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—
Chair

Mr. Gary Schellenberger

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• (1530)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Order, please.

Ms. Lavallée.

[Translation]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Mr. Chair, I have a special request.

According to the orders of the day, we are expected to hear from the third group of witnesses for an hour and a half. Our meetings usually last two hours. I am not against hearing from all those people, on the contrary. I believe their testimonies will be highly informative.

I would like to ask for consent from committee members to hear the presentations of the last group of witnesses, and then to having only one round of five-minute questions so that we can end a bit earlier.

[English]

The Chair: Okay. I ask for unanimous consent to change the last hour and a half to an hour. We'll listen to the presentation from our witnesses at that particular time and we'll have one round of questioning. Do I have unanimous consent for that?

Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): I had heard there was going to be food. I would suggest if we are only going to have an hour, I wouldn't want to stop and be piling up sandwiches and have that cut into our time. So either we would keep going until 6:30 or we would go to....

The Chair: We'll keep going to 6:30, and if people have to get some food for nourishment to keep them going, we can do that as the questions go on.

Do I have unanimous consent for that?

Some hon. members: Agreed.

The Chair: Thank you very much.

Welcome, everyone, to meeting number 18 of the Standing Committee on Canadian Heritage. Pursuant to Standing Order 108 (2), we are doing a study on the evolution of the television industry in Canada and its impact on local communities. For the sake of time, I will introduce the three organizations that are before us as

witnesses now, and I would ask the presenters to please introduce the people with them.

We have Astral Media Inc., Corus Entertainment Inc., and Telefilm Canada. I'll ask the folks from Astral Media to please make the first presentation.

Thank you.

Mr. André Bureau (Chairman of the Board, Astral Media Inc.): Good afternoon, Mr. Chairman, members of the committee, and committee staff.

My name is André Bureau. I am chairman of the board of Astral Media, and I'm joined today by John Riley, president of Astral Television Networks, and by Pierre Roy, president of les Chaînes Télé Astral.

I would first like to thank the committee for inviting us to be part of this review of the television broadcasting industry, an important economic sector in Canada and a pillar of Canadian identity.

Astral Media is very proud to have become a truly national Canadian media company, operating 18 pay and specialty services, 2 small CBC affiliates, as well as 82 radio stations across the country. What is distinctive about our operation is that we are a fully bilingual company with properties in both the French and English language markets.

Broadcasting is an industry with a finely regulated balance among its different constituents. So far, the committee has heard from over-the-air broadcasters and broadcast distribution undertakings. However, you have not heard from the specialty/pay television sector. We would like to take this opportunity to profile the sector and some of the specific challenges that the current context presents. We hope this will complement the information provided to the committee today.

The specialty/pay sector is the fastest growing part of the Canadian television industry, with revenues of \$2.9 billion recorded in fiscal 2008. There are over 180 domestic specialty and pay services now available in Canada. These services currently draw 42% of the overall viewing audience in the French market and 38% in the English market. The sector directly employs close to 5,500 people and pays more than \$406 million annually in salaries.

The sector contributes significantly to the creation of Canadian programming. In 2008, the overall specialty/pay sector invested \$1.1 billion in Canadian programming. Also, 90% of broadcasters' financing for Canadian filmmaking comes from pay television services.

By way of background, specialty/pay services were introduced as cable developed in Canada and BDUs needed new and exclusive sources of content to offer consumers, and in order to justify charging for their BDU services. Broadcasting policies at the time encouraged the development of a domestic specialty/pay sector, rather than simply importing existing foreign—U.S.—services into Canada.

Fast forward two decades, and what we have now is a strong and steadily growing sector that offers Canadians access to a diversity of content, including many underserved genres that are not widely available on conventional television, such as children and documentary programming. In addition, the specialty/pay sector delivers the largest audience for Canadian programming, with 55% of the total viewing of Canadian programs coming from these services.

Since the advent of Canadian specialty/pay, the portrait of viewing has evolved significantly. Why? Because Canadians appreciate our programming. Our sector has developed in response to the specific programming needs and desires of Canadians. In so doing, we have become a thriving hub of economic activity that is viewed internationally as a unique success. It has enabled Canadian broadcasters to develop profitable businesses employing thousands of Canadians and contributing significantly to the national GDP.

However, while the specialty/pay TV sector is profitable and growing steadily, it is not without its own challenges. During this hearing, some ODA broadcasters have suggested that because specialty services have access to subscription fees, it has granted them an unfair advantage. We would caution the committee against focusing on a singular rule in isolation without looking at the broader matrix of rules that serve to produce a carefully regulated balance between the various sectors. For example, over-the-air broadcasters have access to revenues from both national and local advertising, whereas specialty advertising revenues are only at the national level. Pay services, which constitute over 50% of Astral's television revenues, have only one source of revenue: subscription fees. English language OTA benefits from simultaneous substitution. Specialty and pay do not. OTA do not have specific Canadian programming expenditure obligations, as is the case for specialty and pay. OTA also have the advantage of mandatory carriage on basic cable and DTH. Specialty and pay do not. In fact, specialty and pay do not control how they are sold to consumers. Packaging and retail pricing are decided by BDUs.

• (1535)

What is also important to note is that since 1983, 26 years ago, the vast majority of Astral's specialty services have not had a single increase in wholesale rate, despite numerous increases in the amounts BDUs charge to consumers.

With consolidation in broadcasting and telecommunications, BDUs have also become increasingly integrated with specialty, over-the-air, and VOD programming services. They have also been growing mobile and Internet businesses, the newly emerging platform for content consumption. This presents a particular challenge for specialty pay broadcasters in that BDUs are now, in some cases, also our competition. Furthermore, we are no longer necessarily the focus of their bundle offers, which include Internet, telephony, and television services.

• (1540)

[Translation]

The Quebec market is obviously very different from the English-Canadian market. First, and critically, Quebec is a small market that generates less revenue in absolute terms—revenue that underwrites program creation. But there is no less demand for original programming. In fact, viewership for locally conceived and produced shows is high, and loyal.

Broadcasters' investments in original programming for this market are significant—ours as well as others. In fiscal 2008, Astral's French-language specialty and pay services invested more than \$85 million in Canadian content. And, because we work almost exclusively with independent producers, the vast majority of this amount was invested in Quebec's independent production community, increasing the overall impact of our dollars on domestic cultural development.

In Quebec, the BDU relationship is a challenge. Quebecor Media is the dominant BDU, and with its subsidiary, Vidéotron, represents 60% of BDU subscribers in Quebec. Quebecor is also the dominant private OTA broadcaster with TVA, and they operate a considerable number of specialty and VOD services. It is a matter of significant concern to Astral that Quebecor would suggest that if a fee-for-carriage was implemented, it should be left to the discretion of the BDU to decide where they will source the funds to pay the OTA broadcasters, which, for Quebecor, would include its own subsidiary, TVA.

Quebecor has repeatedly indicated that if they were to negotiate a fee-for-carriage, this fee would be deducted from what is paid to specialty services as part of a so-called “recalibration” of the system. They reiterated this position in front of your committee on April 20, 2009.

Economically, it makes no sense to allow BDUs to siphon money from a healthy and growing business into a struggling one.

The Canadian television industry has gradually developed because of a careful balance involving profits, rights and obligations. It may well be that we have reached a point where a rethink is required. However, it has taken 40 years to establish this balance and we should be careful to ensure that any changes that are made do not have unintended consequences.

[English]

The committee has received conflicting information regarding the state of over-the-air broadcasting. It is still unclear to us whether the challenges are cyclical or structural. If they are cyclical, short-term solutions may be required. However, if they are structural, a full review of the system is needed, and we believe that the CRTC, with its expertise, tools, and information, remains the best vehicle to conduct such a structural review.

With this in mind, we suggest that among the most helpful measures the committee could recommend to alleviate the immediate pressure on over-the-air broadcasters would be, first, to set a government priority on the settlement of the part II licence fees. It's hundreds of millions of dollars. Second would be to address the looming digital transition. Supporting hybrid solutions that take into account the specific challenge of the small market stations' transition to digital is important. As has been the case in other countries, government should work with the industry to ensure we find constructive solutions to help navigate through this particular financial challenge.

There are other possible immediate regulatory measures that could be taken, such as compensation for distant signals, the local programming improvement fund, and the rights of local stations for carriage in their local markets, all of which are currently being examined by the CRTC in a way that ensures the necessary checks and balances prevail.

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you. We will be happy to answer any questions you might have.

• (1545)

The Chair: Thank you very much for that presentation.

Now we'll move to Corus Entertainment Incorporated.

Mr. John Cassaday (President and Chief Executive Officer, Corus Entertainment Inc.): Mr. Chairman, members of the committee, ladies and gentlemen, my name is John Cassaday, and I am the president and chief executive officer of Corus Entertainment. Thank you for the invitation to speak.

Before I begin, I'd like to introduce the team with me today. Michael Harris is the vice-president and general manager of CHEX-TV in Peterborough and CHEX-TV-2, which serves the people of Oshawa, Ontario. Sylvie Courtemanche is our vice-president, government relations. And Gary Maavara is our general counsel.

Corus Entertainment is one of Canada's largest media companies. This includes local broadcasting in both radio and TV. We have 52 radio stations, and we are Canada's leading operator of news or news-talk format stations in both English and French language markets. For example, these stations include CJOY in Guelph and CFPL AM 980 in London, which serve your constituents who live in

the Perth—Wellington riding. Over-the-air television stations serve constituents in ridings of two cabinet members, and one member of this heritage committee, Mr. Del Mastro.

Each of our broadcast stations is an important source of local news and community information. We are an important part of the local community, serving audiences, local business, and governments.

In times of local emergency, such as the Manitoba floods this year, or in Peterborough in 2004, we are the most reliable source of timely emergency information. The flu situation is of great concern to us all. Corus has had a pandemic flu strategy in place for some time, and we are currently operating at a preparedness level 5, in step with the WHO status. We are doing so to preserve our ability to carry on business and to keep ourselves in a position to disseminate information to the public in a timely and accurate fashion.

Our stations are also important contributors to local charities such as the United Way, Easter Seals, local hospitals, and countless others through special programming such as telethons, as well as free promotion and coverage of their events.

Our stations are deeply involved with their communities. Our supertime local news programs attract almost half of the people watching TV in these communities during that time period.

These local TV stations have had partnerships with the CBC for 54 years. We distribute the CBC national news service to our audiences and add a strong element of local news, public affairs, and other community-oriented programming to the national content.

If CBC severed this relationship, our viewers would probably be forced to watch signals delivered from Toronto or Ottawa containing little or no local reflection. We took some comfort from the statement to this committee by Mr. Lacroix last week that the CBC was prepared to maintain an affiliate relationship, although the terms are not yet clear to us. We look forward to discussions with them.

For local small businesses we are a crucial advertising partner. We create and distribute the ads that help them to compete with the large multinationals that also serve their markets. Without this relationship they would face greater hurdles in reaching their customers.

Corus also operates more than a dozen specialty and pay television services. Corus leads in programming to children through such channels as Treehouse, YTV, and Teletoon. We also program to women through the W Network, Viva, and Cosmopolitan Television.

We own Nelvana, which is one of the world's premiere producers of children's animation programming. Corus has invested more than \$1 billion in the production of Canadian content programming, and we are proud of the fact that our pay and specialty networks show the best in Canadian drama in volumes not matched in the industry.

Over the past several years we have been exploring new and innovative ways to capitalize on these new technology-driven markets. Our goal is to use a variety of digital platforms to deliver our content directly to viewers, not only in Canada but around the world. Corus provides Canadian content to multi-platform channels, such as KidsCo in Europe, Asia, and Africa; and qubo in the United States, where we are equity investors.

Corus is also Canada's largest publisher of books for children.

The result of all this is that today our productions and books are available in more than 160 countries worldwide in more than 40 languages.

In this context, we appear before the committee today as a company that plays a variety of roles in the Canadian economy. Corus is a distinctive Canadian company. We are a broadcaster here and around the world, but we are also a major producer of content in a variety of forms.

• (1550)

The key purpose of this heritage committee hearing is local broadcasting. But local broadcasting is no longer alone. Television and media markets have become enormously complex. The companies like Corus that operate local TV have other operations that try to succeed in these markets. In this context, Corus believes that the key question should be: what can government policy do so that the Canadian television industry has the strength and flexibility to stay relevant to Canadian viewers, subscribers, and advertisers as we enter the digital age?

We come before you today with some proposed solutions and hope we can be helpful in this process. Corus is confident about its future. Television is not broken, but we believe it is time for a strategic policy direction from the government to the regulatory agencies such as the CRTC and the Copyright Board of Canada. In our recent appearances before these agencies and departments, we have argued for an approach to policy and regulation based on what we characterize as the Corus Big Six. We list them one at a time, followed by some specific policy recommendations.

First of all, we recommend that the government embrace the merits of fostering a Canadian-owned but globally competitive industry. It must be explicitly recognized that we compete in the world market even at the local broadcasting level. Of course, this has always been the case for traditional broadcasting. Our policies are built upon the realities of our small market beside a huge market. Digital media are now enlarging the challenge. Our adjacent market is now the whole world, even in small communities such as Peterborough or Timmins. Government and regulatory bodies must align their domestic policies and rules so that we can have a Canadian-owned system that's globally competitive. We can no longer shelter our domestic market. The barriers that we have built to protect Canadian media can become a confining trap if we are not mindful of this change.

Second, we encourage you to increase the probability of success of the Canadian media industry by encouraging the creation of larger and stronger enterprises. Corus is a significant player in the Canadian market, but on a global scale we are very small. Google spent roughly U.S. \$1.5 billion on research and development in 2007. This amount is greater than the revenue last year of the entire Canadian radio industry. So we must all recognize that the scale problem is worse in the digital realm than it has been in traditional broadcasting. This makes it very challenging to fully participate in the new media world. Corus must invest in digital broadcasting, which means towers and digital origination equipment. But to participate in digital markets, we must also address the critical issue of the management of these digital rights. We need to make a huge investment in technology to track and protect our rights, and we need to train our employees to use this technology.

Third, we need to develop a Canadian industrial strategy for the production of Canadian content. As has been the case in other industries, we need to look at the business from a strategic perspective. Strategic thinking means making decisions about what the priorities are for the system. For example, we need to consider a policy priority that supports the creation of high-quality Canadian content from all Canadian producers, including producers that are affiliated with Canadian broadcasters.

Fourth, we should recognize that private media enterprise success is what will lead to a stronger cultural system in Canada, not the current system of progressive fees, conditions, and tariffs.

Fifth, we need to allow Canadians to experiment. Recognition of this principle is essential in the digital media world. By their very nature, digital media initiatives are risky, business plans are uncertain, and ultimate success is very much a matter of trial and error. In this type of dynamic environment, we must be able to experiment. Regulation of our digital media activities, no matter how well intentioned, can only hinder our participation in these new markets.

Sixth, we should recognize that our small market requires that government continue to support its industry through research, development, and implementation of intellectual property. In the context of this strategic perspective, we have a number of specific tactical recommendations or solutions that we would like to leave you with today.

• (1555)

First of all, our investment in digital rights management technologies and their implementation should be eligible for Canadian programming expense credit.

Second, our capital investments in towers and other digital broadcasting technologies should be eligible for accelerated capital cost tax treatment as well as government funding.

Third, the committee should recommend the elimination of artificial quotas requiring broadcasters to acquire large percentages of their programming from independent producers. At the very least, Canada's media companies should not face barriers to creating and distributing the high-quality Canadian content that is contemplated by the Broadcasting Act. We can create a viable production industry, and the beneficiaries will be Canadian viewers, writers, performers, and the economy.

Fourth, we recommend the abolition and reimbursement of the CRTC part II fees, which would be a positive step that would benefit local broadcasters and the rest of the system.

Fifth, we recommend the relaxation of the prohibition on advertising of pharmaceuticals. Canadians already see a plethora of these messages on foreign services. Permitting this in Canada would not only establish another revenue stream, estimated at \$400 million, but would also make these messages subject to Canadian law and Canadian industry standards.

Sixth, we recommend a temporary, one- to three-year advertising tax credit of 10% on all Canadian media advertising. This would serve to stimulate the economy as a whole and be a huge help to local broadcasters.

Seventh, we encourage the CBC to maintain their local affiliation agreements. This will ensure that the CBC stays close to its constituencies of local Canadian taxpayers.

Eighth, the sale of local television advertising should remain with private broadcasters. The proposal to allow carriers to sell local Canadian advertising on foreign channels would have a huge impact on local broadcasting, both in television and in radio.

Ninth, the committee is aware of the dedication of local stations to community and charitable efforts across Canada. Broadcasters should be able to deduct airtime donations as a charitable expense under the Income Tax Act.

These are some of the things that this committee could recommend that would help to keep Canadian broadcasters competitive and relevant.

On the subject of fee-for-carriage, any change will require a fulsome analysis and discussion of all of the elements of the system, as my colleague, Mr. Bureau, has said. Negotiation of a fee regime should be made in that context. It's not something that should be imposed in a vacuum.

In closing, we should note and congratulate the Minister of Canadian Heritage for the commitment to the Canada Media Fund. This funding, and the manner in which the fund is changing, ensures that we can continue to tell Canadian stories in the new digital environment.

Mr. Chairman and members of the heritage committee, these are our submissions. We look forward to your questions.

• (1600)

The Chair: Thank you very much.

Now we move to Telefilm Canada.

I must just remind everyone that this part of the meeting will be over at 4:30. So to all the people who are going to ask questions, I'd like them to be short, concise, and the answers the same. I think we're going to get only one round of this.

Please, Mr. Roy.

Mr. Michel Roy (Chair, Board of Directors, Telefilm Canada):
Good afternoon, Mr. Chair.

[*Translation*]

Honourable members of the committee, my name is Michel Roy and I am the Chairman of the Board of Telefilm Canada. Joining me here today is Wayne Clarkson, Executive Director of Telefilm Canada.

First, let me thank the committee for the opportunity to appear before you to share our views with respect to your study on the evolution of the future of television.

This is an important process that you have embarked on. The viability of local television largely contributes to the stability and health of the entire broadcasting system to the benefit of all industry stakeholders and communities across the country.

As an investor on behalf of the Canadian government in independently produced Canadian content creation, Telefilm Canada has a vested interest in the maintenance of a healthy broadcast system. Telefilm Canada's role, as you know, is to foster the creation of Canadian content regardless of platform. As the administrator of cultural development programs worth approximately \$400 million annually, Telefilm is the privileged financial instrument of the government to encourage and provide support to private sector producers, distributors, writers, directors and other creative talent of the Canadian audiovisual industry. Telefilm manages the Canada Feature Film Fund, the Canada New Media Fund and the Canadian Television Fund. We manage the New Media Fund through an agreement with Canadian Heritage, and we also have an agreement with the Canadian Television Fund to manage that fund on behalf of the board of the CTF. As you know, it has been announced that those two funds would eventually be amalgamated into a single one as of next April, and the new fund would be called the Canada Media Fund. The scope of our responsibilities demands exemplary governance, and I have made it my personal mission, during the first year of my tenure as chairman of the board of Telefilm Canada, to strengthen and stabilize the corporation's governance. We now have a solid and seasoned board of directors that ensures the public and private funds we administer are managed with optimal efficiency and effectiveness.

Just a few weeks ago, Mr. Clarkson and I, along with the members of the board, met with the industry in Montreal and across the country via live webcast, and we renewed our commitment to working with all our partners to continue to bring high-quality Canadian content to audiences on the platforms of their choosing.

In our view, the elements that have contributed thus far to a thriving audiovisual industry and the creation of award-winning works, stem from fruitful partnerships among talented Canadians, independent producers, broadcasters and government funding agencies. These partnerships help Canadian content producers secure the necessary financing to produce the works that audiences appreciate. As you know, the financing of Canadian content continues to be one of the greatest challenges faced by the industry. Now, broadcasters are essential among the many players contributing to the financing of Canadian content.

Television affords more working opportunities for talented creators and provides related sectors such as feature films with a highly skilled creative workforce. Producers, writers and directors successfully navigate the porous border between film and television all the time. Over the course of their careers, popular stars like Paul Gross, Patrick Huard and Sarah Polley have appeared on both big and small screens, accumulating star value with different audiences.

Numerous screenwriters and directors cut their teeth in television. *Nitro's* writer Benoît Guichard got his start in music videos. Before making *Borderline*, Lyne Charlebois directed numerous TV shows, including the hit series *Nos étés*.

• (1605)

Canadian television, including conventional television like CBC/Radio-Canada, pay television and video on demand, has been a key platform to support our domestic film industry, largely as a result of regulated Canadian content requirements.

[English]

There is no doubt that there are challenges facing conventional television. The evolution of audiovisual technologies has profoundly changed how Canadians communicate, express themselves, and interact with various media. One observer described the changes taking place as “everything is coming out of its containers”.

The business case for conventional television has changed significantly through the expansion of viewing choices, and this fragmentation of viewing is causing ongoing erosion in advertising revenue and profitability of broadcasters. The central challenge now is that new business models are required to move those containers around.

Ironically, while this is a time of great upheaval in Canadian television, it is also a time of great opportunity for Canadian content producers, as evidenced by the popularity of Canadian drama such as *Flashpoint*, co-produced by Anne-Marie Latraverse and Bill Mustos with the U.S. More recently, long-time film producer Roger Frappier of Maxfilms, together with Karine Martin of MediaBiz, concluded a 12-show deal with German producer Eva for the production of action-thriller telepics.

To ensure that we have the capacity going forward to produce high-quality Canadian programming that Canadians want to watch, Canadian producers need access to international financing. One of the highest priorities of the board of Telefilm Canada now is precisely to help Canadian producers attract greater international financing and assure the continued growth of the Canadian audiovisual sector.

The Canadian broadcasting system and its use of various audiovisual technologies must remain relevant in a global digital environment. Previous innovations in new technologies provoked fundamental changes in the way content was consumed. The shift today, occurring as a result of the exploitation of digital platforms, will be even more profound.

In this regard, in creating the Canada Media Fund, Minister Moore made the decision that it should support the production of Canadian content for all platforms, including interactive digital media. There is no doubt that traditional media and new media form a continuum; supporting both means adapting to the new environment.

[Translation]

Telefilm is hopeful that this dialogue, which the committee has initiated through this review, will not lose sight of the importance of maintaining strong Canadian content in the audiovisual industry. A healthy environment will ensure that talented young Canadians can continue to find work and production opportunities in their respective communities. Time and time again, we are reminded that compelling stories that originate from diverse communities make the most memorable entertainment.

[English]

In summary, Mr. Chairman, we understand that television broadcasting creates revenues for a certain number of players, each of which plays a role within the system and each of which wants to receive its fair share of these revenues. Regardless of that situation, and because of the huge cultural impact that television has on the Canadian population, Telefilm believes that everything must be undertaken to maintain a substantial share of Canadian content within the Canadian broadcasting system.

[Translation]

Thank you for your attention. We would now be happy to answer your questions.

[English]

The Chair: Thank you very much.

For the first question, Mr. Rodriguez.

[Translation]

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

Thank you to our many witnesses for appearing here today.

I will begin with you, Mr. Roy, since you have just concluded your opening remarks. I would like to make an aside before coming to the key issue. I recently met with people who told me that the Union des artistes had just completed a study and submitted it to Telefilm Canada. It shows that only 50% of shows that are produced in total or in part in Canada are dubbed here. That means that a substantial part, i.e., 50%, of the products that you finance are dubbed elsewhere.

First of all, is that correct? If so, why do we not have the capacity and the talent to ensure those services locally?

•(1610)

Mr. Michel Roy: Mr. Rodriguez, if I may, I will let our executive director answer that question.

[English]

Mr. S. Wayne Clarkson (Executive Director, Telefilm Canada): Thank you.

First of all, I'll point out, as I think Monsieur Roy mentioned in his address, that it was four or five years ago that the responsibilities for television financing and programming shifted from Telefilm Canada to the Canadian Television Fund, so those responsibilities for dubbing programs fall under the mandate of the CTF.

In the case of film productions, we had a modest fund for subtitling films for theatrical release, both domestically and internationally, but in the case of broadcasting, it's no longer our responsibility.

[Translation]

Mr. Pablo Rodriguez: You are therefore not responsible for that.

[English]

Who should I see then?

Mr. S. Wayne Clarkson: I would address it to Val Creighton. She is the president of the Canadian Television Fund. I'd be glad to ask her to provide you with detailed information on what resources within the CTF they have available to support that.

[Translation]

Mr. Pablo Rodriguez: I am also told that 98% of the co-production material in which you invest is dubbed abroad. I will therefore wait to hear from that person.

Good afternoon, Mr. Bureau, I am pleased to see you here. You are an industry legend. You are very well known and respected. I therefore hope to benefit from your great wisdom and ask you a few questions.

Is the crisis facing the conventional television industry of a structural nature? Broadcasters are telling us that this is all because the specialty channels are increasing their market share, and advertising revenues are being shared by more and more players, including specialty channels, the Internet and the new platforms. In fact, many are blaming the specialty television channels. They say that you are awash in cash, and therefore quite wealthy. How do you respond to that?

Mr. André Bureau: Specialty channels were created because, at one point, people realized that there was growing interest for focused programming, whether for children's shows, documentaries, music programs, etc. Some players then took the risk of entering that field, but not conventional broadcasters. They did not want to enter that sector; they said that it did not make sense, that there was no future there and that it just could not work. In most cases, it was entrepreneurs and new broadcasters who took the risk of starting specialty channels. They did so, and the CRTC did want to make sure that the new sector would not put an end to conventional television. The commission therefore decided that specialty channels would only have access to national, not local, advertising. That exclusive arrangement was to protect conventional television.

The industry was launched and is thriving. People enjoy what they see; viewers are tuning in. However, we do not have the same market share as the conventional broadcasters. TVA, in Montreal, attracts close to 30% of the market, whereas our specialty channels reach about 1%, 2% or 3%.

Mr. Pablo Rodriguez: I apologize, but I have to interrupt you because my time is being closely monitored.

According to those people, the model used in the past is no longer working. It is informative to hear from you today because, up until now, we have mostly heard from conventional broadcasters and cable distributors. Those two groups were on each other's cases all the time. We now have a different group, and we would like to get your perspective.

Almost everyone, except for cable distributors, have asked that a fee-for-carriage regime be adopted. Some have suggested that a fee-for-carriage system would be used by everyone, including TVA, CTV and even CBC/Radio-Canada. They said that, under those conditions, people could make their own choices and determine the services they want. Everyone would be on a level playing field, and there would no longer be any specific packages, as is the case today. What would be the consequences of such a regime?

If fee-for-carriage were given to CTV, CBC/Radio-Canada, TVA and others, should we provide clients with an opting-out mechanism, so that they can decide whether to pay for a certain channel or not?

•(1615)

Mr. André Bureau: I will start with the last part of your question. The opting-out provision already exists. The digital system allows people to purchase the services they want, and that could eventually extend to conventional channels. I think it is a philosophical question. The Canadian broadcasting system ensures that conventional channels are available to everyone. That is part of a basic service. If ever we decide to abolish that basic service, that would be a different story. As we have said, that would require an in-depth review. If ever it were to come to that, the CRTC would have to be given the mandate to carry out such a review and analyze all potential impacts. You cannot simply float an idea, as I have seen others do before your committee. It has been suggested to take what is paid to specialty channels and give it to conventional broadcasters. Honestly, who do they think they are? We have taken risks and are now enjoying success. So why should they be entitled to our revenues? If they haven't been as successful, why should we foot the bill?

[English]

The Chair: Thank you for that.

I remind our witnesses again that if there's a request for clarification on a question, it should be sent back through the chair so it can be distributed to all the people sitting here.

Ms. Lavallée, please.

[Translation]

Mrs. Carole Lavallée: Mr. Bureau, let us continue where you left off. Your arguments are compelling, but I do think we need to remember why those carriage fees were implemented. In the beginning, people did not know whether the specialty channels would be successful. They were given a helping hand. Today, the fact is that those channels are extremely successful.

That being the case, has the time not come to review the rules of the game, because we are talking about general-interest channels, unless you find that those channels are no longer necessary and that we are headed toward a restructuring of the television industry?

Mr. André Bureau: I would never say a thing like that. I would not be able to make it back to Montreal, because Videotron people would have my hide at the provincial lines!

It is important to understand that specialty services, in the beginning... It is true that at the time, the idea was to help them launch their services, and that is why the fees were approved by the CRTC. Today, those fees are no longer approved; they are negotiated with the distributors. People seem to be saying that the fees are a godsend to the specialty channels, which received them 23 years ago, and that since that time nothing has changed. What hasn't changed is that we have never had an increase, but we have continued to negotiate our rates and have maintained them.

All businesses have seen their expenses increase over the past 26 years. They have had to spend more money for the same services, and that is also our case. People enjoy watching our shows, and that allows us to sell advertising.

If a more in-depth study is called for to determine whether or not to assist conventional broadcasters in the same way, then so be it.

Mrs. Carole Lavallée: As you well know, some people say that Astral Media, among others, does not need those fees. Could you survive without them? I do not think so; you would go bankrupt. You would have to shut down.

Mr. André Bureau: Absolutely not. The carriage fees amount to 60% of our revenues, and 100% in the case of pay television.

Mrs. Carole Lavallée: I have a question for Telefilm officials. I would like you to talk about the New Media Fund. With regard to its current and future operations, will you be involved in the new regulations, and in what way?

Mr. Michel Roy: Ms. Lavallée, that is an excellent question. That is also of some concern to a number of people these days.

Under its agreement with the Department of Canadian Heritage, Telefilm Canada has been administering the New Media Fund for approximately 10 years. As well, under its agreement with the Canadian Television Fund, Telefilm has been administering the guidelines of that fund for the past two years, if I am not mistaken.

A few months ago, Minister Moore announced that the two funds would be merged into a single one, which would now be called the Canada Media Fund. We salute that decision and direction because we feel that it will allow television content broadcasters to become familiar with and make better use of other platforms, especially to broadcast their own productions.

We have heard that the new board of directors will be struck over the summer, and we all know that the fund is expected to be up and running by next April 1. That is all we know for the time being. We are convinced that given our experience and expertise—

• (1620)

Mrs. Carole Lavallée: I apologize for interrupting, but the clock is running.

Will you be administering the new fund?

Mr. Michel Roy: We will have to negotiate with the new board of directors. We will be proposing our services and we are convinced, given the expertise and experience we have developed, that we will be chosen to administer the new fund. The decision will be made following the negotiations that we will have to undertake with the new board of directors.

Telefilm is a financial instrument, it is not a pressure group. We manage funds. As such, we have all the resources needed, especially with our new board of directors, to administer any fund that the government will entrust us with, in order to support part of the Canadian audiovisual industry.

[English]

The Chair: Thank you.

Mr. Angus, please. We might go just a couple of minutes past, because I want to make sure everybody gets a first round.

Mr. Charlie Angus: Thank you.

At the outset, I offer my apologies for not being able to ask as many questions as need to be asked, because these have been excellent presentations, and many of the recommendations are things that I think we're going to have to come back to. So I'm just going to have to make a few scattered attempts to draw a narrative.

Mr. Cassaday, when we've been looking at this, some of the issues that have come up have been about the vertical integration of various broadcast players and the BDUs. Are you a subsidiary of Shaw? What's your relationship to Shaw?

Mr. John Cassaday: We are an affiliated company. We're not a subsidiary. We're a stand-alone, independent company traded on the New York and Toronto Stock Exchanges, but we are not a subsidiary of Shaw.

Mr. Charlie Angus: So by being affiliated, do you work any synergies? They certainly have a lot to offer in terms of their BDU offerings.

Mr. John Cassaday: Yes. These companies are totally separate.

Mr. Charlie Angus: They're totally separate.

Mr. Bureau, I wanted to ask you this, because you said that you're finding a situation now where the BDUs are actually in competition because they're offering services as well. Is there transparency in terms of the bundling of their television offerings? Does this need to be made clearer in the conditions of licence to make sure there aren't any conflicts?

Mr. André Bureau: We don't think there is a need for additional rules at the present time. We negotiate with them.

We know very well that they are, by their nature, our competitors in some instances, but we find solutions. If we don't, then there is the mechanism of the CRTC, where we can go and explain what are the disputes between the distributors and us. Fortunately, we haven't had to use that in recent years.

Mr. Charlie Angus: That's excellent to know.

Mr. Cassaday, you made some very interesting remarks on the move to the new platforms, the digital and the digital development, which I don't think we've heard too much about. I was interested in a couple of your comments. You talked about needing to get beyond the idea of sheltering our product and actually promoting our products and our culture. I think that's something we certainly totally support.

Then you mentioned the need to experiment so that we can create this. I think we had this conversation, probably back in the television study, that you can't make good television unless you're able to make bad television, and you can't make bad television unless you have the money to invest to be able to make mistakes. Otherwise, you end up with very mediocre television.

First of all, with your company, do you have the resources necessary to do that kind of experimenting to start finding out what actually works and to promote it? Does that exist with your company?

• (1625)

Mr. John Cassaday: Yes, to a small degree. Our strategic plan has been coined as "core and explore". The focus of our business is on the core piece of it, but we're also exploring a lot of new initiatives.

Unfortunately, because of our scale, we can't make the major efforts that the likes of News Corp. and Google have in terms of buying up companies in an experimental way. So from a policy perspective, we encourage the government to think about allowing for the creation of larger media enterprises so they have the scale to make mistakes.

All of our experimentation, and it's plentiful, is being done on a very controlled basis. We're on the on-demand platforms, many, many digital platforms around the world, and all kinds of own broadband services whereby people can rent and buy our product, but we have not been able to roll the dice and do the experimentation that the big U.S. companies are able to do.

Mr. Charlie Angus: I just have a last question on that. YouTube started with two guys in a garage, was ridiculed at first, was then called a pirate haven, and then suddenly was being sold for a billion dollars. Do you have the resources to track all the crazy little startup things that people are thinking are very silly now but that in two, three, or five years might become the mode of communication? Do you have those kinds of capabilities, or are you looking to develop that?

Mr. John Cassaday: We look at a lot of deal flow on a regular basis. People always say, "Look, why didn't you guys do YouTube?" The reality of this is that for every YouTube there are 5,000 companies that fail—and it might be five million—and that have started in someone's garage. The question lies in trying to find that one bright light and driving it to success. But we would look at a lot

of deals, we bid on activities, and we have bought companies in this space prior to appearing here today.

The Chair: Thank you very much.

Mr. Del Mastro, please.

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

Mr. Cassaday, first of all, thank you for appearing today with your colleagues.

First I want to thank you. You mentioned a couple of times about the investments you make into Peterborough and the contributions that Corus has made. I just wanted to acknowledge that. CHEX-TV, The Wolf 101.5 radio, and KRUZ radio are substantial contributors to our local community, as are the CTVglobemedia stations that operate in Peterborough as well.

You made six specific recommendations. I note that none of them are fee-for-carriage, but you're operating in the same space as CTV and Canwest, with both specialty and over-the-air. You don't believe the model is broken.

Mr. John Cassaday: We don't. We believe there certainly is a sectoral issue here. They are being fragmented, just like Henry Ford's black Ford was being fragmented by new car designs and new colours. The answer in our mind is portfolio balance. We encourage companies to invest in new digital channels, new digital platforms, and to create the critical mass they need to succeed by building up a strong portfolio of assets around that strong core they have with conventional....

Mr. Dean Del Mastro: So you actually are considering the company as a whole, which is an argument that we've heard. Some companies have come in and said, "No, you just have to look at our over-the-air. Don't look at what we're doing on specialty, even though we're in that business." They just want us to look at over-the-air. You're actually looking at a balance of your entire offering and looking at how you're balancing that operation. Is that correct?

Mr. John Cassaday: Yes, we think that's the way most people would look at their portfolio. From a financial investment perspective, you might be very upset about a particular investment but would take comfort in the fact that overall you're outperforming the market. I think that's why people choose to invest in portfolios, as opposed to single stocks. The same applies here.

Mr. Dean Del Mastro: Thank you.

Mr. Harris, it was mentioned in Mr. Cassaday's presentation that local news in the six o'clock hour has in excess of a 50% share. Is that your experience in our local market?

Mr. Michael Harris (Vice-President and General Manager, Corus Entertainment Inc.): Yes, it's over 45%.

Mr. Dean Del Mastro: In terms of advertisement revenue and so forth, the rating you're getting from that would seem to be pretty important to the station.

• (1630)

Mr. Michael Harris: Our local news is the most popular program on the channel, even beating hockey. So it's what the salespeople go out with first.

Mr. Dean Del Mastro: Are you telling me it's more popular than the Maple Leafs, sir?

Mr. Michael Harris: Yes.

Mr. Dean Del Mastro: My goodness, this is terrible, Mr. Chair.

I wanted to point out a couple of things. We've had some local stations before us. They've indicated that they've pulled local news. You're not looking at pulling any local news. In fact, I note that you are doing three separate news offerings.

Mr. Michael Harris: Yes. I'd like to think that we're a model of efficiency. Each of our reporters does three stories every day. They're videographers. They shoot them, they write them, and they're responsible for editing them and putting them in the newscasts. So it's a very efficient operation. I can't imagine any programming being cheaper than that.

Mr. Dean Del Mastro: So you're finding viability through efficiency?

Mr. Michael Harris: Yes.

Mr. Dean Del Mastro: Okay.

The last thing I'd like to ask you about is your relationship with CBC. I know there are only a couple of CBC affiliates. We had Mr. Lacroix here and I asked him about the ongoing relationship with CBC.

Can you speak to that, because I do know it's something the people in our area certainly value?

Mr. Michael Harris: Well, I'll let John answer. On the news side, it's a very strong relationship.

Mr. John Cassaday: Our relationship with the CBC is very, very good. We're just dealing with a fundamental philosophical issue, and that is that they're questioning the role of non-owned, affiliated stations. We believe that as good a job as we're doing, without access to the CBC programming, we would find it impossible to serve the constituents in Peterborough. We have an affiliation agreement until 2011. It's our hope that can be renewed.

Mr. Dean Del Mastro: That's great. Thank you very much.

The Chair: Thank you very much.

I apologize for the shortness of the opportunities to question.

Mr. Angus.

Mr. Charlie Angus: Sorry, I don't want to jump in again, but just as a point of clarification, you said there was uncertainty about renewing the licences with the non-affiliated stations. I would like to have that clarified so that it gives us a better picture of local....

Mr. John Cassaday: When we renewed to 2011, it was with a clear understanding that they hoped we wouldn't be back. It's our

very, very fervent hope that we can convince them to allow us to continue to be affiliated with the CBC.

The Chair: Thank you very much.

Again, we have to recess to bring in our next witnesses.

Your answers were fantastic. Thank you very much.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: Could people please find their seats again? I welcome you back for the second hour of our committee meeting here today.

Again, I'm going to ask the various presenters to introduce the folks that are with you. We have the Canadian Association of Broadcasters, along with—you'll have to excuse my French—Fédération des télévisions communautaires autonomes du Québec. I tried. As well we have Télé-Québec and TVCogeco Peterborough.

With that, I will ask our first presenter to go ahead. Please keep it as brief as you can. I apologize that we have so many witnesses. You're all very important to this committee. We'll keep our questions as short as we can, and please keep the answers as short as possible.

Could we have the Canadian Association of Broadcasters, please?

• (1640)

Mr. Pierre-Louis Smith (Vice-President Policy and Chief Regulatory Officer, Canadian Association of Broadcasters): Thank you, Mr. Chair, members of the committee. My name is Pierre-Louis Smith, and I am the vice-president, policy and chief regulatory officer at the Canadian Association of Broadcasters. With me is Tara Rajan, who is the CAB vice-president, research and policy.

The CAB is the voice of Canada's private television, radio, and pay and specialty services of all sizes, in all regions, and all languages spoken in Canada. In total, we represent over 600 stations and services, some of which have appeared before you in these hearings.

You have heard many points of view throughout these hearings. Today, our main objective is to present you with a set of facts about Canadian private television, along with solutions—some familiar to you and some less so—to address the pressure on local television.

[Translation]

CAB members, both in the radio and television sectors, are proud to have established strong relationships with their audiences and communities. Each day, your constituents benefit from the services provided by a number of our members. From news to weather, sports, entertainment and information services, broadcasters unite Canadians by showing them the stories that have a special significance to Canadians.

Broadcasters employ some 23,000 Canadians in creative, highly-skilled jobs. These people are professionals who strive for excellence. CAB members are pleased to see your committee take an interest in local television and the broadcasting industry as a whole. The facts show that the broadcasting sector, both public and private, has been affected by the fragmentation of audiences, the decline in advertising revenues and increased costs. Broadcasters have a number of recommendations to deal with the situation.

Let us first look at the statistics.

I will now give the floor to Ms. Rajan.

Ms. Tara Rajan (Vice-President, Research and Policy, Canadian Association of Broadcasters): Thank you, Pierre-Louis.

We are on page 3.

Our broadcasting system offers hundreds of choices, the majority of which are Canadian. It is clearly the preferred option for Canadians. Today, we have more choice per capita than people in the United States, the United Kingdom, France or Australia. Despite fragmentation, Canadian channels obtain 70% of television ratings in Canada. When it comes to French-language services, ratings are at over 95%.

Last year, private television spent \$385 million on locally-produced programming. These impressive figures went into delivering services to communities throughout the country. Over the last 10 years, conventional private television spent over \$90 million for a host of activities related to Canadian programming, skills development and other initiatives, as a result of tangible benefits resulting from property transactions. A further \$51 million was spent on closed captioning and video description.

Finally, in 2007, private broadcasters disbursed \$314 million for the benefit of the communities they service, through donations, volunteer hours and public service announcements. That is probably the most visible aspect of our work to you and your constituents: radiothon or fund-raising dinners and activities. Private broadcasters build relationships with their communities by providing substantial and irreplaceable support.

[English]

I'll move on to page 6.

The focus of these hearings has been local television. For private conventional television, the local advertising market has been flat for many years. Private conventional television has relied increasingly on national advertising to drive its business model. Increases in national advertising revenues make it possible for private conventional television stations to increase their spending on Canadian programming, including local programming.

Is this just another business cycle? Advertising, the source of virtually all private television revenues, has shifted considerably away from conventional television over the past 15 years. This slow erosion of ad share will not be recovered in the next business cycle, nor is Canada exceptional in this regard. The erosion of ad share for conventional TV is even more acute in the U.S.

Where are the ad dollars going? As the ad market has become more fragmented over time, the dollars are flowing to specialty television and the Internet.

I'll turn to page 8 to focus on local advertising. You'll recall that local television ad revenues have been flat for the past 15 years. In terms of share of advertising, local television is capturing less of the local ad market than ever. Other media and new advertising vehicles, such as the Internet, are capturing a greater share of local ad dollars. This does not look like a business cycle blip.

Moreover, the costs of other kinds of Canadian programming supported by public policy and regulation are increasing faster than conventional television revenues. For example, over the past five years, English language drama costs have increased an average of 11% per year, while conventional television revenues have increased less than 1%. Similarly, French language variety and performing arts production costs have increased an average of 15% annually. With production costs outpacing revenues, private conventional television faces one more pressure.

The 21 largest private television stations, which made modest profits of 4.8% in 2008, buttressed the losses of 78 smaller stations, which collectively had a minus 13% profit margin last year. Larger companies, which own both large and small stations, argue that they cannot continue to cross-subsidize stations that are losing money. Smaller companies, many of which also operate smaller stations, are in a precarious position.

Fragmentation of audiences, declining ad share, higher programming costs: these are some of the elements of the structural transformation in local television. The transition to digital and its attendant cost of up to \$327 million for the private sector simply makes the transformation even more challenging in the next 12 months.

Pierre-Louis, would you continue?

● (1645)

Mr. Pierre-Louis Smith: Thank you, Tara.

We have five recommendations for this committee. First, provide local programming support. The local programming improvement fund's, or LPIF's, structure and amount is still being discussed at the CRTC. Some parties have recommended an increase to the amount, in recognition of the decline in revenues and unsustainable business model for local over-the-air television. Based on the current CRTC proposal—1% of BDUs' revenues—the LPIF would not alone solve the pressures on local television. It would contribute needed funds, particularly for stations serving less than one million population, to bolster local programming, particularly news. Therefore, the CAB endorses a fund that will assist these stations.

The second recommendation deals with signal carriage. Private broadcasters need all local signals carried by VTH and compensation for these signals when carried outside of their local market. Broadcasters, large and small, see this as a pillar of the policy framework. Broadcasters and MPs have asked that all local television stations be broadcast in their local market. The government and the CRTC should require the carriage fix for all local stations, such as in Medicine Hat, Rouyn, or Rivière-du-Loup.

The second issue relates to the monetary harm caused to local stations by the distribution of distant signals. CAB estimates that the economic impact of the distribution of Canadian distant signals through the OTA sector was \$70 million in lost advertising revenue for the year 2005-06 alone, of which BDUs compensated broadcasters \$10 million to offset the loss—clearly not an acceptable level. Therefore, broadcasters have asked for the right to exercise control over the carriage of their signals out of market.

The third recommendation deals with DTV transition. The committee is aware of the government-mandated August 31, 2011, transition date to convert analog to digital television signals. Broadcasters are requesting industry collaboration to implement a hybrid model. A hybrid approach would significantly lower the cost of conversion. The request to fund the digital transmitter conversion for broadcasters would be appropriate, given the government-mandated conversion. Depending on the model chosen, financial support will be quantified. Equally important, the consumer information campaign required to inform viewers of the change should be led and supported by government.

The fourth recommendation deals with part II licence fees. Broadcasters, distributors, and the CRTC have all recommended the elimination of the part II licence fee regime. On an annual basis, this \$100 million fee, which broadcasters challenge as an illegal tax, takes away from broadcasters' bottom line, while the fees are directed to the Consolidated Revenue Fund with no connection back to the broadcasting system. This committee should recommend the immediate end of the part II regime.

Finally, a recalibration of the CBC/Radio-Canada funding. CBC members fully support CBC/Radio-Canada as a key component of the Canadian broadcasting system. It is critical to ensure a clear mandate and funding structure for CBC/Radio-Canada. Our members believe the time is right to examine a change to CBC/Radio-Canada's undue reliance on commercial advertising and government appropriations. This quasi-commercial approach puts the public broadcaster in direct competition with the private sector, as programming decisions are driven by the need to maximize viewing audiences in order to generate advertising revenues. Changing the corporation's ability to access commercial advertising would obviously need to be offset by increased parliamentary appropriations.

•(1650)

[*Translation*]

Mr. Chairman, members of the committee, overall, private broadcasters are of the view that we must take action, in the area of policy and regulations to address the challenges faced by local television.

In closing, the CAB has taken no position on the issue of distribution rates or fee-for-carriage. Member companies within the organization or the association have addressed this issue individually with you. We would be pleased to answer any questions you may have.

[*English*]

The Chair: Thank you very much.

Now we move to the Fédération des télévisions du Québec.

[*Translation*]

Mr. Sylvain Racine (Director of des Moulins Regional Television, Treasurer to the Board of Directors, Fédération des télévisions communautaires autonomes du Québec): Mr. Chairman, members of the committee, we are here before you today to remind you that the Broadcasting Act provides that the Canadian system comprises three elements: public, private and community. We are representatives of the community element.

The television stations we represent are non-profit organizations established by the members of their communities. They are media players that offer local news in their own way, commensurate with the meagre financial resources available to them. The independent CTVs or community television stations are part of the range of news voices and they need better financial support.

CTVs welcome many volunteers whom they train in technical aspects of production, hosting, and whom they involve as members of their board. Community television is a medium available to all, accessible and close to the people. This medium plays a crucial role in local economic, social and cultural development.

The total budget of an independent community television station varies considerably, ranging, according to our latest figures, between \$30,000 and \$400,000. The CTVs' main funding sources are the following, but not necessarily in this order: self-funding activities, member recruitment campaigns, Quebec government advertising, the Quebec government community media operation support program, local sponsorships and cable company contributions. We will return to this last source below.

As you are no doubt aware, the community television experience has not all been positive. Far from it! Following the first revision of the Broadcasting Distribution Regulations in 1998, Canadian companies lost access to their community channel, which had become a competitive advantage for the cable companies that now had to compete with newcomers, such as satellite distribution undertakings. Citizens' right to their own television was called into question.

In 2000 and 2001, in response to pressure by the CTVs, the federation and a number of other stakeholders, the CRTC launched a revision of the Community Channel Policy. The result was the publication of the Policy Framework for Community-Based Media, on October 10, 2002, under Broadcasting Public Notice CRTC 2002-61. In this new policy, the CRTC finally acknowledged the contribution of independent CTVs to the Canadian broadcasting system and formally included them in the new Policy Framework for Community-Based Media as undertakings promoting community access to community programming. Quebec independent community television stations could consider this recognition as an unprecedented historic gain.

Apart from the recognition of independent CTVs, the policy framework put in place guidelines for the operation of community channels that were maintained by cable companies. However, this recognition has not forced cable companies to fund the independent CTVs for the local and access programming they produce. And yet if a cable operator decides to maintain a community channel, under section 29 of the Broadcasting Distribution Regulations, it may deduct all or part of the percentage of its gross revenue that must go to Canadian programming to fund community programming. However, a number of cable operators prefer to retain the money for their own production teams and little or nothing goes to the independent CTVs.

We note that, since there is no funding obligation, these contributions are uneven from one cable operator to the next, from one CTV to another, and many receive absolutely nothing. An appropriate way must be found to fund local, independent community television stations. We believe that the solution lies in the creation of a dedicated local community and access programming fund.

•(1655)

My colleague Mr. Gérald Gauthier, of the Fédération des télévisions communautaires autonomes du Québec, will continue.

Mr. Gérald Gauthier (Research and Development Officer, Fédération des télévisions communautaires autonomes du Québec): Currently, at the local level, the independent CTVs are completely excluded from funding concerns: there is no obligation to provide a financial contribution through cable distribution, the CTVs are disqualified in advance from all existing federal programs and the Government of Canada does not buy advertising slots from the CTVs. Even if they are guaranteed space on the community channel, how can the independent CTVs fully play their role as program producers for their communities if they do not have access to adequate, structural funding? Would it not be time for the Canadian government to recognize the importance of the independent community television stations by ruling on the necessary funding they urgently need to cope with rapid change and increasing challenges? The community element of the act must be developed and serve all Canadian citizens.

The idea of establishing a dedicated local community and access programming fund has been in the air for a number of years now. In 2001, the federation submitted to the Standing Committee on Canadian Heritage that a federal community access programming financial assistance fund was necessary in a context in which cable operators preferred to retain the portion of the deductible Canadian

contribution for community-channel activities for their own purposes. In its report entitled, *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*, the committee submitted a recommendation to that effect, recommendation 9.8.

In its brief to the CRTC in the context of its Diversity of Voices hearing, Quebec's Department of Culture, Communications and Status of Women also recommended that a fund be established for the promotion of local news for commercial and community radio and television stations. It therefore seems clear to many that the establishment of a dedicated local community and access—

[English]

The Chair: Excuse me, we're not getting our translation here.

[Translation]

Mr. Pablo Rodriguez: I believe our anglophone colleagues are no longer getting interpretation. I want them to hear you and understand what you have to say.

•(1700)

[English]

The Chair: They've got it now.

Mr. Pablo Rodriguez: Okay.

Allez-y.

[Translation]

Mr. Gérald Gauthier: It therefore seems clear to many that the establishment of a dedicated local community and access programming fund would help solve the underfunding problems experienced by the groups that produce this programming. That is also the federation's view. Furthermore, if such a fund included an infrastructure funding component, there would undoubtedly be increased interest by various local organizations in obtaining a community-based television programming undertaking licence, be it low power or digital.

The CRTC recently announced the establishment of a Local Programming Improvement Fund (LPIF). We were surprised and stunned that the CRTC put the fund in place in the context of the Diversity of Voices hearing, which must first serve private local broadcasters. We view that fund as the very essence of what we have been seeking for more than eight years, but which will now serve others.

Even though the CRTC indicated that it will consider whether it is appropriate to open the LPIF up to community producers, we can now state that it will be unable to adequately meet the needs of private broadcasters. Sixty million dollars is the amount we considered necessary for independent community production in Canada. How can \$60 million be enough to meet the financial needs of both private broadcasters and community producers? Even if the LPIF received twice the planned funding, its structure would nevertheless result in endless quarrels between private broadcasters and community producers. It will be impossible to square the circle if the second fund is not established.

Since 2002, community television stations have been allowed to air sponsorship messages with an animated visual presentation with the maximum of 15 seconds. However, this type of advertising may not show the goods and prices. This restrictive principle deprives the independent CTVs of substantial revenue from local merchants who would like to advertise on television at an affordable cost. No conventional advertising is permitted. That is why the federation is asking the CRTC for a softening of rules to permit 12 minutes of conventional, commercial and local advertising.

The independent CTVs need new income sources to enhance the amount and quality of local and access programming. However, they also need new funding sources to keep up with technological developments that force us to adjust to the transition to digital and high definition.

The federation is in favour of funding through conventional advertising because, as a result of the independent CTVs' non-profit structure, the resulting revenues would be entirely allocated to access programming and to the technological upgrades necessary for digital production.

The community channel, as an immediate tool of community and information, should be able to promote local development and help reduce the amount of lost business. To do this, we would like you to recommend that the CRTC review subsection 27(1) of the regulations, which restricts the type of advertising messages that can be distributed on the community channel.

The CRTC has also observed that the various bodies it has put in place over the past three years or so have brought reaction from community television craftspeople across the country, particularly those in Quebec. Authorities have, concerning the diversity of voices, the Canadian Television Fund and the broadcasting distribution regulatory review, raised fears in the community television environment even further. That is why the oversight agency has announced that there will be a specific review of community broadcasting in the fall of 2009.

That review should spearhead a consolidation of the community element as recognized in the Broadcasting Act. We should not wind up with a weaker community broadcasting sector at the end of this exercise. The Standing Committee on Canadian Heritage must take an active part in the debate by sending a clear message to Canadian citizens that it will defend the maintenance and consolidation of a strong community broadcasting system.

Mr. Sylvain Racine: In closing, independent community television remains a prime alternative to the reduction of time allocated for local and regional news by the major networks. It is the people themselves who organize around a community media outlet rather than allow themselves to be organized by the business interests. Of course, money is required to maintain a media outlet, whatever it may be. The independent CTVs are unfortunately no exception to that rule, and are in most cases very poorly funded. The transition to digital technologies requires the acquisition of new production equipment. On the other hand, the very production of programs, particularly news and public affairs programs requires more and more qualified and better-paid human resources. In tough financial times, there is therefore a risk of financial exhaustion.

Despite the financial and technical challenges, the independent CTV is a true complementary solution to the media that reduced their supply of local or regional news. Our elected representatives and communicators must state this. They must also come to its defence because it adds another voice to our television landscape: the voice of "Television for Citizen Values".

We thank you for your attention.

• (1705)

[English]

The Chair: Thank you for that presentation.

Now we move on to Télé-Québec.

[Translation]

Ms. Michèle Fortin (President and Chief Executive Officer, Télé-Québec): Mr. Chairman, members of the committee, I want to start by thanking you for your kind invitation to come and share with you our ideas and concerns about the future of television in Canada and the consequences of our future decisions for our fellow citizens.

Because our time is limited, I do not intend to get into all the topics that are of concern to us. I will however be happy to answer any of your questions to the best of my knowledge.

Like my colleagues, today I would like to draw to your attention television networks that are often overlooked in our debates on the future of the major systems, but which play an essential role in ensuring program diversity both for young people and for local communities. I am speaking of the educational networks.

Created by the provinces and financed entirely or very largely by them, educational networks are explicitly referred to in the Broadcasting Act as an integral component of the broadcasting system. There are five educational networks, which form the Association for Tele-Education in Canada, or ATEC: Knowledge in BC, SCN in Saskatchewan, Tele-Quebec in Quebec, and TVO and TFO in Ontario.

In all discussions held here, they are paid little or no attention. They are public networks, but they are outside CBC/Radio-Canada, the national public broadcaster. They are governed by federal legislation and obtain their licences from the CRTC, but their mandates are provincial. They are among the off-air networks, but they do not belong to any of the major integrated groups that dominate the industry. They have specific, targeted mandates, and are distributed either over the airwaves or on cable, but they are not specialty channels and thus do not have access to the economies of scale or the fees that the latter enjoy. They are aimed primarily at audiences in their own regions and often are not distributed outside their own province. But they are not considered local, either because they do not carry local news programming or because their coverage area has more than 1 million inhabitants.

And yet educational networks, it is important to emphasize, contribute more to diversity than so-called local television, because their entire programming, and not just news bulletins, is aimed at a regionally-defined population. They are with the exception of CBC/Radio-Canada the only networks that offer children and parents free access to a wide range of programs for children, without violence and tailored to promote their development and mental growth. They are also the only networks whose mandate is to reflect their regions. To the extent their resources allow, they strive to carry out this mandate by focusing on the production and broadcasting of documentaries, series and public affairs programs that reflect their regions and make the residents of their province known to one another.

The situation may seem different for Tele-Quebec, because French-language networks are in fact aimed primarily at a Quebec public. However, the Tele-Quebec Act explicitly calls on it to reflect the regional realities and the diversity of Quebec society. We are involved in the regions through the production of a public affairs program promoting cultural activities in different areas, the production and broadcast of documentary, drama and variety series, and the presence of regional personalities. We have 9 regional offices, and are involved in more than 250 partnerships with local organizations. Our association with Canal Savoir brings to the screen a considerable amount of programming from institutions of higher learning and cultural and educational organizations in the regions.

What are the key issues for educational television channels? Like the broadcasters that have appeared before you, educational networks must maintain an adequate level of resources to carry out their mandates and expand access to their products on new platforms, given the increasing importance of the new technologies for its public and particularly for young people, who make up a large proportion of their clientele. Unlike other types of networks, they cannot rely on auxiliary sources of revenue, and the provincial governments on which they depend have been seriously hurt by the economic crisis. It is thus vital that the educational networks not be excluded from any program that may be set up to assist the industry. It must be borne in mind that there is more to television in Canada than CBC/Radio-Canada on the public side and private networks on the other. Neither performs the same role as the educational networks.

It is also important that the unique features of educational networks be taken into account when new rules are formulated for funding allocation by the new Canada Media Fund, as it is now called.

• (1710)

The emphasis placed on market share takes into account neither the mandate nor the coverage areas of educational networks, some of which do not even have real audience-share measures. Educational television targets particular publics, is distributed mainly on the territory of one province, and does not necessarily seek commercial success. It is for these very reasons that it makes an invaluable contribution to the diversity of television in Canada, and is appreciated by a steadily growing number of Canadians.

This is why the educational networks have the following priorities: that the Minister of Canadian Heritage require—because

he is in a position to do so—that the board of the Canada Media Fund recognize the special character of educational television networks and take this into account in its policies; that a protected envelope be set aside for the production of programming for children, who are a non-commercial clientele and a priority for all Canadians; that the definition and criteria for the production of documentaries be clarified; that the mechanisms for protecting and enhancing regional production be maintained; lastly, as desired by the whole industry, that the proposed changes be introduced gradually so that there can be a smooth transition for both producers and broadcasters.

One final issue for the future of educational networks is distribution. With the shift to digital, the restricted obligations on satellite distributors, and the possibility of a hybrid strategy for a shift to digital in more remote regions, it is becoming increasingly crucial to ensure: that it be mandatory to distribute educational television networks on all platforms available in their province of origin; that educational networks be able to obtain distribution throughout the country if they so wish, based on negotiated terms and conditions; that the French-language educational networks be made accessible throughout the country, given the limited supply of French-language products for the country's francophone minority communities; that Canadian networks' HD television signals be given priority distribution by satellite throughout the country. It is wrong that our HD signals cannot be carried by satellite because of a lack of capacity, while distributors give preference to American channels.

Mr. Chair, members of the committee, thank you for giving me this opportunity to remind you of the existence and contribution of the educational television networks to the diversity of Canadian television programming and the well-being of our fellow citizens.

I would be happy to answer your questions.

[English]

The Chair: Thank you very much.

We'll now move to our last presentation from this group, TVCogeco Peterborough, please.

Mr. Tim Caddigan (Manager, Regional Programming, TVCogeco Peterborough): Good afternoon, Mr. Chair, members of the committee, committee staff, and ladies and gentlemen.

First, thank you for the opportunity to appear at your hearings to address the committee's concerns about diminishing local television coverage. My name is Tim Caddigan, and I'm a regional manager with TVCogeco in Ontario. With me is Maureen Tilson Dymont, senior director of communications and TVCogeco programming, and Yves Mayrand, vice-president, corporate affairs.

We would like to apprise the committee of our role in providing our communities with an alternative form of local coverage so that we can fill in the picture, so to speak, regarding the spectrum of local television services that many of your constituents receive. We will provide a brief background regarding our evolving roles and responsibilities, the scope of our TVCogeco community channel operations, and where we see our future direction. And we will provide illustrations of our content and local impact.

While no longer a requirement of licence, Cogeco continues its significant support for the ongoing development of local cable television. Like the broadcasters, we utilize a wide range of technologies in the acquisition and delivery of our content, such as digital formats, mobile production trucks, web streaming, and even satellite uplinks. Our studio facilities are open to the public, as is training in television production, which is provided by our experienced and dedicated employees.

These resources provide a powerful means of local expression, one that our public partners eagerly embrace to get their messages heard. Together we provide a rich diversity of programming that contributes to the dynamic and unique character of our communities.

● (1715)

Mrs. Maureen Tilson Dymet (Senior Director, Communications and Programming, TVCogeco Peterborough): Numbers also tell a story regarding our performance and impact. Cogeco's community television channel, TVCogeco, serves both Ontario and Quebec. We operate 36 local television channels, serving communities from Windsor to Cornwall, from North Bay to Niagara, from Trois-Rivières to Gaspé, and from Baie-Comeau to Sherbrooke.

We partner with close to 700 core community volunteers in the creation of our local programming. These enthusiastic and civic-minded individuals range in age from 15 to 73 and provide their time and talents as community producers, crew members, editors, and on-air hosts. Many develop their skills through our training programs, and they contributed an amazing 60,000 volunteer hours in the creation of local content in the past year.

Last fiscal year we created 12,130 hours of original 100% local Canadian content, including public affairs, sports, arts and culture, community events, and local news and information, and in Ontario alone, 43,721 no-cost public announcements were posted by local groups and organizations on our channel and website to inform their communities about local events and activities.

Viewers like what they see. Our annual surveys indicate that 490,814 viewers are tuning in to TVCogeco. That's an average of 44% of the total households served. Our 2008 Environics customer satisfaction study reveals that an overall average of 90% of respondents believe we provide a valuable service to the community, and 88% perceive the channel as providing an overall quality product. In comparison, a recent Polaris study on the CBC shows that 40% of their respondents watch CBC on a weekly basis.

Our viewers are most likely to watch our local community news, event coverage, and politics and current affairs programming, including municipal councils, and the demand for hometown hockey appears almost universal.

Our newsmagazine shows are very popular. For example, the number one show in Quebec is *Autrement Vu* featuring local activities, resources, personalities, and issues twice a week. In Ontario we have a similar format called *The Source*. As an example, one of the recent segments in our Burlington-Oakville area alerted viewers about a door-to-door energy scam operating in their neighbourhood and subsequently informed them on how to get off the grid. Our larger systems update their *Source* magazines daily.

We're always open to innovation, since changes are constant and we know we need to reinvent ourselves, so when challenges appear, we develop a new model. In our last presentation, we illustrated our flexibility through the transition of our North Bay system to hard news coverage, presented each weekday in addition to traditional community content. We launched the daily half-hour news program when the local broadcast affiliate made the decision to cut back on their local news coverage. Our 2008 viewer survey indicates that 92% rated the channel as providing a valuable service. We will also upload North Bay news highlights onto our website in the coming year.

Local news coverage, however, costs well above our regulated allocations. As noted before, we could do more if we had access to our own local resources for that purpose.

The value of our community involvement is also reflected through our commitment to fundraising efforts. Many key charitable organizations and agencies rely on our promotional partnerships in order to continue their valuable and essential support roles. TVCogeco has helped our service groups, agencies, and institutions to raise close to \$4 million in the past year through telethons, TV auctions, and other joint fundraising activities and promotions.

● (1720)

Mr. Tim Caddigan: As much as the on-air product is important, there is another key service that local television provides. We are a training ground for the television industry. Our dedicated employees work hard to teach volunteers the art of television through practical experience with technology, helping students to gain a broad working experience that is not available anywhere else. In some cases, colleges turn down applicants to their broadcasting course because of a lack of experience. Students with a good academic standing and experience in local television tend to fare much better.

Successful volunteers have gone on to complete their post-secondary training and have found employment in the broadcast television industry across the country, while others have returned to their roots, preferring to stay in the type of media that introduced them to their love of television. In fact, with the Peterborough TVCogeco channel as a model, all employees are former volunteers, some of whom have returned to our industry after graduation, either immediately or after a taste of broadcast.

Our unique structure and flexibility enables us to cover aspects that are of importance to our community in a greater depth than most local broadcasters are able to provide. For instance, most regional broadcast stations are not able to provide the same full local coverage of municipal elections as we do. During federal elections, many regional broadcast entities have quick inserts as part of their national coverage, provided by their parent networks.

We cover most ridings in their entirety, with interviews and analyses from our studios or mobile facilities. In the most recent municipal election in Peterborough, TVCogeco was the first to declare winners in each race. We are a credible media entity, so much so that candidates, local political junkies, and high-profile citizens visit the studio during election coverage to watch, to take part, or simply to be where the most up-to-date information can be found.

TVCogeco and our colleagues in other cable companies have also stepped in to pick up events that are not covered by broadcast but that still hold considerable interest to our viewers. We are adept at utilizing multiple transmission formats to provide our viewers live coverage of sporting events that are of specific interest to them. Events such as provincial curling championships draw a very vocal and active audience. Our cooperative efforts to provide sports fans live coverage of their home teams playing away games is hugely appreciated.

TVCogeco Peterborough is also an active partner with other media entities within the municipality. *Politically Speaking* is a program involving three media partners: two from print and one from radio. Additionally, the local broadcaster regularly uses footage produced by us in its news, and we've even co-produced coverage of the local Christmas parade with CHEX-TV.

We believe that our local television is an important part of the television landscape in Canada, providing a very valuable asset to the communities we serve.

Mrs. Maureen Tilson Dyment: We hope this brief overview of our operations provides you with a greater understanding of our contributions to local television in our communities. Like the broadcasters, we're facing great changes. To continue to provide a valued service and meet growing viewer expectations, we're preparing for the transition to the widescreen HD format. As well, we're introducing a web 2.0 site to encourage viewer interaction and continued citizen participation in our electronic forum.

Over the years we have adapted to technological and social changes. Originally, people were awed by the mystique of television. Now they own it. We continue to invest in our traditional media but are also adapting to the cyber universe. As television viewers migrate to the Internet, we see that the original concept of participatory local programming is perfectly suited to the emerging social media. We look forward to the future.

Thank you.

The Chair: Thank you.

I remind everyone to try to be as brief and specific as possible.

Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): I'll try to be specific and very clear. Please don't think of me as rude if I interrupt you at any point to go on to someone else.

I'll leave you with a question on how you summed up your presentation. I'm not trying to put you in a corner here, but here's my situation with what you just described.

You provide a community event—the community aspect that is the third pillar of the Broadcast Act—but do you emphasize more of the community aspect by way of telethons, raising money, and community coverage, or are you filling a void left over from the regional broadcaster that has vacated town? You put a lot of emphasis on election coverage, news, and that sort of thing, but is that truly where your emphasis will be over the next little while, as we try to piece our way through policy and talk about revenue?

On the community aspect, they gave us some really good and intelligent examples of what they do as a community broadcaster. Can you provide me with an example of what you're doing right now in community television? I think both groups have incredibly valid points. It's a pillar that's overlooked as part of the Broadcast Act.

You seem to have a huge problem with revenue, but in addition to that you have a mandate from the province. Now we're getting into a digital transition, and it seems to me you're going to face an incredibly difficult time, as an educational network, getting that message out. There are a lot of people out there receiving that analog signal, and it's going to be lost in this. Your programming to the nation—not just your specific example—is going to be lost.

To the CAB, you're in a bit of a pickle because it's nasty on fee-for-carriage. We've seen it here time and time again, and the CRTC is dealing with it. It's kind of like passing over the Rubicon to the next business model of television. Essentially we're looking at a new revenue model here as one of the most important things. With the proliferation of technology, the old regimes are slowly dying, and the old regimes were set up for revenue.

Now you're talking about all your stakeholders in the LPIF and the types of models where funding is given by the government, with certain stipulations in certain markets. There are all kinds of regulations tied to this. You like it and you have a percentage in it, but is what's being talked about enough? Do you think it should go further, as opposed to issues of regulation? In other words, especially to the guys who were up earlier, should it be a free-for-all? Should there be no such thing as basic cable, and should we let them do as they wish? Should the fee-for-carriage proponents make their own deals with the BDUs? You say here you want mandatory carriage. Is that correct?

Before you answer that, I apologize because I have to get this all out in five minutes.

I want you to also comment on the digital transition. It's a huge issue right now in the United States. President Obama has made it one of the five issues that has to be done now, and we have to be done by 2013. Are we ready? To be ready, what do you require of government?

• (1725)

The Chair: It will be tough to get these answers back in a minute.

Mr. Simms has asked questions to each of our witnesses, so could you respond in writing through the chair? It won't be fair to anyone otherwise, because I don't think there are yes or no answers to all of those questions. Right now you have 30 seconds. I know I've taken up some time.

Mr. Scott Simms: That'll be fine. Please keep it short, but if they want to provide anything else in writing, I'd deeply appreciate it.

Thank you.

The Chair: Thank you.

Mr. Pomerleau.

[*Translation*]

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

Good day to everyone. Thank you for having travelled to come here and meet with us.

Mr. Smith, your third recommendation calls for government support for the shift to digital television. First of all why would digital television be mandatory? Second, what is in it for the consumer?

• (1730)

Mr. Pierre-Louis Smith: I will provide a brief answer and then defer to my colleague Tara Rajan.

It should be noted that it is the government that insisted on a shift towards digital television. Given the small size of the Quebec and Canadian markets, we are seeking hybrid solutions which could enable us to convert to digital while keeping the costs of any transition down to an acceptable level.

Tara, did you have something to add?

Ms. Tara Rajan: Thank you, Pierre-Louis.

When it comes to private television, we mostly see costs, but at least in the short term, we do not really see great business opportunities. We have to shoulder costs of \$328 million by August 31, 2011.

Mr. Roger Pomerleau: Very well.

My next question is for Mr. Gauthier or Mr. Racine. You say you do not have the same access to sponsors as other television companies do. Can you expand a bit on that? I was unaware of that fact.

Mr. Gérald Gauthier: Originally, it was because cable companies could allocate, out of the 5%, gross profits to be spent on Canadian programming. They can set aside a part of this percentage to operate a community channel. Under current licensing categories, a category 1 broadcaster with over 20,000 subscribers can allot 2%

out of the 5% amount; a category 1 broadcaster with fewer than 20,000 subscribers can use the entire 5%, a category 1 cable company with fewer than 20,000 subscribers can use the entire 5%, as can a category 2 cable company. As for category 3 companies, they're under no obligation to contribute to Canadian programming nor community channels.

Because of this cash inflow, advertising was taken away from us. In fact, we were never entitled to traditional local advertising under the pretext that those who were funded solely through advertising did not have access to this money. Well, today, everyone wants cable fees and distribution fees as well as access to advertising revenue.

Independent community television does not have equal access to this funding for cable companies. Some CTVs do, whereas others receive nothing. We believe we should be entitled to traditional local advertising because the average Mont-Louis hairdresser cannot always afford television ads in Rimouski or on CHOT-TV, for instance.

The Chair: Do you have any further questions, Ms. Lavallée?

Mrs. Carole Lavallée: Yes.

Ms. Fortin, you referred to the new Canada Media Fund. Did you ever receive funding from the previous television fund?

Ms. Michèle Fortin: Those who produce educational television shows have access to the current fund; that would be the case for Télé-Québec, TFO and TVO.

Mrs. Carole Lavallée: Do they have direct access to these funds?

Ms. Michèle Fortin: They have access to it through independent producers. Without access to the Canada Media Fund, I could not have produced any of my children's dramas.

Mrs. Carole Lavallée: What changes would you suggest? Obviously, there will be some changes. Audience ratings are an important factor. Under the circumstances, do you stand a chance?

Ms. Michèle Fortin: Some people tell me that I do not stand a chance. The government must reach an agreement with the Canada Media Fund. The last agreement contained some reservations regarding, for instance, francophones outside Quebec and the need to consider the specific nature of educational networks. Given the purpose of the fund, it would be proper for the federal government to demand particular consideration of educational television. It would be useful to protect children's television, because our system is based on it.

Mrs. Carole Lavallée: We see that this is not the priority—

[*English*]

The Chair: Thank you. Your time is up.

Mr. Angus.

Mr. Charlie Angus: Thank you, everyone, for an excellent presentation.

Madam Rajan, I am looking at your various numbers, and I would make one suggestion. I think your list of time volunteered by private broadcasters and employees might be on the low side. In any jurisdiction I've been in, the role of the local broadcasters in terms of fundraising for the United Way, the cancer drives for kids who are sick and need treatment in Ottawa or Toronto...I think it is one of the main reasons people identify with our local broadcasters.

That being said, one of the concerns we're having in terms of numbers, because we're getting conflicting numbers all the time from the various players, is on the crisis in the local area and how deep it is, because we don't have access to anybody's books. I'm looking at local programming produced that cost \$385 million in 2008. Our numbers, from what I've been able to see, put that at about \$3 million less than was coming in from local revenue. I'm looking at your line for advertising revenues, and in 2008 the numbers actually seem to go up as opposed to 2003. They are basically on line with 1999. You can call it stagnant, but it doesn't seem to drop off substantially the way we've been told. We've been told there's been this sudden precipitous drop, but I haven't seen it. Where is that precipitous drop coming from?

• (1735)

Ms. Tara Rajan: First of all, the local advertising market is fairly flat. The precipitous drop, if you will, is on the national side, and it is the source of revenues that makes it possible for our members to spend more on digital television, Canadian programming, local programming and so forth. In fact, for 2008—and we don't know what the results will be for the year currently under way, but they'll probably look even grimmer than they do now—the spending on local programming was roughly equal to the advertising revenues in the local markets. That was after quite a number of years where broadcasters were spending more on local programming than they were earning in local markets.

Mr. Charlie Angus: So where's the crisis at the local level? We've been told that it's the locals that have to be taken out and shot, to put it bluntly. It seems that what we're seeing here is that our losses are at the national level, and the kinds of purchasing being made at the national and the local levels is holding its own.

Ms. Tara Rajan: The crisis is on a number of levels, including the erosion of ad share in the local market. We're hearing today that there are other players that would also like to access local ad revenues. There's a crisis in terms of national ad share. There's the crisis in terms of the looming costs of the digital transition in Canadian programming becoming more expensive. The combination of those factors is really what makes the crisis for local television and private broadcasters.

Mr. Charlie Angus: Thank you.

[Translation]

Mr. Racine, Mr. Gauthier, thank you for your presentation here today. I believe that community television has a very important role to play. I represent the James Bay region, where several very isolated communities are found. The communities need access to Cree language broadcasting.

I have two questions. Are there any regulations whereby your organization, the cable or the satellite carriers, must implement local broadcasting?

Moreover, do you have the resources that you need to make the transition to the digital system?

Mr. Sylvain Racine: In answer to your first question, the stations that belong to the Fédération des télévisions communautaires autonomes du Québec only broadcast by cable. Our signal is distributed only by cable carriers. It is not distributed by any other means, by satellite or otherwise.

In fact, broadcasting is mandatory. As soon as a community television station gets a licence, such as a low-power licence or some recognition in its environment, the cable carrier has to broadcast it. With regard to resources for transcriptions or translations into other languages, community television has not yet reached that stage. We have neither the financial nor the human resources to succeed in doing this kind of translation work, even for hearing-impaired persons. We wish we could do it, but it is still too expensive.

[English]

The Chair: Thank you very much.

Mr. Del Mastro will have the last question this round, please.

Mr. Dean Del Mastro: Thank you very much, and thank you, everyone, for your presentations.

I'm going to focus on the TVCogeco group, because I think they have brought a very important perspective to the table.

We've been hearing a lot about communities, the contribution television makes to small communities, and the fact that that could be lost. Conventional broadcasters have come and said that the model is broken, that they can't make it, and that if they don't get fee-for-carriage there's going to be a huge loss in communities.

Your slogan is “truly local television”. You ran through a number of things that you're covering that, frankly, nobody else is carrying.

I guess my first question is whether the TVCogeco programming you're operating is available in your basic package. Do people have to pay extra to get TVCogeco, or is that available as part of your basic package?

• (1740)

Mr. Tim Caddigan: It's part of the basic package.

Mr. Dean Del Mastro: Okay, so there's no special fee attached to it. That's fine.

I'm pretty familiar with your service, obviously, but one of the things I was really surprised by was the number of your viewers, which you indicated in your survey. I'm just curious. Do you receive feedback on the coverage of things like municipal councils, parades, or the Petes Junior A hockey, for example—things that nobody else is carrying? Are you receiving feedback on that to give you some indication as to whether people are watching it and appreciating it?

Mr. Tim Caddigan: Well, we are, and that's one of the things we value. The feedback we receive helps us shape the channel, so we know from the feedback we get whether or not we're making good decisions. We solicit that feedback in every program. We look for feedback through either e-mail, phone messages, or letters, and I even get some at the grocery store.

Mr. Dean Del Mastro: You talked a little bit about how you get a number of volunteers and so forth and the fact that you're doing a little bit of volunteer on-the-job training. Are you doing any work with students, co-op students, for example, at high schools, to give them experience to allow them to get into the field?

Mr. Tim Caddigan: We have a really good co-op program, actually. One of the things that has developed is that we take regular, traditional co-op placements, but we've worked with a local high school that has developed a co-op education program that's paired with an English credit. These two components come together in television. They're learning to write for television, but they're also learning to produce television. Then they take the writing aspect and they apply that to the print industry.

It's a really good model, and in fact that school, Crestwood High School in Peterborough, has made some partnerships with Niagara College so that some of those students have an advanced placement in that college environment.

Mr. Dean Del Mastro: Mr. Simms asked a question. I thought it was actually a pretty good question. He had a lot of them, which is why I think we didn't quite get to it. His question was, "Are you filling a void, or are you becoming that third pillar?"

You're not really competing with over-the-air broadcasters, but you're most definitely kind of filling that local void, aren't you?

Mr. Tim Caddigan: We are, and we're very moldable, I guess. In each community we look for things that aren't being done. Those are the things we need to do. Certainly we have a very good partnership with our local broadcaster, CHEX TV, which was here in the previous hour with Corus. Certainly, we bump into each other at certain events, but we're there for different purposes. They're there for news and we're there to perhaps cover the whole event.

Certainly, we share video back and forth. One of the better parts of that partnership would be that if we were raising money for a local charity, for the hospital when it was built, for instance, in some cases we would shoot the video and they would edit the video, or vice versa, but we'd both air the same thing.

So it's a very good partnership, and I think it's mutually beneficial.

Mr. Dean Del Mastro: Okay, that's great.

I have one last question. TV news coverage in North Bay was mentioned. That came up previously. That's something, obviously, that's a new offering for you. It's in an area where that is not being offered anymore. With respect to the local program improvement fund, do you have anything? The committee is going to make recommendations. Where these services aren't being offered, is it my understanding that you'd like access to that but not in competition with over-the-air broadcasters? Is that accurate?

Mr. Tim Caddigan: I'll refer that question to Maureen.

Mrs. Maureen Tilson Dymont: Where it is not available, we would. We had mentioned that creating hard news is an expensive endeavour, above and beyond the budgets that we currently have. And yes, we would like to be able to access the funding, but I stress again that it's in a non-competitive environment. If the local broadcaster is providing hard news, then we remain in our traditional role, augmenting that and working with community members who come to us and actually ask us to do productions, etc., in the depth

that we can, which perhaps the broadcasters can't do with their scheduling.

• (1745)

Mr. Dean Del Mastro: Thank you very much.

The Chair: Thank you.

That brings our second hour to a close.

Again, I apologize for the short time I've had for you to respond. You're all very important to this committee; I want you to realize that. Your presentations were great. Your answers were great. And if some of the answers for Mr. Simms come through me, I'm sure we'll appreciate that.

We'll recess for about five minutes.

• (1745)

(Pause)

• (1755)

The Chair: I apologize for having food here with me. I'm sure there will be some left when the meeting is over.

Again, I welcome our witnesses for the third hour here this afternoon. I must say that we have you jammed in pretty tight. I apologize for that, but you are all very, very important to this committee.

I'm going to allow you 10 minutes each for your presentations. We'll see how much time we have for questions afterwards. But I would say to any of our committee members that if there are questions for any of the groups we have here, they can be made afterwards to me, and I can make sure that our presenters get them.

We're jammed in so tight because so many people wanted to make presentations, and we only had so many weeks to do this. So again, my apologies.

Yes?

Mr. Charlie Angus: Mr. Chair, a point of order, or a point of clarification. We are going to get at least one round of questions, right?

The Chair: That's my intent, to have one round of questions, yes.

Go ahead, Mr. Rodriguez.

Mr. Pablo Rodriguez: Mr. Chair, if they have 10 minutes each, there will not be a round of questions. We either decide that it's five minutes each and we have a round of questions, or it is 10 minutes each and there are no questions. You decide.

The Chair: We'll see where we stand. If we have some time left after the presentations, we will maybe have just two minutes.

Mr. Charlie Angus: Mr. Chair, a point of order. I don't mind leaving early if we get the job done, but to have everyone come here and present to us and then not have a full round of questions.... If people have to leave, they have to leave. But we came here to listen to them, so I want a full round of questions. Otherwise, I think it's fundamentally disrespectful.

The Chair: Again, we're taking time here, as we go forward. It was agreed by the committee that the presenters would have 10 minutes, and we will take that 10 minutes. We'll see what time is left at the end, and we will go forward.

With that, I invite the first presenter, Aboriginal Peoples Television Network, please.

[*Translation*]

Mr. Jean LaRose (Chief Executive Officer, Aboriginal Peoples Television Network): Thank you for this opportunity to be here. I am Jean LaRose, the Chief Executive Officer of APTN.

This year marks APTN's 10th anniversary. Ten years ago, it was difficult to believe that a national aboriginal network could offer 10 hours per day of live Olympic programming across Canada, in high definition, in English, French and up to 8 aboriginal languages. Now, for Vancouver 2010, it is a reality.

Getting ready for the Olympics is a welcome challenge. We are training sports announcers in aboriginal languages—finding new ways to express sporting events in our own languages.

[*English*]

We are training technicians, building sets, and performing behind-the-camera work. We are working in partnership with other host broadcasters to bring Canadians complete coverage of the games. In these games we will reflect all of Canada in a way that has never been done before.

You are hearing a great deal in your committee meetings about how parts of the broadcasting system are broken, but I can tell you that APTN is a success story.

APTN is a national network. We strive to reflect all aboriginal communities—first nations, Inuit, and Métis—and we act as a bridge between aboriginal peoples and the broader Canadian population. We deliver three separate regional feeds directed to the west, the east, and the north of the country, as well as a high-definition feed.

I have distributed to the committee an information package about APTN and our programming.

[*Translation*]

In 10 years, we have achieved a lot. APTN shows that, thanks to the Broadcasting Act and to the CRTC, the Canadian broadcasting system is strong and contributing to Canada's well-being.

Let me move on to some of the specific themes this committee is examining.

[*English*]

APTN doesn't provide local programming, at least not in the sense discussed at these hearings. But in many cases, our programming has regional and local roots and reflects a particular region or aboriginal group from that region.

Our northern service is the most differentiated of our regional feeds. We currently schedule 40.5 hours each week of distinctive northern programming on this feed. Usually this programming is in Inuktitut or other aboriginal languages spoken in northern communities. This is a different way of looking at local programming. Programming that reflects Nunavut and Nunavik is local, from our point of view, even though the communities it serves are spread out over a region that represents a large percentage of Canada's land mass.

APTN licenses this programming from our general revenues. These revenues come from the subscription fees earned from broadcast distribution undertakings in southern Canada and from advertising. The northern broadcasting societies receive additional funding for this programming from the Government of Canada through the northern aboriginal broadcasting program. Funding for the societies through that program has not changed for many years. As a result, the societies have not been able to stay current with technology and increased production costs.

[*Translation*]

We are working with the societies to develop their technical and production capacities, which will result in new programming, aimed at the youth population of the region as well as the rest of the young aboriginal peoples in Canada.

We are using other mechanisms to generate production revenues for those programs. In addition to northern local programming, APTN regularly broadcasts programming that reflects other particular aboriginal communities throughout Canada on a regular basis. All of our programming now comes from aboriginal producers or aboriginal-owned or controlled production companies.

• (1800)

[*English*]

In the past, APTN has expressed concern about the disruptive impact the fee-for-carriage proposal could have on the broadcasting system. Our concern has been based on two main factors.

First, a fee for carriage could increase materially the cost of the basic level of service. The basic level of service already costs many subscribers more than \$300 per year. Affordability is therefore an issue. You should be under no illusion: the BDUs will aggressively market this fee as a tax on consumers.

Second, we are concerned about the impact on the Canadian broadcasting system as a whole if access to the system is made more expensive for Canadians, especially at this time, when the entire system is facing competition from the unregulated new media sector. Increasing the cost of access could turn Canadians off Canadian broadcasting just when their enthusiastic participation is most needed.

[*Translation*]

If policy makers elect to follow the fee-for-carriage route direct attention should be paid to the question of the affordability of the basic level of service—and how to make the new fee a "win-win" for consumers. APTN has proposed, in the past, a "Made in Canada" basic service package, smaller and mandated by the CRTC to ensure that Canadian programming remains affordable and available to all Canadians.

This approach, coupled with more consumer selection of digital channels—rather than the "all-you-can-eat" packaging approach that is now so popular, and expensive—could be one way forward.

APTN is ahead of the industry in phasing out our analog technology. Four years ago we concluded that it would not make economic sense to continue to maintain and upgrade our network of terrestrial transmitters across the North.

•(1805)

[English]

At the same time, we know that APTN has a history of over-the-air service in the north and an important role to play in the preservation of aboriginal languages. The delivery of APTN to all northern residents will be continued. With the assistance of the Department of Canadian Heritage, we developed an innovative approach. We entered into agreements with a satellite DTH service, Bell ExpressVu, and with local cable operators and cable communities to make sure that all residents now served by analog transmitters will still be able to receive APTN's northern service without any charge through their satellite or cable distributor. We are rolling out this program in smaller communities across the north. Through this program, APTN North will be made available to northern residents as a free service. No resident is required to obtain any additional level of service from a distributor to continue to receive APTN. I don't know whether a comparable program would work in southern regions for southern broadcasters, but the program is working for us.

The Government of Canada has played a direct role in supporting aboriginal broadcasting for a long time.

[Translation]

The Northern Aboriginal Broadcasting Program supports the northern broadcasting societies. As I stated earlier, funding for this initiative has been static for the last 15 years or so. The northern distribution program has funded infrastructure costs to deliver APTN North across the North—this is the program that has allowed APTN to begin the transition from our analog over-the-air network.

This program is being phased out along with our analog infrastructure, as of March 2010. There are, and have been, no similar programs for aboriginal peoples in the south. APTN does not receive direct funding from the government to support our operations or our national mandate. We do obtain licence fee and equity funding through the Canada Media Fund, which supports independent production, generally, and is not focused on "local" programming, as such.

[English]

At this point, it is difficult to say whether the recently announced changes to the Canada Media Fund will hurt or further aboriginal programming, and regionally focused programming in particular. A great deal will depend on the details. For now, let me just say that one of the stated goals of the fund is to reward programs that, to quote from the Department of Canadian Heritage's background, "... have achieved and demonstrated the most potential to achieve success, in terms of audience and return on investment".

I just want to point out that the audience in Iqaluit is not the same as the audience in the greater Toronto area. The potential return from these audiences is obviously not comparable. It is a real question for us whether smaller audiences in Iqaluit, Thompson, or even Regina and Winnipeg, for example, will be given the same kind of weight as an audience in Toronto when funding decisions are made.

We are also concerned about the focus on hit programs, which may not lead to the kind of innovation and risk-taking in programming that is required. What may be a hit for an aboriginal

audience may not be with any other demographic in Canada. Will that make it any less of a hit?

With respect to the CRTC's new local programming improvement fund, APTN will not be eligible for the fund. LPIF funds are not likely to find their way to support local aboriginal programming. I'm not criticizing the LPIF fund; I'm just pointing out that it was not intended to support local aboriginal programming, and it won't.

I thank the committee for this time. I hope I stuck to my 10 minutes. I would welcome any questions later.

The Chair: You were pretty well right on. Thank you very much.

We'll go to Allarco Entertainment Inc.

Mr. Charles Allard (Chairman and Chief Executive Officer, Super Channel, Allarco Entertainment Inc.): Mr. Chairman, members of the committee, and staff, my name is Chuck Allard, and I am the chairman and CEO of Allarco Entertainment. With me today is Malcolm Knox, Super Channel's president and CEO, and Richard Paradis, our business and government affairs representative.

The three of us have each been involved in the television and/or pay television industry for over 30 years. We'd like to extend our thanks to the committee for allowing us to attend this meeting and provide our views and observations on how Canada's television industry is evolving in the face of tremendous economic and regulatory challenges under the edict of an aging Broadcasting Act that dates back to 1991.

Today we wish to address the main issue your committee is currently looking at, and also to share with you some insights on how difficult it can be these days to launch, as we have just recently experienced, a new English language national pay television service, Super Channel, within the confines of existing regulations and industry consolidation, particularly in the area of broadcast distribution.

We have all witnessed Canada's television industry go through dramatic changes over the last 30 years, from a universe with 10 channels to one with over 200 channels, where we first saw significant fragmentation, and then in the last 10 years, significant consolidation and concentration. Conventional television broadcasters, who are at the source of our broadcasting system, now find themselves in serious financial difficulty for a number of reasons, including the tremendous growth of specialty television services that are eating up not only audience shares but also advertising revenues. In addition, such conventional broadcasters now have to compete for advertising budgets with the Internet, which has seen its share of advertising revenues increase significantly over the last couple of years.

We believe your committee should recommend the introduction of a reasonable subscriber fee for Canadian conventional broadcasters to ensure the regulatory system is equitable for all television broadcasters, whether they are specialty services or conventional services. We also believe the cost of such a subscriber fee should be fully assumed by the broadcast distribution undertakings that have had the nerve to come before you and strongly object to such a fee and suggest it would just be passed on to the consumer.

It is our strong conviction that BDUs have amply benefited financially for a number of decades from the sale of their basic service package, which has included conventional television services since the beginning and for which the BDU pays nothing to use. Such a subscriber fee should be directed by conventional broadcasters towards the production of Canadian content and local programming over and above their existing Canadian content commitments. In no circumstances should it be used to subsidize the increasing cost of acquiring American programming in a bidding war.

With regard to the BDU positioning, we found it quite instructive when the representatives of Rogers and Shaw came back before you two weeks ago. My relationship with BDUs goes back some time, and I can tell you, as a prior senior officer of the western pay television service licence, we strenuously objected approximately 15 years ago to the granting of pay-per-view and subsequently VOD licences to BDUs, especially terrestrial BDUs, because of the obvious conflicts we could envisage that would arise from the BDUs competing with existing broadcasters, giving them an undue preference and advantage over other independent programming services.

Unfortunately, our objections were denied at that time, and the rest is just history, with BDUs, or the company controlling the BDUs, now owning and controlling broadcasting entities that often benefit from in-house, priority carriage, additional marketing opportunities and other tangible advantages. All of this notwithstanding, there are supposed to be “Chinese walls” to give the illusion that conflicts do not arise and that BDUs are being fair with everyone.

On February 12, 2009, we sent to the chairman of your committee and some members a copy of a letter to the heritage minister requesting much needed changes to the Broadcasting Act to provide a stronger regulatory regime. Why do we need such changes? Because we are a living example of how present regulations are outdated and have allowed BDUs over time to wield excessive power over our broadcasting system.

• (1810)

Mr. Malcolm Knox (President and Chief Operating Officer, Super Channel, Allarco Entertainment Inc.): The broadcast distribution sector reaches over 90% of Canadian households. At the same time, six BDUs—Rogers, Shaw, Bell TV, Star Choice, Vidéotron, and Cogeco—control access to over 91% of cable and DTH subscribers. In essence, this small number of BDUs has the power of life or death over news services such as ours, not to mention existing services. For many years now, some of the larger BDUs have on a regular basis shown contempt for our regulatory system, even though it is the same regulatory regime that has allowed them to grow into such profitable entities.

We are before this committee today to bear witness, first, to the pure contempt of the two largest terrestrial BDUs, Rogers and Shaw, which have in our case shown damaging disregard for the CRTC's conditions of licence and expectations, and, second, to the intentional injury this has caused a fledgling pay entrant into the Canadian broadcasting system.

The terms of our licence, which was granted on May 18, 2006, clearly stipulate that Super Channel would be offered distribution comparable with that of the regional incumbent's pay television services. The commission went on to state that without such conditions it would be unreasonable to expect the new Allarco service to meet its business plan, including its commitments with respect to expenditures and exhibition of Canadian programming. Since our launch in November 2007, Allarco has suffered unfair treatment from both Rogers and Shaw, which control over 40% of cable and DTH subscribers in Canada.

Since our letter to the minister of February 12, 2009, we've had to initiate an undue preference claim against one of these major terrestrial BDUs for failure to honour the terms and expectations of our licence from the CRTC. To determine how our service was being sold by the two largest BDUs, we conducted independent phone research on how the customer service representatives at both Rogers and Shaw were dealing with our service offering during January, February, and March 2009. The results were shocking, even though we were spending hundreds of thousands of dollars in advertising with Rogers and Shaw on U.S. ad avails, radio spots, and direct-mail pieces.

For Rogers, out of 320 recorded calls made to CSRs at their call centres, 97% of the calls were directed only to the regional pay TV service, TMN. When the caller asked if there were other movie services available, Rogers VOD was mentioned 24% of the time and Super Channel only 10% of the time. For the most part, our service was negatively portrayed and misrepresented by the CSRs, conferring an undue advantage on their own VOD service and the regional paid TV service, TMN. Where is the fairness principle applied here?

In the case of Shaw, the results were also shocking.

To give you an indication of the negative effects such undue preference has had on our business plan, which preference has cost us tens of millions of dollars, another major satellite provider, which launched us in November, reached and exceeded 7.5% penetration of their English language digital base, and a small provincial telco has recently reached 11% penetration. In contrast, Rogers is sitting at one-third of 1%.

• (1815)

Mr. Charles Allard: In our letter to the minister we strongly support the request by the chair of the CRTC to immediately secure administrative monetary penalties under the Broadcasting Act. It is my understanding that the chair of the commission discussed this question with you in an earlier session in May 2008.

We also propose the introduction of civil remedies for those licensees that have been injured, including actual damages and future damages, because of the wilful misconduct of the BDUs. In the United States and in Great Britain, the FCC and Ofcom have wide powers to impose fines on corporations that do not comply with the letter, intent, or expectations of regulations and/or licence conditions. This is not the case with our own CRTC. Your committee and Parliament have to introduce much needed changes to the Broadcasting Act to provide the CRTC with more teeth in dealing with major broadcasting distribution groups that have been extremely vertically integrated and who refuse to abide by existing regulations and licence conditions.

We fully understand that your committee is presently concerned with the survival of local stations and local news within our broadcasting system. However, we encourage the committee to look beyond the immediate problem, because it is only the tip of an oncoming iceberg.

The recent consolidation of ownership in the Canadian broadcasting and distribution sectors has handed the power of life or death of our broadcasting system not to legislators but to a few private enterprise titans: Rogers, Shaw, and Quebecor. All of these major BDUs have amply benefited from past regulations that favoured their development in the interest of having a strong Canadian broadcasting system. This privileged situation has favoured the growth of their companies into what they are today and is a direct result of the contribution of independent, conventional specialty and pay television services, which are now being shunned by the BDUs in favour of their growing businesses, such as local telephone, publishing, Internet, and wireless services.

This was confirmed to us when we met with the chief executive officers of Rogers on February 12, 2009, who told us that their main businesses were phone, Internet, cellular, and broadcast services, in that order. In other words, broadcasting has fallen back to the bottom of priorities. May we remind the committee of key words spoken by a number of prominent Canadians in the past: "It's all about content". We sincerely believe that we are at a crossroads in terms of where our broadcasting system is going. It is up to you and your fellow parliamentarians to ensure that Canadian content can continue to be developed and, more importantly, get past the BDU gatekeepers to reach Canadians.

Proposed changes to the Broadcasting Act should, one, give the CRTC the power to fine BDUs that do not respect conditions of licence or commission regulations and to award compensation to broadcasters that have suffered financial losses because of BDU misbehaviour; two, give CRTC the power to issue a clear directive to a BDU to remedy non-compliance immediately with regard to any matter that abrogates or denigrates the spirit and/or intent of the Broadcasting Act; three, clearly establish the responsibilities of each component of the broadcasting system, with a special emphasis on a key role BDUs must play in giving priority and promotion to Canadian programming services; offering other services such as Internet, local phone, or wireless services should in no way be done in a business fashion that is detrimental to Canadian broadcasting programming services; and four, ensure that programming services have the right of access to their subscribers through the BDUs to

promote and market their service, in addition to providing a possibility of two-way communication with such subscribers.

This completes our oral presentation, and we look forward to responding to any questions you may have.

Thank you, Mr. Chairman.

The Chair: Thank you very much.

We move now to the Jim Pattison Broadcast Group, please.

Mr. Rick Arnish (President, Jim Pattison Broadcast Group): Good afternoon, Mr. Chair and members of the committee.

My name is Mr. Rick Arnish, and I am president of the Jim Pattison Broadcast Group, from our head office in Kamloops, British Columbia.

I've been in this wonderful business for over 40 years, and our owner, Mr. Pattison, has been in the broadcasting business some 44 years. Our broadcast group consists of three conventional television stations, all small market stations, located in Medicine Hat, Alberta, Prince George, B.C., and Kamloops. Our western-based group also consists of 29 FM radio stations, all located in small markets, except for Vancouver and Canada's two most western provinces.

Speaking of television, CFJC TV in Kamloops was one of this country's first small market stations. It signed on the air April 8, 1957, with its 100-watt transmitter, bringing the 16,000 citizens their very own television station.

Community and being a local broadcaster is what we're all about. We continue being the leaders in the area of news, information, and public service, as well as being the conduit for the diversity of voices in our marketplaces for our viewers and listeners.

I appreciate the opportunity to address the members of the Standing Committee on Canadian Heritage at a time when the conventional television industry is at a crossroads in terms of whether it will survive in the 21st century.

You heard in my opening remarks that we have only three small market television stations, and you may be asking yourselves why the Pattison Broadcast Group has not increased the number of TV stations in proportion to that of our radio growth over the past 12 years in particular. The truth of the matter is that we've had a number of opportunities to acquire other television properties but have chosen not to because of my long-term concern about the future of conventional television in our country.

I'm on record as far back as 2005, when I stated this on CAB panels and through media interviews, as saying that I wasn't sure there would be true small market television stations in existence by 2015. Times were fairly good just four short years ago, and I could see some of my broadcasting colleagues rolling their eyes at what I was saying. Now, because of competitive pressures and economic challenges, they and many others are also questioning the future existence of this conventional model that has been around for over 50 years. The system as we know it today is broken.

Mr. Chair and committee members, during these proceedings I've heard some presenters state that the current financial pressure on local broadcasting is cyclical, that the advertising business we rely on will come back in spades and everything will be peaches and cream. Let me assure you that I do not share that view.

In rural Canada, the true small market conventional television station is under tremendous financial and competitive pressure. It all started a number of years ago, as far back as 1997, when the advertising market for medium and small market conventional stations shifted substantially towards the specialty services offered by the BDUs. From day one, the specialty channels not only received subscription fees, they had the ability to increase the amount of hourly advertising they could sell and air. Where did most of this national advertising revenue come from? The answer is that it came from small market stations like ours.

Another concern I have is the fact that many of them have taken on a more conventional television program schedule than a true specialty service, which again impacts the true small market conventional stations. The systemic problem is that there's just not enough revenue to go around even in a strong economy, let alone a weak one.

If it weren't for the direct-to-home small market local programming funding that Canada's 19 independent small market conventional stations have access to, I believe that a number, if not all, of these stations would not exist today. I thank the CRTC for this fund, as it has been a lifeline for our stations in Kamloops, which collectively produce 47 hours weekly of award-winning local programming.

Regarding fee-for-carriage, although we would not turn down any moneys we would be eligible for, that is really a large broadcaster issue. The big companies would benefit to the tune of millions of dollars versus thousands of dollars for our stations. The true small market independent stations have stated categorically that we would not give up the small market local programming fund in exchange for fee-for-carriage. That would be an economic disaster for all the stations.

The newly created CRTC BDU local programming improvement fund is another initiative that will certainly assist the long-term future of our three stations, as long as it's not tied to an incremental amount of local news, information, and community reflection. This new fund would go a long way in ensuring that CFJC TV in Kamloops maintains its 18.5 hours per week of true local programming as well as over 14.5 hours each week on CKPG-TV in Prince George and 14 hours weekly on CHAT TV in Medicine Hat.

• (1820)

Funding would also be used to facilitate the capital expenditures to move toward a virtual digital transmission platform for our stations, as the demand is growing for this type of delivery, even in our small markets.

You've also asked how the federal government could address the situation of local broadcasting, so please let me respond in a very respectful manner to the Broadcasting Act and current CRTC regulations. Regarding the true independent local small market

conventional television stations across the country, if there ever were a time to deregulate, the time is now.

One way to help rebuild the audiences and revenues of Canada's small markets is to have no regulation except a minimum requirement of local reflection of, say, perhaps seven hours per week. Other than that, on all small market stations in populations of under 300,000, there should be no regulatory obligations at all, including the current Canadian content rules, where 50% of our programming must be Canadian in prime time, as well as 60% throughout the broadcast week. This would allow small markets to compete with all distant regional Canadian and American signals, along with foreign services and specialty and pay-per-view, which have severely impacted the tuning and revenues of our stations.

Today we truly have the 500-channel universe, Mr. Chair, and this is a matter of survival, committee members. The small market cable companies are currently exempt from regulation, with more changes perhaps coming for even larger cable systems, so why not a major breakthrough for small market conventional television?

Many years ago there was a hue and cry because the CRTC deregulated FM radio in this country, and many naysayers said it would hurt the radio industry. Well, we all know that the radio industry flourished and will continue to do so now and way beyond the 21st century. I'm bullish on Canadian radio.

So I say it's small market Canadian conventional television's turn, and this is something that has to happen now, not six months from now or a year from now, because if it doesn't, many of us will not be in business. Have no fear that deregulating the small markets would endanger local Canadian programming and reflection, because all these small stations will continue to reflect their markets in the best way they know how, and that is through many hours weekly of local news, information, and entertainment programming. Of course, we would expect that the current rules regarding priority carriage and simultaneous substitution would continue for our stations in the markets where we're licensed as the local station.

Another area where the government could assist us and other small market stations is to change the Broadcasting Act to ensure that all satellite BDU distributors, like their cable counterparts, have to carry all conventional small market Canadian television services. In every small market across this country, 30% to 40% of the viewing is to DTH, and if the local signal is not carried, it has a significant impact on viewership and revenues. They have the capacity and will have even more capacity in the near future. It's time to correct the DTH model.

Another area where the government could also assist the conventional industry is the elimination of the part II licence fees that we all pay, which go into general revenue. This is an additional cost, which, if eliminated, would add to the opportunities you have before you to save small town television stations. All we need are the tools to do the job right, and we won't let you down, nor the Canadian citizens we serve. We are the true eyes and ears of the cities and towns we are part of.

In conclusion, the loss of local broadcasting and local reflection built around diversity of voices in our country would be catastrophic. Canadians want, need, and desire to see themselves and their local communities reflected on their television stations. I believe the conventional industry as a whole does an excellent job. If it weren't for stations like ours in Kamloops, Prince George, and Medicine Hat, along with our other colleagues in the small markets, who would cover the daily activities in the marketplace? I'm talking about the weather, school closures, flood and fire coverage, tornadoes, community happenings, sports, entertainment, businesses talking to our viewers, their potential clients, along with the charitable support for hundreds of worthwhile causes. We truly reflect what is going on in the cities and towns we are so proudly licensed to serve.

Members of the standing committee, you have an opportunity to make history by implementing the necessary changes to ensure the survival and sustainability of true small market conventional television in Canada.

Thank you for this opportunity to appear before you this evening. I would be happy to answer any questions you may have.

• (1825)

The Chair: Thank you for that.

Now we switch to the other end of the country, to the Newfoundland Broadcasting Company. Please go ahead, Mr. Sterling.

Mr. Scott Sterling (President, Newfoundland Broadcasting Company): Mr. Chairman, members of the committee, ladies and gentlemen, my name is Scott Sterling. I'm the president of Newfoundland Broadcasting. We're a small conventional station in Newfoundland and Labrador. We've been on the air for 44 years.

I'd like to introduce Mr. Doug Neal, the vice-president of the company. He'll begin.

Mr. Douglas Neal (Senior Vice-President, Newfoundland Broadcasting Company): The business model for conventional television is broken. Mr. Fecan of CTVglobemedia and Mr. Vinner of Canwest painted that broad picture for you when they appeared, and we agree with their views.

As our time is short, I will try to limit our submission to NTV's experience and viewpoints.

This crisis has been in the making for years. Specialty channels, the CBC, cable, and satellite BDUs all have multiple monthly sustainable revenue streams. A private broadcaster has only one source of revenue—advertising—and that revenue is linked directly to audience viewing.

Today, we would like to point out a few of the root causes that have been in play for many years. They are: over-regulation,

audience fragmentation, lack of fee-for-carriage, and, as a subsidized public broadcaster, we also wish to bring forward our views on the use of cultural development funds, fee-for-carriage, the LPIF, digital transition, and the role of the federal government.

On over-regulation, the regulator has over-licensed, causing fragmentation through a proliferation of specialty channels and foreign signals, with only token compensation for the damage these signals cause to the revenues of conventional stations. Today, we believe there is far too much regulation. It's time to reform and relax the broadcasting regulations.

One prime example of over-regulation relates to Canadian content requirements. Once the CRTC set Canadian content quotas on private broadcasters' broadcast days, and later expanded these to priority programming in prime time, the private conventional broadcaster's balance was upset. The sale of advertising is our one and only source of revenue and it is directly linked to program ratings. Good ratings equal high yield; bad ratings equal low or no yield.

Broadcasters will all tell you, and they have told the CRTC, that airing most Canadian entertainment programs does not provide the audience levels necessary to provide the revenue needed to sustain their operations. When asked, Canadians *say* they want Canadian programming, but the ratings tell us otherwise.

Another example specific to NTV is the length of our broadcast day and evening broadcast periods. For decades, the CRTC granted NTV an extension to its broadcast day for up to 1.5 hours for news. This was due to our unique time zone when compared with eastern standard time. However, at NTV's last licence renewal, the CRTC decided this extension was no longer acceptable and forced a change. The result: a shorter than normal broadcast period and a longer than normal evening period, meaning that NTV lost one hour each day of its simulcast opportunities, while causing it to air 3.5 hours a week more Canadian content in the evening period than any other station in Canada.

In NTV's view, the CRTC should immediately do the following.

It should reduce Canadian content quotas to more reasonable and less restrictive levels.

It should make Canadian content programs accountable, using a ratings-based scale that credits a station's Canadian content quota up to 200% on a prorated basis. We have this mechanism for advertising. Why not utilize it for programming? NTV spends millions of dollars to produce the province's number one rated television program, the *NTV Evening News Hour*, yet it receives the same Canadian content credit as a rerun of *Inspector Gadget*.

The CRTC should provide a standard and reasonable base quota for local Canadian content and a positive Canadian content quota incentive of 150% for stations that over-perform regarding the production of local programming.

It should lift restrictions on certain advertising, in particular pharmaceutical drugs, opening up rich new national advertising opportunities.

It should eliminate part II licence fees, with no retroactive payment requirements.

It should freeze applications for any new services well beyond the return of stability. With 170 new stations licensed, the market is saturated.

Audience fragmentation. The activities of BDUs cause fragmentation to the local broadcaster's audiences through the introduction of many signals, including U.S. networks and stations airing programming that we have purchased the rights to air in our market. We believe this is the only country in the world where cross-border signal theft or piracy is legitimized. Canadian networks do not air on American BDUs.

Further, it is unacceptable for a BDU to simply take an over-the-air broadcaster's signal, sell that signal to their subscribers, and pay nothing to the originator of the signal. We believe the purpose of broadcasting in the Canadian Broadcasting Act was to provide a signal to the end-user or the public and not an intermediate entity that benefits financially from the use of the signal and pays nothing for it. That's just another form of signal piracy. I might add that when the shoe is on the other foot, cable and satellite BDUs are quite vocal over the piracy of their signals and cross-border signals.

• (1830)

Earlier in these proceedings, Ms. Bell of Canwest pointed out that during the 1971 hearings on cable TV, the CRTC suggested that people should pay for what they use to operate their business. It makes sense to us. In 1975, the CRTC granted MTV a cable subscriber fee of 25¢ per household and then quickly revoked it without a hearing. Since then, we have repeatedly asked the commission for local cable subscriber fees or fee-for-carriage. We believe that fee-for-carriage is a fair and equitable way to compensate broadcasters for the damage BDUs cause local audiences. Local signals are important to local subscribers, and they already believe they are paying for them.

In a study by the DTV Working Group, recently submitted to the CRTC, of 840 persons who receive only conventional television over the air, surveyed in five centres across Canada, 78% say they would pay a \$10-per-month subscriber fee for local signals. This indicates that our signals are important to the public and that they are willing to pay for them. There has been controversy over traditional rates to broadcasters, should a fee-for-carriage regime be introduced. These are our suggestions.

Fee-for-carriage and distant signals are linked and should be an industry-to-industry matter. They are considered damaging to each broadcaster's local market. Nevertheless, they are of great value to the public, who time-shift and benefit from the diversity of voices, a crucial element of our democracy, from each corner of the country. Distant signals are also key components of every BDU's service

offering. But from what we've seen and read so far, at the end of the day, the CRTC mediation process or government intervention may be required to solve this matter.

If sufficient subscriber fees flowed to each broadcaster for service provided by BDUs in its market, it would help to offset the damage caused by distant signals. Further, it appears from information recently available on the public record that cable and satellite BDUs are quite healthy, with substantial profit margins. They have had substantial rate increases over the past five to six years and are permitted to sell advertising in our markets, further eroding our only source of revenue. They pay us nothing for the use of our signal. If fee-for-carriage was applied at the local level, we see no case for these BDUs to pass further increases on to the public. In our view, BDUs were given a free ride in order to establish their infrastructure, and it's time they paid for what they take and use.

We believe unfair competition exists from a subsidized CBC operating in our market, with no relationship between their revenues, operating expenses, or capital costs. The CBC, with its very deep pockets, is able to undercut our advertising rates and purchase popular U.S. programming such as *Wheel of Fortune* and *Jeopardy*, programs that NTV until last year aired for 25 years and made popular in its market. Now these programs are used by CBC to gain ratings against us. If CBC were 100% subsidized and not competing with the private sector for advertising share, it would provide increased local and national advertising opportunities to the private broadcaster. A subsidized entity should not be permitted to compete with private industry.

CBC's mandate under the Broadcasting Act should therefore be changed to 100% Canadian content, with no advertising. A 100% content on CBC would allow relief to the private sector from the onerous Canadian content regulatory quotas placed on it by the CRTC. Selling advertising has caused CBC to travel down a road that in their view requires them to spend huge amounts on U.S. programming and expensive first-run movies, driving the cost of U.S. programming even higher as bidding among Canadian broadcasters for national rights includes a CBC that uses taxpayer dollars.

CBC recently reported that 60% of their expenses are in salaries. That indicates to us that they're either overstaffed or overpaid. Locally, we estimate they outstaff us three to one, yet produce only 5 hours to our 13.5 hours each week.

●(1835)

Further, there are expenses related to the selling of advertising. CBC maintains sales managers and salaried sales staff, whereas the private sector usually operates on commission sales. They must maintain billing, traffic, and credit departments, commercial production facilities, and staff. At the end of the day, it may well be discovered that the activity related directly and indirectly to selling advertising by CBC costs more than they actually gross. We believe this is especially true in the Newfoundland market.

On cultural development funds, in our view, CBC and the independent sector should explore more avant-garde Canadian productions, while the private sector should concentrate on productions that are economically viable and are quality productions where the focus is to create mass appeal Canadian content programming for exhibition by the private sector. In our view, this is best managed by the private sector, which understands what works. There has to be an accountable commercial element attached to the creation of Canadian programming.

The Broadcasting Act creates an expectation that Canadian programming should be exhibited on television, and although most Canadians suggest that we should have Canadian programming, the program ratings show time and time again that few are actually watching it. Most Canadian programs yield very poor results when compared to foreign programming. It should be obvious from this that Canadians are not satisfied with the quality of most Canadian programming. However, the private sector must realize a return on each hour of its broadcast day. To do this requires high ratings or, more simply put, programs that people will watch.

The local programming improvement fund is a means to help over-the-air small market broadcasters maintain local programming. We know this fund is \$60 million, and we have heard that there are 72 stations that would likely qualify for the fund. We know that the formula suggested is based on each station's past expenses related to local programming. If we divide the fund by the number of stations, we find there is \$833,000 per station. Some say that CBC should qualify where they operate stations in markets of fewer than one million viewers.

We maintain that if CBC has access to this fund, based on their subsidized economies of scale, the lion's share of that fund will flow to them. If this happens, their increased resources will cause competition to escalate for news-related advertising dollars. Should CBC's ratings increase as a result, it will mean reductions and layoffs in the private sector, negating the fund's benefit to private broadcasters. So instead of helping, this fund will just become another source of revenue for CBC, maintaining an imbalanced duplication of services that we believe was not meant to be the focus of the fund. We maintain that CBC should have no access to this fund if it is to provide any benefit to local broadcasting.

Further, money realized from the fund by the private sector should go exclusively towards the gathering and production of category 1 news.

In our view, digital transition is not about the quality or HDTV. It's

●(1840)

The Chair: Could we just speed it up a little? We're almost at 14 minutes, sir.

A voice: We had submitted this, so I think—

Mr. Douglas Neal: Yes, you are free to read it.

May I read what I believe the role of the government is, then?

The Chair: Could you conclude with that, please?

Mr. Douglas Neal: That will conclude it.

The role of the federal government is to change the mandate of CBC to 100% Canadian and fund CBC to 100%; cause the CRTC to relax regulations on the private broadcasting sectors, especially those related to Canadian content, providing an incentive for broadcasters to produce and air high-quality Canadian productions; cause the CRTC to enact a fee-for-carriage regime for conventional broadcasters and end piracy of local and cross-border signals; cause the CRTC to freeze applications for any new services until the present crisis has passed and stability returns to the private sector; provide adequate funds for broadcasters for building digital infrastructure to allow them to transition their facilities without hardship, and provide a set-top box subsidy for the public; and enter into a government-funded television advertising campaign to educate the public about the migration to digital.

And finally, the government needs to act quickly and decisively to resolve the matter of defined benefit pension insolvencies. Plans with perfectly healthy going concern positions are calculated as being insolvent, resulting in huge special payments that are draining the working capital of broadcasters with these plans.

Thank you. I'd be happy to answer any questions.

The Chair: Thank you.

We now move to Northern Native Broadcasting, Yukon.

Mr. Stanley James (Chair, Board of Directors, Northern Native Broadcasting, Yukon): Thank you.

My name is Stanley James, and I'm the chair of the Northern Native Broadcasting, Yukon, board of directors. With me is Sophie Green, who is the general manager. I'd like to extend the appreciation of Northern Native Broadcasting, Yukon, to the chair and members of the standing committee for the invitation to appear before you to share our thoughts on the evolution of the television industry in Canada and its impact on local communities.

Northern Native Broadcasting, Yukon, is funded through the aboriginal peoples program directorate of Canadian Heritage. The funding we receive through this initiative has remained almost unchanged since its creation. In the 1980s we saw a decrease in funding.

The agreement of just a little over a million dollars each year, if we are successful with our application, requires us to produce and distribute radio and television programming, with the Yukon First Nation audience's needs determining our mandate. Static funding can only be translated as a decrease, as the cost of living and the cost of business escalate consistently each year. The changes to industry standards, particularly in high definition and digital radio, have an immediate impact on us. We have had to lay off personnel and close down our analog television production unit, putting seven people out of work.

Although advertising has augmented the funding from Canadian Heritage, in the current economic downturn, advertising revenues have dropped faster for us than they have for others throughout the industry. Business does not view the aboriginal audience in remote northern communities as a good investment for their diminishing advertising dollars.

New media, changing viewing habits, audience fragmentation, and convergence are having their effects on us. We have not had the necessary funding to meet the needs of a fast-growing youth population who do not view the world as our ancestors did. We need to be able to produce programming that interests the youth of today, delivering the programming in the media of today. As a communications network, we need to continue to play a critical role in keeping the language, culture, and customs of the aboriginal people alive and in use.

We believe the federal government must continue to assist local aboriginal broadcasters and to assist in meeting the cost of digital transmission. We said the same in June 2003 to the House Standing Committee on Canadian Heritage, when they conducted hearings on the second century of Canadian broadcasting. The role of the cultural development fund to ensure the survival of local broadcasting should be strengthened and have the involvement of local broadcasting in the terms of reference. Oftentimes, non-profit societies such as Northern Native Broadcasting, Yukon, find themselves ineligible because of their status as a non-profit entity, as required by contribution agreements. For Northern Native Broadcasting, Yukon, fee-for-carriage does not apply as we are not television broadcasters but television producers. That means also that the CRTC local improvement fund will not be applicable in our specific situation.

The loss of local broadcasting or local production of content for the aboriginal community could be severe. In the Yukon, where two aboriginal language groups split into eight dialects, the ability to hear our language in as many mediums as possible is of great benefit. It is only a decade ago that the indigenous language of the Yukon began to be written down. Our population is a fraction of the entire population of the Yukon—approximately 6,000 of first nations ancestry, out of the Yukon population of approximately 30,000 people. The role of local aboriginal broadcasting in the Yukon is critical to maintain the diversity of the voices in the territory and the aboriginal population in Canada.

In closing, let me say how much we appreciate this opportunity to be here before the standing committee to talk about the evolution of the television industry in Canada and its impact on local communities. Both Sophie and I will try to provide answers to any questions you may have.

Thank you.

• (1845)

The Chair: Thank you for that.

I'm going to entertain one short question from each group around the table.

Mr. Simms, you have a question.

• (1850)

Mr. Scott Simms: Yes, I do.

Thank you, Chair.

I want to thank all the guests, because one of the things we set out to do here is to get opinions from all aspects of the industry. Everyone keeps talking about the fact that we have a new business model that needs to be attended to, and the CRTC needs our advice as much as anybody else. So I appreciate all that you bring to this table. There were some incredibly good points brought up here today.

I understand the pressure that you have to try to get the right amount of revenue to keep your businesses afloat. This is one of the biggest challenges, obviously, to conventional television—and conventional radio too, Mr. Arnish. I can tell you're a big fan of radio. But it concerns me that you don't want to invest in conventional television anymore, for reasons that it's just not worth your while. Would that be correct?

Mr. Rick Arnish: I would say yes to that. But if the funding formulas the commission is talking about, the local programming improvement fund, were to come about, that may be able to rectify the situation in the small markets.

Mr. Scott Simms: I'm glad you said that.

Mr. Rick Arnish: But there's a distinct difference between what's going on in small market conventional television in Canada and what's going on with the large players that have small market stations.

Mr. Scott Simms: If there is to be an LPIF, which is for the sole purpose of...and let's keep the dollar figure out. We heard opinion on the \$60 million. Put that aside for a moment. Let's talk about the principle of providing a funding mechanism or a revenue stream for a certain market size.

I'd like to open this up to anybody, but before I do, I have one quick point. You may have an answer, Mr. Sterling and Mr. Neal, to your question about total CBC, no commercials, because in France they just did that.

Am I out of time again?

The Chair: You can finish your question.

Mr. Scott Simms: Recently in France, President Sarkozy said no more commercials and total content. So you may have an answer in a little while as to whether that works or not.

I just want to throw this out. The local fund that you can avail yourself of, how is that going to work for your station or your enterprise?

Mr. Rick Arnish: I'll be quick and let others jump in here.

It certainly will go a long way to allow us to continue to provide.... Collectively, our three stations do about 47.5 hours a week of local programming, as you heard in my presentation. And that, combined with the DTH small market local programming fund, goes a long way toward solidifying the future of those stations.

As I said in my presentation, right now the fact that national advertising—and to a degree, regional advertising—has really diminished over the last seven or eight years in particular has totally impacted small market television in this country. These funds would allow us, again, to continue to operate as a viable alternative to the national networks and the regional stations that come into our markets.

The Chair: Thank you.

Make a quick response if you'd like, Mr. Sterling.

Mr. Scott Sterling: In terms of the local fund, it is a stopgap measure, I think. We have only one source of revenue, which is advertising. The CBC has multiple sources of revenue, so does cable, and so does everyone else. So it would help in the interim with local production at this point. But I think it's just a stopgap. There should be some other mechanism, specifically...and we don't like to call it fee-for-carriage, we like to call it fee-for-programming. Our news has a copyright at the end of the news every night, and it's being taken and sold, and we're not compensated. So it's fee-for-programming, not fee-for-carriage.

The Chair: Thank you.

Ms. Lavallée, for a short question, please.

[*Translation*]

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

I would like to make a comment.

None of you has any services in Quebec. I note that to a certain degree, your concerns and problems are different from those of the Quebec television industry. I am astonished to hear that presenting Canadian content is a burden. In Quebec, this is not a burden, quite the contrary. The polls that Mr. Neal mentioned would be entirely different. Mr. Neal said that Canadians say that they want Canadian television, but they do not watch it.

In Quebec, the situation is entirely the opposite: our public is watching Quebec television. We love Quebec productions and we always want more of them. The audience ratings are very high, not only for private television, but also for Société Radio-Canada. I can tell you now that the Société Radio-Canada has huge importance. We, in Quebec, would not want to change it and we would not want to oblige it to broadcast only Canadian or only Quebec content. We want a varied content and we find that Radio-Canada is raising the general level of debate and information. We need Radio-Canada. To me, it seems simply impossible, unrealistic to deregulate and to ask Radio-Canada to present only Canadian content.

You said that you do not want any more regulations. I have some questions about this. For instance, Air Canada must offer service in French. It offers the service, but not sufficiently. However, I have never been able to speak to someone who speaks French at WestJet. I think that if television was deregulated, it would be all over, there would not be any Canadian content on television at all. In contrast, things would be different in Quebec.

Let me conclude—

• (1855)

[*English*]

The Chair: Madame Lavallée, it was going to be a short comment.

Mrs. Carole Lavallée: I just want to finish one sentence.

Thank you.

[*Translation*]

Moreover, television broadcasters are not only businessmen who are only interested in making a profit. They must have some social conscience and they must take social and general interest into account. Thank you.

[*English*]

The Chair: We'll go to Mr. Angus, and be short, please.

Mr. Charlie Angus: Thank you.

Mr. Allard, I think your presentation to us today is one of the strongest I've heard, and that's not with any disrespect to anyone else.

We have seen the BDUs come before us and tell us that they would never in a million years have any kind of conflict of interest as businessmen. They're in this, number one, to make money, but they are there to protect the public interest, because they receive all the talent and all the risk that's been taken by private entrepreneurs like you. Yet your allegations today are of a complete conflict of interest. Not only are they controlling the cable pipes, they're selling in direct competition with you, and they have their service agents selling their product over yours.

The question is, how can we have set up a situation in which the CRTC created such a protective market for these cable giants, and pampered them all the way through, and then is completely toothless when it comes to making sure that they are not engaged in anti-competitive practices against companies like yours? Could you explain to me what you see in terms of the need for monetary penalties to hold these guys in line?

Mr. Charles Allard: Ofcom and the FCC, obviously, initiate penalties on an ongoing basis throughout an annual year.

I have to go back and stress the fact that there was one light with Rogers, and that was Ted Rogers. After six months of not getting a subscriber report, after waiting six months, I went down to see somebody, and they said, well, we've cancelled the meeting. I tried to arrange a meeting with Ted, Nadir, and Phil. I sent them a letter saying that we're having trouble. Ted got back and said that he was a broadcaster and we'd have our HD—they didn't carry our HD to start with. I think we got it in three weeks.

Ted came from a broadcaster background, so he had the heart and soul of a broadcaster, and that's the only reason we got HD with Rogers, even though we had mandatory carriage.

I'm not sure about AMP penalties. Maybe Richard has a better idea.

Mr. Richard Paradis (Business Affairs and Government Relations, Allarco Entertainment Inc.): I think you have to remember that one of the reasons the government favoured cable development in the early years was to ensure that Canadians, in subscribing to cable to get the American services, would be watching Canadian services. Over the years, the cable industry has grown because of that. Canadian consumers, now at 95%, either get their television through cable services or DTH.

What happened was that a certain number of companies realized that this was a real money-maker, and that's why we now have six groups that control over 91% of what people are watching on television. It's gotten out of hand. Even though originally we had rules that were there to favour the development of cable, cable has grown into something so big that they're now selling Internet, cellular service, and phone service. It's those three services that have become the priority for them in terms of sales. Broadcasting has become of hardly any interest to them. The margins are probably not there anymore.

We have to remember that the Broadcasting Act was put in place to favour Canadian broadcasting and Canadian content. What has happened is that the BDUs now control access to Canadian services and are doing what they want with them in terms of whether they're going to be available to the market. In a case like ours, we have to fight with them to have their CSRs—the people who are answering the phones when you call for service—offer our service, when they're supposed to, by regulation. They're offering their own services before ours. So there's a huge problem there, and that's why we suggested to you changes that could be considered by you at a later time in terms of changes to the Broadcasting Act.

• (1900)

The Chair: Thank you.

I have a final question from Mrs. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): I want to be very brief, but I want to thank you all very much for being so patient. It's been a very long day. Please allow me to make a couple of comments and then ask a question.

[*Translation*]

I would like to speak to Mr. LaRose for a minute.

I welcome you. We appreciate your comments very much.

[*English*]

You said APTN is a success story. I want you to know that I'm very familiar with it, and I want to congratulate you for it.

You made a couple of comments I want to bring up again. In your dissertation, I've highlighted that you indicated the BDUs will aggressively market the fee—we're talking about the fee for carriage—as a tax on consumers. We have heard that before, and I underline it in your dissertation, because in northern communities and in our

aboriginal communities—as you pointed out very clearly, both aboriginal stations—cost is something that needs to be considered. These are communities sometimes affected largely by poverty and issues of poor economies. I bring this out again and want to reaffirm it because you mentioned it.

You also mentioned the made in Canada basic service package. I would like to know whether you could make this available to the committee. I take great interest in what you proposed to the CRTC in the past under that made in Canada basic service package and what the comments were that the CRTC made about the package you proposed. Can you clarify that for us or give us a few details about it?

Mr. Jean LaRose: What we had proposed to the CRTC was that, given the dynamic around the fee for carriage and all of the other issues being put forward, the new basic package be strictly a Canadian package, available at a lower rate, that could also possibly be used to provide subscriber fees not only for mandatory carriage but for all of the stations that would end up being carried under it. It would be inclusive, probably, of the local stations, but of the Canadian networks as well. That would be the basic package.

Right now we've seen the basic service being diluted by a mass of other services offered on it that clearly work against the Canadian broadcasting industry. If you have a package of American and a package of other services thrown in as well, as part of a basic package that has grown to anywhere from \$40 to \$50 as a basic fee, I think it's out of reach for a lot of people. For remote communities, such a fee, for communities living at the subsistence level, is probably something totally out of their reach.

I don't recall exactly what the comments of the CRTC were. I'd have to get back to you on that. Certainly, we had proposed this and are proposing it again, because we strongly believe it would be the way to ensure, in support of the Broadcasting Act, which is meant to support the broadcasting industry in Canada, that Canadian services be first and foremost on the basic service and that anything else be *à la carte*. You buy the other services you want, but your basic would have to be Canadian services.

Mrs. Shelly Glover: Just very quickly, could you provide a copy of the package you submitted before?

Mr. Jean LaRose: Yes, I will. I will get it to the chair.

The Chair: Send it through my clerk.

Mrs. Shelly Glover: That would be wonderful. Excellent.

One last thing you mentioned, and bless you for mentioning it, was our Olympics and Paralympics and the fact that you are going to be presenting them in English, French, and eight aboriginal languages. I commend you for that. I'm hopeful that programming will also be available up in our northern communities through your television station. So I would like to know, are you going to be able to do this, given that you've lost seven people—I think that's what you said—to the transfer from analog to digital? Are you going to encounter some problems with that, given your now reduced number of employees?

•(1905)

Ms. Sophie Green (General Manager, Northern Native Broadcasting, Yukon): Actually, we're hoping our past employees will take advantage of the employment opportunities. They have been calling for lots of camera people, and we have employed and trained lots of people in that industry, so they would fit in on that end of it. We are also selecting our linguists to begin the training, along with APTN, for the aboriginal translations back to our communities.

Mrs. Shelly Glover: Fantastic. *Meegwetch.* Very good. Thank you.

The Chair: Thank you very much. Your presentations were great. We should have had a meeting with each group of presenters here today. We should have had more time, but we have a short timeframe within which to work.

Thank you very much for coming.

The meeting is adjourned.

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