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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Tuesday, March 27, 2007**

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**Chair**

**Mr. Gary Schellenberger**

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Tuesday, March 27, 2007

●(0905)

[English]

**The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)):** Good morning, everyone. Welcome to the Standing Committee on Canadian Heritage, meeting 45.

Pursuant to Standing Order 108(2), we continue our full investigation of the role of a public broadcaster in the 21st century.

This morning, for the first hour, we welcome our witnesses from the Canadian Conference of the Arts.

Mr. Pineau, would you like to make your presentation? I apologize that our people are sometimes a little slow in getting up in the morning, and I hope they get here quickly.

**Mr. Alain Pineau (National Director, Canadian Conference of the Arts):** No offence. There are enough intelligent people around the table to have a conversation.

[Translation]

Thank you, Mr. Chair. My name is Alain Pineau, and I am the National Director of the Canadian Conference of the Arts, or the CCA. Next to me is Monica Auer, Legal Counsel for these issues.

I will start by speaking about our organization and explaining why we are interested in issues that affect broadcasting.

The CCA is the oldest and broadest forum in Canada for debate on arts and culture policies. The CCA was formed in 1945, making it 62 years old. It covers all of the arts: from arts and crafts to dance to opera, and everything in between.

Our organization has one characteristic that distinguishes it from all the groups in the country that represent other parts of the cultural sector. It is an umbrella organization, and some of its members are often at odds with each other. This was seen recently in the case of the CFTPA, independent producers, and ACTRA. These two associations are members of our organization in order to try to encourage an informed public debate—and this is our mission—on all matters affecting the arts, culture, artists, creators, cultural industries, institutions such as museums, and government agencies such as the CBC.

We therefore have a comprehensive overview. Our work in broadcasting is essentially accomplished through the information we produce, and the discussions we organize and participate in, such as the one today.

It is interesting that in the Broadcasting Act, we have the most important cultural statement in the country. This is where

parliamentarians have established what most resembles a cultural policy in Canada. We are concerned with anything that affects this act, particularly given the current technical and future legislative convergence in the telecommunications sector and in the more traditional broadcasting sector.

I must say that even if I often use the words "radio" and "television" today, we must try to stop using this language, because these are not words that matter now. It is no longer about radio and television, any more than it was about papyrus or paper. It is the message that matters, the content. This is what we should be concerned with. The rest is housekeeping. Nevertheless, the convergence of laws is worrisome, because the objectives of the Broadcasting Act constitute the most eloquent statement on culture ever made by the Parliament of Canada.

This act has a number of very important elements that I will speak about. But today's discussion is about the CBC. The CBC is a unique instrument that has been around for a long time, that has proved itself, that has had its highs and lows, its times of trouble, but it is a very important public instrument for the cultural life of this country's francophones and anglophones, even if the reasons may differ. The 1991 act already recognizes that there may be asymmetrical solutions depending on market characteristics.

I will briefly summarize our presentation.

●(0910)

[English]

Thank you very much for these hearings. That's the first thing I want to say after presenting our interests.

We have deplored—on many platforms, many tribunes, and many forums—the fact that there is not an all-encompassing look at the cultural sector. We've been doing that for many, many years, and it's now coming to the fore.

Broadcasting is the vehicle through which most people in Canada consume cultural products. It's on your radio, your broadcasts, or whatever, that you listen to stuff and you watch stuff. And presumably—according to the objectives of the act—you see the society you are living in through all sorts of programs, from information to documentary to drama.

We are looking at this piecemeal, in little chunks, bit by bit, and in disjointed ways, which is worrisome. Sometimes it's through licence renewal in front of the CRTC. Sometimes it's through a policy hearing in front of the CRTC.

In this case, almost by coincidence, you are very fortunately working back to back on two very important components of the audio-visual sector: the CTF and the CBC. Yet the processes remain somewhat disjointed. You produce your report and it goes to Parliament, and that's the end of it as far as we're concerned.

We see opportunities. One of the things apart from this worry about the overall ecology in the system not being looked at globally...we talk about global warming in other forums, so we should talk about global warming in the cultural sector. We have to look at basic issues like funding and distribution of Canadian content. Those are the basic questions. Yet we're all focusing on tiny little things: should the CBC be in local news, should the CBC be in sports? They're all very important, don't get me wrong, but the way we have looked at them is very, very narrow.

We don't see technological change as necessarily driving the public debate. But it has been driving the public debate for the past 10, 15, or 20 years, quite frankly, particularly in broadcasting. Every time there's a new technology, the sky is falling: we need more consolidation, we need less regulation. We go through these in cycles, and it's always because technology is upon us. The reality is that we should look at the big picture. There are fewer and fewer players; they are more and more consolidated; they own more and more platforms across the various spectrums on which Canadian cultural content is to be made available. Only some of them are regulated. Some of them are exempted. Others we don't even think about. We think this sort of thing should be borne in mind in all debates.

Sorry, I'm running late.

We should take into consideration the fact that the 1991 Broadcasting Act... Our thoughts are evolving on that. We thought it was fine. Maybe it has to be formally reviewed. Otherwise it may be made irrelevant. It is technologically neutral and it should stay as such.

I'm supposed to be talking about the CBC here. I'm sorry. I got lost in the big picture.

The real debate with the CBC is political will. It's not a question of mandate. I mean, the mandate can be tweaked, but it's not a question of mandate. It's a question of whether we really want to have a public broadcaster. It was created 75 years ago. We keep it, we keep starving it, and we keep asking more and more of it.

You have seen a chart in our brief that shows that in real dollars the CBC budget has declined over the past 30 years. And we're asking more and more of it.

Collectively, as a nation, should we put our money where our mouth is?

• (0915)

I've already said that the CBC mandate is fine, although it could be tweaked. The act provides for asymmetrical solutions to deal with

the francophone and anglophone markets. It could also be broadened to other aspects of the question.

You've heard otherwise, but we think the CBC must absolutely be on all platforms. It's content that matters, not the medium. It's not the way it's carried to people. I fully support the CBC when it says it's totally technologically agnostic. I think all other broadcasters or providers of content should officially adopt the same position.

The CBC has a particular role to play in information, and in drama in particular, because this is a sick child of the family, particularly on English television, I should say, although not on French television, which is another story.

On the funding issue, we believe the CBC should be freed from commercial revenue as much as possible. We will never have, for example, good drama in this country if a show that draws only 365,000 people doesn't make it, because we need the investment in the industry.

We have very good people in that industry. Our success is well established, so much so that until very recently Americans came here to shoot with our teams and with our crews. Half of the creative people down south come from here. So we're not short on talent; we're short on money. That's what the issue is.

On predictability for the CBC, it has been tankering from one crisis to another for the past twenty years in terms of budget. The budget reductions started in the early 1980s, and they haven't stopped in real dollars. They just haven't.

We certainly support the idea of establishing a ten-year contract between the public broadcaster and Parliament or the government. It's well worth exploring. It could be done at arm's length through the CRTC. In such a contract, I believe—I'm not a lawyer, and we won't get into that right now—the relationship between the CBC and the CRTC may have to be adjusted. I don't know, though, because we haven't gone that deep.

We should also extend the arm's-length relationship. That's one of the most important characteristics of this organization. It should be at arm's length from the people who create and feed it, and it would be accountable on that to Parliament and through regulatory bodies. There's no problem about that. But the board should be empowered to hire and fire the president.

We also believe that for the board itself, nominations to the board should be made according to maybe a profile of board members—what is it that we're looking for there?—so that we really have, as has been the expressed intention of political parties, appointments of qualified people, not just people who are there to sort of bug the administration, for example, which has been seen.

I think I will stop here. I just want to say one thing, though, as part of the big picture. One of the policy priorities of the Canadian Conference of the Arts deals with cultural diversity. In that respect, we're very happy to see that the current government is following up on what the previous government was advocating, on the international scene, for cultural diversity. We're preoccupied with cultural diversity not only on the international scene, but on the national scene as well. We are concerned, and we think it's appropriate to ask of ourselves how we can do that.

We want to make sure we can forge a Canadian identity out of the multitude of cultural identities that we have in this country. How do we do that? How do we make sure we have a unified cultural voice to speak to the world? The message that I would like to leave with you is that we're an element of civil society, and no more. We're just coming to the people we have elected to say that cultural diversity starts at home.

● (0920)

I just want to say something very briefly, in order to give you full disclosure. Before my current job with the Canadian Conference of the Arts, where I've been for the past two years, I worked for the Canadian Broadcasting Corporation for my full career, for my full 34 years. I think you should know that. I'm not here speaking as an ex-CBC employee; I'm speaking here as a Canadian citizen, but I think you're entitled to know my perspectives.

Thank you very much for your attention.

**The Chair:** Thank you.

Mr. Scott, you have the first question.

**Hon. Andy Scott (Fredericton, Lib.):** Thank you very much.

I have a couple of questions.

As we explore the mandate review, as you pointed out, the requirement for the country is going to be broader than a narrow debate on the mandate of the CBC or broader than a "conventional mandate review" kind of discussion. The funding issue has to be put squarely on the table. If we, as a committee, can agree on both the importance of and the nature of the contribution of the CBC, then the funding discussion can follow that. Unfortunately, it has been so much about funding that we've never gotten past funding and to actually talking about how the value of the CBC would warrant the investment. That's where I hope this goes.

So I have a couple of questions. First, in terms of this more general review of how we advance Canadian culture or Canadian identity—all of the issues that I think you spoke to—very specifically, what do you believe the role of the CBC is in that? That has been the subject of some discussion. Should there be a narrow role in terms of content, in terms of production, and so on? Should it be broader than that?

I heard you say the content is what counts and that the delivery systems are less important than the quality of the content. In terms of getting from where we are to where we would like to be in five years, what's the role of the CBC in that exercise?

Whether you said it out loud or it's in one of the documents here, you also said there have to be adequate funding mechanisms. Could

you just clarify that? Is there something beyond public investment in that description? You talked about the fact that we should try to avoid commercial financing, so I'd like to know about that.

And then I'd like you to elaborate a little bit on the nature of the profile exercise you were talking about, relative to the board.

**Mr. Alain Pineau:** Thank you very much for your questions.

First of all, on the role of the CBC and whether it should be restricted or all-encompassing, I would say that the answer to that question has to be broken down into the two main components of the official languages, because there may be differences in the role, the way, the type of programming, or whatever Radio-Canada can do versus what the CBC can do. This is recognized in the act.

There was a deliberate policy in this country 20 and more years ago to restrict the CBC to small platforms. The CBC applied in the late 1970s for

[*Translation*]

CBC-2, if I remember correctly, or Tél  -2,

[*English*]

and was turned down by the CRTC at the time. Then when speciality services appeared throughout the 1980s, the CBC was time and again rejected by the CRTC and discouraged from getting into speciality services. The purpose was to create—as was the purpose of other policies later on, actually, like the CTF, for example—a private sector. This private sector, this variety of voices outside the national broadcaster, is now, by the way, being consolidated more and more, and the environment has changed. Maybe we should look at the CBC role with that in mind, as well, because particularly in English Canada...

In French Canada, one of the long-used arguments is to say that Radio-Canada should be in variety, in drama, and in everything and should not leave the place entirely to Quebecor Inc. and TQS, to a much lesser extent—TVA, I should have said, but with Quebecor, it's all the same, isn't it? The arguments that were used, and that I think are still valid, were that the CBC should be a litmus test, a quality test.

Sport is another issue, quite frankly, that I'm not ready to tackle with you at this point, because I'm not sure that what we would say would be really meaningful to the debate at this point. It needs to be looked at more specifically.

Drama is definitely, on the English side, a place where the CBC should be. Absolutely. That's one place in this country where we can really nurture, develop, and create. And that's why the money the CBC accesses indirectly through the CTF is so important. And that's why we say that it should remain and that the CTF should keep, if not increase, the share that goes to independent producers who have deals with the CBC for distribution. That's most important. There are all sorts of issues related to that—rights issues and everything—and it's very complex.

I'm sorry, I'm eating up your time.

● (0925)

**Hon. Andy Scott:** It's been completely consumed.

**Mr. Alain Pineau:** I'm sorry, I'm not well disciplined.

**The Chair:** There will be other chances yet.

We'll go to Ms. Bourgeois.

[*Translation*]

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

Good morning, Mr. Pineau and Ms. Auer. You said that the CBC's mandate was fine the way it is. In your opinion, is this mandate being fulfilled adequately?

**Mr. Alain Pineau:** It is the funding that poses problems. In my opinion, we are spending too much time punishing the CBC, instead of giving it the resources to do what it needs to do.

**Ms. Diane Bourgeois:** So, it is not properly fulfilling its mandate?

**Mr. Alain Pineau:** Not all the time, and I am tempted to ask who always does fulfil their mandate perfectly. We must take into account all the constraints the CBC is facing.

**Ms. Diane Bourgeois:** In your opinion, funding is the CBC's biggest constraint.

**Mr. Alain Pineau:** Yes. Also, the fact that there is no predictable funding prevents the CBC from planning ahead and forces it to live on a six-month basis. I experienced this first-hand, since I worked at the head office through the 1990s. And I also know what is going on now.

**Ms. Diane Bourgeois:** Since you worked for the CBC, why did you say in the eighth recommendation in your presentation's executive summary, "Thirdly, we support the idea that the Board should include CBC/SRC employees' representatives"?

**Mr. Alain Pineau:** This is something done by other public broadcasters. We will immediately remove that recommendation if it is seen as union-type representation. It must be clear that we are talking about an employee representative who is elected because he meets the same criteria and corresponds to the same profile as Mr. Scott questioned me about. I would say that this profile should be determined by the board of directors, because it can change to balance out the makeup of the board, etc. The elected employees would also have to have these characteristics.

● (0930)

**Ms. Diane Bourgeois:** I find that surprising, because usually there is an employee representative on every board of directors. I did not know that there was not one on the CBC's board of directors.

**Mr. Alain Pineau:** As far as I know, there is not.

**Ms. Diane Bourgeois:** Could local television stations be very useful to the CBC, to culture, etc.?

**Mr. Alain Pineau:** I am not accusing you of anything, but the trick in your question is the word "local". What is a local or regional television station?

**Ms. Diane Bourgeois:** Local or regional—

**Mr. Alain Pineau:** That is the great debate. In the 1970s, there were so-called regional stations in Rimouski, Matane, Sept-Îles and Jonquière, but there were none in other regions of the country. A regional station was created in Regina, but this is not the same thing as a regional station in Rimouski.

**Ms. Diane Bourgeois:** This is why I asked the question. The people in Vancouver and Yellowknife complained about the lack of local television, the lack of local topics.

**Mr. Alain Pineau:** This is also a question of means and technological strategy. These elements must be considered together. The CBC/SRC should not be forced to do things locally that would be suicidal financially. Other vehicles should be looked at, such as the Internet, which is developing, etc.

**Ms. Diane Bourgeois:** It seems as though you are saying that, at the end of the day, the crisis is not technological. It is a funding and programming crisis. If it is not a technological crisis, should the CBC, as a public agency—one that you want to keep public—provide all Canadian taxpayers with accessible television or radio programs that they can identify with?

**Mr. Alain Pineau:** I will respond by repeating what the President of the CBC said when he appeared before you the last time. He said that you put it in a contract and that, when it is accompanied by the necessary money, you get what you want:

[*English*]

the punishment must fit the crime, so the bill must fit the order.

[*Translation*]

**Ms. Diane Bourgeois:** Very good. Thank you.

[*English*]

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

Mr. Angus.

**Mr. Charlie Angus (Timmins—James Bay, NDP):** Thank you very much for coming here today. This is an excellent presentation. There was a great deal of thought put into it. Unfortunately, I only have five minutes, so I'm going to scramble through it as quickly as I can with some key points.

The issue of governance structure is key. Right now we have a very bush-league governance structure at the CBC, and I'm glad you brought that up.

I'm interested in where you say the technology does not pose challenges; the lack of funding to deploy and use technology poses the challenge. Then you say the audio-visual content being delivered through the Internet to mobile phones and other wireless technology must contribute to Canadian content financially. I'd like to speak to that question.

The only thing holding back widespread watching of free downloaded Hollywood movies right now is bandwidth. The bandwidth is moving up continually because the telecoms are moving in to address the fact that the public want to watch whatever they want whenever they want, and they're going to watch it for free because they won't have to pay for it.

Would you suggest that the telecoms should have to pay into the fund because they are now the providers of content that many people are enjoying?

**Mr. Alain Pineau:** Yes, that's a point that we've made on several occasions with the CRTC in different hearings. We believe that as the act is technologically neutral, the funding that goes with the act should be technologically neutral, and therefore all providers of all platforms should be called upon to contribute to the fund.

**Ms. Monica Auer (Legal Counsel, Canadian Conference of the Arts):** I would just add, Mr. Angus, that one concern that was raised by many people was that there would have to be some way of amending the Telecommunications Act and the Broadcasting Act to ensure that they were consistent on this issue. Although the CCA would definitely prefer to have all distribution-like undertakings contribute to Canadian content if they want to participate in this economy, the question is whether the Telecommunications Act would allow that kind of payment to be made. That might require an amendment by Parliament.

• (0935)

**Mr. Charlie Angus:** If you could provide this committee with any recommendations down the road, for us to follow up, that would be very much appreciated.

I'd like to ask another question about your support for the Canadian Television Fund, which we have just studied here, as an effective and accountable instrument to achieve the objectives of the Broadcasting Act, and whether it can evolve into a multi-platform model for funding Canadian visual content.

One of the questions that has been raised—because we're dealing with money going into independent production—is how realistic it is that these independently produced shows that are being done out of various production houses can then be put onto a viewing platform, since the broadcaster gets one-time rights to use this show and does not get the rights, then, to put it into other content. How do we address this issue? Does there have to be a change at the CTF in order to ensure that if you're going to broadcast a show, you're also going to be able to broadcast it onto cell phones, or onto any other possible platform?

**Mr. Alain Pineau:** There is no doubt that the rights and the debate about the rights are at the centre of all of this. It doesn't help that we don't know exactly where we're going with rights. It's a very difficult debate. It's a debate that has divided our own organization, quite frankly, just to show the extremes of positions that are taken on this topic in the past. We are waiting now to see what the proposal on the table to amend the act will be, but there is no doubt that in this particular file, we have to reinvent the business model.

**Mr. Charlie Angus:** I have a final question on this. We have seen—and I have pointed this out at committee—that BBC is moving rapidly. They've just basically put it on YouTube, and it's been extremely successful in terms of building another whole viewing audience. Have you looked at the difference? Is it because BBC does in-house productions? For what reason is BBC able to put their back catalogue on the Internet while CBC is very challenged in terms of that?

**Mr. Alain Pineau:** I cannot answer that question, but I certainly take note of it. We're not only telling you and other people that we should look at things globally. We are planning, over the next year, to organize a conference that would try to look at the big picture. We're in the process of gathering the main elements of that event.

That's one of the questions that we will put down in terms of either research that we produce or debates that we organize.

**The Chair:** Thank you.

Mr. Fast.

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

Thank you for attending today. Your information is very helpful.

I'd like to get back to something that you did your level best to skate around. That was the issue of professional sports, and whether CBC should actually be in that market at all.

Since this is a CBC mandate review, and you represent the arts and cultural programming, do you believe that CBC should play a role in presenting professional sports programming, and if not, why not, and if so, why so?

**Mr. Alain Pineau:** There are many arguments concerning sports that have been used throughout the years. The debate is not new, and until last night all indications seemed to be, except very recently, that the CBC would be out of most major professional sports events in this country through the sheer force of the market, because until last night it was not clear that it would be able to secure the rights to *Hockey Night in Canada*.

*Hockey Night in Canada* can be defended from all sorts of points of view, including, I think, articles in the act that say that the CBC should be reaching all. At this moment in time, it's probably still true—I stand to be corrected—that the CBC is the distribution system that reaches the largest number of Canadians. So they could at the end of the day say, "If it's *Hockey Night in Canada*, and it's so important to Canadian identity, shouldn't it be our role to bring it to all and sundry?" That's one set of arguments. There are others.

**Mr. Ed Fast:** I don't want to hear your arguments; I want to know your position on it.

**Mr. Alain Pineau:** We don't have a position on this one at this point, sir. We may have one by next year, if the work we are planning goes well.

It's something that has to be looked at in the general ecology of the system. Important financial aspects are linked to that, and unless we make trade-offs in the system as such that would not disfavour one party, whether it be the private or the public sector, in trying to achieve the objectives of the act, I think we should not tinker with that.

• (0940)

**Mr. Ed Fast:** All right.

I'd like to go to the brief that you submitted to this committee. On page 7 you make the bold statement, and it was articulated earlier, that "the CCA recommends that all forms of distribution systems be regulated by the CRTC". That's a pretty broad statement. I'm assuming what you're saying is that you would like to see the government and the CRTC regulate all forms of new media. Is that correct?

**Mr. Alain Pineau:** I want to clarify the word “regulate”. We are not against deregulation, don't get us wrong. But we are for the level playing field. We think all distribution platforms should be treated alike.

The current ones that are recognized under the general headings of radio and television broadcasters, cable operators, and satellite deliverers are submitted to a regime, whether you call it regulation or whatever, that has them contributing to the objectives of the act through the money they have to invest in various funds and through the Canadian content regulations that apply to them.

There cannot be the Canadian content regulations for broadcasting that there are or were as we have understood it over the past several decades. I'm with you entirely on that. We're just saying that instead of exempting, we should be looking at the appropriate way to regulate.

**Mr. Ed Fast:** Yes, I think you've put your finger on it. The question really is, are some of the forms of new media even capable of being regulated? Can we capture it all?

Mr. Angus, of course, quite correctly pointed to the fact that the real issue here is how we capture the value of the content that's being delivered on these various forms of media. If we don't have a way of capturing it, monetizing it, and being able to secure some remuneration to the creators of that content, we've got ourselves a real problem. And every day that goes by, we're presented with a new form of media, so I suppose that's a challenge.

A broad statement that we should regulate all these forms of new media may be somewhat naive, given the fact that some of these forms of media are incapable of being regulated in the traditional sense of the word at this point.

**Mr. Alain Pineau:** To the extent that we're sounding naive—and I will hand over to my colleague here in a second—I can assure you that we will be looking at those issues to get a better sense than I can give them today. And we are looking at them, quite frankly.

You're right. It's not the same thing and it's not easy. It's a question of giving access, essentially. That's the basic touchstone, giving access on all platforms to Canadian cultural content.

**Ms. Monica Auer:** I think lawyers are sometimes not given enough credit for being creative when it comes to figuring out what should or should not be captured by regulation. I have no doubt that the CRTC's very capable lawyers and those of the Department of Justice would be able to deal with some of these issues.

**Mr. Ed Fast:** The CRTC has taken a position that it's premature to regulate all the forms of new media at this point.

**Ms. Monica Auer:** As you perhaps noted in our brief, we have a difference of opinion as to whether they've used the right legal test for this.

**The Chair:** Thank you.

Ms. Fry

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

I want to apologize for being late, but I read your submission last night.

I think we've heard from everyone. I don't think there's anyone who has come to us and said that the CBC should be cancelled. Everyone spoke about the CBC and its importance. We've seen the figures. We were talking earlier on about what the CBC should do and how it should focus. The most recent survey has shown that 81% of Canadians felt that the CBC must focus on news. They believe that the CBC is the only news carrier they can trust to give a clear picture and not a biased picture. So that's an important piece, news.

About 78% of them also said that the CBC is essential, the glue that holds the country together and helps us to understand each other, and that's a strong mandate.

So I'm not going to ask you about sports or anything like that, but you did say—and most people have said to us—that we should look at the BBC model. Well, the BBC model is exceptionally well funded, and we currently, as you know, are third to last in terms of per capita funding of our public broadcaster. So the CBC's ability to be competitive is completely poor, when you think that we allowed cable companies to be able to get their digital infrastructure and allowed them to raise their fees for Canadians who are buying cable, while the CBC has no ability to raise fees. The CBC has absolutely no ability to do anything but depend on government to raise its “base funding”.

So I would like to know from you what you see as being that increase in CBC funding over the next five years that would bring it up to par with countries like the United Kingdom. That's a first question. I'm asking for a monetary answer here.

The second question is if CBC is going to be able to get into all of the platforms.... We have heard over and over, at least in Vancouver, that one of the important things was for the CRTC to begin to license the digital media forms and new platforms, because I think that's how we can look at monetizing it eventually. So my big question to you is, given that there is political will—and that's a big given; it depends, obviously, on who is going to be making those decisions—what do you think the CBC's funds need to be to make it on par with something like the U.K., maybe over five years, not immediately? How do you see the CBC being more arm's length, because with that money has to come that accountability? What is the arm's-length structure that you see?

My third question—Monica may be able to answer this—is do you think it's important, do you think the key to this has to be the licensing of the new platforms, and therefore copyright changes in the legislation?

● (0945)

**Mr. Alain Pineau:** On the arm's length issue, I already answered that question before you came.

On the BBC model, I could not tell you, honestly, by how much the budget of the CBC should be increased at this point in time. There are too many components that have to be put in place to answer that question, for me to say anything that would be intelligent, so I will avoid that one.

I'm sorry, I forgot to write the third one.

**Hon. Hedy Fry:** Well, there were two more. One was on the licensing of the digital media, and secondly was copyright.

**Mr. Alain Pineau:** Yes, those are also fundamental issues, as I indicated earlier, that have to be looked at, and I would be completely out of my depth to say anything but the fact that these are key issues to be dealt with.

**Ms. Monica Auer:** With regard to copyright and the CRTC's licensing of new media, the commission has traditionally simply taken an arm's-length or a hands-off role in copyright. It has no role to play whatsoever in copyright. This issue has come up before the commission again and again. It is completely outside the CRTC's jurisdiction, and they've said that several times themselves. So copyright is something that Parliament would address.

**Hon. Hedy Fry:** What about licensing?

**Ms. Monica Auer:** Should the CRTC license these new media? Well, for those of you like me who might remember this, there was a time when cable companies were licensed by the Department of Transport. Things can be changed through legislation and statute. Satellite dishes at one point were a new creation. I can recall walking into a CRTC briefing, when I was employed at the CRTC, and seeing this cute little thing about this big, and I was told it was a satellite dish. I said, "Come on, satellite dishes are 15 feet. How can this be a satellite dish?"

Things change, and our approach to them can change. Parliament is extremely fortunate. It has so many gifted lawyers working for it who can deal with the technicalities of developing a licensing regime that will be fair, equitable, and easy to enforce, because without enforcement, of course, why do we do anything?

**Mr. Alain Pineau:** If I may just add, that ties back to your question, Mr. Fast, about regulating. That's the kind of thing we are talking about, the fact that the CRTC should have an overview on all distribution platforms because the CRTC is the body in this country that is responsible for making sure that the objectives of the Broadcasting Act are attained.

• (0950)

**The Chair:** Thank you.

Ms. Bourgeois.

[*Translation*]

**Ms. Diane Bourgeois:** Thank you, Mr. Chair.

Mr. Pineau, point 3 of your presentation's executive summary says in French that the CBC is "une institution autonome". Can you explain in what sense it is autonomous?

**Mr. Alain Pineau:** "Autonome" is perhaps a poor translation of "arm's length", but that is what is usually understood by an arm's length relationship when we describe the CBC. It keeps its distance from government. It is not legally a Crown corporation. It does not have the status that Radio-France had—I do not know if that is still the case—or French television, which were truly government agencies. The BBC is a Crown corporation, which is legally at arm's length from the government. This is why we are saying that the arm's length should maybe be extended for the appointment of a president.

**Ms. Diane Bourgeois:** It is not financially autonomous.

**Mr. Alain Pineau:** No, it is not financially autonomous, and I never suggested that it was.

**Ms. Diane Bourgeois:** Okay. Earlier, you said that the fundamental challenges for the CBC were funding and programming.

What do you think would be the ideal funding method for a public broadcaster?

**Mr. Alain Pineau:** You are going to accuse me of always hiding behind the work to be done, but this is part of the work that will be started over the course of the coming year—a study of the funding model for the system as a whole, and that of the CBC, as part of this system.

All I can tell you now is that we believe, as we have already said, that the CBC, as much as possible—I know that there are philosophical arguments against the CBC pulling back from the advertising market. They exist inside and outside the CBC. There are all kinds of reasons. Even the advertisers will probably say it is not a good idea. If they could get at those who listen to the CBC's radio stations, the CBC would have been commercialized a long time ago, and the stations would no longer be what they are. These are the challenges. We need to find means that are not necessarily limited to parliamentary allocations and to the contracts Mr. Rabinovitch was talking about. There are all kinds of ways to fund the CBC; we must look at the big picture.

**Ms. Diane Bourgeois:** I believe that all of us here are aware of the fact that the CBC suffers from chronic underfunding. Unless I misunderstood, Mr. Rabinovitch said that he manages a budget of more than \$1 billion.

Does the Canadian Conference of the Arts feel that the money is used effectively?

**Mr. Alain Pineau:** It would be unfair for us to venture an opinion on that matter. That kind of question should be addressed to the president of the CBC and its board of directors, which is responsible for ensuring that the money is put to good use.

**Ms. Diane Bourgeois:** If I ask the question it is because you told everyone here, at the very beginning, that what is important to you, your main concern, is the cultural policy. In that regard, do you believe that the CBC puts the \$1 billion allocated to good use? I am asking the question because you may perhaps say to me that you would prefer programming to focus more on the arts.

**Mr. Alain Pineau:** In that sense, you are right. I was saying that there was a deliberate policy by one government and one legislator, at a certain point in time, to prevent the CBC from increasing its platforms and have it retain its role as a generalist. Thus, the CBC was restricted in several regards, primarily in terms of shelf space because it is unable to broadcast all the programs that it should be broadcasting according to its mandate. Thus, it has one program on this, and another on that, and it tries to do the best it can. It is doing quite well, although not in terms of quantity. In general, the quality of programs is good. So, I do not feel I am being untruthful when I say that, under the circumstances, the CBC is doing a fairly good job. And I am speaking to you as an ordinary citizen.

**Ms. Diane Bourgeois:** What should we be focussing on in terms of programming? News and information, books, drama?

● (0955)

**Mr. Alain Pineau:** Definitely on news and information. There are a multitude of news outlets in this country. However, the public broadcaster that broadcasts across Canada is a very important outlet. That is definitely its primary and most fundamental role. However, providing information cannot supplant entirely its legislated cultural mandate. If that were the case, the legislation would have to be amended.

In my opinion, dramas and variety shows are next in line. They are necessary given that, to a great extent, they represent the lifeblood of the cultural sector. The Government of Canada makes the largest investment in culture in the country by allocating almost \$1 billion to the CBC. It represents the bread and butter not only for technicians and administrators, but also for creators, artists, writers, costumers, singers and so forth.

**Ms. Diane Bourgeois:** That is your clientele.

**Mr. Alain Pineau:** In a general sense, yes, if you will.

**Ms. Diane Bourgeois:** How many people are we talking about?

**Mr. Alain Pineau:** In the country?

**Ms. Diane Bourgeois:** Yes.

**Mr. Alain Pineau:** Several hundreds of thousands. Approximately 600,000 people earn a living from the arts, in one way or another. I am not saying that they are all in broadcasting.

**Ms. Diane Bourgeois:** Thank you, sir.

[English]

**The Chair:** Thank you.

Mr. Abbott.

**Mr. Jim Abbott (Kootenay—Columbia, CPC):** Thank you for your testimony.

It's been rather interesting that Ms. Fry and now Ms. Bourgeois brought up the issue of funding. I'm about to do the same thing, because what we have is you in a very unique position, as the Canadian Conference of the Arts, where you would be aware of the funding that goes into many aspects of arts. Certainly we round it out roughly at \$1 billion that goes to the CBC.

The question, really, is where the funding should come from, and should it be more, should it be less. I think that you have some turf of your own to be protecting, because there's not an infinite envelope of taxpayer money, and I know that you respect that. Therefore I think you are in a position, and we should be prevailing on you to give us an opinion, as an interested party, on the current level of funding that comes from general revenue to the CBC.

**Mr. Alain Pineau:** I would expand your question to say the level of funding and investing the Canadian government makes in arts and culture in general, because this is our viewpoint. I'm focusing more on the CBC here today, but it's just one of the components of the big picture. It is our published position—and it is supported by all of the various organizations we deal with—that within the recognition of the limitations of the public purse, the Canadian government does not invest sufficiently in arts and culture. It's a very important sector

of our economy. It plays a role in all sorts of ways and fashions, whether it's through education, through health care. Arts and culture are to be found everywhere. They're not only the kind of thing that elevates you.

So there is not enough of an investment in that sense. The government itself.... And I'm not attacking this government, because the cuts took place under another government, and before that under another government, so it's not partisan at all. It's just a question of no, we're not investing. As a society we are not investing. Statistics show it internationally. We're not investing enough in arts and culture.

On the CBC funding, we're not investing enough either. Should all the money that it requires to fulfill its mandate adequately in the new environment and produce truly Canadian content and contribute to the development of this sector by having farm teams, making experiments, being daring, trying things that would not work commercially.... We owe it to ourselves to have such practice teams or development teams, and that I see as part of the CBC. And that's why, no, there is not enough investment.

How much? Should it all come from government? I'm not saying so. We're talking about putting levies on distribution forms to contribute to Canadian content. Some of it can come through there, through the CTF, or other funds like that.

**Mr. Jim Abbott:** You made the statement that we could find all sorts of other ways to fund the CBC. Can you give us some suggestions?

● (1000)

**Mr. Alain Pineau:** That's exactly what I was getting into. The CBC currently gets indirect funding through the CTF. It does not access the CTF funds itself. It has been demonstrated in front of this committee beyond a shadow of a doubt, but it provides distribution platforms for Canadian content that is developed by an independent sector that this country adopted 10 to 12 years ago to have as a policy and develop that. We believe that this is a good system. It's there, it produces high-quality programs. The CBC, particularly if it is relieved of its obligation to compete with the private for commercial revenue—and I'm not saying it should be completely out, that remains to be seen—should be able to access those funds as much as possible.

As I said, we could create new rivers to fill those funds. That's what we mean by regulation of new media and stopping this decision not to regulate, to give an exemption to the media.

**Mr. Jim Abbott:** You said we could create new rivers. I'm sorry, I don't understand that statement.

**Mr. Alain Pineau:** ISPs, Internet service providers. All people who provide cultural content on your cell phone, on the instrument on which you receive podcasts, on the Internet should be called upon to contribute the same way that broadcasters and cable operators currently contribute a portion of their revenue to talent development and to the television fund, among others. There's a multitude of those funds. One of the problems is that in a sense when you reproduce you have to spend—as you heard here—most of your time trying to cobble the money together, because it's all over the map.

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

I thank you, witnesses, for coming before us here this morning. Thanks for the questions around the table, and thanks for your answers.

We'll take a short recess of five minutes.

•(1000) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1010)

**The Chair:** Welcome back to the table, everyone.

Our next presenters are from the Canadian Association of Broadcasters, Mr. Glenn O'Farrell and Ms. Susan Wheeler.

Mr. O'Farrell, you have the floor.

**Mr. Glenn O'Farrell (President and Chief Executive Officer, Canadian Association of Broadcasters):** Thank you very much, Mr. Chair.

We were engaged in a heated morning-after discussion there, and I should have been more mindful of the time. My apologies.

**The Chair:** That's okay. We were a little delayed making our way up here too.

**Mr. Glenn O'Farrell:** Honourable members of the committee, my name is Glenn O'Farrell and I am the president and CEO of the Canadian Association of Broadcasters. Joining me here today is Susan Wheeler, the CAB's vice-president of policy and regulatory affairs.

First let me thank the committee for the opportunity to appear again before you to share our views on your investigation into the role of CBC and Radio-Canada. As you can imagine, this is an important process from the private broadcasters' perspective. It's one you've embarked on, and it's a discussion we need to have sooner rather than later.

In our view, any examination of the roles and activities of our public broadcaster must recognize three fundamental realities. First, both private and public broadcasters operate in a fragmented and very rapidly changing media environment characterized by new technologies and changing consumer habits. Second, a healthy Canadian broadcasting system needs strong and vital public and private components that are relevant to Canadians. Third, Canadians are entitled to accountable and transparent reporting of publicly administered funds and activities.

We urge the committee to invest the time and energy in your committee work to ensure that Canadians have a strong and properly funded public broadcaster that complements a vibrant and dynamic private broadcasting sector, providing premium content that successfully serves the needs of all Canadians.

[*Translation*]

The CBC and Radio-Canada face many of the same challenges as private broadcasters, including competition from unregulated media sources, expanding content platforms and, of course, increasing copyright payments.

Canadian private broadcasters are proud of the role they play in achieving the cultural policy objectives, as set out in the Broadcasting Act. A brief look at key audience numbers and program

expenditures demonstrates the value that the private broadcasting sector brings to Canadians.

Private radio broadcasters account for approximately 88% of all radio listening. Our sector accounts for approximately 66% of total spending on Canadian television programming, and Canadians dedicate about 66% of their total viewing hours to privately-owned Canadian services. It follows that any review of the CBC/Radio-Canada mandate should be mindful of the importance of maintaining and fostering a strong Canadian private broadcasting sector,

In certain specific activities, CBC/Radio-Canada has been successful in implementing its public service mandate in a way that complements the private sector. Their radio networks, for example, provide a distinctive non-commercial public broadcasting service that complements the service provided by private radio broadcasters. However, the situation with respect to the CBC/Radio-Canada's television network does not reflect a similar or comparable complementary public broadcasting service. There are several issues that warrant review and discussion in this regard.

•(1015)

[*English*]

In our written submission, the CAB has provided four specific recommendations to address these issues.

First, CBC/Radio-Canada should be required to publicly report annually detailed information relating to its radio and television networks as well as its online services, rather than just providing the broadly aggregated information that it currently places on the public file.

Second, the government should further study the implications of CBC/Radio-Canada's reliance on advertising revenues to support its television services.

Third, CBC/Radio-Canada should focus its resources on regional and national programming, leaving television programming of purely local interest, namely local news and information, to the private television broadcasters operating in local markets across Canada.

Finally, in moving into new digital platforms such as the Internet, CBC/Radio-Canada must ensure that its focus and its resources remain on its core broadcasting services as the primary vehicles for the achievement of its mandate.

The CAB believes that the legislative mandate of CBC/Radio-Canada, as set out in the Broadcasting Act, remains appropriate.

I'll now turn it over to Susan Wheeler to address the core issue of our submission: accountability.

Susan.

**Ms. Susan Wheeler (Vice-President, Policy and Regulatory Affairs (Television), Canadian Association of Broadcasters):** Thank you.

In our view, the real issue is not the public broadcaster's mandate per se but rather the way in which CBC/Radio-Canada interprets and implements that mandate.

We have seen over the past decade that even though the public broadcaster's mandate has not changed, the interpretation of that mandate by different management regimes has been radically different.

CBC/Radio-Canada is a public broadcaster that in 2006 received a parliamentary appropriation of just over one billion dollars. Clearly, this direct public subsidy conveys a special obligation to CBC/Radio-Canada as a public broadcaster. CBC/Radio-Canada should be expected to use this public subsidy to provide a public service: programming that is distinctive from and complements the programming provided by the private sector, that is of relevance and appeal to Canadian viewers, and that enhances diversity within the broadcasting system. Moreover, CBC/Radio-Canada should be fully accountable for how it uses that subsidy to achieve its public mandate.

It is instructive to examine how public broadcasters in other countries are held accountable for the way in which they carry out their public mandate. We note that throughout this process, the BBC has been identified as a leading model for a public broadcaster, and we also find a lot of value in this example, especially when reviewing how it has defined its role and structured its organization to fit that role. For example, the BBC recognizes the impact that its activities can have on private broadcasters. Because of this, it is governed by a set of fair-trading guidelines that ensure that it does not use its public funds to compete unfairly with commercial companies, and that any commercial activity it undertakes supplements and supports its public purposes.

Equally important, the BBC produces an annual report and account, which provide detailed information, both qualitative and quantitative, on all of its public-purpose and commercial activities. This includes the reporting of extensive programming, audience, and financial information for each of its individual services, which in turn permits assessments that are objective, rigorous, and transparent.

We believe that CBC/Radio-Canada should strive towards a similar level of transparency and accountability, to ensure that it is using the government subsidy in an effective manner to further its public service mandate, but not use those funds to compete unfairly against private sector broadcasters. This is consistent with the recommendation of the Auditor General of Canada, following a 2005 examination of CBC/Radio-Canada, that measures should be adopted to improve accountability and reporting.

As a start, CBC/Radio-Canada should be required to place on the public file detailed financial information relating to each of its services, rather than just the broadly aggregated information that it currently publishes. This would provide an essential tool to enable interested parties to assess the extent to which public funds are being spent on programming that furthers the mandate of CBC/Radio-Canada, rather than being driven by purely commercial considerations.

We want to emphasize that without this level of transparency and accountability, it is virtually impossible to complete a fair and fulsome review of the public broadcaster. There is simply too much of the day-to-day activity of the CBC and Radio-Canada that we cannot speak to because information on that is held in privilege.

• (1020)

[*Translation*]

**Mr. Glenn O'Farrell:** We can make certain comments based on the information available to us.

First, CBC/Radio-Canada's overall TV programming strategy puts the public broadcaster in direct competition with the private sector. Because programming decisions are driven by the need to maximize viewing audiences in order to generate advertising revenues, the proper balance between the public and private elements of the Canadian broadcasting system is distorted. It introduces unhealthy competition for the acquisition of popular programming.

Because of the importance of this issue, CAB believes that the government should assess the impact of CBC/Radio-Canada commercial activity on its ability to properly fulfill its public service mandate, with an ultimate goal of finding ways to reduce the reliance of CBC/Radio-Canada on advertising revenues in the future.

Second, in recent years, CBC and Radio-Canada have exploited a number of other broadcasting platforms, starting with specialty television services and pay audio, and now moving on to newer digital platforms, including a number of Internet services. CBC/Radio-Canada must ensure that its presence on these platforms does not come at the expense of its core broadcasting services, which are the primary vehicles for achieving its mandate.

Third, an additional concern relates to CBC/Radio-Canada's business practices with respect to digital media platforms, the resulting impact of such practices on the private sector and the level of disclosure of information that CBC/Radio-Canada should be expected to undertake relative to its digital media operations.

[*English*]

Mr. Chairman, the need for transparency and accountability, in our view, is paramount in assessing how the public broadcaster's new media strategy is carried out. CBC/Radio-Canada has not published or revealed its new media in its annual report or, to our knowledge, in any other document since 2003. This information would clearly facilitate an accurate assessment of whether CBC/Radio-Canada's activities in this area do indeed help or assist to fulfill their public mandate. We don't have that information. Thus, we can't make that assessment.

The CAB believes that the standing committee's examination is a valuable step towards better defining CBC/Radio-Canada's role in Canadian broadcasting for the next decade. In our view, the public policy objective must be to reaffirm the value and relevancy of CBC/Radio-Canada to the Canadian public as a unifying force that helps foster and shape our cultural identity. By soliciting the views of interested parties, the standing committee will be in a position to identify those particular issues that require further study and/or clarification, providing a strong foundation for consideration of the detailed operating plans that will be prepared and considered at the upcoming licence renewals for CBC/Radio-Canada services.

We appreciate the opportunity to appear before you today, and we'd be pleased to answer any questions you may have. Thank you.

**The Chair:** Thank you for that presentation.

We'll give the first questions to Mr. Scott. I understand it might be shared. It won't be five minutes each.

**Hon. Andy Scott:** Understood—so I'll speak quickly.

On the question of the delineation of the resources that you suggest should be focused on regional and national programming, leaving local interests to private broadcasters, what happens in the cases where there is no fulsome private broadcast? I live in a provincial capital that's covered privately, I guess, by Global and ATV, both of them emanating from Halifax, and it's obvious—no disrespect to my good friend from Halifax. But if it weren't for the public broadcaster doing local in Fredericton—and I suspect the same would apply to Charlottetown—it would be very out of balance in terms of what would be of local interest. That's one. What happens then?

The second one—and then I'll stop—is very simple. In more practical, detailed terms, what is the complementary relationship? I know in theory, and I heard it in theory, but I'd like to know practically what you mean when you say that. What are the things that are appropriately complementary? Where is that appropriate complementarity not being fulfilled right now?

● (1025)

**Mr. Glenn O'Farrell:** Thank you very much, Mr. Scott.

On your first point, I think it's an absolutely valid concern you raise in regard to exceptions to the rule, if we want to call it that. In other words, consideration has to be given to all of the regions of Canada. Where there are exceptions to the rule, as you suggest would be the case in your hometown, the CBC should certainly be sensitive to that.

We have no grievance or we have no particularly strong views on that point. However, we think the rule should not be that they try to duplicate, but that they try to be complementary.

To the second part of your question, what is complementary? I would start with the concept that the complementary role of the CBC and Radio-Canada should be one that abides by one particularly important founding principle among others.

Let me take a moment on one. The CBC's role in the system should not have a distorting effect on the commercial marketplace for private broadcasters. When the CBC or Radio-Canada has a distorting commercial impact on the marketplace, it is no longer complementary. There is effectively direct competition in the marketplace, as opposed to complementarity in the marketplace. It can be assessed or measured in a variety of ways, which we could get into some discussion on.

But I think the principle would come from what we tried to say in our written submission and again here this morning. If you add the concept of any distortion in the marketplace, it has to be viewed as less than complementary. There may well be circumstances, and we could examine them, where the distortion has an offsetting public policy advantage to it and it should be looked at. But I think the principle should nonetheless be such that wherever there is such distortion, we would try to avoid it at all cost.

**Hon. Hedy Fry:** I have two quick questions. They both somewhat have to do with financial viability.

I think you're saying, as everyone has said, that the CBC should be free of commercial revenue. But in order to do it, the CBC will have to become financially supported in a manner that allows it to be viable with regard to its mandate. It means the government will have to fund the CBC appropriately. However, at the moment, I notice that English CBC is raising revenues of \$200 million a year to make it viable, and French CBC is raising revenues of \$100 million a year to make it viable. Should the government suddenly find an extra \$300 million a year to give to the CBC in order to make it viable? That's the first question.

The second question is this. You said the BBC raised a level of funding to help it on an international level. It took local programming and made it internationally viable for funding. How did it do that? How can the CBC do that to raise some of the \$300 million it needs right now from commercial revenue to make it viable?

**Mr. Glenn O'Farrell:** On the first question, on the advertising revenue, I don't think there is any possible way we could have that discussion here today without more information before you, Madam Fry, and before any witness appeared before this committee.

That's why we are suggesting that accountability and transparency must be introduced in a much more meaningful way as it relates to the CBC and Radio-Canada's operating activities, where we can clearly understand where revenues are being derived from in terms of the programming of the services, and where the expenditures are being devoted. And in the absence of that more detailed information, I don't think we can zero in on one number without understanding the cost implications, or frankly, understanding the balance sheet more clearly.

What we are suggesting in this respect is that because the CBC is publicly funded, we feel it's not unreasonable to expect that Canadians would not only not object to it, but they would embrace the concept of more accountability on their dollars and how they are spent by a crown corporation.

The CRTC has accountability obligations on the private sector that far exceed those that are imposed on the CBC or Radio-Canada now—for instance, specialty channels that are financed by advertising revenue and by subscription fees. Because it was deemed that subscriber fees were being paid to a service as a revenue stream, the CRTC originally, when licensing, required much broader disclosure requirements of those services, such that each and every one of the services that operates in Canada today files annual returns that are extensively detailed on revenue and on expenditures in a way that CBC is not even close to. And that's for services that are not enjoying or not attracting any public subsidy funding through appropriations, such as the CBC does.

All we're saying on the topic of accountability is we think it's important to have a useful discussion. People will have different views on what to do, but to have a useful discussion we have to start from a foundation that is based on fact, and we don't have those facts available to us. Until those facts are available to us, it's a little bit like having a discussion in the dark.

On the BBC subject, I'll let Susan speak to our remarks on the BBC. In essence, we're saying BBC stands out, in our view, not as the be-all and end-all, but as perhaps a place where we could learn about how public accounting and transparency of a public broadcaster could be imported in some way to apply to the CBC.

• (1030)

**Hon. Hedy Fry:** I'd like Susan to speak specifically to how the BBC gains revenues internationally, just through local programming internationally—specifically that, not anything else.

**The Chair:** Be very short if you can, because we're up to almost eight minutes.

Okay, Ms. Wheeler.

**Ms. Susan Wheeler:** I can't speak directly to their specific programming strategies for their local programming on their international platforms, but what I can tell you is that through their charter they have identified those services that are going to have commercial activities and those services that are going to be in keeping with their public service mandate. They use their commercial services, such as BBC International and BBC World, to really export that content internationally and try to build some revenue around that.

It's really that division of priorities and purposes that I think has been successful for the BBC in enabling it to garner additional revenues.

**The Chair:** Okay, thank you for that.

Mr. Kotto.

[*Translation*]

**Mr. Maka Kotto (Saint-Lambert, BQ):** Thank you, Mr. Chair.

Welcome.

Your first recommendation indicates that, in your opinion, CBC/Radio-Canada lacks accountability and transparency.

Could you elaborate on this?

**Mr. Glenn O'Farrell:** In 2005, the Office of the Auditor General published recommendations in this regard and we would like to provide an example illustrating how improved accountability and greater transparency could shed light on a debate such as the one we are having this morning.

For example, in 2005, the Office of the Auditor General noted that the Radio-Canada radio services had 8,800 hours of unused programming available for broadcast that were not put on the air. For all practical purposes, we refer to this as *on the shelf*, and it represents programming that has been purchased but not broadcast.

Why would a public broadcaster need to make such large program acquisitions and then shelve them? Let us go over the figures together: what do 8,800 hours of programming represent? Peak prime time, on average, consists of three hours per evening, seven evenings per week, for a total of 21 hours of peak prime time programming per week.

If all the unused hours of programming were to be broadcast during peak prime time, they would provide eight years of peak prime time programming. There may well be a very good

explanation for this. But in the absence of more detailed information, we are permitted to make some assumptions. We feel we have to do so to shed light on the debate about the future of the CBC/Radio-Canada, its funding, how to fine-tune its mandate to make it more accountable and to have it finally fulfill the expectations of all Canadians in terms of being a top quality service, a public radio and television service that people are proud of.

Our discussion is one that everyone can take part in because if we had more information in front of us, our discussion this morning would be much more enlightened. The same Auditor General's report revealed that the same year, in March 2005, when she tabled her report, the CBC English network—Radio-Canada was not alone in shelving many hours of programming—had almost 6,000 hours of on the shelf programming that were not broadcast.

The question to ask is as follows: with regard to procurement practices, why is a public broadcaster stocking so many programs without airing them? There may be a good reason for this, but—

• (1035)

**Mr. Maka Kotto:** You speak of the role of advertising in or its contribution to CBC/Radio-Canada operations. You suggest that it should not generate advertising revenues. Do you mean absolutely none, or would you consider the possibility of the CBC/Radio-Canada having some access to part of the advertising market if it would help, as you say, fulfill its core mandate?

**Mr. Glenn O'Farrell:** The answer will be very short. In fact, before discussing advertising revenues, we need to know how parliamentary appropriations are spent and determine the extent to which these operations are in keeping with the concept of a public service that is complementary to and not in competition with the private sector.

Once this analysis has been done, and if there is a gap and other revenue is required, it will be possible to question whether or not other appropriations would be desirable or possible, or if there are other sources of revenue. I believe that the discussion should centre on this matter. It is not a question of us saying from the outset that it is fair and reasonable for these business activities to continue. Not when we do not have detailed information about how the appropriations of the federal treasury are used.

[*English*]

**The Chair:** Mr. Angus.

**Mr. Charlie Angus:** Thank you very much for coming this morning. I found your presentation to be fascinating.

I'm going to key in on some of your key recommendations.

You say the CBC should be required to publicly report detailed financial information relating to its owned-and-operated, etc., because, as you said, without this level of transparency it's basically impossible to know if they're fulfilling their mandate.

Now, I notice that the CRTC is refusing to provide detailed financial information on the performance of private broadcasters involved in transfers of licences, mergers, renewals. I would agree with you that without that kind of financial information, it's pretty much impossible for us to tell if any of these transfers were in the public interest. So on behalf of the private broadcasters, would you provide that information to the public, if asked?

**Mr. Glenn O'Farrell:** My understanding is we're looking at the CBC this morning, and not transfers of ownership in the private sector—

**Mr. Charlie Angus:** Well, I'm looking at whether or not the broadcasters—

**Mr. Glenn O'Farrell:** If I can finish my answer, Mr. Angus, maybe—

**Mr. Charlie Angus:** Well, would you answer the question then?

**Mr. Glenn O'Farrell:** Maybe you'd let me finish, and then I'd be happy to answer if you are not satisfied with my first answer.

I believe we're talking about the CBC here, and we're not talking about privately transferred...or companies that are looking to acquire each other and seeking the authority from the CRTC to make that transfer. If you want to talk about that, I think we would like to prepare responses on the basis of specific questions you may have.

The allegation you made as to the access to the public of information regarding the transactions I believe is inaccurate.

• (1040)

**Mr. Charlie Angus:** Well, I'm glad that you put that on the record. We will check that. But I'm interested, because your four recommendations are basically to stay away from advertising, stay out of our local markets, stay off the Internet, and leave all CBC books open to competition.

I'm wondering what we're going to get out of this public bargain you're asking for. You're talking about public subsidies of a public broadcaster, so certainly there's an issue of accountability, but there's also the issue of public subsidy of private broadcast.

We're looking at simultaneous substitution, the Income Tax Act, section 19.1, where English-language private conventional television gamers about \$271 million to \$331 million a year. Because of that, specialty service is probably up to \$900 million a year. So certainly there's a public interest in... We've been subsidizing the private broadcasters' bottom line substantially, I would suggest. Yet I'm looking at the programming for television, and I'm seeing that on CTV, for example, at prime time, it's a Canadian wasteland.

**The Chair:** Excuse me. Let's stay on the mandate of the CBC.

**Mr. Charlie Angus:** Well, I am staying on CBC, Mr. Chair, in that I'm asking what we get out of this bargain. If we take CBC out of commercial revenues, if we take them out of the local markets, if we're told to stay off the Internet, certainly we'd expect private broadcast to pick up the slack. I'm looking at prime time for broadcast and I'm seeing nothing except *Entertainment Tonight* and *eTalk*.

So what would private broadcast do to step in to fill this void if we pulled your major competition out of it?

**Mr. Glenn O'Farrell:** You started your remarks, Mr. Angus, by saying you were fascinated by our submission this morning, and I appreciate that comment. I'm equally fascinated with your lack of understanding of the issues you're representing and making allegations on.

Simultaneous substitution, Mr. Angus, is not a parliamentary appropriation, is not a subsidy, and if you wished to look at that more closely, I think you'd come to that conclusion. It's about copyright, sir. So for the rest of your remarks, I'm not sure what exactly you mean.

**Mr. Charlie Angus:** Well, it's very simple. I'm looking here at private broadcast—the blue is American programming; the red, which is basically *eTalk*, is Canadian programming. I might be very ignorant on broadcast, but when I turn on the TV I'm not seeing the private broadcaster stepping up to the plate.

You've come before us and you've told us to basically take CBC out of any possible competition with the private broadcasters. So my question is, what are we getting out of this bargain? I might be ignorant in the question, but I don't see anything in the bargain for the Canadian public here.

**Mr. Glenn O'Farrell:** Well, my fascination, sir, is simply with the way you are seeking to contort instruments of policy and regulation that apply to the broadcasting system, and making allegations holding up charts, or whatever other prop you want to use, to make a point—

**Mr. Charlie Angus:** Well, it's either true or it's not true.

**Mr. Glenn O'Farrell:** Do you want to carry on? Go ahead.

**Mr. Charlie Angus:** Well, I'm just asking, is it true or is it not true? I'm not making allegations; I'm just showing you that in prime time broadcast for CTV, other than *eTalk*, there's basically nothing on. That's not an allegation; that's a fact.

**Mr. Glenn O'Farrell:** Where I was going with my response, Mr. Chair, is if this committee wishes to look at measures—policy measures, regulatory measures—that support the Canadian broadcasting system as a whole, we'd be happy to look at that at whatever time you choose to do so.

Quite frankly, I find your comments, sir, in holding up a program schedule this morning, are fraudulent, because here we are talking about the CBC and transparency.

Can you provide, sir, any information on the CBC as to its program funding, its revenue strategies, or how in fact the funds are actually used? This is not to make an indicting statement, Mr. Angus; it's simply to say to have a discussion about public broadcasting would be best, in our view, enlightened by a basis of fact.

We may not agree, and that's perfectly fine. We respect your right to disagree, and to disagree viscerally, but at least we would be starting from the point of view that would be shared, at least in terms of the facts. In the absence of those facts, we feel that it's a very difficult discussion. It's a very difficult discussion that frankly doesn't lead anywhere, in our view, that's all that constructive.

**The Chair:** Thank you for that.

Mr. Fast.

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

I'd like to follow up in the same vein, but probably not in an adversarial manner, because I appreciate the contribution the private broadcasters make to Canadians in general.

You've made a number of statements. I've also had a chance to review *The Future Environment facing the Canadian Broadcasting System*, a report prepared by the CRTC. One of the issues you raised has to do with some of the regulatory obstacles your industry faces. I'd like to quote from item 280 of that report. You made pretty extensive submissions to that hearing. I'll just quote that item.

The CAB, supported by the CCSA, added that HDTV provides a ready example of the load shouldered by conventional broadcasters due to regulatory expectations. The CAB noted that "the Commission's framework for digital and HD television is a highly detailed set of regulatory expectations relating to timelines, technical standards, and content quotas. These obligations will have a significant impact on the cost of the digital and HD transitions for broadcasters.

So it's a general statement of unease with the regulations that you have to comply with. Then you also made the statement today at our committee meeting that you would like to see CBC withdraw from reliance on advertising revenues. We also had testimony at this table from quite a number of witnesses that they feel there is a significant underfunding of CBC. When you put those last two points together, it means essentially what you're calling for is an even significantly greater subsidy of public broadcasting in Canada, well above the current \$1 billion, or there's going to have to be some other model on which a new mandate for the CBC can be funded.

My question to you is this. Very briefly, just articulate some of the regulatory challenges you face that you'd like to see addressed. Even more importantly, could you answer whether your industry is prepared to be a contributor to solving the funding problems CBC apparently faces, whether by way of contributing to that funding or some other mechanism by which CBC can continue to be sustained as the mirror in which Canadians see themselves?

• (1045)

**Mr. Glenn O'Farrell:** I think the point you make is absolutely valid. There are tension points, frankly, in the regulatory model that make the operations of conventional and specialty private broadcasting in Canada more challenging than less challenging. This is simply because many of the policies and regulations were not necessarily conceived for where we are now in terms of our transition as a system that was once totally regulated to one that is regulated in part and unregulated in part, with so many content services and media services gaining access to consumers directly.

Where we see the debate of this committee going is to perhaps bring a frame of reference back to the discussion to the broadcasting system, and it starts with how the public broadcaster is funded. We are not suggesting nor do we have information to support the allegation that they are overfunded or underfunded, in light of the fact that we do not have the detailed information to make the assessment of how the funds are actually used.

The example that I was giving earlier to Mr. Kotto was the example of what the Auditor General found in her 2005 report, where upon doing a more in-depth analysis of the CBC's books she found that there were 8,800 hours of programming on the shelves

from the French-language network's perspective, and 5,800 hours on the shelf in the English network's side of the equation.

That leads us to ask this question. How is it that a public broadcaster would need to stockpile so much programming, and is that in fact used? Because that programming was acquired; it did not flow to those shelves without some acquisition and some cost involved. Why would it be useful for that practice, for a public broadcaster, in fulfilling a mandate? Is it because it is driven by advertising revenue strategies? That might be part of the answer. Is it basically to buy up programming so that others cannot have access to it, even if it means putting it on the shelf rather than broadcasting it yourself? We don't know, and the reason we don't know is because the kind of detailed information to which we are referring would provide, if not all of the answers to those questions, at least some of the answers as to why those programming strategies were pursued.

Fundamentally, broadcasting comes down to programming strategies and marketing, and we don't understand, as this example illustrates, how those funds were deployed and what funds were used to make those acquisitions. So we don't want to leave you with the impression that we're saying they're overfunded or underfunded. We're saying before we make that assessment we have to know how the funds are being used, and the only way to do that is by more detailed accountability and transparency in their reporting.

• (1050)

**Mr. Ed Fast:** Do you believe CBC should play a role in delivering professional sports programming?

**Mr. Glenn O'Farrell:** I'll give you the short answer. In terms of the deal that was announced yesterday, again, we have no details to know whether or not that's a good deal for a public broadcaster, but clearly professional sports is offered both on public and private television in Canada today, and it's all a matter of where it makes the most sense.

I come back to the point I was raising earlier. Is there a distortion in the commercial marketplace? And if there is, it's questionably complementary at that point in time.

**The Chair:** Okay, thank you.

Mr. Scott.

**Hon. Andy Scott:** There is a certain irony in the fact that by suggesting you're not sure whether the CBC is adequately funded, decisions are taken not to fund it, which forces it into the commercial marketplace—to be unfairly competitive somehow.

Let's assume that the CBC is probably underfunded if you do international comparables on other things: it's a hard country to broadcast in, with a small population and a big space. If we take that fundamental assumption, then we want a couple of things from the CBC. We need to have a better sense of where it's going and whether the public is going to pay for it. We also need to have a better sense of where it's spending, what it's doing, and measures against that, as you argue.

If that's the case, and we fund the CBC more generously than we do, allowing it to be less engaged.... Although it will always be there in some instances. The small businesses in many communities in the country would be furious if they couldn't advertise, because there's no one else there in many cases. So that has to be considered as well.

The view I think I see is not one I have much difficulty with, but carrying out that view would require significantly more money for the CBC. It's being asked to do things that are expensive in a very expensive marketplace.

I guess I'm really looking for your reaction on whether or not I'm way off track.

**Mr. Glenn O'Farrell:** I don't think you are, in all likelihood. Things do cost more than we sometimes anticipate. We sometimes make demands that have not been fully costed out, and when people go to execute those demands they unfortunately prove to be more costly.

But I come back to the fundamental issue that without understanding how the resources are being spent today, and on what, it's a very difficult discussion to have, because we are starting in a somewhat dark place.

It's not unlike the way a parent conducts a discussion with a teenager. You give a kid \$20 and he goes out for the evening. He comes back and asks for another \$20, and you ask what happened to the first \$20. If there's not some kind of accounting, even in that minimalist sense, it's not very encouraging to just keep throwing more money at it.

We need to figure out what the money is currently being spent on, and then make the right assessment, if additional resources are required, to what end.

**Hon. Andy Scott:** If it really requires \$30 for your teenager to get by on the weekend and you're only giving him \$20, the difficulty may be trying to account for it, given the fact that they're basically always running a little behind. I see it in other places where the federal government is engaged. We try to hold recipients of grants or contributions to a level of accountability they really have difficulty meeting, only by virtue of the fact that they're strained in doing what we asked them to do for the money in the first place, let alone trying to keep track of it all.

I'm not saying that's the argument, but it needs to be put on the record as a consideration, because I think there is some element of that.

• (1055)

**Mr. Glenn O'Farrell:** We agree with that.

I would just add that private broadcasting and public broadcasting share a very challenging and difficult reality in 2007 by virtue of the circumstances we compete in with unregulated media. We hold ourselves to the same realities as the public broadcasters. None of this is simple.

**The Chair:** Thank you.

Madame Bourgeois.

[Translation]

**Ms. Diane Bourgeois:** Thank you, Mr. Chair.

With your permission, Mr. Chair, we will be sharing the time allocated. I will go first.

**Mr. O'Farrell:** your suggestion is quite interesting. You have added another dimension to everything that we have heard so far. In addition to the transparency of CBC/Radio-Canada budgets and the responsibility for programs by the CBC/Radio-Canada programming department, I am hearing a request to the effect that you would like, among other things, to be responsible for local programming. Perhaps I am mistaken; if not, are you prepared to provide local service in every small Canadian community?

**Mr. Glenn O'Farrell:** The CRTC carries out a review of every station whose licence is about to expire and that makes an application for renewal based on a series of commitments, including local service. In addition, business plans are filed and programming proposals made. However, that is not in every community; that only affects communities where conventional television stations operate services.

I would like to go back to the question that was asked to say that there are areas where there are valid exceptions to the rule that the public service should complement and not interfere in the very local market. There are surely some hypotheses—Mr. Scott spoke about this just now—and certain cases, I am convinced, where the private service cannot be or is not present. And the public service, if it is desirable and directed to, should be there but it should complement rather than compete with private services.

That is the basis for our position: it should provide a complementary rather than a competing service, benefiting both parties.

**Ms. Diane Bourgeois:** That brings us to my colleague's question.

**Mr. Maka Kotto:** I will ask all my questions at once. I do not believe we have enough time but if you should have the time could you send us one or more written responses?

I have three short questions. First of all, with regard to capturing an audience, we know that public television is founded on the principle of having a large audience. How can a public broadcaster develop as such and avoid the pitfalls of competing with the private sector? That is my first question

My second question is this: you speak of core broadcasting for CBC/Radio-Canada. Could you please explain what you mean by core broadcasting?

And for my last question: with the explosion of audiovisual media, would restricting CBC/Radio-Canada to the role of core broadcaster not result in the slow death of the public broadcaster?

**Mr. Glenn O'Farrell:** I think I will go along with your request and forward written answers to your questions in order to share or save the time remaining this morning.

**Mr. Maka Kotto:** All right.

Thank you.

**Mr. Glenn O'Farrell:** Thank you for your questions.

[English]

**The Chair:** Thank you for that.

I have one question that maybe we could get an answer on in writing. Can you provide the committee with some hard data that the CBC's activities distort the marketplace? What does it mean that CBC's activities distort the marketplace? Could we get some evidence of that sent to us?

**Mr. Glenn O'Farrell:** We'll do our best to respond to that question and provide you whatever factual information we can to illustrate that.

**The Chair:** Thank you.

I thank our witnesses today for the very interesting session, and all members for their great questions.

The meeting is adjourned.

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