



# Telecom Decision CRTC 2022-341

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Ottawa, 15 December 2022

## Final 2022 revenue-percent charge and related matters

### Summary

The Commission **approves on a final basis** a 2022 contribution collection revenue-percent charge of 0.46%, effective 1 January 2022.

The Commission **approves on an interim basis** a 2023 contribution collection revenue-percent charge of 0.46%, effective 1 January 2023.

### Introduction

1. Through a series of proceedings and decisions during the 1990s, the Commission opened up various telecommunications markets to competition. This enhanced the Canadian telecommunications system and enabled Canadians to benefit from competition.
2. In Decision 2000-745, the Commission introduced a national revenue-based contribution collection mechanism. As a result, telecommunications service providers (TSPs), or groups of related TSPs, that have \$10 million or more in Canadian telecommunications service revenue pay contribution into a national fund called the National Contribution Fund (NCF).
3. In Telecom Regulatory Policy 2014-187, the Commission determined that a national video relay service (VRS) would be implemented in Canada, with funding being provided through the NCF.
4. In Telecom Regulatory Policy 2016-496, the Commission determined that a funding mechanism would be established to support the expansion of fixed and mobile wireless broadband Internet access and wireless voice services (the Broadband Fund). The Commission also determined that, starting in the first year of the Broadband Fund, the definition of contribution-eligible revenue would be expanded to include retail Internet access and paging service revenues in the calculation of the revenue-percent charge.<sup>1</sup>

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<sup>1</sup> While the approved deduction is called Retail Paging Service, the Commission used the term “texting” in Telecom Regulatory Policy 2016-496 because the majority of retail paging revenues are texting revenues.

5. In Telecom Regulatory Policy 2018-377, the Commission determined that the Broadband Fund would be introduced within the NCF and administered by the Central Fund Administrator (CFA).<sup>2</sup>
6. Because the Commission determined that 2020 would be the first year of operation for the Broadband Fund, the definition of contribution-eligible revenue was expanded to include retail Internet access and paging service revenues, effective January 2020.
7. Each year, the Commission finalizes the final revenue-percent charge to ensure that the amount of money collected is sufficient to meet VRS and broadband requirements.
8. In Telecom Decision 2021-384, the Commission set, on a final basis for 2021, a revenue-percent charge of 0.44%. The Commission set, on an interim basis for 2022, a revenue-percent charge of 0.46%.
9. The Commission received a submission from the Canadian Telecommunications Contribution Consortium Inc. (CTCC)<sup>3</sup> that provided the information needed to finalize the 2022 revenue-percent charge.
10. The Commission addresses the following matters in this decision:
  - the estimated national VRS and broadband requirement for 2022
  - the final 2022 revenue-percent charge
  - the interim 2023 revenue-percent charge
  - the excess NCF funds after the December 2022 data-month is processed

### **Estimated national VRS and broadband requirement for 2022**

11. The national VRS and broadband requirement is based on the sum of (i) the funding for VRS, (ii) the funding for broadband, and (iii) the administrative and operational costs of the CTCC and the CFA.

### **Funding for VRS**

12. In Telecom Decision 2022-202, the Commission approved an application from the Canadian Administrator of VRS (CAV), Inc. (CAV) requesting \$30 million in funding for 2022.

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<sup>2</sup> The CFA is responsible for maintaining the system used by TSPs to report contribution-eligible revenue, calculating monthly contribution payments, collecting contribution, and paying subsidy, VRS funding, and broadband funding.

<sup>3</sup> The CTCC is responsible for establishing the procedures necessary for the operation of the NCF and contracting with a company to act as the CFA.

### **Funding for broadband**

13. Because the Commission determined that 2020 would be the first year of operation for the Broadband Fund, a funding amount of up to \$150 million will be available for 2022.

### **CTCC and CFA administrative and operational costs**

14. The Commission received notification from the CTCC that the estimated CTCC and CFA administrative and operational costs would be approximately \$1 million for 2022. This amount is included in the national VRS and broadband requirement.

### **Estimated 2022 national VRS and broadband requirement**

15. In light of the above, the Commission estimates the total 2022 national VRS and broadband requirement to be \$181 million.

### **Final 2022 revenue-percent charge**

16. The revenue-percent charge is calculated using the ratio of the national VRS and broadband requirement to the estimated total contribution-eligible revenues of all TSPs that are required to contribute.
17. The Commission considers that a final 2022 revenue-percent charge of 0.46% would be appropriate.
18. Accordingly, the Commission **approves on a final basis** a 2022 contribution collection revenue-percent charge of 0.46%, effective 1 January 2022.

### **Interim 2023 revenue-percent charge**

19. In Telecom Decision 2022-340, the Commission approved an application from the CAV requesting approximately \$29.9 million in funding for 2023.
20. In Telecom Regulatory Policy 2016-496, the Commission determined that the Broadband Fund would make \$100 million available in its first year of operation and would increase by \$25 million per year over the next four years, with the increases in years four and five contingent on a review of the Broadband Fund in year three to ensure that it is managed efficiently and is achieving its intended purpose. Because the Broadband Fund review has not been completed, the Commission considers that \$150 million will be made available from the Broadband Fund in 2023 on an interim basis.
21. Including the CTCC and CFA estimated costs of \$1 million, the Commission estimates that the amount to be collected in order to meet VRS and broadband requirements during 2023 is \$180.9 million.

22. Taking into account the estimated contribution-eligible revenues of all TSPs that are required to contribute, the Commission considers that an interim 2023 revenue-percent charge of 0.46%, effective 1 January 2023, would be appropriate.
23. Accordingly, the Commission **approves on an interim basis** a 2023 contribution collection revenue-percent charge of 0.46%, effective 1 January 2023.

### **Excess NCF funds after the December 2022 data-month is processed**

24. In Telecom Decision 2007-98, the Commission approved revised procedures for the operation of the NCF, which resulted in funds in excess of the CTCC's requested minimum balance being retained by the required contributors as uncalled contribution, rather than being held by the NCF as a cash surplus. The Commission indicated that it would direct the CFA to release the uncalled contribution at year-end because these amounts would not be needed by the NCF in that year.
25. While the Commission has made available a total of \$375 million in funding for the first three years of the Broadband Fund, not all of that amount will be paid out by the end of 2022. Any uncalled contribution associated with the unpaid portion of the Broadband Fund needs to be retained by the NCF for future payments.
26. In Telecom Decision 2019-383, the Commission approved the CTCC's request for a \$10 million minimum Prescribed NCF Balance.<sup>4</sup>
27. Therefore, the Commission considers that any uncalled contribution not associated with the Broadband Fund and in excess of the \$10 million minimum balance after the December 2022 data-month is processed is not required by the NCF and can be released.
28. Accordingly, the Commission **directs** the CFA to release any 2022 uncalled contribution that is not related to the Broadband Fund or the \$10 million minimum balance after it has processed the December 2022 data-month.

### **Conclusion**

29. The Commission **approves on a final basis** a 2022 contribution collection revenue-percent charge of 0.46%, effective 1 January 2022.
30. The Commission also **approves on an interim basis** a 2023 contribution collection revenue-percent charge of 0.46%, effective 1 January 2023.
31. The Commission **directs** the CFA to release any 2022 uncalled contribution that is not related to the Broadband Fund or the \$10 million minimum balance after it has processed the December 2022 data-month.

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<sup>4</sup> The Prescribed NCF Balance is money held by the NCF in reserve to ensure that sufficient funds are available each month to make the required payments.

## Policy Directions

32. The 2006 Policy Direction<sup>5</sup> and the 2019 Policy Direction<sup>6</sup> (collectively, the Policy Directions) state that the Commission, in exercising its powers and performing its duties under the *Telecommunications Act* (the Act), shall implement the telecommunications policy objectives set out in section 7 of the Act, in accordance with the considerations set out in the Policy Directions,<sup>7</sup> and should specify how its decisions can, as applicable, promote competition, affordability, consumer interests, and innovation.
33. The Commission considers that its determinations in this decision will help bring into effect its previous determinations, particularly those in Telecom Decision 2018-377 and Telecom Regulatory Policy 2014-187. The Commission considers that the determinations detailed therein are consistent with the 2006 Policy Direction and that their implementation promotes the objectives of the 2019 Policy Direction, by
- promoting the interests of consumers in areas benefiting from funding under the Broadband Fund and promoting the affordability of service in those areas through securing the funding necessary to support the Broadband Fund; and
  - promoting the interests of consumers of VRS, including the affordability and technical accessibility of telecommunications services, through securing the funding necessary to implement VRS.
34. The Commission further considers, in accordance with subparagraph 1(a)(ii) of the 2006 Policy Direction, that in so doing, it has employed a regulatory measure that is efficient and proportionate to its purpose, impairing market forces to the minimum required and allowing them to operate to the greatest extent possible. In particular, the Commission notes that it has established the revenue-percent charge only to the extent required to cover the documented and justified needs of the programs it is intended to support.

Secretary General

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<sup>5</sup> *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

<sup>6</sup> *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation*, SOR/2019-227, 17 June 2019

<sup>7</sup> The relevant considerations are the following: subparagraphs 1(a)(i) and 1(a)(ii) of the 2006 Policy Direction, which state that the Commission should rely on market forces to the maximum extent feasible as the means of achieving the telecommunications policy objectives, using regulatory measures that are efficient and proportionate to their purpose and that interfere with the operation of competitive market forces to the minimum extent necessary to meet the policy objectives; and paragraph 1(a) of the 2019 Policy Direction, which states that the Commission should consider how its decisions can promote competition, affordability, consumer interests, and innovation.

## Related documents

- *Canadian Administrator of VRS (CAV), Inc. – Application requesting video relay service funding for 2023*, Telecom Decision CRTC 2022-340, 15 December 2022
- *Canadian Administrator of VRS (CAV), Inc. – Application requesting video relay service funding for 2022*, Telecom Decision CRTC 2022-202, 2 August 2022
- *Final 2021 revenue-percent charge and related matters*, Telecom Decision CRTC 2021-384, 17 November 2021
- *Revised Procedures for the Operation of the National Contribution Fund, effective 1 January 2020*, Telecom Decision CRTC 2019-383, 28 November 2019
- *Development of the Commission’s Broadband Fund*, Telecom Regulatory Policy CRTC 2018-377, 27 September 2018
- *Modern telecommunications services – The path forward for Canada’s digital economy*, Telecom Regulatory Policy CRTC 2016-496, 21 December 2016
- *Video relay service*, Telecom Regulatory Policy CRTC 2014-187, 22 April 2014
- *Revised procedures for the operation of the National Contribution Fund, effective January 2008*, Telecom Decision CRTC 2007-98, 11 October 2007
- *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000