



House of Commons
CANADA

Standing Committee on Canadian Heritage

CHPC

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NUMBER 035

•

1st SESSION

•

39th PARLIAMENT

EVIDENCE

Thursday, February 15, 2007

Chair

Mr. Gary Schellenberger

Also available on the Parliament of Canada Web Site at the following address:

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• (0905)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): I now call this meeting to order. This is meeting number 35 of the Standing Committee on Canadian Heritage, pursuant to Standing Order 108(2), the study on the future of the Canadian Television Fund.

I welcome here this morning witnesses from the Directors Guild of Canada and from the Alliance for Children and Television.

I would ask whoever would like to go first to please introduce yourselves, and we can start. Who would like to go first?

Ms. Pamela Brand (National Executive Director and Chief Executive Officer, Directors Guild of Canada): Good morning, Mr. Chair and members of the committee. My name is Pamela Brand, and I am the national executive director and CEO of the Directors Guild of Canada. With me today is Monique Lafontaine, general counsel and director of regulatory affairs at the DGC.

The DGC is a national labour organization that represents key creative and logistical personnel in the film and television production industries. We have over 3,800 members across the country working in 47 different craft and occupational categories, including direction, production, editing, and design of film and television programming in Canada. The DGC appreciates the opportunity to provide the Standing Committee on Canadian Heritage with our views on the role and value of the Canadian Television Fund.

We'd like to begin by stating that the CTF is the single most important source of funding for Canadian programs in our country. It provides crucial support for both English- and French-language programs in the drama, documentary, children's, and music and variety genres.

The CTF has been a tremendous success. Since its inception in 1996 it has funded more than 20,000 hours of high-quality Canadian programs, including *Da Vinci's Inquest*, *DeGrassi: The Next Generation*, *This Hour has 22 Minutes*, *Les Bougon*, *Newsroom*, *Instant Star*, *Un gars, une fille*, *Little Mosque on the Prairie*, and *Trailer Park Boys*, to mention a few.

As the CTF representatives indicated to you last week, many CTF-funded programs have earned critical acclaim, impressive Canadian audiences, and licensing deals with broadcasters around the world. Without the CTF we'd surely see a significant drop in the amount of high-quality Canadian programming made in our country. Given the size of the Canadian market, it's very difficult to finance

productions made primarily for Canadian audiences. Left solely to market forces, many genres of programs would not be made here.

The CTF also brings significant economic benefits to our country. In 2005 to 2006 it was responsible for 46,700 direct and indirect jobs in Canada. Additionally, the CTF plays a pivotal role in leveraging private sector investment. In 2005-06 the CTF budget of \$249 million triggered additional financing worth \$568 million. This resulted in \$817 million in total annual production of Canadian content for Canadian television.

It is therefore crucial that the CTF remain in place now and well into the future. The Canadian government must maintain this cultural funding program.

We'd now like to turn to the crisis that the CTF and indeed the entire Canadian production sector are facing. Monique Lafontaine is going to speak to you about this.

Ms. Monique Lafontaine (General Counsel and Director of Regulatory Affairs, Directors Guild of Canada): Thank you, Pamela.

As the standing committee is aware, two Canadian distributors, Shaw and Vidéotron, recently stopped making their payments to the CTF. We recognize that Vidéotron has undertaken to resume making its payments to the fund. Shaw, however, has not.

CRTC regulations require medium and large BDUs to contribute a portion of their revenues to Canadian programming. The regulations also require that 80% of those revenues be directed to the CTF, and CRTC circular 426 states that those CTF payments must be made on a monthly basis.

Typically, the CTF makes its funding decisions in the spring of each year. If Shaw is permitted to continue to withhold its share of funding, the CTF will likely adjust its budget to exclude Shaw's expected contributions when they make their funding decisions in the spring of 2007.

We estimate the withdrawal of Shaw's contribution to the fund to be about \$56 million. However, the impact will be much greater, because \$56 million would trigger over \$130 million in additional production funding from other sources. Consequently, if the CTF budget is reduced due to Shaw's nonpayment, there will be a total loss to the Canadian production sector of about \$185 million in 2007-08. This is an exorbitant amount of money that will cause production activity in Canada to be severely diminished, a loss of thousands of jobs, and a drastically reduced roster of original Canadian programs available for broadcast. Indeed, the livelihoods of thousands of Canadians who work in the creative sector are at stake here.

We note for the record that if Vidéotron had continued to withhold its CTF payments of about \$50 million, there would have been an additional loss to the system of over \$35 million.

So what can be done? It is crucial that the Canadian government, parliamentarians, and the CRTC take a leadership role in ensuring the continued existence of the CTF. They should also take the lead in ensuring that all Canadian BDUs that come within the application of sections 29 and 44 of the BDU regulations comply with those provisions and make their payments to the CTF.

The broadcasting policy for Canada set out in the Broadcasting Act requires that each component of the Canadian broadcasting system contribute in an appropriate manner to the creation and presentation of Canadian programming. Since BDUs do not create programming, contributing to the CTF ensures that this very important public policy objective is attained.

I'll now talk to you about the DGC's recommended action plan to address this current crisis with the CTF.

With regard to the CRTC, the DGC urges the commission to take whatever measures are necessary to enforce circular 426 as soon as possible and require Shaw to make its payments to the fund on a monthly basis. We also urge the CRTC to amend any of Shaw's licences that were renewed more than five years ago to require the licensees to make their payments to the CTF each month.

Additionally, the DGC urges the CRTC to immediately start the process to amend the BDU regulations in order to enshrine the requirement that distributors make their payments to the CTF monthly.

• (0910)

Ms. Pamela Brand: With regard to the government, the DGC was very pleased that the Minister of Canadian Heritage, the Honourable Bev J. Oda, announced last month the renewal of the federal contribution to the CTF for the next two years. We commend the minister for this decisive step.

Other actions that the government could take include issuing an order in council to the CRTC, which the DGC urges the Governor in Council to do at the earliest possible time. This order in council should require the commission to investigate and report on ways to ensure that the CTF will continue to receive funding from medium and large BDUs in a timely manner.

The DGC also urges the Canadian government to provide a temporary advance to the CTF for its spring 2007 funding decisions.

This will make up for the loss of funding from Shaw and allow the CTF to operate with a full budget over the next year.

Ms. Monique Lafontaine: As for the standing committee, the DGC urges you to issue a report to Parliament recommending the continued existence of the CTF and recommending that the government provide stable and long-term funding to this critically important production fund.

The standing committee should also recommend that BDUs continue to be required to contribute to the CTF in accordance with the public policy objectives of the Broadcasting Act and in accordance with the requirements of the broadcasting distribution regulations.

To conclude, the creation and exhibition of distinctively Canadian programming is fundamental to the broadcasting system and to Canada's broadcasting policy. The CTF must continue to exist and must have stable and predictable financing. This will help sustain and strengthen Canada's television production sector. All measures must also be undertaken as soon as possible to stop BDUs from damaging the Canadian production sector and from threatening the integrity of the broadcast regulatory regime.

We appreciate this opportunity to discuss the importance of the CTF with the committee; we look forward to any questions you may have.

The Chair: Thank you very much.

Ms. Fortier.

[Translation]

Ms. Caroline Fortier (Executive Director, Alliance for Children and Television): Mr. Chairman, committee members, good morning. My name is Caroline Fortier. I am the Executive Director of the Alliance for Children and Television, the ACT, a Canadian not-for-profit agency that I will describe briefly to you a little bit later on in my presentation.

First of all, I would like to inform you that your jacket contains additional information about the alliance as well as an overview of a study.

At the outset, I would like to thank you for giving us an opportunity to speak this morning. I would then like to introduce you to the two members of the ACT board of directors who will also be talking to you this morning. You will be given, in English this time, a brief summary of their respective career paths.

[English]

Monsieur Peter Moss is chair of the ACT and has been a member of our board since 2005. Mr. Moss has worked in the field of children's entertainment for over 25 years. In television, he has worked in both private and public broadcasting. He has been creative head of children's programming for the Canadian Broadcasting Corporation, and VP of programming and production for YTV and Treehouse TV. He has been an executive producer for the Children's Television Workshop, now Sesame Workshop, and president of CINAR Animation.

Animation production credits include executive producer for *Jacob Two-Two*, *Mischief City*, and *If the World Were a Village*, and creative producer for *Weird Years*.

In the theatre, he has worked as a director at the Stratford Festival, among many other theatres, and was artistic director of YPT in Toronto for 11 seasons.

Monsieur Steven DeNure is vice-chair of the ACT and has been active on our board of directors for more than three years. He is also president of DECODE Entertainment, a leading producers and worldwide distributor of children's programming. Prior to co-founding DECODE, Mr. DeNure was president of Alliance Productions.

His list of credits is extensive, from animated series such as *ReBoot*, *Angela Anaconda*, and *Franny's Feet*, to kids' dramas such as *Radio Free Roscoe*, and *Naturally, Sadie*, as well as benchmark one-hour dramas like *Due South* and *North of 60*.

● (0915)

[Translation]

As you can certainly see, Mr. Moss and Mr. DeNure are committed, active and productive people working in the area of youth content creation. In a nutshell, these men are passionate about children's television.

I could say the same thing about all of the members of our organization, which is basically composed of Canadian creators, artisans, educators, producers and broadcasters of youth content on all platforms. They have all brought the same desire to produce high-quality Canadian youth television, an objective that the alliance has been striving to achieve with them since it was established, in 1974, through its professional training activities, its annual awards for excellence for the best anglophone and francophone production and its interventions with government bodies and other organizations, just as we are doing today.

That is, then, a brief description of ACT. I would now like to turn the floor over to Mr. Peter Moss.

[English]

Mr. Peter Moss (President, Alliance for Children and Television): Thank you.

Good morning, and thank you to the committee for hearing us.

I'd like to talk a bit about the state of the children's television industry and then pass it on to my colleague Steven DeNure to talk about how the CTF and the alliance work hand in hand and the influence of each on the other. Really, our concern is for consumers of the work of the CTF and ACT. That's why we speak on behalf of children.

Canada has built a strong children's television industry over the years. It's a healthy mixture of public policy and private initiative. Activity of this sort—this public-private partnership—is usually the result of a cultural need. That's "cultural" in the broadest sense of the word. It's how we behave, in the way that medicare was Canada's answer to a cultural desire for comprehensive cradle-to-grave health care for all citizens, necessity being the mother of invention.

You may ask what the cultural need was that the Canadian children's television industry answered. I think the answer can be summed up in a sentence. In Canada we have to compete for the attention of our own children. Virtually no other country is in this position. We're unprotected by geography, and in the case of English Canada, we're unprotected by language. We have a media giant as a neighbour that is able to broadcast into our airwaves. It considers our territory as a domestic market for them.

How do we compete for the attention? Our sense of being Canadian comes not only from the values and services that Canada affords, but from the optimism and opportunity to create our own social experiment collectively. Being Canadian means being part of it all—the plagues and the pleasures.

A distinguishing factor, I think, is that Canadian society provides its citizens with a form of basic trust. Basic trust is a concept I'm borrowing from the field of child development. It's an essential common ingredient that enables children to grow, to experiment freely, and to develop. It's a gift that parents give their children: a fundamental belief that the child is welcomed into the family and into the world simply for her own sake. Without this, the world is cold and inhospitable; with it, doors can open.

Canadian society strives to provide a fundamental belief that we welcome and value our citizens, and like the nurturing parent, Canadian children's television passes on that sense of basic trust. This is one of the distinguishing factors about Canadian television programs in the international marketplace. It's their tone. It's the reason channels such as PBS want anywhere from 25% to 50% of their kids' shows to be from Canada.

Canada is always being replenished with new citizens: children who experience Canada from immigrant homes with parents who pass on their personal heritage. Who will introduce them to Canadian culture, how we do things, our social expectations, how we treat each other?

Children's television is no less powerful a cultural tool than the stories read in school or passed on by parents and grandparents. Depending on your generation, who doesn't remember *The Friendly Giant* or *Mr. Dress-Up* or *Bobino*?

If we want future generations to feel as committed to carrying on the Canadian experiment and as connected to the process as we are, we must provide them with the opportunity to participate in the process from the beginning. By the time children have finished primary school, they have spent as many hours watching television as they have going to school. That may be unfortunate, but it's true. Shouldn't we insist that the TV they watch and the stories and characters they identify with and learn from reflect our best efforts and our best wishes for them?

I'm now going to pass on to Steven to talk about how the CTF influences the work we do.

• (0920)

Mr. Steven DeNure (Vice-Chair, Alliance for Children and Television): Thank you, Peter.

First and foremost, we need to say that the Canadian Television Fund has been a hugely important engine in the creation of television for Canadian children. Children's television is one of Canada's media success stories. Canadian producers and broadcasters draw an incredibly diverse cross-section of talented Canadian artists and technicians to produce programming that is not only relevant to Canadian children, but also to children around the world. This content creation extends beyond television to include emerging and so-called new media platforms including web-based activities and interactive games. Kids are the early adopters of new technologies and content creators need to be at the forefront of this next wave of content creation in order to continue to win the attention of Canadian children.

Many Canadian broadcasters program Canadian children's shows in priority positions in their schedules, not because they have to but because the shows compete successfully with non-Canadian programs. Given the chance and the choice, Canadian children watch programs made here, programs that reflect our culture and our values. Statistics for 2002-03 show that in English Canada, Canadian kids' programs captured 38% of the audience. In French Canada, Canadian kids' shows captured an impressive 55% of the audience.

To put this in context, drama and comedy in English Canada captured only 10% of the audience. We agree that Canadian drama needs help, but it cannot be at the expense of children's television.

A recent study entitled *The Case for Kids' Programming*, commissioned by our organization in partnership with the CFTPA, the National Film Board, and the Shaw Rocket Fund, demonstrates that both the dollar value of children's programming produced in Canada and the share of the overall CTF budget devoted to children's television have been declining. The research shows that the production of children's television has fallen overall, from \$389 million in 1999-2000 to \$283 million in 2005-06. That's a drop of 25%. From 2002-03 to 2005-06 the contribution of the Canadian Television Fund to kids' programming has decreased from 22.8% of its budget to 18.6% of its budget. That's a drop of 17%.

While we believe a strong CTF is an important component of the Canadian broadcasting landscape, we also believe that more resources need to be devoted to programming targeted at our youngest viewers, our most receptive, open audience, and that those funds need to be broadened beyond television.

Canadian children's television reaches audiences in Canada and abroad. It's an area in which Canadian creators are second to none. It reflects our culture and our values to our most receptive audience and it offers unparalleled opportunities to harness the potential of new technologies.

So why, we ask, should the funding of children's television be a second priority? We remain supportive of the CTF as a vehicle for the funding of Canadian programming, but we also believe that we need to rethink the spending priorities. Canada's children should come first.

Thank you.

The Chair: Thank you for your presentations.

We will go to Mr. Scott for the first question.

Before you start, we'll try to stay as close to five minutes as we can for questions and answers. This session will be over at 10 o'clock. Thank you.

Hon. Andy Scott (Fredericton, Lib.): Thank you very much. I hope that wasn't directed at my own experience personally.

Let me say thank you very much to the witnesses and also take an opportunity to speak to the broader issues that have been spoken to in terms of resources and so on.

I couldn't agree more that we need very much to invest in the Canadian reality. If we're going to have our stories told and capture the attention of children and adults, and if our drama is going to be available in a comparable way with drama that would originate in other places and so on, it's critically important that we cannot allow the market to determine these things. I think we will be overwhelmed by the force of that market. So for what it's worth, I'm glad in both instances that we had that discussion.

I know here we're to speak of the more urgent need to deal with a crisis that exists, and I will get to that. I also should say specifically to children's television that I am in the unique situation where I have kids of 20, 22, and one year of age, so I have the opportunity to compare. To whatever extent that you or the CTF are responsible for what's available now, congratulations! Not only is it appealing to me, it's also appealing to my one-year-old, which is very appealing to me.

On the idea of interim financing, I know it was recommended that we need to do something immediately. In order to make the case to the government to do that, we need to know specifically what the time-sensitive issues are upon the industry so that we can make the case, so the public can hear the case. I expect that given the nature of production, every day counts. Please inform us about that, so we as a committee can in fact cause the government to take that specific action.

• (0925)

Ms. Pamela Brand: I will speak to that issue. Our members are filmmakers, and they work in production. A production cycle can often take two to three to four years, starting with the development process and then going into the writing stage, and then into the production and the post-production stage. For that, the funds need to be available two to three years in advance: the completed production needs those funds in order just to get started. If there is a crisis of funding, if there is a lack or diminution of funding, the development process doesn't begin, because producers and developers are not sure they are going to have the financing to be able to move into the next stage of production, in which case whatever money they had spent would be lost. So that is the crisis, that the production is not starting.

With the crisis at the CTF, there was fear in the industry that there was not going to be the money. The \$200 million was extremely helpful, and it certainly assuaged the situation to a large extent. At the same time, the CTF is going into deficit budgeting to keep productions going this year, but new productions are not starting. We have heard from the producers that new productions are not going into development. So a year from now—and certainly next year you'll see this—there isn't going to be the content the broadcasters need, and in the interim many people, thousands of people, will not be working in the industry.

Hon. Andy Scott: On the same question, is there anything specific or unique to the particular piece of the industry you represent that would add value to that answer?

Mr. Peter Moss: I can speak from a broadcast point of view, the other half of the coin. Much of my experience has been as a broadcaster. It is that the planning cycle is concomitant with the development cycle. Often you're ordering and developing shows for two and three seasons down the road.

Remember that the cable companies, particularly in the children's sector, have mandatory amounts of Canadian content that they must broadcast and mandatory amounts of money that they must spend in developing those shows. That amount of money is never enough to make the shows happen. It's necessary that the CTF be there to complete the financing and provide the financing. If there's a weakness in the CTF, the whole system crumbles, so that two years and three years down the road, there's a dry-up of all the material you need.

Hon. Andy Scott: In the likelihood of the CRTC's coming to a decision that would remedy this—beyond the remedy, at least in part, that the letter from the minister sent out Tuesday that arguably resulted in the decision about Vidéotron.... To that point, I think the government had taken the position that they were waiting on the CRTC. I would have preferred to have whatever action was taken on Tuesday taken earlier, and we wouldn't perhaps be in the circumstance we're in now.

Beyond the interim financing, which I'm sure we will be pushing the government to make effective immediately, are there any other pieces of this that you would see dealing specifically with the crisis, beyond interim funding—a directive to the CRTC to expedite the decision, to do the things that would be available to them to do? There may be some debate as to what those are, but I understand from the intervention you've made that you've prescribed a certain series of actions, and we'll probably hear from the government as to whether they would agree with your prescription.

Finally, as you know, we're doing a review of the role of public broadcasting in the 21st century as soon as this is over. I'm sure we'll see you back and we will be able to take up these issues in a broader context. I appreciate it very much.

Thank you.

The Chair: I think that was a statement. We went a little overboard there.

Ms. Bourgeois.

● (0930)

[Translation]

Ms. Diane Bourgeois (Terrebonne—Blainville, BQ): Thank you, Mr. Chairman.

My first question is for Ms. Brand or Ms. Lafontaine. You stated that you represent 3,800 members. You have been working in the sector for a very long time. In your opinion, what has really triggered the current crisis? I really want to understand the situation.

Ms. Monique Lafontaine: In my opinion, the cable industry does not want to contribute to the fund and this has been the case for several years. When the Canadian Cable Television Association existed, this was one of the files that it defended on a regular basis. If we were to go back in time and look at their folders, we can see that, as far as this association is concerned, the CTF was not a good thing, and the association didn't want to contribute to it.

Ms. Diane Bourgeois: You very quickly listed a whole series of measures. I would imagine that you could provide us with a copy so that we can take a really good look at them.

What aspects do we need to give urgent attention to as far as the operation of this fund is concerned? If we wanted to reach an agreement quickly, what aspect is the most urgent?

Ms. Monique Lafontaine: Of all the measures that we are recommending, an amendment to the regulations would carry the most weight. We are wondering whether or not the CRTC could strengthen the guidelines in circular no. 426. This is a grey zone, and we believe that we should make it black and white. So we should amend the regulations so that payments are made on a monthly basis.

Ms. Diane Bourgeois: You are asking the CRTC to amend the regulations, but you asking this committee to go further.

Ms. Monique Lafontaine: In our opinion, that's what the people in power should do. As far as this committee is concerned, we are recommending that you do what you can to ensure that the fund continues to exist.

Ms. Diane Bourgeois: Your recommendation includes a political aspect; this is what I wanted to highlight.

I would like to tell Mr. Moss that I am from the generation that watched *Bobino* and *Pépinot et Capucine*, programs that I adored, by the way. Indeed, children's television must not disappear. It helps mothers a great deal and it also socializes the children.

When I listen to you, I get the feeling that you're not here so much to talk about changing the regulations but rather to tell us that you are afraid that the fund will disappear.

Are you under the impression that the fund may eventually disappear?

[English]

Mr. Peter Moss: First, forgive my speaking in English. I am embarrassed.

Our impression is that this is a steady erosion of the fund, and this is the first and the beginning block that's being taken away from the wall that supports it. Unless this battle is won convincingly now, there will be a steady erosion of the fund.

It took a long time to build the fund. It took an even longer time to arrange the board such that it works to its maximum benefit. As a former board member of the fund, I do believe it now does that to a large extent. I believe that the fund has always been under some attack from both the BDUs and, to a certain extent, from other contributors.

So yes, I do believe this is not a small administrative affair. I do believe the fund is under attack.

• (0935)

[Translation]

Ms. Diane Bourgeois: Yesterday we learned that Quebecor had decided to continue making payments to the fund, but we didn't hear anything from Shaw Communications.

What do you think about that?

[English]

Mr. Peter Moss: First, I think that the Quebecor decision, which we certainly welcome in the short term, seemed to come with a condition. He stated that he would like to take that money and put it into his own production company, run by his own company. That will be given full disclosure, and that is what I mean by the slow erosion of the fund. An ideal like that cannot in any way help the fund, or therefore the industry.

In terms of Shaw, I used to work for Corus Entertainment. I have a hard time guessing what he is thinking.

[Translation]

Ms. Diane Bourgeois: That's fine. I would imagine that we could also obtain the text of your presentation.

Thank you, Mr. Chairman.

[English]

The Chair: Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

I see this a little bit differently. I'm on the industry committee for our party, and there you actually have the minister running roughshod over the CRTC on a regular basis, not necessarily waiting for an opinion.

I grew up in Windsor, Ontario, and airwave was the only television, not cable, at that time. The children's programming I received was somebody getting hit by an anvil, falling off a cliff, or eating spinach and punching somebody in the face. I can tell you right now, as a parent of a three-year-old and a six-year-old, how proud I am of Canadian television and the children's department—for example, Treehouse, which offers limited access to commercials but at the same time provides really ingenious programs.

Your cultural connection is very important, and I think I would like to hear a little bit more about that, because I live in one of the most diverse parts of Canada, the fourth largest. We have over 100 ethnic cultures that are organized as bodies and groups, and our immigration population is booming.

Could you expand on your concerns about not being able to meet that challenge if the proper service and supports aren't there for you to be able to do your job?

Mr. Peter Moss: I think what it comes down to is a belief that because we are always dealing with new citizens to Canada, and particularly citizens whose first language is not English or whose English is developing, there is a tendency for them to grow up—and this is certainly true for the pre-school ages up until age five or six, when children enter the school system—enclosed within a community. Yet those are the most powerful years, when children learn to imitate the behaviour of those they see and learn to acculturate into the larger society. So you're dealing with a group of children who come into our country and are given no indication of what it means to be Canadian until they get to school. Then, depending on the school system that they get to and depending on the circumstances and the experience they have and the language they've managed to pick up, they are hit with the law of the jungle gym—to call it something else—of what happens to them in school. So that's one way I think television helps.

The other way is that there's a great body of evidence, tested both by Canadian universities and by the Children's Television Workshop in New York, that television designed for the youngest children actually has a very positive effect on numeracy, on literacy, and on school readiness, and that when you're looking at a society or a group of children who don't have the benefits of Canadian culture, which is to say they can hear and absorb what's on the radio and television widely, they need programs that are designed especially for them to help redress that.

So I do think that's an important function that television does.

Mr. Brian Masse: And do you believe, in your professional opinion, that Vidéotron and Shaw understand the consequences of their actions and the effect upon your programming, in particular? Do you believe they are aware of the repercussions and the ripple effect through your production and so forth?

Mr. Steven DeNure: I believe that particularly Shaw understands the ripple effect that it has through the production. The Shaw family has extensive investments in kids' programming, owning YTV; Treehouse, which you mentioned; Discovery Kids; and a share in Teletoon. They also, at arm's length, have the Shaw Rocket Fund, which contributed to our study. This is a hugely important fund in creating kids' television. So I actually think they do understand.

Somebody asked about whether they'd made any pronouncements. We're obviously curious to see what they will ultimately propose to do with the money that they're not putting into the CTF.

• (0940)

Mr. Brian Masse: Well, it's really appalling to hear that Shaw... and I suspected the case as well, knowing the background and the connections of the industry. It's really appalling that they've actually put kids in the middle of this. That's really the end result, because as you know with your study, the declining programming is an issue in itself, and if Shaw now understands its repercussions, that's unacceptable.

Maybe I can ask a quick question, Mr. Chair, to the guild. I have probably a minute left.

I would basically like to get an appreciation in terms of what would happen to some of your successful programming.... I understand that everybody competes for this program; it doesn't just go to one particular group. But in terms of the successful programming that you've been able to do—because there are the ones that we do for a whole series and then there's the commercially successful—if they are delayed in terms of the next season, what can that do to the brand of a particular product that has become very successful in Canadian culture?

Ms. Pamela Brand: What would happen is that they would really lose the audience, because audiences are very fickle. As long as the program is there on a regular basis, they can tune in; they know where it is, they know when it is, and they watch. But as soon as that disappears off the television screens, within a few weeks, within a month, two months at the most, that audience goes. They gravitate somewhere else. And it will be very, very difficult to get that audience back.

Mr. Brian Masse: One of the biggest criticisms is always that you should produce something commercially successful, and when you actually do that in this particular case, you're going to put at risk that particular objective, which is often so criticized as part of getting funding in the first place.

Ms. Pamela Brand: Absolutely. The shows we mentioned are all commercially very successful.

Mr. Brian Masse: Thank you.

The Chair: Thank you very much.

Mr. Steven DeNure: May I just add to that anecdotally?

Delays in decisions by broadcasters that are forced by this crisis will have an immediate effect on our moving into second seasons of some shows.

I have a new series that started production for the Family Channel two weeks ago. It was already delayed because of an ACTRA strike. We have other crises in this industry to deal with.

If the broadcaster is uncertain about funding, they will not renew the show for a second season. We're dealing with a cast that's 11 or 12 years old. If we delay for another year or year and a half, we may not make more episodes of the show, but for sure our cast will be grown up beyond the age that is meaningful for the project.

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

The Chair: Thank you very much.

Mr. Fast.

Mr. Ed Fast (Abbotsford, CPC): Thank you, Mr. Chair.

Thank you for coming here today.

I think we as a government are also disappointed at the actions of Vidéotron and Shaw. I'm hoping it was simply a shot across the bow, perhaps an attempt to renegotiate terms of licences, etc. But I think your comments reflect the fact that the minister's announcement of \$200 million of funding over the next two years clearly is a vote of confidence in the fund itself and the purposes it serves.

Mr. Moss, you made some comments about feeling that the CTF is under attack and may have been under attack for some time. I'm not sure I would necessarily disagree with you. One of the concerns, I

think, is that the regulatory framework within which the CTF operates may be flawed. As you know, the CTF, in one form or another, has existed since 1993 and certainly since 1996 has involved government contributions. But over those years we've had a regulatory framework that uses regulations, circulars, licensing to try to ensure that the BDUs make their required contributions.

There's some indication, when you look at the court precedents, that the current ability of the CRTC to enforce the contributions from the industry may not be as strong as people expected. That problem has existed for a number of years now, probably since the program commenced, and it may take parliamentary action to ensure that we can actually force compliance to get those contributions.

That's a struggle we have. I'm sure everyone on this committee is a little bit frustrated with that. There have been suggestions that the minister should intervene. There have been suggestions that the CRTC should simply enforce the regulations and that it may not even have the ability to do so if it's challenged in the courts.

May we have your comments?

• (0945)

Mr. Peter Moss: To begin with, I'm not a lawyer, so I can't speak to the legality, but I can speak to the common desire since 1993, and again since 1996.

In terms of the feeling of its being under attack, every year or ever two years there's been a collective holding of breath as to whether or not the fund will be renewed. That holding of breath has caused the hiccup in production. What you're seeing now is an exaggerated over-holding of breath, I suppose. We're all turning blue in the face as we wait for production. But it happens with regularity that a kind of stick is held over the industry saying, "Will you? Will you?", and then, "Yes, you will" or "Yes, you will for one year" or "Yes, you will for two years."

So there is that sense that there isn't an ongoing commitment to the renewal of the fund and that it is haphazard, in the first instance.

In the second instance, it is true that we are in a small market and that we value our own culture. That being the case, there are various ways by which, in a common understanding, we seem to have protected ourselves, such as making cable companies pay a percentage of their revenue into a production fund, such as protecting the public airwaves and saying that BDUs using either terrestrial or satellite broadcast are protected and have to carry a certain number of Canadian channels.

We've built an infrastructure that protects ourselves and is at the same time open to the world. We may not have built every single law in just the right way to make sure that it absolutely passes muster in a legal challenge, but we have built it in such a way that it evidently works.

Mr. Ed Fast: Thank you.

I have a question for Mr. DeNure.

In your testimony you suggested that children's programming had dropped by 25%. I'm assuming you're referring to Canadian children's programming.

Mr. Steven DeNure: That's correct.

Mr. Ed Fast: And you also stated that the CTF contribution had dropped by about 17%?

Mr. Steven DeNure: That's correct.

Mr. Ed Fast: Now, there have been some suggestions, primarily from the industry, that the CTF, or the system, is broken. Do you suggest that's the case? What are the reasons the percentage of programming for children's programs has been down?

Mr. Steven DeNure: It is clear that there's a different kind of crisis in the drama area, and that ratings for Canadian drama have been poor. What we've seen is that there has been a shift in funding away from children's programming towards drama to try to fix that problem.

In many ways, this is the first opportunity we've had as an organization to speak up on behalf of kids' programming and children and to identify the consequence of more money going to other genres.

Mr. Ed Fast: Do you feel it's the CTF's role to fix that problem with Canadian drama?

Mr. Peter Moss: Can I jump in with that? I was on the CTF board when this occurred, and there was a pretty specific and direct message to the CTF board from Heritage and from the BDUs at the time. I think it came from Charles Dalfen, who actually said, "I want to see a one-hour drama in prime time on air in Canada." That was a specific request. It came down, and the CTF board were charged with pulling whatever levers they had to enable that to happen, and as a consequence, we're here.

Mr. Ed Fast: Thank you.

The Chair: A short response, please.

Ms. Pamela Brand: I have just a very short comment.

In this whole issue between drama and children, our members work on both. I think the point here for this committee is to help save the CTF, and I think those other issues don't really belong here at this table.

Monique Lafontaine would like to add to some of the legal issues raised by you.

Ms. Monique Lafontaine: Very quickly, in terms of whether an issue exists as to whether the BDUs can indeed be required to contribute to programming.

I am not a tax lawyer, so I'm not going to go down the path of whether the commission has the authority to tax the BDUs. But at the end of the day, the CRTC has the authority to enforce and to implement the broadcasting policy. What it means is that all of the participants of the broadcasting system contribute to the cultural component.

The radio broadcasters have requirements to contribute to Canadian culture, and the TV broadcasters, the conventionals, the specialties, the pay-TV services. And the BDUs are not some special entity within the system that should be exempt from the requirements. It's a quid pro quo for having a licence. You get your licence, you get to make a lot of money, and you need to give back.

• (0950)

Mr. Ed Fast: The CRTC cannot tax?

Ms. Monique Lafontaine: Exactly.

The Chair: Thank you for that.

Seeing what the time is, we'll go to a two-minute question and answer, please. Mr. Masse, you're out of this round, so there will be one round in two minutes, please.

Ms. Keeper.

Ms. Tina Keeper (Churchill, Lib.): Thank you, Mr. Chair.

I'd like to thank our witnesses as well. I apologize for being late. I was on the red-eye flight from Vancouver, and it was a bit delayed because of the weather, so I apologize. I really am sorry that I missed all the presentations, and I thank you for presenting here today. I'm really glad that you're here presenting as well on behalf of children's programming, because that has been a very successful area of production in Canada.

You talked about the shift in funding from children's programming to drama, a shift to drama. It is within the theme that we've heard around the squeeze on Canadian content and the challenges facing it, which speak to the very crisis that we're in.

I would like to follow up on the suggestion that this is a tax, and that there is maybe some sense that there's an option around this payment. You presented very clearly earlier that this will have impact, immediately and in the following fiscal years, on production. One of the suggestions we've heard from stakeholders is that there could be a contribution made by government, a loan made by government, to ensure that there is no dire impact. As of August 31 we will see that if we don't have any certain terms by that time, then at least we can support the industry.

Could I have your comments on that, please.

Ms. Pamela Brand: Do you want to speak to the tax issue, Monique?

Ms. Monique Lafontaine: As I just stated, the various components of the broadcasting system should be contributing to—

Ms. Tina Keeper: Absolutely, and I'm aware it's part of the guideline that they make a contribution, but the suggestion that we have a loan from the government to ensure that these immediate and projected long-term impacts are not putting the industry in crisis—

The Chair: We have to have a quick question. We're already over our time.

Ms. Tina Keeper: I would like a quick response on the idea of a loan.

Ms. Monique Lafontaine: As we said in our presentation, we do recommend that the government step up and perhaps borrow from next year's \$100 million to fill the gap this year.

Ms. Tina Keeper: Thank you. I am sorry I missed your presentations.

The Chair: Thank you.

Ms. Bourgeois.

[Translation]

Ms. Diane Bourgeois: Thank you, Mr. Chairman.

Ladies and gentlemen, earlier I asked you what, in your opinion, had really triggered the current crisis. Needless to say, the absence of any contributions from the two cable companies, which we do not agree with, by the way, was one of the triggers of the crisis. I would like to go further.

This crisis just didn't flare up yesterday. Could you also go back a little bit farther in time and explain what, in addition to the non-payment of the two cable companies, could have fueled this crisis? I would like you to give me your frank opinion.

[English]

Ms. Pamela Brand: I'm sorry. I'm going to speak in English as well. I apologize.

[Translation]

Ms. Diane Bourgeois: That's fine.

Mr. Maka Kotto (Saint-Lambert, BQ): That is a reasonable accommodation.

[English]

Ms. Pamela Brand: I don't think any of us can actually explain to you why they stopped paying at this particular time. As you know, it's a long-standing issue. There has been reluctance from the BDUs for several years to pay into the CTF. They probably felt that it was a good strategy.

In January, Vidéotron did exactly what Shaw had done just before Christmas. They said they'd stop paying. There was strife in the industry, and there was a strike, so the timing was very good. The industry was already in upheaval. It was a good time to just hammer it in further and to start.... It was a good strategy.

Further than that, we can't really explain. Obviously they have said they have some issues, but governance issues are always going to be around in any organization. We see that in our own organizations. The fund itself is working very well as far as programming goes. Those are their issues. There should be a committee. There is a board of the CTF, and they can be ironed out.

So we can't really answer your question exactly the way you'd like. We don't know exactly how this happened. It is a long-standing issue, but it can be resolved.

● (0955)

Mr. Peter Moss: I also apologize. I'd like to answer your question not quite directly but indirectly.

I grew up in Montreal, one of the most beautiful and cultural cities in the world. When I grew up, in order to watch *Peter Gunn* and *Dragnet* on television, I had to watch them on a channel that came from Burlington, Vermont, or Plattsburgh, New York.

My generation of Montrealers, Anglo-Montrealers, grew up thinking that Plattsburgh was a better city than Montreal, and that things that came from Plattsburgh were better than things that came from Montreal. Can you believe that—swapping Plattsburgh for Montreal?

I think there is a generation of Canadians my age who still think things that come from away are better than things that come from and are made here. I think when people like BDU carriers say,

“Canadians would rather see this”, that is a little bit of the mentality that drives that.

The Chair: Thank you.

You can have one very quick question, and we have to stay within two minutes, here, Mr. Warkentin.

Mr. Chris Warkentin (Peace River, CPC): Well, thank you very much. I'll cross off a couple, then. I was going to start talking about new technologies and the impact they're going to have on the industry, because they're something that we as a committee have had some discussions about, and we know they will come into every discussion as we move forward.

Obviously we've seen just the movement of technological advances, and especially for young people. I have a six-month-old daughter. I know that her entertainment experience is going to be far different from my childhood entertainment experience. So we won't get into that discussion.

In terms of the short term, obviously we've discussed the optimism that you have, Ms. Brand, with the possibility of things coming together. We're hopeful that will happen.

In the longer term, Mr. Moss, you had some suggestions as to what the fund has to do to better serve the industry. Is there anything else we should know about? Obviously we're optimistic that things will come together. Looking beyond that, are there any further suggestions you would make as to what the fund might do to be better able to serve not only you as organizations but the emerging technologies, possibly, that are obviously going to continue to move forward?

Mr. Steven DeNure: There are two things, one of which Peter already said, and that's longer-term, stable funding so that there's some predictability to this. The second thing is the expansion of the fund to address what we call screen-based entertainment, to not just focus solely on television, and some of this involves really technical rules about how they administer the thing, but a general direction for them to engage in new technologies and to look at the production of screen-based entertainment as a whole.

When we produce television programs for children, we at the same time are developing interactive, web-based experiences. Kids' broadcasters and kids' television producers actually are really at the forefront of some of that stuff, because kids are the early adopters of that.

So I think those are the two things that I would say about it.

Mr. Chris Warkentin: I think my time is probably up, but thank you very much.

Ms. Monique Lafontaine: Could I make a quick comment?

The Chair: One quick comment.

Ms. Monique Lafontaine: In terms of the CTF supporting the new technologies, the DGC is certainly supportive of that, but what we would want to see is new moneys coming to the CTF so that the money that is there for programming doesn't get diverted to other streams, if you will.

The Chair: I thank you, witnesses, this morning for your presentations and your answers.

I have one little statement to make. I have sat on this committee for a little over three and a half years, and something I heard from the very first when I got here was about long-term sustainable funding, and I think we will hear that probably from our next witnesses. One thing I've always hated was sunset. I love sunsets, but not when it comes to funding. If the program is good, I think it should be long term and sustainable. You should not be in a position where you're waiting until the eleventh hour to find out whether you have funding for the next year. So at least right now, I think the minister has come forward with two-year funding. I know that's not that long, but it's longer than one year.

So I wish you all the best. Thank you.

We'll recess for five minutes, thank you.

• _____ (Pause) _____

•

• (1005)

The Chair: I call the meeting back to order.

For our second hour, I welcome our witnesses from the CBC.

Mr. Rabinovitch, if you would lead your group, please introduce everyone. That would be great, sir.

Mr. Robert Rabinovitch (President and Chief Executive Officer and Acting Chair of the Board of Directors, Canadian Broadcasting Corporation): Thank you, Mr. Chairman, and members of the committee. We are very grateful to speak with you today about the Canadian Television Fund.

I am here today with Richard Stursberg, who is the executive vice-president of CBC Television and a former chair of the board of the Canadian Television Fund; and

[Translation]

Sylvain Lafrance, Executive Vice-President, French Services.

[English]

Together we would like to talk with you about Canadian television production and the success of the Canadian Television Fund in building the independent production industry that makes those Canadian programs.

First I'd like to say a few words about what the CTF means to the public broadcaster.

I should note as well that in order to examine the CTF, you have delayed your review of CBC/Radio-Canada's mandate. We look forward to coming back in the near future to this committee when that review is under way. But as you will see from our presentation and our discussion today, the subjects are really all interconnected.

An essential part of our mandate is to offer Canadians Canadian programming. Last fall when we appeared before the committee, we talked about the importance of advertising revenues as one of our pillars. Government funding is another, and in particular the \$60 million of additional funding that we have received each year for the past six years for programming. The third pillar is the Canadian Television Fund. Remove one of those pillars, and you fundamentally alter the ability of CBC/Radio-Canada to fulfill its mandate.

Think of programs such as the *Rick Mercer Report*,

[Translation]

Et Dieu créa... Laflaque, Rumeurs, and

• (1010)

[English]

Little Mosque on the Prairie. We are the only ones who offer Canadian programming, because we are the only ones with the space in our prime time schedules to offer these programs when most Canadians are watching television.

But I would add that we do not have nor do we want a monopoly on Canadian content. That is why an independent funding agency is critical to the health of Canadian broadcasting.

In front of you, you have two charts that show the evening television schedules for Canada's broadcasters in both the English and French markets. Canadian programs are in red. CTF-funded Canadian programs are indicated in green. Take away those programs, and you can see that you are left with a lot of holes. How are we going to fill those holes? With more American programs?

Recently some have said that the CTF is dead, that nobody watches those programs. In fact this is not true. Canadian audiences for CTF-financed productions are increasing across all genres. In English Canada, television audiences are up from 32% in 2003 to 34% in 2005. On French television, they are up from 32% to 56% in the same period.

Now, is every show that gets CTF funding a hit, as measured solely by audiences? Certainly not. Like any program on television, some succeed; some fail. For every success like *Little Mosque on the Prairie* or *Les Bougon*, there are others, such as *René Lévesque* or *October 1970*, that attract much smaller audiences. But does that make them less important? Our goal at CBC/Radio-Canada is not always to get the largest audience; it is to offer Canadians significant Canadian programs.

That brings me to the envelope. Thirty-seven per cent of the CTF is dedicated, not to the CBC or Radio-Canada, but to independent producers who make programs that our two networks commit to broadcast. To look at it another way, approximately two-thirds of the CTF goes to programs that run on private commercial networks. There's been a lot of confusion recently about CBC/Radio-Canada's envelope, so I'd like to take a few minutes to talk about it.

First, the envelope recognizes that CBC/Radio-Canada is the only broadcaster with the shelf space to offer mostly Canadian programs when Canadians are watching television—that is, during prime time. This has always been one of the key objectives of the CTF.

The stability of having an envelope also helps ensure that we have the ability to plan long-term for Canadian productions on our airwaves. The envelope also recognizes that the mandate of a public broadcaster is different; it should not simply offer programs that can chase the largest audience, in competition with private broadcasters. Instead, offering high-quality Canadian programs is our mandate.

Programs such as *St. Urbain's Horseman*, *The Englishman's Boy*, and *Barney's Version*, are all part of the literary adaptation series *From Page & Stage*,

[Translation]

and programs such as *Minuit, le soir*, *Grande Ourse* and *Les hauts et les bas de Sophie Paquin*.

Dedicating a portion of the fund to programs on CBC and Radio-Canada is not new. In fact, the 37% envelope also reflects the average proportion of CTF-funded independent productions on CBC and Radio-Canada over the last 10 years. When the CTF was established in 1996, 50% of the CTF was dedicated to programs destined for the public broadcaster.

[English]

Last week a former Minister of Canadian Heritage wrote in *Le Journal de Montréal* and in the *Ottawa Sun* that when she created the CTF, she considered simply giving the government's portion of the fund, \$100 million, to CBC/Radio-Canada. Instead, 50% of the fund was dedicated to ensuring that the public broadcaster teamed up with independent producers, and that is what we have done. As a result, CBC television has moved away from an emphasis on in-house production, and an independent Canadian production sector is flourishing in this country.

I have one final point. While the most recent CTF data predates the formal envelope, it is clear that CBC and Radio-Canada are delivering audiences to Canadian programs. If you look at the Canadian drama category, for example, CBC television received about one-half of the CTF-funded programs, yet it delivered two-thirds of the total audience to CTF-funded drama. In other words, investing a portion of the fund in projects on CBC and Radio-Canada is paying off with Canadian audiences.

You can see what I mean by saying that the CTF envelope is an important pillar for CBC/Radio-Canada. Take that pillar away, and those programs disappear. In fact, there is no good reason to get rid of the fund, because it is working.

The CTF's objective is to preserve and build Canadian culture and identity. Canada's small market cannot, in normal business terms, support the high cost of quality television. Without the support provided by the CTF, there would be very little Canadian television capturing Canadian experiences, sensibilities, and perspectives, and showcasing Canadian actors, writers, and directors. In English Canada, we would be a nation entertained almost completely by the stories, experiences, and stars of other nations, primarily American.

• (1015)

[Translation]

On the French side, the fund affords the maintenance of a public-private balance, and diversifies the television offer, whether it is in

drama, documentaries, or children's television, in keeping with the spirit of the Broadcasting Act.

Because of the CTF, there now exists a vibrant television production sector across the country employing over 16,000 people and creating 2,300 hours of prime-time Canadian programming.

[English]

It is fair to say, Mr. Chairman, that the CTF is a central financial element of Canadian programming, but is the fund perfect? Even representatives of the CTF told you last week there is room for improvement in the way the fund operates. In response to the Auditor General and to departmental reviews, the board of the CTF continues to improve both the management and the objectives of the fund, and all the board members—I emphasize, all the board members—have been involved in this work.

We believe that the current crisis in the CTF was triggered by statements from two companies that they would withhold their contributions to the fund. These are rules that the industry agreed to in return for an increase in cable rates that was double their actual contribution to the fund.

[Translation]

We are very grateful to see that the Government of Canada has shown leadership and renewed its contribution to the Canadian Television Fund for the next two years. It not only guarantees the stability of the government's portion but it sends an important signal about the government's commitment to the fund. We also agree with Minister Oda's statement earlier this week that all stakeholders in the broadcasting system must play by the rules and respect their regulatory obligations. The opposite would have a devastating impact on the industry.

Faced with the threat of regulations by the CRTC, Quebecor has now signalled it will resume its monthly payments. And that is a good thing. However the stability of the fund must be assured for the future.

[English]

I would only say that given the significance of the CTF to the broadcasting system, it is vital that CBC/Radio-Canada, as well as the independent producers, be part of any discussion that may affect support for Canadian productions and the opportunity for Canadians to enjoy these productions in prime time.

We will now be pleased to answer your questions. Thank you, Mr. Chair.

The Chair: Thank you very much for that presentation.

Ms. Fry.

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

I'm glad you clarified a lot of stuff we've been hearing, especially with regard to the dedicated funding that we hear goes to CBC only to find out that it isn't going to the CBC but is going to independent producers, but also that you have the slots that have been committed and dedicated to this. That's a very important clarification to make.

I suppose we could go on and ask the same questions about whether the minister will enforce the CRTC regulation, etc. I don't want to go there, because everyone's been asking the same questions.

What we're talking about is staving off on a temporary basis; holding the funds until another threat comes up. When is that threat going to come up? Is it next year? We're really buying time more than anything else. I would like you to suggest to us a way of....

First and foremost, I don't even think we should be debating whether the minister should intervene. It's my understanding that this is a legal obligation on the part of these two companies, who agreed, in exchange for being able to put money into infrastructure and increasing their subscriber rates. If you make a contract, you make an agreement; you don't break it.

But the bottom line here is that somewhere along the way this is going to keep happening. How do we find a permanent solution to this? What do you think are the best ways we can ensure that there is a vibrant fund here for both children's programming, as we heard from the children's broadcasters earlier on, and of course for adult Canadian broadcasting?

I must say—and I'm going to wear my heart on my sleeve for a minute—that I think the CBC is an extraordinarily important institution for Canadians. Among countries that have become very famous for extraordinary television programming and extraordinary filmmaking, we have to look at the U.K. and at the vibrancy of a strong BBC; at South Africa, which is beginning to grow in strength in television in Africa and in filmmaking, and at a strong South African Broadcasting Corporation; and at Australia as well, and at how strongly they value their public broadcasting arm.

I think this is key. We of all countries have a huge challenge because we are so close to a very big producer of film and television next door. We need to have extraordinary solutions put in place to ensure that we are able to hold our own and have the kind of excellence we see going on in Britain and in South Africa and in Australia.

I would like to ask you what you see as a long-term and permanent solution, so that we don't have to keep worrying every two years and fight the little fights. I call these little fights, because they really aren't solving any problem; they're just keeping our heads above water. What do we do to be strong and to be vibrant? What are your solutions for that?

• (1020)

Mr. Robert Rabinovitch: There is no question that if you're going to have a successful indigenous industry, the first step must be to ensure the financial stability of that industry. What the government did a couple of weeks ago, when Minister Oda announced that their \$100 million contribution at least has been stabilized for two years, is an extremely important step.

One has to recognize—and I'd like Mr. Stursberg to jump in, if you don't mind—that basically we in the industry thought we had a solid deal with the cable operators, with the funders, which together with the government's contribution would result in precisely that: a stable Canadian television fund, and one that would grow slowly with the growth of the population and the growth of the take-up rate of cable and DTH. And the government would also, we hoped, maintain its contribution, which it has done.

These are the minimum conditions. But there's a lot of history here, and it's worth perhaps looking at the history, because we shouldn't be having this discussion at all. In fact, since I've been at the CBC, the discussion's been around two things: the CBC's getting stable funding, because without that funding we can't even access the fund; and the government's commitment, over the years, of its \$100 million contribution.

But perhaps I should ask Mr. Stursberg to elaborate, Mr. Chair.

Mr. Richard Stursberg (Executive Vice-President, Television (English), Canadian Broadcasting Corporation): Thanks. I think it's sometimes helpful to remember the history of how this fund was put in place in the first instance.

What happened is that in the old days when the cable companies wanted to make an improvement to their capital infrastructure, whether they wanted to build more transmission capacity or put in better equipment or what not, they would go down to the CRTC and they would say, "We would like to do this. If you approve it, please also approve an increase in the basic cable rate to finance it." The commission would say fine. The deal always was that when those capital improvements had been paid for, then the basic cable rate could go back down again, because now they had been paid for.

So in about 1993, when all of the basic cable rates were supposed to go back down again, the cable industry came to the commission and said, "Listen, we have a good idea. Instead of sending the money back to the cable customers, how about you let us keep the money and we will split it fifty-fifty. We'll keep 50¢ of every dollar by which the rates should have gone down and the other 50¢ we will put into the fund".

Now, the commission said, "That's a good idea." The long and the short of it is, first of all, that the entire dollar was originally scheduled to go back to the consumers. The 50¢ that the cable companies got to keep has probably put into their pockets somewhere between \$750 million and \$1 billion that they otherwise would not have had. And the other 50¢ that went to the fund, of course, was never their money in the first place.

After the deal was made, the commission then decided that they would strike the whole thing in regulation. So they put it in the regulation, and it's been in the regulation for a considerable period of time. CRTC regulations have the force of law.

So I'll come back to your question: what is the right solution in the longer term? It is to insist that people respect their regulatory obligations and that they respect the law. And if they do that, then these kinds of up-and-down crises of people pretending that somehow or another they can withdraw their money when they are in fact obligated to put it in will go away.

The Chair: Thank you.

Mr. Kotto.

[Translation]

Mr. Maka Kotto: Thank you, Mr. Chairman.

Good morning and welcome.

At the outset, I would like to ask you a simple question. You are not able to stem the brain drain, this exodus of brains that flee journalism to become embroiled in the pitiless world of politics.

An hon. member: You are on my list.

Mr. Maka Kotto: Let's get down to business. Certain matters are at issue, including the 37% guarantee for Radio-Canada, which was challenged by the two, so as not to use another word, dissidents. The growing number of platforms that are not eligible for the fund money in terms of production and resale rights also constitute a problem. These resale rights remain the property of the producers and cannot be used for these new platforms. Unofficially, we know that this is the cause of the crisis.

In your opinion, do you feel that the criticism regarding the management of the fund is legitimate?

• (1025)

Mr. Sylvain Lafrance (Executive Vice-President, French Services, Canadian Broadcasting Corporation): First of all, the Canadian Television Fund or CTF has evolved since its creation and it has mechanisms by which it can continue to evolve. It is true, it is stating the obvious, that the new technological platforms are changing the rules of the game. This is recognized around the world. These new platforms have a significant impact as far as law and financing are concerned.

However, the solution must be found by all of the industry stakeholders because it is not so simple. Weakening the television system on the pretext that new platforms will arise is somewhat risky and shortsighted. There are certainly other ways to proceed, and the problem must be considered in its entirety. The CTF certainly has the tools to adapt that will allow us to confront these changes. Whatever solution is found, if we respect the spirit of the Broadcasting Act, that solution will be found by all the industry stakeholders. We cannot go off separately and try to impose our own custom-made solution.

The fund remains the best forum in which all of the stakeholders who are part of the creation of the television cultural industry advocate their interests. In that regard, it is extremely important that it remain, because those negotiations allow not only for the growth of a very strong independent production industry that guarantees diversity of creation, but it also ensures the diversity of genres. It ensures that there will be documentaries, youth programs, etc., as the president was saying earlier. The fund allows television to not be completely abandoned to the simple laws of supply and demand. It ensures true diversity in Canadian production, which in my opinion is consistent with both the spirit and the letter of the Broadcasting Act.

I will conclude by emphasizing that all of the new platforms and the new opportunities—and the Canadian Broadcasting Corporation is a player in almost all of those platforms—constitute a real issue. The letter and the spirit of the current Broadcasting Act allows us to

find solutions while maintaining a strong independent production sector, a strong public service and strong private broadcasters. We will therefore find a solution with all of the stakeholders, because the fund has the tools to do so.

Mr. Maka Kotto: I will play the devil's advocate. In light of what we know today, was it not to bring this debate out into the light of day that Quebecor was playing hardball? I know they resumed their contributions to the fund; I'm not sure what the situation is with Shaw. They were not being listened to by the people at the fund over the last two years, nor probably by the CRTC.

Mr. Robert Rabinovitch: That is not really why they decided to play hardball. I know that mechanisms exist, particularly the CTF's board of directors, which would allow for a discussion on changing the rules and improving the situation. In fact, every year things must be changed, because our industry is constantly evolving. We accept that, and changes absolutely must be made. We do it through the fund's board of directors.

Mr. Sylvain Lafrance: Moreover, discussions had already taken place between the broadcasters, within the context of the fund, on the different ways of managing this new environment. We were talking amongst ourselves about how to adapt to it. Discussions between the partners have therefore already been entered into on the ways to solve the problem. All of the stakeholders are aware of the evolution of the technological environment.

Mr. Maka Kotto: Beyond all of the points that you have just raised, is there not also an unspoken rivalry between your institution, the Canadian Broadcasting Corporation, and Quebecor?

• (1030)

Mr. Robert Rabinovitch: That happens often enough, not only with Quebecor but also with certain people. There is nothing unusual about it, but the decision must be taken by Parliament and not by a private company or by the CBC. Some people think that the Broadcasting Act must be changed and that there is no need for a public broadcaster today.

Personally, I believe the exact opposite. We will no doubt have the opportunity to discuss that when the committee begins deliberations on our mandate. Today, there is a lack of competition in the market because of company mergers. It is therefore more and more important that there be a public broadcaster in a position to offer programming at prime time, not in order to increase audience share, but to present for example documentaries or youth programming. This is not programming we can make money on, but these are programs that are very important to our population.

Mr. Sylvain Lafrance: It is nice of you to say that the rivalry between us is unspoken, but I can tell you why you felt the need to be so present. First of all, it is because this financial issue is extremely important to the fund, and secondly, because Quebecor's argument that they are funding the CBC is completely false from every perspective.

Firstly, the money goes to independent producers. Secondly, Quebecor receives more money than it invests. Therefore, they're doing nothing more than financing their own business. Over the last year, they paid \$15 million into the fund and received \$18 million from it. Therefore, Quebecor did not fund the CBC nor any other player. In our opinion, that impression must absolutely be corrected.

If you do the math, there is approximately \$100 million that is paid into the fund by taxpayers and approximately \$96 million comes back to the public broadcaster. Therefore, the private sector is not funding the public system. What they are saying is not true. That central authority was set up so that everyone would know the rules of the game.

Mr. Maka Kotto: Thank you.

[English]

The Chair: Thank you very much.

Mr. Masse is next.

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

I think it was important for Mr. Stursberg to bring up that point about the history of the fund. It is really the consumers' money, and it was quite a debate to get to that decision, and publicly as well. I think it's actually probably the best decision; otherwise, today we'd probably only have *CSI* or *Law and Order* across our TV screens.

I would like to back up a bit to make sure we're clear on a couple of things. Right now you don't get direct funding from the CTF. Like everyone else, you go to the CTF for programming that has been done, and everybody can dip into that. Can we get clarification on that point?

Mr. Richard Stursberg: Do you want the precise sum?

Mr. Brian Masse: Yes.

Mr. Richard Stursberg: The way it works right now is that all the broadcasters receive envelopes of different sizes of the total money that's available. In the case of the CBC, as everybody has pointed out, we receive 37% of the fund for English and French together. We then contract with independent producers to make the programs we want to show on the air.

For example, if you look at the programs on the chart that Bob put out, the ones in green are financed through the fund. The fund is essentially focused on the four kinds of programming that are the most difficult to finance in the Canadian context: drama, documentaries, kids, and variety and performing arts. The ones that the fund permits us to commission are only those that are what the fund calls "distinctively Canadian".

The way it would work is that we would meet independent producers; they would pitch us various ideas of one variety or another within the context of making those kinds of programs—documentaries, kids, drama, etc.—that are distinctively Canadian in character. We would choose the ones we want to make; then we would enter into a contract with the independent producer, and the money would flow to the independent producer—both our licence fees and the cash from the fund, plus the tax credits—to finance the production.

• (1035)

Mr. Brian Masse: I think it's important to note that.

I've asked this of the previous delegation: what, in your professional opinion, is the motivation or the repercussion of this action that Vidéotron and Shaw, especially Shaw, continue to persist upon, and are they aware of it?

Mr. Robert Rabinovitch: It's very hard for me to get into their brains as to what they want to do and why.

I think it's been made very clear by the representatives of Vidéotron in particular that they may have made common cause in one respect, but they are very different in other respects as to what they're doing. From what I can understand—and this is basically from reading the press—Vidéotron wants control over all rights and wants to produce all product in-house.

As I said in my opening comments, it was government policy to encourage the development of an independent production industry, and we at CBC in particular—not as much at Radio-Canada—have basically outsourced almost all of our product to the independent producers. That was the intent of the fund. Shaw has been making much more belligerent statements in terms of not wanting to finance any Canadian content.

Again, I'm putting words in their mouths.

Mr. Brian Masse: That's why there was Mr. Stursberg's analogy earlier in terms of where this actually comes from. It was the consumers' fund. It was a decision made for a lot of different reasons—about arts, culture, Canadian content programming, and the future of our country and our industry—that even set this fund up, which, once again, really belongs to consumers and not anybody else.

Mr. Robert Rabinovitch: It was set up by the Canadian government.

Mr. Brian Masse: Exactly.

I do want to ask one question in terms of the minister's response on this file. I was a little disappointed in terms of how quickly it happened. It's clear-cut. If you're going to allow people not to pay their taxes, whether they be individuals or businesses, that's a very sensitive issue, not only to the government coffers and those who rely upon them, but also to other players in the field in both the private and public sectors.

When did you originally contact the minister on this file? Did you actually have a chance to meet with the minister about this situation?

Mr. Robert Rabinovitch: We met with the minister when she made it clear she would like to talk to all the participants in the fund. I think the first meeting she had was on a Tuesday, and I met with her the next Monday to discuss our concerns.

But I think the minister was trying to collect the facts, get the information. Here we have somebody who says they're not participating anymore in what is a public-private partnership, and she wanted to collect the facts as much as she could before moving ahead and making her decision. So she was engaged in a fact-finding exercise, and we discussed the matter with her with that in mind and made it very clear to her how important the Canadian Television Fund was as one of the pillars of funding the CBC.

Mr. Brian Masse: Now that we've had this problem and we've gone through this process and we hope we are looking at a potential fix from all parties here, do you support the recommendations to enshrine in law the monthly payment and perhaps administrative monetary penalties for those who don't fulfil their obligations under Canadian law?

Mr. Robert Rabinovitch: I will have to leave that to the CRTC ultimately to decide. It is a regulation of the CRTC. It would be unfortunate if they had to use the heavy hand of regulation, but it is there for them to use if they see fit. I think that's what the new chair made very clear, that we'd do it if I have to, but we didn't necessarily want to. We're all a partnership, we should be paying monthly, and we hope we don't have to change the regulations.

Mr. Brian Masse: Yes, the deal being a deal, that might be the way to go.

Thank you, Mr. Chair.

The Chair: Thank you.

Mr. Abbott.

Mr. Jim Abbott (Kootenay—Columbia, CPC): Thank you.

Again, welcome to the committee. You certainly are very important witnesses.

I would like to make an editorial comment. It's always interesting in politics that when things go wrong the opposition blames the minister. When things go right, I suppose the honourable thing would be to praise the minister, and I'm hoping we will get some of that praise.

Considering the tools at the disposal of the minister and the legislative restraint on her powers, I would hope they would take note of the speed with which this emergency is coming into focus and into a process of resolution. She certainly recognizes the underlying challenges that remain and she is going to continue to be involved with that.

Mr. Rabinovitch, I think your note of the actions and the statements of Mr. von Finckenstein, along with the minister's request directly to Shaw and Vidéotron, are part of the solution.

While I think that Mr. Stursberg's rendition of history is undoubtedly accurate and certainly worthwhile for us to consider, the difficulty is that for anybody who has been involved in business, we know that the profit you made last year is the profit you made last year. It may be the basis for going forward, but it nonetheless is something that isn't recognized in business. There isn't the same gratitude toward the concept of the profit that you made last year as there is perhaps among ordinary citizens in their day-to-day life.

So I wonder, Mr. Rabinovitch, considering that we are looking at how to go forward and we have talked here at the committee and everybody is aware of the enforcement potential, there's honey and there's vinegar. I wonder, with you being the major players you are with respect to the use of the CTF, if you could give us an idea of your attitude in terms of the go forward, recognizing that there can be a really stern fist, steel, inside the glove. How would you express the attitude of the CBC to the go forward, trying to work the longer-term resolution to this?

• (1040)

Mr. Robert Rabinovitch: Firstly, Mr. Abbott, I'd like to take this opportunity to reinforce what I said in my opening comments and praise the minister. I thought the minister acted very quickly and gave a very clear signal by putting forward the \$200 million—\$100 million per year for the next two years. It was a very clear sign that this part of the funding had been stabilized, and it was a very clear sign of the government's intention to maintain some form of independent production industry funding. So let it not be said that I did not praise the minister.

I believe, sir, that this has been set up as a partnership among the cable operators; the satellite operators—in other words, what we call the BDUs; the independent production industry—and this is one of the main reasons it has developed to the extent that it has—and the broadcasters.

I think the CBC's role is very unique because of the fact that we have this shelf space to show the programming when people want to watch it. We don't have to show it against a hockey game on Saturday night at 10 o'clock. We can show it at 9 o'clock on a Wednesday, when people are actually watching, and give a Canadian program a chance to do well. We can also do other types of programs, like documentaries, etc., in core time.

I think the solution is a continued debate. I think the solution is for all of the partners to come to the table and discuss what is really wrong, if anything, what can be made to work better, and how we allocate in order to make sure it works better.

But also, let's not forget in those discussions the objectives of having quality Canadian programming and different kinds of Canadian programming at hours when Canadians are watching. If we put that all together, we at the CBC would be very excited people to be involved in that discussion with the various partners. And it's for the same reason, sir, that we favour the mandate review. We are a public institution, and we believe that we should be reviewed on a regular basis as to the type of programming we're doing, the extent to which we're using the various technologies, etc.

One of the major issues that has been raised by Quebecor is whether the fund is up to date in terms of its recognition of the new forms of delivery systems. We at CBC like to say that we are platform agnostic. We don't care how people get our programs; we just want people to get them. If people listen to radio programs on their iPods, all of a sudden we have a brand new generation of 18- to 35-year-olds listening to radio, because they're listening to it when they want to.

It's the same thing with the CTF. We want to use it to create quality Canadian programs in the various genres, and we want to participate in that discussion.

Mr. Jim Abbott: The difficulty, as I understood the public utterances by Shaw, is that they have not been part of that discussion. And if I understand what you're saying here today, you think it would be useful for Shaw, Vidéotron, and other people to be more engaged, in the future, in the programming.

Mr. Robert Rabinovitch: I'm going to say something, and then I'm going to ask Richard, because he's been involved with the fund for so many years.

I categorically deny and disagree with Shaw's statement that they have not been involved. They sit at the table for the CTF. They discuss these issues. They push for their positions. It is not accurate to say that they have not been involved.

• (1045)

Mr. Richard Stursberg: I would just say that I was the chairman of the fund for four years. I believe I was the longest-serving chairman of the board in the history of the fund, and survived.

The way it stands now, there are four seats on the board for the cable companies and satellite companies. Indeed, when I was the chair of the fund, I was the president of the Canadian Cable Television Association. Throughout the history of the fund until very recently, in most cases the board was in fact chaired by somebody from the cable industry. The Shaws themselves have had a representative on the fund board since at least 2000, as far as I recall.

Over the course of the years, this has been related to the issue that both Sylvain and Bob have been talking about, concerning the capacity of the fund to be able to deal with problems and adjust as it goes along. The conversation we're having now is a conversation about some issues that are important issues, but the fund has been through terrible crises in the past. While I was the chair of the fund, in the previous year they had run into a terrible problem where there was a gigantic \$30 million shortfall in financing. The fund had really fallen to pieces. There was enormous controversy about the way in which some parts of the money were allocated on the basis of what was really first come, first served. It was unclear what the cultural objectives of it were.

The fund board members, including the cable companies, the independent producers, the broadcasters, and the CBC, all came together at the level of the board and radically restructured the way it did its business. We put in place the rules that are now the distinctiveness rules, to make sure the financing would only go to programs that are distinctively Canadian. We restructured the arrangements between the different pieces of money to more or less make a market in the funds, to try to guarantee that the money would go to those programs that were most likely to be successful.

A couple of years ago there was a lot of controversy surrounding the fund and its structure. At that time there were two boards and two administrations, and people were very worried about governance issues, conflict issues, and this and that. Over the last little while, what the fund has done is resolve those matters. There is now one board, there is now one administration, and there are very tough conflict guidelines.

As far as I know, the Shaws were involved in all of those conversations. The cable industry was involved in all the conversations dating back to the ones that I described. As far as I know, they agreed unanimously to all of the changes that have been made.

What's been going on over the course of the life of the fund, which is now really ten years old, is that they have on at least two occasions been able to make radical improvements in the way of doing business. The cable industry was an important participant in that and participated enthusiastically as an important contributor to the solutions that were found.

Mr. Robert Rabinovitch: If I may, sir, the bottom line from our point of view is that the fund is extremely important. It's extremely important that it work well and that it be seen to work well. We would enthusiastically work with industry, with all of the partners, in terms of evaluating its functions.

The Chair: Thank you.

We'll go to Mr. Scott, and then we're going to go to one more good question. Let's keep it close to two minutes, because we're going to run out of time again.

Hon. Andy Scott: I was going to respond to Mr. Abbott's request for praise.

I will acknowledge that the government provided for two years at \$100 million each, while the former government did it one year at a time. The minister deserves credit for that, so I acknowledge that. I will save my praise until there is an increase commensurate with the fiscal capacity that the government now knows. That would be praiseworthy: to see the kinds of investments in culture that have been made in other areas, given the fiscal capacity.

In terms of the second part, while I agree with Mr. Rabinovitch that the minister was gathering the facts, the truth of the matter is that in terms of whatever authority she drew upon, just before appearing before the committee on Tuesday, to insist that the companies make their money payments, she could have used the same authority before, because she knew there was a problem. She knew they should do that. She said so. She said she was waiting on the CRTC to say that, but at the end of the day, whatever authority allowed her to do it last Tuesday could have been exercised two months ago. That would have perhaps mitigated some of the crisis.

So my acknowledgments come, I think, with some mixed feeling.

Having said that, I appreciate very much the explanations that have been given. As for whether the money goes directly to the CBC or to the extent to which it is the consumers' money that we are talking about, Mr. Chair, they've done a good enough job explaining the position and informing the committee, so I really don't have a particular question to put.

I did want to respond to Mr. Abbott's invitation to acknowledge the minister's interventions. Again, though, I would hope that given the capacity the Government of Canada has inherited fiscally, we could see a significant increase in support to culture as it relates to the CTF, as it relates to the public broadcaster. Hopefully, in the course of the public broadcasting review that we're about to commence, we'll hear that kind of language from the government as well.

Thank you very much for being here and for informing the committee on this very important subject.

• (1050)

The Chair: Thank you, Mr. Scott.

Mr. Kotto.

[Translation]

Mr. Maka Kotto: Very briefly, I would like to come back to what Mr. Abbott said earlier.

I'll remind you that governing is planning and anticipating events. The crisis we are dealing with here today has been brewing for a long time. Nothing happened for four weeks. There was talk about the rapidity of the minister's reaction, but in this case, I would use the word inertia.

May I also remind you that Shaw has yet to be brought into the fold; much remains to be done. Having said that, I would like to know in what kind of frame of mind, what kind of diplomatic frame of mind, you will be in when you find yourselves around the table with Shaw, Videotron and the other stakeholders, talking about this fund.

Mr. Sylvain Lafrance: Quite honestly, I am not that worried. In the television industry, as in all industries, there are times when we get along better than others. Our interests are sometimes shared, and sometimes divergent. This is not the first time that there are diverging perspectives in this industry.

In general, we manage to sit down and rediscover our common interests. In my opinion, all of those working within this industry are aware of the fact that the public-private television system in Canada—particularly in Quebec, because of its maintaining its audience—is one of the biggest successes of the cultural industries in terms of maintaining audience share. French television in this country keeps its audience in a way that is envied by many countries around the world. I think that all of the industry players are aware of this and that they will quickly find a way to work together.

[English]

The Chair: Thank you.

Mr. Masse, would you have one short question?

Mr. Brian Masse: You know what, Mr. Chair? I think we've beaten this like a dead horse. It's obvious what needs to happen.

The Chair: Thank you.

Mr. Fast, please.

Mr. Ed Fast: Thank you, Mr. Chair.

Dr. Rabinovitch, I was pleased to hear you encourage us to look at the history of the CTF. I believe that Mr. Stursberg did an excellent job of doing that. Unfortunately, the message isn't getting out there. Historically what happened was that the cable companies received a benefit, and that was less regulation on their subscriber fees. In return, they agreed to support the Canadian independent production industry, which benefits all Canadians and allows us to view in public broadcasting a mirror image of ourselves as a society.

In looking at the history, we also look at a history of a regulatory framework that was created by previous governments. And as long as nobody challenged the circulars or the regulations, we didn't have a problem. Today somebody's challenging that framework. There are certainly suggestions that the circulars that were issued are perhaps not legally enforceable. Some in the industry, although I might disagree with them, are suggesting that even the regulations might not be enforceable due to the fact that they believe it's taxation, not simply fees.

Perhaps I could have you comment on something along the lines of what Mr. Masse raised. Again, we don't want to over-regulate the industry, but when we have these threats to funding agreements that

were entered into in good faith, there are challenges they place on the CBC, as well as on others who depend on this funding for their livelihoods.

● (1055)

Mr. Robert Rabinovitch: I don't disagree with less regulation being better, as a philosophy. I think there have been a lot of moves in that direction.

This was not a deal that was regulated. The regulations were *post facto*. This was a deal that was arrived at by the industry, in discussion with the regulator, and offered up by the industry in order to get a particular benefit for themselves and also to recognize the fact that they are part of the broadcasting system. Remember, it was relatively close to the time after the act had just been redone, and the cable companies are supposedly—and we believe they should be—an integral part of the broadcasting system.

An essential element of the broadcasting system is the development of distinctive Canadian programming, not just the rebroadcasting of American content. This was seen, I think, by those in the cable industry as a fair way for them to make a fair contribution to the development of Canadian content. At the same time, they did very well for themselves. They protected and increased what they received three years earlier.

But this doesn't fall under the usual discussions of regulation in that it wasn't imposed by regulation; it was confirmed by regulation. The deal was between willing partners.

Mr. Ed Fast: That's an excellent point. And I'm sure if you asked Shaw and Vidéotron, they don't want to go back to the pre-1993 period—

Mr. Robert Rabinovitch: Heavy-handed government—

Mr. Ed Fast: —with heavy-handed government, when you had more interference in subscriber fees and more interference in industry. That's why I find it somewhat unfortunate that we find ourselves discussing this today at this committee, when in fact there is clearly a history of trade-offs and quid pro quos that actually resulted in a program that I believe has served Canadians well during the period of time it's been in existence.

Mr. Robert Rabinovitch: If I may say something as well, sir, before we leave. I don't know if we drew your attention to the document we tabled on CTF productions and how well they've done. I think it's worth looking at this. This has been a success internationally in terms of the kudos, the awards, and the quality of programs. It's something Canadians should be proud of. We have been able to create an industry that has won international acclaim.

Mr. Ed Fast: Thank you.

The Chair: I thank you very much for your presentation today and for coming and giving us, I think, a very good overview of the CTF and how it affects everyone in the broadcasting industry.

Just before we adjourn, next week, on Tuesday, we have Shaw Cablesystems and Quebecor media here. On Wednesday we have the CRTC and the CTF people again. So it will be very interesting again next week.

Again, before we adjourn, we have a short meeting afterwards for the smaller group of us about our travel plans for our mandate review of the CBC. I think that's going to be in the room just across the hall.

Again, thank you very much for your presentations today.

This meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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