FRIENDS OF CANADIAN BROADCASTING

Submission to the House of Commons Standing Committee on Finance

February 12, 2016

"Grow the Economy…"

The Prime Minister has stated that the government's top goal is to "grow the economy". FRIENDS[1] wishes to draw the Committee's attention to a straightforward measure that would eliminate a projected $1.4 billion hit to the Gross Domestic Product. This would require nothing more than exercising one of the government's options under the Broadcasting Act to ask the CRTC to reconsider recent decisions on television policy based on government priorities.

The CRTC's 2015 Let's Talk TV Decisions

In the coming months, the Canadian Radio-Television and Telecommunications Commission (CRTC) plans to change some of the basic rules of Canadian television through a series of decisions known as *Let's Talk TV* (LTTV), among them:

- Outside prime time, broadcasters would no longer be required to air predominantly (50%+) Canadian programs.

- Beyond an "entry-level service" (sometimes described as 'skinny basic') available for $25/month – including all local/regional stations such as CBC-TV and educational broadcasters – cable and satellite subscribers would have the option of choosing any other TV channels they want – paying for them individually.

[1] FRIENDS is an independent watchdog for Canadian programming on radio, TV and online supported by 335,000 Canadians. FRIENDS is not affiliated with any broadcaster or political party (friends.ca).

Unbundling[2]

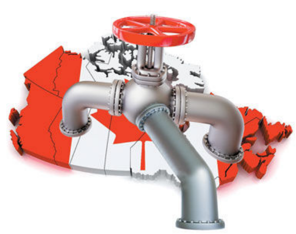
Research suggests that 15% of subscribers would opt for 'unbundling' their optional channels.

These changes are not expected to save money for subscribers. When he announced this decision on March 19, 2015, CRTC Chair Jean-Pierre Blais acknowledged that choice might not result in savings for viewers: "I've never promised pick-and-pay would be cheaper".[3]

That's because cable and satellite distributors such as Rogers, Shaw and Vidéotron will be able to adjust the prices of all the non-'skinny basic' channels as they see fit.[4]

Here's an analogy: you buy a box of chocolates for $10. The box contains 40 chocolates, so each chocolate costs 25¢. You decide you don't want to pay for all those chocolates. You just want the chocolates that contain cherries. So you go back to the store and ask to buy 10 cherry-filled chocolates instead. They cost $1 each. The next day you recall that your partner likes coconut chocolates, so back to the store you go again to buy some of those at $1 each.

Most people would end up paying more for less. A few would pay al little less for a lot less – as a direct result of changes to federal regulation. As Canadian specialty channels go belly up and Canadian program spending plummets, there will be fewer Canadian choices available.



As a consequence, Canadian viewers will end up with fewer choices and these would more likely be American. The proposed policy is akin to building a pipeline to transport more subscriber fees to Hollywood, leaving our TV choices less Canadian.

Why did the CRTC adopt these regulations?

Despite rhetoric about 'abundance', 'sophistication', 'integration' and 'transformation' – here's what really happened: the current CRTC Chair, Jean-Pierre Blais, a career federal public servant, was appointed by Stephen Harper almost four years ago. On June 18, 2012 he received a mandate letter from the then Heritage Minister, James Moore.[5] Reading

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[2] Unbundling is also known as 'pick-and-pay'.

[3] Toronto Star, *You'll Get more Options, But You Might Not Pay Less When All Is Said and done, Chairman Warns*, Sadiya Ansari and Raju Mudhar, March 20, 2015

[4] Nothing in the CRTC's new plans regulates prices beyond the 'skinny' basic.

[5] http://www.friends.ca/files/PDF/05letter.pdf

between the lines, and undoubtedly confirming the message from the Prime Minister's Office during the selection process, Blais was instructed to make 'consumer choice' a high-priority.

This message was underlined in the October 16, 2013 Throne Speech: "*Our Government believes Canadian families should be able to choose the combination of television channels they want. It will require channels to be unbundled, while protecting Canadian jobs*."

Blais got part of the message!

Even though the word 'consumer' does not appear in the Broadcasting Act,[6] this Harper instruction was the driving force behind the CRTC's LTTV decisions.

The CRTC has admitted that it reached its decisions without assessing their economic and employment impact.[7]

In June 2015 FRIENDS commissioned an independent expert assessment of the CRTC's Harper-driven decisions to quantify the damage to Canadian programming and to identify the economic and employment impact of LTTV.[8]

On January 5th five sponsoring groups jointly released a research study co-authored by Nordicity and Peter Miller: *Canadian Television 2020: Technological and Regulatory Impacts*.[9] Among its key findings: by 2020 the loss of:

- $400 million (18%) in Canadian program spending annually
- 15,130 Canadian media jobs (6,830 direct and 8,300 indirect)
- $1.4 billion to the economy (GDP) annually

The Harper Throne Speech instruction "*while protecting Canadian jobs*" got lost somewhere along the way.

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6 Except in Section 46(k) in a list of the powers of the CBC: to "produce, distribute and sell such consumer products as may seem conducive to the attainment of the objects of the Corporation".

7 The Toronto Star, January 5, 2016, *New TV regulations could cost 7,000 Canadian jobs*, *report warns*, Michael Lewis: "A spokeswoman for the CRTC said she is not aware of commission research forecasting economic impacts and job losses from the new rules, but said the regulator is confident the changes will generate opportunities."

8 In collaboration with ACTRA, the Canadian Media Guild, the Directors Guild of Canada and Unifor.

9 http://www.friends.ca/files/PDF/nordicity-miller-lets-talk-tv-economic-impact-forecast.pdf

The study's authors have advanced proposals to reduce the negative economic impact of the CRTC's decisions by as much as 75%: *"This would not, in our view, require 'turning back the clock' on all the Let's Talk TV decisions. It would merely require relatively minor 'tweaking' that recognizes Canadians as broadcasting policy has always recognized them – not merely as consumers, but as creators and citizens too."*[10]

As Randy Kitt, Unifor's Media Council Chair has said: "The war on evidence may be over elsewhere in government, but it seems to be alive and well at the CRTC. The Commission failed to release any economic impact data accompanying its announcements. This study fills a void, and should send a powerful message to the new government".

Where do Canadians stand?

A recent Nanos Research public opinion survey[11] provides answers:

- Two-thirds (64%) of Canadians believe it is the responsibility of the CRTC to ensure Canadian content on television and radio.

- Thinking as consumers, just under seven in ten (67%) are either satisfied (43%) or somewhat satisfied (24%) with the choice of US and other non-Canadian programming available to them.

- Eighty-five per cent of survey respondents believe there is a need for the CRTC in Canada today, with 41% saying there is a great deal of need, and 45% saying there is some need – up from 77% in 1993, when tracking began.

- Sixty-three per cent of Canadians feel that it is somewhat unlikely or unlikely that their monthly subscription fees would decrease as a result of the ability to pick and pay for individual channels.

- Three in five surveyed disagree with the notion that foreign companies broadcasting in Canada should be exempt from financially contributing to support Canadian programming (44% disagree, 16% somewhat disagree).

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[10] *Canadian Television 2020*, page 41, paragraph 105.

[11] A random telephone (land- and cell-lines) survey of 1,000 Canadian, 18 years of age and older, conducted between August 28th and September 3rd, 2015 by Nanos Research. The research was commissioned by ACTRA, Friends of Canadian Broadcasting and Unifor. The margin of error is ±3.1 percentage points, 19 times out of 20: http://www.friends.ca/poll/13122

- Almost seven in ten respondents (68%) report their impression of online streaming service Netflix (or Canal+ in Quebec) would be more positive if they contributed financially to support Canadian programming (44% more positive; 24% somewhat more positive).

- Almost four in five of those surveyed (79%) either agree (64%) or somewhat agree (15%) that foreign companies broadcasting TV programming into Canada over the Internet should be subject to the same rules as Canadian companies that broadcast TV programs by cable, satellite or over the air.

- Just under seven in ten (68%) of those surveyed believe at least half of TV channels received in Canadian homes should be Canadian owned and controlled.

- Just under four in five respondents (79%) believe it is important (53%) or somewhat important (26%) that at least half of the programs available on Canadian televisions channels remain Canadian.

What should the new government do?

Just as the new government has turned its back on Harper's policy of denigrating the CBC, it should take the same approach to Harper's LTTV decisions. It can do so without undermining the independence of the broadcast regulator. The Broadcasting Act affords the government several opportunities to nudge the CRTC to re-consider and reduce the job and economic impact of its recent decisions.[12] And the government also has the options of rescinding James Moore's June 18, 2012 letter and appointing new Commissioners – there are currently six vacancies.

The government's message to the Commission can be very succinct:

- A majority of programs aired by Canadian broadcasters should be of Canadian origin.

- A majority of channels distributed into Canadian households should be Canadian owned and controlled.

- Foreign broadcasters that distribute programs to Canadians should play by the same rules as Canadian broadcasters.

- Local programs should be a high priority.

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[12] See Sections 7, 15, 26 and 28

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