

Canadian Radio-television and Telecommunications Commission

2022-23

**Future-Oriented Statement of Operations
(unaudited) for the years ended March
31, 2022 and March 31, 2023**

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Canadian Radio-television and Telecommunications Commission
Future-Oriented Statement of Operations (unaudited)
for the year ending March 31
(in thousands of dollars)

	Forecast Results 2021-22	Planned Results 2022-23
Expenses		
Support for Canadian Content Creation	21,014	23,093
Connection to the Communications System	27,140	28,931
Protection Within the Communications System	13,428	14,053
Internal Services	19,924	20,066
Expenses incurred on behalf of Government	113	(54)
Total expenses *	81,619	86,089
Revenues		
Rights and privileges	119,642	123,709
Regulatory fees	75,442	76,471
Miscellaneous revenues	1,188	1,369
Revenues earned on behalf of Government	(135,991)	(141,427)
Total revenues	60,281	60,122
Net cost of operations before government funding and transfers	21,338	25,967

The accompanying notes form an integral part of the Future-Oriented Statement of Operations.

* The increase in expenses of approximately \$4.5 million (5.5%) in 2022-23 versus 2021-22 is primarily attributable to the broadband funding regime and amendments to the *Broadcasting Act*.

Notes to the Future-Oriented Statement of Operations (unaudited)

1. Methodology and Significant Assumptions

The Future-Oriented Statement of Operations has been prepared on the basis of the government priorities and departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2021-22 is based on actual results as at November 30, 2021 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2022-23.

The main assumptions underlying the forecasts are as follows:

- (a) The department's activities will remain substantially the same as in the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on past experience. The general historical pattern is expected to continue with the exception of administrative monetary penalties (AMPs). It is not possible to accurately forecast revenues related to AMPs associated with enforcement activities for the Unsolicited Telecommunications Rules (UTRs), Canada's Anti-Spam Legislation (CASL), and the Voter Contact Registry (VCR). Amounts may vary significantly from year to year based on factors including trends in compliance as well as the number and complexity of investigations. For example, enforcement activities for the VCR are expected to increase during the period of federal elections.
- (c) Allowances for bad debt expenses are based on historical experience. The general historical pattern is expected to continue, but may vary significantly given higher AMPs possible under CASL.

These assumptions are made as at November 30th, 2021.

2. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2021-22 and for 2022-23, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this Future-Oriented Statement of Operations, the CRTC has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- Implementation of new collective agreements;
- The timing and the amount of acquisitions and disposals of property, plant and equipment, which may affect gains, losses and amortization expense; and
- Other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, the CRTC will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

3. Summary of Significant Accounting Policies

The Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for the fiscal year 2021-22, and is based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Expenses

The CRTC records expenses on an accrual basis.

Other expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, materials and supplies, as well as provision for bad debt on accounts receivable and amortization of tangible capital assets, which are capitalized 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
Leasehold improvements	25 years

b) Revenues

Revenues from rights and privileges, regulatory fees and unsolicited telecommunications fees are recognized in the accounts based on the services provided in the fiscal year.

Miscellaneous revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge the CRTC's liabilities. Although the deputy head is expected to maintain accounting control, he or she has no authority over the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the CRTC's gross revenues.

(a) Rights & Privileges

Part II licence fees – These fees recover part of the Government of Canada's substantial annual investment in the Canadian broadcasting system.

(b) Regulatory Fees

The CRTC collects fees pursuant to regulations made under the authority of the *Broadcasting Act* and *Telecommunications Act*.

The CRTC's annual Part I licence fees and telecommunications fees are based on the broadcasting and telecommunications regulatory costs incurred each year by the Commission and other federal departments or agencies, and are equal to the aggregate of:

- the cost of the Commission's broadcasting and telecommunications activities;
- the share of the costs of the administrative activities that are attributable to the Commission's broadcasting and telecommunications activities; and
- other costs attributable to the Commission's broadcasting and telecommunications activities.

Unsolicited Telecommunications Fees - These fees assessed to telemarketers are used to fund the CRTC's Do Not Call List (DNCL) investigation and enforcement activities.

(c) Miscellaneous Revenues

Miscellaneous revenues are comprised of: (a) AMPs, (b) interest on overdue accounts receivable for CRTC broadcasting licence fees, telecommunications fees and AMPs (c) miscellaneous non tax revenue (e.g. access to information fees), and (d) gain on disposal of non-capital assets to outside parties. All revenue from AMPs is recorded as non-respendable non-tax revenue and is considered revenues earned on behalf of the government.

4. Parliamentary Authorities

Parliamentary authorities and vote-netting

The CRTC is financed in part by the Government of Canada through parliamentary authorities (e.g. Statutory Vote for Employee Benefits Plans (EBP), Budgetary Vote for the CASL and VCR activities) and the balance by vote-netted fees it collects from the broadcasting, telecommunications and telemarketing industries. Vote-netting is a means of funding selected programs or activities wherein Parliament authorizes a department, pursuant to paragraph 29.1(2)(a) of the *Financial Administration Act*, to apply revenues collected from fee payers towards costs directly incurred for specific activities. The CRTC has the authority to use a portion of: a) the Part I licence fees collected from broadcasters; b) the annual telecommunications fees collected from telecommunications carriers; and c) the unsolicited telecommunications fees collected from telemarketers to finance the costs it incurs in discharging its statutory responsibilities under the *Broadcasting Act* and *Telecommunications Act* (i.e. respendable revenue). A portion of these three fees is classified as non-respendable revenue to recover costs for items funded through budgetary authorities (e.g. EBP) and costs incurred by other government departments on the CRTC's behalf. Part II broadcasting licence fees are entirely classified as non-respendable revenue.

Financial reporting of authorities provided to the CRTC differs from financial reporting according to generally accepted accounting principles because authorities are based mainly on cash flow requirements. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the CRTC has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to requested authorities (in thousands of dollars)

	Forecast Results 2021-22	Planned Results 2022-23
Net cost of operations before government funding and transfers	21,338	25,967
Adjustments for items affecting net cost of operations but not affecting authorities:		
Decrease (increase) in employee future benefits	(95)	4
Services provided without charge by other government departments	(8,162)	(7,973)
Amortization of tangible capital assets	(435)	(726)
Decrease (increase) in vacation pay and compensatory leave	1,728	(506)
Refund of prior years' expenditures and adjustments to payables at year end	16	0
Total items affecting net cost of operations but not affecting authorities	(6,948)	(9,201)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	1,341	1,183
Increase (decrease) in prepaid expenses	(74)	37
Total items not affecting net cost of operations but affecting authorities	1,267	1,220
Requested authorities forecasted to be used	15,657	17,986

b) Authorities provided / requested (in thousands of dollars)

	Forecast Results 2021-22	Planned Results 2022-23
Authorities provided / requested		
Vote 1 - Operating expenditures	13,028	12,050
Statutory amounts	8,185	8,356
Less:		
Estimated unused authorities and other adjustments	(5,556)	(2,420)
Requested authorities forecasted to be used	15,657	17,986

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.