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Wednesday, February 2, 2011

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Chair

The Honourable Michael Chong

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• (1535)

[Translation]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Welcome to the 38th meeting of the Standing Committee on Canadian Heritage. Today is Wednesday, February 2, 2011.

[English]

Pursuant to Standing Order 108(2), we're here for a study on the opportunities and challenges of emerging and digital media.

We have in front of us officials from three departments: Madam Downie and Madam Miller from the Department of Industry; Monsieur Beauséjour from the Department of Human Resources and Skills Development; and Madam Cliff and Madam Motzney from the Department of Canadian Heritage.

Bienvenue à tous. We'll begin with an opening statement.

Ms. Amanda Cliff (Director General, Broadcasting and Digital Communications Branch, Department of Canadian Heritage): Thanks very much.

It's a pleasure to be before the committee today as part of your study on emerging and digital technologies.

We have a collective deck to support our remarks. We thank the chair for agreeing to this format, since it best reflects our collaborative approach to the issues. My colleagues and I will each speak to our areas of focus. We'll be passing the baton at various stages in the presentation.

I'll begin with slide 2.

[Translation]

I would like to start by congratulating the committee on its work on emerging and digital technologies. The committee's study is of great interest to us. It confirms things we have heard about and brings to light new perspectives for us.

We would like to use this opportunity to share our views on each of the seven questions brought up in the mandate of your study and to outline the next steps.

As we cannot speculate on the government's future policy directions, we hope that the information and the analysis we will present today will help you complete your report.

[English]

Looking at slides 3 to 5, we'll begin our presentation with the first question the committee asked—namely, how developments in

emerging and digital media are affecting Canadian cultural industries.

I'll speak in depth to this question, since we believe the impact is profound. Slides 3 to 5 address this question, and I will speak to the slides as a whole in my remarks.

Technology is affecting arts and culture around the world. It may be a renaissance of sorts, with seemingly unlimited opportunities to create, share, and consume cultural content. The audience is global and wants to engage, demanding all sorts of content as and when they want it, and on the platform of their choice.

Devices, suppliers, and traditional lines of business are blurring. To meet market and creative demand, new partnerships and business models are emerging, bringing together those who traditionally define themselves as part of the cultural industries and those who do not.

Several of the committee's witnesses noted the hybrid environment, where there is significant interaction between traditional and new media. We note the same trend.

Canadians are heavy consumers of media: 95% of Canadian households have access to broadband and spend about 42 hours a month on the Internet, yet they continue to watch over 100 hours of television and listen to over 73 hours of radio a month. In addition, 2 billion videos were viewed on YouTube alone in November 2010; 83% of Canadians online are on Facebook, and 17% are on Twitter. As well, comScore data for the month of October 2010 demonstrated that the eight most visited Canadian domains were those of Canadian media companies.

At the same time, we're seeing total album sales declining. While there was increased growth in digital album sales in 2009, it did not offset the decline in physical album sales.

While a dominant business model has yet to emerge as a sustainable replacement to CD sales, there is reason for hope. The popularity of music streaming services, although still small, appears to be on the rise in Europe, where such services are more widely available than they are in North America. This model is based on revenue from advertising and subscriptions, and has been identified by some in the music industry as a strong alternative to unpaid downloading via peer-to-peer networks.

With respect to books, U.S. estimates are placing the market share of digital book content at less than 10%, with digital rights issues dividing publishers from authors and rights holders. The issue of borderless markets for digital books is challenging traditional territorial rights of publishers and distributors.

● (1540)

[Translation]

The periodical industry is expecting a change in digital ad revenues, which could increase by almost 30% by 2013. In the film and television industry, the volume of production has remained stable. Digital media production, which is defined as content delivered by the Internet, mobile networks, gaming consoles or media storage devices, is growing.

Creators working in this field generated \$2.24 billion in gross revenue in 2008. Canada's video game development sector generates about \$3.5 billion in revenue and employs directly and indirectly more than 14,000 highly skilled employees.

[English]

In 2009, as many Canadians listened to streaming AM/FM radio as to downloaded music. Some three-quarters of radio stations stream their content live online in Canada, and for the past three years, Canadians listened to streamed AM/FM radio more than any other source of streamed audio content.

[Translation]

The committee has heard from a broad spectrum of witnesses, who have provided many examples of Canadian success stories. I want to add a few more examples to that list.

Flashpoint is a Canadian production funded by what was formerly the Canadian Television Fund. It has been extremely successful in Canada as well as in the United States. It is the first Canadian dramatic series to be broadcast in prime time on an American network since *Due South* in the mid 1990s.

In addition, the dramatic comedy *Les hauts et les bas de Sophie Paquin* continues to garner interest in France, Belgium, Switzerland, Italy and Russia. The broadcasting rights to its English counterpart *Sophie* have been sold to South Korea and Brazil.

[English]

YouTube continues to be a valuable promotional vehicle for Canadian artists. For example, Jeremy Fisher's homemade video for his 2007 single, *Cigarette*, topped over two million views.

The Kobo eReader is competing with global brands such as Amazon and Apple, and digital book warehouse Agrégateur ANEL-De Marque's online marketing and digital content management

service for the French-language book market in Canada is drawing attention from French and Italian publishers.

In fact, since 2009 annual online sales by Canadian publishers have increased by 13% to over \$18 million. These publishers produce over 3,500 e-books annually, generating \$8 million in sales, and both figures are expected to grow exponentially.

In periodicals, *The Hockey News* has been downloaded by over one million users since its launch in October 2008.

● (1545)

[Translation]

National cultural organizations have also made considerable progress. We gave a few examples during our presentation to the committee last November, so I will only mention a few others. Radio-Canada's website TOU.TV has received more than 25 million web hits during its first year of existence. The National Arts Centre's website Artsvivants attracts young Canadian from across the country.

The committee met with Tom Perlmutter, of the National Film Board. He talked about the enormous success enjoyed by the organization's national online screening room. The website nfb.ca was the first platform in North America where French-language films by francophone creators could be viewed. The NFB application for iPhone was also very successful with more than 700,000 film viewings on iPhone in less than six months.

[English]

We will move to slide 6 and turn to the second question you addressed in your study, which is the opportunity piece.

In its DES consultation paper, the government said that in the global reality, digital media and content are essential to Canada's economy and society, and digital media creators are at the centre.

Digital media can be compared to the soft infrastructure that is as important as the hard infrastructure, such as broadband connectivity. Both will have a deep impact on Canadians as citizens, consumers, and creators. Digital content will drive the uptake of infrastructure and devices, distinguishing Canadian digital offerings in a crowded global marketplace.

As noted by Monsieur Pierre Proulx of Alliance numérique in his presentation to your committee, the whole world is the market, and cultural industries are looking internationally.

Moving to slide 7, we see a range of business strategies emerging that are being led by cultural entrepreneurs who understand that like all sectors adapting to technological change, they must take risks, invest, innovate, and interact with audiences, new partners, and new markets.

As Carolle Brabant of Telefilm noted when she appeared before the committee, the capacity for infinite mobile and instantaneous reproduction of content with marginal costs is leading cultural industries to think differently about what they are selling.

A review of the testimony that you've heard shows that many in the industry are not waiting for legislative solutions. They are exploring, taking risks, and feeling things out to see what works and what doesn't.

The government is supporting cultural entrepreneurs to take risks. A prime example is the experimental stream of the Canada Media Fund, which funds the development of leading-edge non-linear content and applications.

The private sector is stepping up with the launch of innovative funding models like Kickstarter, a platform where creators post ideas and visitors offer funding for the ideas they like best.

The creation of the Canadian Media Production Association shows the way producers are now thinking of themselves in the digital space.

Microsoft's contract with Toronto-based Polar Mobile to build 500 applications for its new smart phone shows that Canadian companies are at the top for providing content and content applications.

On slide 8, we address your third question.

[Translation]

The committee asked whether there is a way of ensuring that creators of artistic and cultural content are compensated for their work. I have talked about how business models are evolving and about the emergence of new value-added networks.

[English]

Financial support for the creation of content comes from governments, the private sector, the not-for-profit sector, ticket buyers, readers, donors, artists, creators, publishers, and producers, among others.

[Translation]

Market framework legislation also plays a role in the digital market. We have the Electronic Commerce Protection Act and the Personal Information Protection and Electronic Documents Act.

• (1550)

[English]

We have the act to amend the Criminal Code with regard to unauthorized recording of a movie.

[Translation]

We also have the Copyright Act.

My colleagues could answer any questions you may have on these policies.

[English]

Really, Canada's creative entrepreneurs have the drive to take on emerging and digital media, develop opportunities with new partners, negotiate their terms, and manage their success.

[Translation]

Now, I will let my colleague from the Department of Human Resources and Skills Development, Louis Beauséjour, answer the committee's fourth question.

Mr. Louis Beauséjour (Associate Assistant Deputy Minister, Human Resources and Skills Development Canada, Department of Human Resources and Skills Development): Good afternoon.

My colleague already said that digital technologies are providing Canadians with new possibilities and are having strong repercussions on many sectors, including the cultural sector. Clearly, digital skills are becoming increasingly important in the labour market.

[English]

We are faced with two challenges.

One issue is ensuring that Canadians have the right mix of skills to participate in the ICT sector and other sectors that depend on emerging digital technologies.

The other issue is that we know that more than 40% of Canadian workers have low levels of essential skills, such as literacy, numeracy, and problem solving. These are not just older workers: many lacking essential skills are under 35 years of age. Without these basic skills, it is difficult to upgrade to digital skills, and a workforce lacking digital skills is less adaptable to new technologies.

[Translation]

During the consultations the Government of Canada held on the digital economy, several major themes related to skills development emerged. These themes are the following: support of digital skills development through training, teaching and mentorships; increased recognition of foreign academic qualifications; improved information on the labour market; and support for research and innovation in digital training.

[English]

We also know that the Government of Canada cannot act alone in this regard. That means working with provinces and territories, given their responsibility for education. It also means working with industry to ensure those already in the workplace are digitally literate so that they can adapt to the changing economy.

Let me briefly describe some of the steps we are already taking to support digital skills development.

[Translation]

The Office of Literacy and Essential Skills, OLES, is collaborating with partners from across Canada in order to improve literacy and essential skills, including the digital skills of adults.

The department provides support to provinces and territories through labour market agreements and through labour market development agreements. These agreements can be used in part to fund digital skills training.

[English]

Finally, the sector council program supports two sector councils that address human resources issues in the digital economy. These are the Information and Communications Technology Council, ICTC, and the Cultural Human Resources Council. These organizations are involved in a number of digital skills projects. Overall, the department is looking forward to constant engagement in the digital economy strategy and the opportunity it presents for increased digital skills for Canadians.

Ms. Pamela Miller (Director General, Telecommunications Policy Branch, Department of Industry): We will turn now to the fifth question: What could be done to ensure that all Canadians, no matter where they live or what their socio-economic status is, have access to emerging and digital media?

[Translation]

The Government of Canada has adopted an approach that consists in enabling competition and encouraging private investment by companies while allowing market forces to prevail whenever possible.

[English]

However, the government does recognize there may be a need for government support in regions the market does not reach, particularly in rural and remote areas. As I reported in testimony in November, as part of Canada's economic action plan the Government of Canada provided funding to develop and implement a strategy to extend broadband coverage. To date, 98 projects totalling \$139 million have been announced, covering more than 250,000 rural and remote households.

Once the current program is fully implemented, we expect that more than 98% of Canadian households will have access to basic broadband speeds of 1.5 megabits per second by early 2012. These speeds offer a dramatic improvement over dial-up access, and they greatly enhance the online experience of users, allowing Canadians to partake of a wide variety of online activities, including video streaming and teleconferencing.

•(1555)

Ms. Amanda Cliff: Let us turn to slide 11.

The sixth question touched on what policies the federal government could adopt to help Canadians and Canadian cultural industries benefit from the developments in emerging and digital media. The government has reoriented a suite of digital media and content programs, including those for music, television, books, and

periodicals. The Canada Media Fund is one example of programs to which changes have been made. It has been praised by stakeholders and has generated interest internationally.

The Canada Media Fund has received 85% more applications than did the Canadian Television Fund in its last year. There were 460 applications to the experimental stream alone. We see that as demonstrating a clear appetite for innovation here in Canada. Together these renewed programs represent close to \$300 million a year of support by the federal government, as part of a total of almost \$500 million when combined with investments by private sector funding partners. If you include in that the Canada feature film policy, the total investment goes up to \$820 million.

My colleague Pam Miller will speak to the seventh question.

Ms. Pamela Miller: The question is with regard to the impact of changes in foreign ownership rules, including legislative and regulatory changes, on Canadian content and culture.

In June of last year the government released a consultation paper inviting views on foreign investment in telecommunications and noting that foreign investment restrictions on broadcasting are not being considered.

[Translation]

This decision is explained by the fact that policy objectives under the Telecommunications Act and the Broadcasting Act are distinct. Strategic issues relating to telecommunications networks differ greatly from those regarding broadcasting and content.

[English]

Broadcasting plays a key role in developing, protecting, and promoting Canadian culture, and the Broadcasting Act is primarily cultural in nature. The Telecommunications Act, by contrast, is primarily economic in nature. All major telecom and cable providers in Canada, such as Bell, Telus, Rogers, and Videotron, are regulated under the two acts. The Broadcasting Act applies to their subscription television services such as Bell's IPTV service and Rogers cable service. The telecom act applies to telecom services such as Internet service, fixed telephony, and wireless telephony.

Independent of telecom foreign investment restrictions, provisions of the Broadcasting Act remain in place. Canada's broadcasting system will continue to be supported by a number of policy, regulatory, and funding provisions in place to achieve the objectives of Canada's broadcasting policy.

It was very clear from the consultation paper that the government will not consider anything that might impair its ability to pursue Canadian cultural content policy objectives. In November, Minister Clement indicated that the foreign investment rules for telecom and decisions concerning the next 700 megahertz spectrum option will be considered together as part of an integrated regulatory approach.

Let us turn to the last slide.

[*Translation*]

At the November 22 International Institute of Communications conference, Minister Clement articulated his vision of a globally competitive Canadian digital economy, which is characterized by innovation and enhanced productivity, which in turn results in enduring prosperity.

[*English*]

Minister Clement indicated that the digital economy strategy will become a key plank of the post-economic action plan governmental agenda, with a focus on supporting jobs of tomorrow and economic growth to ensure future prosperity. He highlighted a broad objective for Canada to be a nation where business, community, and individuals have the skills needed to use digital technologies to their advantage, and where a globally competitive information and communication technology sector supplies more markets with more innovative products and more new services.

Federal action alone will not achieve this objective. It will require collaborative action across the economy. Industry, provinces, and individual Canadians must all play their part. In that context, the government is focusing its efforts in five priority areas.

The first is to facilitate the development of a world-class infrastructure. This is essential for business to adopt ICTs and innovate and for Canada to attract investment.

Second is supporting business adoption of digital technologies to boost productivity and innovation. Adoption of digital technologies is essential to improving Canada's lagging productivity and innovation performance, especially for small business.

The third is to enable a digitally skilled workforce. A leading digital economy will require a workforce with the skills and creativity to develop and use new global digital technologies.

The fourth is to help successful Canadian companies supply digital technologies to the world. A globally competitive Canadian digital industry will protect high-paying jobs, attract investment, and provide a trusted supply of critical technologies.

The final priority is to create the conditions necessary to realize Canadian content on all digital platforms. This will help to profile Canada as a creative and innovative nation.

As part of the collective national effort needed to realize a successful digital economy, Minister Clement met with his provincial and territorial counterparts on January 13 and 14 to discuss key issues pertaining to the digital economy. The meeting was very positive, and the ministers left with a shared agreement on the importance of the digital economy. Officials will be following up with work in some key areas.

• (1600)

[*Translation*]

Ms. Amanda Cliff: Federal departments have adopted an approach emphasizing collaboration to ensure that our recommendations to ministers are in the best interests of Canadians. We recognize the fact that our areas of responsibility are deeply interrelated and that we need to work together in order to build coherent strategies.

Unless my colleagues have something to add, I would like to thank the committee once again. We are now ready to answer your questions.

[*English*]

The Chair: Thank you for your opening remarks. We'll have about an hour and a half of questions and comments from members, beginning with Madam Crombie.

Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.): Thank you very much, Mr. Chairman, and I want to thank each of the departments for appearing here today with us.

As you know, we've been undertaking a study of emerging and digital media. We've met with dozens of groups, probably before I joined this committee.

One of the reasons we wanted to have all of you in today was to learn more about your priorities in each of your departments. My question is this: how can we help you achieve your goals? What are the kinds of recommendations you would like to see us focus on in our report?

Ms. Amanda Cliff: I'll start with that. I can talk to you about the priorities we're working on.

Mrs. Bonnie Crombie: Sure.

Ms. Amanda Cliff: I can provide some general observations on your report, but I would not feel comfortable getting into specific recommendations, because ultimately my job will be to provide advice to the minister on any recommendations you make, particularly if you require a response.

Mrs. Bonnie Crombie: We'd certainly be interested to know how we can help you make your job easier and know the kinds of things you are focusing on. Why don't you tell us that?

Ms. Amanda Cliff: One area, actually, that I think people involved in this all around the world are struggling with is performance measurement. It might sound dry, but there are no standard metrics for measuring success or measuring what's happening in the new media environment. It's important for us in terms of measuring the success of federal interventions, but it's also important in trying to understand what the evolving business models might be—what's working, what isn't working. I don't know if you've heard testimony from other experts in that area, but that certainly is something that we at the federal level are working on collectively, including Statistics Canada.

In terms of what we're working on in the department, there are a couple of trends that we are focusing on. In particular they include the convergence of devices, platforms, and content; the blurring of traditional roles; and the transformation of the production chain into a complex network with new business models emerging. The second theme or opportunity we're looking at is audiences seizing control; the third is more open markets; the fourth is new opportunities for entrepreneurs. I think there's probably a fair amount of alignment with what you've heard from other witnesses.

In terms of the work we have under way, it includes the digital economy strategy, copyright, the Canadian feature film policy, the audiovisual treaty coproduction policy, and foreign investment in terms of books and telecommunications, and the transition to digital television.

• (1605)

Mrs. Bonnie Crombie: I'd like to hear from the other departments as well, if there is time.

Ms. Pamela Miller: Speaking for Industry Canada, I would point to the digital economy strategy, because I think our minister has really laid a very clear vision of where we see the priorities. There are five priority areas. The first is to have world-class infrastructure. Another is having business adopt ICTs, and I think this is really critical; we know that small businesses have had some challenges in fully utilizing ICTs to enhance productivity, so that's certainly a key area of focus for us. The other priorities are in the ambit of the colleague department: having a digitally skilled workforce and then growing the ICT sector so that we have more ICT companies that are supplying on a global scale. I think those were very well articulated in the DES strategy. As I mentioned, the minister had a statement in November, and there will be a response to that consultation coming out some time in late spring.

Mrs. Bonnie Crombie: Okay, thank you.

Is HRSDC here too? Would you comment, Monsieur Beauséjour?

[*Translation*]

Mr. Louis Beauséjour: Clearly, it is of key importance for the department to ensure that our human resources have the essential skills required to fully participate in the labour market. Possessing digital economy skills is crucial in today's world. Much of the future economic growth will be tied to our digital skills. We are already moving forward with a certain number of initiatives through our Office of Literacy and Essential Skills, or OLES, which is working with various stakeholders on improving essential skills. These are things we are already doing.

The committee can contribute by reporting on what's already in place and by identifying shortcomings, in which sectors those shortcomings are and whether there are certain areas we should focus on more than on others. As my colleague pointed out, we have to know what works and what does not. You have surely already heard from people who have identified what seems to work and what does not. That type of information could clearly be useful.

[*English*]

The Chair: Thank you, Mrs. Crombie. We'll have more rounds.

Thank you very much, Monsieur Beauséjour.

Please go ahead, Madame Lavallée.

[*Translation*]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you very much for being here and welcome. I apologize for the delay, but there was no way around it. I am terribly sorry.

I heard what you said earlier about what you have done so far. However, we have been conducting a study over the last few months, and various witnesses have suggested some solutions. For all sorts of good reasons, we could consider some of those solutions. I will list seven or eight of them. Maybe you would categorize them differently. Let's say that I have seven suggestions. I would like you to first tell me whether any of those seven solutions are currently being considered.

Basically—and I will allow each one of you to speak if there is time—I would like to know which of those solutions we can prioritize and which are not feasible.

First, it was suggested that the Broadcasting Act and the Telecommunications Act be merged. I could not agree more with that idea. It was also suggested that we not open our market to foreign companies. Globalive has been in Canada for a year and, despite that fact, the price of cellular phones has not gone down, which was why the market was opened up in the first place.

Second, it was recommended that wireless telecommunications companies be considered as broadcasting companies.

Third, it was suggested that convergence be regulated by requiring converging companies to divide their business.

I am not necessarily promoting these suggestions, but this is what we have heard here.

Fourth, it was recommended that convergence also be regulated by asking converging companies not to give priority to their own business.

Five, it was suggested that the Internet be regulated in a number of ways. Among other things, you talked about streaming, about streaming music. However, we know that this has more to do with the right of public communication. We could perhaps make those who stream music pay royalties, like broadcasters do.

Six, it was recommended to increase funding to the Canada Media Fund and to already existing programs, assistance programs for digitalizing several elements that are currently in the process of digitalization, such as Canadian and Quebec literature.

Are some of these solutions already being studied? Which of them would you prioritize? Do you believe that some of the solutions are unworkable?

• (1610)

[English]

Ms. Amanda Cliff: I hope I interpreted the member's list accurately.

In terms of legislation, I understand that you've heard from the chair of the CRTC that it's time for a merged act. I also know that experts are divided on the issue. Other than saying that, I really can't comment on any future direction the government may want to take, but we are obviously watching the debate with interest.

Pam, do you want to take the second question, on wireless?

Ms. Pamela Miller: You were suggesting that wireless be considered as a...

[Translation]

Mrs. Carole Lavallée: We are talking about broadcasting and not just about telecommunications companies. In that case, they would be subject to the Broadcasting Act. Like me, you know that they do actually broadcast and they do really make choices.

[English]

Ms. Pamela Miller: In terms of the provision, I think you have to distinguish between carriage and content. Telecom services are the carriage of the actual telecom signal. What is regulated under the Telecommunications Act is separate from what's regulated under the Broadcasting Act. The wireless service provided through the cellphone provider is considered a telecom service, because it basically uses the radio spectrum and does not touch the content; it simply provides the signal. That is the part that falls under the Telecommunications Act.

[Translation]

Mrs. Carole Lavallée: You are right. We have come to the same realization. However, people have suggested that the content of wireless telecommunications companies falls under telecommunications, since the industry is in fact responsible for the signal.

On my iPhone, I can watch RDI news or any other television program. There are programs and series that have been created specifically for our cellular phones. So, our cell phones are now being used for cultural broadcasting. According to our witnesses, these companies should therefore be subject to the Broadcasting Act. They should be considered as broadcasters.

Do you think that this is viable? Are you currently looking into this issue?

[English]

Ms. Amanda Cliff: With that question, you are asking me to speculate on future directions the government might take or advice that I might be providing to the minister in those discussions. Is there another way I could be more helpful with an answer?

[Translation]

Mrs. Carole Lavallée: First—

Ms. Amanda Cliff: I apologize, Madam.

Mrs. Carole Lavallée: I should be apologizing, but my time is limited and I really want to get some answers.

Of the seven solutions that were suggested by witnesses, are there any that are currently being studied by one of your departments?

The Chair: Thank you, Ms. Lavallée.

Ms. Cliff, go ahead.

[English]

Ms. Amanda Cliff: With regard to programs to support the digitization of literature, the Canada book fund provides that kind of support. That fund was renewed with a view to the digital environment, so steps have been taken.

In all our policy work, we always look at the framework, whether it is legislation, institutions, or funding mechanisms. We benefit from the kinds of consultations that you and the CRTC hold. It's difficult for me to be more specific. I think you have heard from your witnesses the key issues being discussed here in Canada and around the world. We are looking at these issues when we provide our policy advice.

• (1615)

The Chair: Go ahead, Mr. Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you for coming. This has been an excellent presentation. We appreciate the work you've done in providing this information.

Ms. Miller, you talked about the upcoming analog spectrum. That's a prime chunk of real estate, and it's going to bring in billions. I'm not going to ask you if it's going to be spent on digital innovation or if the government is going to spend it on building prisons. That's a policy directive that will come from them.

I am interested in how the spectrum will be divided up and if this has been discussed. There's the issue of the white spaces and the possibility of leaving that open for public use. For example, WiFi was considered junk real estate in the megahertz spectrum back in the 1980s because nobody knew what to do with it, and now we have WiFi everywhere. We don't know what the potential of the analog spectrum is. If we just sell it off lock, stock, and barrel without leaving something for new entrants, new players, we might be limiting future innovation.

Has there been talk about allowing some open use on the spectrum or about what to do with the white spaces?

Ms. Pamela Miller: We have a consultation on this that was launched at the end of November. The consultation period will close at the end of February. It's a wide-ranging consultation. We are asking wide-ranging questions about the state of competition in Canada in the wireless sector and about types of government intervention, such as whether it would be to support rural and remote or whether it would be to support competition for innovation. We asked the questions about open access. It's a very wide-ranging consultation.

There is still time to present views. We're going to be carefully looking at all the views that are put forward.

Mr. Charlie Angus: You talked about a 1.5 megabit standard in establishing our world-class broadband strategy. Australia is engaged in the largest infrastructure project in its history. It will hook up 93% at 100 megabits, right across rural Australia, and the other 7% by satellite.

The people I speak to in my region—and I represent a region bigger than Great Britain—tell me that in order to access distance learning and learning courses in small communities, they need five megabits as a minimum.

Have you started to look at the need to ramp up so that we can meet where our competitors are going in other jurisdictions? That 1.5 megabit standard just isn't going to cut it for long.

Ms. Pamela Miller: We regard 1.5 megabits as the minimum, and we have some good progress to report. According to the CRTC, at the end of December about 82% of Canadian households had access to five megabits.

I think we're already at a good standard. We have done that mainly through private sector investment and pretty minimal government investment. The Australian project has cost about \$43 billion, and the government is fronting most of that cost. In Canada we've had a much more efficient approach, and we're relying on the private sector.

As I said, as of December 82% of Canadians had access to five megabits and 30% had access to over 50 megabits. We're projecting that within the next five years, 75% to 80% will have between 50 and 100 megabits. There's quite a lot of progress being made because of private sector investment.

Mr. Charlie Angus: Well, we support the private sector investment. I haven't met anybody in the telco industry who's told me that there's a business for rural Canada, because of the distances, but we don't have time to continue on that.

Ms. Cliff, I'd like to ask you about the Canada Media Fund, because it plays such an important role. A couple of questions have emerged.

One is that the fund is tied to the need to access a broadcaster. It gives them, in terms of trade, enormous power. Not that we're trying to separate them from the broadcasters, but there are questions about whether we need to expand the experimental category so that we can allow innovative ideas and actually make use of things like Facebook and other emerging media sources to actually start to

draw audiences. Maybe they would then be in a position to sell a show, as opposed to having to go and beg in a boardroom and be told, "Sorry, but we're not going to do it."

Has the Canada Media Fund looked at expanding the ability of people to get deals that aren't necessarily initially tied to a broadcaster to access tax credits and funding?

Ms. Amanda Cliff: The policy framework set out by the government for the Canada Media Fund involves two streams: the convergent stream and the experimental stream.

The Canada Media Fund, which is an independent board and an independent corporation, at this point has decided that the bulk of the funding will go into the convergent stream, and, yes, there you must have a television component. It doesn't have to be your primary platform—it can be your secondary platform—but under the current terms, there is a requirement to have a television component.

In terms of the experimental stream, eligibility is pretty wide open. It's a Canadian-owned and Canadian-controlled company. It is for the leading-edge, non-linear products. They can be content or applications. The amount dedicated to that stream is determined by the Canada Media Fund board, and there is nothing the government has in place that would stand in the way of their enlarging the stream. That's completely up to the board. It's really intended to be responsive to market demand and to give the board the flexibility it needs to respond to that demand. Of course, they carry on pretty extensive consultations with the sector as well, and that's part of it.

In terms of trade, the CRTC, as you know, has put itself out on that one and has a process in place. I understand that the APFTQ and Astral came to an agreement just now in terms of trade. They're going to set up a committee to oversee things, and a dispute resolution mechanism as well.

● (1620)

Mr. Charlie Angus: In terms of a policy decision, I think it would have to come from the government, but in terms of the Canada Media Fund, what we're seeing now is such massive vertical integration that people will be able to tell consumers, "Get our cellphone coverage and you're going to get exclusive access to our shows."

Given the dramatically changed media landscape, if Canadian taxpayers' dollars are put into a show, will we ensure that all Canadians are going to be able to access it on whatever platform they want, or are we going to allow Canadian taxpayers' money to be used to create and support the walled gardens that are being set up by the very large telco, broadcast, and cellphone giants?

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

Madam Cliff, do you want to try to answer that question?

Ms. Amanda Cliff: Well, I have to be careful, because a lot of this is the prerogative of an independent board. The board is independent of the funders, including the Government of Canada, and independent of the cable and satellite companies. They undertake the measures and set the guidelines that ensure the terms for that content being made available, so I really can't speak on behalf of the CMF in that regard.

Mr. Charlie Angus: I was asking if, on behalf of the government, you have looked at it as a government policy. You're going to have to look at that.

Ms. Amanda Cliff: Access to all content...?

Mr. Charlie Angus: Well, it is because it's taxpayers' dollars. That was my question.

Ms. Amanda Cliff: I think that's an issue that has already been put on the table by the CRTC in terms of vertical integration. It came up in the BCE hearings already this week, and in June we'll be watching that process in particular very carefully.

Mr. Charlie Angus: Thank you very much.

The Chair: Thank you very much, Mr. Angus and Madam Cliff.

We'll go to Mr. Del Mastro.

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

I would also like to echo Mr. Angus's comments. I want to thank the departments for their work on this. I think you took our request very seriously and compiled quite a comprehensive package here for us, and I appreciate that.

It seems the departments are fully engaged with this topic and process, and I'm encouraged by that as well. However, we sit in a period of rapid transition in technology. There are a lot of adjustments that seem to be being made, and a lot of changes in the approach to business and to how Canadians are consuming and posting media.

I do have some concerns. The CRTC came out with a decision this week that went over like a lead balloon here in Ottawa and with Canadians, although I almost half think that some of the decisions they were making may reflect the fact that they feel their hands are tied with respect to maintaining the Canada Media Fund over the longer term. Specifically, I look at products like Netflix or Apple TV, which are usurping the need for a BDU contract entirely. In fact, all you need is an Internet account to watch whatever media you want, and you won't be contributing towards the Canada Media Fund at all.

This is obviously dramatically driving up the amount of data that's flowing over Internet pipelines. In fact, I'm told it's up by more than 20% this year. The threat, to me, is that this continues to grow. I can tell you, just from people I know and friends I know, that in the last number of months a significant number of them have added Netflix at their homes and adapted that into their lives. Many of them are saying that, for instance, they don't need the Movie Network now. It's half the price and it has all kinds of selection on it that they didn't have before.

This is an alarming trend. If people start to unplug from the BDUs and go simply to Internet-based models.... Even our local television

networks, in fact our BDUs, could start to broadcast all of their content simply over the Internet and avoid the Canada Media Fund. If we can't tax the Internet—which is what a fee on Internet would be, similar to the fee that's paid right now by BDUs into the Canada Media Fund—doesn't that threaten the Canada Media Fund? Is that something the department has considered—the longer-term effect of these changing platforms?

● (1625)

Ms. Amanda Cliff: It's part of our policy. We always look at how the money flows and where the money is coming from and how that might be impacted by the changes. In terms of the Canada Media Fund, I understand the concern that the member has expressed, but so far it is a fund unlike most other federal funds. It continues to grow every year. As long as the revenues at the cable and satellite companies continue to grow, the fund will grow as well.

I'm reluctant to get into a conversation about the Internet. It is subject to the cultural groups seeking leave to appeal before the Supreme Court on the CRTC's ruling on ISPs, so I'm reluctant to say much on that point, but I think anybody who's looking at this landscape needs to be looking at how the money flows and what the potential applications are down the road in terms of where that money is coming from and what the market forces are. With regard to the Canada Media Fund, working towards trying to ensure the longer-term sustainability of the sector is also an important objective.

Mr. Dean Del Mastro: Right. I appreciate that.

We've heard presentations from companies like Telus. We heard from Shaw Media. CTV has also expressed similar sentiments, as has the CBC, on the importance of the local programming improvement fund and the importance of the Canada Media Fund in maintaining a healthy Canadian broadcast sector. However, these funds—the local programming improvement fund and the Canada Media Fund—are predicated on having a BDU hookup. In the world of inexpensive, unlimited data and long-tail industries that are jumping beyond the CRTC and CanCon rules, I'm deeply concerned about what this means for local television—what it means for CHEX TV Peterborough, for A Channel Barrie, for A Channel Windsor, and for all these channels that are reliant upon the various systems that have been put in place. I think it's changing very rapidly, and I'm wondering if any consideration has been given to that shift, because from my perspective it seems to be happening at a very rapid pace.

Ms. Amanda Cliff: The member raises a very important point.

At the risk of repeating myself, I can say that the investment in the CMF represents a significant contribution to the creation of Canadian content. The LPIF was another initiative. They are part of a broader ecosystem, and that's the system we see evolving.

It's not quite clear yet how the market forces are going to evolve. The value inherent in the content proposition, in terms of distinguishing your offerings in a very competitive environment, will no doubt shift market forces away from having to produce Canadian content to wanting to produce Canadian content, because it's your competitive edge.

It will be interesting to see how much all broadcasters—the private sector and others—step up in terms of making that happen for competitive and market reasons, quite apart from any government funding they might get.

• (1630)

The Chair: Thank you very much, Mr. Del Mastro and Ms. Cliff. Mr. Scarpaleggia is next.

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

To put it in simple terms, the challenge of the new media age is to make sure that we have enough domestic cultural content to preserve our own voice and that we have enough content for the new media technologies.

How are we doing relative to other countries that are in a position similar to ours? I mean countries other than the United States, where no help is needed to transmit the U.S. identity. How are we doing with respect to other countries that have the same challenge we have, which is to keep enough domestic cultural content while using new technologies? What areas are people saying we are weak in, in terms of our efforts to ensure that goal? Is it that there's just not enough funding for content development? Are there other issues?

I've heard your presentations, but at the end of the day, if someone were to ask me if things are good, bad, or okay, and what we need to do, what would people say? I understand you can't take policy positions, but what are people out there telling us that we need to do as a country to maintain our voice, our cultural identity, in the new media environment?

Ms. Amanda Cliff: That would be me again.

I don't have any empirical data with me and I don't know if any is available. I can speak to you anecdotally, if that's acceptable.

Mr. Francis Scarpaleggia: That would be fine.

Ms. Amanda Cliff: We have visits from other countries on a regular basis. They are there to learn from us, whether it's about the Canada Media Fund, the other initiatives, the CBC, the private broadcasting system, our whole regulatory framework that ensures the creation of content, or the fact that cable and satellite are considered cultural and make contributions. I can't say for sure that it's unique in the world, but we definitely have visits from regulators and ministries of culture from around the world. They want to learn from us and the Canadian example.

The department hosted a conference a couple of years ago, and people from around the world came to talk about this. Our starting

point was that we're doing okay but we could probably do better. World-renowned people said we were on top of things, and there is a report from that conference.

Mr. Francis Scarpaleggia: How are we doing, for example, in talking about metrics? One of the main measurements of how we're doing in protecting our culture is how Canadian drama is doing, both as a product here in Canada and as an exported product. If you look at the BBC, it seems so much stronger than the CBC in terms of having sustainable funding and so on. I wanted to touch on that.

Do we have a digital economy strategy, or is it evolving? What is that strategy? If there is one, I don't have the strategy in hand, but I keep hearing that we need one.

Ms. Pamela Miller: It's an excellent question. I think the response is that the strategy is in progress and that there is a consultation on the digital economy strategy. A wide range of views have been expressed through various forms of online consultations and submissions. The minister made an interim report in November, and I mentioned the five different aspects.

It's a very holistic approach. We are bringing together all the government departments involved and we're consulting with provinces as well. The provinces will be partners in this, as well as the private sector.

Mr. Francis Scarpaleggia: We had a decision from the CRTC earlier this week or late last week. They have a view of how we can foster innovation in the digital economy, but there's an alternative view, an opposing view, of how we can do that. They seem to be at loggerheads, and there's a lot of politics influencing those two views. Are those two views at war at the core of this development of a digital economy strategy?

I know you can't take a position, but could you explain to me the advantages and disadvantages of one view versus the other? There are two different approaches. Both are claiming that if you want innovation in the digital economy, you have to follow their road map, but I'm not clear on who's right and who's wrong. I can't even weigh the options, because I don't fully understand them. I was wondering if you could talk a bit about both of those approaches.

•(1635)

Ms. Pamela Miller: In response, could I clarify your question? I'm not precisely sure what you mean by "different approaches".

Mr. Francis Scarpaleggia: We have the CRTC saying we have to allow telecommunications companies to charge more based on usage, because that's what they need to build the networks that will allow them to innovate in the digital economy. Then you have consumers and other businesses saying that if you do that, you're going to choke off consumer choice and make it difficult for businesses to innovate. Their reasoning is that they use the Internet, and if the price of using it goes up, then they won't be able to stay in business or innovate.

So you have two different approaches to the digital economy that have been cast in high relief because of this CRTC decision. That's what I'd like to know more about.

The Chair: Thank you, Mr. Scarpaleggia.

Go ahead, Ms. Miller.

Ms. Pamela Miller: I would like to say that I think we all have common objectives. Common objectives are promoting innovation, competition, and investment. Concerning the particular case that you've just mentioned, I think that the Prime Minister has said that this decision on usage-based billing is going to be reviewed, so I'm not at liberty to speak much further about it.

The Chair: Thank you.

Go ahead, Monsieur Pomerleau.

[Translation]

Mr. Roger Pomerleau (Drummond, BQ): Thank you, Mr. Chair. I would also like to thank all our witnesses for joining us.

My question is for Mrs. Motzney or Mrs. Cliff.

First, I would like to make a quick comment that has nothing to do with you, but that I find funny. In French, we talk about *droit d'auteur*, while in English, we talk about copyright. These seem to be two completely different ways of seeing things. They are at the opposite ends of the spectrum, which strikes me as a little odd.

My question is about a statement on page 8 of the document, regarding copyright and a way of ensuring that creators and authors are compensated for their work. In one of the three bullets, you state the following: "Digital environment may present new opportunities for creators: global audiences; direct access; more responsibility to manage own creations; changing business relationships."

I feel that this is a very general statement and I would like you to explain it to me. I would like to understand how each of these points is likely to guarantee our artists decent compensation for their work.

Mrs. Barbara Motzney (Director General, Copyright Policy, Department of Canadian Heritage): Thank you for your question.

First, I want to say that the policy on copyright comes under the jurisdiction of Canadian Heritage and Industry Canada. I am accompanied today by my colleague, Mrs. Colette Downie, Director General of the Marketplace Framework Policy Branch at Industry Canada. We will share our time.

It is true that the difference between copyright and *droit d'auteur* is a historical one. In addition, legally speaking, the two systems originated in two different parts of the world.

Let's talk about copyright.

[English]

It's a part of marketplace framework law. It's one of the key elements of marketplace framework law in Canada, along with other laws. It supports the development and availability of content.

Points in the deck presentation mention global audiences. How does copyright support global audiences? Well, bringing our copyright law up to international standards, as an example, is a way to enable Canadian creators and Canadian rights holders to participate on an even playing field with other countries.

We were talking about exports, and Ms. Cliff was highlighting some of the key success stories of programming. In terms of direct access, from my reading of the testimony that you've heard, part of what is changing is the interactivity and the way creators are reaching their audiences. It can be a much more interactive process. What is changing is that creators have more direct access to their audiences, who participate with them and shape with them what the creative product is.

I was reading some of the testimony. Jumpwire Media, as an example, testified before you. They have an online model through which they are tracking individual sales of their product. That's an example of the changing approaches. That means that the business relationships are changing as well.

Who creators work with and how they distribute their material is changing. Again, I think that is certainly part of the testimony that you've heard.

Copyright gives creators a whole series of rights. They have a series of economic rights. They have moral rights. They're able to license or assign those rights, either partially or regionally or for specific time periods or for specific media. I think the Copyright Act is a good three or four inches thick, and it tells how all of that supposed to work.

Basically, creators have this series of rights that they start with when they make a creation. The choices that they make in bringing that creation to market amount to the management of those rights. As business relationships change and create greater responsibility for them—and that's another point for creators—it's possibly a challenge, but it's also an opportunity for them to be able to manage their rights in different ways.

•(1640)

The Chair: Ms. Downie, do you have any comments?

Ms. Colette Downie (Director General, Marketplace Framework Policy Branch, Department of Industry): I think Barb covered all the provisions in the copyright bill that are important to creators. Obviously the bill is intended to allow creators to be able to engage in the new online world and to innovate, as well as to help protect their works and ensure that they are fairly compensated in that digital world. I don't really have anything else to add.

The Chair: Thank you.

Merci, Monsieur Pomerleau.

Mr. Richards is next.

Mr. Blake Richards (Wild Rose, CPC): Thank you all for being here today. We certainly appreciate how well prepared all the information is that you've compiled for us. It's certainly shaping up to be an informative couple of hours here.

I have some questions in two different areas. I'll start with broadband Internet. I see in the presentation that you provided, under question 5, some information on the broadband strategy. You indicate Broadband Canada's program, combined with some other provincial programs and some private sector expansions that are expected. You talk about the fact that 98% of Canadian households will then have access to basic broadband service.

I'm curious to know where we are right now, at this point in time, prior to starting the program.

Ms. Pamela Miller: Last year's official statistic, which just came out from CRTC, was 95%. We're working towards closing that to 98% by 2012.

Mr. Blake Richards: Was that as of the end of last year?

Ms. Pamela Miller: Yes. That was the data collection period.

Mr. Blake Richards: That's something that was definitely interesting to me. Certainly there are areas in my riding where we lack the service. Obviously we have some significant challenges in my riding. We have these little things called the Rocky Mountains, for example, and another minor, insignificant detail called a major national park, with vast expanses of wilderness and trees. There are just a few minor little challenges that are presented there.

I'm just curious about that remaining 2% of Canadian households that will still be left to be implemented in 2012 when things are completed. What types of areas are we talking about there? What's the plan for those?

• (1645)

Ms. Pamela Miller: First I'll address the situation in your particular riding. You're in the Wild Rose riding, I understand, and there are two projects that are approved through the Broadband Canada project in your area.

Mr. Blake Richards: I'm aware of that, yes.

Ms. Pamela Miller: They're just over \$1.5 million, so I think you will be seeing connectivity coming to your area.

Mr. Blake Richards: I was aware there were some projects.

The Chair: What about Wellington—Halton Hills?

Some hon. members: Oh, oh!

Mr. Blake Richards: Use your own time, Mr. Chairman.

I appreciate that.

Ms. Pamela Miller: In terms of the remaining gap, I think it remains a given that the last 2% is the hardest to reach. It's always been that way. It was the way with the traditional telephone system. It's the most challenging geography and the least dense population, so that even with a subsidy, the business case remains problematic.

We're hopeful that technology will do a lot in the future. There are high-speed satellites that are coming on board, and a number of providers, such as Barrett Xplore, will be using this technology. The satellite technology will significantly improve in speeds and pricing. We remain hopeful that the technology and the private sector will improve to the point that the business case will improve for those areas. The caveat is that there are always going to be those hard-to-reach areas.

Mr. Blake Richards: That's understandable. I recognize this every day when I travel in my riding. There are still areas in my riding where cellphone coverage is impossible; that's just a fact. As I mentioned, we have some minor details such as the Rocky Mountains and things like that.

The next area I'd like to talk about is in relation to the Copyright Act. During the course of the study, there were many mentions of the Copyright Act and the current legislation. With the whole direction of digital media and all the developments that are taking place there, I'm curious what your thoughts are on how important an updated Copyright Act will be and what sorts of issues might result if the legislation were not to be updated.

Mrs. Barbara Motzney: During the copyright consultations in 2009 there was a clear message from the round tables, the town hall meetings, and online discussions that it's important to ensure that Canada's copyright laws are forward-looking, flexible, and in line with current international standards. Many comments were received that creators need new tools to remain creative, innovative, and competitive internationally. We also heard that modern legislation needs to recognize new habits in consuming and creating cultural content that have emerged as a result of the digital media you're studying here.

In general, the marketplace thrives when there are clear, predictable, and fair rules that enable all parties to engage with confidence. The Copyright Act is an important piece of that framework law for the marketplace.

I can't speculate myself on what will happen if the legislation is not updated, but I can give you a few examples of the kinds of concerns we've heard from others if it is not updated.

Online piracy has certainly been raised by a broad range of stakeholders as an issue in moving their businesses online in Canada. Publishers and the film industry come to mind in particular. Our current law does not have provisions that address explicitly the enabling of online piracy.

From a consumer perspective, the technologically specific treatment of "personal use" and a limited coverage of activities creates uncertainty for Canadians who wish to engage fully in the digital environment.

The last example is very specific: photographers have said that under the Copyright Act as it stands, they are at a competitive disadvantage in the global market for stock photography. This is due in part to the treatment of photographers as authors or first owners of copyright under the current Copyright Act. It's a very specific challenge with this law that needs to be modernized.

• (1650)

Ms. Colette Downie: I agree with all of that, but I would add one other area in which we heard from stakeholders. Educational institutions, educators, and students said that they needed more flexibility to use copyright material in support of learning.

These are some examples of things that are in the bill in that regard: the expansion of the definition of fair dealing to recognize education in a structured context as a legitimate purpose for fair dealing; enabling teachers to connect with students in remote communities across the country through technology-enhanced learning, and using copyrighted material in the process; allowing institutions to offer the same opportunities, for example, to students in Nunavut as to students in Edmonton; and taking measures to ensure that libraries, archives, and museums are able to preserve records that contain copyrighted content for future generations.

The Chair: Thank you, Mr. Richards.

Madam Fry is next.

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

The study is about opportunities and challenges, and I wanted to pull those two together, because this is where the catch-22 comes in of people not knowing where to go. The opportunities of the digital media are extraordinary: anywhere in the world people can have information, knowledge, learning, and content. It can be anything you can think of—any information, any entertainment.

This is an important opportunity we don't want to miss. I think it's the greatest thing since the printing press was invented, but the challenges that come with it are what I am hoping, out of this meeting, we would be able to square. It seems to be a difficult circle to square, and how we do that is what I wanted to pursue in my line of questioning.

For instance, I was glad to read in your presentation, which I think is good, that access to broadband is being widened and that the government has a progressive policy on widening it. Growing of broadband is good, but you were asked by my colleague, Mr. Scarpaleggia, about what places you can turn to. While access to broadband and to Internet and to digital media is important, the question is, what happens when you have that access? The challenge, therefore, is how you allow all of this. The Justin Biebers of the world, in a little basement, come up with a grand, wonderful design, get it out there using this brand new piece of technology, and hit the world with a bang. That's the wonderful thing about it.

The challenge is how people who are using it—the Justin Biebers of the world, and anyone who uses the technology to reach this global audience—can maintain their copyright, their own creative content, their intellectual property. It has to be challenged, and I don't know how we're doing on that.

It's my understanding that the United Kingdom has been moving forward and is not just pursuing digitalization, but getting ahead of it. We're pursuing it still. The thing is that every day, even while I'm speaking to you now, something new is going on. Something is happening, something is changing, and we keep trying to shove the toothpaste back into the tube. I wondered whether there are lessons we can learn from what they're doing in the United Kingdom.

I wanted to apply that question very specifically to the CBC, given that the CBC is a public broadcaster and has to depend very much on government funding to bring it fully into the use of digital media for disseminating and marketing its content, as we see the BBC has been doing throughout the world. Everywhere you go you can pick up BBC on the digital media. You can't do that with CBC yet. We know that our ability is hampered because we don't have market distribution. Could this digital world be used by the CBC for distribution? Could CBC be our distributor using digitization? How do we pay for it? Do you have a plan to help them because they don't have the same access to market funding as the other market-based broadcasters?

The other question I want to ask is whether there is any intent to look at the Broadcasting Act, because these are now broadcast media. Broadcast media is no longer radio and television; broadcast media is Justin Bieber sitting in the thing and using digital media to go out there to reach everybody. Are we looking at this in a proactive way? Are we asking whether we should look at the Broadcasting Act? Is there something we can do to take advantage of the opportunity while dealing with some of the challenges of intellectual property?

I haven't even gone into moral rights. You take something Justin Bieber did and then go and play with it in the basement, and it turns out something brand new, but you're using Justin's intellectual property and tickling it to make something new. That is about intellectual property; it's about moral rights. We have not talked about moral rights in this country, but I know that Europe has dealt with moral rights.

How are we going to deal with all of this? These are difficult questions, I know. I'm asking you to go "blue sky" and be creative in your thinking.

•(1655)

Mrs. Barbara Motzney: Thank you very much. I'll try to be really brief in highlighting the fact that Bill C-32 actually introduces new rights and protections for creators in the digital environment. The specific purpose of the bill is to deal with the digital environment, so to respond to your Justin Bieber question, under Bill C-32 he would have a new "making available" right, which would allow him to have a right—

Hon. Hedy Fry: What about moral rights?

Mrs. Barbara Motzney: —to control how his works are made available online.

With regard to moral rights, those rights exist under the current Copyright Act for authors. Under Bill C-32, those rights are extended to performers.

Hon. Hedy Fry: But they're not extended to a whole lot of other people. I know this is something they've been writing to me about. People are concerned about it. There are models we can look at in legislation in Europe and in the U.K. for the CBC. Those are the two really important things I want answered if you can. I know it puts you in a difficult position, but if you can answer them, I'd be pleased.

Ms. Amanda Cliff: The CBC and the BBC...?

Hon. Hedy Fry: Just look at how the BBC achieved what it has by embracing digital media, and how the CBC is having a difficult time doing it because of the lack of funding, and/or other reasons.

Ms. Amanda Cliff: We look very closely at what the BBC and other public broadcasters are doing around the world. That is always part of our analysis in any advice we provide the minister on our public broadcaster. We have not yet studied in detail the plan that was released by the CBC yesterday. They plan to increase their investment in digital, and they speak about being quite proud of what they've done so far. I believe—I'd have to verify—that the CBC website is the most visited broadcasting website in Canada.

I'm not sure if I've fully answered the member's question.

Hon. Hedy Fry: Have you studied the BBC and how they've done what they've done so successfully?

Ms. Amanda Cliff: We have studied the BBC in great detail, along with Australian public broadcasting and public broadcasters around the world. The circumstances are all different. BBC is funded by citizens. It's done through taxes here, through government funding. It's an amount per television.

Hon. Hedy Fry: I'm just wondering if there are best practices we can learn from other people. I think Francis touched on that a bit. I still haven't heard about moral rights, about bastardizing somebody's work.

The Chair: I think Madam Downie and Madam Motzney addressed that.

Hon. Hedy Fry: They addressed it to some extent, but the moral rights have been extended very narrowly. It's nowhere like what they have in European legislation, which is something we need to look at.

Thank you very much.

The Chair: Thank you, Madam Fry.

Mr. Armstrong is next.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): The first question I have is on the analog spectrum. We spoke of the possible impacts of the analog spectrum on rural and remote areas. I suppose it's an auction of time and space.

Can you elaborate on what those impacts could be?

Ms. Pamela Miller: I think what we saw introduced in the consultation was questions. The 700-megahertz spectrum has very good propagation qualities. It's excellent for rural and remote areas. We're examining how that spectrum could be used, and the types of coverage and enhanced services that could result from it.

The 700-megahertz spectrum will enable what's called the 4G LTE technology, which really allows mobile broadband, so it could be very beneficial to rural areas.

•(1700)

Mr. Scott Armstrong: To put it in layman's terms, if you had your iPad or some sort of tablet device, you could actually use it in a mobile way in a remote or rural community, which you couldn't do otherwise.

Ms. Pamela Miller: Yes, it would enable a broadband application.

Mr. Scott Armstrong: We should be very careful how we use that process. It could level the playing field between urban areas, which enjoy significant broadband access now, and small rural communities that may currently be at a disadvantage.

Ms. Pamela Miller: Indeed, and we also need to realize there is something called HSPA, which is high-speed packet access. It is available now to 96% of the Canadian population. It enables broadband access as well. With the 700-megahertz spectrum, it will enable even better high-quality service, faster service.

Mr. Scott Armstrong: Does it face the same sort of geographic challenges Mr. Richards spoke of, with the small Rocky Mountains and other challenges?

Ms. Pamela Miller: Wireless is a lot more flexible than wireline. The problem with wireline is it's actually a terrestrial solution, so you have to dig. Wireless is more flexible, but obviously going through mountains is still a challenge. I think that's where the 700-megahertz spectrum has some particular attributes, because it is in the lower frequencies. They have better propagation and can go farther.

Mr. Scott Armstrong: Is there the opportunity to also improve self-service in areas that are experiencing difficulty now through this technology, or is it not able to do that?

Ms. Pamela Miller: I think everyone's expecting the 700-megahertz spectrum will be offering more spectrum to enable carriers to offer higher speeds, and it's going to. Generally the more spectrum you have, the more spectrum you can put into the market, and the better off consumers are going to be. We know there's going to be a huge demand for spectrum. All the applications now are demanding a lot of spectrum, so that's one of the main goals: to get that spectrum into usage.

Mr. Scott Armstrong: Thanks very much for that.

I have an unrelated question. It goes back to what Ms. Fry was mentioning in relation to Mr. Bieber. He was able to exploit his talent and broadcast it across the world. He's on YouTube and other digital technology. What's HRSDC doing to support digital skills in the cultural sector? A lot of artists who are older, or people my age—or Royal's age—may not have the skills to actually upload and do all these things. What's HRSDC doing?

[Translation]

Mrs. Carole Lavallée: It's not a matter of age.

[English]

Mr. Royal Galipeau (Ottawa—Orléans, CPC): It's his haircut.

Mr. Scott Armstrong: I have hair.

[Translation]

Mr. Louis Beauséjour: The department has taken a certain number of initiatives specifically with the cultural sector in mind, through the Sector Council Program, among others. We fund various projects, one of which is funded with the Cultural Human Resources Council. This project examines the repercussions of digital technology on the cultural sector. Human Resources Development Canada has invested \$440,000 into a study on this topic. The study findings will provide the cultural industry with a better idea of sectors where workers need to improve their skills in order to adapt to leading-edge technology and to prepare for the approaches and

jobs of tomorrow. This is clearly one of the areas in which the department is investing in order to support the cultural sector.

Generally speaking, we have a certain number of projects in place for enabling people to develop their own digital skills and to access various media through the Aboriginal Skills and Employment Training Strategy, or ASETS. We have established a connection between training and labour market demand. This will help aboriginals contribute to the economy. This program enables people to assess their own digital skills and to sign up for training programs on computer and digital skills.

In addition, a survey was conducted of participants in the Targeted Initiative for Older Workers, which provides 55- to 64-year-old workers with skill development services and work experience, as well as employment assistance services. According to the survey, 90% of participants stated that having better computer skills would strongly affect their return to the labour market. Consequently, many projects are related to this initiative and seek to provide older Canadian workers with the opportunity to acquire skills and knowledge that will in turn help them increase their use of digital skills.

This concludes my overview of some ongoing projects.

• (1705)

[English]

The Chair: Mr. Armstrong, did you have anything further?

Mr. Scott Armstrong: I have one more question.

The Chair: Yes, go ahead.

Mr. Scott Armstrong: That was informative.

Not only the federal government is involved in this area. The provinces and the territories also have jurisdiction in several of these areas. What types of activities are going on in provinces that we are partners with, or what provincial activities are being done independently to support cultural integration in the media and the cultural exploitation of the media for Canadian artists and Canadian producers?

Ms. Amanda Cliff: That's a very good question. I don't know.

Mr. Scott Armstrong: It would be interesting to know that. We could probably partner in a lot of these different areas.

Ms. Amanda Cliff: I'm sorry; I apologize. It's not an area that I am an expert in, but I will endeavour to get back to you on that.

The Chair: You can address your response to the clerk, and he'll have it distributed.

Thank you, Mr. Armstrong.

Go ahead, Mrs. Crombie.

Mrs. Bonnie Crombie: Thank you very much, Mr. Chairman.

Many of the witnesses who appeared before our committee testified as to the challenges and pitfalls of vertical integration. Do you have a similar concern with the significant concentration of vertical integration in the industry?

Ms. Amanda Cliff: Could the member repeat the question? I'm sorry.

Mrs. Bonnie Crombie: Do you have a similar concern, as many of the witnesses have, with the significant concentration and vertical integration in the telecom industry?

Ms. Amanda Cliff: Is the member referring to the convergence of telecommunications and broadcasting?

Mrs. Bonnie Crombie: Yes, I'm referring to the convergence.

Ms. Amanda Cliff: Well, the whole issue of vertical integration is the subject of an upcoming CRTC hearing, which makes it difficult for me to comment in terms of any concerns we might have.

Mrs. Bonnie Crombie: How about this one: are you concerned about the independent broadcasters and what vertical integration will do to access for them to product, and to their cost structure?

Ms. Amanda Cliff: I could speak to the Canada Media Fund, because that's where those things tend to come together and that's where we have some evidence. The Canada Media Fund, in fact, does provide support to independent producers. It now also allows for broadcasters to do in-house production at about 15%, but most broadcasters have not reached that limit. Most of the money is still going to the independent production sector.

Mrs. Bonnie Crombie: Will the fund meet the needs of the industry as it's growing? How are the funds allocated between convergence and the experimental stream?

Ms. Amanda Cliff: First of all, in terms of meeting the needs, it's one piece of the puzzle in terms of the funding for the creation of content. It is a fund that typically grows every year. The CMF board for 2010-2011 has decided that about \$322 million will go into the convergence stream and about \$27 million will go to the experimental stream.

Mrs. Bonnie Crombie: On a slightly different subject, we had a meeting with the music industry. They've watched their industry contract and sales decline. We know that soon people will probably cease to buy CDs and tapes entirely.

What recommendations can you provide to the music industry as they continue to see their revenue decline? How should they change their business model?

Ms. Amanda Cliff: Sales are definitely going down. There's no evidence yet that the increase in sales of digital is making up for the decrease in sales in physical format.

The dominant business model is not clear. In terms of replacing the revenue from CD sales, what's going to emerge is not clear, but music streaming is popular. We're seeing in other jurisdictions and other countries that it is on the rise. It is based on revenue from advertising and subscriptions, so it may be a viable alternative to unpaid downloading via peer-to-peer sharing.

• (1710)

Mrs. Bonnie Crombie: We have seen an extreme reaction to both sides of the industry over the broadcast mechanical in Bill C-32. Is this provision fair, in light of what's happening in the industry?

Ms. Colette Downie: Is that the ephemeral broadcasting exception?

Mrs. Bonnie Crombie: Yes.

Mrs. Barbara Motzney: I can start off.

Just to be very clear, the broadcasters pay a tariff to copyright owners for the right to broadcast music. Currently they also pay a tariff for making the temporary technical reproductions that are merely incidental to that broadcasting process.

Bill C-32 removes the requirement for broadcasters to pay the tariff for these reproductions, while retaining the requirement to pay for the right to broadcast itself.

Twenty years ago, with the technology at that time, these payments didn't exist. Radio stations would play music directly from CDs with no reproductions, but technology has changed, and radio stations now broadcast via computers in a process that requires digital copies of songs to be made. Under current law, broadcasters are required to pay for these incidental copies. Removing this payment requirement will promote the adoption of new technologies in broadcasting and make the rules governing broadcasting technologically neutral.

Radio stations and record labels determine their business arrangements with broadcasters in the delivery of song tracks to radio stations for broadcasting. Copyright law, as marketplace framework law, is supposed to allow for and promote these kinds of market solutions. As technology evolves, the removal of the ephemeral recording exception makes this treatment of broadcasters technologically neutral.

The Chair: Thank you.

Madam Downie, do you have anything to add to that?

Ms. Colette Downie: No, that's fine, thank you.

The Chair: Madam Crombie, you have time for one last brief question.

Mrs. Bonnie Crombie: Perhaps I can get some clarification on digital locks and enforcement. What is the enforcement provision for violations? Who will pay for R and D? Who enforces the financial penalties? Who will collect the fines? As well, do you have an example of any previous convictions?

Ms. Colette Downie: Your question is just about the....

Mrs. Bonnie Crombie: It's about the enforcement.

Ms. Colette Downie: Is that enforcement of the TPM provisions, or just the overall enforcement of rights under the Copyright Act generally?

Mrs. Bonnie Crombie: Can you address both?

Ms. Colette Downie: Yes. I can start with the broad scheme, which is the Copyright Act.

It's mainly left up to rights holders to enforce their rights. It is similar to other property rights in that it tends to be left to the property owner to enforce those rights. There are some criminal provisions in the Criminal Code as well, which are enforced by the RCMP, but the main action is taken by the rights holders under the Copyright Act. It is similar to the TPM provisions that are in the bill as well.

Mrs. Barbara Motzney: Bill C-32 would make the circumvention of a technological protection measure a copyright infringement, so what Ms. Downie mentioned as being the administration would come into play for this as a violation of copyright.

[*Translation*]

The Chair: Thank you, Mrs. Motzney.

I will let Mrs. Lavallée wrap it up.

We have to discuss the report in camera for 10 minutes, so that we can instruct our analysts on the recommendations.

Mrs. Carole Lavallée: I want to draw your attention to what I feel is an inconsistency. You can be the judge of whether it is a major or a minor one.

On page 8, you talk about ways of ensuring that creators of content are compensated for their work. Ms. Cliff, at the beginning you said that Canadian businessmen—I assume you were talking about creators—have all they need right now.

However, upon reading Bill C-32 on copyright, currently before us, we realize that three new provisions will result in artists losing \$74 million in copyright fees. First, there is the non-modernization of the private copy system, which, as is does not apply to digital audio players, results in artists losing an average of \$13.8 million a year. This is directly related to our topic of discussion. The private copy system exists, but it applies to older material. Bill C-32 does not cover new material, such as MP3s or iPods. Because of this, artists are losing \$13.8 million a year.

Similarly, the education exemption translates into a \$40-million annual loss for the artist. This is because you want to enable those involved in education to get what they need on the Internet without having to pay copyright fees.

There is also the abolition of ephemeral recording, which you talked about earlier. The reason why broadcasters are asking for a royalty holiday—if I may call it that—on ephemeral recording is that the material has become digital. Now that it's costing them less, they want to pay less. This is resulting in artists losing another \$21 million a year.

The losses add up to at least \$74 million a year. That amount can also be much higher.

The YouTube exemption, that is, the exemption on user-generated content, means additional lost income for the artist. Collectives from around the world have signed a contract with Google to pay royalties on the music used on YouTube. On September 30, 2010, the Société des auteurs, compositeurs et éditeurs de musique de France, SACEM, announced the signing of such an agreement with YouTube. By adding the YouTube exemption, which applies to user-generated content, you are pulling the rug out from under

Canadian collectives that could have negotiated the same royalty contracts with Google or YouTube.

Maybe you could set me straight on this, but I don't see any other rights in Bill C-32 that will be marketable, except perhaps in the case of photographers. However, it's also not clear that there will be more such rights than there are today. I don't see anything in Bill C-32 that would enable creators and artists to collect new royalties to offset the \$74 million they're losing. I also don't see any business opportunities related to YouTube, Google and other similar websites.

• (1715)

Mrs. Barbara Motzney: Regarding the exemption on user-generated content, the bill sets out criteria. One criterion states that the content must be used for non-commercial purposes. If a product generates money, the exemption no longer applies.

Mrs. Carole Lavallée: The content on YouTube does generate money. The commercial purpose is there, as YouTube sells ads.

Mrs. Barbara Motzney: I can't comment on that. I don't know all the details involved and I'm unaware of the specifics of the contracts between YouTube and...

Mrs. Carole Lavallée: If you looked into it, you could perhaps share the information with your colleagues. Maybe they've made a mistake.

Mrs. Barbara Motzney: This exemption includes several criteria. Non-commercial content cannot replace existing content. In addition, the new content may not conflict, monetarily or otherwise, in any significant way with the exploitation of the existing work.

Mrs. Carole Lavallée: But these criteria won't result in creators getting compensated. All they will do is enable artists to spend money on bringing violators to justice.

Mrs. Barbara Motzney: I want to point out to the committee members the provision concerning user-generated content. We're talking about an exemption with very specific criteria.

• (1720)

Mrs. Carole Lavallée: My question is the same as the one asked on page 8. How can we guarantee that creators of content are compensated for their work?

I gave you examples where, not only were they not compensated, but they were losing their current income. Since you are here to tell us about ways creators can be compensated, you said that business models are evolving and that various value-added networks are being created.

What models and networks are you talking about?

Mrs. Barbara Motzney: Bill C-32 provides creators with new rights and tools for managing their content in the digital environment.

I don't know if there's time to go over each one in detail, but just to give you an idea, there is the making available right, the distribution right, information on the copyright system, the protection of this type of information, the reproduction right for performers, the term of protection for sound recordings. There are also several provisions for photographers. There are technical protection measures as an example of new tools for creators. There are also provisions for enablers, that is, those who facilitate copyright infringement in a digital environment or—

[*English*]

online piracy.

[*Translation*]

Mrs. Carole Lavallée: Could you give us at least one right or tool that is marketable?

[*English*]

Mrs. Barbara Motzney: The bill covers a range, and these are some of the highlights of what is there to address the needs of creators.

The Chair: Thank you very much, Madame Motzney.

Thank you very much, Madame Lavallée.

We'll finish with our witnesses here. Thank you very much for appearing. Thank you very much for your testimony. We appreciate your feedback and your input into this report.

We are going to go into our in camera discussion, so I ask members of the public to please leave the room so that members of committee can discuss the report and provide the analysts with some direction.

[*Proceedings continue in camera*]

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