

# The House of Commons Standing Committee on Finance

## *Pre-Budget Consultation (PBC)*

Submitted by: The Canadian Association of Broadcasters

Submission Deadline: August 5, 2016 (11:59 p.m. EST)

### **Submission Instructions from the Committee:**

The focus of written submissions to the Committee and appearances in fall 2016 should be the following:

What federal measures would help **Canadians** generally – and such specific groups as the unemployed, Indigenous peoples, those with a disability and seniors – maximize, in the manner of their choosing, their contributions to the country's economic growth?

*For example, what measures in relation to education and training, labour mobility, workplace accommodation, labour market information and personal taxes would be most helpful in supporting the country's economic growth?*

What federal actions would assist **Canada's businesses** – in all regions and sectors – meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country?

*For example, what actions in relation to support for entrepreneurs, internal and international trade and investment, regional development agencies, taxation and business financing would help businesses maximize their contribution to Canada's economic growth?*

What federal measures would ensure that urban, rural and remote **communities throughout Canada** enable residents to make their desired contribution to the country's economic growth and businesses to expand, prosper and serve domestic and international customers in order to contribute to growth?

*For example, what measures in relation to broadband and other types of infrastructure, arts, recreation, tourism and climate change adaptation would help communities to support residents and businesses as they seek to take advantage of opportunities and contribute to the nation's economic growth?*

On behalf of the Canadian Association of Broadcasters, I want to thank the Standing Committee on Finance (FINA) for undertaking this consultative process ahead of your Report to Parliament with recommendations and priorities for Budget 2017.

The Canadian Association of Broadcasters (CAB) is the national voice of Canada's private broadcasters, representing the vast majority of Canadian programming services, including private radio and television stations, networks, specialty, pay and pay-per-view services. We are the voice and choice of Canadians. Private radio and television services enjoy by far the largest share of the market, and Canadian programming broadcast by those services attracts the predominant share of the total audience for Canadian content.

Background:

In 2011 the Canadian television broadcasters were mandated to convert to digital transmission freeing up 700 MHz band for mobile services. This vacated band was subsequently auctioned and raised \$5.27 Billion dollars for the federal government with no additional revenues being realized by the conventional television broadcasters.

In response to similar actions by the United States, as well as the growing demand for data-intensive content and applications, the government has further decided to repurpose a large portion of the 600 MHz band and make it available for mobile broadband use. As a result, the existing Over the Air (OTA) broadcasters that are currently using this band will be repacked and in some cases will require significant technological and infrastructure investments.

Canadian broadcasters bore 100% of the costs associated with the transition required for the 700 MHz repurposing, in many cases having to change, upgrade and broadcast on new channels in order to preserve their licences. The cumulative impact of now facing additional, and potentially more significant, costs associated with the expropriation of the 600 MHz band is placing broadcasters in an untenable and unfair position. It should be noted that although the broadcasting sector was very clear during the consultations that support for the 600 MHz repurposing was contingent on appropriate compensation, the department indicated that the issue of costs was outside their mandate for the consultation. The industry now faces the prospect of having to deal with increased costs and declining revenues, while OTA viewership increases.

The United States Precedent – Compensation for Expropriated Bandwidth:

In September, 2015, the United States and Canada published a *Statement of Intent* on a joint plan for the repurposing of the 600 MHz band. This cooperative implementation model will ensure a more harmonized usage strategy, especially along the international border. In light of this agreement, it should be noted that in response to the identical costs facing American broadcasters, the US Congress mandated the *TV Broadcaster Relocation Fund* which allocated up to US\$1.75 billion to cover these costs, with the monies coming directly from the proceeds of the newly available 600 MHz spectrum.

In terms of the objectives identified in the submission instructions, the situation described above is putting the future of OTA television broadcasting at risk and with it the risk of losing the capacity to inform and reflect local communities. In partial response to the current crisis in Canadian journalism, the Government recently announced its intention to undertake a comprehensive digital review. It is clear that the overall health of broadcasters is an important factor in maintaining newsrooms and ensuring the continued viability of OTA television, and support for local content, would not only be important first steps, but align nicely with the stated objectives of this review. OTA television is currently widely available, free and being accessed by over 32 million viewers. It serves as a critical communication channel during emergency situations, creates employment and helps develop the talents of Canadians, in addition, as referenced in the government *Decision on Repurposing the 600 MHz Band*, the Canadian Radio-television and Telecommunications Commission (CRTC) recently reiterated the importance of OTA television, which provides a viable, free and convenient way for all Canadians to access television programming that both informs and reflects their community.

Canadian broadcasters operate in highly regulated environment and in addition to remaining financially competitive must adhere to the policy directions contained in the *Broadcasting Act*. Specifically, *local and community programming should*;

- i. *be varied and comprehensive, providing a balance of information, enlightenment and entertainment for men, women and children of all ages, interests and tastes;*
- ii. *be drawn from local, regional, national and international sources;*
- iii. *include educational and community programs;*
- iv. *provide a reasonable opportunity for the public to be exposed to the expression of differing views on matters of public concern;*
- v. *and provide a wide range of programming that reflects Canadian attitudes, opinions, ideas, values and artistic creativity, by displaying Canadian talent in entertainment programming and by offering information and analysis concerning Canada and other countries from a Canadian point of view.*

While the CAB strongly supports these objectives, we believe that the cooperative culture that is necessary to achieve common policy objectives should also extend to the overall operation of our member companies, especially when decisions are made that both expropriate assets while simultaneously requiring significant investments to maintain regulatory compliance.

To that end, the CAB would encourage the Committee to consider recommending that the Government of Canada replicate the American model to compensate affected broadcasters for costs incurred in the transition to free up spectrum in the 600 MHz band for mobile services and to set up a fund to support local television. Both Initiatives could easily be funded from the proceeds of the upcoming auction of vacated 600 MHz spectrum and would represent no additional costs to the taxpayer. It should be noted that the United States, in response to the repurposing of their 600 MHz band, put in place both compensation for the loss of spectrum and

reimbursement for costs incurred. Canadian Broadcasters are not seeking compensation but simply reimbursement for the transition costs incurred.

In conclusion, the CAB fully supports the areas of focus that the Standing Committee identified for the pre-budget submission process and we wish you well in your efforts to advise the Minister, and Parliament, on the scope and scale of Budget 2017. The CAB would more than welcome an opportunity to appear before the Committee when you launch your pre-budget meetings in the fall and will indicate our interest through the identified process.

Respectfully,

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