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CANADA

## Standing Committee on Canadian Heritage

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EVIDENCE

**Thursday, December 2, 2010**

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**Chair**

**The Honourable Michael Chong**



## Standing Committee on Canadian Heritage

Thursday, December 2, 2010

• (1530)

[Translation]

**The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)):** Welcome to the 34<sup>th</sup> meeting of the Standing Committee on Canadian Heritage, on Thursday, December 2, 2010.

[English]

We are here pursuant to Standing Order 108(2) for a study of the impacts of television ownership changes and the move toward new viewing platforms.

On our first panel today we have Shaw Communications Inc., represented by Mr. Bissonnette, Mr. Ferras, Mr. Stein, and Madame Bell.

Before we begin, I want to let members of the committee know that Quebecor Inc. wasn't able to attend our last meeting, because of a clerical misunderstanding with the committee. I also want to thank Shaw Communications Inc. for its flexibility in arranging this appearance.

We'll begin, without further ado, with an opening statement.

[Translation]

**Mr. Peter Bissonnette (President, Shaw Communications Inc.):** Good afternoon. Thank you, Mr. Chairman and members of the committee.

I am Peter Bissonnette, president of Shaw Communications Inc. I am joined by Ken Stein, senior vice-president of Corporate and Regulatory Affairs at Shaw Communications, Charlotte Bell, vice-president of Regulatory Affairs at Shaw Media and Michael Ferras, vice-president of Regulatory Affairs at Shaw Communications.

[English]

We would like to begin by thanking the members of Parliament, including members of this committee, who expressed their strong support for our acquisition of the Canwest broadcasting assets, now known as Shaw Media. We would also like to thank the CRTC and the Competition Bureau for their thorough reviews and expeditious approvals of our application.

We note the CRTC chairman's statement that our acquisition "... will generate substantial benefits for the Canadian broadcasting system. Shaw will provide the television properties involved in the transaction with stable ownership as they emerge from a period of uncertainty."

During the public hearing we received almost 140 supporting interventions from independent broadcasters, producers, directors,

artists, unions, and elected officials. We are pleased that there is nearly unanimous agreement that Shaw's ownership of Global Television and the Shaw Media specialty services is the best possible result for the broadcasting system, the economy, and Canadian television viewers.

Through our acquisition, Canada's second-largest broadcaster emerged from bankruptcy protection as a Canadian-owned, integrated going concern. We can now secure jobs, stabilize relationships with suppliers and customers, make forward-looking investments, and develop innovative multi-platform content. And we will spend \$180 million on benefits that will support independent producers, local news, and the digital transition.

Charlotte.

[Translation]

**Ms. Charlotte Bell (Vice-President, Regulatory and Government Affairs, Shaw Media, Shaw Communications Inc.):** Shaw's acquisition did not raise any market concentration or common ownership concerns under the CRTC Diversity of Voices policy. The commission has set out clear and appropriate guidelines for transactions. Even when considering Corus—which is a separate company with different shareholders and its own board of directors—the combined market share of Shaw Media and Corus is below the commission's 35% bright-line test for expeditious approval.

In fact, our acquisition will actually increase diversity of voices. We have preserved competition in English-language broadcasting and we are committed to strengthening local programming.

Specifically, over the next seven years, we will invest \$45 million in the production and exhibition of new morning newscasts in Regina, Saskatoon, Winnipeg, Toronto, Montreal and Halifax. Our other benefits include: \$79 million to the incremental development, creation and promotion of newly scripted comedy and drama, produced exclusively by independent producers. We will spend \$18 million on new media content to complement and reinforce our other benefits initiatives in connection with scripted programming and news. We will invest \$23 million to build digital transmitters in non-mandated markets, thereby insuring over-the-air service to over 60 small communities. Finally, we will invest \$15 million for an equipment fund to insure a local broadcasting presence on Canadian airwaves even in very small communities.

• (1535)

[English]

**Mr. Ken Stein (Senior Vice-President, Corporate and Regulatory Affairs, Shaw Communications Inc.):** With respect to vertical integration, some intervenors have incorrectly described this as a threat to the system. The opposite is true.

To compete in the digital universe, we need an industry structure that allows us to remain at the leading edge of innovation. Our ownership of Shaw Media creates a strong entity that can compete for and maximize the value of multi-platform content rights.

Furthermore, the CRTC has already introduced a comprehensive framework to protect unaffiliated broadcasters and support independent producers. Existing CRTC protections include undue preference rules and extensive distribution and access regulations. Because of the commission's rules, we have already added several independent and unaffiliated programming services on both Shaw Direct, our satellite service, and Shaw Cable, and will be required to add more.

In the uncertain digital future, regulated Canadian companies need maximum flexibility to serve their customers. We should be considering steps to further strengthen the system by decreasing our financial and regulatory burden, not increasing it. Demands for additional regulation and taxation, such as an ISP tax, must be rejected.

We compete in a dynamic environment. We are responding to our customers' demands for choice, quality, and value. To remain competitive, the Canadian broadcasting industry needs strong integrated companies, which must invest billions and focus on offering new services.

Canadian broadcasters and distributors make significant investments in the system, support and exhibit unique Canadian programming, and create thousands of high-quality Canadian jobs. These contributions have been supported by a detailed regulatory framework that achieves the objectives of the Broadcasting Act and preserves the health of the Canadian broadcasting system. However, achieving the objectives of the act and preserving the strength of the system are now challenged by the entry of new media broadcasters who are competing for content and consumers. These entities are not Canadian.

Peter.

**Mr. Peter Bissonnette:** Foreign competitors such as Netflix, Google TV, Apple TV, and Hulu have internationally known brands, sophisticated technologies, marketing expertise, and very, very deep pockets. These foreign content providers remain exempt from regulation under the CRTC's new media exemption order. This exempt status needs to be reconsidered for the following reasons.

First, the Canadian broadcasting rights market is threatened as a result. Foreign providers either own or have the power to acquire rights to the world's most popular content.

Moreover, non-Canadian entities have no Canadian content or exhibition requirements. They make no financial contributions to the Canadian production industry. Canadian producers are negatively impacted by revenue being diverted from regulated services to exempt non-Canadian services.

And by consuming valuable capacity, over-the-top providers threaten to undermine our significant network investments and impact the quality of service offered to our ISP customers.

Finally, consumers will ultimately suffer, with fewer Canadian choices.

Private companies are responding by investing, diversifying, and innovating. The government and the CRTC must also respond by asking whether they want a Canadian broadcasting system. If the answer is yes, we need to put appropriate rules in place.

Until recently, the rules against licensing non-Canadians ensured that Canadians were well served by their broadcasting system. Given the ability of new technologies to reach across borders and ride on Canadian telecommunications networks, foreign ownership rules are becoming increasingly incapable of ensuring the continued sanctity of our broadcasting system and its benefits to Canadians. We need a new approach that ensures that non-Canadian providers are at least subject to symmetrical regulations and financial obligations. We need the government and the CRTC to simply ensure a level playing field.

We are ready to compete and we have confidence in the future of the Canadian broadcasting system. Consolidation is an essential and inevitable part of that future. Government and regulatory policy must support the strength of integrated Canadian competitors and eliminate any advantages of non-Canadian over-the-top content providers.

Mr. Chairman, thank you. We look forward to answering your questions.

**The Chair:** Thank you.

We'll have about 50 minutes of questions and comments by members, beginning with Mr. Simms.

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

Thank you to our guests.

Congratulations on your new acquisition. The way you did your speeches very precisely from one to the other, it was almost as if Global has already influenced production values. It was very nice.

• (1540)

**Mr. Ken Stein:** You heard it on the community channel.

**Mr. Scott Simms:** That's true, yes.

I am loath to ask this question. I want to ask this question like I want a root canal, but, to be fair, I have to ask it, because I've asked the others.

You can call it fee-for-carriage or you can call it value-for-signal. I don't know what you'd like to choose, but I think you know what I'm talking about. I would like to get your thoughts, given that we've given the others the opportunity to weigh in on this issue.

**Mr. Ken Stein:** Well, first of all, we've campaigned very actively against fee-for-carriage, or as it became known, value-for-signal. We didn't think it was a good idea then, and we still don't think it's a good idea. We think it's a very bad idea.

We don't see how consumers would accept paying a charge for a service that, for them, has always been available for free. There is no doubt that if such a fee were imposed, it would be passed on to the consumer. So we don't see that as being a consumer-friendly situation at all. We in fact would feel that it would serve more to drive consumers away from the broadcasting system. It would put them more into a basis of subscribing to over-the-top services, going to over-the-air services, which now with digital transmission are very easy to receive. So we don't think that it's a consumer-friendly idea. We don't think that the policy put in place by the CRTC, which envisioned blackouts, was at all consistent with the Broadcasting Act, which guarantees that all Canadians can receive all the programs that are broadcast. On this, we always agreed with Global. I'll put my Canwest hat on. We just feel that overall it's not a good idea, and it's not a good policy.

Now, it remains to be seen what will happen with the court. I think the CRTC told you that they expect a decision before the end of the year. We don't know what the timing will be. If they come down with that decision, we would think that if the court did uphold the commission's jurisdiction, just given the change in the landscape, with us acquiring Canwest and with Bell proposing to acquire CTV, the commission might in fact rethink it in terms of how this would be implemented and its impact on consumers.

**Mr. Scott Simms:** Thank you for that.

**Mr. Ken Stein:** We were opposed then, and we're still opposed.

**Mr. Scott Simms:** And you're still opposed to it, despite any mergers or anything of the like or acquisition of Canwest Global. Okay.

Ms. Bell, I like what you had to say about the over-the-air situation in small communities. I'm from a rural riding. You're investing in non-mandated areas. Is that correct? Is that the terminology?

**Mr. Peter Bissonnette:** Yes. One of the benefits of the acquisition—and there were many—happens to be that it will ensure that anybody who is currently viewing services using an antenna as opposed to a satellite receiver or a cable box won't be disadvantaged. We will be providing them up to \$15 million worth of Star Choice receivers so that they can in fact receive those over-the-air signals via a satellite receiver.

**Mr. Scott Simms:** Okay.

I'm going to move through a couple of questions quickly.

Mr. Stein, you mentioned the extensive rules for distribution and said you want to decrease the burden. Give me an example of what you would like to see in the immediate term to decrease the burden from the CRTC upon you.

**Mr. Ken Stein:** I hope I'm not speaking out of turn.

My latest example would be that they have a strange term they've created called the "new media broadcast undertakings". What they

are going to do is ask us to file a whole bunch of information and look at possible regulations affecting us.

We feel that's burdensome. We feel it's complicated. We feel they're on a fishing expedition for information. As well, it doesn't go with the issue, which is really that the over-the-top services are the ones they need to be looking at, not the new media services that we—

**Mr. Scott Simms:** Sorry, Mr. Stein. I have a few seconds left here, and I just wanted to get in one quick question.

Following your testimony, we will receive testimony, I'm sure, from two entities, CACTUS—Canadian Association of Community Television Users and Stations—and Pelmorex, obviously to do with the vertical integration issue. One, of course, is your service of community cable—is it serving the community—and the other one is whether we are looking at playing with the lineup such that it plays to your goals as a distributor. I was wondering if you could comment on that.

● (1545)

**Mr. Ken Stein:** With respect to CACTUS, there was a hearing on the community channel policy. We agreed at that hearing to undertake measures to ensure total access to our system. We're proud of the community television service we offer, and we want to continue to do that. We've agreed with the commission to follow their policies in providing more access to the public and having advisory groups on the community channel.

With respect to the Pelmorex proposals, we think the commission's rules are totally adequate, and that's proven by the fact that over the next year we're going to launch 20 new independent services.

**Mr. Scott Simms:** Thank you.

**The Chair:** Madame Lavallée.

[*Translation*]

**Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ):** Good afternoon, gentlemen.

Good afternoon, Ms. Bell.

There are many things that I do not understand, but there is one issue in particular that I really do not comprehend. Unless I am mistaken, you said in your presentation that the Canadian broadcasting rights market is threatened; that you have foreign competitors such as Netflix, Google TV, etc.; that the exempt status needs to be reconsidered. And naturally, you suggested that your foreign competitors be subjected to the Broadcasting Act or that there new regulations be developed for them. Did I understand correctly?

[*English*]

**Mr. Peter Bissonnette:** Yes. If there's one message we want to leave with you today, it is that over-the-top competitors have a free ride. They're aggregators of broadcasting. They provide broadcasting services in Canada. And they aren't licensed. They're non-exempt. We think there's an element of fairness missing with respect to their ability to provide services to our customers.

We have contributions that we have to make, being members of the Canadian Broadcasting Association. I'll give you some examples of some of the things we do every year as a company—

[Translation]

**Mrs. Carole Lavallée:** I apologize for interrupting you. We do not have a great deal of time and I want to make sure that you answer my question.

Are you suggesting that the CRTC regulate the Internet? Is that what I am to understand?

[English]

**Mr. Peter Bissonnette:** No, we're not. These people are broadcasting. We're saying they should be making some of the same contributions to the system that we're making. As for how we do it, I think that still has to be questioned. Every year we pay about \$151 million. It's broken out into part one fees, part two fees, telecom fees, central community funds. Shaw contributes \$88 million to the production fund and \$31 million to local production. None of these contributions are coming out of these non-exempt foreign broadcasters—and they are broadcasters.

We don't think it's fair that we should be burdened by these costs while they ride free on a sophisticated network that we've built because we want our customers to have an experience that's second to none.

[Translation]

**Mrs. Carole Lavallée:** I apologize for interrupting you.

In Quebec, these are not provider names that we see on a regular basis, namely, Netflix, Google TV, Apple TV or Hulu. Are these providers broadcasted on the Net, via satellite?

[English]

**Mr. Peter Bissonnette:** No. They're actually available to our customers. We have perhaps 1.7 million Internet customers who can get right to Netflix. Netflix has a website. If you subscribe, you will receive access to thousands of movies for \$8.99 a month, which is a low price. They are starting to get a lot of attention in Canada.

[Translation]

**Mrs. Carole Lavallée:** So they are on the Internet; they do not go through what we refer to as BDUs, broadcasting distribution undertakings? They do not go through Shaw, Bell or Vidéotron.

**Mr. Peter Bissonnette:** No.

**Mrs. Carole Lavallée:** It is not on the Internet.

[English]

**Mr. Peter Bissonnette:** Bell and Telus....

Go ahead.

**Mr. Ken Stein:** What happens is you subscribe to Netflix for \$9 a month, and then they have shows that you can watch on the Internet.

[Translation]

**Mrs. Carole Lavallée:** That is right, I did recognize some things that I was aware of when he gave me a brief explanation of what he did. Basically, it is however on the Internet.

[English]

**Mr. Ken Stein:** Yes, essentially.

[Translation]

**Mrs. Carole Lavallée:** All right.

[English]

**Mr. Ken Stein:** They're using the Internet to provide that service, but it is essentially a broadcasting service. They're broadcasting video content. It's not....

[Translation]

**Mrs. Carole Lavallée:** So you would like to see the CRTC regulate the Internet?

[English]

**Mr. Ken Stein:** Yes. And the example we have is that we've faced this situation twice before. We faced this situation with U.S. specialty services like ESPN, Arts and Entertainment, and TLC. The commission at that time said, "We're going to come to a solution here. We can't license these things, but you're only allowed to carry them to the extent that you can also develop Canadian services." We've accomplished a huge amount with the development of Canadian specialty services.

We were at the reunion of the tenth anniversary of the Food Network. We've done a phenomenal job of building successful Canadian services by being able to combine them with the U.S. services.

One American network—I forget the name at the moment—was refusing to give us broadband rights to actual television shows. So we think this is a way in which the system could become undermined. As we did with the specialty services, we want to make sure that our customers have access to these programs, that they have access to them on Canadian platforms, and that there are opportunities for Canadians as well. We want to be able to achieve those objectives.

● (1550)

[Translation]

**The Chair:** Thank you, Mr. Stein.

Thank you, Mrs. Lavallée.

[English]

Mr. Angus.

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

It's a pleasure to have you here again. We are in such a different environment from the last time we were all talking on various components of your new industry.

You know the line of questioning we've been looking at. In terms of vertical integration, the question for the New Democrats is about access and competition. We certainly see the power that a reorganized Shaw-Canwest has and that Rogers has in terms of being able to create content and get content out there.

The independent broadcasters are now very small—significant, but a small piece of Canada's broadcast puzzle. They'll be looking for places on your dial—to use a 20th century term—with your own competing content. You have parts of your operation that are directly competing with them for eyeballs, but then they have to rely on you to get access to the same eyeballs.

You say that under CRTC there's a comprehensive framework to protect unaffiliated broadcasters. They didn't give us that impression when they were here. What steps do you take to ensure there's guaranteed access for your competitors?

**Mr. Peter Bissonnette:** We just launched two services in the last two weeks—ox.tv, which is an independent specialty service, and Pet TV, which is a small independent service.

By virtue of the regulations now in front of us, we have to launch 21 more unaffiliated programming services by August of this year. We've made a commitment to the commission that it will, in fact, happen. We are currently building the capacity within our satellite and cable systems so that we can carry those. We're obliged to do that by virtue of the regulations, and we are quite happy to do it.

The impression you were left with was that there isn't a sufficient framework of regulations to ensure they get exposure, but there is, in fact.

**Mr. Charlie Angus:** The CRTC, when we met with them, also left the impression that they didn't necessarily have all the tools in their toolbox to ensure compliance. They've raised the need for administrative monetary penalties for companies—not necessarily yours, but it could be somebody else's—who are not in compliance, whether it's on anti-competitive practices or on a whole host of non-compliance issues.

Do you feel the CRTC would be better equipped to do their job if they were given the ability to bring forward administrative monetary penalties?

**Mr. Ken Stein:** I think the commission has all the powers now that it needs, and it has exercised those powers over the last number of years. We were quite surprised to hear their comments about the need for those kinds of things.

The latest example we had we felt could be resolved, and was resolved, very quickly by a phone call from the commissioner.

The fact is, with either a five- or seven-year licence renewal, the commission can at any time have a show-cause hearing. Nobody wants to come to a hearing in front of the CRTC on a show-cause basis. We think the commission now has tools to ensure the compliance of the conditions it sets. They are there. They are admittedly regulatory. They are admittedly administrative. But we think proceeding to any basis that would include fines would lock us all up in court processes and bureaucratic processes that would just not be necessary.

• (1555)

**Mr. Charlie Angus:** Well, if they were not using administrative monetary penalties, they'd still want to be in a position to make sure that everybody is in compliance.

I'm not singling you out, but you happen to be here, so I get to ask you the questions.

You're suggesting that you'd prefer to have your financial and regulatory burden lessened, and from your point of view that makes perfect sense. From our point of view, in terms of the public interest I'd like to know how it serves us. If the CRTC doesn't have access to information concerning compliance, how much Canadian content there is, how much local production is happening, how are we going to know that you're fulfilling your part of the bargain?

**Mr. Peter Bissonnette:** We think there are always, as there are in life, reasonable positions, and we've learned to live in a structure in which we report, and we're quite happy to do that. But as an example, I think Ken mentioned that as a part of the new media broadcast distribution, we face a requirement now to fill out forms that frankly don't really provide any benefit to the system. What they're trying to get to is what I'll call the exempt group; it would be of much more interest to know what's happening with them as opposed to what we're doing.

**Mr. Charlie Angus:** I'm interested in this suggestion about the new competition that's coming out from Hulu, Netflix, Google TV, because I'm not sure I see exactly how you bring them into the system or how you shut them out of access to your cable viewers. What concrete steps would you take to address these new broadcast opportunities?

**Mr. Ken Stein:** First of all, we're just starting to look at this. We think what we would need to do is work with the government and with others who are interested, perhaps the parties themselves, to see how we could make sure that this was done in a way that is consistent with the development of the Canadian system.

We're not trying to say they shouldn't be here. We're basically trying to say that they should come in on the same terms as any other company operating in this country, accepting the terms and conditions and the legislation that exists in Canada, whether it's a mining company, a transportation company, or a company that's offering video content.

That's what we're interested in pursuing. We're not trying to be draconian about it; we're just saying that reasonable-minded people can sit around and try to figure out a way to do this, as we've done in the past with speciality services and as we've done in the past with satellite services.

**Mr. Charlie Angus:** Thank you very much.

**The Chair:** Thank you, Mr. Stein and Mr. Angus.

Mr. Del Mastro.

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

And thank you to our witnesses for appearing today. I appreciated hearing your brief.

First of all, I want to congratulate Shaw on the successful purchase of the Canwest assets and I want to commend you for keeping it an entirely Canadian company. There was a time when it looked as though there might be some partners who would not be Canadian.

The chair of the CRTC has accurately described this as a “stable ownership” group emerging from “a period of uncertainty”. It’s an entirely Canadian company with significant Canadian commitments, and I commend you for that.

I want to go back to Mr. Simms’ question first. The CRTC talked about a period of uncertainty. One of the things that was pitched during this period of uncertainty was a television tax on Canadian consumers called “fee for carriage”. That is currently before the courts. You have articulated—I think all members who have come forward have, in fact, articulated—a position against it, with the one exception of Mr. Sparkes, who was still beating the drum for it.

Despite the fact that this is something that the former Canwest, now Shaw Communications, would stand to benefit from, you’re standing on the side of Canadian consumers and saying no fee for carriage. Is that correct?

**Mr. Peter Bissonnette:** That’s correct.

**Mr. Dean Del Mastro:** Thank you very much.

In your brief, you talked about an ISP tax. This is something that has been pitched mainly as an idea around copyright, so I’m interested to see that it’s in your briefing here today. I view it similarly to fee for carriage, in a lot of ways, as a solution in search of a problem.

Could you comment briefly on why you think the ISP tax would be harmful? I actually think it would drive Canadians away from broadband services and frankly make them less affordable, which I don’t think any member of this committee should support, but I’d be interested in hearing your comments on it.

•(1600)

**Mr. Peter Bissonnette:** We offer choice to our customers, but the choice wouldn’t be a tax for fee-for-carriage and a tax for ISPs. We don’t want that as being the choices. We want the relationship between ourselves and our customers to be one where they look at it as having value within the system.

If you took Netflix, for example, which charges \$8.99 a month, it wouldn’t take much to convince somebody who had a \$3 or \$4 value for signal, or whatever it’s called, and then an ISP tax to say “This is a system I don’t want to be part of. Maybe the relationship with Shaw isn’t as joyful as it should be. I’m going to take my \$8.99 and tax and move it to Netflix and never have to worry about the relationship again and having to worry about rate increases, or whatever, that might happen.”

We’re giving them more and more reasons not to be in the system.

**Mr. Dean Del Mastro:** And when they’re not in the system they’re not contributing toward Canadian content, is that correct?

**Mr. Peter Bissonnette:** Absolutely.

**Mr. Dean Del Mastro:** Which is a big loss for the Canadian system.

I want to go to this point on Hulu, Netflix, and Google TV. You rhymed off a whole bunch of them. They are serious international competitors. The technology is there today to support that. The technology that is coming down the road will make that even more viable.

I think it’s important that we come up with a policy on this. Is your company working on a suggestion to either government or the CRTC on how we might compel them to contribute toward the Canadian system that you indicate you are currently regulated under?

**Mr. Peter Bissonnette:** Absolutely. We want to work with government, with CRTC, to find a way to do this within the construct of the regulations.

Netflix hasn’t been around for much more than a couple of months in Canada, and today 5% of our traffic on our network is dedicated to streaming movies from Netflix. We think that’s going to grow logarithmically and every six months it’s going to double. It doesn’t take long to figure out that the billions of dollars that we’ve invested in our network are going to be consumed by non-Canadian traffic over our network, where nothing is being contributed back to the network. The customers are doing this.

If you have read some of the articles in *The Globe and Mail* you will see people expressing that it is almost fashionable not to be connected to the Canadian broadcasting system. They are saying they can spoof themselves and go to the U.S. Hulu site, where they don’t look like a Canadian any more, and can get access to *Glee* an hour after it’s been on the air. That’s not a good thing for the Canadian broadcasting system.

**Mr. Dean Del Mastro:** I agree with you entirely.

We’re eager to work with you on that for a solution. As you’ve indicated, we have to decide whether we want a Canadian broadcasting system, and I think we’ve decided collectively, as Canadians, that we do want a Canadian broadcasting system. In fact, we want a strong one.

Can you comment a little bit about how vertical integration is making Shaw a stronger company and providing more opportunities for Canadians?

**The Chair:** Thank you, Mr. Del Mastro.

Go ahead, Mr. Bissonnette.

**Mr. Peter Bissonnette:** That’s a great question. Even the fact that we went through this acquisition.... The scenario is that if Shaw hadn’t stepped to the plate, nobody else wanted the over-the-air broadcasting system. You know, the company would have been broken up in some form. When you look at what the contributions are from the over-the-air and the production that takes place every year, and the independent producers who are actually benefiting from the fact that Global is still Global, and now in very stable hands, if you will, there are benefits that may not be recognized but they are truly tangible benefits that come from this acquisition.



The fact that we now have a very harmonious relationship with Global, because we now own them, and the environment is frankly... It's not necessarily how you play the tune, but how the tune sounds. We have what I would call a very harmonious relationship. The availability of programming for VOD, for instance, wasn't available before these deals were done, and customers are now seeing video-on-demand programming that heretofore wasn't available.

**The Chair:** Thank you very much, Mr. Bissonnette.

Madam Crombie.

**Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.):** I want to say welcome to our witnesses as well. It's a pleasure to meet you all.

Corus was here last week and were telling us that all they needed to be bigger and better was to be more globally competitive. We've heard this from other sectors as well, especially from the banking sector when they all attempted to merge and create more concentration in the industry. I'm concerned, and many of us here are concerned, about further concentration in the industry and how it will affect the small independents. Could you comment on that, please?

•(1605)

**Mr. Peter Bissonnette:** First of all, the commission went through a process and looked at the diversity of voices and they looked at even the combination of Corus and what is now Shaw Media. They said that between the two of them it would still fall below the 35% bright-line test. There is a perception that Corus is owned by Shaw, but it's not. It is a separate company that trades separately on the TSX; it also has a separate board.

The provisions within the existing regulations, whether it's distribution, carriage of unaffiliated relationships, the kinds of contributions that we make to local production, whether it's through our direct-to-home contributions through what is Shaw Direct, whether it's the LPIF payments that we're making, there are tremendous benefits that are provided for within the regulations we adhere to.

**Mr. Michael Ferras (Vice-President, Regulatory Affairs, Shaw Communications Inc.):** If I could just add, even though, as Peter pointed out, Corus is separate from Shaw, in terms of the commission's regulations, because of a percentage of ownership that Shaw does have in it, every time Shaw or Shaw Direct carries a Corus service, we have to carry five independent programming services. That's how the rules work.

**Mrs. Bonnie Crombie:** I'll go at this differently then.

I have concern for both the increased concentration in the industry as well as the vertical integration. I want to know what you think the role and the viability of the small and independent TV broadcasters and producers will be. What kind of impact will it continue to have on them and their ability to negotiate in terms of trade?

**Mr. Ken Stein:** We think that actually the fact is that having the vertically integrated companies brings us to a point in the broadcasting system where we have a better working relationship with everybody. We're not going to have the same kinds of battles that we've had over the past number of years. So we're going to be

able to work with people to take good ideas and to encourage it. That's fundamentally what we believe in as a company: supporting new and innovative services. So we welcome independent broadcasters and program services. A hundred percent of the program production done by Global is done through independent producers, so they're essential to the future of Global Television.

**Mrs. Bonnie Crombie:** What is your contribution to the Canada Media Fund?

**Mr. Peter Bissonnette:** This year it's \$88 million.

**Mrs. Bonnie Crombie:** Okay.

**Mr. Peter Bissonnette:** And \$31 million, of course, to the local programming improvement fund.

**Mr. Ken Stein:** I'd just like to make a point. We talk about the Canada Media Fund and the support for Canadian production, and I'm on the board of the Shaw Rocket Fund. We look at what's happening, and we very much support what Minister Moore was able to do with the Canada Media Fund to restructure that and establish a board. We very much support what he is trying to do. But I think we have to make sure we understand that right now, through subsidies and tax credits, Canadians are pouring close to a billion dollars a year into the Canadian media production industry: the film, video production, tax credits at the federal and provincial level, the Canada Media Fund, the contributions to other media programming funds. And that's not including the CBC, which is another billion. So there's \$2 billion. That's over the next—

**Mrs. Bonnie Crombie:** I just have to get one more quick one in there before we get off.

Our next witnesses are Pelmorex Media, and of course it's the Weather Network, as you all know. They have something called an "all-channel alert" for emergency readiness. I'm wondering if you have the ability to tinker with their position, because of course if you place them on the upper tiers, how effective would their emergency readiness program be?

**The Chair:** Thank you, Madam Crombie.

Go ahead, Mr. Ferras.

**Mr. Michael Ferras:** The carriage of Pelmorex as the Weather Network and the alert are really two different things. There's a carriage rule that says that all BDUs have to carry the weather service. As well, Pelmorex has developed an all-channel alert solution, but that is something very different.

Shaw has diligently been involved with Public Safety Canada in the process of determining an all-channel alert solution, and we've made our commitment to that. But you have to understand that whether it's a Pelmorex solution or another solution, or CBC, there are still outstanding issues. There are technical issues, accessibility issues. Will the alert be in audio? We'll make sure that everybody can see it. As well, there's the major issue of indemnification. The carriers and the participants have to be protected against errors in the messaging.

So all of this Shaw and other BDUs are continuing to work through.

• (1610)

**The Chair:** Thank you very much.

Madame Lavallée.

[*Translation*]

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

Earlier, I talked to you about regulating the Internet. You are not, in fact, the first to have made such a suggestion. So we need to take a very close look at this issue.

I am going to talk to you about a more tangible problem. Currently, 39,000 people in Lac-Saint-Jean—Saguenay—I am referring to this region, but this situation applies throughout Quebec—receive their signals via satellite. They have no other choice but to receive their signals via satellite because they reside in municipalities with no cable service. They have no other choice but to subscribe to your services, for instance, and that of your competitor Bell. In these remote communities, satellite-based services such as yours do not send them local television signals.

Quebec is unique in the sense that there are five Radio-Canada television stations from one end of Quebec to the other, in five regions of Quebec. In the other provinces, there would be one or two stations, but rarely five. There are just as many local television stations for TVA, which belongs to Quebecor, its competitor, as you know. So these 39,000 television viewers have to watch Radio-Canada programming from Montreal or TVA programs from Montreal, because you do not provide them with the services tied in to the local television station.

You said earlier that your acquisition “is the best possible result for the broadcasting system, [...] and Canadian television viewers”. There are at least 39,000... I did not name all of the regions in Quebec; I just referred to one as an example. You also said that you could “spend \$180 million on benefits that will support [...] local news”.

How will this \$180-million investment be of any use to the 39,000 people who live in Lac-Saint-Jean—Saguenay since they do not have access to their local news, the statements made by their mayors and their politicians, and to the weather forecast? They do not know whether, the next day, they will be able to play golf or go to the movie theatre, but that does not matter anyway since they do not even know what is being shown in their local movie theatre.

[*English*]

**Mr. Ken Stein:** First of all, in terms of the local distribution, when the government developed the policies for satellite, it was very much

focused on having a national service. As satellite companies, at the beginning we were really only required to carry one service—one CBC, one CTV, one TVA, etc., across the country.

Over a period of time, both in response to what our customers wanted and what consumers wanted.... And I must point out that for Shaw Direct, Quebec is a huge market. We're very successful in that market. We have 500 employees, I think, in Montreal.

**Mr. Peter Bissonnette:** Our call centre is in Montreal. We have only limited capacity, and I think we've talked about that in the past, to provide services. To the extent that we can make a very, very, compelling francophone service available in Quebec, that's what we've done. In fact, in the next few months we'll be launching three more local services on a virtual channel to our customers in Quebec.

If the world were perfect and we had an unlimited spectrum, we would carry every local service. Remember, the customers in those areas can still get signals off air with their local antenna. They can actually interface that antenna into their satellite box and they can switch from satellite-distributed signals and receive those over-the-air signals. They actually aren't blocked from getting their golf games and their local news, etc., because it's available to them as an over-the-air signal if they choose to do that interface.

**Mr. Ken Stein:** To be specific—

[*Translation*]

**Mrs. Carole Lavallée:** Just one moment, I do not understand. Are you suggesting that consumers go back to using their rabbit ears in order to watch local programs? Was that your suggestion or did I misunderstand?

• (1615)

[*English*]

**Mr. Ken Stein:** It's where over-the-air services are going to be going. I'm not sure about those particular services, but there will be digital. There's nothing wrong with over-the-air reception in those areas. It can be very successful. It works successfully. It's technically possible to do it.

Just to be clear in terms of the situation that exists, we have agreed to put up Quebec City, Trois-Rivières, and Rouyn-Noranda on Star Choice. We've also agreed that in 2012 we will put up Jonquière. So we are trying to address the problem.

The problem we have is that the transponder capacity we have.... We're building a new satellite. It's \$350 million and will be ready in 2012. We will continue to do that.

The problem really is the economics. We're doing this not because the economics works for us, because it doesn't. What we have to do is balance how we're making those investments and providing a return to those people who buy our bonds and shares while at the same time trying to meet those obligations. We're very committed to providing all the local services we can. I think we now carry about 80 local signals right across the country. We're very focused on doing that. We do as much as we can.

**Mr. Peter Bissonnette:** We've actually approached the CBC, who use two transponders on the current satellite that we share, and we've said, "Why don't we try to find an alternate transponder for you that could be better put to our purpose in terms of distributing local signals?" So far we haven't been successful in convincing them that would be a good thing, but we're going to continue to work on that as well.

In the meantime, we're busily building, as Ken said, a \$300-million satellite to give us more capacity. Remember, a lot of things now are going high definition. High definition takes more capacity in terms of distributing it across the nation. But we're doing what we can in a reasonable and economic, prudent way.

**The Chair:** Thank you, Madame Lavallée and Mr. Bissonnette.

Mr. Armstrong.

**Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC):** Good afternoon, and thanks for being here. I found your submission very interesting.

People watch TV in other platforms. Since 2005 the number of this has doubled. I expect this to grow exponentially. How does this viewing of unregulated platforms affect the funding of Canadian content? Can you expand on the relationship that this has?

**Mr. Ken Stein:** Of Canadian content that's available, whether it's through Apple or the proposed Google and Netflix, there's not really any Canadian content on it. That was the point we were making earlier, which is that we want to ensure that those services are introduced in a way that Canadians do have access to Canadian content. The problem with the growth rate, the way we see it, is it's like an accident. Do you know what I mean? By the time it happens, it's too late to deal with it. That's what we're primarily concerned about. The number Peter recited was extraordinary to us. That in a few short months it's gone to 5% is incredible.

We want to make sure, though, that Canadians have choice. We want to make sure they continue to have access to those kinds of services. But when networks start denying us the broadband rights to programs that Canadians have seen on over-the-air television, then it's going to become a huge problem.

**Mr. Scott Armstrong:** Mr. Bissonnette, as mentioned, in the last two months 5% of your entire traffic has gone to downloading movies over Netflix. Is that accurate?

**Mr. Peter Bissonnette:** Yes. We heard in the U.S. that it could be as high as 20%. That was a number that was provided by a company that actually builds things that can help you to manage your traffic. But we've looked at it specifically over our Shaw network, and 5% is the number.

**Mr. Scott Armstrong:** Right.

Just to switch to a different subject, on the possible ISP tax or levy, you said that if you're not in the system, that wouldn't affect you. If you are in the system, could you expand on the fact that it might drive people away? I'm concerned if we increase taxes we'll drive people towards Netflix, which will increase this 5%. It's going to grow anyway—tip of the iceberg. But we're actually making it worse if we did something like that.

**Mr. Peter Bissonnette:** Absolutely, it becomes an avalanche. There are very smart and very tech-savvy people. Two generations

behind me, frankly, are very much that way, and if there's a way they can get what they want—and they do get it over our network—and they see the value of what they're getting as being more attractive over here, they're going to get it. The technologies now are great enablers. That's what they're for.

• (1620)

**Mr. Scott Armstrong:** Okay.

**Mr. Michael Ferras:** I could even give you a real practical example when we talk about symmetrical rules. Shaw has video on demand, and video on demand is very much like an over-the-top provider of a service. Just like BDUs must contribute 5% of their gross revenue, so must video-on-demand undertakings.

The commission is currently having a process right now where they're considering increasing that financial contribution that video on demand should make to the system. Our point is that this is exactly the kind of thing where you have to stop and say, "Wait a minute—this is a competitive tool within the Canadian broadcasting system". To start adding taxes to that service, which will increase the price, which will decrease our ability to invest in it, etc., is precisely going in the wrong direction.

**Mr. Scott Armstrong:** I just have one last question, if I have time. This is to any one of you.

Do you believe the decision to exclude Internet service providers from the broadcasting category will erode BDU contributions to production funding? Do you think that would erode that?

**Mr. Ken Stein:** First of all, are you talking about an ISP levy?

**Mr. Scott Armstrong:** Well, no, we've decided to exclude Internet service providers from the broadcast category right now. Right?

**Mr. Ken Stein:** Yes, you mean as telecom carriers.

**Mr. Scott Armstrong:** Is that going to erode our BDU competition to produce production funding?

**Mr. Ken Stein:** No.

**Mr. Scott Armstrong:** So it would have the opposite effect, or it would have no effect at all?

**Mr. Ken Stein:** I don't know.

Charlotte.

**Ms. Charlotte Bell:** If I understand your question, they're not contributing now, so I'm not sure that it would actually impact the contributions that are going to the Canada Media Fund at this time.

**Mr. Scott Armstrong:** If at some point in the future the role were reversed, how would that affect BDU contributions to production funding?

**Ms. Charlotte Bell:** I don't think that would affect the BDU contribution. It's based on the revenues from television distribution and not on their Internet business. I think they're two separate things.

**Mr. Scott Armstrong:** They're separate.

Okay, thank you.

**The Chair:** Thank you, Mr. Armstrong.

Mr. Scarpaleggia.

**Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.):** Thank you, Chair.

I'm not a regular member of this committee, so my questions might sound a bit naive.

You have video on demand as well. What kinds of things can one get through Shaw Video On Demand—movies...?

**Mr. Peter Bissonnette:** Yes, there are movies and events. UFC is a huge thing in Canada now, so when we run a UFC event—

**Mr. Francis Scarpaleggia:** What's UFC?

**Mr. Peter Bissonnette:** It's Ultimate Fighting Championship, and there's Tapout. Montreal seems to be the hotbed for UFC in Canada—

**Mr. Ken Stein:** Or in the world.

**Mr. Peter Bissonnette:** Or in the world, yes. That's right.

First-run movies come right into the VOD window, typically coincident or very closely aligned with the release of DVDs in the retail market. That's essentially what it is.

**Mr. Francis Scarpaleggia:** So if I want to see an older movie from the fifties, sixties, or seventies, I could get it on your system? I wouldn't have to go to Google or—

**Mr. Peter Bissonnette:** Yes, you could get it from us. You could also get the version of last night's *Glee* from us.

We also have a subscription video-on-demand service, through which, if you subscribe to our movie network service, you can also have a selection of movies on an on-demand basis, which would be running in that library. So it's a very convenient way of getting movies.

**Mr. Francis Scarpaleggia:** Do other players have that as well, in Canada?

**Mr. Peter Bissonnette:** Rogers would have it. Videotron would have it, and some of the telephone companies may have it.

**Mr. Francis Scarpaleggia:** Why is it that the CRTC won't consider regulating the Internet broadcasters? This debate has been around for a long time now, at least ten years.

**Mr. Peter Bissonnette:** We've gone around this circle. We're trying to think of the most reasonable way you could do this without... Because they're not Canadians.

**Mr. Francis Scarpaleggia:** But is it technically feasible?

**Mr. Peter Bissonnette:** Is it in the law? I'll have to ask that.

**Mr. Ken Stein:** Yes, technically it is. The problem is that of course the commission can't license a broadcaster that is not Canadian. The Broadcasting Act says that before they can issue a licence....

What we did with the specialty services was that the distributors actually sponsored them. So we would bring them in, and the commission would establish linkage rules, so that if you brought in a U.S. service you would have to have a certain number of Canadian services.

We've just been looking at this problem over the last few weeks, because when we got hit with the 5% number, our CEO said "Get on this, guys". So we're trying to look at how to deal with this. From a cable point of view, frankly it's almost a neutral kind of situation, because they're using our network, and we'll find means of charging for it in order to get our investment back. But the problem is that it's really our obligation to pay into the Canada Media Fund, and to pay into all these other things that they don't have to do. Then we start saying "Well, that's just going to erode the whole production industry and the whole Canadian system".

• (1625)

**Mr. Francis Scarpaleggia:** I don't mean to interrupt, but if you said we have to bring them within the ambit of the CRTC, how would the CRTC regulate iTunes, or the movie download section of iTunes? How would you do that? In other words, why is the CRTC staying away from it? Do they understand that it will be complicated? Are they worried about negative reaction from the public?

As you know, when we wouldn't let that specialty channel, HBO, in, there was an outcry: "How can you not do this? You're interfering with my right to watch what I want to watch." And you could say until the cows come home that it was okay and that you could get those programs in Canada, but just through other means. There was a bit of an uproar.

So I'm just wondering why the CRTC won't go there.

**The Chair:** Thank you, Mr. Scarpaleggia.

Go ahead, Madam Bell.

**Ms. Charlotte Bell:** I think what we're trying to say here is that, as we did with the specialty sector, if foreign players are going to be coming into Canada through other platforms, there have to be ways of bringing them in, in such a way that they will contribute to the system somehow.

We managed to do that very successfully with specialty and pay TV and the HBO example you gave. All that programming is available in Canada. There are ways of doing that.

I think we're trying to find the appropriate means and work with the government and the CRTC to figure out how we go about that to make sure they are contributing.

**The Chair:** Thank you.

Mr. Del Mastro.

**Mr. Dean Del Mastro:** Thank you very much.

I wanted to come back to Mr. Armstrong's question. I think I can clarify just a touch of what he's getting at.

Specifically, if customers who are currently purchasing cable or satellite move to watching their television programming over the Internet because Internet times speed up, and you can simply stream all the channels you're currently providing over cable, the current provisions wouldn't provide any funding toward the Canada Media Fund.

**Mr. Peter Bissonnette:** That's correct.

**Mr. Dean Del Mastro:** What you're suggesting is the classification of Internet pipes were simply handled the same as telephone wires. They're simply a pipe for communications. If programming moved to the Internet at some point, first of all, do you see that as something whereby the Internet would replace current cable services, or do you see them as complementary moving forward, and you don't see most of your customers de-selecting cable or satellite and simply moving to Internet hookups?

**Mr. Peter Bissonnette:** In the U.S. last quarter, I think about 500,000 customers disconnected from cable but didn't necessarily disconnect their Internet services. That raises a flag for us. Are they essentially transferring all their video needs over the Internet? If they're doing that, what does that do to the contributions that currently flow from those customers as regulated cable customers? The potential is you lose those contributions to the CMF by virtue of them moving to an unregulated platform.

**Mr. Dean Del Mastro:** Which is why you're suggesting there should be some regulation for the Hulus and the Google TVs and those sorts of things. We need to figure out how to bring that into the system.

**Mr. Peter Bissonnette:** Google has a \$150-billion market cap, and our company has a \$9-billion market cap. We're paying \$151 million a year into these various funds. This is not an issue of means for Google. You just can't get to them.

**The Chair:** Thank you very much, Mr. Del Mastro.

Thank you to Shaw Communications Inc. for your appearance.

We'll suspend for a couple of minutes to allow our next panel to appear.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

•

• (1630)

**The Chair:** Welcome to the continuation of the 34th meeting of the Standing Committee on Canadian Heritage.

We have in front of us the Canadian Association of Community Television Users and Stations, represented by Madam Edwards; Media Access Canada, represented by Monsieur Seguin and Madam Milligan; and Pelmorex Media Inc., represented by Mr. Temple and Monsieur Perrault.

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

• (1635)

**Ms. Beverley Milligan (President, Media Access Canada):** Thank you, Mr. Chairman.

My name is Beverley Milligan and I'm the executive director of Media Access Canada or MAC, a not-for-profit advocate for broadcast accessibility. With me is Yves Seguin, the project manager of MAC's descriptive video working group for French television.

MAC is leading the Access 2020 Coalition, which is supported by every major accessibility organization, including the Canadian Hearing Society and the Sir Arthur Pearson Association of War Blinded. Access 2020's goal is 100% accessible TV on all distribution platforms in one decade.

Tools to achieve accessibility have existed for years. Captions write out TV's I/O content while described video narrates important visual elements to answer the "What's happening now?" question that blind Canadians must otherwise ask family and friends.

[Translation]

**Mr. Yves Séguin (As an Individual):** Good afternoon everyone.

All television stations must now provide captioning for all of their programs and described video for four continuous hours per week. Unfortunately, captioning is often inadequate or absent, and there is no described video for 97% of the programs. And even when the service is available, the poor quality of the described video for certain programs makes the service practically useless.

[English]

**Ms. Beverley Milligan:** Data about the quality and quantity of accessibility will be available next spring, when we publish the first results from a one-year content analysis of programming made possible by the support of CTV, Industry Canada, and Ryerson University. The studies measuring the quantity and quality of accessible TV on ten TV stations confirm that captions and descriptions have many errors. These problems exist because the CRTC does not require broadcasters to meet standards or targets for complete accessibility and does not systematically measure, monitor, or report on accessibility.

We estimate that the CRTC's current approach to descriptive video TV may become fully accessible only in 2040.

[Translation]

**Mr. Yves Séguin:** Since described video technology has been available since 1985, sight-impaired Canadians are wondering why they will have to wait nearly 55 years before they are able to get full access to television, just like the rest of the Canadian population.

[English]

**Ms. Beverley Milligan:** Vertical integration did not cause but can solve these problems, partly because production and distribution companies are merging and partly because these mergers create benefits for Canadian broadcasting.

As you may know, the CRTC requires benefits from ownership changes. Tables 3 and 4 show that since 2000 these benefits have generated \$878 million in new programs and R and D, of which less than 1% went to accessibility initiatives. This is because today's Broadcasting Act makes accessibility sound optional. It says that broadcasting should be accessible, but only as resources are available for that purpose.

For Access 2020 Coalition and the courts, though, accessibility is a legal right. We therefore have five recommendations. Our first involves standards. Convergence allows content to be shared across distribution platforms, but accessibility requires harmonized technical standards across platforms. The CRTC asked broadcasters for new standards on captioning and described program listings, but has not asked for described video production or presentation standards. It has declined invitations to the only group that is focused on those standards—launched, incidentally, by volunteers from the accessibility community. The CRTC's approach has created silos where Canada needs convergence and has shifted the cost of developing described video standards to the disability community. This is like asking people in wheelchairs to pay for designing wheelchair accessible buildings.

Access 2020 therefore recommends that your study tell the CRTC to empower our coalition to develop the harmonized, bilingual, and digital standards that we need in consultation with producers, broadcast engineers, researchers, and distributors.

Second, broadcasters need targets to give direction and to reduce their costs. As table 5 shows, when the CRTC finally required 100% captioning in 2007, its costs fell. The CRTC will be renewing most TV licences next year. Access 2020 asks your study to tell the CRTC to set 100% accessibility as a clear target in next year's renewals by requiring all TV content to be captured and described with low error rates within ten years.

Third, we need to measure progress. The CRTC now relies on complaints to identify accessibility problems, but this shifts responsibility for enforcement to blind and deaf Canadians, where our real goal should be measurable progress to 100% access. Access 2020 asks that your study tell the CRTC that the quantity and the quality of accessible broadcast content must be monitored systemically every year.

Fourth, we need enforcement. When broadcasters don't meet accessibility requirements, the CRTC sympathizes with the broadcasters and does little else. Access 2020 therefore recommends that you tell the CRTC to enforce accessibility requirements with regulations, not easily changed conditions of licence.

Our last recommendation explains how to fund these goals. Access 2020 asks that your study recommend to the CRTC that it direct 1% of the value of TV ownership transactions for the next five years to system-wide initiatives led by the 2020 coalition in consultation with broadcasters: 1% of a transaction's value to achieve 100% accessibility by 2020.

To conclude, with your guidance, vertical integration can benefit Canadians by making TV fully accessible, and the CRTC can work with, not against, the organizations that represent millions of Canadians with disabilities.

Our coalition thanks you for your important study and your questions.

- (1640)

**The Chair:** We'll now have an opening statement from Pelmorex Media Inc.

**Mr. Paul Temple (Senior Vice-President, Regulatory and Strategic Affairs, Pelmorex Media Inc.):** Good afternoon. I am Paul Temple, and with me is my colleague Luc Perreault.

You may not be familiar with the Pelmorex name, but we own and operate the Weather Network and MétéoMédia, which are authorized by the CRTC to provide weather and environmental news, and information programming to Canadians. These are national specialty services, available in both English and French languages respectively.

Pelmorex's programming is not simply confined to weather observations and forecasts but includes weather-related and environmental programming on topics of concern to all Canadians, such as climate change, public safety, and related issues, as well as reflecting the views and opinions of our viewers across Canada.

Pelmorex occupies a unique position within the Canadian broadcasting system as a truly independent programming service. We are not affiliated through ownership with any Canadian distributor, broadcaster, program production company, or newspaper magazine publisher. As such, we are here to offer an independent perspective on the issues that are before the committee.

[*Translation*]

**Mr. Luc Perreault (Vice-President, Communications and Regulatory Affairs, Pelmorex Media Inc.):** MétéoMedia and The Weather Network are among the most widely distributed specialty channels, with 98% of all cable and satellite households receiving one or more of our services. This broad access, essential to our success, is in part thanks to early CRTC regulations requiring our distribution on basic cable. But we must also earn our success. Each week over 9 million Canadians watch our television programming. On average, at any given minute of the day, 30,000 Canadians are watching one of our two services.

[*English*]

Using technology we developed and patented, Pelmorex is able to literally program and deliver over a thousand local weather channels at once. This allows us to provide the same level of local service in Alma, Orangeville, Lakefield, and Nellie Lake, Ontario; Milford Station, Nova Scotia; Saint-Bonaventure and Saint-Hyacinthe, in Quebec; and Canmore and Sundre, in Alberta.

It is also helpful to understand that there is much more to the Weather Network and MétéoMédia than our television operations. We have one of the most accessed Canadian websites. Our popular smartphone applications are found on literally millions of BlackBerry and iPhones across the country, and also on Android and Microsoft Windows-based mobile phones.

Our point is that you do not have to be a large, vertically integrated conglomerate to be a successful Canadian media company. In our view, Pelmorex's success has been achieved because we are focused on what we do best; that is, to produce and make available weather-related information and programming to Canadians over any and all distribution channels available.

[Translation]

We produce more weather forecasts for Canadian communities than Environment Canada. We are proud that all of our products and services are available in both English and French right across the country, not just TV, but on websites and mobile applications as well. But all of this is in danger if vertical integration in the media sector is allowed to proceed without appropriate regulatory safeguards.

Paul.

•(1645)

[English]

**Mr. Paul Temple:** Here's why. The same few cable and satellite distributors also control access to the Internet and mobile devices. They control all of the distribution channels; you cannot reach consumers without going through them. These same few distributors have increasingly expanded their content and programming holdings. That is, they have vertically integrated. The main advantage of vertical integration is to favour your own products and services. By favouring themselves, they inadvertently or purposely disadvantage unaffiliated programming services. Their gain is always our loss; our loss is always their gain.

They can do this, for example, by establishing artificially high prices or onerous financial terms of access for the services they provide. For them it's simply moving money from one pocket to the other. But for independent services, it represents real costs. Examples might include charging high rates to insert bill stuffers or access ad inserts on U.S. specialty services.

Packaging and pricing at the retail level is another concern. Under the relaxed CRTC rules, distributors can put their own services on basic service or heavily promote packages composed entirely of their own services along with popular American channels. In new media and wireless, the same is possible. We may find their applications pre-loaded on their mobile devices while we struggle to gain the attention of consumers amidst the hundreds of thousands of available mobile applications.

It's far too late to stop vertical integration. The attached handout shows the startling extent to which the industry is about to become vertically integrated. The CRTC's reliance on after-the-fact dispute resolution is not a practical solution. How is a small programmer going to constantly complain against the people they need to package, price, and sell their services? Who bites the hand that feeds them?

It is possible to establish regulatory safeguards to try to offset these advantages and level the playing field ever so slightly. Requiring vertically integrated companies to make public certain non-confidential information, to bring what is now in the dark into the open, would help. Providing preferential packaging and channel positioning to independent broadcasters would help. Stronger

enforcement of the CRTC's genre protection rules would also be effective. But there has to be a will to undertake these and other measures.

We hope that bringing these concerns to your attention will sensitize lawmakers to the risk that vertical integration poses to the diversity of voices and ownership in broadcasting.

We're happy to answer any questions you may have.

Thank you.

**The Chair:** Thank you.

We'll now have an opening statement from the Canadian Association of Community Television Users and Stations.

**Ms. Catherine Edwards (Spokesperson, Canadian Association of Community Television Users and Stations (CACTUS)):** Just before I start, I want to let you know that I've been told that the appendices to this presentation will be available from translation by next week.

My name is Cathy Edwards. I'm the spokesperson for the Canadian Association of Community Television Users and Stations. CACTUS represents the views of Canadians and independent community television channels and producing groups who believe that participation in the broadcasting system by ordinary Canadians is fundamental to Canadian democracy.

Since we last addressed you regarding digital and new media, we wish to tell you the outcome of the community television policy review undertaken by the CRTC, and about an initiative that CACTUS has spearheaded with regard to the upcoming transition to digital over-the-air television. These topics address points 2, 4, and 5 of this important study.

Canada's Broadcasting Act stipulates that the system comprises three elements: public, private, and community.

While Canada once boasted a robust community television sector, with more than 300 hyper-local cable stations, which were a model for the world, approximately 80% have been shut. The public has been largely excluded from the few remaining big-city and regional so-called community channels by cable companies.

The problems began in 1997, when the channels were partly deregulated. As was widely publicized last fall during the "Local TV Matters" and "Stop the Cable Tax" campaign, cable companies have turned community channels into professional, subscriber-subsidized competition for over-the-air broadcasters.

First, we want you to know that community channels, one type of small broadcaster, have suffered the more consolidated BDUs have become. It's a keen loss to the system, because this volunteer-assisted form of production generates six to eight times as much local programming dollar for dollar as the public and private sectors.

Second, it is inappropriate that BDUs administer channels that are meant to provide a democratic voice for Canadians to participate in their own broadcasting system. All 28 of the other countries around the world that recognize community media as the third tier define it by non-profit community ownership. Canada respects this criterion for the community radio sector; but nowhere in the world, except here, do large, market-dominant BDUs control community TV. It's a misapplication of the Broadcasting Act, in which the public, private, and community elements are distinguished by ownership.

It is an especial threat to the diversity of voices and democracy the more concentrated media ownership becomes. One of the two sectors that should provide a democratic safety valve against hyper-concentration in the private sector cannot fulfill this role because it is owned by that same sector. How is that possible?

Parliament recognized in the 1991 Broadcasting Act that the community sector had demonstrated both its value and viability under cable stewardship, and it should have been transferred at that time to community control. We are asking that you, as parliamentarians, redress this appropriation at your first opportunity.

Third, since the 1990s, cable market share has dropped from around 80% to about 60% in the face of satellite competition. Whereas it was once possible for a cable channel to function as a televisual town hall for communities, this is no longer the case. In our proposal at the community TV policy review and before this committee in the summer, we described a new model of community media that is multi-platform. We proposed that over-the-air licences be held by non-profit community groups, which would trigger their carriage on cable, and they would also be distributed to new media platforms as they emerged, reaching all Canadians.

So community broadcasters cannot play the important role they are uniquely positioned to play in ensuring democratic access to the system, in generating significant quantities of local content on multiple platforms, and in developing the digital media literacy skills Canadians need to compete. Digital media literacy has been identified by several of Canada's trading partners as key to their digital strategies.

Canadian community TV channels historically demystified the leading-edge media production tools of the day for Canadians of all ages and social strata. This model must be updated to include digital and new media.

We should clarify that the CRTC did introduce an over-the-air community TV licence class in 2002 independent from cable, but the licences are limited to low power, have no guaranteed access to spectrum, and have no viable source of funding. While private and public broadcasters can access both public funding—that is, direct tax support for the CBC, for example, and tax credits for private industry—and industry funding, such as the local programming improvement fund, value-for-signal payments, the Canada Media Fund, and so on, non-profit community broadcasters have been

excluded from every one of those funds, despite recommendations by this committee that they should be included: for example, in the Lincoln report. As a result, only seven such channels have ever been licensed in the whole country.

Therefore, we proposed to the CRTC at the spring policy review the creation of a community access media fund to enable more community broadcasters to launch using a multi-platform new-media model, and using funds that BDUs already collect from subscribers for local expression. But this proposal has so far been ignored.

● (1650)

So our first request to you today is to work with us and Canadian Heritage to set up a community access media fund and help us resource it. We have calculated that to bring a multi-platform community-access production hub within reach of 90% of Canadians—that would be 250 in all—it would cost about \$113 million, a bit less than BDUs currently collect from subscribers for this purpose, for local expression.

We are discouraged that although the CRTC did make a few cosmetic modifications to the community TV policy that it announced on August 28, it has taken no action to address BDU closures of community channels, BDU control of community channels, nor the lack of funding for community channels outside of BDU control.

Given that the community sector can engender the greatest diversity of voices for the least money, we believe that the CRTC is failing to leverage its most obvious tool.

Finally, the new community TV policy is being phased in over four years, which means that it will be at least another four after that before we can expect another CRTC review. It's simply too long in the dynamic media environment that is the focus of your study. Canadians have waited 13 years already. This is why we need your help.

The second topic we wanted to let you know about is that CACTUS, with the support of approximately 20 other industry, civil, and academic organizations, wrote an open letter to the Prime Minister in September—it was copied to each of you—asking for a coordinated national government education campaign in advance of the transition to digital over-the-air TV, planned for August 31 next year.



Because of unprecedented levels of media ownership consolidation, we do not believe it is appropriate to let industry lead, since industry has a clear commercial incentive to move Canadians onto monetized cable and satellite platforms, with no public debate about more cost-effective alternatives that would enable more local content.

We are concerned that the current vacuum of information will harm diversity of voices and small broadcasters for two reasons. First, while the "digital dividend" in other countries is going to result in more over-the-air TV channels and space for small broadcasters, here in Canada the transition is poised to do the reverse. Each existing Canadian broadcaster has been allotted by Industry Canada a full 6 megahertz digital channel—that's the same amount of spectrum that they each used to have for analog TV—in order to broadcast in high definition, even though one HD channel doesn't require this full 6 megahertz.

In effect, broadcasters are being allowed to sit on unused spectrum, instead of sharing spectrum with new entrants. In addition, you're probably aware of channels 52 through 69, once available for TV, being slated for a spectrum auction for other uses.

Secondly, since broadcasters have to upgrade transmitters to digital in only 32 of Canada's larger population centres, analog transmitters may be decommissioned outside those centres en masse, leaving many rural Canadians without the option of free over-the-air TV.

What's not widely known that I'd like to tell you about is that more than 100 remote communities that have never had a CBC, Global, CTV, or other retransmission station, or "repeater", as they're called, already offer their residents an over-the-air rebroadcasting service for as little as \$40 per household per year. Some even include a community channel for that price, about one-tenth the cost of a satellite bill. Their model could be extended to communities that may lose free over-the-air TV if a comprehensive information package can be disseminated to them in time. Otherwise, we are concerned that rural communities—some of which rely heavily on free OTA TV—will be unable to afford a satellite alternative. Also, more than 1,000 local transmitters that could enable communities to create their own content—not only TV, but also wireless, Internet, phone, and video services—are going to be decommissioned.

Therefore, our second ask today is for your support in advocating a comprehensive government education campaign in advance of the transition, so that these concerns can be publicly debated and alternatives can be put in place before communities lose service, and before scarce spectrum is auctioned off to the highest bidder and lost to the public and community sectors.

The community sector, like the public sector, needs at least one channel in each community.

Thanks for inviting us, and we welcome your questions.

•(1655)

**The Chair:** Thank you for those opening statements.

We'll have half an hour of questions and comments from members, beginning with Madam Crombie.

**Mrs. Bonnie Crombie:** Thank you, Mr. Chairman. I'll probably share some of my time with Mr. Simms.

Greetings to all our witnesses.

Let's start with Pelmorex. I've heard a lot about your all-channel alert for emergency readiness. You heard my question to the previous group over at Shaw. Could you describe for us a little bit how this emergency alert system would work, then tell us what your reaction is to their reaction to my question?

**Mr. Paul Temple:** We proposed to the CRTC that we would provide what we call a backbone network to allow any government agency in Canada to distribute public safety messages, and that in return the commission would continue to require us to be distributed on basic. The commission issued that order a year ago in June and gave us a year to implement it, which we did. So today we have facilities in place that allow any government to issue a warning. We'll distribute this free to any broadcaster in Canada. We undertook to put emergency warnings on our own channel. So that's in place now.

The CRTC, however, said that participation by other broadcasters is voluntary. I'm trying to recall exactly what the Shaw folks said.

•(1700)

**Mrs. Bonnie Crombie:** They said it could be provided in other ways, such as via CBC.

**Mr. Paul Temple:** Well, the CBC doesn't have any money. This network is already in place. Provinces are signing up: Ontario, Nova Scotia. We have an advisory board with all the provinces and territories and the federal government participating. The system's there. It works. The equipment is all ready. It's a matter of broadcasters buying the equipment and putting it in, so they can distribute public safety messages.

**Mrs. Bonnie Crombie:** What are the barriers that small independents like you face in the light of all this increased vertical integration in the industry?

**Mr. Paul Temple:** We need extra steps to make sure we're not disadvantaged. To rely only on complaints is not satisfactory. The commission has eliminated, over the past few years, most of the regulatory safeguards. So now distributors can basically do whatever they please. If they want to move your channel, or if they want to repackage you, they're free to do it. Our only recourse is to complain.

**Mrs. Bonnie Crombie:** Ms. Edwards, I have a great interest in your community access media fund. How could that fund be created? You suggested that you required \$113 million. How would it be funded?

**Ms. Catherine Edwards:** All the BDUs are expected to make a 5% contribution to Canadian content every year. Historically, with satellite companies, the whole 5% went to the Canadian media fund or other funds for professional production. Cable companies have the option to retain 2% of that 5% to fund a community channel, with the other 3% going to the other funds.

Last year that 2% amounted to around \$120 million. So they're spending money that's earmarked for Canadian citizens to get on and have a voice, but they're spending it on fewer and fewer big-city professionalized channels, and most of their studios in smaller communities have been shut down.

We were trying to create a model. There's money in the system for it already. We're not asking for something new. But this was turned down. The CRTC didn't ask BDUs to redirect any of that money to this new fund, so we're looking for other ways to resource it. There have been station closures. There's still a need for Canadians to learn digital literacy. And there's a big gap in local programming. For all of these reasons, we need to find some other way to fund it.

**Mrs. Bonnie Crombie:** Thank you.

To Access 2020, why hasn't the CRTC required full accessibility? Was it a cost issue? Why hasn't there been any enforcement and monitoring? Why do you rely on complaints?

**Ms. Beverley Milligan:** Certainly there is the cost issue, but relative to the system itself the costs are not large, and there are also solutions to bringing down costs. It requires technical innovation. It requires all kinds of things. The technology exists today; it has to be put together. That's why we were asking for the 1% to 100%, led by the coalition.

Today we have captioning. It was the accessibility organizations that created the business model for closed captioning. When we expand to descriptive video, the accessibility organizations are going to lead that as well. We know how to do it.

**The Chair:** Thank you very much, Madam Milligan and Madam Crombie.

Madame Lavallée.

[*Translation*]

**Mrs. Carole Lavallée:** Thank you very much, Mr. Chairman.

I would like to ask you a question, Mr. Perreault. In fact, I have several questions, but I won't be able to ask them all. I am aware of your vast expertise in broadcasting, and I would like to ask you a series of questions, including some on regulating the Internet. If we get through the comments in your brief, we can come back to that.

In the meantime, I want to talk about your brief, especially paragraphs 12, 13 and 14. I find them very interesting, because in my view, thanks to your experience, you have realistically identified the huge constraints linked to vertical integration. In paragraph 12, you ask, among other things, how "is a small programmer going to constantly complain against the people they need to [...] price [...] their services?" You are absolutely right.

I see something in your brief that no one else has pointed out: specialty channels do not have access to their customers. You do not know who they are. The BDU knows who your customers are, but

they do not share that information. You cannot contact them directly. In terms of marketing, that must be a major handicap.

In paragraph 14, you mention the "risk that vertical integration poses to the diversity of voices" and you suggest that "legislative frameworks" be developed. I would like you to explain what kind of legislative framework should be developed to help specialty channels. You say that you have not had a problem, but you are in a highly specialized market—weather—and you do things that are impossible to imitate technologically speaking so I don't see how BDU could push you aside and set up its own weather service.

● (1705)

**Mr. Luc Perreault:** That has not happened yet, but...

**Mrs. Carole Lavallée:** It will come?

**Mr. Luc Perreault:** We hope not.

You pointed out first of all that we cannot directly reach subscribers, but we do reach them through the BDUs. You are absolutely right. At recent CRTC hearings, my colleague Paul and I told the commission that with the arrival of digital technology, BDUs are in a position to know precisely what each user does with his digital terminal: what channel he tunes into, for how long he does so and what channel he switches to after that. BDUs already have that information.

**Mrs. Carole Lavallée:** But you do not?

**Mr. Luc Perreault:** We do not.

**Mrs. Carole Lavallée:** So you cannot know how much time I spend watching MétéoMédia.

**Mr. Luc Perreault:** No.

**Mrs. Carole Lavallée:** Days on end.

**Mr. Luc Perreault:** We deal with Nielsen and they provide us with monthly reports. The BDUs have reports that are up to date to the second.

Vertical integration comes into play because these people, now... If you look at the sheet we distributed, you will see that there are not very many independents, there are very few.

**Mrs. Carole Lavallée:** Are they all linked to BDUs?

**Mr. Luc Perreault:** They are all linked to BDUs.

**Mrs. Carole Lavallée:** In passing, by the way, does your third column, which corresponds to reach, refer to GPRs?

**Mr. Luc Perreault:** Yes, let's put it that way.

A BDU that owns programming services can use the information from the decoders to determine which programs are the most watched. Then, if that programming belongs to an independent or if it has been acquired from a producer, all they need to do is find the producer and subsequently offer the programming themselves.

That puts us at a disadvantage with respect to those customers. That is the first thing. That answers your first question.

As regards the CRTC, I think there will be regulations. We have already discussed that with the commission. In the spring, the commission will hold a very important hearing on vertical integration and we will participate. We will have comments for the commission on that topic, namely whether steps should be taken quickly to prevent the diversity of voices from disappearing. Diversity of voices exists not only at the editorial level, but also at the owner level. We feel that it is important...

**Mrs. Carole Lavallée:** What kind of steps are you suggesting?

**Mr. Luc Perreault:** We mentioned that briefly here. We are talking about perhaps—not favours—but openings on basic service so that independents can benefit from them.

**Mrs. Carole Lavallée:** Like reserving five channels for independents?

**Mr. Luc Perreault:** Precisely.

In addition, if we want to sustain independents in their development... I read many of the debates that take place here in committee. Some people say that a company has to be big to succeed, but that is not true. All large companies were small at one time. Small companies must be given a chance to prosper.

**Mrs. Carole Lavallée:** Do you think that one of the solutions could be to merge the Broadcasting Act and the Telecommunications Act?

**The Chair:** Thank you, Mrs. Lavallée.

Mr. Perreault.

**Mr. Luc Perreault:** No, not for the time being. We will come back to that in our document on vertical integration, because copyright is not taken into account. That is another area that needs to be looked at.

• (1710)

**The Chair:** Thank you.

[English]

Mr. Angus.

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

Thank you for coming.

I'd like to start off, Monsieur Seguin and Madam Milligan, with the plan the CRTC has for addressing closed captioning. In my family, we have a rule: if it's not closed-captioned, we don't watch it. This meant that many years ago my kids said let's ditch the cable, dad; it's beyond useless. There's nothing worse than watching television and finding out what happens about a day later when the captions are coming up.

It also meant that we didn't watch a lot of Canadian movies, because Canadian movies didn't need to be captioned unless they were from Quebec. If they were from Quebec, we got to watch them because they had English subtitles. So we watched a lot of American action shows, because they actually caption their films and caption them well.

I'm looking at the CRTC's current approach, of 2040. Is that correct?

**Ms. Beverley Milligan:** Yes. I guess it's not necessarily a CRTC approach to 2040; it's that if they go at the same rate they're going now, that's when we'll finally get there. So that is the correct year, at the rate they're going now and are continuing with.

**Mr. Charlie Angus:** But my daughter will be a little old lady then.

**Mr. Royal Galipeau (Ottawa—Orléans, CPC):** Imagine what that will make you.

**Mr. Charlie Angus:** I'll be long gone, probably, at the rate I'm going and with the people I hang out with here. My heart won't be able to take it.

It's almost audacious in its meagreness. I see that in 2009 they spent \$37,154 on closed captioning.

**Ms. Beverley Milligan:** What's interesting is that on the other side they don't record the closed captioning that is “brought to you in part by”. I don't know whether you are familiar with that particular piece of advertising. It was originally created to underwrite the costs associated with captioning. We were a charity and we know that we did quite well, having that advertising. But it's not recorded anywhere; it's not measured anywhere. The lack of measurement doesn't allow us to even create a business model for accessible content. We believe, and what's available technically tells us, that we can reach 100% accessibility by 2020, and there are so many inroads around descriptive video and technology.

**Mr. Charlie Angus:** Thank you.

I'd like to follow up, but I'm running out of time.

Mr. Von Finkenstein made it very clear to us that the prime directive of the CRTC is to interfere as little as possible in the market. The CRTC has very few requirements, it seems, for compliance measures that we can actually judge. I try to find out on any given day whether people are meeting their obligations, and we're just told, don't worry, be happy, it's a great new world of vertical integration.

Do you feel that you have enough information to have a sense of whether people are even bothering to meet the targets?

**Ms. Beverley Milligan:** Absolutely not. The CRTC puts out a monitoring report. If you search that monitoring report, which is supposed to be a snapshot of broadcasting, the word accessibility doesn't exist in it, nor the word captioning, descriptive video—nothing exists in it. There's no empirical evidence to tell us what is going on.

All of it is being driven by the accessibility community. One of the things we're doing is of course the monitor project, in which we are actually monitoring broadcasters across the country. It is all accessible organizations driven. We need more empirical evidence, certainly, from the CRTC.

**Mr. Charlie Angus:** Madam Edwards, just in my closing time, I think you've been presenting some very interesting and innovative opportunities for getting people involved in accessing our public airwaves. Again, if I go back to Mr. Von Finkenstein and the prime directive, the prime directive was stated again and again when he met with us: it's to interfere as little in the market as possible. It seems to me that either I'm not hearing him completely or he's missing part of the picture.

Is it not correct that the broadcast system in Canada is based on the public broadcaster, the private broadcaster, and the community component? Do you believe that the CRTC, as it is constructed now, has a sense of balance in terms of the three obligations of the broadcast system?

**Ms. Catherine Edwards:** Not at all. As I said, right now companies in the private sector are controlling the community sector, and the community sector hasn't been given any access to any of the sources of funding available to the other sectors. At the spring hearing one of the things we said was instead of creating really complicated regulations to try to force big BDUs to do something they clearly don't want to do any more, we don't care about those channels they're running. If they want to run those channels, let them do it. The point is they were collecting money from subscribers for access. If you gave us separate licences and the communities administered them, they'd be answerable to themselves, and we wouldn't get into these same complicated "lack of reports" and "lack of accountability" that the accessibility is raising.

We find that by having everything consolidated like that it's causing more trouble for the CRTC, because then they have problems trying to monitor to make it fair all the time for little operators, whereas if they'd kept the playing field level in the first place, there wouldn't be that need for all this follow-up legislation and reports to monitor it. It's a problem.

Mrs. Crombie asked about the community access media fund. Appendix 2, which you'll get next week, has the way we see it being structured and operating and budgets for individual channels and so on.

• (1715)

**The Chair:** Thank you, Mr. Angus and Madam Edwards.

Mr. Richards.

**Mr. Blake Richards (Wild Rose, CPC):** Thank you.

Thank you all of you for being here today. We have a fairly good diversity of opinion, thought, and interests represented here at the table, and it's always nice to have. Because I do have limited time, I'll focus mainly on one of the groups.

My first question is out of curiosity, but it does lead into some other questions that will apply to what we're studying here. It's about described video. Obviously we're all aware and everyone is familiar with closed captioning to some degree. But described video....

Mr. Séguin, this probably is a question for you. Explain to me a bit how it works and how it's done. It must be very difficult to try to follow the action, as far as the audio that would normally take place, and then have to try to have the video described simultaneously. I'm just curious as to how that works and how it comes off for you.

**Mr. Yves Séguin:** Thank you for the question.

Descriptive video is the process of adding an audio track to the program so whenever there are pauses in the dialogue the narrator will describe scenes, action, costume changes, whatever is happening on the screen that a non-visually-impaired person would be able to see, for the benefit of those of us who are not able to see what's happening on the screen. Obviously, as I'm sure you can understand, it will greatly assist in providing a better understanding of the movie or the program you're watching.

As a challenge, I would recommend that committee members turn their back to their television for one day and try to watch and report on what they were able to comprehend. How many times do we hear "for more information call the number at the bottom of your screen"? That's all well and good, but as a consumer I don't have access to that number at the bottom of the screen. If I want to see if my stocks are going up, or mainly down, when you look at the stock report that's exactly what you're doing. You're looking at it. You don't get the audible information conveyed to you.

So that's the process. It's to render images in a narrative way so you can follow the programming.

**Mr. Blake Richards:** So it's only when there are gaps in the regular audio of the program you're watching?

**Mr. Yves Séguin:** Of the dialogue. Obviously if there's music the narrator can speak over the music, and it won't interfere with the dialogue itself.

**Mr. Blake Richards:** So I guess when you have sequences where there is a lot of dialogue, it probably is still hard to follow. Or is it an acquired talent?

**Mr. Yves Séguin:** When there's lots of dialogue obviously one can follow along, and usually not too much action is going on. You'll have two or three people talking to one another. But it's when you hear the music. Sometimes by the tone of the music you can guess that something pretty bad is about to happen, but it would be nice to know exactly what that is.

• (1720)

**Mr. Blake Richards:** Right.

I watch a lot of sports and news, and obviously those would be ones that would be maybe more conducive to it. But I am interested. I think I will give that a try, the challenge you've thrown out at us. It would be interesting to see how it would be.

Is it something you have to subscribe to? I understand that it's only about...is it 10% currently?

**Mr. Yves Séguin:** No, it's four hours a week that broadcasters.... So it's more like 3% or 1%, or whatever it comes out to be.

No, you don't have to subscribe specifically to it, but you do have to know how to activate the video description service, which in itself can be an obstacle. Look at your digital box and your remote control. Obviously, all of that is menu-driven, and there is no voice output for it. To be able to select the video description track can be a challenge in itself.

**Mr. Blake Richards:** What type of programming has it? Is it for certain types of programming? Obviously you probably can't access it for live programming. Is it mainly on syndicated programs? Is it in the first run of new shows, or do you have to wait for syndication?

**The Chair:** Thank you, Mr. Richards.

Go ahead, Mr. Seguin.

**Mr. Yves Séguin:** Well, there is a mix and match, basically, but most often, the video track will be produced after the fact. More often than not we would be getting programs that are reruns, not actual first airings of programs.

Beverley, I don't know if you want to add something.

**Ms. Beverley Milligan:** We have done some experimentation in live programming, as well. In fact, CTV broadcast *Dancing with the Stars* live, and it was just fabulous.

**The Chair:** Thank you very much, Mr. Richards.

Mr. Simms.

**Mr. Scott Simms:** Actually, I enjoyed that little interchange. I might pick up on the—

**The Chair:** Mr. Simms has ceded to floor to you, Mr. Richards.

**Mr. Scott Simms:** Wait now, hang on, hang on.

**The Chair:** Oh, you haven't. Okay.

Mr. Simms, would you like to retake the floor?

**Mr. Scott Simms:** Yes, I think I'd better. I've ceded much too much.

**The Chair:** Go ahead.

**Mr. Scott Simms:** You know what, I'll give you something at the end. How's that? All right. That's if I have time.

Well, actually, I just wanted to dig further into some of the issues Mrs. Crombie brought up earlier.

First of all, on Pelmorex, is that how you pronounce it? I'm kidding. I used to work for them.

When it comes to the issue off the all-channel alert, what Shaw said was basically that there was the indemnity issue. They don't want to be sued, for lack of a better word, in case of wrong information and so on. How do you respond to that?

**Mr. Paul Temple:** Well, that's a legitimate concern. No one wants to be sued. I think everyone expects government to take full responsibility for the content of their messages. That's one of the issues the industry and government are going to have to work out. In that sense, that's a reasonable concern to raise.

Having said that, there are a number of broadcasters who are interested in participating, and I think that over time, they will. I know that throughout Alberta they participate in the Alberta system, and I don't believe they have any special protection.

**Mr. Scott Simms:** I have just a quick comment. After dealing with Hurricane Igor in Newfoundland, the thing that was most required, other than water, milk, and food, was information. I represent a riding of 190 communities, sparsely populated, and some local communities don't have formal organizations. All you have left is either the radio or the television. I think this is a serious issue we

should look at in the public safety committee, and maybe even in this committee as well.

**Mr. Paul Temple:** We've distributed Environment Canada warnings for over 20 years now, and we've never been sued, touch wood. So we're doing it.

**Mr. Scott Simms:** Well, that's true. Yes, I wasn't sued either.

**A voice:** Yet.

**Mr. Scott Simms:** Yet.

Ms. Edwards, I like what you had to say about the over-the-air. I just described my riding, and you can well imagine that the OTA issue is near and dear to my heart. But Ms. Bell was here from Global, Shaw, and she says that they're now investing in non-mandated areas. Are you skeptical of that?

• (1725)

**Ms. Catherine Edwards:** No, they said they were going to do that—that's Global. CTV hasn't yet committed and neither has the CBC. The CBC, out of over 1,000 transmitters that it has—retransmission sites—has only committed to upgrade 27 of them. So that's an enormous loss in infrastructure.

Our concern is that those towers are sitting there. We know that communities and municipalities are capable of maintaining this infrastructure over time and using it. For example, south of the border there are little communities in Utah that are using transmission towers to offer all of their residents free wireless Internet.

**Mr. Scott Simms:** Sorry to interrupt. I'm going to try to save some time here.

What you outline is a way of investing in this. You talked about the space that is vacated that you could use for community access. Have you received any positive responses from the major players?

**Ms. Catherine Edwards:** We're in those talks at the moment.

**Mr. Scott Simms:** May I ask with whom?

**Ms. Catherine Edwards:** For example, with CTV, the VP of engineering told me last week that they have always leased space to small, local broadcasters and that they would entertain cost-sharing deals to upgrade to a digital transmitter in a market that they're not planning to upgrade right now. So those are ongoing.

I'm a volunteer, so this is information we're collecting free right now. This is why we're saying there needs to be a coordinated, funded campaign to collect these kinds of information, because I can't do this on my own.

**Mr. Scott Simms:** I would love to ask Ms. Milligan and Mr. Seguin some questions, but I'm actually going to cede the floor to the conversation that wasn't quite done—Mr. Richards.

**The Chair:** Thank you very much, Mr. Simms.

Mr. Richards.

**Mr. Blake Richards:** I certainly appreciate it. I take back all the bad things I've said about Liberals over the years. They can keep their word, occasionally. I appreciate it, Mr. Simms.

**Mr. Scott Simms:** No problem.

**Mr. Blake Richards:** I couldn't resist.

I will just pick up where we were, talking about the programming and the types of programming.

I'm curious. Going a little further into it, with movies, is described video available in a theatre or if you rent a DVD? Is it available in that format?

**Mr. Yves Seguin:** There's been some experimentation in movie theatres, with described movies, so it does exist. The technology does exist. It could be more prevalent than it is, because it's quite rare that you will actually see a movie that is being advertised and played with video description available, unfortunately.

**Mr. Blake Richards:** Do you have statistics? Is it more prevalent with television programming than it is with movies?

**Ms. Beverley Milligan:** We're beginning to get some statistics around television. It's virtually in all major movies. It is available on the DVD. However, at the cinema, persons with the disabilities are not necessarily going to be able to go to the cinema and enjoy that movie with their family.

To put it all into perspective, what we're talking about here for descriptive video is this. There is technology that exists out there that

can be brought together to bring the cost of descriptive video down to less than \$1,000 an hour, for one hour of programming. If you put that into the context of what producers pay for an hour of programming, it's very minuscule. It's all right there.

We do have statistics and we'd love to provide them to you. I just wanted to give you a sense of perspective in terms of how realistic what we're asking for is.

**The Chair:** Thank you very much.

**Mr. Blake Richards:** I appreciate that.

Mr. Chair, let me just thank Mr. Simms for his great display of non-partisanship. I certainly appreciate that.

[*Translation*]

**The Chair:** Thank you to our witnesses. This concludes our hearing. Have a good weekend.

● (1730)

[*English*]

**The Chair:** This meeting is adjourned.

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