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Chair

Mr. Gary Schellenberger

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• (1530)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Welcome, everyone, to meeting 11 of the Standing Committee on Canadian Heritage. Pursuant to Standing Order 108 (2), this is a study on the evolution of the television industry in Canada and its impact on local communities.

Our witnesses today, from the Canadian Radio-television and Telecommunications Commission, are Konrad W. von Finckenstein, chair; Michel Arpin, vice-chair, broadcasting, chairman's office; Scott Hutton, executive director, broadcasting; and Stephen Delaney, director, industry analysis.

I have Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chair.

Before we move to the meeting, I'd like to make all honourable members aware that I have moved a notice of motion that I'd like dealt with publicly on Monday with respect to calling the Canada Council for the Arts to appear before this committee.

Thank you.

The Chair: Thank you, Mr. Del Mastro.

I have been informed by Mr. von Finckenstein that his address will be a little longer than 10 minutes. I said I felt this would be fine. This is a very important issue, and we want to make sure we understand things.

Go ahead, Mr. von Finckenstein, please.

Mr. Konrad W. von Finckenstein (Chair, Canadian Radio-television and Telecommunications Commission): Thank you, Mr. Chairman.

You've already introduced my team, so let me get right into it.

Thank you for your indulgence. I thought it was necessary to set the framework, and therefore I'll take a few more minutes than is normal.

Let me start by thanking you for your invitation to be here today.

In the first three years of my mandate I have had the opportunity to discuss with this committee a number of matters related to Canadian broadcasting.

[Translation]

Today, you have asked us to contribute to your study on the future of Canadian television. This is a very timely study given that this industry is at a turning point. I will address the five issues you have identified in sequence, starting with the upcoming transition to a digital broadcasting environment.

[English]

The switchover from analog to digital is already well under way in many countries. Our neighbours to the south, for instance, had planned to turn off their analog transmitters last month, on February 17. As we have seen, they were not ready in time, and they have now pushed back the cut-off date to June 12.

You may be aware that digital television makes a far more efficient use of the airwaves than analog television. The digital transition will allow the government to free up the 700 megahertz spectrum for public security as well as for other purposes. It will also allow viewers to benefit from sharper television images and better sound quality through digital transmissions.

In Canada, this transition will occur by August 31, 2011, at the latest. The CRTC established this deadline nearly two years ago after consulting with the industry.

Over 90% of Canadians subscribe to cable or satellite television packages. However, that leaves a small number of viewers who rely on analog over-the-air signals. How do we ensure that these viewers continue to receive the local stations they currently enjoy after the transition? Given the size of our country, would it make financial or common sense to force broadcasters to replace every single analog transmitter with a digital one? Likewise, would it be unfair to penalize viewers by taking away their access to over-the-air stations and forcing them to pay for cable or satellite subscriptions? These are some of the questions we have to struggle with.

We brought together, last year, the CEOs of the broadcasting and distribution companies and asked them to find a solution. They have formed a working group to study the possible options. The working group undertook to submit its report to us before the licence renewal hearings for private conventional television stations get under way this April. We will post the report on our website, and it will be the focus of discussions at the hearings.

It is evident to everyone that the industry prefers a hybrid system. This scenario would see broadcasters upgrade to digital over-the-air transmitters in large and medium-sized markets, while cable and satellite companies would provide access to all local television stations in smaller markets.

In December 2008, the Minister of Canadian Heritage indicated that he would be prepared to ask us, under subsection 14(2) of the Broadcasting Act, to review and consider any technical matter relating to an industry-led solution to ensure universal access to Canadian conventional broadcasting. The emphasis here is obviously on universal access.

Up to this point, the process has been driven by the industry. We look forward to seeing its report and are confident that it will contain a workable solution to the digital transition challenge.

We are prepared to take the necessary regulatory steps to implement a hybrid system and to support local broadcasting. Among other things, we will need to revise our definition of a conventional broadcaster to ensure that local stations qualify for mandatory carriage, even if they do not broadcast their signals over the air.

• (1535)

[Translation]

Upon hearing from all interested parties, the Commission will carefully review the industry's proposals and how they will affect Canadian viewers before giving the report its endorsement. Some of the proposals may require the support or participation of other government departments.

Now I'm going to talk about local and Canadian programming.

The broadcasting system is made up of many different elements, but conventional television has always been its cornerstone. The other services that came along, such as pay and specialty, were built around this cornerstone.

[English]

Conventional television stations are expected to produce, acquire, and broadcast a significant amount of Canadian content, including drama series, documentaries, and in particular local programming. In exchange, they benefit from regular support in five key areas.

Conventional broadcasters enjoy mandatory carriage as part of the basic package offered by cable and satellite companies. They are allowed to solicit and air local ads. They have no minimum Canadian programming expenditures imposed upon them. They can draw from a number of funds that support the creation of Canadian programming, such as the Canadian Television Fund, soon to be replaced by the Canada Media Fund. They benefit from simultaneous substitution; that is to say, cable and satellite companies must substitute the signal of a foreign channel for that of a Canadian channel when the same program is aired at the same time on both channels.

[Translation]

This model worked very well for many years. It helped sustain a healthy television industry that is distinctively Canadian. However, conventional television now finds itself under a great deal of financial pressure, which the industry claims is threatening the viability of local programming. I know that this situation is as disconcerting to you as it is to the Commission.

[English]

The extent to which local programming is suffering in many markets was emphasized at several recent CRTC public hearings. In particular, television stations serving a population of less than one million are having a hard time maintaining the quality and quantity of their local programming. What's more, Canadians told us in no uncertain terms how much they valued their local television news.

In response, the commission has undertaken the following steps. First, in October 2008 we established a local programming improvement fund specifically to support this type of programming in smaller markets. Previously, cable and satellite companies were required to contribute 5% of the gross revenues generated from their broadcasting activities to support Canadian programming. We have now raised this contribution to 6%.

The increase, which will amount to roughly \$60 million in the first year, will be allocated to the new local programming fund. One-third of these funds, or about \$20 million, will be set aside for French language markets. The remaining two-thirds, or \$40 million, will be allocated to stations in English language markets. Stations that qualify for funding must use it solely on local programming.

Second, we settled the question of distance signals, better known as time shifting. This is a popular feature that allows satellite and digital cable subscribers to watch local television stations from other provinces. We decided that conventional broadcasters should be fairly compensated for the retransmission of their signals.

CTVglobemedia and CanWest estimated lost revenues from time shifting at \$47.2 million annually. We have therefore given conventional broadcasters permission to renegotiate with cable and satellite companies for their use. We hope the issue can be resolved through speedy negotiation and will result in an additional source of revenues for local broadcasters.

Third, we decided to take a different approach to licensing conventional broadcasters, which I will explain in a moment.

You also asked me to comment on diversity of voices. Canadian pay and specialty channels have been far more successful than anyone ever imagined when they were first licensed. That they have been gradually attracting more viewers is an indication of the strength of our television industry. On the other hand, it has resulted in a fragmentation of conventional television audiences. This phenomenon has become more evident with the emergence of the Internet as a means to view high-quality programming.

Canadian broadcasters have responded by acquiring specialty channels in order to retain their viewership. The most recent ones—the purchase of Alliance Atlantis by CanWest, and of CHUM by CTVglobemedia—amounted to over \$3.5 billion.

• (1540)

[Translation]

The trend toward greater media concentration raises the concern that a large ownership group could achieve a dominant position through acquisitions. The inherent risk with having a small number of large companies is that it could lead to a reduction in the diversity of voices in the broadcasting system. A democratic system like our own depends on a range of perspectives in news and information programming.

At the moment, the broadcasting system provides Canadians with a wide variety of editorial voices and programming choices. The Commission developed new rules to maintain this diversity of voices, which can be summarized as follows:

[English]

A single entity will not be permitted to control all three main sources of local news serving the same market, i.e., a radio station, television station, and a newspaper. At most, a party would be able to control two of the three.

Second, we will carefully examine transactions that would result in one party controlling between 35% and 40% of the total national audience share, commonly referred to as eyeballs. It will only be allowed if they do not endanger the diversity of voices.

Additionally, a single entity will not be permitted to control more than 45% of the total national television audience share as a result of any transaction.

And finally, a single entity will not be permitted to control the delivery of all television programming in a given market. There must be at least two providers.

The present environment suggests that we can expect more consolidation in the coming months and years. We will assess any future transactions against these rules that we have put in place.

[Translation]

Now I'm going to discuss cultural development funds.

Canadians can take pride in having developed a broadcasting system that provides an ample choice of programming, both homegrown and foreign. This is especially remarkable when you consider that we live next door to the largest producer of popular entertainment in the world and that a large proportion of our citizens share the same language.

Series like *Flashpoint* and *Les hauts et les bas de Sophie Paquin* show us that Canadian creators are more than capable of producing entertaining television, and that there is an audience for Canadian shows beyond our borders.

However, it is just as expensive to produce such high-quality programming for a small market like Canada as it is for the American market. Financial assistance is necessary to help Canadian producers bring their stories to the small screen. Through regulatory measures, we have encouraged the creation of independent funds that provide over \$50 million annually to independent producers.

[English]

The Canadian Television Fund was established to support Canadian productions. Earlier this month, the Minister of Canadian Heritage announced that the CTF and the Canada New Media Fund would be merged into a new fund, the Canada Media Fund.

In creating the Canada Media Fund, Minister Moore made the very wise decision that it should support the production of Canadian content for all platforms, including interactive digital media. We welcome this announcement and are pleased that cable and satellite companies will support the new fund with their financial contributions.

As you know, the commission held public hearings in February and March to look at broadcasting in the new media environment. I cannot at this point comment on our decision, owing to due process concerns, but one thing became clear: traditional media and new media form a continuum. Supporting both makes eminent sense and means moving with the times.

Finally, you asked us to comment on the commission's upcoming final hearings to renew the licences of private conventional television stations. Our normal practice is to issue a licence for a seven-year period. In doing so, we attach a number of conditions having to do with programming commitments and closed captioning, among others. However, as I mentioned a few moments ago, the global financial crisis is having a pronounced effect on conventional broadcasters. They live off advertising revenues, and economic conditions have resulted in belt-tightening by the media and by us. One of the biggest buyers of air time is the automotive industry. I don't have to tell you that General Motors and Chrysler are facing possible bankruptcy. This obviously reflects on their purchase of advertising.

With ratings down in Canada, conventional broadcasters face an acute revenue crisis and must find ways to drastically reduce costs. Given these exceptional circumstances, the commission is willing to ease its regulatory obligation in the short term. Last month we reduced the scope of public hearings to only a few points.

We will renew the licences for one year only, given the impossibility of making long-term plans under the existing circumstances. We will thereafter issue licences for seven years on a group basis rather than a category basis, i.e., all speciality and conventional channels owned by one group will be licensed at the same time and will be considered at the same time.

We will consider lower levels of local, priority, and independent programming that each station will be required to broadcast over the 12-month transition period.

We will explore whether conditionally requiring a 1:1 ratio between Canadian and non-Canadian programming expenditures should be introduced for conventional broadcasters for the upcoming broadcasting year and/or on a seven-year basis for the broadcasting groups starting in 2010.

We will discuss with the industry and hopefully endorse the digital transition report that I mentioned earlier.

We will finalize the terms of the Local Programming Improvement Fund, particularly those relating to eligibility and allocation of funds. Our aim is to begin distributing the funds in September 2009, i.e., in a very few months.

I will now say a few words about a fee for carriage, which you no doubt have heard much about. Certain broadcasters have renewed their calls for a fee for carriage of local conventional television signals. It is quite likely that a representative will appear before you to make the case for such fees. They argue that a fee for carriage is necessary to provide stable revenues. The commission turned down this request on two separate occasions, most recently in October 2008. The conventional broadcasters were unable to give us a solid commitment on how the fees would be used to improve Canadian broadcasting systems and specifically how they would be used to improve local programming. We also took into consideration the fact that their overall revenues had been stable in recent years, yet their expenditures on foreign programs had been climbing steadily. Furthermore, they had just completed major multi-billion-dollar transactions, indicating that lenders had confidence in their business plans.

• (1545)

[Translation]

That being said, we realize that there is a major problem in non-metropolitan areas as far as local content by conventional broadcasters is concerned. That's why we created the Local Programming Improvement Fund. In our view, that fund is part of the answer to the revenue problem conventional broadcasters face. Of course, the question that always arises is: What is the appropriate amount? This is one of the issues that will no doubt be raised at our April hearings.

[English]

As an aside, I can tell you that the CRTC this morning decided to issue a public notice that will enlarge the scope of the April 27 hearing to specifically address two issues: the adequacy of the 1%, and the date on which the distribution for local signal provisions should come into effect.

While our current focus is quite clearly set on helping the industry weather the storm, the combination of the arrival of the new media as a possible alternative system of distribution and the onset of the global financial crisis have shown us that the current model is in desperate need of a systemic solution. We have an opportunity and an obligation to rethink our traditional assumptions and to move forward with a long-term vision for the Canadian television industry. This is not something the commission will be able to do alone. It's a process that will require everyone to step up and to table with us bold and creative ideas.

During the summer months we will initiate a public process to find a more effective way to achieve the Broadcasting Act's objectives, taking into consideration the new economic and technological realities. This approach will then be used to assess the future licence renewals on the basis of ownership group.

Let me conclude by sharing with you the exact words that I spoke a month ago at the Canadian Film and Television Production Association in February:

We need to face the new reality squarely:

- Conventional television is no longer the cornerstone or the centrepiece of our broadcasting system; however, it is still the best way to reach a huge audience in one go.

- Conventional television can no longer bear the largest part of the obligations under the *Broadcasting Act*.

- We have an industry that consists primarily of a few integrated broadcasting groups, and there may be further consolidations.

- These integrated groups will create, acquire and deliver programming in every possible way, over every available platform.

- We need to define the appropriate role of the public broadcaster in this new environment.

Our current model is a jumble of differing rules for different categories. What is required is not a piecemeal fix, but a systemic structural solution. That's what the process of the coming months is all about.

• (1550)

[Translation]

The Commission has been proactive in addressing the challenges facing the conventional television sector. We appreciate that it is under a great deal of financial pressure and we are committed to providing whatever help we can.

[English]

Thank you for giving me the time to set the scene of what we're facing. We're ready to answer your questions.

The Chair: Thank you for that presentation.

Our first question comes from Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you, Mr. Chair, and I'd like to thank the members of the commission for coming.

Mr. von Finckenstein, I thank you very much for your presentation, and other members as well. You have a hearing that's coming up in April. I'll ask my questions fairly quickly, but please don't think I'm being rude by interrupting. Time is of the essence.

Would it be fair to say that you're biting off more than you can chew on this one, as far as April is concerned, because you've got some major policy decisions based on over 80 licence renewals? Are they going to be all short-term licence renewals, all of them across the board only a year? For instance, if I bring up the issue of a fee for carriage, how are you going to address it? Is this a *fait accompli* for you? Is this done? Is this issue over?

Mr. Konrad W. von Finckenstein: First of all, we realize the financial pressure the industry is under. We realize they have a major revenue crisis. That's why we switched course. We were going to have licence hearings in April, for seven years. We said no, nobody can plan for seven years. You're fighting for survival. Let's make sure you survive for one year. We'll lessen your load. These are exceptional circumstances that require exceptional measures. So we will just renew you for one year. We'll look at the things that are the most onerous for you, and we'll see what is the appropriate amount, such as priority programming and local programming, etc.

Secondly, we have to rethink the thing and come up with rules that make sense. We'll do this over the summer so that when we approach you for licensing next April, we'll do it on a group basis. Take a group such as Rogers, for instance. They have conventional broadcasting, such as Citytv, and they also have specialty channels, such as Sportsnet. With CTV you have the conventional CTV—you have the A channels, which are the secondary channels, and you also have the specialty channels, among them, for instance, TSN, which is extremely lucrative.

We say let's look at it as one group and make sure that the burden is carried by that group rather than by—

Mr. Scott Simms: Okay. That, I get. So you're going to look at an ownership group basis, especially during the summer. Is that correct?

• (1555)

Mr. Konrad W. von Finckenstein: No, next year, in 2010.

Mr. Scott Simms: Next year, in 2010? That's a long time coming. In the meantime—

Mr. Konrad W. von Finckenstein: For the year, yes.

Mr. Scott Simms: But it seems like there are short-term measures in here, like the improvement fund you talked about. There aren't a lot of details on this yet. At least, I don't think so.

Mr. Konrad W. von Finckenstein: I just told you—

Mr. Scott Simms: I understand that, but it also seems like we have a hodge-podge of little measures here that will get us over the initial hump, because local television right now is slowly disappearing. I fear it's going to disappear faster than you anticipate.

Mr. Konrad W. von Finckenstein: I have the same fear. That's why we have the local improvement fund, which we have already instituted. Last October we announced that it will pump into the system \$60 million that they don't have right now.

The distance signal, by the companies' own admission, is worth something like \$40 million. Others have put the number at \$70 million. I don't know. They will have to negotiate that. As I announced, we just decided this morning about when the starting date is for when you have to pay for those distance signals, which the BDUs carry. We originally fixed it at 2011, but we will have discussions in April on how to advance it, because we want to see more revenue flying into conventional television. They need it. There's no doubt about it.

Mr. Scott Simms: What are you going to say to an ownership group about local television? You talked about major systemic changes and a new business model for conventional television, or, for that matter, for television, period. Where do you see local television in the mix of a larger ownership group?

Mr. Konrad W. von Finckenstein: Local television is the centrepiece. It's our major concern. That's why we created the Local Programming Improvement Fund. We turned down the fee for carriage because it was a straightforward—

Mr. Scott Simms: Is that done? Is that issue done? Are you finished with the fee for carriage?

Mr. Konrad W. von Finckenstein: No. Let me finish my answer.

Mr. Scott Simms: Sure.

Mr. Konrad W. von Finckenstein: I'll gladly give you an answer.

We've turned it down because it wouldn't have done anything for local content, which is exactly the thing you're working on. I asked the people to understand. I said, "If we give you a fee for carriage, are you going to commit to a certain local content, especially in the smaller markets?" I got a resounding no. That's why we didn't do it.

Is the issue of fee for carriage dead? No, of course not. It will be raised as part of the overall systemic rethinking over the summer. People will put it on the table and discuss it. They'll ask if it can fly, how would it fly, and what would be the conditions. I have no idea. As part of the overall package, there may very well be a fee for carriage, or there may not be. I can't prejudge that right now, but for April 27, it's not on the table.

Mr. Scott Simms: Okay. So—

The Chair: Excuse me, Mr. Simms. Your five minutes are up.

Mr. Scott Simms: Oh boy.

The Chair: Ms. Lavallée, please.

[*Translation*]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you, Mr. Chairman.

Thank you for being here, Mr. von Finckenstein.

We realize that our committee's study on television has come at the right time and is extremely important. This morning's announcements of cuts to the CBC is a clear reflection of the state of crisis in television. In the CBC's case, the crisis is accentuated by the government's inaction and insensitivity as well as its ardent opposition to public radio. However, that isn't the subject of our meeting today.

When I knew that you were coming, Mr. von Finckenstein, I prepared some questions. However, following your remarks, my questions are no longer relevant. I'm nevertheless going to put them to you, because the answers I have obtained thus far aren't complete. So you'll be able to complete them.

With regard to regional content, I want to remind you that Quebecor asked you to reduce local programming from 21 to 12 hours, particularly at its Quebec City station. I had prepared my question taking it for granted that you would accept no reduction in regional content or softening of the requirements, but I see that the contrary is the case. I wanted to know how the CRTC intended to help private broadcasters. However, I see on page 5 of your brief that, given the exceptional circumstances, you are willing to ease regulatory obligations in the short term.

I would like you to tell me about that, after which I'll ask you my second question.

Mr. Konrad W. Von Finckenstein: Commercial television has an obligation to broadcast a certain number of hours of local programming. However, it isn't harmonized, it isn't equal on all stations. It varies from four to 36 hours a week. That depends on the period when the television station applied for its licence and what it has to offer.

In the current situation, however, it is impossible to provide that kind of rate of local programming. Since we want the stations to survive, we are prepared to lower these quotas and to harmonize them so that all stations are subject to the same local content obligations.

•(1600)

Mrs. Carole Lavallée: The CRTC is as complicated as commercial paper. So I want to make sure I understand. You're saying that you want to harmonize the number of hours of local programming that a broadcaster must broadcast? Is that what you're saying?

Mr. Konrad W. Von Finckenstein: As I said, the obligations now vary among the various stations. Some stations have minimum obligations, others have very high obligations. It seems to me that must be harmonized, first of all. Second, for the coming year, on an exceptional basis, we may lower them. We've done that in the case of TQS, for example, to give it a chance to survive. My colleague Mr. Arpin can explain the situation to you, citing the case of TQS as an example. That's exactly what I'm talking about.

Mr. Michel Arpin (Vice-Chair, Broadcasting, Chairman's office, Canadian Radio-television and Telecommunications Commission): Thank you, Mr. von Finckenstein.

The answer that the chairman gave you is a pan-Canadian answer. Indeed, as he pointed out, there are market size disparities among the major networks, whether it be CTV, Canwest, A-Channel, e-Channel or Citytv. In the case of the francophone market, we have one station that is a bit different because there is relative parity among the regional stations, except in Quebec City. In Quebec City, there are much stiffer production obligations than in the markets of Trois-Rivières, Sherbrooke and Saguenay. That's based on the market size and dynamic of Quebec City. It's hard for me to comment on the specific nature of the TVA group application, since the hearing will not be held until the end of April and we haven't yet heard the evidence TVA will want to submit. So this is an important issue for TVA's appearance and an important issue for the decision the CRTC will be called upon to make.

In the case of TQS, the CRTC found itself in a situation in which a business was in bankruptcy, and we ultimately agreed to a compromise for a short period of time. That's not the case of TVA, which is not a bankrupt business. At least—

Mrs. Carole Lavallée: That would be quite a surprise.

Mr. Michel Arpin: This morning it wasn't. So in that respect, we agreed to a levelling-down, but one that will end on August 31, 2011. The CRTC is in regular communication with the new operators of TQS. We're seeing some light at the end of the tunnel, and, before 2011, I expect we'll see an increase in local production in the regions.

Mrs. Carole Lavallée: The fact remains that TQS—

[English]

The Chair: We move on now to Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you, Mr. Chair.

I'm very pleased to have you here. What brings us here I think is the issue that's facing our local and regional television services. We want to make sure that whatever decisions are made through the CRTC have the best benefits of our regions in mind.

I'm looking at one of our stations in crisis, Windsor A-Channel. Twenty-five percent of the houses in Windsor receive their television through satellite, so they can watch A-Channel Victoria, Ottawa, or Barrie, but they cannot watch A-Channel Windsor. How does A-Channel Windsor compete when 25% of the houses in its market can't access it?

Mr. Konrad W. von Finckenstein: You of course pick on Windsor, which is a very special situation. You're right next door to Detroit and they have the whole American programming offered over the air. Therefore, you have a very low subscription rate to cable and satellite to begin with.

Secondly, as the Windsor station itself has a very low local content program—

Mr. Charlie Angus: But they couldn't see it even if they wanted it. This is satellite.

Mr. Konrad W. von Finckenstein: Hang on. Let me just get the facts on the table.

Scott, can you enlighten him on what the situation is in Windsor?

Mr. Scott Hutton (Executive Director, Broadcasting, Canadian Radio-television and Telecommunications Commission): There's a wider service area than just Windsor, but let's call it the Windsor station for now. There are approximately five to seven hours over that territory of local programming that are required from that station.

•(1605)

Mr. Charlie Angus: I'm not interested in that. I was interested in why there's no obligation on the satellites. You say Windsor is special. In Sudbury the direct-to-home is 47%, but I only have five minutes here so I'm going to have to move on.

We try to get the numbers of what the broadcasters are making and what's going on in costs and local. It's difficult. We crunch our numbers, and it seems like four out of the last 15 years is the only time they've lost money at the local level. Last year they made potentially \$387 million in ad revenues, and it cost them about \$385 million. Yet we're being told that the crisis is local.

The CRTC has denied numerous requests for station-by-station financials. Under section 25 of your rules and procedures you could make those statements public if it was in the public interest. Would you not agree that at this time, when we're talking about systemic regulatory changes to service in Canada, it would be helpful to make the financial statements public so we actually know what the extent of this crisis is?

Mr. Konrad W. von Finckenstein: We make public as much as we can, which we feel is the happy medium that lets companies compete and have commercial confidentiality while not having it displayed publicly and putting them at a disadvantage. On the other hand, there is enough information so that people who appeared at our hearings and commented have an understanding of what's going on. Mr. Delaney can tell you the exact level of what we make available.

As with all disclosure, there are always two sides of the coin. On the one hand, you try to protect the commercial confidentiality of an enterprise, but on the other hand, as you pointed out, there's a public need for information so people can make informed decisions. It's where you cut the balance.

I can't agree with you that making the financials of these stations available in any detail would not hurt them. It would clearly put them at a disadvantage.

Stephen, perhaps you can say what we make available.

Mr. Charlie Angus: Sorry, I only have five minutes. I appreciate your answer.

I guess my concern is that to me, one of the big obstacles has been the CRTC. I mean, the CRTC has rubber-stamped ownership acquisition after ownership acquisition, and the argument, we have been told, is that it would protect local. You've gutted the obligations for Canadian content. And now what are we seeing after all this time? U.S. programming has gone up 75% since 2000 and Canadian programming is stagnant.

We have not seen evidence of losses at local television networks to justify the so-called extent of the crisis. What we're seeing is that some companies have massively overleveraged themselves because they've been allowed the consolidation. We see the money coming from specialty channels, but the losses are being felt on the backs of local, and yet you're saying here that you would consider lower levels of local programming.

Mr. Konrad W. von Finckenstein: It would be on an exceptional basis.

Mr. Charlie Angus: It shouldn't be on any basis, unless you can provide actual numbers to justify why it is that local services and local Canadian content, which have taken the brunt of every CRTC regulatory change over the last 15 years, should be the ones to be sacrificed at this time. I would have a very difficult time going back to the public and saying that we did due diligence. We don't even know the numbers, and we are seeing clearly that the spending is disproportionate. You're expecting us to accept that in any circumstances local is going to pay. I don't know how you can justify that.

Mr. Konrad W. von Finckenstein: First of all, I don't agree with your description of us as rubber-stamping. We spend an awful lot of time on ownership transfers before we approve them or don't. We weigh a whole host of factors, not only local content and ownership. Be that as it may, you obviously have a different view on that.

Mr. Charlie Angus: Ninety percent of the market is controlled by two stations now. That's rubber-stamping.

The Chair: Mr. Angus, your time is up.

Now we'll go to Mr. Del Mastro, please.

Mr. Dean Del Mastro: Thank you very much.

I thank our guests today from the CRTC for appearing.

I'd like to go back to what Mr. Simms had to say and to also pick up on where Mr. Angus was.

I had the opportunity to view a very recent poll, which I believe came from the Strategic Counsel, that talked about how much Canadians value local television, specifically local television news. They have said, as you've indicated, Mr. von Finckenstein, how much it means to them, very clearly.

You also pointed out in your response that Canadians are paying. They are paying a fairly significant amount into a fund for local programming. They're paying it in their cable bills or in their satellite bills. You talked about the 5% gross revenues that are kicked into a fund. That has increased to 6%. You said that the 6% was roughly \$60 million per year. Being a math guy, I worked that out, and it's about \$2 per Canadian just for the increase. They're now kicking in about \$12 for every Canadian.

I'm not sure how many satellite or cable subscribers there'd be in the country, but I would suggest that probably one-quarter of Canadians actually have a subscription.

• (1610)

Mr. Konrad W. von Finckenstein: There are 10 million.

Mr. Dean Del Mastro: There are 10 million subscriptions for cable or satellite in Canada. That would mean that each subscriber is paying about \$36 per year for local programming. Is that correct?

Mr. Konrad W. von Finckenstein: Mr. Delaney can walk you through that.

To put things in perspective on the fee for carriage we turned down, CTV and CanWest asked for 50¢ per signal. In Toronto that would have meant an increase for cable subscribers of \$6.50 a month; in Montreal it would have been \$4.50 per month, and \$6.50 per month in Ottawa.

Mr. Dean Del Mastro: Right. I understand that.

I just want to highlight that there is a very substantial amount of support going into this fund. And certainly when we talk about fee for carriage, we have to understand it. I'm not here to suggest... You made your findings, and I'm aware of the findings you came up with.

What nobody has asked local television subscribers is whether they are prepared to pay a tax, essentially. Are they prepared to pay an additional fee for their local networks over and above what they're already paying?

You talked about looking at the adequacy of the 1%. It seems, by the way you presented it, that you are already setting it up, saying we're likely going to increase the 1%. This is really a buried tax that subscribers are going to have to pay.

I have concerns around this. Obviously I share the concerns on local networks, but I'm also very concerned that people don't understand what they're already paying for and they haven't been asked how much more they're prepared to pay.

Mr. Konrad W. von Finckenstein: I'm sorry I've given you the impression that I am prepared to go above.... I'm saying that I'm opening the question of the 1%. It seems that we have a crisis, and before we restructure the system we have to make sure there's a system left to be restructured. If anything, the 1% would be for this coming year.

They have a real revenue crisis. There are other things that can be done on the revenue crisis, especially by the government, but this is one people have raised, so we said we would entertain it. I have not made a decision at all.

Mr. Dean Del Mastro: I want to come back to fee for carriage, because Mr. Simms raised it. If we're going to talk about fee for carriage and the sensitivities around it, certainly at the subscriber level, I think there would be sensitivity. I think there would be outrage among certain groups.

Would you allow people to not have to take a given television network if there is a fee for that network? Would you allow them to take that out of their basic cable? Would it also be back on the table for automatic substitution for the providers? Would these be things that you would have to consider under fee for carriage? If they're moving toward a system like the pay networks, the specialty networks, and some of these other things that have been set up, aren't you going to have to put these things back on the table?

Mr. Konrad W. von Finckenstein: Absolutely. If, or when, we start our whole rethinking process—a systemic process—if people want to raise the issue of fee for carriage, which undoubtedly they will, then you have to look exactly at the point; you have to put it in context. Our biggest problem with the fee for carriage is local television in the non-metropolitan areas.

Mr. Dean Del Mastro: I agree.

Mr. Konrad W. von Finckenstein: The fee for carriage does absolutely nothing for them.

The local improvement fund we have established is directly aimed at that problem. It is supposed to give money directly to the small communities, where they have a television station that doesn't thrive and it cannot produce local content because it doesn't have the revenue.

•(1615)

Mr. Dean Del Mastro: I agree. I think it's a good program, sir.

The Chair: Thank you.

Ms. Dhalla.

Ms. Ruby Dhalla (Brampton—Springdale, Lib.): Thank you very much for coming before the committee today.

I have a couple of different questions. I know we only have five minutes.

Mr. Del Mastro, along with my colleague Scott Simms, brought up a very important question. When we're talking about issues like fee for carriage, issues of digital transition, ultimately in a time of

economic crisis, not only are the broadcasters, the cable and satellite companies, suffering, but there are also Canadians suffering. They are struggling to make their mortgage payments and pay their bills and put food on the table.

On the issue of cable bills, do you think there needs to be more accountability and transparency in those cable bills so that individuals know what they are getting and what they are paying for? Unfortunately, I don't have a copy in front of me, but it basically says the amount and you pay for it. People do not have the knowledge or information they need. When you have your hearings at the end of April, do you think this issue needs to be looked at?

Mr. Konrad W. von Finckenstein: No, it's not part of the issue we are going to look at. We just had a major hearing on what's called broadcast distribution undertaking, which is cable and satellite. We established the rules and we said this is the minimum you have to carry. On the other hand, there are various ways you can receive your signal nowadays. Obviously, you can receive it by satellite or by the cable provider. You can get it over the telephone wires in some areas. This is going to continue to increase.

The cable companies also have considerable challenges ahead of them. We established the minimum rules for cable companies, telling them that's what they have to do, and especially, they cannot discriminate on who they carry and what...etc. But basically, this is a free market, and they can operate it as they see fit. Customers will vote with their feet. If you charge too much, they just won't subscribe to you.

Ms. Ruby Dhalla: With regard to the transition for digital programming, I've had a chance to take a look at some of the speeches and remarks you've made in the past. One of the challenges you outlined was that broadcasters are going to have to make significant investments in infrastructure in terms of equipment and facilities.

You were proposing in your speech today a hybrid system. Who is going to be absorbing that cost for the hybrid system? Is it going to be the cable and satellite? Is it going to be the consumer? Is it going to be the broadcaster? Who is going to be absorbing that cost?

Mr. Konrad W. von Finckenstein: That's a good question. As you'll notice, the last paragraph in that portion says there may also be contributions from other parts. A lot of people, especially in the industry, say there should be some contribution from the government, because the spectrum was going to be auctioned off for a lot of money. Maybe that will happen, or not, but first of all, that's why we brought all the CEOs together in the room and said, work out a plan for the costing. How much would it cost for the 10% of Canadians who receive the signal over the air now to connect them with either cable or satellite? How much would it actually cost, and how would you do it? It would also be a great marketing opportunity to get new customers. So you should obviously bear the major.... And that report will be tabled with us prior to April 27. I haven't seen it yet, so I can't comment.

Ms. Ruby Dhalla: Was that report not due in February? What has been the delay in that report coming forward? From information that we have it was supposed to be received February 2009.

Mr. Konrad W. von Finckenstein: Exactly. They promised me to have it on February 15. They hired an outside third party to help them negotiate. That's essentially a negotiation with—

Ms. Ruby Dhalla: You're the boss. You have to make sure that report is delivered on time.

Mr. Konrad W. von Finckenstein: I tell you I wanted it on February 15. I'm told now I will get it on April 27 or before.

Ms. Ruby Dhalla: Do you think the government's delay and inaction, perhaps from the minister to you as the head of CRTC, has resulted in the closure of all of these local television stations and regional programming? I know you've spoken about the Local Programming Improvement Fund, but it's evident when you talk to people who live in cities and municipalities like Wingham, Wheatley, Brandon, Victoria, Barrie—and the list goes on across the country—that the Local Programming Improvement Fund hasn't been able to do a lot to save local news and regional programming in those areas. Should the minister have provided direction much sooner than the hearings that are being held in April to ensure some action so that these people, these Canadians, wouldn't have to suffer?

• (1620)

Mr. Konrad W. von Finckenstein: I don't think anybody foresaw what is happening. In effect, when we held our hearings on the BDU, we didn't foresee that there would be this drastic fall in revenue. Commercial broadcasting lives on advertising—purely and simply. The biggest advertiser in Canada is the automotive industry. The automotive industry is going bankrupt. So suddenly their source of revenue shrank dramatically in a way that nobody could anticipate. That's really what we are seeing.

The broadcasting industry is no different from any other industry. They're feeling the effect of the broad economic crisis.

Ms. Ruby Dhalla: We need to provide them with the parameters, because having multiple hearings is—

The Chair: Ms. Dhalla, it's over.

Mr. Pomerleau.

[Translation]

Mr. Roger Pomerleau (Drummond, BQ): Thank you, Mr. Chairman.

Thanks to the four of you for coming to present this study that, in a way, will launch the study we'll be conducting in the next few months.

I understand completely that we're dealing with a major problem: people in broadcasting aren't getting enough money. In the circumstances, the remote regions are having trouble getting local content and that's why you're establishing the Local Programming Improvement Fund.

How will that fund operate? What will be the funding criteria? How big will the funding be and who will be responsible for its use?

Mr. Michel Arpin: When the fund was established, the commission determined a number of criteria. It asked the Canadian Association of Broadcasters to review those criteria and to suggest others, which it did not do. It also asked the association to suggest operating mechanisms. The CAB forwarded its report to us in mid-February, and it will be part of the discussions at the April 27 hearing. The report essentially proposes that an independent fund be established with its own board of directors. Funding distribution would be managed by an independent administrator.

In its initial decision, the commission had already stated that it expected one-third of funding to go to French-language television. That's one of the criteria we established, which moreover was not challenged by anyone.

Out of a fund of \$60 million, as mentioned a little earlier, \$20 million will go to support local programming in the francophone market, which, with the exception of a few Radio-Canada stations, is essentially in Quebec.

Mr. Roger Pomerleau: All right.

You're currently trying to find a systemic way of addressing the problem. To that end, you're recommending that everyone propose bold, innovative and creative ideas. Who were you thinking of?

Mr. Michel Arpin: One proposal has already been submitted to the community because we saw it in the specialized magazines. One financial analyst suggested a fundamental review of the Canadian broadcasting system. We're asking people to send us their ideas. Are there other ways of doing things than through subscription rentals? Are there other ways of regenerating traditional television so that it can reach a satisfactory level of profitability and be redeployed?

The commission has ideas, obviously. One group of specialists is suggesting avenues, but we're also asking people who work in the communications sector and who are interested in the issue to consider this question. We're going to compile the figures next summer, analyze them, hold consultations and draw some conclusions.

• (1625)

Mrs. Carole Lavallée: I'm going to complete the five minutes.

You said earlier that you had to reduce the number of hours of local content to assist private broadcasters in keeping their local stations. Did I understand correctly?

Mr. Michel Arpin: No, we didn't talk about hours. Obviously, renewal proposals have been filed, but the commission hasn't advocated a reduction in the number of hours. Perhaps we referred to a pan-Canadian harmonization. We know that some networks and some stations have five hours a week, while others have 32. Perhaps we should consider harmonization.

Mrs. Carole Lavallée: Thank you.

[English]

The Chair: Thank you.

Mr. Bruinooge, please.

Mr. Rod Bruinooge (Winnipeg South, CPC): Thank you, Mr. Chair.

I appreciate the testimony so far from the witnesses, and I look forward to hearing more from you today.

In Canada today we see a considerable problem with revenue streams that many of the broadcasters had counted on in the past. There are many reasons for that; however, local broadcasting and news coverage is a significant cost to many broadcasters. It is somewhat expected by local communities, but at the end of the day it is quite an expense to many of the broadcasters.

In Manitoba we have an extensive local network of reporters who put in a lot of time covering all the local stories, yet in terms of the bottom line for these important companies, they don't see a lot of revenue from that. Of course they are now looking for ways to improve their revenue streams.

Over the years we have seen—whether it's the fault of the CRTC or not—barriers put in front of the major broadcasters, the traditional broadcasters, to be able to expand revenue streams. You mentioned how the specialty channels were not necessarily seen to be major revenue drivers when they were first brought about. I'd probably disagree with you on that. The traditional broadcasters did see a lot of potential in those opportunities but were somewhat prevented from being able to take part in a meaningful way. As such they don't have a large presence in that, as you well know.

As to time shifting, it's a similar situation. The local broadcast is typically not watched as often anymore because time shifting exists. Consumers locally will watch a broadcast from B.C., whereas in Manitoba they don't see the local ads because they're watching the B. C. broadcast. So I think it's important that the broadcasters be allowed to negotiate in a good business way and that you not get in their way in negotiating with the cable companies.

My main point is that your body has significant influence over the way these broadcasters can operate. It is within your power to be able to extend new revenue streams to them. We've talked a lot about a fee for carriage today.

I want to first ask you a few questions. Wasn't it in 1971 that the CRTC actually authorized your body to extend a fee-for-carriage revenue stream to broadcasters?

Mr. Konrad W. von Finckenstein: Go ahead, Michel.

Mr. Michel Arpin: I was on staff at the CRTC in 1971, and when I left in 1979, specialty services were not yet in existence. By the end of the seventies the CRTC had received applications for pay TV services and had denied those applications. To my recollection, the first specialty services came into place in the mid-eighties.

Mr. Rod Bruinooge: I have a quote from an article in *The Globe and Mail* on July 17, 1971, that reads: "Ottawa board directs cable firms to pay TV stations for programs". There were substantial discussions at that time. So I think it's well within your ability to offer that at this time.

Mr. Michel Arpin: I wasn't a commissioner, so I have no comments to make.

● (1630)

Mr. Konrad W. von Finckenstein: What is the exact question?

Mr. Rod Bruinooge: Should you identify that broadcasters are in peril right now, and I know they are.... In my home community we have a substantial corporate presence—Canwest Global—that is going through considerable difficulty right now. They're an important player in Manitoba. They give considerably in charitable services throughout our province and the country. Many broadcasters, including CTV, have been calling for additional revenue streams. So I think it's essential that your body assist these important businesses—which are private sector and haven't relied on government subsidies—so they can continue offering these important services to our local constituents.

Mr. Konrad W. von Finckenstein: If you're asking whether we have the authority to order a fee for carriage, we do. We said that unequivocally in our decision. We didn't do it for the reason I specified because it would have done nothing for what we identified as a key problem, which was local content, local broadcasting.

Mr. Rod Bruinooge: So you don't think the new revenue stream from that opportunity would trickle down to local broadcasts. You don't believe that these companies would trickle that money down.

Mr. Konrad W. von Finckenstein: Would it make them healthier? Would it trickle down? Would it give you the content you want locally? I very much doubt it.

Mr. Rod Bruinooge: We might not have any content soon enough.

Mr. Konrad W. von Finckenstein: What I'm trying to say is that I agree with you fully that they have a revenue problem right now. That's why we're putting in this one special year. It seems to me that when you think of a fee for carriage, it is actually the cable and satellite subscribers who are going to pay for it. You can be sure that—

Mr. Rod Bruinooge: I think the cable companies are actually raising the—

The Chair: I'm sorry. We've come to the end. We've gone over time here.

Mr. Rodriguez, please.

[*Translation*]

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Thank you, Mr. Chairman.

Your presence here today is very timely. With everything that is currently happening, one could say that everything has gone wrong in the world of conventional television. There has been a disruption in the entire communications or media universe. The advent of the Internet and the fact that you can use a tiny iPod to record thousands of songs is disrupting television, music and so on.

With respect to general interest television, you get the impression that everything has gone wrong. Obviously, we're struck today by the new cuts to the CBC. We've witnessed the closing of other stations. We've also seen the precarious situation in which Canwest finds itself. One would think there is a general problem with general interest television.

Is there still a future for general interest television?

Mr. Konrad W. von Finckenstein: You're asking whether there is a future for conventional television?

Mr. Pablo Rodriguez: Yes. General interest television.

Mr. Konrad W. Von Finckenstein: As I said in my speech, we believe that the new media and television are complementary. However, television is clearly changing. The business model has to be adjusted, and that's what is happening. Some have been successful, others not.

As television regulators, we are also somewhat to blame in that we didn't react in a quick, flexible manner to prevent the situation. What we're especially seeing right now are market situations and revenue changes.

Mr. Pablo Rodriguez: For the moment, you're not in favour of the fee-for-carriage option. If we listen to the experts, they tell us that advertising revenues will continue to decline, even after the economic crisis.

What are the actual options you are aware of for securing revenues, for example, outside Canada?

Mr. Konrad W. Von Finckenstein: What I said is that I'm not in favour of fee-for-carriage only.

In a reformed context, there may be reasons justifying imposing fee-for-carriage. However, we first have to correct the problems that we've identified regarding local content in non-metropolitan markets. Second, there are other revenue sources. Drug advertising is not permitted in Canada, whereas it's done in the United States. You see it every day when you look at American television. I frankly don't understand. We're not protecting Canadians from what's shown on television, but, at the same time, we're depriving our industry of advertising revenue.

• (1635)

Mr. Pablo Rodriguez: Do you agree that advertising revenues will be reduced in any case following this crisis?

Mr. Michel Arpin: That's hard to predict, but it's unfortunately not impossible. A restructuring effort is being made for the entire automotive sector. When we witnessed restructurings in the beer industry, we also saw advertising volume decline. The automotive industry is a major television user. It's possible, but there are options, new niches. The chairman talked about advertising for pharmaceutical products. We're also advancing the possibility for over-the-air broadcasters to negotiate the carriage of distance signals with cable operators.

Mr. Pablo Rodriguez: But it's hard to predict, as you say. And yet the government advances the opposite reasoning today in refusing to make a loan to the CBC. It says that if it granted it a loan, since the experts say advertising revenues will fall, the CBC will never be able to make it and would never be able to repay its debt. Do you understand?

I share your view. I don't see how the government can suddenly make that guess, that advertising revenues will decline after the crisis and that we have to let the CBC cut itself up and axe services. Ultimately, I personally think that suits the government.

My other question concerns regional content. You say that content from the regions is important, and it is. It's very important, even more so in light of the cuts to the CBC announced today. I was listening to one of my colleagues on the Standing Committee on Official Languages who said that, in his corner of the country, it's a major problem if there's no regional news. I was recently watching television back home and they interrupted the news to say that a water main had burst in Montreal. They don't care about that in Edmundston or Bathurst.

What is the CRTC's actual power, or lack thereof, to maintain not only a local presence but also local content?

Mr. Michel Arpin: That's why we established the Local Programming Improvement Fund, a fund that will benefit all television stations in markets with populations of less than one million inhabitants. No money will go to Montreal, but money will go to Rivière-du-Loup, Rimouski, Sherbrooke, Trois-Rivières, Saguenay and Gatineau. In that sense, it's a fund that will be used to develop local programming and even to make more of it. And we know that local programming in those markets is essentially news.

[*English*]

The Chair: Thank you very much.

Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): I want to thank you for appearing here today. As you can tell, we're all very passionate about trying to find some answers. It's because we intimately care about the consumers and the broadcasters involved in this discussion.

We've talked a lot about the economic downturn. You've talked about advertising being one of the reasons that broadcasters are having a hard time. There has to be more to this equation. What do you feel might be the other problems the broadcasting industry is facing that is affecting this? I'd like to hear whether or not you believe our conventional media is about to take a drastic turn. What's going to happen with our conventional media?

Mr. Konrad W. von Finckenstein: As you know, we've finished a new media hearing. You have to understand that our entire broadcasting system is basically based on closed access, access via the airways, via cable, and via satellite, controlled by us, the CRTC. We could demand a certain amount of production, content, showings, exhibitions, etc. We were successful. We created a unique and very distinct system that probably had more diversity than any other national system, but it was based on us controlling the access. We are no longer there. We also no longer have the restrictions. There's only so much you can put on a spectrum.

With the Internet, we suddenly have this unregulated part that competes, and competes very successfully. On the other hand, it would be foolish to think you could control the Internet. Nobody thinks that. We certainly don't think so.

We are trying to get towards a world where the two can coexist. Right now a lot of content is produced so that broadcasting is repurposed for new media. Nobody could point to an example where people actually produce for new media and then repurpose the traditional. It's always the other way around. The two can actually be very complementary, but you have to be very careful that you don't lose your audience, which can happen very rapidly. There's also the whole issue of copyright. The rights are based on national systems and boundaries. They're not based on the Internet, because its regime doesn't fit.

I don't know whether my colleague appeared before you, but Tom Perlmutter, the president of the National Film Board of Canada, made an eloquent plea before us and others that what we really need is a new national digital strategy, because it's not only broadcasting; it's broadband, it's telecom, and it's copyright.

● (1640)

Mrs. Shelly Glover: Was he one of the witnesses during your new media study, sir?

Mr. Konrad W. von Finckenstein: Yes, he appeared before us. I'm pretty sure you will call him. If not, I would suggest that you do so. He has a vision. In a nutshell, he basically says this is as important to us as the Industrial Revolution was.

We should try to get a handle on it. Other countries have done so. Britain has adopted a national digital strategy and so have France and Australia, and Canada should too. We are all talking about broadcasting. It's all I can talk about. That's my mandate. There are obviously issues that go beyond that.

Mrs. Shelly Glover: I appreciate your giving us a bit of a taste of what is going to come out of this report that you did on new media. I'd certainly like to have more insight, if you're willing.

I have another question before we get too carried away with our time here. The question is about American over-the-air mandated signals, which are about to change here in Canada. I'm just

wondering what kinds of repercussions you anticipate here in Canada. Perhaps you can address that for both the broadcaster and the consumer, because I fear that this may pose just another challenge to our local broadcasters, and I wonder what you have to say about that.

Mr. Konrad W. von Finckenstein: I'm sorry, I don't quite get the question. What exactly are you referring to?

Mrs. Shelly Glover: The American over-the-air signals apparently have been mandated to change.

Mr. Konrad W. von Finckenstein: Yes. What will happen is if you are in the border area and you receive American stations right now over the air, they will be digital after June. You will still receive them over your cable and satellite if you have satellite. If you receive them over the air, you have to have a television set that is capable of receiving a digital signal, and if it's not built into your set, you need a digital antenna.

Mrs. Shelly Glover: That's another challenge for our consumers.

Mr. Konrad W. von Finckenstein: Yes, absolutely.

Mrs. Shelly Glover: Broadcasters are going to have yet another challenge. My worry is that with the mounting challenges facing our broadcasters and our consumers, we have to find some better solutions, sir.

Mr. Konrad W. von Finckenstein: Yes. Revenue solutions—for instance, a lot of broadcasters come to us and say there is this whole issue of part II fees under the Broadcasting Act. That is a special tax that's levied on broadcasters. It is like an extra two points of GST only for broadcasters. The broadcasters have taken the government to court and asked why they had to pay it because they don't benefit from the money. It goes to the CRF and they have absolutely no benefit from it. They won in the first instance. It went to the Federal Court. The federal government won in the second instance, and now it is going to the Supreme Court.

In the meantime, nobody is paying that tax. There are about \$200 million of reserves that they carry on their books. Is this not a time to cut a deal? The government won its case. They're never going to get the money anyway because these broadcasters are broke. You know that. So why not make a deal here, saying we will stop this unfair tax? If we establish the principle, we can do it, but it makes no sense. On the other hand, you, the broadcasters, give up any claim for refund.

They have advanced this one to us many times. I've passed it on. It's not for me to settle, but it would certainly do a lot for their financial books.

The Chair: Thank you.

Mr. Angus, please.

Mr. Charlie Angus: Mr. Chair, I was just going to follow up on a line of questioning from my colleague in terms of the obligation for the transition from analog to digital. Certainly for over-the-air signals it's going to cost the broadcasters, both public and private, a fair amount of money to put in those transmitters, and yet the spectrum sale from these vast amounts of analog capacity is going to create quite the money pot for the government.

Does the CRTC have any role in suggesting perhaps that some of that money that's going to come from the spectrum sale be used to help set up the digital transmitters that the private broadcasters are going to be on the hook for?

• (1645)

Mr. Konrad W. von Finckenstein: The only role we have, Mr. Angus, is one of advocacy.

Mr. Charlie Angus: Thank you for that. It was nice and succinct.

I've been doing some research on this, because the issue of local and news has to be front and centre continually while we're doing it. When I'm looking at it, I see that in some ways the crisis might be new to some people at head office, but the crisis at the local level and in the regions has been going on for years. There's nothing new about it. I think back to October 2000, when we lost 150 jobs in northern Ontario alone when CTV amalgamated, and it went up for its licence renewal and nothing was said. In 2004 we lost the jobs in Calgary and Toronto local news with the Craig takeover by CHUM. In July 2006 we had 281 job losses to kick off CTV's takeover of CHUM. In 2007 we had 200 at Canwest, in broadcast 350, at print 400, 40 at TQS, 200 further jobs at CTV and Corus. We've lost jobs at TVA, and of course today we lost 800 jobs at CBC. Yet throughout this, these broadcasters come back for their renewal licences and they get their renewals stamped and life goes on as normal. Now we see again your suggestion that you would consider lower levels of local programming requirements.

My argument to you, Mr. Chair, is that the local patient is pretty much on life support. He's very anemic, and the CRTC solution, which is again "Let's bleed the patient", strikes me as positively medieval.

Mr. Konrad W. von Finckenstein: I won't go near your image.

Let me point out, first of all, that you seem to conveniently forget that we have just created the local improvement fund. We're going to pump \$60 million into local programming.

Secondly, as I mentioned to you, we have given them the right to charge for retransmission of distant signals, which, by their estimate, is worth \$40 million; others say it's \$70 million.

Thirdly, as I have made clear many times, but let me reiterate, we are talking about exceptional provisions for this one year so as to make sure there is local community television that can avail itself of the new regime once we've figured out how it works.

Mr. Charlie Angus: Thank you very much. I appreciate that we have a local television improvement fund, and I certainly support it, but I think in terms of conveniently forgetting....

I'm talking about regulatory obligations. The CRTC has to say to the broadcasters, "These are part of your commitments", but year after year we see the bleed-off, the firing of local service. Now we're

looking at a crisis where, in the last year, we're looking at almost \$800 million in spending on foreign programming—Canadian spending, stagnant.

Local news spending has been going down, even when they were making money. Contrary to my colleague Mr. Bruinooge's view, local news spending doesn't seem to account for all that much on the bottom line, and they're making more in advertising.

I'm wondering where the CRTC's role is in saying, "You're making money off specialty services, you're making money in other areas, so where is your commitment to ensure local news and broadcast?"

Mr. Konrad W. von Finckenstein: Mr. Angus, we don't micromanage the industry. We give them a licence and we give them the terms and conditions of licence. We tell them that they have to have x number of hours of local news and local content. It's up to them to decide how to fulfill that.

You know, I'm not going to get into the business of judging whether this is good quality or bad quality. Obviously, they are there to make money, and they want to attract the largest audience they can. It's in their interest to make good, attractive local programming and news programming.

Mr. Charlie Angus: But it's not about micromanaging. It's about living up to the obligations.

They are protected by the taxation code, section 19.1. They are given a whole whack of benefits to have a protected market. At the end of the day, the numbers speak for themselves. It's not about micromanaging, it's about saying, "Listen, your spending on foreign programming has gone through the roof. We've cut the regulations to allow you to do that. Your spending on local news is dropping."

Now you are suggesting to us that you will consider cutting the obligations for local and independent programming at these stations. That is managing what they're doing.

Mr. Konrad W. von Finckenstein: It's on an exceptional basis for one year.

You conveniently forget the second thing I said, which is that we're going to look at one-to-one spending, exactly for the very reason that you put your finger on: if you're going to make money in Canada as a Canadian broadcaster, you should not spend all your money buying programming from Hollywood.

• (1650)

Mr. Charlie Angus: Yes, but you conveniently forget that you've never gone back on any decision you've made that has cut programming locally.

The Chair: Mr. Angus—

Mr. Charlie Angus: You've never done that.

The Chair: Mr. Angus, please. We've come to the end.

We are going to split some time between Mr. Simms and Ms. Dhalla.

Whoever wants to go first....

Mr. Scott Simms: God forbid I get in the middle of something good. I'll just pick up where he left off.

An hon. member: Go for it.

Mr. Scott Simms: I'll go for it, sure.

With regard to the CRTC itself, in your October 2008 BDU policy, the following statement was in that report:

However, one of the consequences of consolidation appears to have been that the larger ownership groups have achieved operating synergies through concentrating production resources in major centres, at the expense of smaller local markets.

Are you saying, then, that your local improvement fund is the magic bullet by which you are going to fix this problem? Or is there something else in your thinking? Whether it's a fee for carriage or something else, is there something beyond that local improvement fund?

Second, I want to talk about new media for just a moment. You talked about having no illusions about regulating in the Internet. And it's true; you could spend six months looking at regulating content on the Internet and I could give my 14-year-old son 24 hours to get around it. So I agree with you on that point. But don't you think that you slowly become irrelevant by not...?

I don't make an appointment with my television anymore. I download my television. I live-stream it. That is going to be a big issue. Will that be addressed in the new media study?

Mr. Konrad W. von Finckenstein: I really can't talk about the new media decision until it's issued. You can appreciate that.

Obviously, one of the concerns exactly—it's why we started this—was that in 1999 we gave an exemption for new media. We said it's really a competitor to television, and let's see where this takes us, where this goes. Now, ten years later, we're looking at whether or not the exemption we granted makes sense; at whether we should alter it and put some conditions on it; at whether something should be done with new media.

But you will see it in due course. It's only a couple of months away from release. Really, it would be unfair of me to talk about it now.

I'm sorry, I forgot your first question.

Mr. Scott Simms: I was just talking about the consolidation of the industry itself. You addressed it in your BDU policy. You used the expression, "at the expense of smaller local markets".

Is this local improvement fund the only way to get around this? In other words, are you looking at an incentive or are you looking at a regulation? You don't want to micromanage, yet I get the impression you do.

Mr. Konrad W. von Finckenstein: On the contrary, I think what we're trying to do, in effect, is to provide a subsidy or a differential

of some sort for local production, because Canadians want local production. It appears that somehow the present models do not generate enough funds to produce local programming. However, in the long run, the industry somehow has to change the business model and find new ways of doing it.

I'll give you one example. Two of your colleagues come from Manitoba. There's a radio group in Manitoba called Golden West Radio, which has really managed to figure out a way of making the local radio station the centre of the community. They have a website that reflects the radio station and everything else, and basically, the community becomes identified with it. The station is making a huge amount of money off their website. They use that to cross-subsidize the radio station's work. So they take the content and use it in two ways, both for radio and the website, very successfully.

Local TV will have to do the same, there's no question about it. The new media is here and you have to find ways to use it in a complementary way to make your business grow. You also need some revenues in the meantime, and that's what the local improvement fund is for.

Mr. Scott Simms: Outside of a fee for carriage?

Ms. Ruby Dhalla: That brings me to my next question in regard to the local improvement fund you're talking about, which you've mentioned in previous speeches. You talk about increasing it by \$60 million.

Mr. Angus was probably correct in saying that Canwest was on "life support", and CTV and CBC, and the list goes on and on of the broadcasters across the country who are on life support.

If there are only 72 eligible stations, wouldn't an extra \$60 million barely be a band-aid solution to someone who is on life support? How is an extra \$60 million commitment to the local improvement fund going to help these broadcasters?

• (1655)

Mr. Konrad W. von Finckenstein: First of all, it's not only the improvement fund, as I mentioned before; it is also the whole distance signal.

Second, if you take those figures and you take the total amount, I don't know for each station what causes these figures and what are the cost-cutting measures they are taking.

I have my numbers man here who can tell you our most recent numbers on this and what they show us.

Ms. Ruby Dhalla: Be very quick, because I have another question.

Mr. Konrad W. von Finckenstein: Stephen, can you explain exactly what I'm talking about?

Mr. Stephen Delaney (Director, Industry Analysis, Canadian Radio-television and Telecommunications Commission): Right now, we clearly see that the operating expenses of conventional TV have been going up and the revenues have been relatively constant at the same time, so their challenge I think is twofold. One is, obviously, to find more revenue, but maybe there is an issue of what can be done for cost controls as well.

Ms. Ruby Dhalla: Okay.

On another issue, I know the chair mentioned earlier that the broadcasters had stated they were not ready to commit to local programming if a fee for carriage were implemented. According to some of the transcripts I have read, Canwest and CTV in fact did commit to local programming if something of that sort were implemented.

How do you think that's going to play into the larger...?

Mr. Konrad W. von Finckenstein: At the hearing, right in front of me, were sitting Mr. Fecan and Mr. Asper, and I asked them that very question: if we implement a fee for carriage, are you willing to make commitments to local communities by using the fee for local programming? I got a resounding silence.

It's right there in the record, which you can check. I posed the question; I didn't get an answer.

The Chair: Thank you.

For the last question, Mr. Brown, please.

Mr. Patrick Brown (Barrie, CPC): Thank you for your comments today. I'm very interested in the situation. Normally, I sit on the health committee, but I've subbed in today because I'm particularly concerned about the health of the A-Channel in my riding of Barrie. I think of my own family: we grew up watching the news, our local news, on the A-Channel, previously The New VR. They're going through a very difficult period right now. The A-Channel serves the broader Simcoe—Muskoka, which is not a metropolitan area. They have said that without an additional revenue stream they're not going to exist in the near future.

They already laid off, on March 3, a third of their staff. They've applied for a renewal of only one year, and it would be a tremendous setback for our community if local television like the A-Channel didn't exist. I think of the support they give local charities, and the service they provide simply by letting residents know what is happening around them, whether it's city council activities or local events. It would be a tremendous setback for our culture and for our identity if we lost local television in Canada.

As much as you say a fee for carriage isn't necessarily the solution, the status quo clearly isn't the solution. The status quo means no "local" in my community, and that is particularly concerning. One of the attractive elements that I heard about a fee for carriage was that it was an industry-to-industry solution. I think you're hearing comments around the table, regardless of partisan stripe, that we're all concerned about local television. You said that when a fee for carriage was rejected before, when the business cases were presented it wasn't shown that the finances of these companies were in a precarious position. You also mentioned that we couldn't have anticipated what's happened in the last six months, and you made reference to how the automotive industry is no longer funding

advertising. I would suggest that if you looked at the finances of these companies right now, you would see that they are in a precarious situation. They are in a very fragile situation. You wouldn't be seeing local television stations in this country going under if the finances weren't incredibly difficult.

Ms. Dhalla referenced a few stations. I notice today we have with us Merv Tweed, who is the member for Brandon. They lost their station already. I don't want to be here a year from now and be someone sitting in the back because we've lost our station in Barrie.

My question is, if a fee for carriage isn't the solution, what is the solution to protect local television? I really hope this is an essential consideration when the CRTC meets, whether it's in the spring session or in the fall.

• (1700)

Mr. Konrad W. von Finckenstein: There is no silver bullet—that's the story. I'm not saying that a fee for carriage will not be part of the overall solution, but just putting a fee for carriage in right now will not fix the problem. That's not how it works, and that's what I tried to explain. A fee for carriage doesn't mean Barrie would survive. It's not as simple as that.

What I'm suggesting is this: we buy ourselves one year through various means and try to find extra sources of revenue so that the companies can survive. We have to rethink the system. It may very well be that a fee for carriage will be part of the solution, but it's not an industry-to-industry solution, as you call it. No doubt about it, a fee for carriage will be borne by the television and cable subscribers. They will pay for it, and it will cause a direct increase in their bill. These are the numbers I have. If we had accepted it last October, you would be paying \$5 or \$6 a month more and we would still have a local content problem. That's my point.

Mr. Patrick Brown: But aren't the rates going up regardless, if you look at the trajectory in the last six or seven years?

Mr. Konrad W. von Finckenstein: They are, yes. Undoubtedly, the cable companies will appear before you and they will tell you what they used the money for. Please ask them why they raised the fund and what they used it for.

Mr. Patrick Brown: You mentioned a potential increase under a fee for carriage of \$6.50 in Toronto. Wouldn't the easy solution be caps, and didn't these groups already propose caps?

Mr. Konrad W. von Finckenstein: I'm sorry?

Mr. Patrick Brown: I'm talking about caps on what the increase could be. For example, in the Toronto region, couldn't it just be said that the cap is \$3.50. If it's 50¢ per signal, can't you put a cap on it?

Mr. Konrad W. von Finckenstein: Of course we could say how... but then you would generate less money for the companies. If we said the cap is \$3.50, then you wouldn't get the 50¢ per signal that both Canwest and CTV are looking for.

Let me assure you, we are just as concerned as you about local broadcasting and local content. We want to make sure that the broadcasting.... As a regulator, I get no joy out of seeing a station being closed at all. But there's no silver bullet. It needs a comprehensive solution; that's all I'm saying now.

The Chair: I thank our witnesses very much for being here today. As chair of the Standing Committee on Canadian Heritage, I don't get to participate in some of the questioning. I have a couple of questions, which I'd like to put through my clerk to you, to see if I can get a response. I would appreciate it if we could.

With that, let me say thank you for coming today.

Mr. Storseth.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Mr. Chair, I want to get on the record. I am amazed and dismayed that I could sit at a committee for two hours with one witness and not have an opportunity to stand up for my local television stations and put forward some questions. I don't know whether this is the way the committee was set up in the beginning, but I am absolutely dismayed that a parliamentary committee would not allow every single member of Parliament the opportunity, in a two-hour meeting, with five-minute rounds of questions, to ask questions that are very pertinent and important to my local television stations as well.

The Chair: May I ask, would we like one more round around the table?

Mr. Brian Storseth: Sure.

The Chair: Could I just ask for one question from each member?

[Translation]

Mrs. Carole Lavallée: It's a matter of committee rules. There's a way of proceeding. That said, Mr. Storseth, on an exceptional basis, we'd be pleased to hear your concerns.

[English]

The Chair: Shall we have one quick round?

[Translation]

Mrs. Carole Lavallée: Without doing another round of questions, if he is the only one who hasn't spoken, we could give him five minutes.

Then I'd like to speak for a few minutes.

[English]

The Chair: Mr. Storseth, please.

Mr. Brian Storseth: Thank you very much, Mr. Chair. Seldom do my interventions fall on lively ears, so it's a nice change. Thank you.

I would like to talk to you about the revenue problem. Everybody around this table seems to recognize that there is not just a short-term but actually a long-term revenue problem within the industry. Mr. von Finckenstein, I did not have the impression that you see this as a long-term revenue problem. First of all, I'd like you to address that.

I'll try to be brief, because I have several questions for you. My second question is this.

As you know, in my area in rural Alberta, local programming on local stations is critically important, and it's very important that we stick up for them. As Mr. Brown said, the status quo is not working, so we need to find a way, no matter what our partisan stripe, to help save these local stations. You've been adamant that a fee for carriage will not work. In fact, you unequivocally stated that when you met with the industry and the broadcasters, they said—and tell me if I'm wrong—that they were not willing to put any of that money into local stations.

Is this true, and could you comment on it? Then I have a few more questions for you.

● (1705)

Mr. Konrad W. von Finckenstein: First of all, let me be absolutely clear: a fee for carriage alone is not the answer; that's what I've said. I have not said that you can't have a fee for carriage as part of a comprehensive solution. It may very well be the case, but we need a comprehensive solution. Just levying a fee for carriage now would not solve the local content problem and the local station problem. That's what I said.

As far as the revenue problem is concerned, as you know, the industry consists of large groupings. The largest owner of specialty channels in Canada is CTV. CTV's specialty channels are quite lucrative and quite positive. It's the conventional channels.... It's by looking at the various categories that you come to these conclusions. What I say is let's look at the whole group and also make sure that some of the obligations we impose on conventional.... Maybe they're in the wrong place; maybe we should impose them on the specialty channels and thereby free up money for conventional channels and allow them to earn revenue better. That's part of the comprehensive solution: look at the enterprise, not at the various facets of the enterprise—this one hurts; this one is doing well; I have to do something for the one that hurts.

Mr. Brian Storseth: You are suggesting, then, that perhaps it has a role to play, but there needs to be a more comprehensive look at it.

With the local improvement fund, it's my understanding that you're talking about the \$60 million that this is going to bring in. Do you have some numbers on how much a fee for carriage would bring in to the industry?

Mr. Konrad W. von Finckenstein: If you did a fee for carriage only on stations that carry local programming, at 50¢ per signal it would have generated \$275 million. If you applied it to all conventional stations—in effect, everybody who transmits, even if they have no local programming—then it's a much larger number. It's actually \$600 million.

Mr. Brian Storseth: All right. How much were the submissions asking for? Was it \$230 million?

Mr. Konrad W. von Finckenstein: They asked....

Mr. Scott Hutton: It would appear to be around \$300 million, which was their estimate of the valuations. Now, somewhere between \$200 million and \$300 million is the proposition.

Mr. Brian Storseth: Thank you.

I believe you talked about a date of August for the \$60 million local improvement fund to be started up. Why can't we make that sooner? Why can't that start rolling out as of April 1?

Mr. Konrad W. von Finckenstein: It is because I am subject to due process. The fund is not there. It is part of the April 27 hearing, and we have to hear from intervenors on some of the comments, etc., and then I have to set it up. It just cannot be done any more quickly than that.

Also, as I said, we just decided to put into question whether 1% is really right, whether \$60 million is enough, or whether it should be more because of the exceptional circumstances the industry is facing. I need some numbers. I need to see some financial statements from the companies as to what's actually happening in their lives.

Mr. Brian Storseth: Then August 1 would be absolutely the quickest that you could get that money—

Mr. Konrad W. von Finckenstein: I think I said August 31 or September 1.

Mr. Brian Storseth: I believe Mr. Bruinooge has one more question.

Mr. Rod Bruinooge: I just wanted to thank you for transparent testimony today. I look forward to hearing more from the CRTC on this matter.

The Chair: Thank you.

We have listened to everyone who has been sitting around the table. We do have one more person who hasn't been heard.

Mr. D'Amours, could you make your questions short, please?

• (1710)

[*Translation*]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Thank you, Mr. Chairman.

I want to thank Ms. Lavallée for giving me her speaking time, five minutes.

In spite of everything that is happening today, I would like to talk about what I think is an important matter, MétéoMédia and The Weather Network. Soon you'll have to study the situation of MétéoMédia and determine whether it will be removed from basic cable service and be included with the specialty channels that citizens will have to pay for to access. Most Canadians currently have access to MétéoMédia, whether it's to see road conditions or the weather, quite simply.

Now that people are completely used to consulting MétéoMédia, authorities want to remove it from the basic cable service, as though it had become superfluous. People will be forced to pay for access, which will constitute a significant limit for the public. I can tell you that the impact will be terribly negative for local and rural communities. I expect your answer to be that you will be studying this matter soon. Your office has received the document, the complaint that I sent it. In that document, I asked that MétéoMédia

not be removed from basic cable service. You will probably say that you can't discuss it very much. If that's the case, I ask you to seriously consider my document and to see that that measure is not implemented so that Canadians can continue to have access to important information as part of their everyday lives.

Mr. Konrad W. Von Finckenstein: You are no doubt aware that a hearing involving MétéoMédia will be held at the end of the month. We know that MétéoMédia is very popular among Canadians, that they really love and support it.

Michel, I believe you're the expert on that matter.

Mr. Michel Arpin: I think that, in asking your question, you've given the answer. I'm really compelled to tell you that our duty of restraint requires us not to make any comments on that subject. We will nevertheless be very pleased to hear you at the hearing on this question at the end of March.

MétéoMédia and The Weather Network have given the Canadian public good service to date. It is up to them to show that those services are necessary. Others claim that they can do better for less. So we'll be hearing all those who want to be heard. The commission will then deliberate before rendering its decision. That's all I can tell you for the moment.

[*English*]

The Chair: Thank you very much. I appreciate that.

Again, I hope your responses have answered some questions of our members around the table.

Ms. Lavallée has one last....

[*Translation*]

Mrs. Carole Lavallée: I wanted to let you thank our guests, but I had a point I wanted to raise right away.

As we are studying the evolution of the television industry, I think it's important that every one of our meetings be public and televised. I think it would be paradoxical for us to conduct this kind of study and hear from witnesses without it being televised. I know that broadcasters make this request to you on a piecemeal basis, but I would like to ask you—and I'm prepared to introduce a motion to that effect—that this entire study be televised, unless the committee objects to that.

Do you want me to introduce a motion and for us to put it to a vote?

[*English*]

The Chair: I don't think you have to move a motion. If the request is made, our clerk will look into that to make sure we have the available facility to do that. I would think that, especially when you're looking into the television industry, it's something that should be televised at least. I'm quite sure we don't have to pass a motion. We'll make sure our clerk looks into that so we can make it happen.

Again, thank you. Thanks for the question.

[*Translation*]

Mrs. Carole Lavallée: Thank you, Mr. Chairman.

[*English*]

The Chair: The meeting is adjourned.

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