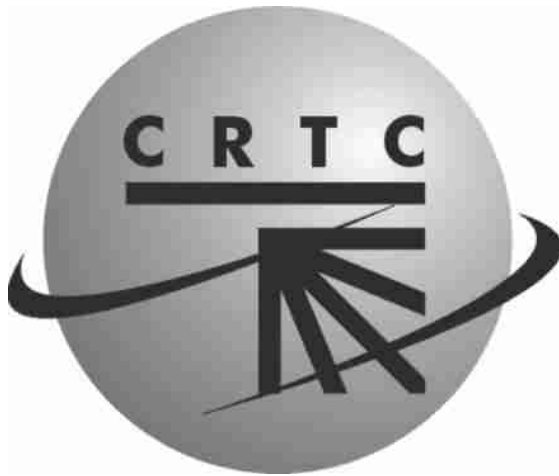


Canadian Radio-television and Telecommunications Commission



Performance Report

For the period ending
March 31, 2006

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

Table of Contents

Executive Summary	i
SECTION I: Overview	3
Minister's Message.....	5
Management Representation Statement	10
Raison d'être.....	11
SECTION II : Analysis of Performance by Strategic Outcome	15
Strategic Outcome	17
Activities to Achieve the Outcome:.....	17
CRTC – Result Chain	20
CRTC's Priorities for 2005-2006	21
Broadcasting Accomplishments	21
Telecom Accomplishments	28
Other Items of Interest.....	30
SECTION III: Supplementary Information	33
CRTC Organization Chart.....	35
Table 1: Comparison of Planned to Actual Spending	36
Table 2: Voted and Statutory Items	37
Table 3: Net Cost of CRTC	37
Table 4: Respendable and Non-Respendable Revenue	38
Broadcasting Licence Fees	39
Telecommunications Fees	40
Dispute Resolution – Fee Assessment.....	40
Policy on Service Standards for External Fees.....	41
Table 5: CRTC Fees	45
Table 6: Financial Statements – Year ended March 31, 2006.....	47
Notes to the Financial Statements.....	51
Financial Information & Summary Tables	60
APPENDICES	61
Appendix A: CRTC Members and Offices	62
Appendix B: Legislation, Directions and Associated Regulations.....	64

Executive Summary

The CRTC's mandate is to regulate and supervise/monitor the broadcasting and telecommunications industries with a view to implementing the objectives set out in the *Broadcasting Act* and *Telecommunications Act*. Each year, the Commission examines activities occurring in broadcasting and telecommunications and undertakes the task of determining what measures are necessary in order to encourage industry advancement in a manner that is in keeping with the CRTC mandate.

This year's report identifies the specific actions the CRTC took to implement its policies. These include: **Cultural Prosperity** — increased availability of Canadian content and programming that reflects Canadian creative talent and Canada's linguistic duality, cultural diversity and social values, as well as its national, regional and community characteristics; **Economic Prosperity** — a sustainable, competitive Canadian communications industry and **Social Prosperity** — increased access to a variety of innovative, high-quality communications services at reasonable prices, that meet consumers' needs and reflect their values.

For each task the CRTC undertook, a primary concern was to balance the objectives of the Acts taking into account the needs and desires of Canadians as well as those of the communications industries. For instance, the Commission continued to foster the reflection of Canada's linguistic duality and cultural diversity, increase the provision of closed captioning for persons who are hearing impaired and descriptive video for persons who are visually impaired, and ensure protection from excessive violence in broadcast media. The CRTC sought to ensure that its policy directions for the Canadian broadcasting and telecommunications industries kept pace with emerging technology and supported directions such as increased competition in local telephone markets.

Canada's broadcasting system is one of the most open and advanced broadcasting systems in the world — one that can be characterized by its many successes. These successes include: giving Canadians access to hundreds of broadcasting services regardless of where they live; providing Canadians with ever-increasing choices in niche programming; embarking on the transformation of the Canadian broadcasting system to digital technology; establishing policies and regulations to ensure that broadcasting services are available in both official languages throughout the country; and making important cultural and economic contributions to Canada.

In spite of these successes, the Commission also recognizes that there are challenges facing the broadcasting industry. Some of the key challenges include increased access to a wide variety of services from around the world, while also fostering a financially viable and culturally important Canadian system. From a social standpoint, the broadcasting system must ensure that it meets the needs of all Canadians, reflects Canada's changing cultural diversity, and is more accessible to people with visual and hearing impairments. As well, the system must continue to build on its technological successes and keep pace with changing technologies.

The Commission wants Canadians to have access to the best possible local telecommunications services at affordable prices and to have a healthy industry that gives Canadians an advanced telecommunications infrastructure and services.

A successful regulatory environment comes from understanding the perspectives of Canadians along with the regulated industries and finding a balance that will enable all parties to effectively meet their goals. The resulting report represents a concise look at the policies, decisions and guidelines of the past year in broadcasting and telecommunications. The Commission has initiated a number of processes in order to increase the efficiency and effectiveness of its regulatory regime and allow it to improve its ability to respond to the needs of the broadcasting and telecommunications industries, and to Canadian consumers. While progress is being made, we will continue to outline where regulation, monitoring, change and forbearance are needed to reflect the times, improve these industries and facilitate competition, resulting in a better broadcasting and telecommunications environment for all Canadians.

SECTION I:

Overview



Ottawa, Canada K1A 0M5



As Minister of Canadian Heritage and Status of Women, I present the Canadian Radio-television and Telecommunications Commission's (CRTC) 2005-2006 *Departmental Performance Report* (DPR) to Parliament and to Canadians. This report presents a detailed record of the CRTC's activities and achievements, as it works towards the realization of its mandate.

In 2005-2006, the CRTC worked to ensure that its regulatory policies and processes have kept pace with new technologies and the current reality.

As a member of the Canadian Heritage Portfolio, the CRTC contributed to the continued cultural, social and economic success of Canadian society. It accomplished this by regulating and supervising the Canadian broadcasting and telecommunications industries, and allowing all Canadians to express and share their diverse cultural experiences with each other and the world.

The 2005-2006 *Departmental Performance Report* details the CRTC's accomplishments for the year. It also demonstrates the role the CRTC plays with other members of the Canadian Heritage Portfolio to ensure the development and promotion of Canadian culture, heritage and inclusion. In this way, the report reflects our commitment to our collective mission of building a strong unified Canada.

Beverley J. Oda

Chairman's Message

The Commission's activities during the 2005-2006 were determined by its regulatory mandates as outlined in the *Broadcasting Act* and *Telecommunications Act*. We have worked to ensure that our policies and decisions not only take into account the important technological advancements and economic developments that are occurring in these two industries, but that they also contribute in a meaningful way to the objectives of our governing legislation. One of our principal concerns in carrying out our activities has been to take into account the needs and desires of Canadians and those of the communications industry in order to achieve the objectives of the Acts.



On the broadcasting front, we announced new targets to increase the viewing and production of original English-language Canadian drama, which are included in our drama incentive program. The Commission also held a public hearing in October 2005 to consider applications for four English-language and one French-language national pay television services.

We have encouraged the adoption of digital technology by developing a framework to guide the Canadian broadcasting system's transition to a fully digital distribution environment. At the same time, we are developing a framework to govern the licensing and distribution of high definition pay and specialty services, which we will publish shortly.

One of our other priorities over the past year has been to ensure that Canadians have access to local and regional programming and we have taken measures to increase the amount of these types of programming available to communities across the country.

We have continued to promote the reflection of Canada's cultural and racial diversity in our broadcasting system and have sought to expand the variety of Canadian television services available to third-language communities. Notably, the Commission revised its method for assessing licence applications to foster a more open-entry approach for third-language pay and specialty services.

We also heard comments from interested parties on whether or not the Commission should regulate mobile television services. In the spring of 2006, the Commission determined that it would not regulate broadcasting services using cellular telephones because they are delivered and accessed over the Internet and thus fall within the New Media Exemption Order. This is another example of how we are providing regulatory flexibility to support the growth of new media.

In June 2005, we awarded licenses to three groups, allowing them to begin operating Canada's first satellite and terrestrial subscription radio services. The Commission imposed conditions on these newly licensed services to ensure the broadcast of Canadian content and to benefit established and emerging Canadian artists. Another continuing priority has been our ongoing commercial radio review, which is looking at how we regulate this sector and how the industry is planning to make the transition from analog to digital radio.

In the telecommunications sector, the Commission has noted that alternative providers of local telephone services are offering innovative and competitively priced services in several market areas. In May 2005, we determined that voice over Internet protocol (VoIP) is a service equivalent to a local phone service. Moreover, the Commission set out the criteria for deregulation of rates on the local services the incumbent telephone companies offer to residential and business customers, the last major regulated telecommunications market in the country.

Further to receiving authorization from Parliament to establish a national Do Not Call List, the Commission sought input from interested parties on the development and operation of such an initiative and on telemarketing rules.

During the past year, we determined that funds remaining in the deferral accounts of the incumbent local exchange carriers could be used to improve access to telecommunications services for persons with disabilities and to expand broadband services to rural and remote communities.

In December 2005, the Commission issued a decision requiring all Canadian wireless telephone companies to implement wireless number portability by 14 March 2007, which will enable Canadian consumers to keep the telephone number associated with their wireless service when they change service providers.

We are committed to responding effectively to the rapid changes experienced by the broadcasting and telecommunications industries, and Canadians rely on our ability to do so. To this end, we have created an integrated Industry Analysis, Economics and Technology section within our organizational structure to improve our ability to follow progress in the field of communications, to better understand the industries we regulate and to assess how well Canadians are served.

The Commission also introduced a streamlined process for telecommunications tariff filings and new procedures to expedite the processing of certain applications. Results obtained during the period from 1 April 2005 to 31 March 2006 indicate that the Commission is meeting and exceeding its new service standards. Furthermore, we are actively looking for ways to accelerate the processing of broadcasting applications and our proposed initiatives have been favourably received by industry stakeholders.

The Commission continues to keep a watchful eye on market conditions with a view to reducing the regulatory burden. We rely on market forces where possible while protecting the interests of consumers. We have worked to realize this objective in the past year and aim to make further progress in the next twelve months.

Charles M. Dalfen

Management Representation Statement

I submit, for tabling in Parliament, the 2005–2006 Departmental Performance Report (DPR) for the Canadian Radio-television and Telecommunications Commission (CRTC).

This report has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the preparation of 2005-2006 Departmental Performance Reports*:

- It adheres to the specific reporting requirements;
- It uses an approved Program Activity Architecture;
- It presents consistent, comprehensive, balanced and accurate information;
- It provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Name: _____
Diane Rhéaume, Secretary General

Date: _____

Raison d'être

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

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

The *Telecommunications Act* seeks to ensure among other things, increased reliance on market forces for the provision of telecommunications services and that regulation, where required, is efficient and effective

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

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

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

Like most organizations, the CRTC does not work in isolation. Environmental factors over which it has little or no control, such as the state of the economy, capital markets, societal change and emerging technology, influence the CRTC's work, priorities and outcomes.

Broadcasting

Canada's broadcasting system remains one of the most open and advanced broadcasting systems in the world, both technologically and in terms of variety of programming. Canadians enjoy a vast array of radio and television services that offer a wide range of programming choices from around the world, as well as from domestic sources. In addition, the broadcasting system has benefited from the contributions of private, public and community broadcasters, with each element playing a distinct and important role.

Several successes can be identified which characterize our state-of-the-art broadcasting system:

- The Canadian broadcasting system gives Canadians access to hundreds of broadcasting services regardless of where they live in Canada.
- Canadian specialty television services have flourished, providing Canadians with ever-increasing choices of niche programming.
- The evolution to digital technology has begun, and the Canadian broadcasting system is poised to embark on a full transformation.
- Policies and regulations are in place to ensure that broadcasting services are available in both official languages throughout the country.
- The Canadian broadcasting industry is making important contributions to Canada, both culturally and economically. It has grown to become a multi-billion dollar industry, employing Canadians in diversified fields, from artists, writers and actors to technicians and engineers.

The above successes notwithstanding, the Commission fully recognizes that there are substantial challenges facing the broadcasting system. Foremost among them is to continue to provide increased access to a wide variety of services from around the world, while also fostering a financially viable and culturally important Canadian system. In this context, the Commission is working diligently to increase viewing to Canadian content generally and drama particularly, while also increasing the availability of foreign language services to better serve the changing Canadian population.

Numerous social issues also pose specific challenges ahead. It is important that the cultural diversity of Canada be reflected in the broadcasting system, and the Commission is working with the broadcasting industry to achieve this goal. In addition, the system should be more accessible to people with visual and hearing impairments, and measures are in place in this regard.

A few years ago, the biggest challenge facing our broadcasting system was to make it accessible to all Canadians whatever area they lived in, no matter how remote. This challenge has been fully met and the objective achieved. Now, one of the key challenges is to ensure that the broadcasting system meets the needs of all Canadians, including those from culturally diverse backgrounds and those with disabilities.

The Commission will continue its work, in consultation with affected industries, to ensure that the business and cultural challenges that await us can be successfully met.

Telecommunications

Canada's telecommunications environment can point to four competitive successes:

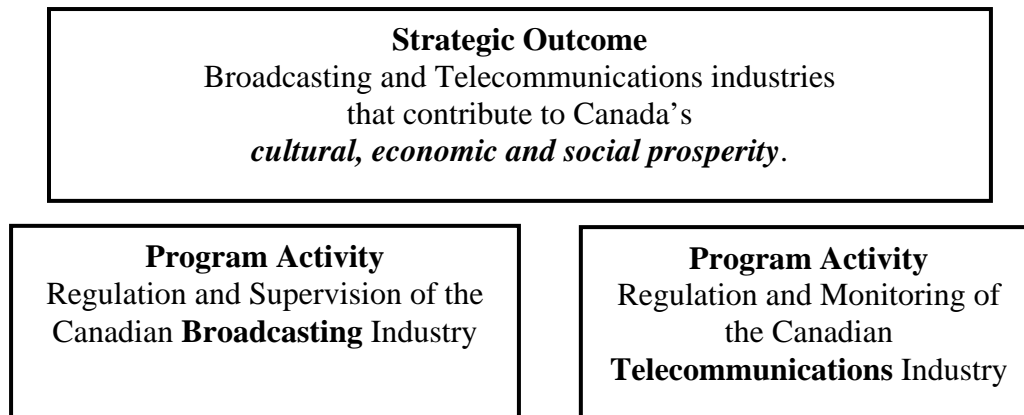
1. Canada has some of the lowest long distance services prices in the world.
2. Canada has a healthy, competitive and profitable wireless industry.
3. Internet and wireless continue to be the fastest growing sector in the industry.

4. In terms of broadband deployment, approximately 86% of Canadians are living in communities that are served by high-speed Internet access and, in terms of penetration, Canada is ahead of all G8 countries at 16.7 subscribers per 100 inhabitants. The market is roughly evenly split between cable and digital subscriber line (DSL), two facilities-based carriers. Pricing remains very competitive.

The telecommunications industry is evolving very rapidly and the Commission is facilitating this evolution by increasingly relying on market forces.

SECTION II :
Analysis of Performance by Strategic Outcome

Strategic Outcome



The Commission seeks to achieve, through a number of activities, the above strategic outcome, which is defined as follows:

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

Activities to Achieve the Outcome:

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

- √ issuing, renewing and amending licences for broadcasting undertakings;
- √ making determinations on mergers, acquisitions and changes of ownership in the broadcasting industry;
- √ processing tariff applications for the telecommunications industry;
- √ fostering increased reliance on market forces for the provision of telecommunications services and ensuring that regulation, where required, is efficient and effective;
- √ monitoring competition and removing obstacles to competition;
- √ collaborating with industry to resolve competitive disputes;
- √ developing and implementing regulatory policies with a view to meeting the objectives of the *Broadcasting Act* and the *Telecommunications Act*;

- √ monitoring, assessing and reviewing, where appropriate, regulatory frameworks to meet policy objectives; and
- √ monitoring the programming and financial obligations of broadcasting undertakings to ensure compliance with regulations and conditions of licence.

In all of the activities it undertakes, the Commission must balance the needs and desires of Canadians with those of the communications industries. Through its regulatory function, the Commission ensures that social and cultural issues are addressed by the regulated industries. For instance, the Commission fosters the reflection of Canada’s linguistic duality and cultural diversity, the increased provision of closed captioning for persons who are hearing impaired and descriptive video for persons who are visually impaired, and the development of mechanisms to address concerns such as violence or abusive comment in the broadcast media. It also seeks to ensure that its policies keep pace with emerging technology and support such directions as increased competition in local telephone markets and broadcast distribution systems.

Total Financial Resources

Planned	Authorities	Actual
\$43.3 million	\$47.5 million	\$46.5 million

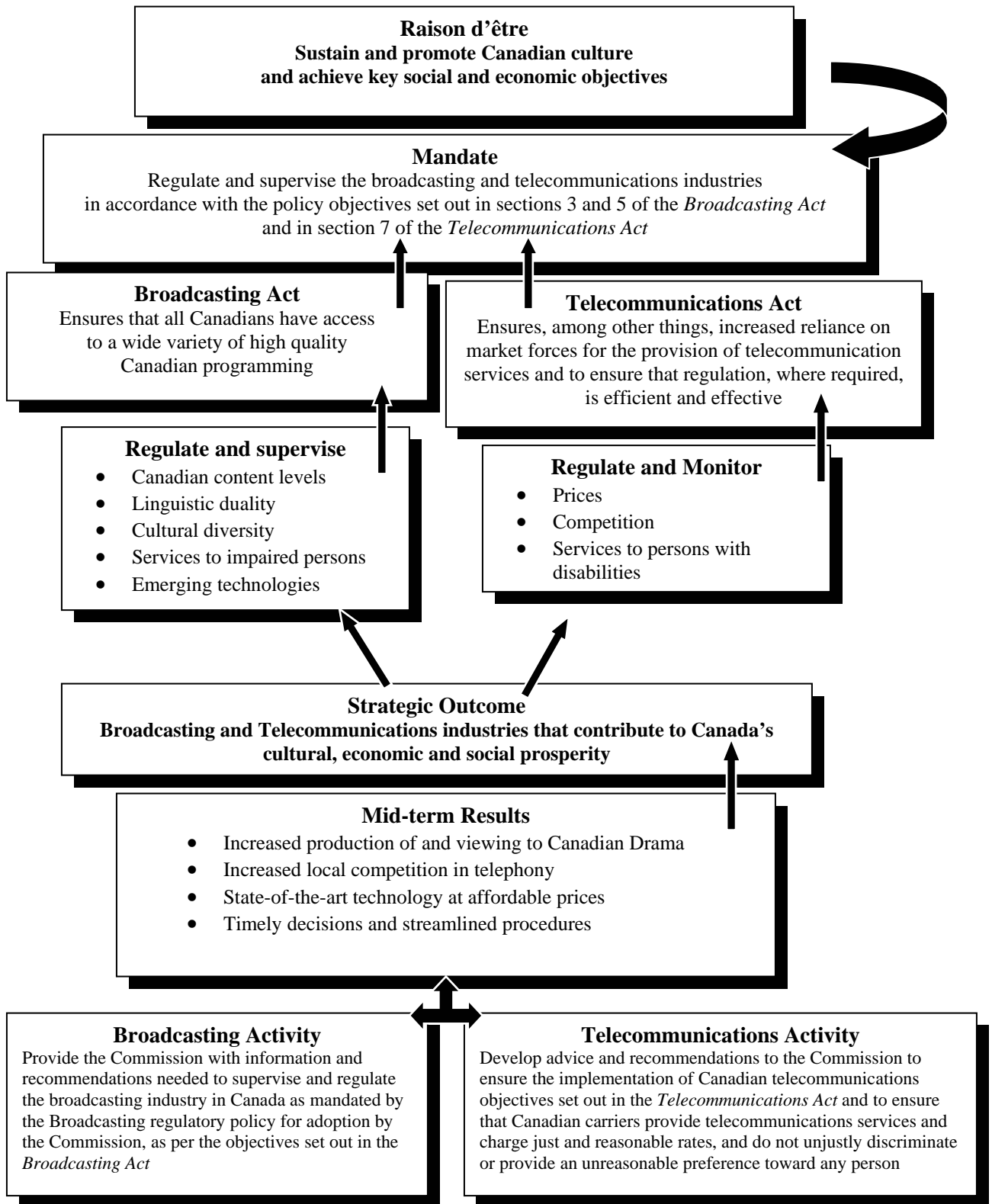
Total Human Resources

Planned	Actual	Difference
402 FTEs	396 FTEs	6 FTEs

**Summary of Performance in Relationship to the Agency Strategic Outcomes,
Priorities and Commitments**

Strategic Outcome	2005-2006 Priorities/ Commitments	Planned Spending	Actual Spending	Expected Results and Current Status
Broadcasting and Telecommunications industries that contribute to Canada's cultural, economic and social prosperity	Broadcasting: Supervise and regulate all aspects of the Canadian broadcasting system in order to implement the broadcasting policy set out in the <i>Broadcasting Act</i>	\$22.7M	\$24.1M	<ul style="list-style-type: none"> • Canadian content and programming that reflects Canadians • Healthy broadcasting and telecommunications industries • State-of-the-art technology at reasonable prices
	Telecommunications : Ensure the implementation of Canadian telecommunications objectives set out in the <i>Telecommunications Act</i> and to ensure that Canadian carriers provide telecommunications services and charge rates on terms that are just and reasonable, and do not unjustly discriminate or provide an unreasonable preference toward any person.	\$20.6M	\$22.4M	
		\$43.3M Total	\$46.5M Total	

CRTC - RESULT CHAIN



CRTC's Priorities for 2005-2006

Activity	Priority	Expected Results
Cultural Prosperity	Increase the production and the broadcast of, the viewing to, and the expenditures on, high quality original, Canadian drama	Increased use of Canadian resources, increased exposure of Canadian artists and more choices for Canadians viewers
Economic Prosperity	Increase reliance on market forces for the provision of telecommunications services	Increased choice, better service, more innovation and lower prices for subscribers
	Eliminate Signal Theft	Protect the Canadian industry
Social Prosperity	Keep abreast of emerging technologies	Offered state-of-the-art technology at a reasonable and affordable price
	Monitoring and supervising of regulations and policies	Ensure compliance of regulated undertakings
	Streamlining processes and issuance of decisions in a timely manner	Accelerate the Commission response time to industry inquiries and applications
Implementing Government Initiatives		Abide by Government directives

Broadcasting Accomplishments

Canadian Drama

In *Viewing and expenditure incentives for English-language Canadian television drama – Call for comment*, [Broadcasting Public Notice CRTC 2005-81](#), 10 August 2005, the Commission examined the 2003/04 data provided by BBM Canada and Nielsen Media Research with respect to viewing to Canadian drama, and called for comments on a proposed industry viewing objective as well as on viewing targets for the ownership groups participating in the incentive program for English-language Canadian television drama. The Commission also reviewed the 2003/04 data with respect to expenditures on English-language Canadian drama programming by individual, private, conventional television services and by the largest conventional ownership groups, and called for comments on proposed expenditure targets.

In *Viewing and expenditure incentives for English-language Canadian television drama*, [Broadcasting Public Notice CRTC 2006-11](#), 27 January 2006 the Commission set out the targets for the viewing and expenditure components of the Commission's drama incentive program.

Given that the final incentive program for the production of original Canadian drama was issued during the 2004/05 fiscal year and given the lead times required to plan and produce drama programming, the Commission is of the view that it is too early to reach conclusions on the effectiveness of the current package of incentives.

Global, Alliance Atlantis, TVA*, TQS* and CHUM submitted reports on their use of the TV drama incentives during the first year. The data gathering on, and assessment of, TV drama incentives are ongoing.

Digital Migration

On 27 February 2006, the Commission issued its *Digital Migration Framework* ([Broadcasting Public Notice CRTC 2006-23](#)).

The framework recognizes that the transition to a fully digital distribution environment offers important opportunities for the Canadian broadcasting system. Digital technology will permit a significant degree of flexibility in the ways in which services are offered, allowing cable operators to respond to consumers' demands for increased choice and control. The shift to digital will also enable cable operators to free up capacity for the launch of new services, including high definition digital signals, new Canadian services and new non-Canadian services. At the same time, the very flexibility promised by digital technology poses risks for the analog services, including a significant degree of uncertainty for individual programming services, since adjustments to how they are packaged and offered to subscribers will result in changes to their penetration levels.

Accordingly, the Commission has designed a framework that will ensure an orderly transition from the current technological and regulatory environment to an environment characterized by a more market-driven approach. The approach is designed to maximize the benefits and encourage the rollout of digital technology, while ensuring that individual analog services are not unduly affected during the transition period and that they remain capable of making significant contributions to the broadcasting system.

The migration framework requires Broadcasting distribution undertakings (BDUs) to obtain programmer consent prior to distributing their services on a digital basis. Continued support for programming services is also provided through specific packaging rules that will govern digital distribution over the transition period, including the

* The French networks have submitted their reports according to [Broadcasting Public Notice CRTC 2005-8](#), 27 January 2005 entitled *Incentives for original French-language Canadian television drama*

obligation to mirror the existing analog tiers and analog basic service on a digital basis. At the same time, the framework provides important flexibility to BDUs by permitting digital migration to occur, without the need for programmer consent, once the penetration of digital set-top boxes in subscriber households achieves a specified level. The framework also permits BDUs to respond to consumer demands for increased choice and control by enabling BDUs to offer programming services in many different packaging combinations.

Distribution of High Definition Pay and Specialty Services

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

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

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

As regards some of the other matters covered, consistent with the framework's general orientation for a market-driven transition to HD, it eliminates the status provisions (dual status, modified dual status) of the distribution and linkage requirements in a HD environment. It also adheres to the view that wholesale rates for HD services are generally best left to negotiations between the parties as being most consistent with a transition to HD that is market-driven. However, while discretionary wholesale rates will

not be set by the Commission, for any HD specialty service that is mandated for basic distribution under section 9(1)(h) of the Act, the current wholesale rate for the basic distribution of the corresponding analog or standard definition (SD) digital service will apply to the HD version, unless the service applies for and is granted a different rate.

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

Other Distribution Issues

Relations between programmers and distributors

In April 2005, the Commission issued two public notices setting out policies intended to contribute to good relations between programmers and BDUs. In *Auditing of distributor subscriber information by programming services*, [Broadcasting Public Notice CRTC 2005-34](#), the Commission set out its policy with regard to the terms and conditions under which pay and specialty programmers may audit subscriber information held by BDUs for the purpose of verifying the accuracy of affiliation payments made to such programmers. In *Good Commercial Practices*, [Broadcasting Public Notice CRTC 2005-35](#), the Commission issued a policy with respect to measures to ensure that negotiations between the programmers and BDUs concerning the distribution of programming services are conducted in accordance with good commercial practices. This public notice addressed matters such as the provision of adequate notice to programmers when BDUs intend to change the way in which programming services are packaged.

Increased availability of local and regional content by satellite

An on-going concern of broadcasters and Canadian television viewers alike is the reception of local and regional programming from direct-to-home (DTH) satellite distributors. Although it is not technically possible at this time for DTH distributors to offer the full programming schedule of all local and regional television stations from across Canada, in the most recent DTH licensing decisions issued in 2004, the Commission encouraged DTH distributors and broadcasters to investigate other means of providing these types of programming to DTH subscribers. In *Authorization to distribute partial or omnibus channels containing unique local and regional programming*, [Broadcasting Decision CRTC 2005-457](#), 8 September 2005, the Commission authorized Bell ExpressVu to distribute any unique local and regional programming broadcast by television stations not carried in their entirety by the DTH distributors, using partial or

omnibus channels, subject to certain safeguards such as a requirement for the consent of the television station in question. This innovative form of distribution has the potential to greatly increase the amount of local and regional programming available to communities across the country.

Increased availability of CPAC in both official languages

On 22 March 2005, the Governor in Council issued Direction to the CRTC (Reservation of Channels for the Distribution of CPAC), SOR/2005-60 (the Direction), which instructed the Commission to require all cable BDUs that serve more than 2,000 subscribers to distribute both an English-language and a French-language version of the Cable Public Affairs Channel (CPAC) and the parliamentary programming service.

The Commission implemented this *Direction in Changes to the distribution of the Cable Public Affairs Channel and the parliamentary programming service in response to a Direction from the Governor in Council*, [Broadcasting Public Notice CRTC 2006-5](#), 19 January 2006, thus increasing access to these services for Canadians in both official languages.

Flexibility for mobile television broadcasting services

In *Call for comments on a regulatory framework for mobile broadcasting services*, [Broadcasting Public Notice CRTC 2005-82](#), 11 August 2005, the Commission called for comments on an appropriate regulatory framework for mobile broadcasting services.

In *Regulatory Framework for mobile television broadcasting services*, [Broadcasting Public Notice CRTC 2006-47](#), 12 April 2006, the Commission determined that mobile television broadcasting services using cellular telephones and operated by Bell Mobility Inc., TELUS Mobility and Rogers Wireless Inc. fell within the New Media Exemption Order because they were delivered and accessed over the Internet.

The Commission also issued a notice calling for comments ([Broadcasting Public Notice CRTC 2006-48](#)) on a proposed new exemption order that will include mobile television broadcasting undertakings that provide mobile television services that are not delivered and accessed over the Internet.

The Commission seeks to support the growth of mobile television services as complements to traditional television services by providing them with the regulatory flexibility that will help them develop their markets.

Subscription Radio

At the 1 November 2004 Gatineau Public Hearing, the Commission examined three applications for licences to carry on multi-channel subscription radio services, distributed

by satellite and/or terrestrial transmitters for direct reception by subscribers. Two of the applicants were in partnership with existing US satellite-delivered subscription radio services. The third applicant proposed a Canadian-based terrestrial subscription radio service.

In addition to comments on the proposals put forward by the respective applicants, the Commission also sought public comment on issues such as: Canadian content levels, Canadian talent development contributions, accountability, competitiveness, impact on other audio services and the appropriate class of licence.

In *Introduction to Broadcasting Decisions CRTC 2005-246 to 2005-248: Licensing of new satellite and terrestrial subscription radio undertakings*, [Broadcasting Public Notice CRTC 2005-61](#), 16 June 2005, the Commission introduced its [Broadcasting Decisions CRTC 2005-246](#), [247](#) and [248](#) in which the Commission approved, subject to certain conditions of licence, applications by Canadian Satellite Radio Inc. (CSR), SIRIUS Canada Inc. (Sirius Canada), and CHUM Limited, on behalf of a corporation or a partnership to be established (CHUM/Astral), for licences to operate new radio undertakings that will each provide a package of radio channels to subscribers for a monthly fee.

The programming of the CSR and Sirius Canada undertakings will be delivered primarily by satellite, with terrestrial transmitters as required to fill in gaps in coverage. Each of these undertakings will provide a mix of Canadian-produced channels and non-Canadian produced channels.

The service of the CHUM undertaking (Astral has since withdrawn from the partnership) would be delivered entirely by terrestrial transmitters and all channels would be Canadian-produced.

In the above public notice, the Commission also provided a licensing framework for satellite subscription radio undertakings.

New Pay Television Services

A public hearing was held on 24 October 2005 in Gatineau where five applications to carry on a national pay television undertaking were considered: Spotlight Television Limited to operate a national English-language general interest pay television programming undertaking to be known as Spotlight; Romen Podzyhun and C.J. (Cal) Millar for a licence to operate a national English-language pay television programming undertaking to be called The Canadian Film Channel; Allarco Entertainment Inc. to operate a national English-language pay television programming undertaking to be known as Allarco Entertainment and finally two applications presented by Archambault Group Inc. to operate national pay television programming undertakings, one in English and one in French, both to be known as BOOMTV.

This hearing considered whether exceptions should be made to the Commission's existing digital licensing framework, including its policies regarding the licensing of services, which may be directly competitive with existing services.

The following issues were also considered:

- the benefits to the Canadian broadcasting system in licensing a new general interest pay television service, particularly with respect to contributions to Canadian programming;
- the capacity of the English- and French-language pay television markets to absorb the entry of additional general interest pay television services;
- the impact this would have on existing services, including the impact on the program rights market; and
- the appropriateness of granting digital access rights to new pay services, and the capacity implications for broadcasting distribution undertakings.

On 18 May 2006, the Commission issued *Applications for new pay television services*, [Broadcasting Decision CRTC 2006-193](#) approving Allarco Entertainment Inc.'s application and denying the competing applications.

The Commission considers that, in the English language market, it is appropriate to grant an exception to its policy that generally precludes the licensing of a service that directly competes with existing pay and specialty services. Accordingly, the Commission approved the application by Allarco Entertainment Inc. for a broadcasting licence to operate a new national English-language general interest pay television programming undertaking and denied the competing applications by Spotlight Television Limited, Romen Podzyhun and C.J. (Cal) Millar, on behalf of a corporation to be incorporated, and Archambault Group Inc. It further denies the application by Archambault Group Inc. for a broadcasting licence to operate a new national French-language general interest pay television programming undertaking as the Commission does not consider that the possible benefits of introducing a competitor to Super Écran are sufficient to outweigh the risks, given the relatively small size of the French-language market.

A more open entry framework for Canadian third-language services

In November 2005, the Commission issued *Revised approach for the consideration of broadcasting licence applications proposing new third-language Category 2 pay and specialty services*, [Broadcasting Public Notice CRTC 2005-104](#).

The revised approach is designed to expand the diversity and range of Canadian television services available to third-language communities across Canada, while not unduly impacting the existing third-language ethnic specialty services.

Under the new, more open-entry approach, the Commission will generally approve Category 2 pay and specialty services that devote at least 90% of their program schedules to programming in languages other than English or French. To ensure that such services

do not have an undue negative impact on the existing analog ethnic specialty services, any general interest third-language service that provides 40% or more of its programming in one of the languages of the five analog ethnic services will have to be purchased with that analog service (the “buy-through” requirement).

Telecom Accomplishments

Voice Communications Services Using Internet Protocol

In *Regulatory framework for voice communication services using Internet Protocol*, [Telecom Decision CRTC 2005-28](#), 12 May 2005, the Commission rendered its determinations in the proceeding initiated by *Regulatory framework for voice communication services using Internet Protocol*, [Telecom Public Notice CRTC 2004-2](#), 7 April 2004. The Commission set out the details of the appropriate regulatory regime applicable to the provision of voice over internet protocol (VoIP) services, which it defines as voice communication services using Internet Protocol (IP) that utilize telephone numbers that conform to the North American Numbering Plan, and that provide universal access to and/or from the Public Switched Telephone Network (PSTN) to the extent that VoIP services provide subscribers with access to and/or from the PSTN along with the ability to make or receive calls that originate and terminate within an exchange or local calling area as defined in the incumbent local exchange carriers' (ILECs') tariffs.

Price Regulation Regimes

In *Extension of the price regulation regime for Aliant Telecom Inc., Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications and TELUS Communications Inc.*, [Telecom Decision CRTC 2005-69](#), 16 December 2005, the Commission extended the current price regulation regime without changes for Aliant Telecom Inc., Bell Canada, MTS Allstream Inc., Saskatchewan Telecommunications and TELUS Communications Inc. for a period of one year, to 31 May 2007. The Commission will initiate a proceeding to review the existing price regulation regime in the first half of 2006 following the release of the decision in the proceeding initiated by *Forbearance from regulation of local exchange services*, [Telecom Public Notice CRTC 2005-2](#), 28 April 2005.

In *Extension of the price regulation regime for Société en commandite Télébec and TELUS Communications (Québec) Inc.*, [Telecom Decision CRTC 2005-70](#), 16 December 2005, the Commission extended the current price regulation regime without changes for Société en commandite Télébec and TELUS Communications (Québec) Inc. for a period of one year, to 31 July 2007. The Commission will initiate a proceeding to review the existing price regulation regime in the first half of 2006 following the release of the decision in the proceeding initiated by *Forbearance from regulation of local exchange services*, [Telecom Public Notice CRTC 2005-2](#), 28 April 2005.

Forbearance from Regulation – Local Telephone Service

In *Forbearance from regulation of local exchange services*, [Telecom Public Notice CRTC 2005-2](#), 28 April 2005, the Commission initiated a proceeding and invited comments on a framework for forbearance from the regulation of residential and business local exchange services. The Commission also invited comments on the appropriateness of a transitional regime that could provide incumbent local exchange carriers with more regulatory flexibility prior to forbearance through: 1) lessening or removing competitive safeguards on promotions and the no-contact restriction under the winback rules; 2) permitting the ex parte filing of tariff applications for promotions; and 3) the waiving of service charges for residential local winbacks. Further, the Commission invited comments on Aliant Telecom Inc.'s Part VII application for forbearance from regulation of residential wireline local services, filed on 7 April 2004.

The Commission conducted a proceeding, including a public hearing held in Gatineau on 26 September 2005, to consider criteria and extent of de-regulation in the market for local telephone services. Where competition develops in a market to an extent where competition is sufficient to protect the interests of subscribers, the competitive market rather than regulation protects consumer interests and the Commission, in compliance with the *Telecommunications Act*, forbears from regulation. The Commission concluded its proceeding on this matter in the fall of 2005 and issued its decision, *Forbearance from the regulation of retail local exchange services*, [Telecom Decision CRTC 2006-15](#), 6 April 2006, setting out a roadmap for regulatory forbearance of local services. Alternative providers of local telephone service are offering innovative and competitively priced local telephone service in several market areas. This trend has recently accelerated with the introduction of Internet Protocol (IP) technology that facilitates the provision of local voice telephone services over high-speed Internet connections as well as the networks of the cable television providers. The Commission will apply its criteria for forbearance from the regulation of local telephone service in proceedings that it expects to conduct in the coming year in response to applications by the telephone companies.

Disposition of funds in the Deferral Accounts

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

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

The Commission considers that accessibility to telecommunications services for persons with disabilities is an important public policy objective and that using funds from the deferral accounts will help improve the provision of telecommunications services to these Canadians.

The Commission considered that to ensure that funds do not continue to accumulate in the deferral accounts, the ILECs (except Télébec) will be required to implement rate reductions. The Commission directed these ILECs to file, by 15 May 2006, proposed rate changes to monthly primary exchange services and optional services for residential subscribers in non-high-cost serving areas.

The Commission anticipates that Télébec will have a recurring shortfall in its deferral account and set out directions to address this shortfall.

Finally, the Commission determined the methodology to calculate the balances in the deferral accounts and provided preliminary estimates of the ILECs' deferral account balances. The Commission directed each ILEC to file, by 15 May 2006, an updated deferral account schedule.

Implementation of Wireless Number Portability

In *Implementation of wireless number portability*, [Telecom Decision CRTC 2005-72](#), 20 December 2005, the Commission required wireless carriers to port in and port out telephone numbers, and granted them direct access to existing Canadian number portability systems, without having to meet the competitive local exchange carrier obligations at this time.

The Commission determined that the porting scenarios outlined in *Implementation of wireless number portability*, [Telecom Public Notice CRTC 2005-14](#), 16 September 2005, were appropriate for wireless porting activities between Canadian carriers.

Other Items of Interest

Broadcasting Sector

Linguistic Duality

In May 2004, the Commission, as a newly designated agency, presented its first Action Plan to implement Section 41 of the *Official Languages Act* (OLA). In May 2005, the Commission submitted to Canadian Heritage a Result-based Achievement Report on its accomplishments for the period ending on 31 March of the same year. The report

reflected the Commission's commitment to ensure that, within the limits of its mandate, a better balance of Canadian services in minority markets.

The Commission has submitted to Heritage, its three-year action plan for the implementation of Section 41 of the OLA and has completed a Results-based Achievement Report for the 2005-2006 period. Both documents will be available on the CRTC web site.

Overall, the Commission met the objectives set-out in its [2004-2005 Action Plan](#) in pursuing the implementation of its recommendations regarding broadcasting services in minority markets, in encouraging communication within the official languages communities in minority markets. During the year, the CRTC consulted with official language minority communities at various forums to facilitate the exchange of information with them. As an administrative tribunal, the CRTC does not manage programs or services, nor does it fund activities. However, in achieving its mandate, the Commission issues, renews or amends licences, develops policy guidelines and regulates and monitors all aspects of the Canadian broadcasting system, all of which are pursuant to the *Broadcasting Act* and the *Telecommunications Act*. Many of those activities contribute to attaining the objectives set out in section 41 of the OLA.

SECTION III:
Supplementary Information

CRTC Reorganization

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

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

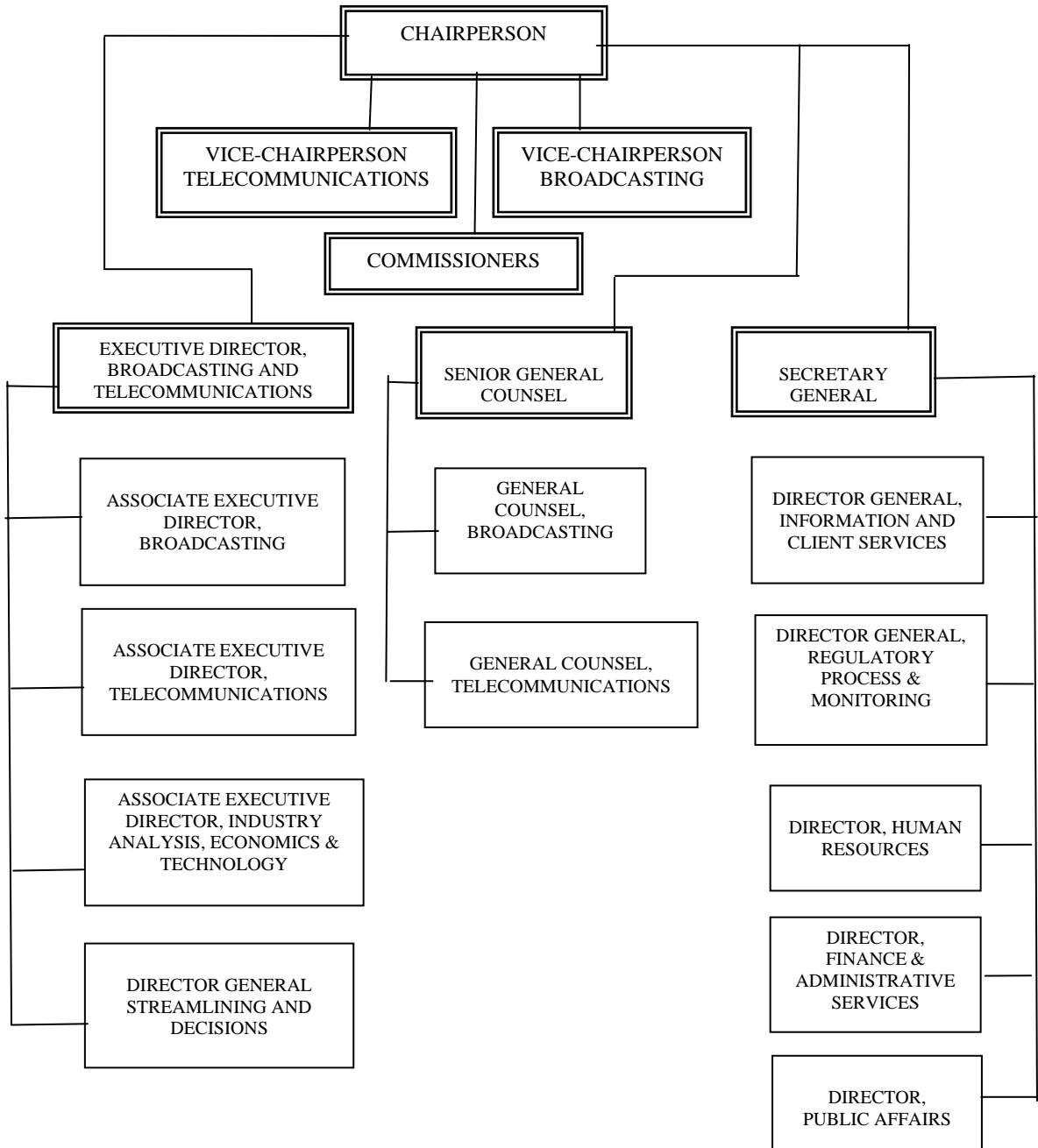
This new structure counts three units, one dedicated to each of broadcasting and telecommunications, and the newly integrated section that will undertake activities of a more analytical nature on communications industries, markets and technologies.

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

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

CRTC Organization Chart

(As of 15 December 2005)



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

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

Table 1: Comparison of Planned to Actual Spending (\$ millions)

Business Line	2003-04	2004-05	2005-2006			
	Actual	Actual	Main Estimates	Planned Spending	Total Authorities	Actual
Regulation of Communications in the Public Interest	43.2	44.0	43.3	43.3	47.5	46.5
Less: Respendable Revenue (note 1 and 2)	35.0	37.6	37.6	37.6	38.6	38.6
Net Expenditures	8.2	6.4	5.7	5.7	8.9	7.9
<i>Authorized Adjustments:</i>						
Governor General Special Warrants						
Operating budget carry forward			1.9	1.9		
Collective agreements and other compensation adjustments			2.6	2.6		
Less Respendable Revenue			(0.9)	(0.9)		
Net Amount			1.5	1.5		
Employee Benefit Plan (EBP)			(0.1)	(0.1)		
Total Net Expenditures	8.2	6.4	9.0	9.0	8.9	7.9
Less: Non-Respendable revenue (note 2)	115.2	118.1		122.8	123.1	123.1
Plus: Cost of services received without charge (note 3)	14.5	15.5		15.9	15.5	15.5
Net cost	(92.5)	(96.2)	9.0	(97.9)	(98.7)	(99.7)
Full Time Equivalents (note 4)	417	401	-	402		396

Note 1 The CRTC has vote-netting authority. Vote-netting is a means of funding selected government programs or activities whereby Parliament authorizes a department or agency to apply revenues towards costs directly incurred for specific activities. The Part I broadcasting licence fees and the telecommunications fees are used to finance the Commission's operating budget

Note 2 For more information on CRTC revenues refer to the section entitled "Explanation of Revenue".

Note 3 The costs of services provided by other departments (Table 3) includes: the regulation of the Broadcasting Spectrum by Industry Canada; the accommodation provided by Public Works and Government Services Canada; the employer's share of employees' insurance premium and expenditures paid by Treasury Board Secretariat.

Note 4 Full time equivalents (FTEs) reflect the human resources that the CRTC uses to deliver its program and services. The number is based on a calculation that considers full-time, part-time, term and casual employment. The CRTC is no longer required to control the number of FTEs it may use. Rather, CRTC manages a personnel budget within its operating expenditures and has the latitude to manage as needed. This data is included for information purposes only.

Note 5 Brackets indicate that the revenue received exceeds the gross costs of program.

Table 2: Voted and Statutory Items

This table provides information regarding that portion of the Commission's budget that is funded through appropriations.

(\$ millions)	Canadian Radio-television and Telecommunications Commission	2005-2006			
		Main Estimates	Planned Spending	Total Authorities	Actual
45	Program expenditures	3.4	3.4	3.3	2.3
(S)	Contributions to employee benefit plans	5.6	5.6	5.6	5.6
	Total	9.0	9.0	8.9	7.9

Table 3: Net Cost of CRTC

(\$ millions)	2005-2006
Total Actual Spending	7.9
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	3.0
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS	2.5
Worker's compensation coverage provided by Human Resources and Social Development Canada (see note)	-
Regulation of Broadcasting Spectrum - Industry Canada	10.0
<i>Less: Non-responsible Revenue</i>	123.1
2005-2006 Net cost	(99.7)

Note: The actual amount is \$42K.

Table 4: Respendable and Non-Respendable Revenue

(\$ millions)	Actual 2003-04	Actual 2004-05	2005-2006			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Respendable Revenue (note 1)						
Regulation of Communications in the Public Interest						
Broadcasting Licence Fees Part I	18.2	19.8	19.8	19.8	20.0	20.0
Telecommunications Fees	16.8	17.8	17.8	17.8	18.6	18.6
Total Respendable Revenue	35.0	37.6	37.6	37.6	38.6	38.6

Non-Respendable Revenue (note 2)						
Broadcasting Licence Fees						
Part I	6.7	6.0	-	5.1	5.1	5.1
Part II	102.5	107.2	-	112.1	112.2	112.2
Telecommunications Fees	6.0	4.9	-	5.6	5.5	5.5
Other Revenue:						
Interest on Outstanding Fees					0.3	0.3
Total Non-Respendable Revenue	115.2	118.1	-	122.8	123.1	123.1

Total Revenue (note 3)	150.2	155.7	-	161.3	161.7	161.7
-------------------------------	--------------	--------------	----------	--------------	--------------	--------------

Note 1 The CRTC retains respendable revenue to fund its operating budget (i.e. vote-netted revenue).

Note 2 Non-respendable revenue for Part I broadcasting licence fees and CRTC telecommunications fees recover the costs incurred by other federal government departments for services (excluding Industry Canada spectrum management) rendered without charge to the CRTC as well as the statutory costs of employee benefit plans. Part II broadcasting fees are also considered to be non-respendable revenue.

Note 3 All revenues are credited to the Consolidated Revenue Fund.

Explanation of Revenue

The CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these Acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. For fiscal year 2005-2006:

- ✓ The Part I broadcasting licence fees total \$25.1 million which include a \$.3 million annual adjustment for the year 2003-04. The \$25.1 million is made up of \$20.0 million spendable and \$5.1 million non-spendable revenues.
- ✓ Part II broadcasting licence fees total \$112.2 million (non-spendable).
- ✓ Telecommunications fees total \$24.1 million which include a \$.1 million annual adjustment for the year 2004-05. The \$24.1 million is made up of \$18.6 million spendable and \$5.5 million non-spendable revenues.

Broadcasting Licence Fees

Section 11 of the *Broadcasting Act* empowers the Commission to make regulations respecting licence fees. These regulations apply to all licensees other than those classes of undertakings specifically exempted under section 2 of the fee regulations. Every licensee subject to the regulations is required to pay a Part I and a Part II¹ licence fee to the Commission annually. For 2005-2006 the CRTC collected a total of \$137.3 million from broadcasting undertakings (\$25.1 million in Part I fees and \$112.2 million in Part II fees).

The Part I fee is based on the broadcasting regulatory costs incurred each year by the Commission and other federal departments or agencies, excluding Industry Canada spectrum management costs (which are recovered as a component of Part II licence fees) and is equal to the aggregate of:

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

The estimated total broadcasting regulatory costs of the Commission are set out in the Commission's Expenditure Plan published in Part III of the Estimates of the Government of Canada (i.e. Part III Report on Plans and Priorities). There is an annual adjustment amount to the Part I fee to adjust estimated costs to actual expenditures. Any excess fees or shortfalls are credited or charged to the licensee in a following year's invoice.

The Part II fee is calculated at 1.365% of a licensee's gross revenue derived from broadcasting activities in excess of an applicable exemption limit. The CRTC collects the

¹ Two legal proceedings have been filed in the Federal Court of Canada (court files T-2277-03 by the Canadian Association of Broadcasters and T-276-04 by Vidéotron Ltée, Vidéotron (Régional) Ltée and CF Cable TV inc.) challenging the legality of Part II Licence Fees.

Part II fees on behalf of the government, with all revenues collected being deposited to the Government of Canada's Consolidated Revenue Fund (CRF). The rationale for assessing the Part II licence fee is three-fold:

- ✓ to earn a fair return for the Canadian public for access to, or exploitation of, a publicly owned or controlled resource (i.e. broadcasters use of the broadcasting spectrum);
- ✓ to recover Industry Canada costs associated with the management of the broadcasting spectrum; and
- ✓ to represent the privilege of holding a broadcasting licence for commercial benefit.

Telecommunications Fees

Section 68 of the *Telecommunications Act* sets out the authority for collecting telecommunications fees from carriers that the Commission regulates. Each company that files tariffs must pay fees based on its operating revenue, as a percentage of the revenue of all the carriers that file tariffs. For 2005-2006, the CRTC collected \$24.1 million in telecommunications fees.

The annual fees the CRTC collects is equal to the aggregate of:

- ✓ the cost of the Commission's telecommunications activity;
- ✓ the share of the costs of the administrative activities that is attributable to its telecommunications activity; and
- ✓ the other costs included in the net cost of the Commission's program attributable to its telecommunications activity.

The estimated total telecommunications regulatory costs of the Commission are set out in the Commission's Expenditure Plan published in Part III of the Estimates of the Government of Canada (i.e., Part III Report on Plans and Priorities). There is an annual adjustment amount to the telecommunications fees to adjust estimated costs to actual expenditures. Any excess fees or shortfalls are credited or charged to the carriers in a following year's invoice.

Dispute Resolution – Fee Assessment

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

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

Policy on Service Standards for External Fees

Service Standards

The Commission has completed the following template, pursuant to Treasury Board Secretariat's *Policy on Service Standards for External Fees*, with a view to being as comprehensive and transparent as possible.

Broadcasting Services	Service Standards	Stakeholders	Method of annual consultation
1. Administrative Route	<p>Applications that do not require a public process, including transfer of ownership</p> <p>80% in 2 months 90% in 3 months</p>	<p>1. Broadcasting Industry²</p> <p>2. Canadian public</p>	Public notice process (Note 1)
2. Public Notice Route (excluding licence renewals)	<p>Applications that do not give rise to opposing interventions or policy issues</p> <p>80% in 6 months 90% in 8 months</p> <p>Applications that give rise to opposing interventions, but do not raise policy issues</p> <p>80% in 8 months 90% in 10 months</p> <p>Applications that raise policy issues</p> <p>The Commission will advise the applicant that its application raises policy issues within 30 days of this policy issue being identified by the Commission</p>		
3. Licence renewals by public notice route	<p>Applications that do not raise policy issues</p> <p>80% in 8 months 90% in 10 months</p>		

² The definition of "broadcasting undertaking" includes any distribution or programming undertaking and network operation to which the *Broadcasting Act* applies.

Note 1: In *Call for comments on the Commission's service standard*, [Broadcasting Public Notice CRTC 2006-16](#), 10 February 2006, the Commission proposed service standards for the issuance of decisions on broadcasting applications in a timely manner and in accordance with predictable schedule.

In *Introduction of service standards for certain broadcasting applications*, [Broadcasting Circular CRTC 2006-2](#), 5 April 2006, the comments received from the industry supported the Commission's commitment to ensure that decisions on broadcasting applications are issued in a timely fashion. According to the parties, improved efficiency and accountability in the Commission's licensing activities would provide for greater certainty in a rapidly-changing industry. Certain parties called for even more stringent service standards than those proposed and suggested that additional measures should be put in place by the Commission to streamline its procedures.

In its circular, the Commission announced new service standards for its processing of certain types of applications filed after 31 March 2006. These include applications for licence amendments and licence renewals currently processed using the public notice approach, as well as applications processed using the administrative approach that does not entail a public process.

Telecommunication Services	Service Standards	Stakeholders	Method of annual consultation
1. Processing applications to tariff changes and agreements between carriers	Tariff Filings 85% in 2 months 95% in 4 months	1. Telecommunications service providers 2. Canadian public	Public notice process through Circulars, Survey and direct consultations with telecommunications companies and consumer associations (Notes 2 & 3)

Note 2: Under the *Telecommunications Act*, the CRTC is required to issue, within 45 business days of receipt of a tariff application, a decision on the application, or if it cannot do so, a letter indicating when it will issue a decision.

During the past year the Commission, in response to stakeholder comments received, issued *Introduction of a streamlined process for retail tariff filings*, [Telecom Circular CRTC 2005-6](#), 25 April 2005,

Under the streamlined processes the CRTC informs applicant(s) of the status of applications within 10 business days of receipt of a complete application and has reduced its average time to dispose of retail tariff applications by 50 percent. During the period from 1 April 2005 to 31 March 2006, the average disposition time for tariff applications was nine (9) business days. Results posted on the CRTC Web site indicate that the new service standards have been met and exceeded.

Following its circular, an online survey was developed and emailed to 21 selected stakeholders from Telecom companies, responsible for interactions with the CRTC. The data was collected during the last week of August 2005.

In *Finalization of the streamlined process for retail tariff filings*, [Telecom Circular CRTC 2005-9](#), 1 November 2005, the Commission mentioned it was satisfied that information it had gathered during the six-month period from April through September 2005 demonstrated that the streamlining initiatives set out in Circular 2005-6 were appropriate.

Furthermore, in *New procedures for disposition of applications dealing with the destandardization and/or withdrawal of tariffed services*, [Telecom Circular CRTC 2005-7](#), 30 May 2005, the Commission set out its new initiatives with a view to reducing the time period associated with the processing of these types of applications. The establishment of these new procedures provides greater regulatory certainty by identifying clear, publicly-known steps, timelines and criteria that can be consistently relied upon by both customers and carriers. Moreover, the Commission's initiatives enable the telephone companies to respond more quickly to market requirements in an increasingly competitive telecommunications marketplace.

Note 3: The CRTC will be issuing a circular this fall announcing new telecommunications standards. The Commission made available on its website a service standards quarterly report on Tariff filings, for 1 April 2005 to 31 March 2006.

Quarterly report on service standards for processing retail tariff applications 1 April 2006 to 31 March 2007

Service Standards 1 and 2 below are monitored pursuant to *Introduction of a streamlined process for retail tariff filings*, [Telecom Circular CRTC 2005-6](#) and confirmed in *Finalization of the streamlined process for retail tariff filings*, [Telecom Circular CRTC 2005-9](#), while Service Standard 3 is monitored pursuant to the *Telecommunications Act*.

Service Standards	Measurable indicators	Q1	Q2	Q3	Q4	Year to date
Retail tariff filings received subject to 10-business day reporting		(191)				(191)
1. Ten business day initiative - inform applicant of status						
a) Interim decision issued	85% of interim decisions issued in 10 business days	100% (132 of 132)				100% (132 of 132)
b) Issues identified (letter)	85% of letters issued in 10 business days	95% (41 of 43)				95% (41 of 43)
c) Interrogatories (letter)	85% of letters issued in 10 business days	100% (9 of 9)				100% (9 of 9)

d) Closed as deficient (letter)	85% of letters issued in 10 business days	100% (7 of 7)				100% (7 of 7)
2. Average processing time for initial disposition* of applications	30 business days	9.8				9.8
3. Initial dispositions issued	85% in 45 business days	100%				100%

(n) = Number of applications received from 1 April 2006. Only applications received after that date are considered in these service standards.

Q1 = 1 April 2006 to 30 June 2006

Q2 = 1 July 2006 to 30 September 2006

Q3 = 1 October 2006 to 31 December 2006

Q4 = 1 January 2007 to 31 March 2007

- * Initial disposition would be the decision or the interim decision if one was issued, or a letter to the applicant indicating that the file is being closed as the application is deemed deficient.
1. Under Telecom Circulars CRTC [2005-6](#) and [2005-9](#), the CRTC is to inform the applicant(s) of the status of applications within 10 business days of receipt of a complete application. The CRTC is to issue one of the following:
 - (a) an order granting the application interim approval;
 - (b) a letter stating that it intended to dispose of the application within 45 business days of receipt of the application, setting out the reasons why interim approval was not granted;
 - (c) a letter either with interrogatories included or confirmation that interrogatories were to follow within 5 business days, and an indication that it still intended to dispose of the application within 45 business days; or
 - (d) a letter indicating that the file was being closed due to deficiencies in the application, identifying the specific deficiencies.

Thus, Service Standard 1 measures the CRTC's ability to produce results within 10 business days. Results may be produced, but if they are not issued within 10 business days, then they are not counted as success in the report.

2. Also, under Telecom Circulars CRTC [2005-6](#) and [2005-9](#), the CRTC intends to reduce the average processing time for tariff applications. Before 1 April 2005, the average processing time was in excess of 55 business days. The CRTC expects to reduce its average time to dispose of retail tariff applications by 50 percent over the next 12 months from 25 April 2005, the date of Telecom Circular CRTC [2005-6](#).
3. Under the *Telecommunications Act*, the CRTC is required to issue, within 45 business days of receipt of a tariff application, a decision on the application, or if it cannot do that, a letter indicating when it would issue a decision.

Table 5: CRTC Fees (note 1)

Name of Fee	Fee Type	Fee Setting Authority	Date Last Modified	2005-2006		Planning Years		
				Actual Revenue (\$000)	Full Cost (\$000)	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
Telecommunications Fees	Regulatory (R)	Telecommunications Act (Section 68) Telecommunications Fee Regulations 1995	1995	\$24.1M	\$24.1M	2006-2007 2007-2008 2008-2009	\$26.6M \$25.5M \$25.5M	\$26.6M \$25.5M \$25.5M
Broadcasting Licence Fees Part I Part II (note 2)	Regulatory (R) Right & Privilege	Broadcasting Act (Section 11) Broadcasting Licence Fee Regulations 1997	1997 1997	\$25.1M \$112.2M	\$25.1M \$10.0M	2006-2007 2007-2008 2008-2009	\$27.0M \$26.8M \$26.8M \$117.1M \$122.1M \$127.1M	\$27.0M \$26.8M \$26.8M \$10.0M \$10.0M \$10.0M
Access to Information Fees	Regulatory (R)	Access to Information Act	1985	Note 4	Note 4	2006-2007 2007-2008 2008-2009	\$ \$ \$	Note 4 Note 4 Note 4
				\$161.5M	\$59.2M	2006-2007 2007-2008 2008-2009	\$170.7M \$174.4M \$179.4M	\$63.6M \$62.3M \$62.3M

Note 1 The information presented in this table is provided with a view to being as comprehensive and transparent as possible with respect to CRTC fees.

Note 2 The rationale for assessing Part II fee is three-fold:

- To earn a fair return for the Canadian public for access to, or exploitation of, a publicly owned or controlled resource (i.e. broadcaster's use of the broadcasting spectrum);
- To recover Industry Canada costs associated with the management of the broadcasting spectrum (i.e. approximately \$10 M per year); and
- To represent the privilege of holding a broadcasting licence for commercial benefit.

Note 3 The Broadcasting Licence Fee Regulations and the Telecommunications Fees Regulations can be found on the CRTC web site at: <http://www.crtc.gc.ca/eng/LEGAL/LICENCE.HTM> (i.e. broadcasting) and <http://www.crtc.gc.ca/eng/LEGAL/TFEES.HTM> (i.e. telecommunications)

Note 4 The Access to Information fee revenue is negligible: \$201 received in FY 2005-2006. The full cost associated with Access to Information revenue amounts to \$0.1M and is equally allocated and presented as part of the full costs for Part I Broadcasting and Telecommunications fees. Performance standards: Requests are completed as per the standards indicated in the *Access to Information Act*. Section 7 of the Act states that access to a record requested under this Act shall, subject to sections 8, 9 and 11 be made within thirty days after the request is received. During FY 2005/2006, the CRTC received 35 requests for information. Of this total: 24 were completed within the 30 days prescribed period, 2 within 31 to 60 days, 6 within 61 to 120 days and 2 in a period of 121 days or greater. One request was still pending at the end of FY 2005-2006.

Travel Policies

The CRTC uses Treasury Board Secretariat (TBS) travel policies. This includes the TBS Special Travel Authorities and the TBS Travel Directive, Rates and Allowances.

Canadian Radio-television and Telecommunications Commission Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that (a) financial information is reliable, (b) assets are safeguarded, (c) transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, are within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the Commission have not been audited.



Charles M. Dalfen
Chairman



Diane Rhéaume
Secretary General

Date: 17 August, 2006

Table 6: Financial Statements – Year ended March 31, 2006

Canadian Radio-television and Telecommunications Commission				
Statement of Operations (Unaudited)				
For the Year Ended March 31, 2006				
(in dollars)				
	Broadcasting	2005-06		2004-05
	(Note 1)	Telecommunications	Total	
		(Note 1)		
Revenues				
Rights and privileges	112,211,147	-	112,211,147	106,967,943
Regulatory fees	25,076,622	24,102,060	49,178,682	48,942,001
Other revenues	26,432	232,625	259,057	213,394
Total revenues	137,314,201	24,334,685	161,648,886	156,123,338
Expenses				
Salaries and employee benefits	20,806,736	20,148,256	40,954,992	36,937,347
Spectrum management cost (Note 9(a))	10,000,000	-	10,000,000	10,000,000
Professional and special services	1,773,390	2,179,729	3,953,119	3,849,227
Accommodations	1,491,155	1,491,154	2,982,309	2,980,000
Information	1,658,644	268,923	1,927,567	1,572,972
Travel and relocation	868,655	821,468	1,690,123	1,184,400
Amortization expenses	271,307	271,307	542,614	562,848
Materials and supplies	207,195	190,468	397,663	385,765
Repair and maintenance	192,039	192,130	384,169	450,074
Bad debt expenses	(30,638)	358,654	328,016	42,707
Rentals	197,178	80,857	278,035	234,598
Furniture and equipment	105,733	122,632	228,365	1,733,819
Other	2,308	2,386	4,694	23,613
Total expenses	37,543,702	26,127,964	63,671,666	59,957,370
Net results of operations	99,770,499	(1,793,279)	97,977,220	96,165,968
The accompanying notes form an integral part of these financial statements				

Canadian Radio-television and Telecommunications Commission

Statement of Financial Position (Unaudited)

as at 31 March, 2006

(in dollars)

	2005-06	2004-05
ASSETS		
Financial assets		
Accounts receivables and advances (Note 4)	575,134	5,914,046
Total financial assets	575,134	5,914,046
Non-financial assets		
Tangible capital assets (Note 5)	1,432,669	1,458,947
Total non-financial assets	1,432,669	1,458,947
Total assets	2,007,803	7,372,993
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	3,153,107	6,199,963
Deferred revenue	-	28,409
Vacation pay and compensatory leave	1,929,813	1,866,191
Accrued employee severance benefits (Note 7(b))	7,350,261	6,294,058
Total Liabilities	12,433,181	14,388,621
Equity of Canada	(10,425,378)	(7,015,628)
Total liabilities and Equity of Canada	2,007,803	7,372,993
Contingent liabilities (Note 8)		
The accompanying notes form an integral part of these financial statements		

Canadian Radio-television and Telecommunications Commission

Statement of Equity of Canada (Unaudited)

as at 31 March, 2006

(in dollars)

	2005-06	2004-05
Equity of Canada, beginning of year	(7,015,628)	(7,744,803)
Net results of operations	97,977,220	96,165,968
Current year appropriations used (Note 3(a))	7,897,487	6,416,018
Revenue not available for spending (Note 3(c))	(123,065,887)	(118,491,338)
Change in net position in the Consolidated Revenue Fund (Note 3(c))	(1,777,537)	1,261,505
Services received without charge from other government departments (Note 9(a))	<u>15,558,967</u>	<u>15,377,022</u>
Equity of Canada, end of year	<u>(10,425,378)</u>	<u>(7,015,628)</u>

The accompanying notes form an integral part of these financial statements

Canadian Radio-television and Telecommunications Commission

Statement of Cash Flow (Unaudited)

For the Year Ended March 31, 2006

(in dollars)

	2005-06	2004-05
Operating activities		
Net results of operations	(97,977,220)	(96,165,968)
Non-cash items		
Services provided without charge by other government departments included in the Statement of Operations (Note 9(a))	(15,558,967)	(15,377,022)
Amortization of tangible capital assets (Note 5)	(542,614)	(562,848)
Variation in Statement of Financial Position		
Increase (decrease) in accounts receivable and advances	(5,338,912)	4,566,913
(Increase) decrease in liabilities	1,955,440	(3,535,510)
Cash provided by operating activities	<u>(117,462,273)</u>	<u>(111,074,435)</u>
Capital investment activities		
Acquisition of tangible capital assets (Note 5)	516,336	260,620
Cash used by capital investment activities	<u>516,336</u>	<u>260,620</u>
Financing activities		
Net cash provided to Government of Canada	116,945,937	110,813,815

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements (unaudited)
Year ended March 31, 2006

1. Authority and Objectives

CRTC was created by Parliament in 1968 under the *Canadian Radio-television and Telecommunications Commission Act*. The CRTC reports to Parliament through the Minister of Canadian Heritage.

The CRTC is vested with the authority to regulate and supervise all aspects of the Canadian broadcasting system, as well as the telecommunications services providers and common carriers that come under federal jurisdiction. The CRTC's powers in the area of broadcasting regulation derive from the *Broadcasting Act*. Its powers over telecommunications come from the *Telecommunications Act* and from various "special acts" of Parliament passed for specific telecommunications companies.

The following are the program activity descriptions for the CRTC:

Regulation and Supervision of the Canadian Broadcasting Industry (Broadcasting)

Supervise and regulate all aspects of the Canadian broadcasting system in order to implement the broadcasting policy set out in the *Broadcasting Act*.

Regulation and Monitoring of the Canadian Telecommunications Industry (Telecommunications)

Ensure the implementation of Canadian telecommunications objectives set out in the *Telecommunications Act* and to ensure that Canadian carriers provide telecommunications services and charge rates on terms that are just and reasonable, and do not unjustly discriminate or provide an unreasonable preference toward any person.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations and vote-netting - The CRTC is financed in part by the Government of Canada through Parliamentary Appropriations (e.g. Statutory Vote for Employee Benefits Plans (EBP)) and the balance by vote-netted fees it collects from the regulated industries. Vote-netting is a means of funding selected programs or activities wherein Parliament authorizes a department to apply revenues collected from fee payers towards costs directly incurred for specific activities. CRTC has the authority to use a portion of the Part I licence fees collected from broadcasters and a portion of the annual telecommunications fees collected from telecommunications carriers to finance the costs

it incurs in regulating the broadcasting and telecommunications industries (i.e. spendable revenue). The balance of these two fees recovers the costs for items funded through appropriations (e.g. EBP) and costs incurred by other government departments on the CRTC's behalf and is classified as non-spendable revenue.

The accounting of fees collected and the charges to the appropriations in a given year does not parallel financial reporting according to generally accepted accounting principles since they are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through fee collection and the appropriation from Parliament. Note 3 to these financial statements provides information regarding the source and disposition of these authorities as well as a reconciliation between net cash provided to Government to current year appropriation used.

(b) Net cash provided to Government – The CRTC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CRTC is deposited to the CRF and all cash disbursements made by the CRTC are paid from the CRF. The net cash provided to Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided to Government and appropriations used in a year, excluding the amount of non spendable revenue recorded by the CRTC. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues –The CRTC collects fees under the authority of the *Broadcasting Act* and *Telecommunications Act* and the regulations made pursuant to these Acts, namely the *Broadcasting Licence Fee Regulations, 1997* and the *Telecommunications Fee Regulations, 1995*. These fees are accounted for in the period in which the underlying transaction or event occurs that give rise to the revenues. Revenues that have been received but not yet earned are disclosed in the Statement of Financial Position as deferred revenue.

(e) Expenses – Expenses are recorded on the accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, spectrum management, and worker's compensation are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The CRTC's contributions to the Plan are charged to expenses in the year incurred and

represent the total departmental obligation to the Plan. Current legislation does not require the CRTC to make contributions for any actuarial deficiencies of the Plan.

- **Severance benefits:** Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(h) **Contingent liabilities** - Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) **Tangible capital assets** - All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization period
Informatics equipment	3 years
Informatics software	5 years
Vehicles	5 years
Equipment	5 years

(j) **Measurement uncertainty** - The preparation of these financial statements in accordance with Treasury Board accounting policies (which are consistent with Canadian generally accepted accounting principles for the public sector) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

CRTC receives the major portion of its funding through fees assessed against the regulated industries, i.e. Broadcasting and Telecommunications, as well as a minor portion from Parliamentary appropriations. Since Parliamentary appropriations are not calculated on the accrual accounting basis, there is a difference between appropriations used and: (a) net results of operations; and (b) net cash provided to the Government of Canada. The differences are reconciled in the following tables:

(a) Reconciliation of net results of operations to current year appropriations used	2005-06	2004-05
	(in dollars)	
Net results of operations	(97,977,220)	(96,165,968)
Adjustments for items affecting net results from operations but not affecting appropriations:		
Add (Less):		
Services provided without charge	(15,558,967)	(15,377,022)
Employee severance benefits	(1,056,203)	(34,249)
Amortization of tangible capital assets	(542,614)	(562,848)
Reversal of legal expenses charged to Justice appropriation	(203,166)	(212,751)
Bad debt expenses	(328,016)	(42,707)
Vacation pay and compensatory leave	(63,623)	30,936
Revenue not available for spending	123,065,887	118,491,339
Refund of prior years expenses	45,073	28,668
Sub-total	<u>105,358,371</u>	<u>102,321,366</u>
Adjustments for items not affecting net results of operations but affecting appropriations		
Add (less):		
Acquisitions of tangible capital assets	516,336	260,620
Current year appropriations used	<u>7,897,487</u>	<u>6,416,018</u>
 (b) Appropriations provided and used		
Vote 45-Program expenditures	3,341,601	1,343,752
Statutory amounts	5,613,207	5,111,777
Total appropriation available	<u>8,954,808</u>	<u>6,455,529</u>
Less:		
Appropriations available for future years	(1,057,321)	(39,511)
Current year appropriations used	<u>7,897,487</u>	<u>6,416,018</u>

(c) Reconciliation of net cash provided to Government to current year appropriations used

	2005-06	2004-05
	(in dollars)	
Net cash provided to Government	(116,945,937)	(110,813,815)
Revenue not available for spending	123,065,887	118,491,338
	<u>6,119,950</u>	<u>7,677,523</u>
Change in net position in the Consolidated Revenue Fund		
(Increase) decrease in accounts receivable and advances	5,338,912	(4,566,913)
Increase (decrease) in accounts payable, accrued liabilities and deferred revenue	(3,075,266)	3,532,198
Refund of prior year's expenses	45,073	28,668
Other adjustments	(531,182)	(255,458)
	<u>1,777,537</u>	<u>(1,261,505)</u>
Current year appropriation used	<u><u>7,897,487</u></u>	<u><u>6,416,018</u></u>

4. Accounts Receivable and Advances

Accounts Receivable and Advances		
	2005-06	2004-05
	(in dollars)	
Receivables from other Federal Government departments and agencies (Note 9(b))	165,345	1,604,664
Receivable from external parties	476,814	4,443,278
Other	4,497	3,100
Sub-Total	646,656	6,051,042
Less: Allowances for doubtful accounts on external receivables	(71,522)	(136,996)
Total	575,134	5,914,046

5. Tangible Capital Assets

(in dollars)

Capital asset class	Cost			Accumulated amortization			2006	2005
	Opening balance	Acquisitions	Closing balance	Opening balance	Amortization	Closing balance	Net book value	Net book value
Equipment	80,082	-	80,082	8,008	16,017	24,025	56,057	72,074
Vehicles	45,406	-	45,406	21,067	9,081	30,148	15,258	24,339
Informatics Equipment	514,084	70,870	584,954	255,752	159,036	414,788	170,166	258,332
Informatics Software	1,878,337	445,466	2,323,803	774,135	358,480	1,132,615	1,191,188	1,104,202
Total	2,517,909	516,336	3,034,245	1,058,962	542,614	1,601,576	1,432,669	1,458,947

6. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities		
	2005-06	2004-05
	(in dollars)	
Accounts payable-other Federal Government departments and agencies (Note 9(b))	157,890	238,191
Accounts payable-external parties	1,197,368	2,033,660
Other payable	-	1,662,990
Accruals-salaries	1,725,071	2,187,212
Accruals-operating and maintenance	72,778	77,910
Total Accounts payable and accrued liabilities	<u>3,153,107</u>	<u>6,199,963</u>

7. Employee Benefits

(a) Pension benefits: The CRTC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the CRTC contribute to the cost of the Plan. The 2005-06 expense amounts to \$4.2 million (\$3.7 million in 2004-05), which represents approximately 2.6 times the contributions by employees.

The CRTC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The CRTC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, are indicated below.

Severance benefits	2005-06	2004-05
	(in dollars)	
Accrued severance liabilities, beginning of year	6,294,058	6,259,809
Expense for the year	1,724,604	500,569
Benefits paid during the year	(668,401)	(466,320)
Accrued severance liabilities, end of year	<u>7,350,261</u>	<u>6,294,058</u>

8. Contingent liabilities

As of 31 March 2006, the Government of Canada (for matters involving the CRTC) had claims outstanding as a result of litigation. Two significant claims pertain to challenges of the CRTC's Part II broadcasting licence fees (Federal Court File numbers T2277-03 and T276-04). The existence and amount of liability depend upon the future outcomes of these claims, which are not currently determinable. In consideration of this fact, the CRTC did not record these potential liabilities in its books as per government accounting policy.

9. Related party transactions

As a result of common ownership, CRTC is related to all Government of Canada departments, agencies, and Crown corporations. CRTC enters into transactions with these entities in the normal course of business and on normal trade terms.

(a) Services provided without charge:

During the year, CRTC received services without charge from other departments for items such as accommodations, and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operations as indicated below:

	2005-06	2004-05
	(in dollars)	
Services provided without charge		
Worker's Compensation expenses (Human Resources and Social Development Canada)	42,005	42,956
Health & Dental expenses (Treasury Board Secretariat)	2,534,653	2,354,066
Accommodation expenses (Public Works and Government Services Canada)	2,982,309	2,980,000
Spectrum Management expenses (Industry Canada)	10,000,000	10,000,000
Total	15,558,967	15,377,022

Industry Canada is responsible for the management of the broadcasting spectrum. As part of this responsibility, Industry Canada conducts several activities including the issuance of technical certificates that accompany the broadcasting licences issued by the CRTC where the use of broadcasting spectrum is required, as well as monitoring for interference that could affect spectrum use. Total costs related to Industry Canada's broadcasting spectrum management are reported to the CRTC on an annual basis, as these costs are a component of the Part II broadcasting licence fees collected by the CRTC on behalf of the Government. Other services provided without charge to the CRTC as noted above are a component of the Part I broadcasting licence fee and the annual telecommunications fee collected by the CRTC.

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the CRTC's Statement of Operations, nor are they recovered as a component of the CRTC Part 1 broadcasting licence fee or annual telecommunications fee.

(b) Payables and receivables outstanding at year-end with related parties:

	2005-06	2004-05
	(in dollars)	
Accounts receivable with other government departments and agencies	165,345	1,604,664
Accounts payable to other government departments and agencies	157,890	238,191

Financial Information & Summary Tables

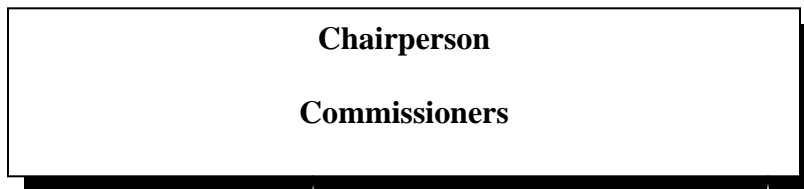
A graphical representation of the accountability and activity structure, including resource levels, is noted below.

CRTC Accountability Activity Structure

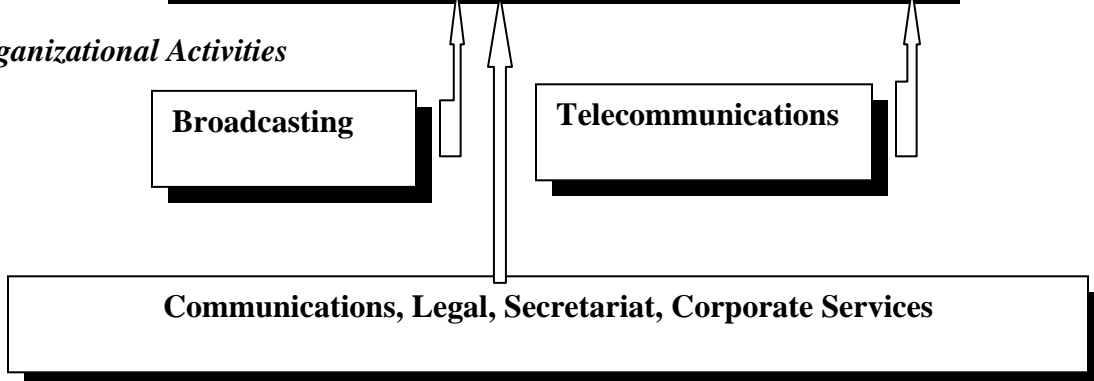
Business Line

Regulation of Communications in the Public Interest	
Planned spending	\$ 43.3 million
Total authorities	\$47.5 million
2005-2006 Actual	\$46.5 million

Accountability Structure



Organizational Activities



Note: The CRTC reports to Parliament through the Minister of Canadian Heritage

APPENDICES

Appendix A: CRTC Members and Offices

CRTC Members		
Chairman	<i>Charles Dalfen</i>	(819) 997-3430
Vice-Chairman, Broadcasting	<i>Michel Arpin</i>	(819) 997-8766
Vice-Chairman, Telecommunications	<i>Richard French</i>	(819) 997-8766
Commissioner	<i>Joan Pennefather</i>	(819) 953-7882
Commissioner	<i>Rita Cugini, * Ontario</i>	(819) 997-2431 (416) 954-6269
Commissioner	<i>Stuart Langford</i>	(819) 997-4126
Commissioner	<i>Barbara Cram, * Manitoba/ Saskatchewan</i>	(819) 997-4485 (306) 780-3422
Commissioner	<i>Andrée Noël, * Québec</i>	(819) 997-3831 (514) 496-2370
Commissioner	<i>Ronald D. Williams, * Alberta/ Northwest Territories</i>	(819) 953-0435 (780) 455-6390
Commissioner	<i>Helen del Val, * British Columbia/Yukon)</i>	(819) 934-6347 (604) 666-2914
Commissioner	<i>Elizabeth Duncan, * Atlantic</i>	(819) 997-4764 (902) 426-2644

* These commissioners also have regional responsibilities

<i>Client Services – Central Office</i>	
Telephone (Toll-Free)	1-877-249-CRTC (2782)
<i>Client Services</i>	(819) 997-0313
<i>Public Examination Room</i>	(819) 997-2429
<i>Access to Information and Privacy</i>	(819) 994-5366
<i>Library</i>	(819) 997-4484
<i>TDD (Toll-Free)</i>	1-877-909-2782
<i>Media Relations</i>	(819) 997-9403
<i>Fax Numbers</i>	
<i>General</i>	(819) 994-0218
<i>Communications</i>	(819) 997-4245
<i>Finance and Corporate Services</i>	(819) 953-5107
<i>General Counsel</i>	(819) 953-0589
<i>Human Resources Information</i>	(819) 953-5107
<i>Electronic Access</i>	
<i>Internet</i>	http://www.crtc.gc.ca

Our Offices	
<p>Central Office Les Terrasses de la Chaudière Central Building 1 Promenade du Portage Gatineau, Quebec J8X 4B1</p> <p>Tel: (819) 997-0313 Fax: (819) 994-0218 TDD: 1-877-909-2782</p> <p>Mailing address: CRTC Ottawa, Ontario K1A 0N2</p>	<p>In Ontario 55 St. Clair Avenue East Suite 624 Toronto, Ontario M4T 1M2</p> <p>Tel: (416) 952-9096 Fax: (416) 954-6343</p>
<p>In Nova Scotia Metropolitan Place 99 Wyse Road Suite 1410 Dartmouth, Nova Scotia B3A 4S5</p> <p>Tel: (902) 426-7997 Fax: (902) 426-2721 TDD: (902) 426-6997</p>	<p>In Saskatchewan Cornwall Professional Bldg. 2125-11th Avenue Suite 103 Regina, Saskatchewan S4P 3X3</p> <p>Tel: (306) 780-3422 Fax: (306) 780-3319</p>
<p>In Québec 205 Viger Avenue West Suite 504 Montréal, Québec H2Z 1G2</p> <p>Tel: (514) 283-6607 Fax: (514) 283-3689</p>	<p>In Alberta Standard Life Centre 10405 Jasper Avenue, Suite 520 Edmonton, Alberta T5J 3N4</p> <p>Tel: (780) 495-3224 Fax: (780) 495-3214</p>
<p>In Manitoba 275 Portage Avenue Suite 1810 Winnipeg, Manitoba R3B 2B3</p> <p>Tel: (204) 983-6306 Fax: (204) 983-6317 TDD: (204) 983-8274</p>	<p>In British Columbia 580 Hornby Street Suite 530 Vancouver, British Columbia V6C 3B6</p> <p>Tel: (604) 666-2111 Fax: (604) 666-8322 TDD: (604) 666-0778</p>

Appendix B: Legislation, Directions and Associated Regulations

Statutes

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

Directions, Regulations and Rules of Procedure

<u>Direction to the CRTC (Ineligibility of Non-Canadians)</u>	
<u>Direction to the CRTC (Ineligibility to Hold Broadcasting Licences)</u>	
<u>Direction to the CRTC (Reservation of Cable Channels)</u>	
<u>CRTC Rules of Procedure</u>	
<u>Broadcasting Information Regulations, 1993</u>	
<u>Broadcasting Licence Fee Regulations, 1997</u>	
<u>Broadcasting Distribution Regulations</u>	
<u>Pay Television Regulations, 1990</u>	
<u>Radio Regulations, 1986</u>	
<u>Specialty Service Regulations, 1990</u>	
<u>Television Broadcasting Regulations, 1987</u>	
<u>CRTC Tariff Regulations</u>	
<u>CRTC Telecommunications Rules of Procedure</u>	
<u>Telecommunications Fee Regulations, 1995</u>	
<u>Canadian Telecommunications Common Carrier Ownership and Control Regulations</u>	