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Chair

The Honourable Michael Chong

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•(1530)

[Translation]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): This is the 31st meeting of the Standing committee on Canadian Heritage, on Tuesday, November 23, 2010. Pursuant to Standing Order 108(2), we will study the impacts of private television ownership changes and the move to words you viewing platforms.

Our witnesses today are Mr. Cardin, Mrs. Collins and Mrs. Creighton, of the Canada Media Fund, as well as Mr. Mastin and Mr. Bolen, of the Canadian media production Association.

[English]

We'll begin with an opening statement from the Canada Media Fund.

Ms. Valerie Creighton (President and Chief Executive officer, Canada Media Fund): Thank you for the invitation to talk to you today. With us today are Stéphane Cardin, vice-president of industry and public affairs, and Sandra Collins, vice-president of finance and administration. I'm going to give you just a bit of an overview. Then Stéphane will talk about the convergent stream, and Sandra will speak to some of the issues surrounding broadcaster corporate groups and our revenue streams at the fund.

Last March, the Ministry of Canadian Heritage provided a new mandate for what was the Canadian Television Fund. It incorporated the programming of the Canada New Media Fund, which was previously administrated by Telefilm. The new mandate champions the creation and promotion of successful, innovative Canadian content and software applications for current and emerging digital platforms through financial support and industry research.

In 2009-10, we provided just over \$327 million for the creation of Canadian content. Through these investments, the CMF contributes to the Canadian digital economic strategy. We just completed an annual process in which we undertook a formal dialogue with our industry stakeholders across the country, from Saint John to Iqaluit to Victoria and everywhere in between. This year we visited 23 Canadian towns and cities, coast to coast to coast, and met over 1,000 industry representatives. This process provides us with an opportunity to hear the concerns and observations of the industry and helps inform our process of developing the guidelines every year.

Stéphane will take you through the successes and the convergent stream.

Stéphane.

[Translation]

Mr. Stéphane Cardin (Vice-President, Strategic Policy Planning and Stakeholder Relations, Canadian Television Fund): The CMF has two separate financing streams, the convergent stream and the experimental stream. Through the convergent stream, the CMF provides support to popular television projects, as well as to their digital media components.

To give you an idea of success on the French-speaking market, I can say that among the 20 most popular programs in 2009-2010, 10 had received the support of the Canadian media fund. Several programs, in English and in French, regularly attract more than 1 million viewers. Last July, for example, the first episode of the *Rookie Blue* series, on Global and ABC, in the US, attracted a total of 9 million Canadian and American viewers. Currently, to get funding from the CMF, projects in the convergent stream must either have value-added digital media components or be broadcast on platforms other than television.

The experimental stream is there to support very innovative digital media content as well as interactive software applications. The success of this stream has led to more than 240 funding applications, for a total of \$83 million, during our first round of funding. Out of that number, we have selected 27 projects for funding, including interactive games, web portals, mobile phone applications, web series and web applications, for a total amount of \$12.9 million. The second round of funding applications closed a few days ago, on November 12, and we have received close to 180 additional funding applications, for a total of \$65 million. We are now assessing all those applications.

Obviously, the new mandate of the convergent stream of the CMF is moving ahead and will allow for the development of content available at any time to all Canadians on their platform of choice.

Sandra?

•(1535)

[English]

Ms. Sandra Collins: During this fall's industry consultation, we took note of some observations from various stakeholders. One of these is that many Canadians are in fact migrating from cable and satellite to consuming content over the Internet. In fact, you may have noticed in this morning's *Globe and Mail* that a "Report on Business" column talked about a reporter's own experience of how he was unplugging.

This trend is beginning to have an impact on the CMF's revenue stream. As you may know, the CMF contributions provided by cable and satellite companies are based on a percentage of their broadcasting revenue. As things shift from the regulated to the unregulated, our revenues over time will decrease.

We're beginning to see that happening now, in that the percentage of growth in the BDU revenue—and this is also included in the chart in the document we provided you—has already started to diminish. We've seen recent year-over-year growth at 10%, for 2008-09; it went down to 6% in 2009-10; this year we expect it to go down to about 2%. This decline is being seen on both the cable side and the DTH side. It's a little more dramatic, at this point in time, on the cable side.

The other source of revenue, of course, that we have is from the Government of Canada. It has remained stable at \$120 million since 2006-07. In 2010-11, the current year, we received an additional \$14 million, which was provided to support the expanded mandate, and it was the funding that went to the Canada New Media Fund.

As far as the impact of consolidation in the broadcast sector and the impact on the CMF are concerned, particularly in the English market what we've seen is that the share of CMF funding allocations provided through what we call "performance envelopes" is increasingly received by broadcasters who are part of one of those vertically integrated groups. The broadcasters have the ability to direct their envelopes towards productions, in addition to providing a broadcast licence, and then in turn the CMF engages and contracts with that producer. So there are fewer players directing a lot of the production.

For example, in the English market, if we look at the performance envelopes that we calculated for this year and apply what we know are probably going to be the new ownerships, including that of Bell, the broadcasters within those vertically integrated groups received 50% of the CMF performance envelopes. That includes Bell, obviously, for CTV; Quebecor; Rogers; and Shaw, for both Corus and CanWest.

When we also consider that 35% went to CBC, that leaves 15% of our English performance envelopes allocated to 10 channels that weren't part of a vertically integrated broadcast group. Obviously, that's only for channels that have a performance envelope and that we deal with.

Ms. Valerie Creighton: Clearly, the rapid change in the distribution, broadcasting, and production environment and the resource pressure downward on the fund will continue to create new challenges for the whole system, but also some new opportunities.

In spite of all of this, we still are of the view, having been through the first year of the implementation of the fund, that from a policy perspective it was the right thing to do. When the government gave us the mandate, there were lots of questions in the industry about how to trigger and move the whole industry forward into the digital media universe. But we think the catalyst was there in the mandate, and it was clearly the right thing to do.

That is evidenced, I think, by all of the interest we're getting in countries around the world talking to us about what is happening in Canada and how we're making it a success.

We'll continue to adapt and change our policies to ensure that our job is the support of content. We view this very much as a content fund, and we want to make sure that the content is as innovative and compelling as possible, so that Canadians can watch it anytime, anywhere, anyplace, as they choose.

Thank you very much for the opportunity to give you this information. We're happy to take questions.

● (1540)

The Chair: Thank you very much.

We'll have an opening statement now from the Canadian Media Production Association.

Mr. Norm Bolen (President and Chief Executive Officer, Canadian Media Production Association): Good afternoon, Mr. Chairman and committee members.

We appreciate the opportunity to appear before you today and will keep our remarks short so that we have more time for questions and answers, but first we offer our congratulations specifically to you, Mr. Chong, on your recent election as chairman of this important standing committee. I look forward to working closely with you and the other committee members in the weeks and months ahead.

My name is Norm Bolen. I am the president and CEO of the Canadian Media Production Association. With me today is Reynolds Mastin, counsel for the CMPA.

We represent hundreds of independent companies across Canada. They produce and distribute English language television programs, feature films, and interactive content. With a handful of exceptions, these are all small and medium-sized businesses, entrepreneurs. Our members produce content that is consumed by millions of viewers in Canada and abroad, and that content is viewed on small, medium, and large screens. Gone are the days when producers developed content for a single platform. Today producers almost always develop their content so it can be exploited on multiple screens.

As most of you know, our organization was formerly the Canadian Film and Television Production Association. We rebranded a number of months ago to the Canadian Media Production Association. We did this specifically to better reflect the reality of today's independent production sector and in light of the multiplatform universe that is already so prevalent in the lives of Canadians.

Our members have a significant impact on the Canadian economy. They generate most of the \$5 billion in production that occurs in Canada each year, and this activity sustains some 130,000 high-quality creative jobs.

While these economic performance indicators are important, independent producers are about much more than just money and jobs. By the content they produce, independent producers reflect—and, I would add, even celebrate—the broad diversity that exists across our vast country and the proud history that makes us so unique.

The fundamental role of producers has long been recognized and supported by successive governments. This is why the Broadcasting Act recognizes the important role that independent producers play in the Canadian broadcasting system. Section 3 of that act requires that “the programming provided by the Canadian broadcasting system should...include a significant contribution from the Canadian independent production sector”.

Independent producers are a key engine driving diversity, creativity, and innovation. I would like to think that our sector is well positioned to make a significant contribution to Canada's burgeoning digital economy, but lately, to be brutally honest with you, I'm beginning to wonder if this is at all true. For independent producers to be well positioned to contribute meaningfully to Canada's economic and cultural future, certain things must change, and they must change quickly. We therefore congratulate you for launching your study on the impacts of the changes in private television ownership and the move towards new viewing platforms.

Over the last decade, and certainly in the last few years, the massive consolidation and integration of the television sector has indeed had a significant impact on independent producers. There is now a severe and unsustainable industry imbalance between independent producers and broadcasters. That imbalance is not only undermining content innovation and programming diversity; it is also threatening the very existence of the independent production sector. We remain hopeful, however, that the government and all political parties continue to believe in the importance of the contribution made by independent producers.

The key question, as I see it, is really quite simple: do we continue to believe it beneficial to all Canadians that a viable and healthy independent production sector not only exists but can flourish? I and many millions of Canadians believe the answer to that question is an unequivocal “yes”, so I implore you to grasp the opportunity with this study to make concrete recommendations to address the imbalance that currently exists in the television sector between independent producers and broadcasters.

Reynolds, would you continue?

Mr. Reynolds Mastin (Counsel, Canadian Media Production Association): You may be wondering what the problem exactly is between producers and broadcasters. Simply put, we're now reduced to three large, integrated, private broadcast corporate groups in English Canada. As such, there are effectively few selling opportunities in the television market for our members.

More specifically, those three broadcast groups are now using—I would even say abusing—their dominant position in the market to secure unreasonable terms from independent producers. They're demanding more rights, including all digital rights, and often for very little additional fees, if any.

Broadcaster consolidation has virtually eliminated competition in the Canadian programming rights market, resulting in fewer incentives for broadcasters to experiment with multiplatform content production and distribution; untenable and unsustainable rights deals for independent producers; and the virtual elimination of any return on investment for investors and funders, including the Canada Media Fund.

The equation is simple: where broadcasters control all of the rights, they will reap all of the benefits. This leaves other key partners—independent producers, the Canada Media Fund, federal and provincial funding agencies, and independent production funds—with little or nothing to show for their investment in Canadian programming.

The situation for independent producers has also become progressively worse over time. Ten years ago broadcasters were taking three-year licence deals on programming. Today, for very little additional compensation, they demand as many as 12 years. This virtually eliminates any possibility for a producer to sell in second or third markets.

Ten years ago broadcasters negotiated for only one conventional station and maybe three to five plays or broadcasts of the program over the three-year licence term. Today, with little additional compensation, they demand the rights for that same conventional station; all of their other owned and controlled broadcast platforms, such as pay or specialty; unlimited plays on all their platforms; Internet rights; all rights for all media; merchandising rights; and very often rights for foreign territories.

Let's consider this last point for a second. A Canadian broadcaster whose sole *raison d'être* is the Canadian market is using its considerable clout to scoop up the rights for foreign territories. This is going way too far.

You may be asking yourselves why producers do not simply refuse these harsh business terms that are so damaging to their businesses. There's a simple answer to that question. For most independent producers, turning down these terrible terms effectively means putting their businesses on hold, or even closing their doors permanently. I would highlight that a broadcaster is also the only trigger to access a large majority of the financing available under the Canada Media Fund, and one of the key triggers to access the Canadian film or video production tax credit.

This puts broadcasters in a very strong bargaining position. Without a broadcast deal, our members have no access to most of the CMF and likely no access to the tax credit. Without access to these crucial sources of funding, there would be far fewer Canadian content productions in underrepresented genres, like drama, documentary, and children's programming. Thousands of key creative and technical craftspeople from coast to coast would also lose their jobs.

Ultimately, Canada's diversity would be significantly lessened, and independent producers would fall considerably short of being able to effectively contribute to Canada's growing digital economy. This is why we have been pushing so aggressively for the implementation of an equitable and enforceable terms of trade framework between independent producers and broadcasters.

This would provide a common-sense solution related to the ownership and exploitation of all rights, including digital rights, thereby maximizing the distribution of content across all platforms. This is a key government policy objective that can be achieved at no cost to taxpayers and with minimal, if any, direct regulatory intervention.

•(1545)

Mr. Norm Bolen: Before we wrap up, I would like to make a short comment about the Canada Media Fund.

As you may know, the Department of Canadian Heritage's contribution to the fund expires at the end of this fiscal year. This program is crucial for underrepresented Canadian programming and the independent production sector. It is critical that it be renewed long term. As you may also know, we've been actively working with our colleagues in the creative sector in arguing before the courts that Internet service providers should be considered broadcast distributors under the Broadcasting Act.

Let me briefly explain why it is necessary to push so hard on this front.

Over time, Canadian audiences will increasingly migrate to platforms that are currently not regulated. As this trend accelerates, revenues earned within vertically integrated communications companies will shift from those generated by their traditional and cable satellite services to those derived from their Internet access services. Overall these companies could end up earning just as much, maybe even considerably more, from their customers' shift to broadband.

At the same time, they will end up contributing less and less to the Canada Media Fund, since their contributions are currently based solely on their cable and satellite revenues. Data already show the CMF revenue from BDUs flattening out, as Valerie suggested. This is not a positive trend for Canadian content, for the independent production sector, or for the thousands of jobs we sustain across Canada.

In closing, I offer four specific recommendations that we ask you to incorporate into your study.

One, recognize the imbalance that currently exists between independent producers and television broadcasters in the negotiation of rights and the detrimental effect this has on diversity and innovation in the system.

Two, recommend that the Minister of Canadian Heritage issue a policy direction to the CRTC, pursuant to section 7 of the Broadcasting Act, requiring the commission to ensure that broadcasters have taken all appropriate steps to reach an equitable arrangement with the independent production sector regarding the ownership and exploitation of program rights.

Three, support the renewal of the Department of Canadian Heritage's contribution to the Canada Media Fund on an ongoing basis. This will introduce much-needed stability in the funding system. It will also allow all stakeholders to plan long term and continue enhancing the effectiveness of the fund.

Four, endorse the proposal that all distribution platforms, including those that are currently not regulated, be required to make a financial contribution to a fund to support the creation of Canadian content.

With these key building blocks in place, I am confident that Canadian independent producers will be much better positioned to

be able to contribute meaningfully to both our growing digital economy and our cultural future.

That concludes my presentation. I would be happy to answer any questions you may have. Thank you.

•(1550)

The Chair: Thank you very much.

We'll have 40 minutes of questions and comments, beginning with Madam Crombie.

Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.): Thank you all for presenting to us today.

I think I'll start with Mr. Bolen and Mr. Mastin, as I was quite taken by your presentation.

Apart from the four recommendations you've just made, how do we right that balance? How do we correct the imbalance that exists between the large broadcasters and the small independents?

You talked about the terms of trade framework. Are those four recommendations you made included in that framework?

Mr. Norm Bolen: There are short-term and long-term sets of potential solutions that we need to consider.

In the short term, terms of trade is our best opportunity. The commission has encouraged—and I could use a stronger word, has insisted, really—that the broadcasters and the independent producers come to the table, negotiate in good faith, and attempt to find a reasonable balance on the sharing of rights so that both the independent producers and the broadcasters can run successful businesses. We need both to be strong. We need to have a strong production industry and a strong broadcasting industry. And we need both to continue to have a platform that we can build out from into the international digital marketplace, where we're going to see opportunity if we have a strong industry here. So that's number one.

The second thing is a bigger transitional question, and that relates to how the whole environment is evolving. We need to find a way to transition a system that was built on a traditional broadcasting model to a system that is now much more consumer driven. The CMF is beginning to do that. They've started to create conversion projects; they've started to fund experimental projects, and they are encouraging a kind of forced marriage between traditional content producers and interactive content producers, and that's a very positive thing. We need to continue that. We need to make sure we calibrate that very carefully, but we also have to start considering some of the sacred cows.

Should broadcasters alone be the triggers or should we be finding newer kinds of triggers? As newer platforms and newer players in the marketplace become commissioners of content and distributors of content, they too should begin to have some access to different kinds of funds that are available. The other thing is to consider whether producers shouldn't also have access to these funds directly, rather than through broadcasters.

These are some of the ideas we need to look at in a broader context.

Mrs. Bonnie Crombie: Okay, terrific. I probably am going to be limited in time, so I'll spit some of these out.

Looking at the impact of vertical integration, the benefits and the drawbacks for Canadians, but also the impact on the independent producers and creators, how else can you quantify the negative impact that has produced?

Mr. Norm Bolen: The real problem, if you're an independent producer, is you're basically in a take it or leave it situation when you're dealing with broadcasters. There are fewer broadcasters in the marketplace than there were five or ten years ago, so you have fewer customers. That's one thing.

The broadcasters, because of their market power, get more rights for not a lot more money. You don't have any inventory yourself, and to the extent that the broadcasters monetize those rights that they acquire from you, you're not sharing in that revenue. So we're seeing the margins of these independent production businesses being compressed, being squeezed. They're very small margins, barely able to build any kind of serious capital in their businesses, and we are seeing the broadcasters getting bigger, stronger, better capitalized, and more profitable. It's a David and Goliath situation, effectively.

• (1555)

Mrs. Bonnie Crombie: On that point, how do they do it in other jurisdictions, like in the U.S.? How are producers funded? Do they have other sources of revenue? Do they receive revenue from other platforms? Are there royalties? What's the business model like?

Mr. Norm Bolen: The American system is a completely different system. It's dominated by large studios, largely, and major broadcasters who are producing the content themselves, in some cases, or financing the content 100%. They have what's called a "service production industry". So, basically, a broadcaster pays 100% of the budget of a show and the producer makes the show and gets paid fees. The broadcaster owns the rights to the show, and away you go. In the Canadian marketplace, broadcasters' licence fees cover only, on average, about 35% of the total budget of a show. The rest of the money comes from either government subsidies, in the form of tax credits from the Canada Media Fund, which is partly money that comes from consumers, or from foreign sales, from distribution advances, and from deferrals of their own fees. So it is a much different system.

If the Canadian broadcasters were paying 100% of the cost of production, then it would be a much different situation. But they're not. The producers take significant risk, but they don't share in the return as much as they should. So it's a completely different system.

Mrs. Bonnie Crombie: What about in other jurisdictions and in terms of your revenue streams? Do you gain from the Internet or other non-traditional platforms?

Mr. Norm Bolen: Those platforms are not generating massive amounts of revenue, certainly not as much as the traditional platforms.

I would refer you to the British system. In the U.K., the government, several years ago, saw the same imbalance in their country, and they directed their version of the CRTC, Ofcom, to ensure that producers retain more of their rights. Ofcom imposed the terms of trade deal on the broadcasters in the U.K., which ensured that the producers would hang on to more of their rights. That has resulted in the growth of some significant production companies in the U.K. that have expanded their businesses quite successfully

because they've been better capitalized. So there is a success story in the U.K. situation that we see as a good example for Canada.

The Chair: Thank you very much, Madam Crombie and Mr. Bolen.

Madame Lavallée.

[*Translation*]

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

Mrs. Creighton, you mentioned the subsidies that have been granted. You gave us a lot of figures which I did not have enough time to record. Could you tell us again the number of applicants and, if possible, their distribution by province?

[*English*]

Ms. Valerie Creighton: The first thing I'd like to say on that is that the fund is about 50% oversubscribed. Historically, prior to the envelope system, it was first come, first served. There was no requirement for a broadcast licence, and production companies lined up outside of the door of the old CTF and around the block.

Right now, we support just over 400 in production—I'll give you the numbers from last year—about 352 in development, and a small number of projects in versioning, to be able to take those projects into both languages.

In production, on average, every year we do about 400 or 450 projects.

[*Translation*]

Mrs. Carole Lavallée: Can you tell us how those 450 projects are distributed by province?

Mr. Stéphane Cardin: This data can be provided but I can tell you that two thirds of our funding is for English production, and one third for French production. This is specified in the contribution agreements that we have passed with the government of Canada. Furthermore, 10% of the third reserved for French language production must be provided to producers from outside Quebec. The other 90% is generally given to Quebec French language production.

Mrs. Carole Lavallée: Is that 10% of the 33%?

Mr. Stéphane Cardin: It is 90% of 33%.

Mrs. Carole Lavallée: And that share is allocated to Quebec?

Mr. Stéphane Cardin: More or less.

Mrs. Carole Lavallée: Have you noticed different or higher applications from Quebec than from the other provinces?

Mr. Stéphane Cardin: In the case of the convergent stream, no. However, in the case of the experimental stream, Quebec and British Columbia were significantly higher during first round of funding. This is the stream established for projects that have no links with television. It is aimed at innovative projects for Internet, mobile phones, console games, etc. Within that stream, the distribution was one third, two thirds, but a few projects where obviously bilingual.

• (1600)

Mrs. Carole Lavallée: Why do you say "bilingual"?

Mr. Stéphane Cardin: I mean that they do not really have an original version, for example in the case of console games.

Mrs. Carole Lavallée: They are produced in both languages.

Mr. Stéphane Cardin: Exactly.

Mrs. Carole Lavallée: So, Québec and British Columbia were different from the point of view of the number of applications, but were they also different on the basis of selected projects?

Mr. Stéphane Cardin: Absolutely.

Mrs. Carole Lavallée: In the context of your convergent stream, you always operate in the same manner: when an application is submitted by a producer wanting to create a television program, for example, you demand that there be a website, do you not?

Mr. Stéphane Cardin: This year, exited the measures have been implemented. Applicants must produce components for the digital media, that is to say that you added content for the web, for mobile phones or other digital platforms. Otherwise, convergence can be reflected in the distribution strategy. For example, if a television projects is distributed on a VOD platform or through web streaming, it becomes admissible

Mrs. Carole Lavallée: What part of the budget do you allocate to what I would call the digital platform, on the one hand, and to traditional television programs, on the other hand? How do you assess that?

Mr. Stéphane Cardin: We have rules. The budget allocated to television productions is much higher than for the digital media components. This year, for the digital media components, we could provide a maximum of 50% of the funding, up to \$200,000 per digital component. On the television side, the budgets are much higher.

The Chair: Thank you.

Mrs. Carole Lavallée: Is my time already over?

[English]

The Chair: Mr. Angus.

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

And thank you for coming today.

I remember being on the committee when we had the so-called crisis in the Canadian Television Fund, when Monsieur Péladeau and Mr. Shaw decided that they didn't have to meet their obligations to their contracts, and there were no administrative monetary penalties to bring them into compliance. It came before our committee. Mr. Shaw said, "I don't like the *Trailer Park Boys*. That's good enough for me not to pay my share of the fund." And Mr. Péladeau said, "Well, I don't mind paying into a fund, as long as I can use that money for my in-house production."

The New Democratic Party had concerns at the time about how the fund would be reconstructed. We were certainly very supportive of ensuring a digital component because it seemed we had to bring our production in line with the 21st century. We were, and remain, concerned about the ability of all the players to utilize a fund, especially as we become more and more concentrated.

Now we're in a situation where Bell mobile phone is a broadcaster, and it would certainly.... And I'm not picking on Bell. It could be the same thing with Rogers. It's certainly a great deal to say you get exclusive content and exclusive access to your favourite show, or maybe you get your exclusive show for the first three weeks or the first year, and then any other service provider can pick it up once everybody's stopped watching the show.

Ms. Creighton, are you concerned, given the fact that the other partner at this table is the Canadian taxpayer, and we've put a lot of money into that Canada Media Fund.... When we pay for content, we shouldn't be subsidizing phone wars. How do we ensure that what we pay for is going to be seen by people?

Ms. Valerie Creighton: The first thing is that Shaw and Quebecor have continued their contributions to the fund. Some changes, which are working well, were made last year around allowances for a broadcaster affiliated in-house. Neither the alarm that was expressed at the time from the independent production community nor the need that was expressed from the broadcast sector seem have been borne out. Historically we're seeing traditional amounts of broadcaster in-house and affiliated that have been in existence at the fund for quite some time, at least on the affiliated side. I think things have calmed down quite a bit from the days when the real friction hit.

In terms of the issue of exclusivity, obviously that's out of our control. It's not something we can weigh into in terms of the fight or the debate. Our mandate is for content to be seen and accessible to Canadians anywhere, any time, anyplace. We still think that's a very important mandate, and I believe there are some protections around exclusivity in the current CRTC regulatory environment.

Sandra or Stéphane might want to add to that.

Certainly for us, any environment that allows this content to be broadly distributed among Canadians is the best environment, because our interest is in making sure that content can be seen by the most people. It's just not us who can regulate or control that.

• (1605)

Mr. Charlie Angus: Yes, I fully understand that.

Mr. Bolen, I'm interested in your recommendations. After your recommendations, you floated an idea that I would like to pursue, in that if we are in this digital platform...and again, there's nothing wrong with the traditional broadcasters. I'm glad the CMF is there for the traditional broadcasters—they play an important role—but it seems to me we have an enormous opportunity for independent production to go international by being able to get some funding to begin a project, to be able to get on Twitter, go on Facebook, go on YouTube, start getting some buzz without having to give away the rights of you and your children and your grandchildren in advance of a project that might never get off the drawing board.

Do you think it would be helpful if we expanded the envelope that CMF is experimenting with right now to allow for producers to try some program ideas, so they can see if they can get better terms of trade and new partners, as opposed to having to go for a broadcast licence? It seems if you don't have a broadcast licence and your project doesn't get off the ground, then it's going to be very difficult to ensure any kind of fair terms of trade.

Mr. Norm Bolen: That's a good question.

I think the whole industry has to look at this. As I said, we need to evolve, and we need to calibrate that evolution very carefully. The truth is the vast majority of the revenue from consuming content is currently still in the television industry. The dollars in the online world and in the digital world are much smaller, and it's a very fragmented world. It's a challenge to break through the American machine in that international market because of the marketing costs involved in doing that.

We can't have any expectation that we're going to have instant success in the digital marketplace because you need to have high-quality content. High-quality content costs money. Most of the money is still in television. But that is changing, and more and more money is starting to emerge on other platforms. I think the whole industry has to sit down with everyone and look at that very carefully. The CMF holds ongoing consultations about that, and we're looking at this very question carefully, because there's no doubt we have to change the system. We have an old system based on a different set of conditions, and it has to grow.

I don't have all the specific answers about what specific mechanisms we should put in place to do that, but we need to pay more attention to it.

If I could just speak to your other question about content exclusivity, as independent producers we believe very strongly that any content that has Canada Media Fund money or tax credit money in it, any public purse involvement, should be as widely distributed as possible and should be made accessible to as many Canadians as possible. That speaks against exclusivity on platforms. As a taxpayer, if I'm paying for content, why should I be denied an opportunity to access that content just because I happen to use a particular cellphone instead of another one, or have a particular subscription?

The Chair: Thank you very much, Mr. Bolen.

Briefly, Madam Creighton.

Ms. Valerie Creighton: If I could just add, certainly we think as this convergence moves there will come a time when the requirement for a broadcast licence cannot be the only trigger. I'll use the documentary genre as an example. There are about three places where documentary filmmakers can get a licence now, and yet much of this content, particularly coming out of the north, will have European broadcasters, digital distribution, or other sources of distribution in it. It simply doesn't qualify at the fund because we are still a bit caught by the rules of the Broadcasting Act in terms of having to have a broadcast licence in the convergent stream.

Clearly, if we're now the Canada Media Fund, that has implications in terms of who triggers the fund, who puts money into the fund, and how we evolve toward that. We hope that as the other side of the universe on the digital media and distribution side increases, content is made and revenue streams do start to develop, and as the advertising market moves more and more into that area, clearly we will have to be released from the trigger of a broadcast licence in order to support that kind of content.

As Norm said, there is a whole series of questions in there around calibration and where you move and how fast you move, because

clearly people aren't moving away from TV content production. We still have to be able to compete with the American market on that front as well.

• (1610)

The Chair: Thank you very much.

Go ahead, Mr. Del Mastro.

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

To begin with, Valerie, I am delighted once again to hear of the success of the Canada Media Fund. Obviously it's critically important to creators in this country, and I think the value of these types of funds has been demonstrated. I also think it's a very forward-looking fund.

When last we spoke, you were preparing a report on, or working on, the allocation of the digital component of it. Have you made any progress that you could report to the committee?

Ms. Valerie Creighton: We've just finished the first round, which was highly oversubscribed, and the second round just closed. We're just at the analysis stage to put that whole.... You're referring to the experimental stream.

Mr. Dean Del Mastro: Yes.

Ms. Valerie Creighton: We're just at the analysis stage. We're putting all of that information together in terms of demand and success rate, as well as in terms of the types of projects that have come up. I think Stéphane.... We had a few of the numbers in there. It's about triple what we can support in terms of available resources.

Mr. Stéphane Cardin: In the first round we received requests for over \$80 million in funding. We had \$16.2 million available. In the end we supported 27 projects in production. Included in there were online games, console games, applications for mobile phones, websites, web portals, a few web series, and some software applications.

We've just opened up the second round. This time we have again received about 160 applications requesting about \$60 million.

Mr. Dean Del Mastro: That's pretty exciting stuff. I suppose we should expect that the approvals on this are all pretty high-quality approvals. Based on the number of applications you're getting, there's obviously quite a bit of interest in it.

Ms. Valerie Creighton: Because the criteria for innovation were at the highest in that program, one of the things that we implemented this year was to bring together a jury of Canadian and international experts to assist us in evaluating the innovation criteria, because it was such an important piece. We felt that the innovation program in particular is under a lot of scrutiny this year and we want to have some good success stories from it, so we thought we should bring the best expertise in the world to bear on the decision-making process, and I think that's been beneficial to the process.

Mr. Dean Del Mastro: That's great. I wish you well with it. I look forward to seeing some of the end results of these investments.

Mr. Bolen, I am interested in this issue of rights for producers. I've heard this a number of times. The CRTC spoke about it briefly the other day. It was interesting that Telus also mentioned it when they talked about vertical integration.

I'm interested in knowing what proposals you would put on the table. Personally, I'd love to see an industry-based solution. I really don't like a regulation-based solution, because I think it tends to hamper investment and hurts the industry overall. What would you suggest we could do? Are there adjustments within the Canada Media Fund? What would you suggest we do as legislators to balance things out, if they are indeed unbalanced?

Mr. Norm Bolen: Thank you for the question.

I want Reynolds to give you specifics, but I would say that we too want an industry-based solution. Currently we're in negotiations with the broadcasters, but those negotiations wouldn't be happening if the commission hadn't insisted on some kind of framework being negotiated. The question is, what happens if we aren't able to reach a negotiated agreement? In that case, the commission has said they will determine what terms should be put in place.

I'd like Reynolds to speak briefly to some of the things that we would specifically look for.

Mr. Reynolds Mastin: Thank you, Norm.

I won't get into too much detail, because we're about to go right back into the negotiations with the broadcasters.

Essentially what we're putting on the table is a model that we think will provide broadcasters with a vehicle to acquire multiplatform rights. We certainly recognize that they need a bundle of rights in the domestic Canadian market in order to be successful; at the same time, we want to have some kind of arrangement in place to ensure that producers will have a share in the success of the distribution of that content on all those various platforms.

Whether we can find some kind of equitable arrangement on that question really is the key issue in the whole terms of trade discussion. Of course, broadcasters have different views on this, but that's something that will be front and centre in our terms of trade negotiations.

•(1615)

The Chair: Thank you very much, Mr. Mastin, and thank you very much, Mr. Del Mastro.

We'll go to Mr. Wilfert.

Hon. Bryon Wilfert (Richmond Hill, Lib.): Thank you, Mr. Chairman.

I'm not a regular member of this committee.

I just wanted to ask you two questions. One is on the distribution platforms for supporting Canadian content. You talk about the issue of non-regulatory viewing platforms and obviously the implications for Canadian funding mechanisms. Can you elaborate on that? There seems to be a gulf there. How far apart are you, and what do you see is needed to bring both sides together?

Ms. Valerie Creighton: Will I try that?

Do you mean the gulf in terms of who provides the money?

Hon. Bryon Wilfert: Yes.

Ms. Valerie Creighton: For us, the regulatory system provides the cable direct-to-home and satellite revenue, since a percentage of the company's revenue goes to Canadian content. Of that, it's 5%, and of that 5%, 20% can go to the private funds and 80% comes to the Canada Media Fund.

On the policy question, if it is the case that people are cutting the wire, as they say, or unhooking from their cable service and viewing their content in other ways, and certainly trends are starting to demonstrate that, then the requirement for that vertically integrated company, to us, is only on the cable direct-to-home and satellite side. They have no requirement to provide revenue to the fund on any of their other operational sides.

Hon. Bryon Wilfert: So the migration of interest toward the Internet is not covered.

Ms. Valerie Creighton: That's correct.

Hon. Bryon Wilfert: That obviously has an impact on your revenue.

Ms. Valerie Creighton: It can. As we pointed out, we normally relish the revenue coming from the BDU side, because we budget very conservatively. As their fortunes gain, so do ours. That additional revenue has been from 7% to 10%. It dropped to 6% last year—

Hon. Bryon Wilfert: And now it's down to 2%.

Ms. Valerie Creighton: —and to 2% this year. So there's a clear trend line.

Hon. Bryon Wilfert: There's a trend the other way.

Ms. Valerie Creighton: Yes.

Hon. Bryon Wilfert: Either from a policy standpoint or a regulatory standpoint, how would you suggest this committee look at trying to reverse this?

Ms. Valerie Creighton: Our envelope system used to be called "broadcaster envelope system". We dropped the word "broadcaster", because we really feel that if there are other content distributors, such as the telcos or the ISPs, that actually want to provide support to content, they should be able to earn an envelope with us, along with the broadcasters.

I guess the next question is whether they should also contribute to the system. I'm sure you've heard lots of arguments on both sides of that question. For us, it's a question of logical expansion. If media content is moving into those other platforms, and there are players that want to distribute, we're happy to work with them to make sure they earn an envelope to continue exercising that responsibility of producing the content and getting the money back out.

Again, we're not in the regulatory or policy position. We take our orders from the Department of Canadian Heritage and the BDUs in terms of how the policy unfolds. Those regulatory issues are somewhat above us. All we're trying to point out to everyone is that the trend is happening. It's happening more quickly than I think we anticipated, certainly, and it's likely to have an impact, at the end of the day, on how much money there is in the system for content production.

Hon. Bryon Wilfert: Through you, Mr. Chairman, it's always nice when industry comes to a solution among themselves. But obviously if that is not available, one of our jobs, I think, as members of Parliament, and certainly as government, is first to ensure Canadian content and second to ensure that Canadian voices are being heard. And if they're not going to be heard, if they're going to be squeezed out, then there have to be mechanisms in place, I would think, to bring in these other elements you've talked about to ensure that in fact the funding is there. Also, from a regulation standpoint or a policy standpoint, it must be very clearly said that these are the objectives we've set and here are the instruments we need to achieve those objectives.

Are there any other instruments you would suggest to the committee that might be helpful in their study?

•(1620)

Mr. Norm Bolen: I would jump in on that, if you would be prepared to hear my answer.

Hon. Bryon Wilfert: Absolutely.

Ms. Valerie Creighton: It's safer for us to let them do it.

Mr. Norm Bolen: Amen. It's hard for them to make policy suggestions.

Hon. Bryon Wilfert: I'm just filling in.

Mr. Norm Bolen: I think that in the independent production sector and in a large part of the creative community, there's a strong belief that the Internet service providers should be paying a levy that would go into production funds. You need to put money into the content and finance the content. The Internet service providers are becoming the BDUs, the broadcasters, of the future.

Now, the commission referenced that to the Federal Court, and the Federal Court said no, the ISPs are not broadcasters, so the commission doesn't have jurisdiction. We are supporting a challenge of that at the Supreme Court. We'll see what happens. If our initiative fails at the Supreme Court, then it requires legislation. There's no reason whatsoever that the Canadian government could not put legislation in place that would force ISPs to make a modest contribution, from their significant revenue stream, to support Canadian content. That is the answer.

Hon. Bryon Wilfert: That seems like a very logical one.

Ms. Valerie Creighton: We, in turn, will allow them to build an envelope to participate, the same as the broadcast system.

Hon. Bryon Wilfert: Thank you for that.

The Chair: Thank you.

Monsieur Pomerleau.

[*Translation*]

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

Thank you to the witnesses for being here today.

Mr. Bolen, I'm quite please that you use the UK as an example. As far as I am concerned, we refer to much to US examples but their system is so different from ours that it does not lend itself to interesting conclusions for us. You said that in the UK, the equivalent of the CRTC has managed to regulate, to legislate and to

ensure that all those people contribute to solving the problem. What prevents our CRTC from doing the same thing, do you think?

[*English*]

Mr. Norm Bolen: The CRTC has taken the view that they want to see an agreement on terms of trade, and they're encouraging the parties to come to the table. They're requiring the broadcasters to have an agreement in place when they come for the group licence hearings in the spring. So that's very positive.

But as you know, the commission and the chair have consistently said they like to interfere as little as possible in market forces and they want to use a light hand. They would prefer to see us come to an agreement and do a deal. They've said that if a deal is not done, they will have to consider what conditions they may impose on the producers and the broadcasters with regard to rights sharing. So there's that threat—maybe that's too strong a word, but there's the potential there. So that's motivation for both parties to try to reach a deal.

Ultimately, if we can't reach a deal, if the broadcasters continue to try to negotiate an arrangement that's not measurable and not enforceable, just a statement of overarching principles—which isn't what we need, we need something concrete—then we'll certainly be arguing to the commission that they need to put something in place that has meaning and can be enforced and regulated.

[*Translation*]

Mr. Roger Pomerleau: You referred to David and Goliath to illustrate your negotiations with the broadcasters. At the end of the day, they are the ones having your market in their hands. How do you think you will be able to get something out of those negotiations?

[*English*]

Mr. Norm Bolen: The support of the commission for the idea of a deal on terms of trade is significant. We have had great difficulty reaching terms to date. We've been talking about this with broadcasters for many years. We've had analyst discussions. We're going to try it one more time. We've simplified our proposals. We recognize that what broadcasters need, they need. We want them to have what they need, but we want to share in the benefits, and we want to hang on to some of the rights that traditionally have been ours.

We'll see. We're optimistic that we can approach this in good faith and reach an agreement. Do we have a lot of clout? Really, the clout we have lies in how important we are to the system, the passion of our members, their commitment to these ideas, the support of the commission, and the realization by the broadcasters that it's in their own interest to reach an equitable agreement with us, because without us they can't succeed and without them we can't succeed.

Maybe I'm a bit Pollyanna on this, but I believe that we should give it one more try. We'll see if we can do it. If we can't, we'll be calling on the government even more strongly. We've asked the government to use section 7 to strengthen the commission's direction to the broadcasters, and that's where we'll be pushing even harder.

[*Translation*]

Mr. Roger Pomerleau: You are the golden goose.

Could you give us a few details about your fourth recommendation relating to obtaining a little bit of money?

• (1625)

[English]

Mr. Norm Bolen: We're speaking about the ISPs being taxed. Reynolds has been involved in our court case and with the other partners in our appeal to the Supreme Court. Perhaps he could give you a little more detail.

[Translation]

Mr. Roger Pomerleau: Thank you.

[English]

Mr. Reynolds Mastin: We've sought leave from the Supreme Court to appeal on the issue of whether or not Internet service providers, when they're providing broadcasting to their customers, are engaging in broadcasting as defined under the Broadcasting Act. If the court finds that this is the case, then that triggers the obligations they have under the Broadcasting Act to make their own contribution to the creation of Canadian content. That's the nut of the legal issue in front of the Supreme Court, if they decide to grant leave.

It would also provide, through the auspices of the Broadcasting Act, the jurisdiction for the commission to make its own determinations at a later date on whether or not some kind of a levy on ISPs would be appropriate to help fund the creation of Canadian content.

The Chair: Thank you very much.

Mr. Roger Pomerleau: *Merci.*

The Chair: Monsieur Galipeau.

Mr. Royal Galipeau (Ottawa—Orléans, CPC): Thank you very much, Mr. Chairman.

[Translation]

Mr. Mastin, earlier you referred to English Canada. What do you mean by that?

An hon. member: Oh, no!

Mr. Royal Galipeau: You have had your turn. Let me speak, please.

[English]

Mr. Reynolds Mastin: Canadians who consume content in the English language.

Mr. Royal Galipeau: So that would include, for instance, CFCF and CBMT?

That's my only question.

The Chair: Mr. Armstrong, go ahead.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): Thank you all for being here, and thank you for your presentations. I found them quite compelling.

Mr. Cardin, how much of the experimental stream was invested in gaming last year, roughly?

Mr. Stéphane Cardin: On the first round?

Mr. Scott Armstrong: Yes.

Mr. Stéphane Cardin: There were 12 projects out of 27 at the production stage. I do not have the results yet on the second round, given that it ended on November 12.

Mr. Scott Armstrong: Do you know the results of that investment? How many of these companies actually made a profit or made a go of this?

Mr. Stéphane Cardin: It's too soon for that because we provide the funding ahead of time, so they're going to go into production with the funding that we've provided.

Ms. Valerie Creighton: It was just October when that closed.

Mr. Scott Armstrong: You said the whole program was over-prescribed by quite a bit. So your organizations had to choose winners and losers, obviously. What you said was that you brought in a team of experts in that field to make the decision on what projects they thought were the most viable. What type of criteria did you set for that team of experts?

Mr. Stéphane Cardin: Specifically, it wasn't based on their viability. Although we do provide equity investments and we are hoping to gain recuperated revenue from the projects we invest in, the focus in the experimental stream, as I mentioned, is on innovation. So the projects were chosen based on their innovative qualities. It was the primary factor in the evaluation grid. Other than that, we also assessed the strength of the production team, the business plan, and the distribution strategy.

Mr. Scott Armstrong: Great.

So when you were looking at innovation, can you give me specifically an example of a project that impressed you through its innovation that you actually ended up funding?

Mr. Stéphane Cardin: Out of the 27?

Mr. Scott Armstrong: Just pick one that would strike you as innovative, just so I can wrap my head around what innovative means in the area of gaming.

Mr. Stéphane Cardin: For children and youth, there are a lot of projects out there; in terms of illustration and art design, things like that, there are things that are commonly available on the market in a physical product. There's a company that came forth and proposed a piece of software that would allow these same functionalities, and it was specifically geared towards the Nintendo DS platform, which is very popular with preteenagers, for example. So it was taking a concept that exists out there on the market but bringing it to a new distribution strategy and trying to gain a new customer base through a different form of distribution.

• (1630)

The Chair: Thank you very much, Mr. Armstrong.

Thank you to our witnesses for their testimony and for the briefs they've submitted.

We'll suspend for five minutes to allow our next panel to appear.

- _____ (Pause) _____
-
- (1635)

[Translation]

The Chair: Welcome to the 31st meeting of the Standing committee on Canadian Heritage. We now have two groups, the Association des producteurs de films et de télévision du Québec and Corus Entertainment Inc.

[English]

We'll begin with an opening statement from the Association des producteurs de film et de télévision du Québec.

Ms. Claire Samson (President and Chief Executive Officer, Association des producteurs de films et de télévision du Québec): Good afternoon, ladies and gentlemen. I wish to thank the Standing Committee on Canadian Heritage for giving us the opportunity to express our thoughts regarding the effects of concentration in Canada's communications industry, and more specifically in Quebec.

My name is Claire Samson. I am the president and CEO of the APFTQ, the Quebec producers association. I am accompanied today by Suzanne D'Amours, who is a consultant.

Your committee is examining the repercussions of increasing vertical integration among the major suppliers of content and suppliers of mobile telephone and Internet access services. I would like to begin by demonstrating the relative weight of these two industries: telecommunications, the telcos; and broadcasting, distribution, EDR, radio, and television programming.

According to CRTC data, in 2009 the telco industry represented \$41 billion while the broadcasting industry accounted for \$14.5 billion—\$7.5 billion for BDU and \$7 billion for radio and television programming. All of the BDUs and the major telcos now operate in both sectors, and telecommunications activities have become their main source of revenue. These access controllers account for 88% of all of Canada's communications industries' revenue.

Four large groups—BCE, Shaw, Rogers, and QMI—control six of the seven national and regional conventional networks—CTV, Global, CityTV, A-Channel, OMNI, and TVA—and account for 80% of total revenues for optional private services. These are the same businesses that control Internet access, cable television, and mobile telephony. In order to continue to prosper, these businesses must offer consumers a variety of products and content.

It is clear that the main activity of businesses that control broadcasting is not broadcasting itself. It is the telco divisions that generate the most revenue, that offer the most growth potential, and that see the most ferocious competition. While the average growth rate for the past three years in broadcast programming services was 1.6%, for BDUs it was 10.3%. The integrated communications providers' main objective is to monopolize households, for example, by becoming the sole provider of services such as Internet access, cable television, and conventional and wireless telephony. Customers get increased discounts based on whether they sign up for two, three or four of these services. Another way to finance those discounts would be to pass the costs on to the programming services

by reducing the affiliation fees they pay out or by applying strong downward pressure to their wholesale monthly fees.

Until now, the main objective of small, large, independent, or affiliated programmers has been to ensure the largest possible distribution for their content across all platforms. In the future, the objective may be to offer exclusive content to tempt consumers to subscribe to their telecommunications services. When BCE purchased CTV, it declared that it did not expect to make the content it was acquiring available on mobile telephones to any suppliers of those services other than Bell.

The CRTC's new regulations open the door to these types of practices, even for private conventional television providers, by giving them the right to withdraw their signals if negotiations on the proper market value of fees to pay fail. This strategy is obviously based on the control of the best-performing commercial programming services, as well as other media or content that result from a parallel increase in cross-media ownership and exclusive distribution agreements for certain platforms.

In fact, ensuring the profitability of programming services is less of an issue today. The main priority is increasingly to continue to increase market penetration and revenues stemming from other services offered by the companies that provide Internet access, mobile telephony, and cable. A simple glimpse reveals that the performance of BDUs is 26% for cable distribution of television services and 69% for non-programmed services, mainly Internet. Naturally, these services are not regulated by the CRTC. In short, the access controllers are in a position to make gains across the board.

- (1640)

They are largely deregulated with respect to both consumers—deregulation of basic service fees—and programming, and they financially control the Canadian broadcast and telecommunication systems. The independent broadcasters that are not owned by the access controllers will be marginalized in that environment. Their financial clout is in no way comparable to that of the access controllers, and their negotiation power decreases in tandem with the reduction in regulatory protection. This occurs in different degrees, based on whether the broadcaster is a private commercial player, a national broadcaster, an educational station, or a non-profit station.

In Quebec, for example, just one single conventional television station remains unlinked to an access provider, and that's VTélé. One large group that licenses optional services and is not tied to an access controller is Astral Media. Both operate their broadcast activities exclusively or primarily in the French language market, where concentration is extremely high in both the broadcast and Internet services areas.

QMI services 51% of television subscribers in Quebec, while in Canada no individual BDU services more than 25% of subscribers. Astral is no doubt the group that is in the best position to stand up to the integrated communications companies. However, just like VTélé, Astral is a choice target for major players that are backed by considerable financial clout, at a time when the theory that technological convergence must be based on a strong multi-media platform is making a comeback. Eventually, current economic logic suggests that all private and independent players of any significant size will eventually be eliminated.

The role of Radio-Canada in this environment is changing. Radio-Canada should be able to take its place in this environment, due to its legislative and judicial status, which is defined in the Broadcasting Act, and its critical mass. It has 26 local stations affiliated with two national networks; 84 radio stations affiliated with its four national radio station networks; one pay-music service, Galaxie; five specialized category A services; a very sophisticated website; and TOU.TV.

With its multi-year financial backing guaranteed by the government, Radio-Canada could be in a position to show leadership and provide essential financing of Canadian programming for its television, radio, and new media services. We must also recognize that Radio-Canada was a pioneer in the development of new media platforms, and thus it benefits from significant cross-promotion capabilities.

On the role of the CRTC in guaranteeing the diversity of voices in the current media environment, the fundamental challenge of ensuring a diversity of voices is naturally a concern for all of the Canadian broadcasting system's stakeholders—public, private, and community-based—whether they are in programming or distribution.

The only way to ensure a diversity of voices in this new environment is to maintain a regulatory structure where the objective is to establish a framework that gives all broadcast groups the latitude necessary to adapt to the rapid changes in the communications sector, while ensuring that the content presented by the Canadian broadcast system has a distinctly Canadian flavour.

This objective implies that the CRTC and interested parties take into account the crucial role played by Canadian producers and creators in the broadcast system; the different conditions in which English and French language broadcasters operate, as well as the different needs they each have despite their many common points; and the role of the public broadcaster in a world of rapidly changing communications.

In order to meet the law's objectives, the CRTC has developed a series of regulations and policies to guarantee that the broadcast system provides a diversity of voices, and that programming reflecting the interests of all Canadians has reasonable access to the system.

● (1645)

We hope that the CRTC maintains these regulations and policies. However, we also hope that the CRTC considers establishing specific rules for the Internet and mobile telephony broadcasting industries. The CRTC has in the past always refused to regulate this

part of the industry. We believe it is now time for it to review its position on the matter.

And finally, we believe that the Canadian government should give the CRTC the powers to penalize broadcasters who do not respect the conditions of their licences.

The next topic I will discuss is the role of the Canada Media Fund and other financing mechanisms in ensuring the success of new programs related to next-generation media platforms.

First, we must ensure the financing of all content slated for the various distribution platforms, whether television, the Internet, or mobile telephony.

The Canada Media Fund has developed new programs to meet the objectives outlined by the Canadian heritage minister. These include financing the production of multi-media applications linked to television shows supported by the CME, and the production of original interactive content destined for new platforms, such as the Internet and mobile telephony. All this time, no new additional financing was made available for these new productions.

It is too soon to know the results of these new measures, since the programs were put in place in 2010. However, we are convinced that the goal of financing original productions for an increased number of broadcast platforms using the same amount of money can only lead to a decrease in production quality or a drop in the number of original Canadian productions.

The APFTQ would like to express its strong disappointment with the CRTC's decision not to regulate broadcasting over the Internet and on mobile devices and for not obliging suppliers of these services to contribute to Canadian productions. We were convinced that the time had come to set some guidelines regarding Canadian content availability on these platforms and regarding specific financial assistance for the production of this content.

By preserving a two-speed system, one that is regulated and one that is not, we foresee an accelerated move in television broadcast activities towards the new media—and this without any protection or promotion of national production. This is a missed opportunity to stimulate Canadian multiplatform production and could lead to Canadian culture losing a privileged position on our screens.

We also believe that to ensure that productions slated for new distribution platforms, such as the Internet and mobile telephony, are adequately financed, the government should make its tax credit program open to Canadian cinematographic productions.

In conclusion, your notice of motion does not take into account the impacts of concentration in the communications industry on the independent production industry in Canada. Through the diversity of the talent pools and businesses that operate within it, this industry has enabled broadcasters to prosper and to attract large audiences, particularly in the French language system. Currently, independent producers are fighting to use the broadcasting rights for the various distribution platforms.

The CRTC has informed Canadian broadcasters that they need to negotiate commercial agreements and terms of trade with independent producers, taking into account the new platform operating rights. Despite the moderate proposals that we have put forward so far, not a single broadcaster, neither private nor public, has accepted signing an agreement recognizing that the payment of a broadcasting licence does not confer all operating rights for the shows they acquire.

In an environment of increasing vertical integration between the large suppliers of content and Internet and mobile telephony distribution services, we must ensure that content will be used wisely with respect to the rights holders and creators.

We thank you for your interest and are ready to answer your questions.

• (1650)

The Chair: Thank you very much.

We'll have an opening statement now by Corus Entertainment Inc.

Mr. Gary Maavara (Executive Vice-President and General Counsel, Corporate, Corus Entertainment Inc.): I was going to say good afternoon, but I'll say good evening, Mr. Chairman, because I think there's probably somebody in town having a martini by now.

Mr. Royal Galipeau: It's past noon.

Mr. Gary Maavara: It's past noon.

My name is Gary Maavara, and I am the executive vice-president and general counsel of Corus Entertainment. With me today is Sylvie Courtemanche, our vice-president of government relations.

[Translation]

Mrs. Sylvie Courtemanche (Vice-President, Government Relations, Corus Entertainment Inc.): Thank you for inviting us to appear before the committee. Unfortunately, there was not enough time between your indication an appearance for us to get a brief translated. That being said, the tables included in our document would be easy to understand.

[English]

We also understand that the committee hoped that we would keep our remarks short. As such, we will simply discuss the issue of the changes affecting our business model and the need for scale.

Corus Entertainment is one of Canada's larger media companies. We operate over a dozen specialty and pay television services. We own Nelvana, which is one of the world's premiere producers of children's animation programming. Corus has invested over \$1 billion in the production of Canadian content programming.

Over the past several years, we have been exploring new and innovative ways to capitalize on new technology-driven markets. Our goal is to use a variety of digital platforms to deliver our content directly to viewers, not only in Canada but around the world. Corus provides Canadian content to multiplatform channels, such as KidsCo in Europe, Asia, and Africa, and qubo in the United States. Corus is also Canada's largest publisher of children's books.

In this context, we appear before the committee today as a company that plays a variety of roles in the Canadian economy.

Corus is a distinctive Canadian company. We are a broadcaster here and around the world, but we are also a major producer of content in a variety of forms. But in a world context, we are small. We are very small.

Mr. Gary Maavara: Mr. Chairman and members of the committee, television and media markets have become enormously complex. Corus drives its business through four revenue sources: channel subscriptions, advertising sales, program or book sales, and merchandise sales. In our recent appearances before this committee we have argued for an approach to policy and regulation based on what we characterize as the Corus big six. The full list is attached to this script, which we've distributed, but we will only mention two of them this afternoon due to the time constraint we face.

Corus big six number one: embrace the merits of fostering a Canadian-owned and globally competitive industry. It must be explicitly recognized that we compete in the world market, even at the local level. These markets are enormously complex. The chart that we provided illustrates how our media environment has changed.

Mr. Chairman, we have full-sized charts, which we are happy to provide to the committee. I recognize that this is a little bit dense to look at.

On the left, you can see that we've moved from well-separated activities, where everybody knew what photography was, what the post was, what music was, what magazines were, television, cinema, etc.

On the right, you see all of this is blending into a big digital pool. We have all of these types of media and forms of communication crossing over each other. We've noted some of the major brands, basically all of which are non-Canadian, that are dominating the field these days.

The notion of a domestic market is rapidly changing. It is complex, and the most powerful players are not Canadian. You must align our domestic policies and rules so that we can have a Canadian-owned system that is globally competitive. We can no longer shelter our domestic market. The barriers that we have built to protect Canadian media will become a confining trap if we are not mindful of this change. The emergence of new media platforms has increased the competition for content and for advertising dollars.

There are new, over-the-top technologies, as they're becoming known, such as this iPad, which should.... Yes, it is playing.

Mr. Scott Armstrong: Excellent film, by the way.

• (1655)

Mr. Gary Maavara: This is playing the Canadian film, *One Week*. It is an excellent film. We're quite proud of it. Corus helped to finance this film.

I bought it from iTunes last night in a hotel just down the street, and I was able to download it to this device in just a few minutes. The new Apple TV device referred to in today's *Globe and Mail* story is available at the mall down the street and can make the Internet experience happen easily on anyone's home TV. I don't necessarily want to endorse the Apple TV, but I encourage you to have a look at it. You just plug it in and—wow!—it's all there on your set.

Companies such as Apple and Google are rapidly working to invade the traditional regulated TV markets. None of these services are required to share their space with Canadian players or to carry Canadian content that meets Canadian standards.

Corus big six number two: increase the probability of success of the Canadian media industry by encouraging the creation of larger and stronger enterprises.

Corus is a significant player in the Canadian market, but on a global scale we are very small. The chart that we have included illustrates market capitalization of some companies. The interesting thing is that on the left side, the new media players such as Google, which owns YouTube, which I'm sure you've all used, and Apple, which I've already referred to, dwarf even a traditional media Goliath such as Disney. Google and Apple are seven times larger than even BCE, which is our largest media company in Canada. Netflix, which made a lot of noise a few weeks ago when it announced its incursion into Canada, has a market cap of \$9 billion, which is the same as Corus, Astral, and Quebecor combined.

This financial power—and you've heard it from the producers—gives them the resources to innovate, to buy content, and to entice away our talent. For example, Google Inc. spent roughly U.S. \$1.5 billion on research and development in 2007, and that number has increased over the last couple of years. This amount is greater than the revenue last year of the entire Canadian radio industry. We must all recognize that the scale problem is worse in the digital realm than it was in traditional broadcasting. This makes it very challenging to fully participate in a new media world.

To participate in digital markets, Corus must also address the critical issue of the management of digital rights. We need to make huge investments in technology to attract and protect our rights and in training our employees to use it. In this regard, we invite the committee to visit Corus Quay in Toronto, where you will see a world-leading technology facility, which I can report cost us about nine figures to build.

Indeed, our media environment is changing. The members of the committee know that. However, you must also understand that your ability to regulate and protect the domestic market is limited. We need to come up with a new mix of incentives, supports, and protections to ensure a continued vibrant Canadian presence. We need scale to maintain the R and D and to make the content that will help us to compete even here at home. To achieve this scale, we will need to redefine our policy bias against vertical integration. We can use other policy tools to ensure diversity and access for many voices.

What are these tools? At this point, we'll simply say that we recommended to the digital economy process that a panel of experts be formed to examine these and other issues.

Mr. Chairman and members of the committee, those are our submissions, and we look forward to your questions.

The Chair: Thank you very much.

We only have 30 minutes for questions and comments from members. We'll begin with Madame Crombie.

Mrs. Bonnie Crombie: I want to thank all our presenters for coming here today.

Mr. Maavara, I want to give a little shout to my good friend, Lisa Lyons, your present CEO of Kids Can Press, who I think does a terrific job.

Ms. Samson, your description of ownership in the industry almost sounds like an oligopoly, with four large groups controlling. I wanted to get to the crux of the issue.

Is the issue one of contraction in the market, or is the real issue vertical integration? What's your sense?

Ms. Claire Samson: I'm not sure I get your question.

Mrs. Bonnie Crombie: There are only four companies, and they keep buying up each other, right? There's concentration in the industry, versus the vertical integration.

• (1700)

Ms. Claire Samson: I think the vertical and horizontal integration is certainly—

Mrs. Bonnie Crombie: The greater issue?

So how do we mitigate the impact of further vertical integration? What's the solution? You talked a little about greater regulation. Do you see the CRTC intervening further?

Ms. Claire Samson: I think regulation is an important key, certainly a key to making sure that different stakeholders in the industry can survive, or certainly one of them.

The second avenue, I think, and as I said, is that we feel it would be important not only that the CRTC regulate the Internet and new platforms, but also that these new platforms start contributing to the funding of Canadian content.

Right now, everybody agrees that content is king, that content is the most important thing for the technology. Some of those service providers now have their pipelines full of product that they did not contribute to financing at all.

Mrs. Bonnie Crombie: That was actually my next question to you. How can we better fund the content, especially to the small and independent producers? Is it through the CMF? How can we better fund the content?

Ms. Claire Samson: If those service providers were to contribute to CMF for the production of high-quality Canadian content for those services they provide, it would certainly be a good start.

Mrs. Bonnie Crombie: Are you concerned in Quebec? It's more of a protected market. The four companies you described are largely in English Canada. Are you concerned about increased concentration in Quebec and the impact it will have on the market?

Ms. Claire Samson: Quebecor is in Quebec, mostly, so there are certainly concerns about concentration in Quebec. You have full vertical integration there.

Mrs. Bonnie Crombie: Maybe I'll ask Mr. Maavara as well.

Can you allay our concerns over the increased concentration in the industry and the significant impact it is having and will continue to have?

Mr. Gary Maavara: That's a great question, but I think whenever you're doing an economic analysis and then building it into a policy analysis, you also have to question the assumptions. You have to question them quite carefully.

I started in this business in 1973, and I think some of the people in the room will remember that at that time the market for programming was basically the CBC and, in the English language, CTV, and in Quebec and French markets, SRC and TVA, essentially. There were four markets, and in fact they didn't buy very much.

The market evolved to a point at which there were more stations, but if you look at it today, we actually have more buyers of programming. There was a comment made earlier about the reduction of the number of buyers. The number of channels is not going to be reduced. The need for content in the system increases almost every day.

For example, we're launching the Oprah Winfrey Network in the spring, which we're quite excited about. It's going to have a lot of new Canadian content in it, and the good news is that some of that content is going to go to world markets. Why? It's because Oprah has seen it, and she really likes some of the ideas we have.

Mrs. Bonnie Crombie: I'm going to ask you one more question, because I'm going to run out of time.

Mr. Gary Maavara: Okay.

Mrs. Bonnie Crombie: With respect to the increased concentration in the industry, do you really need to be bigger to be better, to be more globally competitive?

The last time we saw a sector come before us at committee, many years ago—I think my colleague here was present—we saw the banking industry come before us, also asking for increased mergers to make them globally competitive. Those mergers weren't approved at that time.

Why is it you feel you need greater concentration in the industry, further mergers, to be more globally competitive?

Mr. Gary Maavara: The challenge we have in every part of the media industry is the need for capital.

For example, there was a proceeding in Mr. Angus' riding with respect to the provision of broadband. Certainly it's a policy goal for this country that the only way we're going to stay competitive is to have broadband everywhere. Someone's going to have to pay for it. Whether it's a mix of public policy money or private money, it's going to take a lot of money.

These are very much the same questions that the founders of this country had with building the railway. We're going to have to invest in technology.

Take Corus Quay, for example. There isn't a producer who's a member of Norm Bolen's group—and we are, by the way, one of the largest producers and we're not a member of his group—who could have financed just the content management system that we're using

at Corus Quay. There wouldn't have been a bank in the country that would have said yes to it.

• (1705)

The Chair: Thank you.

Mr. Wilfert, you may intervene briefly.

Hon. Bryon Wilfert: I just want to pick up on a comment or two, Mr. Chairman.

You said, sir, “no longer shelter the Canadian market”. I'm trying to get my head around that in terms of the issue of Canadian content and Canadian voices. You're suggesting, then, that the present framework is not meeting the demands of what's out there in the marketplace. Can you try to reconcile that for me?

Mr. Gary Maavara: What we mean by this is that we can't simply assume that we can build a wall around the Canadian market and assume that some of the rules we had in the past—for example, the provision of linear space on a linear channel—would do the trick of enticing viewers to the programming. The reality is that you're all going to go home tonight, and if you turn on the television set, you will make a personal decision as to what you're going to watch.

What we're trying to do, from a business perspective, is say... We have been big supporters of the BDU sector in their VOD environment. We're saying, if Canadians want to watch a program right now, then we're going to give them the programming right now and we're going to try to put it through the BDU pipe. Why? It's because right now that's where the business is. We don't want our content on some of these new over-the-top platforms. As a producer in the short term, terrific, we might make a little bit of money.

By the way, there isn't any money in the digital environment right now. If producers want to play in the digital environment, step up, become our partners, and pay for it.

[*Translation*]

The Chair: Thank you very much.

Madame Lavallée.

Mrs. Carole Lavallée: Thank you.

Mrs. Samson, you said that the CRTC has refused to regulate the Internet, if I'm not mistaken. Is that indeed what you said? Then, you mentioned the issues of mobile phones and BDUs.

Ms. Claire Samson: Until today, the CRTC has not imposed any regulation to the providers Internet services all mobile phones as far as what investments they should make in Canadian content.

Mrs. Carole Lavallée: Is it not difficult for the CRTC to do so at this time? I do not want to defend them but let us say that I want to play devil's advocate. In the present context, since there are two different pieces of legislation, the Telecommunications Act regulating BDUs, mobile phones and the Internet, and the Broadcasting Act, do you not think that the CRTC has a good reason not to do so?

Ms. Claire Samson: It may have a good reason but the government could very well improve the Broadcasting Act and the Telecommunications to ensure that the service providers benefiting from using the Canadian service also invest in Canadian content.

Ms. Suzanne D'Amours (Consultant, Association des producteurs de films et de télévision du Québec): Let us not forget also that the CRTC does not regulate the new media, that is to say the new broadcasting media, which are recognized as broadcasting but through the Internet.

Mrs. Carole Lavallée: Give us an example. What do you mean exactly?

Ms. Suzanne D'Amours: Take a broadcasting service, video-on-demand, VOD, which may broadcast television shows on the Internet, for example. This is clearly a broadcasting activity that could be regulated by the CRTC but the CRTC has decided not to do so in order to let those services explore this new market. At this time, we can see that this market is quite open.

Mrs. Carole Lavallée: Do you believe that merging the Telecommunications Act and the Broadcasting Act would be a first solution?

Ms. Claire Samson: I must admit, Mrs. Lavallée, that we have not specifically looked at that issue. It would probably have many impacts and there might be some reservations.

Mrs. Carole Lavallée: If I have nothing to do one weekend, I might send you the two pieces of legislation for you to have a look at.

Ms. Claire Samson: Yes, I could do so, but we have not yet examined the issue from that very specific point of view in order to assess its advantages and disadvantages.

Mrs. Carole Lavallée: However, you would still want the BDUs, VOD, mobile phones and the web to be regulated.

Are there any countries where those technologies regulated? If so, what does that regulation look like in order to achieve the objectives that you want to achieve today?

• (1710)

Ms. Claire Samson: The first country to do so with probably be France, which has already started. We do not claim that Canada is behind the rest of the world. However, we can see some trends at the international level. There is an increasing tendency to regulate the new technologies, the distribution of national progress based on those technologies. And there is also a desire to ensure that everyone contributes reasonably to the production of content.

Mrs. Carole Lavallée: I will give you an example of what France has done, from what I have heard. For example, Mr. Sarkozy himself as announced — which is quite surprising, as a matter of fact — that Google would now be taxed on the advertising income it collects in France. This would generate some revenues since the French government decided that he did not make sense for Google to come in France to collect advertising income and then leave with that loot to the US. That is only an example and I admit that there does not seem to be any content regulation there.

If we were to regulate, if the CRTC or another body were to establish a framework for what is being done in the fields of mobile phones, VOD or BDUs, what would be your objectives? In what direction would you want them to go?

Ms. Claire Samson: The example you gave only has a short term effect, which we would also like to have. The point would be to make sure that Google base taxes on the income it collects from the

French market, giving at least the French government the possibility to reinvest all or part of those amounts in the production of French content.

Mrs. Carole Lavallée: That was their objective.

Ms. Claire Samson: It is a solution.

Here, we would want all the industry players to contribute to that funding.

There is another important aspect that Mr. Bolen expressed very well a while ago. In Canada, we also have to find terms of agreements with the broadcasters. This would ensure that, taking account of integration, when you went to negotiate with the company owning cablevision, the Internet, traditional television and specialty channels, it would give you the same value for your license as what it gave you four years ago.

By purchasing all the platforms, the independent producer cannot succeed. The owners of the rights do not make any money. They do not want to pay for content. If they do not contribute to content, why should they keep all of the future uses and collect all the profits?

Mrs. Carole Lavallée: Are you referring to the BDUs?

Ms. Claire Samson: Yes, the BDUs.

Mrs. Carole Lavallée: The broadcasters are sitting next to you. Go ahead, negotiate!

The Chair: Thank you.

I believe that Mr. Maavara would like to add something.

[English]

Ms. Claire Samson: I started in 1972, so I'm either older or I started younger. I'm not sure which.

Voices: Oh, oh!

Mr. Gary Maavara: Actually, we worked together on the Olympics many moons ago. We won't say when that was.

The question about taxation was a good one. I believe Google probably does pay tax on its income in Canada, but one of the recommendations we've made to the government is that section 19.1 of the Income Tax Act be applied to digital media. That would result in making the advertising expensive on foreign sites, in the same way as that works for Canadian television. We believe that would be a great incentive.

The Chair: Thank you.

Mr. Angus.

Mr. Charlie Angus: Thank you very much.

This has been a fascinating discussion.

Mr. Maavara, I'm always interested in knowing what Corus is up to. It's a very interesting company.

I am interested in the issue about section 19.1, because that is one of the supportive tools that we put in place to support a market or protect a market. You're saying to move it onto new media platforms. For example, would that be if YouTube.ca is showing Canadian products, or are you talking about specific media?

Mr. Gary Maavara: Basically, any commerce they're operating in Canada would be subject to that, so anybody who was advertising on those sites would not be able to take it as a business deduction, which effectively makes it more expensive. It has really worked in the television sector. I think the last estimate was that it was worth about \$60 million or something, and there's no public money involved, as it were.

The difficulty—and we recognize that it's a difficulty—is defining what is digital media. That is a really tough question, but I know there are people who are working on that. If we can come to that definition, we think this is a terrific way to help recapture some of that value.

• (1715)

Mr. Charlie Angus: It's an excellent suggestion.

Madam Samson, it's great to have you here again. You're a passionate defender of the creative class in our country.

I was interested the other day when we spoke with Mr. von Finckenstein. He said the jury was out, that it was too early to tell what the implications of massive media concentration were, which happened with these buyouts.

You've been sort of ahead of the curve with us in the Quebec context, with Quebecor and its large, vertically integrated empire and very little other options. What's been the experience for you in the independent production company in the Quebec experience?

Ms. Claire Samson: With the integration, what we've seen over the years is effectively an erosion of the capacity of producers to negotiate fair deals, which would of course give the broadcasters some rights to exploit the programming as business but also allow the producers to either sell the program abroad or give it a second life.

Now when I look at contracts that producers have to sign or are brought to sign with some broadcasters—and I'm not saying it's just Quebecor; Radio-Canada has its own little bad habits in that manner as well. I've said it to the CRTC before; the only thing I haven't seen in those contracts so far is an obligation for an organ donation. Everything else I have seen. Lately I've seen a contract in which the producer asked the broadcaster for an appointment to sell him a series or whatever. The broadcaster sent him a letter that said, "Before I meet with you, sign this." That letter said he was agreeing to pitch his program and his new idea and his new concept; if the broadcaster decided not to purchase the program, the producer could not present it to any other broadcaster for 18 months.

We see things like that, but what can you do? There are three or four decision-makers who are producers, so you don't want to antagonize one of your four potential clients. Of course, the producer in that case decided not to go and make his pitch, decided it was too abusive. There was no way he was going to do that. But then that's not so good for business relations when you only have four potential clients.

Mr. Charlie Angus: Certainly I've heard that example already, and it was in another context, so it seems to me that there may be some abusive practices.

I'm interested in this issue because there are elements that are within the role of the industry. Producers probably always fight with the writers, who always fight with the broadcasters. That's common in the business. But what we want to ensure from the investments that we make is that we have a competition and creativity, that we have a diversity of voice. Mr. von Finckenstein says, "Well, there are many voices out there". Certainly there are blogs; there's Facebook. My kids watch YouTube all the time, but that's not what we're talking about. We're talking about the investment that the Canadian public makes. It's a substantive investment: the Canada Media Fund, the video tax credit, section 19.1 of the tax act, the massive investment we make in Telefilm and the National Film Board. We are players at the table. And now, as we see a vertically integrated company that is now being able to offer phone service with content, we want to make sure that with what we've paid for with the taxpayers' money, through independent production, through in-house production, or however it is, we have the diversity of voice and we have complete access. I'm concerned, given the experience of the industry, whether or not that access is going to remain and our public trust is going to be kept up to the level it needs to be.

I'd like to ask you, Madame Samson, if you think we need to put some clear rules down.

Ms. Claire Samson: I think we should. I think many of those new technologies are still exploratory. We have to be there, explore. I think we just have to make sure that the regulations and the legislation allow for every stakeholder to remain a stakeholder and a player in the industry.

It's important that independent broadcasters succeed. I think it's also important that we see strong Canadian production companies as well, so that the diversity remains and the quality is there.

In Quebec, for example, the vast majority of successful programming is produced by independent producers, no doubt about that. All the new ideas...the success of television in Quebec, as you know, is unprecedented, and independent producers have a great deal to do with that. We work very closely with the unions and all of the creators, and they're entitled, as well as we are, as the broadcasters are, to have a piece of that challenge and that success. And those two technologies—some of them may have more success in the future than others. I think everybody deserves a fair deal.

• (1720)

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

Thank you very much, Madame Samson.

Mr. Del Mastro.

Mr. Dean Del Mastro: Thank you, Mr. Chairman.

And thank you very much, witnesses, for coming in.

Personally, I actually look at vertical integration as an incredible opportunity. I agree with the comments made by Mr. Maavara that scale is needed, mass is needed, if we're going to project Canadian programming and create opportunities, and also compete on what is very much a global market, where people have choices and can make choices as to what their entertainment selection is going to be, and that choice is broader all the time.

Incidentally, Mr. Maavara, you'll be happy to learn that when I do have the opportunity to watch *Durham County*—and I'm several episodes behind, so I don't want you to tell me what's happening right now—I watch it on demand because my schedule doesn't allow me otherwise.

I think one of the things I really believe firmly is that the idea of needing to create a stage—which is I think what the Canadian government invests an awful lot of money into—versus the need to invest in content, which is something we invest less money into, has actually changed. I think if we go back and look at how important it was that Canadian signals were actually out there and were able to compete and reach Canadian households and so forth, at one time that was a role for the government, because nobody else was going to do it.

You've properly indicated that there is a multitude of channels, more all the time. In fact, anyone can be a broadcaster. I can broadcast this afternoon on YouTube if I choose. So there are all kinds of choices.

I'm just asking an opinion—this is not a government policy, obviously—but do you think it's time that the Canadian government looks at it and says maybe it's time we get out of the broadcasting business and get into investing more money into content? We invest over a billion government dollars, as you know, into a stage, when in fact the private sector would not only make use of that stage...they have so many already, and reinvest all of those dollars into Canadian content. I see major blockbuster films being made in this country. I see creators with so much talent. I see a world that is begging for good-quality content. You've adequately pointed out that there are major companies out there that will gobble this stuff up. Is that where we should be looking? Is that kind of the next century? Is that where Canada should be looking for opportunity?

Mr. Gary Maavara: One of the Corus big six proposals is that indeed there is a continuing need for... We're sympathetic with independent producers. For example, to Mr. Angus' question, we were one of the largest buyers of movies or scripted drama. We don't make any of that ourselves. That's all from independent producers, including this film. One of our largest suppliers of long-form films and television is a Montreal-based company, Incendo, who supplies us with a lot of programming. So we're going to continue to need processes like the CMF, Telefilm, etc., investment in content. It will continue to be important.

I should also say, going to Mr. Angus' question about the safeguards, that we already have the safeguards in the Telefilm and CMF rules. They will only pick a selection of people.

Mr. Dean Del Mastro: I apologize. Maybe I wasn't clear enough. The \$1.1 billion, plus a whole bunch of other stuff that we're investing into the public broadcaster: should we look at reorganizing that in some fashion so we could put more money into content? Would companies like Corus match those dollars? Would we produce bigger, better shows that would have a larger opportunity for international global success, which could then become something that feeds itself?

• (1725)

Mr. Gary Maavara: I guess I should declare a conflict. We operate three CBC affiliate stations in Peterborough, Kingston, and

Oshawa, and we're really proud of the contribution we make to the local community with those things. We are currently working with the CBC on renewing that affiliation.

Our view is that in the context of the Corus big six, we do need to look at it all. We're not pointing a finger at anybody else. The first people we look at are ourselves. In fact, our board just spent the last four days looking at our future, and it's a tough, tough future. Anybody who thinks the Canadian media industry is going to be an easy ride from here on in...it is not. We feel we're ready. All we ask from the government is that there be informed analysis on basically soup to nuts—everything.

Mr. Dean Del Mastro: Thank you.

Mr. Brown.

Mr. Patrick Brown (Barrie, CPC): I'm proud to have two Corus radio stations in my riding, the city of Barrie: FM 93 and B101. I do think they play an important role in sharing local content.

The one thing I'm curious about, given the changing media platforms, is how you foresee protecting the ability to have a local radio station that reports on local charity events or the local community relations. People are now using satellite radio; they're now going to put their iPods in their car. It's not as typical, especially amongst the younger generation, to turn that local radio station on.

How do we protect those stations?

Mr. Gary Maavara: That's a really important question.

I'm proud to say that Corus was the first radio company on iTunes; we stream all of our stations through iTunes. If you have an iPad, or any of those other devices, you can hear your stations anywhere.

Radio is a really interesting one for us. We believe that the secret to success of radio, in a context of all the satellite services—streaming, and all the rest of it—is that we have to stay immensely relevant to somebody within five miles of where they live. If we're not doing that in Peterborough or Barrie or Winnipeg or Montreal, then we're irrelevant, because you can get music anywhere.

Our big investments are in news talk. What we're hoping to do is to move all of our AM stations onto the FM band across Canada, in order to ensure we continue to have the opportunity for people to listen to us. We're investing in radio, but local is absolutely crucial.

The big radio stations in the United States thought they could become jukeboxes. They let their DJs go, or they did it all from New York or Los Angeles. And what happened? Nobody listened to them. Even if it's just to say, "Hey, it's a sunny day and here's a song you heard 10 years ago", that's important.

We're committed to that.

The Chair: Thank you very much.

Thank you, Mr. Brown.

Thank you very much to our witnesses. I want to thank everybody for their participation today.

One final point of information before committee members adjourn for the day. The chair has received notice, pursuant to Standing Order 110(2), that Maureen Dougan of Ottawa, Ontario, has been appointed acting director of the Canadian Museum of Nature. If the committee wishes to examine this appointment, it has until February

11, 2011, to do so. If you wish to do so, please let the chair know and we will discuss that.

Thank you very much.

Without further adieu, this meeting is adjourned.

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