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Chair

The Honourable Michael Chong

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• (0900)

[English]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Good morning to members and witnesses of this committee. Welcome to the seventh meeting of the Standing Committee on Industry, Science and Technology. This is April 1, 2010.

We are here pursuant to Standing Order 108(2), concerning a study of Canada's telecommunications sector and Canada's foreign ownership rules and regulations in that sector.

We're going to have two panels this morning, one from 9 to 10, and another one from 10 to 11.

Our first panel is made up of three representatives of three different groups. We have Madam Parker and Madam Schechter from the Writers Guild of Canada. We also have Mr. Murdoch from the Communications, Energy and Paperworkers Union of Canada. Finally, we have Mr. Pineau and Mr. Neil from the Canadian Conference of the Arts.

Welcome to all of you.

We'll begin with five- to seven-minute opening statements from each of the three groups, beginning with the Writers Guild of Canada.

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

Good morning, members of the industry committee. My name is Maureen Parker, and I'm the executive director of the Writers Guild of Canada. Sitting next to me is Rebecca Schechter, president of the Writers Guild and professional screenwriter. The Writers Guild welcomes this opportunity to appear before the Standing Committee on Industry, Science and Technology.

The Writers Guild is the national association representing more than 2,000 professional screenwriters working in English-language film, television, radio, and digital production in Canada. We regularly advocate for a strong broadcasting system before the Canadian heritage committee and the CRTC. We believe that Canadians must have the choice to watch high-quality Canadian programming on our airwaves.

The impetus for this review was the Speech from the Throne, which discussed a plan to open the satellite and telecommunications industry to foreign capital. This was in response to public demand for improved telecommunication services at lower prices. Screenwriters are consumers too, so we share these concerns, but we are not

convinced that easing restrictions on foreign ownership will guarantee consumers lower prices and better services.

The government has assured this committee that it does not intend to touch broadcasting; however, given the consolidation and convergence that has taken place in our media landscape in the past few years, we do not see how this could be possible. For example, Rogers owns wireless, Internet, cable delivery, and broadcasting stations. If a foreign company gained control of Rogers Communications it would gain control over its subsidiaries: Rogers Telecom Inc., which also owns Rogers Wireless Inc.; Rogers Media Inc., which owns the radio and television businesses, as well as the magazine publishing industry; and Rogers Cable, which offers Internet and telephone services in addition to cable. Foreign ownership of the parent company would disqualify the subsidiaries from owning their Canadian cable and broadcast licences.

Even if it were possible to permit foreign investment into integrated media companies, there would still be potential risks to the broadcasting assets in these companies. Investors tend to make decisions based on international corporate agendas. This makes perfect sense, but can leave domestic businesses in jeopardy. If a foreign owner decides that its Canadian asset is underperforming in comparison to the balance of its global assets, it could sell off that asset or cut its services in the name of efficiency. In our sector, broadcasting assets are the most vulnerable because they have a much lower profit margin than telecom or cable.

Rebecca.

Ms. Rebecca Schechter (President, Writers Guild of Canada): Thank you, Maureen.

The challenge in Canada is even greater now that every market in the world is faced with convergence. As a screenwriter it's now conceivable that I could be engaged by Rogers Wireless to write a digital series that would be available on their wireless platform and delivered to consumers through Rogers Internet or broadcast on Rogers Citytv.

The kind of content that I create is protected under the Broadcasting Act, which was created with the specific purpose of maintaining a public service essential to the maintenance and enhancement of national identity and cultural sovereignty.

Canada is uniquely challenged in maintaining its cultural sovereignty for a number of reasons: our closest neighbour and trading partner, the United States, is the largest exporter of film and television in the world; Canada shares a language and many cultural touch points with the U.S.; and U.S. broadcast signals spill over the border and are watched by millions of Canadians every night, resulting in a very fragmented market here. We also have a small population of just over 33 million, spread over a large territory, making indigenous TV production more costly to deliver with lower profit margins than in more densely populated territories.

By comparison, France and Germany have been able to relax their foreign ownership restrictions in broadcasting because they don't have these challenges. They can rely instead on their distinct cultures and languages, their large populations, cohesive markets, and dominant public broadcasters to protect their cultural identity. We wish we could do the same.

Cultural identity is what it comes down to for us. We're the people who create the content that fills the airwaves. Our industry is not like other industries. We're not making shoes or cars—important as these things are. There is no Canadian car. This is not a tragedy for our country. But if there were no Canadian stories on our airwaves, it would be.

In closing, we urge the government to conduct an impact study that would result in a clear plan of action before loosening any foreign ownership restrictions in the telecommunications sector that could irreparably harm the broadcasting industry. We know that there have been other reviews and studies of foreign ownership in the past. However, we are now in the midst of a digital revolution where carriers and content providers are becoming one and the same. The government is right to consider consumers' interests, but consumers have more than money at stake here.

We thank you for your time and look forward to answering any questions.

Thank you.

• (0905)

The Chair: Thank you, Madam Schechter.

We'll now hear an opening statement from Mr. Murdoch.

Mr. Peter Murdoch (Vice-President, Media, Communications, Energy and Paperworkers Union of Canada): Thank you.

Good morning, Mr. Chairman, members, and committee staff. For the record, my name is Peter Murdoch, and I am the vice-president, media, of the Communications, Energy and Paperworkers Union of Canada. With me is Michel Ouimet, executive vice-president for our Quebec region.

As Canada's largest communications union, CEP is pleased to appear before you. Our 32,000 telecommunications and broadcasting members, including 12,000 in Quebec, and thousands more across Canada, support a strong and prosperous communications system. It provides our members with high-quality jobs and pensions.

We firmly oppose the government's proposal to let non-Canadians own this country's communication system. Most importantly, the government simply hasn't made a case to show why we need foreign

control. Last week the Department of Industry's officials implied that Canada should allow foreign control because countries like Mexico and Korea have already done so and this will somehow make prices fall while improving innovation.

Framing the debate this way ignores relevant facts. For instance, the number of competitors has actually decreased since competition was permitted in Canadian telecommunications. In 1951, Canada had 3,200 independent telephone systems. In 2006, 10 companies took in 93% of all telecommunications service revenues. After 20 years of price-based competition in both cable and telecommunications, prices in this country have not dropped, so why would foreign ownership in this sector be any different? Ironically, foreign investors might be even more attracted to Canadian telecommunications precisely because they could maintain high prices.

As for innovation, the OECD reported two years ago that Korea's fibre penetration is higher than total broadband penetration in five OECD countries. Looking at the Korean numbers more closely shows that they include the broadband-enabled mobile phones available in almost every household, which made its broadband penetration figures look higher than everywhere else.

We have some of the best universities and minds in the world. A Canadian invented radio. Canada was the third country to launch a communications satellite. RIM is a world leader in telecommunications technology. So why is the Canadian government now saying that the only way Canadians can enjoy new technology is to beg, borrow, or buy it from other nations?

The real problem has been that Canada's regulated telecommunications service providers have not had to innovate to reduce prices because the Telecommunications Act does not require the CRTC to regulate in the public interest.

As an advanced country, founded on the rule of law, with a well-educated workforce, Canada is obviously attractive to foreign investors. It has a stable economy, largely due to a highly praised and well-regulated banking system. Regulation has proved its worth to Canada's financial sector.

What will protect Canadians from problems related to oligopolies, privacy, and national security?

On Tuesday, for example, you heard that Canada's Competition Act will prevent large foreign companies from buying up Canadian telecommunications firms and acquiring market dominance. But even domestically this legislation has not worked well. It certainly has not stopped Canada's cable systems from buying up their competitors so that five companies now set the prices for 90% of all cable subscribers in Canada. And neither the Competition Act nor the Broadcasting Act stopped Jim Shaw Sr. and Ted Rogers from agreeing ten years ago that although they could compete in each other's market, they would not. When the CRTC ignores this behaviour and it does not even publish information about how much Canadians are actually paying each month for cable or telephone, it's little wonder that prices shoot up without restraint, making the sector even more attractive to foreign purchasers.

As for privacy, Canada's Privacy Commissioner has already warned that when data leaves Canada, its control rests in the hands of other countries, not Canadians. Even if foreign-owned Canadian companies must follow Canadian personal information law, what stops foreign parent companies from sharing Canadians' personal information and data with their own countries' governments? For instance, how many of us know that U.S. laws allow American companies to obtain intelligence information from telecommunications companies outside the U.S?

● (0910)

Now, let's say accessing new technology and the chance of lower telephone rates are more important than privacy, oligopolies, and national security. No one just shares technology any more. Today's foreign investment contracts govern precisely how much information foreign companies will share with Canadians. As for any new research and development that foreign companies undertake in Canada, consumers might at some point benefit from it, but the foreign companies, not Canadians, will hold the patent rights to those technologies. The revenues from those inventions will be leaving this country, not remaining here to support new investment and innovation.

Let's not forget that any industrial policy enacted by government must be based on more than prices or shareholder value. It must be based on employment opportunities for Canadians. Since 1999, every major merger in Canadian broadcasting has been financed by layoffs, close to 9,000 to date. Maybe it will be different in telecommunications, but that's hard to say, because data published by the CRTC about employment trends there are very difficult to find.

But suppose we allow AT&T to buy Telus. If the U.S. economy happened to lose ground, why would AT&T ignore the savings it could gain by cutting jobs in Canada?

Michel.

Mr. Michel Ouimet (Executive Vice-President, Québec, Communications, Energy and Paperworkers Union of Canada): I'll continue in French.

[*Translation*]

The fact is that Canada does not make sense to economists. They do not like large, sparsely populated areas. They think that people who live outside of cities should pay for that privilege, and that policies that support rural Canada are wrong-headed. We disagree—

and so do Canadians, especially those who are fortunate enough to live in places like Erin, Nipissing or Chicoutimi.

But let us be clear. Allowing foreign ownership of our telecommunications companies will bring these very hard questions to light, and will pit rural and urban neighbours against each other. Of course it's easier to serve densely populated countries like Korea and Japan—but members of this House have always acted to ensure that in this country, all Canadians can access the communications services they need, across five time zones, from coast to coast to coast.

Then there is the spectrum issue. The licences held by telecommunications and broadcasting companies are temporary permits to use the spectrum owned by Canadians. But last year the Supreme Court of Canada decided that today's commercial realities mean that licences are a type of property that is subject to seizure during bankruptcy. If we allow non-Canadians to own Canadian telecommunications companies, are we inadvertently giving non-Canadians ownership of our spectrum? We don't pretend to have the answer—but this is a difficult question that must be addressed before we allow foreign ownership.

Finally, you've already heard that untangling telecommunications from broadcasting pipes will be a messy business, if not impossible. Foreign ownership of our communications system—broadcasting and telecommunications—puts Canada on a path that threatens its domestic and cultural sovereignty, as well as its national security. As an organization representing thousands of people in the news and information business we are particularly concerned about what this might mean for the content of Canada's news media. Foreign ownership will influence style and substance of content of our news and information programming.

For example, last year, the CRTC asked the Federal Court of Appeal to decide whether Internet service providers are broadcasters or telecommunications service providers and it hasn't decided yet. But even though section 36 of the Telecommunications Act prohibits telecommunications companies from interfering with the content they carry, the CRTC lets Internet companies throttle content under specific conditions. U.S. wireless carriers have already censored text message content for both political and business reasons. Should Canadians be required to balance their constitutional right to freedom of expression against lower cell phone rates? How, in any event, will they even know when content is being censored?

In conclusion, let us repeat what we said at the beginning of our presentation. CEP supports and encourages a strong, healthy and innovative communications system. But we submit that before recommending foreign ownership of these systems, this committee needs evidence to explain why telecommunications rates have remained high despite deregulation and increased competition. You need evidence proving that foreign ownership will reduce rates, and evidence demonstrating that Canadians' socio-economic interests will be better served if Canadian companies sell our telecommunications system to foreign interests. We do not believe this evidence exists.

And we agree with other witnesses that Canada needs new communications legislation to unite our telecommunications, radio-communications and broadcasting acts, specifically to require the federal regulator to serve the public interest.

So before this government changes foreign investment levels in this complex sector, it should first establish a communications ministry to provide reliable data, solid analysis, and impartial research to answer the questions we have raised.

Going forward, Canada needs strong legislation to protect the interests of this country and its citizens—not just the interests of a few extremely large corporations and their shareholders. The Canadians who created and paid for our telecommunications infrastructure left us with a communications system that for decades was the envy of the world. Canadians still have the talent and expertise to improve our system. Our engineering, technical, and business schools are second to none. Parliament must ensure that this talent, expertise and education are employed by Canadian companies to improve their performance and our communications systems.

● (0915)

We have other information to give you, but we have limited our presentation to five to seven minutes. We were told this morning that we had 10 minutes. So we apologize. We'll have other concrete examples to give committee members later on.

Thank you.

The Chair: Thank you, Mr. Ouimet.

We now hand over to the people from the Canadian Conference of the Arts.

Mr. Alain Pineau (National Director, Canadian Conference of the Arts): Good morning, Mr. Chairman, committee members.

My name is Alain Pineau, and I am the National Director of the Canadian Conference of the Arts. Beside me are Mr. Garry Neil, President of Neil Craig Associates, our foreign ownership advisor. CCA is the oldest and most broadly-based arts, culture and heritage umbrella organization in Canada. Its mandate is to contribute to an informed debate on all federal policy and regulatory issues that in one way or another concern this large sector.

We thank you for this opportunity to intervene in the study you are conducting on foreign ownership rules and regulations in the telecommunications sector. This is a fundamentally important issue for Canadian culture in general, quite apart from the specific issue in the audiovisual sector. As a result of technological convergence and ownership concentration, the Canadian telecommunications and

broadcasting sectors are in fact two aspects of the same reality. Telecommunications, cable and satellite companies, traditional broadcasters are increasingly owned by the same interest groups that compete against each other in the same sectors, including that of access to cultural content, and increasingly elsewhere.

[English]

This is why we believe it is virtually impossible to change foreign ownership rules in telecom and isolate broadcasting from the consequences of doing so. Opening the door to foreign control of satellite and telecoms can only lead to a domino effect and to foreign ownership of cable companies and broadcasters.

Some of Canada's largest corporations operate in these fields, and they would apply tremendous pressure on policy-makers to level the playing field, as we know, with their competitors and permit them to obtain foreign investment on the same terms. How will it be possible to deny one protagonist access to foreign investment granted to its main competitor? We've already seen Globalive. Where can we draw a clear line between the tangled interests of BCE, Rogers, CTVglobemedia, Telus, Shaw, or Quebecor—Quebecor in particular?

It has long been recognized in this country that market forces alone are insufficient to ensure we have access to a reasonable supply of high-quality Canadian choices in every medium, and that we need to have public policies and regulations to achieve these objectives. Ensuring Canadian ownership and effective control of our cultural industries is based on the notion that it is far easier to regulate Canadian-owned firms than foreign ones—not that we're making a success of it.

The absence of appropriate regulation in the movie industry is the best illustration of the impacts of foreign ownership and control of a cultural industry. Because film distribution policy does not effectively distinguish the distribution rights for the Canadian market from North American rights for most of the largest distributors, foreign film distributors maintain a lock on the majority of the film distribution activity in Canada. Foreign films—i.e., U.S. movies—occupy over 98% of screen time in English Canada. The situation is somewhat better in Quebec cinemas, for obvious reasons.

This is an eloquent example of foreign-controlled cultural industry shutting Canadian cultural goods and services out of the market with impunity, in a weak or ineffective policy context. Cultural products are not products like any other, as has been mentioned before. That fact was recognized by the Canadian government when it sought and obtained the cultural exemption clause in the free trade agreement in NAFTA. The fact that cultural products play a defining role for Canada as a nation is also a reason why Canada remains a key proponent of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

For the past several decades, the operating principle in Canadian cultural policy has been that Canadian ownership and effective control of our cultural industries will ensure more Canadian content is made available to Canadians. Canadians are more likely than non-Canadians to tell our own stories and to present our own view of the world based on our own values. Statistics support this belief. Canadian-owned firms are responsible for the overwhelming preponderance of production by Canadian artisan creators, even when they have only a small share of the domestic market.

It's also worth noting that Canada currently forbids foreign investment in Canadian broadcasting and telecom services. It simply prohibits foreign nationals from controlling those services. There is also no evidence that lack of foreign investment has hurt either industry.

Garry.

• (0920)

Mr. Garry Neil (President of Neil Craig Associates, Canadian Conference of the Arts): Thank you, Alain.

Others have explained the interconnectedness between Canada's telecommunications and cable companies. All the big players now offer wireless and home telephone, radio and television services, and the Internet. Between Canadian cable companies and broadcasters, all the big players own services that produce, acquire, and schedule television programs and movies.

We don't have time to fully explore the international trade implications of opening up our foreign ownership rules; however, we are extremely concerned about the implications of NAFTA—notwithstanding the so-called cultural exemption—and specifically its chapter 11, which provides foreign investors with a right to sue the Canadian government and seek compensation for government actions. This includes those regulatory agencies such as the CRTC, which investors believe violate their rights under NAFTA.

So what are we concerned about here?

First, in relation to NAFTA overall, we would point out that the so-called cultural exemption is limited in scope to the cultural industries that existed at the time. Importantly, this did not include the new media sector, such as interactive television, computer games, and so on.

Second, chapter 11 rights could potentially come into play in two ways. If the rules in telecom were changed, a foreign company that decided to invest in a Canadian cable company or broadcaster could structure a deal in a way that would mirror the new telecom rules. If the CRTC were to prevent them from proceeding, they could launch a chapter 11 challenge on the basis that they were being treated unfairly in relation to a direct competitor operating in the same marketplace.

If foreign companies are permitted to enter, or force entry, into Canada's broadcasting system, existing rules and regulations relating to the production and distribution of Canadian content productions may be sustainable since the foreign company is entering the market when those rules exist. But if the CRTC or the government were to try to update the rules to reflect a new environment, the foreign

company now operating in Canada might have a cause of action under chapter 11.

CCA continues to believe that some regulatory requirements should apply to all platforms with respect to the production and exhibition of Canadian programs. If such a policy were to be adopted, it might be unsustainable with respect to foreign-owned companies.

There are, of course, other reasons to maintain the current restrictions on ownership. We will leave it to others to point to the threats to Canadian sovereignty and simply note that most of our major trading partners, including the E.U. and the U.S., also maintain foreign ownership limits, particularly in broadcasting, which is deemed to be a sector of vital national interest. Subjecting Canadian communications infrastructure to foreign ownership or control presents a substantial risk that foreign national interests may dictate how we can use this infrastructure, a point that has been made clear on several occasions within the past century.

Alain.

• (0925)

Mr. Alain Pineau: The complexity and interconnectedness of the various instruments set up to promote and sustain Canadian cultural expression cannot be fully appreciated by taking a scattergun approach to federal policy development. Opening up foreign ownership and control of our telecommunications can only lead to tremendous pressures to do the same in cable and broadcasting.

The potential impact of any such move through international trade must be fully understood by parliamentarians and by the government. New distribution technology opened the world to Canadian cultural products. It is crucial that we not jeopardize the ownership requirements and other regulations and subsidies that ensure such products are made.

It is for these reasons that I would ask that the amendment included in omnibus Bill C-9, modifying subsection 16(1) of the Telecommunications Act, to include satellites, not be passed. This is not the way to change the rules of the game—through the back door.

Thank you for your attention.

The Chair: Thank you very much.

We'll now deal with questions and comments from members of the committee, beginning with Mr. Garneau.

[*Translation*]

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chairman.

First, I would like to thank you for coming and expressing your opinion on this extremely important subject. Your views are very important to us and I want to assure you that, for my party, our country's cultural sovereignty is not negotiable. It is absolutely essential that we protect our culture here in Canada. I am very pleased that the broadcasting legislation is not on the table today or in the coming months.

[English]

I have a question for all of you. There's a hypothesis floating around a lot these days that says Canadians are not getting sufficient access—I'm talking to not just old media but primarily new media—and that Canadians are not getting sufficient access to the information they want to have. They're not getting it at the costs they would like. They're not getting the choice they would like. They're not getting the speeds they would like when we're talking about the Internet.

There's the theory brought forward that, "Well, we can solve this, because the problem is due to a lack of competition." Following through on that reasoning, the next point that's brought up is, "Well, we can increase competition by having greater foreign investment, and we therefore should consider foreign ownership as well to bring in this outside capital."

Of course, the whole issue came above the radar screen with the recent decision concerning Globalive, where the government reversed the CRTC's decision and decided, in fact, that Globalive satisfied Canadian requirements—and, in my opinion, effectively changed foreign ownership rules unilaterally in the process of making that decision. But the government certainly wants to look at foreign ownership. They've made it very clear in their throne speech.

What do you think of the hypothesis I've brought forward that Canadians want more, they believe competition will help, and competition requires foreign ownership? Is that a flawed solution?

I would like to hear your opinions on that.

The Chair: Go ahead, Mr. Ouimet.

• (0930)

[Translation]

Mr. Michel Ouimet: I come from Bell myself. There are a number of assumptions in what you said, but it is certain that CEP has been opposed to raising the restrictions on foreign policy for more than 35 years. Here we're talking about Videotron, Bell and Telus, but Bell and Videotron are the ones I know best as regards the modernization of their networks and high-speed Internet access in particular. Those companies still target the major centres.

You're asking whether competition would be more beneficial for Canadians. That might perhaps be the case in the major centres like Montreal, Toronto and Vancouver. Subscribers would be better served. However, in the areas adjacent to those major centres or out a little further, in the rural areas, people have been fighting for years for universality and access at the same price. It costs a great deal more to serve rural areas because it is extremely costly to install networks in those regions.

I believe that none of the stakeholders here have any trouble with Canadian competition as it

currently stands. As you mentioned, the government has decided to reverse the CRTC's decision, which we think is appropriate. That's what scares us. Globalive's entry in the cellular market leaves the door wide open. As noted in the media:...the government has just allowed foreign ownership in Canada beyond what is provided for by the act. Every foreign company that can find a front can now enter the country by replicating the model.

Here we're talking about the Globalive model. That company is a small communications player, but if the foreign ownership restriction were raised and companies like AT&T, Verizon, Deutsche Telekom and Nippon Telegraph and Telephone decided to come to Canada, they could buy Bell, Telus and Videotron in one fell swoop. Who would the Canadian clientele then be served by? What would happen to jobs in the sector in Canada? Of course, direct customer service would remain here. Technicians and their trucks couldn't be sent to India or Japan. However, all administrative jobs would be transferred elsewhere.

Here's the best example I can give you. As I told the chairman earlier, we represent the employees of Teleglobe, which was bought up by Tata Communications, an Indian company. Eighty per cent of the jobs of the members we represent were transferred to India. It is clear that, if we allow foreign companies to invest in this market, that will not only constitute a threat to everything we've mentioned in our presentation, but it will also ensure that jobs are transferred elsewhere. That's what troubles us.

Mr. Marc Garneau: Would anyone else like to speak?

The Chair: Mr. Pineau.

Mr. Alain Pineau: Mr. Garneau, I would like to answer your question on the assumption. I don't know whether this is what Canadians want, but I can tell you I found this in today's *Citizen*—it's an advertisement for the new WIND service. It's selling very well to Canadians, who think that telecommunications are too expensive.

So something's not working in the system. That said, we don't think this is the solution. It's something else. Competition is part of the problem. Regulation is the other part.

Market forces don't often meet expectations regarding the common good, despite what we may think. The individual good, yes, but not the common good. A nation defines itself based on common goods it generally pursues through regulation. That's what Canada has done. In addition, what Mr. Ouimet said earlier is terrible because we were global leaders in telecommunications. When I was a young boy, that was one of our achievements, as well as the sale of iron from Ungava. I don't know where the iron from Ungava went, but I do know where our brains are going, where our creativity is going, and that's outside the country, not here. We look at the knowledge society, creativity, and we're selling our creative businesses. I don't understand that. That's why I'm telling you that the satellite shouldn't be the first finger in the dike.

The Chair: Thank you, Mr. Pineau.

Ms. Parker.

[English]

Ms. Maureen Parker: I think the government is right to be concerned about those issues, access and speed and cost. Those are things to be concerned about. That's why we are recommending yet another study. I know you think, "Yet another study", but we really are in the midst of a digital revolution. We can tell you that because we're really in it. The people who are creating this content are in it. We're working one day for Rogers Wireless, creating web series. We're delivering broadcast content. It's all over the map right now.

So those are valid concerns. We're not economists, but if you conduct a study and you look into how to address them, I just question whether or not foreign ownership will be the answer when you weigh all the other problems, the integration with other businesses, convergence, consolidation. It's a very big puzzle.

That's why we do recommend that if you are looking for answers in these areas, important answers, you conduct a review and you carefully analyze what are the pros, what are the cons, and what are the problems. Will foreign ownership address some of these things?

I question whether a foreign company would actually want to provide services in Kapuskasing. But maybe we'll be surprised.

We recommend that you do conduct a review, given the changing times.

• (0935)

[Translation]

The Chair: Thank you, Ms. Parker.

Mr. Cardin.

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chairman.

Good morning, ladies and gentlemen. We are here as a result of the government's decision to reverse the CRTC decision to allow Globalive, that is to say foreign interests, to set up shop. The unions said at the time: "This decision is clearly illegal and an affront to Canadian democracy."

No laws have been changed, but no consideration was given to the CRTC decision or to the will of Parliament or parliamentarians. Furthermore, in the Speech from the Throne, the government clearly stated: We want foreign interests in telecommunications. Implementation of the budget resulted in amendments to the act and enabled foreign companies to acquire satellites. So, contrary to what Mr. Garneau said earlier, the government clearly intends, in practical terms, to sell foreign interests content as well as equipment.

How could foreign ownership jeopardize sovereignty in all its forms, including culture and security? The government clearly states that it's for the sake of competition, to create more innovation. Do you think it would be possible to have healthy competition in the current context and, if so, how? How can we pursue, maintain and even increase innovation with strictly Canadian interests and, in addition, give the entire regional population access?

[English]

Mr. Peter Murdoch: Let me begin by saying, first of all to Mr. Garneau, that in terms of the cost, speed, choice, information, etc., all you have to do is look at the ads or read the AGMs of all the big companies: they have those bases covered. Look at the ads; they

have speed, choice, and so on. So I think the very companies that you suggest might benefit from foreign ownership will tell both shareholders and customers that they have the bases covered right now.

On our concern about the crossover between foreign ownership, particularly in broadcasting, I'm not going to review the entanglement we now have with telecommunications and broadcasting. I think it's self-evident. Again, all you have to do is look at the ads and see where the Internet, television, and telecommunications intersect. It's there that it's happening.

Let me give you an example that will demonstrate our concern. Say Fox News buys CTV, or has enough muscle, in terms of its investment, to start making some decisions or helping some decisions. Why wouldn't Fox News ask why they need a Canadian correspondent and a U.S. correspondent in Jerusalem? Why wouldn't they ask if they need only one correspondent there? And believe you me, that one correspondent will be American. Why do we need so many correspondents and reporters on the Hill? Why do we have...? There will be a shaping of Canadian news that is not there now, a polarization of Canadian news that is not there now but is clearly there in the American media.

More importantly, we have a very distinct point of view on both our own politics and international politics that I think in some ways we can be very proud of. It helps provide the stature we have in this world. If we start to allow foreign investment to shape that kind of coverage, we will find ourselves in serious trouble.

• (0940)

Mr. Garry Neil: I want to quickly make three points. The first is relative to satellites and foreign ownership of satellites.

Let me put the following hypothesis on the table. General Electric, which is heavily involved in the satellite business around the world, buys Telesat or a Canadian satellite company. One of my arguments is that it then might have rights under chapter 11 of NAFTA to challenge government and CRTC regulations that would prevent it from giving preference to NBC Universal, because that's owned by General Electric, and perhaps even to Comcast, because that will most likely soon be coming under the ownership of General Electric as well. So even in the satellite area you see the overlap with the others, as we've been saying.

Second, I don't understand the notion that we don't allow foreign investment in our telecommunications business. Orascom owns 65% of the equity of Wind Mobile and provided 100% of the debt financing. The CRTC said that was okay, but you can't control it in fact—which they do under issues like the veto rights they have, and liquidity rights—so the ability to fundamentally control the direction of it. But it seems to me that is foreign ownership: 65% equity ownership, and 100% of the debt financing. Why do you need any more if it's about investment and competition? That's the point I make.

Third, as both of you pointed out with your excellent questions, and as Maureen said earlier, this is a very complex issue once you begin to drill down and explore the questions of choice for consumers and the price we pay. I hate how much it costs for my BlackBerry, and I know from my European colleagues how much cheaper it would be if I had a supplier from Europe. But also involved in there are the fundamental questions of Canadian content, Canadian sovereignty, and our right as a people to decide that we want our culture to be seen on our airwaves.

Thank you.

The Chair: Thank you, Mr. Neil.

Madam Parker.

Ms. Maureen Parker: I'd like to answer Mr. Cardin's question about whether it will affect our cultural sovereignty.

Just to touch on the theme that I think you're hearing a lot of us discuss, it's the integration of these businesses. That is new. That has greatly changed over the last three years. We are now poised to see Shaw Communications purchase Canwest, a conventional private, with really most of our specialty channel holdings. That's going to be quite a move in our industry.

The thing to know about broadcasting...and I know that none of you want to talk about broadcasting. Sometimes I don't want to either. But it's kind of the elephant in the room. You are going to have to talk about it, because it's there, and it's all part of this mix. Broadcasting is a difficult business. I hate to admit it, because I don't like to give them that, but it's a difficult business. Your profit margins are variable. You're buying content that is very expensive and that you are not sure is going to perform in your marketplace. It's a real risk. Who knows what show will be a hit, and what will be a miss? You still had to produce it, you had to do all of the R and D, and you're carrying that cost.

In our marketplace, because it is small, you have certain recoupment issues. But the thing about addressing this by just keeping it to telecom is that you can't, because it's all integrated. And broadcasting is a business with lower profit margins. So you are going to have to look at that and you're going to have to ask if it's possible to keep those things separate. Broadcasting is our cultural sovereignty. Those are our stories. That's where we tell stories about ourselves, we learn about our history and our values, our communities—that's where it's at. That is at risk if you open this up.

● (0945)

The Chair: Thank you, Ms. Parker.

We're now going to go to the next member to ensure that everybody gets a turn.

Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair.

I think I will start with a point of agreement.

I think I heard you acknowledge, Mr. Pineau, that competition is just one piece of the puzzle and regulation is another. I think you'd get some agreement from our side on that. I think we definitely have to find the balance, and that's the approach that the government has taken.

Certainly any company that operates in Canada is going to be operating under Canadian law. We have to remember that. We control the laws in this country, and any foreign company that is operating in Canada is going to be following Canadian law as it relates to anything, including broadcasting.

I've heard a lot of arguments. A lot of things have been thrown up against the wall here. One that caught my ear was the issue of spectrum. Just to clarify, we license the use of spectrum, and the licence is the asset in bankruptcy matters, not the spectrum itself. Spectrum use must follow the Broadcasting Act and other legislation. In the case of a foreign owner who goes into bankruptcy, spectrum sales are still subject to the Investment Canada Act, the national security net benefit reviews, all of those things. So I'll make a clarification there.

I want to go to something that I believe Mr. Murdoch was talking about as it related to foreign investment.

You said that with any new research and development that a foreign company undertakes in Canada, consumers might at some point benefit from it. But the foreign companies will hold the patent rights to this technology, not Canadians.

Would you also say that the converse is true? If a Canadian company is operating in another country, would Canadian companies benefit from that? Is that fair to say?

Mr. Peter Murdoch: If I understand your example, you're asking, if a Canadian company in California invents product A or technology A, would Canadians benefit from that?

Mr. Mike Lake: Right.

Mr. Peter Murdoch: I suspect they would. But I guess—

Mr. Mike Lake: You also talked in your presentation about Canadian leaders, Canadian champions. We know that in terms of foreign direct investment, while there may be some impression of... the words "hollowing out" come to mind, as used by the opposition. The fact of the matter is that Canadian companies are doing more in terms of foreign direct investment in other countries than the converse, to the tune of about \$130 billion in the last year that numbers are available. It's a very significant amount.

So to turn your argument around, the reality would be that if the converse is true of what you said, Canadians should be benefiting. We have these champions, and if we make changes to our law, open up to foreign ownership and change the rules, it means that we'll also have more opportunities in other countries and Canadians will benefit from that.

Mr. Peter Murdoch: I am aware that we invest more than they do here. I'm aware of that. I would venture to say, though, specifically we're talking about some very key industries here; I'll mention that later on. These are different industries. This is not a furniture company. This is essential to our national identity and to our national strategy, to our security. So there is a difference in the companies. We would want to protect this more than perhaps any other.

The other thing is that, yes, Canadians could benefit from a patent that was done in California. Our concern now is that in this particular industry, there is a kind of whimsy, if you will, on the part of the owner of that patent who can say either that he will allow you to benefit from it or he will not. And in this industry, which is very key and certainly in the past 10 or 20 years the fastest-growing industry, you would see that it could become a matter of national security.

Our concern would be that somebody would say, yes, we invented that in Orillia, but you know what? It's going to stay here in Wisconsin.

So the patent-holders have the ability to make that decision—as we would, you're absolutely right—but because these industries are so key, we say leave them alone from that kind of whimsy.

• (0950)

Mr. Mike Lake: I think the point, though, is that Canadians would benefit. I think what I hear is a real underestimation of the value of Canadian companies, the skill sets of Canadian companies, the ability of Canadian companies to compete, and that bothers me.

One of the things we have heard through this global slowdown on the whole, economically, is that Canada, among developed countries, is going to come out of this slowdown in the most competitive position compared to when we went in. Virtually every commentator is saying we're going to come out more competitive than we went in. It's because of our openness to trade, our openness to the global environment in everything. I think it's no different in telecommunications.

Let me assure you, I hear your concerns, all of your concerns, about broadcasting. Any company operating in Canada is going to be subject to Canadian laws, and we control the laws of Canada. But we can't shortchange our consumers, and our consumers are being shortchanged under the rules as they stand right now.

We talk about technology as it relates to rural areas. One of the things that openness to trade and openness to investment and this international sharing of knowledge does is bring in new technologies. Really, the answer to the problems faced by rural areas in terms of access to broadcasting and everything else relates to technology. As we increase our access to that technology, our rural areas are going to be better served.

Again, please don't come back to the question of culture and broadcasting. We can protect that using the laws we have—

Mr. Alain Pineau: No you cannot. You're not listening to what we're telling you.

I'm sorry—

Mr. Peter Murdoch: Alain, just hold on a minute.

First of all, we don't know for sure, by the way that...and you're right, all the commentators are saying that this country, thank heavens, is going to come out of the recession in excellent shape. I don't know whether that's because of foreign investment; I think it's because we've had a very well regulated, and, if you will, fairly conservative view in our banking system. Regulation is what has protected our financial community.

So when we move from regulation and what it can do for an economy, and compare that to telecommunications, where we have in cable...with 51% profit margins, and making enormous amounts of money, with completely unregulated for the consumers for their rates.

Regulation is what's going to help us, not foreign investment.

The Chair: Okay, thank you, Mr. Murdoch.

Mr. Pineau, and then we will go to our next member.

Mr. Alain Pineau: I apologize for my outburst—

Mr. Mike Lake: Apology accepted

Mr. Alain Pineau: —but you keep saying, “What I'm hearing”. Well, what you're not hearing is that...

I disagree fundamentally with both you and Mr. Garneau. We're not talking about the Telecommunications Act here. We're talking about the Broadcasting Act. You cannot erect a firewall between the two—that's what we're telling you—for a number of reasons, including the trade negotiations you are talking about, the trade agreements we have in place. Mr. Neil outlined what the implications were from one side of the firewall to the other. They're very clear and they're very real, and I ask that you consider this.

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

Madam Parker.

Ms. Maureen Parker: I'm not really sure what to add other than to say, you know what? We're not afraid to compete. We compete every day in a very hard business. There's nothing harder than working in a creative industry where you don't often get paid and there's very little appreciation. So just to let you know, we're really good with competition.

Where we don't agree with you is that we don't think this is going to solve your problem in terms of access. Granted, there is a problem. Let's figure out how to solve that problem. We don't think opening up foreign ownership regulations is the way to solve it.

I'm just going to leave it at that. There's a lot at play here. These protections—I don't even like using that word, “protections”—or these laws were brought into place for a reason, and if you are thinking that they don't work or we need to remove them, then you have to examine all the ramifications and find out if this is an actual way to solve your problem of accessing remote regions and higher speeds. I don't think it's going to get you where you want to go.

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

We're going to Mr. Garneau on a point of order.

Mr. Marc Garneau: I just want to say that both the Bloc and Mr. Pineau have lumped me in with the Conservatives, and I take exception to that.

Voices: Oh, oh!

The Chair: That's not a point of order, it's a point of information, but it stands on the record.

Mr. Masse, go ahead. You have the floor.

• (0955)

Mr. Brian Masse (Windsor West, NDP): Seeing that you're actually supporting the Conservative budget anyway, it's easy to have that confusion....

Well, whether you're supporting or not supporting it, I don't know; it depends.

At any rate, I think one of the interesting things that has happened, and you hear it here today, is that Canadians are supposed to celebrate the fact that Canadian companies are getting record tax cuts right now. The government's position on this is, "Well, yes, we should allow foreign ownership to happen here, it's okay." The way to rebuff the argument is to say that Canadian companies are investing abroad.

So we're supposed to celebrate that Canadian companies are deciding to invest overseas and into other foreign markets as opposed to Canadian companies and Canadian jobs. It doesn't do me any good in Windsor West, where we have an official unemployment rate of 15%, probably about 25% in total. We're supposed to be happy with the government's position to say it's terrific because Canadian companies are investing in Asia, Europe, and anywhere else—the southeast, and even in Michigan—and not in Ontario and elsewhere.

There's one thing I'm really interested in hearing a comment on. Right now there are no limitations on foreign investment; it's controlling shares. I agree with some of the discussion that has taken place here with regard to the content. I want to hear a little bit more, though, about the integration of the industry between the Internet, television, and even the airwaves. One of the things we've seen is this convergence, which is not dissimilar to other areas. Look at the oil and gas sector. You don't need to have collusion, because there's no competition due to the vertical integration of the industry. And that's what I'm concerned about.

I saw Mr. Wallace joke about how fewer reporters on the Hill would be a good thing. At the same time, though, we would—

An hon. member: Hear, hear.

Voices: Oh, oh!

Mr. Brian Masse: I was just joking—I'm not pointing it out to be negative toward Mr. Wallace—but the point is that you would then have less diversity in the types of stories and the interest, and then you would see the same thing happening. We all do this as members of Parliament: we check our hits in terms of where we've been. If you get in a certain chain, it then goes across the whole field, but in my opinion, you would then have less discussion about Canadian content, because we're all part of the same food chain.

So I'd like to hear more about that integration and the concerns about that, because I think that is important. And I do like to talk about Canadian content.

The Chair: Thank you, Mr. Masse.

We'll begin with Ms. Schechter.

Ms. Rebecca Schechter: As I said in our presentation, it's quite possible now that one would be hired to write something for the Internet that would end up on television, or with a mobile phone company that wanted specific dramatic content partly to lure customers into buying their service. They could do that, and they're integrated now, so if it becomes a success, it might end up online. We've also seen a growing number of cases that involve web series; people are hired to write small dramatic series for the Internet, which are then being put together and appearing on television. It's only a matter of time before this goes through mobile as well, because mobile is one of the main platforms now for alternate viewing of dramatic material.

As far as content and Canadian stories go, this is a challenge in our current system with our current laws and our current regulations. We as an organization are lobbying the CRTC to strengthen our ability to tell our stories and to ensure that our domestically owned broadcasters still hire us to do that, because their interest is just to show American programming.

From Mr. Pineau we had the example of film. It's different in television because it is regulated, but it's not easy. It's still a struggle. Put foreign owners and American broadcasters, who are the strongest entertainment bullies in the world, into the mix, and we'll need good luck to have a chance of keeping a foothold with our own stories about Canadian life. We might still employ Canadian writers, but they'll be writing about American life, and that's what we don't want.

• (1000)

The Chair: Mr. Murdoch, go ahead.

Mr. Peter Murdoch: You know, I think this is.... It's the post office. It's television. It's even a phone. It's a game. I mean, it's everything. And there's no way to disentangle that. Not only that; I don't believe any telecommunications company or broadcasting company really wants you to.

There's an old Arab saying: the dogs bark, but the caravan moves on. Well, you know, this caravan is moving on. I don't think there'll be any way we can disentangle that. Maureen and others have already spoken to what this means for culture.

What we have here now, as you know, is Canada's largest media empire, Canwest, in bankruptcy protection in both its television operations and its newspapers. On the television side, the leverage held by an American investment company, Goldman Sachs, inevitably is going to decide who is going to own that Canadian company. It's going to be an American investment company making that decision—sadly, because of a CRTC decision.

We're there, and it's frightening, because it's quite possible that we're going to see even further concentration of ownership.

That's enough from me.

Mr. Brian Masse: It'll probably be a private equity firm that holds that. We won't even know.

Mr. Peter Murdoch: Yes.

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

So that people looking at the transcript of this committee later will understand, I'll just note for the record that when you were talking about "this", you were referring to your BlackBerry.

Mr. Peter Murdoch: Thank you.

The Chair: We'll suspend the meeting for two minutes to allow the panels to switch.

• (1000) _____ (Pause) _____

• (1005)

The Chair: We've come out of suspension. We'll now go to our second hour of witnesses.

We have in front of us two different groups.

[*Translation*]

First, we have Ms. Solange Drouin, from the Association québécoise de l'industrie du disque, du spectacle et de la vidéo. Then we have representatives from the Alliance of Canadian Cinema, Television and Radio Artists.

[*English*]

We'll begin with opening statements from the two different groups, beginning with Madam Drouin.

[*Translation*]

Mrs. Solange Drouin (Vice-President and Executive Director, Public Affairs, Association québécoise de l'industrie du disque, du spectacle et de la vidéo): Good morning.

My name is Solange Drouin. I am Vice-President and Director General of Public Affairs at ADISQ.

First, I want to thank you for inviting us to appear before you today to discuss and consider with you the important issue you have undertaken to study under your current terms of reference.

I will tell you at the outset that ADISQ believes ownership is key in the development of Quebec and Canadian song. Perhaps I can add a few words about the organization I represent.

ADISQ is a professional association representing producers of discs, entertainment and videos that mainly develop the careers of French-speaking Canadians both in and outside Quebec. For more than 30 years now, ADISQ has been carrying out its mandate to implement a legislative, regulatory and financial framework to foster development of French Canadian song. We do not favour Canadian ownership for purely ideological reasons, but rather because it has proven itself, I would note, for more than 40 years. The people who adopted these measures were great visionaries and, in the current context, I hope to convince you that they still are.

This extent of Canadian ownership is good for artists, for businesses and for Canada. Today, the Canadian music industry is doing well and businesses are prosperous. We are very pleased about that. I would like to illustrate how we in our industry view the role that Canadian ownership has played. Independent Quebec producers, who I am representing today, are responsible for more than 95% of released albums of Quebec singing artists. When it comes to buying discs, 4 out of 10 Quebecers choose discs by Quebec artists rather than those by international artists. This is a great success for which we are envied in a number of markets.

However, this has not been a spontaneously-generated result. It has been made possible, of course, by the talent of the artists and the vitality of the entrepreneurs, but also by all the government measures that have been established in a sustainable manner, that have had their effects and are still having those effects. In analyzing all government measures, it is very easy to understand why Canada and Quebec were champions of implementation of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Nationally, we believed in the lasting impact of the cultural policies in place. As I said, one of the key parts of our success in our industry has been the imposition of quotas by the CRTC on French-language radio stations. As I hope you know, this is a 65% quota for French-language vocal music.

This window guarantees us access to the Canadian audience and also enables singing artists to reach their audience. The act of creation must not be dissociated from distribution. To promote creation, you have to be concerned with the successful distribution of that creation; you cannot have one without the other. This 65% requirement for French-language vocal music and 35% Canadian content, as you know as well, was made possible by the fact that the government was able to exercise control over Canadian businesses. Obviously, in actual fact, that made a difference, and today, the results I was talking about are possible.

In the music industry, we unfortunately saw an eloquent example of what could happen to content requirements if the Canadian ownership condition were not in place. We witnessed that experiment very recently. In 2005, XM Radio and Sirius Radio applied to the CRTC for a pay audio programming undertaking licence. Those two companies proposed to use a foreign satellite to broadcast their products in Canada. As that was not permitted, the CRTC had to assess the possibility of using a foreign satellite to provide a programming service. The government deviated from its principle regarding the use of Canadian satellites for the purpose of that service. What happened? XM Radio and Sirius Radio unfortunately convinced the CRTC that, in view of the lack of capacity of the foreign satellite broadcasting their products in the United States, the CRTC could not set requirements on the French-language and Canadian content levels it would have wished to have. Consequently, in its decision, it granted ridiculous French-language content percentages. I repeat what I said at the time. It was only 10% French-language content, whereas it was 65% for radio stations, for example. When the CRTC analyzed this kind of service way back in 1995 or 1996, 25% of stations had to be francophone.

•(1010)

Our Canadian service is what it is because of the lack of space on a satellite we do not control. So there is a ridiculous amount of francophone and Canadian content that isn't any better.

For us, this is really a very practical and important illustration of what the lack of Canadian oversight of programming services could do even with a broadcasting act. The ownership principle, which was frequently criticized in that decision and for which we were not heard, tells us that you really have to control the entire chain of distribution channels in order to really achieve our ends and implement our policy.

Today, as we know—and I would be very open to the idea of discussing this with you—the distribution channels we're talking about have increased in number and diversity. The music industry—I'd like to talk about that, if you give me the opportunity during the question period—radio and telecommunications are going through major upheavals. The telcos are now users—I would emphasize that we said that—and the distribution businesses offer telecommunications services, and it's not over.

There have been study groups such as yours, and commissions, and reports have been produced for more than 15 years. It's not as though we have just started talking about convergence. I was here 15 years ago and they were talking about convergence at the CRTC. I was at ADISQ, but they were talking about it at the CRTC. The situation is merely accelerating right now. I'm somewhat surprised today to hear people deny this convergence as we're talking about it. This is in your working group and study group documents. I'm a bit surprised that this convergence isn't an established fact for everyone.

In its wisdom, the Government of Canada took care to develop telecommunications and broadcasting legislation by issuing governing policies in each of the sectors, concerning, obviously, foreign ownership, national sovereignty and content. The first step, in my view, before doing what you are doing today, which is to assess one aspect of that policy, would be to review all of those policies in order to consider whether they are still on track, whether they are obsolete today since, as I was saying, they were implemented more than 40 years ago. In our opinion, the real question would be to review the policy as a whole and then we could perhaps see whether ownership is the right way to go. You've come up with a measure before even analyzing whether anything should be changed. There's nothing to be removed from the telecommunications and broadcasting policies. They were well thought out. There were really more intelligent people than us in government 30 and 40 years ago.

We think that, whereas convergence should mean there are more of these governing policies addressing businesses that take on a number of functions, some claim that convergence should put an end to policies. In their view, the more different functions a business takes on, the fewer obligations it has toward Canadian society. It's quite surprising to hear that. With all due respect, we assert that it is the complete opposite that should occur.

In conclusion—and I know I have probably almost finished—I would like to go back to one point and the objective that have been referred to here, and to continue on the fact that consumers are

entitled to better service and the lowest possible price. This is a highly praiseworthy objective, as Maureen Parker said earlier.

I have six points for your consideration, and here's the first. In my opinion, this isn't an ideology that we should pursue blindly, in the sense that it must not be the only focus of our case analyses. If consumers got what they wanted, that would be the best service for nothing. As a French friend of mine recently said, I want to pay nothing for my steak and chips. And that's what consumers want. That can't be the only thing.

•(1015)

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): In euros or in dollars?

Some hon. members: Oh, oh!

Mrs. Solange Drouin: Second, before concluding that Canada is poorly served, I invite you to reread the 2008 CRTC Communications Monitoring Report, the title of which no longer includes the words “radio-television and telecommunications”, but rather “communications”. It can be seen in that report that Canada is not at the head of the class in certain respects, but that it is doing very well in others. So before concluding that Canada is really very bad in the area of telecommunications, I suggest you draw some major distinctions.

Third, the telecommunications ground rules have changed. It's true that we started out with a monopoly, but, as you know, there has been a frequency auction, and new players will be appearing in the market—they are appearing already, whether they are being challenged or not. This will change the landscape. We should perhaps wait to see how things change before changing anything else.

Fourth, I would like to address the issue of foreign capital percentages. When we listen to you from Montreal, when the telecommunications people appear before you, I would be very pleased to hear you ask a number of questions about the percentage of foreign capital they already have in their businesses. I bet you they haven't yet filled up on foreign capital, as provided by the CRTC measures, or in the manner in which they are permitted, that is 20% and 33% of the holding companies. Please ask them that question because we can't get access to those answers. Make sure they answer you.

Lastly, with regard to having to cut prices for consumers, I ask you to look at the profit margins of those businesses. In 2008, margins reached 46% for their wireless telephone operations.

First, they're seeking foreign capital. And yet, I imagine that, with 46% profit margins, they must have a little money in the bank and perhaps some money to invest. So do they really need foreign capital?

Second, why isn't there any return to consumers if those profit margins are so high? In my environment, I'm not used to living with businesses that have 46% profit margins because they don't exist.

Lastly, for new entrants, this no doubt means that, for Canadian businesses that have not yet thought about it, there's a lot of money to be made in this industry and it would be good to invest in it.

The Chair: Thank you, Ms. Drouin.

Now let's go to ACTRA.

[English]

Ms. Ferne Downey (National President, Alliance of Canadian Cinema, Television and Radio Artists): Thank you.

Mr. Chair and committee members, good morning. My name is Ferne Downey, and I am an actor and the national president of ACTRA. Today with me is Stephen Waddell, our national executive director.

Thank you for having us here today and for giving us this opportunity to speak on behalf of 21,000 performers in film, television, sound recordings, and radio and digital media who live and work in every corner of our country.

Canada's professional performers believe that ownership of our cultural industries by Canadians is crucial not only for our cultural sovereignty but also for our economic sovereignty.

We also believe it is a mistake to think you can relax foreign ownership rules for telecommunications without negatively impacting Canadian culture.

With increasing corporate consolidation and the rapid evolution of technology, telecommunications and broadcasting are quickly converging. Vertical integration means that telephone companies own cable, broadcast and satellite assets, and cable companies own telecommunications, satellites and broadcasters. Moreover, content is being delivered to Canadians through all of these channels. Telecoms and ISPs are effectively becoming broadcasters. You can no longer separate them.

If Rogers, Telus, and Bell's telecom interests are sold off to foreign interests, we will lose control not only of our telecom and satellite industries; we'll be one small step away from ceding complete control of our broadcasting and media industry. To me, that would be catastrophic.

Canadian broadcasting is a public good. It is critical to the health of our democracy and our unique cultural identity. Broadcasting shapes our opinions, our outlook on our community, our nation, our world, and ourselves. It is too influential, too precious, and too tied to who we are to let it fall into foreign hands.

We are already largely dominated by American culture. Our films barely make it into the multiplexes, and we struggle and struggle to get Canada's private broadcasters to schedule our own programs in prime time. Our culture certainly cannot survive, let alone thrive, if our prime-time schedules are dictated by executives at NBC Universal in Los Angeles.

A healthy democracy needs diversity in programming choices and editorial opinions. We cannot have a healthy democracy when all of our newsrooms are in New York, Washington, and Chicago. How will we know what is happening in our communities? How will you, our elected leaders, communicate and learn about your constituents?

We believe Canadian voices are worth hearing, sharing, and celebrating. We must not open the door to foreign ownership and allow those voices to be drowned out.

I will ask Stephen Waddell to talk some more about the negative impact of opening up foreign ownership of telecommunications.

● (1020)

Mr. Stephen Waddell (National Executive Director, Alliance of Canadian Cinema, Television and Radio Artists): Good morning.

The desire to make our telecommunications and broadcasting industries stronger, to make them global players, to be able to attract the best ideas, push innovation, and increase our country's wealth—I get all that. But I don't agree that opening the doors to foreign investment is the only way, or the best way, to do that.

I also do not think that the drive to the top should be pursued at any cost. We've seen what happens to other industries when they are bought out by foreign companies. They come up here for a while, take advantage of some tax breaks, then shut the plant down and ship the equipment overseas, tossing Canadians aside to the unemployment line, their skills and knowledge with them.

In 2008, communication industry revenues accounted for nearly 4.5% of Canada's gross domestic product. Broadcasting revenues accounted for approximately one-quarter of that amount, and telecommunications revenues accounted for approximately three-quarters. These industries are simply too economically vital to be left to the whim of foreign conglomerates.

Canadians agree. We did a poll with CEP and Friends of Canadian Broadcasting that showed that 66% of Canadians believe broadcasting and communications are too important to our national security and cultural sovereignty to allow foreign control of Canadian companies in this sector.

These industries are the future of our knowledge-based economy. If we have no control or no voice, we will lose control not only of our culture but of a huge piece of our economy.

Canada is not alone in keeping the lid on foreign ownership. Almost half of OECD countries have restrictions on the ownership of telecommunications and broadcasting, including the United States. Sure, American companies trot around the globe snapping up other people's industries, but they look after their own.

Spain, Australia, New Zealand, Norway, Korea, and Japan also have restrictions. Yes, some have more liberal restrictions than Canada, but none of them are sitting within broadcasting distance of the biggest exporter of English-language cultural material in the world. We are uniquely vulnerable. It follows that we must be vigilant.

Some argue that foreign ownership is the golden ticket to giving Canadian consumers a break on their mobile and cable bills. There's no question that Canadians are being gouged by cable and telecoms. The problem here isn't lack of foreign ownership; it's lack of regulation. There is no evidence that allowing foreign ownership brings down cable or wireless bills and makes prices fairer, but there is proof that regulation does.

Besides, the government didn't need to bring Wind in through the back door to create more competition. We have a number of Canadian companies entering the market. Public Mobile has opened its doors, and Craig Wireless; Mobilicity and Vidéotron are not far behind. Why wouldn't we support our own and keep the money and innovation in our country?

We believe Canada's identity and culture will ultimately be undermined by the federal government's decision to grant a licence to Globalive, an Egyptian-owned and -controlled company, to operate a wireless service in Canada. The Globalive decision doesn't square with the requirements of the Telecommunications Act, including the requirement that all communications carriers be effectively owned and controlled by Canadians.

Both the telecommunications and broadcasting acts are quite clear, and I quote: "A Canadian carrier is eligible to operate as a telecommunications common carrier if it is a Canadian-owned and controlled corporation incorporated or continued under the laws of Canada or a province". Further: "The Canadian broadcasting system shall be effectively owned and controlled by Canadians".

The bottom line is that Canadians need to control our telecommunications and broadcasting. Current limits to foreign ownership must be maintained to ensure that our broadcasting and telecommunications industries are controlled by Canadians for Canadians.

Thank you. We'd be happy to respond to any of your questions.

• (1025)

The Chair: Thank you very much.

We'll begin with Mr. Rota.

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chair.

[Translation]

Thank you for being with us today. I would like to make a few comments on what Ms. Drouin said. That was very interesting. Changes were made 30 or 40 years ago. When I was young, we heard French songs from France. However, the quota and changes have made it possible for Quebec and Canadian songs to take their place. So that means the government plays a role in Canadian culture.

[English]

I'm going to just continue on the intertwining and convergence of satellite telecommunications and broadcasting and how they're coming together. Ms. Drouin gave an example about XStream and Sirius coming in and Canadians getting bumped off. That's one of the concerns I have, especially in the satellite business, because it seems that's the first one that people are starting to examine and want to get rid of because it's international. We don't have to worry about it.

We've seen the introduction of high-definition television, which takes substantially more bandwidth. Now 3-D television is coming up, and I believe it takes two and a half times more again. So we're seeing expanded requirement for bandwidth, and that's coming exponentially. Before we know it we'll all be watching 3-D television.

This is what concerns me. Similar to what happened with XStream and Sirius, as we need more bandwidth and band space, who's going to take that up, and where is it going to come from if the satellite companies aren't Canadian-owned or aren't regulated under Canadian laws?

So my question is this: as our demand for bandwidth expands, how do you see that affecting Canadian culture and affecting you in your jobs?

Mr. Stephen Waddell: Thank you for the question.

It's certainly going to be a challenge, but I think Canadians are up to it, and I think Canadian companies are up to it. Certainly Canadian creators are ready for that challenge.

Again, there's no significant proof that we can't in fact provide the capital in this country to acquire that bandwidth. It's certainly our view that the regulations should remain. The restrictions and the caps on foreign ownership should remain on telecommunications satellite and broadcasting. Capital is certainly available in this country to finance the expansion of the bandwidth, and clearly you've heard that evidence here today. We believe it's not necessary to cede control of our satellites, our telecommunications system, and our broadcasting system to foreign interests.

• (1030)

[Translation]

Mrs. Solange Drouin: I'd like to go back to your first point.

Both Canadian and Quebec cultural policies have contributed to the development of Quebec culture. I can attest to that in the case of song more than in any other field. In that area, I often still hear things that surprise me. Such as, for example, that this success in Quebec is due to the fact that we speak French and these are French-language songs. You have to know little about the singing world to say such a thing. If there is one cultural sector where it is easy for other cultures to penetrate, it is song. If people like French-language song from Quebec, it's not because they speak French: it's because the singing is good, and there has been financial support and regulation. People have discovered song, love it and now support it. That's very important in my mind.

I've also heard it said that, since things are going well now, it's no longer necessary to apply rules. That makes me think of a situation that I recently experienced. Someone whom I adored told me he was taking pills for high blood pressure but that he could stop taking them now since his blood pressure had stabilized. What will happen to him if he stops taking them? His blood pressure will go back up. I know this is trivial and that my example seems stupid, but I think this corresponds exactly to what is going on. It's not because things are going well that you should open everything up now. It's because we have this that things are going well. We must especially maintain the policies in effect so that things continue to go well. You must not imagine that we can withdraw all the rules in Quebec or Canada, that our culture is solid and that the Americans won't try to invest in our market because they're no longer interested in doing so. They've always been interested in that. That's still the case today. If we give them even the smallest of opportunities, they will come back into our market in force.

You also talked about those satellites. This is a field I had no knowledge in, but I did some research. We had to organize an accelerated course on the subject. I imagine Mr. Garneau knows more than we do about the issue. He can correct me if my remarks are incorrect. A satellite is a telecommunications business, not some other thing. If you open the door to foreign ownership of satellites, you will be opening it to telecommunications businesses. There are no specific provisions regarding satellites in the Telecommunications Act: there is an ownership rule for all telecommunications businesses, and it also applies to satellites.

I'm a lawyer by training, and when I heard, in connection with the budget, that we were going to start with satellites, I really wondered how that could be. A satellite is a telecommunications business. By changing the ownership of satellites, we will be opening the door even further. If that is not the case, I would like to know how you intend to proceed. Perhaps the lawyers will be more creative. I entirely agree with you that 3D will really require much more space in view of the fact that films and song, in particular, are increasingly broadcast via those satellites. Incidentally, we were already calling them death stars a very long time ago. That's true; you can check it.

BCE has just sold Telesat to Loral and another organization for \$3.25 billion. They have 13 satellites. This is a Canadian business that became the fourth largest satellite supplier in the world. The BCE people talked about what a good deal they had made by selling Telesat, and the buyers said what a good deal that purchase was for them. If they paid that price, it was no doubt because they want to develop the field. I believe in the development of Canadian satellites.

•(1035)

The Chair: Thank you, Ms. Drouin.

Mrs. Lavallée.

Mrs. Carole Lavallée: First, I want to tell you that I usually sit on the Standing Committee on Canadian Heritage. I am the Bloc Québécois heritage critic. It's strange for me to sit here on the Standing Committee on Industry, Science and Technology.

However, you must understand that the Quebec cultural world is very concerned about foreign ownership in telecommunications. In fact, everyone in the cultural field to whom I've spoken in Quebec tells me that telecommunications and broadcasting are the same. There's no doubt on that score. A number of people are even asking that the two acts, telecommunications and broadcasting, be merged because you can't tell the difference between the two.

Even Mr. Wilson, who wrote the report that has brought us here today and who submitted it two years ago, said it was very difficult to tell the difference even then. In spite of everything, he recommended just opening up telecommunications, not broadcasting. The industry department representatives come here and tell us they'll just be handling telecommunications, not broadcasting. That's impossible. In any case, I don't understand that.

Our colleague, Mr. Garneau, for whom I have a considerable degree of respect—I find him intelligent, brilliant—said he was pleased that they were handling only telecommunications.

I have a host of examples. The example I usually give everyone is wireless. It's considered a telecommunications business, in the Government of Canada's view. And yet we see that they make major cultural choices. They influence consumers in their cultural choices. By offering 16 applications, virtually half of which are American... This example concerns English Canada, but I figure that, if those applications were sold in Quebec, there would be no Scotiabank, but I imagine there would be the Mouvement Desjardins; there wouldn't be any *MacLean's* magazine, but there would be *L'actualité* and *Le Journal de Montréal*. In any case, they make cultural choices that influence consumers from a cultural standpoint.

Have you observed the same thing? And how can you cite examples in your field, and attest to them, to convince the other people around the table who are not yet convinced?

[English]

Mr. Mike Lake: We're almost there.

Voices: Oh, oh!

[Translation]

Mrs. Carole Lavallée: I know we will never be able to convince the Conservatives.

[English]

Mr. Stephen Waddell: Well, I think we can convince our colleagues in government on the basis that the government itself has said that these industries are integrated. It would be the Minister of Heritage, James Moore, of course, in setting up the new Canada Media Fund, who said that funding for broadcasting must always, and in every instance, include production for the web. There has to be a mobile component to the distribution of that production or else the production will not qualify for the Canada Media Fund.

That's the government's position, and that's the position with which the Canada Media Fund has been launched. It was launched today, April 1. We certainly support the government on the Canada Media Fund and thank the government for extending the Canadian Television Fund into the Canada Media Fund and financial support for that fund, without which Canadian production could not continue. So thank you.

I give that as an example.

[Translation]

The Chair: Mrs. Drouin.

Mrs. Solange Drouin: I talked about the successes in the music world earlier, but it's very difficult right now. Sales in the music industry in Canada have fallen more than 30% as a result, among other things, of illegal downloading over the Internet. In the past four years, Quebec artists have maintained their 40% share of sales, but total sales have fallen 25% as a result of illegal downloading, among other things, which is done in part over cell phones.

It's absurd to say that there has been no impact for us. The industry is in crisis, particularly as a result of technological developments. Governments have put other financial measures in place to help us, but this is clear to us. When the CRTC asked its question on its new media policy, we asked it to try to see how—without copying what is being done in conventional broadcasting—certain aspects of the regulations that have had very good effects could be integrated. We're thinking of the regulation of quotas, distribution orders of priority.

How could that be applied to the Internet? I hope you are convinced that the Internet is increasingly malleable and controllable. I won't cite any examples, which could follow me for a long time, of certain countries that force giants to bend to their policies. However, it is clear that the problem is never one of a lack of control over technology; it's a lack of political will as a result of which the decision is made not to touch the Internet.

It can't be said that there is no connection. On the contrary, there is a very direct connection in our industry. At ADISQ, we also monitor, every day, all the services that emerge and die on the Internet, using this new highway. Hundreds of services die. Free, legal services, with advertising, subscriptions, with downloading, etc., die every week, and I'm not exaggerating. This isn't the way of the future. This is a fact in our industry and has been for nearly 10 years.

• (1040)

[English]

The Chair: *Merci.*

Monsieur Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

Thanks to the guests for coming today. It's been a very interesting conversation.

The first thing, I just want to be clear...and I think in your submissions today, and the submissions of the previous panel. This study is about the Telecommunications Act, which includes the Radiocommunication Act and the actual Telecommunications Act. And I think you're aware of that. You're making the assumption that you can't separate the integration of the broadcasting views.

Can you tell me whether there is anything in these acts now that is affecting broadcasting directly?

Mrs. Solange Drouin: Could you repeat the question?

Mr. Mike Wallace: Is there anything in these two acts, the Telecommunications Act and the Radiocommunication Act, that is affecting the Broadcasting Act directly?

And second, just so you know, there is a satellite communications act. It's not called the "death star"—maybe you were looking it up wrong—but there is an act to deal with satellites.

Would anyone like to answer that question?

Mr. Stephen Waddell: Sure.

Nice to see you again, Mr. Wallace.

Mr. Mike Wallace: It's nice to see you again.

Mr. Stephen Waddell: Well, as I understand it—

Mr. Mike Wallace: It could be a yes or no, that's fine.

Mr. Stephen Waddell:—this committee is actually charged with looking at all three acts, including the Broadcasting Act.

Mr. Mike Wallace: Not based on the study that was approved by this committee.

Mr. Stephen Waddell: No, but I understood that the motion that set up this study included the Broadcasting Act.

In any event, Mr. Wallace, to get to your point, yes, the Telecommunications Act, in section 7, does require that the telecommunications perform an essential role in the maintenance of Canada's identity and sovereignty and that the Canadian telecommunications policy has as its objective to facilitate the orderly development throughout Canada of a telecommunications system that safeguards, enriches, and strengthens the social and economic fabric of Canada and its regions.

I interpret that as including culture, as actually Flora MacDonald, a Conservative minister, said when she introduced the act in 1987, the restrictions were necessary to ensure national sovereignty over this vital sector of the Canadian economy, and for reasons of national security and economic, social, and cultural well-being.

So the Conservative government at that time understood it, and I would hope it would continue.

Thank you.

•(1045)

Mr. Mike Wallace: I'm just trying to bring our conversation back to these acts. But I appreciate that.

Just briefly; I only have seven minutes.

Mrs. Solange Drouin: Yes, sir.

I'll just tell you that I have in my hand the condition of licence of Telesat. It's a document from Industry Canada, and it says clearly:

[*Translation*]

“Telesat will operate the satellite as a Canadian telecommunications common carrier as defined under the Telecommunications Act...”

[*English*]

I believe you when you say there's an act on satellite, or on Telesat. This could be. But at the same time, also communication—

Mr. Mike Wallace: I'm going to come back to you, because I have a question on one of your six points.

Mrs. Solange Drouin: No problem.

Mr. Mike Wallace: Now, what I'm hearing, and correct me if I'm wrong.... There's no doubt on this side, through the throne speech, that we're interested in looking at the opportunities for foreign investment changes. Who are we kidding, right? The fact is, though, the claims are that on the other side, on the broadcasting side, you cannot do it through regulation.

Just because of my knowledge of it, I'll mention the banking industry, which has been used as an example of success. The banking industry would like to be in the insurance business, and they are in the insurance business, but they can't do it out of their branch because of the laws and regulations we have.

So are you telling me that we cannot, as a government, regulate to be effective in making sure that broadcasting for Canadian content is protected, even though we have examples of other industries where the government is capable of doing it?

Mr. Stephen Waddell: Let's hope that you do.

Mr. Mike Wallace: So if, through regulation, we were able to change the telecommunications side and still protect, through regulation, the broadcasting fees, you would be satisfied?

Mr. Stephen Waddell: We'll be satisfied with regulation ensuring that broadcasting is not affected. We're not satisfied that ceding control of telecommunications will not impact negatively on Canadian culture and on Canadian broadcasting.

Mr. Mike Wallace: I have one more question for you. You're saying you were struggling with private broadcasters. Would you expect the Government of Canada to force private broadcasters to carry your content?

Mr. Stephen Waddell: Force them?

Mr. Mike Wallace: Yes. So if a private broadcaster—

Mr. Stephen Waddell: The CRTC has certain regulations—

Mr. Mike Wallace: Right. Would you like to see those expanded? That's what I'm asking.

Mr. Stephen Waddell: Absolutely, Mr. Wallace; of course. That's been our effort since 1999—

Mr. Mike Wallace: Have you been making those arguments to the CRTC?

Mr. Stephen Waddell: —in fact since the CRTC brought in its disastrous 1999 television policy.

Mr. Mike Wallace: Okay.

Now I'm coming to you, Ms. Drouin.

One of your six points was the huge profit margins. Doesn't it make sense that if we were able to bring in more competition, those profit margins would be under threat, and consumers would benefit because prices would go down and the profit margins would go down?

So are you not supporting, through one of your six, that by increasing competition, by selling more spectrum, by bringing more people into the wireless business, that we're going to help consumers and bring those profit margins down?

Mrs. Solange Drouin: Yes....

I'll say this in French, because—

Mr. Mike Wallace: In Canada, we get to translate.

Mrs. Solange Drouin: Yes, I know.

Although this question was not addressed to me, I want to answer it anyway. You have to recognize that telecommunications can also be considered broadcasting undertakings, because they are. That's the point. Sometimes you have a real telecommunications system but they also allow a hybrid.

So you would have to recognize, first, that it's in front of the Federal Court now. As our friend from the *syndicat* said, we think telecommunications could also deliver a broadcasting system.

I'll go to your second point.

[*Translation*]

It is obvious that the entry of new players into the system may result in declining profit margins. At the same time, I admit that, in my view, profit margins of 46% show that there may be a lack of competition and that lower profit margins may be entirely fine and viable even for a listed business. I am quite aware that shareholders want maximum performance from a business, but, if Canada wants to have more players, these companies, which have previously made a lot of money and are still doing so, may be forced to share the market a little.

•(1050)

[*English*]

And I would say, so what? It would be for the benefit of the consumers.

[*Translation*]

The Chair: Thank you, Mrs. Drouin.

[English]

I have just two points of information.

The motion adopted by the committee to study this issue did include a review of the Broadcasting Act, Mr. Wallace.

The other point of information—I've heard a number of people raise this—is that there are actually no foreign ownership restrictions whatsoever in the banking industry in Canada. Those were eliminated some time ago. There's a widely held rule, but there are no restrictions on foreign ownership in Canada's banking sector.

We'll give the last word to Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair.

I always enjoy following my free-market fanatic friends on the side over there.

It's interesting, because the discussion of this is important. We actually have to look at reality here instead of voodoo attempts of claiming that there is a system out there that we can actually devolve from that has no intervention. In fact, the Canadian and U.S. governments have agreements. I live on the Canada-U.S. border, and the FCC, with the agreement with this government, restricts a university radio station, local broadcasting, from actually penetrating into the Detroit area. So we have that as a reality.

Second to that, I'm a Blue Jay fan. I'm a big supporter of Detroit, but I can only get the Blue Jays on a very low signal because major league baseball has an agreement. When I ran my sports teams for youth programming in Windsor, I tried to get the Raptors involved, but because we were in the geography footprint of the Detroit Pistons, they couldn't get involved.

So we already have these agreements going on in business that restrict the availability of Canadian content that I can get. When we go to our ceremonies for veterans and so forth, we actually have the *Star-Spangled Banner* played. We are very proud of having the American connection, but we're also fiercely proud as Canadians. So we're not afraid to show that cultural connection, but we certainly have restrictions in terms of the current agreements we have right now about what I can get even as a consumer.

So what I'd like to have explained is this. If we go to a further devolution of regulations, do you think we will then lose more opportunity for Canadian content, in places like our border communities, that we experience right now?

Mr. Stephen Waddell: Forget the border communities, Mr. Masse. Everyone's going to be impacted. The far north, east, west, and central will all be impacted by lack of regulation.

Just look at the schedules—I need my prop here—of the private broadcasters right now. Has everybody seen this before? These are the schedules of Canada's private broadcasters. The blue indicates American product in prime time; the red is Canadian. That's the reality of private broadcasting in this country at this time.

Canadian production, Canadian voices, are shut out of Canada's prime time on Canada's private networks, and that's just going to continue. It's going to get worse. We're going to be completely inundated with American product.

Mr. Brian Masse: That also goes with the amount of volume of American TV that's actually purchased, that doesn't even hit the airwaves because the broadcasters are purchasing it to block their own competition. That doesn't go back into the system whatsoever, and it's just basically an expense passed on to consumers.

One of the things that has been raised to me is that we couldn't have more short-term competition with opening up the industry, but instead of having three major competitors right now, at the end of the day we'll probably have two competitors after a year or two.

What do you think about that situation? And do you think that will actually benefit consumers at the end of the day, having two competitors versus three, and no regulation?

• (1055)

Mrs. Solange Drouin: It would be a nightmare—for us.

Mr. Stephen Waddell: How could that possibly be an improvement? I mean, more competition is better, and we say, of course, that competition should come from Canadian companies. There's enough capital in this country to do that.

So more competition is better, not less.

Mr. Brian Masse: Yes, and that's the interesting thing about this. Opening up the spectrum was supposed to actually provide for more competition. But I suspect one of the scenarios might be that you have new entrants in the market that build their stock for the short term but are later gobbled up. When you look at it from an international perspective, our sectors are very minor players in the overall business.

Mrs. Solange Drouin: Sure. But on this issue, I would like to raise one point and remind you that Canada was one of the first countries to fight for the new convention at UNESCO on the promotion of cultural diversity. It was a big fight over a number of years. I want to remind you that the U.S.A. and Israel didn't sign that agreement, because they don't want any country to be able to exercise their power over their cultural policies. I think you should read something out of this.

If we welcome them and invite them to take a bigger piece of our market, that's what the Americans want. I don't want to demonize them, but that's a fact. That's how it works. They want all the market and they will take it. Once they have all the market, they will rule our world. That's what they want.

What I hear from you, from this side, is that we will be able to control it. I don't want to be rude—blame it on my bad English—but I think it's a little bit naive. You say, “Oh yes, we will put the guy out and he will stay out”. But he won't stay out. The big guy will come into the market. And when he has 80% of the market he will want 90%. After that he will set the rules and we won't be able to, because we will have given him our market.

Mr. Brian Masse: You hit a key point, which is that it's not so dissimilar in other sectors. The United States has the Jones Act that protects their shipping industry. They have a series of measures to protect their busing industry, as far as content, manufacturing, and assembly. They have a series of farm subsidies that are very unique; a series of border protection elements that are critical for food safety; and a series of other types of measures for their manufacturing society.

So I think it's important that when we look at the cultural element here, we don't forget that this is not only just a major industry, as well, and that we may claim, on this side, to go to this free market economy that seems to be exposed out there, but the reality is that our neighbour doesn't prescribe to that itself.

Mr. Stephen Waddell: Mr. Masse, I'll show you the face of foreign ownership in this country: the face of a striking worker at Vale Inco. who's been on strike for nine months. That's the face of foreign ownership in this country. That's the result of foreign ownership.

Mr. Brian Masse: Yes. I was in Sudbury, and talked to the workers. Absolutely, it's all about driving down the Canadian element.

Thank you, Mr. Chair.

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

Merci, nos témoins. Merci beaucoup.

This meeting is adjourned.

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