



House of Commons
CANADA

Standing Committee on Canadian Heritage

CHPC • NUMBER 019 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Wednesday, May 6, 2009

—
Chair

Mr. Gary Schellenberger

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Canadian Heritage

Wednesday, May 6, 2009

• (1530)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): I call the meeting to order.

Good afternoon, everyone. Welcome to meeting 19 of the Standing Committee on Canadian Heritage. We are dealing with the evolution of the television industry in Canada and its impact on local communities.

This session we have four groups presenting. We've had quite a few presenters as we've gone forward. I'm going to ask everyone to please keep their opening remarks to ten minutes. We will then have one round of questioning after the presentation. We've had some presenters who, when we've said that, have gone on for 15 and sometimes almost 20 minutes.

We do have a vote later on today, so we'll start with the Documentary Network, please.

[Translation]

Mr. Jean-Pierre Gariépy (Executive Director, Documentary Network): Good afternoon. My name is Jean-Pierre Gariépy. I am Executive Director of the Documentary Network.

The Documentary Network aims to ensure that documentary plays its rightful role in the defence of democracy, tolerance and open-mindedness. It encourages speaking out and public debates sparked by films that tackle the issues, aspirations and values of society. The Network works to improve the conditions that enable documentary creation, production and distribution.

The Documentary Network has 14 associative members. I won't name them all. I will name the television networks that belong to our organization. They are Télé Astral, the Canadian Broadcasting Corporation, Société Radio-Canada and Télé-Québec.

At the Documentary Network, we feel that the documentary genre is a perfectly natural ally in the development of local television. For technological reasons, documentary has always been ahead of its time. It is perfectly adapted to today's digital technology. It is an extremely accessible and economical genre for the majority of the public.

Now I'll address the issues you've raised in points a, b, c and d in your committee's mandate. That's why I've started with the first. The second point concerns financial pressures on local and Canadian programming.

The documentary genre is traditionally produced in an economical manner and so as to be locally accessible. It is a genre that is

conducive to social cohesiveness in all Canadian communities. It enables people to know themselves and to talk to each other locally. Today's local television stations don't have access to enough production and direction funding. So if you defend documentary at the government level, if Canadians recognize documentary as a fundamental cultural genre—which is also recognized by the Canadian Television Fund but no longer by the Canada Media Fund—if it is defended to decision-makers and all bodies, we are convinced that local television will have a future that will be useful to the entire population.

Now I will introduce my colleague Sylvie Van Brabant, producer and director from Productions du Rapide-Blanc, who will continue the presentation. Thank you.

Madam Sylvie Van Brabant (Producer, Documentary Network): Ladies and gentlemen, I am passionate about documentary film. I defend the cinema of the real, mine and that of my brothers and sisters from Quebec and Canada, from coast to coast.

Our kind of documentary film enables viewers to reflect, and question appearances, prejudices and injustices, but especially to glimpse pieces of our humanity, those that bind us regardless of our colour, language or religion. That humanity stems from our immense diversity, but also from our singularity, as a result of which documentary filmmakers at times manage to create universal stories that can touch Africans as well as Europeans.

Documentary film enables us to give a voice to visionaries, scientists, artists and famous people, but also to those who are excluded, marginal, without a voice, to the Saskatchewan farmer abused by Monsanto, to the fisherman from Nova Scotia weeping for the sea and his family boat because the cod is gone, to the lost street kid who spits out his pain and to the disabled youth who overcomes a missing chromosome to stun us with his magnificent drawing and smile.

Documentary, when we take the time to do it, enables us to reveal the transformation in living beings: to see the street kid turn his life around, to hear the clear mind of the farmer and fisherman, and so on. Viewers can also imagine their own transformation, the possibility of changing the course of things, of putting an end to barbarism and hailing the emergence of a just society that respects life.

This kind of documentary, which stems from an exemplary tradition, that of the NFB, is now under threat. A political-economic system appears to want to promote only the viewer side, what I would call entertainment. To do what exactly? To compete with the United States or to fill the addicts' pockets with money that seems to flow in the early years of the 21st century? To give consumer citizens bread and circuses, to clear their minds of their stressed lives, to put them to sleep in order to sell them more Coca-Cola, fattening snacks and useless objects?

Ladies and gentlemen, I hope you recognize your role in the evolution of the society of tomorrow. The present government has already signed the death warrant of one of the building blocks of independent documentary film, the CIFVF, the Canadian Independent Film and Video Fund. That fund made it possible to produce works of quality that were screened in colleges, church basements, NGO meeting rooms and so on, and just as easily in the comfort of our living rooms, in front of the television. These are films that enable us to evolve as individuals and as a society.

Please don't put the last nail in the casket of independent documentary production. A number of producer-directors are rightly concerned that independent production may disappear in Canada.

Thank you.

•(1535)

[English]

The Chair: Thank you very much.

Now we go to the Documentary Organization of Canada, please.

[Translation]

Ms. Lisa Fitzgibbons (General Director, Documentary Organization of Canada): Mr. Chairman, committee members, thank you for your invitation. My name is Liza Fitzgibbons, General Director of the Documentary Organization of Canada. My colleague is Daniel Margetic, President of the Performance Committee and one of the many volunteers DOC relies on to convey our association's positions on issues concerning our industry.

DOC is the collective voice of independent documentary filmmakers across Canada. It is directed by its members and supports the promotion and development of the art of documentary. DOC represents the producers, directors and crafts people who work in a type of priority program, largely under-represented and under-funded in the private sector of conventional broadcasting. As our presentation will show, there has been a serious decline in the screening of documentary films on conventional television networks.

[English]

Mr. Daniel Margetic (President, Performance Committee, Documentary Organization of Canada): Documentaries represent an important part of Canada's national fabric. They are one of our most successful forums of cultural expression, celebrated internationally, and they are extremely popular with audiences domestically. Indeed, across the various art forms the documentary genre stands out as being distinctly Canadian and complements local news and current events programming. Where news reports, documentaries probe and enlighten. Instead of presenting current events, documentaries explore the currents under the events. Documentaries multiply the voices of diverse, hidden, distant, and at times

marginalized communities and connects them to the rest of our nation visually and socially.

It is our opinion that this entire industry that has found a way to flourish within a complex business and regulatory environment would be threatened should wide-reaching regulatory changes be made under the threat of an economic downturn. It's DOC's view that although sharp, this economic downturn is temporary, which is why we urge the committee to carefully consider and weigh any measures currently proposed by all the parties, as they have the potential to dramatically impact the entire sector for years to come.

While the broadcasters have stated that their industry is in decline, it is important to point out that the overall revenue trend over the last five years, from 2004 to 2008, is a positive one. With overall revenues rising by 3.49% and total revenue from advertising rising by 2.37%, we acknowledge that during the same period the broadcasters' profits went from \$111 million in 2004 to losses of \$96.4 million in 2008, a total profit decline of \$207 million. It must be noted, however, that during that period of time, broadcasters' annual spending on foreign programming has gone up by a similar amount, \$200 million.

In response to this decline, broadcasters have requested fee-for-carriage. We find the fee-for-carriage proposal to have some merit; however, such a proposal would only be effective if it was coupled with expenditure requirements that would preclude broadcasters from simply injecting more money into foreign markets, as opposed to investing it in Canadian programming.

Several witnesses have brought up the fact that while their conventional stations are experiencing difficulties, the broadcasters are still showing strong and increasing revenues from their specialty channels. Through the course of their presentations, broadcasters have opposed any suggestion that their corporate groups should be considered as a single entity and have insisted that each of their channels should be treated as a separate business. This stands in stark contrast to their position when dealing with independent producers. When a broadcaster commissions a program for their main network, they insist this entitles them to the rights to show it on all of their specialty channels, for no additional compensation to the producer. The reason they give for this is they are treating all of their media properties as a single entity.

Broadcasters have stated to this committee that they need some small changes in regulations to make them profitable again. But what are those small changes, and how will they impact Canadians and other segments of the industry? In short, what the broadcasters are asking from the CRTC is a reduction in Canadian-content programming; a reduction in local programming; complete removal of priority program requirements, meaning the complete removal of requirements to show high-quality Canadian drama, comedy, and documentaries; and removal of requirements to source programs from independent producers.

The characterization of independent production as a financial burden on the conventional broadcasters is of particular concern to us. For the last ten years, independent production has steadily represented only 10% of broadcasters' total program and expenditures. In 2008 foreign programming represented 52% of their total expenditures. While their spending on foreign programming has increased by 35% over those five years, the increase on independently produced Canadian programming has only increased by 16%.

Most disconcertingly, this modest spending increase on independent Canadian programming has not filtered down equitably through the different genres, nor has it been applied evenly throughout the country. The spending on Canadian documentaries, independent or otherwise, has fallen on the main networks, while the spending on broadcaster-affiliated productions in our programming category group has increased by 64%.

In two regions the decrease in independent documentary production has been particularly alarming. In the Atlantic region local independent category 2 through 5 production, which includes documentaries, has dropped by 48% over the last five years.

• (1540)

The situation is also drastic in Quebec, where independent production has dropped by 36%. At the same time, spending on affiliated programming in Quebec has increased by 54% and the spending on foreign programming has increased by 45%.

With those numbers in mind, documentary filmmakers are particularly concerned about the recent announcement of the rebranding and amalgamation of the Canadian Television Fund and the Canada New Media Fund into the Canada Media Fund.

Speaking before this committee, Minister Moore stated that the response regarding the announced fund has been overwhelmingly positive. Unfortunately, that has not been the experience in our community. Although we welcome and support government's continued commitment to Canadian production, we fear that the new fund may have a particularly negative impact on independent Canadian documentaries for the following reasons.

First, based on the announcement issued by Canadian Heritage, the fund will put priority on drama, comedy, and children's programming while making no commitments to sustaining funding for documentaries.

Second, the fund will expand access to broadcaster-affiliated productions, and for the first time allow broadcasters to access financing for in-house productions. This is particularly disconcerting to DOC because, as we have just shown, spending on in-house and affiliated productions for documentaries has risen sharply, while the spending on independently produced documentaries has decreased. We fear the CMF will only further deepen this trend.

Third, the CTF has committed funds to preserving and stimulating regional independent production, particularly in Quebec and the Atlantic regions, which had experienced significant declines. So far there have been no commitments that the new fund will continue the investment in the regions that need it most.

Lastly, and most importantly, we are concerned about the proposed governance of the CMF. The Department of Canadian Heritage announced that the cable companies will be nominating five of the seven board members. The majority of these cable companies are also affiliated with—or own, in part or in full—various Canadian broadcasters. These are the same broadcasters who will be able to profit from accessing the new fund. We understand that the Department of Canadian Heritage is committed to ensuring that the board of the CMF will be independent. But in a situation where beneficiaries of the fund are appointing the majority of the board, a conflict of interest may be inescapable.

In conclusion, the regulatory concessions proposed by the broadcasters could have a severe impact, not just on the documentary genre, but on all independent production as well as important local programming. The result will be further job losses in the already affected regions and across the country. Most importantly, it will leave many of our fellow citizens without a voice and ultimately leave us all poorer as a culture and as a nation.

Thank you again. We look forward to your questions.

• (1545)

The Chair: Thank you.

Next is the Société des Auteurs de Radio, Télévision et Cinéma.

[*Translation*]

Mr. Yves Légaré (Director General, Société des auteurs de radio, télévision et cinéma): Thank you.

My name is Yves Légaré, Director General of the Société des auteurs de radio, télévision et cinéma, SARTEC, which is a recognized union under both provincial and federal law on the status of the artist and which represents 1,250 members in the audiovisual sector.

SARTEC is a signatory to collective agreements with the Association des producteurs de films et de télévision du Québec, CBC/Radio-Canada, TVA, the National Film Board of Canada, TQS, Télé-Québec, TFO and TV5.

Our writers write feature films, fictional series, youth features, television dramas, variety programs and documentaries that are broadcast by general interest television networks and specialty channels. They are produced by both the broadcasters and independent producers.

My comments will of course focus solely on the francophone market; I'll leave it to my colleagues from the Writers Guild of Canada to comment on the anglophone market.

The current economic crisis will of course have a negative impact on broadcasters' advertising revenues, particularly since a number of major advertisers are among the hardest hit. The current problems of the television industry do not stem solely from the economic crisis—they have been perceptible for a long time—just as they are not limited to Quebec or local television alone.

With regard to local television in Quebec, in most markets, local programming consists almost solely of information, and has for a long time. Can it be said that local television adequately reflects the activities of a region and that the regions are represented on the network as a whole. Not really. Ideally, local television programming should not be limited to news bulletins or to specific events, but should highlight the region's talent and make it accessible to the francophone population as a whole. That is rarely the case, and that's not new. In the 1990s, we, like others, criticized the termination of certain types of production in the regions by both Radio-Canada and Télé-Québec. Apart from the production of certain French-language projects outside Quebec, such as *Francoeur* or *Belle-Baie*, and apart from the production of certain documentaries outside Quebec and occasional variety programs, local production is always limited to information.

While local programming is not as rich as it should be, generally programming on French-language television has also undergone significant changes in recent years.

In March 1995, at a public hearing before the CRTC, all the partners in the francophone broadcasting system, including Radio-Canada, TVA, TQS, the producers and the unions, proudly stated that the francophone system differed not only in the number of services provided, but by its ability to produce programs that more accurately reflected the reality of its audience.

At the time, 47 of the 50 most watched programs on the francophone networks had been produced in Quebec. Of those programs, the so-called priority programs, particularly the dramas, held enviable positions. Again at the turn of the century, nine of the top 10 programs in the ratings were Quebec dramatic series. In 2005, only three dramas ranked in the top 10, and only one in November 2008.

The supply of television programming has changed, reality TV is increasingly on offer, and American programs and formats, which previously had trouble ranking in the top 50, are increasingly featured on our television screens.

Despite its past successes, Quebec television is thus witnessing a rise in various disturbing trends since early in this decade, and local programming does not appear to be the only segment suffering.

Of course, the audiovisual landscape has vastly changed in recent years: there's been an increase in the number of specialty and pay television services, and francophone audiences have migrated to those new services. This has made for more diversified television offerings and resulted in increased production in certain niches such as documentary series, for example. The fact remains that fragmentation of the market and, subsequently, of advertising revenues, has harmed the performance of general interest broadcasters. However, these broadcasters have always been the cornerstone of our broadcasting system, being the main trigger of original national content.

Long before the economic crisis, funding issues were already pressing in the sector and influenced the supply of television programming. One need only think of what some called high-cost series, where the main broadcasters stopped programming big budget series, or of the problems at TQS. And scarcely four years

ago, in 2005, SARTEC and the Union des artistes criticized the decline in youth and animation series in Quebec.

The decline of general interest broadcasters is not the only problem. The CRTC's 1999 television policy, by relaxing the rules for priority programs, definitely had a negative impact. Similarly, the development of new platforms created by new technologies favoured certain types of programming, such as reality TV, which could broadcast excerpts on a number of platforms, whether it be for pay use, CDs, magazines, variety programs that were available in both broadcasters' reviews and on other platforms.

● (1550)

The past successes of the francophone broadcasting system are not necessarily a guarantee of the future of our television industry. Those successes were supported by adequate funding and an adequate regulatory framework. Even before the economic crisis, intervention already seemed necessary to ensure the survival of national content. Thus, to restore a certain balance in the system, we have long supported the idea of allocating subscriber fees to general interest broadcasters to the extent that regulatory requirements regarding priority programs guaranteed high-quality national content.

Similarly, rather than a softening of the regulatory framework, we argued in favour of raising requirements regarding priority programs for specialty channels whose profit margins are particularly high. We also expressed the wish that the CRTC would gradually start regulating the new media with respect to their broadcasting operations because, to repeat on all platforms the successes we had in television, we must acquire the resources and use the tools that have served us so well to date.

Would granting subscriber fees to general interest broadcasters solve all the problems? Surely not, but the funding already in place can also be used to guarantee adequate national content. On the one hand, with regard to local programming, the establishment of the Local Programming Improvement Fund through the addition of 1% of revenues from cable and broadcasting undertakings, will no doubt help improve the situation, but, here again, we are waiting for the CRTC rules to see what impact that will have.

With regard to priority programs, if continued government investment in the New Media Fund has proven to be good news, the fact that the new governance rules are making so much room for the cable companies, and the terms and rules of the fund are not yet established, creates great concern and uncertainty.

Will public policy and cultural interests be properly considered by a fund governed mainly by private funding organizations? What will be the impact of the importance attached to the measures regarding hearings? On educational and public television networks such as Télé-Québec, TFO and Radio-Canada? What will be the combined effect on Radio-Canada's programming of the cancellation of its reserved budget for the New Media Fund and of the recently announced budget cuts?

In conclusion, for a number of years now, our anglophone colleagues have rightly been concerned about the future of their television. In the francophone market, we have always publicized our successes. However, we can now only observe that we have been declining for a few years. Current trends are troubling. The francophone market should be considered separately and the necessary measures should be adopted to continue its success.

Thank you.

[English]

The Chair: Thank you very much.

The last presenter in this round is from the Writers Guild of Canada. Welcome.

•(1555)

Ms. Maureen Parker (Executive Director, Writers Guild of Canada): Thank you.

Good afternoon, all. My name is Maureen Parker and I am the executive director of the Writers Guild of Canada. Here with me today is Rebecca Schechter, president of the Writers Guild and an award-winning screen writer.

The Writers Guild of Canada is the national association representing 2,000 professional screen writers working in English-language film, television, radio, and digital production in Canada. We welcome this opportunity to appear before the Standing Committee on Canadian Heritage in this review, and we thank you for the invitation.

We have all heard the cable companies and the broadcasters lobby this government. A public hearing at this committee provides small organizations such as ourselves with the opportunity to be heard on these issues, and we thank you.

We are puzzled by the conflicting information being presented to this committee about the health of our industry. Are we in the middle of a short-term economic crisis, suffering from a long-term structural failure, or maybe both? From our view, Canadian broadcasting is healthy.

In 2008, \$2 billion was spent on Canadian television production, which created 58,000 direct jobs. These were highly skilled jobs based in the knowledge economy. Most of these productions engaged WGC members to write drama series, documentaries, variety, and other Canadian television programs.

Private conventional broadcasters earned revenues of over \$2 billion in 2008. Specialty broadcasters earned a combined ad-and-subscriber revenue of \$2.9 billion. Cable and satellite companies had revenues of \$8.2 billion. Until this year, all elements of the Canadian broadcasting system were forecasting growth. Now, due to the global recession, ad revenues are threatened and broadcasters are facing losses—and so are we all.

Ms. Rebecca Schechter (President, Writers Guild of Canada): Conventional broadcasters are looking for solutions to the difficulties they find themselves in. We are here to say that Parliament should ensure that regardless of the need for a short-term fix or a long-term solution, Canadian programming should not be sacrificed to pay for it. Canadians want Canadian programming. A

Harris-Decima poll conducted last year showed that 78% of Canadians feel it's important to them to have a choice of television programs that reflect Canadian society, values, and perspectives. Audience numbers show that when high-quality Canadian drama is on the air, audiences watch it in droves. This has been proven by series like *Corner Gas* and *Flashpoint* and by movies of the week such as *Mayerthorpe* and *One Dead Indian*.

Then why can't the market support the production costs of these programs? Why do we need regulation? Canada is a small market, divided even further into English and French, sitting next to the largest cultural exporter in the world. While every country in the world except the U.S. and India needs cultural protections, we are uniquely challenged by that proximity. Our television industry needs protection and subsidies if it is going to survive and thrive. That is why the Broadcasting Act was enacted and the CRTC was created: to ensure that Canadians can watch Canadian programming on their airwaves. Regulation is essential because broadcasters have demonstrated time and time again that their primary objective is profit. We want Canadian broadcasters to thrive as long as they remember they also exist to provide a public good: a Canadian broadcasting system.

Recently, local broadcasting has been hard-hit with station closures and job losses so this committee has made that a focus. But we ask you to remember that the Canadian broadcasting system is complex, with many interrelated components. Legislators and regulators cannot just look at one component and try to fix it without looking at the impact of those decisions on the other components. The broadcasters themselves have tied various elements together by saying reducing the costs of local programming, priority programming, and independent production could, together, solve their problems.

As you consider granting the broadcasters the relief they are asking for, bear in mind that Canadian broadcasters already have a number of lucrative benefits unavailable to U.S. broadcasters, such as mandatory carriage, simultaneous substitution, advertising deductibility under section 19.1 of the Income Tax Act, and program production costs subsidized by tax credits and the CTF licence fee program. Yet still they complain and ask for more concessions.

What will the end result be if the broadcasters are given all the concessions they ask for? Will we be able to tell the difference between Canadian and American broadcasters? We fear not. And if that is the case, why should we license Canadian broadcasters? Why don't we just allow the U.S. broadcasters free access to our airwaves with Canadian content conditions? This may sound like a radical solution, but a Canadian broadcaster is obligated, under the Broadcasting Act, and I quote, "to provide, through its programming, a public service essential to the maintenance and enhancement of national identity and cultural sovereignty". If the broadcasters won't do that, maybe NBC or CBS will.

Prior to the CRTC's 1999 over-the-air policy, broadcasters had conditions of licence related to both expenditure and exhibition of underserved categories of Canadian programming, namely drama. That regulation created the thriving Canadian television industry with high audience numbers. Then, broadcasters demanded flexibility and the CRTC lifted expenditure requirements in favour of priority programming exhibition requirements. The results were devastating. Spending on Canadian drama plummeted from 5% of ad revenue in 1999 to a low of 2% in 2007, and that included the required spending from their benefits packages. In 1999 there were 186 hours of 10-point Canadian one-hour dramas on the air, by 2008 there were only 119.

Priority programming regulation affected both the amount spent on Canadian drama and the number of hours of drama produced. Why? Because instead of expensive, high-quality drama, they could now fill their hours with low-budget dramas like *Train 48* and low-cost entertainment magazine shows. Today broadcasters are asking for even more flexibility in ways that would take the Canadian broadcasting system back decades, to the seventies, when Global and Baton made promises to license Canadian programming that they did not keep, forcing the CRTC to impose conditions of licence.

• (1600)

The public record demonstrates that Canadian broadcasters will only support Canadian programming, whether it is local or drama or priority programming, if they are required to do so.

Maureen.

Ms. Maureen Parker: Historically the CRTC has protected the cultural interests of Canadians. They have done this even though they have been hampered by an inability to effectively enforce their own regulations. At the CRTC hearing, we've heard that several broadcasters are not in compliance with a number of the regulatory obligations, from hours of news to hours of Canadian content. Lack of compliance appears to go on year after year in some cases.

The CRTC asks stakeholders to assist by filing complaints. The WGC has done so on two occasions, with non-compliance by several broadcasters in the entertainment magazine show category, and we also filed a complaint regarding a specialty service contravening its nature of service definition. In both cases it took more than a year to resolve the issue, with letters back and forth before the commission was able to encourage the broadcasters to comply.

As a union, we know that rules are only respected if they can be enforced. That's why we think that the Broadcasting Act needs to be amended to provide the CRTC with a full range of tools to enforce compliance. The CRTC needs to be able to administer fines and other non-financial penalties on broadcasters so that they can ensure the integrity of the broadcasting system in a timely manner.

The penalties should fit the crime. Broadcasters seem to be spending less and less on Canadian programming so they can spend more and more on American programming. But let's be clear here: the problem isn't foreign news or foreign information programming, the real problem is broadcasters competing to get the latest big-budget drama from Hollywood. Last year English language private broadcasters spent \$490 million on foreign drama but only \$54 million on Canadian drama. It must be noted that the excessive spend has not been a slow creep over time. It was an explosion that

happened three years ago, in 2006, after consolidation gave certain broadcasters deep enough pockets to try to outbid each other in Hollywood.

But broadcasters keep telling you that they need to spend more and more on U.S. programming because they need to subsidize Canadian programming. In fact, they say that Canadian programming cannot and will never make them money. We disagree. Tomorrow morning, along with our colleagues at the CFTPA, ACTRA, and the DGC, we will be releasing a new study by Nordicity entitled *Analysis of the Economics of Canadian Television Programming*, and we will be pleased to provide this committee with copies as soon as it's available. The bottom line of the report is that Canadian drama may not earn broadcasters as much as American drama does, but committing to Canadian drama is not the financial burden the broadcasters make it out to be. The increasingly excessive expenditure on foreign programming isn't necessary to cover the cost of Canadian programming.

Tomorrow we will be asking the CRTC to proceed with one-year administrative renewals, followed by a policy hearing for the more complex issues, and then group licensing renewal in a manageable way so that small stakeholders such as ourselves, SARTEC, DOC, and DOC Network can participate in a fair and meaningful fashion.

The Canadian broadcasting system needs policy changes from both the CRTC and Parliament. We would like to share with you the simple policy changes that could be implemented by the CRTC. We will be asking them to remove incrementality from the LPIF and advance the distance signal regime, both in favour of a clear commitment from broadcasters to spend that revenue on Canadian programming.

I'm sorry, I'm almost done. It's the summary.

In subsequent hearings our priorities for structural change will be some kind of expenditure requirement for Canadian programming, no weakening of priority programming definitions, and maintaining independent production quotas and access to funding. We look to this committee and Parliament to look after the legislative end of the framework that upholds the Canadian broadcasting system. We have a couple of recommendations that I'll read very quickly.

First, we urge the committee to recommend to the government that the Broadcasting Act be amended to give the CRTC the power to impose financial and other non-financial penalties.

Second, relax restrictions on pharmaceutical advertising, to bring more revenue into the system.

Third, support the CRTC chair's recommendation that government eliminate part II fees.

Fourth, for digital transition, government could pay to subsidize the cost of extending digital television service to smaller, under-served communities.

Fifth, ensure that the CBC receives the same concessions that the private conventional broadcasters receive.

And that's it. Thank you very much.

• (1605)

We would be pleased to take any questions.

The Chair: Thank you.

A couple turned into five. I saw that.

Ms. Maureen Parker: Did it? I'm sorry.

The Chair: You can thank some of the other people for making their presentations a little shorter.

Mr. Rodriguez, ask your first question, please.

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

I ask that you interrupt me after five minutes and be very strict with me and all my colleagues, so we can maximize our questions.

The Chair: I will.

Mr. Pablo Rodriguez: Thank you very much.

The Chair: I'll be tough.

Mr. Pablo Rodriguez: Yes, please be tough.

[Translation]

Good afternoon, everyone. Welcome and thank you for being here.

First I would like to speak to the documentary people. Does the disappearance of the Canadian Independent Film and Video Fund mean the loss of a major revenue source for you?

Madam Sylvie Van Brabant: It was a small fund, but it was important for starting up projects, especially community projects. We were required to do educational, community marketing. So these were films that went to groups, etc. Without those funds, a number of films in my company would never have been produced.

Mr. Pablo Rodriguez: That fund amounted to \$1.5 million in total. As you say, it wasn't a very large amount, but it was useful.

Mr. Gariépy.

Mr. Jean-Pierre Gariépy: For the industry, for the business, the CIFVF was a talent and production incubator. It was a very economical fund relative to its needs, but it produced major results, starting with Jean Lemire, who made his first film thanks to the CIFVF, etc. As regards local television, this is a fund that made a major contribution to the making of high-quality works.

Mr. Pablo Rodriguez: I agree with you that it should be reinstated.

Ms. Lisa Fitzgibbons: The fund was a catalyst that would enable documentary filmmaking to find a financial model that was not that of television, which is essential.

Mr. Pablo Rodriguez: Do you see anything on the horizon that would offset the loss of that fund? Absolutely nothing. All right.

I'm still speaking to the documentary representatives. You had a number of criticisms of the Canada Media Fund, particularly as regards governance. Do you have any recommendations to make?

Mr. Jean-Pierre Gariépy: With respect to governance, I have no specific recommendation, since we don't yet know all the details of the process. We know that five members will be appointed by the distributors and that two will be appointed by Canadian Heritage. We'll obviously take part in all the consultations. We criticized the Canadian Television Fund for having conflicts of interest in its governance. From what I hear and what I see coming, there is serious conflict of interest potential.

• (1610)

Mr. Pablo Rodriguez: Thank you.

[English]

Mr. Daniel Margetic: It may bring up a point, we do think that if the government is truly committed to a fund that has an independent board, then that board should be composed of completely independent members. That means that people who sit on the board and decide how the funding is appropriated and apportioned cannot also, at the same time, financially benefit from that fund.

[Translation]

Mr. Pablo Rodriguez: In a study that focuses more specifically on the future of television, which is a very broad question... I'm pleased to see you here because this gets us out of the conventional debate between television networks, general interest or specialty, and the cable companies. It's very interesting to hear another point of view. What recommendations could this committee, which is looking at the future of television, make to assist the documentary sector and creators?

Mr. Gariépy.

Mr. Jean-Pierre Gariépy: Ratings are the number one fear of the entire industry. If a ratings weighting system is not introduced, we'll be heading toward a stifling of local creation. Yes, ratings are essential, the industry has to operate and reach the public, and it does so very well. However, certain genres, such as children's television, documentaries and certain arts and culture programs, can't fall within the ratings evaluation model. It's impossible. Those genres can't compete with general public programming, which is also of high quality. We need a weighting system that compares apples with apples.

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

Ms. Parker.

[English]

Ms. Maureen Parker: Thank you for asking that question.

During the rushy part of my presentation—because I was over my time—we listed our recommendations. We tried to specifically look at what this committee could do, as legislators. We understand that you do not have the powers of the CRTC, but we certainly think there are things you can do, such as ensure the CRTC has the teeth and the ability to enforce Canadian-content provisions.

And if local is truly the problem—if you decide in your wisdom that is the issue—then there are things within our recommendations and things others have said that can address the lack of funding for local programming. We just think regulation is important and we should be focusing on Canadian content rather than on quick fixes for broadcasters.

The Chair: Thank you.

Madame Lavallée, please.

[*Translation*]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you very much. I am very pleased to see you. This is a change from the debate of the broadcasters who are short of money and the cable companies that have it but don't want to share it.

We're very pleased to see you, to see crafts people, creators, producers and directors, who are content people and, I imagine, thinking people. In that connection, one of the goals of our committee is to examine the evolution of the television industry and local television. I hope you will help us reflect on that. I'm going to ask you a series of questions. I'll toss them out and the bravest among you will answer them. Then the others can write or telephone me; I'll give you my telephone number.

I think the thoughts I'm hearing here are extremely important because the broadcasters currently have indirect control over our cultural development. That's also the case of the cable companies, and when I say cable companies, I'm also talking about satellite broadcasting. They have indirect control through the choices they offer people. I find that extremely important.

Since the general interest television networks lack money, I wonder whether general interest television is here to stay. Is reality TV here for good or is it just a passing trend? Is the position that CBC and Radio-Canada were to occupy, as defined in our report from last year, still the right one? Is it realistic to think of local programming apart from information? Do you really think it's possible to engage in local television that isn't just information? Despite all the financial means and money in the system, broadcasters are having trouble producing two news bulletins a day, and Radio-Canada has just cancelled some, as a result of which there are only two left.

Does the CRTC have to intervene in all that? Do we need a softening of the rules, a toughening of the rules or a change in the CRTC's mandate? Those are very broad questions that I'm considering.

Go ahead, Mr. Légaré; you seem to be so brave.

•(1615)

Mr. Yves Légaré: Your question is very broad indeed. First of all, I think that general interest television networks, which most often

have created priority programs, are now competing with the specialty channels, and they have fewer and fewer resources.

The financial issue under study could be resolved by allocating subscriber fees to those general interest television networks, but the regulatory issue may also be very important. TVA, for example, doesn't have any financial problems right now, but it produces reality TV programs, variety programs and so on. As a result of the regulatory flexibility, broadcasters, particularly those that don't have a public mandate, will opt to increase their profits, if only for the benefit of their shareholders, and that's normal. If they can produce less costly programs that have good ratings, they'll opt for those programs. So the regulatory framework has to take into account the importance of certain programs and require those programs to be broadcast. The specialty channels have been in a good position for a number of years. They are making a lot of money, in some cases, and their regulatory obligations are not demanding enough given their revenues. They may not be as solid as a general interest network that has a 30% market share, but, even with their current market share, they could increase their television offerings. More should be required as soon as profit margins reach a certain threshold.

Mrs. Carole Lavallée: I have another question—

[*English*]

Ms. Maureen Parker: Can I just jump in on the question of conventional TV, Madame Lavallée?

It's an interesting question, whether it will survive. We think it's really important to look at the broadcasting industry in sectors. Conventional television is mass market programming. It is big budget, big drama, and it's looking to attract big audiences. It is not the same as specialty channels. Specialty channels offer Canadians—as they do in the U.S. system as well—niche programming, or programs specific to their terms of service. So conventional television will always have a role, but it has to be true to its role, and it has to offer those mass market types of programs that will draw those sorts of eyeballs.

Will advertising change? Will the ad business change? Yes, it will, and I think we're looking at that now. I know that many of us now watch programs on our PVR. I think the advertising world will change. Perhaps it will move to a sponsorship model, and maybe ads will be embedded, but there will always be some form of conventional TV.

I think the CRTC is a smart organization. It looked ahead and could see the changing broadcasting industry and decided to approve consolidation, with both specialty and conventional broadcasting, to allow these broadcasting entities to balance out their interests.

Finally, in terms of flexibility, they have it in spades with the priority programming definition. They can make it in the regions, and they can make low-budget entertainment magazines. There is flexibility in the system already. In fact, our point is that they've gone too far the other way.

Thank you.

The Chair: Mr. Angus, please.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you for your excellent presentations, everyone. I only have five minutes, and I'm sorry I'm not going to be able to get to the issues.

I often wonder if I have the wrong TV set, because I've heard time and time again that Canadian content is this terrible basket case, this burden that the broadcasters have to carry around with this heavy chain because of their moral rectitude.

When I watch TV at night, I watch the great American news television and I'm seeing peeper porn on Thursday nights at 8 p.m., I see serial killers every night of the week, I'm seeing circus news, and then I end up watching Stroumbouloupoulos, or *This Hour Has 22 Minutes*, or some of the great variety shows we get on our French service out of Quebec, and I keep thinking, what's the problem here?

Is it true...? We've been told they have to have all this American programming, that not only is it better, but it has to sustain all the substandard Canadian product. Do they sell Canadian shows to advertisers at a discount, and are there any Canadian shows they will put into a prime-time slot?

• (1620)

Ms. Maureen Parker: We did examine this in our study. Yes. In fact, right off the top Canadian shows are discounted; their ad sales are discounted. There's something called the Canadian discount. So that is right off the top.

I think the interesting thing—and we're waiting for a final draft of the study, but when it's ready we will distribute it—that I learned is that ad rates fall substantially on Friday and Saturday nights. So if you air your program on a Friday or Saturday night, the ad rates are lower. It makes sense: there are fewer eyeballs. Because there are fewer people watching TV, you will make less money.

I guess the point is that broadcasters make a decision when they program Canadian shows, when they put them in off-prime or on Friday or Saturday nights, which we call shoulder periods, or they put them on in the summer when there are fewer people watching. So you make those decisions.

Everyone in this room knows that the best hours for watching TV are Sunday to Thursday, 8 p.m. to 11 p.m. That's prime time. It's very disheartening for creators in this country to know that when they're creating a show they may never get a prime-time slot. When they're writing that cop drama, they have to think about how many slots are open in Canada for prime-time series—maybe one, maybe two, because they all go to U.S. shows. Even if you get a prime-time, you can bet it will be a Friday or Saturday or on in the summer.

Mr. Charlie Angus: I want to have that clarified. You could put a major investment into a top-notch Canadian show that will eventually be watched in the U.S. and sold there, but it's being sold at a discount on a Friday night when you're getting less revenue. So when they tell us they're carrying the great burden of Canadian programming, they've already discounted it as compared with the American ones.

I need to ask another question before my time runs out. It refers to subsection 19.1 of the Income Tax Act. If I'm a business in Toronto or Windsor, I might want to advertise in Buffalo or Detroit. I can't do that because of the Income Tax Act. I have to put my advertising on a Canadian network. It's an obligation; it's a regulation; it's not

optional. It's worth hundreds of millions of dollars a year in a protected market.

Why is it that if broadcasters are in non-compliance with their licence, that's optional? There are no penalties for being in non-compliance. I'm looking at some of the records of the testimony before the CRTC, and there are clearly frustrated companies who are allowed to be massively consolidated, make commitments to show programming, then simply don't. The only tool the CRTC has is execution. You're not going to use the execution tool very often, if that's the only tool you have. Why is it that compliance with a licence for a public service should be voluntary, whereas for Joe Businessman who wants to advertise in Buffalo, there's nothing voluntary and he's stuck and has to advertise in a protected market? Is that the case?

Ms. Maureen Parker: That's one of the things we're bringing forward. It's not the first time this has come up in our industry. We have discussed this before. It's a recommendation of something called the Dunbar-Leblanc report that was commissioned by the CRTC about 18 months ago. The CRTC needs the legislators' help in order to make it work properly. If the only tool you have is to yank someone's licence—and we did see that with CHOI-FM about two years ago—that's very harsh, and you'll think many times before doing that.

So that's why when we were talking about the instances that we've spotted of non-compliance, with entertainment magazine shows and the history showing CSI, we filed the complaint as our own organization and basically, after a year and a half in each case, they had to be encouraged to comply.

That's something I very much see you could do at this committee, come up with a recommendation that there be fines and non-financial penalties. Maybe to really irk them, you could make them do more Canadian content if they go short.

The Chair: Very quick.

[Translation]

Mr. Jean-Pierre Gariépy: Thank you.

That's an excellent comment. At the Documentary Network, we tend to consider the CRTC as one of the greatest Canadian inventions. With time, however, we're witnessing an erosion of its power, of its ability to regulate and of its arm's length position. Upstream from this entire discussion, we must, as Canadians, restate the fundamental importance of the CRTC and of the distance it must maintain from the government in order to set rules that benefit Canadians.

• (1625)

[English]

The Chair: Thank you.

Mr. Del Mastro, last question, please.

Mr. Dean Del Mastro (Peterborough, CPC): Mr. Bruinooge will be taking my time.

The Chair: Mr. Bruinooge.

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

Thank you to the witnesses today. It's been an excellent study so far, and you've definitely added to our discussion.

I'll ask the first couple of questions, and I apologize if I interject, but as you know, we have only a short period of time. I'd like to ask the Writers Guild of Canada a few questions.

Of course we've heard a lot from the broadcasters as they've come before us, and they've indicated in part that producing Canadian content is rather expensive based on some of the licensing provisions they have with some of the actual developers of that content. So perhaps you could share some opinion as to whether you think they have a case to be made there in terms of how they're unable to resell certain shows, as some of their American broadcasters can.

Ms. Rebecca Schechter: I'm going to let Maureen deal with some of the bigger rights issues.

Our broadcasters pay a smaller licence fee for their shows than almost any broadcasters in the world, as a percentage of the budget. I'm not just talking about the U.S.; I'm talking about all of Europe, where they have subsidized industries. In Australia, broadcasters will be paying 50% or more of their costs, and ours are always under 50%.

Mr. Rod Bruinooge: Are you saying the broadcasters perhaps don't have a case to make, or are you saying you wouldn't be interested in negotiating those rights on a going-forward basis?

Ms. Maureen Parker: I think, really, the answer to your question whether drama is expensive to produce is yes, it is. It's expensive all over the world. It's the most expensive form of programming. Do Canadian broadcasters have to put up a licence fee? Yes, they do. Usually it's about 35%, because they need to put in a certain amount in order to access the Canadian Television Fund. Is it more than what the rest of the world pays for drama? No. As Becky was just saying, in the U.S. they pay 100% of that.

What I think they're saying to you is that drama's really expensive. They're not sure they're seeing a return, and they would like more flexibility to make things like award shows and reality shows. Yes, it's expensive. Yes, sometimes you make a lot of money back, and sometimes you just make some money back. Is it essential to the requirement of the Broadcasting Act that Canadians have Canadian drama? Yes.

I think the key thing to remember is that these broadcasters receive all sorts of subsidies and benefits. As Mr. Angus just mentioned, there's section 19.1 of the Income Tax Act. We taxpayers help them even pay for the Canadian content with the Canadian Television Fund. So do they have some obligations? Yes, they do, and we help them get there. Can Canadians make programs that sell? Yes, we can. We've seen that with *Corner Gas*. We've seen that with many of our documentaries.

Mr. Rod Bruinooge: Speaking of *Corner Gas*, I'm glad you brought that up, because CTV actually raised this with me in particular, and I'm sure with others, that it's an actual show that has done quite well. It's been sold around the world, and if they actually owned the rights to it, they would have made a lot of money. Instead, they just funded its production and got it off the ground. Of course, after that, it got a bit of advertising revenue from commercials.

I have another question—

The Chair: Excuse me, Mr. Bruinooge.

Mr. Margetic, please.

Mr. Daniel Margetic: If I may, a licence fee functions like a fee. So for a certain set fee, the broadcasters get the rights to a program at a certain geographical area for a certain amount of time. To compare it to a car lease, for example, if I were to lease a car and my lease expires after three years, I don't then subsequently ask GM for a portion of the profits of that particular car sale.

Mr. Rod Bruinooge: Well, I was in the film-making business, and the people who funded my films actually had the rights to the films. So I kind of disagree with what you're saying.

But I'm going to move on to another point, and this was something Madam Parker raised.

The Chair: You have about a minute.

Mr. Rod Bruinooge: I think you were suggesting things have gone too far the other way. I think you were specifically speaking about some of the regulations that govern the broadcasters that have gone too far the other way. So I guess you're insinuating that things are rather rosy for the broadcasters. Do you think the crisis they're suggesting is untrue?

Ms. Maureen Parker: No, I don't think that. I think they chose to focus on local programming, because that's where they would attract the most attention. They know that's what viewers care about most, their local news and local programming. I think it was a very strategic decision.

Are they hurting in terms of conventional television? Yes, I think they are. I think a lot of that is perhaps due to decisions they've made in the past.

Are they overspending in Hollywood? Yes, I think they are.

I think the point I was trying to make is that they have plenty of flexibility with the current definition of priority programming. They need to remember that their operating businesses come with plenty of subsidies and plenty of support from the taxpayers of this country and the federal government. I think they should look at the money they've made and be happy with it.

• (1630)

The Chair: Thank you.

That's the end of questioning. As I've explained to some of our previous witnesses, you're all very important to this study, and I apologize for the short time you've had to make your presentations. But thank you very much for your presentations, and thank you for answering the questions.

We'll adjourn for five minutes and try to get the new witnesses up here in five minutes, please.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: I call the meeting back to order.

I welcome our next set of witnesses. Thank you very much for the quick change of witnesses at the other end of the table. It's great.

To our first witness making presentations, I think most of you heard earlier that we try to keep presentations to ten minutes if we can, please, because we only have one round of questions.

First will be the Association of Film and Television Producers of Quebec.

[*Translation*]

Ms. Claire Samson (President and Chief Executive Officer, Association des producteurs de films et de télévision du Québec): Thank you.

Mr. Chairman, committee members, my name is Claire Samson and I am the President and CEO of the Association des producteurs de films et de télévision du Québec. With me today is Brigitte Doucet, the Association's Executive Vice-President. We want to thank you for inviting us to appear before you today and voice our views on the situation of the Canadian television industry.

To begin, I would like to tell you a little about our Association. For over 40 years now, the APFTQ has been the umbrella organization for most of the independent film and television production companies in Quebec. There are over 130 of them, working in drama, documentaries, variety, youth programming, talk shows, games, animation and advertising. We estimate that close to 95% of the annual volume of independent film and television production in Quebec comes from our members.

The APFTQ's mission is to promote independent film and television production, to encourage close cooperation among all stakeholders in the field, and to ensure that its members respect the highest possible standards of professionalism and production quality.

The various aspects of the Broadcasting Policy have a direct effect on the ability of Canada's independent producers to provide Canadian television, radio, Internet and cell phone broadcasters with a steady supply of new content, which the broadcasters need to carry out their role responsibly. That is why we want to explain how we see the future of Canadian television.

We will look at three of the topics that you identified and that directly affect Canadian content and its survival: financial pressures on programming; the effectiveness of cultural development funds; licence renewals for private conventional television stations.

With respect to financial pressures on local and Canadian programming, when CRTC Chair Konrad von Finckenstein appeared before your Committee, he said that the multi-element broadcasting system model, with conventional television as the model's cornerstone, had worked very well for many years.

It had helped to sustain a healthy and typically Canadian television industry. But he added, "However, conventional television now finds itself under a great deal of financial pressure, which the industry claims is threatening the viability of local programming."

We realize that the committee wants to look at the problems of broadcasting from a local programming perspective. However, to judge by the remarks of the conventional broadcasters who have appeared before you, it is not simply local programming and the number of local shows that may be at risk, but Canadian programming as a whole. This is why they have for several years been calling for fee-for-carriage. The CRTC has denied them such

fees because they have not been able to demonstrate a sufficiently strong commitment to using the fees to improve the Canadian broadcasting system, and local programming in particular.

Phil Lind, Vice-Chairman of the Board of Rogers Communication, said in a press release that the television sector activities of CTV and Global were profitable. He then declared, "[F]ee-for-carriage would set up the worst of all public policy solutions, a two-tier taxation solution."

The APFTQ is firmly convinced that the television industry is not in a state of crisis, as the conventional broadcasters claim. Our industry is currently undergoing structural changes that demand adjustments in the regulations so that Canada's broadcasting system can be maintained, because it is a source of pride for all Canadians. Video on demand, the transition to digital, the new broadcast platforms of the Internet and the cell phone, should in our opinion be opportunities to rethink the broadcasting industry by refocusing on the quality and importance of Canadian content.

In Quebec, for example, Canadian programs have for many years enjoyed the biggest audiences. Pierre Dion, President and CEO of Groupe TVA, said when he appeared before you that Réseau TVA currently devotes almost 90% of its programming expenditure to original Canadian content. Canadian content must be profitable if a corporation like Groupe TVA allocates such a huge proportion of its programming expenditure to it.

However, our industry, like many other Canadian industries, is suffering a slowdown because of the global economic situation. We must all share some of the pain, unfortunately.

● (1640)

We urge the government not to give in to the pressures of certain industry players that are calling for quasi-total deregulation—this would save their own companies by leaving an entire sector of the industry, including independent production, to die. But in Quebec alone independent production generates almost 23,000 direct and indirect jobs.

The current system assumes that conventional television stations will produce, acquire and broadcast a significant quantity of Canadian content, including drama, documentaries and local programming. In exchange, these networks benefit from regulatory support in five areas: mandatory distribution on basic service packages provided by the BDUs; local advertising; no floor on spending for Canadian programming; access to the Canadian Television Fund, and soon enhanced access to the Canada Media Fund; simultaneous substitution.

What could justify relieving the big corporate broadcasters of any obligation for priority programming, as some people would like? We all know that priority programming is produced mainly by independent producers. It uses Canadian creators and performers and it meets the objectives of the Broadcasting Act. It was on the basis of these principles that the Canadian Television Fund was created, to support drama, documentaries, youth programming, variety and the performing arts.

Ms. Brigitte Doucet (Executive Vice-President, Association des producteurs de films et de télévision du Québec): Our second topic is the effectiveness of cultural development funds.

Ever since the new Canada Media Fund was announced, we have been very concerned about its effect on achieving the objectives of the Act, which among other things requires the "maximum use, and in no case less than predominant use, of Canadian creative and other resources". Although the new Fund is to provide financial support primarily for drama series, documentaries and variety shows, the use of audience size as the unique criterion for awarding funding is perplexing.

La La La Human Steps said that the cuts to the Trade Routes budget would end their international visibility. Let's have the courage to admit to them that they will not be visible in Canada either: the new system will fund only what constitutes a good support for advertising sales, and advertising is not (fortunately) the primary concern of this dance company, whose creativity and inventiveness are recognized around the world.

Basing performance envelopes exclusively on a single criterion, the famous ratings, is a restrictive and distorted way of allocating the Fund's resources. It risks eliminating any notion of a level playing field. Specialty channels and educational television networks, either because of their mandates or because of their distribution, will be heavily penalized for structural reasons that are beyond their control and have nothing to do with the quality of their programming.

We unsuccessfully called upon the government to fundamentally rethink its decision to abolish the Canadian Television Fund. It seems to us necessary at the very least for the government to ensure that: the members of the Fund's board will be genuinely independent of the BDUs; the contribution agreement that Canadian Heritage negotiates with the new Fund will contain long-term conditions guaranteeing the maintenance of envelopes for each category of programming currently supported; the method of calculating audience numbers will ensure all categories of broadcaster equitable access to funding; CBC/Radio-Canada's terms and conditions of access to support from the Fund will not result in its becoming too exclusively concerned with ratings to the detriment of its mandate as the national public broadcaster; the access of production companies tied to a broadcaster will continue to be subject to a ceiling, and a still lower ceiling if they have, through their parent company, decision-making clout in the membership of the Fund's Board of Directors; the funding dedicated to new media production will be determined without affecting the historical level of investment in television.

Now I'll move on to our third topic, licence renewals for private conventional television stations.

The CRTC has said—

• (1645)

[*English*]

The Chair: Madame Doucet, you have one minute left, so if you can, please make sure we can stay there.

[*Translation*]

Ms. Brigitte Doucet: All right.

We would particularly like to point out that the CRTC has asked broadcasters to submit terms of trade agreements negotiated with independent production companies when the broadcasters come to renew their licences. These agreements have become necessary with the multiplication of broadcast platforms operated by broadcasters.

Ms. Claire Samson: To sum up, APFTQ is concerned about the future of our broadcasting system if the difficult economic situation becomes a pretext for relieving corporate broadcasters of their obligations. We continue to believe, very sincerely, that Canadian content must remain central to the broadcasting industry so as to meet the requirements of the Broadcasting Act.

Thank you for your attention.

[*English*]

The Chair: Thank you.

Now we'll have the Canadian Film and Television Production Association, please.

Mr. Norm Bolen (President and Chief Executive officer, Canadian Film and Television Production Association): Good afternoon, Mr. Chair and members of the standing committee.

We submitted a detailed brief early last week, and we trust that you've had a chance to review it.

My name is Norm Bolen. Three weeks ago today, I was appointed president and CEO of the Canadian Film and Television Production Association. Presenting with me is John Barrack. He is the association's national executive vice-president and counsel. Fortunately for me, John has been with the organization for close to ten years, and he's well versed in all CFTPA affairs as well as in all issues related to the independent production industry.

I am privileged and honoured to be leading the CFTPA. As many of you know, we are the national association that represents some 400 Canadian independent film, television, and interactive media production companies. These companies do business in every area of the country.

Before joining the association, I was the executive vice-president, content, for Alliance Atlantis Communications. I had overall programming responsibility for 13 Canadian specialty networks. I was also responsible for Alliance Atlantis's web-based and emerging new media content and for all broadcast operations. Previous to that, I spent 21 years at the CBC. There I was a journalist and an executive, including the head of network television current affairs. Most recently, I was a director with mDialog. This is an online high-definition video-sharing service.

I also served as chair of the Banff World Television Festival. I co-chaired the Hot Docs Canadian International Documentary Festival, and I'm a director of the National Screen Institute.

Why do I tell you all that? As you can tell, my entire career has been about Canadian content, television broadcasting, and new distribution platforms. I believe strongly that television broadcasting in Canada is now at a crossroads. The key decisions to be made over the near term by officials, including the CRTC, will lay a foundation that will define our system for the next generation of Canadians.

We believe that we owe it to Canadians to ensure that a solid foundation is in place, a foundation that supports a strong, meaningful, and distinct television broadcasting system. But let us be clear: Such a foundation will exist only if Canadian independent producers and the content they create are recognized as cornerstones. This will ensure that the programming available on our broadcasting system is diverse, distinctively Canadian, and inclusive of local communities. Any deviation from such a course would relegate our television broadcasting system to little more than a mammoth pipeline to flood Canada with foreign, mostly American, content.

Looking at the communications sector from a macro perspective, it is safe to say that we are well into a digital revolution. This will undoubtedly continue to have a profound effect on Canadian society, our economy, and our culture. This is why we are advocating the need for a digital media strategy for Canada. Britain, France, and Australia have all launched such initiatives in the last year, and they have done so to secure their places at the forefront of the global digital economy. Canada must not fall behind in this area. Ensuring a concerted strategy for Canada will mean stronger social, cultural, and economic prosperity for Canadians as we move further into a knowledge-based technology era.

We encourage the standing committee to give serious consideration to recommending the launch of national consultations towards this goal. Such a review should take into account the need for a modernized legislative and regulatory framework. It should also examine the role of key federal institutions.

Lastly, the review must also look at how to improve our system of financial support to the independent production sector.

Go ahead, John.

• (1650)

Mr. John Barrack (National Executive Vice-President and Counsel, Canadian Film and Television Production Association): Thank you.

Independent producers play a fundamental role in our broadcasting system. We provide Canadian television viewers with a Canadian perspective on our country, our world, and our place in it. We help foster Canadian cultural choices and reflect the rich diversity of this country.

Independent producers are dynamic trade and cultural ambassadors who actively showcase Canadian communities to Canadians and to the world. This vital role has long been promoted through federal policy and is explicitly recognized in the objectives of the Broadcasting Act.

Our sector as a whole is big business and it makes a very sizeable contribution to Canada's economy. The hundreds of small and medium-sized businesses each year generate \$2.3 billion in Canadian content production activity. They are responsible for more than \$230 million in exports, and they sustain quality jobs for close to 60,000 Canadians in every region of this country and service another \$1.8 billion worth of foreign location activity, which sustains an additional 44,000 jobs—over 100,000 jobs in all.

Independently produced Canadian programs are exported to hundreds of countries around the world. They receive critical acclaim both at home and abroad and they achieve audience success.

We have recently begun to see what we call a “reversed simulcast” situation. Hopefully, this is the beginning of a new and ongoing trend. This clearly demonstrates what can happen when a Canadian program is properly financed and promoted. There are shows such as *Flashpoint*, the first Canadian drama series since *Due South* to air in network prime time in both Canada and the U.S. It airs on CBS in the U.S. and on CTV in Canada. *The Listener* will have its North American premiere on June 4 on NBC, and it will air, too, on CTV in Canada. *The Bridge* will air on CBS in the U.S. and on CTV in Canada, and *Copper* was developed as a series for Global and has been picked up by ABC in the U.S. This production is slated to start shooting in Toronto this summer.

All of these shows were developed and financed by Canadian independent producers.

We firmly believe that the Broadcasting Act's objectives related to the independent production sector are fundamental to the success and distinctiveness of our broadcasting system. The importance of these objectives only increases as the system continues to evolve, in which new forms of content delivery are emerging and borders are evaporating. They help ensure independent producers have access to their own broadcasting system and promote a diversity of voices and ideas from across the country.

We respectfully submit that it must be a priority for the Government of Canada and all its institutions to ensure the long-term well-being of the Canadian independent production sector within a healthy broadcasting system. This can only be achieved through a solid partnership among independent producers, broadcasters, BDUs, and governments, both provincially and federally. In fact, through such partnerships our sector has grown over the last decade. Despite this growth, however, hundreds of small and medium-sized companies in our industry remain financially very fragile, and corporate capacity has not improved overall.

A number of factors hinder the growth of our sector. These include the unprecedented consolidation in the television broadcasting sector, the shift toward digital technologies and the migration to multi-platform distribution, and a significant decrease in foreign sources of financing over the last several years. These factors have a significant impact on producers' businesses. The Canadian independent production sector, which is a key component of our broadcasting system, has never faced greater challenges.

It is against this backdrop that we are surprised and disappointed with the overall direction and tone of the over-the-air television broadcasters' licence renewal applications. As we speak, these public hearings are ongoing before the CRTC. Contrary to what you may hear, the system is not broken. We recognize, however, it is under strain.

Today, rather than addressing what we believe are relatively low regulatory obligations, private over-the-air television broadcasters are attempting to reduce or outright eliminate their priority programming requirements. They also want to step away from having to acquire programming from independent producers and they want to decrease their local programming obligations. In short, independent producers have to fight for their very survival.

We are deeply concerned that broadcasters are using so-called structural problems and the current economic downturn as an excuse to reduce their commitments to Canadian priority programming and independent production. This is a rabbit hole that only leads to the dark side of wonderland. Reduced obligations would become the new status quo. This outcome would represent a significant weakening of the broadcast system that has carefully been built over the years. The current framework has served broadcasters, independent producers, the creative community, and, most importantly, Canadian audiences very, very well.

• (1655)

It is absolutely not the time to throw out the baby with the bathwater. It is our strong view that the solution being proposed by broadcasters to challenges they face is, without a doubt, a wrong one with respect to Canadian independent production. It would be completely inconsistent with the policy objectives of the Broadcasting Act to do so.

We note that the impact of the economic slowdown is not limited to broadcasters. It affects virtually all Canadians and Canadian businesses, including the independent production sector and the creative community. Broadcasters have stopped taking pitches from independent producers for new programs and are holding off green-lighting programs that have been in development. This is causing significant uncertainty in the Canadian independent production sector.

Norm, would you continue?

Mr. Norm Bolen: We acknowledge that conventional television faces some business challenges. We would point out, however, that a key factor in their financial challenges is the ever-escalating amount of money they're spending on acquiring foreign, mostly U.S., programming. Broadcasters also must accept responsibility for the huge debt loads they're carrying from major asset acquisitions. Private conventional television still draws the largest audiences in

peak viewing hours. We also highlight that Canada's television broadcast ownership groups remain strong and profitable as a whole.

The most pressing economic challenges facing the television sector are mainly cyclical and short-term in nature. The economy is already showing signs of renewed life, and many economists predict that by this time next year a recovery will be solidly underway. The proposals put forward by broadcasters fail to take into account a number of measures implemented by the CRTC to help them deal with the challenges they face. I won't enumerate them here, because I'm getting the "running out of time" signal.

Broadcasters fail to take into account the additional revenues they stand to earn from cable and satellite TV companies for the delivery of their signals in distant markets, and we are certain it is germane to your committee that the proposed changes to the eligibility criteria for the local programming improvement fund could help sustain local news and programming.

Independent producers have been struggling with their own challenges long before the current difficulties related to the economy. These challenges have only been exacerbated by the significant level of consolidation that has occurred in the system. This has tilted the balance of power even further in favour of large corporate broadcast groups, and it has effectively reduced both the business prospects available to producers and the employment opportunities for the entire creative community across Canada. We therefore urge the CRTC to hold firm to the Broadcasting Act's overriding policy objectives. We've asked the commission not to surrender to the current exaggerations orchestrated by the private broadcasters. To make changes to the regulatory regime for over-the-air television as it relates to priority programming and independent production would most certainly weaken the Canadian broadcasting system and result in fewer Canadian content choices.

We would support other efforts by both the federal government and the commission to address the challenges facing local conventional television stations, particularly those located in smaller markets. These include the changes to the LPIF and the plan to move up the implementation date of the new distant-signals policy. In our view, these measures will go a long way to help strengthen the over-the-air television sector.

In closing, we would like to reiterate the need for a national digital media strategy. This will ensure that Canada is well positioned to be at the forefront of the global digital economy.

We thank the committee again for inviting us to appear and we apologize for going a little too long. We look forward to answering any questions you may have.

The Chair: Thank you.

We now go to the Directors Guild of Canada.

Mr. Brian Anthony (National Executive Director and Chief Executive Officer, Directors Guild of Canada): Thank you, Mr. Chairman and members of the standing committee.

My name is Brian Anthony and I'm the national executive director and chief executive officer of the DGC. With me is our outside counsel, Mr. Grant Buchanan, a partner in the law firm of McCarthy Tétrault.

We would like to thank you for the opportunity of appearing before you today and taking part in your deliberations about the nature and future of the television industry in Canada.

• (1700)

[Translation]

By way of introduction, I should mention that the Directors Guild of Canada is a national labour organization representing some 3,800 members working in 47 key creative and logistical occupational categories in film, television and digital media production in Canada. This industry, to put the Guild in context, provides employment for some 130,000 workers and also contributes over five billion dollars of economic activity each year.

[English]

The standing committee has wisely chosen to address the evolution of the television industry in Canada, its current state and its future prospects. They have also chosen to place particular emphasis on the viability of small stations serving small markets. With the recent planned closure of some local stations and the future of others in question, we can appreciate your decision to focus on these top-of-mind issues. While we would be happy to discuss these matters with you, perhaps in the question period that follows, we are here today to discuss some larger, but related, issues that have been obscured by decisions and discussions about small-station closures.

What we want to discuss with you is not the means of carriage, not the source of signal, but the content, Canadian content, meaning priority programming and drama in particular.

[Translation]

As you are well aware, the CRTC is currently holding licence renewal hearings for conventional or over-the-air broadcasters. This process was initially intended to result in renewals for a seven year period, but the CRTC, in light of current economic circumstances, decided on limited hearings to extend licences for an interim period of one year, perhaps somewhat longer.

[English]

During these hearings, and in the extensive media coverage devoted to these discussions, it has been suggested that Canadian content requirements that form part of the conditions of license for the OTAs have contributed to the current financial problems the broadcasters are facing, and that relief therefrom should therefore be considered.

Let us address that head-on. We, the providers of Canadian content, of Canadian dramatic programming, are not the problem. The problem lies elsewhere.

In what can be described as a reckless race to the bottom, Canadian OTA broadcasters have vied with each other, year after year, in paying more and more for U.S. programming. In less than a decade, expenditures on such foreign content have risen by 90%, from \$389.9 million in 1999 to almost \$740 million in 2008.

In comparison, OTA expenditures on Canadian programming increased a modest 22.5% during the same period, from \$366.8 million to \$449.3 million. Expressed another way, Canadian programming spending by the broadcasters has remained relatively

flat at approximately 25% of ad revenues, while non-Canadian programming has risen over the past decade to represent now more than 40% of those revenues.

Despite declining ad revenues, the broadcasters have continued in their determined drive to outspend each other and bid up the cost of foreign programming in the process. That, coupled with other factors such as debt load and dubious business decisions, is their problem—a problem of their own making—not Canadian content requirements.

It is important to remember that despite the hand-wringing by conventional broadcasters about their financial hardships, this is still a profitable business. Revenues may have decreased last year, but the sector still realized an \$8 million dollar profit—an enviable bottom-line position compared to the billion-dollar losses the economic tsunami has visited upon other industries in Canada.

It is also worthwhile to note that these same broadcasters are the owners of the highly lucrative specialty television services, which last year enjoyed a 7.6% growth in revenues and profits of \$686.1 million. As these immensely successful specialty services are subject to a significantly higher set of obligations with respect to Canadian programming expenditures and exhibition, the suggestion that Canadian content requirements are in any way the cause of the networks' financial woes should summarily be set aside.

Canadian conventional broadcasters are licensed to do business in Canada in a federally protected and supported environment, in exchange for which they must contribute to the Canadian broadcasting system by, among other things, living up to certain Canadian content requirements. That's what makes them Canadian—as Canadian, say, as *Corner Gas*. The last episode of that long-running show drew 2.9 million viewers, making it the most-watched program in Canada that week, beating out such foreign hits as *CSI* and *House*.

Over the course of its long run, *Corner Gas* never drew fewer than a million viewers per episode, showing that, properly promoted and scheduled, Canadian programming is something Canadians want to watch and do watch. Without Canadian content being required of broadcasters as a condition of license, however, that choice will not be available to Canadian audiences.

Since the elimination of expenditure requirements for private OTA broadcasters in 1999, they have demonstrated a clear lack of desire to invest in original, high-quality Canadian content on a voluntary basis. In the place of these expenditure requirements, the CRTC created the priority programming rules, requiring the conventional broadcasters to devote eight hours a week or 30% of their prime-time schedule to high-quality Canadian programming. These broadcasters are now seeking to eliminate or relax these rules, along with seeking relief regarding their local programming obligations.

The DGC does not feel that devoting eight of a possible 28 prime-time hours is overly demanding. In fact, we believe this is less by far than should be the minimum standard for a country that expects to have a healthy domestic industry. We feel it is important to restate the obvious: that it is Canadian content that makes Canadian broadcasters, in fact, Canadian.

To be granted a licence by the public authority is a privilege. As that privilege is accompanied by the benefits of a protected broadcasting environment, it brings with it certain expectations and requirements, the cost of being allowed to carry out business as a Canadian broadcaster. It is our view that any lessening of current Canadian priority programming requirements would be wholly unacceptable and indefensible.

Indeed, we strongly feel that those expectations and requirements should be significantly increased as we move into a broadcasting future that looks and in fact is more Canadian. We would therefore encourage you, as you contemplate that future, to be unmoved by the threats of small station closings and pleas for reduced Canadian content requirements.

The DGC acknowledges that the conventional television sector is currently confronted by challenges to its business model. We are not prepared to agree, however, with the contention that the model is broken. The current economic downturn has certainly exacerbated the problems, though we would point out that all elements of the broadcasting system, including our component thereof, and indeed all Canadians, are currently challenged by the global economic situation.

● (1705)

In light of this, we do not believe that now is the time to make far-reaching changes to the obligations of the conventional broadcasters. In the DGC's view, a clearer picture of what conventional TV looks like after a return to some economic stability is needed before determining any necessary changes to the sector.

[*Translation*]

Mr. Chairman, we will be following up our appearance today with a detailed submission for the consideration of you and your colleagues. In the meantime, I would like to thank you and your fellow committee members for the opportunity of appearing before you today, and would welcome—today, or at any point in the future—any questions you might have for us.

[*English*]

The Chair: Thank you very much.

Thanks to everyone for keeping their presentations brief.

Our first question comes from Ms. Fry, please.

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

I want to thank you very much for your presentations. I think this is a seminal issue, and all of the pressures coming on top of each other have created a perfect storm.

My first question is to the Directors Guild. You said you would like to give us some sort of information on how you see us dealing with the issue of local stations having to close. Do you think you have a solution to this?

Second, do you see digitalization as being the way to create a platform for distribution of Canadian programming, and is that something one can talk about forcing on anyone being assisted, in terms of infrastructure for digitalization?

Mr. Brian Anthony: Thank you for your questions, Dr. Fry. I'll speak to the first question and ask my colleague to speak to the second one.

We've looked at a number of ways of strengthening the broadcasting industry and local stations that the committee and the CRTC could consider. For example, the expansion of the quantum of the local programming incentives fund could be considered. There could be elimination or reduction of part II fees for over-the-air broadcasters, and a refund of the moneys currently the subject of litigation.

You could contemplate instituting some variant on fee-for-carriage, introduce some variant of Bell's "freesat", arbitrate the distant-signal discussion, and avoid linkage with other issues. You could shrink and harmonize local programming requirements, and introduce the Sarkozy model for the CBC, which would get it out of advertising. That would cause some of those advertising revenues to flow to private over-the-air broadcasters.

Those are the sorts of things the committee might want to have a look at.

Mr. Grant Buchanan (Partner, McCarthy Tétrault LLP, Directors Guild of Canada): Dr. Fry, you were asking about a solution to closures of small stations. I have the same shopping list my colleague just presented to you.

● (1710)

Hon. Hedy Fry: Okay. Thank you.

We heard earlier that fee-for-carriage has certain inherent risks, and there should be very clear structures within it to prevent those risks from happening. I accept that is something we need to talk about, but my big question here is for the CFTPA.

You talked a lot about the consolidation of the broadcasters and how that has created a 90% share in conventional television. That is a very frightening issue, in terms of where the future of television's going. We might as well close down Canadian television and become a big part of the United States. So I'm very concerned about that. Do you have a solution to that?

Secondly, I am also concerned about the consolidation of this large media fund, and broadcasters sharing that fund. If we remember the history of this, the Canadian Television Fund was set up because many of the cable broadcasters, television stations, were allowed to increase their fees because they needed to digitalize. Then they got all their infrastructure in and had to decide what to do with the fees. The solution was to put the money into a pot to be used for Canadian programming by independent producers and broadcasters. Now it seems to me they want to renege on that and get a piece of the pie, when they already had the opportunity to increase their fees.

The Chair: We're going to run out of time.

Hon. Hedy Fry: That's my question. What do you think of that, and what do you think we could do to deal with the foreign programming issue?

Mr. Norm Bolen: Thank you very much, Dr. Fry.

I think these are both excellent questions. Let me deal first with the foreign programming expenditure question, and I'll speak from my own experience at Alliance Atlantis.

I'll grant you that specialty programming and conventional programming have differences. In many ways, conventional has advantages over specialty, and some of them were enumerated by my colleague, Claire Samson.

When I was at Alliance Atlantis we had Canadian content spending requirements, and conventional programming also had them prior to the 1999 change in the television policy. A certain percentage of our gross revenue was allocated to Canadian content by regulation. That meant every year when I put together my budget for programming and our corporate budget, the first thing I checked off was Canadian content. It was 40% of the previous year's budget. It was a fixed cost. We didn't see it as a tax; we saw it as an audience opportunity.

Second, I had overhead and other costs I needed to cover. I needed to make a profit to satisfy my shareholders. What was left I could spend on foreign content. That programming expenditure requirement forced me to put a brake on my foreign spending. It prevented me from accelerating my foreign spending to a point where I couldn't afford to meet my other obligations.

We don't have that any more. We have a system out of whack. They can flatline their Canadian content and spend more and more on foreign content. That's why their bottom line is so negatively affected.

We'll be speaking to the Canada media fund or the fee-for-carriage issue, but it will be a shame to see money going to those broadcasters who will bid up the price of foreign programming even more, or shift money into more foreign programming.

The Chair: I have to cut you off right here. Dr. Fry had quite a long statement and question. We're already a minute over.

I will turn to Mr. Pomerleau, please. I've been told by the critic to be tough.

[*Translation*]

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

I'm just going to ask two questions, then I'm going to hand over to Ms. Lavallée. My first question is for Ms. Samson or Ms. Doucet. We naturally start from the assumption that Canadians want Canadian content. I think that's true to a certain degree. I don't think it's as true as that, but I think it's true. People tell us that, if you ask Canadians directly whether they want Canadian content, the answer will be yes, but that ratings very often seem to say something else, despite what Mr. Anthony just said. Others have told us otherwise. That's why ratings shouldn't be the only evaluation method, as you said. Someone before you even talked about weighting ratings. If ratings shouldn't be the only evaluation method, what specifically do you propose?

• (1715)

Ms. Claire Samson: Thank you.

First of all, I think we have to draw an important distinction here. You're very sensitive to this, I'm convinced of it. There is an enormous difference between the behaviour of the francophone audience and that of the anglophone audience. Quebec has traditionally managed to rely on a star system that has developed over the years, first with radio, then in the theatre, variety reviews, movies and now television. This star system has a very significant power of attraction over the audience, which supports the entertainment industry, magazines and radio programs that focus solely on the entertainment industry, which in turn naturally supports the promotion of local talent. The situation is completely different in English Canada. You must understand that. Having often sat on the Canadian Television Fund, I know that my English Canadian colleagues often envy us very much because we always have pretty good results.

In the case of Quebec, I think the ratings speak for themselves. We want to protect this situation and not go back to the situation in the 1960s, when the most popular programs in Quebec were *Dallas*, *Dynasty* and the *Little House on the Prairie*. That's no longer the case today, and we definitely wouldn't want to go back to that time. There's still a lot of work to do in English Canada. The situation has vastly improved in recent years, but the battle isn't won. As my colleagues said, our next door neighbour is the largest producer of cultural content in the world, with solely private funding and no restrictions. For our neighbours, who are the biggest producers in the world, selling English Canada a series that they have amortized around the world represents an advantage. That increases their business turnover, but it reflects no cultural interest.

Mr. Roger Pomerleau: Mr. Chairman, my second question is for Mr. Bolen.

Ms. Claire Samson: Do you want me to talk to you about criteria?

Mr. Roger Pomerleau: Yes.

Ms. Claire Samson: I think the Canadian Television Fund, as it was, offered a happy balance between the audience reached and the quality of the licences granted by a broadcaster to a producer. If the licences were minimal, it wasn't very profitable for it, but if the licence was improved and enhanced, you could go get more money from the Canadian Television Fund. In addition, there was a regional production incentive, a regional enhancement. We thought all these factors were positive. In addition, if you consider its behaviour over the past five years, how it behaved in the case of the acquisition of Canadian content, I sincerely believe it was much more balanced than to claim that only ratings should guide the system. If it's only ratings that guide the system, in Quebec, that will of course favour only one player in the Quebec industry and would of course put the educational and specialty channels at a disadvantage.

We think that the envelope system—which moreover was developed by the APFTQ and presented to the Canadian Television Fund through a Quebec census—was much more balanced and respectful of the missions of each of the broadcasters and genres.

[English]

The Chair: Thank you very much. That took up the five minutes.

Mr. Angus, please.

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

Of all the many people who've come to speak with us and tell us about the level of the crisis, we had a manager from a very small television station. We asked him about the high cost and how much they lose on doing local news. He said that was their largest market, that everybody watches it because it's local, which is very different from the other message we were hearing. Then I began to think that this does tend to.... Everybody in my region watches the local news because it's the one time during the day they're going to hear about themselves.

I'm reading an excellent book right now, called *Appetite for Self-Destruction: The Spectacular Crash of the Record Industry in the Digital Age*. I suggest you read it. They talked over and over, saying they were going to make the transition to digital and were going to have a plan, but they had no intention of having a plan because they thought business would go on as usual.

I'm prefacing my remarks because I'm wondering if we're about to watch the spectacular crash of television in America or Canada, because unless there is really good content, young people are not going sit and watch reality TV shows all night. In my kids' generation, none of them watch television, but they watch lots of TV shows. They're watching TV shows in different languages from around the world, and they are looking for good content.

We're sort of being asked to accept that the solution is to cut all our obligations, that we have to make this as cheap and simple as possible or we'll go under. And I'm wondering if we're watching the self-destruction of another industry that's saying if we do everything on the cheap somehow they'll sit on their couches, when the new demographic has lots of better things to do.

I'm prefacing that in terms of the role of independent production, because independent production takes the risks. It has to raise capital. It has to go through a bidding process, so if you have a really stinky idea, you'll never get it on.

But the response we've been given is that we have to change the regulatory structure so we don't have to deal with.... You people don't look as rotten as I've the heard independent producers are, but we have to go in-house. As long as it's all in-house and it's cheaper, then we don't mind spending money. But we don't want independents.

I remember our meeting with Monsieur Péladeau. He seemed to think that his obligation to the CTF was somehow a voluntary benefit that he gave. He said he didn't mind giving the money, as long as it goes to our kinds of productions, which is our own video-on-demand and our own in-house service, and now he's one of the only people sitting on the board and making decisions about where the money goes.

I'd like to hear from you how important it is to make sure we have independent access, independent voices, and actually have some high-level content, as opposed to allowing taxpayers' money to go into a huge pot that's going to benefit five cable giants

I leave it open to you.

• (1720)

Mr. Norm Bolen: I'd like to speak to that. I would say the independent production sector and the creative community in Canada are best able to adapt to the changes that are going on in the digital marketplace. We see the changes that are going on, and our members are evolving the content they produce in order to embrace these new opportunities.

Instead of seeing the pie in a defeatist way, as an ever diminishing pie with smaller and smaller pieces that we have to squabble over, we actually see digital media—and that's why we talk about the need for a digital media strategy—as an opportunity to expand the pie. Around the world consumers are spending larger and larger percentages of their disposable income on content. So content isn't dead. And by the way, television isn't dead tomorrow. It still has a long way to go. It's still a mass vehicle. It reaches more homes than any other form of media, so it's still very important. But it does need to evolve.

We thank the minister for having put in place mechanisms like the Canada Media Fund that merge television and digital media and require multi-platform strategies. That's a very innovative thing to do. And that's the kind of thing we need to do more of. What we don't see broadcasters in Canada doing is evolving their strategy. They're saying, "it's broken, give us more money". But they're not proposing a fix. They're not proposing the solution. They're not proposing a new way to do things other than "make us spend less in Canadian content and give us more money and we'll keep spending more on foreign". That doesn't get us anywhere.

If you look at the United States, which is very innovative, and Britain and other countries, broadcasters are developing new ways of distributing and monetizing their content. NBC in the United States is a good example. Hulu is now the third most important place where people go to view video. They're making money on that stuff. They're transitioning to the digital age. BBC in Britain, as a public broadcaster, is getting its content out on every platform imaginable. We're not doing those kinds of things. Our broadcasters are still operating with the old model like dinosaurs. It's the independent producers who are pushing them into the future.

By the way, they vacuum up all of our rights, they acquire all the digital media rights, they don't pay for them, and then they don't exploit them. And they prevent us from exploiting them. That's just not balance. We need to bring balance to the system.

The Chair: Mr. Anthony, please, and Ms. Samson. We'll let you both have short answers, please.

Mr. Brian Anthony: Very short.

Charles Darwin discovered much to his surprise that it wasn't the biggest and the strongest and the brightest that necessarily prevailed, it was those creatures who were most able to adapt to change. And our industry is a very agile industry that is able to adapt to change. Broadcasters have to learn how to do that as well. And we don't believe that the industry is broken up and conventional television is going to come to an end tomorrow, and what you should believe depends on who you listen to.

We have CTV and Global saying that the end is nigh, and yet you have Rogers and Shaw saying that the future of conventional broadcasting, including local broadcasting, is just filled with rays of sunshine.

• (1725)

The Chair: Ms. Samson, please.

Ms. Claire Samson: Mr. Angus, I wish I could add one chapter to your catastrophe book. As we are observing, the plan unfolds. After we've made television, and whatever is going to be left of it, the cheapest spot, let us mute our core business to the new platforms that we do not want to be regulated. Don't you ever think of that. And once it's not regulated, then we will be able to dictate to the consumer and to Canadians what they're going to watch and how much it's going to cost them to watch, as we will have full control over the content of what is Canadian culture. And we know, and they know, what Canadians want. They're the only ones who know. But do not regulate that new environment. That's the future money-making business.

The Chair: Thank you. I let that go a little over because I want everyone to have a chance.

There will be bells here at 5:30. Ms. Grewal is going to have the last question, and we will go the full five minutes because we only have to go down the hall.

Ms. Grewal.

Oh, Mr. Uppal, please.

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

I'm just going to get straight to the question. To the Canadian Film and Television Production Association, you strongly believe Canada needs a digital media strategy, and I gather you would like to see consultations take place sooner rather than later. How would you suggest these consultations proceed, and what do you see as the benefit?

Mr. Norm Bolen: We see this as being critical for driving innovation as Canada moves forward. We have pretty good infrastructure. We have a very well-educated population. We have a respected creative community. We are very plugged into the broadband world, but we're not doing much with it.

We see a need for stakeholders, independent producers, broadcasters, the telecommunications industry, key federal institutions, educational institutions, non-partisan players in the market coming into a big discussion about where we need to go, trying to evaluate best practices in other countries, trying to see what slice of the digital future could be the slice we could specialize in. Other countries are doing that.

That's the whole idea, and it should be a non-partisan process that could survive the prorogation of Parliament. It should be something we put a lot of effort into. It doesn't have to take a lot of time, though. It could be an ongoing process. It could have adjuncts to it that continue to function.

The idea is to get the best minds in our country looking at how we can work together to carve out the opportunities in the digital world, to access that growing pie I talked about. It's critical to the independent production community, because we see opportunity there, we see growth, we see employment. Instead of exporting jobs to the United States on foreign programming, we see opportunities to export our content and bring revenue back into our country.

It seems as obvious as the hands in front of me that the digital revolution could have the same impact as the industrial revolution, or even greater impact, and we're really not facing it together as a nation and trying to do what other countries are doing quite effectively. They're getting ahead of us on this.

Mr. John Barrack: We have to remember that 90% of the traffic on the web is in English. We as a producing nation, as a production business, are very good at working with a full range of budgets. We have tremendous talent in this country. We can turn things around quickly and nimbly, and the price points are important in that market.

If we adapt our support mechanisms to suit that future, we can be true leaders in this environment. I truly believe that.

Mr. Tim Uppal: In your submissions you mentioned the increasing levels of consolidation in TV broadcasting. You mentioned a terms-of-trade agreement between the independent producers and broadcasters that could deal with a number of the issues currently being faced. Can you elaborate on that?

Mr. John Barrack: The terms of trade, to put it in context for the committee, is a concept that evolved in Britain. If you think of the food chain that exists in our business, you have the cable companies, the BDUs, broadcasters, independent producers, unions, and guilds. Between the unions and guilds, you have a collective bargaining relationship that governs that relationship.

At the other end of the spectrum you have the Broadcasting Act, which regulates the relationship between broadcasters and the BDUs. There's a gap there between independent producers who sell in to broadcasters.

Terms of trade are designed to deal with rights allocation. How do you deal with it appropriately? With consolidation, as Dr. Fry mentioned earlier, we've seen a great imbalance of power take place between broadcasters and the independent production sector.

Why do broadcasters call for more in-house production? It's not because they physically wish to produce it. It's because they want the rights. They want to hoover up the rights to presumably deal with this digital world, but they're not using those rights and they're not well positioned to do that.

What we're talking about in terms of trade, for one example, is to say if a broadcaster has a strategy to make use of those digital rights, they should have those rights because that's in their interest. The more the program gets out, the more successful it will be, but if they're going to take those rights, please use those rights. Use it or lose it, because if the broadcaster is only going to acquire rights to put them on the shelf, all they're trying to do is beef up their balance sheet. They have absolutely no interest in moving into the digital age.

• (1730)

The Chair: Mrs. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you very much, Mr. Chair.

I have a question for the Directors Guild of Canada. You work with and represent a number of organizations across the country, but what are you hearing from your members that we could add to our report?

Mr. Brian Anthony: If I understand the question correctly—and I'm not sure I do—you're asking about what we're hearing from our members?

Mrs. Nina Grewal: Yes, what are you hearing?

Mr. Brian Anthony: Our members went through a very bad year last year. As you know, all sorts of factors adversely affected our industry: a writers' strike in the United States, a possible actors' strike, the rising Canadian dollar. Remember when it went over 100 cents? It scared off a lot of production activity, because about 50% of our activity in this country is foreign service productions, American productions.

When the dollar rises to a certain point and other factors come into play, production levels drop. So that means less work for our members. But then, of course, we went into a period of economic uncertainty as we moved into the autumn, and that made its influence felt by less work being commissioned domestically as well. It was a perfect storm.

Things are looking a little better this year, but we're not out of the woods yet. Much depends on the CRTC hearings we're going to be involved in tomorrow and much depends on the deliberations of your committee as well.

The Chair: Thank you.

We're going to recess to go to the vote. I hope everyone returns.

Yes, Mr. Del Mastro.

Mr. Dean Del Mastro: The bell has just begun to ring. I wonder if our next witness, Bell Canada, could make their presentation.

The Chair: Our next witness won't be here until 6:15 because they knew there was going to be a vote.

Mr. Dean Del Mastro: All right.

The Chair: We will recess.

I'm going to thank our witnesses very much for their presentations. They were well received. Thank you very much.

• (1730)

_____ (Pause) _____

• (1835)

The Chair: I'm going to call the meeting back to order. I apologize, but there were five private members' bills, and they always take a little longer to get through.

What I'm going to do is the same as we've done with our other witnesses. We'll give you roughly ten minutes for your presentation, as we can, and then we're going to do one round of questions. The questions will be for five minutes. Again, that's being fair to the previous witnesses who have been here.

I welcome Bell Canada Video Group here this afternoon. Whoever is going to make the presentation, or if you are both going to make the presentation, please lead off.

Mr. Mirko Bibic (Senior Vice-President, Regulatory and Government Affairs - Bell Canada, Bell Canada Video Group): Thank you, Mr. Chairman,

[*Translation*]

Ladies and gentlemen, I am Mirko Bibic, Senior Vice-President, Regulatory and Government Affairs, Bell Canada, and I am joined today by Christopher Frank, Vice-President, Programming for Bell TV.

Bell Canada has been providing satellite television services to local communities across Canada since 1997. By investing billions of dollars to build an alternative TV system and employing 3,000 Canadians, satellite TV providers brought much needed competition to cable TV in Canada which, until our entry, had been a monopoly.

Satellite TV reaches virtually 100% of the Canadian population, including households not reached by Cableco networks. In many smaller communities, we provide a wealth of services not offered by Cablecos, including French and ethnic programming. Satellite TV has added over 1.7 million net new television subscribers to the system, subscribers who previously could not or chose not to subscribe to cable TV. These new subscribers have enabled broadcasters to generate hundreds of millions in incremental revenues.

[English]

Satellite TV is provided over a single purpose network infrastructure, while cable companies provide TV, Internet, and telephone services over one single network. This has allowed cable companies to become highly profitable. In contrast, satellite TV has accumulated over \$2.2 billion in losses since its inception, and Bell TV has yet to become cash-flow positive after more than ten years in operation.

The conventional broadcasters claim that Canadian programming in general, and local programming in particular, is unprofitable and has been for many years. They ask for wealth transfers from Canadian TV subscribers and distributors, otherwise known in the industry as BDUs. The broadcasters have tried to frame the debate to their own advantage, saying that local programming is in imminent danger if it does not continue to be delivered as it always has been by these same conventional broadcasters. They have threatened to close small-market TV stations. However, guaranteeing profits to the incumbent conventional broadcasters should not be the issue of concern. By focusing on the delivery of local expression to local communities, rather than on the polarizing demands of the broadcasters, a constructive way forward may emerge.

We believe that the government should conduct a review of broadcasting policy as it pertains to the role and importance of local expression, the ways in which it may be delivered in the future, available funding methods, and the contributions government and industry stakeholders should make to the industry. This work could also form the foundation for modernizing the Broadcasting Act, whose principles are rooted in how things were and have always been rather than in how they should be going forward.

In the meantime, as these broader issues are debated, there are a number of ways to assist conventional broadcasters that are less damaging than unwarranted wealth transfers. Let me provide you with some examples.

As you know, conventional broadcasters have a responsibility to convert their television stations from analog to digital by 2011. Broadcasters have stated to this committee that the digital conversion will cost them hundreds of millions of dollars, and as a result, they are trying to off-load their obligation. Bell Canada has stepped forward with a constructive proposal in the public interest, one component of which is called FreeSat. Our proposal was tabled with the CRTC last week and is designed to save conventional broadcasters those hundreds of millions of dollars by delivering their signals to smaller communities using satellite technology.

Under Bell's proposal, any local signal currently available in the community would be delivered to that community at no monthly charge if it offers a meaningful level of local programming content. In total, Bell TV is prepared to make available the capacity for 30 to 40 additional standard definition channels, plus one regionally relevant signal from each of the major broadcasting ownership groups. Consumers would benefit from obtaining digital television from their respective local stations without a monthly subscription charge. Broadcasters would avoid the massive cost of upgrading their analogue transmitters in markets where they feel it is not cost-effective.

In turn, their cost savings could be used to continue operating their local television stations. In Appendix 1 to the opening statement, which you have, we have attached our opening statement to the CRTC and the related press release that we issued. Both describe FreeSat in further detail.

• (1840)

[Translation]

There are many ways for the government to assist local television stations as well. In the next few years, the government will be auctioning the spectrum vacated by analog television channels. A fraction of the auction proceeds could be earmarked to support local programming. The government could also eliminate Broadcasting Part II fees, a contentious tax paid by broadcasters and BDUs alike. Over \$100 million is collected annually from the broadcasting industry so eliminating these fees would clearly assist broadcasters.

Supporting FreeSat, repurposing the proceeds from spectrum auctions and eliminating Broadcasting Part II fees are just three ways the government can improve the financial performance of broadcasters without harming consumers. Other options may also be available and we would be pleased to contribute to the identification and assessment of alternatives.

Chris.

[English]

Mr. Christopher Frank (Vice-President, Programming, Bell Canada Video Group): Thank you, Mirko.

There is no doubt that the television business has seen many changes in recent years, including the growing impact of the Internet. For conventional broadcasters, a primary driver of change has been the massive expansion in specialty television services. While the number of TV stations in Canada has remained stable at about 100, the number of specialty stations has exploded from 21 in 1996 to 145 today. Where once the conventional broadcasters were the best—or only—vehicle for advertisers, there are now many alternatives.

Whether this is a structural problem—as the conventional broadcasters call it—or a structural evolution depends on your perspective. Other sectors, such as communications, have certainly had to make difficult adjustments due to shifts in consumer tastes, competition, and regulation. In spite of the growth in specialty services, conventional broadcasters have been able to maintain their advertising revenues at about \$2.1 billion annually, although the recession has put some pressure on these revenues. In response to this pressure, broadcasters have not reduced their costs and this has led to a deterioration in their bottom line.

Nevertheless, compared to satellite TV broadcasters, the conventional broadcasters have been exceptionally profitable. During many unprofitable years when satellite TV accumulated the more than \$2.2 billion losses that referred to, we were able to continue providing TV service, in part because Bell Canada has other lines of business that are profitable. The conventional broadcasters are in a similar situation, as they also own highly profitable specialty and pay-TV services. The CRTC data in figure 1 show the recently combined pre-tax profit of conventional and specialty services since 1996. CTV and Canwest capture about 57% of the revenue generated from specialty services.

So is the current situation in broadcasting a crisis, or an evolution? It appears to us to be the latter, and the entire industry must adjust. Conventional broadcasters are adjusting by acquiring highly profitable specialty services. But they also seek financial support from consumers or BDUs—cable and satellite. The impact of the broadcasters' request on Bell TV would be, at a minimum, \$115 million annually. As we noted, Bell TV continues to run a cashflow deficit, so we can ill afford such a transfer of wealth. Canadian consumers would unfortunately be left with the bill for the broadcasters' demands.

Mirko.

• (1845)

Mr. Mirko Bibic: Conventional broadcasters have requested a basket of financial support initiatives, but we will focus on three: the local programming improvement fund, fee-for-carriage, and increasing the number of local stations carried by satellite TV.

With respect to the local programming fund, the LPF, although it has not yet been implemented, the 1% tax rate has already been deemed by the broadcasters as insufficient. If their requests for a 3% tax rate are implemented, the LPF will grow to more than \$200 million annually. We support leaving the LPF as originally designed, a 1% tax for local programming.

With respect to fee-for-carriage, Bell has long opposed the concept for several reasons. Under the current television framework, BDUs provide the broadcasters with, among other benefits, a distribution capability at no charge. In return, BDUs are given the right to carry broadcasters' signals at no charge. This arrangement benefits both parties, as well as consumers.

The CRTC has estimated that fee-for-carriage will cost \$450 million annually. This will in effect be a transfer from consumers to broadcasters, with no new benefits for consumers and no guarantee that the money will be used for local programming. To fund the transfer, BDUs would need to raise subscriber rates by about 50¢ per channel. As figure 2 in our opening statement shows, this translates into a new monthly tax of \$3 to \$6 for most subscribers, depending on where they live.

In passing, I would note that the broadcasters have stated that fee-for-carriage would cost half that much. In fact, there was an article this week indicating that in Winnipeg the fee would only be \$1.50. Their calculations are mistaken, by the way, and I'd be pleased to answer and explain why in the question and answer period, if you like.

Another broadcaster request is for satellite providers to make available every local television signal in every local market in Canada. Bell TV already carries over 70 local stations, including for markets like Kenora, Ontario, and Terrace-Kitimat, B.C., which is more than any cable company. The CRTC has developed its policies for local station carriage by satellite TV in consideration of our capacity limitations, and Bell TV exceeds the CRTC's standards. Given our capacity constraints, adding the remaining local channels is not viable without dropping dozens of existing channels from our lineup, which would fundamentally alter our competitiveness in the marketplace.

In conclusion, we feel that this committee should not be constrained to considering the narrow set of regulatory fixes advocated by the broadcasters, because there are in fact many public policy tools available to assist local programming without disadvantaging consumers.

[Translation]

Thank you for the opportunity to appear today. We welcome your questions.

• (1850)

[English]

The Chair: Thank you.

The first question comes from Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you, Chair.

I want to thank our guests for coming today. Certainly back in the mid-1990s you caused quite a stir, and, as you've rightly pointed out, in many cases a monopoly was effectively quashed, I suppose.

I see that the cashflow is not working in your favour at this moment, or did I get this straight?

Mr. Mirko Bibic: That is correct; it is not.

Mr. Scott Simms: Has it ever been?

Mr. Mirko Bibic: Until the last two years we had no earnings. Lately we've managed to have been earnings-positive before interest and taxes, but once you factor in interest and taxes, of course, there has been no positive cashflow. Since 1997 there has been no positive cash flow—in fact only losses.

Mr. Scott Simms: Mr. Bibic, I want to explore this FreeSat initiative that you're putting forward. This is something you're putting forward as a service that you're providing. Just so I can get this straight, you're going to carry every local channel—what you deem to be local, and I imagine there are certain standards by which you look at a local television service—and you will provide all these channels on your service for all Canadians. Is that correct?

Mr. Mirko Bibic: That is correct. What we mean by meaningful amount of local content is, for example, some local stations have perhaps—and I'm not exaggerating here—30 minutes to an hour of local programming a week, and that's it. To look at every single station like that, we'd have some issues with satellite capacity, but working with the broadcasting community and with the CRTC, we could find some meaningful benchmark, like, seven, eight, nine hours. Every single one of those—

Mr. Scott Simms: That's deemed by you, your standard.

Mr. Mirko Bibic: No. The CRTC could determine it.

Mr. Scott Simms: All right. That was my next question, actually, which is to say, what is regional and what is not? How much are you going to save the consumer in this particular situation by doing this?

Mr. Mirko Bibic: Right now the broadcasters have an obligation to convert all their analog infrastructure to digital so that Canadians can continue to receive their local stations over the air. This will cost them hundreds of millions of dollars. They don't want to do it, especially not in the smaller communities. So what we've said is okay, don't do it in the smaller communities; we will guarantee that every community continues to have access to every single one of their local stations. We will save the broadcasters those hundreds of millions of dollars, and in return there ought not to be a fee for carriage and local programming fund increases. We would be saving the consumer the \$5 or \$6 a month.

Mr. Scott Simms: Sorry, you'd be saving consumers about \$5 or \$6 a month?

Mr. Mirko Bibic: As a result of the cost savings we would deliver to the industry, if fee-for-carriage and the local programming fund increases were not implemented, consumers would save \$5 to \$6 a month, on average.

Mr. Scott Simms: Sorry, I don't mean to walk over your comments, but I don't have a lot of time.

The other—

Mr. Christopher Frank: If I could just add to that answer, if there are no transmitters in a particular community, then the viewers who wish to receive TV service would have to pay a monthly fee to either cable or satellite to receive those signals. And effectively, what we're doing, as well as saving the money that Mr. Bibic alluded to, is that we're providing the service and saving the local viewer from having to pay a monthly fee.

Mr. Scott Simms: Okay, thank you.

You say in your conclusion that “there are in fact many public policy tools available to assist local programming”. This is one of several issues we've been dealing with when it comes to the question of content.

So there are two things here. You want the LPIF to remain at 1%. Do you think the LPIF is a policy tool that will contribute to Canadian content?

And secondly, what can Bell Canada do to contribute to the issue of Canadian content in television? I ask this because it's essentially what we have to get to here, because we are the Canadian heritage committee, so our concern obviously is strictly from a content perspective—at least I think it is. And all of these policy tools and levers that we have should be able to get more Canadian content

that's easily accessible. So what is it that Bell Canada provides for Canadian content?

Mr. Mirko Bibic: Well, Mr. Simms, currently we effectively pay a 6% tax on our revenues today, amounting to close to \$90 million a year, which goes directly into programming funds supporting Canadian content. That's a huge direct financial investment we're required to make into the industry. So that's certainly one.

We are also delivering, as I mentioned in my opening statement, over 70 local stations across the country, which is a direct support of local content.

We're also willing to provide FreeSat, which will guarantee access to Canadians to their local stations in their local communities without a monthly charge.

So all of these things are contributions to local content and Canadian content.

• (1855)

Mr. Scott Simms: So you want to provide the access, by which—

The Chair: Just make it one small question.

Mr. Scott Simms: Well, I'll have to recalibrate, then.

So when it comes to the LPIF or fee-for-carriage, which way do you think we should be going? Should we be putting more investment into the content structure, like the LPIF way of doing things; or, on the other hand, should we be changing on the margins some of these regulations by which we strangle all the players, whether they be conventional broadcasters, the specialty cable channels, or you as BDUs?

Mr. Mirko Bibic: We're not supportive of any model—especially given our financial position—that requires the distributors, such as satellite TV, to provide direct cash transfers from our business to the broadcasters, because they are in fact more profitable than we are. We need each other to function. They've been more profitable, historically, than we have. We want to continue to be in this business and to continue to provide a choice to Canadians.

So I think, essentially, we should be able to work these things out, but their outrageous demands that would add over \$700 million to their bottom line in direct cash transfers from consumers are simply unacceptable.

Now, what you could look at, as members of Parliament, are some of the ideas I mentioned in my opening statement, such as part II fees, a government tax that is completely unnecessary. That could go to local content.

The Chair: Thank you.

Madame Lavallée, please.

[Translation]

Mrs. Carole Lavallée: Further to what you just said about fee-for-carriage, you proposed that the CRTC relax the Canadian and Quebec content requirements in prime time so that general interest television networks can generate more advertising revenues.

Were you correctly understood? Is that really what you said? I'm going to start again.

Mr. Mirko Bibic: In what text are you reading that?

Mrs. Carole Lavallée: It's an internal text, from here, prepared by the Library of Parliament. I'm reading that you are suggesting that the CRTC soften Canadian—and I add “Quebec”—content requirements so that general interest broadcasters can generate more advertising revenue.

Mr. Mirko Bibic: Conventional broadcasters are of the view that the CRTC's requirements are too costly. In those conditions, we thought that, if the CRTC was considering relaxing local programming criteria, we would not object. Broadcasters could then cut their costs. However, as regards the appropriate level of local content that should be required, we're not experts on the subject.

Mrs. Carole Lavallée: That proposal came from your fund?

Mr. Mirko Bibic: No. We simply told the CRTC that, if it wanted to continue in that direction, we would not object.

Mrs. Carole Lavallée: I sincerely think that broadcasting and cable and satellite distribution are a public utility and that the privilege associated with that activity comes with an obligation. I believe that broadcasters have a duty to offer Canadians and Quebecers Canadian and Quebec content.

When you talk about relaxing content requirements over a matter of costs, we get the impression that Canadian and Quebec culture is being exchanged for money.

Do you think I'm right or that I'm exaggerating?

Mr. Mirko Bibic: I understand you. I want to emphasize that it was the conventional broadcasters who asked that the criteria be relaxed. We simply said we wouldn't object to that. I understand your point of view. They have a duty.

• (1900)

Mrs. Carole Lavallée: Do you understand that you too have a duty as a broadcaster?

Mr. Mirko Bibic: Our duty, above all, is to serve our consumers and then to meet the CRTC's local programming criteria and standards. We meet those criteria. In fact, we exceed them. Today we distribute more than 70 local stations in Canada. That's more than any other distributor in Canada.

Mrs. Carole Lavallée: Paragraph 7 of your presentation states:

We believe that the government should conduct a review of the broadcasting policy as it pertains to the role and importance of local expression [...]

What do you mean by that?

Mr. Mirko Bibic: What is important for us is not so much to know who will convey local content to the communities as to ensure that it is in fact conveyed to them. Content delivery is the primary concern. That can be done through television, community channels or the Internet. It is not necessary to proceed as we have always done over the past 50 years. That function does not necessarily have to be taken over by conventional broadcasters. We have to adjust. Technology is evolving quickly. We therefore have to consider how we can use new technologies to ensure that local content in Quebec and Canada as a whole continues to be produced and distributed to the communities.

Mrs. Carole Lavallée: It's on that basis that you're proposing free satellite?

Mr. Mirko Bibic: It's in that spirit, indeed. I'll admit to you that, from a commercial standpoint, Bell TV can't afford to make the transfers that conventional broadcasters are requesting. However, we felt that, to help them, we could provide our satellites. That's where the exchange stands.

Mrs. Carole Lavallée: One thing surprises me.

[English]

The Chair: Madame Lavallée, one short question.

[Translation]

Mrs. Carole Lavallée: You're telling us you don't make any money. But you're the only broadcaster to make that remark before our committee. Why do you think the others are making money but not you?

Mr. Mirko Bibic: First, the cable companies have had a monopoly for decades. Second, as I stated in paragraph 4 of my presentation, the cable companies have a certain advantage in that they have a network through which they can provide three services. Our satellites can only provide one service, television. That's a distribution advantage. Lastly, building and using these satellites is really very costly.

Mrs. Carole Lavallée: Thank you.

[English]

The Chair: Thank you very much.

Mr. Del Mastro, please, for a last question.

Mr. Dean Del Mastro: Thank you for your patience this evening in hanging in to provide this testimony to us.

Have you been following committee hearings to this point? I assume you've probably been keeping up a little bit with some of the witnesses we've had.

Mr. Mirko Bibic: We have been.

Mr. Dean Del Mastro: On Monday we had representatives here from the Pattison Group, which owns three local stations. We had representation from Corus, which owns local television stations and speciality networks. Are you aware that both of them came out and suggested that they're not in favour of fee-for-carriage?

Mr. Mirko Bibic: Yes, we are.

Mr. Dean Del Mastro: It's particularly concerning for me because of course Corus operates my local television station. They're not in favour of fee-for-carriage, yet you're saying the fee-for-carriage proposal that's been brought forward and submitted to the CRTC would cost the people of Peterborough \$5 a month on their subscription—

Mr. Mirko Bibic: That's correct.

Mr. Dean Del Mastro: —and my local television station doesn't even want it.

Mr. Mirko Bibic: That's correct. What we did for your community is tally up the number of local stations in that community and assign 50¢ to each of those stations, because that's what the request is from the broadcasters. When you add up all the stations, times 50¢, you get the number you just quoted.

Mr. Dean Del Mastro: Well, especially considering that my local television station doesn't want it, and I don't think an extra \$5 a month on people's satellite and cable bills would be overly popular, I can tell you which side of this issue I'm coming down on.

Mr. Mirko Bibic: Mr. Del Mastro, if I may, the \$5 is only for fee-for-carriage. If you add the other requests that the broadcasters have made, which are to increase the local programming fund from 1% to 3% and to force the satellite companies to pay even more for what are called distant signals, I guarantee you that the \$5 would go up.

• (1905)

Mr. Dean Del Mastro: Wow. That certainly is not going to be overly popular.

How many satellite subscribers do you have right now?

Mr. Mirko Bibic: We have close to 1.9 million.

Mr. Dean Del Mastro: You have 1.9 million and you're paying about \$90 million in support, so if my math is right, that works out to about \$45 or \$47 per subscriber that you're paying in support to Canadian content.

Mr. Mirko Bibic: That's pretty much it. In fact, that's for the Canadian content. That \$90 million is the number I use. We pay another \$17 million in CRTC fees and government fees, the part II fees, so that's \$103 million right there—

Mr. Dean Del Mastro: But if you're already negative on your cashflow, you must be getting that \$103 million from your subscribers. So then your subscribers.... Of course, we've heard from broadcasters that you're making money on their backs, that you're not giving them anything, and that people think they're paying for it anyways.

If you're not positive on cashflow, then obviously your subscribers are already paying what would amount to about \$6 a month, so they are in fact paying for local broadcasting. Ultimately, for these funds that you're paying into, they're being passed on to your subscribers. Is that not correct?

Mr. Mirko Bibic: Essentially on our costs, obviously, these fees form part of our cost base. We charge our subscribers as a function of our costs and the competitive price in the marketplace. Yes, obviously, we are contributing and our subscribers are contributing to Canadian programming and to the industry.

By the way, these broadcasters also own specialty services and they charge us wholesale fees, so we pay the broadcasters who own specialty services.

How many hundreds of millions a year is it?

Mr. Christopher Frank: It's north of \$450 million.

Mr. Mirko Bibic: So we make commercial payments worth \$450 million to the broadcasters who own specialty services.

Mr. Dean Del Mastro: Wow. Okay. To sum that up, when the case is being made, essentially, that Canadians think they're paying for over-the-air broadcasters but they're not actually paying anything for over-the-air broadcasters, they actually are, because it's in the fees that they're paying their cable companies and the satellite companies. It just isn't explicitly stated as such, but they are paying towards content and towards Canadian content.

I want to move on because there's something really important that I want to get to, and that's this FreeSat program you've proposed. First of all, I think it's tremendous. It's a really neat proposal that you've made.

I don't know if you're aware of this, but I'll tell you that in a lot of remote communities, not too far from where I call home, there aren't too many stations that you can even get over the air in those remote locations. To me, this seems to be a pretty good offer for people to receive conventional over-the-air broadcasting. I assume they just have a small equipment charge to pay for and then they'd receive these services at no charge.

Mr. Mirko Bibic: That is correct. We propose that we would do this on a cost-recovery basis. The cost of delivering freesat would be credited against some of these fees we're already paying, such as the local programming fund, and the consumer, under our model, would be asked to pay for the home's satellite dish and the receiving equipment, the set-top box that you hook up to your TV.

Mr. Dean Del Mastro: They would have to pay for a digital antenna anyhow. Is that correct?

Mr. Mirko Bibic: That's correct.

I'll put it in perspective, Mr. Del Mastro, if I may, in terms of the cost equation. For the sake of the broadcasters allowing Bell TV to offset against the local programming fund, a cost of about \$5 million a year, we would be saving them hundreds of millions of dollars a year in upgrading their infrastructure to digital, and the consumer would continue to receive local signals with no monthly charge. It really is a win-win-win situation. All we're asking in return is that fee-for-carriage and LPIF increases not be imposed.

We're willing to step forward, come to the plate, and add value to the system.

The Chair: Mr. Bibic and Mr. Frank, thank you for your patience in waiting for us. I think you have come forward with some good concrete suggestions, and we appreciate that a great deal. I'll see that they're included in our report.

Mr. Christopher Frank: Could I just make a couple of comments on your question, sir?

First of all, I'd like to say for the record that we carry the Peterborough station on our DTH service. Presently we carry all three Pattison stations as well, in addition to the Corus station from Kingston.

The main point I'd like to make is that as our costs go up for something like fee-for-carriage or LPIF, we'll obviously have to raise our prices, with no seeming value added to the consumer. Most consumers have a fixed wallet for entertainment, and what will happen, especially to specialty services and pay-TV services, is that as the price goes up, people will churn out of the discretionary packages they buy and in fact will buy less from the Canadian broadcasting system, not more. So I think you'll see consumers with less choice and less variety in programming. Ultimately, they'll be disillusioned.

• (1910)

The Chair: Thank you very much.

Again I apologize for the inconvenience we put you through with our votes. Your presentation was fantastic and your answers were great. I know Mr. Angus would have liked to ask you some questions, but he had another engagement and had to leave.

I thank all the people who came back after the vote to make sure our witnesses did get heard today. Thank you very much.

This meeting is adjourned.

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

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

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.