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Chair

Mr. Gary Schellenberger

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• (1550)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Welcome. This is the 17th meeting of the Standing Committee on Canadian Heritage.

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

For the first hour we will be going from roughly 3:50 until 4:50. There will be an hour for your presentation and questions.

Welcome to Maxime Rémillard, from Remstar. Could you please introduce the person with you?

Mr. Maxime Rémillard (Co-Founder and President, Remstar - TQS): Thank you, Mr. Chairman.

I'd like to introduce to the committee Mr. Tony Porrello, executive vice-president and chief operating officer.

[Translation]

Mr. Chair, ladies and gentlemen, members of the Standing Committee on Canadian Heritage, we would like to thank you for your invitation and congratulate you on holding this hearing, which deals with the major issues that will have a direct impact on the future of television in Canada.

We are appearing before you for the first time, because Remstar Diffusion took ownership of TQS on September 5, 2008, after the network had gone through a period of technical bankruptcy starting in December 2007.

My brother Julien and I founded Remstar Corporation 12 years ago, its mandate being to finance, produce and distribute films and television shows for Canadian and international markets. We have been creating and distributing Canadian and foreign cultural content since 1997.

Remstar's film catalogue clearly shows our desire to strike a balance between entertainment and social issues.

The production of films such as *Elles étaient cinq*, *Ma fille, mon ange*, *Battle in Seattle* and more recently *Polytechnique* attests to the type of risks that we have taken to create cultural products that make a contribution by raising public awareness of major social issues.

Remstar's record shows how passionate we are about the entertainment industry, and this passion that has led us to accept the challenge of getting TQS back on track.

Our acquisition of TQS represents a major investment and a considerable risk. This is something we thought out carefully over the long, complex and difficult process we have been through.

We saw the acquisition of TQS as an opportunity to support the development of high-quality cultural content for the Quebec market.

TQS has become known for taking risks and innovating, but also for its serious financial problems that forced the former owners to place the network under the protection of the Companies' Creditors Arrangement Act on December 18, 2007. With annual losses of close to \$18 million, TQS could no longer fulfill its mandate as a conventional broadcaster without making major changes. These changes were especially needed in our news department, which was losing considerable money and was no longer able to compete with Radio-Canada or TVA, which can have their all-news speciality channels bear some of the costs of their news rooms.

The issues that you raise in this hearing are some of the key concerns that we too are facing.

TQS operates five stations in Montreal, Quebec City, Trois-Rivières, Saguenay and Sherbrooke, and its signal is retransmitted by affiliate stations in Gatineau, Rouyn-Noranda and Rivière-du-Loup.

Each year TQS invests over \$30 million in the development and acquisition of original French-language productions, which contribute to the development of our culture.

Those investments provide work to our 200 employees as well as nearly 1,000 artists and artisans, whose creativity, talent and energy help create the various productions with which audiences identify.

Our new positioning targets a younger audience, whose lifestyles and consumer habits we have to take into account.

Information today is disseminated faster and is more accessible on the Internet or mobile phones than on television or other traditional media.

Ensuring a diversity of voices and reflecting regional realities do meet people's needs, but account for a significant part of broadcasters' costs.

As for entertainment, although there are more and more broadcasting platforms, television remains the vehicle of choice to produce and finance high-quality content.

Just as cinema needs theatres to launch its films and create the buzz that will attract crowds and ensure success, creators of content for the small screen need conventional television to launch the high-quality shows that will draw broad audiences and, in one way or another, will be distributed on a host of other platforms.

Although today's audience is more fragmented, major television events, whether they be cultural, sporting, social or political, play an important part in our social lives.

Quebeckers greatly enjoy dramas, comedies and reality TV as well as quality entertainment shows.

To succeed, TQS will offer programs that are more interactive and event-based, project a strong brand identity that is youthful and daring, and consider the Internet and social networking sites as potential allies.

We have been working to revive the fortunes of TQS since September 2008, and our efforts are already paying off, but the main impact of our plan will be felt starting next September.

Despite the extremely difficult economic context, we are investing in our programs on an ongoing basis and every day we are increasing our market share of our target audience of people between the ages of 18 and 49.

• (1555)

Between the weeks of March 9 and April 20, our market share in the evenings has already increased from 6.4% to 10.6%, an increase of nearly 66%. During that same period, La Première Chaîne of Radio-Canada saw its market share decline from 15% to 12.5%. Such results show the relevance and value of content provided by a second private conventional broadcaster in the Quebec market.

TQS's substantial financial losses and the implementation of its recovery plan have clearly confirmed that the current television financing rules are jeopardizing the survival of private conventional broadcasters and compromising their ability to fulfill their obligations. The imbalance, which now must be corrected, was caused in part by the exponential growth of cable and satellite television, together with the increase in the number of specialty channels.

By obtaining exclusive access to revenue from carriage fees and increasing access to the advertising market, the specialty channels have benefited from this dual revenue stream and become increasingly profitable. At the same time, the conventional broadcasters, which must offer local programming, are seeing their advertising market drop off steadily because of the centralization of advertising decisions, a result of the growth in national and international banners and the skyrocketing use of the Internet and other new media.

In concrete terms, the profit margin of private conventional broadcasters has plummeted from 14.5% in 2003 to 0% in 2008, while profits at specialty channels jumped from 12.6% to 23.6% over the same period. This reality is particularly puzzling, considering that the conventional broadcasters are still investing \$1.4 billion, or approximately 30% more in Canadian programming and production than the specialty channels. Our industry absolutely must make those investments in order to reflect the values, realities, talents, aspirations and creativity of our society.

The diversity of programs and the requirement to create local productions lead to substantial costs for the private conventional broadcasters, whose sole source of revenue is advertising. Their situation cannot be compared to that of the public broadcasters, which receive significant and guaranteed public funding every year. The competitive advantage of the specialty channels and the public networks is considerable and creates an imbalance on the advertising market.

In fact, in hard economic times, those channels, which have a guaranteed stream of revenue, can sell their advertising spots at reduced rates in order to maximize their revenues at the expense of the private conventional broadcasters. Moreover, when public broadcasters, which benefit from substantial public funding, acquire and broadcast U.S. entertainment series, such as *Desperate Housewives* or *Lost*, they go beyond the scope of their mandate, and this has a direct impact on private conventional broadcasters and their ability to offer popular programs.

In order to explain the major impact of the distribution of carriage fees, we would like to remind you that in 2008 those fees amounted to over \$250 million for Quebec's specialty channels alone. Astral Media received \$107 million in carriage fees before earning a single dollar in advertising revenue. Their carriage fees alone are greater than all of TQS's advertising revenue for the same year.

Cable and satellite television has become a fact of life for almost all Canadians. Claiming that conventional broadcasters should be excluded from receiving carriage fees because the distributors offer them a privileged-distribution channel amounts to saying that television content is of secondary importance.

It is therefore essential to restore the balance in the allocation of carriage fees among all television content providers and distributors. That is why our brief contains a specific recommendation on reallocation of carriage fees. The recommendation reads as follows:

To ensure the long-term viability of the general-interest television industry and of sustainable investments in local broadcasting, we recommend that the members of the Standing Committee on Canadian Heritage provide general-interest broadcasters with a new source of revenue by giving them access to fees associated with the carriage of their signals.

As for the Local Programming Improvement Fund, the CRTC's initiative is essential.

• (1600)

However, it is important to determine the rules of the fund as soon as possible and to increase its resources substantially. The structural crisis that our industry is undergoing forces us to be realistic and to request that this fund be reserved for the private general-interest broadcasters and that its resources be used to maintain the current programming commitments, no more. Simply maintaining the current regional and local programming commitments is an enormous challenge for a private general-interest broadcaster such as TQS, and this fund should help us meet that challenge.

Finally, to encourage production in the regions and television news at the regional and local levels, we suggest that a tax credit be introduced for regional productions and people working in the regional news industry. This tax credit would be for independent television broadcasters and producers. The introduction of this type of program would help ensure a diversity of voices in the public arena, would encourage the training and development of local talent, and would contribute to the quality of local television. There are several programs that have been developed for the film industry and other types of television production that could be used as a model.

The transition to digital broadcasting also represents a major challenge that will require TQS to make significant investments. The purchase of new transmitters and the costs of this technological transition could reach \$15 million. In several regions, installing these transmitters is not a profitable investment. That is why we are suggesting that a program be established similar to the federal government's program to provide high-speed Internet service in remote areas of the country.

The television industry is undergoing a revolution but it remains a driving force essential to the culture and vitality of our country. The production of original Quebec and Canadian content is the key to ensuring our industry's future and to maintaining our national identity. The television industry is flexible and resilient, and it generates significant economic benefits. However, it needs a critical mass of activities in order to remain dynamic and vital, as well as focused measures in order to ensure its presence throughout all regions of Quebec and Canada.

In Canada, this industry invested \$2.5 billion in programming and production in 2008. A new allocation of carriage fees among all content broadcasters and distributors is absolutely necessary if we want to have a dynamic industry made up of television broadcasters who compete on creativity and talent, without unfair regulatory distortion. We hope that your committee's work will lead the Government of Canada and the CRTC to make the appropriate decisions in order to ensure that this necessary rebalancing takes place.

Thank you.

[English]

The Chair: Thank you very much for that presentation.

Our first question comes from Mr. Rodriguez, please.

[Translation]

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

Good afternoon, Mr. Rémillard. Welcome, Mr. Porrello. I'm pleased to see you with us.

How are you? Is TQS doing a bit better?

Mr. Maxime Rémillard: It's doing better. It went through a difficult time. The company is emerging from technical bankruptcy. Currently we are working hard on our recovery plan. As I mentioned, our ratings have gone up. That gives us hope.

Mr. Pablo Rodriguez: Good, that is good news.

When the CRTC agreed to your requests, it took the company's financial situation into account. It also reduced its requirements in terms of local content.

Have you made a long-term commitment, once you become profitable, to increase your local programming, local content or local news?

Mr. Maxime Rémillard: I would just like to make one correction, to Mr. Rodriguez. Our local programming commitments have not decreased. Our commitment was rather to offer category 1 news.

As I mentioned earlier, TQS is emerging from technical bankruptcy. For now, our main priority is to ensure adequate financing in order to conduct our operations and meet the requirements of our licence, as set by the CRTC.

• (1605)

Mr. Pablo Rodriguez: Will you manage if you continue to function according to the current economic model, that is, the model that is based almost solely on advertising revenue?

Mr. Maxime Rémillard: The current economic circumstances are very difficult, which makes the advertising market very unstable.

Mr. Pablo Rodriguez: But is it possible or not? Are you telling us today that the status quo is no longer possible and that there has to be a change? Perhaps a change to the fee-for-carriage allocation or another solution.

Mr. Maxime Rémillard: Yes, there has to be a change. The general-interest television networks have to have access to another source of revenue.

Mr. Pablo Rodriguez: That includes what is called fee-for-carriage; in other words, the fees that you would receive from cable companies that they would collect from the consumer and then pass on to you.

The cable companies have told us that this would necessarily have a direct impact on consumers. Do you agree?

Mr. Maxime Rémillard: We do not agree with that. What we are requesting is a review of the current allocation of the revenue, a rebalancing of current funding.

Mr. Pablo Rodriguez: And if you do obtain that new source of funds, the fee-for-carriage, will you commit to providing it to your regional stations or, to using it to increase local news, in other words to making sure that this will trickle down to in the regions?

Mr. Maxime Rémillard: For now, as I mentioned earlier, our main priority is to get the company out of the financial mess that it is now in. We want to meet our commitments. We believe that our current commitments are already very costly and we want to provide quality service to the citizens we serve.

Mr. Pablo Rodriguez: But if you had this source of additional revenue, in other words if there were a transfer of monies from cable companies, would you agree to making your investment priority the regions or local content?

I don't know exactly how many millions of dollars that would represent for you, but it would certainly be a few million dollars in new funding, not the status quo.

Mr. Maxime Rémillard: For now we agree to investing it in Canadian local production. That is part of our commitment. As I stated, our main priority is to respect our commitments and ensure adequate service and a good level of quality to all the citizens that our stations' serve. Therefore, a second source of revenue would help us meet those commitments.

Mr. Pablo Rodriguez: I assume that you support the Local Programming Improvement Fund, the CRTC' famous \$60 million fund that you obviously have access to.

You said that you want to make your position on that clear. Have you made it clear today? Do you think that more money should be allocated to that fund?

Mr. Maxime Rémillard: I beg your pardon? Could you please repeat your question?

Mr. Pablo Rodriguez: Are you happy with the fund as it stands? Do you have any recommendations or suggestions to make with respect to this fund?

Mr. Maxime Rémillard: I think that there are still many unknowns with respect to that fund. We don't know what the allocation of the funds will be based on. So I would prefer to wait for more details and to wait and see how those funds will be shared, with whom the funds will be shared, whether they will be for public broadcasters or only for private broadcasters.

I would rather reserve my comments and make them known when the information is available.

Mr. Pablo Rodriguez: You are wise.

[*English*]

The Chair: Thank you very much. Your time is up.

Ms. Lavallée, please.

[*Translation*]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): You are right to be very strict with Mr. Rodriguez, who was very strict with us on Monday.

Mr. Rémillard: I very rarely like to begin in the same way as my Liberal colleague, but I too would truly like to know how things are going. You said that things are better. But will you meet all your commitments up to 2011, under your current agreement with the CRTC?

Mr. Maxime Rémillard: It is absolutely our intention to meet our commitments, but obviously because of the current economic circumstances it is very difficult to make long-term predictions. It has become more and more difficult to meet our CRTC commitments and our commitments to the public whom we serve through the stations we operate.

Mrs. Carole Lavallée: But you said a few moments ago that your audience ratings have recently increased?

Mr. Maxime Rémillard: They have in fact increased, which is a good sign and which encourages us to work very hard to get TQS back on track.

Mrs. Carole Lavallée: Has there been a general increase in your ratings, at all times, or mainly during prime time?

•(1610)

Mr. Maxime Rémillard: There has been a strong increase mainly during prime time. Obviously most of the impact of our recovery plan will only be felt in September 2009, but there has already been a significant increase in our evening numbers.

Mrs. Carole Lavallée: I believe you broadcast many American programs during prime time. Do you think that is a factor?

Mr. Maxime Rémillard: We have no more American programs than we do Quebec programs. Our programming is very diverse. We believe in Quebec production. Once again, there must be a way of paying for it, but currently we offer very varied programming.

Mrs. Carole Lavallée: If you think you can meet your CRTC commitments up until 2011, at which time the CRTC will review its conditions, do you really need new funds? Things are going well, your ratings have increased, all is well.

Mr. Maxime Rémillard: That would be nice.

A member: It did not translate into dollars yet.

Mr. Maxime Rémillard: That's right: our increase in ratings has not been reflected in dollars yet. We're looking forward to seeing the dollars come back, but that is a long-term process. Relaunching a television network takes time, it requires massive investments because it involves audiovisual projects, so we are talking development, writing, long-term work with the artists.

We have made a few adjustments to our program schedule and we feel that people want to come back to TQS, we feel that they want different content. For now, it's nice to have better ratings but we need our advertisers to be there buying advertising.

Mrs. Carole Lavallée: You have a good host right now, you have brought him with you.

Mr. Maxime Rémillard: Oh, oh! He has not started working yet.

Mrs. Carole Lavallée: Oh! That's why you said you would wait until fall 2009 to see if your ratings are rising?

Mr. Maxime Rémillard: Yes, because we're talking about huge investments. So it takes time for a full cycle to take place.

Currently there is a crisis. The audience is very fragmented, and the advertising market is very competitive. We are competing with channels that have two sources of income.

Mrs. Carole Lavallée: You knew that last year. You knew that the audience was fragmented and that revenue was falling.

Mr. Maxime Rémillard: Absolutely, but I don't think anyone could imagine that the economic situation would be as terrible as it currently is.

Mrs. Carole Lavallée: I'm sorry to interrupt you but as you know our time is limited. You're asking that the funding rules be rebalanced, but in order to rebalance, funds have to be taken away from some in order to be given to others, or funding has to be increased for everyone. When you talk about rebalancing, you really mean taking away from Peter in order to give to Paul.

From what I understand, you would like to be on the receiving end, but who do you think the funds should be taken away from?

Mr. Maxime Rémillard: I would leave that decision up to the authorities, to the CRTC. The numbers are quite clear, when you compare the profitability of general channels to specialized channels. If you add to that the distributors, that's a lot of money to maintain an entire industry.

Mrs. Carole Lavallée: Exactly. As you know, the whole industry is evolving, it's evolving very quickly and we don't know exactly where we're going.

Could you share your thoughts with us on the changes in the television industry as a whole? What direction is television currently headed in?

Mr. Maxime Rémillard: Obviously major investments are being made in this industry. We have a vision and a strategic plan for TQS's development, as well as other strategic goals. However, everything's happening so quickly.

I have attended several conferences throughout America, so I can tell you that nobody can predict the direction we're going in; we can only have opinions on the topic. We have a plan and vision to bring TQS to a certain—

Mrs. Carole Lavallée: What you're saying to me—
[English]

The Chair: Time is up. I have to treat everyone the same.

Mr. Angus.

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

Thank you for coming today. I have to say at the outset it's very pleasing to see your company come back from the economic grave. We're very glad that we've got a second go at the operation and I think it's very commendable.

At the outset I'd have to frame my comments on some of the frustration that we've been feeling around this committee, in that we have the cable giants come before us and they've been making money hand over fist and then when we talk to them about their obligations suddenly their business is so precarious that an extra \$2 a month fee means, oh my God, the whole business model of Canada will collapse. Then we have the broadcasters, your big brothers and sisters in the industry, come before us and say they're in a crisis and they're tossing local stations out of the lifeboat one by one and saying you have to give us fee-for-carriage or there will be no local left. And we're looking at what's left in the lifeboat and we're not seeing anybody else in there; they've tossed them all overboard. They keep saying give us fee-for-carriage and it will fix it, and we keep asking if it will help local, and we never get the answer that it will help local. Then we hear there were speciality stations that are competing against themselves. We remember when the argument was that speciality networks were going to help the bottom line of the broadcasters. It certainly helped the bottom line of the broadcasters, but it didn't help local.

So given our trepidation about where this carriage fee would go, would it not be better for us to recommend an increase in the local programming improvement fund from the cable giants, and that way we know at the end of day that all the money that's coming from the

cable giants is actually going to help our local producers? Wouldn't that be a more transparent response?

• (1615)

Mr. Tony Porrello (Vice-President, Remstar - TQS): Perhaps. However, in regard to the guidelines and the rules for the allocations in this fund, right now if we look at what's been out there, \$60 million has been advanced, of which only \$20 million would be allocated for the French language. That being said, I think we looked at that the other day, and there are perhaps 30 to 33 stations that would qualify to apply for this fund. Now, depending on how the guidelines come out, it may mean just a fraction of that \$20 million will be going to any particular station. It's hard to respond right now. Surely, if you exaggerate those numbers and you make that fund quite large, then it would be a different answer that you would be getting.

It's very hard to respond right now.

Mr. Charlie Angus: That's what I'm saying—if the fund were larger. I think we all agree that as it is, the fund is an anemic response for the patient that's lying on the table. If there were more money in there, then there would be an assuredness that we'd be making sure the money that's coming from one sector would be going into local.

Mr. Tony Porrello: I think you'd get better assurance if you could get a fee for carriage.

Mr. Charlie Angus: Fair enough.

I'm interested in the obligations for the transition to digital. We looked south of the border. There are teams in place between the FCC, the broadcasters, the cable players, the government. They're setting up booths at local fairs, they're going to local church groups to talk about the transition. Here there seems to be radio silence, television silence, in terms of the massive transition that's expected to happen in 28 months.

My question is twofold. Are you ready for that transition? With the massive spectrum sale that will be afoot when the analog spectrum is sold off by the government, have there been talks with the government about getting a piece of that action to reinvest in the digital transmitters and the digital transition that is an obligation on the broadcasters?

Mr. Tony Porrello: On your first question, yes, we will be ready. We're obliged to be ready before other broadcasters, as we're moving and improving our equipment, so we're going straight to digital.

On your second question, there have been talks. I'm not sure if you mean talks directed to the government, but with the CRTC there has been a committee put in place to look at how this transition can be made easier for the consumer.

Mr. Charlie Angus: Are you looking at a piece of that spectrum sale? Is that what you're saying?

Mr. Tony Porrello: No, not the spectrum itself. As a broadcaster we're not looking to purchase a piece of the spectrum.

Mr. Charlie Angus: So you wouldn't be interested in that. Okay. That's perfectly fine by me. I was just wondering, because it seems to me that's going to be a huge piece of the pie.

Mr. Tony Porrello: I may have misunderstood your question, then.

Mr. Maxime Rémillard: I think what you were referring to is whether we're in discussion with the government about getting some piece of the sale of the spectrum, and the answer is no, there has been no discussion.

Mr. Charlie Angus: Excellent, thank you.

The Chair: Thank you, Mr. Angus.

Mr. Del Mastro, please.

[Translation]

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

I'd like to begin by welcoming you to our committee, Mr. Rémillard, Mr. Porrello. I would also like to welcome Mr. Mario Dumont who is in the room today.

•(1620)

[English]

Welcome, everybody. Thank you for appearing before us today.

I found your presentation very interesting, frankly. I think you're presenting from a unique point of view, being a producer, particularly of Canadian content, and secondly now a broadcaster. I find your point of view very interesting. Congratulations, obviously, on building your market share back up. It's encouraging to hear that there is improvement there.

I want to pick up a little bit on where Mr. Angus was with the local program improvement fund. First of all, you mentioned the rules, that they have to be known—I'll get to amounts and so forth in a minute. When CBC was here the other day, they indicated that they would absolutely want a piece of that funding. I don't know whether that's something the CRTC would agree with.

Can you just spell out for me exactly how you would like to see those rules work? I think it is important that this be right.

Mr. Maxime Rémillard: In our *mémoire*, we're asking that the local production improvement fund be accessible only to private broadcasters. We believe CBC/Radio-Canada has access to large sums of public funding, which should be sufficient for it to complete its mandate.

Also, as my colleague mentioned, the fund is fairly small. If we're talking about \$20 million for French Canada, then we're talking about 33 stations. So that's not a lot of money per station. Imagine if the public broadcaster also were to have access to a significant share of that fund—there would be very little left for the private broadcasters.

Mr. Dean Del Mastro: I may have mistaken what I heard, but did you indicate that public broadcasters are actually using some of the public funds to directly compete with you for market share? Are they using that as an advantage to compete with private broadcasters for content?

Mr. Maxime Rémillard: I wouldn't say they're using public funding directly against us, but obviously they're our competitors. They have access to the advertising dollars in our markets. They have two revenue streams: they have advertising and public funding. TQS has only one revenue stream.

TQS is really the poster child for fee-for-carriage, because we're not owned by a cable giant. We don't own specialty channels. Really, we're the only independent network in Canada.

So we are in direct competition with public broadcasters. They have two revenue streams and hence can be more aggressive with the advertising dollars and with the purchasing of programs, plus with the purchasing of American programming. That's what I refer to in our *mémoire*.

Mr. Dean Del Mastro: In fairness, the Quebec market is unique compared with the English Canadian market. Frankly, the bulk of the U.S. programming is being bid up by most of our conventional broadcasters. You're not really doing that in Quebec. You're not in a bidding war like two rivals bidding up the value of U.S. network programs. It is unique from that perspective.

This is my concern with respect to fee-for-carriage. First of all, the very companies, the big companies, that are talking about closing private networks also own most of the specialty channels. And I understand why they bought them—because they're profitable. So they're literally doing what I would call “cutting their own lawns”. They're selling advertisements against their own local conventional broadcasters, and they're successful at it.

But my concern is that fee-for-carriage will simply wind up south of the border in a constant bidding war for U.S. programming, because that's where they're making money. I actually think the local program improvement fund can be dedicated to Canadian content, and I'd like to talk about what that fund should be. You've indicated \$20 million is not enough. In your opinion, what would be enough? How much do you need to sustain your operations and to put into Canadian content?

What's most important to me and the reason the CRTC exists is to make sure there's Canadian content, so that we're broadcasting a uniquely Canadian perspective on things. That's why it was established. We sit next to the largest exporter of culture in the world, but we're trying to maintain our own identity.

What should that fund be so that you can properly work, so that your business model works?

•(1625)

Mr. Maxime Rémillard: That's a very difficult question to answer, because, as I said earlier, there are so many unknowns about the calculation method and about who's going to be able to access it.

Mr. Dean Del Mastro: Assuming we get the rules right, how much money do you need? How much money would you like to get from the LPIF?

The Chair: That can be the next question. I have to move on. I have to be fair with everyone.

Mr. D'Amours.

[Translation]

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

Mr. Rémillard, thank you for coming today.

Just to give you some context come from the northwestern part of New Brunswick. You know then that TQS also serves my region, more specifically the francophones in my riding, as well as those in other ridings and regions of New Brunswick. That is what I want to talk about.

I was pleased that TQS survived, because when we're talking about transmitting messages, or ensuring that francophones can watch television, TQS certainly has an important role to play in the francophone regions of New Brunswick, regardless of how big that company is.

A little earlier, in response to a question from my colleague Mr. Rodriguez, you said that if you were to receive additional funds, they would serve only to maintain the current content that you must broadcast. In the beginning, you stated that your situation had improved. I understand that things have improved, but there's still something missing. If things are going better and there is still something missing, that means that even if there were additional funding there would be no extra content for the regions. The money would only serve to meet your minimum obligations with respect to Canadian content and regional service.

Did I understand you correctly?

Mr. Maxime Rémillard: What I wanted to say earlier... Obviously things are better, the recovery of TQS is an encouraging sign. I mentioned that the recovery had not yet been translated into dollars. TQS is still in financial difficulty because it is emerging from a significant financial slump. It is still running a deficit.

I meant that if we had access to additional funding, even though we do not currently foresee increasing our local programming, we do definitely foresee increasing the quality of the services we provide to our public.

That means being able to meet our obligations and increasing quality. We believe in local programming and we want to do high-quality programming. So we will be heading in that direction.

Mr. Jean-Claude D'Amours: That direction... You truly want to guarantee what you are offering but with better quality? You've been talking about quality. Quality is one thing but you're already providing programming—

Mr. Maxime Rémillard: Local programming, absolutely, yes, we —

Mr. Jean-Claude D'Amours: What do you mean by quality? Are you talking about a better image, the quality of—

Mr. Maxime Rémillard: Content quality, obviously. We want to offer top-notch content. We are in the content business. Quality content is obviously very expensive. You know, everything boils down to cost.

For now, we do not even foresee increasing our commitments, because we're having difficulty just meeting the ones we have. We want to be able to meet our commitments; we want an additional source of funding that would allow us to offer high-quality programming throughout Quebec.

Mr. Jean-Claude D'Amours: And to part of New Brunswick.

Mr. Maxime Rémillard: And to New Brunswick, of course, I'm sorry—to the francophone market—

Mr. Jean-Claude D'Amours: You must never forget the other regions either.

Mr. Maxime Rémillard: Absolutely.

Mr. Jean-Claude D'Amours: Otherwise some people will be reminding you of that.

• (1630)

Mr. Maxime Rémillard: Absolutely, that was an oversight on my part.

Mr. Jean-Claude D'Amours: Furthermore, if you had additional funding other than advertising revenue, do you not think that if you improved your programming, then your traditional revenue from advertising might rise—one only has to think of those who purchase the advertising?

That is not an insignificant amount. You probably have to strike the right balance. But you must not forget your current customers, you have to keep them. If you lose them, then you'll have another problem. You would only have government funding or other regulatory sources of funds to pay for your operations. I don't think that's necessarily the direction you want to go in.

Mr. Maxime Rémillard: I'm sorry, I do not understand your question.

Mr. Jean-Claude D'Amours: You mentioned that if you receive additional funds, you will be able to improve your programming. My perception is that if you improve your programming, then your advertising revenue will go up.

Mr. Maxime Rémillard: I understand, but that's not how the market works. The market reality is that TQS is competing in a competitive market. We are competing head to head with networks that have two sources of revenue. That allows them to be much more dynamic, more competitive, with fewer obligations.

We currently have very costly commitments. TQS was a perfect example of the industry's structural problems when it was placed under the protection of the Companies' Creditors Arrangements Act in December.

We want a review of the rules of the game and the funding rules in order to ensure that they are fair for all players. The public will be the one to benefit because programming will be of even higher quality. That is what we are saying.

Mr. Jean-Claude D'Amours: When you acquired TQS and when the issue of court protection came up, there was however a shift in the type of programs being broadcast by TQS. In some cases it seemed to be a little more shaky, less local.

Is that simply because you're trying to focus on a different clientele? One mustn't forget local content. Some changes became apparent in your programming, which were not... I'm talking about day time programming.

Mr. Maxime Rémillard: That is your opinion Mr. D'Amours.

However, we still produce 10 hours of local programming in Quebec City, in other words, an hour more than the previous owners did. We continue to produce local programs and category 1 news in all regions.

Without a doubt, programming will change. The model had to change because the company would otherwise have had to shut down and all the jobs would have been lost. So, we developed a new business plan and are currently implementing it. But to do this there must be a level playing field in terms of rules and regulations for all players in the marketplace.

[English]

The Chair: We went a little over time there.

Mr. Pomerleau, please, and then Mr. Petit.

[Translation]

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

Good day, Mr. Rémillard and Mr. Porrello.

I would like to start by commending you. Last week, we saw the film *Polytechnique* here, in Parliament, and that same week we had to vote on a motion regarding gun control. The film was useful in explaining to people what could result from a lack of gun control. I know you are involved in many films. We see your work quite frequently.

I also commend you for showing that culture can be profitable, something people do not seem to be very aware of. In fact, in Quebec, we use culture for that purpose; the Cirque du Soleil bears witness to this. I do not think we draw enough attention to this aspect of things. Investments are made in cement, bridges and a host of other things, but culture must at least be worth as much as a bridge. Your achievements have demonstrated this fact.

I know you were not originally in this industry, but rather a completely different one. What led you towards television? Obviously, TQS was available, which was the first condition.

Mr. Maxime Rémillard: It was a natural diversification of our operations. We were very active in the distribution and production of films, feature films. Distribution is a sort of broadcasting of content. We wanted to diversify our operations and the opportunity to acquire TQS arose. We also wanted to try a new business plan which would allow us to apply to television what we were trying to do in film. That is what we are trying to do at the moment.

• (1635)

Mr. Roger Pomerleau: I see. In your presentation you referred to the fact that having new transmitters in the region was a non-profitable investment at first.

Do you believe that a second source of funding, like the fees for carriage would suffice to help you install the new transmission equipment?

Mr. Maxime Rémillard: It all depends on the source of income and the amounts. It is difficult for me to answer this question we know—

Mr. Roger Pomerleau: For the same reason you explained earlier on.

Mr. Maxime Rémillard: Exactly. Digital transmitters are a major investment. We would have to see what the additional sources of income would be.

Mr. Roger Pomerleau: If we decided to provide you with a second source of income, would you consider this option?

Mr. Maxime Rémillard: Obviously, a second source of income would help ensure our organization's survival and that of the television industry in Quebec and in Canada. It would help us to get started once again, comply with our obligations and continue providing local programming.

Mr. Roger Pomerleau: Your seventh recommendation is to implement a tax credit program to support regional production as well as local and regional television news. We know that local production and culture are expensive. If you have problems, you need to seek funding elsewhere. However, if you are suggesting tax credits as well, it seems to imply that access to fee-for-carriage would not be sufficient to ensure the survival of regional television. You're opening the door to other sources of funding.

Mr. Maxime Rémillard: This source of funding would be an incentive to produce more than what our current obligations require. We think it could be an interesting adjunct not only for broadcasters but also for independent producers who want to produce local programs and news. The film industry has the advantage of a tax credit, as does television.

Why would those working in the news and local producers not be entitled to a tax credit?

Mr. Roger Pomerleau: You are talking about doing more than what you are currently being asked to do, in other words increasing your commitments.

Mr. Maxime Rémillard: We are already doing that.

Mr. Roger Pomerleau: You are currently having some difficulty fulfilling your commitments.

Mr. Maxime Rémillard: Yes.

Mr. Roger Pomerleau: You are assuming that access to fee-for-carriage would provide acceptable revenue and help you do this. That being said, an additional tax credit would allow you to do more than what you currently do. Is that correct?

Mr. Maxime Rémillard: That is what I am saying.

[English]

The Chair: Thank you very much.

For our last question, Mr. Petit, please.

[Translation]

Mr. Daniel Petit (Charlesbourg—Haute-Saint-Charles, CPC): Thank you, Mr. Chairman.

Good day Mr. Rémillard. Good day Mr. Porrello.

Earlier you asked a question several people are asking. You work in an extremely competitive environment. You made an acquisition and you took a risk. In fact, you are still taking risks. You have significant competitors: government competitors like Radio-Canada/CBC and private competitors like TVA. Naturally, you do not have \$1.1 million in the bank. As far as I'm concerned, it's clear. You are facing competition from this major player.

On the other hand, TVA is in the same niche and is trying to win the market. You seem to be saying that there are problems when it comes to advertising. This is also a problem for CBC/Radio-Canada. However the government supports CBC/Radio-Canada but doesn't support you. On average, the government grants \$34 per citizen to the corporation per year. But you receive nothing.

You're asking us to use the Local Programming Improvement Fund. When you speak of "local programming" do you mean, for instance, the Quebec City region? Do you consider that as being local? Do you consider the Upper North Shore as being local? Is that what you are referring to?

Mr. Maxime Rémillard: I'm referring to everything outside of the Montreal urban centre, pursuant to industry criteria.

• (1640)

Mr. Daniel Petit: If you knew the rules or had them with you, would you be in a position to provide a figure as to what you need? What could be done for you to be satisfied with the use of the Local Programming Improvement Fund? What do you need?

Earlier on, you were asked a question, but you were interrupted. Do you have any figures? Do you have something to tell us?

Mr. Maxime Rémillard: Are you referring to TQS's needs?

Mr. Daniel Petit: Yes. It seems to me that you are speaking on behalf of TQS.

Mr. Maxime Rémillard: Mr. Petit, TQS is a private company. I would prefer not to answer your question at this time. Obviously, the CRTC has all of our figures, as well as financial statements for each station. The CRTC is in a good position to assess our financial needs.

Mr. Daniel Petit: I now have a trick question for you. Would you be able to prepare a response and provide it in writing to committee members?

At this point, you are leaving us in a grey area, and I do not like that. I would prefer it if you took your time and sent us a response in both official languages, so we may study it. I think it is important.

For some time now, we have been discussing access to this fund. You would like it to be distributed, which I understand completely. I would like to know whether you can provide this to the committee within a reasonable timeframe.

Mr. Maxime Rémillard: Absolutely, we can provide this to the committee.

Mr. Daniel Petit: Could you do so in both official languages?

Mr. Maxime Rémillard: Yes, we could do that in both official languages.

Mr. Daniel Petit: For the figures, it's the same thing in English and in French. The explanations—

Mr. Maxime Rémillard: Yes.

Mr. Daniel Petit: Do I still have some time left, Mr. Chairman?
[English]

The Chair: No, we have to move on.

I thank the witnesses very much for your presentation today and your answers to the questions around the table.

The minister is coming up next, and because of the votes we're a little late. I apologize for that, but I didn't call the votes.

Thank you very much.

Mr. Maxime Rémillard: Thank you, Mr. Chairman.

The Chair: I would ask people to change positions as quickly as they can, please. Thank you.

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_____ (Pause) _____

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The Chair: I call the meeting back to order for the second part.

I hope the minister will stay for five extra minutes after 5:30. It would be nice. I know we took a little longer because of the presentation, and that was impromptu. I did not know about that.

Today we have, pursuant to Standing Order 108(2), the announcement of Radio-Canada's budget plan, and a study on the evolution of the television industry in Canada and its impact on local communities.

We have appearing before us the Honourable James Moore, Minister of Canadian Heritage and Official Languages, and department staff.

Would you introduce the people with you, please, Mr. Minister?

• (1645)

[Translation]

Hon. James Moore (Minister of Canadian Heritage and Official Languages): Yes, certainly. With me today are Jean-Pierre Blais and Judith LaRocque from my department. They accompanied me when I appeared before you a few months ago.

[English]

Mr. Chairman, I do have to leave at 5:30. I was here at 4:30. I know you started late because of the bells and all that and because of a moment of popular display here, a popular uprising, but I'm pleased to come back to the committee at some time in the future as well.

Shall I go ahead?

The Chair: Go ahead, sir.

Hon. James Moore: I first want to thank the committee for inviting me here today as part of the study on the future of television and broadcasting in Canada. Given the structural shift the broadcasting industry has been undergoing and the global economic situation, this study is very timely, and I welcome your efforts to examine this issue. The impact of the current situation on our television and broadcasting industry in general is high on my list of concerns, as it is on the list of concerns of Canadians.

The terms of reference for the study at hand speak to the tremendous complexity of the issue facing Canadian broadcasting. As everyone in this room knows, the Canadian broadcasting system is unique. The challenges of geography, language, and proximity to the largest cultural exporter in the world have shaped our system. We broadcast in Canada's two official languages, many minority languages, and we also provide programming that meets the needs of our diverse cultural population.

The English and French markets have distinct challenges and opportunities. Whereas Canadian English-language programming faces tough competition in the domestic market, it is more readily exportable. On the other hand, home-grown French-language programming is highly successful and has far fewer foreign competitors, but it also has fewer export opportunities.

[Translation]

Canada has a well-established broadcasting system that makes an important contribution both to our society and to this country's economy.

Nevertheless, this system is undergoing a period of significant transformation. And in recent years, the pace of change has intensified. Technology has forever changed the way we create, access, and use content. Digital technologies are offering Canadians an unprecedented abundance of choice in terms of how and when they obtain information and entertainment.

And as we have seen over the last few years while many of these new technologies bring the promise of new services and content, they sometimes also supplant existing products and services and cause disruption and instability in the traditional industries.

[English]

Consumers have adapted to the new environment. We've embraced our PVRs, on-demand programming, and the Internet. Canadians expect more from entertainment and are moving toward a more interactive experience. Experiences with content, creation, and access are becoming richer, more meaningful and relevant. New Canadians are using these new platforms to share their stories, engage fellow citizens, and facilitate cross-cultural understanding.

In essence, new technology is providing Canadians with new opportunities to participate in our society. Canadian companies are adapting to these changes. Traditional competitors are partnering, merging, and exploring new business lines and strategies. We've seen the development of converged media companies involved in a wide spectrum of telephone, cable, satellite, broadcasting, and Internet services. There are lower barriers to entry, and that means opportunity for competition from new entrants and better services for Canadians.

• (1650)

[Translation]

The current economic situation is clearly having an impact on the broadcasting industry. As your current study clearly indicates, conventional television broadcasters are facing challenges. However, other stakeholders, for example, pay and specialty services, continue to experience strong growth in revenues and profitability. In today's

environment, consumers want what they want, when they want it, and how they want it.

And businesses are in the process of adapting to the changing consumer and business environments. And against this setting of unprecedented transformation within the broadcasting industry, our government has played and will continue to play a strong role in this changing industry. And as always, we will place Canadians at the centre, as citizens, as consumers, and as creators.

[English]

At this point, I would like to speak about our government's support for public broadcasting. As the Minister of Canadian Heritage, I have taken every opportunity to express my support for a strong national broadcaster that serves the interests of all Canadians.

[Translation]

And as the Minister of Official Languages, I am sensitive to the important role Radio-Canada plays for francophones in Canada. In fact, it operates the only French-language national radio and television networks that are offered to all francophone communities across the country.

I am proud to say that CBC/Radio-Canada is one of our government's biggest investments. By giving CBC/Radio-Canada more than \$1 billion a year, I believe the Government of Canada provides adequate funding for our public broadcaster.

[English]

As well, since 2001, CBC has received an additional \$60 million for Canadian programming, funding that has been renewed several times, including this fiscal year. Groups across the country, public and private, small businesses and individual families, have had difficult decisions to make during these tough economic times. The CBC is not immune to the realities of these economic times. It has been required to make some difficult decisions.

Last month the corporation's CEO and president, Hubert Lacroix, announced actions that would be taken to deal with the current situation. We will work closely with the CBC to ensure it remains a strong national broadcaster and reflects Canadian diversity, protects our official languages, and is a platform for Canadian content.

[Translation]

Our government supports broadcasters because we understand that they provide a public service to Canadians in the form of news and other content that informs, enlightens, and entertains. While the current situation poses challenges, it also brings opportunities for our broadcasting industry. That is particularly true for stakeholders who take an innovative approach to meet the needs of consumers and the conditions of the current economic environment. There is tremendous opportunity for Canadian broadcasters to harness these new trends in digital technology, to become more innovative and consequently more profitable.

The efficiency of digital technologies and the dropping prices should leave room for effective solutions.

[English]

In the meantime, our government has provided, and continues to provide, strong support for the industry. For example, last month I announced the creation of the Canada Media Fund. Our support of \$134.7 million per year, along with the additional financial contribution that cable and satellite companies make to the fund, will bring the combined investment to more than \$310 million by 2010. The new fund will support the industry, Canadian content, and official-language minority communities. It will help provide the content Canadians want to watch on their preferred platform, whether it's television, the Internet, or mobile devices.

This government also recognizes the benefits of a strong, vibrant, and successful film industry. That's why we invested more than \$300 million in the audio-visual production industry through the Canada film or video production tax credit and the film or video production services tax credit.

[Translation]

As well, in 2007-08, we provided approximately \$90 million through the Canada Feature Film Fund, which supports the development, production, distribution and marketing of Canadian feature films. Last year alone, more than 40 feature films were created thanks to this fund. And it triggered an additional \$153 million in feature film financing from other public and private sector sources.

•(1655)

[English]

In conclusion, the Canadian broadcasting industry has played a critical role in telling Canadian stories and shaping our national identity, and it will continue to do so. The Government of Canada provides significant support to both our private and public broadcasters and will continue to be a strong supporter of the Canadian broadcasting system.

[Translation]

We believe there are opportunities for the Canadian broadcasting industry. And if we look at companies like RIM and Lionsgate productions, it is clear that Canadians have the capacity to lead the way with new technologies. Canadians deserve quality, choice, and access to services at fair prices. They need to continue to find deep value in a broadcasting system that has served them well throughout the years.

[English]

As for industry stakeholders, I have no doubt that meeting the needs of the public will drive them as they work at innovative ways to re-engage the market to deal with the longer-term transformation that is happening. Advancements in technologies have always been followed by an evolution in the way business works. These times are no different. Moving forward, the government will do what it has always done. We will put Canadians first as citizens, consumers, and as creators.

In closing, I want to again thank the committee for the work that you're doing. I think the wide-ranging scope of witnesses you heard from will only serve to help this committee as it examines this, because they certainly represent the complexity and the diversity of

this industry. So I look forward to reading your report, hearing what you have to say, and now taking your questions.

The Chair: Thank you, Minister.

The first question, Mr. Rodriguez, please.

[Translation]

Mr. Pablo Rodriguez: Thank you, Mr. Chairman. Welcome, Minister, Ms. LaRocque, Mr. Blais.

Because you have just been handed a petition signed over the last few days by over 100,000 Canadians about CBC Radio-Canada, I will continue on this theme. When Mr. Hubert Lacroix appeared before the committee two days ago, 48 hours ago, your colleagues' questions all dealt with salaries and expense accounts for CBC/Radio-Canada staff.

Do you also believe that CBC/Radio-Canada employees spend too much, earn too much, that there are too many of them and that that is why the government has refused to support the public broadcaster?

Hon. James Moore: With respect to establishing salaries internally, that is a matter for the CBC/Radio-Canada and it is not up to me to judge. I have no comments to make on that.

Mr. Pablo Rodriguez: All right. All of your colleagues asked questions about it, but you have no comments to make on it.

Regarding CBC/Radio-Canada, in

[English]

the Treasury Board main estimates, and if you look at page 116, I can quote from your own document from the budget:

Contributing to this change in sector spending are a series of departmental decreases, among which the most notable are the department of Canadian Heritage (\$136.9 million), Canadian Broadcasting Corporation (\$62.8 million)

How can you explain that?

Hon. James Moore: We made a campaign commitment, as you know, to support Société Radio-Canada, and if you take a look at the full scope of the investments that we're making into Radio-Canada, it has increased over the years. We made a very clear campaign commitment. We've kept that campaign commitment.

Mr. Pablo Rodriguez: Okay, but that clearly contradicts your own budget, because in the budget here it says

[Translation]

there have been cutbacks and one of the major ones was to CBC/Radio-Canada and it totalled \$62 million. I would like you to explain to me exactly what is written in your own document, in other words your budget. It is not my budget, it's yours.

[English]

Hon. James Moore: My deputy has just informed me that the reason why it likely shows up that way in the estimates is because the \$60 million amount for Canadian programming was removed for two years, not one year, so for the one-year gap, that would be the gap you are looking at.

[Translation]

Mr. Pablo Rodriguez: So, you are renewing the \$60 million. Someone at the Corporation told me that it had never received written confirmation of this fact. Is there a reason for that?

Hon. James Moore: I told this individual personally, but as you know, there are additional delays in the House.

Mr. Pablo Rodriguez: So you will be confirming this in writing.

Hon. James Moore: I just said it in my presentation, but I will repeat it once again

[*English*]

in English: CBC will receive their \$60 million supplement for Canadian programming, and I have communicated that directly to Mr. Lacroix.

• (1700)

Mr. Pablo Rodriguez: Then today you can say that there will be no cuts at CBC? Can you guarantee today that your government will not cut CBC?

Hon. James Moore: That's correct.

Mr. Pablo Rodriguez: Can you also guarantee that any solution for the actual crisis in the television sector will include CBC also?

Hon. James Moore: As you know, there are different challenges. We haven't made any commitments with regard to the broadcasting industry. There is a lot of gossip, speculation, and rumour going on out there. That's not uncommon in this city. This is a city that operates on gossip, and that's fine, but we haven't made any commitments in that regard.

Keep in mind that you have to take a step back. For example, I mentioned the Canada Media Fund. Keep in mind that the Canada Media Fund, in time, will have money available for in-house production. That, in the long term, will benefit Radio-Canada. We're continuing to work with CBC/Radio-Canada as they bring forward their capital plan. We have a strong partnership, and we will continue to support the public broadcaster.

[*Translation*]

Mr. Pablo Rodriguez: Conventional television is currently experiencing a severe crisis, as illustrated by declining advertising revenues. This affects everyone, in both the public and the private sectors. The people from TQS told us so today and those from TVA and CTV told us so the other day.

Despite this, we have not heard much from the government. Do you have any solutions? Do you support what the industry is calling for, that is, fee-for-carriage? Are you in favour of this solution?

[*English*]

Hon. James Moore: As you know, fee-for-carriage is a decision for the CRTC, and as you know, the licence agreements are up right now and there is a great deal of discussion about that. It wouldn't be—

Mr. Pablo Rodriguez: Do you have an opinion?

Hon. James Moore: It's a decision of the CRTC. I'll just leave it at that. But I would add beyond this that yes, of course we have our eyes and ears open about what possible solutions might be best suited for the industry, both for the CBC and for the private broadcasters as well.

Part of the thing I hope this committee is discovering is that there is a great deal of debate within the industry itself, and there is a great deal of debate within government, and I hope there is a great deal of

debate at this committee about doing the analysis, as the industry is doing, on what are the structural problems of the industry and what are the cyclical problems of the industry. Some people are pointing to the drop in ad revenue and suggesting that is a cyclical problem in the industry as a result of the downturn in the economy. Others are arguing that is in fact a structural issue.

As we deal with this downturn in the economy, as we deal with the shifting economy, the response ought not be knee-jerk. It ought not be something that doesn't have the long-term interests of Canadians at heart. That's why we are taking a full examination of all this.

Mr. Pablo Rodriguez: Will you be making an announcement soon?

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

Madam Lavallée.

[*Translation*]

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

Good day, Minister Moore. I am very pleased to have you with us today. I just want to remind you that, under a specific motion, we invited you in the last week of March to come and talk about CBC/Radio-Canada. I'm going to try to psychoanalyze you, and I would like you to help me a bit. In fact, I only have five minutes to try and understand the difference between what you say and what you do, and when I say "you", I'm referring to your government.

Is it the funding or the mandate of CBC/Radio-Canada that you disapprove of? There are many things that you should have done for CBC/Radio-Canada, but you did not. If you really cared about your public broadcaster, you would have supported it through difficult times. Last year, when this committee submitted a report asking basically for three things, namely, for a memorandum of understanding plus stable funding over seven years, for the \$60 million to automatically become part of the budget, and for the creation of a budget representing \$40 per capita you reportedly welcomed these suggestions wholeheartedly and said you would act on them. But you did not do so.

Mr. Lacroix wrote a letter to your Prime Minister at the end of February, but he never received any reply. However, the week that the private broadcasters informed you of their financial difficulties, not only did they receive a favourable response from you, that is, that they would be receiving assistance, but they were also invited to dinner by the Prime Minister. So you walked the talk.

You have been asked time and time again to help CBC/Radio-Canada. You say that you have never given it so much money, but CBC/Radio-Canada says it has had a shortfall of \$400 million in constant dollars since 1990.

Your members seem to have the same mindset. When the subject of CBC/Radio-Canada's possible disappearance is brought up in the House, the Conservative members applaud. Earlier, when Mr. Petit put a question to the representative of Remstar, he seemed to disapprove of the billion dollars that you were giving to CBC/Radio-Canada, stating that it was a lot of money. But we know that their mandates are not the same.

In short, is there something in CBC/Radio-Canada's mandate that does not suit you?

• (1705)

Hon. James Moore: I believe that your question has six or seven points.

I know that in the past, your committee has underscored the importance of this \$60 million investment in the programming of CBC/Radio-Canada. Each of our four budgets that were passed by the House of Commons included the \$60 million, including this year's budget. We therefore complied with this committee's opinion.

As I said to Mr. Rodriguez, we promised, during the election campaign, to maintain or increase the budget of the Corporation. We have honoured that commitment every year in each of our budgets.

I cannot be responsible for the schedule of the Prime Minister, just as you cannot be for that of Mr. Duceppe. The Prime Minister has stated on several occasions in public that our government understands the importance of CBC/Radio-Canada, whether in terms of culture or the future of our country. My office staff and I often discuss these concerns with Mr. Lacroix. We have a good relationship and we work together to prepare the future.

Lastly, you stated that certain members of the Conservative Party are not concerned about CBC/Radio-Canada's survival. I can tell you that that is completely false. Each of our members voted in favour of our budget, which has increased the funding for CBC/Radio-Canada every year. I would also like to point out that in the past, the Liberal Party stated that it had difficulty balancing the federal budget. In reality, the federal budget was balanced in 1997-1998. In 1998-1999, that is, the following year, CBC/Radio-Canada's budget was \$896 million, but even though the budget was balanced, the Liberals cut its funding by \$16 million.

Now, despite the global economic crisis and as part of a budget intended to counter that crisis, we are continuing to invest in CBC/Radio-Canada, and we have even increased funding for public broadcasting. That is the difference.

You are joining forces with the Liberal Party and with Mr. Rodriguez. Despite your document, and your [*Note de la rédaction: inaudible*], the fact remains that it was the Liberals who cut the CBC's funding. They cut 4,000 jobs and \$400 million; we are the ones who have been supporting CBC/Radio-Canada.

[*English*]

The Chair: Thank you.

The time worked out about even. Your question was long and the minister's response was equal.

Mr. Angus, please.

Mr. Charlie Angus: Thank you, Mr. Chair.

And thank you, Mr. Minister, for coming before our committee today.

The question for us is your role in terms of CBC and the destabilizing atmosphere that occurred in the lead-up to their having to make their cuts. I'd like to quote Hubert Lacroix, who stated:

Does that mean that I like it when I read that his Government is rumoured to be contemplating helping CTV, Canwest and Quebecor after closing the door to our request for bridge funding? Does that mean that I like it when, with five days left in our fiscal year, I still don't have written confirmation of the approval of the special \$60 million...at the same time I hear that Government says that it has given us record funding...? Does that mean that I like it when, with five days left in our fiscal year, our capital budget is stuck in Government processes somewhere in Ottawa? ... How can you plan your business, a \$1.7-billion business, in this kind of environment?

Mr. Minister, it seems to me that with a nod and a wink you've been standing back watching CBC totter through its crisis, either through the incompetence of your government or a willingness. There was no clear signal sent to CBC until it was almost too late. How do you explain that?

Hon. James Moore: Look, I frankly would disagree with you. We have a very strong working relationship with the CBC, with Hubert Lacroix. We made a very specific campaign commitment, as I've said, with regard to funding for the CBC. We've kept our commitment. We've been crystal-clear on every single one of our campaign platforms and every single one of the four budgets we've passed through the House of Commons. We've sent a clear and consistent signal that we have been supporting the CBC with over \$1 billion of investment in every single one of our budgets. Our record is—

• (1710)

Mr. Charlie Angus: But we're talking about what happened in the lead-up to the crisis. For example, Hubert Lacroix, again:

To help us manage budget pressures, we had asked the Government to grant us a degree of financial flexibility similar to the flexibility that private broadcasters enjoy when managing their budgets. ...we simply wanted to be able to have access to lines of credit and to pay them down in the course of normal operations.

We never asked for additional subsidies. We did not "beg for more", to quote recent headlines in the *Toronto Sun* and *Ottawa Sun*.

As you already know, that request was refused. No lines of credit, no temporary funding and no advances on future parliamentary appropriations to allow us to better manage CBC/Radio-Canada's operations...and to protect the investments that various governments have made since our creation nearly 75 years ago.

And yet one week before the end of the fiscal year, you were running up the flagpole that you had never had any conversation with CBC about a loan for future appropriations.

Mr. Minister, we've heard the questions from your colleagues at this committee. They've been absolutely hostile towards CBC on funding, every single one of them. As you know, your colleagues in the House continually heckle. I'm sure you've heard the heckling about CBC—you might even have heard some today—that your members do whenever they see that CBC is in trouble.

How can you, as a minister, when you're supposed to be responsible for this department, run something up the flagpole that's so blatantly untrue? I'm talking about the fact that you went public and said that you'd never had a discussion with the CBC about a request for future appropriations, an advancement, a loan, when everybody knows they had that conversation? What kind of truthiness are you trying to preach here?

Hon. James Moore: First, Charlie, I think you need to get out of this habit of taking some quotes and not understanding the full conversation, and the context—

Mr. Charlie Angus: Well, I'm giving it to you.

Hon. James Moore: Charlie, I didn't interrupt your question, and I think you can extend—

Mr. Charlie Angus: Give us an answer.

Hon. James Moore: If you extend the same courtesy to me as I did to you, I will gladly answer.

I think you need to get out of the habit of looking at newspaper articles and taking some quotes that are portions of some conversations and suggesting that somehow reflects some kind of a policy position.

I was asked a particular question by a reporter about a particular kind of support that might be offered to the CBC, and I said that wasn't considered. The quote you're now going to try to read and hit me with is not within the context of the question. The question, as you'll note in the newspaper article, is not in fact printed.

Mr. Charlie Angus: “A loan against future allocations was never discussed”. End of story.

Anyway, I only have a few minutes.

Hon. James Moore: No, I'm sorry, Charlie, it's not the end of the story. You asked me a question and I'm going to answer it.

Mr. Charlie Angus: Mr. Minister, that was the quote, so don't say it's out of context. That was a quote.

The Chair: Mr. Angus, you asked the question. Let the minister respond, please.

Mr. Charlie Angus: Truthiness.

Hon. James Moore: Are you inventing words now, Charlie?

The reality is, Charlie, as you should know—but you can take advantage of it if you like—that in politics quotes are often taken out of context within the context of newspaper articles.

We have a very strong and healthy working relationship with the CBC, and I can tell you that I'm not responsible for headlines that were written in the *Ottawa Sun* or the *Toronto Sun*. And you can make comments, as you will, about quotes or heckles that may or may not be made in the House of Commons, and I'm not a member of this committee, but let me just address the loan issue.

Mr. Charlie Angus: Okay, just to be clear, so it's on the record, did you not say, “A loan against future allocations was never discussed...I don't know where that came from”? Is that a fact?

The Chair: Mr. Angus—

Mr. Charlie Angus: Did you say that? Yes or no?

The Chair: Mr. Angus, your time's up.

Mr. Charlie Angus: Thank you.

Hon. James Moore: If I can—

The Chair: We'll go now to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): I believe it's Mr. Uppal, Mr. Chair.

The Chair: Mr. Uppal.

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

Minister, thank you for taking the time to being here. Just from the display at the beginning of this session, it's unfortunate that the opposition is more concerned about these kinds of cheap photo ops and corny stunts. It's unfortunate.

But I really wanted to talk to you about results for Canadians, about what this government has been doing for results for Canadians. Can you give us some details pertaining to the Canada Media Fund and how this is going to help?

Hon. James Moore: Sure, but I really would like to continue to try answer Charlie. He's interested in continuing question period rather than having an answer. I'd be glad to explain the quote and glad to explain the question of the loan, but he's more—

An hon. member: [*Inaudible—Editor*]

Hon. James Moore: Well, sure, I'd be glad to.

As is always the case, Mr. Chairman, in this place, as you know, it's a tactic of opposition politics to take a quote, take it out of context, throw it back, and ask, “Did it happen?” I was answering a question from a reporter about a different conversation; it was taken entirely out of context, both in the newspaper article itself and in the way in which, of course, Charlie Angus is using it here.

I have a complete and full understanding of the financial situation at CBC/Radio-Canada and a complete and full understanding of the request that was made by CBC/Radio-Canada. We have a very healthy, strong working relationship. The decision that was made was entirely, in my judgment, in the best interests of taxpayers, in the best interests of the corporation, and in the best interests of the long-term reality of the broadcasting industry.

Now, with regard to the Canada Media Fund, this is a modernization that needs to happen. When you're going through cyclical changes in the economy and a cyclical downturn and structural changes in an entire industry, I think one of the most responsible things for the government to do is ensure that the kinds of funds and programs they're setting up are flexible and can adapt to the realities of the future.

That's what the Canada Media Fund is about. We've merged the Canadian Television Fund and the Canada New Media Fund into the Canada Media Fund. It is done in such a way as to rebuild the partnership with private broadcasters and in a way that will allow more money and more flexibility over time for the creation of Canadian content on multiple platforms. This is what's needed. I did the announcement at the studios of *Flashpoint*, a CTV show that's available in streaming online. It's available on the Internet. You can watch it on Friday nights as well.

I also give the example all the time of the CBC. I really think CBC is to be commended and is really leading the way in multimedia, multi-platform content provision. I give this example all the time. I don't know that I've ever listened to *Q* with Jian Ghomeshi, but I watch it all the time. I download his video podcast and I watch his show all the time because they film it in such a way that they actually show it by video, but I've never listened to it. I almost never watch Don Newman's show *Politics*, but I always listen to it, because it's available on audio podcast.

This is sort of the new reality, where you have what is traditionally a television show available in multimedia platform so you can download it and listen to it at your convenience, but it's only available in audio format, and a radio show that's broadcast across the country but is available online in video format. So on the concept of a television show versus a radio show, these things are entirely converging, as are, of course, movies, podcasts, and radio shows. All these things are converging into what used to be called "new media" but now is just media.

So we've updated and improved the fund. We've merged the Television Fund and the New Media Fund to create the Canada Media Fund to support these kinds of productions. These funds are going to be available. There's going to be a set-aside for official language and minority content. There's going to be a set-aside for production in French to ensure that there's equal distribution in both official languages.

This is what we need more of: the government stepping up, modernizing, and improving the kinds of investments that we make for media creation so it's available on multiple platforms. CBC has really led the way, and we want to encourage private broadcasters and those creators on the ground to have access to funds in order to create the kind of content that Canadians want to watch on the platform in which they choose to watch it.

• (1715)

Mr. Tim Uppal: Do you have a sense of what third parties, those that will be affected, are saying about this fund?

Hon. James Moore: It's overwhelmingly positive. The two existing funds, the Canada Media Fund and the Television Fund, will continue to be in existence until April 1 of next year. That's when the new fund is created. Moving forward, of course, as is always the case, whenever you have a change in any kind of public policy there are always people who have concerns and questions to be raised about it, and we're addressing those. We're continuing with our consultations. The money has now been set aside. When it's delivered and administered, of course, there will be terms and conditions associated with that. We're going to make sure that the fund will be put forward in a way that maximizes the creation of Canadian content on multiple platforms.

Overwhelmingly, the response has been entirely positive. I can tell you that I don't think there's any government that could succeed ours at any time in the future, 10 or 20 years down the line, that would even think about going back to the old ways of doing things, because modernization of these policies is what's needed for the future.

The Chair: Thank you for that.

Ms. Fry, please.

Hon. Hedy Fry (Vancouver Centre, Lib.): Thank you very much.

I want to thank the minister for coming to meet with us today.

The minister made a speech, and there are a couple of things I wanted to pick up on. Here in this session we're talking about the future of television in Canada, and he made comments with regard to digitalization and what it is going to do for the future of television, not only in Canada but around the world. Well, this is true; however, currently CBC cannot reach Kamloops, never mind a world reach. It

is unable to reach Kamloops because it doesn't have the infrastructure that it needs, for instance, to convert its current.... The last time the CBC had any infrastructure was in the sixties. This is old. CBC needs that infrastructure.

The reason I'm speaking to CBC is not that I want to pick a fight with CBC. CBC is the public broadcaster. There is a responsibility on behalf of the Government of Canada to be able to fund CBC appropriately.

I want to talk about digitalization. The CBC has not had any ability to do the kind of digital reach that it could do and that the private broadcasters have had the ability to do. When the private broadcasters were given the ability to increase their fees to their clients or their customers, they were able to get into the digital world quickly. CBC does not have that ability. It is a public broadcaster. It is dependent on the government to help it to do the reach, and it cannot reach Kamloops. That's the first question.

The second question is this. The BBC, which is a public broadcaster, has now been digital for so long that it only talks about digital. We have let our public broadcaster down. We are actually ranking 16th out of 18 in all of the countries that have a public broadcaster—our funding is 16th. If you're going to be committed to the public broadcaster, then one cannot lump it in with the other broadcasting industry. You have to talk about the public broadcaster's ability to be digital.

Secondly, you also talked about the new media fund that will allow everyone to make a large number of new films. The problem with films in Canada, if we are to be able to get our films around the world, is that we absolutely need to have a distribution model, and we don't. The BBC has used its digital model for distribution; the CBC could do that. It could be great at getting Canadian films to the rest of the world. It cannot do it because it does not have a digital infrastructure.

I'm speaking with regard to commitment to the public broadcaster under two headings. The first one is digitalization, for its ability to reach all areas of Canada and the world. Secondly, with regard to digitalization and your new media fund, how will you see the distribution model given to the CBC to allow it to function in the way that one of the great public broadcasters of the world functions, and that is the BBC?

• (1720)

Hon. James Moore: All right, there's a lot there. Thank you very much for the question.

First, look, you know this from having been in government and having been a minister. It's not the role of the government to give funds to the CBC and say they have to provide a specific level of services to Kamloops. It's an independent choice for the CBC, as you know. CBC is not going to be putting in place—I'm guessing—very expensive infrastructure in order to broadcast into Kamloops because of the transition to digital. That's a very expensive proposition that you're making. As you know, in 2011 there will be a transition to digital, where over 90% of Canadians will be covered. There is a gap, and I know that broadcasters are working on closing that gap, and the government has of course our eyes open about what the role may or may not be in that. We've made it very clear that the gap needs to be closed by the private broadcasters.

With regard to comparing CBC to BBC, the CBC receives about \$33 from every Canadian. That's about how it's broken down per capita. The BBC is more than three times that, and they also have a television tax on top of that. If you want to propose that, you're free to do this, but that's not the politics and the policy of this Conservative government.

Hon. Hedy Fry: Thank you, you have answered my questions.

I would like to make a comment. No one is suggesting that the Government of Canada tell the CBC what to do, but the CBC has a mandate, and its mandate is to reach every single region in this country. It cannot perform and fulfill its mandate if it is not funded appropriately enough to do so. That is the point I'm making.

Secondly, there was a review of the CBC that was brought out by this committee, and it recommended that in fact the government increase funding to the CBC, not keep it where it is or let it go down, but increase funding so CBC can complete its mandate.

The Chair: We need the question quickly; we're running out of time.

Hon. Hedy Fry: It's the mandate I'm talking about. CBC is unable to fulfill its mandate. It depends on you to do it.

Hon. James Moore: Well, I would just finish with this. We understand that, and we agree with that.

Look, Hedy, we made a campaign commitment to sustain or increase funding for the CBC, and we've done that in every single one of our four budgets. Hedy, you can't sit there and lecture. Frankly, you can't sit there and lecture me and the Conservative government about not supporting the CBC. We have increased support for the CBC. We kept our campaign commitment. When the Liberals were in power, you were at the cabinet table, Hedy. The Liberals cut the CBC by \$414 million. You cut 4,000 jobs from the CBC. We have increased funding for the CBC. We have a strong working relationship, and we're going to continue to do that. We're not cutting the CBC; we have increased support. It was the Liberal government that cut. If you really believe in this, Hedy, you were awfully quiet at the cabinet table when you were there.

The Chair: Thank you, Minister.

Mr. Pomerleau, and then we'll go to Ms. Glover.

Try to keep your questions short. We're running out of time.

[Translation]

Mr. Roger Pomerleau: Thank you, Mr. Chair. I have a brief comment and a brief question, but the preamble to it may be long.

Correct me if I'm wrong. I am a francophone who dabbles from time to time in anglophone culture, because I occasionally watch TV in English, read a book in English, and I read the *Globe and Mail* three times a year. So I dabble in anglophone culture, but I am not really part of it.

I have the strong impression that Canadian culture has been disappearing over the past 30 or 40 years. All the movies that I see in English are more and more American and less and less Canadian. As for TV series, they are almost all American. The music I hear is almost all American. And so are most of the books available. Even

though I don't know English well, it seems to me to be more and more Yankee and less and less British.

It seems to me that, overall, the Canadian government is having more and more trouble sustaining Canadian culture. That's my impression. I'm talking about the government, not the Conservative Party. The Conservative Party may have slashed CBC/Radio-Canada's budget, which will result in the loss of 800 jobs, but the Liberals did much worse, even as the economy was booming.

It's really the Canadian government that appears to have this problem, this problem sustaining Canadian culture. There doesn't seem to be any real political commitment, in my opinion, to maintaining culture, to investing the funding required. The government is prepared to spend billions on weapons, but when it comes time to give \$200 or \$300 million to CBC/Radio-Canada, they hesitate.

Even Margaret Atwood, who is not francophone, has said that if she had to choose between voting for the Liberal Party or the Conservative Party, she would vote for the Bloc Québécois. That's not because we're any nicer than the others, but because Quebec seems to attach more importance to culture, especially as a profitable industry. That's something that does not seem to exist in English Canada.

My question is of a political nature. If the Canadian government is not capable of ensuring the survival and advancement of its own culture, then why should Quebeckers trust it to ensure theirs?

• (1725)

Hon. James Moore: Here's the major difference. As a federalist, in my opinion, the difference is that Quebec culture and francophone culture are part of Canadian culture. We are together; it's not one or the other. We're together even if the members of the House of Commons belong to different political parties. I believe that what you are saying is completely false. It's false to say that there are no successful Canadian productions. Just think of *Bon Cop, Bad Cop*, *Paschendale*, Éric Lapointe or Sylvain Cossette. Just think of our literary output.

I'd like to make a suggestion. BC Scene is under way at the National Arts Centre, located just across the street. This event ends on Sunday night, and between now and then you can see magnificent creative artists, dancers and singers who are unequalled in the world. They are here and they are anglophones and francophones. They come from British Columbia. They are proud artists and they are unrivalled in the world.

Canada is a world capital of culture. Just look at the performances that are presented in Montreal, the filmmaking industry in Vancouver, Canadian museums—all our homegrown talent. We have much to be proud of. The government's responsibility is to set up programs to help artists in need, to invest funds effectively and to support training for the next generation of artists. We are making investments that were previously unheard of in our country's history: \$2.3 billion will be injected this year. That is an unprecedented amount. I am proud of our artists, and I am proud of our investments in our cultural activities.

[English]

The Chair: Thank you. The time is up.

I'll go to Ms. Glover for one very short question to the minister, and you'll get a short response, I'm sure.

Mrs. Shelly Glover: Minister, thank you again for being here. I want to address a couple of things.

On Mr. Angus and the things he had to say about hostility, I can assure you that the Conservative representatives here believe in the CBC. We reiterated when we had questions to ask that it was the Conservatives who created CBC, and we will continue to support it, as you said.

I want to take a moment to thank the Liberals who are here in committee today. They supported our last two budgets, and it's really surprising to hear what they're saying in committee and see what happens in the House of Commons. I want to thank them for supporting our last two budgets, which included the funding for the CBC that we are maintaining.

We have been listening as a government and we have been proactive. I want to give you an opportunity to tell this committee what you've been doing since your appointment. I want you to show these members that you have indeed been listening on behalf of our government. Can you explain to us what you and your department have done on the CBC?

• (1730)

Hon. James Moore: I have been very busy, as you know. I've gone from one end to the country to the other and had round tables

on official languages, in my responsibility as Minister of Official Languages; and as Minister of Canadian Heritage I've talked to arts and culture communities. I have frankly learned a great deal from them and have a great deal of respect for the diversity that exists in Canada's cultural communities from one end of this country to the other. It's really quite remarkable.

This committee came together on the question of the CBC—that was the genesis of this conversation. I'm a strong supporter of the CBC and believe in the CBC. It's a great public broadcaster. It has incredible standards of journalism. It is a true pan-Canadian platform for showing Canadian content in both official languages and in multimedia environments, and giving Canadians access to Canadian stories.

We have made commitments in the campaigns to support the CBC, and we have kept those commitments. We're providing over \$1 billion to the CBC, and \$60 million per year for specific Canadian programming. Like all Canadians, I'm incredibly proud of our public broadcaster. It's going through difficult times, but we will go through those difficult times with it. We will work with it and make sure that in the long term, Canadians will have a broadcaster that will be a platform for Canadian content from coast to coast in both official languages. It will be a broadcaster we'll all be proud of.

The Chair: Thank you very much, Minister.

This meeting is adjourned.

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