



House of Commons
CANADA

Standing Committee on Canadian Heritage

CHPC • NUMBER 015 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Wednesday, April 22, 2009

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Chair

Mr. Gary Schellenberger

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•(1555)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Welcome. I am sorry for the delay. We had some votes that we hadn't planned on when we originally set up this meeting. We will hold our one-hour session with each of the witnesses here this afternoon.

Welcome to the 15th meeting of the Standing Committee on Canadian Heritage. Pursuant to Standing Order 108(2), we are carrying out a study on the evolution of the television industry in Canada and its impact on local communities.

I'm going to ask Mr. Ivan Fecan to introduce the rest of the witnesses, please.

Mr. Del Mastro, do you have a point of order?

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

As you know, we have a very full witness list today. There are three panels. I wanted to make sure that each panel would be given at least the one hour that they've been scheduled for. We are starting late. I just want to make sure they're all going to get their full time.

The Chair: Everyone will.

Mr. Dean Del Mastro: Thank you.

The Chair: Mr. Fecan, please go ahead.

Mr. Ivan Fecan (President and Chief Executive Officer, CTVglobemedia Inc., and Chief Executive Officer, CTV Inc.): Good afternoon, Mr. Chairman and members of the committee and committee staff. My name is Ivan Fecan. I'm president and chief executive officer of CTVglobemedia and the CEO of CTV.

Thank you for the invitation to discuss a matter that is vital to the social fabric of Canada: the future of local television. Joining me today, from the corporate side, is Paul Sparkes, executive vice-president, corporate affairs, CTVglobemedia.

We noted that you invited several of our station managers, and I think this was a great initiative on your part, because these people are on the front lines of small-market local television. Peggy Hebden is general manager of CKVR in Barrie, and Don Mumford is the general manager of our stations in London, Wingham, and Windsor. They have been with their stations for many years and can give firsthand testimony on the subjects you are exploring. We also brought Elaine Ali, who is the senior vice-president in charge of all our local stations, both CTV and A. She can share her direct knowledge about how the issues endangering small markets are also

now putting large-market stations at risk. I really urge you to ask questions of them directly.

I have some brief opening remarks, right off the top. I just want to state that we are not asking for bailouts or short-term fixes, however well-intentioned they may be. What interests us is a plan to build a sustainable future for conventional television in Canada.

So how did we get here?

Well, several decades ago, local television thrived in an environment in which there were only a few channels available in every home. Over those decades, the competition for attention in every home has mushroomed to hundreds of channels. Competition for share of mind has also come from personal video recorders and from the Internet. Consequently, the ratings for local stations have declined.

That's only part of the story. The advertising pool available to support local television has shrunk as well. In the beginning, advertisers could only reach a local audience in Sudbury through the two local Sudbury TV stations. Over time, an advertiser could reach those viewers in Sudbury through regional channels, then through specialty channels, and now over the Internet.

The erosion of both the audience and the ad pool has been ongoing for years and has finally reached a tipping point. That, in a nutshell, is the structural issue. All advertiser-supported, over-the-air broadcasters around the world are facing the same issue. The recession we are now experiencing hasn't created this problem, but it has accelerated the damage. I don't have a crystal ball and can't predict when the recession will end or how it will end. Will it be a V recovery, will it be a U, or is this just the new normal? What I am sure of is that when this recession ends, it will not go back to the way television was 40 years ago or even to what it was when the recession started. The damage is ongoing and progressive.

The solution to the structural issue gaining traction in the U.S. is fee-for-carriage, otherwise known as retransmission consent. The distributors there seem to understand that they've had a free ride for several decades, that their customers value their local TV stations, and that it's time to pay up. What makes this work in the U.S. is that cable systems need the consent of a local TV station to put that station on their system. For instance, if the cable system in Philadelphia can't reach a deal to carry the ABC station in Philadelphia, it can't just import a signal from another ABC station outside Philadelphia. In other words, no ABC Philly, no *Desperate Housewives* in Philly, period. In our industry, that's known as program rights protection, and it's an integral part of retransmission consent.

Here's another example. Rochester is just 118 kilometres from Buffalo. The citizens of Rochester are not allowed to see Buffalo television stations on Rochester cable, because this would infringe upon the program rights owned by the Rochester stations. In contrast, Toronto is 160 kilometres from Buffalo, and we happily import all the Buffalo over-the-air signals to our cable systems. Our colleagues in America shake their heads, because they can't understand why, as a country, we would undermine our local stations by doing this. Why was this done? The answer is that it was to build cable's business.

The Broadcasting Act clearly states that local stations have to be given priority carriage in their home territory by the distributors. Yet when satellite was launched, they were allowed to ignore this. This disenfranchised dozens of local stations, such as ours in Timmins. The stated reason was that they didn't have the capacity. Since then, they've launched many satellites and have found room for hundreds of new channels.

- (1600)

Today, satellite penetration is 44% in the Timmins area, but there is still no room for Timmins' only station. Why was this done? To help build the satellite business.

These are but two examples of how systematically over time the underpinnings of local television were compromised by the regulator in order to help the distributors. In addition, when conventional television made a lot of money, the regulator imposed many obligations for the privilege of owning conventional stations. These varied from the amount of local news a station had to produce all the way up to the number of Canadian dramas a station needed to commission from independent producers. As the conventional business deteriorated, the obligations have largely stayed put. This makes no sense.

What we are saying now to the regulator is please give us new revenue sources, or reduce the obligations, or some mix of both. Otherwise, we don't believe there's a business there in the future. Our preference, to be clear, is to solve this through new revenue streams like fee-for-carriage rather than reducing service. As a private broadcaster, we exist to make a profit based on the services we provide. If we don't see a way to make money, we cease to exist, or we exit that service.

Some say we should subsidize the losses of conventional from our profits on specialty television. There are two things wrong with that premise. First of all, our most successful specialty channels—TSN, RDS, and Discovery—have shareholders who are not shareholders of our local stations. How do we tell one shareholder that his or her money is being used to pay for something in which they have no ownership interest?

Secondly, our competitors in specialty—Astral and Chorus—don't have conventional TV holdings of any size. They don't need to cross-subsidize. It would be unfair to ask us to do something that our competitors are not required to do.

Others say we have a financial problem because of what we paid for CHUM a few years ago. Frankly, I scratch my head at this. We bought CHUM for their specialty services in radio. The only conventional television we acquired with CHUM were the A

stations, which collectively were worth around 2% of the value of the deal. The purchase of CHUM, and in 2000 of NetStar, which owned TSN, RDS, and Discovery, signalled the move of our company away from purely conventional to specialty. The purchase of specialty has been our lifeline.

Still others say that the problem is we pay too much for American programs. The hard truth is that generally, the money we make on American programming pays for the losses on Canadian programming. Please understand this is not a criticism of Canadian programming. It's about the reality of our market size and the cost of production. Because of the structural issues I outlined earlier, we make less on American than we did before, and now the obligations of these local licences cost more than the money we make.

A few months ago we announced that we were not going to reapply for licences in several locations because we determined that we couldn't make money there ever. We also offered to sell these stations for a nominal fee: \$1. Many have come to kick tires; no one has made a real offer to buy and continue operating those local stations. That speaks volumes. Yet local is worth fighting for. In fact, we believe that the foundation of our broadcasting system is local broadcasting, and if we cut those roots we will lose something invaluable as a nation. Local is the comfort zone for our audiences; local is the glue that binds; local is where people live. There may be many forms of community, but the strongest is local. Local broadcasting is not just the news. It's the community messages throughout the broadcast day. It's the interaction between our on-air personalities and local events.

Canada is one of the most diverse countries in the world. Our country is so broad that a collection of voices from one central place cannot speak for all of Canada. Local is the best chance our citizens get to see themselves on the screen and to contribute to the national debate. Local television also gives a place for local debate on issues that can't hold national attention. Local television gives local businesses a chance to speak to their customers and compete with national and multinational businesses. Local is also what Canadian audiences have overwhelmingly told us they value very highly. We believe local should be the top priority for conventional television.

•(1605)

The second priority should be programs of national interest, particularly those that enhance our national identity. This includes national news and current affairs shows like *W-FIVE*. It also includes shows like *Corner Gas*, the Junos, the Giller awards, *Degrassi*, *Flashpoint*, national talent competitions like *So You Think You Can Dance Canada*, as well as some professional sports events and the upcoming Vancouver Olympics, but it's very difficult to have this kind of successful national programming without local roots.

Both local and national identities are very important to democracy and both deserve structural support. I repeat, we are not asking for bailouts or short-term fixes, however well intentioned they may be. What interests us is a plan to build a sustainable future for conventional television in Canada.

As time is of the essence, the government needs to act swiftly on a series of structural reforms that will provide a viable framework for local television. That viability proposition includes, one, fee-for-carriage. To set the record straight, fee-for-carriage does not need to impact the consumer, nor will it invoke undue harm to the cable and satellite industry. There is no reason why Canadians should pay more for a service they're already paying for. This is an industry-to-industry matter, and we need a fair regime to negotiate for the value of our signals. In fact, there is no empirical data supporting harm to the consumer, based on the U.S. experience, which changed its policy in 1992 to allow local broadcasters to negotiate carriage fees.

Cable and satellite is one of the most profitable sectors in the Canadian economy, and the players in that sector should pay for what they use and their business. From 2003 to 2007, basic cable rates have gone up almost 36%, almost four times the rate of inflation. We estimate their margins for the basic cable service are in excess of 75%.

Two, on satellite carriage for local TV stations, we simply would like the CRTC to uphold Parliament's clear statement in the Broadcasting Act, which calls for priority carriage of local television stations. Satellite is no longer a fledgling industry. It seems to have ample capacity for a host of U.S. services, adult entertainment channels, and music channels, but can't make room for local stations like Windsor.

Three, on digital transition, the mandated transition in 2011 was not driven by the consumers or by industry; it's a result of a bilateral agreement between the U.S. and Canada, where both governments want to auction the conventional TV spectrum for billions of dollars. This is not about HD programming. We are already investing in HD to respond to consumer demand. What is at issue is how the signal is distributed to Canadians.

Over 90% of Canadians choose to receive their local TV signals through their cable or satellite provider. We cannot justify an investment of several hundreds of millions of dollars to reach 9% of the marketplace, particularly when this investment produces no additional revenue in a business that is already teetering on the edge.

We will be proposing a hybrid solution to the CRTC, which will have an over-air component in the larger markets and a cable or satellite solution for smaller markets.

In conclusion, we are passionate about television. Our belief is demonstrated not merely by rhetoric but by a consistent body of work composed of the top-rated Canadian programming that is unmatched by any other broadcaster in English Canada. In order to continue that audience success, we need your help. We have made three immediate suggestions, all of which can be implemented without amendments to the Broadcasting Act.

Thank you for this opportunity to appear. We very much look forward to answering your questions.

The Chair: Thank you for that presentation.

Our first question comes from Mr. Rodriguez, please.

•(1610)

[Translation]

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

Good afternoon and welcome, Mr. Fecan. It is a pleasure to have you here with us today. I would also like to welcome your colleagues.

You would agree with me that this is a very opportune time to be carrying out this study, given the significant crisis that the television industry is currently experiencing. We have realized that the strictly advertising-based economic model no longer works. There are a host of specialized channels competing for a share of that advertising. There has also been the birth of the Internet and of new platforms. The challenges are huge.

Many say that you are somewhat to blame because you have known this for a long time, and that you should have foreseen this crisis. What do you say to that?

[English]

Mr. Ivan Fecan: We did know about this a long time ago and we've been raising it fairly consistently to the regulator over the last three or four years. We think the solution is more than one revenue stream. Our revenue stream in conventional is just advertising, and in specialty there are two revenue streams, subscription and advertising. If you will, there's already a fee for carriage that exists for specialty. So we've been saying this for quite a while, and perhaps we haven't been clear enough. I think we have. We can file a dozen...[*Technical difficulty—Editor*]...clearly they didn't hear us. Maybe we both need to do a better job of explaining the crisis, but it's certainly been there for a while.

Mr. Pablo Rodriguez: I'm sorry, I only have five minutes.

[Translation]

Perhaps in a way it is the entire industry that has not done its job. I have trouble imagining how the industry will survive if there are so many disagreements.

Our challenge is to make sure that it works. We are not picking winners or losers. We want things to work for both you and the rest of the industry. However, when certain witnesses appear before the committee, for example the cable operators, they attack you. Then you come and tell the committee of the criticisms that you have regarding them, and so on. I would like for us to be able to find a common solution that will help you get out of this.

You were criticized this week. It was stated that you had made bad investments and that your financial problems are partly your own fault. The question was then asked why the government should come to your assistance.

[English]

Mr. Ivan Fecan: If that was the cause of the problem, I would agree with you. But as I tried to explain in our presentation, those investments have been our salvation, not our problem. I'm not here to be critical of anyone, not of the satellite or cable people. I'm just saying that we have a problem. We have something of great value in local television; we have something the citizens of Canada value extremely highly. Just let us talk to industry. Let us come up with an industry-to-industry solution.

[Translation]

Mr. Pablo Rodriguez: Could the famous \$60 million CRTC program, the Local Programming Improvement Fund, be a long-term solution to the problems facing local television?

[English]

Mr. Ivan Fecan: I don't think so. I have to be precise here. The fund you refer to was designed to enable incremental local programming. The problem we have right now is that we can't pay for the programming we're doing. There are discussions going on to try to change the focus of this fund, but at the end of the day it's a fund focused on small markets. It is a small band-aid on a very big problem. By itself, this would not be a solution. In fact, there's some danger in this fund, because it would allow people to think the problem was solved. Then, in a year, the whole thing would collapse.

[Translation]

Mr. Pablo Rodriguez: It is not the solution in and of itself, but it could be part of a package of solutions.

You are a great defender of the fee for carriage concept and I have two questions to ask you on that subject. Would you be as strong a supporter of the concept if you were required to invest all of the fees collected in your local stations or in local programming? Could there be an opting out possibility?

For example, all stations would be able to charge a fee for carriage, but a consumer who did not want to pay the 50 cents per month to Global—I say this for your benefit—could choose to opt out. Would you support that idea?

[English]

Mr. Ivan Fecan: Yes, I think the money should be used to support local programming. That's what the fee-for-carriage should be doing, because that's what we're trying to protect and save and build here. Second, the opting out thing is a very interesting idea. If somebody decided he didn't want to pay 50¢ or whatever for our station in Montreal, for instance, then he would not be able to use another

source to get the programs that this station has exclusive rights to in Montreal.

• (1615)

Mr. Pablo Rodriguez: What other source?

Mr. Ivan Fecan: Over the air through American cable. If somebody doesn't want our programs, and doesn't want to pay for our programs, and we have paid for exclusive rights, then he should not be able to get those programs for free from somebody else.

The Chair: Thank you for that answer.

Madame Lavallée.

[Translation]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you very much for being here and also for kindly answering our questions.

You told us that your television services were in a state of crisis and that you have distribution problems, whether it is by satellite or by cable. Nevertheless, television is experiencing a crisis for other reasons. We will discuss the decrease in advertising revenues and the splintering of the audience later on. There is also the Internet, which you did not address and which increasingly you are competing against.

I would like to hear your views on that. What impact does the Internet have on your business?

[English]

Mr. Ivan Fecan: Thank you for your question.

We look at the Internet as being as much an opportunity as it is a problem, but we started with the problem, so let me deal with that first.

Obviously, there are only 24 hours in a day, and we all have only so much time. Time that might have been spent on television is spent doing something else, so advertising is going to social networking sites. Throughout all of this, television still has a fairly consistent viewership. Even before you add in the Internet, the viewership of television is actually pretty remarkable. Over 30 or 40 years it has been fairly consistent, even in the last few years, on a per capita viewer basis.

Our view of the Internet is that it gives people an opportunity to talk about the shows they like to watch on our channel. We try to screen the shows so that if you missed an episode of *Corner Gas*, for instance, and you didn't want to wait for the repeat to come up in six months or something, immediately afterward we would try to stream that program so that people could catch up—it's called catch-up viewing—and then maybe there's a better chance they will watch it the next week because they are already in sync with the program. We try to use it as a friend, but it does take away a little bit of time, and it certainly takes away advertising dollars.

We're right now in a recession. Who knows when it will end? When money is tight, people look for other places to try to advertise. Some of it is going to the Internet, but we too are trying to use it as a friend as much as possible.

[Translation]

Mrs. Carole Lavallée: Are you telling me that you consider the Internet as a complementary vehicle for broadcasting your programming? It is a complement to your services, although you do not sell advertising on the Internet.

[English]

Mr. Ivan Fecan: We try to use it as a complementary tool. Obviously, we're not involved with Facebook or YouTube or other kinds of social networking sites.

There are basically three types of Internet use: there are the social networks; there are functional sites, such as Google, where you go if you want to ask a question; and there are things that are associated with other products. *The Globe and Mail* has a very strong Internet site, CTV has a very strong one, and the Olympics will have a huge Internet site. That one part can be extremely complementary.

On our sites we do sell the advertising. I can't say we make money at it; I have to say it's trading dollars for dimes, but you still have to be there, because a lot of the youth is there.

[Translation]

Mrs. Carole Lavallée: I really sense that television is evolving. It is as if the industry is on a curve, and I am not sure whether it is on a steep incline or a more even plane. The element that intersects with that curve is the Internet. Increasingly, we are seeing things on television that look a lot like what is being done on the Internet, and vice versa.

The technological problems must be more complex than we can imagine, but we as consumers get the impression that these two media will eventually merge. Broadcasters must act now to envisage future developments—and contribute to them even—and prepare themselves accordingly.

• (1620)

[English]

Mr. Ivan Fecan: Ms. Lavallée, there is one thing we have to be very clear about. When we talk about television or the Internet that way, we talk about dissemination and distribution. What we also need to focus on is how the content is created. The Internet, even Google, doesn't report news; it sources news from other people, from eyewitnesses, from other reporters. It assembles. It doesn't actually do original reporting.

What we do is the original reporting. What the Internet won't do in Don's station or Peggy's station is the original reporting. We can use the Internet by making some of that reporting available on demand, so that if people missed Peggy's newscast at six o'clock in Barrie and are interested in a particular story, they can watch that story on the Internet, but the Internet won't, on its own, create that content. That is really what local television does and what Canadian television does. We are at our best when we create the content that nobody else does.

The Chair: Thank you very much.

We'll move on now to Mr. Angus, please.

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

Thank you very much for coming. We're very pleased that you came today. This is an issue that's very important to all of us.

You've referenced Sudbury-Timmins. Our region is dependent on CTV news coverage. They cover a vast region, and they do a great job.

I'm sure, Peggy and Don, your people do the same in your region—my colleague Mr. Masse's region—with A-Channel Windsor.

So we have a very strong commitment to our local news. The issue we're facing here, I guess, to be quite blunt, is that I've never seen so many very well-off companies coming and blaming the other guy. And that's kind of what we're hearing. If I look at your map of losses, and I flip it upside down, that's what the cable guys are going to show me as your numbers.

If you'll excuse the television expression, we're going to have to squeeze the Charmin here to make sure we get value for our taxpayers. We're hearing such remarkably different views.

In 2007 you took in \$1.7 billion, 48% of the revenue of the entire English language TV system. So when we hear that local is being squeezed out by specialty and the other networks, you're basically being squeezed out by different elements of companies you already... by stations you already control. Is that not correct?

Mr. Ivan Fecan: No, I think that's fair. If cannibalization is going on, of course we have to be part of it. However, the businesses have to stand on their own.

I think as Mr. Péladeau said in front of this committee a few days ago, if you have five newspapers and three make money and two don't, as a business person, ultimately, if you believe those two will never, ever make money, you close them.

You know, we are a private broadcaster. We exist to make a profit from a service. We're not the CBC with their billion-dollar appropriation.

So if you determine—never mind the recession or something else that might correct itself at a certain point—that there is a 30-year pattern of decline and it's never going to get better, then you have to say to yourself, well, either we need new revenue sources or we have to cut back service. And if we cut back service, what's the point?

Mr. Charlie Angus: I totally understand. The reason I'm asking is that in 2007, when you bought the CHUM group, that was a bit of a controversial decision. Certainly it was problematic for us, because we worried about the idea of massive media consolidation. The CHUM group was obviously very profitable, but you picked up all those A-Channels, and now those A-Channels you're trying to ditch.

Mr. Ivan Fecan: I would very much like Don and Peggy to speak about that, because they—

Mr. Charlie Angus: Sorry, I only have five minutes. That's why I have to get to the point here.

Are you telling me that in 2007 you thought you were buying A-Channels that were really profitable, or was the plan all along that you were going to get the CHUM group, wait a year or two, and then cut the losing stations off?

•(1625)

Mr. Ivan Fecan: The plan was to buy the specialty channels and radio. That was 98% of the value of the deal.

Mr. Charlie Angus: And you got stuck with the A-Channels.

Mr. Ivan Fecan: The CRTC asked us to please try to make a go of the A-Channels as well. We wanted to keep City, and of course Rogers paid a lot of money for the City channels.

I think you really need to hear from Don and Peggy. The fact is that these stations have been financially challenged for, oh, 10, 15, 20 years. It's not getting better.

Mr. Charlie Angus: I will hear from you folks in a bit; sorry.

We got the same argument from Rogers, that they bought something from you and they bought a pig in a poke. Now they're saying, geez, we didn't know that we bought a pig in a poke. And now you guys bought a pig in a poke.

You guys really know your business, and yet here we are, two years later, being told there's a crisis. But you would have known those stations were losing money. So why did you buy them?

Mr. Ivan Fecan: The CRTC asked us to try to help out with them. And you know, we've tried. We don't see a future for them unless there is some sort of structural fix.

Mr. Charlie Angus: I guess I'm asking these questions because we are being asked to make perhaps a major policy change that would affect the bottom line of all our taxpayers paying a hit, if they pay fee-for-carriage or whatnot. We don't know what the bottom line is. We hear that local makes money. We hear that it brings in more advertising. You tell us it's not true. The cable guys are certainly telling us....

Would it be possible, in an in camera session, for your people to show us the books? We wouldn't disclose it publicly, but as parliamentarians, we really have to make sure that when we go back to government and make a recommendation, we know that this crisis is at the local level, that money is being lost at the local level.

Would you be willing to share those books with us?

Mr. Ivan Fecan: I think the CRTC, which is your instrument, has those figures. Let me think about the answer to that question, but as your instrument, they already have those figures and can make that determination.

Mr. Charlie Angus: We sometimes don't get great answers out of the CRTC. That's why we're appealing to you. We need to be on the same page here.

Mr. Ivan Fecan: Mr. Angus, I have to correct something you said. You said this would cost the taxpayers money. We're not advocating that. We believe this is an industry-to-industry solution. We are not saying this should increase cable bills. We believe there is plenty of money to pay for that.

Mr. Charlie Angus: There could be, but at the end of the day it's our consumers who have to pay. If we are going to go that route, we have to be able to say to them that we have seen the crisis and it is us. We're not quite sure yet what crisis we're seeing, because it's so conflicted.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro: I want to thank the representatives of the A-Channel for coming today. I've heard an awful lot about the A-Channel, certainly from our MPs, Patrick Brown and Ed Holder, who are here today. Mr. Holder has been making me aware of your situation. I know that Mr. Masse across the way has also been advocating on behalf of Windsor A-Channel. I'm certainly abreast of your situation, but I'm not going to ask you any questions, and don't take that as a snub.

Mr. Fecan, I want to ask you a couple of questions. I have a release from CTV on Monday, and I want to ask for some clarification. It says that CTV welcomes Rogers' support for a fee for carriage on an American retransmission consent regime. I'm sure you have that. You touched on it a bit in your presentation. You said that you welcome the idea that Rogers might accept a fee for carriage as it exists in the United States, but the American system doesn't give over-the-air television stations an automatic right to be carried by cable. If you're happy with Rogers' position, could we assume that you accept the U.S. approach, that you're willing to give up carriage rights and then negotiate both fees and carriage? It's more than carriage rights, obviously. We're also talking about automatic substitution, guaranteed priority placement on the dial, and 6% of gross revenue that goes into the Canadian programming fund. Are you prepared to put all that aside for a fee for your broadcast?

Mr. Ivan Fecan: We're certainly prepared to talk about it. Frankly, I was stunned on Monday when I heard Mr. Lind say they would accept this kind of thing.

I need to correct one thing you said. The U.S. regime actually says that you do have a guaranteed placement. As a TV station, every three years you get to make this election. If you elect to take that guarantee, you don't get a fee. If, however, you decide to take your chances and negotiate with the local cable guy, then you can negotiate for a fee. If for some reason you can't agree to agree, then whatever programs you have the rights to in that territory cannot be brought in anywhere else. That's something we would agree to.

•(1630)

Mr. Dean Del Mastro: It seems to me that you're saying you're not prepared to look at any of the other benefits you're getting. As I said at the last meeting on Monday, inherently you don't have a business without cable and satellite. Really, you don't, especially on the specialty side. And they don't have a business without the broadcasters. You're kind of in the sandbox, and we'd like you to play nice and hopefully everybody can succeed.

You want to tell the cable companies that you want an industry-to-industry solution on fee-for-carriage. You want to make the cable companies do that, but you don't want to acknowledge the business advantages that the CRTC is providing from the cable companies to the broadcasters. You can't exclude that and say there isn't any value there, can you?

Mr. Ivan Fecan: Let's take them one by one. Simultaneous substitution, is that an advantage? They don't have it in the U.S. Do you know why? It's because their program rights are protected and they don't need it. If we got our program rights protected, as the American stations do in their markets, we wouldn't need simultaneous substitution, because we wouldn't be seeing American signals over the air in Canada. They don't allow signals from Rochester to go into Buffalo and vice versa. We have allowed this. Simultaneous substitution is, if you will, liquidated damages. It's not a benefit. We'd just as soon not have it and not have the U.S. signals in here. No other industrialized country in the world has allowed the wholesale importation of foreign signals.

Mr. Dean Del Mastro: But, Mr. Fecan, to be honest, isn't that like we're trying to roll the clock back 30 years?

I know a property you have is *CSI*. If I miss the airing of *CSI* on Thursday night at 9 o'clock, I might choose to watch that on Sunday instead. I can go to CBS's site, and I could choose to view that. I'm not going to see anything from CTV, even though you've paid the rights to broadcast that show.

To say that if they don't give us simultaneous substitution then we're not going to let the U.S. networks in and we won't worry about it, and if people don't want to pay a fee for carriage on their cable bill, it's no problem, they just won't have *CSI*...except that I can go to CBS.com and watch it.

Mr. Ivan Fecan: Sir, you're talking about taking things back; I'm talking about taking things forward. When you go to their site, they won't let you watch if you're in Canada because the rights aren't cleared for you, as a Canadian. If you go to the ABC site, you can't watch *Desperate Housewives*. If you go to the NBC site, you won't be able to watch any of their programs in Canada. That's the nature of it.

But please, let me finish. We're not advocating this; Mr. Lind was advocating this.

The Chair: Thank you.

We will move on now to Mr. D'Amours.

[*Translation*]

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

I would like to talk about the 2010 Olympic Games. We know that your organization was initially awarded the contract to broadcast the Olympic Games in Canada. We know that, in some instances, it has been difficult to determine the percentage of French- and English-speaking Canadians who will be able to watch the Games.

I concede that you have made an effort to find alternative solutions. There is no denying that you have been working on finding solutions. I am not convinced that you were necessarily obliged to do so, but I do have to thank you for the efforts you have made.

We know that a certain percentage of the population lives in rural areas. This comment essentially pertains to the development of the television industry and its impact on communities. As things now stand, the people who may find themselves with no access to

Olympic Games coverage are the ones who live in those rural communities.

Are you continuing your efforts to find solutions so that all Canadian citizens will have access to Olympic Games coverage, or do you believe you have already gone as far as you can?

•(1635)

[*English*]

Mr. Ivan Fecan: Thank you for the question, and thank you for the compliment. I would like to point out that industry-to-industry solutions are possible. Our partner is Rogers on this effort, and sometimes we disagree and sometimes we agree. We have worked very hard to try to give as much coverage as possible; in fact I believe there has been more than ever before for French language coverage of the Olympics.

I'm going to pass this to Mr. Sparkes, who has maybe more on this file than I have.

But I would also point out before he comes on that every single minute, every second, will be available on broadband to anybody with a dial-up connection, which has also never happened. We continue to work, any way we can, to get this to every Canadian citizen, regardless of their language and regardless of where in the country they work. It's not something where we're saying we're done, it's over, we can't do any more. We are always looking for opportunities.

Paul.

Mr. Paul Sparkes (Executive Vice-President, Corporate Affairs, CTVglobemedia Inc.): Thank you, Ivan.

Thank you for your question.

Just off the top, we're very happy to be working with Rogers on the Olympics. They're a great partner, and it's working well. I can assure Canadians from coast to coast, in both languages, that we'll probably have the best games that ever happened in Canada, and we'll show the Canadians through our television properties.

We recognize the issue you mentioned before, and we've worked very hard to find solutions. We have contacted all the cable providers from coast to coast, and we have offered them a view of the RDS and TQS signal so they will be able to get it during the two-week period of the Olympics free of charge.

[*Translation*]

Mr. Jean-Claude D'Amours: There will still be communities with no access to cable. They aren't many, but they do exist. As you said, you'll continue to work on finding other solutions for those communities.

[*English*]

Mr. Paul Sparkes: Absolutely. We're always going to continue to work to find solutions for those people.

In terms of hours we're providing, just to give you a comparison from past games, there were 613 hours of English coverage in Turin, for example. For Vancouver there will be 1,125. There are repeats obviously involved there. In Turin in 2006, there were 408 hours of French coverage, and in Vancouver 2010 we're going to be offering 822, which is double what was offered in Turin.

[Translation]

Mr. Jean-Claude D'Amours: Thank you. I will leave the time I have left for Ms. Dhalla.

[English]

The Chair: Go ahead, Ms. Dhalla.

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

The Chair: You're going to have just a short time, though.

Ms. Ruby Dhalla: Yes. I'm going to keep my preamble short just to get right to the question.

We had the chair of the CRTC before us a few weeks ago, and when he came before this committee he stated that CTV and Canwest had not committed to providing any type of local programming support if fee-for-carriage was implemented. I noticed, when looking through the transcripts that were done before the CRTC hearings, that I had asked him at that particular time whether a commitment had been made by both yourself and Canwest. Can you please elaborate for the committee as to what the truth is? There seems to be a great deal of confusion between what the chair of the CRTC is saying in regard to your position and what the position of the CRTC is.

Mr. Ivan Fecan: Thank you, Ms. Dhalla.

I read that transcript with interest. We thought we were very clear on the record when we said, as outlined in our joint submission, we submit that a fee would be tied to local reflection as defined by the commission. I guess maybe we weren't clear enough. Maybe they didn't hear us. Maybe we both need to do better in listening and explaining ourselves, but gee, we thought we were really clear.

• (1640)

The Chair: Thank you.

Mr. Pomerleau.

[Translation]

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

Thank you very much, Mr. Fecan, and thank you to all the witnesses who have come here to meet us today.

First, does CTV provide French-language services in Quebec?

[English]

Mr. Ivan Fecan: No, the only French language services we offer are on specialty with RDS and RIS, the two sports channels.

[Translation]

Mr. Roger Pomerleau: I am asking the question because I feel that, as we move forward with our study, we will see that—because of the language barrier—the problem in Quebec is substantially different from the problem in the rest of Canada.

At one point, someone said that the problem with Quebecers was that they did not speak English like Americans, and the problem with English Canadians was that they spoke the same language as Americans. Those are indeed two problems that may lead to roughly the same solutions, but that have completely different origins.

You claim that you wish to maintain as many of the services that are currently available in local communities as you possibly can. I'd like to know whether I have correctly understood what you said. You said that, because of the current crisis, you have two options: you can seek additional sources of revenue to pay for the services, or you can cut the services in order to turn a reasonable profit, given that your company's primary goal is to turn a profit.

You claim that instituting a system like that in the US would solve part of your problem, provided that the airtime was not used for other ends. Thus, if you denied another company your rights to use your broadcasting network, no one could establish contact with you other than by going through this system, and that would mean people would have to pay. That's what you are saying.

If you had a system like the one in the US, would you be able to seek additional funding and maintain the existing services in the regions?

[English]

Mr. Ivan Fecan: First of all, I think you have a language advantage, not a barrier, because that's what's allowed your culture to flourish. So I think it's an advantage actually.

Just to correct the record, we had been the minority shareholder of TQS up until it went under, obviously, and now it has a different owner.

We feel there has to be some sort of fee-for-carriage solution, whether it's the one advocated by Mr. Lind or whether it's the one we advocated a year ago or so, which would not require the American signals to disappear, because it would still have simultaneous substitution.

Without getting into the mechanics of whether it's A or B, or how you get there, with some kind of vehicle, some sort of structure like this, we believe that would go a very long way to protecting local television in Canada.

[Translation]

Mr. Roger Pomerleau: Is there time for one more question, Mr. Chairman?

Mrs. Carole Lavallée: Earlier, you asked for a chance for the television industry people to hold a discussion amongst themselves. First, I'd like to know whether I understood you properly.

Then, I'd like to know whether there has recently been a meeting among top-level television industry people.

[English]

Mr. Ivan Fecan: There was a meeting I think back in November that the chair of the CRTC convened among CEOs of broadcasting companies to talk about digital transition. I noticed he referred to that in his testimony. I think that's what he was referring to.

[*Translation*]

Mrs. Carole Lavallée: Do you think it might be useful to have a top-level meeting, a large meeting that would bring together everyone in the television industry and make it possible to settle the differences among you? Cable companies have their differences with non-specialty services, and non-specialty services have their differences with specialty services. Do you think such a meeting could be part of the solution?

[*English*]

Mr. Ivan Fecan: I think it's always of benefit to talk. I believe, however, there has to be a framework that basically says, "Look, you work it out, but you have to pay for what you use. You can't just keep taking it for free and you let us work it out." But I think both parties have to be told to sit down and work it out. I don't think it needs to affect the consumer. That's a choice that distributors may make, but they don't need to make that choice, in our opinion.

• (1645)

The Chair: Okay, thank you.

Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Welcome. I want to take a moment to thank you for recognizing recently one of your female communicators and the excellence that she has portrayed. We met very recently at the gala. I just want to thank you for doing that and for highlighting her accomplishments.

Mr. Ivan Fecan: You're speaking of Susanne Boyce.

Mrs. Shelly Glover: She's fantastic, yes.

I of course come from Winnipeg, so unfortunately we've seen some changes with our A-Channel, our CTV news, and with our Citytv news as well. It's of course a huge concern, because we place a lot of importance on our local news programs, particularly at this time, because of our flooding, etc. If it weren't for local broadcasting, local news, we would have a very tough time helping to protect those families.

I want to ask this on behalf of Canadian citizens who want more local programming, who want to get access to those news channels. Exactly what are they going to get out of this fee-for-carriage deal, if it's made? Frankly, and bluntly, you are in this business to make profit. You're not in this necessarily for the public good, although you do a lot of things that are in the public good, and I congratulate you on those things as well—donating to the United Way, helping with the humane society.

What are the citizens going to get out of this? Are you going to rehire those people who lost their jobs? Are you going to open up those morning news programs again? What exactly are you going to give back to the public if they're putting their taxpayers' dollars on the table so that you can get out of this mess?

Mr. Ivan Fecan: You may not know this, but Elaine has run our station in Winnipeg for many years, and she runs all of our local stations now. I would like to turn to her in a second, but I would like to just remind everybody that people are already paying for local television.

If our Brandon station goes off the air, do you really think the local cable company will refund fees? They're already paying for it;

we're just not getting the money. When people get their cable bill, they believe they're paying for local television. We've done countless surveys and it's absolutely consistent.

Mrs. Shelly Glover: Fee-for-carriage is going to be another cost, and someone is going to absorb that cost.

Mr. Ivan Fecan: Correct, someone's going to absorb it.

Mrs. Shelly Glover: You're going to say it's the cable companies and the cable companies are going to say it's the people who are viewing it and consuming it. That's the concern I have.

When Ms. Dhalla asked about the CRTC, in your response about local programming you called it "local reflection", and that's a bit of a concern to me. When you say "local reflection" and you're going to put some of this money towards "local reflection", what's going to be new? Not something maintained, but what's going to be new? What is the taxpayer getting that's new for this huge cost to the taxpayer? I know you don't want to call it a bailout, nor will I. I disagree with you if you think it's only going to be the cable companies that are going to dig into their own pockets.

Mr. Ivan Fecan: What we're saying is if we can't see a way of continuing.... We don't want to reduce the service. I don't think there's a point of having local television without local content on it, frankly. We are soon going to get out of that business, and I don't believe anybody else is stepping up.

Mrs. Shelly Glover: So, sir, what will be new? You've obviously projected. What will be new? What will we get?

Mr. Ivan Fecan: You will get the continuation of what you have now, which you are not going to get unless something changes.

Mrs. Shelly Glover: Okay. It's unfortunate that's the answer. Are you going to rehire people? Are you going to put that morning news back? Given what you've just answered, I'm a little—

Mr. Ivan Fecan: We didn't have morning news in Winnipeg. I think you're thinking of the Rogers station.

Mrs. Shelly Glover: No, no, no, morning news is in Barrie.

Mr. Ivan Fecan: If Peggy thinks it's a good idea, and if she has the funds, that's her decision.

Peggy.

Mrs. Shelly Glover: This is a question taxpayers want answered before they say, "Yes, government, help them".

Ms. Peggy Hebden (Station Manager, "A" Barrie, CTVglobemedia Inc.): Actually, we've looked at some of the numbers and we don't know the orders of magnitude, we don't know how much it's going to be. And right now we're now losing a great deal of money and we need some money to stop the bleeding so that we can actually, maybe, not lose any money this year. But if we do get this fee for carriage, we believe that we would be able to put it back. We don't know that right now, and we'd have to see what the orders of magnitude are, but we would like to think that's the way it's going to go.

•(1650)

Mrs. Shelly Glover: Our challenge is that we represent people who are not in the business of paying taxes to make you profit. They want to get something out of it, and that's why I'm imploring you to make those plans before you ask for the help. Taxpayers need answers to those questions. I would encourage you to perhaps read the *Barrie Examiner* from today's date. I think it's very clear. I think it really does emphasize what most taxpayers are thinking. I would encourage you to read that.

I'm done. Thank you.

The Chair: I'll let Ms. Hebden answer that question, please, and then we only have five minutes left for small questions.

Ms. Peggy Hebden: Thank you.

The article that came out in the paper today was quite interesting. I talk to viewers all the time, and that's not what they're telling me. They're telling me that they'll do whatever it takes. They love the service we provide. They're really disappointed we're not doing the morning show, as are we. We do a great job with our six o'clock and our late news, and we're passionate about doing a great job. And we want to be there for them. We don't want to continue to lose money. We want to be a profitable business. We want to just break even, for a change. It would be great.

Our viewers are saying, "What's it going to take? We can't lose this station."

Mrs. Shelly Glover: So what about the morning show? Are you going to put it back?

Ms. Peggy Hebden: If the money works out and we have money so that we can afford to do it, we'll do it.

The Chair: Okay, I have to stop this.

I'm going to allow everyone one short question, and please make it short because we really do only have about four minutes.

Mr. Charlie Angus: You're so bossy, Mr. Chair.

The Chair: I'm allowing everyone one short question, and please, one short answer.

Ms. Ruby Dhalla: I want to get back again to what I had asked earlier in regard to this confusion of what the position of CTV and the private broadcasters is in regard to fee-for-carriage. I'm just quoting from a transcript here. When Mr. von Finckenstein came before our committee he said he asked you, "If we implement a fee for carriage, are you willing to make commitments to local communities by using the fee for local programming?" He said he got "a resounding silence". He said it was right there and you can check the record. He said, "I posed the question; I didn't get an answer." You take a look at the transcripts. You have obviously said something very different.

The position of the CRTC seems to be different from what you're stating today. In addition, you take a look at yourself, at Canwest, at all of the broadcasters. Everyone is on life support. He talks about a local improvement fund of \$60 million over 72 stations that would be eligible across the country. Is that not a band-aid solution? So the question becomes, do you think the CRTC has the tools or has acted quickly enough and fast enough to deal with this crisis in broadcasting across this country?

Mr. Ivan Fecan: We are going into the beginning of a long hearing next week, on Monday, and we very much hope that the solutions will be found in the course of that hearing.

Ms. Ruby Dhalla: Do you think they will?

Mr. Ivan Fecan: I have to hope.

The Chair: Okay, thank you.

Ms. Lavallée.

Mrs. Carole Lavallée: It's a short one.

The Chair: Try to make your introduction shorter than Ms. Dhalla's.

Voices: Oh, oh!

Mrs. Carole Lavallée: That's no problem.

[*Translation*]

The owner of TVA/Quebecor Media appeared before the committee on Monday and said that one of his solutions would be to share the current fees of cable companies with general interest channels, not just the specialty channels?

What do you think of this suggestion made by Pierre Karl Péladeau?

[*English*]

Mr. Ivan Fecan: I'm not sure I understand your question, so could I file an answer on it, please? I'd like to read his transcript.

Mrs. Carole Lavallée: Can I...?

The Chair: No, that's your one short question.

I think Mr. Masse wants to take the floor, and I think you will get a reply.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

I was interested in your response with regard to the CRTC. It seems you're willing to partition your business and cut the A-Channel's local stations loose, even though you called them the binding aspect in many respects.

I want to make this clear. Are you saying that it was very clear to the CRTC that you would cut these stations loose if they did not make a profit? Are they the real problem, because they actually made you take those stations knowing that they made a loss and knowing that you were going to cut them loose if they weren't going to make a profit, knowing that they had a history, in your words, of 30 years of failed operations in terms of returning revenue?

•(1655)

Mr. Ivan Fecan: Well, we're at the end of a licence term, sir, so we agreed to take it for the term. Now we've asked for a one-year extension, because we very much hope a solution—

Mr. Brian Masse: With all due respect, I'd like you to answer my question. Were those conditions laid out between you and the CRTC when you made the deal to get CHUM and they gave you the A-Channel? Were the conditions clear then, that you had to make a profit or you would cut them loose? Did the CRTC know that at that time?

Mr. Ivan Fecan: No one, sir, is required to reapply for a licence when it expires.

The Chair: Okay. Thank you for the answer.

Mr. Del Mastro, you have the last question. Please keep it very short.

Mr. Dean Del Mastro: Thank you very much, Mr. Chair.

The CRTC extended the Canadian programming fund to 6% from 5%. It's an extra \$60 million. That money didn't come out of thin air. The cable companies didn't take it out of profit, nor did the satellite providers. It's 55¢ per subscriber, and folks are going to pay it. I would argue that fee-for-carriage is a fee that subscribers would have to pay.

If the position of CTV is that nobody should have to pay anything more and that we should find a way to hem the cable companies and satellite companies in so that subscribers don't pay anything extra... Rogers was here the other day, and they said that such a scenario would lead to job losses at Rogers. Are you prepared to say that, if we were to hem them in and this cost jobs at the cable companies or satellite providers, you would still hold a position that if we're taking from one pocket and giving to the other and the result is job losses at the cable and satellite providers...? Do you think that's a reasonable position?

Mr. Ivan Fecan: A year ago, Rogers said you should never increase cable bills without increasing services, and they did just that. So I'm not sure how credible they are on this subject.

The Chair: Thank you very much. This brings this part of the meeting to an end.

I must thank our witnesses for being so candid, and thank you for the questions around the table.

We'll recess for five minutes and then we'll reassemble.

•(1655) _____ (Pause) _____

•(1705)

The Chair: We've gone a little past where we should be. We're running a little late today.

I welcome our witnesses for this second hour. As everyone has taken the time to come today, we'll make sure there is an hour. You do have a full hour, so we will monitor that.

Mr. Bissonnette, if you would like to introduce the rest of the people with you and give your presentation, please go ahead.

Mr. Peter Bissonnette (President, Shaw Communications Inc.): Thank you very much. We're delighted to be here today. With me is Ken Stein, our senior vice-president of corporate and regulatory affairs; Jean Brazeau, our senior vice-president of regulatory affairs; and Alex Park, vice-president of programming and educational services.

We look forward to an open and constructive dialogue about the state of the Canadian broadcasting system, the importance of serving local communities, Shaw's contributions to the system, and our focus on the 3.4 million customers, your constituents, whom we serve.

We congratulate you on conducting this important study. We know you have read our submission very carefully and will consider it fully as you deliberate. Because time is short and we know you're

anxious to ask questions, we will quickly address our key points in response to the committee's stated suggested study themes.

First, we'll be part of the solution by continuing to build and sustain a strong Canadian broadcasting system. We believe in the system, and we believe that television has an exciting future. Shaw and our 10,000 employees already make, and will continue to make, significant contributions.

Second, requests for a fee for carriage must be denied. The harm to consumers, the harm across the entire broadcasting system, and the harm to the Canadian economy would far outweigh any perceived benefits that would be enjoyed by broadcasters alone.

Finally, we will make specific recommendations about how the government and the CRTC can contribute to maintaining the strength and the relevance of local broadcasting by focusing on consumers and investment.

The most important contribution of BDUs, broadcasting distribution undertakings, is building the network and infrastructure that delivers choice to Canadians and supports hundreds of programming services. Shaw alone has invested over \$5 billion, and as a result of these investments we have built a world-class broadband network in large and small communities across western Canada. We have transitioned our networks from analog to digital. We have grown the subscriber base of our all-digital satellite service, Shaw Direct, from zero to approximately 900,000 households, including homes in rural and remote communities throughout Canada. And we provide competitive programming satellite signal delivery services through Shaw broadcast services to over 2,000 small Canadian cable systems. These systems rely on Shaw broadcast services to serve millions of customers, again, in small communities.

We will make more investments in broadband and satellite infrastructure. These capital expenditures are critical for a number of reasons. We serve Canadians with tremendous choices, including an attractive and affordable basic service, hundreds of digital discretionary services, 50 high-definition channels in Shaw and satellite, as well as interactive applications like pay-per-view and video-on-demand. We provide conventional and specialty services with high-quality signals, allowing them to attract billions of dollars in advertising revenues. We operate in an intensely competitive market in every sector of our business, broadcast distribution, Internet, and telephony. In this environment we make business decisions every day and we're held accountable by our customers. We invest to bring fibre connectivity to small communities. Broadband investment will be a key driver of economic recovery and will support Canada's knowledge-based economy.

Shaw also makes a significant contribution to the system and to local communities through our popular community channels, which provide 100% local, 100% Canadian programming every day of every week. Each year we produce over 9,000 hours of original local political programming, special community events, local sports, and local news and magazine shows.

Our achievements include the following: we raise approximately \$4 million each year for local community associations across western Canada and northern Ontario; annually, we produce over 1,000 hours of programming focused on federal political issues from a local perspective; we produce weekly coverage of over 50 local municipal council, school board, and committee meetings; we provide 24/7 live coverage of the flood watch in local Winnipeg communities; we provide two dedicated multicultural channels in Vancouver and Calgary to support a diversity of local ethnic communities; and we produce over 120 community feature stories every day across western Canada and northern Ontario.

Beyond these contributions, cable has also invested over \$50 million in CPAC to provide a commercial-free window on Parliament and national public affairs at no charge to Canadians. Since 1997 we've also contributed over \$400 million to the Canadian Television Fund and private funds.

•(1710)

We are confident that Minister Moore's creation of a Canada Media Fund will finally ensure that this funding is about investment to satisfy the needs of our audiences rather than subsidies to satisfy the needs of producers and broadcasters.

These investments demonstrate that we are committed to customers, and we are very excited about the future of Canadian broadcasting.

Broadcasters also demonstrated their belief in creating a specialty service in Canadian television when they spent a combined \$3.7 billion to acquire a number of specialty services to add market share, increased bargaining power, and cross-purpose content. We know there are many challenges ahead, but there are also tremendous opportunities to take full advantage of synergies and new technologies.

Several parties argue that there is a systemic problem that requires a systemic solution. The systemic problem is with the existing regulatory regime, which is based on protections and subsidies. This model is unsustainable in the global, dynamically competitive digital communications environment.

The fix is not more regulation and taxation or a bailout for broadcasters. Broadcasters make business decisions to spend more than \$700 million annually on American programming. In one case, they amassed a \$4 billion debt from the purchase of non-Canadian television stations and publishing properties. They should be held accountable for these decisions.

Let's now discuss the false premises that support the broadcasters' demands for fee-for-carriage. More money will not go into local broadcasts. More money will not be used to breathe life into local programming. To help explain the broadcasters' real motives, let's look at the example of the CRTC's proposed local programming improvement fund. It was introduced only last October, but broadcasters are already demanding more, because they say 1% of our revenues is not sufficient, and they are already trying to escape any commitments to spend that money on incremental local programming.

Fee-for-carriage completely ignores broadcasters' regulatory advantages and privileged place in the broadcasting system. The

long list of broadcasters' existing protections is included in our written brief. They include mandatory and priority carriage on the basic service, free cable and satellite delivery of local broadcast signals, valuable free spectrum, and simultaneous substitution.

Free distribution on cable and satellite will become even more important as we move through the digital transition, because broadcasters are telling us they will not build over-the-air digital transmission facilities in most markets. In all communities outside of major urban centres, cable and satellite will be the only way for Canadians to receive their local stations.

Finally, fee-for-carriage is not a market-based solution. In contrast to the situation under the U.S. regime, where broadcasters must make a choice between "must carry" and retransmission consent, Canadian broadcasters want both. There would be no real negotiation with broadcast distributors. There would be no customer choice. Customers would have to both take and pay for these services. The result would be a wealth transfer from Canadians to private broadcasters. Put simply, it would be a tax on ten million Canadian households for the benefit of two or three private enterprises.

Clearly, fee-for-carriage is not the solution. However, we would like to make the following specific recommendations, which will provide relief in the short term and over the long term will help to build a strong and competitive Canadian broadcasting system.

For the digital transition, Shaw will support the availability of an affordable virtual broadcast solution on cable and satellite so that broadcasters can continue to reach local audiences while saving hundreds of millions of dollars in capital costs for new digital transmissions.

As suggested by the CRTC chairman, part II licence fees should be eliminated. There should be relief through the elimination of advertising restrictions and a reduction of regulatory obligations.

If broadcasters consider local programming to be a regulatory burden, they are always free to give up their licences, and the CRTC should call for new applications from companies that believe there is a business case for serving local communities.

The government and the CRTC must fully embrace the potential of community channels to provide a diversity of voices through local news and local programming that reaches various geographic, cultural, and linguistic communities.

•(1715)

Finally, the CRTC should be provided with the direction to conduct a comprehensive review of the entire system. Such a review should lead to recommendations based on the interests of Canadians as viewers and consumers.

In conclusion, Shaw greatly appreciates the opportunity to appear before this committee, because we share the common goals of building a strong broadcasting system and serving Canadians and local communities. We are a successful company because every day we engage our 3.4 million customers and we listen to them. We ask the committee to do the same by focusing on the interests of Canadians. If innovation, investment, and new technology are allowed to drive this market, Canadian consumers and viewers will be the winners.

Shaw is already part of the solution. We reach Canadians through our ongoing and substantial capital investments to bring world-class service to large and small communities. We distribute hundreds of Canadian programming services. We make significant financial contributions to private funds and the Canada Media Fund, and we provide outstanding programming on our community channels.

However, we cannot support any solution that is based on new subsidies, taxes on our customers, or broadcaster bailouts. We believe the true cornerstone of the system must be Canadian consumers. As set out in the Broadcasting Act, the system must serve their needs and interests.

Thank you, and we look forward to answering your questions.

The Chair: Thank you for that presentation.

We'll go to Ms. Dhalla for the first question.

Ms. Ruby Dhalla: Thank you very much for coming before the committee today and providing us with some insight as to what's going on within your organization.

I have a couple of questions.

You spoke in regard to the CRTC and its mandate, the local programming improvement fund, and your accessibility in regard to that. When the chair was before us, he spoke about the fact that it's increasing by \$60 million. It's supposed to be more than 72 eligible stations. Do you think that's enough to ensure there is local programming and strong Canadian content in this country?

•(1720)

Mr. Ken Stein (Senior Vice-President, Corporate and Regulatory Affairs, Shaw Communications Inc.): First of all, we do not believe in funds. We have the position that funds just become subsidies of uneconomic behaviour. We believe regulatory obligations are the best way to proceed. We don't look for funds. When we invested in satellite services, I think in the first year we lost \$350 million.

Mr. Peter Bissonnette: Yes, we lost \$350 million. We didn't have a tag day special. We said we need to make this a profitable business and let's get creative about doing that. We looked at adding new services and making the service a much more attractive service to our customers. Ultimately we were able to move from that position,

of losing \$350 million, through investment—investing in more transponders and the new satellite.

Mr. Ken Stein: In terms of local programming, we think local programming is important. We do have one local television station that we happen to own. It was part of the cable system we purchased in Kenora. We believe it's a successful operation and we continue to plan to make it a success. We think there's a lot of room for working together with the cable system in a local area in order to make sure the people in that area are served. We think those kinds of solutions are much better than funding mechanisms, which just create artificial distortions.

Ms. Ruby Dhalla: You don't believe in a local programming improvement fund, and you're against fee-for-carriage. What other types of ideas and solutions would you propose to get the broadcasting industry out of its state of crisis?

Mr. Ken Stein: First of all, we don't believe it is in a state of crisis. We do know Canwest is facing significant financial issues. We do know CTV has taken certain writedowns, but as was just pointed out, they're a private company and we don't know what their numbers are saying. We believe there is an issue—that is, in terms of a recession—and we can see the impacts of that, but it's affecting every Canadian. It's affecting every business. We believe the way to get through this is to ensure we get the policy situation right.

The problem is that when we get into the whole ambit of the CRTC, we then tend to look at the only policy solution as being regulation, or subsidies, or other kinds of funding mechanisms. We think that's the wrong way to go. We think the proper way to go at this would be, for example, if there was a systemic issue that happened over the last number of years because of the change in viewing shares, then one has to not look at short-term solutions such as one-year licence renewals, but ask what is happening over the next number of years.

The commission has done that in the past. In the early 1990s it did look at the whole broadcast distribution and television business, and it included consideration of fee-for-carriage, which it also rejected at that time, and it laid out a vision for how cable was going to unfold over the next number of years. We think that's the proper approach.

Ms. Ruby Dhalla: I have a last quick question before the chair tells me that time's up.

Do you think the CRTC has acted fast enough, quickly enough? I know you think there's no crisis, but we've talked to a number of different stakeholders, a number of different broadcasters, and they certainly feel there is a crisis. If you talk to Canadians, when they're losing their local news, they're losing the programming they're used to seeing, for them it is a state of crisis.

So do you think the CRTC has acted quickly enough, or do you think there should have been further direction provided to the CRTC by the government?

Mr. Ken Stein: First of all, as you point out, we don't agree that there's a crisis. We feel that television is probably entering a golden age. We think it is an exciting period. The development of high definition, the relationship to the Internet, webcasting—all of those choices are there for Canadians. We think we're just at the beginning of it, so we think making proper investments is the way to go.

In terms of the CRTC, we have disagreements, absolutely. For example, when the chairman of the CRTC appeared he said local broadcasting is the cornerstone of the system, that conventional television, as he called it, is the cornerstone of the system. We don't agree with that. We think the cornerstone of broadcasting is as laid out under paragraph 3.(1)(d) of the Broadcasting Act: Canadians' interests, needs, and aspirations. That is what has to be looked at, not the state of the broadcasters. The broadcasters may be in a financial crisis, but Canadian television viewers are not.

• (1725)

The Chair: Thank you.

Madame Lavallée, please.

[Translation]

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

Good afternoon, and thank you for being here.

Unless I am mistaken, Shaw Communications Inc. does not provide any service in Quebec. Is that correct?

Mr. Jean Brazeau (Senior Vice-President, Regulatory Affairs, Shaw Communications Inc.): That is correct.

Mrs. Carole Lavallée: So there is a good reason why I am not that familiar with your company.

[English]

Mr. Peter Bissonnette: Our satellite service does provide services in Quebec. What was Star Choice, which is now called Shaw Direct, provides services to all of Quebec.

[Translation]

Mrs. Carole Lavallée: I see. So there is a good reason why I do not know you very well.

A document we were given states that you are “a diversified Canadian communications company whose core business is providing broadband cable television, high-speed Internet, digital phone, telecommunications services and satellite direct-to-home services to 3.2 million customers”.

[English]

Mr. Peter Bissonnette: Yes.

[Translation]

Mrs. Carole Lavallée: I'm not clear on whether or not you do what is known as “general interest television”. Do you do television production?

[English]

Mr. Peter Bissonnette: No.

[Translation]

Mrs. Carole Lavallée: Fine. So you are what is known as a distributor. I understand now why you...

Mr. Peter Bissonnette: That is correct.

Mrs. Carole Lavallée: I have no problem with that, but I understand now why you did not talk about Canadian content: that is not an issue for you.

Although I am fairly sure what your answer will be, I will nevertheless ask you the same question I asked those who appeared earlier. Pierre Karl Péladeau, of Quebecor Media and its affiliate, TVA, appeared before the committee on Monday and suggested that the licence fees for satellite and cable distribution be better distributed, and that in future they be given not just to speciality channels but also to general interest channels.

You realize that this would not result in increased cost to consumers, but rather in a different distribution. I would like to know what you think of this idea. Is my question clear?

[English]

Mr. Peter Bissonnette: My gosh, I can visualize CTV and Canwest.... There are various owners of specialty services. Would they be prepared to share what they derive in their fees for specialty services amongst themselves?

Mr. Ken Stein: They can do that already.

Mr. Peter Bissonnette: They can do it right now. In fact, what we're suggesting with CTV is if you take CTV as a whole, they have conventional broadcasting, over-the-air broadcasting. They have specialty services. As a company, just as we may not have all of our divisions operating at the same level, they are still one and the same. They are Shaw. In the case of CTV, we believe their specialty services...which we thought they were very wise to be buying, because there was a change in the over-the-air business, it was diminishing somewhat, whereas the specialty services were increasing, so it gave them a hedge, if you will, against the kind of crisis you're talking about today. That hedge actually exists.

[Translation]

Mrs. Carole Lavallée: I do not want to play the devil's advocate, or the advocate for Pierre Karl Péladeau, but his argument is that each component of a company must be profitable, and if some are not, a fair distribution must be sought.

[English]

Mr. Peter Bissonnette: I lost the translation there. I'm sorry.

Mr. Ken Stein: Well, we understand what they're saying, and it's the absolute truth that if you have entities that are subsidized, then you have to start looking at them as entities and doing something about it if they're not coming up to the mark.

Part of having this kind of synergy among services is that when one part of the business is not doing so well, you can sustain it by financing it, which is what we did with Star Choice. When we were losing \$350 million, obviously that wasn't going to continue, and we went through a number of management changes and a number of investments that have put it on a financially sustainable basis. That's the objective.

When Mr. Asper announced the approval of his acquisition of Alliance Atlantis, he talked about the synergies and the energies that would be created between the television side and the specialty services. We think that's the ultimate objective.

Are you going to go through certain downfalls and certain little bumps in the road? You are, absolutely, but that's what a business is all about. It is all about dealing with those bumps in the road and then coming out at the end with everybody strengthened. We don't see it as being subsidies or cross-allocations or things like this, but certainly you have to look at the total company in terms of how they will get through a period of a downturn.

• (1730)

The Chair: Okay. Thank you for that.

Mr. Masse is next.

Mr. Brian Masse: Thank you, Mr. Chair, and thank you, gentlemen, for being here this afternoon.

I'm actually a customer of Star Choice. We have that in my office in Windsor.

I'd like to know specifically why you can have so many stations and slots for pay-per-view, pornography, and digital music, but you can't find a slot for A-Channel Windsor, which I had requested for a number of years. I'd like to hear the reason behind that. Is it simply because, once again, you went to a new business plan and wouldn't allow that A-Channel to go on the system, despite the fact that I could watch A-Channel news from London and A-Channel news from Ottawa? I couldn't, from my own office in Windsor, watch A-Channel Windsor, which literally was only basically a five-minute car ride away from my office.

Mr. Peter Bissonnette: Well, that's a great question. If we could be all things to all people and carry every service and have the capacity to do that, it would be in the best interests of our customers, but it really comes down to having to balance interests.

In our channel lineup on Star Choice, we've tried to balance our customers and original programming. If you go down our lineup, you'll see we have 12 CBCs all showing the same programming, another 10 of Canwest Global services, and four or five A-Channels, so we've provided sufficient reflection in the capacity we have.

Capacity is a limited resource. Right now there is not one channel we can add, unless we are able to have another satellite go up to give us more capacity. We've been using technological multiplexing methods to try to expand our capacity. We've dropped some services to accommodate news services. We've added high-definition services because customers are telling us they're buying new boxes and new high-definition televisions and they'd like to have some programming in the high-definition format—

Mr. Brian Masse: You can have all this. Where I purchase as a customer, you have hundreds of channels. Why couldn't you drop a...?

You've come here and said that basically there is no problem. I heard that for the auto industry. Since 2002 I've been raising this issue about the crisis in the auto industry, and you come here and say there is no crisis. At the same time, the A-Channel is disappearing in my community right now, a community that stands in the shadow of the United States, and we've requested basically that the A-Channel be on a service that you provide. Tell me why we couldn't find one slot in all of that mix for local news programming. It's a responsibility for all of us

Mr. Peter Bissonnette: I understand that. If capacity were not an issue, we could be carrying 400 news services of duplicate programming from every community across the country. We've tried to balance that.

Ken, do you have any thoughts on that?

Mr. Ken Stein: It is a matter of making certain choices. There are also regulatory requirements in terms of obligations to carry a number of duplicate services, which we would love to—

Mr. Brian Masse: The programming out of Windsor is not a duplicate service of A-Channel London, A-Channel Ottawa, and the other A-Channels we could get but could not get in Windsor.

Mr. Peter Bissonnette: It's duplicate in many forms. Some of the programming is local in origin, but much of the programming is duplicated.

Mr. Brian Masse: I don't believe that is the case. I've had a chance to witness the other.... They may carry a story across the spectrum, but that certainly wouldn't be the norm.

I'll move on to something else, because I think it's important. You've said that right now fee-for-carriage would be an issue. The previous delegation has basically said that you guys can suck it up. From 2002 to 2008, since deregulation, your rates for the Vancouver area have gone up 55.5%, from Winnipeg east, 90.2%, and in Calgary, 61.5%, for an overall average of 67.8%. That's the average from the CRTC report itself. Now explain, I guess, where the value is for the customer in terms of a 68% increase over six years, and second, explain why you couldn't carry the load right now that's being requested.

Mr. Peter Bissonnette: Let me talk about the actual reality of what our customers are receiving and the rates they're paying for them.

We offer telephone, we offer Internet, and we offer digital television services. In the last five years, through the bundling of those three services, our customers are actually paying less for that basket of products than they were five years ago. That's the reality.

Second, in terms of what we've done with the money we're deriving from our customers, we've spent \$750 million in capital expenditures this year alone to build infrastructure, to add more services, to make the services more reliable, and to extend fibre optic cable to small communities.

We just acquired Campbell River TV Association on Vancouver Island. We've spent a few million dollars since we acquired that system to give those customers the same services we would provide customers in Vancouver or Nanaimo. Our customers are what drive our behaviour. They tell us, through their subscriptions, that they like what we're offering. They like the value, the speed of the Internet....

•(1735)

Mr. Brian Masse: I appreciate that, and that helps to clarify that, and I would ask, at the end—

The Chair: Mr. Masse....

Mr. Brian Masse: —I would implore you, if you actually see a way out of this, to actually drop one of your stations of foreign or something else and put the A-Channel in Windsor, and we could actually get through this.

Mr. Peter Bissonnette: Thank you very much.

Just so you know, we've dropped from the 50 channels on pay-per-view that we used to have on Star Choice to fewer than five. So we're using that as a way of adding more services.

The Chair: Okay, thank you.

We'll go to Mr. Del Mastro.

Mr. Dean Del Mastro: It is Ms. Glover.

The Chair: Oh, it is Ms. Glover. Sorry

Mrs. Shelly Glover: Good afternoon. I just want to welcome you here today.

I want to let you know that I come from Winnipeg, Manitoba. I just have to say that Shaw TV in Winnipeg has been instrumental in providing us with some coverage of our flood and the sad situations that some of our homeowners and people in Winnipeg have suffered recently. I just want to point that out.

I'm going to ask a very basic question. What will happen to Shaw if fee-for-carriage comes into being?

Mr. Peter Bissonnette: Well, clearly, the fee for carriage is a cost to us, and that would be a cost we'd pass on to our customers. Our customers, for that fee for carriage, are going to get what? Nothing—nothing they don't have now.

Mrs. Shelly Glover: I'm glad you answered it as basically as I asked it, because our dilemma is to try to collect as many facts as we possibly can to really come to some kind of conclusion in the end.

I'm going to ask you some other very basic questions.

Of course, the broadcasters are arguing that you use their signals and that you should pay for them. Do you agree with that?

Mr. Peter Bissonnette: The answer is no, we don't agree with that.

I think the suggestion was whether we are going to go back 40 years to the genesis of broadcasting, when there were two or three over-the-air broadcasters, and Shaw, in its form at the time, provided a reach for broadcasters that they could not otherwise have enjoyed.

I've lived in Vancouver. I've lived in Rivers, Manitoba. I've lived all across this country, and the benefits the broadcasters derive through our distribution, through the commitments, through the \$700 million we'll spend this year in capex, they're benefiting from.

When Mr. Fecan talked about the Internet and how they're streaming programs, they're streaming that over our network. They have a huge advantage and a benefit that comes through the investments we make in our infrastructure. That's the benefit. We're not taking anything. We're providing them with value. We're

extending reach. We're going to do the same thing, as we've said, with a virtual broadcast. When they're not prepared to make the investment in their transmitters in a digital environment, we've suggested—and we've made a commitment—that we will in fact replace their transmitters through our distribution network. Get the signals to us on our cable system and we will make them available to our customers. We'll make the investments in the boxes that are necessary for customers to receive those signals, and we will do that at a nominal fee, if you will, to pay for the kind of investment we will have to make to have those available.

There's a relationship that goes back 40 years. We've provided the means for them to get to our customers.

Mrs. Shelly Glover: I understand. I'm sorry, I only have a couple of minutes, but I wanted to ask those two questions because I believe you may have been here when CTV was here. Of course, they talked about the use of their signals and the cost that they said would not fall upon subscribers. You've said the opposite.

You heard what they said. Please respond to what they said and where they figure there would be no cost.

Mr. Peter Bissonnette: Well, there will be a cost. We've been clear on that.

You know, this is not the first time we've talked about fee-for-carriage. It was six months ago, I think, that we were in Ottawa in front of the commission talking about fee-for-carriage. A year before that we were in front of the commission. Somebody asked "Would you open up your books to us?" The answer was that we've shown them to the commission and it's basically your arm. The commission has that information, and based on that information it chose, again, not to approve a fee for carriage, because it recognized that there was not substantial justification, if you will, in the numbers it was provided to warrant a fee for carriage, which it also knew would be passed on to consumers. We've been very clear about that.

•(1740)

Mr. Jean Brazeau: To finish off, if we have to absorb the costs, it means there's less money for investment. Those would be hard business decisions we'd have to make, because at the end of the day we have to ensure that the company remains profitable. Every year we invest over \$700 million in our network, and that would be challenged.

Mrs. Shelly Glover: One quick question to finish: that investment you're talking about, the lowering of it, is that going to affect local programming?

Mr. Peter Bissonnette: We're trying to get away from the sky is falling scenarios. We're proud of what we contribute in the form of local programming in all of our communities. So that would not impact the programming we deliver in our community programming. What it will do, though, is mean less money we can invest in our infrastructure to buy, for instance, a new satellite to launch more services, like the Windsor service, on that satellite. We wouldn't have that capability to the extent we do now.

The Chair: Thank you.

Mr. Rodriguez, you're next, please.

[Translation]

Mr. Pablo Rodriguez: Thank you, Mr. Chairman.

Good afternoon everyone. I am sorry I missed your presentation. We were involved in a television program on the subject of these hearings. The various media are very interested in what we are doing here.

However, when I listen to you, I don't have the impression that I missed much, because your comments are based very much on what Rogers told us yesterday. My difficulty in this debate is that, despite our potential partisan differences, collectively we are trying to find a solution to help out the industry as a whole. We are not trying to choose winners or losers. What we want is a profitable industry where all players can manage to survive.

As a Member of Parliament, it is difficult and ultimately worrisome to constantly hear people telling us that if we give this or we do not give that, they will cut a particular service, will not provide another, will close down a station or will no longer be involved. I think it almost amounts to blackmail—in other words, if we give in to a request made by one and not to the request made by another, the latter will do less.

Please understand that we are neither for or against Shaw, nor for or against CTV. You want to make money; we want you to make money. However, you have to find a way of communicating with one another. At the moment, I think I understand what you are opposed to. I know you are opposed to the fee for carriage concept. But exactly what option do you support? Which solutions do you favour?

[English]

Mr. Peter Bissonnette: I'll start off with what our contribution to local programming is, and we'll use Winnipeg as an example. We have a lot to contribute and we could contribute a lot more to local programming. We are the local programming in many small communities across Canada where there is no CTV. There's no CTV in Squamish or Whistler. They get their local voices through our local programming.

Alex, why don't you talk about some of the programming we do that we think is a positive contribution?

Frankly, we would prefer to be less fettered, if you will, in terms of what we could do because we're committed to doing more.

Mr. Alex Park (Vice-President, Programming and Educational Services, Shaw Communications Inc.): In many of our cable communities, through our local community channels, we have actually become the local voice in many, many instances for community associations and community groups.

The channel has really been in effect for almost 40 years, and it has begun to develop as a very viable alternative voice at the local community level. So our concern, really, is to make sure that in any kind of review that's undertaken, the community channel is clearly identified as part of the solution. We believe it can be an even greater part of the solution in the future around community expression.

We have the infrastructure in place. I don't know how many of you know, but we now operate over 40 local community channels, from northern Ontario to northern British Columbia. We have 350 staff people who operate within those channels. We have hundreds of volunteers who support that activity at the local community level.

[Translation]

Mr. Pablo Rodriguez: Excuse me, but we do not have...

[English]

It's difficult for you to be part of the solution if you don't recognize the problem. You're saying this is basically related to the economic problems of today. Others say it's a problem that was created before; it's more visible now because of the economic difficulties, but it will be there again in the future.

• (1745)

[Translation]

In my opinion, there has been a structural change. I do not think the economic crisis is the sole reason for this. I think that the growing number of specialty channels coupled with the advent of the Internet and other platforms have reduced advertising revenues.

If you do not recognize this problem, it is difficult for you to say that you will try to find a solution to it. However, if those who say that there is a structural problem were correct, would you be prepared to do something? Are you prepared to negotiate with CTV and Global and to say that you could agree to fee-for-carriage under certain conditions?

[English]

Mr. Peter Bissonnette: We are partners, just to be really clear. We carry all of CTV's specialty services, so we meet with them all the time. We're constantly in negotiations with them on the rates of those specialty services. They talk to us every week when they provide us with the list of services they want to have substituted, as a part of the simultaneous substitution. We do have a dialogue with them.

On getting into a hypothetical discussion on what degree of pain we would be prepared to accept with fee-for-carriage, we've said we're not prepared to accept any. You saw what happened to Phil Lind yesterday. I think Phil was answering a question on whether he would accept the American model. He told us he intended to say he wouldn't accept the American model, and clearly CTV or Canwest wouldn't accept it either because they would never accept the notion of non-mandatory carriage.

The Chair: Thank you.

Your time is up.

Mr. Pomerleau.

[Translation]

Mr. Roger Pomerleau: Thank you, Mr. Chairman.

I would like to thank our witnesses for coming to meet with us today. I have just one question, but a long preamble.

The producers have told us generally that if they did not generate more revenue, they were going to have to cut certain services being offered at the moment. The distributors, including Rogers and yourselves, tell us that in the end, there is no problem, if we look at these companies overall, we see that they can afford to lose some money in specific areas, but that generally, their activities are extremely profitable. That is roughly what we are hearing from the various witnesses who appear before us.

You brought along with you a rather lengthy brief. Like the representatives from Rogers, you refer to a tremendous number of facts that tend to confirm very rationally what you are saying. The text is very well written. It states that these people are investing less and less in Canadian productions and more and more in foreign productions, particularly American ones. These people claim to be losing money, but this often refers to products they bought abroad and that have nothing to do with local distribution.

I confess that I have a favourable bias toward your point of view, but that does not mean that this could not change. I find it logical. However—and this is where I have some reservations—I am not an anglophone; I watch television in English from time to time, but I watch more television in French. And one thing seems clear to me. Most of the programs in English that I watch seem to be American in one way or another—whether they are imports or series or feature actors who are quite clearly American.

On the other hand, when I watch television in French, I never see or almost never see that type of thing. The news is really designed in Quebec for Quebecers. Television series are made from A to Z by Quebecers and for Quebecers. There are very few American programs presented in translation. Variety shows—and here we are talking about Quebecor—such as *Star Académie* or others are produced in Quebec by Quebecers. The same goes for advertising. People tried for a long time to use advertisements produced in Toronto to sell products here, but they had to stop, because people were simply not buying these products. The advertising has to be produced in Quebec if products are to sell.

Mr. Péladeau's company, Quebecor, seems to be dealing with problems that are totally different from the other companies. You say that the truth of the matter is that the companies have done nothing to promote Canadian programming. That is not true of Mr. Péladeau. All his programming is home grown, and he pays what it costs to do that. He is making money, or at least I hope he is, and I hope he will continue to do so like the other companies. In any case, his problems are totally different from those faced by other producers of television programs. I come now to my question.

If as a Member of Parliament I conclude that your comments are valid for the Canadian side of the market, that producers like CTV and Canwest really do not have any problems because they are producing fewer and fewer Canadian programs, but that this is not the case for Quebecor, do you think I would be justified in saying that a different solution should be applied to Quebecor, perhaps even as regards broadcast rates?

• (1750)

[English]

Mr. Ken Stein: We don't agree with fee-for-carriage on any basis because there's no justification for it. We serve as a delivery mechanism, and I'm sure it's the same in Quebec as it is in the rest of Canada. The whole way and nature in which the cable policies were structured over the last 40 years was essentially to recognize the need for Canadians to have access to a whole diversity of services. So we have worked hard.

If you look at the eighties, for example, when we started to launch pay and specialty services, a number of the French and English services failed. So we came up with solutions in the nineties to

basically guarantee carriage, offer services and tiers, do them in the most customer-friendly way that we could—putting some of them on basic, some of them on tiers, giving people choices, doing packages, doing a whole balancing act. In the end, it resulted in a number of tremendous accomplishments that we have to recognize in the system.

The first accomplishment is that we now have hundreds of Canadian services. If you want Canadian content and interesting stories, you can find it; they are there. They may not be the *ERs* and the *CSIs*—which was a Canadian invention by the way—but that's a fact of life. I mean, Hollywood is a dominant influence on English Canada, whether it's in film or in television.

So what we did through the nineties and through this decade is to ask, given that situation, what can we do to ensure that Canadians' needs are met as Canadians—and that's news, sports. I get tremendously excited when I go to the ski races in Quebec and RDS is there. That didn't happen 10 or 15 years ago. So recognition of Canadian athletes, amateurs, all that sort of thing.... There's much more recognition of that now than there was 10 or 15 years ago. These are tremendous advantages.

Second, on the satellite side, people who live all across the country—aside from the problems that may exist with respect to Windsor—can get the same or a better level of services than in the city of Toronto. No other country can make that kind of statement.

Mr. Peter Bissonnette: Or Montreal.

Mr. Ken Stein: Right. So that's a tremendous accomplishment for the system. The second part of all this is that when this policy was worked out, cable was given a monopoly. That monopoly is gone. In Winnipeg you have a choice of five distribution television services. We have to compete, and we have to set our rates accordingly and put our packages together accordingly. These are tremendous accomplishments of the Canadian broadcasting system and we should be very proud of them.

Now people are saying there's a systemic issue and we need a short-term solution. Well, that's a contradiction. If there's a systemic problem it requires a longer-term look. It needs a good review of what the facts are. What it doesn't need is, "Oh, okay, let's panic; let's have fee-for-carriage and let's have it because the Americans have it." Look, we ran systems in the United States. There is one single objective in the U.S. broadcasting system: profit. There are no content regulations. There are no cultural obligations. There's nothing. You produce and that's the objective. That kind of system isn't going to work in Canada. We're proud of the fact that we offer services in all of the smaller communities we serve, and that's what we will continue to do, and that's why we're proud of the Canadian broadcasting system.

The Chair: We went a little overboard there, or a little long.

Mr. Uppal, and then we'll decide whether we have time for another round or not.

Mr. Tim Uppal (Edmonton—Sherwood Park, CPC): Thank you very much, Mr. Chair.

I'm going to give you a chance to expand further on something you were talking about in your introduction, some regulatory solutions. You mentioned something about advertising restrictions. If you could, start there and then talk about a couple of the other things you mentioned.

Mr. Ken Stein: Part of the issue is that there are certain availabilities we don't have access to. We've always wanted access to those. The commission is now reviewing that. We're saying, okay, rather than stopping people from increasing their advertising situation, we want to be able to use more local availabilities, to support local broadcasting and local community channels.

For example, we carried all of the WHL hockey games a few years ago. Alex can speak to that. In order to do that, we also had sponsorship messages. The commission slapped our hands and said, no, no, you can't do that; you've gone overboard. You can have corporate sponsorship, but you can't have corporate advertising.

We continue to offer the WHL, but we think there's a tremendous attraction for local services in local markets. I'm not totally sure, and I'm not going to comment on the nature of the national broadcasters' business, but what we've seen over the past decade is more and more a focus on national broadcasting. There's no more BCTV. Canwest is now a national service. All of those things have become consolidated. That, in itself, is a good thing, but if the local advertiser isn't being served, then the money is not going to flow to the local broadcaster.

What we're saying is, okay, maybe the broadcasters have a point in saying there are restrictions on what they can do in terms of advertising, etc. Maybe there are restrictions on others as well. It would be useful to remove those restrictions and basically try to develop the advertising market in a stronger way—not in a protectionist way, but more in terms of what are the advertising opportunities, whether on the Internet, whether on the local television channels, or whether on the community channels.

• (1755)

Mr. Tim Uppal: So there are restrictions right now put on you and on the broadcasters that restrict ad revenue. They're saying the main thing hurting their business is ad revenue, but there are other regulatory restrictions on those.

Mr. Alex Park: The restrictions fall into a couple of areas. One, very clearly, as Ken mentioned, is that our ability to actually interject advertising through a number of U.S. specialty services is highly limited in terms of the numbers of spots per minute we're allowed to actually sell, and also the type of advertising we're allowed to bring to that market.

We believe there's enormous untapped opportunity inside those services to create more and more revenue for the Canadian broadcasting system. We see it as an unused inventory opportunity that should really be expanded and developed. That would benefit not only us, but also the entire Canadian broadcasting system.

Mr. Tim Uppal: Are those regulations or restrictions put on by the CRTC?

Mr. Alex Park: Yes, that's correct.

Mr. Tim Uppal: Have there been discussions to try to change them?

Mr. Peter Bissonnette: At our last appearance before the commission we recommended that they in fact lift those restrictions in consideration of the plight broadcasters were expressing to the CRTC, and eliminate some of their costs as well—the part II fees.

I think the chairman was here. He talked about lifting the limitation on advertising drugs—or pharmaceuticals, actually. When I watch American TV now, I see every kind of drug that I use as I get older. None of that advertising is available in Canada. That would be another revenue stream for the broadcaster.

Mr. Ken Stein: Finally, in terms of, for example, the Canadian Television Fund—which is now the Canada Media Fund—the problems there were the inability of the board to embrace new platforms. For example, they would fund conventional television programming, but they would not fund or support other, alternative platforms, such as video on demand. So our ability to use video on demand in a positive way was limited not only by the commission—which had, in fact, been quite encouraging of video on demand—but also simply by what could be funded through the Canadian Television Fund process.

Mr. Tim Uppal: Good question.

Rod.

The Chair: Be very short, please.

Mr. Rod Bruinooge (Winnipeg South, CPC): I appreciate that, Tim.

I just have a quick question, Mr. Bissonnette. If Canwest and CTV went out of business, do you see there being any impact on the number of subscribers you would have?

Mr. Peter Bissonnette: If they went out of business?

Mr. Rod Bruinooge: Yes, if they went out of business, would you lose any subscribers?

Mr. Peter Bissonnette: Well, I don't think so. I think someone would fill the void. In fact, if you look at CHCH in Hamilton, the local management there have a lot more confidence in the power of generating revenue from the local community than their actual corporate people do. They think if they bought that television station, they could actually make a go of it.

I was in Thunder Bay about 10 years ago when CTV shut down that station. We filled part of that void through our community channels, through all of the local programming we've been doing.

Mr. Rod Bruinooge: If CTV and Canwest were gone, your business wouldn't mind? It wouldn't be a big deal?

Mr. Peter Bissonnette: Somebody would fill the void. Most of the programming they carry is American programming.

• (1800)

The Chair: Okay. I have to bring this part of the meeting to a close.

I thank our witnesses very much for your information and your candid answers to our questions from around the table. We will recess for about five minutes and try to restart for the next hour.

Thank you.

• (1800) _____ (Pause) _____

• (1805)

The Chair: Welcome back to the third session here this afternoon.

Pursuant to Standing Order 108(2), we are continuing our study on the evolution of the television industry in Canada and its impact on local communities.

For this session we have Cogeco Cable Incorporated, Yves Mayrand and Maureen Tilson Dymont. From Canwest Media Incorporated, we have Peter Viner, president and chief executive officer of Canwest Television; and Charlotte Bell, senior vice-president, regulatory affairs. And from CHTV, we have Donna Skelly, co-host.

Welcome. Try to keep your messages close to 10 minutes, because I'm sure there will be some questions put to you from around the table.

Mr. Mayrand, please, to start off.

Mr. Yves Mayrand (Vice-President, Corporate Affairs, Cogeco Cable Inc.): Good afternoon, Mr. Chair and members of the committee. Our presentation will indeed be very short and to the point.

We are the fourth-largest cable system operator in Canada. Our service footprint covers many local communities in Ontario and Quebec. We offer a wide range of broadcasting distribution and telecommunications services as well as local community programming through our extensive broadband fibre and coaxial cable network, extending from Windsor to the tip of the Gaspé Peninsula.

[*Translation*]

We have been in the broadcasting business for over half a century, and in the cable business for over 35 years. Needless to say, we have experienced phenomenal change in our lines of business. We have been able to succeed by adapting to change and reinvesting for the future. You can check on what we do, and how well we do, every quarter because our shares are listed on the Toronto Stock Exchange.

[*English*]

Your suggested study themes raise several fundamental questions of broadcasting and electronic communications policy that would require much more than a five-minute speech to fully address.

Here are our key messages today. Hopefully they will help you in your deliberations.

First, traditional local broadcasting is clearly under pressure from a combination of changes—growing costs, declining advertising, and declining viewership—which are all driven in good measure by technological change. As a result, the way of doing local broadcasting has to change as well. In short, technological change must be embraced. The cost structure must be alleviated; advertising

must be more targeted and effective; multiple platforms must be used; and viewer involvement must be promoted.

Second, fee-for-carriage for over-the-air television is not a silver bullet. It will not address any of the required changes that we just mentioned. It will only delay them and make things worse in the end. It would be like pouring water in a barrel with an open tap, because Canadian broadcasters are free to overspend on buying American programs and free to underspend on producing local programming.

Third, the expectation that our analog over-the-air television system—which was built over a period of over 60 years—will be converted entirely from analog to digital by August 31, 2011, is, simply put, a project conceived on thin air. Our federal government has decided to reclaim the analog spectrum to sell it for mobile communications, as is being done in the U.S., but has left the resulting technical and financial problem entirely to the broadcasting industry. There is just a small hitch. The broadcasting industry does not have the technical resources or the capital available to go digital all the way, and even if it did, there is no workable business plan to justify the required investment.

Fourth, what can the federal government do to help? Frankly, a good start would be to stop hobbling the industry. For general revenue purposes, the federal government has collected almost \$800 million from 1998 to 2006 from revenues of the broadcasting industry by way of a special licence fee calculated as a percentage of all broadcasting revenues. The question of whether this fee constitutes an improper tax is now before the Supreme Court of Canada, but the government is always free to end that tax and to return part of its earlier proceeds to the industry.

• (1810)

[*Translation*]

This special licence fee is in addition to the base licence fee, corporate income tax, GST, and mandatory contributions to Canadian program funding, which now include the Local Programming Improvement Fund (LPIF). The federal government does not collect any of these taxes or fees on pirated broadcasting signals and services in Canada, yet spends next to nothing on enforcement of its own broadcasting and radiocommunication laws.

And the federal government now stands to collect several billion dollars more from the auctioning off of the analog spectrum used by broadcasters for over 60 years. All of this while the industry faces a more challenging environment than ever before in its history.

[English]

Fifth, what can our company do to help more on the local programming front? We have a model that we developed seven years ago in North Bay. When the CTV local affiliate in North Bay decided to cut back on the local news, TVCogeco stepped up to the plate and started to provide local news coverage on our local cable channel. We have a daily half-hour program of news Monday to Friday at 5:30 p.m., with repeats at 6 p.m., 11 p.m., 11:30 p.m., 6 a.m., and 6:30 a.m. Overall, TVCogeco produces, in North Bay, a year-round weekly average of 8.6 original first-run hours of local programs. We also plan to webcast North Bay news beginning in the new year.

Is this good for local broadcasting and diversity of voices? Our viewers, our community groups, and our local representatives sure think so. We could do more if we had access to our own local resources for that purpose. Oddly enough, our local advertising is restricted by regulation. Indeed, regulations still preclude most advertising activities from local community programming, on-demand programming, and commercial availabilities on cable or satellite programming signals.

We will start paying 1% of our total cable broadcasting revenue into the LPIF next fall, but we will not be eligible for any funding from the LPIF unless the criteria proposed by the CRTC are changed. We will be making that point to the CRTC at the public hearing next week.

Based on our experience in North Bay, there are real local programming solutions at hand when the broadcasters feel they no longer have a business case for local programming tailored to the different needs of the local communities. We just need to think and act outside the traditional mode, and we need a little understanding from the federal government and the regulators to deploy these alternative solutions more widely.

I'd be happy to answer your questions.

The Chair: Thank you for that presentation.

Mr. Viner.

Mr. Peter Viner (President and Chief Executive Officer, Canwest Television, Canwest Media Inc.): Thank you very much.

Good afternoon, Mr. Chairman and committee members. Thank you for inviting us to provide our input into your study on the state of local television in Canada.

My name is Peter Viner, and I'm president and CEO of Canwest Television.

Joining me today is Charlotte Bell, our senior vice-president of regulatory affairs.

Our comments today will focus on the financial state of local television, the challenges we face as an industry, and what we believe some of the solutions are.

You've asked us to comment on the appropriateness of a fee for carriage for local stations, so let me begin there.

We believe that local broadcasters should be paid for the use of their signals as part of a cable and satellite package in the same way

that Canadian specialty services like TSN, the Food Network, TELETOON, and others are, and also U.S. cable channels like CNN, A&E, and Spike TV.

Under the banner of regulatory reform, there are many other things that can and should be done, but in our view, a properly designed fee-for-carriage regime would put Canadian local broadcasting on a sustainable footing and would go a long way in addressing the ongoing decline in the sector.

Now let me talk about the state of local television in Canada. This crisis is real. The conventional television business model is broken, and it's been broken for some time. Some are suggesting that this is merely a short-lived decline in the advertising revenue that will rebound with the economy. The facts suggest otherwise. A weak economy has only accelerated a trend that began years ago.

Local broadcasters have been warning the CRTC for many years that a crisis was inevitable. It's extremely frustrating that it took an economic downturn to validate these concerns. Over a thousand people have lost their jobs, and the very existence of many local television stations is now at stake. It didn't have to be this way.

By all measures, the signs of deterioration have been here for some time. Our advertising revenues have been flat to declining for the past three years. Profitability for the sector sank to single digits and reached an all-time low of less than half of a per cent last year. This all happened in a healthy economy. Quite simply, this happened because we've gone from a few stations reaching all Canadians to literally hundreds of stations reaching all Canadians. In other words, the amount of advertising money available is now divided among a much larger group of stations, and that doesn't take into account the growing proportion of the advertising market going to the Internet.

Some have suggested that the debt incurred by broadcasters as a result of a consolidation is to blame for the crisis. But debt doesn't account for the worst three-year performance in recorded history of local television or last year's meagre profitability before the economy began to really slide. Debt didn't reduce the value of CTV's local operations by 75% or cause Canwest to take a billion-dollar writedown on its local stations. It also didn't cause Rogers to record a \$294 million loss on its local stations some 18 months after they purchased it.

The conventional television business model is broken. Consolidation was a necessary response to fragmentation caused by years of over-licensing and authorizing too many foreign signals in Canada. Consolidation didn't break the local television business model. In fact, consolidation only delayed the inevitable.

The crisis was predictable, and it has been well documented. As far back as 1993, broadcasters, economists, and others warned that local television was at risk unless measures were taken to address the structural imbalances within the system. One could say that the proverbial chickens have now come home to roost.

Charlotte.

•(1815)

[Translation]

Ms. Charlotte Bell (Senior Vice-President, Regulatory Affairs, Canwest Media Inc.): Concerning local programming, the competition is not fair. Canadians have access to hundreds of TV channels and a broadcasting system that is among the most diversified in the world, but the Canadian television market is one of the most complex, competitive and regulated that exists. Diversity has a price.

The struggle to attract viewers and advertising income has intensified since the early 1990s. Today, there are some 170 specialty Canadian channels competing for the same audiences and advertising. And for local stations, advertising is their only source of income. Canadians also receive, via cable, dozens of American channels in all kinds of niches.

[English]

Here's the problem. Canadian specialty and U.S. cable channels receive hundreds of millions of dollars in subscriber fees each year. In fact, over the last nine years, U.S. cable channels—I'm saying U.S.—such as CNN, A&E, and Spike TV received almost \$2 billion from Canadian cable and satellite services. Meanwhile, local television received nothing.

The time to act is now. Fee-for-carriage is a basic question of fairness, recognized as far back as 1971 when the CRTC established the first cable policy. The commission declared at the time that one should pay for what one uses to operate one's business. In other words, fee-for-carriage was regarded as a matter of fair business practice and was one of several measures prescribed by the CRTC at the time to counterbalance the impact of cable technology and the importation of additional foreign signals into the local marketplace, but it was never implemented, as you know.

So today, while new entrants such as specialty and foreign cable channels receive a portion of cable and satellite bills, local stations still don't receive a cent. Ironically, Canadians believe that a portion of their cable or satellite bills is going to their local stations. In two separate consumer surveys conducted on our behalf since 2006, subscribers overwhelmingly said they valued local television above all other programming services. More than 65% of subscribers also believed they were already paying for local stations on their bills. When informed that local stations don't receive any portion of their fees, almost 80% of subscribers were in favour of local stations receiving a portion of their basic fees, and a vast majority of respondents were willing to pay almost \$5 extra each month to continue to receive their local station.

The cable and satellite companies continue to argue that consumers will revolt if their bills increase, and we know this is your concern also. During last year's CRTC policy review, executives at Rogers and Shaw threatened to pass on to consumers any new carriage fees for local stations. Rogers executives actually said the majority of Canadian consumers are not prepared to pay a fee where no added value is associated with that fee. Consumers would be forced to pay an extra \$5 or \$10 a month on their cable or satellite bill and receive nothing new for this increase. But based on the 50¢-per-subscriber fee that we proposed, the average increase

would have been no more than \$2.40 in most markets and much lower than that in many places.

But here's the irony. In March of this year, Rogers subscribers saw their bill increase by \$6 a month, although Rogers had not added a single additional service, and no revolt occurred. In fact, by all accounts, despite continuous price increases over the years, the number of cable and satellite subscribers has continued to grow. The facts just don't support their arguments.

•(1820)

Mr. Peter Viner: Mr. Chairman, local television remains a vital part of the Canadian broadcasting system. Over the past 10 years, Canwest local stations have spent in excess of \$1.6 billion on Canadian content, including news, benefit taxes related to various transactions, and part II fee levies from the government. We're still in this business because we think it's worth fighting for. The arguments against fee-for-carriage simply do not hold up. Given the current state of local television, fee-for-carriage is not just a matter of fairness; it has now become a matter of survival. When it comes to the future of local television, fee-for-carriage may well determine whether local television survives in Canada.

Thank you for your time and interest. We'll be pleased to answer any of your questions.

The Chair: Thank you very much for that presentation. Now we move to Ms. Skelly, please.

Mrs. Donna Skelly (Co-host, CHCH-TV): On February 5 of this year, an emergency meeting was called to inform the employees of CHCH-TV in Hamilton that, along with its sister stations in the E! Network, we were up for sale. Our parent company, Canwest Global, told us that a buyer would have to be found within eight to ten weeks. If not, they told us, the worst-case scenario would be possible. After 54 years, the first independent television station in Canada, CHCH-TV, could go black.

My name is Donna Skelly, and I represent a group of employees who are trying to save CHCH-TV. Shortly after this shocking and devastating announcement, we came together to develop a plan that would prevent CHCH-TV from going black. The priority of our employee group is fundamentally different from the current players in the broadcast crisis. We don't want to answer to shareholders demanding high returns on their investments. We are not looking to expand into other industries or to acquire other properties. We simply believe that the residents of Hamilton, Halton, and Niagara have a fundamental right to at least one television station that serves their needs. We want to prove to Canada's regulatory commission, to you, our members of Parliament, and to other community leaders that this station, CHCH-TV, is more than a means of making money for shareholders. This station, the only station to serve a market of over a million people, has become an essential service that must be protected and preserved.

We know that the business model for conventional television is broken, but has anyone or any group given you an alternative model for local news? What has happened is that networks are now asking for relaxation of licence requirements, and for subsidies, to allow them to continue to operate under the same broken model.

What we are proposing is new. It is radical. It's a different approach to local news, but it's a model that we believe will not only protect local television in Hamilton, Halton, and Niagara; we think it could serve similar stations and communities across the country. But for today's purposes we are focusing on CHCH-TV.

We are proposing community ownership for this essential over-the-air licence. CHCH-TV would be controlled by the community. It would be governed by a board of directors made up of leaders and the people who understand the communities they live in. The broadcast mandate would focus on news and information that is important to the people in these communities. The programming schedule would not include the type of prime-time programming so readily available on other channels.

To sustain our model we have identified unique revenue opportunities. Traditional advertising will be crucial to this plan, but unlike the networks, we would aggressively solicit advertising dollars from lucrative untapped sources of advertising from within our own local business community. Currently, many local businesses simply cannot afford to advertise during prime-time hours. It is simply too expensive. In our opinion, broadcasters are too reliant on national advertising and have not provided enough opportunities to local business. Personally, I've been approached by local business owners who would welcome the opportunity to buy affordable television time to promote their own products.

The local program improvement fund will also be critical to sustaining and enhancing a local news and information service. Although it remains unclear right now as to what groups would be eligible for these funds, we believe there is no group more worthy than an independent CHCH Television in the cities and communities it is mandated to serve. In fact, we would ask the CRTC and this committee to include eligibility criteria that would give priority to communities that have one conventional television broadcaster providing local service.

The third element of this revenue initiative attempts to find a method of regulating funding from the community for local television services. Residents have anecdotally told us that they wish to continue having service from a local station and they want CHCH to continue with a strong local mandate. To do this, we believe a fee for carriage needs to be regulated to support local television in the communities served within the licence boundaries of CHCH. Under our proposal, all distributors in the defined coverage area carrying CHCH would be required to add a specified fee for carriage of the CHCH signal. CHCH would remain a must-carry option by these distributors.

•(1825)

To date, discussions concerning this crisis faced by Canada's broadcast industry have focused primarily on how to assist struggling networks. What hasn't been discussed is the impact on the true stakeholder in all of this, and that is the Canadian taxpayer. In 2000, when Canwest Global obtained the licence for CHCH-TV,

the company promised to produce 37.5 hours of local programming. In a few weeks, Canwest will be back before the CRTC asking to reduce the amount to five hours of local news programming a week. That's a reduction of over 80%.

Although a final schedule has not been announced, this reduction could mean that viewers in Hamilton, Halton, and Niagara could lose their three-hour morning show, their daily noon show, their daily current affairs programming, all their weekend newscasts, their local sports, and their local lifestyle programming. What would remain is *Snoop Dogg's Father Hood*, *Keeping Up with the Kardashians*, and *Dr. 90210*. Ask any resident of Hamilton, Halton, and Niagara what they would have cut, and I can assure you it would not be local news programming.

Not only are Canadian viewers losing local news, they are losing access to quality news. Serious news coverage has all but disappeared in local newscasts because of the reduction in staff and resources. Many local newsrooms do not cover the stories that require dedicated resources and experienced journalists. Local criminal trials, city hall meetings, and investigative stories require long hours and a lot of money. Today, these stories are a rare component in local newscasts.

We believe strongly that any recipient of public funding for television news production should be required to set aside a significant portion of that funding for serious news. Infotainment cannot be a fallback or a weak alternative to news. Broadcasters may argue that these funds should not be micromanaged. We argue that the health of this industry depends on it.

On March 11, 2009, this committee agreed to study the future of television in this country. Throughout the process, you have been told this industry is in the midst of a crisis. I disagree. I say we have an opportunity to make radical changes to the business model; to insist upon tougher regulatory conditions when licences are renewed; to demand that serious news be a priority; to identify and classify licences in markets like Hamilton, Halton, and Niagara as essential services; and to protect these licences for the true stakeholders, the Canadian people, who have a fundamental right to their local news.

Thank you.

•(1830)

The Chair: Thank you.

We're just changing the questioning around a little. Mr. Bruinooge is going to share his time with Mr. Del Mastro. Could I have the first question, please?

Mr. Rod Bruinooge: Thank you, Mr. Chair.

I just want to thank the Liberal critic, Mr. Rodriguez, for extending this opportunity for me to ask a question, as I do have to leave. Again, this highlights the non-partisan nature of this study. I think we all want to find a way to find a solution to what is a crisis in television broadcast.

Perhaps I could first thank all the witnesses for their testimony thus far. I have a number of questions. I'm from Manitoba, and I'll put my colours on the table right away. I would like to ask a couple of questions for a very important company that has maintained a presence in Manitoba when many other companies were running to Toronto and other places. Of course, Canwest has always maintained an important presence in Manitoba.

A couple of people who have come before this committee have suggested that perhaps the broadcasters might not necessarily be passing along any fee for carriage, that if you were to receive it—if the CRTC were to rule that—it might not get passed along to local content. In fact, the CRTC chairman, Mr. Konrad von Finckenstein, when he came before this committee, indicated he didn't have assurances from the broadcasters as to whether or not they would pass that along. I'm wondering if you can give some testimony as to whether or not you see that the fee for carriage, or any additional revenues you were to receive, would go to local news.

Mr. Peter Viner: Charlotte, please go ahead.

Ms. Charlotte Bell: To answer your question very quickly—and I know Ruby Dhalla also asked the same question a couple of times—what we said specifically to the commission is that we actually tied fee-for-carriage to local programming. What we said, clearly, to the commission was that we need to know the mechanism will be put into place and in exchange for making concrete commitments to local programming.

At the time, this was a policy review hearing. We have licences, with licence commitments, but we knew the decision the commission would issue on this particular matter would be issued in September or October and we would be filing our renewals a couple of months later. So we asked that they approve this mechanism and we would make those commitments in our licence renewal, and this is tied to the provision of meeting certain levels of local programming.

We didn't get a fee for carriage. We proposed a certain level, and you know the rest.

Mr. Rod Bruinooge: I see.

So you seem to think that perhaps you wouldn't agree with the testimony that the chairman of the CRTC put on the table at his most recent testimony before our committee.

Ms. Charlotte Bell: You know, as Mr. Fecan said earlier, maybe it wasn't made.... I think it was clear that the commitment would come afterwards. I think that's probably what the chairman was telling you also when he appeared before you, that we didn't make the concrete hourly commitment at the time. But it's a policy review, and in a policy review you're trying to put a framework around an idea. You make your concrete commitments in your licence renewal.

● (1835)

Mr. Rod Bruinooge: A number of other witnesses, specifically from the cable companies, have suggested that the broadcasters have spent—I think the phrase used was “like drunken sailors”, or something along those lines—in other areas, and that was one of the reasons they found themselves in these situations.

Is there any testimony you could provide in that regard, perhaps in relation to some of the requirements the CRTC has levied on your company, that your company was forced to buy certain assets that you maybe wouldn't have?

Mr. Peter Viner: Yes. I'll take a stab at that.

Last year, we spent a little less than 2%, incrementally, on foreign programming, which I think is where part of that myth comes from. The broadcasters who are under some pressure here include the BBC, ITC, CBS, NBC, Rogers, CBC, CTV, and us. I don't think we're making this up. I don't think this is an imaginary crisis.

The fact of the matter is we borrowed money to purchase the Alliance Atlantis specialty channels, and that was in an attempt to keep our total television business alive, because clearly the audiences and the advertisers are moving to specialty television. If we're not in that business, then we're not going to be a healthy participant in the television business.

Ms. Charlotte Bell: If I may just add something, one of the issues here is the whole question of consolidation, and I think that's where you're going with this question.

Just to be clear, in 1994 and 1996, in both of those rounds, there were specialty applications being considered by the CRTC. We applied for three services in each of those rounds, so a total of six services. We got only one licence.

The commission, at the time, wanted to let new entrants in for the sake of diversity. The irony, again, is that most of those new entrants have now sold their businesses for millions of dollars and have completely left the industry. Of course, they've been sold to companies like CTV and Canwest and others. We had to buy our way in because we didn't get the licences when we competed for them at that time.

The other thing is that in 1994 and 1996, again, we applied for licences in Alberta, and we were denied both times. In order to complete our conventional network, we had to buy the WIC over-the-air television stations. That was another acquisition that cost dollars.

Mr. Rod Bruinooge: I have just one last question.

The CRTC, then, I guess, forced you to buy the WIC network, instead of just granting you a licence in Alberta?

Mr. Peter Viner: No, they didn't force us to buy it, but our business strategy depended on us having a complete network, and that was what we did to fill it in.

The Chair: Thank you.

Ms. Lavallée, please.

[Translation]

Mrs. Carole Lavallée: Thank you.

I have two questions for you, Mr. Mayrand. I found your presentation extremely interesting. I will ask you a first brief question, and I would ask that you respond just as briefly, and then we will have fun with the second question and answer, because they appear to me to be more basic.

You stated that the conversion from analog to digital is a “project conceived on thin air”. I interpret that to mean that it cannot be done. And you added that there is no workable business plan to justify the required investment. What do you suggest instead?

Mr. Yves Mayrand: What you have to understand is that they are talking about converting, from analog to digital, all over-the-air broadcasters. Much of the conversion is done in studio equipment, sound, etc.

However, the main problem is with the broadcasters. We are telling them, essentially based on a decision made by the regulator, that everyone must convert to digital by August 31, 2011. But here is the thing: the technical resources and the capital required are not available.

In addition, officials are talking about converting this entire transmission infrastructure to radio frequency for a very small part of the population that is currently served solely through over-the-air broadcasting. That is the problem.

• (1840)

Mrs. Carole Lavallée: Are you suggesting that it should not be done, period?

Mr. Yves Mayrand: The CRTC has asked us as well as other industry players, both broadcasters and distributors, to find alternate solutions. We took part in a working group, and its findings have been officially tabled as part of the CRTC's public file for the hearings that will be held in one week's time.

We are considering alternate solutions that encompass cable or satellite signal distribution, or a combination of the two.

What remains unclear is how many of today's over-the-air local stations will stop their over-the-air broadcasting. That remains somewhat unclear, and we have not been able to obtain any clarification on that.

You will understand that it is a bit difficult for the industry to come up with a compromise model when the variables are unclear.

Mrs. Carole Lavallée: Are you saying that some local stations could shut down because they will not proceed with the conversion?

Mr. Yves Mayrand: Some stations will definitely shut down, but it is up to the broadcasters to identify those stations.

Mrs. Carole Lavallée: They will shut down stations because they will not be able to proceed with the conversion by 2011.

Mr. Yves Mayrand: That is correct.

Mrs. Carole Lavallée: That is interesting. I have another question that is just as interesting.

With regard to the evolution of the television industry, which is the topic of our committee's study, you said:

[...] technological change must be embraced, the costs structure must be alleviated, advertising must be more targeted and efficient, multiple platforms must be used and viewer involvement must be promoted.

I find those comments extremely interesting because those are your concrete solutions for the future development of television.

I would like for you to talk at greater length about technological change and the costs structure that must be alleviated. You have about a minute to do so, which is crazy, I realize, but I have to ask you that question.

Mr. Yves Mayrand: I am neither an engineer nor a technician, but I will try to sum up our position.

There was much debate during the hearing on the transfer of ownership of the TQS Network. One of the fundamental issues of that debate was whether or not to support changes that were considered by some to be absolutely necessary and by others, to be needless or detrimental to the quality of information.

I do not want to get into the debate surrounding TQS, in which we had an ownership stake?? and which we sold off at the same time as did CTV, which was our business partner.

However, I can tell you that, as a shareholder, we determined that it was no longer possible to come up with a functional business model for the future, given the heavy, conventional studio production structures that are in place today.

In our view, news programs, and particularly local news programs, must be created using lighter production, broadcasting and news gathering structures. Some will see this as a step backward, but we consider these changes to be inevitable.

Mrs. Carole Lavallée: What do you mean exactly when you say “lighter structures”?

[*English*]

The Chair: Your time is up.

[*Translation*]

Mrs. Carole Lavallée: I knew you would cut me off if I asked another question.

[*English*]

The Chair: There you are.

Mr. Christopherson, please.

Mr. David Christopherson (Hamilton Centre, NDP): Thank you very much, Mr. Chair.

First of all, thanks to my colleague Mr. Angus for giving me this slot on the committee, because we have a presentation from Hamilton. I would also like to thank Donna Skelly for taking the time to come to Ottawa to make the case on behalf of Hamilton.

For the benefit of colleagues, Donna is a very, very well-known, respected personality and community leader in Hamilton. When she called a couple of snap meetings over a weekend, and at other times, people were there ready to respond, because CHCH means so much to our community.

I can't emphasize how important it is to the fabric of our community to have CHCH continue. Regardless of who owns it and runs it, we need CHCH. The beauty of this opportunity is that we're looking at the community being the one that would call the shots. It's very radical, but it may indeed be an opportunity for us to look at this differently than we have in the past.

I only have five minutes, and I have a lot of questions for Donna. We have the three entities here, but I want to take the opportunity to perhaps throw the question to Mr. Mayrand and Mr. Viner as to what they see off the top of their heads as any roadblocks to this idea of a community-owned TV station run by the local community. That could be used as a template virtually across the country.

I would like to give you an opportunity to give what you think are going to be the problems, and then hopefully I'll have a moment to give Donna an opportunity to respond to what you have to say. And please be brief.

● (1845)

Mr. Yves Mayrand: It has been tried before. I'm not saying this earlier attempt sets a precedent for how things would shape up in Hamilton. It was tried before in the national capital region, a long time ago, and in the end the experiment was not sustainable. We ought to find out what the parameters and the business plan of this proposal are. I frankly don't know what they are. I understand the deep attachment of the people of Hamilton to this station. It's an institution in Hamilton, and if there's a way it can survive, all the better. But you have to consider the business plan, and I don't know what it entails.

Mr. David Christopherson: Thank you.

Mr. Peter Viner: I grew up watching CHCH. I'm so old I remember *Tiny Talent Time*, a little amateur show they had. I'm afraid CHCH, in our view, is symptomatic of the difficulties of the broadcast system in its current state. Commitment and a radical program format—this is all laudable. The reality is there's no revenue there. In fact, an all-news station will generate significantly fewer rating points than the current fare. As to the local people who are dying to get on the station, believe me, we've been welcoming them for a number of years at very low rates. They've never taken it up. I wish the group well. We'd be happy to facilitate selling the station at low or no cost. We just don't believe they'd be able to marshal a business plan that would pass muster at the CRTC. Still, we wish them well.

Mr. David Christopherson: Thank you both for that.

Ms. Skelly.

Mrs. Donna Skelly: My biggest concern with watching how these meetings in this committee have played out over the past few weeks is the emphasis on American programming and the amounts of money. We hear that the business model is broken. Maybe you could address this, Mr. Viner.

Let's look at CHCH and compare what's spent on foreign programming with what's spent on local programming. What I saw submitted to the CRTC was something like \$46 million on American programming and \$6 million on local news. To me, that's an awful lot of money to be spending on American programming. I think it's questionable whether the E! programming was the right route to go. If we had directed that same \$46 million to local programming, I think you could probably have had a pretty successful station.

Mr. Peter Viner: I don't want to get into a debate on this. Actually, the cost of foreign programming has gone down. The reality is we should have sold this station a long time ago, but like all optimists we kept thinking it was going to turn the corner. We're

happy to let it go in a new direction. We'll be happy to help, and we wish everyone well. That's all I have to say.

Mrs. Donna Skelly: We have two sources of revenue that have been addressed throughout these hearings, and all the key players have said they deserve a chunk of it. Do you want to spend that money on more American programming or do you want to spend it on local programming? If you want to spend it on local programming, then start looking at different models. The different model is a community initiative. Canadian taxpayers don't want to have to pay for the same American programming that is available on just about every channel.

If CHCH disappears from Hamilton, Halton, and Niagara, we're not going to be missing American programming. We can get it on 10 other stations that come into that market, but we're not going to get our local news. So if you're going to start dishing out local funding that taxpayers are paying for, put it towards local stations.

The Chair: Thank you.

● (1850)

Mr. David Christopherson: May I just leave this with you? I won't be back at this committee, I don't suspect. If the current models don't allow us to save CHCH, please do not leave my community without any local television station at all. We need some method, but we have to have the programming. The current system is just not going to work, and you're not hearing a lot of optimism from the current owners, so I would hope you'd open up your minds.

Thanks for your indulgence.

The Chair: Mr. Rodriguez.

[Translation]

Mr. Pablo Rodriguez: Thank you, Mr. Chair.

My first question is for the Canwest officials. Can Canwest survive in the current context if no changes are made? I am referring to the television channels.

Ms. Charlotte Bell: Can I translate that? I think the interpretation system is not functioning.

Mrs. Carole Lavallée: It was working before. We are not going to wait for her to translate each question.

[English]

Mr. Peter Viner: If I understand your question, it's can Canwest survive under—

Mr. Pablo Rodriguez: Specifically Global, if you had the challenge.

Mr. Peter Viner: Yes, absolutely it can. We have very strong, profitable companies. We just have simply too much debt. We need to recapitalize the company. We need new equity. We'll survive. Every one of our businesses, with one or two exceptions, makes a decent return. We just simply have too much debt for the current circumstance. I fully expect that we will survive and be healthy and be back before you many times.

[Translation]

Mr. Pablo Rodriguez: People have criticized you for having gotten yourself into this difficult situation, that this is of your own making. They refer to your acquisitions, your investments.

[English]

Can you understand? Are you getting the interpretation?

[Translation]

Mrs. Carole Lavallée: Did you turn up the volume?

[English]

Mr. Peter Viner: I'm sorry.

[Translation]

Mr. Pablo Rodriguez: Many of your critics say that you have gotten yourselves into this situation by proceeding to make acquisitions, that your plans were too ambitious.

Today, you are asking the government to help you get out of the mess you got yourselves into. How do you reply to that?

[English]

Mr. Peter Viner: The problem for conventional television is shared, as you've heard by others, with others. The sector has been in decline for some time. There are too many licences chasing too few ad dollars. It's the migration of viewers to specialty channels and to the Internet. This has nothing to do with our capital structure. You see what's happening at CBC. You've heard from CTV. It's backed by some of the wealthiest business units in Canada. Rogers wrote down half the value of their Citytv purchase after 18 months. It's pretty obvious that this is a sector problem, not a Canwest problem.

[Translation]

Mr. Pablo Rodriguez: If you were to obtain fee-for-carriage, what would you do with that money? What would you do if the rules of the game were changed, if you could access carriage fees?

[English]

Mr. Peter Viner: First of all, we were asked the question: what would prevent us from reducing service in local markets? We said there were a number of things. A fee for carriage is one of them. We think part II fees, which I believe the chairman of the CRTC addressed.... We think a better, fairer distant signal regime that would force the cable companies to pay for reigning three or four of our signals into a market that we can't monetize.... It could be a relaxation or a review of the type of advertising allowed on television—for instance, pharmaceutical advertising. We're saying that if we don't get some sort of relief, if there's no structural relief, then local service will be cut.

Mr. Pablo Rodriguez: We hear it again.

[Translation]

That is what I was saying earlier. It is becoming tiresome for us, as Members of Parliament, to hear everyone engaged in a form of blackmail. I am not singling you out, but everyone has told us that if the government does not do this or that, they will make cuts here or not provide such services there, etc. We are trying in good faith, and in a non-partisan manner, to find solutions for the industry as a whole. Fee-for-carriage could be a solution, but the cable television companies are against it.

Mr. Mayrand, Mr. Viner, could the Local Programming Improvement Fund, with its \$60 million, represent a long-term solution?

Ms. Bell, what are your views?

• (1855)

Ms. Charlotte Bell: First off, the anglophone market will not receive \$60 million, but rather some \$40 million.

We will be taking part in a public hearing next week and we will be broaching this subject. Is it the solution to the problem? It will not have an impact on our revenues, which will continue to decline in the conventional television sector.

Mr. Rodriguez, that sector was set up some 50 years ago. It is expected to offer the same services as when there were only three stations, whereas we now have to compete with hundreds of channels. That does not make sense.

I know that you are disappointed by what we are saying, but that is the situation. We can only tell it like it is, that is not blackmail. CTV officials have told you that they will be closing stations. For our part, we have no choice, we have considered every possibility, we have exhausted all of our options.

Mr. Pablo Rodriguez: You are therefore asking for fee-for-carriage. Cable television companies are telling us that if we impose fee-for-carriage, they will transfer the cost directly to consumers. Right?

Mr. Yves Mayrand: Yes, I can confirm that Cogeco Cable would be obliged to pass on the additional costs, i.e., the fee-for-carriage that would have to be paid to conventional broadcasters, to our customers.

The reason for that is quite simple. We are a public company. We have shareholders. We have to make sure that their interests are also factored into the equation. This is not only about the interests of the broadcasting system, some broadcasters and our consumers, but it's also about the interests of our shareholders.

Coming back to your question, Mr. Rodriguez, let us say that the problem cannot be entirely fixed with a local programming assistance fund. We all agree on that.

Contrary to others, we are for the new fund. It's already much better than the status quo, but it is not a silver bullet, and neither is fee-for-carriage for that matter.

Why is fee-for-carriage not a silver bullet? Because, as I indicated in my opening remarks, it is far too expensive to purchase American programs. That is what we told the CRTC last year.

The figures were in the 2007 report. Canadian private broadcasters spent approximately \$722 million on foreign programs, an increase of 4.9% over 2006, whereas spending on Canadian programs decreased by 1.2%, accounting for \$616 million.

Those are the CRTC's own figures, Mr. Rodriguez. The figures are slightly different this year. So much the better if Mr. Viner has been able to stem the increase in costs for American programming.

Nevertheless, the fundamental problem is that there are no rules. They can spend whatever they wish on American and Canadian programs.

In support of Mr. Konrad von Finckenstein, I must confirm that I was at the CRTC's public hearing around this time in 2008 and was expecting a clear and specific commitment for a dollar for dollar reinvestment of carriage fees in Canadian programming, and no such commitment was made.

It is all well to say that it was a policy hearing, but the broadcasting policy applies to all components.

[English]

The Chair: We're out of time here. This is going to be a three-minute round.

Ms. Dhalla, please.

Ms. Ruby Dhalla: To be honest, this is becoming a little bit frustrating and challenging, because everyone around this table, as has been mentioned before, is trying to work towards having sort of a non-partisan solution and a base of recommendations. We have someone who just came before you who said the industry is not even in a crisis, and we have talked to Canadians across this country who are losing local programming. All of us know individuals in the industry who have lost jobs, who are in the process of losing jobs. There are stations in Hamilton that don't know if they're even going to have a future.

I'd like to pick up on what Mr. Mayrand said. You had said that, unequivocally, there hadn't been anything stated at the CRTC hearings. I have the transcript right here in front of me, and if I could, I'll just quote a question asked by the chairperson: "So the fee-for-carriage would be in effect to ensure there is local content?" The answer given by Mr. Asper was yes, they were agreed on that. There are many other things in the transcript. When the chairperson came before us, he stated that there wasn't a commitment made. The individuals involved, and the transcript, show that there was a commitment made. There's clearly a discrepancy going on.

So not to belabour the point, but if I could just ask very quickly, do you think this could have been prevented? I mean, the chairman came before us and said that no one saw this coming. It was as a result of the collapse of the auto industry.

I think a lot of people saw this coming for many years. I hope we're not back here 10, 20 years from now with stations in Hamilton closed and thousands of other jobs that have been lost. Do you think this could have been prevented? And what lessons can be learned as a result of this? We have a public inquiry starting with the CRTC next week. Personally, and I think many will agree around this table, it is very late. What other lessons would you provide, or recommendations would you give, to this committee to prevent this—the job losses and the closures—from happening in the future?

• (1900)

Mr. Peter Viner: I think that's a good question. I think it could have been prevented, but no amount of crisis can be thwarted or prevented without some pain. The pain may be for the local stations that lose some local service, the cable companies that have to pay a portion for fee-for-carriage, or the broadcaster that realizes reduced profits. There's no painless solution here.

I'd like to make a couple of points, though. The Canadian broadcast system is supposed to be in balance. At the moment it's out of balance. One sector has been given a government monopoly, and that is the cable companies. They are now enjoying profit margins of about 55%. Let's not confuse business acumen with a government monopoly. That's how they got there.

Another sector has cultural and news obligations to local markets but currently cannot afford to sustain them. In 2000, when, as mentioned, we bought CHCH, our profits were over \$200 million. This year they'll be negative \$10 million. That's a pretty dramatic change in eight or nine years.

We've got to wake up and smell the coffee. This is a secular decline that's been in place for a very long time. You cannot license 170 new stations and expect the audiences to remain the same or expect advertisers to continue to support CHCH or Global Television or CTV if the audience has migrated to TSN and Home and Garden. I'm sorry, but that's the way it works.

To answer your question without turning this into a rant, we've got to make some painful decisions. You can't make everybody happy.

The Chair: Thank you for that.

We'll move on to Ms. Lavallée, please.

Mr. Yves Mayrand: Can I just say something quickly?

The Chair: Yes, but please be very short.

Mr. Yves Mayrand: First of all, cable is not a monopoly. I mean, you've heard this. We compete with several—I say several—alternative competing delivery platforms in each of our markets. We do compete. It's not true that we're a monopoly service. Maybe we were 20 years ago, but that's not the case today. I just wanted to make that clear on the record.

The Chair: Thank you.

Go ahead, Ms. Lavallée.

[Translation]

Mrs. Carole Lavallée: I must say that it is quite fascinating to have a cable distributor and broadcaster sitting side by side. It's been very informative. Please continue your debate, it is quite enlightening.

I will stick to special requests.

Ms. Bell, you said that "Rogers subscribers saw their cable bills increase by \$6 a month—without adding any additional services—and no revolt occurred". I am not asking you for an answer now, because I have barely three minutes left. However, I would like you to provide the chair with a written response, including the source of that information and documented evidence.

Ms. Charlotte Bell: I can confirm that because it is on my cable invoice, but we can provide you with that information.

Mrs. Carole Lavallée: Yes, because you say: “with no revolt occurring and without adding any additional services.” I would like you to give me the source of that information and send it to the chair.

I have another request. With regard to CNN and the other specialty channels that receive carriage fees, is there a table indicating the total amount of those fees—the royalty pool—and how they are redistributed to the specialty channels? Is there such a document?

Ms. Charlotte Bell: The problem is that there is no way of knowing the exact figures with regard to the American channels. We only have the total amount.

However, I do know that the total amount of carriage fees increased by approximately 25% last year.

•(1905)

Mrs. Carole Lavallée: Is there such a table?

Ms. Charlotte Bell: I will see what we can give you, but I do not think it will give you an exact picture of what they receive per service. We do however have the total.

Mrs. Carole Lavallée: As my three minutes are almost up, I would like to come back to Mr. Mayrand.

Mr. Mayrand, earlier I read to you an excerpt from your opening remarks that I found to be the most fascinating. It concerned the future of the television industry. I would like to know whether you have expounded on that observation in a speech or in some other document.

Mr. Yves Mayrand: No, we have not set that out in detail simply because we are no longer in broadcasting. As I said in my opening remarks, we produce a large amount of local programming. In total, we produce some 12,000 hours of original programming a year in Ontario and Quebec.

That is considerable. And we produce this programming with very modest means, much more limited than the ones available to conventional broadcasters.

Mrs. Carole Lavallée: Do you own those community television stations?

Mr. Yves Mayrand: Absolutely.

Mrs. Carole Lavallée: That work is done by volunteers.

Mr. Yves Mayrand: In part, but not only by volunteers. We also have people on site who contribute, along with our volunteers, to creating that original programming.

Mrs. Carole Lavallée: Very well.

Mr. Yves Mayrand: With regard to the news service in North Bay—Ms. Tilson Dymont could talk to you about that—we have allocated specific resources for that purpose.

Mrs. Carole Lavallée: Can you assure us that the quality of the news provided in North Bay is equal to the quality of that provided by any other private company or local station?

[English]

Mrs. Maureen Tilson Dymont (Senior Director, Communications and Programming, Cogeco Cable Inc.): It's certainly unique. It has been a learning curve for the group, as far as being able to provide the news went. And because we also use community

partnerships in presenting it, it's probably more comparable to a local UHF station. We don't have the facilities or the full staff numbers. We have four people dedicated to the news. But I do say that in service of the customers who are watching it, they have a 95% very satisfied or satisfied rating in regard to the content they see. The content is the relevance, the immediacy, and the timing, etc.

I have to point out that we know how to do content in a very efficient manner. We always have. But as far as the additional content is concerned, we do a lot of other things as well. We cover community sports, community events in full. We have online programs, etc. So where there is a need, we move in and we fill it. But we're not there to compete against local broadcasters. If a local broadcaster happens to be providing news in the area, then we will do alternate programming to support and provide more in-depth understanding of other community events and so on that aren't covered by our colleagues in our broadcasting environment.

The Chair: Thank you.

We'll go to Mr. Del Mastro for the last question.

Mr. Dean Del Mastro: Thank you, Mr. Chair, and thank you once again to our witnesses for appearing here today.

I just want to say something from the outset to Canwest. A question was posed earlier by my colleague Mr. Bruinooge to a previous witness about what would be lost if Canwest were to be lost. I want to make it clear that I don't agree with the answer. I think a lot would be lost, frankly. I have had the opportunity to meet with David Asper and his family, who I know have made considerable contributions to Canada, frankly. I just wanted to put that on the record.

I do have a couple of questions. Specifically, with respect to fee-for-carriage—we've heard an awful lot about it—I want to ask you, Mr. Viner, why the money from fee-for-carriage wouldn't just be used to fuel the bidding war for U.S. programming. If you have more money, and if there are really good U.S. shows, and that's the only place CTV and Global are making money on U.S. programming, why wouldn't fee-for-carriage just be taken and used to fuel a bidding war when, ultimately, the money would wind up in Hollywood?

Mr. Peter Viner: That's a good question. Your question underlines a knowledge of the business.

The reason we run American programming is that it subsidizes Canadian programming. The reason we're having difficulties in local—and particularly in smaller—markets, is that the American programming we once bought, which had a big margin and was able to subsidize the news, is no longer attracting the audiences it once did. People are watching online or they're watching cable.

I think it would be up to the regulator to ask how we were going to use our fee for carriage. As quoted earlier, our CEO has made it quite clear that we would use a fee for carriage to support local stations and local programming.

• (1910)

Mr. Dean Del Mastro: As a bit of a follow-up, when Quebecor was here and they were talking about their TVA operation, they said the CRTC was preventing them from bringing their platform into the modern era. They could be more profitable with TVA with a few changes if they were prepared to make a few changes to assist them in getting there.

Setting aside fee-for-carriage, are there regulations right now or changes that could be made that would make Canwest more viable and make your operations more profitable?

Mr. Peter Viner: The problem with the present regime, and all of them, is that most of the licences are long-term, and it's difficult to react quickly to changes in the marketplace.

For instance, fee-for-carriage is one aspect that we've obviously been talking about for a long time. Distant signals is another. Cable companies have been allowed to flood markets with three or four signals, the same signals but on different time shifting. Part II fees would be very helpful, as you've heard from others, fees that we don't feel were collected legitimately. There could be a relaxation in some forms of advertising.

The fact of the matter is that we have to meet with the commission more regularly. We have to have an honest relationship, and we have to be able to move more quickly.

Mr. Dean Del Mastro: First of all, Maureen, I had the opportunity to meet you a few weeks ago in Burlington at the groundbreaking of the new performing arts centre. Cogeco was there, filming it for the local people to see, and I think probably to see it again and again, if I know the Cogeco format. Once again, thank you for being there and covering that.

Mr. Mayrand, you mentioned a couple of things that I think were very interesting. One of them is the fact that you picked up news

coverage in North Bay. I think that's interesting to note. You talked about the broadcasting switchover, and you talked about the switchover to digital and the fact that this poses some difficulties. On that broadcasting switchover, is it possible, for the cable networks, that people would actually switch back to a digital antenna and not use as much cable? If you can get these crystal-clear digital pictures for free from your antennas, is there a risk to Cogeco? We're spending a lot of money for the 8% or 9% of people.

Mr. Yves Mayrand: I'll try to make the answer short. Again, where broadcasters will deploy digital transmitters, people within the coverage area of that transmitter will be able to get clear, HD digital signal straight off the air through their own apparatus. For those signals, they will be able to dispense with any other vector.

The issue, though, is this. Where will the broadcasters actually deploy these new transmitters? Each one of them will have to answer it for each market.

Mr. Dean Del Mastro: Just so I can understand, we have about 8% or 9% of people who are getting their television over the air—

The Chair: Excuse me, Mr. Del Mastro—

Mr. Dean Del Mastro: Do you see that changing with that deployment?

Mr. Yves Mayrand: Probably not in a significant way.

The Chair: Thank you for the short question and the short answer.

Again, I thank our witnesses for being very candid as they answered their questions.

Thank you to everyone around the table.

This meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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