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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Tuesday, February 23, 2016**

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**Chair**

**The Honourable Hedy Fry**



## Standing Committee on Canadian Heritage

Tuesday, February 23, 2016

•(0845)

[English]

**The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)):** This meeting is called to order.

Before we begin, I just want the committee to know that we will be taking 15 minutes at the end of this meeting in order to go in camera to do some committee business that arose only a day ago, and it's urgent information that we must have, so I'm giving everybody warning.

I want to welcome our witnesses from Canadian Heritage.

The witnesses have been apprised that they will have 10 minutes to present, and then we will go into questions.

Who will begin?

Thank you, Monsieur Bernier.

[Translation]

**Mr. Jean-François Bernier (Director General, Cultural Industries, Department of Canadian Heritage):** Thank you, Madam Chair.

On behalf of the Department of Canadian Heritage, I would like to thank the committee for inviting us to appear as part of its study on the media and local communities.

My name is Jean-François Bernier, and I am the director general of cultural industries at the Department of Canadian Heritage. I am joined today by Helen Kennedy, director general of broadcasting and digital communications; Marthe Bujold, director of strategic policy in the broadcasting and digital communications branch; and Luc Marchand, director of periodical publishing policy and programs in my branch.

[English]

Our intention today is to cover two areas of interest to your study: the newspaper and broadcasting sectors—in 10 minutes.

We have prepared presentations for your attention. I'll start with newspapers, and Helen will follow with broadcasting.

Please go to page 3 of your deck.

[Translation]

Every year, Canada's newspapers contribute more than 30,000 jobs and nearly \$3.7 billion in revenue to the economy. They create and disseminate wide-ranging content to inform and entertain Canadians.

Newspapers play an important civic role, by promoting the accountability of public and private institutions.

[English]

Throughout the world, the newspaper industry is adapting to the challenges of the online environment. In Canada this has translated in recent years into revenue losses. Despite efforts to innovate, the business climate remains challenging. The Canadian newspaper industry consists essentially of community newspapers, which are mostly weeklies and free, and daily newspapers. As we see on figure 1 on page 6 of your deck, the number of community newspapers has been relatively stable over the last five years at just over 1,000 titles. For these, the main business model remains print.

Community papers have experienced a moderate decline in revenue, as demonstrated in figure 2 on page 7. In contrast, the number of daily newspapers has declined by about 15% in the last five years. Still on page 6, you can see the decline in numbers there. Most dailies are maintaining a dual business model in print and online. They have faced significant reductions in their overall revenues and readership.

Moving right along to page 8, Canadians' news consumption habits are changing rapidly. People, especially young Canadians, are increasingly turning to online content to inform themselves. As readers' attention moves online, so do advertising dollars, which have traditionally been a staple of the newspaper industry.

I would really like to draw your attention to the graph on page 9. I will not go into detail, but this shows it all.

Look at page 10. The erosion of revenues has led to closures, job losses, and consolidation. Today in Canada three main groups own almost 66% of all daily newspapers and 35% of all community newspapers.

•(0850)

[Translation]

In recent years, new business models have emerged.

[English]

For example, in conjunction with its paper version, the *Winnipeg Free Press* is generating revenues with a pay-as-you-read approach.

[Translation]

*La Presse* seems to have found success with a digital-only model, through its *La Presse+* app. While testing innovative digital strategies, some newspaper publishers recognize that print remains the preferred choice of many readers, particularly, in rural areas with weak bandwidth and among a generation of older Canadians.

[English]

Moving on to page 12, unlike some other cultural sectors, such as broadcasting, there is no federal policy framework for newspapers. However, over the years the Government of Canada has implemented some specific measures to support this sector.

Section 19 of the Income Tax Act intends to encourage Canadian ownership in the newspaper industry. It does so by preventing Canadian advertisers from getting tax deductions for ads placed in foreign-owned print newspapers. For its part, the Investment Canada Act requires that foreign investment in the newspaper industry, like that of any other cultural industry, be of net benefit to Canada.

[Translation]

Lastly, since 2010, the Canada periodical fund has provided support for the production of Canadian content. More than 800 community newspapers and magazines are supported every year. Free periodicals and daily newspapers are not eligible for the program. The bulk of program funding is calculated using a formula based on the number of copies sold. In other words, the more the publication sells, the more support it receives from the Canada periodical fund.

Thank you for listening. Of course, I remain at your disposal to answer questions later in the meeting.

I am now going to turn the floor over to Helen, who will speak to the broadcasting industry.

[English]

**The Chair:** *Merci*, Mr. Bernier.

Madam Kennedy.

[Translation]

**Ms. Helen Kennedy (Director General, Broadcasting and Digital Communications, Department of Canadian Heritage):** Thank you, Madam Chair. Good morning.

This deck provides an overview of the Broadcasting Act and information on key trends affecting broadcasting in Canada.

I will start with the Broadcasting Act, on page 4.

[English]

It dates back to 1991 and establishes the broadcasting policy for Canada. The other two main things the act does is it sets out the powers of the Governor in Council, the CRTC, and the minister in relation to broadcasting and establishes the mandate, governance, and powers of CBC/Radio-Canada.

If we turn to the broadcasting policy objectives for Canada, which are featured on page 5, the overall orientation is to ensure that Canadian content is created and accessible. Among other objectives, the act points out that the broadcasting system through its

programming provides a public service; that it is essential to the maintenance and enhancement of national identity and cultural sovereignty; and that it serves to safeguard, enrich, and strengthen the cultural, political, social, and economic fabric of Canada. It also points out that programming should be drawn from local, regional, national, and international sources and that Canadians should be provided with a reasonable opportunity to be exposed to the expression of differing views on matters of public concern.

Slide 6 points out the key role that the CRTC plays. It is the body responsible for the regulation and supervision of the Canadian broadcasting system. According to the act, when the CRTC regulates, it should take into account a number of things, including that it be readily adaptable to the characteristics of the French and English language markets, that it take into account regional concerns, and that it facilitate the provision of Canadian programs to Canadians.

The next page, slide 7, presents the mandate of CBC/Radio-Canada. I won't read through every single line of it. I know the committee is well aware of the mandate of the CBC, which is a very broad and inclusive mandate oriented towards providing a wide range of programming that informs, enlightens, and entertains and towards ensuring that the programming should be predominantly and distinctively Canadian.

We group the key trends affecting broadcasting into three basic areas: industry, advertising, and audiences. With respect to the industry trends, the first thing we want to draw the attention of the committee to is that the broadcasting industry is part of a broader communications industry that generates revenues of more than \$60 billion a year. Broadcasting also contributes to the GDP of the country and represents on the order of 50,000 jobs for Canadians.

It is a market that provides Canadians with a diversity of services. As you can see on slide 11, we have more than 660 TV services and more than 1,100 radio and audio services authorized to broadcast in Canada. At the same time, the industry is quite concentrated, because you can see, whether you're talking about the combined revenues of the telecom and broadcasting sector or just about the broadcasting sector, that the top five companies account for more than 80% of industry revenues.

Slide 12 is a pictorial representation of the major activities and the scope of the activities of our major communications companies. They're involved in many different but related lines of business, ranging from traditional radio and television to book publishing, mobile apps, and sports.

In terms of revenue and profitability, we see that total revenues for the broadcasting industry have grown from over \$15 billion in 2010 to more than \$17 billion in 2014. Revenue and profitability trends, however, vary from one segment of the industry to another. You'll see that in some cases they are more profitable than in others, and in some cases the revenues are higher than in others.

In terms of Canadian programming expenditures, we take as a starting point that the policy objectives of the Broadcasting Act require that broadcasters contribute to the creation and presentation of Canadian programming. We look at what they spend on Canadian programming and see that between 2010 and 2014 Canadian TV services increased their investments in Canadian programming, growing them from \$2.5 billion to \$2.9 billion, and we can see that now the pay and specialty sector spends about the same as the conventional broadcasting sector.

• (0855)

Now we turn to news. As we narrow down into the news genre we see that news accounts for approximately one-third of total Canadian programming expenditures. Local television stations, and we're talking about the conventional television stations, make a significant contribution to the provision of news. News constitutes an important part of broadcasters' overall expenditures on Canadian programming. Not all this news is local. The CRTC has reported that approximately \$470 million was spent in 2014 by local television stations on local news and local programming.

Turning to advertising, the Canadian advertising market is undergoing structural change as a result of the growth in Internet advertising, which as you can see from the graph presented, has come mainly at the expense of newspapers.

In terms of audiences, we've looked at what's going on with consumption, what audiences are consuming and where they are consuming it. In 2014 Canadians spent on average 27.4 hours watching TV. The average weekly hours have been decreasing over the last few years, particularly among millennials, the 18 to 34 years of age group. More and more Canadians also are watching television online, and millennials in particular are more likely to watch Internet television. They're also very mobile, with 90% of them owning a smart phone.

Finally, we looked at the consumption of news. In 2013, television was the type of medium most often used by Canadians who followed news and current affairs. The use of the Internet to follow news and current affairs grew from 30% in 2003 to 59% in 2013. We see that younger Canadians use the Internet in greater numbers than their older counterparts to obtain news and information.

• (0900)

[Translation]

There you have a quick overview of key trends and the policy parameters set out in the Broadcasting Act.

Thank you.

[English]

**The Chair:** Thank you very much, Madam Kennedy.

We will begin questions and answers for a seven-minute session each, beginning with Mr. Vandal.

**Mr. Dan Vandal (Saint Boniface—Saint Vital, Lib.):** Thank you so much. I feel we've dive-bombed some significant issues here in 10 minutes given that we only saw this material 10 minutes ago.

I'm going to go to newspapers first. For my sake, and for the sake of other people, can you review the closures that have occurred in

the last eight years? You did speak somewhat about it and there is a slide on it, but could you review that for my information?

**Mr. Jean-François Bernier:** When you say closures, there have been 22 closures in dailies in the last five years. It's about a 15% reduction in terms of the number of titles.

How does that translate into jobs? We don't have that precise information.

**Mr. Dan Vandal:** In the last five years there have been 22 dailies across Canada that have closed. They have been consolidated and have been purchased, but closed. You don't know how many jobs have been lost.

Early on in your presentation, it struck me that newspapers play an important civic role by promoting the accountability of public and private institutions. Are you able to comment on how the closures have affected this important public policy objective?

**Mr. Jean-François Bernier:** I'm sorry, my answer to that is no.

**Mr. Dan Vandal:** Okay.

Nevertheless this is an excellent base of information. I think it's going to be good going forward. Once we have the time to go through it in a detailed way, I will have more questions.

On the broadcasting side, can you quickly mention to me which policies or departments you have that encourage Canadian content?

**Ms. Helen Kennedy:** The main instruments in the tool kit for promoting Canadian broadcasting policy are enunciated in the Broadcasting Act. The objectives are set there.

The CRTC is mandated under the act to regulate the system to achieve those objectives. You'll be hearing later on from the CRTC a little on how they do their thing. A big part of the tool kit of course is the Canadian Broadcasting Corporation, which is given a mandate to create and present Canadian programming. Those are the two main instruments that support Canadian programming.

**Mr. Dan Vandal:** Could you review for me again how Canadian production has trended over the last 10 years?

**Ms. Helen Kennedy:** If you look at our slide depicting the expenditures on Canadian programming, we track those expenditures with the CRTC data and we see that expenditures on Canadian programming have increased, growing from \$2.5 billion to \$2.9 billion in 2014. Here, we're just talking about what the broadcasters are spending on Canadian programming.

In terms of Canadian production more generally, Jean-François may want to speak to that.

**Mr. Jean-François Bernier:** There's been a significant increase over the last 10 years in Canadian content productions. I don't have that chart here, but I would invite the committee to consult the industry profile which the Canadian Media Producers Association publishes every year. There are a lot of details there.

• (0905)

**Mr. Dan Vandal:** Is that an increase in dollars spent? Is that the only way it's measured? Is actual screen time measured as well?

**Mr. Jean-François Bernier:** It would be all of those. The amount spent, the total volume of production, and the number of hours.

**Mr. Dan Vandal:** Do you have information on the number of hours?

**Mr. Jean-François Bernier:** That would be in the profile. We could get back to the committee on that. That information exists.

**Mr. Dan Vandal:** I'd like to go back to newspapers.

[Translation]

We have all kinds of figures here, but do they include periodicals targeting minority francophone communities, such as the Manitoba-published newspaper *La Liberté*?

I know the newspaper has recently been hit by cuts. Do these figures include French-language periodicals throughout the country?

**Mr. Jean-François Bernier:** Yes.

They include all periodicals, be they community newspapers or magazines. The *La Liberté* newspaper is included in the 1,083 titles in the community newspaper category. So the Canada periodical fund also supports the community newspaper you are referring to.

**Mr. Dan Vandal:** I have another question for you.

[English]

Moving back to broadcasting, more people, especially young people, are watching their programs on the Internet. Do we have any way to measure the numbers of that trend?

I notice we've measured the advertising dollars in here, but do we know the number of people who are actually watching those productions?

**Ms. Helen Kennedy:** What we have presented here is the percentage of Canadians who watch Internet television. This is obviously based on numbers. It's a challenge to measure the online consumption. There's no central system for measuring it as there is in the traditional world. We do have the percentage of Canadians who are watching Internet TV. That's what we've provided to the committee.

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

Now I go to Mr. Maguire for seven minutes.

**Mr. Larry Maguire (Brandon—Souris, CPC):** Thank you very much, Madam Chair.

I appreciate the condensed overview of these sectors that you've both brought forward very succinctly today.

Because of our time constraints, I have a couple of quick questions, and then maybe some written ones that will require a little

more detail, which I'd like to provide the whole committee when we're done.

First of all, have you received any direction from the Privy Council or the Prime Minister's Office, or the minister's office, in regard to evaluating the current Canadian Heritage programs? Are they sufficient enough to ensure Canadians have access to local and regional media? Has there been any direction in that regard?

**Mr. Jean-François Bernier:** Madam Chair, I would like to decline answering that question. It's above my....

**Mr. Larry Maguire:** Okay, then was there any specific mention of how you are dealing with local and regional media in relation to the minister's mandate letter?

**Mr. Jean-François Bernier:** Here again I would have to decline to answer that question, Madam Chair.

**The Chair:** I think that question might be best asked of the minister.

**Mr. Larry Maguire:** Well, I guess I'm looking at the kinds of recommendations the Department of Canadian Heritage would put forward.

You've given us a very good overview of some of the advertising revenues. Certainly, Internet has taken off and classifieds are going down, but it looks as though the revenues from community newspapers have stayed pretty much the same. In fact, last year, in 2013—not last year now, but these numbers go to 2014—in your graph on page 9 they are virtually the same as they were in 2005.

I'm asking these questions so that we can get a handle on how to look at what is expected and what we will see coming down the road for the small or medium media to get out to the rural and local areas, the more remote areas that our study is looking at, and how we can best assess this situation. That's why I'm trying to get a handle on.... It will come out in future discussions, but in this meeting I was asking these questions so that we can get a handle as committee members on exactly what recommendations we can make as a committee to go forward to the government, recommendations that you will be dealing with. It helps if we can know a bit more detail about what kinds of recommendations have been requested of you—excluding those involving the CBC; I understand that it's one of the larger mechanisms of media, and so I'm dealing more with the smaller ones.

Will you be looking at making changes in some of the programs currently being provided? Has the department received from private media any recommendations on those areas as well?

• (0910)

**Mr. Jean-François Bernier:** In answer to your question, the Canada periodical fund was evaluated in 2015. The evaluation recommendations and the management response to this recommendation are available online, and we could flip that material to the clerk of the committee. We are looking at the recommendations and are going to be adapting the program when and where it's required.

That would be the essence of my answer to your question.

**Mr. Larry Maguire:** Okay, thanks. We would appreciate it, if you could provide that.

With regard to governments funds, you were talking about programming, in the graphs and the charts, for both the sides here, and I appreciate the information that is there. But there are incentives, and I wondered what incentives.... Obviously we'd like to see the funding recipients who are there already be able to increase their viewership and readership, on both sides of the media here, and become self-sustaining, if they could.

I'm wondering, with respect to what government funds are available, what incentives these individual sectors receive to help them become more self-sustaining.

**Mr. Jean-François Bernier:** I could speak for newspapers and some TV production.

In newspapers, there's the Canada periodical fund for periodicals. It is what it is: \$75 million. As I mentioned, this is the contribution for community newspapers and magazine publishers.

In the audiovisual area, you have a fairly elaborate public policy tool kit, which includes tax credits based on labour expenses for independent producers. You have the Canada Media Fund, which is a public-private partnership. Lawyers perhaps would correct me, because it's not per se with a partner, but it is a public-private partnership. There's Telefilm Canada, which invests just about \$100 million in the production of feature films in this country. There's the National Film Board, which supports in-house production. There's the CBC, which sponsors or licenses Canadian programming. And there is a slate of licence conditions that the CRTC puts on various players in the broadcasting sector, from quotas to spending amounts and requirements in Canadian programming.

When you add all this up, it's a lot of money, but it is for the production of Canadian content, and there have been many successes with many of those programs, not only in Canada but in the rest of the world. If you want to watch the next Oscars ceremony, you'll see that two Canadian co-productions are in the running for best picture. So I would say we've come a long way.

I don't know, Helen, whether you want to add anything else.

● (0915)

**Mr. Larry Maguire:** Thank you.

Did I understand that the \$75 million you talked about was for newspapers?

**Mr. Jean-François Bernier:** It's for magazines and newspapers—*Maclean's* and *La Liberté* and community newspapers, not dailies. I want to insist on that, because there are no public funds going to the *National Post*, or *The Globe and Mail*, or *Le Journal de Montréal*.

**Mr. Larry Maguire:** No, that's for sure, and that's very clear in your presentation.

**The Chair:** Thank you, Mr. Maguire. I think we've gone just a bit over seven minutes.

Mr. Nantel, you may take seven minutes, please.

[Translation]

**Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP):** Thank you, Madam Chair.

Good morning everyone.

We are going to hear from all of you in the next little while. We have quite a bit of expertise around the table. We appreciate your taking the time to provide us with guidance as part of our study.

We could no doubt spend three days discussing all the information you shared with us this morning, but we'll spend just a few minutes on it today. Committee members need to read, assimilate and understand all of it. It's not simply a matter of asking questions and wrapping things up.

Canada has long been grappling with the reality of two official languages and minority language communities. That is not where the paradigm shifted. The paradigm shift has to do with the media concentration and, above all, the drop in advertising revenue, which shows no sign of stopping. That's what I took away from your charts and graphs. Would you agree that it's a major problem?

**Mr. Jean-François Bernier:** Yes.

The advertising pie is growing, but the bulk of the revenue is spent on online advertising. Advertisers are buying space on Google News and other news platforms that aren't necessarily Canadian. That's the external reality. And it's happening, to a lesser extent, at the expense of community newspapers but, to a large extent, at the expense of dailies. Advertising has been the main source of revenue for the print media ever since it came into existence.

**Mr. Pierre Nantel:** Of course.

Not only was it the main source of revenue, but it was also a source of local relevance. For instance, one of the reasons I check my local weekly paper is to see who charges the best price to change my winter tires and which local garage can offer me that service. It may sound naive or innocent, but that's the kind of information you can find in your local paper. What happened? Today, the news component is there, of course, but news without compensation for journalists doesn't exist. So advertising is really what it comes down to.

**Mr. Jean-François Bernier:** I'd like to answer your questions through two lenses.

First, our figures show that community newspapers experienced a drop—

● (0920)

**Mr. Pierre Nantel:** Community newspapers.

**Mr. Jean-François Bernier:** Yes.

Community newspapers experienced a less significant drop in revenue than daily newspapers did. So there is the proof that, locally, the demand exists for a hardware store to place its ad in a printed paper—and you can attest to that. That is where small business at the local level turns when it wants to advertise and reach the public.

I already mentioned this, but it bears repeating. Global News is competing with CNN, but local news sources in Amos or Longueuil, say, aren't affected. CNN doesn't give people information on tire services in Longueuil.

There is tremendous competition from new information sources, and they are frankly very effective.

**Mr. Pierre Nantel:** We recently talked to people in the industry, who said that 80% of new spending on online advertising by ad agencies went to search engines such as Google and Yahoo. That's money that's flowing directly out of the country, that isn't benefiting any of our own media services, that isn't creating jobs, and that is undermining our cultural heritage.

Let's consider the *La Presse+* app model. Clearly, those who are putting their money there know what they're doing. When you read *La Presse+*, you see that the ads really stand out. They are interactive colour ads, and so forth.

Have you ever looked into the support that could be provided to our media services to build apps? An app provides direct access to that media source, without having to go through a search engine. And that makes all the difference.

To find out what's happening in my local news, I google "Hamilton" whatever. At the top of the page, I see the Google ads. I click on a link, and my eyes ultimately land on a media site that is displaying an advertiser's ad. Do you see what I mean? Aren't apps a way around that? *La Presse's* business model clearly seems to be working or, at the very least, appears quite promising.

**Mr. Jean-François Bernier:** Again, I'm going to answer your question through two lenses.

In terms of app development, that's an eligible expense for periodicals receiving support under the Canada periodical fund. In the past, public programs provided funding to cover mailing costs. So instead of costing you \$150 to receive your subscription of *L'actualité*, it cost you only \$40 because the postage was subsidized. That was prior to 2010, before the new program was created.

Now, the fund is organized in such a way that the publisher can choose whether to invest in content or an app; the publisher can decide where the money would be best spent. That's the first thing.

The second thing is that there's a major difference between *La Presse* publisher Gesca and a community newspaper like *La Liberté*. You will see that if you meet with those people. The economies of scale and impact are not the same.

[English]

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

Now we have Ms. Dabrusin, for seven minutes.

**Ms. Julie Dabrusin (Toronto—Danforth, Lib.):** I would like to ask a few more questions based on...we're talking about media concentration, and we've talked about the number of owners. Have there been any studies on the impact of that concentration on the diversity of voices being heard?

Mr. Bernier might be....

**Mr. Jean-François Bernier:** Not that I'm aware of. I'm sure that some academics and universities.... I must say that for the Department of Canadian Heritage, the newspaper industry has not been our bread and butter. We're more with community newspapers.

This is not an area that we'd follow, with policy analysts looking... that's why....

Honestly, it must exist somewhere.

**Ms. Helen Kennedy:** From a broadcasting perspective, I would encourage the committee to ask the CRTC about its examination of the question of diversity in the media throughout its regulatory processes.

● (0925)

**Ms. Julie Dabrusin:** I had looked at the diversity of all those policies; that was part of my interest.

Over the weekend we saw quite a bit of discussion coming out of a BuzzFeed Canada post, which requested content from non-white and non-male providers.

I was curious. That's in the digital media perspective, and I see that we have someone here in digital from Canadian Heritage. Is any type of analysis available right now as to the diversity of voices? Is there a need to help promote within our industries more of those groups of people: non-white, non-male voices?

**Mr. Jean-François Bernier:** Again, I'm not aware of any such analysis or study.

**Ms. Julie Dabrusin:** All right. I wonder if Ms. Bujold is here to speak about the digital media.

**The Chair:** After this first round, we were going to ask for a presentation, because I don't think the department was able to present everything it wanted, so we would give five minutes to—

**Ms. Julie Dabrusin:** I apologize, because most of my questions are directed toward the digital perspective, which is where I have more of an interest. If there's going to be a separate presentation by Ms. Bujold—

**The Chair:** No, I don't think the group is going to do digital, so you can ask your questions.

**Ms. Julie Dabrusin:** We've been talking about how there's been a great change in the markets over these past 10 years, and that the digital side is definitely picking up. Do we have any analysis as to why that shift is happening in our markets, and what's pushing the digital market? Is there access to more private funding for digital media?

**Ms. Helen Kennedy:** We've been following and looking at the various trends in what's going on with broadcasting and digital communications. You have your technological changes that are happening with new devices and new capacities technologically to create and consume content, while at the same time we've been monitoring the changes in consumer behaviours and the expectations that have gone along with that.

We see in the millennial group, for instance, that they are much more mobile. They are much more connected. They don't have the same expectations as older-age cohorts who grew up in a more traditional media world, where the broadcasters curated the content and scheduled the programming. People chose which programs to watch and would follow the schedule of the broadcaster's programming.



Now, we see that people are more mobile. They expect more personalization in their content. They expect to get it when and where they want it. It's about the access piece, being able to go and get something, and you see an industry adapting to that. You see an industry that has put much more content and much more focus on demand and that is moving towards higher-quality content as well, content that will stand out. As well, you see the technology supporting that with the development of very high-quality digital signals. We're now seeing 4K and so on being generated.

In broad strokes, we follow both what's happening with the technology and what's happening with the consumer behaviours and the expectations that go along with that. The market right now is extremely diverse, not just in the kinds of content available, but also in the kinds of business models and consumer preferences that we see.

You have everyone from the traditional senior citizen, who has a very different set of expectations around how he or she wishes to be informed and entertained, versus someone in high school, university, or the millennial group, who has a different set of expectations about how he or she wants to be informed and entertained. We see these industries trying to adjust to that and trying to serve those different market segments.

In terms of the digital and the diversity, one of the big things we've seen in the broadcasting sector over the last number of years—and the commission can speak much more eloquently to this than I can, I'm sure—is the growth in third-language services in Canada. Also, we've seen more foreign services being authorized for distribution in Canada. You have services coming in from other parts of the world that Canadians are interested in as well.

On the production side of things, we haven't done any studies internally as to the employment of creators, as such, from different cultural backgrounds. There may be some of that in the academic...or in the industry itself. There may be some of it in the profile. I'm not sure. But we do see that it is an area of activity as well. We see it, for example, also in the Canada Media Fund. There is some support going to programming that's created in third languages. Where there's a market demand for that and where the programming is eligible as per the broader criteria of the program, it does receive funding from the Canada Media Fund.

• (0930)

**The Chair:** Thank you, Ms. Kennedy and Ms. Dabrusin.

Now we will go to the second round, but before we do, we have with us Ms. Jeanne Pratt, senior deputy commissioner at the mergers and monopolistic practices branch of the Competition Bureau, and Paul Halucha, associate assistant deputy minister, strategic policy sector, Department of Innovation, Science, and Economic Development.

I will allow you to have about five minutes to present. I'm sorry that we didn't get you into the first round.

[*Translation*]

**Ms. Jeanne Pratt (Senior Deputy Commissioner, Mergers and Monopolistic Practices Branch, Competition Bureau):** Good morning, Madam Chair.

I am the Competition Bureau's senior deputy commissioner responsible for the mergers and monopolistic practices branch.

I will begin my remarks by providing some context about the Competition Bureau and its mandate. Then, I will move on to our role as it relates to merger review and the factors we consider in our examination of mergers. Lastly, I will speak to recent merger reviews within the Canadian media sector.

The Competition Bureau, as an independent law enforcement agency, ensures that Canadian consumers and businesses prosper in a competitive and innovative marketplace. Headed by the commissioner of competition, the bureau is responsible for the administration and enforcement of the Competition Act.

[*English*]

Under the Competition Act, mergers in all sectors of the economy are subject to the review of the commissioner of competition to determine whether they will likely result in a substantial lessening or prevention of competition. The question for us in our review is whether there is evidence to support that the combined company will be able to exert market power as a result of the merger to the detriment of customers, suppliers, or ultimately Canadian consumers.

Where we find this to be the case, the act also requires the bureau to assess evidence of economic efficiencies gained by the parties as a result of the transaction. If the efficiencies gained are greater than the anti-competitive effects, the act mandates that the merger be permitted to proceed. The bureau's role in merger review is to obtain the necessary evidence and undertake careful analysis and consideration before reaching a determination. The factors involved in our evidence-based economic analysis are governed by our legislation and jurisprudence in this area.

When the bureau does determine that a merger is likely to substantially affect competition, we seek to remedy those effects either through a consent order of the Competition Tribunal that is negotiated with the merging parties, or failing agreement, through an application to the Competition Tribunal for an order to prevent, dissolve, or alter the merger.

As part of the bureau's approach in examining a merger, we consult with a wide range of industry participants, suppliers, competitors, industry associations, customers, and industry experts. We consider many different factors, including the definition of the relevant economic market, the level of economic concentration, and the level of competition remaining in the market. Our mandate requires us to analyze the anti-competitive effects of mergers that result from an enhanced exercise of market power. All bureau merger analyses are grounded and bound by the legal and economic tests laid out in our act and associated case law. In line with this, our reviews of media concentrations under the act have consistently adopted an economic lens in assessing potential anti-competitive effects.

In media concentration, there have been a number of recent reviews. In 2014 the bureau reviewed Transcontinental's acquisition of 74 Quebec community newspapers and determined that transaction could have potentially resulted in a substantial lessening of competition in certain regional markets. We required Transcontinental to sell 34 newspapers within these regional markets in order to preserve competition within those markets. In 2013 the bureau also reviewed Bell Canada's proposed acquisition of Astral Media. Following our review, we determined the transaction would have led to increased prices and reduced choice and innovation in the television distribution industry. We addressed these issues through a consent agreement that required significant divestitures from Bell in relinquishing ownership of over 10 channels, as well as behavioural restrictions that prevented them from imposing restrictive bundling requirements.

● (0935)

**The Chair:** You have one minute to wrap up, Ms. Pratt.

**Ms. Jeanne Pratt:** Okay. I have one last one.

The Sun-Postmedia merger we reviewed in October 2014. In that examination we interviewed over 50 market participants, examined thousands of documents, compelled significant data and documents from the merging parties, and engaged an independent economic expert. We also sought the views of Canadian consumers. Our review focused on the effect of the transaction on competition for both advertising and readership in the cities where both parties operated local daily newspapers. Based on the evidence gathered, we concluded that a single owner of both papers would have insufficient additional power in the market to be able to materially increase prices.

The commissioner of competition recognizes that the public is served by a diversity of voices in the media landscape. It provides citizens with the freedom to form their own opinions, which in turn contributes to a healthy democratic society. As with our counterparts at other competition law enforcement agencies in other countries, our act is a general framework legislation applicable to all sectors of the economy, and it is not intended or designed to address issues of a social or cultural nature.

Thank you. I'll turn it over briefly to my colleague, Paul—

**The Chair:** We were giving you five minutes for both of you to speak.

**Ms. Jeanne Pratt:** My apologies.

**The Chair:** That's all right. That's fine.

I'll move to the second round, and we begin with Mr. Waugh, for five minutes.

**Mr. Kevin Waugh (Saskatoon—Grasswood, CPC):** I'm interested in Sun Media and Postmedia. How can you have a reporter, let's say, in Edmonton covering city council feeding to the *Edmonton Sun* and feeding, under the same byline, to the *Edmonton Journal* with a paragraph removed, and you've allowed it?

There is no competition that way. For the ethics of the broadcast industry I had a lot of trouble with this. From coast to coast to coast there are differing views of reporters, but you have the same view now represented in these newspapers. I want to know, as a former broadcaster, how you got around that.

How can I report for both newspapers on my views? You want me to buy the *Edmonton Sun* and the *Edmonton Journal*, and yet it's the same view.

**Ms. Jeanne Pratt:** I would just answer that by saying that we're a law enforcement agency and our mandate is under the Competition Act. It is to look at the economic impact of the transaction. For that transaction, we did a full deep dive. We interviewed all the market participants: competitors, suppliers, customers.

At the end of the day, we're looking at the economic leverage that is going to result from the proposed transaction. In that particular transaction, that meant looking at advertising markets. This has consistently been the bureau's focus in newspaper mergers. As I said, while we agree that the diversity of voices is potentially an issue for study, it's not one that we have a mandate to examine under the Competition Act. We're examining whether or not they're going to be able to leverage their market powers to the detriment of suppliers, customers, or ultimately, Canadian consumers in the marketplace, whether prices for advertising are going to go up, and whether prices for the paper are going to go up.

**Mr. Kevin Waugh:** Usually, the fewer players in the business area...even the Astral-Bell merger, I had difficulty with. You have two major players in the industry and now you've eliminated one.

**Ms. Jeanne Pratt:** In that particular transaction, we also had significant concerns. As a result of that, they had to divest 10 of the channels that they were proposing to acquire. In addition, the CRTC examined that transaction and had issues with the radio broadcasting side. We accepted the resolution that the CRTC negotiated or imposed on the parties there. Again, we're looking at the economic impact.

In terms of the Sun-Postmedia merger, we looked at all the evidence. We did a five-month intensive review, and we looked at the econometric data. At the end of the day, what we concluded was that those papers and those markets were not close rivals. As a result of that, the evidence did not suggest that their ability to influence the market and have the ability to substantially lessen competition—and that's our threshold—was at the level where we could challenge the transaction.

● (0940)

**Mr. Kevin Waugh:** It has been an interesting time in the media business.

I live in a city where the anchors are in Toronto for local news, and I'm in western Canada. I have the full team out of Global Toronto telling me how it was today on 2nd Avenue in Saskatoon.

That, to me, is ridiculous. I'll never accept that.

Will the viewers accept it? The ratings have plummeted. The competition...you guys have to realize that local is where it's at, and local is the face. I don't care how many guys they have on the street in television. If you don't present in front of the television set from the city you're from, your ratings are going to go zip. I just don't see where this industry is going, with someone in Toronto telling me what's going on in Saskatoon, in Kelowna, in Winnipeg, and in Regina. I get my national news, but my local news should be, underlined, local, and we're not seeing it in these four areas with the recent Global moves.

I just share that with you.

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

Mr. O'Regan, you have five minutes.

**Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.):** Former broadcasters on Parliament Hill, Mr. Waugh, Madam Chair, is an awful thing. Next they'll be allowing the lawyers and teachers into politics as well.

I am very interested in the issue of diversity, and I just want to explore that.

As the Broadcasting Act says, the system is to:

serve the needs and interests, and reflect the circumstances and aspirations, of Canadian[s]...including equal rights, the linguistic duality and multicultural and multiracial nature of Canadian society and...aboriginal peoples....

We're going through a tremendous amount of, as the act says, "scientific and technological change". I appreciate the fact that, Ms. Pratt, when you're looking at mergers and acquisitions, you're looking at them purely from a competitive point of view. I want to know, from any of you, where exactly the guardianship of diversity falls. Who polices that? Who gauges that? Who measures that?

I'm looking at nobody in particular, because I don't know the answer.

**Ms. Helen Kennedy:** According to the Broadcasting Act, as you pointed out, you have those objectives there. The act also requires the regulator to regulate and supervise the system in a way that implements those objectives. When it comes to the broadcasting system, people who want to operate a broadcasting undertaking in this country have to get a licence to do that. They go to the CRTC. The CRTC runs a process and goes through the examinations and the reviews that it considers it needs to do in order to decide who will be licensed to operate a broadcasting undertaking in Canada and who will have access to the airwaves. They have to make sure the system is supervised and regulated in a way that achieves the objectives. In broad strokes, I would say that from a broadcasting perspective it's the commission who on a day-to-day basis grapples with how they're regulating the system so that in general overall terms those objectives are being met. When you take a step back and you look at the system as a whole, you can see these objectives are being met.

**Mr. Seamus O'Regan:** Let me pick up again on Mr. Waugh's point about local news. This is a problem that not only people in the industry but also people who hold public office have seen for quite some time. When we talk to people there is a frustration with the lack of local news, and I'll say when it comes to television in particular. As you rightfully pointed out, Mr. Bernier, newspapers seem to be picking that up at least weekly. What do we do? People need to make

money; companies need to make money, and people demand local news. The model doesn't seem to be there.

Is there a role for Canadian Heritage? Is there a role somewhere within the federal government to work on creating a framework that is fair to industry, but still allows for that diversity of voices in the local broadcasting that people demand? You were talking about Toronto and Saskatoon. If you broadcast from the east end of St. John's and give the weather, it is very different from what's happening in the west end of St. John's, so I sympathize. Putting all that aside, quite seriously, are we working on that?

● (0945)

**Ms. Helen Kennedy:** I don't want to scoop my CRTC colleagues, but the commission has just held hearings on local and community television. They are actively looking into the issues around the provision of local programming and community programming in Canada.

**Mr. Seamus O'Regan:** Does the Department of Canadian Heritage work with them on it?

**Ms. Helen Kennedy:** The department doesn't guide or intervene in the CRTC's proceedings. They operate independently of the government. They're an independent regulator. Certainly from our perspective this work the commission is doing will not only inform the committee, but will inform the department as well. Having heard from all these witnesses, and having looked at what's going on in the terrain, they will come up with some recommendations. They will come up with some decisions around this area, and this will inform us.

**Mr. Seamus O'Regan:** Let me intervene because time is of the essence. This is our first time sitting down and getting our heads around this.

Where does Canadian Heritage fit in for that argument and that debate? That'll inform our questions from here on.

**The Chair:** You have 20 seconds to answer that, please.

**Ms. Helen Kennedy:** Our responsibility is to provide general overarching policy advice to the government on broadcasting policy and legislation.

**Mr. Seamus O'Regan:** What is the relationship with the commission?

**Ms. Helen Kennedy:** The relationship with the commission is circumscribed in the act. The minister has certain powers with relation to the CRTC, but under limited circumstances.

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

Mr. Van Loan, for five minutes.

**Hon. Peter Van Loan (York—Simcoe, CPC):** I'll defer.

**The Chair:** Mr. Van Loan, are you ceding to Mr. Maguire?

**Hon. Van Loan:** To Mr. Maguire.

**The Chair:** Mr. Maguire.

**Mr. Larry Maguire:** Thank you, Madam Chair.

Thank you to my colleague for allowing me to ask a few more questions.

Welcome to all.

To the CRTC, thank you for your presentation. Competition is what we're here to talk about, and to try to come to some conclusions about how our committee and Canadian Heritage can enhance and provide more opportunities in these lower level, smaller markets from the large broadcasters, and papers as well.

I have just a quick question. As I mentioned, I have some questions on paper that I can maybe table for all my colleagues to see and to get some replies from Canadian Heritage.

Regarding the kinds of funds that come through the opportunities fund and some of the others, have you ever assessed the possibilities around how these funds are being used today in the industry? By that I mean, do they promote innovation or discourage it? Are they fostering dependence on those dollars, in some areas? And do you think it has anything to do with the graphs you gave us regarding some of the use by the different kinds of media?

I could probably summarize it by asking you if the funds are being used wisely. Are they fostering dependence in some areas where people aren't willing to change, or are they being used to create the independence that Mr. O'Regan was just asking about with regard to moving forward with some of the smaller mediums?

**Mr. Jean-François Bernier:** For the Canada periodical fund, the contribution of the fund varies a lot per title. I'll use *Maclean's* as an example. The contribution of the fund to *Maclean's* may be—I don't have the exact number—let's say 5% of the cost of operating *Maclean's*. In the case of more niche publications, or community newspapers such as *La Liberté*—I'm sorry to pick on *La Liberté*, but it's a good example—the contribution, for various reasons, is a little bit more material to the business model of that community newspaper. It varies according to the recipient, but never are we there, with the fund, with 90% of the budget of *La Liberté* coming from public sources.

In terms of allowing them or giving them incentives to innovate, I would say that a big shift of what we did in 2010 with the creation of this fund was to put the onus on the publishers' shoulders, where they say, "Okay, I get \$100,000 from the Canada periodical fund; where is the best place to put that \$100,000?" Perhaps it's developing an app, or paying for a journalist to be at the Saskatchewan legislature. It's really up to the publisher to decide where that money best fits.

We also have in the Canada periodical fund—it's in the deck, although I skipped through it—an innovation component that allows publishers to come in and say, "Geez, the online world is there. How can I adapt my business model?" They'll seek a bit of advice here and there. We support that.

● (0950)

**Mr. Larry Maguire:** Thank you.

Madam Chair, I have a couple of questions that I was talking about earlier. Maybe I'll just table them with you. I'd like to read a couple of them just so that our colleagues know what we're asking and they can get back to us later.

First, what internal and third party polling has the department undertaken to determine the level of access Canadians have to local and regional media—some of the basis that you found in the report? What medium is used to access local and regional media? Are

Canadians satisfied with the content of their local and regional media? What's the work you've done there?

As well, if you added up all of the tax dollars used to fund the programs that support regional and local through Canadian Heritage on a yearly basis, excluding the CBC, what would that amount be? Could the dollars be broken down by program and then by provinces, so that we could have a regional view of it as well? How does the department audit and measure the success of the funding it gives to local and regional media, excluding the CBC? What metrics does the department use, and what are the expected outcomes?

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

Those questions are being placed on the table. We're hoping that the department will answer those questions and send the answers to the clerk, and we will distribute them to all of the members.

We now have Mr. Breton and then Mr. Nantel, for three minutes.

Mr. Breton, you have five minutes.

[*Translation*]

**Mr. Pierre Breton (Shefford, Lib.):** Thank you, Madam Chair.

A sincere thanks to the witnesses for the various sources of information they provided. It's extremely appreciated.

Can I backtrack to ask questions or do I have to stick to the CRTC? This is my first time on the committee, so I want to be sure that I can—

[*English*]

**The Chair:** The CRTC will be our next witness, so you may want to ask them specific questions about their own shop.

[*Translation*]

**Mr. Pierre Breton:** Very well.

What concerns me is the growing shift to electronic media and social networks, when it comes to news sources. My question is this, and I'm not sure who is able to answer.

How would you describe the extent of the shift and its impact on traditional media, particularly local news? It always comes back to that.

**Mr. Jean-François Bernier:** That's a very broad question.

On page 8 of our presentation, you can see consumption patterns by age group. Nearly 80% of those between the ages of 15 and 34 turn to the Internet for their news. We will eventually die, and they will be in the habit of looking for that information on the Internet. So it's a major transformation and not just in Canada. It's happening all over the world. There's no quick fix. It's a very tough question to answer.

Perhaps Mr. Halucha would care to add something.

• (0955)

[English]

**Mr. Paul Halucha (Associate Assistant Deputy Minister, Strategic Policy Sector, Department of Industry):** Just to add to that, I think there's a real danger in presenting the Internet and the diversity of voices that it allows as something that is to be overcome.

If you look at the media environment right now.... At the Department of Innovation, Science, and Technology, we study a lot of disruptive technologies and their impacts on existing marketplaces. I think what's happening in newspapers is not different from what happened in the music industry in the late 1990s, when all of a sudden they had challenges selling CDs and a new distribution model appeared, or from what's happening in the taxi industry right now, for example, with Uber and the challenge it's presenting to an existing model.

On the side of the Internet, we're obviously extraordinarily pro Internet at the Department of Innovation, Science, and Technology. Our view is that it has a real capacity and a real ability to create the diversity of voices. For example, there were some questions around whether existing programs are sufficient to create diversity of voices.

I would say, look at the Internet. Without government subsidies and without a regulatory type of environment, in fact, the freedom it allows has created a huge amount of diversity of voices. We have all kinds of new media services that are available now. As well, it has really reduced the cost of entry to a lot of these industries. In a local media source, if a market player is displaced or if you have concentration in traditional media, it's probably easier than ever before for a new business to get started and for new voices to occupy that space. I think there's a lot to be really excited about, not just looked at as a challenge to an existing industry, which clearly is facing that challenge and trying to find ways to compete in a digital marketplace.

I think the new entrants are really exciting and should have a place in the study of the committee going forward. I just wanted to give that kind of appeal for innovation and competition.

**The Chair:** Thank you.

Mr. Breton, you have a minute.

[Translation]

**Mr. Pierre Breton:** I'm aware of the trend in Canada and globally.

Is there also a larger tendency among Quebecers to get their news from the Internet? Are there any programs or funding assistance to help these media services, in order to support the transition and provide ongoing news coverage to a large segment of the population that still uses traditional media sources?

**Mr. Jean-François Bernier:** In French-speaking Quebec, I would say that people are a bit slower in adopting these new technologies. It's not that they don't exist, but there's—

[English]

**The Chair:** You have 15 seconds, Mr. Bernier.

[Translation]

**Mr. Jean-François Bernier:** —a slight difference.

In terms of programs, the Canada periodical fund helps companies and publishers adapt to new technological platforms.

[English]

**The Chair:** Thank you, Mr. Bernier. I am sorry to cut you off.

Mr. Nantel, you have three minutes, and then we will end the session.

[Translation]

**Mr. Pierre Nantel:** Thank you, Madam Chair.

I was quite glad to hear Mr. Halucha's remarks, since the industry perspective is the one I am most interested in. As I said to Mr. Bernier and Ms. Kennedy earlier, the reality of two cultures and two languages is a paradigm we have long been dealing with. The challenges essentially revolve around the industry.

I have two questions for you.

We talked earlier about creating apps and replacing the postage subsidy. Nowadays, we are talking about the government subsidizing or supporting the development of an app to make the media service more accessible.

I think it's important to always draw the distinction between the cultural and heritage component—the diversity of voices and so on—and the marketplace. Regardless of whether a business sells lawnmowers or newspapers, it provides people with jobs and we want to do everything possible to keep those jobs. Do you offer the industry any type of modernization support, to help with the building of apps or other new technologies? Parliament is perpetually playing catch-up with consumers, who move much more quickly than politicians. That's my first question.

My second question is this. In light of the recent acquisitions, I can't help but be concerned by the media concentration Mr. Waugh was speaking of earlier. What might happen if one of the big players were to decide to sell one day? Obviously you would object. The Investment Canada Act also comes into play. That's another consideration that emerges. Is there a risk, or should I not be worried?

• (1000)

[English]

**Mr. Paul Halucha:** Those are two large questions.

In terms of whether or not we provide any subsidies directly, we do have programming. We support innovation. We support it through NSERC. We support it through the National Research Council. We also support it through things like venture capital. The government announced the VCAP fund a couple of years ago.

My experience in talking with those who are trying to develop apps, especially those who are millennials, is that typically they're not looking for a lot of support from the government in terms of subsidies. They're looking for expertise, for assistance in getting into the marketplace.

[Translation]

**Mr. Pierre Nantel:** I understand perfectly.

I have to cut you off as we're running out of time and I have just 30 second left.

The fact remains that today's companies probably need some sort of program support in order to keep up with the times. Do you provide anything to that end?

**Mr. Paul Halucha:** Yes. I understand the question.

[*English*]

I think the challenge for the existing industry is more in getting people to pay for their content online than it is in getting their content online. I think—

[*Translation*]

**Mr. Pierre Nantel:** As things stand, it's people from the culture and heritage sectors who are providing the support here.

[*English*]

**The Chair:** Thank you, sorry.

I would like to thank the officials from Industry Canada and from Canadian Heritage for coming this afternoon. Thank you very much.

We will suspend the meeting for a minute for this panel to leave and for the CRTC to come in.

Committee members, you should know that if you felt you didn't get all your answers here, we can always ask the group back as we move forward in the study. You can decide who you want to hear and how often you want to hear from them.

Thank you.

•(1000) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1005)

**The Chair:** We will begin.

Welcome to members of the CRTC. You have 10 minutes to present, and then we'll have some questions and answers.

We will only go to a five-minute round on the questions and answers, one round only, so that we can make time for our 15-minute meeting.

Mr. Hutton and Mr. Craig, welcome.

Go ahead, Mr. Hutton.

**Mr. Scott Hutton (Executive Director, Broadcasting, Canadian Radio-television and Telecommunications Commission):** Thank you, Madam Chair, for inviting my colleague Michael Craig, acting senior manager for English television, and me, Scott Hutton, executive director of broadcasting with the CRTC, to appear before your committee.

We commend you and your members for focusing on media and local communities. It's top of mind for many Canadians, with repeated announcements of cuts to local newsrooms across the country. Coincidentally, this is a topic that the CRTC is currently examining.

In late January, the commission began a public hearing on television programming that is closest to Canadians: local news and current affairs, which keeps them informed of events and issues pertinent to their communities. This type of programming promotes the democratic process by keeping citizens informed and engaged. We are looking at the presence of this programming in order to

ensure the future of local and community television in today's fast-evolving and increasingly fractured media environment.

[*Translation*]

There are limits to what I can say about this issue. As you know, the CRTC is an administrative tribunal with quasi-judiciary responsibilities. Since the matter is pending, and to preserve the integrity of our decision-making process, our appearance before your committee is necessarily confined to explaining the proceedings. Naturally, we will not be able to share the information gathered confidentially or to speculate on decisions or licence renewals that will follow.

However, I am pleased to provide an overview of the state of local media and the motivation for our current review. I'll focus primarily on TV, although I'll briefly highlight radio stations too. I can also shed light on local broadcasters' regulatory obligations when they receive a licence from the CRTC.

[*English*]

With regard to radio there are more than 1,100 radio stations in the country that are inherently local and focused on the needs of their communities. Local news, weather, and sports are the key elements of private radio operations. The talk radio format is especially popular in most urban centres, yet the radio sector must contend with the growing impact of music streaming services and the widespread availability of connected cars.

While radio's challenges are great, those facing TV are even greater in the age of Netflix, Facebook, and YouTube. That's why we launched our comprehensive Let's Talk TV review of the entire television system in October 2013. We engaged with 13,000 Canadians during the course of the review, which included a public hearing in September 2014.

[*Translation*]

It was during this process that the CRTC identified a number of challenges faced by local and community television in an increasingly fragmented media world.

More and more, Canadians are utilizing different platforms to consume information and entertainment content, and even to broadcast their own. The fact that certain dailies have ceased their print versions and moved online is proof of this new reality.

Putting additional pressure on broadcasters, the advertising revenues derived from local television news have fallen sharply in recent years.

These shifting realities notwithstanding, the commission believes profoundly that the Canadian television system should encourage the creation of compelling and diverse Canadian programming. This programming should include news, analysis and interpretation to ensure a local perspective on current events—whether that programming is produced by the private, public or community component of the system.

[English]

When we look at broadcasting policy, we strive to accomplish a number of outcomes: empower Canadians to be at the centre of the broadcasting system; place the focus on the creation and promotion of world-class programs made by Canadians; and remove barriers to innovation.

People's attachment to local TV stations was apparent during the eight days of hearings that ran from January 25 to February 3, and we have the evidence of that here with us today. Canadians told us they value local news for its capacity to connect them directly with their communities. Local news also helps them make sense of world events and enables them to participate in Canada's political, economic, and cultural affairs.

•(1010)

Many echoed the sentiment expressed by Kirk Lapointe, who appeared before the commission during the said public hearings. The former head of CTV News, and the founding executive editor of the *National Post*, Mr. Lapointe said:

We are too small of a country to permit broadcasters to further dim the lights in their news studios town by town.

[Translation]

Yet, that's exactly what has been happening. An alarming number of television stations have reduced the length of their newscasts, cut back on staff, or centralized the production of their news programming.

That's in large part because of declining advertising revenues. Data collated by the commission indicates that the cost of producing local news television content was 22% higher than revenues in 2015.

[English]

Needless to say, these are concerns the commission takes seriously. That's why we asked for public input on a number of questions as we determine how best to support local media in local communities.

You may have heard about the speech given by Jean-Pierre Blais, our chairman, at the Canadian Club of Toronto last week. It focused on TV news in an era of change. The chairman's message was clear. Even if the old way of doing business is no longer sustainable, there is no shortage of opportunity to make great content that will continue to draw viewers however Canadians choose to access such programming. He also underlined that there is a massive amount of money in the television system that should be put to work to resolve these issues. Our research in the Let's Talk TV review found that support for Canadian television production is worth more than \$4 billion annually.

[Translation]

When the CRTC issues local broadcast licences, they come with conditions—one of the most critical being that they produce and provide local TV programming. In exchange for the right to sell advertising and use the public airwaves to bring their productions into the homes of Canadians, broadcasters have a duty to serve the public interest, because our democracy depends on it. Local programming promotes the democratic process and the public good by keeping citizens informed and engaged.

[English]

English language stations owned by the largest ownership groups are required to broadcast at least seven hours of local programming per week in non-metropolitan markets and at least 14 hours per week in metropolitan markets.

In 2014, TV stations spent more than \$470 million on local programming and news, while broadcasting distribution undertakings spent \$115 million on community television channels. The commission is convinced there is enough money in the system to support the creation of news and local information programming.

[Translation]

Canadians have been clear throughout our public consultations that they expect us to pay close attention to the quality and quantity of local news and public affairs programming.

[English]

We've sent an equally clear signal to the TV industry that we'll hold major broadcasters to account when their licences come up for renewal in 2017. If they fail to live up to their end of the bargain, the CRTC will not hesitate to take action.

As CRTC chairman Jean-Pierre Blais warned the TV industry last week, television news belongs to the marketplace of ideas, not to the marketplace of higher dividends for investors. We certainly hope the message got through.

[Translation]

Madam Chair, this is what I can safely say prior to the release of our decision on local and community television.

Of course, both Michael and I would be happy to respond to your questions to the best of our ability.

[English]

**The Chair:** Thank you very much, Mr. Hutton. You came in under 10 minutes. That's very good.

We're going to begin the questions. We're going to one five-minute round only because of the in camera meeting we will have after this.

The first person will be Mr. Samson.

You have five minutes, please, Mr. Samson.

[Translation]

**Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.):** Thank you, Madam Chair.

I have a question about the impact of the decisions and the changes that will take effect on March 1. Mr. Hutton, what are the first signs you are seeing? Do any problems seem to be emerging?

●(1015)

**Mr. Scott Hutton:** Our information indicates that some broadcasters have already begun to implement measures further to our decisions. Those measures include a \$25 basic package, small pre-assembled or custom packages, and pick-and-pay service. From a technical standpoint, the services seem to be emerging, and we believe that all broadcasters will be ready for March 1 implementation.

Broadcasters also have until the end of the year to fully implement the service, in other words, make it available to all Canadians on both a pick-and-pay and small package basis.

Over the past few years, we've done a lot of work behind the scenes, mainly in terms of managing the transition. All of these efforts are facilitating the transition to a new age—one that Canadians are already living in, one where they expect to choose and watch what they like when they like where they like.

**Mr. Darrell Samson:** Thank you.

Tying into that question, I would like to know whether the basic service packages include categories that will protect the diversity of minority communities. My region has a problem in that respect. TFO broadcasts educational French-language programming for young people. And some companies don't include it in their basic service offering.

What safeguards are in place to protect small rural areas with minority communities, in other words, the diversity of voices, to make sure that this programming is included in basic service packages?

**Mr. Scott Hutton:** Technically speaking, the government focuses on communities, as they are indeed official language minority communities.

We put in place a variety of measures aimed at cable and satellite distributors to ensure they provide a minimum level of service to minority communities. And that service must be available on a pick-and-pay and small package basis, so that families can subscribe to what they like.

We also made sure that, as part of the changes being rolled out on March 1, it would be possible to add French-language services to the basic package in some cases. You mentioned TFO. It's now possible to offer that programming to the entire country, which didn't used to be the case. We also made sure that the basic service offering took into account minority groups.

**Mr. Darrell Samson:** There is no guaranteed protection in the basic service package.

**Mr. Scott Hutton:** There is a guaranteed service offering on two levels.

First, local TV stations provide certain services, including CBC/Radio-Canada, which serves minority groups across the country. That service has to be included in the basic package.

Second, there are also a certain number of mandatory services. Accordingly, the \$25 basic package must include TVA, which provides services across the country, and other services such as the Unis TV network, which serves and represents minority groups. So a

core group of services is available in the basic package. I was simply referring to TFO, the Ontario broadcaster, which would benefit from going further.

[*English*]

**The Chair:** You have a few seconds to wrap up.

[*Translation*]

**Mr. Scott Hutton:** We changed our rules in the specific case of TFO, but other services are mandatory.

[*English*]

**The Chair:** Thank you.

Mr. Waugh.

**Mr. Kevin Waugh:** I've read lots about you in the last five years. You must be tired of this subject.

I'm going to quote Charlie Rose, if you don't mind. He said that if you don't have local news, you have nothing. He said you could go out and buy any show in North America, including Canada, but if you didn't have local news, you wouldn't have the local ratings and you wouldn't have the ads and the money coming in.

I thought I would share that with you, because it is the local newsrooms that have felt the wrath of the cuts we have seen coast to coast to coast in the last six or eight weeks in this country.

Who regulates the quality of television on each station? We've talked here today about the ads and the money, but who is actually going over it? Where I used to work, we had five and a half hours of local programming a day. Was it good? I'm not sure it was great quality, but it did fill black and it gave us five and a half hours of local Saskatoon or Saskatchewan quality. Who regulates this?

When I see, as you've heard me say before, someone in Toronto giving me the news in Saskatchewan, who's regulating the quality and the quantity of local news?

●(1020)

**Mr. Scott Hutton:** We regulate the broadcasting system, including those who provide local news.

Traditionally in the past, we regulated the number of hours. You mentioned hours and I won't repeat them. The amounts are here.

You mentioned quality. Quality is very difficult to measure. We've just been through eight days of hearings, and those subjects did come up, and Canadians from across the nation expressed those concerns to us. We've asked questions about the definition of local news, for example. Traditionally, we've simply looked at local programming. We've asked ourselves whether we should be more specific towards local news.

What are elements of quality in local news? It's hard for me sitting here in a meeting room, or traditionally in Gatineau, to determine what is of quality for your local environment.

We've asked questions. Should we look at a physical presence? Should we look at reporters on the ground? Should we look at decision-making with regard to what appears on air from the local environment? Those are questions we're certainly asking. We are also wondering whether or not we should intervene in those areas.



**Mr. Kevin Waugh:** I welcome that.

The only other question I have is about how digitally in this country nobody is making money off websites. I know this has been a big issue because everything's free. God bless the *Winnipeg Free Press* for trying another firewall, because they have not worked.

Where are we going with that? When I see the quality of broadcasting and writing in this country...the problem is I can't get this reporter out for three days or a week to do a great investigative story because I'm filling digital now, and digital has to be fed 24/7, every hour, every minute of the day. I can see the reporting has gone down, because I can't afford to have my reporter go for a week and do a great investigative story. Because of digital now, I have to have that guy on there 24/7.

**Mr. Scott Hutton:** The CRTC and our chairman through his speech certainly indicated we share those concerns with respect to the importance of investigative journalism.

We're in a great period of transition at the CRTC and the media business. One of the constants in our business is that there is always a change and evolution.

We found there are a number of Canadians who do want to be fed 24 hours a day. We can't fight Canadians. This is what they want and they're looking for that. At the same time, the erosion is occurring, not so with the time that's spent viewing traditional television, but certainly with the revenues. Our colleagues previously...I won't get into too much from their presentation, but yes, the advertising dollars are being spread across a number of platforms.

What we're trying to do is encourage broadcasters to be on all platforms. You create that programming for today and you use the resources that you have today, but you have to spread them across and reach out to Canadians because Canadians are expecting that programming to be available on all platforms.

Money is difficult in that environment. We've all heard the expression "digital dimes and analog dollars". They're losing analog dollars. They may find people on digital, but it's digital dimes they're picking up.

Sorry, Madam Fry.

**The Chair:** Mr. Hutton, thank you. That's all right. I'm sorry, but that's my job to put you on this kind of short timeline.

Mr. Nantel, for five minutes.

• (1025)

[Translation]

**Mr. Pierre Nantel:** Thank you, Madam Chair.

Thank you, gentlemen, for joining us today.

Clearly, we are talking about a changing marketplace, and the issue that stands out most is the financial one. As my colleague pointed out, providing regional coverage costs money, and getting that money depends on advertising revenues. We all watch Lisa Laflamme on CTV's nightly newscast, but that program is losing the most money for the network because of the astronomical production costs and dwindling advertising revenue.

Conventional television companies are in financial trouble because of the eroding advertising market, which is moving, more and more, to the Internet. That doesn't fall within your domain, however. We can all sit here and scratch our heads at the elephant in the room. On that point, there was clearly a huge misunderstanding when Netflix and Google representatives testified during the CRTC's recent hearings on the subject, as part of the Let's Talk TV process.

Where do things stand in terms of the numbers, which are essential in order to understand the situation? Our entire industry is based on numbers and market analyses. We don't have those figures; nor are we likely to get them. Where do you stand on that huge problem? We can dance around it, but it's there.

**Mr. Scott Hutton:** We have excellent data on the companies we regulate, specifically. Over the years, we've undertaken various exercises in an effort to collect specific data. We had some trouble as time went on. We are all familiar with the three companies you mentioned, but they each have entirely different business models. All of them reach, interact with, and sell to their customers in very different ways.

More and more, we don't try to obtain data directly from companies; instead, we try to take a step back and leverage various tools that are available to more or less everyone. We subscribe to tracking services that give us an idea of where revenues are heading. These services question Canadians about their habits. Numerous surveys are available and we buy that data. We found it more effective to go that route than to ask companies for data directly.

**Mr. Pierre Nantel:** In the short term, what can we offer our media services, in terms of a lifeline? I'm not sure whether everyone is aware that conventional television networks don't receive cable carriage royalties. We're talking about an outdated system, so we won't be making any such investments. But it still exists.

Can we find a solution to that problem? Can we look at other ways of making money? Money is the problem.

**Mr. Scott Hutton:** As we said, the CRTC's position is this. Nearly \$4 billion in support is available to us, here in Canada, through various mechanisms. Within that amount, a number of supports are accessible, and we're exploring the need for a reorientation, to help a new segment, one that didn't traditionally have trouble but now does. It's important to look at the whole picture.

We are also trying to remove barriers to innovation. Funds and mechanisms are available. We want to remove barriers that may have prevented investment in digital media, as well as those that tied the creation of new programming to the broadcaster. Efforts are being made to look for and encourage change, while focusing on programming.

**Mr. Pierre Nantel:** Earlier, we heard that industry-focused departments weren't doing much to help media services. And yet, a number of technological approaches could help them.

We've also heard from a number of people that protecting Canada's cultural diversity—our two official languages and our culture—essentially rests on you and the Department of Canadian Heritage, because that's not at all a consideration that matters to industry-focused departments or the Competition Bureau. That's something that is expected of you, is it not?

• (1030)

**Mr. Scott Hutton:** Indeed, we focus—

[*English*]

**The Chair:** Mr. Hutton, you have about 10 seconds to answer this, please.

[*Translation*]

**Mr. Scott Hutton:** We focus on programming. We strive for a system that produces high-quality programming that will appeal to Canadians, regardless of the platform.

[*English*]

**The Chair:** Thank you.

Ms. Dabrusin and Mr. Vandal, whoever goes first, you have only two and a half minutes each.

Thank you.

**Ms. Julie Dabrusin:** Thank you.

I was happy that you raised the speech given by Monsieur Blais at the Canadian Club. I want to ask about something he mentioned about a subsidy for news in one part of his speech. He referred to news reporting and government subsidies as strange bedfellows. He seemed to be pointing to different models for trying to improve funding for local news.

I was wondering if you could comment on what he was alluding to as he was going through that.

**Mr. Scott Hutton:** I know I introduced it in French in my speech. This is where I have to tread carefully, because those are matters that are in front of our commission for decision right now, but I'll try to find a way to help you in the answer.

Those are questions that we asked at this local hearing. There were a number of overarching questions. Certainly local news is important. There is a lot of money in the system. Should we be looking at changing it for local news purposes? There are some funds available for independent small market stations to support them doing local programming. A small fund does exist for that purpose.

We asked questions. Should we be expanding that fund? Should we be looking at a better redistribution of existing funds, taking some away from other areas that may be doing better and concentrating on and allowing funds to flow towards local news and information? To what end should we allow that and for what purpose? If we do go down that path, there will be important questions as to the quality of what can be funded or subsidized.

But we also—and this is where Mr. Blais' speech comes into play—have to ask ourselves the question about independence of news and information when a government entity involves itself in the production of news and information. I think that was the latter point he was making in that it is quite a struggle to, if we are to involve

ourselves in news to this extent, how it should be done to ensure that proper independence and quality journalism are maintained.

**Ms. Julie Dabrusin:** Thank you.

I recognize that I am pretty much out of time.

**The Chair:** Yes, you are out of time.

**Ms. Julie Dabrusin:** Could I just ask for a question, perhaps, to be answered?

**The Chair:** All right. Certainly.

**Ms. Julie Dabrusin:** I was reading the diversity of voices policy from 2008, which found a reasonable plurality of editorial voices in most local markets. But that is an eight-year-old report, and I was wondering if there has been an update on that, if that plurality is still found, and if that plurality includes gender and ethnic plurality as well.

**The Chair:** Thank you, Ms. Dabrusin.

Mr. Hutton, perhaps we could get that response sent to the clerk so we can distribute it to all the members.

Thank you.

Mr. Vandal, you have two and a half minutes.

**Mr. Dan Vandal:** My understanding is that until 2014, there was a local news improvement fund that was financed by a small levy on the broadcasters, and it was cancelled in 2014. Can you tell us why?

**Mr. Scott Hutton:** It wasn't local news; it was local programming. Although local programming often is news, it was....

That fund was introduced at a very trying time in the broadcast industry. We've talked a lot about advertising revenue being shared across multiple platforms. In 2008 there was a rather serious downturn in the economy, and there were television stations that were closing. Subsequently, as many of us learned, the major broadcasters were likely in a situation where they were in technical default, just in their own financial health.

That fund was brought into place to ensure the maintenance of local television stations during that particular period. It was also there to help them transition to digital, because digital broadcasting was becoming the new norm and there were changes to how we allocate spectrum in this country that they had to adapt to. It was very precise and it was put in place to help during that precise period.

When we removed the fund, essentially the fund had been successful in achieving those objectives, which was ensuring that the stations did not close, and it gave them time to recuperate from the economic downturn. So, the stated purposes had been achieved and those stated purposes were no longer required.

• (1035)

**Mr. Dan Vandal:** There's a longer conversation there, but I don't have time.

**The Chair:** Yes, now we're out of time.

I would like to thank the CRTC for being here today and for answering questions.

I have a question that I would love to ask you, but I think we're running out of time. I would like to ask you to please send the answer in writing. Now you are regulating broadcasting, radio-television, and telecommunications. Who is going to regulate, in terms of accuracy, the digital platforms? Anyone can put anything out there and nobody knows if it's accurate or if the quality is there.

People read it and they buy it. The big question is how we regulate this. That's a huge question. Maybe you could send us an answer.

Thank you very much, Mr. Hutton.

Now I would like us to move in camera.

*[Proceedings continue in camera]*

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