent growth</i>		<i>-4%</i>	<i>2%</i>	
Misc	1.8	2.0	2.7	0.90
<i>Percent growth</i>		<i>11%</i>	<i>35%</i>	
<b>Total Viewing Share</b>	<b>100</b>	<b>100</b>	<b>100</b>	
Total hours (millions)	623.3	654.0	659.2	35.90
<i>Percent growth</i>		<i>5%</i>	<i>1%</i>	

- Notes:
1. Television seasons: 2004/05: 30 August 2004 to 28 August 2005; 2005/06: 29 August 2005 to 27 August 2006; 2006/07: 28 August 2006 to 26 August 2007. All persons 2+, Monday to Sunday, 6 a.m. to 6 a.m.
  2. Includes Access, Knowledge, SCN, TVO, CTS, and CJIL
  3. Includes TFO.
  4. Minor variances are due to rounding.

Source: BBM Nielsen Media Research (InfoSys – run April 2008)

**Table 4.3.5 Viewing share of Canadian and non-Canadian services by language and type of service in the Quebec Franco market  
2004/2005 – 2006/2007 television seasons<sup>1</sup>**

Viewing share (%)	2004-2005	2005-2006	2006-2007	2004/2005- 2006-2007 Inc./.(Dec.)
<b>Canadian Services</b>				
French-language				
SRC	14.7	14.5	12.8	(1.9)
Private conventional OTA	40.8	40.4	37.8	(3.0)
Télé-Québec OTA	4.1	3.2	3.1	(1.0)
Other services <sup>(2)</sup>	0.2	0.2	0.2	0.0
Specialty	27.7	29.7	34.0	0.0
Pay	4.6	4.1	4.5	(0.1)
Digital pay & specialty	0.4	0.9	1.3	0.0
Total French-language	92.5	93.0	93.6	1.1
<i>Growth</i>		1%	1%	
English-language				
CBC	0.5	0.6	0.5	0.0
Private conventional OTA	2.2	2.0	2.0	(0.2)
Specialty	1.9	1.9	1.7	(0.2)
Pay	0.0	0.0	0.0	0.0
Digital pay & specialty	0.0	0.0	0.0	0.0
Total English-language	4.6	4.6	4.2	(0.4)
<i>Growth</i>		0%	-9%	
Other - languages				
Private conventional OTA	0.3	0.2	0.3	0.0
Specialty	0.1	0.1	0.0	(0.1)
Digital	0.0	0.0	0.0	0.0
APTN	0.0	0.0	0.0	0.0
Total Other-language	0.4	0.4	0.3	(0.1)
Community Services	0.3	0.3	0.3	0.0
Demand/Pay per View	0.0	0.0	0.0	0.0
<b>Total Canadian services</b>	97.8	98.2	98.5	0.7
<i>Growth</i>		0.4%	0%	
<b>Non-Canadian services</b>				
US conventional OTA	1.4	1.0	0.8	(0.6)
US Specialty	0.8	0.8	0.8	0.0
International	0.0	0.0	0.0	0.0
<b>Total non-Canadian services</b>	2.2	1.9	1.6	(0.6)
<i>Percent growth</i>		-14%	-16%	
Misc	0.0	0.0	0.0	0.0
Total Viewing Share	100	100	100	
Total hours (millions)	184.8	189.0	191.2	
<i>Percent growth</i>		2%	1%	

Notes: 1. Television seasons: 2004/05: 30 August 2004 to 28 August 2005; 2005/06: 29 August 2005 to 27 August 2006; 2006/07: 28 August 2006 to 26 August 2007. All persons 2+, Monday to Sunday, 6 a.m. to 6 a.m.

2. Includes TFO

3. Minor variances are due to rounding.

Source: BBM Canada (InfoSys - run April 2008)

**Table 4.3.6 Viewing of Canadian and non-Canadian programs distributed by Canadian English-language television services by program origin and genre – All Canada, excluding Quebec Franco market  
All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	92.4	22.6%	94.1%	97.9	20.6%	94.9%	94.3	20.4%	94%
Long-form documentary	19.8	4.8%	61.6%	21.6	4.6%	57.1%	23.2	5.0%	55%
Sports	46.2	11.3%	69.2%	73.5	15.5%	75.6%	58.5	12.6%	76%
Drama / Comedy	157.2	38.5%	21.9%	181.1	38.2%	23.0%	188.3	40.7%	21%
Music / Dance / Variety	15.4	3.8%	79.5%	16.5	3.5%	76.0%	10.9	2.4%	54%
Other	77.8	19.0%	29.7%	83.7	17.6%	34.8%	87.6	18.9%	36%
Total	408.8		49.1%	474.3		51.5%	462.8		48%

Notes:

1. Based on Canadian services with available program level data that incorporates country of origin and program genre
2. Includes viewing of ethnic stations

Source: BBM Nielsen Media Research (InfoSys – run April 2008)

**Table 4.3.7 Viewing of Canadian and non-Canadian programs distributed by Canadian English-language private conventional services by program origin and genre – All Canada, excluding Quebec Franco market  
All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	32.7	22.2%	97.0%	33.4	22.4%	97.7%	32.6	22.5%	96.9%
Long-form documentary	1.8	1.2%	85.9%	1.8	1.2%	86.2%	2.1	1.4%	84.1%
Sports	3.4	2.3%	10.9%	3.4	2.3%	6.5%	2.6	1.8%	8.0%
Drama / Comedy	64.1	43.4%	9.5%	65.4	43.8%	7.0%	61.3	42.2%	8.1%
Music / Dance / Variety	3.3	2.2%	33.8%	4.5	3.0%	28.5%	4.7	3.3%	20.5%
Other	42.3	28.7%	15.6%	40.7	27.3%	19.8%	41.8	28.8%	20.0%
Total	147.7		32.2%	149.2		32.4%	145.2		33.0%

Notes:

1. Based on Canadian services with available program level data that incorporates country of origin and program genre
2. Includes viewing of ethnic stations

Source: BBM Nielsen Media Research (InfoSys – run April 2008)



**Table 4.3.8 Viewing of Canadian and non-Canadian programs distributed by English-language CBC conventional services by program origin and genre - All Canada, excluding Quebec Franco market  
All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	5.9	21.7%	99.1%	4.9	14.7%	98.5%	5.3	17.6%	100.0%
Long-form documentary	1.4	5.0%	87.8%	1.1	3.3%	87.6%	1.3	4.2%	85.6%
Sports	4.4	16.2%	100.0%	15.3	45.7%	100.0%	10.8	35.9%	99.9%
Drama / Comedy	13.8	50.9%	33.5%	10.6	31.7%	37.1%	10.7	35.3%	31.3%
Music / Dance / Variety	0.3	1.2%	93.9%	0.3	1.0%	95.2%	0.1	0.5%	91.1%
Other	1.4	5.0%	80.3%	1.2	3.5%	93.4%	2.0	6.6%	94.9%
Total	27.1		64.3%	33.4		79.1%	30.2		74.7%

Note: Based on Canadian services with available program level data that incorporates country of origin and program genre

Source: BBM Nielsen Media Research (InfoSys – run April 2008)

**Table 4.3.9 Viewing of Canadian and non-Canadian programs distributed by Canadian English-language pay and specialty services by program origin and genre – All Canada, excluding Quebec Franco market  
All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	52.5	24.7%	91.8%	57.8	22.2%	93.1%	54.5	21.1%	92.1%
Long-form documentary	14.4	6.8%	57.5%	16.0	6.1%	53.8%	16.8	6.5%	50.1%
Sports	35.1	16.5%	70.4%	47.4	18.2%	72.6%	41.2	15.9%	74.0%
Drama / Comedy	69.6	32.8%	29.2%	92.0	35.3%	31.4%	102.4	39.6%	26.2%
Music / Dance / Variety	11.5	5.4%	92.4%	11.5	4.4%	94.0%	5.8	2.2%	80.6%
Other	29.4	13.8%	43.9%	36.1	13.8%	47.5%	37.8	14.6%	48.3%
Total	212.4		58.9%	260.8		58.9%	258.5		53.7%

Notes:

1. Based on Canadian services with available program level data that incorporates country of origin and program genre
2. Includes viewing of ethnic stations and third-language services. The coding of MTV service began 1 May 2006. In 2006-07, Treehouse TV, Family, TMN and Mpix coded programs were included in the data.

Source: BBM Nielsen Media Research (InfoSys – run April 2008)

**Table 4.3.10 Viewing of Canadian and non-Canadian programs distributed by Canadian French-language television services by program origin and genre - Quebec Franco market , All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	40.0	24.3%	98.0%	41.6	24.7%	99.0%	38.7	22.9%	99.0%
Long-form documentary	8.2	5.0%	58.0%	9.3	5.5%	54.0%	9.3	5.5%	53.2%
Sports	6.0	3.6%	90.0%	11.6	6.9%	80.0%	10.4	6.1%	78.3%
Drama / Comedy	72.5	44.0%	35.0%	66.7	39.7%	35.0%	72.0	42.5%	36.6%
Music / Dance / Variety	4.7	2.9%	100.0%	6.0	3.6%	100.0%	5.1	3.0%	91.7%
Other	33.4	20.3%	87.0%	32.9	19.6%	83.0%	33.9	20.0%	82.5%
Total	164.8		65.0%	168.1		66.0%	169.4		65.2%

Note:

1. Based on Canadian services with available program level data that incorporates country of origin and program genre.

Source: BBM Canada (InfoSys – run April 2008)

**Table 4.3.11 Viewing of Canadian and non-Canadian programs distributed by Canadian French-language private conventional television services by program origin and genre – Quebec Franco market , All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	26.5	35.4%	100.0%	28.4	37.6%	100.0%	26.1	36.5%	100.0%
Long-form documentary	0.9	1.2%	100.0%	1.4	1.9%	100.0%	0.6	0.8%	76.4%
Sports	0.8	1.1%	100.0%	0.9	1.2%	100.0%	0.7	0.9%	100.0%
Drama / Comedy	28.4	37.9%	26.0%	25.5	33.7%	25.0%	24.9	34.7%	28.7%
Music / Dance / Variety	0.9	1.2%	100.0%	2.4	3.2%	100.0%	1.4	2.0%	97.9%
Other	17.4	23.2%	88.0%	17.0	22.5%	85.0%	18.0	25.1%	82.8%
Total	74.9		69.0%	75.6		71.0%	71.6		70.7%

Note:

1. Based on Canadian services with available program level data that incorporates country of origin and program genre.

Source: BBM Canada (InfoSys – run April 2008)

**Table 4.3.12 Viewing of Canadian and non-Canadian programs distributed by French-language SRC conventional services by program origin and genre – Quebec Franco market , All persons 2+, 6 a.m. to 6 a.m.**

Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	7.3	27.0%	100.0%	7.8	28.8%	100.0%	7.3	30.0%	100.0%
Long-form documentary	0.5	1.9%	100.0%	0.4	1.5%	100.0%	0.5	1.9%	87.5%
Sports	1.0	3.7%	100.0%	1.6	5.9%	100.0%	0.2	0.8%	100.0%
Drama / Comedy	9.3	34.4%	58.0%	8.7	32.1%	61.0%	8.8	36.1%	62.7%
Music / Dance / Variety	1.0	3.7%	100.0%	0.7	2.6%	100.0%	0.8	3.5%	99.8%
Other	7.9	29.3%	99.0%	7.9	29.2%	91.0%	6.8	27.8%	99.6%
Total	27.0		85.0%	27.1		85.0%	24.3		86.2%

Note: Based on Canadian services with available program level data that incorporates country of origin and program genre.

Source: BBM Canada (InfoSys – run April 2008)

**Table 4.3.13 Viewing of Canadian and non-Canadian programs distributed by Canadian French-language pay and specialty services by program origin and genre – Quebec Franco market , All persons 2+, 6 a.m. to 6 a.m.**

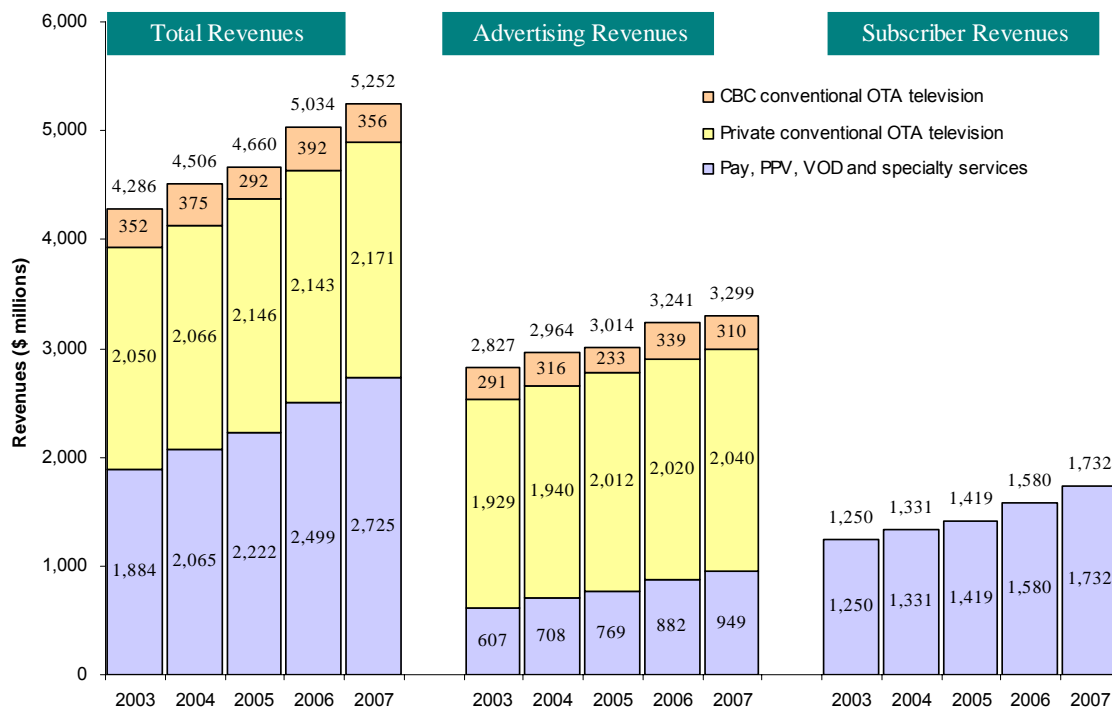
Average weekly viewing hours (millions)	2004-2005			2005-2006			2006-2007		
	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian	Hours	Percent of total hours	Percent Canadian
News analysis and interpretation	5.8	10.5%	85.0%	5.1	8.6%	88.0%	5.1	7.5%	92.7%
Long-form documentary	6.0	10.8%	50.0%	6.8	11.4%	47.0%	7.6	11.3%	49.7%
Sports	4.2	7.6%	59.0%	9.1	15.3%	75.0%	9.6	14.2%	76.4%
Drama / Comedy	30.7	55.3%	34.0%	29.2	49.2%	35.0%	35.0	51.8%	34.2%
Music / Dance / Variety	2.5	4.5%	83.0%	2.7	4.5%	79.0%	2.6	3.9%	85.0%
Other	6.3	11.4%	68.0%	6.5	10.9%	69.0%	7.7	11.4%	66.6%
Total	55.5		49.0%	59.4		53.0%	67.5		52.0%

Notes:

1. Based on Canadian services with available program level data that incorporates country of origin and program genre.
2. Coding of SuperEcran started in July 2004.

Source: BBM Canada (InfoSys – run April 2008)

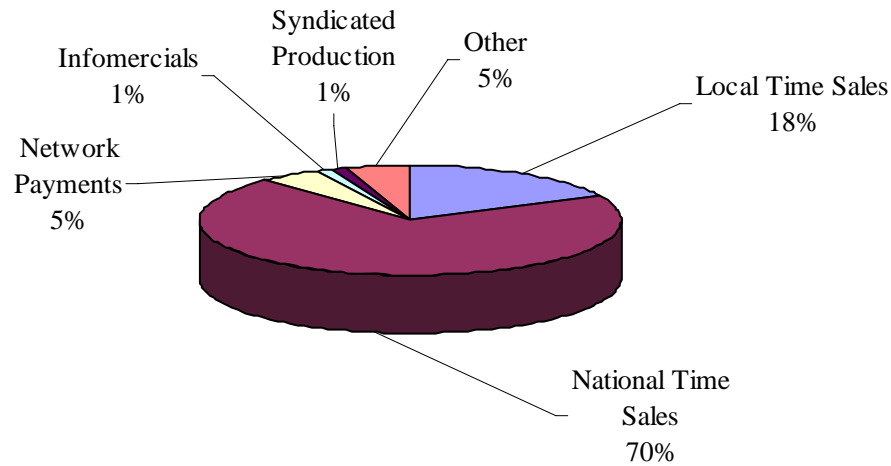
**Figure 4.3.2 Television revenues: CBC and private conventional OTA television, pay, PPV, VOD and specialty services**



Source: CRTC data collection

- Notes:
1. Advertising revenue includes infomercial sales. Includes CBC commercial revenues only – does not include parliamentary appropriations. Total revenue includes "other revenue".
  2. 2003-2006 figures have been updated to reflect current 31 August aggregate results.
  3. Minor variances are due to rounding

**Figure 4.3.3 Source of Revenues for Conventional Television (2007)**



Source : CRTC data collection

**Table 4.3.14 Advertising and other revenues: CBC conventional OTA television stations (owned and operated)**

Revenues (\$ Millions)						CAGR
	2003	2004	2005	2006	2007	2003-2007
<b>CBC conventional OTA television</b>						
Advertising revenues						
English-language stations	190	223	133	224	203	2%
Growth	-12%	17%	-41%	69%	-10%	
French-language stations	100	93	100	115	108	2%
Growth	-8%	-8%	8%	14%	-6%	
Advertising total	291	316	233	339	310	2%
Growth	-11%	9%	-26%	45%	-8%	
Other revenues	62	60	59	53	45	-8%
Growth	-11%	-4%	-1%	-10%	-15%	
Total	352	375	292	392	356	0%
Growth	-11%	6%	-22%	34%	-9%	

Notes:

1. "Other revenues" includes commercial revenues only - does not include parliamentary appropriations.
2. Minor variances are due to rounding.

Source: CRTC data collection

**Table 4.3.15 Advertising and other revenues: Private conventional OTA television stations**

						CAGR 2003-2007
Revenues (\$ millions)	2003	2004	2005	2006	2007	
<b>English-language stations*</b>						
Advertising	1,611	1,614	1,683	1,693	1,717	2%
<i>Annual Growth</i>		0%	4%	1%	1%	
<i>Percentage of subtotal</i>	96%	95%	95%	96%	96%	
Other	73	79	81	63	73	0%
<i>Annual Growth</i>		8%	3%	-22%	16%	
<i>Percentage of subtotal</i>	4%	5%	5%	4%	4%	
Subtotal	1,684	1,693	1,764	1,756	1,790	2%
<i>Annual Growth</i>		1%	4%	0%	2%	
<b>French-language stations</b>						
Advertising	318	325	329	327	323	0%
<i>Annual Growth</i>		2%	1%	-1%	-1%	
<i>Percentage of subtotal</i>	87%	87%	86%	84%	85%	
Other	48	48	54	60	58	5%
<i>Annual Growth</i>		0%	13%	11%	-3%	
<i>Percentage of subtotal</i>	13%	13%	14%	16%	15%	
Subtotal	366	373	383	387	381	1%
<i>Annual Growth</i>		2%	3%	1%	-2%	
<b>Total</b>						
Advertising	1,929	1,939	2,012	2,020	2,040	1%
<i>Annual Growth</i>		1%	4%	0%	1%	
<i>Percentage of total</i>	94%	94%	94%	94%	94%	
Other	121	127	135	123	131	2%
<i>Annual Growth</i>		5%	6%	-9%	7%	
<i>Percentage of total</i>	6%	6%	6%	6%	6%	
Total	2,050	2,066	2,147	2,143	2,171	1%
<i>Annual Growth</i>		1%	4%	-0%	1%	

Notes: 1. \* Includes revenues from ethnic OTA stations, as a significant portion of their revenues are derived from English-language programming.  
2. 2003-2006 figures have been updated to reflect current 31 August aggregate results.  
3. Minor variances are due to rounding.

Source: CRTC data collection



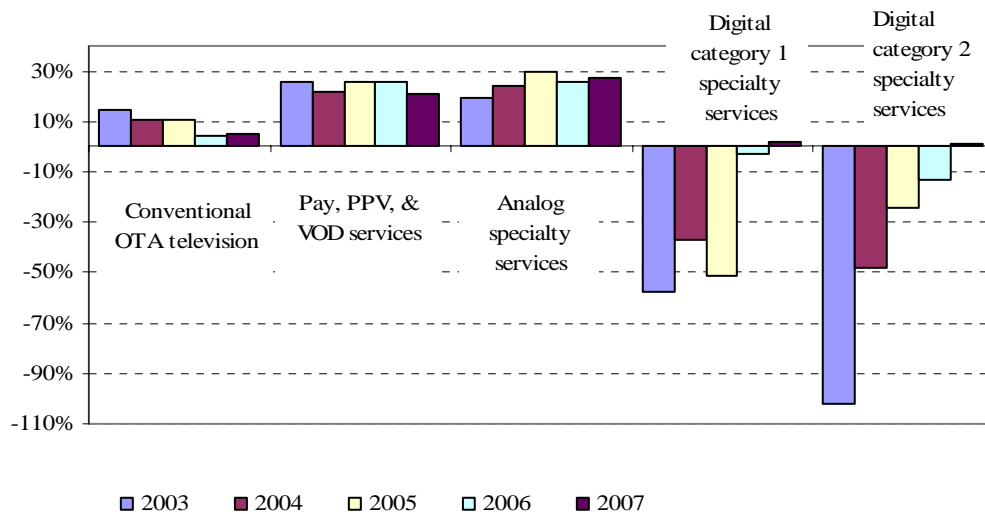
**Table 4.3.16 Revenues: Pay, PPV, VOD and specialty analog and digital services**

Services	Revenues (\$ thousands)			PBIT (\$ thousands)			PBIT Margin		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
Specialty services									
<i>English-language*</i>									
Analog	1,292,836	1,416,583	1,505,592	409,614	361,405	406,865	31.7%	25.5%	27.0%
Digital category 1	57,103	63,429	67,726	-24,815	458	1,120	-43.5%	0.7%	1.7%
Digital category 2	86,455	115,272	143,262	-23,526	-14,352	3,028	-27.2%	-12.5%	2.1%
Subtotal	1,436,395	1,595,284	1,716,579	361,273	347,511	411,013	25.2%	21.8%	23.9%
<i>French-language</i>									
Analog	314,580	345,024	374,889	79,394	88,889	103,905	25.2%	25.8%	27.7%
Digital category 1	1,235	7,404	11,181	-5,223	-2,640	186	-423%	-35.7%	1.7%
Digital category 2	61	405	2,338	-234	-1,636	-976	-382%	-404%	-42%
Subtotal	315,876	352,834	388,408	73,937	84,614	103,115	23.4%	24.0%	26.5%
<i>Ethnic and third-language</i>									
Analog	50,088	58,939	64,129	11,789	15,662	17,577	23.5%	26.6%	27.4%
Digital category 1									
Digital category 2	9,939	9,652	8,545	907	287	-1,035	9.1%	3.0%	-12%
Subtotal	60,027	68,591	72,674	12,696	15,949	16,542	21.2%	23.3%	22.8%
<i>Total specialty services</i>									
Analog	1,657,504	1,820,547	1,944,609	500,797	465,956	528,348	30.2%	25.6%	27.2%
Digital category 1	58,338	70,833	78,907	-30,038	-2,182	1,306	-51.5%	-3.1%	1.7%
Digital category 2**	96,456	125,329	154,145	-22,853	-15,700	1,016	-23.7%	-12.5%	0.7%
Subtotal	1,812,297	2,016,708	2,177,661	447,906	448,074	530,670	24.7%	22.2%	24.4%
Pay, PPV and VOD services									
Pay services**	298,225	325,078	349,797	88,489	96,171	93,882	29.7%	29.6%	26.8%
PPV services-Terrestrial & DTH	80,293	103,618	118,951	13,166	22,841	16,850	16.4%	22.0%	14.2%
VOD	31,276	53,629	78,805	6,328	5,795	5,732	20.2%	10.8%	7.3%
Subtotal	409,795	482,325	547,553	107,983	124,807	116,465	26.4%	25.9%	21.3%
Total	2,222,092	2,499,033	2,725,214	555,889	572,881	647,135	25.0%	22.9%	23.7%

- Notes: 1. \* Includes bilingual services  
2. \*\*Numbers for certain services above may not exactly match the results published in the *Statistical and Financial Summaries* booklet due to reclassification of service language or type.  
3. 2005-2006 figures have been updated to reflect current August 31<sup>st</sup> aggregate results.

Source: CRTC data collection

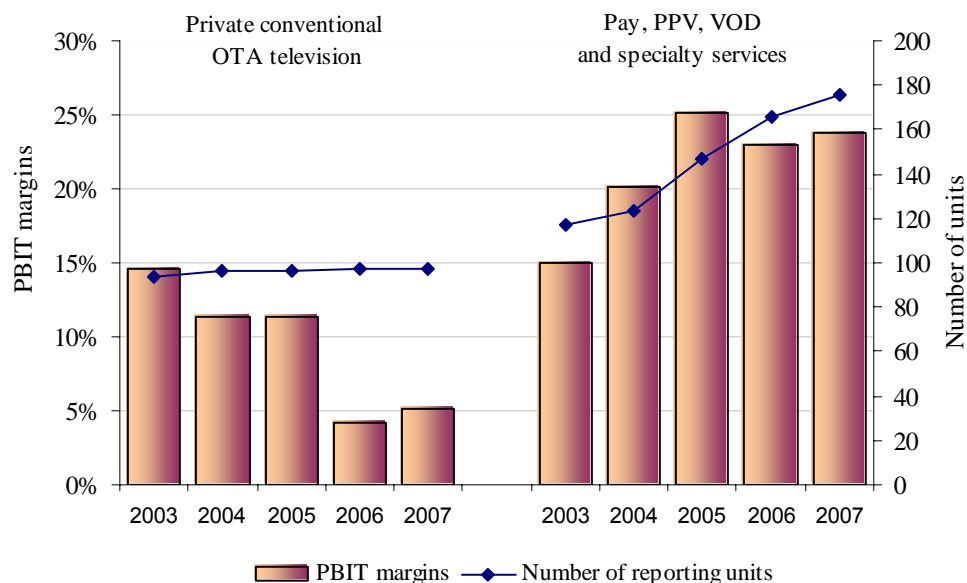
**Figure 4.3.4 Aggregate PBIT margins for Private commercial OTA conventional television, pay, PPV & VOD services, analog, digital category 1 and category 2 specialty services**



Source: CRTC Data Collection

Note: 2003-2006 figures have been updated to reflect current 31 August 31 aggregate results.

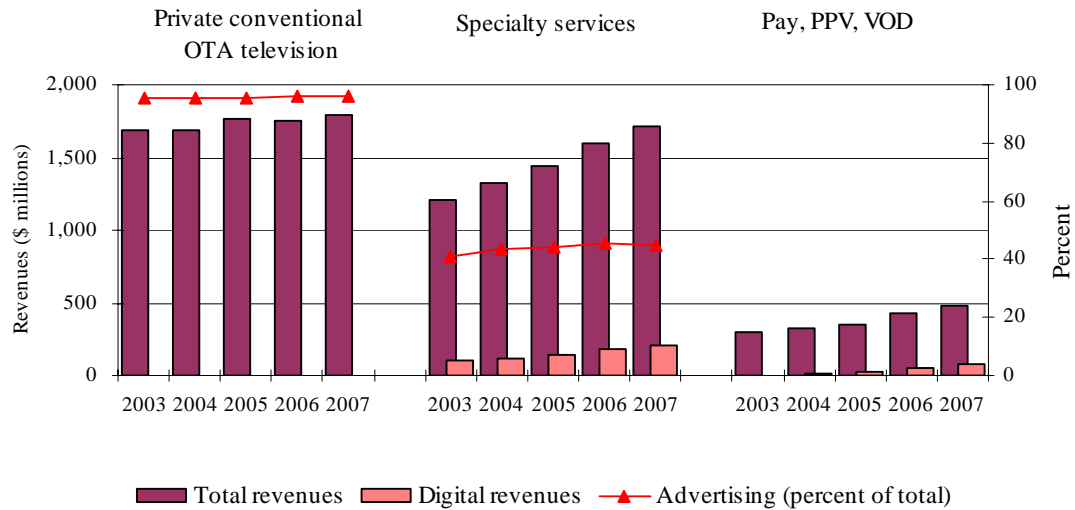
**Figure 4.3.5 Aggregate PBIT margins for private conventional OTA television, pay, PPV, VOD and specialty services**



Source: CRTC data collection

Note: 2003-2006 figures have been updated to reflect current 31 August aggregate results

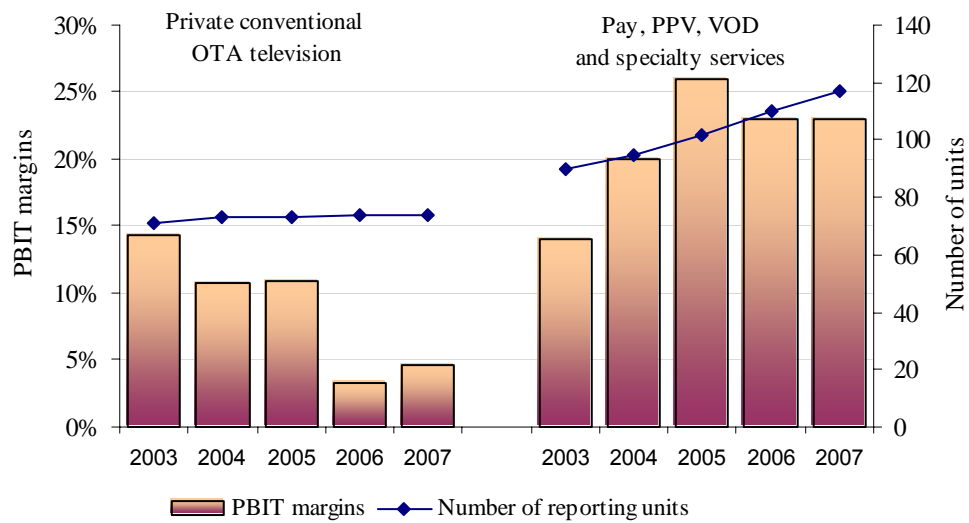
**Figure 4.3.6 Revenues of English-language private conventional OTA television, specialty, pay, PPV, VOD services**



Source: CRTC Data Collection

Note: 2003-2006 figures have been updated to reflect current 31 August aggregate results.

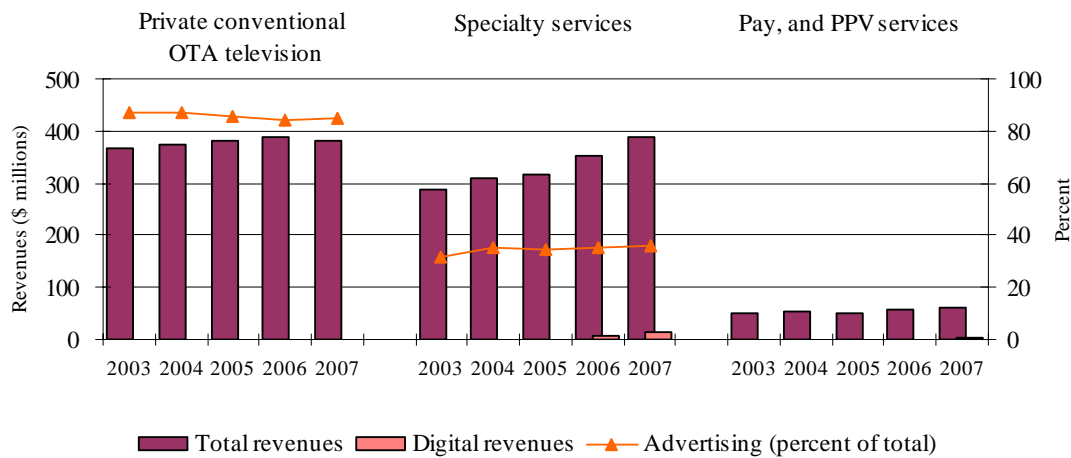
**Figure 4.3.7 Aggregate PBIT margins English-language private conventional OTA television, pay, PPV, VOD and specialty services**



Source: CRTC Data Collection

Note: 2003-2006 figures have been updated to reflect current 31 August aggregate results.

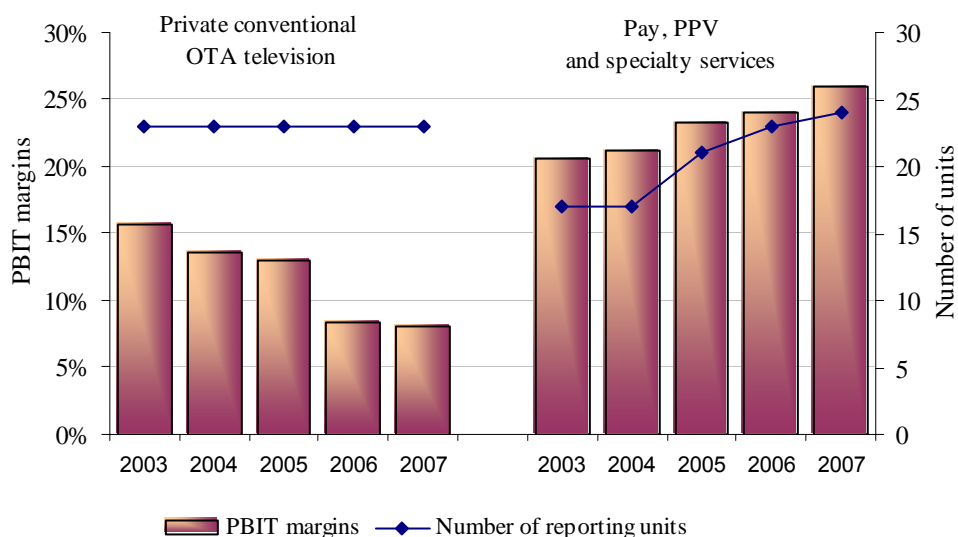
**Figure 4.3.8 Revenues of French-language private conventional OTA television, specialty, pay and PPV services**



Source: CRTC Data Collection

Note: 2003-2006 figures have been updated to reflect current 31 August aggregate results.

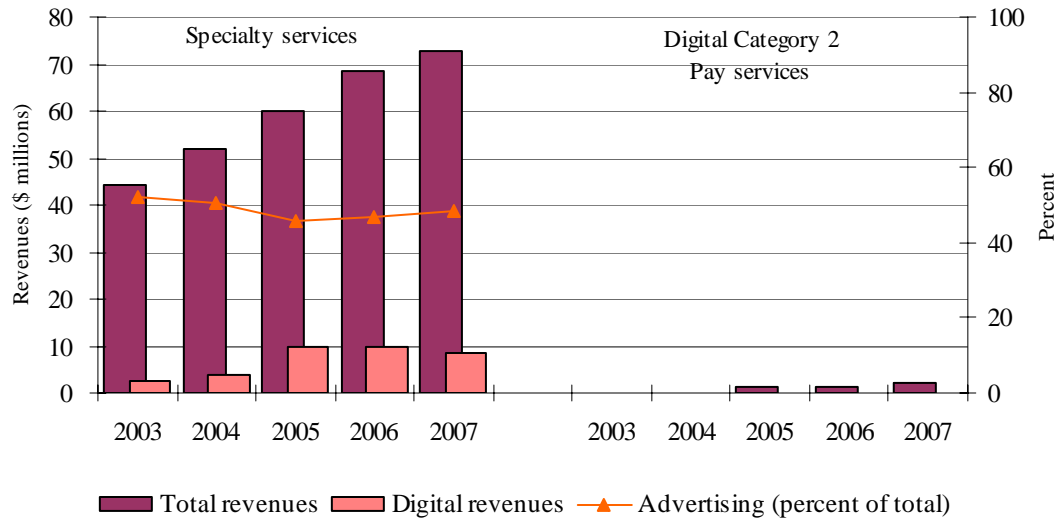
**Figure 4.3.9 Aggregate PBIT of French-language private conventional OTA television, pay, PPV and specialty services**



Source: CRTC Data Collection

Notes: 2003-2006 figures have been updated to reflect current 31 August aggregate results.

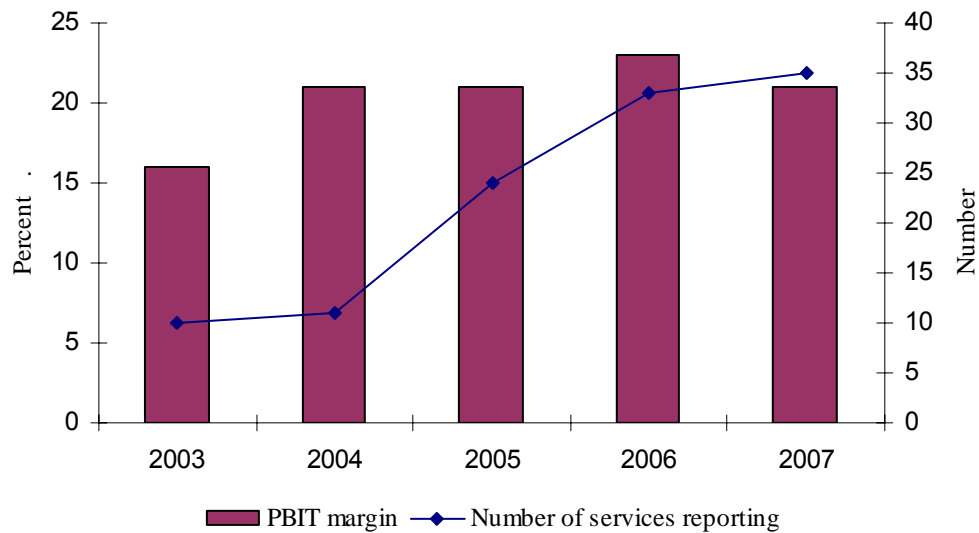
**Figure 4.3.10 Revenues of ethnic and third-language specialty and digital category 2 pay services**



Source: CRTC Data Collection

Note: 2003-2006 figures have been updated to reflect current 31 August aggregate results.

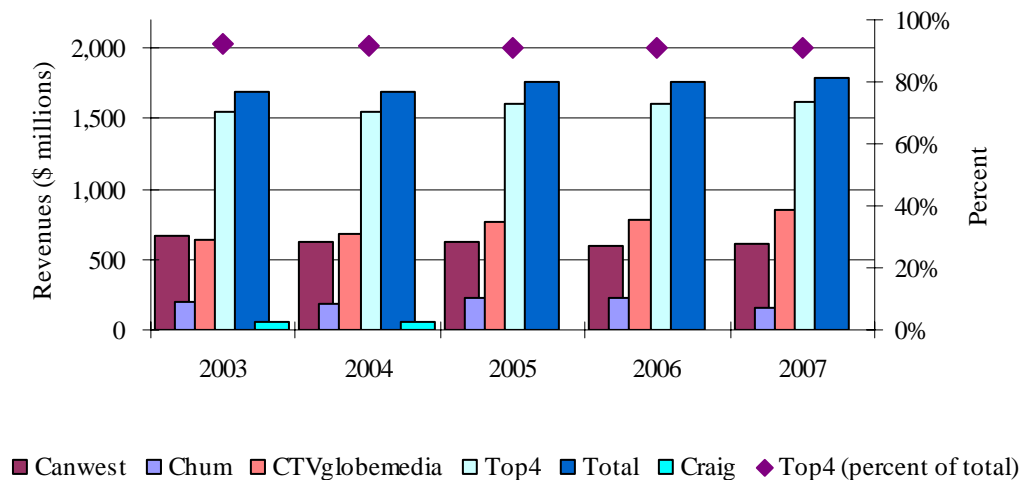
**Figure 4.3.11 PBIT Margins of ethnic and third-language specialty and digital category 2 pay services**



Source: CRTC Data Collection

Notes: 2003-2006 figures have been updated to reflect current 31 August aggregate results.

**Figure 4.3.12 Revenues of large English-language private conventional OTA television ownership groups**

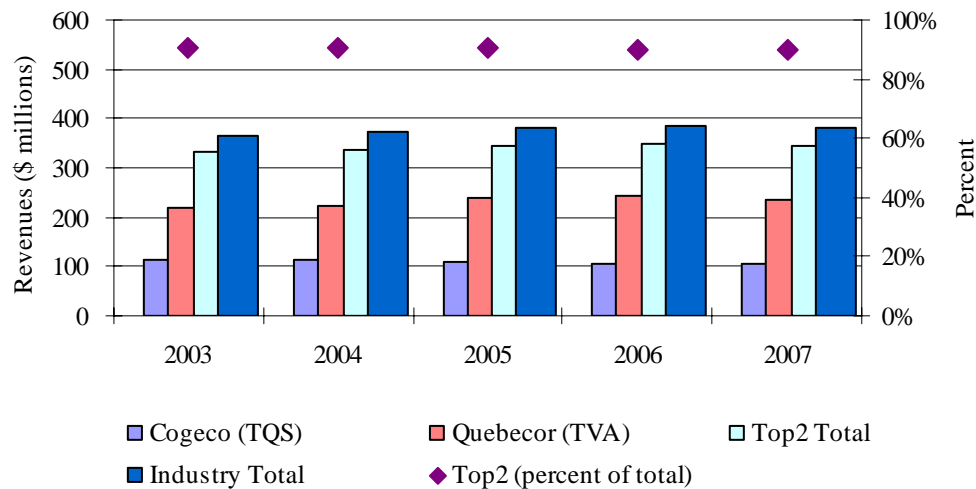


Source: CRTC Data Collection

Notes:

1. Based on conventional OTA stations owned or controlled by the ownership group on August 31 of each year. Ownership is based on the date of the approving Decision, not the official closing date of the transaction.
2. The station's entire annual revenue is attributed to the ownership group that was deemed to be its owner as of 31 August.
3. CTVglobemedia and CHUM Limited's results reflect the *Transfer of effective control of CHUM Limited to CTVglobemedia Inc.*, Broadcasting Decision CRTC 2007-165, 8 June 2007.
4. Pursuant to conditions of approval in CRTC 2007-165, CHUM's City-TV stations were held in trust pending their acquisition by a third party, which was approved in *Transfer of effective control of 1708487 Ontario Inc., 1738700 Ontario Inc. and CHUM Television Vancouver Inc. to Rogers Media Inc.* - Broadcasting Decision CRTC 2007-360, 28 Sept 2007.

**Figure 4.3.13 Revenues of large French-language private conventional OTA television ownership groups**

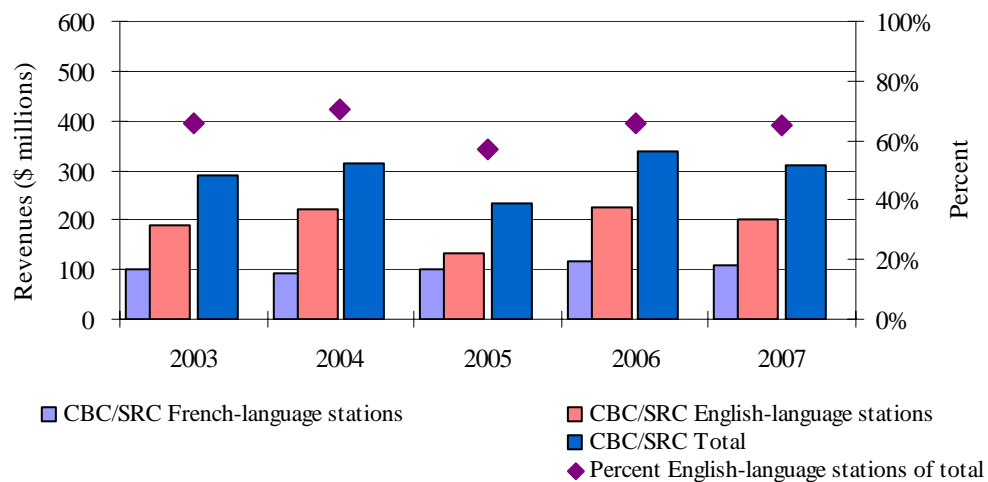


Source: CRTC Data Collection

**Notes:**

1. Based on conventional OTA stations owned or controlled by the ownership group on August 31 of each year. Ownership is based on the date of the approving Decision, not the official closing date of the transaction. The station's entire annual revenue is attributed to the ownership group that was deemed to be its owner as of 31 August.
2. 2003 to 2006 revenues have been restated.
3. In *Change in the effective control of TQS inc. and licence renewals of the television programming undertakings CFJP-TV Montréal, CFJP-DT Montréal, CFAP-TV Québec, CFKM-TV Trois-Rivières, CFKS-TV Sherbrooke, CFRS-TV Saguenay and of the TQS network*, Broadcasting Decision CRTC 2008-129, 26 June 2008, the Commission approved, subject to certain conditions, the acquisition by Remstar Diffusion Inc. of TQS's network and television stations in Montréal, Québec, Trois-Rivières, Sherbrooke and Saguenay
4. In *Acquisition of assets*, Broadcasting Decision CRTC 2008-130, 26 June 2008, the Commission approved the acquisition by CBC of the assets of the French-language television programming undertakings CKSH-TV Sherbrooke, CKTM-TV Trois-Rivières and CKTV-TV Saguenay and its transmitter CKTV-TV-1 Saint-Fulgence, Quebec, from TQS inc

**Figure 4.3.14 Advertising revenues: CBC/SRC conventional OTA television stations (owned & operated)**



Source: CRTC Data Collection



**Table 4.3.17 Companies with significant ownership interest in specialty, pay, PPV and VOD services as of 31 December 2007 (Part 1 of 6)**

and VIDEO SERVICES AS OF DECEMBER 31, 2007 (PART 1 OF 6)								
		Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
					# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
Astral Media								
✓	Canal D	Sp. A	f	100%	2,437	32,973	18,080	54.83%
✓	Canal Vie	Sp. A	f	100%	2,113	38,108	17,637	46.28%
	CINÉPOP	Pay 2	f	100%	319	2,321	-2,836	-122.19%
✓	Family Channel, The	Pay	e	100%	5,543	50,376	17,167	34.08%
✓	Mpix (Moviepix!)	Pay	e	100%	1,472	22,552	10,600	47.00%
✓	Super Écran	Pay	f	100%	551	55,013	18,467	33.57%
✓	TMN (Movie Network, The)	Pay	e	100%	1,121	115,995	23,155	19.96%
✓	VRAC-TV	Sp. A	f	100%	2,503	22,581	9,020	39.94%
✓	Ztélé	Sp. A	f	100%	1,765	16,819	4,872	28.97%
	Viewers Choice Canada	PPV**	e	50.10%	3,084	25,127	7,080	28.18%
✓	Historia	Sp. A	f	50%	1,771	13,897	4,517	32.50%
✓	Musimax*	Sp. A	f	100%	1,993	9,865	691	7.01%
✓	MusiquePlus*	Sp. A	f	100%	2,416	19,149	1,950	10.18%
✓	Séries+	Sp. A	f	50%	1,769	23,045	12,019	52.15%
✓	Teletoon / Télétoon	Sp. A	b	50%	7,175	86,450	44,778	51.80%
	Teletoon retro English	Sp. D2	e	50%	N/A	N/A	N/A	N/A
	Canal Indigo <sup>6</sup>	PPV**	f	20.04%	1,103	4,592	-356	-7.74%

\* Astral Media purchased remaining 50% as part of the transaction of transferring effective control of CHUM Limited to CTVglobemedia

		Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
					Revenues	PBIT	
BCE*	Type of service			# of subscribers	(\$)	(\$)	PBIT Margin
Bell ExpressVu	PPV**	b	100%	No data available	50,406	6,821	13.53%
Câblevision du Nord de Québec inc	VOD	f	100%	9.1	45	-78	-175%
Vu! On Demand	VOD	b	100%	No data available	.17	.09	51.15%

\* BCE Inc. holds 15% voting interest in CTVglobemedia Inc.

**Table 4.3.17 Companies with significant ownership interest in specialty, pay, PPV and VOD services as of 31 December 2007 (Part 2 of 6)**

		Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
					Revenues	PBIT	
Canwest <sup>1</sup>	Type of service			# of subscribers	(\$)	(\$)	PBIT Margin
Canwest Media Inc. <sup>1</sup>							
Cool TV	Sp. D2	e	100%	189	879	-528	-60.09%
DejaView	Sp. D2	e	100%	1,113	4,597	1,094	23.79%
Fox Sports World Canada	Sp. D2	e	100%	993	3,996	-198	-4.95%
Lonestar	Sp. D2	e	100%	1,121	4,932	1,575	31.94%
Xtreme Sports	Sp. D2	e	100%	862	3,296	990	30.04%
TVtropolis (Prime TV)	Sp. A	e	66.67%	5,993	31,386	10,638	33.89%
Mystery	Sp. D1	e	50%	1,400	7,154	1,752	24.49%
MenTV	Sp. D1	e	49%	878	4,396	505	11.49%
CW Media Inc. <sup>1</sup> Canwest Media Inc. indirectly holds 66.67% voting interest in CW Media Inc.							
✓ History Television, The	Sp. A	e	100%	6,643	40,113	14,424	35.96%
Independent Film Channel, The	Sp. D1	e	100%	2,142	6,939	-821	-11.83%
✓ Showcase	Sp. A	e	100%	6,984	63,838	9,059	14.19%
Showcase Action	Sp. D2	e	100%	2,317	10,477	4,179	39.89%
Showcase Diva	Sp. D2	e	100%	2,212	9,775	3,534	36.15%
✓ Slice (Life Network, The)	Sp. A	e	100%	6,120	33,533	-2,805	-8.37%
Fine Living	Sp. D2	e	84.24%	1,379	3,214	307	9.55%
✓ HGTV Canada	Sp. A	e	80.24%	6,787	55,382	20,772	37.51%
BBC Canada	Sp. D2	e	80%	1,819	7,069	-640	-9.05%
BBC Kids	Sp. D2	e	80%	1,760	4,556	-1,443	-31.66%
Discovery Health Network	Sp. D1	e	80%	1,681	4,984	-1,412	-28.33%
✓ National Geographic Channel	Sp. D2	e	64%	2,997	6,418	107	1.67%
✓ Food Network Canada	Sp. A	e	57.58%	5,196	30,871	9,856	31.93%
✓ Historia	Sp. A	f	50%	1,771	13,897	4,517	32.50%
✓ Séries+	Sp. A	f	50%	1,769	23,045	12,019	52.15%
✓ Scream	Sp. D2	e	49%	1,228	6,216	1,208	19.43%
One: The Body, Mind & Spirit Channel	Sp. D1	e	37.77%	879	3,686	309	8.39%
✓ The Score	Sp. A	e	21.96%	6,150	31,989	5,920	18.51%

		Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
					Revenues	PBIT	
CBC/SRC	Type of service			# of subscribers	(\$)	(\$)	PBIT Margin
bold	Sp. D1	e	100%	934	3,352	330	9.84%
✓ CBC Newsworld	Sp. A	e	100%	10,246	78,824	11,122	14.11%
Galaxie (Pay audio)	Audio	b	100%	n/a	n/a	n/a	n/a
✓ RDI – Réseau de l’information	Sp. A	f	100%	9,298	46,651	1,573	3.37%
✓ ARTV <sup>4</sup>	Sp. A	f	45%	1,975	14,529	727	5.01%
Documentary	Sp. D1	e	82%	1,011	4,295	-545	-12.69%

**Table 4.3.17 Companies with significant ownership interest in specialty, pay, PPV and VOD services as of 31 December 2007 (Part 3 of 6)**

	Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
				# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
<b>Cogeco</b>							
Canal Indigo* <sup>6</sup>	PPV**	f	32%	1,103	4,592	-356	-7.74%
Cogeco On Demand	VOD	b	100%	n/a	n/a	n/a	n/a

\* Comprised of 20% held by Cogeco and 12% held through TQS Inc.

	Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
				# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
<b>Corus<sup>3</sup></b>							
✓ Encore Avenue	Pay	e	100%	2,441	14,997	9,878	65.86%
✓ MovieCentral	Pay	e	100%	883	86,355	18,532	21.46%
TreeHouse TV	Sp. A	e	100%	6,844	11,911	4,909	41.21%
W Network	Sp. A	e	100%	6,908	73,550	29,124	39.60%
YTV	Sp. A	e	100%	9,002	89,532	29,916	33.41%
CMT (Country Music Television)	Sp. A	e	90%	8,519	27,078	10,884	40.19%
Discovery Kids	Sp. D2	e	80%	1,044	3,418	148	4.33%
✓ Scream	Sp. D2	e	51%	1,228	6,216	1,208	19.43%
Leonardo World Canada (Sitcom Canada) (Italian)	Sp. D2	o	50.50%	2	38	-44	-115.22%
Sky TG24 (Network Italia) (Italian)	Sp. D2	o	50.50%	2	57	-36	-62.84%
Telelatino (Italian & Hispanic/Spanish)	Sp. A	o	50.50%	3,616	19,566	9,184	46.94%
Video Italia Canada (Italian)	Sp. D2	o	40.40%	2	38	-27	-72.67%
✓ Teletoon / Télétoon*	Sp. A	b	50%	7,175	86,450	44,778	51.80%
✓ Food Network Canada	Sp. A	e	22.58%	5,196	30,871	9,856	31.93%
MaxTrax (Pay audio service)	Audio	b	100%	n/a	n/a	n/a	n/a

\* 20% of the 50% voting interest is held by Nelvana Limited, a company that produces and distributes children and family productions.

Corus Entertainment Inc. holds 100% voting interest in Nelvana Limited.

**Table 4.3.17 Companies with significant ownership interest in specialty, pay, PPV and VOD services as of 31 December 2007 (Part 4 of 6)**

	Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
				# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
<b>CTV globemedia<sup>2</sup></b>							
CTV Newsnet	Sp. A	e	100%	8,212	21,103	3,846	18.23%
MTV Canada (TalkTV)	Sp. A	e	100%	5,585	15,383	-12,301	-79.96%
BNN Business News Network (ROBTV)	Sp. A	e	100%	5,457	22,521	6,823	30.30%
TCN (Comedy Network, The)	Sp. A	e	100%	5,787	49,785	12,212	24.53%
travel + escape (CTV Travel)	Sp. D1	e	100%	808	4,351	89	2.04%
ESPN Classic Canada	Sp. D2	e	80%	838	2,623	257	9.79%
✓ RDS - Réseau des Sports	Sp. A	f	80%	2,596	94,608	22,757	24.05%
RIS Info Sports	Sp. D1	f	80%	967	6,581	2,086	31.70%
✓ TSN (Sports Network, The)	Sp. A	e	80%	8,628	214,435	58,819	27.43%
Animal Planet	Sp. D2	e	64%	1,251	4,983	1,011	20.30%
✓ Discovery Channel, The	Sp. A	e	64%	7,681	90,729	33,539	36.97%
Discovery Civilization Channel	Sp. D2	e	64%	1,087	3,512	451	12.85%
✓✓ Discovery HD	Sp. D2	e	64%	452	7,215	3,375	46.79%
OLN (Outdoor Life Network) <sup>5</sup>	Sp. A	e	33.34%	5,746	15,700	4,886	31.12%
Viewers Choice Canada	PPV**	e	19.96%	3,084	25,127	7,080	28.18%
NHL Network, The	Sp. D2	e	17.14%	873	7,017	1,485	21.16%
✓ ARTV	Sp. A	f	16%	1,975	14,529	727	5.01%
Canal Indigo <sup>6</sup>	PPV**	f	15.98%	1,103	4,592	-356	-7.74%
✓ Leaf TV	Sp. D2	e	15.44%	288	4,710	-3,433	-72.90%
✓ Raptors NBA-TV	Sp. D2	e	15.44%	624	5,313	-880	-16.56%
✓ BookTelevision: The Channel	Sp. D1	e	100%	855	3,793	851	22.43%
✓ Bravo!	Sp. A	e	100%	6,663	40,639	14,057	34.59%
CLT (Canadian Learning Television)	Sp. A	e	100%	5,122	17,176	7,320	42.62%
✓ CourtTV Canada	Sp. D2	e	100%	1,126	4,645	1,168	25.16%
Drive-In Classics	Sp. D2	e	100%	1,179	3,794	1,529	40.31%
✓ FashionTelevisionChannel	Sp. D1	e	100%	843	4,291	1,068	24.89%
MuchLoud	Sp. D2	e	100%	233	624	199	31.91%
✓ MuchMoreMusic	Sp. A	e	100%	5,931	19,380	7,244	37.38%
MuchMoreRetro	Sp. D2	e	100%	267	711	426	59.91%
✓ MuchMusic	Sp. A	e	100%	8,537	47,212	12,569	26.62%
MuchVibe	Sp. D2	e	100%	562	1,013	91	8.94%
✓ Pulse 24 (CP24)	Sp. A	e	100%	2,459	14,203	985	6.93%
PunchMuch	Sp. D2	e	100%	256	1,024	197	19.27%
✓ Razer	Sp. D1	e	100%	833	4,150	-153	-3.69%
SexTV: The Channel	Sp. D2	e	100%	741	3,364	1,092	32.44%
✓ SPACE	Sp. A	e	100%	9,413	46,701	19,147	41.00%
✓ Star! TV	Sp. A	e	100%	4,180	20,701	5,441	26.28%
TV Land	Sp. D2	e	80.10%	971	3,346	32	0.97%

\* Comprised of 8% held through TQS inc. and 7.98% held through Viewer's Choice Canada.

**Table 4.3.17 Companies with significant ownership interest in specialty, pay, PPV and VOD services as of 31 December 2007 (Part 5 of 6)**

	Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
				# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
Quebecor Media							
Videotron							
Quebecor Media Inc. holds 100% voting interest in Videotron Ltd..							
Illico sur demande	VOD	b	100%	n/a	11,933	-7,345	-61.55%
TVA Group Inc.							
Quebecor Media Inc. holds 99.92% voting interest in TVA Group Inc..							
✓ ARGENT	Sp. D1	f	100%	616	2,519	-481	-19.10%
LCN – Le Canal Nouvelles	Sp. A	f	100%	2,027	21,764	8,040	36.94%
✓ Mystère	Sp. D1	f	100%	316	2,082	-1,419	-68.19%
Prise 2 (Nostalgie)	Sp. D2	f	100%	308	2,338	-735	-31.45%
MenTV	Sp. D1	e	51%	878	4,396	505	11.49%
Mystery	Sp. D1	e	50%	1,400	7,154	1,752	24.49%
Les idées de ma maison	Sp. D2	f	100%	N/A	N/A	N/A	N/A
Canal Indigo <sup>6</sup>	PPV**	f	20%	1,103	4,592	-356	-7.74%
Canal Évasion	Sp. A	f	8.31%	1,732	7,790	2,104	27.00%

	Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
				# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
Rogers Communications							
Biography Channel, The	Sp. D1	e	100%	1,069	5,166	-454	-8.80%
Rogers On Demand	VOD	b	100%	3,413	40,363	2,264	5.61%
✓ Rogers Sportsnet	Sp. A	e	100%	8,475	147,330	18,055	12.25%
✓ Sports/Specials Pay-per-View	PPV**	e	100%	26	7,604	-882	-11.60%
G4TechTV	Sp. D1	e	66.67%	1,033	6,083	-604	-9.92%
Viewers Choice Canada	PPV**	e	24.95%	3,084	25,127	7,080	28.18%
OLN (Outdoor Life Network) <sup>5</sup>	Sp. A	e	33.33%	5,746	15,700	4,886	31.12%
TVtropolis (Prime TV)	Sp. A	e	33.33%	5,993	31,386	10,638	33.89%
Canal Indigo <sup>6</sup>	PPV**	f	9.98%	1,103	4,592	-356	-7.74%

**Table 4.3.17 Companies with significant ownership interest in specialty, pay, PPV and VOD services as of 31 December 2007 (Part 6 of 6)**

	Type of service	Language	Direct / indirect voting interest	31 August 2007 financial results (Thousands)			
				# of subscribers	Revenues (\$)	PBIT (\$)	PBIT Margin
<b>Shaw</b>							
✓ Shaw Pay-Per-View	PPV**	e	100%	1,089	22,841	4,229	18.51%
Videon CableSystem – regional	VOD	b	100%	n/a	22,051	14,287	64.79%

Notes to table 4.3.17:

- Percentage of ownership interest indicated is related to the percentage of direct and indirect voting interest. Table 4.3.17 is based on the date of the approving decision as of 31 December 2007, and not the official closing date of the transaction.
  - Includes only category 2 services that have been launched as of 31 December 2007.
1. Canwest Media Inc. indirectly has 66.67% voting interest in CW Investments Co. CW Investments Co. indirectly has 100% voting interest in CW Media Inc. The services shown under CW Media Inc. reflect the *Transfer of effective control of Alliance Atlantis Broadcasting Inc. to CanWest MediaWorks Inc.* Broadcasting Decision CRTC 2007-429, 20 December 2007 and final approval of 18 January 2008
  2. CTVglobemedia and CHUM Limited's results reflect the *Transfer of effective control of CHUM Limited to CTVglobemedia Inc.*, Broadcasting Decision CRTC 2007-165, 8 June 2007.
  3. Shaw Communications Inc. is affiliated with Corus Entertainment Inc. as J.R. Shaw has voting control of both companies.
  4. In *Change of effective control of ARTV*, Broadcasting Decision CRTC 2008-126, 20 June 2008, the Commission approved, subject to certain conditions, a change in ARTV's effective control. CBC's voting interest in ARTV will increase from 45.1% to 60.7%.
  5. Currently before the Commission is an application by Rogers Broadcasting Limited (Rogers) seeking authority to effect change of effective control of Outdoor Life Network, Broadcasting Public Notice CRTC 2008-27, 8 April 2008.
  6. Currently before the Commission is an application for transfer of ownership of Canal Indigo to Groupe TVA Inc., Broadcasting Public Hearing CRTC 2008-6, Item 7, 9 May 2008.

Legend:

- ✓ Indicates that the service has been authorized to make available an upgraded HD format version. Reflects decisions issued up to the 1st of May 2008
- ✓✓ Indicates high definition (HD) programming undertaking. Reflects decisions issued up to the 1 May 2008.
- Type of service:
  - Sp. A = Specialty analog service;
  - Sp. D1 = Specialty digital category 1 service;
  - Sp. D2 = Specialty digital category 2 service;
  - Pay = Pay analog service;
  - Pay 2 = Pay digital category 2 service;
  - DTH = Direct to home;
  - PPV = Pay-per-view;
  - PPV\*\* = Holds both a terrestrial and DTH PPV licence;
  - VOD = Video-on-demand
- Language: e = English; f = French; o = Other; b=English/French

Source: CRTC Ownership records and CRTC data collection

**Table 4.3.18 Canadian Programming Expenditure (CPE) - CBC English- and French-language conventional OTA television**

Genre ( \$ Thousands )	2003	2004	2005	2006	2007	Annual growth %			
						2004	2005	2006	2007
News (cat. 1)	104,097	112,606	108,753	116,559	119,552	8%	-3%	7%	3%
Other info. (cat. 2 to 5)	83,361	75,877	76,111	76,908	84,881	-9%	0%	1%	10%
Sports (cat. 6)	101,418	167,059	*	141,489	97,781	65%	*	*	-31%
Drama & comedy (cat. 7)	102,271	100,841	104,622	116,809	112,132	-1%	4%	12%	-4%
Music/Variety (cat. 8 & 9)	38,094	39,572	28,674	35,514	26,648	4%	-28%	24%	-25%
Game show (cat. 10)	1,483	1,552	1,349	165	823	5%	-13%	-88%	399%
Human interest (cat. 11)	29,364	31,851	44,367	43,466	53,490	8%	39%	-2%	23%
Other (cat. 12 to 15)	-	-	-	-	-				
Total (cat. 1 to 15)	460,088	529,358	*	530,910	495,307	15%	*	*	-7%

Notes: 1. \*Sports and Total programming expenditures for 2005 are confidential.  
2. Expenditures exclude indirect and facility cost allocations.  
3. Minor variances are due to rounding.

Source: CRTC data collection

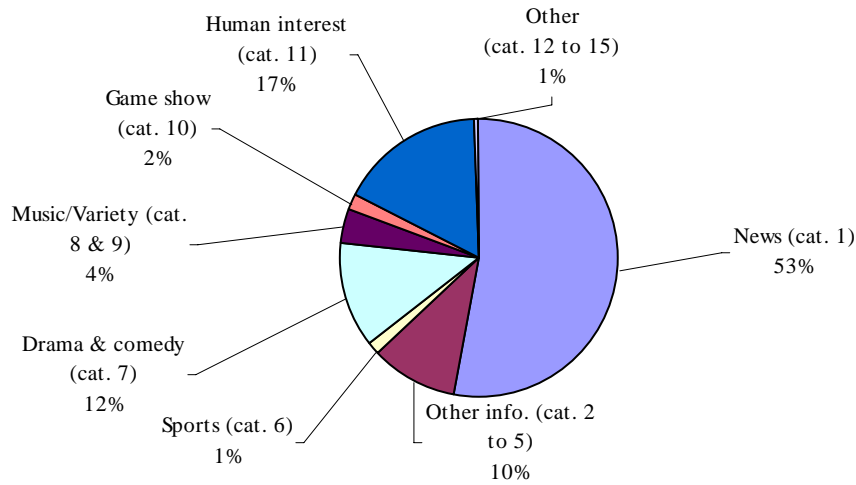
**Table 4.3.19 Canadian Programming Expenditure (CPE) - Private conventional OTA television**

Genre ( \$ Thousands )	2003	2004	2005	2006	2007	Annual growth %			
						2004	2005	2006	2007
News (cat. 1)	300,143	310,990	310,225	328,078	324,772	4%	0%	6%	-1%
Other info. (cat. 2 to 5)	55,695	60,464	59,400	66,288	62,014	9%	-2%	12%	-6%
Sports (cat. 6)	19,125	9,388	8,892	9,336	8,600	-51%	-5%	5%	-8%
Drama & comedy (cat. 7)	99,541	86,499	86,553	73,857	76,452	-13%	0%	-15%	4%
Music/Variety (cat. 8 & 9)	11,024	18,037	29,156	35,047	23,897	64%	62%	20%	-32%
Game show (cat. 10)	4,259	6,034	4,909	5,678	12,158	42%	-19%	16%	114%
Human interest (cat. 11)	51,659	81,386	83,099	101,637	104,473	58%	2%	22%	3%
Other (cat. 12 to 15)	3,862	4,006	4,775	3,827	3,647	4%	19%	-20%	-5%
Total (cat. 1 to 15)	545,307	576,805	587,009	623,747	616,013	6%	2%	6%	-1%
% of Total revenue	26.60%	27.92%	27.35%	29.11%	28.38%				

Notes: 1. Amounts include expenditures on Canadian programs telecast, write-downs of Canadian inventory, script and concept and loss on equity Canadian programs.  
2. Excludes CTF "top-up" funding reported by OTA stations. Includes expenditures relating to ownership transfer benefits and to commitments made at the time of licensing.  
3. Minor variances are due to rounding.  
4. 2003-2006 figures have been updated to reflect current 31 August aggregate results.

Source: CRTC data collection

**Figure 4.3.15: Canadian programming Expenditures (CPE) - distribution by genre for private conventional OTA television – (2007)**



Source: CRTC data collection

**Table 4.3.20 Expenditures on non-Canadian programming - Private conventional OTA television**

Genre ( \$ Thousands)	2003	2004	2005	2006	2007	Annual growth %			
						2004	2005	2006	2007
News (cat. 1)	2	2	12	6	10	-29%	648%	-48%	65%
Other info. (cat. 2 to 5)	11,191	8,278	9,159	9,340	8,800	-26%	11%	2%	-6%
Sports (cat. 6)	11,595	11,034	10,097	10,419	9,164	-5%	-8%	3%	-12%
Drama & comedy (cat. 7)	382,471	373,106	402,249	480,349	507,689	-2%	8%	19%	6%
Music/Variety (cat. 8 & 9)	9,423	11,936	12,482	21,096	29,123	27%	5%	69%	38%
Game show (cat. 10)	35,007	40,683	50,279	35,332	45,112	16%	24%	-30%	28%
Human interest (cat. 11)	92,224	122,748	125,868	131,588	120,649	33%	3%	5%	-8%
Other (cat. 12 to 15)	3,012	3,086	3,077	142	1,380	2%	0%	-95%	874%
Total (cat. 1 to 15)	544,924	570,872	613,224	688,273	721,927	5%	7%	12%	5%
% of Total revenues	26.58%	27.63%	28.57%	32.12%	33.26%				

- Notes:
1. Amounts include expenditures on non-Canadian programs telecast and write-downs of non-Canadian programming.
  2. Minor variances are due to rounding.
  3. 2003-2006 figures have been updated to reflect current 31 August aggregate results.

Source: CRTC data collection



**Table 4.3.21 Expenditures on Canadian and non-Canadian programming by genre reported by pay and specialty services (Part 1 of 2)**

Genre (\$ Thousands)	Eligible Expenditures on Canadian Programming (CPE) <sup>1</sup>			Expenditures on non-Canadian programming		
	2006	2007	Growth	2006	2007	Growth
<i>Number of services reporting</i>	99	100		99	100	
<b>English-language services*</b>						
News (cat. 1)	104,628	105,438	1%	592	555	-6%
Other info. (cat. 2 to 5)	168,214	163,885	-3%	27,419	27,002	-2%
Sports (cat. 6)	180,809	188,611	4%	37,338	34,848	-7%
Drama & comedy (cat. 7)	138,288	149,731	8%	164,301	191,355	16%
Music/Variety (cat. 8 & 9)	29,700	30,707	3%	1,106	1,382	25%
Game show (cat. 10)	3,497	6,450	84%	262	427	63%
Human interest (cat. 11)	49,060	56,476	15%	13,203	14,752	12%
Other (cat. 12 to 15)	24,139	18,830	-22%	625	363	-42%
<b>Total (cat. 1 to 15)</b>	<b>698,336</b>	<b>720,128</b>	<b>3%</b>	<b>244,845</b>	<b>270,684</b>	<b>11%</b>
<i>Number of services reporting</i>	21	21		21	21	
<b>French-language services</b>						
News (cat. 1)	42,494	39,706	-7%	25	69	179%
Other info. (cat. 2 to 5)	40,902	44,253	8%	5,778	5,398	-7%
Sports (cat. 6)	39,958	41,083	3%	4,631	3,720	-20%
Drama & comedy (cat. 7)	30,275	32,848	8%	29,234	32,113	10%
Music/Variety (cat. 8 & 9)	4,965	7,053	42%	1,313	1,967	50%
Game show (cat. 10)	9	252	2821%	1	29	nm
Human interest (cat. 11)	9,283	7,542	-19%	1,558	1,041	-33%
Other (cat. 12 to 15)	5,995	5,286	-12%	910	465	-49%
<b>Total (cat. 1 to 15)</b>	<b>173,881</b>	<b>178,023</b>	<b>2%</b>	<b>43,449</b>	<b>44,802</b>	<b>3%</b>
<i>Number of services reporting</i>	32	35		32	35	
<b>Ethnic or third-language services</b>						
News (cat. 1)	2,253	2,910	29%	413	410	-1%
Other info. (cat. 2 to 5)	2,492	3,293	32%	614	889	45%
Sports (cat. 6)	398	897	126%	810	457	-44%
Drama & comedy (cat. 7)	1,417	1,305	-8%	2,458	3,066	25%
Music/Variety (cat. 8 & 9)	6,616	7,863	19%	753	1,599	112%
Game show (cat. 10)	-	102	nm	90	76	-16%
Human interest (cat. 11)	2,821	3,216	14%	789	1,487	89%
Other (cat. 12 to 15)	161	129	-20%	76	151	100%
<b>Total (cat. 1 to 15)</b>	<b>16,157</b>	<b>19,715</b>	<b>22%</b>	<b>6,003</b>	<b>8,136</b>	<b>36%</b>

**Table 4.3.21 Expenditures on Canadian and non-Canadian programming by genre reported by pay and specialty services (Part 2 of 2)**

Genre (\$ Thousands)	Eligible Expenditures on Canadian Programming (CPE) <sup>1</sup>			Expenditures on non-Canadian programming		
	2006	2007	Growth	2006	2007	Growth
<i>Number of services reporting</i>	<i>152</i>	<i>156</i>		<i>152</i>	<i>156</i>	
<b>Total pay and specialty services</b>						
News (cat. 1)	149,376	148,055	-1%	1,030	1,034	0%
Other info. (cat. 2 to 5)	211,608	211,431	0%	33,812	33,290	-2%
Sports (cat. 6)	221,166	230,592	4%	42,779	39,026	-9%
Drama & comedy (cat. 7)	169,980	183,883	8%	195,992	226,533	16%
Music/Variety (cat. 8 & 9)	41,281	45,623	11%	3,171	4,948	56%
Game show (cat. 10)	3,506	6,804	94%	353	531	51%
Human interest (cat. 11)	61,164	67,234	10%	15,549	17,281	11%
Other (cat. 12 to 15)	30,295	24,246	-20%	1,610	979	-39%
<b>Total (cat. 1 to 15)</b>	<b>888,375</b>	<b>917,866</b>	<b>3%</b>	<b>294,296</b>	<b>323,622</b>	<b>10%</b>

Notes: 1 \* Includes bilingual services.

2 Excludes CTF “top-up” funding reported by pay and specialty services. Includes expenditures relating to ownership transfer benefits and to commitments made at the time of licensing.

3 2006 figures have been updated to reflect current 31 August aggregate results.

Source: CRTC data collection

**Table 4.3.22 Canadian programming expenditures (CPE) reported by the PPV and VOD services<sup>1</sup>**

Genre (\$ Thousands)	Eligible Expenditures on Canadian Programming (CPE)		
	2006	2007	Growth
<i>Number of services reporting</i>	<i>14</i>	<i>20</i>	
<b>Total PPV and VOD services</b>	<b>20,488</b>	<b>23,708</b>	<b>16%</b>

Notes: 1. Programming expenditures by genre for PPV and VOD services are not available.

2. Excludes CTF “top-up” funding reported by PPV and VOD services. Includes expenditures relating to ownership transfer benefits and to commitments made at the time of licensing.

3. 2006 figures have been updated to reflect current 31 August aggregate results.

Source: CRTC data collection

**Table 4.3.23 Number of hours of Canadian priority programming broadcasted annually - 7 p.m. to 11 p.m.**

This table sets out the number of hours of Canadian priority programming broadcasted during the peak viewing period of 7 p.m. to 11 p.m. by CFTO-TV (CTV) Toronto, CIII-TV (Canwest) Toronto, and CFTM-TV (TVA) Montréal for each of the 2002/03 to 2006/07 broadcast years.

(hours)	Broadcast years *					Annual growth %			
	02/03	03/04	04/05	05/06	06/07	04	05	06	07
<b>CFTM-TV (TVA) Montréal (French-language station)</b>									
Long-form documentary (cat. 2b)	41	54	31	48	22	32%	-43%	55%	-55%
Drama and comedy (cat. 7)	308	274	247	253	270	-11%	-10%	2%	7%
Music and dance (cat. 8a)	4	20	38	24	6	400%	90%	-37%	-75%
Variety (cat. 9)	95	86	30	65	10	-9%	-65%	117%	-84%
Regionally produced	8	1	-	-	-	-88%	-100%		
Entertainment magazine	59	21	50	42	39	-64%	138%	-16%	-7%
<b>Total hours</b>	<b>515</b>	<b>456</b>	<b>396</b>	<b>432</b>	<b>347</b>	<b>-11%</b>	<b>-13%</b>	<b>9%</b>	<b>-20%</b>
<i>Number of Drama and comedy hours reported as:</i>									
<i>eligible for the 50% time credit</i>	184	146	129	119	186	-21%	-12%	-8%	57%
<i>eligible for the 25% time credit</i>	-	-	-	-	-				
<i>not eligible for the time credit</i>	124	128	118	135	83	3%	-8%	14%	-38%
<b>CFTO-TV (CTV) Toronto (English-language station)</b>									
Long-form documentary (cat. 2b)	62	62	45	51	53		-27%	13%	5%
Drama and comedy (cat. 7)	256	207	196	189	182	-19%	-5%	-4%	-3%
Music and dance (cat. 8a)	3	1	3	2	2	-67%	200%	-33%	
Variety (cat. 9)	22	32	35	32	30	45%	9%	-9%	-6%
Regionally produced	2	2	2	2	2				
Entertainment magazine	38	122	113	116	105	221%	-7%	3%	-9%
<b>Total hours</b>	<b>383</b>	<b>426</b>	<b>394</b>	<b>392</b>	<b>375</b>	<b>11%</b>	<b>-8%</b>	<b>-1%</b>	<b>-4%</b>
<i>Number of Drama and comedy hours reported as:</i>									
<i>eligible for the 50% time credit</i>	127	100	132	120	128	-21%	32%	-9%	6%
<i>eligible for the 25% time credit</i>	78	68	48	31	16	-13%	-29%	-35%	-48%
<i>not eligible for the time credit</i>	51	40	16	38	39	-22%	-60%	138%	2%
<b>CIII-TV (Canwest) Toronto (English-language station)</b>									
Long-form documentary (cat. 2b)	89	102	111	92	151	15%	9%	-17%	64%
Drama and comedy (cat. 7)	299	261	245	161	147	-13%	-6%	-34%	-9%
Music and dance (cat. 8a)	8	6	1	1	-	-25%	-83%	0%	-100%
Variety (cat. 9)	2	-	-	-	2	-100%			
Regionally produced	-	1	1	4	12			350%	166%
Entertainment magazine	-	5	3	71	127**		-40%	2,283%	78%
<b>Total hours</b>	<b>398</b>	<b>375</b>	<b>361</b>	<b>330</b>	<b>438</b>	<b>-6%</b>	<b>-4%</b>	<b>-9%</b>	<b>33%</b>
<i>Number of Drama and comedy hours reported as:</i>									
<i>eligible for the 50% time credit</i>	25	14	81	98	34	-44%	479%	21%	-65%
<i>eligible for the 25% time credit</i>	117	180	88	12	15	54%	-51%	-86%	29%
<i>not eligible for the a time credit</i>	157	67	76	51	97	-57%	13%	-33%	90%

Notes:

1 \* Reflects hours broadcast from 1 September to 31 August.

2 \*\*Entertainment magazine programming hours in 06/07 includes programming required to make up for 05/06 shortfall in qualifying *ET Canada* episodes.

3 The results are based on the definitions of priority programming that came into effect September 2000 (Broadcasting Public Notice CRTC 1999-205, 23 December 1999).

4 Minor variances are due to rounding.

Source: Licensees

**Table 4.3.24: Value of television transactions and corresponding transfer benefits for the period 11 June 1999 to 31 December 2007**

(\$ millions)	English-language services			French-language services			Total benefits
	# of Trans.	Value of the transaction*	Benefits	# of Trans.	Value of the transaction*	Benefits	
11 Jun. 99 to 31 Mar. 05	28	4,604	480.0	5	631	63.0	543.0
1 Apr. 05 to 31 Mar. 06	5	18	1.8	-	-	-	1.8
1 Apr. 06 to 31 Dec. 06	3	7	0.7	-	-	-	0.7
1 Jan. 07 to 31 Dec. 07**	9	2,877	287.7	1	34	3.4	291.1
Total	48	7,506	770.2	6	665	66.4	836.6

Notes:

1 \* Value determined by the Commission for the purpose of calculating transfer benefits.

2 \*\* In 2007, three major ownership transactions (CTVglobemedia / CHUM, Rogers / CHUM's five CityTV stations and Canwest / Alliance Atlantis)<sup>204</sup> resulted in \$286 million in tangible benefits.

3 Minor variances are due to rounding.

Source: CRTC Decisions and Administrative approvals

<sup>204</sup> CRTC Broadcasting Decisions 2007-165, 2007-360 and 2007-429

## 4.4 Broadcast Distribution

### Overview

This section provides financial and statistical information relating to the distribution of programming service activities<sup>205</sup> provided by broadcast distribution undertakings (BDUs). Financial and statistical information relating to non-programming activities, such as Internet and telephony, is discussed in sections 3.1 and 5.3 of this report.

### Highlights

- Programming distribution revenues were \$6.3 billion in 2007, a \$0.5 billion or an 8.8% increase from 2006. There were 10.7 million subscribers to these services, an increase of 0.2 million subscribers from 2006, or 1.7%.
- Revenues per subscriber per month<sup>206</sup> were approximately \$49.82 in 2007, a \$3.26 or 7.0% increase from 2006.
- Approximately 90% of households subscribed to BDUs for programming services in 2007.
- The cable BDU footprint encompasses over 12.4 million Canadian households.<sup>207</sup>
- The industry EBITDA margin was 21.4% in 2007. Cable and IPTV<sup>208</sup> BDUs combined had a 23.3% EBITDA margin in 2007 down from 37.7% in 2002; while direct-to-home (DTH) and multipoint distribution system (MDS) BDUs had a lower margin of 17.1%, a significant improvement from the negative 10.6% in 2002.
- The top four cable BDUs and the two DTH providers captured 91% of all BDU subscribers in 2007.

### The Industry

BDUs provide programming distribution services utilizing cable, satellite, wireless MDS, or Internet Protocol (IP).<sup>209</sup> The industry consists of approximately 81 cable companies that operate 1,944 cable BDUs,<sup>210</sup> 2 national DTH distributors, and 21 MDS operators.<sup>211</sup>

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<sup>205</sup> Referred to as basic and non-basic programming services. This includes the distribution of conventional OTA television stations, radio stations, pay audio services, pay, PPV, VOD and specialty television services.

<sup>206</sup> Revenues per subscriber per month were derived by dividing total revenues by the number of subscribers and by the number of months in the year.

<sup>207</sup> Source: Statistics Canada 2007, "*Cable, satellite and multipoint distribution systems, 2006*", 56-001-XIE, Vol. 37, no. 2, for the August 2006 period.

<sup>208</sup> Internet Protocol Television (IPTV) refers to the delivery of programming services utilising Internet Protocol (IP) technology. Although this technology may be utilised over the public Internet, for purposes of this section, IPTV refers to delivery of television over private non-Internet IP networks.

<sup>209</sup> Currently Aliant Telecom Inc. (Aliant), Bell Canada (Bell), MTS Communications Inc. (MTS), Saskatchewan Telecommunications (SaskTel) and Telus Communications Corp. (TCC) are licensed as Class 1 BDUs to provide service using this technology.

<sup>210</sup> This number is comprised of approximately 148 systems with 6,000 subscribers or more and approximately 1,796 systems with fewer than 6,000 subscribers. Most systems with fewer than 6,000 subscribers are eligible for exemption from licensing requirements.

The industry is dominated by 4 major cable operators with 65% of the BDU programming subscribers and two DTH operators with 25% of the subscribers. The remaining 10% are served by the smaller BDUs.

### **Sector analysis**

BDU programming service revenues increased 8.8% in 2007 to \$6.3 billion. As displayed in Table 4.4.1, approximately 10.7 million Canadian households subscribed to video services from cable and IPTV BDUs, and from satellite (DTH) and MDS BDUs, a 1.7% increase over the previous year. Although revenues have been increasing at an annual rate of 7.7%, the increase in the number of subscribers was 2.3% over the same period. This has resulted in a 5.2% annual increase in the monthly revenues per subscriber which has increased from \$40.67 in 2003 to \$49.82 in 2007. These increases can be attributed to increased subscription fees, greater consumption of pay and pay per view services and a movement by consumer to higher priced digital or high definition (HD) services. DTH and MDS BDUs tended to have higher revenues per subscriber, approximately 12% to 17% higher than cable BDUs. However, the Commission notes that in 2007 this difference increased to 24%.

Cable and IPTV BDUs captured 71% of total revenues and 75% of total subscribers, relatively unchanged in 2007 over the previous year. IPTV BDUs reported significant revenue and subscriber increases but, due to their limited footprint, did not have a significant impact on overall national share. Within their footprint, IPTV providers generally reported progress in their deployment of IPTV. For example, MTS Allstream reported a 32% market share in its deployed areas, up from 27% in 2006.<sup>212</sup>

Digital service penetration continued to increase as 58% of BDU subscribers received digital services, up from 55% in 2006. Approximately 41% of cable BDU subscribers received digital services compared to 100% for IPTV and DTH. Most MDS systems were digital except for a small number of systems operating in a number of small rural areas.

As displayed in Figure 4.4.1, BDU EBITDA margins have ranged between 27.1% and 24.5% over the 2002 to 2006 period. In 2007 it declined to 21.4% from 24.5% in 2006. The decline in the cable EBITDA margin from 37.7% in 2002 to 23.3% in 2007 has been essentially offset by the increase in the DTH and MDS EBITDA margin from a negative 10.6% in 2002 to 17.1% in 2007.

In 2007, BDUs contributed \$296.7 million to Canadian programming and local expression, an increase of 8.4% over the previous year. As displayed in Figure 4.4.2, 52% of these funds were directed to the Canadian Television Fund (CTF), 13% to other eligible independent programming funds and 35% on community channel programming.

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<sup>211</sup> Sources: September 2007, Mediastats for Class 2 and 3 cable and MDS systems; CRTC APP1205 report dated 31 December 2007 for Class 1 cable and DTH systems

<sup>212</sup> Source: MTS Allstream 2007 annual report

As displayed in Table 4.4.4 approximately 131<sup>213</sup> Class 1 licensees reported community channel expenses in 2007.

Total payments to program suppliers under the terms of Program Affiliation Agreements<sup>214</sup> were \$2.1 billion in 2007, an 11% increase over the previous year. Of these payments, 89% were payments to Canadian affiliates.

In 2007, payments to program suppliers represented 34% of subscriber programming revenues.

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<sup>213</sup> The table outlines the number of Class 1 licensees that reported community channel expenses between 2003 and 2007. The figures do not necessarily represent the actual number of community channels in operation, as some channels are funded by more than one undertaking.

<sup>214</sup> A Program Affiliation Agreement specifies the terms under which a BDU broadcasts the programming of pay or specialty services.

## Statistical Information - Broadcast distribution undertakings

**Table 4.4.1 Broadcast distribution – basic and non-basic revenues, subscribers, monthly revenues per subscriber, and percent of households subscribing to BDUs (Part 1 of 2)**

	2003	2004	2005	2006	2007	CAGR 2003- 2007
<b>Revenues (millions)</b>						
Cable and IPTV	3,363.6	3,404.8	3,522.3	4,008.2	4,314.8	nm
<i>Percent of total</i>	71.8%	67.6%	66.3%	69.2%	68.3%	
<i>Annual Growth</i>		1.2%	3.5%	-	7.7%	
DTH and MDS	1,166.8	1,329.1	1,437.9	1,641.1	1,834.1	nm
<i>Percent of total</i>	24.9%	26.4%	27.1%	28.3%	29.0%	
<i>Annual Growth</i>		13.9%	8.2%	-	11.8%	
Reporting BDUs subtotal	4,530.3	4,733.9	4,960.2	5,649.3	6,148.9	nm
<i>Percent of total</i>	96.7%	93.9%	93.4%	97.5%	97.3%	
<i>Annual Growth</i>		4.5%	4.8%	-	8.8%	
Non-reporting BDUs	156.9	305.5	349.7	142.0	152.9	nm
<i>Percent of total</i>	3.3%	6.1%	6.6%	2.5%	2.4%	
<i>Annual Growth</i>		94.7%	14.5%	-	7.7%	
Total revenues	4,687.3	5,039.4	5,309.9	5,791.3	6,301.7	7.7%
<i>Annual Growth</i>		7.5%	5.4%	9.1%	8.8%	
<b>Subscribers (thousands)</b>						
Cable and IPTV	7,081.2	6,856.1	6,862.6	7,484.4	7,654.0	nm
<i>Percent of total</i>	72.3%	68.7%	67.4%	71.0%	71.0%	
<i>Annual Growth</i>		-3.2%	0.1%	-	2.3%	
DTH and MDS	2,201.7	2,318.4	2,488.6	2,627.7	2,631.0	nm
<i>Percent of total</i>	22.5%	23.2%	24.4%	24.9%	24.4%	
<i>Annual Growth</i>		5.3%	7.3%	-	0.1%	
Reporting BDUs subtotal	9,282.9	9,174.5	9,351.2	10,112.0	10,285.0	nm
<i>Percent of total</i>	94.8%	91.9%	91.8%	95.9%	95.5%	
<i>Annual Growth</i>		-1.2%	1.9%	-	1.7%	
Non-reporting BDUs and estimates	508.3	805.8	835.8	427.5	437.2	nm
<i>Percent of total</i>	5.2%	8.1%	8.2%	4.1%	4.1%	
<i>Annual Growth</i>		58.5%	3.7%	-	2.3%	
Total subscribers	9,791.2	9,980.3	10,187.0	10,539.5	10,722.2	2.3%
<i>Annual Growth</i>		1.9%	2.1%	3.5%	1.7%	



**Table 4.4.1 Broadcast distribution – basic and non-basic revenues, subscribers, monthly revenues per subscriber and percent of households subscribing to BDUs (Part 2 of 2)**

<b>Monthly Revenues/Subscriber</b>						
Cable and IPTV	39.58	41.38	42.77	44.63	46.98	4.4%
<i>Annual Growth</i>	-	4.5%	3.4%	4.3%	5.3%	
DTH and MDS	44.16	47.77	48.15	52.05	58.09	7.1%
<i>Annual Growth</i>	-	8.2%	0.8%	8.1%	11.6%	
Reporting BDUs subtotal	40.67	43.00	44.20	46.56	49.82	5.2%
<i>Annual Growth</i>	-	5.7%	2.8%	5.3%	7.0%	
<b>Subscribing households</b>	na-	88.3%	88.0%	89.3%	89.8%	

Notes:

- 1 Based on the twelve month period ending 31 August.
2. na: not available
3. nm: not meaningful
- 4 Minor variances are due to rounding.
- 5 During the 2002 to 2005 period, pursuant to CRTC Decisions 2002-45, 2002-88 and 2004-382, the Commission exempted a large number of BDU licensees with fewer than 6,000 subscribers. These systems were no longer required to file annual financial returns with the CRTC.
- 6 In 2006 and 2007, licensees began reporting on all systems, including exempted system, held by the licensee. Total revenue and subscriber levels for 2006 and 2007 are therefore not comparable to the previous years.
- 7 Figures may have been restated for 2003-2006 years.

Source: CRTC data collection, Statistics Canada. Percent of households subscribing to BDUs: Statistics Canada, "Spending Patterns in Canada", 62-202-XWE, 2006 for years 2003-2006, with CRTC projection for 2007

**Table 4.4.2 Top Canadian distributors and number of subscribers (thousands)**

						CAGR
Corporations	2004	2005	2006	2007	2008	2004-2008
Rogers Cable Communications Inc. <sup>(1)</sup>	2,266	2,249	2,260	2,278	2,295	0.3%
<i>Growth</i>	-	-0.8%	0.5%	0.8%	0.7%	
Shaw Communications Inc. <sup>(2)</sup>	2,074	2,138	2,179	2,220	2,242	2.0%
<i>Growth</i>	-	3.1%	1.9%	1.9%	1.0%	
Videotron Ltd <sup>(1)</sup>	1,428	1,455	1,520	1,583	1,652	3.7%
<i>Growth</i>	-	1.9%	4.5%	4.1%	4.4%	
Cogeco Cable Inc. <sup>(2)</sup>	829	831	836	855	859	0.9%
<i>Growth</i>	-	0.2%	0.6%	2.2%	0.5%	
Subtotal - Cable	6,597	6,673	6,795	6,936	7,048	1.7%
<i>Growth</i>	-	1.2%	1.8%	2.1%	1.6%	
Star Choice Television Network Inc. <sup>(2)(3)</sup>	814	830	862	873	886	2.1%
<i>Growth</i>	-	2.0%	3.9%	1.3%	1.5%	
Bell ExpressVu LLP. <sup>(1)</sup>	1,403	1,532	1,739	1,824	1,823	6.8%
<i>Growth</i>	-	9.2%	13.5%	4.9%	-0.1%	
Subtotal - DTH	2,217	2,362	2,601	2,697	2,709	5.1%
<i>Growth</i>	-	6.5%	10.1%	3.7%	0.4%	
Total – Top Canadian distributors	8,814	9,035	9,396	9,633	9,757	2.6%
<i>Growth</i>	-	2.5%	4.0%	2.5%	1.3%	
<i>% of All Subscribers</i>	89.2%	89.6%	90.7%	90.6%	n/a	

Notes: 1. As of 31 March each year  
2. As of 28 February each year  
3. Star Choice Television Network Inc. is controlled by Shaw Communications Inc.

Source: Corporate quarterly reports

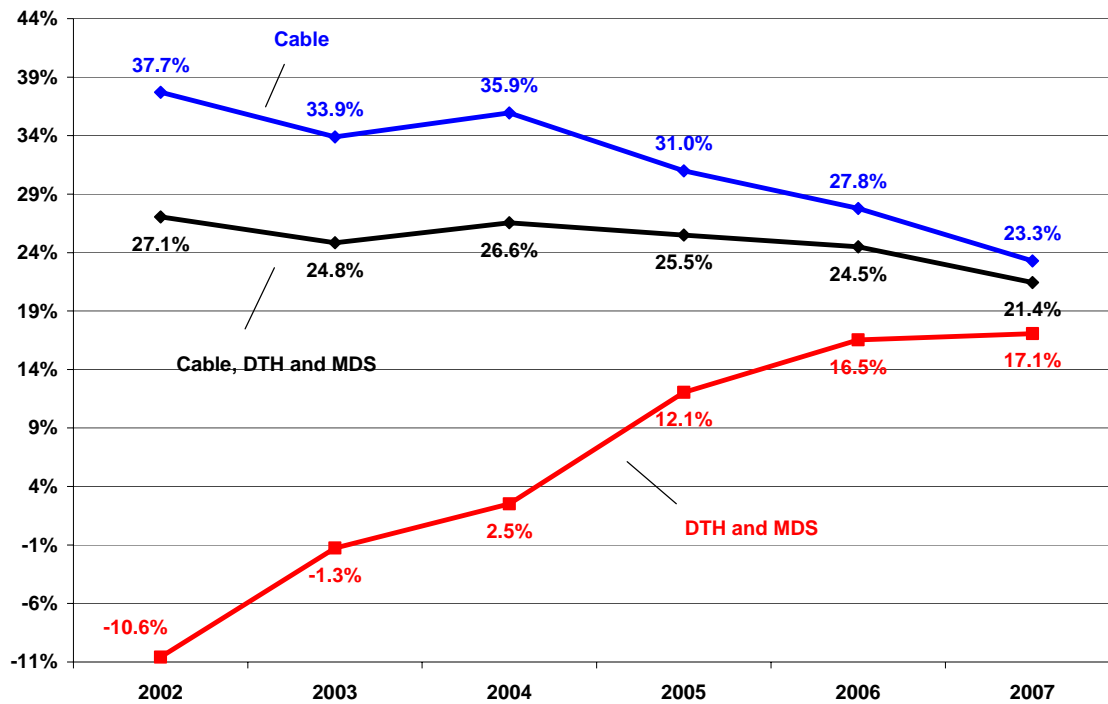
**Table 4.4.3 Number of subscribers receiving digital services (thousands)**

	Cable		DSL		Subtotal		DTH		MDS		Subtotal		Total	
	Number of Subscribers	Percent Growth	Number of Subscribers	Percent Growth	Number of Subscribers	Percent Growth	Number of Subscribers	Percent Growth	Number of Subscribers	Percent Growth	Number of Subscribers	Percent Growth	Number of Subscribers	Percent Growth
September 2007														
English	2,523.0		171.8		2,694.8				17.1					
French	825.3		1.8		827.0				6.2					
Total	3,348.3	12.6%	173.5	34.8%	3,521.9		2,700.5	1.6%	23.2	-21.7%	2,723.8	1.3%	6,245.7	7.9%
Share of:														
Digital subscribers	53.6%		2.8%		56.4%		43.2%		0.4%		43.6%		100.0%	
All subscribers	31.2%		1.6%		32.8%		25.2%		0.2%		25.4%		58.2%	
September 2006														
English	2,283.8		128.7		2,412.5				16.7					
French	689.2				689.2				13.0					
Total	2,973.0	13.0%	128.7	42.5%	3,101.8		2,658.3	5.7%	29.7		2,688.1	5.2%	5,789.9	9.7%
Share of:														
Digital subscribers	51.3%		2.2%		53.6%		45.9%		0.5%		46.4%		100.0%	
All subscribers	28.2%		1.2%		29.4%		25.2%		0.3%		25.5%		54.9%	
September 2005														
English	2,116.8		90.3						26.4					
French	514.0								13.0					
Total	2,630.8	28.1%	90.3	87.3%	2,721.4	29.5%	2,514.9	9.3%	39.4	-16.2%	2,554.4	8.8%	5,275.8	18.5%
Share of:														
Digital subscribers	49.9%		1.7%		51.6%		47.7%		0.7%		48.4%		100.0%	
All subscribers	25.8%		0.9%		26.7%		24.7%		0.4%		25.1%		51.8%	
September 2004														
English	1,663.9		48.2		1,712.1				31.7					
French	390.1				390.1				15.3					
Total	2,054.0		48.2		2,102.2		2,301.4		47.0		2,348.4		4,450.6	
Share of:														
Digital subscribers	46.2%		1.1%		47.2%		51.7%		1.1%		52.8%		100.0%	
All subscribers	20.6%		0.5%		21.1%		23.1%		0.5%		23.5%		44.6%	

Note: English- and French-language subscriber estimates for DTH were not provided from 2004 to 2006.

Source: Mediastats

**Figure 4.4.1 EBITDA margins achieved from basic and non-basic programming services**

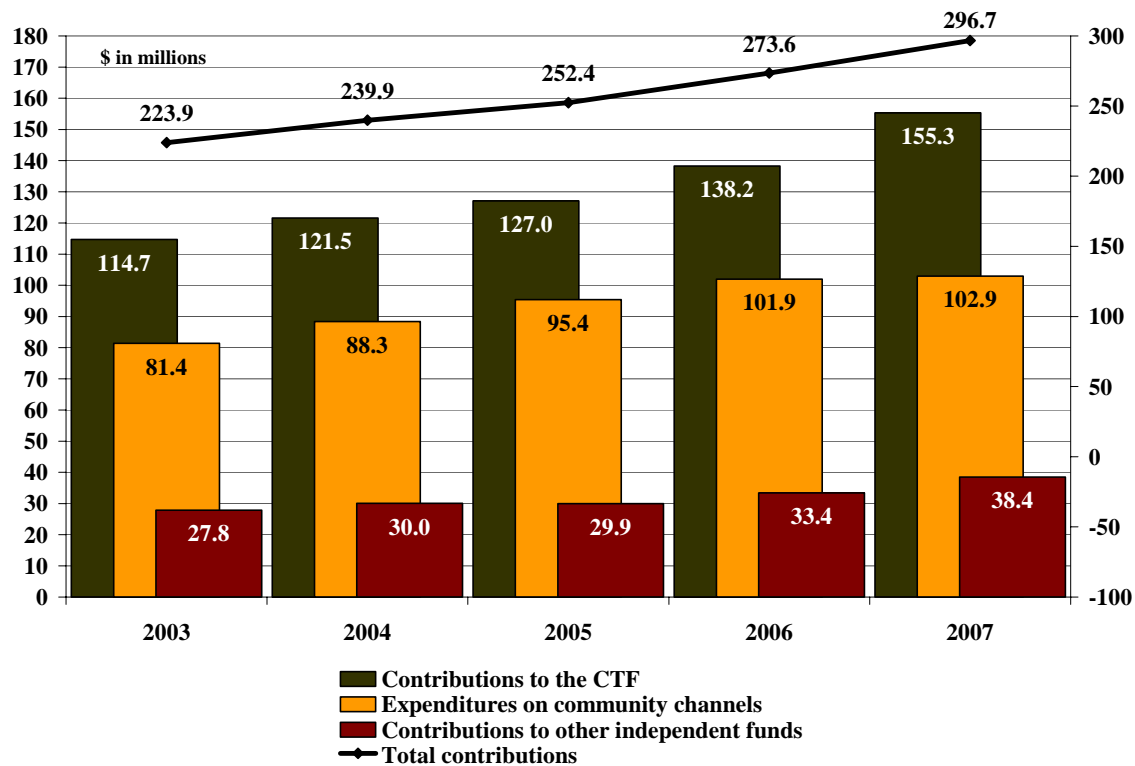


Source: CRTC data collection

Notes:

- 1 Based on the 12-month period ending 31 August
- 2 Figures may have been restated for 2003-2006 years.

**Figure 4.4.2 Contributions to the CTF, other independent industry funds and expenditures on local expression (community channels) reported by broadcasting distribution undertakings (\$ millions)**



Notes:

1. Based on 31 August of each year.
2. Minor variances are due to rounding.
3. Broadcast distribution undertakings include contributions reported by class 1 cable, DTH, MDS as well as satellite relay distribution undertakings (SRDU).

Source: CRTC data collection

**Table 4.4.4 Number of cable undertakings contributing to community channels**

This table outlines the number of Class 1 licensees that have reported community channel expenses between 2003 and 2007. The figures do not necessarily represent the actual number of community channels in operation, as some channels are funded by more than one undertaking.

	2003	2004	2005	2006	2007
Class 1	143	137	134	134	131

Note: Based on 31 August of each year.

Source: CRTC data collection

**Table 4.4.5 Affiliation payments made to pay, PPV, VOD (pay) and specialty services (Part 1 of 2)**

The following table sets out affiliation payments to Canadian and non-Canadian pay and specialty services reported by BDUs.

(\$ millions)	2003	% of total	2004	% of total	2005	% of total	2006	% of total	2007	% of total	% annual incr. / decr.			
											04	05	06	07
Payments to Canadian affiliates														
Cable														
Pay	158	90%	169	87%	202	90%	261	91%	316	92%	7%	20%	29%	21%
Specialty	664	87%	694	88%	693	86%	830	87%	861	84%	5%	-	20%	4%
Total	822	87%	863	88%	895	87%	1,091	88%	1,177	86%	5%	4%	22%	8%
DTH and MDS														
Pay	146	99%	165	99%	138	100%	154	100%	190	100%	13%	-17%	12%	24%
Specialty	342	93%	312	88%	372	91%	415	89%	449	89%	-9%	19%	11%	8%
Total	488	94%	477	91%	510	93%	568	92%	639	92%	-2%	7%	11%	12%
Combined: Cable, DTH and MDS														
Pay	304	94%	334	93%	340	94%	415	94%	506	95%	10%	2%	22%	22%
Specialty	1,007	89%	1,007	88%	1,066	88%	1,245	87%	1,310	87%	-	6%	17%	5%
Total	1,311	90%	1,341	89%	1,405	89%	1,659	89%	1,816	89%	2%	5%	18%	9%
Payments to Non-Canadian affiliates														
Cable														
Pay	17	10%	24	13%	21	10%	24	9%	28	8%	40%	-13%	15%	14%
Specialty	101	13%	97	12%	109	14%	127	13%	167	16%	-4%	12%	17%	31%
Total	119	13%	122	12%	130	13%	152	12%	195	14%	2%	7%	17%	28%
DTH and MDS														
Pay	2	1%	2	1%	0.1	0%	0.2	0%	0.1	0%	-6%	-93%	61%	-64%
Specialty	27	7%	44	12%	37	9%	52	11%	57	11%	63%	-15%	38%	11%
Total	29	6%	46	9%	37	7%	52	8%	57	8%	58%	-18%	38%	11%
Combined: Cable, DTH and MDS														
Pay	20	6%	26	7%	21	6%	25	6%	28	5%	35%	-19%	15%	13%
Specialty	128	11%	141	12%	146	12%	179	13%	224	15%	10%	4%	22%	25%
Total	148	10%	167	11%	168	11%	204	11%	252	12%	13%	-	21%	24%

Note: Based on 31 August of each year.

Source: CRTC data collection

**Table 4.4.5      Affiliation payments made to pay, PPV, VOD (pay) and specialty services  
(Part 2 of 2)**

(\$ millions)	2003	% of total	2004	% of total	2005	% of total	2006	% of total	2007	% of total	% annual incr. / decr.			
											04	05	06	07
Total affiliate payments														
Cable														
Pay	175	54%	193	54%	223	62%	286	65%	344	64%	10%	16%	28%	20%
Specialty	766	67%	792	69%	802	66%	957	67%	1,028	68%	3%	1%	19%	7%
Total	941	65%	985	65%	1,026	65%	1,243	67%	1,371	67%	5%	4%	21%	10%
DTH and MDS														
Pay	148	46%	167	46%	138	38%	154	35%	190	36%	13%	-17%	12%	23%
Specialty	369	33%	356	31%	410	34%	466	33%	507	34%	-4%	15%	14%	9%
Total	517	35%	523	35%	547	35%	620	33%	697	34%	1%	5%	13%	12%
Combined: Cable, DTH and MDS														
Pay	323	22%	360	24%	361	23%	439	24%	534	26%	11%	-	22%	21%
Specialty	1,135	78%	1,148	76%	1,212	77%	1,424	76%	1,534	74%	1%	6%	17%	8%
Total	1,458	100%	1,508	100%	1,573	100%	1,863	100%	2,068	100%	3%	4%	18%	11%

Note: Based on 31 August of each year.

Source: CRTC data collection





## 4.5 New Media

One aspect of broadcasting in new media is the migration of digital broadcasting content to mobile and Internet distribution platforms. These platforms are providing Canadians with new programming experiences ranging from services analogous to television and radio to new, highly interactive properties offering greater consumer control and choice.

This section examines this migration as well as the related consumer behaviour. The section also looks at certain technologies as they relate to Canada's broadcasting and telecommunications sectors. As this is a growing and evolving industry, data contained in this section was gathered primarily from contracted research and publicly available data, rather than industry questionnaires. One of the primary data sources was the MTM 2007 survey, which examined the media habits and technology usage of 12,000 Canadians.

The Commission intends to monitor new media broadcasting through various means. The intent is to arrive at a recurring set of data which can be collected each year in order to present a picture of the new media broadcasting industry in Canada.

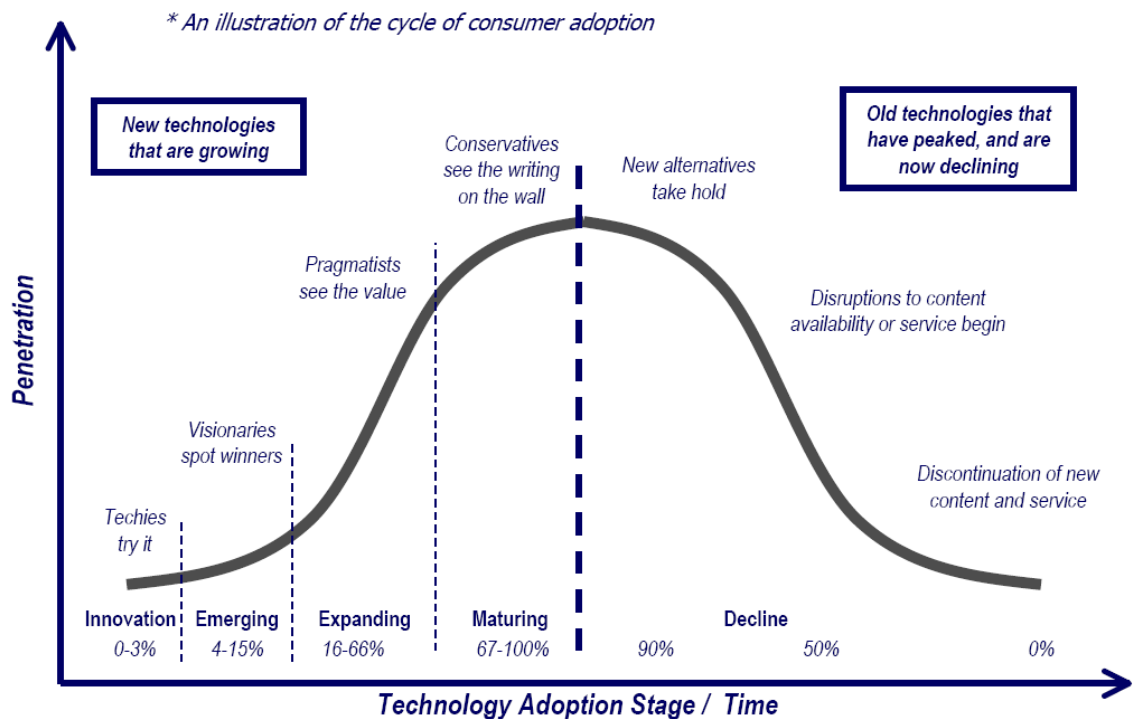
As over 93% of households can have access to fixed broadband and over 78% of households can also have access to mobile broadband,<sup>215</sup> Canadians are increasingly demanding access to content, whether audio, video, or data. Spurring this development is the availability of multi-function consumer devices. New media services are generally in the innovation, emerging or expanding stage of the product life cycle, as defined in the figure below.

One indicator for new media and its role in the lives of Canadians is the level of technology adoption by Canadians. Legacy technologies which have been in use for a decade or more demonstrate near-ubiquity in Canadian households. This includes devices such as VCRs and portable radios. However, there are many new devices which allow users to more fully utilize new media broadcasting offerings, and the adoption rate of these devices and services is a good indicator of the usage of these new platforms.

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<sup>215</sup> 3G or equivalent

**Figure 4.5.1** Cycle of consumer adoption / product Life Cycle



Source: MTM 2007

## New Media and the Internet

The general trends for Internet usage continue to indicate Canadians are accessing and using the Internet not only for entertainment, but for day-to-day activities and research as well. Over a one-year period, comScore reports that the total Internet audience in Canada has grown by about 4%, and that their total time spent monthly online has grown by over 10%. This points to the increased importance the Internet has for Canadians. The following section will focus on demographic and behavioural trends of Internet usage in Canada, not access statistics. For detailed information regarding Internet and broadband availability in Canada, please refer to Section 5.3 of this report.

Internet usage in Canada continues to grow and change. For example, for the five-year period 2003 to 2007, growth of Internet usage for Canadians aged 50+ was approximately double that of the average, and higher than the other age segments.

**Table 4.5.1 Canadian Internet usage by demographic**

	2003		2005		2007	
	Anglo	Franco	Anglo	Franco	Anglo	Franco
Overall Usage	68%	58%	77%	65%	81%	71%
18-34	84%	79%	91%	86%	95%	91%
35-49	78%	66%	84%	76%	89%	84%
50+	48%	34%	60%	43%	66%	51%

Source: MTM 2007 (Respondents: Internet Users)

**Table 4.5.2 Website category visits by Canadian unique visitors**

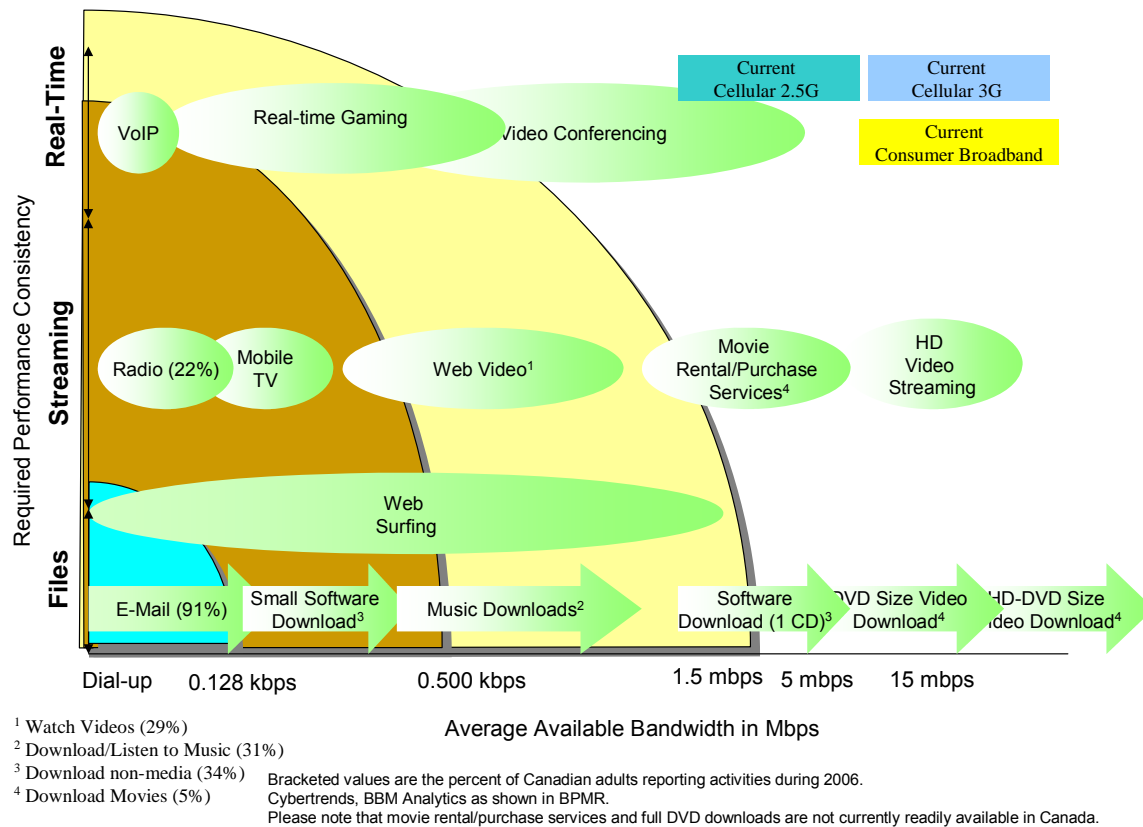
	Unique Visitors (thousands)		Growth	Total Minutes (millions)		Growth
	Feb-07	Feb-08	%	Feb-07	Feb-08	%
Total Internet	22,823	23,814	4.3%	57,524	63,578	10.5%
Entertainment Sites	21,093	21,789	3.3%	5,136	5,184	0.9%
<i>Multimedia Sites</i>	18,011	19,249	6.9%	1,707	2,505	46.8%
<i>TV Sites</i>	14,020	14,422	2.9%	505	488	-3.3%
<i>Music Sites</i>	14,298	13,517	-5.5%	371	334	-9.9%
<i>Radio Sites</i>	7,347	7,875	7.2%	278	305	9.6%
Retail Sites	20,677	21,105	2.1%	2,068	2,084	0.8%
News / Information Sites	19,371	19,602	1.2%	1,772	1,642	-7.4%
Business / Finance Sites	18,073	18,200	0.7%	1,216	1,033	-15.1%
Career Services	9,035	9,349	3.5%	147	149	1.4%

Source: ComScore MediaMetrix

Canadians' online activities from a new media perspective are continually evolving. A majority of Internet users turn to the Internet for activities such as email, online banking, and general browsing, but for the purposes of new media broadcasting, there are specific categories which are of interest. Online video viewing, streaming audio and downloading podcasts are examples of these activities.

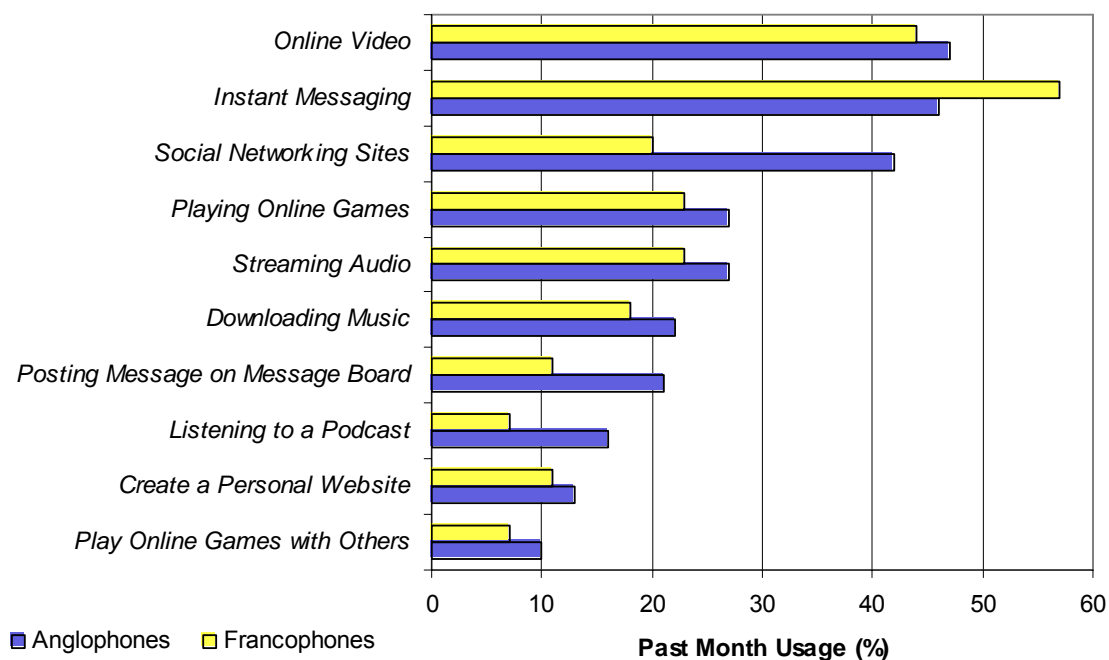
Section 5.3 of this report indicates that the penetration of broadband Internet access in residential homes continues to grow year over year. Broadband services are described as services that are above 1.5 Mbps. These have become increasingly popular due to the greater availability as well as activities being pursued on the Internet. Figure 4.5.2 illustrates the various bandwidth requirements for activities such as music, video, and high definition (HD) video downloads. These activities require greater and greater broadband speeds.

**Figure 4.5.2 Internet applications – bandwidth requirements**



Data presented in Section 5.3 indicates that more than 50% of Canadian Internet subscribers have a residential Internet connection which is 5Mbps or greater, which allows users to access most new media broadcasting services with relative ease. When asked by MTM about activities related to their usage of the Internet, users indicated high usage of services such as online video and instant messaging, as shown in the following figure.

**Figure 4.5.3 Popular Internet activities of Canadians related to New Media**



Source: MTM 2007 (Respondents: Internet Users)

Along with the growth of usage of the Internet for an increasing amount of activities, there has been a noticeable growth in the amount of time that people spend online. As a point of interest, weekly time spent using the Internet by Canadians has nearly tripled in the past decade for Anglophones, and more than doubled for Francophones.

**Table 4.5.3 Average weekly hours spent online by Canadians**

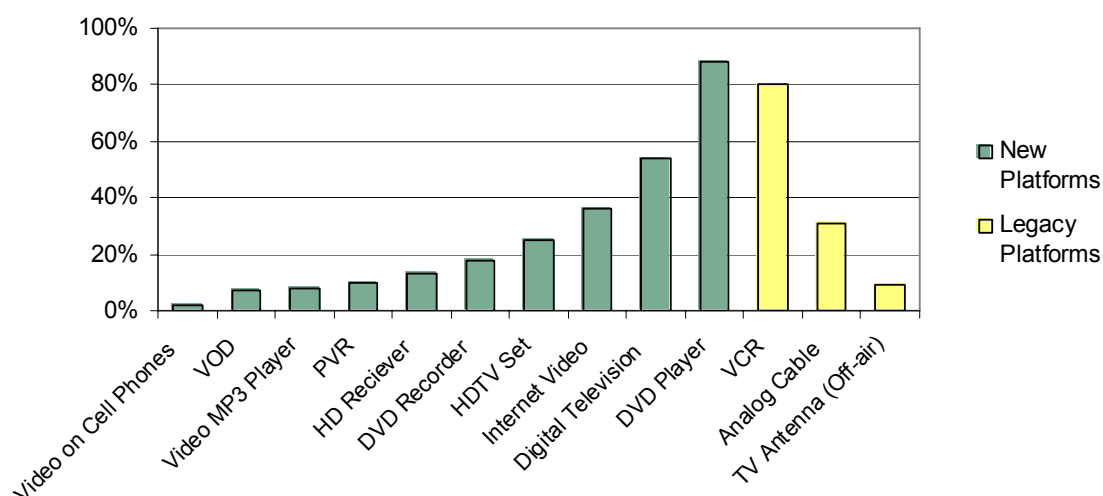
	1997		1999		2002		2005		2007	
	Anglo-phones	Franco-phones	Anglo-phones	Franco-phones	Anglo-phones	Franco-phones	Anglo-phones	Franco-phones	Anglo-phones	Franco-phones
Weekly Hours of Online Usage (Average)	4.8	4.1	5.6	6.3	9.3	7.7	11.7	9.1	13.4	9.8

Source: MTM 2007 (Respondents: Internet Users)

## Video usage and New Media

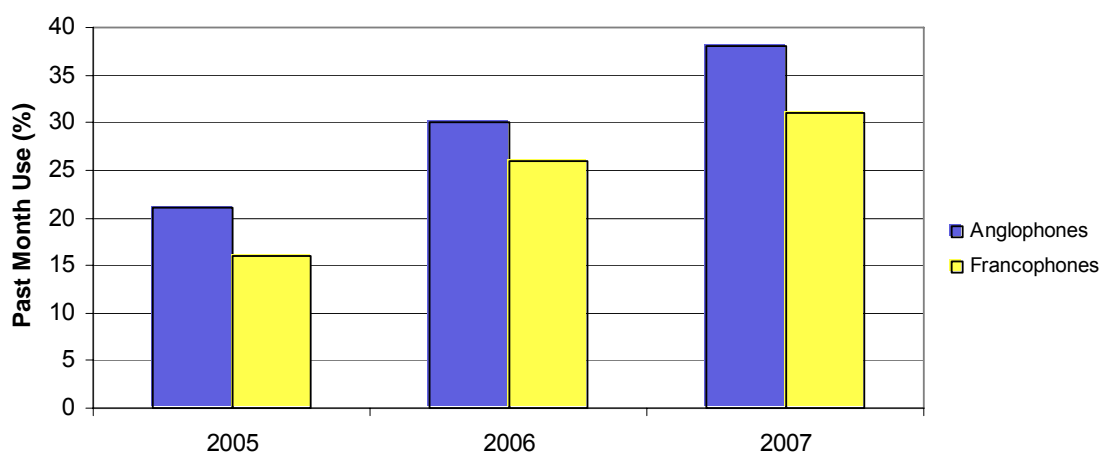
As they adopt new technology platforms, Canadians are being given an increased number of ways in which to consume video content. The increase in online video sources is resulting in more Canadians using the Internet to seek out video content. Overall video consumption online has more than doubled over the past 3 years. Of those who are watching videos online, amateur, or user-generated content is currently more popular than watching professionally produced programs.

**Figure 4.5.4 Video technology penetration in Canada (2007)**



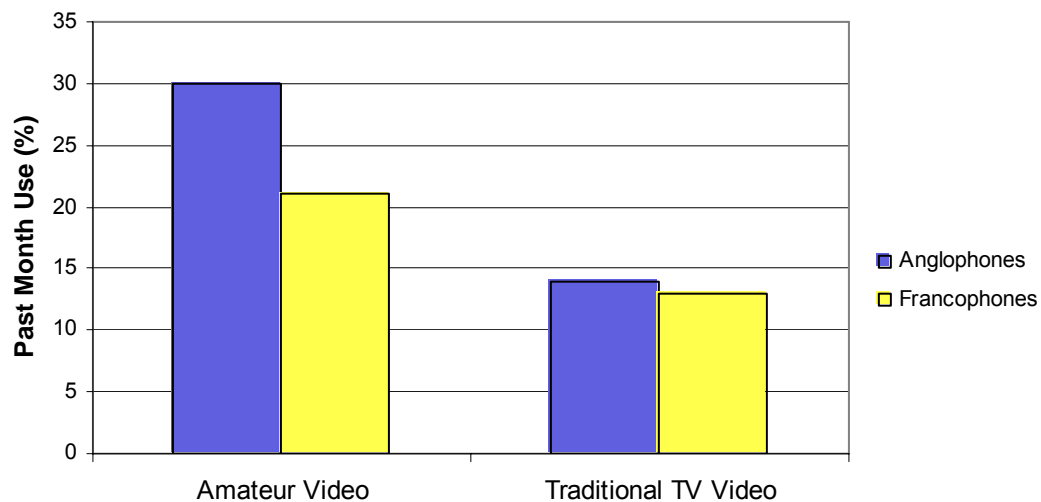
Source: MTM 2007 (Respondents: All)

**Figure 4.5.5 Internet video viewing by Canadians**



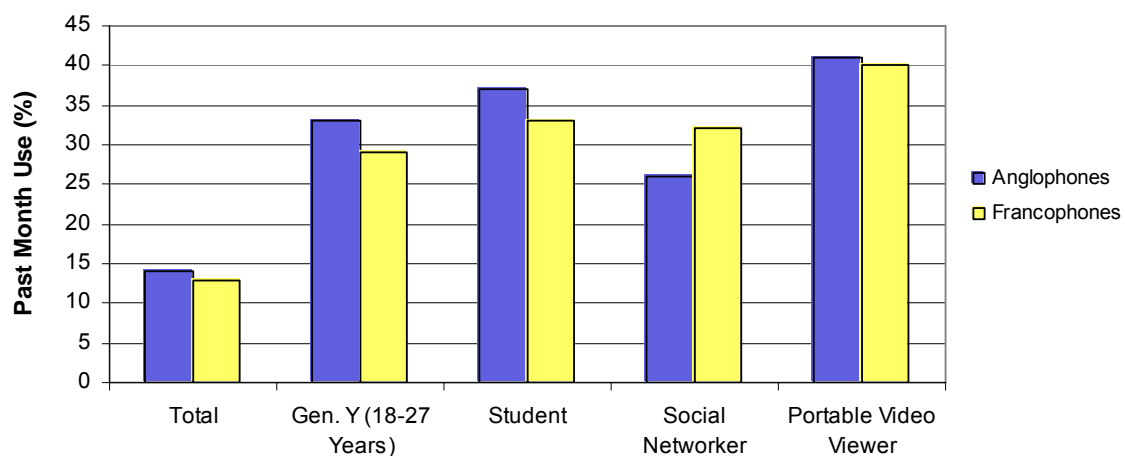
Source: MTM 2007 (Respondents: All)

**Figure 4.5.6 Internet video viewing of Canadians by type**



Source: MTM 2007 (Respondents: All)

**Figure 4.5.7 Penetration of Internet TV viewers by selected demographic groups**



Source: MTM 2007 (Respondents: All)

### Video on Mobile Devices

Video over cell phones has shown slow growth thus far. Services being offered by the large national carriers are still in their infancy, and new handsets and enhanced service offerings must be purchased to access the content. While MTM reported that 65% of Canadians own a cell phone, the proportion of those which were video-capable was not listed. Nonetheless, for 2007, MTM has reported that only 2% of respondents had viewed video using their cell phones, and that less than 1% of respondents had watched actual television programming on their handsets.

Video MP3 players, such as the iPod, are also not being used extensively as video viewing platforms. In 2007, 31% of Canadians reported owning MP3 players (up from 27% in 2006), this number drops to 8% when examining how many Canadians own a video-capable MP3 player (up from 5% in 2006). In the MTM survey, 3% of Canadians reported watching video on these devices in the preceding month.

The table below summarizes the trends for several video viewing platforms, and their relative growth or decline over the 3-year period 2005 to 2007.

**Table 4.5.4                      Adoption and growth / decline rate of various video technologies in Canada**

	2005		2006		2007	
Adoption Rate	Anglo	Franco	Anglo	Franco	Anglo	Franco
PVR Adoption	4%	2%	6%	4%	10%	6%
Watch Video on Demand	5%	4%	6%	7%	7%	11%
Watch Internet Video	21%	16%	30%	26%	38%	31%
Watch Video on Cellphone	-	-	-	-	2%	1%
Growth / Decline	Anglo	Franco	Anglo	Franco	Anglo	Franco
PVR Adoption	-	-	50%	100%	67%	50%
Watch Video on Demand	-	-	20%	75%	17%	57%
Watch Internet Video	-	-	43%	63%	27%	19%
Watch Video on Cellphone	-	-	-	-	-	-

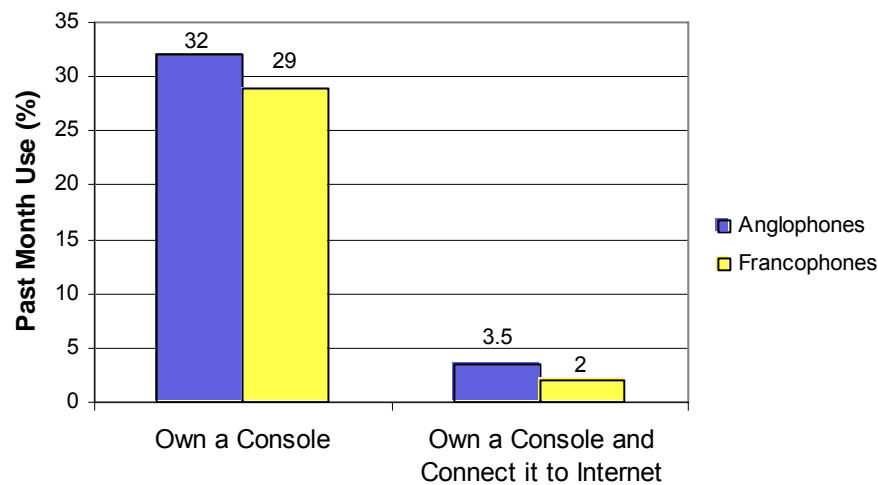
Source: MTM 2007 (Respondents: All)

### **Video on other platforms**

Another aspect of new media broadcasting and increased convergence is the ability to connect gaming consoles to the Internet, and therefore extend the interactive capabilities of video games. Approximately 30% of Canadians own a game console, and connect them to a TV set. Many of these devices are also capable of connecting to the Internet to allow users to perform a number of other activities, such as downloading professional video content (e.g., movies), or play certain games with other connected users.



**Figure 4.5.8 Gaming console statistics for Canada**

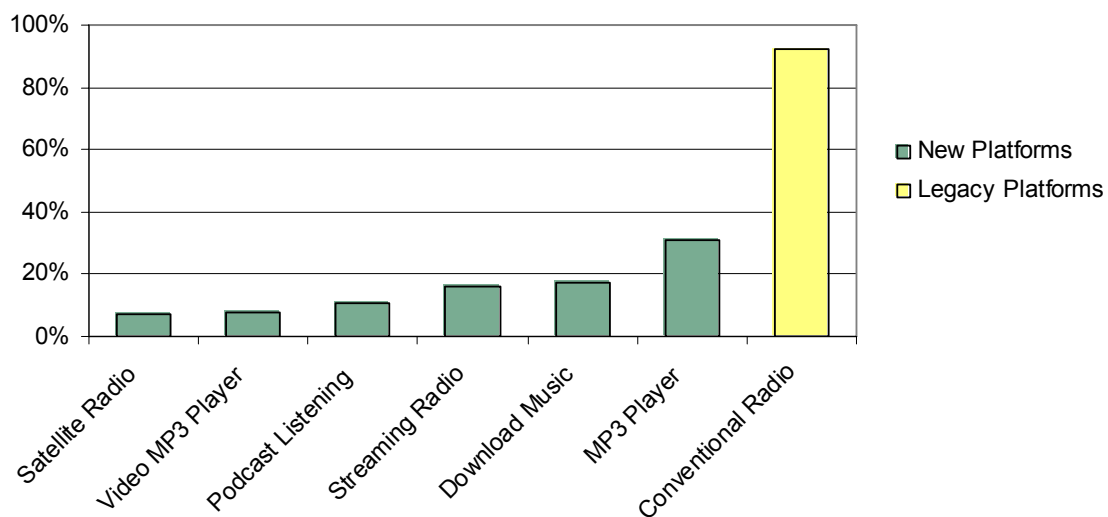


Source: MTM 2007 (Respondents: All)

### Audio usage and New Media

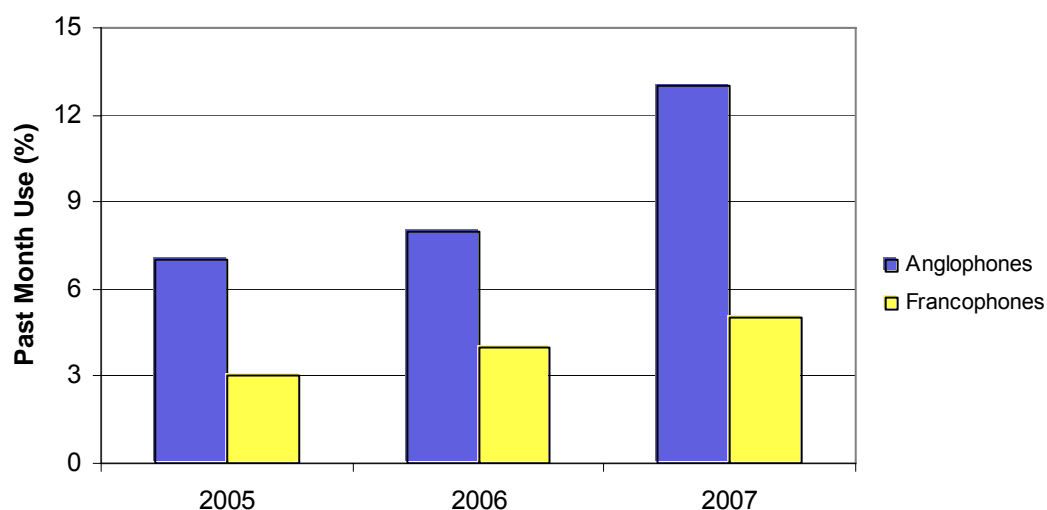
Similar to the impact on Canadians' television habits, online services and technologies are also having an impact on how Canadians consume and use audio services. New media has given users more options in accessing audio. The most popular music sources now include activities such as downloading music, streaming radio over the Internet, as well as using podcasts, which are pre-recorded audio programs for use on portable music devices. The following charts illustrate the trends over the past few years for Canadians adopting and using these technologies.

**Figure 4.5.9 Audio Technology Penetration in Canada (2007)**



Source: MTM 2007 (Respondents: All)

**Figure 4.5.10 Podcast usage in Canada**



Source: MTM 2007 (Respondents: Internet Users)

While listening to audio podcasts is an activity which has shown high growth over the past two years, MTM reports that both downloading music, as well as streaming radio over the Internet are activities that have shown a slight decline over the past year. The table below lists the trends for these four activities, and their relative growth or decline over the past three years.

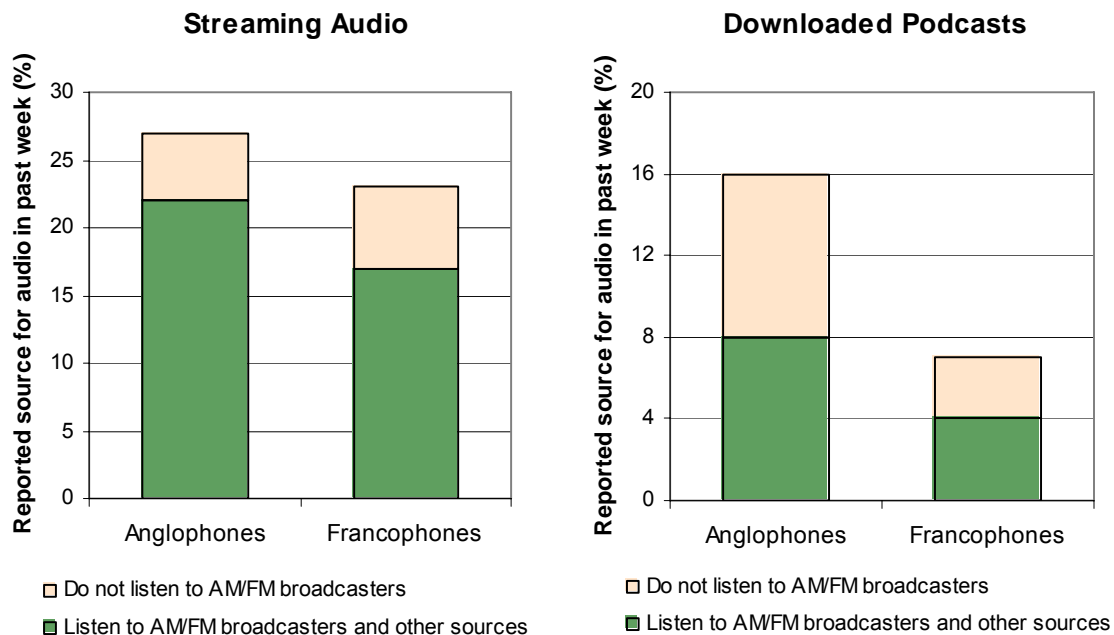
**Table 4.5.5 Adoption and growth / decline rate of various audio technologies in Canada**

	2005		2006		2007	
Adoption Rate	Anglo	Franco	Anglo	Franco	Anglo	Franco
MP3 Player Adoption	23%	14%	29%	19%	34%	24%
Podcast Downloading	7%	3%	8%	4%	13%	5%
Music Downloading	20%	12%	20%	12%	18%	13%
Streaming Radio	23%	16%	19%	14%	18%	12%
Growth / Decline	Anglo	Franco	Anglo	Franco	Anglo	Franco
MP3 Player Adoption	-	-	26%	36%	17%	26%
Podcast Downloading	-	-	14%	33%	63%	25%
Music Downloading	-	-	0%	0%	-10%	8%
Streaming Radio	-	-	-17%	-13%	-5%	-14%

Source: MTM 2007 (Respondents: All)

Traditional radio broadcasters are also evolving to include new media offerings as part of their business, such as making traditional radio broadcasts available online as either streaming services, or downloadable podcasts. Anglophones have displayed increased interest in utilizing podcasts, showing a growth rate of 60% over the past year. AM/FM broadcasting remains an important source for audio material, even for consumers which are Internet-centric in their media consumption. The following charts illustrate the popularity of AM/FM broadcasters as a source for audio content when streaming audio and downloading podcasts.

**Figure 4.5.11 AM/FM broadcasters as a source of audio material in streaming audio and downloaded podcasts**



Source: MTM 2007 (Respondents: Internet Users)

## Audience Participation in New Media

The preceding sections focused on Canadians' adoption of various technologies and services being offered that are related to new media generally and new media broadcasting specifically. The adoption of technologies is an important consideration as is their usage. Traditional media, such as television and radio, are reported on in terms of hours of usage in a typical week. Data collection is carried out through well established systems such as meters and/or diary collection. While these methods are well understood and accepted as industry standards, systems are not in place to capture all other media usage in a similar fashion.

**Table 4.5.6 Time spent by Canadian adopters using various technologies**

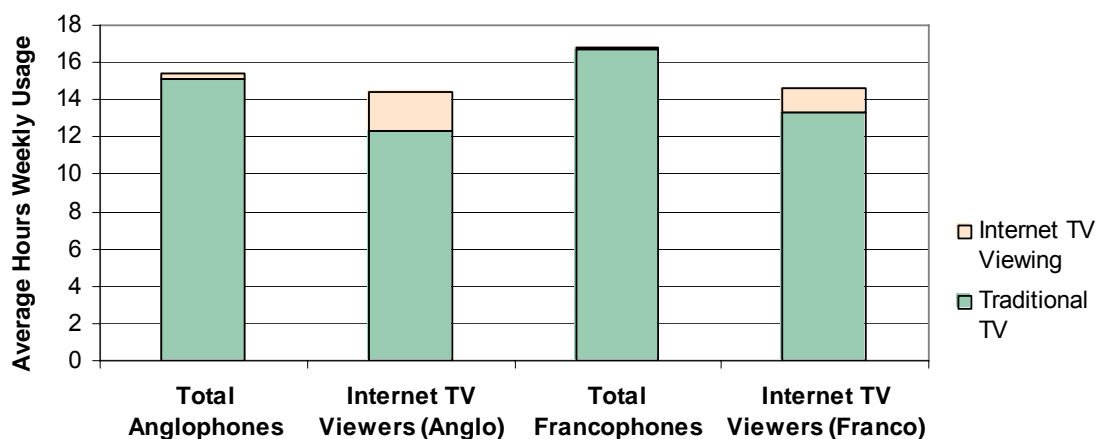
	2007	
	Hours per Week	
	Anglo	Franco
Internet Usage	13.4	9.8
Online Video Viewing	2.6	2.0
Streaming Online Audio	6.0	5.7
Podcasting	2.2	2.6
Listening to Audio on iPod / MP3	6.7	5.7
Satellite Radio Listening	11.0	11.0

Source: MTM 2007 (Respondents: Those Using the Listed Technologies)

The MTM survey also presented information with regards to the amount of time spent using new media platforms and compared this to users of traditional platforms. For example, it was explored whether users of Internet video were watching more or less traditional television, and similarly looked at the relationship between the amount of time spent on various new audio services and the listenership of traditional radio broadcasts.

Results from the MTM survey indicate that users of Internet video tend to consume less television content. Although some viewing is supplemented via online watching, the overall quantity of TV consumed is lower for those watching TV online than for those not watching TV online.

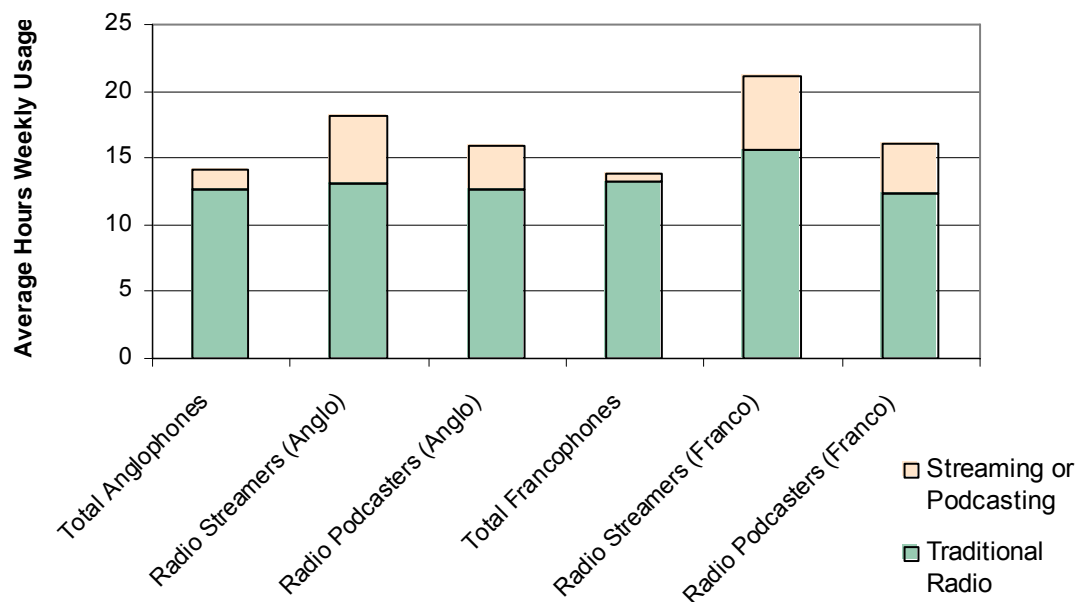
**Figure 4.5.12 Average hours Canadians spend watching TV – comparing average Canadian viewing hours to those reporting watching Internet TV**



Source: MTM 2007 (Respondents: All)

The following chart indicates that users of alternative platforms for audio content delivery tend to consume more, not less, content from traditional providers. For example, Francophone users who listen to streaming radio online reported average weekly hours of radio listening at over 21 hours, compared to Francophones who do not stream Internet radio, who reported only 14 hours of radio listening on average per week.

**Figure 4.5.13** Average hours Canadians spend listening to audio – comparing average Canadian listening hours to those using the Internet to stream audio or listen to podcasts



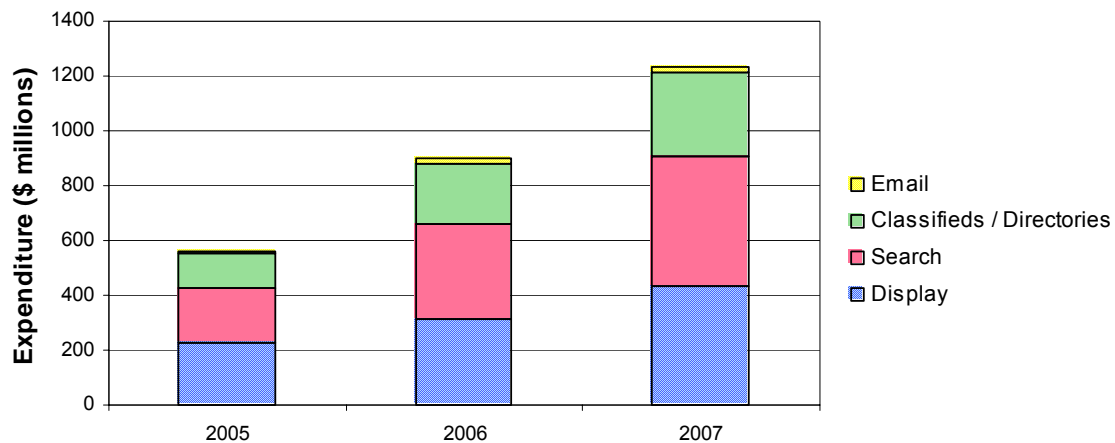
Source: MTM 2007 (Respondents: All)

### Economic indicators of New Media

New media, and in particular its relationship with the Internet has caused changes other than shifts in audience involvement and time spent on other media platforms. Advertising expenditures have also changed over the past several years.

Of particular interest is the advertising expenditures made on the Internet. The Interactive Advertising Bureau (IAB) releases reported online advertising expenditures through information gathered directly from the marketing and advertising community in Canada, and breaks out the results by key categories. This information is presented in Figure 4.5.14.

**Figure 4.5.14 Canadian online advertising expenditures**



Source: IAB Canada

A further aspect of new media is the external investments made into new media content development. There are numerous funds available to assist in the development of digital content in Canada. The table below lists some of these funds and their respective contributions to the new media industry in Canada. Producers use these funds for a wide variety of new media projects, ranging from on-line video content, to web-site development, to children's interactive game development, among others.

**Table 4.5.7 Various Canadian New Media Development Funds**

<i>Fund Name</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Bell Broadcast and New Media Fund <sup>1</sup>	\$4,135,525	\$5,584,736	\$8,283,975
Telefilm Canada's Canada New Media Fund <sup>2</sup>	\$14,068,029	\$9,567,606	\$14,500,000
OMDC Interactive Digital Media Fund <sup>3</sup>			\$870,000
Canadian Film Centre's Telus Innovation Fund <sup>4</sup>		\$300,000	\$300,000
Quebecor Funds <sup>5</sup>			\$3,500,000
<b>Total Contribution</b>	<b>18,203,554</b>	<b>\$15,452,342</b>	<b>\$27,453,975</b>

- Notes: 1 Represents Interactive Media projects  
2 Represents Product Assistance Grants (Reporting years run April - March)  
3 Funding limited to '07-'08  
4 Funding offered for 3 projects at \$100,000 each per year  
5 Estimate only available for 2007

Source: Fund usage reports from each group

## **5.0 Telecommunications**

### **5.1 Telecommunications - Financial review**

This section provides a broad overview of the financial performance of the telecommunications industry and examines various financial metrics such as: revenue trends by market segment and by type of service provider, profitability and capital intensity.

Telecommunications revenues include revenues from wireline and wireless services. Wireline service revenues include local and access, long distance, data and private line, and Internet service revenues. They exclude revenues from terminal equipment sales and rentals. Wireless service revenues include revenues from mobile and paging services and revenues related to terminal equipment.

#### ***a) Telecommunications revenues overview***

Retail telecommunications revenues increased from \$32.7 billion in 2006 to \$34.7 billion in 2007, an increase of \$2.0 billion or 6.0%, while wholesale revenues remained relatively unchanged from 2006 at \$3.3 billion. Retail revenues as a percent of total revenues also remained relatively unchanged at 91.3% compared to 90.9% in the previous year. The major contributors to wholesale revenues in 2007 were long distance (23%), local and access (24%), and data and private line (28%).

Over the 2003 to 2004 period, wireless revenue growth continually increased from 14% in 2003 to 18% in 2004. After peaking in 2004, wireless revenue growth declined back to 14% in 2007; resulting in an annual growth over the 2003 to 2007 period of 15.7%. Wireline growth has essentially been negative over this period ranging from zero percent in 2004 to a low of negative 3% in 2002; resulting in an annual revenue decline over the 2003 to 2007 period of 0.4%.

#### ***b) Revenues by market segment***

Wireline voice revenues, consisting of revenues from local and access and long distance services, representing approximately 58% of wireline revenues, declined 4.2% or \$0.6 billion in 2007; while non-voice wireline services such as Internet and data and private line representing 42% of wireline revenues, increased 8.7% or \$0.8 billion.

A notable trend exhibited in these results is the continuation of consumer adoption of the newer non-legacy services such as Internet and wireless services, as well as the business customers' preference for the newer data protocol services such as IP-VPN and Ethernet. Between 2004 and 2007, growth was driven from these non-legacy or newer type services while services such as local and access, legacy data and private line, and long distance have continued to decline.

Not surprisingly, non-legacy service revenues represented 56% of the total telecommunications revenues in 2007 compared to 38% in 2003. This change was driven by dynamics such as consumer preferences, service innovations, and technological advancements. Internet and wireless were the major drivers to the significant increase in non-legacy service revenues between 2003 and 2007. The revenues from these two market segments accounted for 53% of total telecommunications revenues in 2007, compared to 37% in 2003.

**c) Revenues by type of service provider**

Total retail telecommunications revenues in 2007 were approximately \$34.7 billion, up 6.0% from 2006. Of these revenues, \$14.0 billion or 40% were related to wireless services and the remaining \$20.7 billion or 60% were related to wireline services. Approximately \$11.0 billion or 53% of these retail wireline revenues were related to residential services and \$9.7 billion or 47% to business services.<sup>216</sup>

As displayed in Figure 5.1.4, the incumbent TSPs had approximately 58% of the total wireline and wireless revenues in 2007 in their traditional territories. When operating outside of their traditional operating territory, they captured an additional 12% of the telecommunications revenues, whereas the facilities-based non-incumbent TSPs and resellers had approximately 26% and 4% respectively. There was a notable shift in revenues of approximately 3% from incumbent TSPs (excluding out-of-territory) to facilities-based non-incumbent TSPs between 2006 and 2007.

Figure 5.1.5 summarizes the various types of telecommunications service providers and their share of the industry's revenues in 2007. There are two groups of service providers that stand out within this chart. The resellers represented 69% of the service providers, and as a group they captured approximately 4% of the industry's revenues in 2007. At the same time the large incumbent TSPs (excluding out-of-territory), representing less than 2% of the total number of service providers, captured approximately 57% of the revenues in 2007 which made them the largest group with respect to revenues.

A summary of total telecommunications services revenue in aggregate and by type of service providers for the period 2004 to 2007 is provided in Table 5.1.3.<sup>217</sup> As this table demonstrates, the incumbent TSPs' (excluding out-of-territory) share of the total telecommunications revenues steadily decreased from 68% in 2003 to 59% in 2007. Excluding their out-of-territory operations, incumbent TSPs revenues decreased slightly by approximately 0.2% to \$22.3 billion. After increasing revenues from 2004 through 2006, the resellers saw their revenues decrease by about 10% in 2007. The facilities-based TSP revenues increased 18% to \$14.1 billion which was mainly attributed to the cable BDUs' 19% revenue growth in 2007.

With respect to wireline services, as displayed in Table 5.1.4, incumbent TSPs (excluding out-of-territory) had between 66% and 71% of their revenues in the residential, business and wholesale markets in 2007. When operating outside their traditional operating territory, the incumbents TSPs captured approximately 14% in business and wholesale markets.

**d) EBITDA and EBITDA margin**

Over the 2003 to 2007 period, the incumbent TSPs' EBITDA declined from \$7.2 billion to \$6.7 billion, a 7% decline. In contrast, the wireless EBITDA steadily increased by 110% from \$3.1 billion in 2003 to \$6.5 billion in 2007. Although wireless revenues accounted for 38% of the telecommunications revenues in 2007, the wireless EBITDA accounted for an estimated 50% of industry EBITDA.

<sup>216</sup> Source: CRTC data collection.

<sup>217</sup> This amount includes estimates that were made for small service providers that were unable to complete the forms on time.



The incumbent TSPs' wireline EBITDA declined from \$7.1 billion in 2006 to \$6.7 billion in 2007, a decline of \$0.4 billion or 5.9%. Over the same period, the wireless EBITDA increased from \$5.6 billion to \$6.5 billion, an increase of 16.2%.

*e) Capital expenditures and capital intensity*

Capital expenditures are one of the main costs of providing telecommunications services. These costs are primarily investments in fixed assets such as property, plant and equipment, and are an important element in the growth strategy of the industry. This section presents the industry capital expenditures and capital intensity ratios (i.e., capital expenditures as a percentage of revenues) over the 2003 to 2007 period.

*Capital expenditures*

In 2007, incumbent TSP and cable BDU expenditures included, but were not limited to, enhancements to wireless networks, expansion of fibre-to-the-node (FTTN) facilities as well as expansion of wireless and DSL capacity and coverage. After rolling out their 3G and 3G-equivalent wireless networks in late 2004 and early 2005, Bell Canada, TCC and Rogers Communication Corporation (Rogers) continued to expand their high-speed mobile network coverage to additional urban centres and various cottage country locations. The incumbent TSPs continued to make expenditures on IPTV.

Total telecommunications capital expenditures were \$8.2 billion in 2007, an increase of 18.7% from the \$6.9 billion in 2006. Wireless capital expenditures increased by 12.7% to \$1.9 billion in 2007. Wireline capital expenditures, representing approximately 77% of telecommunications capital expenditures, increased from \$5.3 billion in 2006 to \$6.3 billion in 2007, an increase of 20.6%. In 2007 the incumbent TSPs' capital expenditures were approximately 73% of total wireline capital expenditure, compared to 75% in 2006.

The non-incumbent facilities-based alternative TSPs increased their capital expenditures from \$1.2 billion in 2006 to \$1.6 billion in 2007. This increase was primarily attributable to increased expenditures by the cable BDUs.

*Capital intensity*

Capital expenditures as a percentage of revenue by type of TSP varied significantly over the 2003 to 2007 period. Between 2003 and 2007, the capital intensity for wireless providers, wireline incumbent TSPs (including out-of-territory) and non-incumbent wireline facilities-based alternative TSPs ranged between 13% to 16%, 19% to 26% and 10% to 39% respectively. The wireline facilities-based non-incumbent TSPs consistently increased capital expenditure as a percentage of revenues from 2003 to 2007. By 2007 they had increased this ratio by more than 3-fold from 11% in 2003 to 39% in 2007.

Over the 2003 to 2007 period wireless service providers have shown a decrease in their capital expenditures as a percentage of revenues, dropping from 15% in 2003 to 12% in 2004 and increasing to 13% in 2007. Although there was an increase in wireless capital expenditures in 2007, this was not reflected in the capital intensity since revenues increased more rapidly. Wireless capital expenditures increased in 2006 and 2007 by 23% and 12.7% respectively.

*f) Inter-carrier payments*

In providing telecommunications services, a TSP can either build its own network by incurring capital expenditures or the TSP can acquire access to the facilities of another TSP. The payments made to acquire access to facilities from another TSP are referred to as inter-carrier payments. These services can be acquired either from incumbent TSPs for services that may or may not have a tariff, or from non-incumbent TSPs. Incumbent TSP services may include unbundled loops, co-location, access tandem, direct connect, centrex, and private line. Non-incumbent TSP services may include items such as PSTN connections and inter-exchange private line. These inter-carrier payments were also defined by the Commission within the category I<sup>218</sup> and category II<sup>219</sup> competitor services. Contribution payments or settlement charges are not considered as inter-carrier payments.

In 2007, wireline inter-carrier expenses for all TSPs represented approximately 11% of total wireline revenues. During the same period, the reseller inter-carrier expenses were approximately 42% of their revenues versus 51% in 2006, followed by the facilities-based non-incumbent TSPs at 17% (25% in 2006) and the incumbent TSPs at 8% (9% in 2006).

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<sup>218</sup> Category I “comprises those services which are in the nature of an essential service”. These services comprised interconnection and ancillary services required by Canadian carriers and resellers interconnecting to the ILEC’s networks, including essential services as defined in Telecom Decision CRTC 97-8 and near-essential services, such as those that were the subject of Order CRTC 2001-184.

<sup>219</sup> Category II, “The second group of Competitor Services will be those services developed for use by telecommunications service providers - other than services in the nature of an essential service - and will be known as Category II Competitor Services. The pricing of these services will be determined on a case-by-case basis.” (Telecom Decision CRTC 2002-34).

## Statistical information – Telecommunications

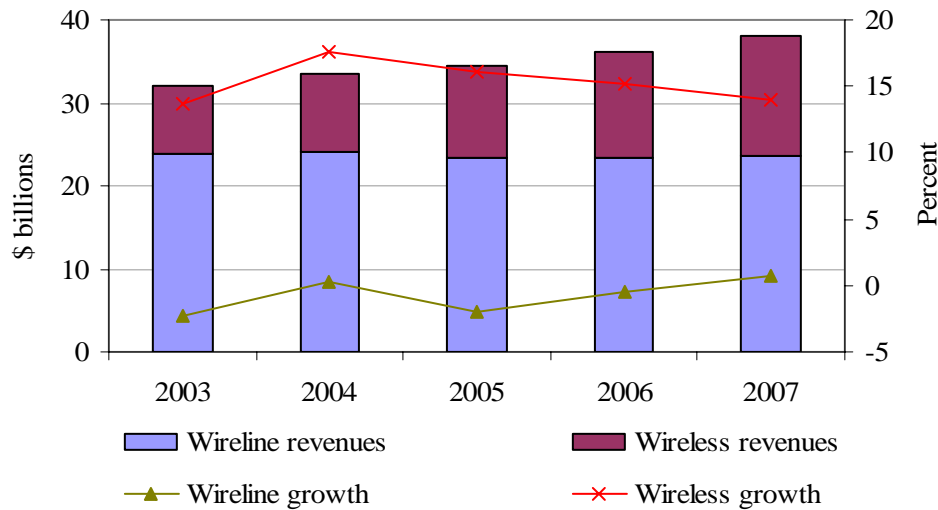
**Table 5.1.1 Retail and wholesale telecommunications revenues<sup>220</sup> (\$ billions)**

	2003	2004	2005	2006	2007	<i>Growth</i> 2006- 2007	<i>CAGR</i> 2003- 2007
<b>Wireline</b>							
Retail	20.6	21.1	20.6	20.5	20.7	1.1%	0.1%
Wholesale	3.3	2.9	2.9	2.9	2.8	-1.3%	-3.7%
Wireline total	23.9	24.0	23.5	23.4	23.6	0.8%	-0.4%
<b>Wireless</b>							
Retail	8.1	9.4	10.9	12.2	14.0	14.2%	14.7%
Wholesale	n/a	0.1	0.1	0.5	0.5	9.5%	n/a
Wireless total	8.1	9.5	11.0	12.7	14.5	14.0%	15.7%
Retail total	28.7	30.5	31.6	32.7	34.7	6.0%	4.9%
Wholesale total	3.3	3.0	3.0	3.3	3.3	0.2%	0.3%
Total	32.0	33.5	34.5	36.1	38.0	5.4%	4.4%

Source: CRTC data collection

Note: n/a: not available

**Figure 5.1.1 Telecommunications revenues and percent annual growth**



Source : CRTC data collection

<sup>220</sup>

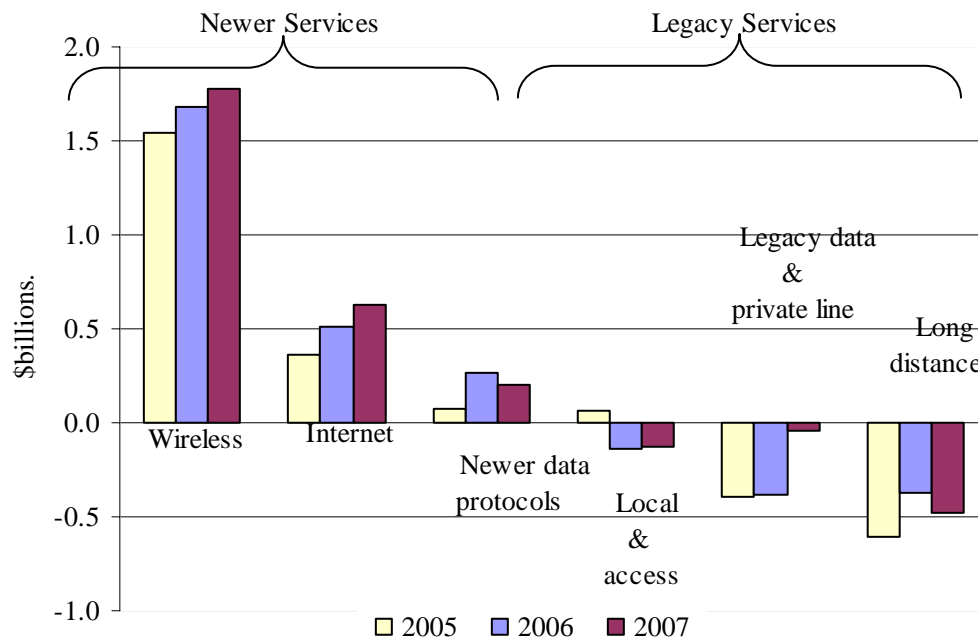
Estimates are used to capture the revenues of the smaller service providers that were not required to complete data forms. These estimates are based on the information provided by the service providers in their registration forms.

**Table 5.1.2 Telecommunications revenues by market segment (\$ billions)**

	2003	2004	2005	2006	2007	Growth 2006- 2007	CAGR 2003- 2007
<b>Wireline</b>							
Local and access	9.7	9.7	9.8	9.6	9.5	-1.3%	-0.5%
Long distance	6.1	5.7	5.1	4.7	4.3	-10.1%	-8.4%
Voice subtotal	15.8	15.4	14.9	14.4	13.8	-4.2%	-3.3%
Internet	3.7	4.2	4.5	5.0	5.7	12.6%	11.3%
Data and private line							
Newer data protocols	0.5	0.6	0.7	0.9	1.1	19.9%	24.3%
Legacy data and private line	4.0	3.8	3.4	3.0	3.0	-1.5%	-7.1%
Data and private line total	4.5	4.4	4.1	4.0	4.1	3.9%	-1.9%
Non-voice subtotal	8.2	8.6	8.6	9.0	9.8	8.7%	4.6%
Wireline total	23.9	24.0	23.5	23.4	23.6	0.8%	-0.4%
Wireless	8.1	9.5	11.0	12.7	14.5	14.0%	15.7%
Total	32.0	33.5	34.5	36.1	38.0	5.4%	4.4%

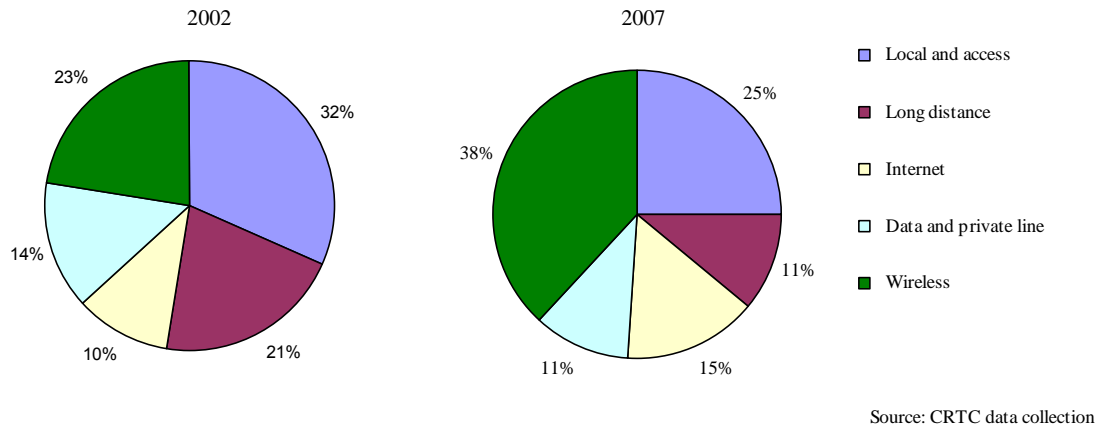
Source: CRTC data collection.

**Figure 5.1.2 Annual revenue growth by market segment**

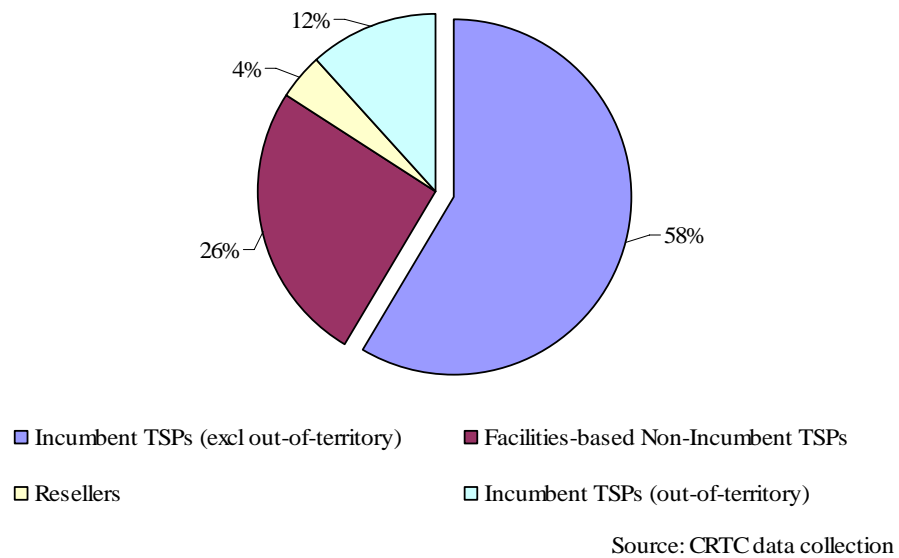


Source: CRTC data collection

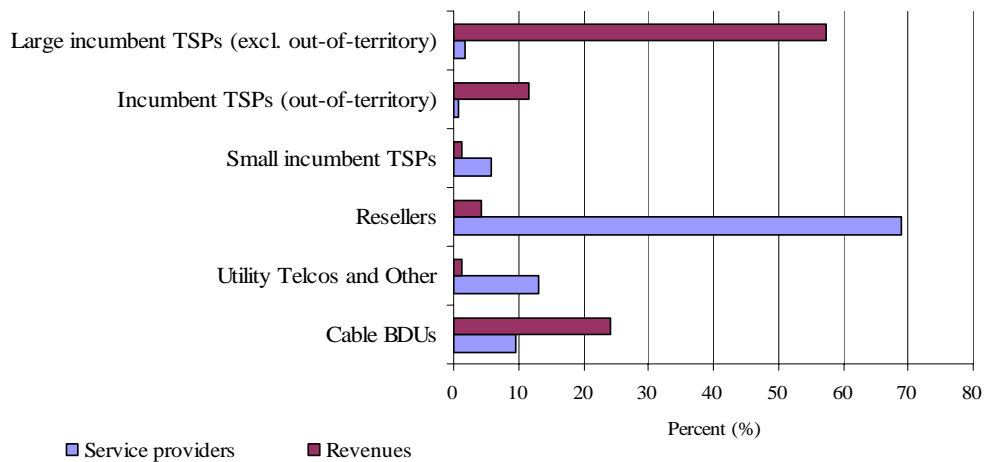
**Figure 5.1.3 Distribution of telecommunications revenues by market segment**



**Figure 5.1.4 Total telecommunications revenue market share by type of service provider (2007)**



**Figure 5.1.5 Total telecommunications revenue market share by type of service (2007)**



Source: CRTC telecommunications lists and data collection

**Table 5.1.3 Total telecommunications revenues by type of service provider (\$ millions)**

	2004	2005	2006	2007
<b>Incumbent TSPs</b>				
Large incumbent TSPs	25,410.2	25,617.3	25,822.8	26,245.0
Small incumbent TSPs	369.0	367.7	372.5	460.0
Subtotal	25,779.2	25,985.0	26,195.4	26,705.0
Less: Incumbent TSPs (out-of-territory)	3,168.1	3,721.6	3,849.0	4,400.7
Incumbent TSPs (excl out-of-territory)	22,611.1	22,263.4	22,346.4	22,304.3
Percent of total	68%	65%	62%	59%
<b>Alternative TSPs</b>				
Facilities-based alternative TSPs				
Incumbent TSPs (out-of-territory)	3,168.1	3,721.6	3,849.0	4,400.7
Cable BDUs	4,902.8	6,583.5	7,731.9	9,229.8
Utility telcos and other carriers	1,097.3	152.5	343.6	477.8
Sub-total alternative TSPs	9,168.2	10,457.6	11,924.5	14,108.3
Resellers	1,681.6	1,788.5	1,798.4	1,615.2
Total facilities-based alternative TSPs and resellers	10,849.8	12,246.1	13,722.9	15,723.5
Percent of total	32%	35%	38%	41%
<b>Total</b>	<b>33,460.9</b>	<b>34,509.5</b>	<b>36,069.3</b>	<b>38,027.8</b>

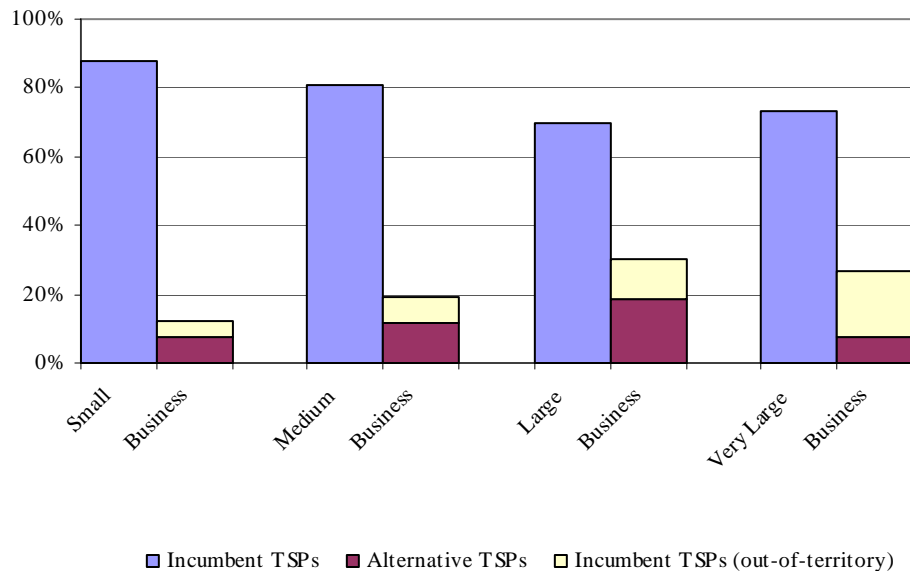
Source: CRTC data collection

**Table 5.1.4 Wireline telecommunications revenue market share by type of service provider (2007 - percent)**

	Retail			Wholesale	Total
	Residential	Business	Total		
Incumbent TSPs (excl out-of-territory)	66.8	69.6	68.1	70.6	68.4
Alternative TSPs					
Incumbent TSPs (out-of-territory)	0.4	14.4	6.9	14.0	7.7
Facilities-based non-incumbent TSPs	26.6	9.0	18.4	13.1	17.7
Resellers	6.3	7.0	6.6	2.4	6.1
Alternative TSP subtotal	33.2	30.4	31.9	29.4	31.6

Source: CRTC data collection

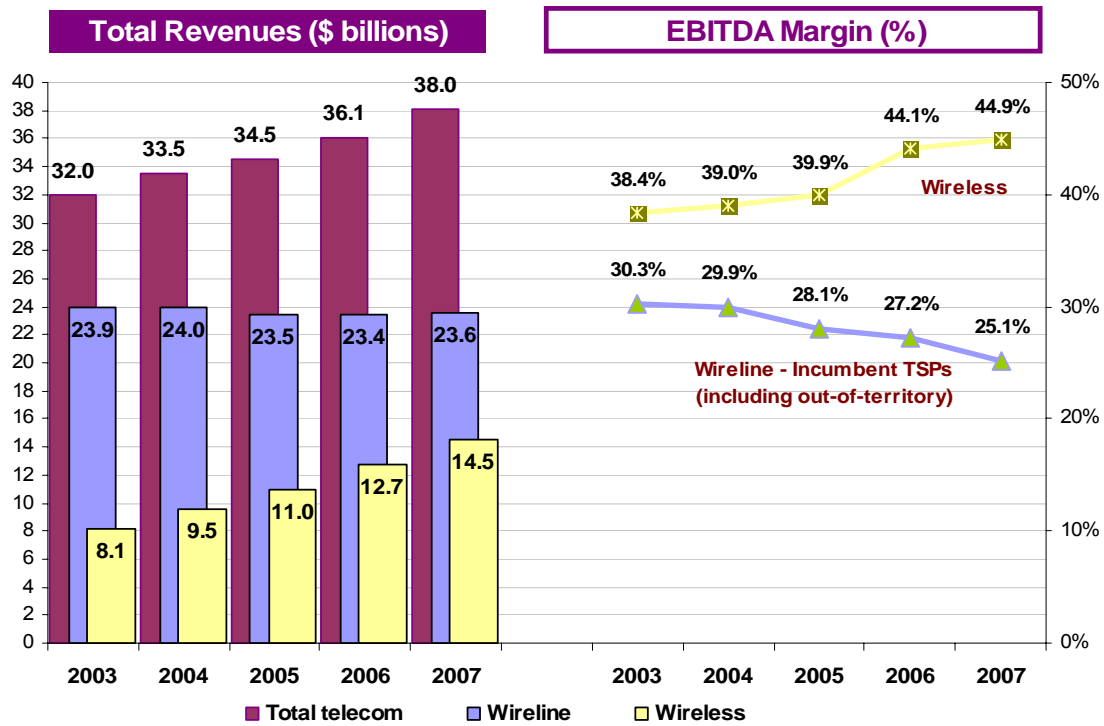
**Figure 5.1.6 Total business market wireline revenue<sup>221</sup> distribution by customer size and type of provider (2007)**



Source: CRTC data collection

<sup>221</sup> Revenues include wireline revenues from local and access, long distance, and data and private line services.

**Figure 5.1.7 Telecommunications revenues and EBITDA margins**



Source: CRTC data collection

**Table 5.1.5 Capital expenditures by type of TSP (\$ billions)**

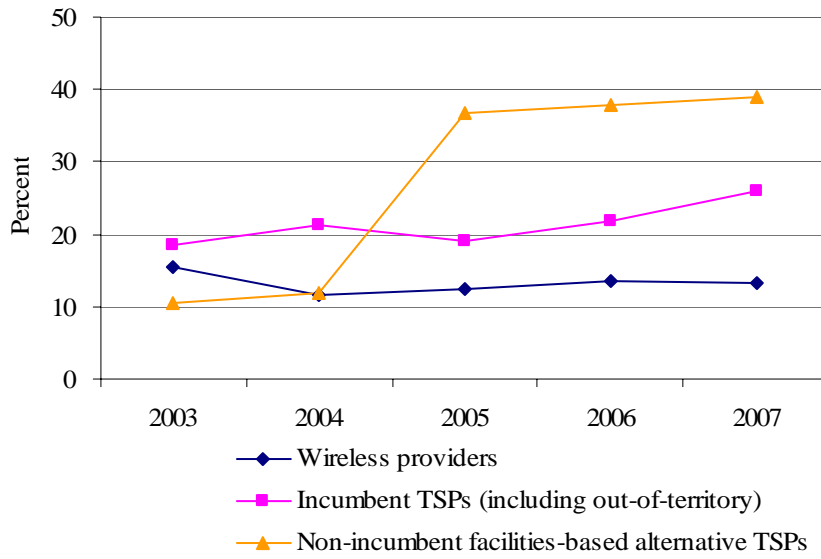
	2003	2004	2005	2006	2007	<i>Growth 2006- 2007</i>	<i>CAGR 2003- 2007</i>
<b>Wireline</b>							
Incumbent TSPs (including out-of-territory)	3.2	4.2	3.6	4.0	4.6	17.1%	9.8%
Alternative TSPs							
Non incumbent facilities-based alternative TSPs	n/a	n/a	0.6	1.2	1.6	31.0%	n/a
Resellers	n/a	n/a	0.1	0.1	0.1	41.8%	n/a
Alternative TSPs Total	0.7	0.4	0.7	1.3	1.7	31.5%	24.8%
Wireline total	3.9	4.6	4.2	5.3	6.3	20.6%	12.9%
Wireless	1.3	1.1	1.4	1.7	1.9	12.7%	9.9%
Wireline and wireless total	5.2	5.7	5.6	6.9	8.2	18.7%	12.2%

Source: CRTC data collection

n/a: not available

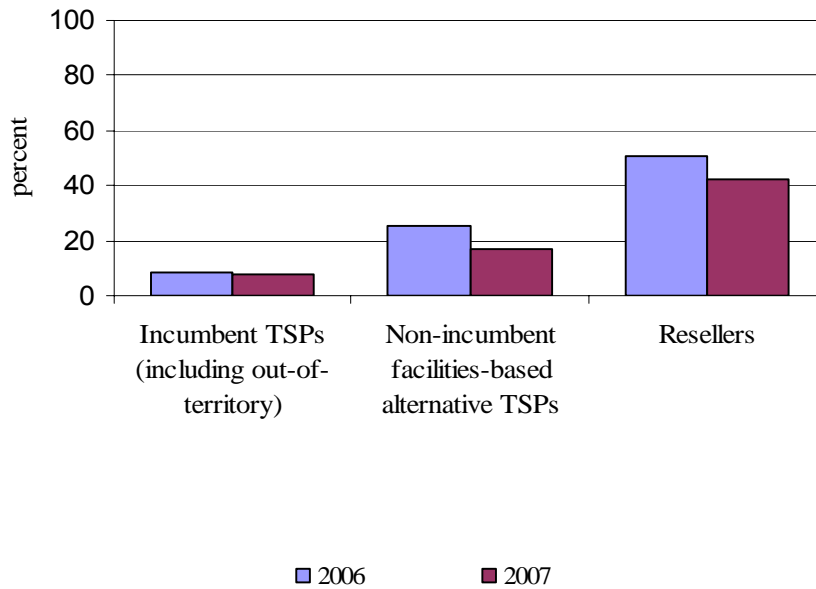


**Figure 5.1.8 Capital expenditures as a percentage of revenues by type of TSP**



Source: CRTC data collection

**Figure 5.1.9 Wireline inter-carrier expenses as a percentage of revenues by type of TSP**



Source: CRTC data collection



## 5.2 Local & access and long distance

### Overview

Local & access<sup>222</sup> revenues were \$9.3 billion in 2007 and long distance<sup>223</sup> revenues were \$4.3 billion. Combined, these segments had revenues of \$13.5 billion. There were over 80 local & access service providers and over 160 long distance service providers. These providers included:

- Large incumbent TSPs, who provide both local and long distance services, primarily over their own networks;
- Small incumbent TSPs, who operate in limited areas of Ontario, Quebec, and British Columbia, and include municipally owned, and public and privately held carriers;
- Cable BDUs, who provide network-based local and long distance services;
- Resellers, who do not own their own telecommunications facilities and tend to concentrate on the long distance market by offering dial-around or prepaid card services.

### Highlights

- Total local & access lines decreased 0.6% from 21.0 million lines in 2006 to 20.9 million lines in 2007.
- Local & access and long distance revenues (excluding contribution) declined 4.1% from \$14.1 billion in 2006 to \$13.5 billion in 2007:
  1. local & access revenues declined 1.1% from \$9.4 billion in 2006 to \$9.3 billion in 2007; and
  2. long distance revenues declined 10.1% from \$4.7 billion in 2006 to \$4.3 billion in 2007.
- Incumbent TSPs' share of local & access and long distance revenues (excluding out-of-territory) was virtually unchanged at 79% in 2007:
  1. their local & access revenue market share declined from 87.7% in 2006 to 86.1% in 2007; and
  2. their long distance revenue market share increased from 60.5% in 2006 to 62.5% in 2007.
- Average monthly local and long distance residential revenue per line decreased by \$1.82 from \$47.35 in 2006 to \$45.53 in 2007, and average monthly business revenue per line decreased by \$2.32 from \$66.18 in 2006 to \$63.87 in 2007.

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<sup>222</sup> Telephony services which do not involve connectivity to the PSTN (ie. computer-to-computer communication) and wireline terminal equipment sales (telephones and PBX equipment) are not included.

<sup>223</sup> Long distance calls originating from wireless phones are included in the wireless section of this report. Both wireline and wireless long distance calls associated with calling cards are part of the local & access and long distance market.

## ***Description of services***

### ***Local & access***

The local & access sector is comprised of wireline services relating to access and connectivity with the PSTN including services used both by retail and wholesale customers.

Local wireline telephone services allow a customer to place unlimited calls within a defined local-calling area for a basic monthly fee. These services are categorized as being either access-dependent or access-independent. Access-dependent telephone services include a managed wireline access from the TSP to the customer, a connection to the PSTN and a telephone number. Access-independent telephone services are similar to access-dependent services but they do not include the managed wireline access component. In addition, customers of access-independent telephone services must also have broadband Internet service, which serves as the access component. Telephony services such as computer-to-computer communication services, which do not include universal connectivity to the PSTN, are not included in local and access sector results.

Local service also includes automated call answering services, business Centrex, Integrated Services Digital Network (ISDN) services, and other ancillary services such as inside wiring, installation and repair, teleconferencing and miscellaneous local services.

Local & access revenues also include the sale of local services on a wholesale basis and with the introduction of local competition, has included revenues from access service for interconnection between carriers and other service providers, including switching and aggregation, and unbundled network components.

### ***Long distance***

Retail long distance services encompass wireline voice traffic to locations outside of the local service calling area. Wireline long distance services are sold in a variety of ways such as a standard per-minute charge, a monthly subscription plan, calling cards, or as part of a bundle with other services.

Wholesale long distance refers to services provided under connection arrangements between facilities-based carriers to transit traffic on behalf of other service providers, as well as the sale of wholesale bulk minutes to resellers of long distance services.

## ***Sector analysis***

### ***Competition in the local & access and long distance markets***

The incumbent TSP's share of local & access revenues declined from 87.7% in 2006 to 86.1% in 2007, in part due to increased competition from cable BDUs. These BDUs continue to make significant market-share gains, particularly in the local residential

market in which the number of residential lines provided by cable BDUs reached approximately 2.3 million lines, up from 1.6 million lines in 2006 and 0.8 million lines in 2005.

The cable BDUs increased their share of residential lines from 12.3% in 2006 to 17.9% in 2007 as well as their share of revenues from 8.4% in 2006 to 13.6% in 2007.

In 2007 the incumbent TSPs were the only service providers with a decline in the number of subscriber lines. The cable BDUs increased their lines by 759,000 whereas the incumbent TSPs had a decline of 772,000 lines. In addition, the small incumbent TSPs that operate outside of their traditional territories as CLECs, captured 42,000 lines in 2007.

The adoption of VoIP telephony services which utilize an unmanaged broadband Internet access and commonly referred to as access independent, has not exhibited the same dramatic adoption rates of managed VoIP-based local telephone services, commonly referred to as access dependent, such as those offered by the cable BDUs. Access independent VoIP lines accounted for 2% of all local & access lines. These lines increased by almost 40% from 334,000 lines in 2006 to 464,000 lines in 2007.

The cable BDUs also expanded into the long distance market, offering subscribers service packages or bundles, which has in part contributed to the decline in the incumbent TSPs' and resellers' shares of long distance revenues. Incumbent TSPs residential long distance revenues dropped from \$1.7 billion in 2006 to \$1.5 billion in 2007 and that of the reseller dropped from \$580 million in 2006 to \$480 million in 2007. A contributing factor to these declines was the bundling of services offered by the cable BDUs.

Table 5.2.5 displays the share of retail lines held by the incumbent TSPs in their traditional operating territories. Table 5.2.6 displays share of retail lines held by the incumbent TSPs, by major centre. These tables display the declining market share of the incumbent TSPs in their traditional operating territories.

#### *Local forbearance*

As of 30 June 2008, the Commission forbore from regulating local exchanges representing 73% of all residential lines and 65% of all business lines in Canada. Appendix 4 to this report provides the status of local forbearance by exchange.

#### *Facilities: owned, leased and resold*

In 2007, approximately 63% of the alternative TSP-provided retail lines were provisioned by owned facilities and 24% by leased facilities. Within the residential segment, 80% of alternative TSP-provided local residential lines were provisioned via owned facilities compared to 22% in the business segment.

*Average revenue per local line and per long distance minute*

Local & access and long distance revenues continued their downward trend declining by 4.1% in 2007 from \$14.1 billion in 2006 to \$13.5 billion. Local & access revenues declined 1.1% in 2007 from \$9.4 billion to \$9.3 billion and long distance revenues declined 10.1% from \$4.7 billion in 2006 to \$4.3 billion.

Average monthly local and long distance residential revenue per line has dropped from \$47.35 in 2006 to \$45.53 in 2007, due to long distance revenue per line which has decreased from \$15.51 per line in 2006 to \$14.29 in 2007, and local revenue per line which dropped by \$0.60 to \$31.24.

Average monthly local and long distance business revenue per line has dropped from \$66.18 in 2006 to \$63.87 in 2007, entirely due to long distance which has decreased from \$19.46 per line in 2006 to \$16.96 in 2007, offsetting an \$0.18 increase in local business revenue per line to \$46.90.

The ongoing trend of declining long distance revenues coincides with the declining Average Revenue per Minute (ARPM) which dropped from \$0.096 in 2006 to \$0.088 in 2007 for residence ARPM and from \$0.063 to \$0.058 for business ARPM in the same period.

Retail long distance minutes declined at a compound annual growth rate of 1.4% over the 2005 to 2007 period, partly due to the effects of unlimited calling plans and declining long distance rates.

## Statistical Information – Local & access and long distance

**Table 5.2.1 Local & access and long distance revenues, local lines and long distance minutes**

	2003	2004	2005	2006	2007	<i>CAGR 2003 - 2007</i>
Total local & access revenues (\$ millions)	9,699	9,695	9,762	9,618	9,495	-0.5%
Less: Contribution revenues (\$millions)	247	240	251	238	219	-2.9%
Local & access service revenues (\$ millions)	9,452	9,455	9,511	9,380	9,276	-0.5%
Long distance revenues (\$ millions)	6,065	5,711	5,109	4,742	4,265	-8.4%
Local & access and long distance revenues (\$ millions)	15,517	15,166	14,620	14,122	13,541	-3.3%
Lines (thousands)	20,612	20,563	20,780	21,000	20,876	0.3%
Long distance minutes (millions)	57,191	60,619	66,696	71,998	# 71,760	5.8%

Source: CRTC data collection

**Table 5.2.2 Local & access and long distance revenues by market segment (\$ millions)**

	2005	2006	2007	CAGR 2005 - 2007
<b>Local</b>				
Residential	5,086	4,947	4,838	-2.5%
<i>Annual Growth</i>	-0.3%	-2.7%	-2.2%	
Business	3,472	3,514	3,551	1.1%
<i>Annual Growth</i>	2.1%	1.2%	1.1%	
Subtotal Retail	8,558	8,461	8,390	-1.0%
<i>Annual Growth</i>	0.7%	-1.1%	-0.8%	
Wholesale	828	827	804	-1.5%
<i>Annual Growth</i>	0.7%	-0.1%	-2.8%	
Total Local	9,386	9,288	9,193	-1.0%
<i>Annual Growth</i>	0.7%	-1.0%	-1.0%	
<b>Long Distance</b>				
Residential	2,648	2,411	2,213	-8.6%
<i>Annual Growth</i>	-9.4%	-9.0%	-8.2%	
Business	1,550	1,464	1,284	-9.0%
<i>Annual Growth</i>	-13.4%	-5.5%	-12.3%	
Subtotal Retail	4,198	3,875	3,497	-8.7%
<i>Annual Growth</i>	-10.9%	-7.7%	-9.7%	
Wholesale	911	867	768	-8.2%
<i>Annual Growth</i>	-8.8%	-4.8%	-11.4%	
Total Long Distance	5,109	4,742	4,265	-8.6%
<i>Annual Growth</i>	-10.5%	-7.2%	-10.1%	
<b>Local and long distance</b>				
Residential	7,734	7,358	7,051	-4.5%
<i>Annual Growth</i>	-3.6%	-4.9%	-4.2%	
Business	5,022	4,978	4,836	-1.9%
<i>Annual Growth</i>	-3.3%	-0.9%	-2.9%	
Subtotal Retail	12,756	12,336	11,887	-3.5%
<i>Annual Growth</i>	-3.5%	-3.3%	-3.6%	
Wholesale	1,739	1,694	1,572	-4.9%
<i>Annual Growth</i>	-4.5%	-2.6%	-7.2%	
Total	14,495	14,030	13,459	-3.6%
<i>Annual Growth</i>	-3.6%	-3.2%	-4.1%	

Source: CRTC data collection



**Table 5.2.3 Local & access revenues by type of TSP (\$ millions)**

	2004	2005	2006	2007	CAGR 2004 - 2007
<b>Residential</b>					
Incumbent TSPs	4,955	4,837	4,457	4,096	-6.1%
Annual Growth	-1.6%	-2.4%	-7.9%	-8.1%	
Incumbent TSPs (out-of-territory)	2	3	5	6	41.2%
Annual Growth	n/m	50.0%	66.7%	12.7%	
Non-incumbent alternative TSPs	142	246	485	736	73.1%
Annual Growth	46.4%	73.2%	97.2%	51.8%	
Total residential	5,099	5,086	4,947	4,838	-1.7%
Annual Growth	-0.6%	-0.3%	-2.7%	-2.2%	
<b>Business</b>					
Incumbent TSPs	2,996	2,998	3,023	3,114	1.3%
Annual Growth	-1.3%	0.1%	0.8%	3.0%	
Incumbent TSPs (out-of-territory)	298	316	313	323	2.7%
Annual Growth	n/m	6.0%	-0.9%	3.2%	
Non-incumbent alternative TSPs	108	158	178	115	2.0%
Annual Growth	-60.0%	46.3%	12.7%	-35.6%	
Total business	3,402	3,472	3,514	3,551	1.4%
Annual Growth	0.1%	2.1%	1.2%	1.1%	
<b>Retail</b>					
Incumbent TSPs	7,951	7,835	7,480	7,210	-3.2%
Annual Growth	-1.5%	-1.5%	-4.5%	-3.6%	
Incumbent TSPs (out-of-territory)	300	319	318	329	3.1%
Annual Growth	n/m	6.3%	-0.3%	3.4%	
Non-incumbent alternative TSPs	250	404	663	851	50.4%
Annual Growth	-31.9%	61.6%	64.1%	28.3%	
Total retail	8,501	8,558	8,461	8,390	-0.4%
Annual Growth	-0.3%	0.7%	-1.1%	-0.8%	
<b>Wholesale</b>					
Incumbent TSPs	712	698	667	664	-2.3%
Annual Growth	15.4%	-2.0%	-4.4%	-0.4%	
Incumbent TSPs (out-of-territory)	93	104	134	109	5.6%
Annual Growth	32.9%	11.8%	28.8%	-18.3%	
Non-incumbent alternative TSPs	17	26	26	30	20.8%
Annual Growth	-75.0%	52.9%	0.0%	15.2%	
Total wholesale	822	828	827	804	-0.7%
Annual Growth	8.9%	0.7%	-0.1%	-2.8%	
<b>Total</b>					
Incumbent TSPs	8,663	8,533	8,147	7,874	-3.1%
Annual Growth	-0.3%	-1.5%	-4.5%	-3.3%	
Incumbent TSPs (out-of-territory)	393	423	452	438	3.7%
Annual Growth	n/m	7.6%	6.9%	-3.0%	
Non-incumbent alternative TSPs	267	430	689	881	48.9%
Annual Growth	-38.6%	61.0%	60.2%	27.8%	
Total Revenues	9,323	9,386	9,288	9,193	-0.5%
Annual Growth	0.4%	0.7%	-1.0%	-1.0%	

Source: CRTC data collection

n/m: not meaningful

**Table 5.2.4 Local lines by type of TSP (thousands)**

	2004	2005	2006	2007	CAGR 2004 - 2007
<b>Residential</b>					
Incumbent TSPs	12,463	11,924	11,104	10,356	-6.0%
Annual Growth	-1.3%	-4.3%	-6.9%	-6.7%	
Incumbent TSPs (out-of-territory)	10	13	21	26	38.1%
Annual Growth	n/m	30.0%	61.5%	25.4%	
Non-incumbent alternative TSPs	418	963	1,825	2,523	82.1%
Annual Growth	62.0%	130.4%	89.5%	38.3%	
Total residential	12,891	12,900	12,950	12,906	0.0%
Annual Growth	0.0%	0.1%	0.4%	-0.3%	
<b>Business</b>					
Incumbent TSPs	5,372	5,336	5,264	5,252	-0.8%
Annual Growth	-3.4%	-0.7%	-1.3%	-0.2%	
Incumbent TSPs (out-of-territory)	542	573	614	640	5.7%
Annual Growth	n/m	5.7%	7.2%	4.2%	
Non-incumbent alternative TSPs	264	315	390	419	16.6%
Annual Growth	-53.7%	19.3%	23.8%	7.4%	
Total business	6,178	6,224	6,268	6,310	0.7%
Annual Growth	-1.5%	0.7%	0.7%	0.7%	
<b>Retail</b>					
Incumbent TSPs	17,835	17,260	16,368	15,608	-4.3%
Annual Growth	-1.9%	-3.2%	-5.2%	-4.6%	
Incumbent TSPs (out-of-territory)	552	586	635	666	6.5%
Annual Growth	n/m	6.2%	8.4%	4.9%	
Non-incumbent alternative TSPs	682	1,278	2,215	2,942	62.8%
Annual Growth	-17.6%	87.4%	73.3%	32.8%	
Total retail	19,069	19,124	19,218	19,216	0.3%
Annual Growth	-0.5%	0.3%	0.5%	0.0%	
<b>Wholesale</b>					
Incumbent TSPs	468	458	451	551	5.6%
Annual Growth	14.7%	-2.1%	-1.5%	22.1%	
Incumbent TSPs (out-of-territory)	129	303	470	405	46.4%
Annual Growth	n/m	134.9%	55.1%	-13.9%	
Non-incumbent alternative TSPs	34	41	48	75	30.4%
Annual Growth	-82.3%	20.6%	17.1%	57.1%	
Total wholesale	631	802	969	1,031	17.8%
Annual Growth	3.3%	27.1%	20.8%	6.4%	
<b>Total</b>					
Incumbent TSPs	18,303	17,718	16,819	16,159	-4.1%
Annual Growth	-1.6%	-3.2%	-5.1%	-3.9%	
Incumbent TSPs (out-of-territory)	681	889	1,105	1,071	16.3%
Annual Growth	n/m	30.5%	24.3%	-3.1%	
Non-incumbent alternative TSPs	716	1,319	2,263	3,018	61.5%
Annual Growth	-29.8%	84.2%	71.6%	33.3%	
Total Lines	19,700	19,926	20,187	20,247	0.9%
Annual Growth	-0.4%	1.1%	1.3%	0.3%	

Source: CRTC data collection

n/m: not meaningful

**Table 5.2.5 Incumbent TSP provincial retail local market share by line**

Province	2006	2007
British Columbia	88.0%	85.0%
Alberta	82.3%	79.4%
Saskatchewan	99.5%	97.9%
Manitoba	92.1%	91.7%
Ontario	83.5%	78.9%
Quebec	84.6%	78.6%
New Brunswick	96.6%	94.2%
Nova Scotia	78.9%	75.4%
Prince Edward Island	85.1%	84.5%
Newfoundland and Labrador	96.1%	92.7%
All provinces	85.4%	81.2%

Source: CRTC data collection

**Table 5.2.6 Incumbent TSP residence and business local market share by line for major centres<sup>224</sup>**

Province	Major Centre	Residential Lines		Business Lines	
		2006	2007	2006	2007
British Columbia	Vancouver	85.3%	79.8%	74.0%	74.4%
	Victoria	80.6%	74.8%	86.3%	85.5%
Alberta	Calgary	74.3%	68.5%	73.8%	72.7%
	Edmonton	82.0%	77.4%	72.7%	73.4%
Saskatchewan	Saskatoon	97.5%	90.6%	99.5%	99.6%
	Regina	99.8%	95.8%	99.6%	99.7%
Manitoba	Winnipeg	82.5%	79.7%	96.5%	99.0%
Ontario	Toronto	76.5%	69.2%	77.4%	76.2%
	Ottawa-Gatineau	84.2%	74.7%	90.6%	90.0%
	Hamilton	80.1%	72.3%	84.1%	83.8%
	London	79.2%	71.6%	79.5%	80.3%
	Kitchener	81.2%	72.4%	78.1%	78.8%
	St. Catharines-Niagara	91.8%	82.4%	82.9%	82.5%
	Windsor	91.0%	83.7%	78.1%	77.9%
	Oshawa	78.2%	65.3%	87.0%	86.5%
Quebec	Montréal	75.2%	67.2%	82.5%	80.8%
	Québec	80.0%	70.1%	82.2%	82.2%
New Brunswick	Fredericton	92.6%	84.5%	99.2%	99.6%
Nova Scotia	Halifax	60.7%	56.8%	83.7%	78.6%
Prince Edward Island	Charlottetown	69.7%	66.2%	82.9%	88.3%
Newfoundland & Labrador	St. John's	100.0%	94.0%	79.2%	70.4%

Source: CRTC data collection

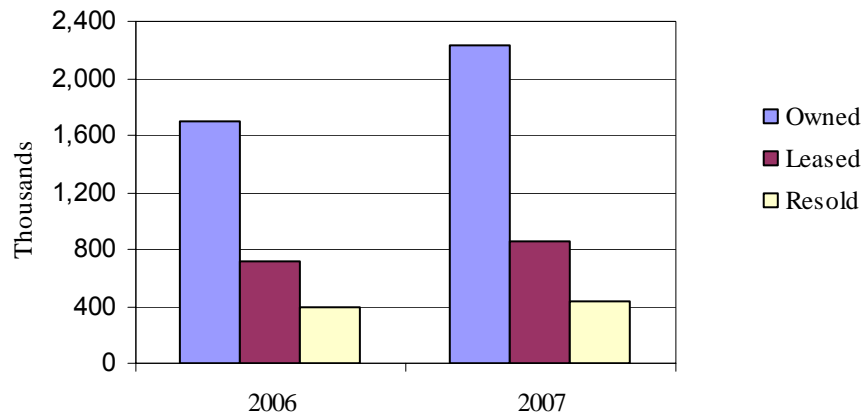
<sup>224</sup> Major centre boundaries are defined using Statistics Canada census metropolitan area and census agglomeration definitions.

**Table 5.2.7 Local wholesale revenues by major component (\$ millions)**

	2003	2004	2005	2006	2007	<i>CAGR 2003 - 2007</i>
Interconnection	287	333	322	293	273	-1.2%
Centrex	134	123	107	106	104	-6.1%
PSTN access	217	219	237	256	261	4.7%
Unbundled loops	61	84	110	119	120	18.4%
Other user charges	56	62	53	53	45	-5.3%
<b>Total</b>	<b>755</b>	<b>822</b>	<b>829</b>	<b>827</b>	<b>802</b>	<b>1.5%</b>

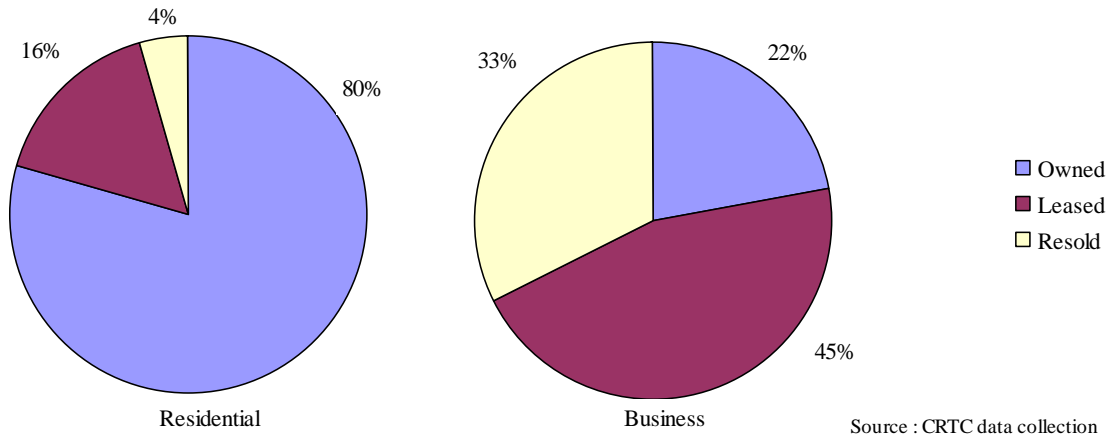
Source: CRTC data collection

**Figure 5.2.1 Alternative TSP local retail lines by type of facility**

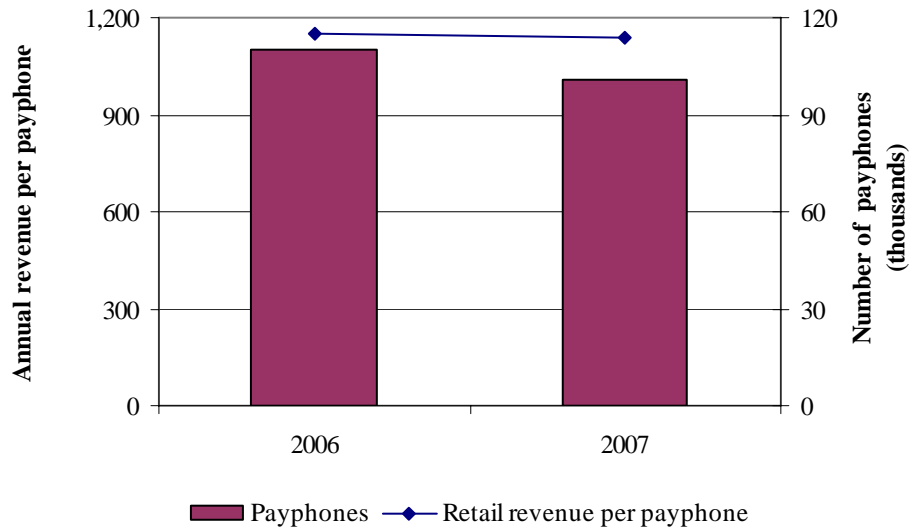


Source: CRTC data collection

**Figure 5.2.2 Alternative TSP local residential and business lines by type of facility (2007)**



**Figure 5.2.3 Large Incumbent TSP pay telephone quantities and retail revenue per payphone**



Source: CRTC data collection

**Table 5.2.8 Long distance revenues by type of TSP (\$ millions)**

		2005	2006	2007	CAGR 2005 - 2007
<b>Residential</b>					
Incumbent TSPs		1,922	1,655	1,503	-11.6%
	<i>Annual Growth</i>	-10.0%	-13.9%	-9.2%	
Incumbent TSPs (out-of-territory)		6	5	5	-8.8%
	<i>Annual Growth</i>	200.0%	-16.7%	-0.2%	
Non-incumbent alternative TSPs		720	751	705	-1.0%
	<i>Annual Growth</i>	-8.3%	4.3%	-6.1%	
Total residential		2,648	2,411	2,213	-8.6%
	<i>Annual Growth</i>	-9.4%	-9.0%	-8.2%	
<b>Business</b>					
Incumbent TSPs		873	812	749	-7.4%
	<i>Annual Growth</i>	-18.2%	-7.0%	-7.7%	
Incumbent TSPs (out-of-territory)		295	240	212	-15.2%
	<i>Annual Growth</i>	-11.1%	-18.6%	-11.6%	
Non-incumbent alternative TSPs		382	412	323	-8.1%
	<i>Annual Growth</i>	-2.1%	7.9%	-21.6%	
Total business		1,550	1,464	1,284	-9.0%
	<i>Annual Growth</i>	-13.4%	-5.5%	-12.3%	
<b>Retail</b>					
Incumbent TSPs		2,795	2,467	2,252	-10.2%
	<i>Annual Growth</i>	-12.7%	-11.7%	-8.7%	
Incumbent TSPs (out-of-territory)		301	245	217	-15.1%
	<i>Annual Growth</i>	-9.9%	-18.6%	-11.4%	
Non-incumbent alternative TSPs		1,102	1,163	1,028	-3.4%
	<i>Annual Growth</i>	-6.2%	5.5%	-11.6%	
Total retail		4,198	3,875	3,497	-8.7%
	<i>Annual Growth</i>	-10.9%	-7.7%	-9.7%	
<b>Wholesale</b>					
Incumbent TSPs		469	400	414	-6.0%
	<i>Annual Growth</i>	-11.5%	-14.7%	3.6%	
Incumbent TSPs (out-of-territory)		270	270	217	-10.4%
	<i>Annual Growth</i>	0.0%	0.0%	-19.7%	
Non-incumbent alternative TSPs		172	197	137	-10.9%
	<i>Annual Growth</i>	-13.6%	14.5%	-30.6%	
Total wholesale		911	867	768	-8.2%
	<i>Annual Growth</i>	-8.8%	-4.8%	-11.4%	
<b>Total</b>					
Incumbent TSPs		3,264	2,867	2,666	-9.6%
	<i>Annual Growth</i>	-12.5%	-12.2%	-7.0%	
Incumbent TSPs (out-of-territory)		571	515	434	-12.8%
	<i>Annual Growth</i>	-5.5%	-9.8%	-15.7%	
Non-incumbent alternative TSPs		1,274	1,360	1,165	-4.4%
	<i>Annual Growth</i>	-7.3%	6.8%	-14.4%	
Total Revenues		5,109	4,742	4,265	-8.6%
	<i>Annual Growth</i>	-10.5%	-7.2%	-10.1%	

Source: CRTC data collection

**Table 5.2.9 Long distance minutes by type of TSP (millions)**

	2005	2006	2007	CAGR 2005 - 2007
<b>Residential</b>				
Incumbent TSPs	15,100	13,569	13,081	-6.9%
<i>Annual Growth</i>	-1.8%	-10.1%	-3.6%	
Incumbent TSPs (out-of-territory)	68	60	63	-3.7%
<i>Annual Growth</i>	161.5%	-11.8%	5.0%	
Non-incumbent alternative TSPs	11,887	11,561 #	12,141	1.1%
<i>Annual Growth</i>	43.0%	-2.7% #	5.0%	
Total residential	27,055	25,190 #	25,285	-3.3%
<i>Annual Growth</i>	14.0%	-6.9% #	0.4%	
<b>Business</b>				
Incumbent TSPs	10,208	10,865	11,358	5.5%
<i>Annual Growth</i>	-3.6%	6.4%	4.5%	
Incumbent TSPs (out-of-territory)	5,674	5,582	4,909	-7.0%
<i>Annual Growth</i>	1.6%	-1.6%	-12.1%	
Non-incumbent alternative TSPs	5,918	6,621	5,950	0.3%
<i>Annual Growth</i>	21.2%	11.9%	-10.1%	
Total business	21,800	23,068	22,217	1.0%
<i>Annual Growth</i>	3.6%	5.8%	-3.7%	
<b>Retail</b>				
Incumbent TSPs	25,308	24,434	24,439	-1.7%
<i>Annual Growth</i>	-2.5%	-3.5%	0.0%	
Incumbent TSPs (out-of-territory)	5,742	5,642	4,972	-7.0%
<i>Annual Growth</i>	2.4%	-1.7%	-11.9%	
Non-incumbent alternative TSPs	17,805	18,182 #	18,091	0.8%
<i>Annual Growth</i>	34.9%	2.1% #	-0.5%	
Total retail	48,855	48,258 #	47,501	-1.4%
<i>Annual Growth</i>	9.1%	-1.2% #	-1.6%	

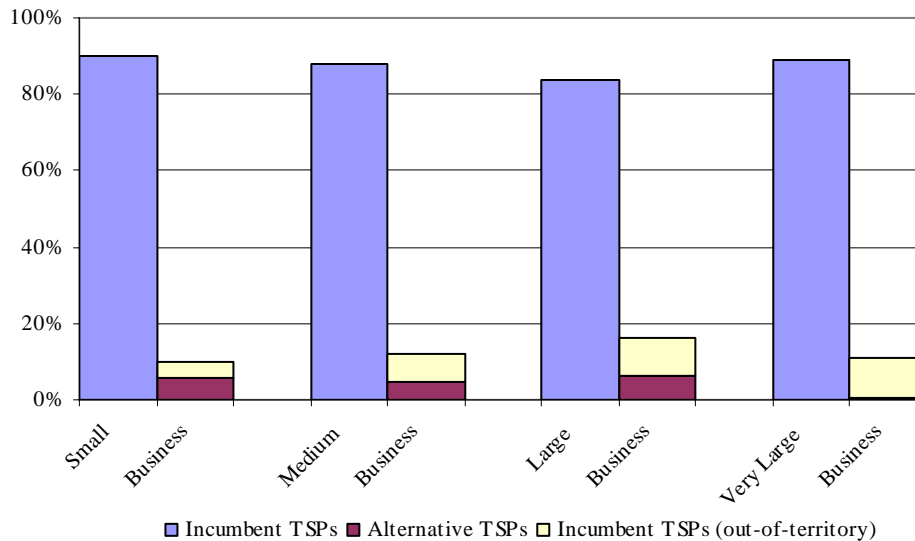
Source: CRTC data collection

**Table 5.2.10 Large incumbent TSPs' retail long distance revenue market share by region**

Region	Percent					
	2004		2005		2006	2007
BC, Alberta	69%		68%		66%	75%
Saskatchewan	84%		84%		79%	86%
Manitoba	84%		86%		84%	88%
Ontario, Quebec	65%		61%		57%	55%
Atlantic	78%		77%		79%	82%

Source: CRTC data collection

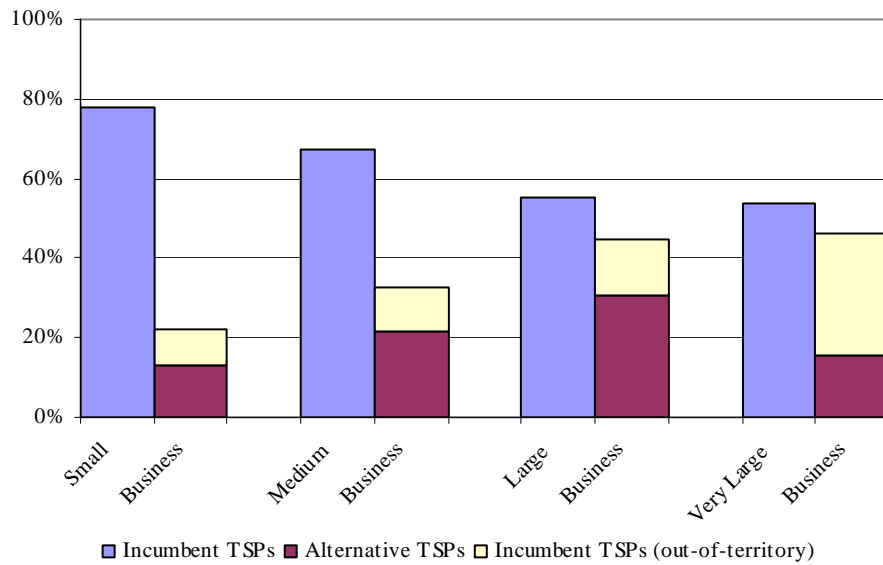
**Figure 5.2.4 Local service revenue distribution: incumbent TSPs, alternative TSPs (out-of-territory) and alternative TSPs (2007)**



Source: CRTC data collection



**Figure 5.2.5 Long distance service revenue distribution: incumbent TSPs, alternative TSPs (out-of-territory) and alternative TSPs (2007)**



Source: CRTC data collection



### 5.3 Internet and broadband availability

#### Overview

In 2007, Internet revenues were approximately \$5.7 billion or 15% of telecommunications revenues. Retail Internet access and transport revenues were approximately 80% of total Internet revenues of which 78% was derived from residential Internet subscribers.

Internet services are provisioned utilizing various technologies and platforms such as dial-up access lines, digital subscriber line (DSL), cable modem (i.e., coax cable), fibre cable, fixed wireless and satellite facilities. Internet services are available on a retail and wholesale basis. Wholesale services generally consist of mandated access to incumbent TSP DSL services and cable BDU third party Internet access (TPIA) services. Revenues from terminal equipment rental and sales, Internet applications, and other Internet related services are also part of Internet revenues.

#### Highlights

- The top five ISPs were dominant in the Internet access market, capturing 77% of the Internet access revenues in 2007.
- Residential Internet access subscriptions had a lower annual growth rate in 2007 of 6.8% compared to 8.8% in 2006.
- Approximately 72% of Canadian households<sup>225</sup> subscribe to Internet service, up from 68% in 2006.
- 64% of Canadian households subscribed to high-speed<sup>226</sup> Internet access service, up from 58% in 2006. Broadband<sup>227</sup> services were taken by 48%<sup>228</sup> of all households, up from 44%, while services above 5 megabits per second (mbps) were taken by 38%, up from 35%.
- Excluding satellite, broadband Internet access service is available to 93% of Canadian households. Virtually all urban households and 81% of rural households can have access to broadband service.

#### The Industry

The Internet access industry consists of an estimated 500 companies:

- 9% are incumbent TSPs, who own the vast majority of the copper twisted pair access links to homes and businesses: these service providers provide Internet access mainly by dial-up, DSL, fibre optics, satellite and fixed wireless facilities;

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<sup>225</sup> The number of Canadian households has been revised to 12.79 million in 2006 and 12.99 million in 2007. Source: Statistics Canada survey of household spending, and CRTC estimates.

<sup>226</sup> High-speed Internet access service includes speeds at or above <sup>128</sup> kilobits per second (kbps).

<sup>227</sup> Broadband service includes speeds at or above 1.5 mbps.

<sup>228</sup> Based on a sample of incumbent TSPs and cable BDUs.

- 18% are cable companies who own the coaxial-based television distribution networks serving households and, to a much lesser extent, businesses. They essentially provide Internet access utilizing cable modem, fibre optics, and fixed wireless facilities;
- 19% are utility telcos, municipalities and other TSPs who own facilities and mainly provide service utilizing dial-up, DSL, fibre, satellite or fixed wireless facilities; and
- the remaining 54% are resellers who essentially rely on facilities-based TSPs to provide them with the facilities on a wholesale basis. Resellers mainly provide dial-up Internet access service as well as high-speed Internet service utilizing leased DSL, cable modem and fibre facilities.

## **Sector analysis**

### *Retail Internet access revenues*

The five largest Internet access service providers<sup>229</sup> and their affiliates continued to dominate the market for retail Internet access with 77% of the Internet revenues in 2007.

The incumbent TSPs, excluding their out-of-territory operations, and the cable BDUs are the major providers of Internet access service with revenue market shares in 2007 of 42% and 46%, respectively.

The market share of the incumbent TSPs when operating outside their traditional territories, resellers, utility telcos and other carriers declined from 14% in 2006 to 12% in 2007. This decline is especially acute considering that the revenue share of this group of TSPs was 23% in 2003.

As displayed in Figure 5.3.2, as a group, incumbent TSPs operating outside their traditional territories, resellers, utility telcos and other TSPs have a far larger share of the business Internet access revenues than of the residential Internet access revenues. Conversely, the cable BDUs have a far larger share of the residential Internet access revenues than of the business Internet access revenues.

### *Residential subscribers and the shift to high-speed*

As of year-end 2007, 9.3 million residential Internet access subscribers, or approximately 72% of all Canadian households had an Internet access subscription. Households with high-speed Internet access reached 8.4 million households, or 64% of all Canadian households, up from 58% in the previous year. From 2002 to 2006 there was a significant shift in residential Internet access subscriptions from dial-up to high-speed Internet access. In 2003, high-speed access comprised 64% of all Internet connections. High-speed access is now the dominant means of accessing the Internet, comprising 90% of all residential Internet subscriptions.

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<sup>229</sup> The five largest companies are Bell Canada, TELUS Communications Company, Rogers Communications Inc., Vidéotron Ltd., and Shaw Cablesystems G.P. and their affiliates.

As displayed in Table 5.3.2, over the 2003 to 2007 period, the subscriber based residential market share of the other TSPs (i.e., excluding incumbent TSPs and cable BDUs) declined from 20.7% in 2003 to 7.8% in 2007. The decline in market share is largely explained by the fact that these competitors have a very small share of the growing residential high-speed access market. These TSPs had roughly the same number of dial-up subscribers as high-speed subscribers in 2007 compared to 11 times as many dial-up as high-speed subscribers in 2003.

In 2003, cable modem subscriptions were approximately 1.29 times that of DSL. The gap or difference between the number of cable modem subscriptions and the number of DSL subscriptions was steadily narrowing to the point where by 2004 the gap was 1.2 cable modem subscriptions per DSL subscription. However, by 2006, this trend had stopped and the gap had started to widen, to the point where by year end 2007 cable modem subscriptions were 1.30 times that of DSL subscriptions.

### *Broadband*

Broadband service (i.e., services above 1.5 mbps) has been increasingly popular, as shown in Figure 5.3.5. The greater popularity or demand for broadband service can be attributed to the greater availability of broadband and the activities pursued on the Internet such as music, video and high definition (HD) video downloads.

Most Canadians subscribed to broadband plans with an advertised top speed of 5 to 9 mbps. Plans in the 5 to 9 mbps range allow the user to download or view on-line movie rentals or purchases, and may allow for certain low bandwidth forms of HD video. Fifty-nine percent of high speed subscribers were at or above this capability. The average lowest cost for this range of speeds was approximately \$46.65 per month.

The next most popular range of speeds was the 1.5 mbps to 4 mbps category. At these speeds users can download full CD software. Seventy-five percent of high speed subscribers were at or above these speeds. The average lowest cost for these speeds was approximately \$41.90.

Lower speed plans in the 300 to 1400 kbps range were also available. These speeds would be adequate for web video, gaming, and current virtual world implementations, and should be adequate for use with music downloads and small software downloads. Ninety percent of high-speed subscribers were at or above these speeds. The average lowest cost was approximately \$36.63 per month for these speeds.

ISPs also offered 'Lite' and wideband services that were at or below 256 kbps. These speeds are considered sufficient for VoIP services and for some gaming and e-mail and web use. The average lowest cost for these speeds was approximately \$25.05 per month.

The most expensive and lowest take rate services were those at 10 mbps or above. These services were considered adequate for most forms of HD video, full DVD downloading and may be suitable for HD-DVD videos. These services were taken by 7% of subscribers. The average lowest offer for this type of service is approximately \$57.54 per month for services between 10-15 mbps, and approximately \$86.21 per month for services at or above 16 mbps.

## Internet – Statistical Information

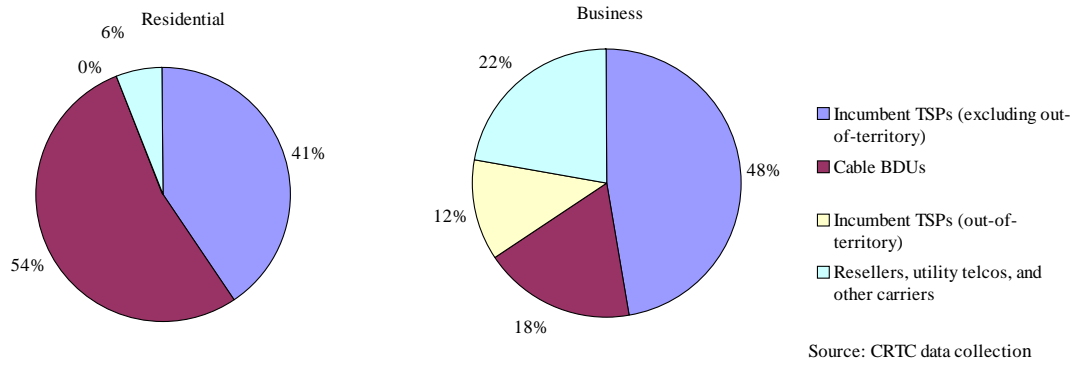
**Table 5.3.1 Internet Revenues (\$ millions)**

		2003	2004	2005	2006	2007	Growth 2006-2007	CAGR 2003-2007
Residential	Incumbent TSPs (excluding out-of-territory)							
	Dial-up	249	228	192	159	141	-11.4%	-13.3%
	High-speed	643	813	1,014	1,160	1,328	14.5%	19.9%
	Subtotal	892	1,041	1,206	1,319	1,469	11.4%	13.3%
	Cable BDUs							
	Dial-up	10	6	13	8	5	-42.6%	-17.5%
	High-speed	1,040	1,212	1,380	1,649	1,935	17.4%	16.8%
	Subtotal	1,049	1,218	1,393	1,657	1,940	17.1%	16.6%
	Incumbent TSPs (excluding out-of-territory) and cable BDUs subtotal							
	Dial-up	259	234	205	167	145	-12.9%	-13.4%
	High-speed	1,683	2,025	2,394	2,809	3,264	16.2%	18.0%
	Subtotal	1,941	2,259	2,599	2,976	3,409	14.5%	15.1%
	Other TSPs							
	Dial-up	302	199	157	112	83	-26.0%	-27.6%
Business	High-speed	36	65	83	103	131	26.7%	38.2%
	Subtotal	338	264	239	215	214	-0.7%	-10.9%
	Total							
	Dial-up	561	433	362	279	228	-18.2%	-20.1%
	High-speed	1,719	2,090	2,477	2,912	3,397	16.5%	18.5%
	Residential Total	2,279	2,523	2,838	3,191	3,625	13.5%	12.3%
	Incumbent TSPs (excluding out-of-territory)	327	391	396	406	434	7.1%	7.4%
	Cable BDUs	59	66	127	134	169	26.3%	30.2%
	Incumbent TSPs (excluding out-of-territory) and cable BDUs subtotal	386	457	523	540	604	11.9%	11.8%
	Other TSPs							
	Incumbent TSPs (out-of-territory)	35	106	125	98	112	14.2%	33.7%
	Resellers, utility telcos and other carriers	337	254	214	236	223	-5.8%	-9.8%
	Other TSPs subtotal	372	360	339	335	335	0.1%	-2.6%
	Business Access Total	758	816	862	874	938	7.3%	5.5%
Wholesale Access	Business Transport Total	47	46	41	50	73	46.9%	11.9%
	Business Total	805	862	903	924	1,011	9.5%	5.9%
	Higher capacity access and transport	95	107	95	77	54	-30.1%	-13.2%
	Lower capacity access	78	103	111	125	147	17.9%	17.0%
Other	Wholesale Total	173	210	206	202	201	-0.5%	3.7%
	Applications, equipment and other Internet related services	432	569	583	720	835	15.9%	17.9%
Grand Total		3,689	4,164	4,530	5,037	5,669	12.6%	11.3%

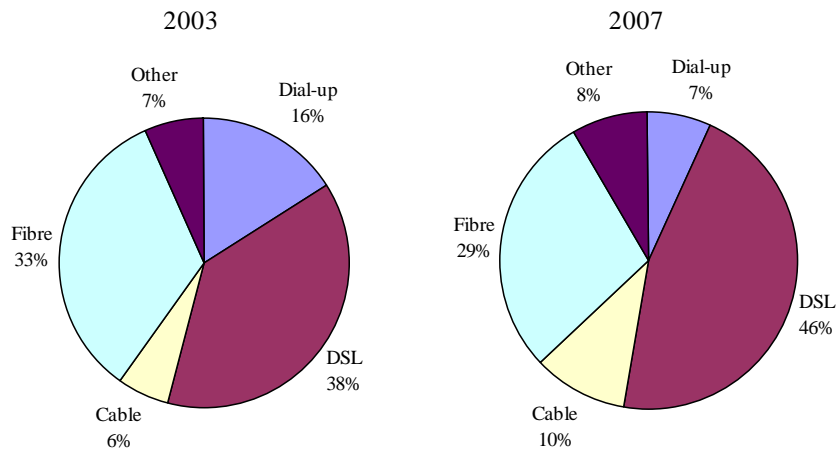
- Notes:
1. Wholesale Internet access and transport services are generally sold to ISPs. These services are used by the ISPs to provide Internet access service to their retail customers. Internet transport is used by the ISPs to provide full connectivity to the Internet for their Internet subscribers. Fibre-optic access and transport tend to be utilised by ISPs for this purpose. Sales to non-ISP entities, such as VoIP service providers, are also included in the wholesale revenues presented in Table 5.3.1 as "higher capacity access and transport" revenues.
  2. "Lower capacity access" includes services such as Bell Canada's Gateway Access Service (GAS), TCC's virtual point of presence (VPOP) DSL, and cable BDU provided TPIA service, as well as satellite capacity, and dial-up bundled with Internet access sold to ISPs.
  3. To be consistent with industry practice, modem rental fees for residential service are included with Internet access service as they are an integral part of the offered package.

Source: CRTC Data Collection

**Figure 5.3.1 Internet access revenue share by type of entity**



**Figure 5.3.2 Business Internet access revenues by access technology**



Source: CRTC data collection

Note: Other includes the remaining technologies such as, but not limited to, ISDN, fixed wireless and satellite.

**Table 5.3.2 Residential Internet subscribers by type of TSP**

	2003		2004		2005		2006		2007			
	Subscribers /1000	Share*	Subscribers /1000	Share*	Subscribers /1000	Share*	Subscribers /1000	Share*	Subscribers /1000	Share*	<i>Growth 2006- 2007</i>	<i>CAGR 2003- 2007</i>
Incumbent TSPs (excluding out-of-territory)												
Dial-up	1,123	44.9%	1,010	49.8%	765	48.8%	642	51.8%	566	60.6%	-11.8%	-15.7%
High-speed	1,859	41.2%	2,268	41.9%	2,676	41.6%	3,095	41.5%	3,405	40.7%	10.0%	16.4%
Subtotal	2,982	42.5%	3,277	44.0%	3,441	43.0%	3,736	42.9%	3,971	42.7%	6.3%	7.5%
Cable BDUs												
Dial-up	44	1.8%	38	1.9%	53	3.4%	38	3.1%	18	1.9%	-53.8%	-20.5%
High-speed	2,532	56.1%	2,933	54.1%	3,467	53.9%	4,041	54.2%	4,573	54.7%	13.2%	15.9%
Subtotal	2,576	36.7%	2,971	39.9%	3,520	44.0%	4,079	46.9%	4,590	49.5%	12.5%	15.5%
Incumbent TSPs (excluding out-of-territory) and cable BDUs subtotal												
Dial-up	1,167	46.7%	1,048	51.8%	818	52.2%	680	54.8%	584	62.5%	-14.1%	-15.9%
High-speed	4,391	97.3%	5,201	96.0%	6,143	95.6%	7,136	95.6%	7,978	95.5%	11.8%	16.1%
Subtotal	5,558	79.3%	6,249	84.0%	6,961	87.0%	7,815	89.8%	8,561	92.2%	9.5%	11.4%
Other TSPs												
Dial-up	1,333	53.3%	977	48.2%	750	47.8%	560	45.2%	350	37.5%	-37.4%	-28.4%
High-speed	122	2.7%	216	4.0%	286	4.4%	327	4.4%	379	4.5%	16.0%	32.8%
Subtotal	1,455	20.7%	1,193	16.0%	1,036	13.0%	886	10.2%	729	7.8%	-17.7%	-15.9%
Total												
Dial-up	2,500	35.6%	2,025	27.2%	1,568	19.6%	1,239	14.2%	934	10.0%	-24.7%	-21.8%
High-speed	4,513	64.4%	5,416	72.8%	6,429	80.4%	7,461	85.8%	8,356	90.0%	12.0%	16.7%
Grand total	7,013		7,442		7,997		8,700		9,290		6.8%	7.3%

Note: (\*) Percentages refer to access mode's proportion of all residential Internet subscriptions of its type, except for the total rows, where they are a proportion of total industry residential subscriptions.

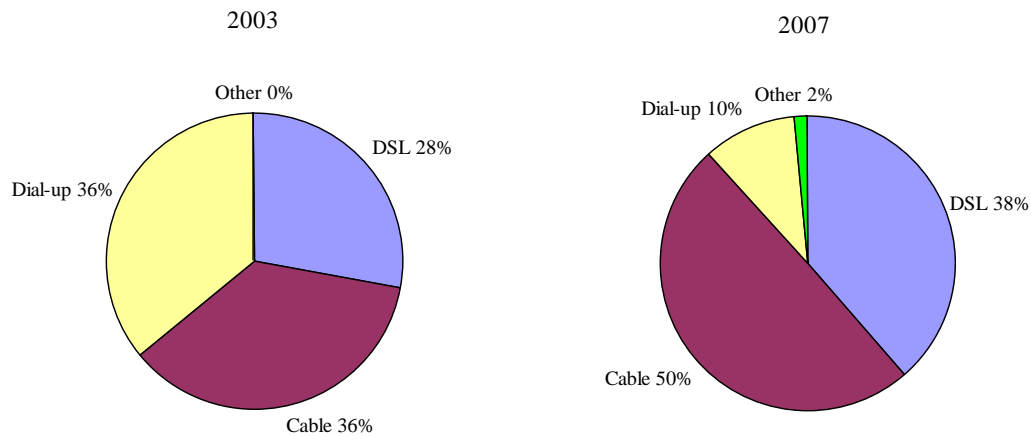
Source: CRTC data collection



**Table 5.3.3 Internet plans and pricing (2007)**

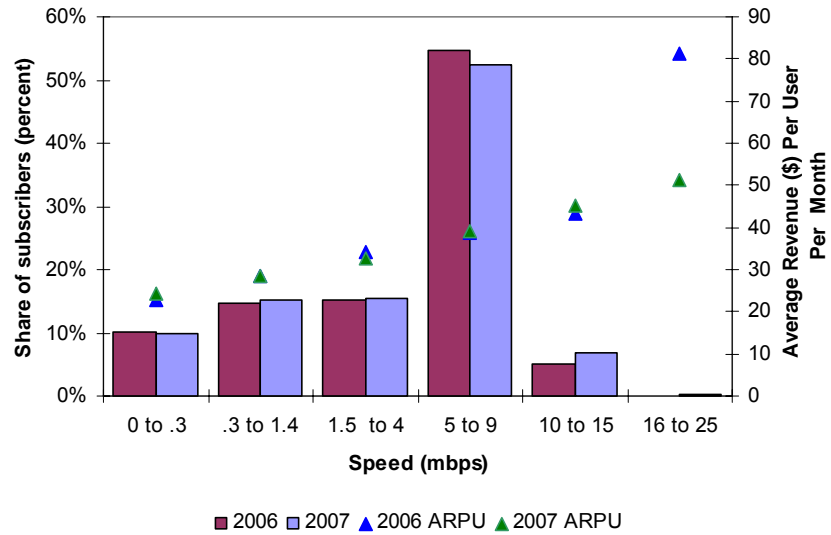
Downstream speed	One month revenue %		Subscribers %		Average revenue per subscriber		Weighted average upload speed (kbps)	
	2006	2007	2006	2007	2006	2007	2006	2007
Lite and wideband up to 256 kbps	6.6%	6.8%	10.1%	10.0%	\$22.91	\$24.37	94	118
Wideband 300 - 1400 kbps	11.9%	12.2%	14.7%	15.3%	\$28.30	\$28.29	306	294
Broadband								
1.5 to 4 mbps	14.7%	14.0%	15.1%	15.3%	\$34.24	\$32.53	537	537
5 to 9 mbps	60.3%	58.0%	54.8%	52.5%	\$38.74	\$39.26	619	677
10 to 15 mbps	6.3%	8.7%	5.2%	6.8%	\$43.17	\$45.23	742	815
16 to 25 mbps	0.2%	0.2%	0.1%	0.1%	\$81.30	\$51.17	1,006	1,000
Total Sample	242.1	268.9	6,880.3	7,576.6	\$35.18	\$35.50	514	552

Source: CRTC data collection

**Figure 5.3.3 Residential Internet access technology mix (2003 v. 2007)**

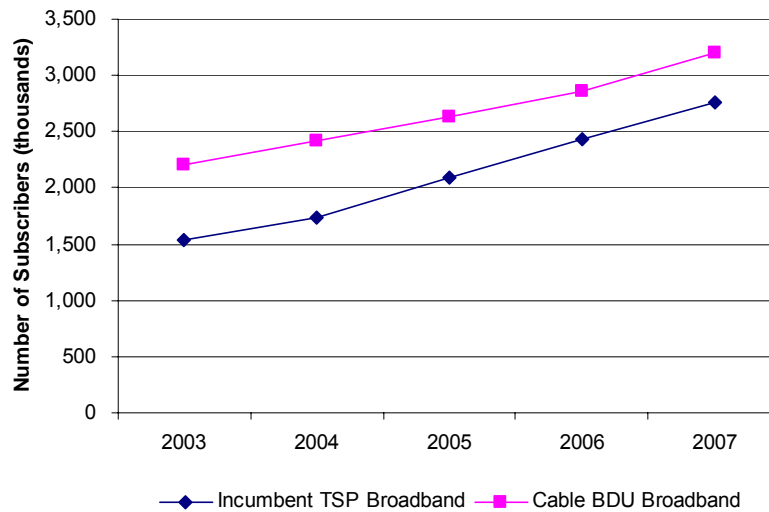
Source: CRTC data collection

**Figure 5.3.4 Distribution of the number of non-dialup Internet subscribers and average revenue per user by Internet speed categories**



Source: CRTC data collection

**Figure 5.3.5 Broadband (greater than 1.5 mbps) subscriptions**



Source: CRTC data collection and estimates

## Broadband availability

There are a number of platforms capable of delivering services equivalent to broadband in Canada. These include wireless 3G or equivalent networks, wireline DSL, cable networks and satellite.

When viewed on a household basis, approximately 93% of Canadian households were located within areas with access to broadband services in 2007, compared to 87% in 2003. Satellite facilities can extend this reach to virtually all Canadian households which is only limited by capacity constraints. This availability ranges from a low of 83% in Newfoundland and Labrador to a high of 96% in the North. However, only 69% of these households actually subscribe to high-speed Internet service. The lowest subscription rate was in Prince Edward Island at 47% of households and the highest rate was in British Columbia at 77%.

The majority of the Canadian population (75%) is located in large urban<sup>230</sup> centres. In 2007, virtually all Canadian households in urban centres could have access to broadband services, versus 81% of households that are in rural<sup>231</sup> centres that have broadband reported within them.<sup>232</sup>

Broadband service, greater than 5 mbps were increasingly available to Canadians. Services at these speeds were provided by a vast majority of Internet enabled cable systems (estimated to cover approximately 89% of all Canadian households). Based on data submitted by a number of entities, 60% of all telephone lines can provide Internet service at 5 mbps or higher. Actual performance of a broadband package is dependant on factors such as the technology employed. For example, cable BDU networks are sensitive to the number of simultaneous users; and DSL based networks are sensitive to loop length.

Fixed wireless was available to an estimated 65% of households. These systems are typically limited by the distance from the transmitter, the terrain, availability of spectrum, and the load imposed on the network by other subscribers served by the same transmitter.

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<sup>230</sup> Urban is defined as built up areas within CMAs and CAs, being classified as urban cores, urban fringes, and secondary urban cores. Rural includes rural fringes, which are rural areas within CMA/CAs, and urban areas outside of CMA/CAs.

<sup>231</sup> It should be noted that the methodology used to identify broadband availability in rural areas may result in an overstatement of availability of broadband service in rural areas, since communities are taken to be served if service is reported within them.

<sup>232</sup> Due to granularity of the postal code structure in urban centres, broadband details by postal code collected by the CRTC data collection system were used to identify the availability of broadband service within urban centres, supplemented with Industry Canada data where postal code data is unavailable. However, in rural areas and the North, where the postal code structure does not lend itself to data collection in sparsely populated areas, information gathered by Industry Canada was utilized in all areas.

## Broadband Availability - Statistical Information

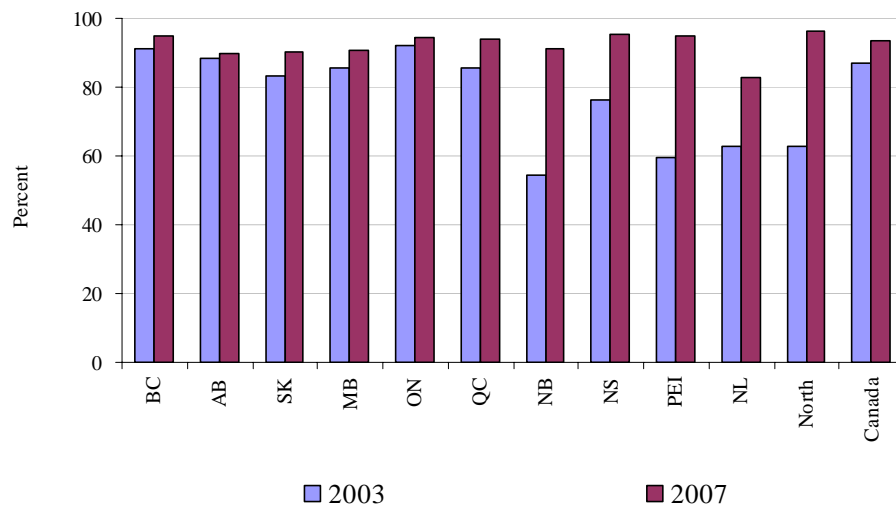
**Table 5.3.4: Key telecommunications availability indicators**

Platform	Availability		
	2005	2006	2007
Wireless	97%	97%	98%
Mobile 3G or Equivalent	na	na	78%
DSL	87%	89%	89%
Cable modem	87%	89%	89%
IPTV	n/a	8%	10%
Digital satellite	National	National	National

Source: CRTC Data Collection

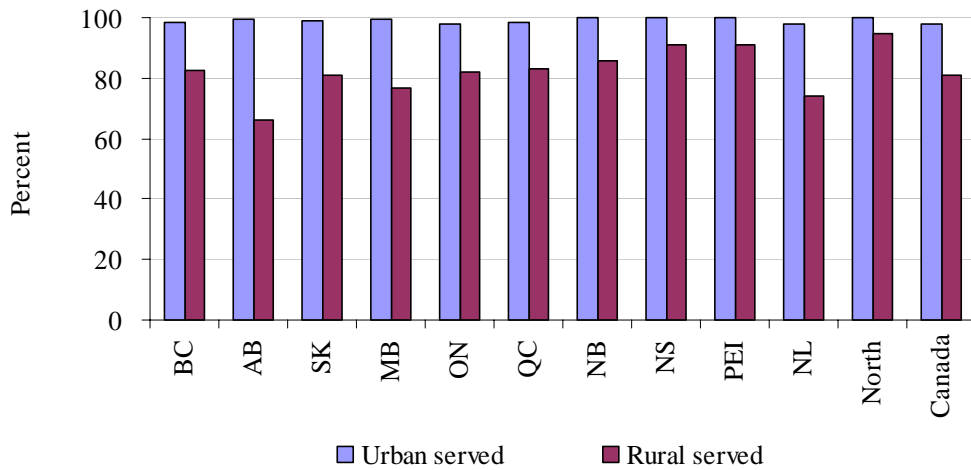
n/a not available

**Figure 5.3.6 Broadband availability (percent of households)**



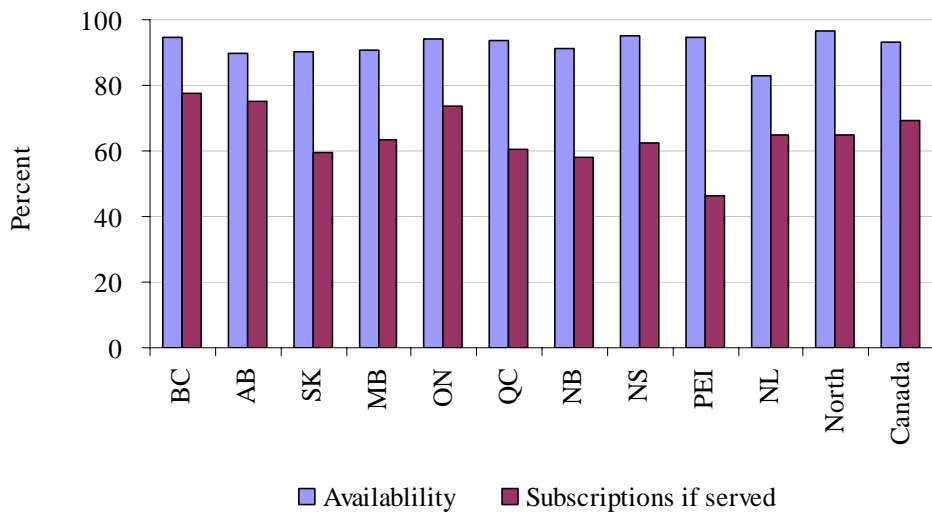
Source: Industry Canada and CRTC data collection

**Figure 5.3.7 Broadband availability –Urban v. rural (Percent of households) (2007)**



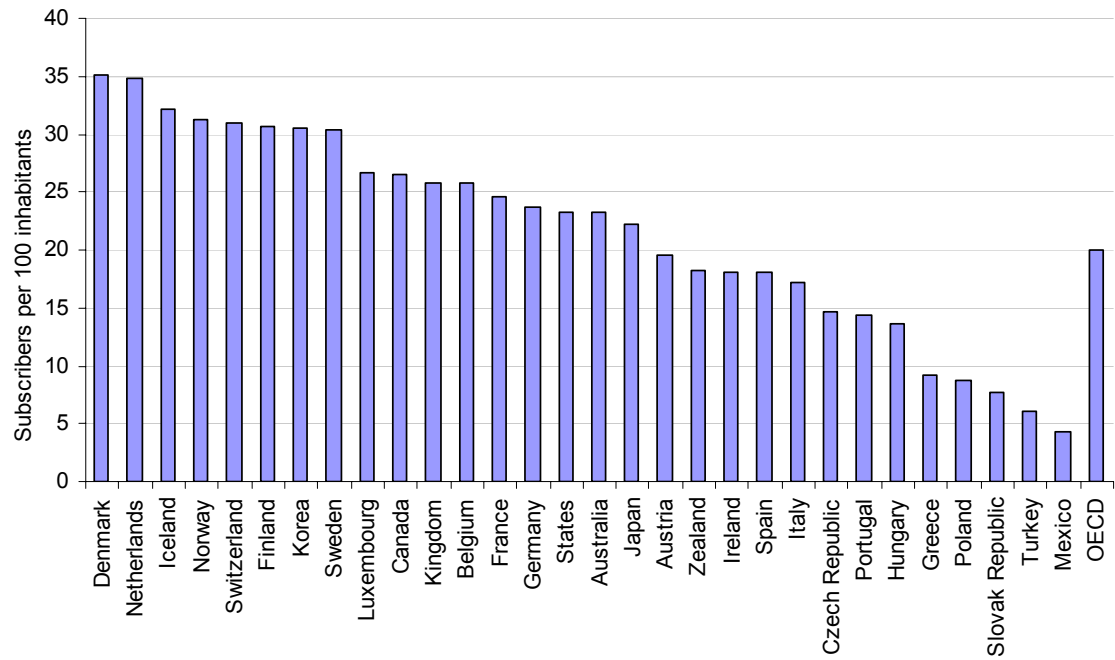
Source: Industry Canada and CRTC data collection

**Figure 5.3.8 Broadband availability v. high-speed subscriptions (2007)**



Source: Industry Canada and CRTC data collection

**Figure 5.3.9 OECD Broadband subscribers per 100 inhabitants, December 2007**



Source: OECD

## 5.4 Data and private line

### Overview

In 2007, data and private line revenues were approximately \$4.1 billion, or approximately 11% of total telecommunications revenue, making data and private line the smallest sector.

Data services provide managed local area network (LAN) and wide area network (WAN) services for data, video and voice networks within a metropolitan area or on a broader national or international scale. Data services include legacy protocols such as X.25 (packet switched network), asynchronous transfer mode (ATM), frame relay, and newer protocols such as Ethernet and IP-VPN, and the provisioning and management of networks and network equipment.

Private line services provide the capability to link two or more locations over dedicated facilities for the purpose of transporting data, video or voice traffic. Private line services include high-capacity digital transmission services (at speeds ranging up to gigabit speeds over fibre) and digital data systems, as well as voice-grade and other analog services. Transmission facilities include copper wire, fibre optic cable or satellite.

### *Highlights*

- Data revenues increased 6.8% to \$2.5 billion in 2007 whereas private line revenues remained stable at \$1.7 billion, resulting in an overall increase in data and private line revenues of 3.9%.
- Data protocol services revenue continued to shift towards the new services, IP-VPN (virtual private network) and Ethernet, with these services accounting for \$1.1 billion or 70% of data protocol revenues in 2007, up from 62% in 2006.
- Alternative TSPs' share of data and private line revenues increased from 30% in 2006 to 36% in 2007.

### *The Industry*

There were approximately 150 companies offering data and private line services:

- 40% were incumbent TSPs
- 60% were alternative TSPs, such as cable BDUs, utility telcos, and resellers, including the out-of-territory operations of the incumbents TSPs.

## **Sector Analysis**

Although data and private line revenues declined 1.9% annually over the 2003 to 2007 period, they increased for the first time in 2007, increasing 3.9% from \$4.0 billion to \$4.1 billion.

Private line revenues remained unchanged in 2007 at \$1.7 billion. Data revenues however, increased 6.8% to \$2.5 billion from the previous year, and accounted for approximately 60% of total data and private line revenues. The increase in data revenues can be attributed to growth in newer data services such as Ethernet and IP-VPN. Revenues from these services now represent 70% of the data protocol revenues in 2007 as compared to 62% in 2006.

The incumbent TSPs, excluding their out-of-territory operations, were the major providers in the data and private line markets with revenues of \$2.65 billion representing 64% of the data and private line revenues in 2007. The remaining \$1.47 billion was generated by the alternative TSPs of which 56% was generated by the incumbent TSPs out-of-territory operations. The Incumbent TSPs out-of-territory operations share of the data and private line revenues increased from 15% in 2006 to 20% in 2007 whereas the remaining alternative TSPs' revenue share remained relatively unchanged at 16%.

### **Data segment**

The market share of the incumbent TSPs excluding their out-of-territory operations declined from 63% in 2006 to 58% in 2007. With respect to their out-of-territory operations, their market share increased from 17% in 2006 to 22% in 2007. The market share of the remaining TSPs remained relatively unchanged at 20%.

For the purposes of this report, data services are classified into one of three categories: (1) legacy data protocols such as X.25, ATM, and frame relay, (2) newer protocols such as Ethernet and IP-VPN, and (3) other services such as other protocols, network management and networking equipment. Newer data protocol service revenues increased 19.9% from \$931 million in 2006 to \$1,116 million in 2007; whereas legacy service revenues declined 15.6% from \$565 million in 2006 to \$477 million in 2007. Newer data protocol service revenues increased over the 2003 to 2007 period at approximately 24% annually from an initial revenue of \$467 million in 2003 whereas legacy service revenues declined 15% annually over this period from \$914 million in 2003.

These trends are expected to continue given the increased flexibility, capacity and interoperability that the new generation of IP services provide and revenues from legacy services such as X.25, Frame Relay, and ATM networks are expected to decline. In addition to capturing revenue from the legacy data services, the newer data services also contributed to the flat growth in private line revenues due to their ability to cost-effectively replicate the functionality such as capacity and security associated with private line services. Newer data protocol revenues increased to the point where, by 2007, they captured over 70% of the \$1.6 billion data protocol revenues. The newer data protocols generated more revenues in 2007 than the legacy protocols did in 2003.



The incumbent TSPs' data protocol revenue market share, when operating within their traditional territory, decreased from 58% in 2006 to 53% in 2007. With respect to the newer data protocols, their revenue market share decreased from 57% in 2006 to 51% in 2007, while their share of legacy data protocols decreased from 59% in 2006 to 57% in 2007.

### **Private line segment**

Private line revenues have declined each year since 2002, from \$2.3 billion to \$1.7 billion in 2007, a 7.6% annual decline. The decline in private line revenues could be attributed to, among other things, the newer data protocols, such as IP-VPN, that can replicate the functionality of private lines.

Market share for the Incumbent TSPs' in-territory operations declined from 80% to 74%, while their market share for their out-of-territory operations increased from 13% to 17%. The remaining alternative TSPs were relatively unchanged at 9%. There has been no discernable trend in the market shares of the various entities since 2004.

With regards to short and long-haul private line routes, when operating within their traditional territories, the incumbent TSPs' revenue market share for short-haul routes increased from 84% in 2006 to 85% in 2007 and for long-haul routes, decreased from 78% in 2006 to 66% in 2007.

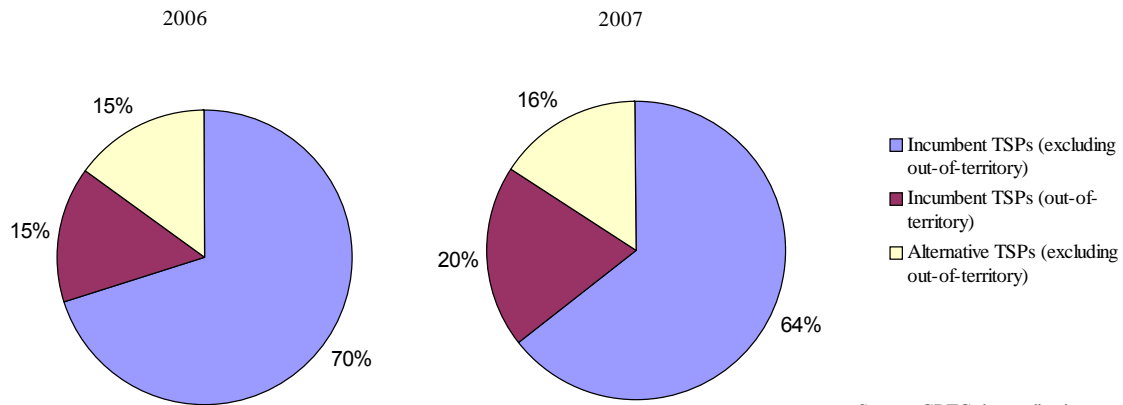
## Data and Private Line – Statistical Tables and Charts

**Table 5.4.1 Data and private line revenues (\$ millions)**

Revenues (\$ millions)	2003	2004	2005	2006	2007	Growth 2006- 2007	CAGR 2003- 2007
<b>Data and Private Line Revenues</b>							
<b>Data</b>							
Data protocols	1,381	1,418	1,354	1,496	1,592	6.5%	3.6%
Other	767	890	849	805	839	4.2%	2.3%
Smaller service providers	36	26	36	4	31	607.5%	-3.3%
Total data and other revenues	2,184	2,334	2,239	2,305	2,462	6.8%	3.0%
<b>Private Line</b>							
Short-haul	940	890	788	649	713	9.8%	-6.7%
Long-haul	1,339	1,151	1,066	1,016	952	-6.3%	-8.2%
Total private line	2,279	2,041	1,854	1,665	1,664	-0.1%	-7.6%
Total data and private line	4,463	4,375	4,093	3,970	4,126	3.9%	-1.9%

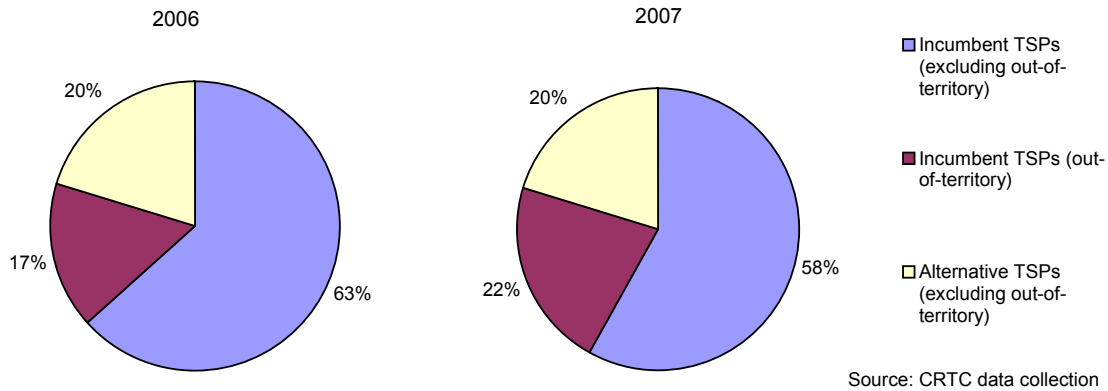
Source: CRTC data collection

**Figure 5.4.1 Data and private line revenue market share by type of TSP**



Source: CRTC data collection

**Figure 5.4.2 Data revenue market share by type of TSP**



**Table 5.4.2 Data protocol revenues by service category (\$ millions)**

	2003	2004	2005	2006	2007	Growth 2006-2007	CAGR 2003- 2007
<b>Legacy Protocols</b>							
Retail legacy							
X.25	131.2	102.0	91.0	64.7	50.7	-21.6%	-21.1%
ATM	109.5	83.6	72.7	63.4	67.6	6.5%	-11.4%
Frame Relay	573.7	546.8	476.9	381.3	296.1	-22.3%	-15.2%
Subtotal retail legacy data	814.4	732.4	640.6	509.4	414.4	-18.6%	-15.5%
Wholesale legacy							
X.25	9.1	5.7	2.5	1.7	3.6	113.0%	-20.6%
ATM	14.6	16.1	6.9	9.1	6.7	-26.1%	-17.6%
Frame Relay	76.0	78.4	39.6	45.0	52.0	15.6%	-9.0%
Subtotal wholesale legacy data	99.7	100.2	49.0	55.8	62.4	11.7%	-11.1%
Subtotal legacy data	914.1	832.6	689.6	565.2	476.8	-15.6%	-15.0%
<b>New Protocols</b>							
Retail new							
Ethernet	351.3	427.4	391.1	469.9	482.5	2.7%	8.3%
IP-VPN	64.9	110.7	221.1	362.9	534.0	47.1%	69.4%
Subtotal retail new data	416.2	538.1	612.2	832.8	1,016.4	22.1%	25.0%
Wholesale new							
Ethernet	48.1	44.4	49.6	86.7	87.9	1.3%	16.3%
IP-VPN	2.4	2.4	2.4	11.0	11.3	2.4%	47.2%
Subtotal wholesale new data	50.5	46.8	52.0	97.7	99.1	1.5%	18.4%
Subtotal new data	466.7	584.9	664.2	930.5	1,115.6	19.9%	24.3%
Total data protocols	1,380.8	1,417.5	1,353.8	1,495.7	1,592.3	6.5%	3.6%

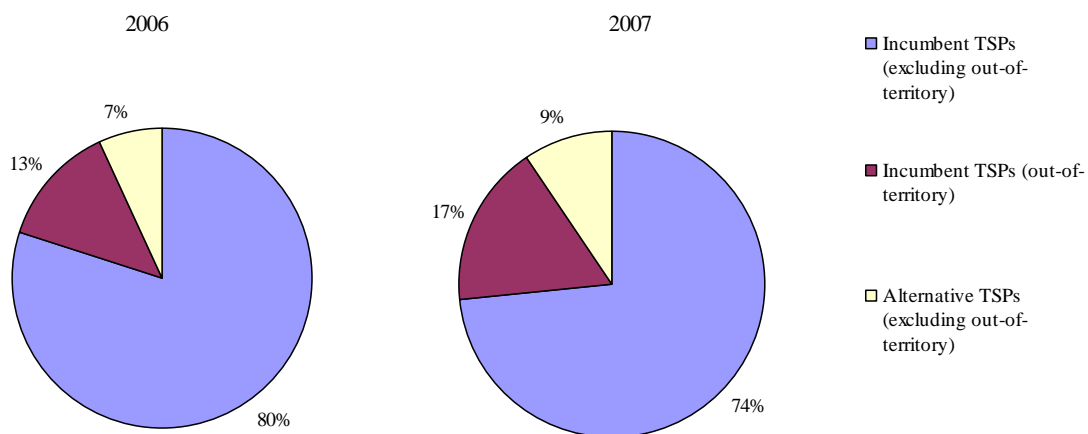
Source: CRTC data collection

**Table 5.4.3 Revenue market share by data legacy and new protocol service category**

	2003	2004	2005	2006	2007
Legacy data					
Incumbent TSPs (excluding out-of-territory)	57%	54%	54%	59%	57%
Incumbent TSPs (out-of-territory)	8%	31%	28%	19%	16%
Alternative TSPs (excluding out-of-territory)	35%	15%	18%	23%	26%
New data					
Incumbent TSPs (excluding out-of-territory)	68%	70%	63%	57%	51%
Incumbent TSPs (out-of-territory)	19%	14%	17%	24%	29%
Alternative TSPs (excluding out-of-territory)	13%	15%	21%	19%	20%
Total data protocols					
Incumbent TSPs (excluding out-of-territory)	61%	61%	58%	58%	53%
Incumbent TSPs (out-of-territory)	12%	24%	22%	22%	25%
Alternative TSPs (excluding out-of-territory)	28%	15%	19%	20%	22%

Source: CRTC data collection

**Figure 5.4.3 Private line revenue market share by type of TSP**



Source: CRTC data collection

**Table 5.4.4 Private line revenues by service category**

Revenues (\$ millions)	2003	2004	2005	2006	2007	Growth	CAGR
						2006-2007	2003-2007
<b>Private Line</b>							
Retail							
Short-haul	496	521	503	431	428	-0.7%	-3.6%
Long-haul	739	732	660	634	566	-10.7%	-6.4%
Subtotal retail private line	1,235	1,253	1,163	1,065	994	-6.7%	-5.3%
Wholesale							
Short-haul	444	369	285	217	285	31.2%	-10.5%
Long-haul	600	419	406	382	385	0.9%	-10.5%
Subtotal wholesale private line	1,044	788	691	599	670	11.9%	-10.5%
Total private line	2,279	2,041	1,854	1,665	1,664	-0.1%	-7.6%

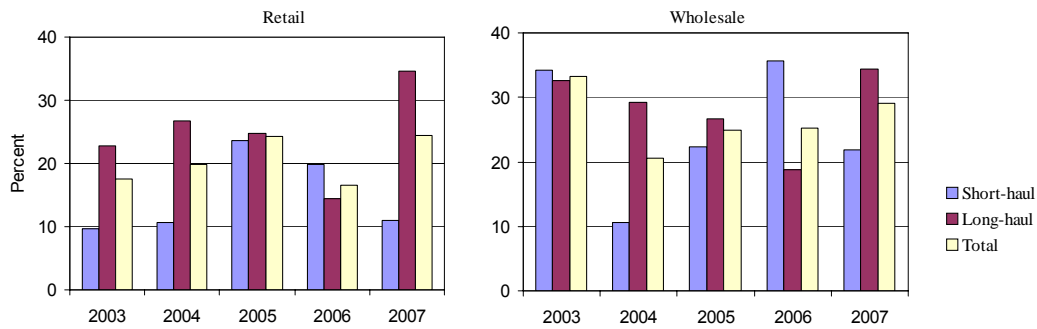
Source: CRTC data collection

**Table 5.4.5 Private line - Short-haul and long-haul revenue market share**

	2003	2004	2005	2006	2007
Short-haul					
Incumbent TSPs (excluding out-of-territory)	79%	90%	73%	84%	85%
Incumbent TSPs (out-of-territory)	10%	9%	24%	14%	13%
Alternative TSPs (excluding out-of-territory)	11%	1%	3%	2%	2%
Long-haul					
Incumbent TSPs (excluding out-of-territory)	73%	72%	77%	78%	66%
Incumbent TSPs (out-of-territory)	8%	20%	14%	11%	20%
Alternative TSPs (excluding out-of-territory)	19%	7%	10%	10%	14%
Total					
Incumbent TSPs (excluding out-of-territory)	75%	80%	76%	80%	74%
Incumbent TSPs (out-of-territory)	9%	15%	17%	13%	17%
Alternative TSPs (excluding out-of-territory)	16%	5%	7%	7%	9%

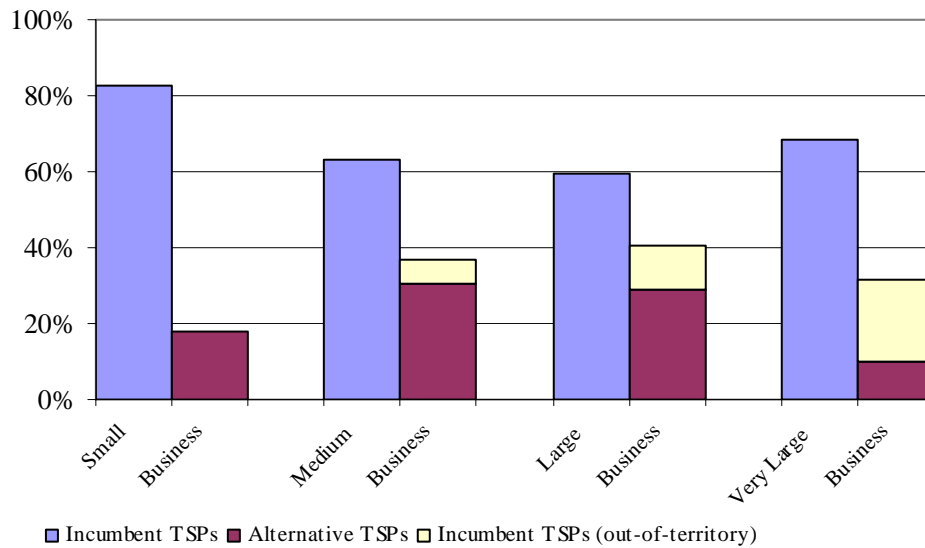
Source: CRTC data collection

**Figure 5.4.4 Alternative TSPs' private line revenue share (Short-haul and long-haul)**



Source: CRTC data collection

**Figure 5.4.5 Data and private line service revenue distribution: incumbent TSPs, incumbent TSPs (out-of-territory) and alternative TSPs (2007)**



Source: CRTC data collection

## **5.5 Wireless**

### **Overview**

Canada's total mobile revenues as a percent of total telecommunications revenues grew from 36% in 2006 to 38% in 2007 and remained the largest revenue component of the Canadian telecommunications revenues.

Market share of the three largest wireless service providers did not change significantly in 2007 and continues to account for over 94% of the wireless market in Canada. Of the top three carriers, Rogers Wireless remained the dominant player with respect to the number of subscribers with a 37% market share while Bell and Telus held 28% and 27% of the market share respectively. The remaining 8% was shared amongst regional wireless service providers (MTS Allstream and SaskTel), small incumbent TSPs and mobile virtual operators (MVNOs).

### **Highlights**

- In 2007, the wireless industry, excluding paging, grew 14.4% in revenues and 8.2% in the number of subscribers.
- The annual average revenue per subscriber (ARPU) increased 5% from \$56 per month in 2006 to \$59 per month in 2007.
- The average number of minutes per subscriber in 2007 was 380 minutes and the average revenue per minute was \$0.12/minute.
- Data revenues grew at an annual rate of 29.3% in 2007.

### **Description of services**

The wireless market segment comprises telecommunications services provided via mobile wireless access facilities. These services include mobile telephony, mobile data such as text messaging, roaming, wireless Internet access, and paging services. While satellite private line services are included in the data and private line section of this report, the satellite services associated with mobile telephones are included in this section.

In addition to voice communications over wireless networks, new wireless technologies and applications are enabling users to send text messages from one device to another, as well as multi-media messages which include photos, graphics, videos and audio clips. Inter-carrier text messaging and data sharing between users has been in place for several years and is expected to continue to grow as existing and new carriers forge network agreements, and terminal equipment makers introduce new devices.

Mobile wireless services are generally billed on a usage basis for both voice and data services. Subscribers have a choice of two payment options: pre-paid and post-paid. Pre-paid plans require the subscriber to purchase the wireless service prior to use, while post-paid plans require payment on a monthly basis after using the service. Customers

typically pay a per minute rate for a pre-paid plan, while those subscribing to post-paid plans pay for a service package that includes a defined minutes of use, an overage minute rate, data features, and other optional services such as voice mail, call display, call waiting and more.

## **Sector description**

Over 98% of Canadians had access to wireless services in 2007, of which approximately 71.9% of households or 61% of the Canadian population subscribed to them. This puts Canada's wireless penetration rates behind many of the member countries in OECD.<sup>233</sup> Despite low penetration rates in Canada, the mobile wireless sector, excluding paging, had revenues of approximately \$14.4 billion, a 14.4% increase over the previous year. It also had approximately 20.3 million subscribers, representing an 8.2% increase over the previous year. On the other hand, Canada generally has competitive prices for local wireline services and a mature and reliable wireline network with wireline penetration rate by household at 92.5% in 2007; these are some of many supporting arguments as to why mobile penetration remains lower than that of other OECD countries.

## **Sector analysis**

The combined local and long distance average revenue per minute (ARPM)<sup>234</sup> in Canada was \$0.12 per minute. This is among the lowest of all the OECD countries which could be attributed to the high volume minute plans that Canadian providers offered in 2007.

Wireless revenues, excluding paging, continued to increase from \$7.9 billion in 2003 to \$14.4 billion in 2007, representing an average annual growth rate of 16.2%. Similarly, there has been a continuous increase in the number of subscribers from 13.3 million in 2003 to 20.3 million in 2007, resulting in an average annual growth rate of 11.1%. Pricing plans that focused on certain markets, improved handsets, data services and innovative service bundles all contributed to the mobile wireless growth in 2007. Since 2005 however, the rate of growth in terms of revenues and number of subscribers has been steadily declining. Revenue growth has declined from 16.5% in 2005 to 14.4% in 2007 whereas subscriber growth has declined more quickly from 13.3% to 8.2%. Table 5.5.1 displays wireless revenues and the number of subscribers for the period 2003 to 2007.

The provinces that had the highest subscriber growth rate in 2007 were Manitoba and Newfoundland and Labrador, where the number of subscribers grew at a faster pace than any other province or territory. In terms of ARPU, the provinces that had the highest ARPU growth rate were Ontario and Newfoundland and Labrador.

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<sup>233</sup> Source: The Communications Market 2006 Ofcom - IDATE/National Reg/OECD/OFCOM/Operators (<http://www.ofcom.org.uk/research/cm/icmr06/telecoms.pdf>).

<sup>234</sup> ARPM is commonly used to compare prices in the mobile market, and to provide some indication as to the affordability of mobile services relative to other countries.



In 2003, the growth rate in wireless revenues was approximately 1.3 times that of the growth in the number of wireless subscribers. In 2007, this ratio increased to 1.8 times which resulted in the gradual increase in the monthly average revenues per subscriber displayed in Figure 5.5.2. The ARPU<sup>235</sup> was \$49 per month in 2003 and gradually increased to \$59 per month in 2007. The increase in ARPU could be attributed to the overall increased use of voice and data services.

Similar to the previous year, the relative mix of the number of subscribers to pre-paid and post-paid plans did not change significantly in 2007; however, the growth of revenues from pre-paid plans was twice that from post-paid plans.

A variety of different post-paid plans and options give customers more choices and more services. Most wireless service providers targeted the post-paid segment of the market in order to retain customers who were generally required to commit to the supplier for a fixed length of time, thus minimizing the churn rate.

One major highlight in 2007 was the announcement by Industry Canada in late November 2007 of the highly anticipated auction rules that would likely encourage new entrants and possibly intensify mobile competition in Canada. In the auction policy,<sup>236</sup> three blocks of spectrum totalling 40MHz, out of the total 105MHz to be auctioned, will be set aside for new entrants and will be divided regionally (region and sub-regions).

### ***Capital intensity***

Total wireless capital expenditures accounted for 24% of total telecommunications spending in 2007, while wireless revenues accounted for 38% of total telecommunications revenues. Average capital expenditure attributed to each user (i.e., average capital expenditures per user (ACEPU)) had been steadily decreasing until 2004. However, in 2005 it started to increase as expenditure growth kept pace with revenue growth. A contributing factor for the increase in capital expenditures throughout this period was the increase in investments to build and provision next generation mobile networks and services. In 2007, ACEPU decreased slightly to \$7 per subscriber.

### ***Wholesale***

Wireless wholesale revenues generally consisted of (a) roaming revenues a company received for processing calls from wireless subscribers of other companies roaming within its territory, and (b) revenues derived from the sale of wireless minutes to MVNOs. As MVNOs continue to gain market share, the wholesale market is expected to

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<sup>235</sup> The Commission calculates ARPU based on an average annual figure, where the average monthly revenue for the year is divided by the number of subscribers at the end of the year; this may differ from other methodologies such as monthly averages and quarterly averages.

<sup>236</sup> Other specifics of the auction policy can be found in Industry Canada's "Policy framework for the auction for spectrum licenses for AWS and other spectrum in the 2 GHz range" located on their website.

grow. Wholesale revenues as a percent of total wireless revenues remained relatively small in 2007 at approximately 3%.

### ***Churn rate***

The implementation of national wireless number portability<sup>237</sup> on 14 March 2006, has not had a significant impact on the churn rates<sup>238</sup> of the top three wireless carriers. Their annual monthly average churn rates continued to be relatively low ranging between 1.4% and 1.7% in 2007.

### ***Mobile coverage***

The wireless footprint covers approximately 20% of Canada's geographic area. However, it encompasses approximately 98% of Canadians.

Mobile coverage did not expand significantly in 2007. However, the three major service providers have been upgrading their networks to 3G<sup>239</sup> or 3G equivalent capabilities to improve capacity, and to allow for faster data transmission speeds, and more reliable Internet connections. By the end of 2007, approximately 78% of Canadians were within the 3G wireless footprint.

The first wireless coverage map at the end of this section displays wireless coverage by number of facilities-based wireless service providers. The second map displays the facilities-based providers 3G or equivalent footprint across Canada. The term “facilities-based provider”, is used to refer to those providers who own and operate physical transmission facilities such as towers, transmitters/antennas, access trunks, switch centre/equipment, and other equipment and software required to offer mobile services.

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<sup>237</sup> *Implementation of wireless number portability*, Telecom Decision CRTC 2005-72, 20 December 2005

<sup>238</sup> The churn rate is calculated by dividing the number of disconnected subscriber units by the average number of units.

<sup>239</sup> 3G mobile wireless services generally encompass services such as video calling, sending and receiving videos, downloading full-length music tracks, watching live telecasts and other multi-media and data applications on third generation (3G) mobile devices. These devices promise to deliver data services and applications at speeds that are supported by network technology standards such as UMTS and EVDO or higher.

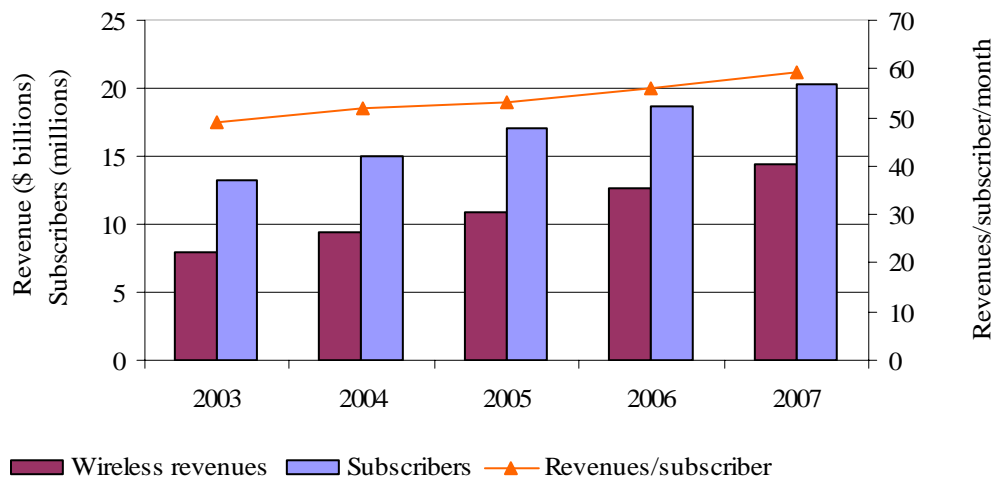
## Wireless – Statistical Tables and Charts

**Table 5.5.1 Wireless and paging revenues and number of subscribers**

	2003	2004	2005	2006	2007	Growth	CAGR
						2006-2007	2003-2007
Wireless revenues (\$ millions)	7,905.3	9,348.8	10,895.5	12,600.1	14,413.7	14.4%	16.2%
Paging revenues (\$ millions)	157.4	130.3	121.0	96.1	59.7	-37.9%	-21.5%
Total revenues	8,062.7	9,479.1	11,016.5	12,696.2	14,473.4	14.0%	15.8%
Wireless subscribers (thousands)	13,291.0	15,020.0	17,016.6	18,749.1	20,277.4	8.2%	11.1%
Paging subscribers (thousands)	951.3	751.0	616.7	504.6	356.6	-29.3%	-21.8%

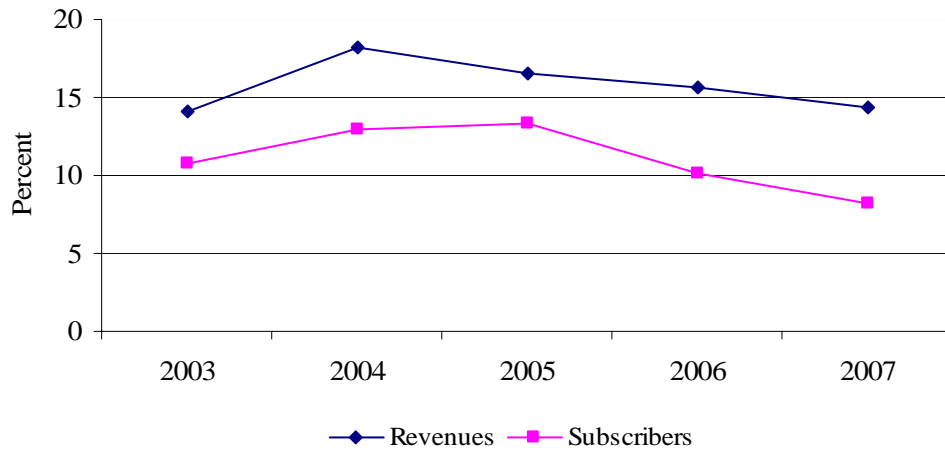
Source: CRTC data collection

**Figure 5.5.1 Wireless revenues, subscribers and revenues per subscriber (excluding paging)**



Source: CRTC data collection

**Figure 5.5.2 Wireless revenue and subscriber growth rates (excluding paging)**



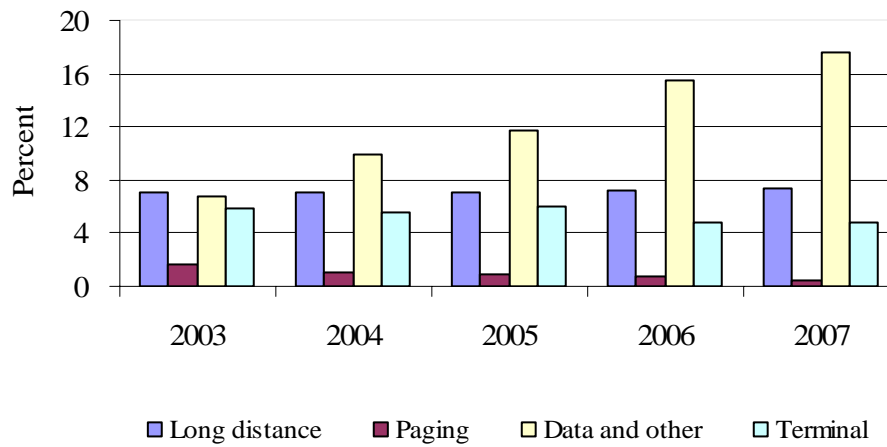
Source: CRTC data collection

**Table 5.5.2 Wireless and paging revenues components (\$ millions)**

	2003	2004	2005	2006	2007	<i>Growth</i> 2006-2007	<i>CAGR</i> 2003-2007
Basic voice	6,315.5	7,214.4	8,172.1	9,110.1	10,100.9	10.9%	12.5%
Long distance	572.6	664.9	771.1	918.8	1,075.7	17.1%	17.1%
Paging	157.4	130.3	121.0	96.1	59.7	-37.9%	-21.5%
Data and other	549.3	941.4	1,286.7	1,959.7	2,537.5	29.5%	46.6%
Terminal	467.9	528.1	665.6	611.4	699.5	14.4%	10.6%
Total	8,062.7	9,479.1	11,016.4	12,696.2	14,473.4	14.0%	15.8%

Source: CRTC data collection

**Figure 5.5.3 Revenues by major component (excluding basic voice)**



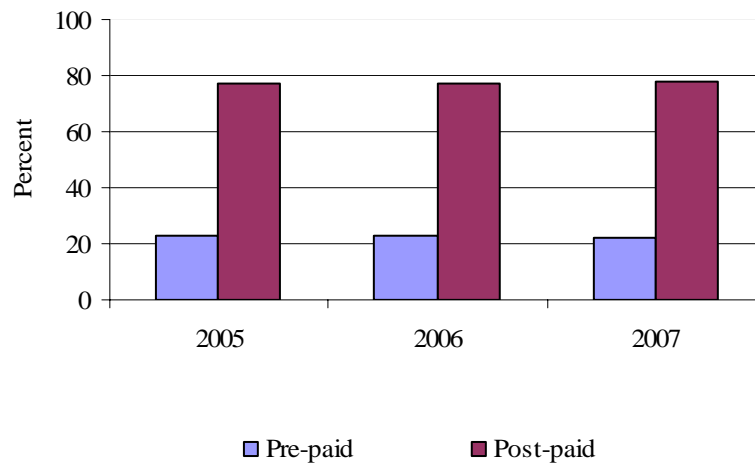
Source: CRTC data collection

**Table 5.5.3 Post-paid and Pre-paid Wireless Revenues (basic voice and long distance) (\$ millions)**

	2005	2006	2007	<i>Growth 2006-2007</i>
Pre-paid	661.6	738.9	934.6	26.5%
Post-paid	8,244.3	9,235.2	10,194.9	10.4%
Total	8,905.9	9,974.1	11,129.5	11.6%

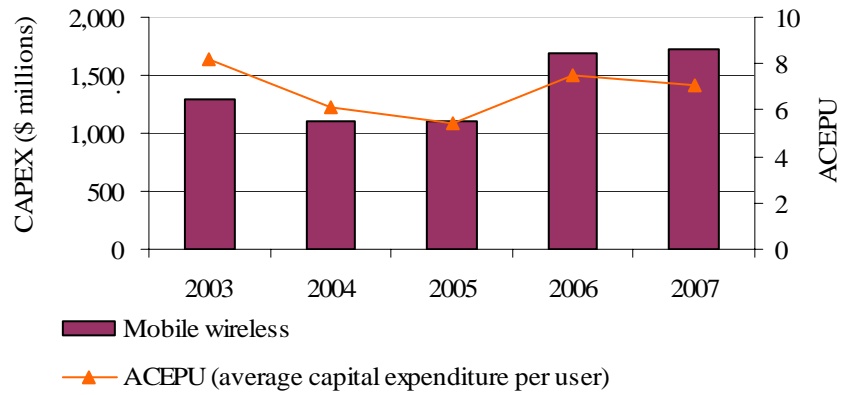
Source: CRTC data collection

**Figure 5.5.4 Percent of pre-paid and post-paid subscribers**



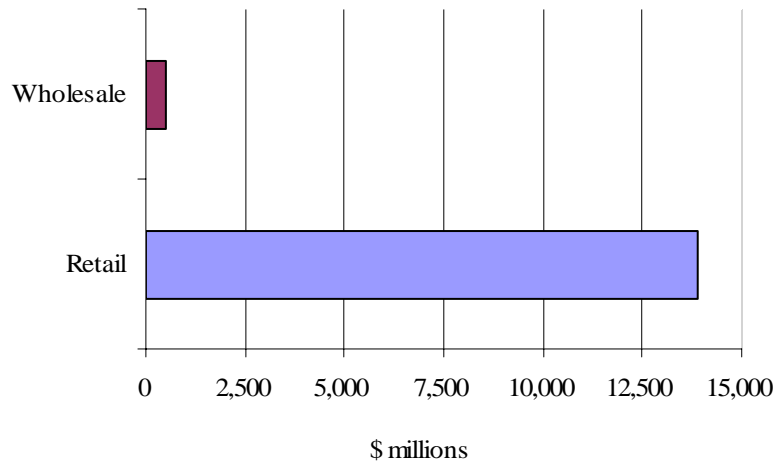
Source: CRTC data collection

**Figure 5.5.5 Capital expenditures (CAPEX) and average capital expenditure per user (ACEPU)**



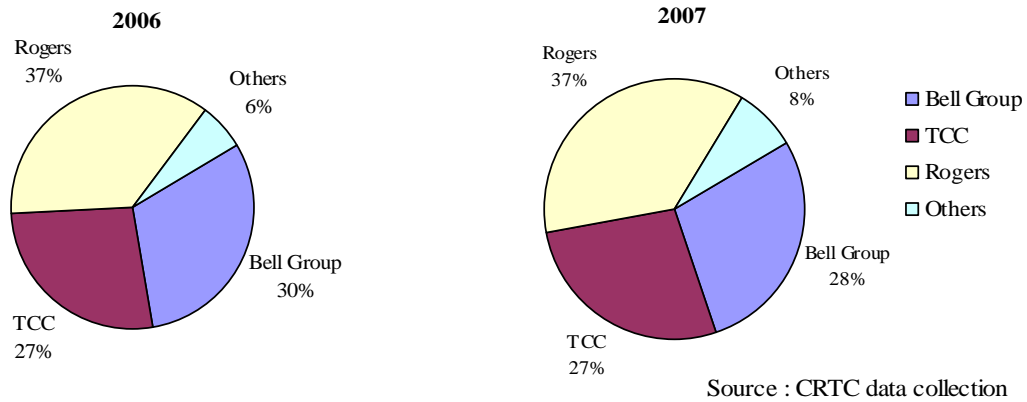
Source: CRTC data collection

**Figure 5.5.6 Retail and Wholesale Revenue Split**

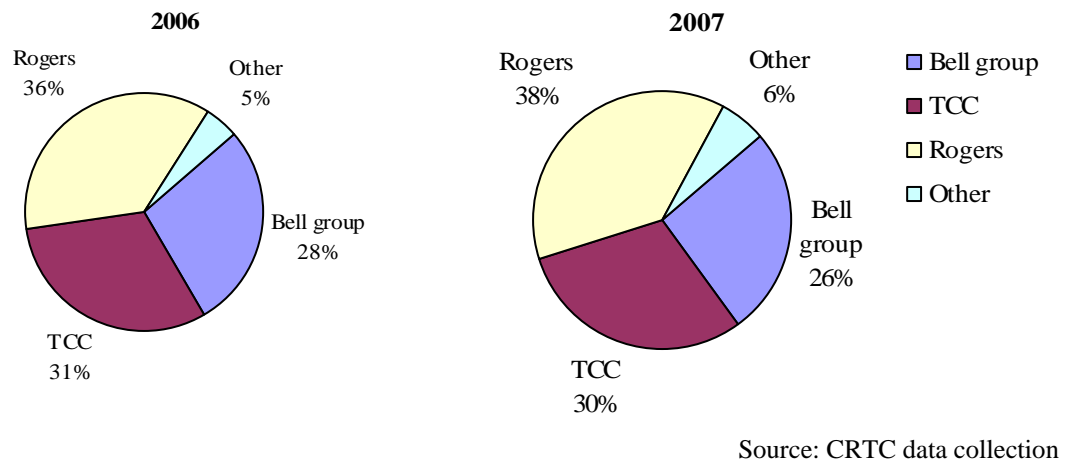


Source: CRTC data collection

**Figure 5.5.7 Wireless TSPs' subscriber market share<sup>240</sup>**



**Figure 5.5.8 Wireless TSPs' revenue market share<sup>241</sup>**



<sup>240</sup> Other includes MTS Allstream, SaskTel and smaller wireless service providers.

<sup>241</sup> Other includes MTS Allstream, SaskTel and smaller wireless service providers.

**Table 5.5.4 Wireless subscriber market share by province<sup>242</sup> (2007)**

Province	Bell Group	TCC	Rogers	Others
British Columbia	12%	43%	43%	3%
Alberta	18%	53%	27%	2%
Saskatchewan	0%	3%	15%	82%
Manitoba	0%	13%	26%	61%
Ontario	30%	21%	45%	4%
Quebec	39%	23%	34%	4%
New Brunswick	67%	10%	20%	2%
Prince Edward Island	68%	12%	16%	3%
Nova Scotia	59%	16%	24%	2%
Newfoundland and Labrador	80%	15%	3%	2%
The North	89%	0%	0%	11%

Source: CRTC data collection

**Table 5.5.5 Average revenue per user (ARPU) by province (excluding paging)**

Province	2005	2006	2007
British Columbia	\$53.84	\$59.00	\$59.10
Alberta	\$64.17	\$70.07	\$73.81
Saskatchewan	\$50.72	\$52.74	\$55.11
Manitoba	\$53.63	\$54.01	\$54.46
Ontario	\$51.83	\$54.40	\$59.63
Quebec	\$44.29	\$47.52	\$50.21
New Brunswick	\$47.77	\$48.84	\$52.87
Prince Edward Island	\$49.34	\$61.10	\$63.58
Nova Scotia	\$54.17	\$50.42	\$54.59
Newfoundland and Labrador	\$40.57	\$45.37	\$50.29

Source: CRTC data collection

**Table 5.5.6 Average monthly churn rates**

	2003	2004	2005	2006	2007
Bell Mobility	1.4%	1.3%	1.6%	1.6%	1.7%
Rogers	2.1%	1.8%	2.1%	1.8%	1.6%
TCC	1.5%	1.4%	1.4%	1.3%	1.5%

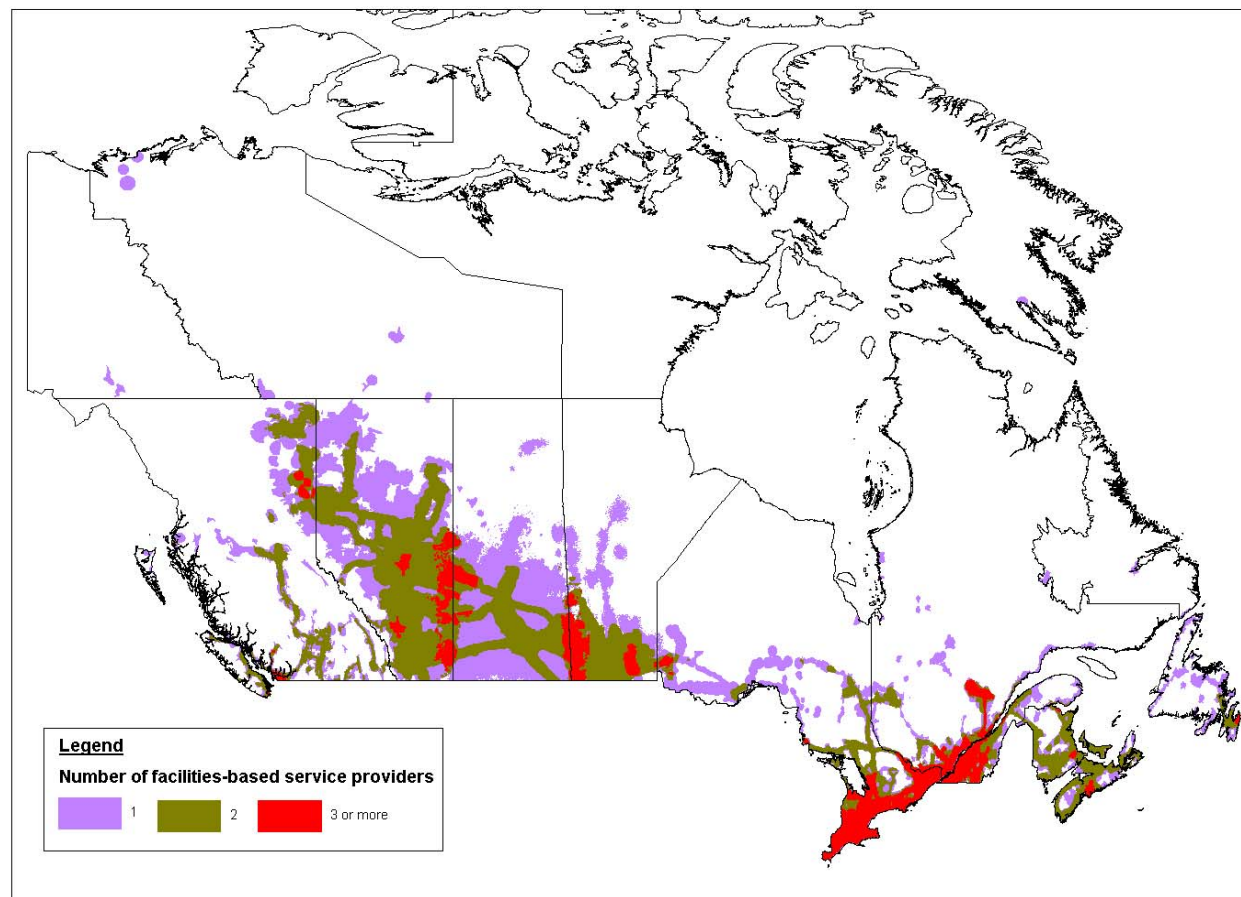
Note: Microcell was acquired by Rogers in 2004.

Source: Companies' annual reports and CRTC data collection

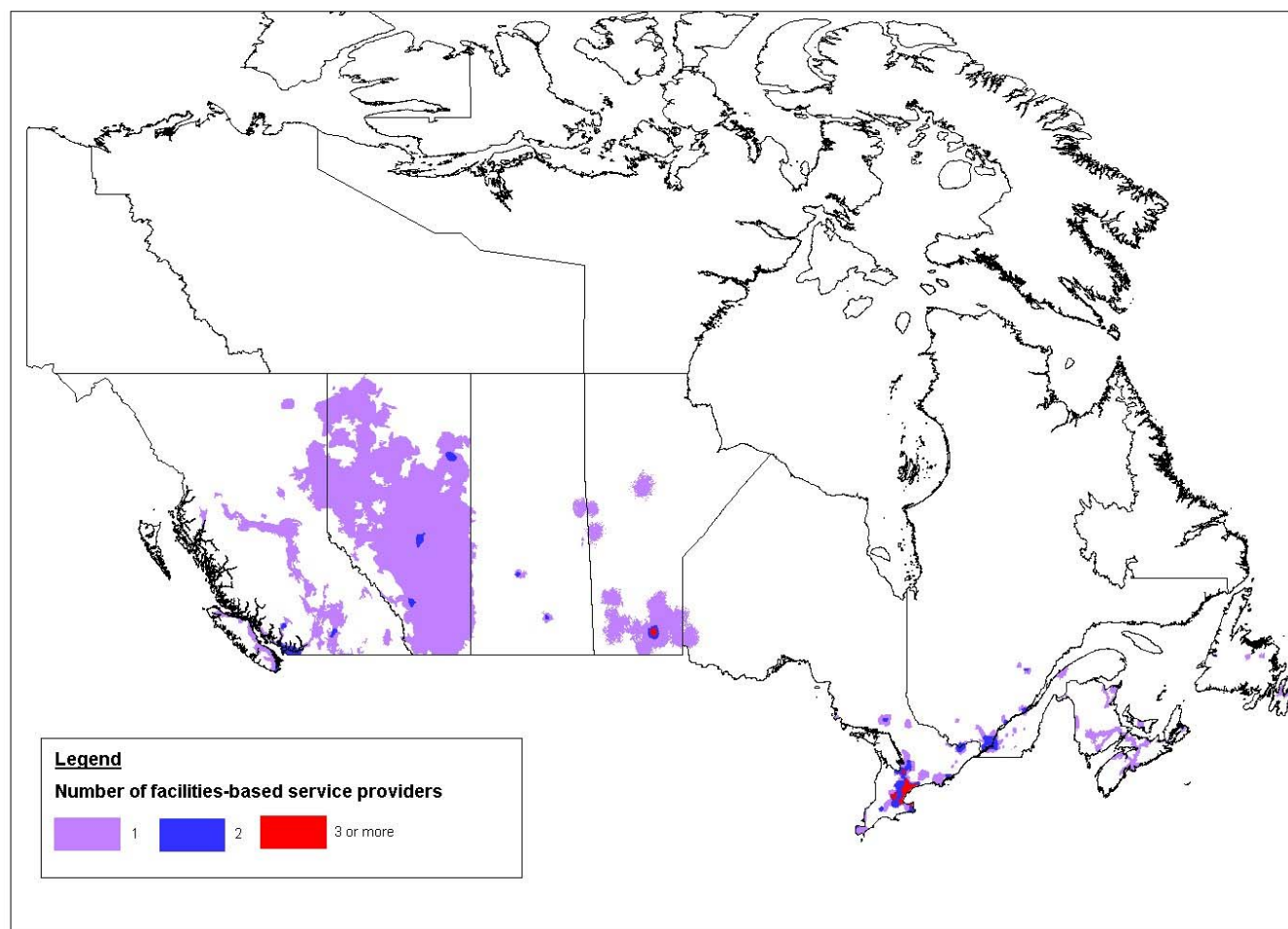
<sup>242</sup> The North includes: Yukon, Northwest Territories and Nunavut.



**Map 5.5.1**      **Presence of wireless facilities-based service providers**



**Map 5.5.2      Presence of 3G or 3G equivalent wireless facilities-based service providers**



## **6.0 International Perspective**

### **6.1 Current regulatory practices**

The CRTC, as well as regulators in other countries, are facing the challenge of rapid changes in the communications landscape. In response to the influences of globalization and convergence, the CRTC is striving to expand its international dialogue, to better examine and understand the effects of these new advances in the context of Canada's markets. As such, this year's converged monitoring report includes an expanded international perspective, comparing key communications market indicators and issues in Canada with those from countries around the world.

Technological change and the development of new services continue to drive the global communications and media sectors. There has been a blurring of industry boundaries, with telecom carriers getting into broadcasting distribution, cable television distributors providing telephone service, and expansion of Internet and wireless service offerings from traditional providers in both broadcasting and telecommunications. This industry convergence, driven by digital technology and new media platforms, raises regulatory policy issues in Canada and elsewhere. In the past, the regulation of telecommunications and broadcasting tended to be distinct, with the role of the telecom regulator focused on promoting competitive markets and addressing access issues, while broadcasting regulation concentrated on availability and accessibility of Canadian content. In today's communications landscape, where television, radio, and telecommunications services can be delivered via the same IP networks and use the same electromagnetic spectrum, content and access are becoming inseparable.

This section provides a perspective of Canada in the international communications landscape. Areas of discussion include international comparisons of pricing, penetration rates and industry revenues for the wireline, wireless, and broadband sectors; broadband speeds, next generation access, functional separation of incumbent networks, analog to digital transition, and mobile wireless revenues and charges.



## 6.2 How Canada compares internationally

In Canada and around the world,<sup>243</sup> convergence can be seen in the proliferation of multi-service offerings. Such bundling of two or more communications services onto a single bill has been increasingly marketed by both the telecommunications and broadcasting industries. A typical triple-play offering from a cable supplier would include television, Internet, and voice services; from a telecommunications service provider it would be a bundle including wireline, wireless, and Internet service.

Triple-play bundles have expanded to quadruple-play offerings in most countries, with incumbent telephone companies able to provide a full menu of fixed-voice telephony, wireless mobile services, broadband Internet access, and television and video services. In many countries, bundling has also been driven by the cable companies, which have the infrastructure necessary to deliver multiple services. However, cable operators in most countries do not have a mobile network, with the result that cable companies largely offer television, Internet and wireline voice as a household communications bundle, with mobile wireless completing the quad-play for a relatively few cable operators (notably Rogers Communications in Canada, Comcast and Time Warner in the United States, and Virgin Media in the United Kingdom). Internet service providers in many countries are also offering multi-service bundles, generally by supplying a VoIP fixed-line service, securing carriage agreements with the television networks, and acquiring or negotiating resale arrangements with a mobile operator. Clearly, competition in a converging communications industry is increasingly based on these multi-play offerings, regardless of the service provider's traditional core business.

**Table 6.2.1 International pricing (\$/month) – medium usage**

	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>	<b>France</b>	<b>Australia</b>
<b>Wireline</b>	\$48	\$67	\$47	\$53	\$85
<b>Wireless</b>	\$61	\$55	\$54	\$56	\$33
<b>Broadband</b>	\$47	\$56	\$44	\$46	\$63
<b>Bundle (above svcs + TV)</b>	\$181	\$215	\$160	\$138	\$173

Source: Price comparison study conducted for the CRTC in June 2008 by Wall Communications Inc.; see Appendix 5 for summary of assumptions and methodology used.

<sup>243</sup> Comparisons in this section typically reflect the G7 countries (Canada, United States, Japan, United Kingdom, France, Germany, Italy); additional comparator nations are included in the context of some issue discussions.

**Table 6.2.2 International pricing (\$/month) – high usage**

	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>	<b>France</b>	<b>Australia</b>
<b>Wireline</b>	\$60	\$75	\$64	\$62	\$101
<b>Wireless</b>	\$108	\$107	\$90	\$110	\$99
<b>Broadband</b>	\$69	\$67	\$53	\$49	\$76

Source: Price comparison study conducted for the CRTC in June 2008 by Wall Communications Inc.; see Appendix 5 for summary of assumptions and methodology used.

**Table 6.2.3 International pricing (\$/month) – low usage**

	<b>Canada</b>	<b>United States</b>	<b>United Kingdom</b>	<b>France</b>	<b>Australia</b>
<b>Wireline</b>	\$31	\$36	\$33	\$29	\$43
<b>Wireless</b>	\$33	\$43	\$27	\$24	\$22
<b>Broadband</b>	\$33	\$25	\$30	\$42	\$43

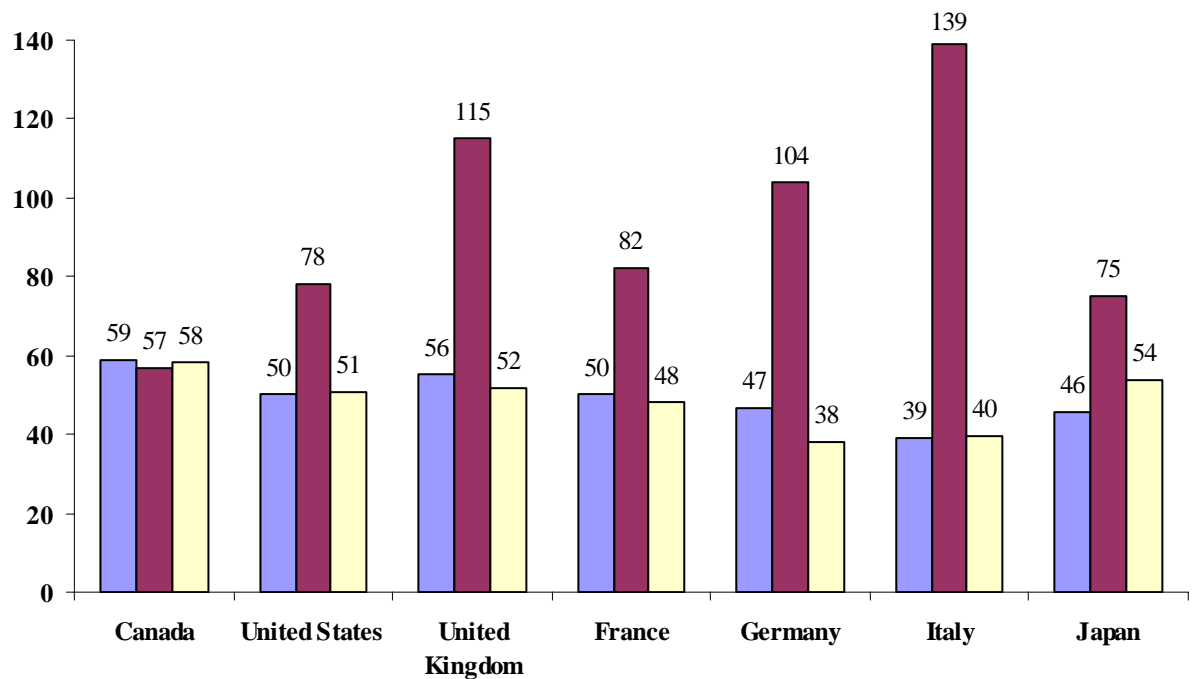
Source: Price comparison study conducted for the CRTC in June 2008 by Wall Communications Inc.; see Appendix 5 for summary of assumptions and methodology used.

Canadian wireline service rates compare favourably with all of the other selected foreign jurisdictions, especially relative to the United States and Australia. For wireless service, at the low usage level Canadian rates are below those in the United States, but higher than the other countries examined. At the high-end usage level, Canadian wireless rates are comparable to the United States and France, but considerably higher than the United Kingdom and Australia. It is worth noting that internationally, almost all of the surveyed wireless plans included unlimited data usage, whereas the Canada plans are mostly limited to 5 MB of data usage per month.

For Internet service at all three usage levels, Canada appears to be mid-range in terms of international pricing. Broadband service price comparisons are complicated by differences in broadband speeds and usage caps between plans, but on balance Canadian broadband rates tend to compare more favourably with the selected countries for the low and medium use baskets than the high use basket.

For the quadruple service bundle (wireline, wireless, Internet, television), Canadian pricing is well below the United States (which showed the highest rate for bundled services of the countries observed) but significantly higher than in the United Kingdom and France where basic digital television services were provided at no additional cost in the plans surveyed.

**Figure 6.2.1 International penetration rates, 2006**



■ Fixed lines per 100 population ■ Mobile connections per 100 population ■ Broadband connections per 100 households

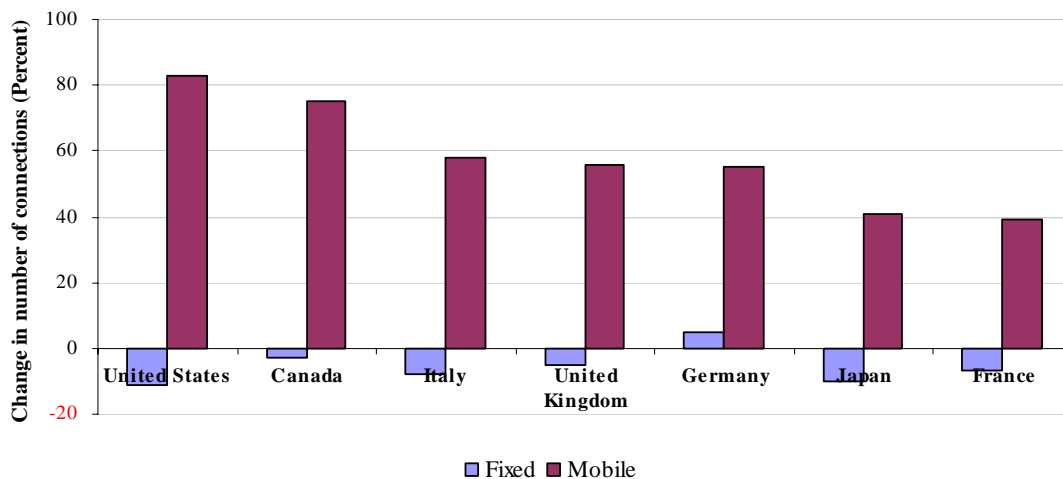
Source: Ofcom, International Communications Market 2007

In virtually all countries in recent years there has been a decrease in the take-up of fixed lines per capita, driven in part by migration of many households to mobile-only service. Another factor putting downward pressure on the subscription rate for fixed lines provided by traditional telecom service suppliers, particularly in North America, is the widespread availability of cable. This means that consumers have an alternative to fixed-line voice for subscribing to broadband (unlike many European countries where DSL is the main broadband platform). However, the rate of decline in take rates has been constrained to some extent by falling prices for fixed-line voice and broadband service bundles.

Among the countries shown, Canada has the highest proportion of households taking up broadband connections (58%), followed by Japan, United Kingdom, United States and France, with Italy and Germany lagging. Canada's relatively high take-up rate for broadband service is even more notable in the context of its environment: despite its sprawling geography and low population density, 93% of Canadian households fell within the broadband footprint in 2006. By way of comparison, Japan and the United Kingdom have almost universal broadband availability (for example, more than 99% of United Kingdom premises are connected to DSL-enabled exchanges), and show broadband connection rates of 54 % (Japan) and 52 percent (United Kingdom).

Mobile penetration rates of over 100 percent indicate that many European consumers have more than one active account (both subscriptions and prepaid). Such high take-up rates are a function of the competitiveness of saturated markets where further growth is driven by ownership of multiple cell phones, either for separate business and personal use or to take advantage of different pricing and usage plans offered by mobile operators. As well, consumers within the GSM-based mobile networks that are predominant in Europe often have multiple SIM cards which they can interchange in a single handset.<sup>244</sup> Travellers to other European countries often purchase a local prepaid SIM card at their destination to avoid incurring expensive international roaming charges.

**Figure 6.2.2 Change in fixed-voice and mobile connections, 2001-2006**



Source: Ofcom, International Communications Market 2007

Data over the period 2001 to 2006 shows that the rise in mobile connections has been accompanied by a fall in fixed-line connections. In Canada, while the increase in mobile connections has been comparatively significant, the drop-off in fixed-line connections over the same period has not been as dramatic as in, for example, the United States and Japan.

Studies show that almost one in five European households have gone completely wireless (as of late 2006), with 18% disconnecting their landline subscriptions in favour of mobile only. Mobile-only substitution has been more prevalent among the former communist countries of central and eastern Europe, since many had much less developed landline infrastructures than their western European counterparts. Relative pricing of mobile and fixed-voice calls also has an impact on levels of substitution; Italy and Spain, with relatively low revenue per minute for mobile calls, are seeing more mobile-only households. In North America in 2006, the proportion of households forgoing landline

<sup>244</sup> Subscriber identity module (SIM) cards are more easily interchangeable in Global System for Mobile Communications (GSM) phones; handsets using Code Division Multiple Access (CDMA) protocol need to be reprogrammed in order to switch SIM cards.

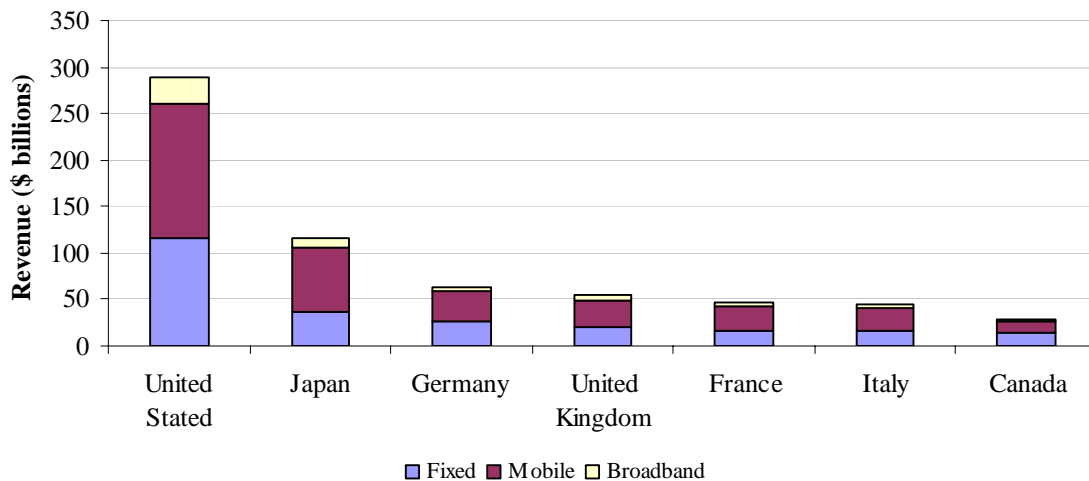


service was lower than in Europe, with 13% of Americans (one in eight US households) and only 5% of Canadian households substituting mobile for fixed line.

However, most households continue to have both mobile and fixed connections, and overall call volumes in 2006 were higher on fixed than on mobile in all the European comparator nations (United Kingdom, France, Germany, Italy, Spain, Sweden; comparable data not available for Canada and United States).

### Telecommunications revenues

**Figure 6.2.3 Telecommunications services revenues, 2006**



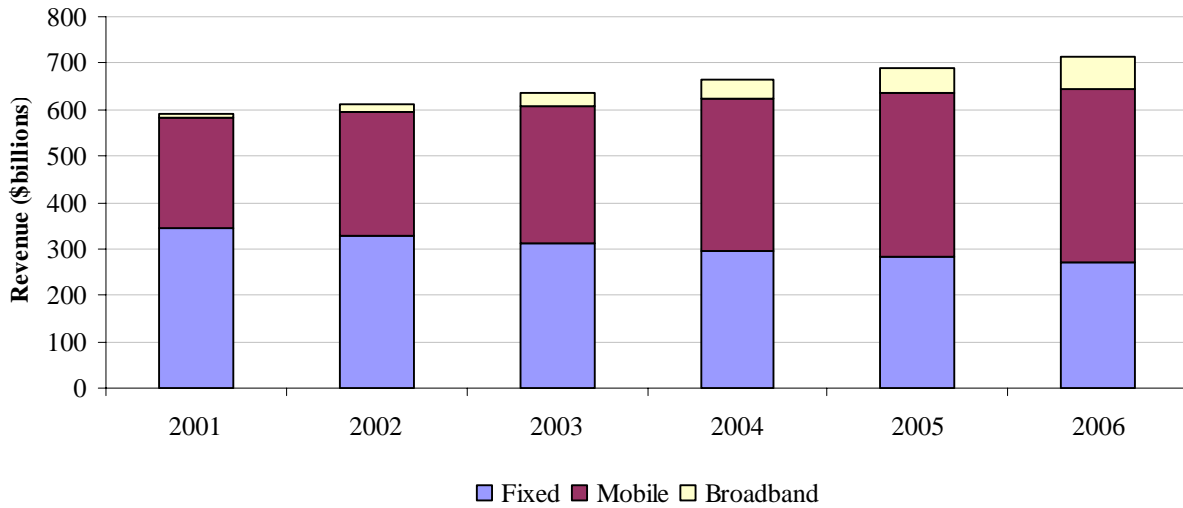
Note: Revenues exclude business data services and dial-up internet

Source: industry data presented in Ofcom, International Communications Market 2007

Canada, due to its high penetration and use of fixed-line voice services in comparison to mobile services, is the only country shown where mobile revenue does not exceed combined revenue for fixed and broadband sectors.

International revenue trends by sector (fixed-line, mobile, and broadband) over the six-year period starting in 2001 can be seen in the following figure:

**Figure 6.2.4 Telecommunications services revenues, 2001–2006  
(for selected countries)**



**Note:** Revenues exclude business data services and dial-up internet; data cumulated for 12 countries (Canada, United States, Japan, United Kingdom, France, Germany, Italy, Poland, Spain, Netherlands, Sweden, Ireland).

**Source:** Industry data presented in Ofcom, International Communications Market 2007

Internationally, revenue from fixed-voice services has been declining, while revenue generated by broadband and mobile services has grown sharply. Within mobile, despite increasing growth in voice use, voice revenues are flattening as the industry moves towards more flat-rate pricing with a high number of minutes included. Mobile voice revenues have long been predicted to decline as competition intensifies, interconnect rates fall, and VoIP is increasingly deployed. In this context, mobile operators have been investing in networks capable of generating new revenue streams through the delivery of data-rich services.

### **Broadband speeds**

There is a marked difference between nations in the speeds available for broadband services, depending on the type of network used for broadband delivery: fibre to the home is by far the fastest delivery technology, followed by cable networks, then DSL technology.

Japan, with its heavy concentration of fibre to the home and densely populated cities is able to offer broadband speeds averaging 93.7 Mbps. South Korea has also had a strong fibre rollout, resulting in average advertised speeds of 43.3 Mbps. Scandinavian countries have long had extensive fibre networks, and continue to exhibit the highest fibre to the home penetration rates in Europe.

North America, with its predominance of cable networks, is unusual compared to the rest of the world. In Canada and the United States, cable offers the most extensive broadband connection network, in contrast to the United Kingdom, France, Germany, and other

western European countries where the main delivery mechanism to the home is DSL via fixed telephone lines. A comparison of DSL versus cable connections for residential broadband service is shown in the following table:

**Table 6.2.4 Main broadband connection types in 2007**

	Canada	United States	Europe
<b>DSL share of total subscribers</b>	41 %	43 %	82 %
<b>Cable share of total subscribers</b>	55 %	51 %	14 %

Source: Industry data

Typically, cable in Canada and the United States is marketed as offering download speeds of anywhere from 5 Mbps to 20 Mbps. On the telephone network side, newer ADSL2+ technology coming on line promises download speeds of up to 24 Mbps. However, as with all DSL technology, there are distance limitations with the result that only customers closer to the exchange actually get the top speeds.

Average residential DSL downstream speeds have increased significantly in most regions around the world in the past year, particularly in South and East Asia (with China being the predominant driver), Asia Pacific (with Australia, Japan and Korea leading the push there), Latin America (primarily Argentina, Brazil, and Chile), Eastern Europe (led by Russia) and Western Europe (with advances in Italy and Greece). Average download speeds in North America, the Middle East and Africa have remained relatively unchanged in recent months.

Countries are scrambling to keep up with the global trend towards ever-faster broadband speeds. Operators worldwide are replacing multiple legacy core networks with a single IP-based network for the provision of all services. By way of example, the Australia Connected government initiative announced in mid-2007 launched a program designed to promote broadband access, extend coverage, upgrade services, and roll out a new high-speed broadband network infrastructure in major centres. Similarly, the United Kingdom is currently debating how to roll out faster broadband networks, but the key issue is who will pay for the upgrades.

### **Next generation access government policies**

This brings to the forefront the regulatory debate of how to provide for next-generation access networks (NGA), i.e. networks that can provide a bandwidth quantity and quality significantly in excess of that available through the copper wire networks traditionally used to connect telephone exchanges to customer premises. Deployment of such networks typically involves replacing part of the local loop with fibre – for example providing fibre as far as the street cabinet – but stopping short of a prohibitively expensive ideal of fibre to the home. At the heart of the regulatory debate is the requirement to balance the consumer benefit associated with promoting a competitively-driven market, with the industry imperative of appropriate return on investment. Since the costs and risks of investing in NGA are generally very high, incumbent network

providers often argue that they need monopoly returns in order to justify such investment. In the United Kingdom, British Telecom has recently argued that even the existing network is not paying its way.

In the United States, the Federal Communications Commission (FCC) has not felt the need to emphasize access regulation because of end-to-end infrastructure competition that has existed for decades between telephone and cable. As well, investment in next generation infrastructure has been facilitated by FCC forbearance with respect to fibre access networks; as a result, once incumbents have upgraded their network to NGA, they are no longer obliged to offer access to it to other operators.

Across Europe, some regulators have looked to promote cable platforms in order to drive end-to-end infrastructure competition. However, with cable availability in most European countries far below that in North America, the promotion of competition has focused on open access to the network between telephone exchanges and customer premises. The implementation of local loop unbundling (whereby competitors are allowed to install their equipment in incumbent-owned exchanges, enabling them to connect to customers' premises via the incumbent's local loop access network) is part of the European Union policy on competition in the telecommunications sector and is at varying stages of implementation in all 27 member countries.

In Japan, telco incumbent NTT is obliged to offer competitors access to its copper local loops at very low wholesale tariffs, but is able to set its own wholesale rates for its fibre access networks. This, and other government initiatives (such as sanctioning the use of public utility infrastructure for NGA deployments), has facilitated rollout of NGA networks including extensive investment in fibre to the home.

In Canada, incumbent operators are obliged to provide competitors with access to essential network services at tariffed rates. The objective is to foster competition for consumers by providing alternative suppliers with access to incumbents' "last mile" facilities which often act as a bottleneck in opening formerly monopoly markets to competition. The CRTC's Telecom Decision 2008-17<sup>245</sup> (the outcome of its review of the regulatory framework for wholesale services) is designed to encourage investment in competitive telecommunications facilities. On the cable side, the CRTC periodically adjusts the level of third-party Internet access tariffs (mandated in 1998 to provide smaller ISPs with access to the large incumbent cable operators' underlying facilities used to provide retail Internet service).

### **Functional separation**

Functional separation is the approach favoured by regulators in the Europe, Australia and New Zealand to nurture competition in wireline markets where the incumbents have traditionally wielded significant market power. This model involves separating the incumbent's network division into a functionally separate unit, such that the incumbent

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<sup>245</sup> *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008

operator supplies wholesale services to rival communications providers and to itself on a non-discriminatory basis, in order to facilitate fair competition in the provision of retail services to homes and businesses.

In general, alternative operators are the strongest advocates of functional separation to enable equivalency of access to local loop facilities. Incumbents tend to oppose the opening up of their access networks to rival service providers, raising issues such as lack of adequate incentives for investing in the functionally-separated access network. Incumbents like France Telecom have argued that such regulatory directives for fostering competition come at the expense of harming investment in next generation networks. Instead, France Telecom would rather see a focus on sharing of access to ducts and in-building cabling, proposing for example that rival Internet providers could run new fibre alongside the incumbents' own pipes, thus getting the pipeline capacity they need to offer competing services to homes and other customers.

The United Kingdom was an early adopter of functional separation, with regulator Ofcom establishing "Openreach" in 2005 to ensure equivalency of access to incumbent British Telecom's last-mile facilities, including same provisioning performance, maintenance and support for all UK service providers (British Telecom and competitors). In early 2008, the European Commission approved Ofcom's proposal to deregulate nearly a third of the broadband market, in areas where competition has developed strongly enough to be able to rely on market forces. In remaining areas where consumers do not have a sufficient number of broadband providers from which to choose, regulation will continue to ensure that incumbents provide wholesale essential services on which competing operators can build retail offerings.

The European Union (EU) is a driving force for the implementation of functional separation on a case-by-case basis in European countries. The Swedish government is proceeding with legislation to allow its regulator to impose functional separation on telecom incumbent TeliaSonera in mid-2008; similar functional separation is under active consideration in several other EU nations, including Italy and Poland.

In Australia, an "operational separation plan" in support of increased equivalence and transparency of telco incumbent Telstra's supply of designated wholesale services took effect December 2006. Under operational separation, Telstra must maintain separate business units for retail, wholesale, and key network services. Similarly in New Zealand, that government's approval of an operational separation plan required Telecom New Zealand to split its fixed-line business into three functionally separate units (retail, wholesale, and network) on 31 March 2008.

### **Analog to digital transition**

Around the world, radio broadcasting systems are moving from analog to digital technology. The CRTC recently revised its digital radio policy<sup>246</sup> with a view to encouraging and enhancing the prospects of digital radio broadcasting (DRB) in Canada.

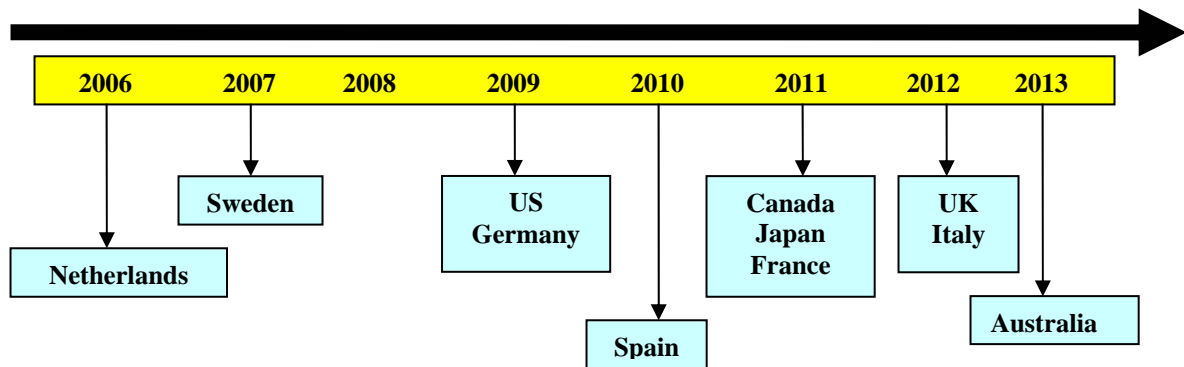
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<sup>246</sup> *Digital radio policy*, Broadcasting Public Notice CRTC 2006-160, 15 December 2006

The rollout of DRB in Canada has been via a segment of radio spectrum known as the L-band. The United States adopted a different technology known as in-band-on-channel (IBOC) for the conversion of its radio stations from analog to digital. IBOC technology has the advantage of allowing for the provision of supplementary program information without consuming additional spectrum. In the rest of the world, digital radio is broadcast in a variety of bands, including Band III, a very high frequency (VHF) band.

Television over-the-air broadcasting systems have been migrating from analog to digital offerings. This transition offers higher quality service for users; from an industry perspective, it frees up scarce spectrum which is then available for use by other communication applications. Digital switchover in the television industry, with the advantages of higher resolution picture quality offered by high-definition television (HDTV), has outpaced digital radio development in most countries. Typically, the transition to digital TV will be characterized by different stages: distribution of the digital signals in conjunction with analog, followed by the switch-off of analog with signal transmission solely in digital format. At this stage, service offerings would consist predominantly of low-definition digital services along with a growing proportion of HDTV services. In the final stage, high-definition digital services will predominate.

**Figure 6.2.5 Digital TV switchover completion**



Source: Industry data

### Spectrum management

As analog terrestrial television broadcasts are replaced by digital broadcasts, valuable spectrum becomes available in the ultra high frequency (UHF) band. This section of spectrum, around 700 to 800 megahertz, is much sought after because of its superior data capacity and extended range. Availability of this spectrum is often known as the “digital dividend” and is created because digital TV is approximately six times more efficient than analog and therefore requires much less bandwidth per channel. Industry experts estimate that networks in this UHF band can be rolled out for half the cost of using higher frequencies such as the 2300 to 2400 megahertz range. Spectrum is used by wireless providers to offer services such as video, music, and Internet access over wireless devices such as mobile phones.

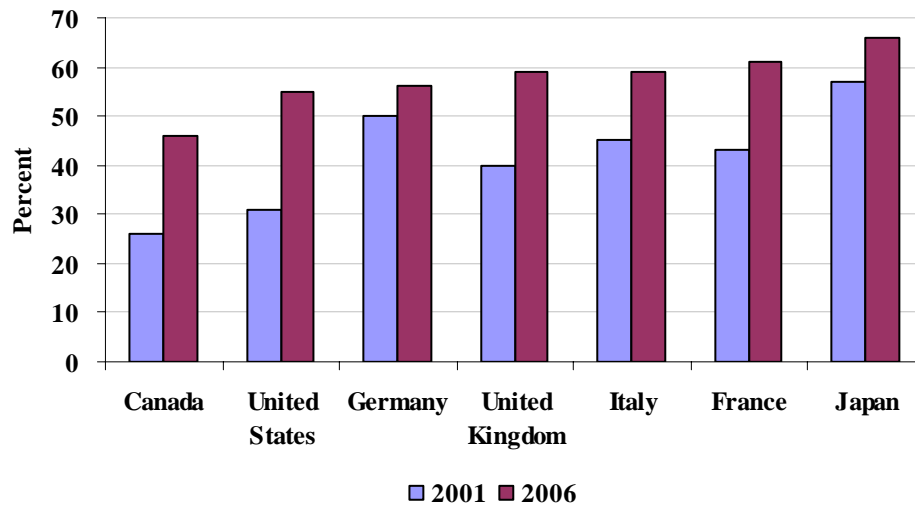
At the World Radiocommunication Conference in November 2007, a consensus was reached on using the 700 megahertz band for wireless broadband services, including cell phones, mobile TV and WiMax. The United States was one of the leading supporters of the plan, believing that a global agreement on spectrum use was better than each country or region deciding to use separate frequencies for next-generation mobile services. Following the FCC's spectrum auction during the first quarter of 2008 (which generated close to \$20 billion for the American government), Americans will have the earliest access to this bandwidth starting in 2009. The FCC had adopted "open access" provisions for each portion of airwaves meeting the minimum bid; these provisions required the winning bidder of its slice of spectrum to allow customers, manufacturers, developers and others to use any device and any application to connect or be available on the network. Europe, Africa, China, Russia, and much of the Middle East will wait until 2015 before making that prime band of radio spectrum available for advanced mobile services. In addition, as a concession to Europe's powerful broadcasting interests, the amount of bandwidth available for mobile services in their regions will be half of what is offered elsewhere. European broadcasters were of the view that digital terrestrial television signals could be interrupted by nearby cell phones if the two technologies shared the same frequency.

### **Mobile wireless**

A major trend in the international telecommunications voice market over the last five years has been growth in the use of mobile wireless services. In Europe in particular, mobile connections exceed fixed connections in most countries, and in many (United Kingdom, Germany, Italy, Spain, Netherlands, Sweden, and Ireland) the number of active mobile connections exceeds the population.

Mobile accounted for a greater proportion of total telecom revenue in 2006 than in 2001 in all comparator nations, as the following figure illustrates.

**Figure 6.2.6 Mobile revenue as % of total telecom revenue**



Source: Industry data presented in Ofcom, International Communications Market 2007

Canada's mobile services revenue as a proportion of combined fixed-line and mobile revenue was lowest among the countries shown, in both 2001 and 2006, reflecting the lower take-up of mobile services within Canada to date. There is evidence in most countries that some of the rise in mobile voice use is substitution for fixed-line voice services. While year-over-year growth in mobile voice revenue has slowed, growth in mobile data revenue has been increasing.

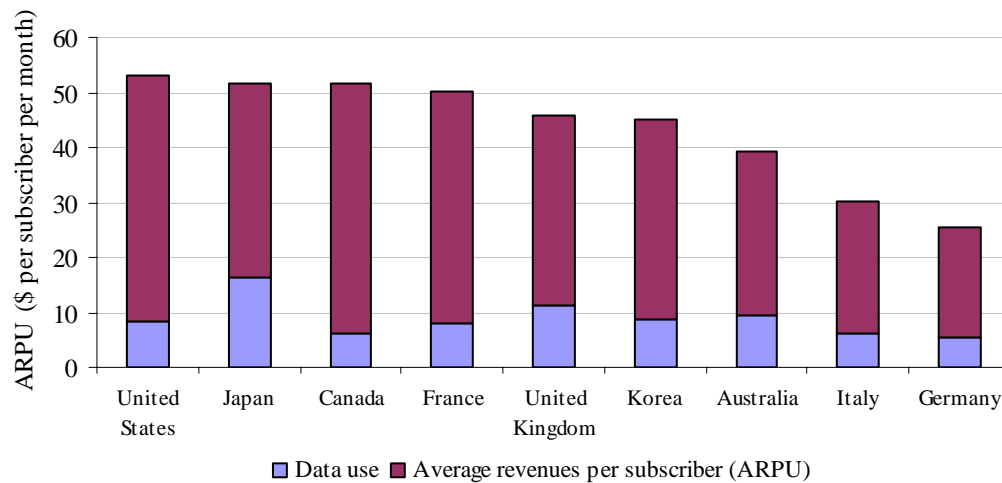
**Table 6.2.5 Mobile wireless statistics**

	Mobile penetration (subs/population)	Number of major providers (facilities-based)	Market share (by revenue) of top two players	ARPU growth (Q2'07 over Q2'06)
<b>Canada</b>	58%	3	68%	6.0%
<b>United States</b>	80%	4	52%	1.3%
<b>Japan</b>	81%	3	79%	-5.0%
<b>France</b>	82%	3	83%	-0.3%
<b>Korea</b>	88%	3	82%	0.9%
<b>Australia</b>	100%	4	76%	3.1%
<b>Germany</b>	111%	4	72%	-12.9%
<b>United Kingdom</b>	118%	5	50%	2.3%
<b>Italy</b>	147%	4	73%	-11.5%

Source: Merrill Lynch Telecom Services-Wireless/Cellular Industry Overview 28 November 2007



**Figure 6.2.7 Mobile ARPU – international comparison**



Source: Merrill Lynch, Wireless industry snapshot (2Q07)

### Mobile termination

A termination charge is levied by a telecommunications operator for the service of terminating a call on its network. Termination charges for fixed-line networks are not a major issue in most countries, due to regulatory controls which have been in place from an early stage.

In Europe and much of the rest of the world (except North America), termination rates are based on the principle of “Calling Party Pays” (CPP). This means that the network on which the call originates is required to make a payment to the network on which the call terminates. In Canada and the United States, the wireless industry uses “Receiving Party Pays” (RPP), meaning that the network on which the call terminates is responsible for all termination costs. In consequence, pricing plans for Canadian and American wireless subscribers typically charge for incoming calls in addition to outgoing calls. However, as industry pricing becomes more competitive, North American wireless service providers are marketing more flexible plans featuring unlimited incoming calls.

Termination charges form a significant proportion of mobile operators’ revenues; higher investment and operational costs in running a mobile network account for higher termination rates charged by mobile operators compared to fixed operators. A general tendency throughout Europe has been a reduction in mobile termination rates, driven by the European Commission’s push for cost-based mobile termination rates and the removal of rate asymmetry between operators.

## **Mobile international roaming**

Following concerns in 2005 that existing European law was inadequate in dealing with high roaming charges, European Parliament introduced new regulation in mid-2007 capping rates charged between operators when a customer makes and receives calls while roaming within the EU. The impact on consumers of this Eurotariff has been a significant decrease in roaming charges. However, European mobile operators have been offsetting their losses somewhat from these reduced roaming rates by raising roaming charges outside EU territory. This has significantly increased roaming prices for the 15 percent of EU roamers which travel outside the EU (impacting, for example, an EU mobile subscriber making a call home from a non-EU country). European regulators have no legislative power to regulate the cost of roaming outside their own territory.

SMS and data roaming charges in Europe remain unregulated for now, but the expectation of the EU Telecommunications Commissioner is that operators will act to reduce these roaming charges. Indeed, five mobile operators serving 60% of the EU population announced significant reductions beginning in March 2008 to the wholesale rate per MB of downloaded data, which will likely lead to lower retail rates for roaming mobile Internet access. Retail data roaming prices for consumers travelling in Europe had been as much as fifty times higher than the price for mobile broadband offered in their home market.

In Canada, most international roaming fees are earned by Rogers Communications Inc., which operates this country's only coast-to-coast GSM network. Major Canadian wireless rivals Bell Canada and Telus Corp. both operate CDMA networks, a format common in North America (especially among incumbent telcos) but not compatible with the GSM network favoured internationally. The relatively widespread adoption of GSM has allowed mobile operators around the world to enter into roaming agreements for their subscribers travelling abroad. As an alternative to paying roaming charges, travellers and vacationers often purchase prepaid local SIM cards in order to receive and make wireless calls less expensively.

## **Data collection and methodology analysis**

### **Data collection**

#### *Broadcasting*

Data collected through the data collection process from broadcasting licensees, including radio, television, broadcast distribution, and pay, pay-per-view, video-on-demand and specialty services, serves the following broad objectives: establishing a financial performance measure for conventional broadcasters and measuring this sector's contribution to the Canadian economy. The key results of the data collection process are detailed information on the revenues, expenditures and operating statistics. The quantity of information collected varies with the size of the company.

The data collection is conducted by Statistics Canada in cooperation with the Canadian Radio-television and Telecommunications Commission (CRTC) under the authority of the Statistics Act and the Broadcasting Act.

Statistics Canada uses the data to construct industry accounts, and the CRTC uses it to monitor the industry's performance and adherence to regulations.

The data collection process targets all organizations licensed by the CRTC to operate private, public and non-commercial radio, television, broadcast distribution or pay, pay-per-view, video-on-demand and specialty services. Furthermore, it is mandatory under the broadcasting regulations.

The forms are mail-out/mail-back on an annual basis. The forms are mailed to all broadcasting companies in mid-October and cover the period from 1 September to 31 August of each year. An electronic version is also available upon request. The licensees have until 30 November to complete and return the forms. In 2007, the major distribution companies filed their forms by means of a secure electronic data collection system (DCS). In 2008, other broadcasting companies will use this electronic DCS.

The radio and distribution companies must also file additional forms with the CRTC. Commercial radio broadcasters must also submit the Contributions to the Canadian Talent Development (CTD) form; whereas broadcast distribution undertakings must submit the Financial Contributions to the Creation and Production of Canadian programming form. These two documents enable the CRTC to ensure that the licensees are complying with their conditions of licence with regards to their contributions to the CTD or to their contributions to the Creation and Production of Canadian programming.

### *Telecommunications*

The data collection process is also used to maintain and update the data on (i) the telecommunications service providers registration lists, (ii) the contribution regime, (iii) telecommunications fees, and (iv) the telecommunications service industry as part of the Commission's monitoring activities.<sup>247</sup>

All telecommunications service providers are stratified into one of two groups. Group 1 service providers generally (i) have significant telecommunications revenues, (ii) file tariffs, or (iii) have international licences, and Group 2 service providers generally have lower revenues.

The service providers are required to complete and submit annually to the Commission a registration form which is used to update some basic information about the service provider and to determine what additional forms, if any, are to be issued to the service provider. Group 1 service providers access and submit the registration form electronically using the Commission's secure web-based DCS. These service providers are notified by e-mail at the start of the data collection process and are provided with (i) the due dates for submission of the registration form and the subsequent data forms, and (ii) the information to access DCS. Group 2 service providers, however, are mailed a registration form for completion. Once submitted, this generally marks the end of the data collection process for the Group 2 service providers.

The Group 1 service providers are required to submit a range of company-specific information, including financial data (e.g., income statement, balance sheet and capital expenditures), along with detailed telecommunications information focusing on product and geographic market information. Geographic markets are defined on a national, provincial/territorial, regional, local exchange or city, and, for mapping purposes, postal code basis. The data submitted is as of 31 December of each year.

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<sup>247</sup> *Telecommunications industry data collection: updating of CRTC registration lists, telecommunications fees, Canadian contribution mechanism fund administration, international licences and monitoring of the Canadian telecommunications industry*, Telecom Circular CRTC 2003-1, 11 December 2003.

## Data Analysis

### *Broadcasting*

A compliance audit is performed by the CRTC on the financial data from the annual returns as well as an analysis of the data. The objectives of this audit and analysis are as follows:

- Ensure that the summary of financial data for operations connected to the licensee, included in the annual return, corresponds to the data presented in their financial statements. The financial statements are those required by the licensees, in accordance with the guidelines, as established in the CRTC Circular No. 404, dated 23 August 1994.
- Reconcile the actual expenditures on the Canadian Programming with the expenditures required in accordance with their conditions of licence.
- Reconcile the contributions to the CTD with the contributions required in accordance with their conditions of licence.
- Proceed with a percentage or ratio analysis of the trends in the major categories of revenue and expenditures presented in the annual forms over a five-year period, particularly with reference to the previous year.

Financial and statistical summaries are then published by the CRTC for the four major broadcasting categories, i.e. commercial radio, conventional television, broadcast distribution, and pay, pay-per-view, video-on-demand and specialty services. The data is also used in the preparation of the *CRTC Communications Monitoring Report*.

Revisions may be made to the financial and statistical summaries, generally following late receipt of data, revisions made by the licensees to previously filed data, or errors detected following publication of the data. They generally do not have a major impact on the results.

### *Telecommunications*

The returns are analyzed to ensure that their coverage is as anticipated and that a complete response has been provided. Follow-up is initiated at this stage if deemed necessary. The data is then subjected to computerized edits designed to ensure accuracy and internal consistency. For larger enterprises, the reported data is compared to audited financial information and major discrepancies are investigated. A year over year comparison is made to identify any radical or unexplained changes. Follow-up is initiated if deemed necessary. The data is analysed to determine the validity of the submissions by performing a time series analysis or by comparing the data or its derivatives such as average revenues per line or minute against other established benchmarks.

Certain figures published in prior years' monitoring reports may be restated to be consistent with data displayed in this report. Other figures may change as a result of some companies resubmitting prior years' data. In addition, certain data may be reclassified to better reflect the market segments or industry developments. These restatements are identified by means of a number sign (#).

Most of the tables and figures included in the report are derived from data submitted via DCS while others are derived using Statistics Canada and Industry Canada information. The data derived from these sources are not always consistent with each other, given that the universe surveyed, the definitions used and the level of detail requested may be different. The data source is identified for each table and figure contained in the report.

**Summary of Canadian telecommunications  
markets subject to Commission forbearance rulings**

<b>Market</b>	<b>Year</b>	<b>Details</b>
Terminal equipment	1994	Sales and rental of terminal equipment.
Satellite services	1994	Telesat's digital video compression services initially; further services offered by Telesat, such as sale/lease of earth stations and RF channels, in subsequent years.
Services provided by non-dominant carriers	1995	Services, such as long distance, data, Internet and private line, provided by non-dominant competitive carriers.
Data and private line	1997	High-speed/DDS interexchange private line services provided by the incumbent telephone companies on a route-specific basis.
Internet services	1997	Incumbent telephone companies' retail Internet services in 1997 and those of cable service providers in 1998.
Long distance	1998	Toll and toll-free services.
International services	1998	Initially excluded Teleglobe; however, certain international services provided by Teleglobe were later forborne as well.
Data and private line	2004	With some conditions, additional high capacity digital data interexchange private line services forborne from regulation on routes for which competitors of several incumbent local exchange carriers now offer, or provide, services at DS-3 or greater bandwidth.

Local exchange service	2005/ 2006	In 2005 local voice over Internet protocol (VoIP) services are part of the same relevant market as circuit-switched local exchange services. In 2006, the Governor in Council requires the Commission to refrain from regulating retail local access-independent VoIP services.
Local exchange service	2006/ 2007	A framework for forbearance from the regulation of local exchange services established (2006). The framework set out criteria that incumbents must meet for forbearance from regulation of residential or business local exchange service within a defined geographic area. In 2007 the market share loss criterion was replaced with one that emphasized the presence of competitive infrastructure; geographic areas were replaced by incumbent TSP exchange boundaries; winback rules and the competitive safeguards for promotions were eliminated; and competitor quality of service indicators for forbearance applications were modified. During the second half of 2007, the Commission started to approve applications from incumbent TSPs for forbearance from regulation of residential and business local exchange service.
Data and private line	2007	A framework for forbearing from regulating high-speed intra-exchange digital network access (high-speed DNA) services and metropolitan wavelength services (MWS) was established.



### **Classification of Canadian telecommunications service providers**

Telecommunications service providers (TSPs) operating in Canada are classified into two broad categories, incumbent TSPs and alternative TSPs, as outlined below. The category into which a given TSP falls may change from one year to the next as a result of consolidation in the industry.

- 1) ***Incumbent TSPs*** are the telephone companies that provided telecommunications services on a monopoly basis prior to the introduction of competition. However, for the purposes of this report, the operating results of these companies from their activities outside their traditional operating territory are included with the alternative TSPs group discussed below.
  - a) *Large incumbent TSPs* are those incumbent telephone companies serving relatively large geographical areas, usually including both rural and urban populations, and providing local, long distance, wireless, Internet, data, private line and other services. The large incumbents include Bell Aliant Regional Income Trust Fund, Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications and TELUS Communications Company (TCC), as well as Northwestel Inc., Société en commandite Télébec, and TELUS Communications (Québec) Inc. (now part of TCC).
  - b) *Small incumbent TSPs* are those incumbent telephone companies serving relatively small geographical areas (mostly municipal areas generally located in less densely populated areas) in Ontario, Quebec and, in one instance, British Columbia. Due to the limited size of their serving areas, they typically do not provide facilities-based long distance services. However, they do provide a range of local voice, data, Internet and wireless services. The small incumbents include companies such as NorthernTel, Limited Partnership and TBayTel.
- 2) ***Alternative TSPs*** are telecommunications service providers that are not incumbent telephone companies as described in (1) above. However, this group includes incumbent TSP out-of-territory operations, such as Bell Canada's operations in Alberta and British Columbia. Alternative TSPs are subdivided as follows:
  - a) *Facilities-based alternative TSPs* are the alternative TSPs that own and operate a telecommunications network. This includes companies such as cable broadcasting distribution undertakings (BDUs) and utility companies. This group is further subdivided into:
    - i. Incumbent TSPs (out-of-territory)
    - ii. Facilities-based non-incumbent TSPs

- *Cable BDUs* include the former cable monopolies that also provide telecommunications services (e.g., Internet, wireless and voice). These cable BDUs include such companies as Rogers Communications Corporation, Shaw Communications Inc., Le Groupe Vidéotron ltée, Cogeco Inc. and Bragg Communications Incorporated.
  - *Utility telcos and other carriers* category encompasses two smaller groups of TSPs: Utility telcos whose market entry into telecommunications services or whose corporate group's market entry into telecommunications services, was preceded by a group-member company's activity in the electricity, gas or other utility business; and other carriers that own physical transmission facilities (e.g., inter-city, intra-city, or local). These service providers include such companies as Hydro One Telecom Inc., Toronto Hydro Telecom Inc., FibreWired Network and FCI Broadband (a division of Futureway Communications Inc.).
- b) *Non facilities-based TSPs* are providers of telecommunications services that do not own and operate a telecommunications network. These companies are generally referred to as resellers since they generally acquire telecommunications services from another TSP to either resell the service or they create their own network from which to provide service to their customers. Examples include Primus Telecommunications Canada Inc., Distributel Communications Limited, YAK Communications (Canada) Inc., and many others, including independent Internet service providers.

In the classification structure above, wireless companies are classified based on the affiliate relationship of the service providers.

**Status of local forbearance**  
**Residential and business exchanges (as of 30 June 2008)**

Major centre	Number of local exchanges	Number of forborne exchanges		Number of forborne exchanges as a percent of total exchanges in the major centre	
		Residential	Business	Residential	Business
<b>British Columbia</b>					
Vancouver	19	7	6	37	32
Victoria	4	1	1	25	25
Remaining exchanges	259	0	0	0	0
<b>Alberta</b>					
Calgary	8	1	1	13	13
Edmonton	27	1	1	4	4
Remaining exchanges	303	0	0	0	0
<b>Saskatchewan</b>					
Saskatoon	10	1	0	10	0
Regina	6	0	0	0	0
Remaining exchanges	214	0	0	0	0
<b>Manitoba</b>					
Winnipeg	14	1	0	7	0
Remaining exchanges	230	0	0	0	0
<b>Ontario</b>					
Toronto	50	44	20	88	40
Ottawa-Gatineau	28	15	3	54	11
Hamilton	12	7	5	58	42
London	16	8	1	50	6
Kitchener	8	8	2	100	25
St. Catharines-Niagara	13	7	2	54	15
Windsor	11	2	2	18	18
Oshawa	8	6	2	75	25
Remaining exchanges	531	50	18	9	3
<b>Quebec</b>					
Montreal	40	36	11	90	28
Quebec City	17	8	1	47	6
Remaining exchanges	518	58	11	11	2
<b>New Brunswick</b>					
Fredericton	2	2	0	100	0
Remaining exchanges	86	12	2	14	2
<b>Nova Scotia</b>					
Halifax	16	7	5	44	31
Remaining exchanges	131	43	8	33	6
<b>Prince Edward Island</b>					
Charlottetown	4	1	0	25	0
Remaining exchanges	22	8	2	36	9
<b>Newfoundland and Labrador</b>					
St. John's	6	1	1	17	17
Remaining exchanges	206	0	0	0	0



### International pricing assumptions

Below is a summary of the assumptions and methodology used in developing aggregate pricing indices for the international price comparisons shown in Table 6.2.1, Table 6.2.2, and Table 6.2.3. Canadian prices were compared to those in the US, UK, France, and Australia for wireline, wireless, and broadband services at three different usage levels. International prices for a quad bundle of services (wireline, wireless, broadband, as well as a basic digital television package) at a medium usage level were also compared.

Prices were collected from the three or four largest service providers in each country, and then weighted by the market share of each provider. Sales taxes (PST, GST) and value-added tax (VAT) have been excluded, as have one-time service installation charges. Recurring charges (such as for 9-1-1, or network access fees) have been included. Prices were converted into Canadian dollars using purchasing power parity (PPP) translators published by the OECD.

Wireline service baskets:

<b>Local Minutes of Use per month</b>	<b>Low Volume User</b>	<b>Medium Volume User</b>	<b>High Volume User</b>
Outgoing (55%)	220	550	880
Incoming (45%)	180	450	720
<b>Total Minutes</b>	<b>400</b>	<b>1,000</b>	<b>1,600</b>
<b>Outgoing by Time of Day/Week</b>			
Peak (40%)	88	220	352
Off-Peak (60%)	132	330	528
<b>Outgoing LD</b>	10% of total	20% of total	30% of total
National Minutes	16	70	150
U.S. Minutes	6	30	80
Other Int'l Minutes		10	34
<b>Total</b>	<b>22</b>	<b>110</b>	<b>264</b>
<b>Outgoing to Mobile</b>	15% of total	15% of total	15% of total
Local	33	60	100
National		22.5	32
International			
<b>Total</b>	<b>33</b>	<b>82.5</b>	<b>132</b>
<b>Average Call Length</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Optional Features</b>			
Voice Mail		Yes	Yes
Caller ID		Yes	Yes
Other			Yes (bundled, if available)

Note that wireline pricing reflects flat-rate unlimited local calling in Canada and the US; in the UK and France wireline is priced on a per-minute metered basis; in Australia wireline local calling is priced on a per-call basis but otherwise unmetered.

Wireless service baskets:

Minutes of Use/Month	Low-Usage	Medium-Usage	High-Usage
Outgoing (60%)	90	270	700
Incoming (40%)	60	180	500
<b>Total</b>	<b>150</b>	<b>450</b>	<b>1,200</b>
<b>Time of Day/Week</b>			
Peak (40%)	60	180	500
Off-Peak (60%)	90	270	700
<b>Long Distance</b>	10% of total	10% of total	15% of total
National	15	35	150
US		10	30
Other			
<b>Total</b>	<b>15</b>	<b>45</b>	<b>180</b>
<b>Calls to Mobile</b>	50% of total	50% of total	50% of total
On-net	45	135	350
Off-net	22.5	67.5	175
<b>Total</b>	<b>67.5</b>	<b>202.5</b>	<b>525</b>
<b>Average Call Length</b>	3 min.	3 min.	3 min.
<b>Features</b>			
Voicemail		Yes	Yes
Caller ID		Yes	Yes
Other			Yes
<b>Data</b>			
SMS		40	100
MMS			5
Data Service			5 MB

Low volume users are assumed to purchase pre-paid wireless packages, whereas medium and high volume users are assumed to be using post-paid plans (generally based on two-year contract rates). Handset costs are not reflected in these usage price comparisons.

Broadband (Internet access) service baskets:

Elements	Low-Usage	Medium-Usage	High-Usage
Transmission Speed	Lite Services ≤ 1 Mbps	High-speed ~ 5 Mbps (2 – 8 Mbps)	Very high-speed > 10 Mbps
Modem	Rental / 24 month amortization	Rental / 24 month amortization	Rental / 24 month amortization