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Chair

Mr. Gary Schellenberger

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● (1530)

[*English*]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Welcome, everyone, to meeting number 14 of the Standing Committee on Canadian Heritage. Pursuant to Standing Order 108 (2), we are studying the evolution of the television industry in Canada and its impact on local communities.

We have witnesses today. Our meeting is divided into two sessions of one hour each. In the first hour we have Rogers Communications. But before we go to that, we have a little committee business to deal with concerning the budget for this study. Our clerk has prepared an operational budget. It's for the witnesses' expenses as we go forward in the amount of $39,200.

Could I have a mover?

Mr. Dean Del Mastro (Peterborough, CPC): I'd like to move the adoption of the budget, Mr. Chairman.

The Chair: Okay, it is moved by Mr. Del Mastro and seconded by Mr. Angus.

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: Now I'll sign this, and it's all official.

We the welcome vice-chair of Rogers Communications, Mr. Phil Lind. Please introduce your cohorts.

Thank you.

Mrs. Colette Watson (Vice-President, Rogers Television, Rogers Communications Inc.): Thank you, Mr. Chairman, committee members.

[*Translation*]

Before I begin, I would like to introduce our group.

My name is Colette Watson, and I am the Vice-President of Community Television at Rogers. I am here with Phil Lind, Vice-Chairman of Rogers Communications Inc., Kenneth Engelhart, Senior Vice-President of Regulatory at Rogers Communications Inc., and Anthony Viner, President and Chief Executive Officer of Rogers Media.

Now, I would like to give the floor to Mr. Lind, who will make our opening remarks.

[*English*]

Mr. Phil Lind (Vice-Chairman, Rogers Communications Inc.): Mr. Chairman, it is my understanding that we are here today because broadcasters like CTV and Global have threatened to close local TV stations unless cable and satellite distributors step in and bail them out. They say the conventional over-the-air TV system is broken. Mr. Chairman, this is little more than self-serving fiction. Until recently, over-the-air television was a very profitable enterprise. Because it is a cyclical industry it will be profitable again.

Just four years ago, according to CRTC figures, Canadian over-the-air television netted almost $250 million in operating profits. Two years ago the industry was so profitable that CTV bought CHUM Ltd. For $1 billion, CTV got six additional over-the-air TV stations, 34 radio stations, and 21 additional specialty channels, most of them highly profitable. Also in 2007, CanWest Global, although heavily mortgaged after buying the Hollinger newspaper chain, took on an additional billion dollars in debt to acquire Alliance Atlantis and its 18 specialty channels. Between them, CTV and Global now own 56 of Canada's most profitable specialty channels. TSN alone earned more than $60 million in operating profits for CTV last year. Both CTV and Global have profitable TV operations. Contrary to claims made by CTV and CanWest, their broadcasting assets should be valued as the sum of their parts, not as though each segment was a stand-alone business. Last year alone, CTV's combined over-the-air and specialty TV operating profit was around $200 million. Global wasn't far behind, at $164 million. So what's the problem?

Recently, CanWest's Leonard Asper said that in all the media coverage, “What is often overlooked is that CanWest's businesses are highly profitable and generate well over $500 million a year in operating profits”. This is both the TV and at newspapers. Asper said that the only problem is that “our 'mortgage' is too high for our lenders' liking”.

At Rogers we have mortgages too. We're also having difficulty with our over-the-air TV interests. But as Tony Viner will say, we're not here seeking a bailout; we're not here asking customers or other companies' shareholders to underwrite our problems. The economic situation will improve shortly, and when it does, history tells us that over-the-air television will be back in the black. Please do not be fooled by the so-called “fee-for-carriage solution”. It is nothing more than a tax on consumers. It is one of the most insidious schemes to come around in a long time. It has twice been rejected by the CRTC because, quite simply, it's a backdoor bailout. It's robbing Peter to pay Paul. It's a cash grab based on the myth that cable and satellite distributors don't contribute enough to the system. Nothing could be further from the truth.

Our services give tremendous value to over-the-air TV broadcasters. Cable gives local TV stations guaranteed carriage with priority positions on the dial. We give over-the-air stations simultaneous program substitution. That is, when an American show is run at the same time in Canada and the U.S.—for example, when *House* is run on Global and Fox at 8 o'clock on Monday nights—viewers see only the Global signal, no matter which channel they watch. As a result, the ads that Global sells are seen by many more viewers and can be sold for much higher prices.

Simultaneous substitution is worth over $300 million annually to over-the-air broadcasters. It's part of the regulatory bargain that the CRTC struck between over-the-air broadcasters and cable. By terms of the bargain, broadcasters provide signals and then we help boost their ad revenues by prioritizing, promoting, and programming their stations. Yes, that's right, I said programming. Most people don't know this, but every year cable and satellite companies contribute around $215 million to subsidize TV production costs. Broadcasters like CTV and Global pay only about 30% of what a Canadian prime time show costs to produce, but their appetites for handouts are insatiable.

● (1535)

Recently the CRTC ordered distributors to contribute another $60 million of our revenue to subsidize local programming for over-the-air broadcasters in small and medium-sized cities. And so it goes. But our support for these broadcasters is only part of what we contribute to the system. We also help fund the parliamentary channel CPAC, and we offer our own fabulous brand of local programming, as Colette Watson can explain. Community broadcasting paid for by the cable companies is quickly becoming the most respected source of truly local television in Canada. At a cost of $30 million a year, Rogers' 33 television stations offer far more local programming than commercial over-the-air stations anywhere.

So when CTV and Global accuse us of not doing enough, when they threaten to shut stations, what are they up to? When they demand fee-for-carriage, how do they plan to spend this money? Believe me, it won't be spent on more local news in your part of the country. The sad fact is that most of the money CTV and Global spend on programming goes straight to Hollywood, and each year the amount climbs. Over-the-air broadcasters spent 25% more in Hollywood over the past three years, while their other costs grew at only 2%. The fee for carriage most often mentioned is 50¢ per subscriber per month per local channel.

In his recent testimony before this committee, CRTC chairman Konrad von Finckenstein explained what a subsidy would mean to consumers: “To put things in perspective on the fee-for-carriage we turned down, CTV and CanWest asked for 50¢ per signal. In Toronto that would have meant an increase for cable subscribers of $6.50 a month; in Montreal it would have been $4.50 per month, and $6.50 per month in Ottawa.”

As the chairman said, this is a tax that would be passed on to consumers in any economic times, let alone these extraordinarily difficult ones. To tax people $6.50 a month and to give them nothing in return is just plain wrong. There will be consumer outrage. To compound the injustice, fee-for-carriage would set up the worst of all public policy solutions, a two-tier taxation solution. Those who subscribe to cable or satellite would pay a lot more, while those who receive television by rabbit ears or rooftop antennae would pay no consumer tax and continue to receive free over-the-air television. Such a system would be patently unfair.

We're not freeloaders. Canadian cable companies have always worked to make our broadcasting system the best in the world. Rogers Cable alone has made capital investments of $6.5 billion over the past 10 years. These huge outlays have made Canada the envy of the world and benefited all stakeholders. We deliver crystal-clear TV pictures to Canadians. We expand local television areas, which in turn give broadcasters more viewers and allow them to charge more for advertising. At our expense, we substitute Canadian over American signals so that the Canadian broadcaster can have exclusive carriage rights for their most popular U.S. shows. We pump hundreds of millions of dollars into prime-time and Canadian local over-the-air TV, and we provide in-depth local coverage with our own community channels.

Mr. Chairman, it cannot be in the public interest to ask our subscribers to do more, to underwrite CTV's and Global's questionable business practices. The system is not broken. TV is a cyclical business. It's gone through some rough patches before and recovered to earn billions of dollars for its owners. History tends to repeat itself. With the greatest respect, our advice to this committee is simple: give history time to repeat itself.

Thank you, Mr. Chairman. We're pleased to try to answer any of your questions.

● (1540)

The Chair: Thank you for that presentation.

Ms. Dhalla.

Ms. Ruby Dhalla (Brampton—Springdale, Lib.): First of all, I want to take the opportunity to thank you for coming to our committee today to give us a bit of insight and perspective on your viewpoints, particularly on fee for carriage. I am the member of Parliament for Brampton—Springdale, and I know that Rogers is located in my riding and employs thousands of individuals. The future of television, broadcasts, and Rogers is of great concern to not only those individuals who are working there, but to the families they support.

You passed around a fact sheet on CTV and CanWest, and on the last page was a graph with information on the expenditures on eligible Canadian programming and non-Canadian programming. It shows two very distinct perspectives: the amount that was spent on non-Canadian programming from 2000 to 2008, and the amount that was spent on Canadian programming from 2000 to 2008. There was a huge increase in the money spent on non-Canadian programming versus Canadian programming in 2008.

Can you please expand and provide this committee with some insight on why the expenditure has risen on non-Canadian programming versus Canadian programming, and the impact of the local programming improvement fund?

Mr. Kenneth Engelhart (Senior Vice-President, Regulatory and Chief Privacy Officer, Rogers Communications Inc.): I think the graph shows that there has been a huge bidding war for U.S. programming. If you check through the numbers you'll see it's the bidding war more than anything that accounts for the financial difficulties television finds itself in. As Mr. Lind mentioned, four years ago they were making about a $250-million profit. Since that time their American expenditures have gone up by $175 million. So they've really spent all their profit on Hollywood. As the graph shows, this is not a recent phenomenon. This bidding war started in 2000, and the financial problems will continue if it doesn't stop.

● (1545)

Ms. Ruby Dhalla: On fee for carriage, you feel there would be an increase in the non-Canadian programming undertaken.

Mr. Kenneth Engelhart: I think that's right. More money will just fund this bidding war, and it won't return the industry to financial viability.

Ms. Ruby Dhalla: Another concern is the impact that fee for carriage would have on consumers. We had the chairman of the CRTC before us, and he provided us with his perspective. Can you also please elaborate for committee members on your insight and perspective on fee for carriage and the impact it would have on consumers and Canadians across this country?

Mr. Phil Lind: We've done extensive customer surveys, and we know that any increase is treated very badly by customers. They don't want to pay more. Right now we have to charge them because we've put so much more money into our networks. We're paying programming costs, copyright costs, etc., so there is a rate of a dollar for basic, a dollar for a tier, or whatever per year. These people are at least getting something for what we bill them. There are increased fees so we're paying them. But with fee for carriage there's nothing. You're in the same position you were the day before. Nothing's added; you just get to pay $6 more.

Ms. Ruby Dhalla: Do you think the fee for carriage would benefit communities like Brampton, which has one of the most multicultural and multilingual constituencies in demographics in the country? Would it benefit rural communities in Canada? Would it benefit ethnic communities, as far as the programming that's available?

Mr. Phil Lind: It certainly wouldn't benefit ethnic communities. Ethnic communities, by and large, are in the urban areas of Canada and are very well served. Fee for carriage would be for CTV and Global. They don't do any ethnic carriage, so there'd be no benefit there whatsoever.

Ms. Ruby Dhalla: Rogers operates in regional television stations and isn't able to access the funds available from the local programming improvement fund. If a change were made and Rogers could benefit, would it have an impact on consumers and Canadians in smaller markets across the country?

Mr. Phil Lind: I think the chairman of the CRTC feels that the LPIF would benefit the small and medium-size TV stations. If it were properly targeted it would be of benefit. It would raise our fees modestly, but I think it's probably a good thing.

Ms. Ruby Dhalla: So it would benefit Rogers.

Mr. Phil Lind: No, it won't benefit Rogers at all, but it will benefit Canada's small and medium-sized stations.

Mr. Anthony Viner (President and Chief Executive Officer, Rogers Media, Rogers Communications Inc.): I want to make one distinction. In Winnipeg we would qualify under the current terms as described or proposed by the CRTC. Our Winnipeg City station would benefit from the LPIF.

The Chair: Thank you.

Ms. Lavallée, please.

[*Translation*]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): Thank you very much, Mr. Chair.

I am a bit surprised to hear you say that the television industry is cyclical, and that there are times when it does well and other times, when it does not do so well. You also said that, even though the industry is going through a rough patch now, we should let you carry on as you are so that things can get back to normal.

We are here to study the evolution of the television industry, but everything we are seeing and hearing tells us that the industry is in the process of evolving. And in terms of new media, we are moving towards a different reality. More and more, television is able to do what the Internet can and vice versa. Several indicators suggest that these two important types of media will culminate in a new technology that we cannot even begin to imagine.

While I have the floor, I would also like to ask you whether you are satisfied with the licence renewal offer that the CRTC made you, that is, renewing your licence for just one year.

● (1550)

[*English*]

Mr. Phil Lind: I would ask Tony Viner to reply to both, because he's our television person. But first I would just say that yes, of course TV is changing. Viewing patterns are changing. But the revenues for conventional over the years are still rising, year after year, in spite of the fact that viewing patterns are changing. When times get better....

Tony?

Mr. Anthony Viner: I think first we have to look at the industry as a whole. Lately, as is frequently the case during a recession or an economic slowdown, the completely advertising-supported services, like over-the-air television, suffer most. Most broadcasters have tried to counter that by also owning specialty services so that during those times there are those parts of the industry that have two revenue streams, and the commission is actually trying to address that when they have corporate renewals a year from now.

When we bought City television, we bought it in the belief that advertisers would continue to need to have a platform for free mass communication. There are still people who need mass audiences to promote their services and products to. So when we come out of this, for sure the world will have changed, but we continue to be confident that it will be a profitable business. It may not be in exactly the same way it has been in the past.

With respect to the one-year renewals, the commission has decided, I think given the current economic situation, that one year will sufficiently tell us how long this recession may last and what is reasonable, and I think they have indicated that they're prepared to relax certain of the regulations surrounding the over-the-air with television broadcasters who have been the most severely hurt. On our OMNI broadcast, our ethnic, we're asking for a six-year licence because it does not have the same issues as do the others.

[*Translation*]

Mrs. Carole Lavallée: If I understand correctly, a one-year licence renewal was what you wanted. You were satisfied with that decision.

[*English*]

Mr. Anthony Viner: Yes, under the circumstances, because the commission is going to look at it in its entirety in one year. It has called a hearing for one year hence.

[*Translation*]

Mrs. Carole Lavallée: The two main problems you seem to be having are Canadian content and audiences, who are not tuning in enough. Is that right?

Mrs. Colette Watson: I would say yes, Mrs. Lavallée. We are mostly concerned with the requests for financial assistance that we receive from cable companies. There is no reason for it. For the most part, these companies are profitable. Over-the-air television should not be separated from specialty television. The major television stations are strong enough to deal with the various economic situations in the country. The issue of Canadian content has nothing to do with our position on giving the industry a financial helping hand.

Mrs. Carole Lavallée: Why do you say that they have nothing to do with one another?

[*English*]

The Chair: Thank you, Ms. Lavallée.

We move on now to Mr. Angus, please.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you.

I'm very pleased that you wanted to take the time to come today. This is going to be a very interesting session for us all. This is one of the committees where you'll find that all parties are actually trying to work to come forward with a coherent response to the various, and sometimes very different, views we're hearing.

Mr. Viner, I'd like to ask you about the terms of the commitments made when you purchased the CHUM group. In Vancouver we have 27.5 hours of programming; CKEM in Calgary, 31.5 hours of local programming; CKAL Calgary, 31.5 hours; Citytv, 29 hours; CHMI, 15 hours. The proposal you're coming up with now is for 20 hours, including 10 hours of news.

Given that you just bought the stations in 2007, don't you think it's kind of odd that you're unilaterally wanting to change the commitments that you made just two years ago when you purchased those stations?

● (1555)

Mr. Anthony Viner: Those commitments were made by our predecessor company, CHUM. Frankly, it was those commitments that put them into the financial difficulty they found themselves in and forced them to sell. We knew that we would operate those stations over the course of a year and a half before we were to have our licence renewals. The fact of the matter is—and I guess it's nobody's fault but my own—when we purchased those stations from CTV, we did it through publicly available information, and what we did not know at the time was the extent to which CHUM relied on its specialty services to amortize their costs. So when you took away those specialty services and were left with just the OTAs, the over-the-airs, it became increasingly difficult to operate them in that manner. In fact, CHUM, in 2006, had significantly reduced news in many of their stations. They had local programming, but almost no news.

Mr. Charlie Angus: When you brought in your TV renewal application on February 23, you stated that local programming commitments should be evaluated based on the programming mandate of the OTA broadcast group and the financial health of the station group. In 2008 you had $11.3 billion in total revenue. You more than doubled your annual dividend to your shareholders. So to cry poor after buying those stations and say you want to now cut the local programming commitments when you are, as Rogers said, in the strongest position financially, organizationally, and structurally that you've ever been in, how you can justify cutting that local programming commitment?

Mr. Anthony Viner: Those numbers that you cited, Mr. Angus, of course relate to Rogers Communications, its wireless group and cable group. Rogers Media is a separate entity. But in any event, we are part of Rogers Communications.

What we are trying to do is build a station group that can sustain itself and not forever sustain nothing but losses. So we're trying to come up with a business plan that allows our stations to continue local service. Our application, as you pointed out, is to sustain local service, while others are trying to reduce or eliminate it.

Mr. Charlie Angus: I guess what I'm hearing from you is the same argument you just used against the broadcasters. You said the broadcasters are making major money from all their speciality services and they want to pin it all on local, and then you turn around and tell me that local is losing you money, but don't count the other streams of revenue. You have record profits. You bought these stations two years ago, and now you want to cut local programming and still tell your shareholders that everything is fine.

It seems to me the public has a hard time believing that a company as smart financially as Rogers would have bought those stations without knowing what it would cost, and a year and a half later be trying to dodge those commitments.

Mr. Anthony Viner: Our position is that one of the things we are adding.... Local programming is one thing, but news is another. Our commitment is to add, of those 20 hours, a minimum of 10 hours of news. In many of those markets CHUM had eliminated news, and it's our intention to restore it. News is much more expensive to produce than other forms of local programming.

Mr. Charlie Angus: Mr. Lind, you said in *Maclean's* on April 2 that if there was an increase for fee-for-carriage it would result in a massive reduction of customers and you would have to recalibrate your business model. The numbers that we're getting for fee-for-carriage run from $2 to $5, yet 30 days before you made that statement to *Maclean's* you increased your fees by $6 a month, and we didn't see a massive revolt of your customers on cable. Do I have my facts wrong?

● (1600)

Mr. Kenneth Engelhart: Yes. There was no $6 increase. Basic went up by $1.50; the tiers went up by $1; The Movie Network went up by $2. For all of those services, we added channels. We're spending a lot of money to add high-definition channels and video-on-demand channels, and customers perceive benefits from getting those channels. So you can't compare a rate increase associated with better service—

Mr. Charlie Angus: So was that rate increase—just to be clear, before I get cut off here—directly related to increase in service?

Mr. Kenneth Engelhart: Our rate increases are related to increases in costs, but most of our cost increases do translate into added value to the customers, yes.

Mr. Charlie Angus: Do you have a percentage on how much service people added in that $6 increase?

Mr. Kenneth Engelhart: Yes. We added high-definition channels at every stage along the way and we added on-demand programming as well.

The Chair: Thank you.

Mr. Phil Lind: The other thing is Tony Viner does not ask for fee-for-carriage. That's a big difference between him and the other over-the-airs.

The Chair: Okay.

Mr. Del Mastro.

Mr. Dean Del Mastro: Thank you very much, Mr. Chair.

Thank you to the witnesses for appearing here today. This is obviously the first opportunity that we've had—certainly that I've had—to have Rogers here in an official capacity and on the record.

I wanted to first express the profound sadness and my condolences on the passing of Ted Rogers, a truly great Canadian, a great Canadian builder, and somebody I know an awful lot of Canadians have an awful lot of pride in. I think today he'd be awfully happy with his beloved Blue Jays starting off the season at 10 and 4, so we can find some great joy in that, I think.

I was very interested in the graphs you brought today, Mr. Lind, and also some of the statements you made. I guess the issue around conventional broadcasting for me—and I've expressed this to the broadcasters, I've expressed it to the cable companies, and I've expressed it to the CRTC—is we have a system right now where we have free over-the-air broadcasting of these networks. That is not slated to change. The CRTC is mandating that these networks must continue to broadcast. In fact, they must upgrade that broadcasting, according to the CRTC, in a couple of years' time and still broadcast that free over the air. On cable and satellite, they're looking for that same product to have a fee attached to it, because they are experiencing financial difficulty. I'm sensitive to that financial difficulty and also to the challenges that this presents in local communities.

I guess my question for you is if I were to look at your case against it, isn't that the central issue as to why the logic is broken on a fee on cable or a fee on satellite when it's free, if you're not receiving it that way?

Mr. Kenneth Engelhart: I would agree with that, sir. The reason that people are attracted to cable is not because of the over-the-air television signals. The over-the-air television signals are available free over the air, and 10% of Canadians don't subscribe to cable or satellite; they just use rabbit ears or antennas to pick those signals up. What we see Global and CTV doing now more and more is also putting their most popular programming free on the Internet so people can get it free another way. So it's very hard for us to attract people to cable for things they can already get for free.

In fact, our struggle is to get people to stay on the cable system and not to desert it for over-the-air, which is becoming even more attractive with digital television. With digital television now, your antenna will pull in crystal-clear pictures, and we see people in the U.S. cancelling cable for that. So the regulatory bargain that the CRTC established was that you have to carry those stations anyway, the over-the-air stations, so give them the lowest channel positions, give them mandatory carriage, give them simultaneous substitution, and that way they can greatly increase their advertising sales. We think the regulatory bargain is a good one, but it's very difficult for us to pay those fees when it would just mean that people are going to cancel cable and get those signals for free.

Mr. Dean Del Mastro: It seems to me the relationship here is inherently intertwined. The television broadcasters need the cable and satellite companies to extend their reach. They need the automatic substitution. These things provide real value to the broadcasters. And you need their product. You need to have television stations broadcasting signals so that you have something to sell. It seems as if the relationship has worked. To me, you've brought in models that show the television networks have by and large been profitable. And this is a tough year; let's face facts. It's a tough year to look at anything and say this economic model is broken. I don't believe, personally, that the auto industry is permanently broken. I think it's going through a period of transition and will re-emerge profitable. I think that's true of a lot of industries.

So I'm just curious. This relationship has worked. You inherently need each other. But this is a fundamental change of the industry, isn't it?

● (1605)

Mr. Phil Lind: I think you're right. The system has worked very well over the years. There have been minor squabbles between the various elements, but overall the system has worked happily for everyone for a lot of years. This fee-for-carriage thing is new and different, and that's disruptive of the whole sort of commaradarie we've managed to have over the years.

We're just not going to pay it. We just think it is the most insidious idea. To tax people on something they get nothing for at all is just a crazy idea.

Mr. Dean Del Mastro: Okay, I understand.

Mr. Englehart, what's wrong with this statement? The cable companies are profitable. They're making good money. The satellite companies are making good money. They don't have to pass this on. As a broadcaster, you're making money off my back. I want a chunk of what you're making, and I want the CRTC not to allow them to pass it on to consumers. What's wrong with that? Why do you think there's something wrong with that statement? I believe in my local broadcaster and I want my local news. Maybe I think I'm already paying a fee for my local television station. They're already receiving something out of my cable company. What's wrong with what I've just said? What's wrong with that contention?

Mr. Kenneth Engelhart: First of all, I think Rogers in its forty-year history has made a profit for the last four years. We had 36 years where we were losing money and we didn't come complaining.

The struggle we have now, as the earlier questions pointed out, is to keep people on the system without going to the Internet and to keep them focused on television in an era where a lot of the stuff is available on the Internet. That requires huge investments by us. We have to bring in high-definition programming, which is widely available on Rogers, video on demand, so that people can watch what they want when they want, and inter—

Mr. Dean Del Mastro: I understand you've made investments, but what's wrong with your paying the fee for carriage, not customers?

The Chair: Excuse me, Mr. Del Mastro, no more.

Mr. Rodriguez.

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Thank you, Mr. Chair.

You spent more time talking about CTV and Global than about yourself. You really look on the defensive, and I'm wondering what are you worried about.

Mr. Phil Lind: It's because the proposal for fee-for-carriage is one that pits them against us.

Mr. Pablo Rodriguez: That's the way you see it.

Mr. Phil Lind: That's the way it is. The distributors are Rogers, Shaw, Bell, Cogeco, and Videotron. They're the distributors. They're the ones CTV and Global are asking to have money from, or our subscribers.

[*Translation*]

Mr. Pablo Rodriguez: According to your analysis, the industry is cyclical and will ultimately recover. Your approach is to do nothing and wait for the situation to work itself out.

[*English*]

Mr. Phil Lind: Well, we have the LPIF, the one percent that Konrad von Finckenstein spoke of last time, the local programming improvement fund that will dedicate $60 million or $65 million to TV stations serving small and medium-sized markets. That will—

● (1610)

Mr. Pablo Rodriguez: Do you think $60 million is enough?

Mr. Phil Lind: It will be of tremendous assistance to them.

Mr. Pablo Rodriguez: But that would be enough; we don't do anything else?

Mr. Phil Lind: Yes.

Mr. Kenneth Engelhart: In addition, as Mr. Viner was discussing with Mr. Angus, there may have to be some recalibration of the regulatory obligations on over-the-air television. In the past, over-the-air was a licence to print money, and the CRTC loaded them up with obligations. In some cases, they have to do many hours of local and, in addition, Canadian drama in prime time. I could see in the hearings the CRTC initiating a recalibration where more of the Canadian drama obligation falls on the specialty programs. The local television station does local and news but less than before.

So I'm not saying that everything will stay the same, but with some modest readjustment of the rules in the LPIF, I think that will be enough.

[*Translation*]

Mr. Pablo Rodriguez: You said in your presentation that CTV and Global are spending more and more in Hollywood. That was how you presented it. Therefore, the fee-for-carriage approach would only give these stations more money to invest in Hollywood. Would you be more in favour of the fee for carriage if that money had to be used for local programming?

[*English*]

Mr. Phil Lind: Then the commission would just increase the LPIF program.

[*Translation*]

Mr. Pablo Rodriguez: That is not exactly...

[*English*]

Mr. Phil Lind: The solution would be to just increase the LPIF program. You wouldn't need anything else.

[*Translation*]

Mr. Pablo Rodriguez: Okay, but a little while ago, you made a connection between the fact that these stations invest heavily in the U.S. and the idea that giving them money would create a problem because they would spend even more in the U.S. But, if the opposite were to happen and a condition was put in place where the fee-for-carriage money had to be spent here on local, regional or Canadian programming, would that change your position?

[*English*]

Mr. Phil Lind: No.

[*Translation*]

Mr. Pablo Rodriguez: Okay. So what do we do? The way I see it, after talking with the key leaders in the television industry, a real problem exists. The drop in advertising is real, and you say that it has happened before. Maybe we survived certain crises in the past, but there are other factors at work today, such as new media. TV viewership is dwindling because there are more choices out there. People are watching a little more here and there. I am not at all convinced that this industry, which you describe as cyclical, will recover as it did before.

There are different solutions. The government thought about increasing advertising, for instance. There is also the fee-for-carriage approach. Or, the government could give money directly to broadcasters, public or private. We have to figure something out.

What are you willing to do?

[*English*]

Mr. Kenneth Engelhart: A lot of these things that you've heard aren't really true.

Revenue is not down. Revenue is up for the OTA industry. It grows by about 2% a year. Fragmentation, even the presence of the Internet, has not decreased the amount of tuning. Television tuning is about the same. Over-the-air tuning is down a little bit and specialty tuning is up a little bit, but the revenues are still growing. The tuning is still there. Those are not the problems.

The problems are that, number one, we're in a recession right now, and number two, they're spending too much in Hollywood. It's not that they're spending more on their Canadian, and it's not that their revenues have diminished.

Mr. Pablo Rodriguez: So it's their problem; they have to take care of it.

Mr. Kenneth Engelhart: I think with some modest adjustments to the regulatory process, the over-the-air business will get better. We spent a lot of money to buy those City stations. We never thought there would be fee-for-carriage. And we think we can make money from them.

The Chair: Thank you.

Ms. Lavallée again, please.

[*Translation*]

Mrs. Carole Lavallée: Thank you very much.

I want to pick up where I left off because what I have realized during this discussion is that there are a lot of things I do not understand. I will tell you why. It seems to me that your problems are so different from those of Quebec broadcasters, that we have an entirely different situation here. You said one of your problems was that too much money was going to Hollywood. To my knowledge, that is not the case with TVA right now. You say that it is a problem, but it is not a problem in Quebec. Do you not agree?

In any case, you do not have any stations in Quebec. Tell us, or it will not be on the record.

● (1615)

[*English*]

Mr. Phil Lind: Yes, I would agree with you. It is a different situation in Quebec, and we have no TV stations in Quebec.

[*Translation*]

Mrs. Carole Lavallée: You do not have any TV stations in Quebec. You have problems with Canadian content, but Quebec does not have that problem. Later, Mr. Péladeau will tell us just how much Quebeckers like Quebec television. No doubt, he will give us a fair number of statistics on the topic.

Earlier you said that you were not bothered by the fact that your licence was renewed for only one year. However, TVA indicated in its brief that it wants more stability and would like its licence to be renewed for a longer period. The problems with Quebec television and those with what I call Canadian television are so different that it is impossible to apply the same solutions and regulations to both. I do not know if you are aware, but Quebec has been asking for its own version of the CRTC since 1929.

Could that be part of your solution?

Mrs. Colette Watson: I do not think that we would agree. Our preference is a single regulatory system. I will now give the floor to Mr. Viner.

Mrs. Carole Lavallée: Mr. Viner, can you tell me why?

[*English*]

Mr. Anthony Viner: I was just turning to Mr. Engelhart to ask who the constitutional lawyer on our panel was. I have no comment.

[*Translation*]

Mrs. Carole Lavallée: Go ahead, Mr. Engelhart.

Mr. Lind, you will be next.

[*English*]

Why?

Mr. Kenneth Engelhart: I know that Quebec does have some unique differences with its TV market, but I think the CRTC is capable of regulating both.

[*Translation*]

Mrs. Colette Watson: In Quebec, companies would also have to apply for a federal licence, which would require them to duplicate their efforts. The regulatory process is complicated enough as it is. I do not see the use in adding a second system. It would not be profitable.

Mrs. Carole Lavallée: I think my time is almost up. I just wanted to finish by telling you that Lawrence Cannon, now a Conservative minister, disagrees with you. In 1992, when he was communications minister in Quebec, he made the following statement:

> Quebec must be able to determine the operating rules for radio and television broadcasting systems, and to control the development plans of telecommunications networks, service fee structures and the regulation of new telecommunications services […] Quebec cannot let others control programming for electronic media within its borders […] To that end, Quebec must have full jurisdiction and be able to deal with a single regulatory body.

In Quebec, the government and political parties of all stripes have been asking for this since 1929. I am sure that my time is up, but you can go ahead and comment.

Thank you.

[*English*]

Mr. Phil Lind: I don't think that's Lawrence Cannon's position today.

The Chair: Thank you.

Mr. Del Mastro.

Mr. Dean Del Mastro: Thank you.

Mr. Engelhart, I'm going to get an answer from you on that question. Maybe I didn't explain myself well enough.

The broadcasters have made a couple of positions. One is that they must have fee-for-carriage in order to make their businesses sustainable. That's what they're saying. They're losing money; they must have fee-for-carriage; their model is broken. But they're saying it need not necessarily be a tax on consumers. They're saying you're making a lot of money, and why do you have to pass it along? Nobody says it has to be passed on to consumers.

By the way, they did say they did extend a $3 cap, and that is something the CRTC did not indicate. I haven't heard otherwise. I don't know if either they did or they are prepared to extend a $3 cap, but I am concerned that once a fee is established it can be gradually ratcheted up if there is a bidding war on programming and so forth.

That said, why do you have to pass on a fee for carriage? Why couldn't we take it out of all the money that Rogers is making and give it to the broadcasters? What's wrong with that?

● (1620)

Mr. Kenneth Engelhart: The problem is, our costs are going up because we're preparing our networks for the future. We spend half a billion dollars a year in programming costs. A lot of that money goes to Global and CTV. Those costs go up all the time. We have to upgrade and modernize our network or we will lose customers to the Internet, and the Canadian broadcasting system will be in real trouble.

We're spending $700 million a year on our network upgrades. We could not absorb that fee-for-carriage and incur the costs that we're incurring to upgrade the network and to improve programming. It just wouldn't be possible.

Mr. Dean Del Mastro: Could it lead to a loss of employment at Rogers?

Mr. Kenneth Engelhart: It could, and I really worry that it would lead to a weakening of the entire broadcasting system. Once you start raising rates, then what people do is downgrade their packages, so you get people buying fewer packages. That hurts the specialty industry, it hurts us, and you end up in a downward spiral. So it could be quite negative.

Mr. Dean Del Mastro: Mr. Uppal.

Mr. Tim Uppal (Edmonton—Sherwood Park, CPC): Thank you.

I want to clarify something, Mr. Engelhart. Did you say that ad revenues were not down? We're hearing differently. We're hearing that ad revenues are down across the board.

Mr. Kenneth Engelhart: This last year, that's true. This last year, they're down in TV, radio, newspapers, and billboards. The last year for which we have official CRTC data is 2008. If you look at the CRTC numbers, over-the-air television has had steadily increasing revenues every year, though they have not been huge.

Mr. Tim Uppal: How many hours of local programming do your community channels produce, and what is the annual budget for it?

Mrs. Colette Watson: The annual budget is just over $30 million. In 2008 they produced 14,087 hours of community television programming.

Mr. Tim Uppal: What kind of programming is that?

Mrs. Colette Watson: It varies by market. In small markets like Owen Sound, where there is no other television broadcaster, there will be news programming, high school programming, hockey games, amateur sports, bingo, city council, which is carried in every market, and anything of importance to the community. Last year in Barrie, for example, when there was a 14-year-old boy who went missing, we were pretty much 24/7 on that story. In Woodstock today, we're carrying the press conferences on the missing girl. So for anything that's important to the community, we'll switch. That's the beauty of community television—you're nimble and independent enough to change your programming.

In larger markets, we like to complement the over-the-air broadcaster. So in Ottawa and Toronto, we don't do news, but we do high school sports, city council, town hall, lots of public affairs, and about 16 hours of multicultural programming per week.

Mr. Tim Uppal: So most of local news and what not is generally provided by the over-the-air.

Mrs. Colette Watson: In large markets, it is. In markets like Barrie, Oshawa, Mississauga, or Brampton, we do our own local news.

Mr. Tim Uppal: What is the percentage of people who get their television by rabbit ears versus cable and satellite?

● (1625)

Mrs. Colette Watson: About 10% use rabbit ears. In 1997, 85% of people got their television through cable, and today that's 60%.

The Chair: Thank you.

Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): Thank you.

You've been forthright, and we appreciate that, because it helps us to formulate the recommendations we want to make. In my own humble opinion, the way I see this is that the regulations will change as we get into a new structure. I'm not just talking about a business structure—we're also going to get into a new cultural structure by which we protect Canadian content.

Let me ask a quick question, going around the table. The LPIF—which I understand only affects you in Winnipeg—you see as a moderate success. You see fee-for-carriage as not being the way of the future but as something that could be a short-term solution. Is the long-term solution for you a model based on the LPIF?

Mr. Phil Lind: Yes, probably.

Mr. Scott Simms: How so?

Mr. Phil Lind: Because I think the LPIF is structured to help small and medium-sized TV markets, and that's the only thing that needs any assistance.

Mr. Scott Simms: In other words, if there is fee for carriage, you feel that the restrictions on fee-for-carriage would not be strict enough to enable local broadcasting to survive or to grow.

Mr. Phil Lind: I can't see any reason for fee-for-carriage under any circumstances.

Mr. Scott Simms: Yes, okay. Now I'm quite clear on that one.

Let me create a scenario for you in the United States. Let's say I own a cable operation down in Utah and I want to carry NBC and ABC and all the over-the-air situations. What do they do? What is the model they use in the U.S. right now?

Mr. Phil Lind: Fee for carriage is structured very differently in the United States. You go to this TV station, and you can have either mandatory carriage or fee for carriage. If you have mandatory carriage, and some of the stations opt for that, then you're on, with no questions asked. When you have a fee for carriage, you have a negotiation between the cable system and the TV station. There's a give-and-take there.

Of course, until very recently almost all of the cable companies have never paid a cent, because ABC is asked for ESPN 2 or ABC Family or something like that. So they've added a network and—

Mr. Scott Simms: Okay, so this is a negotiation that they do, and it is based on a package more so than just an individual channel. Is that correct?

Mr. Phil Lind: Well, it's based on a negotiation.

Mr. Scott Simms: All right. Now, would you be satisfied with that model?

Mr. Phil Lind: Yes.

Mr. Scott Simms: I'd like to move back to the issue about the LPIF.

Mr. Phil Lind: But you see, CTV and Global will never agree to be taken off, no matter what. They'll always insist on being carried, because we like Canadian programming, right?

Mr. Scott Simms: Certainly if you go to that model, then the whole regime of being basic cable is thrown out the window.

You're required, on basic cable, to put how many channels on basic?

Mr. Phil Lind: In Toronto there are 15 to 17, or something like that.

Mr. Scott Simms: Okay. If you were in a position where you had to negotiate, and you decide, doesn't that diminish the role of the CRTC?

Mr. Phil Lind: Yes. But a number of those channels would opt immediately for mandatory carriage—immediately.

Mr. Scott Simms: I'm just—

Mr. Phil Lind: There would be no fee at all; there would just be mandatory carriage.

Mr. Scott Simms: The reason I bring this up is because I think the CRTC is lacking direction from the government on this one, and from Parliament itself, for that matter. I think we have to be forthright in putting an opinion up on how we feel about the future regulation, because I think it has to change, based on the proliferation of technology, period.

I'm trying to explore the short-term and long-term solutions. The LPIF is a model we could look at, as government, and say that could be a future solution.

● (1630)

Mr. Phil Lind: LPIF, yes. But I think everybody's struggling to figure out what the new model's going to be.

Mr. Scott Simms: Very true.

The Chair: With that, this brings to an end our testimony here for this part of the meeting.

I thank our witnesses from Rogers very much for being so frank with the committee, and I thank the committee for their good questions.

We will recess for five minutes to change witnesses.

●

(Pause)

●

● (1635)

The Chair: Welcome to the second half of our meeting this afternoon, pursuant to Standing Order 108(2), on a study on the evolution of the television industry in Canada and its impact on local communities.

For this hour, or till 5:30, we are meeting with Quebecor Media Inc. I will ask the president and chief executive officer, Mr. Péladeau, to please introduce his colleagues and make his presentation.

Thank you.

Mr. Pierre Karl Péladeau (President and Chief Executive Officer, Quebecor Media Inc.): Thank you very much, Mr. Chairman.

[*Translation*]

Thank you very much.

Members of the Standing Committee on Canadian Heritage, allow me to introduce my colleagues. To my left is Pierre Dion, President and Chief Executive Officer of TVA. To my right is Serge Sasseville, Vice-President of Corporate and Institutional Affairs at Quebecor Media.

Thank you for inviting us. We appear once again before you today to put into perspective a situation that we first brought to your attention on February 20, 2007. We are also here to ask you specifically to use all of your influence to force those in power to make the critical decisions that need to be made.

General interest television in Canada has deteriorated to the point where we now have a number of stations closing down and several thousand employees being laid off. It is unfortunate that it had to come to this before we all finally realized that the famous Canadian model was no longer working.

I have spoken in many different arenas for more than three years to warn authorities and stakeholders about the dire consequences affecting general interest television. Serious flaws in regulatory structures and the regulator's inability to understand technological evolution and just how seriously it is affecting the audiovisual landscape are a problem for general interest TV in Canada and everywhere else in the world.

Back in November 2005, I announced the end of television as we knew it to members of the Academy of Canadian Cinema & Television.

In April 2006, during a day-long event devoted to the main challenges of the small screen and hosted by *Infopresse*, a magazine specializing in media, I used the loaded term “technological tsunami” to describe the powerful impact of technology on traditional media, in general, and on general interest TV, in particular. We were already feeling the effects of fragmented audiences and dwindling advertising revenue then. It was clear that general interest TV was heading straight for a dead end. The red lights were everywhere, and the urgent need to carefully review our practices was already clear. I announced the end of costly series such as *Vice caché*, which, despite speaking to the heart of Canada's broadcasting identity, cost too much in broadcasting rights and fell short in advertising revenue—the only source of revenue for general interest stations. It was the hard line of the Canadian Television Fund that killed costly series such as *Un homme mort*, which were very well-received by critics and still managed to bring in large, although declining, audiences. Essentially, the CTF would not allow us to charge fees, which would have made it possible to continue broadcasting these programs on all platforms and thus, make the necessary investments worthwhile.

Back in 2006, during a hearing on the review of TV broadcasting policy, we asked the CRTC to put in place the conditions necessary to reset the balance in the Canadian broadcasting system in order to level the playing field between general interest TV, specialty channels and independent producers. The idea was to allow general interest stations to also charge subscription fees and such so that they could broadcast their programs on all platforms.

In 2007 and 2008, during a hearing on the Canadian Television Fund, we raised the same points before the CRTC. We stressed that general interest TV could not continue to bear most of the financial burden when it came to producing quality dramas, large-scale variety programs and the like, while meeting the discriminatory requirements of the Canadian Television Fund. We argued for the need to quickly introduce a new funding model, where the producer and the broadcaster shared the risks, and similarly, the revenue. We suggested directing our annual contribution to a new programming fund and increasing the amount to $30 million with a further yearly increase of 20%—representing an investment of more than $100 million over three years—while discontinuing our contributions to Canadian Heritage.

Also in 2007 and 2008, during a hearing on the regulatory framework review for distribution, we made the same arguments before the CRTC we had been making all along. We said that it needed to review and relax its regulations to promote the production of quality Canadian content and meet the needs of customers, who, more and more, were able to watch whichever shows they happened to be interested in, in the place and media format of their choice.

● (1640)

At the time, we showed that specialty channels had an advantage because of their regulatory status, which allows them to not only access advertising revenue, but also, and more importantly, to charge mandatory fees. This gives them tremendous advertising clout because they are able to offer multi-channel programming, which advertisers find very appealing. Together these channels dominate the market, while general interest TV watches its market share melt away like snow in the summer, even though it is the one that has to provide the lion's share of Canadian content. We proved that the regulatory obligations imposed on general interest TV and the associated costs in no way compare with the burden on specialty channels. We also showed that the situation is not tenable for much longer.

I repeated the same arguments before the CRTC during a triennial planning meeting in January 2008.

It has been more than three years since we first spoke about the issue, and unfortunately, we are seeing that everything is moving even faster than we anticipated.

Furthermore, apart from the many discussions that it has been a part of, the CRTC has not made any key decisions or undertaken any significant initiatives to avoid the looming disaster. What is worse, instead of tackling the problem now during the licence renewal hearings for general interest TV set to start next week, the CRTC chose to put off studying the real issue until 2010. There is no way to justify that approach given the current situation, so we urge you to intervene immediately to keep Canadian general interest TV from disappearing.

In order to survive, general interest TV needs funding and operating fee structures that are flexible so it can continue producing successful programs and broadcasting them on as many distribution channels as possible.

Even though we still believe that our proposal to direct our annual contribution to a new programming fund and to increase it to $100 million over three years would have been the best solution for the Canadian broadcasting system, we welcome the decision by the Minister of Canadian Heritage and Official Languages to set up the Canada Media Fund. It will help with the governance, funding and guidance problems surrounding the Canadian Television Fund. But we will still be watching to see how they implement the new fund and to ensure that general interest stations will finally be able to obtain the funding and fees that should be mandatory before they invest in worthwhile programming.

In the CRTC's June 5, 2008, report on the Canadian Television Fund, Commissioner Michel Morin expressed a dissenting opinion, which was appended to the report. Here are some of his comments:

> The QMi proposal not only left more money for the other CTF beneficiaries but also represented a firm commitment to allocate more money than it allocates under the current CTF rules to the production of Canadian content, including notably a guaranteed amount for the production of dramas. Everyone came out a winner. There was more money for other broadcasters in the system and more Canadian content for TVA network viewers.

The cost of original programming weighs heavily on the bottom line of general interest stations but has almost no impact on the bottom line of specialty channels. They are less sensitive to ratings because they have guaranteed fee revenue.

In the French-language market, TVA is the only private broadcaster to invest heavily in producing quality drama series and variety programming. During the 2007-2008 fiscal year, TVA invested more than $116 million in Canadian programming.

To keep its place as market leader, TVA currently spends nearly 90% of its programming budget on original Canadian content, mainly on informative, drama and large-scale variety programs. Our audience performance numbers are excellent—30% of the market share, according to the latest BBM surveys for the current season, which is winding down. Last week, a record 3 million viewers tuned in for the finale of *Star Académie*. The program's Sunday gala shows drew even more viewers with an average of 2.4 million people watching, more than any other program broadcast in Canada.

● (1645)

At the time of their broadcast, all of TVA's dramatic series ranked among the top 30 most-viewed French-language programs. Generally speaking, they attracted a viewing audience of over one million. In the news category, our results have been equally exceptional. We systematically rank first in terms of our coverage of major elections or international events. Nearly three times as many viewers tune in to our news programming than to Radio-Canada programming.

We are disappointed that financial results do not offset all of the risks taken to ensure Canadian content. I'd like to draw your attention to some very telling statistics. In 2008, a total of $171 million was spent by general interest private television networks in Quebec to produce original Canadian programming, whereas French-language speciality and pay TV services spent only $125 million on this area, preferring instead to set aside substantial sums of money to purchase catalogues of programs previously shown by other networks, in most cases, by general interest television networks.

Unfortunately,earnings do not reflect the choice made by general interest television to invest more in original Canadian programming. In 2008, earnings reported by French-language speciality and pay television services totalled $121.7 million, whereas in the case of general interest television in Quebec, earnings reported totalled only 39% of this figure, or $47 million.

We inform our investors of all of the additional risks associated with our activities. The heads of Corus and Astral Media have been able to reassure their own investors that the economic crisis has had less of an impact on their overall results. In a press release issued on April 9, 2009, Mr. Ian Greenberg, President and CEO of Astral Media, had this to say:

> The strength and resilience of these second quarter results are another illustration of the importance of having a diversified and balanced revenue mix under challenging economic conditions.

These companies can count on stable or ever-higher fees as a result of the sizeable investments made by broadcasters to increase their customer base. Over the last five years, Astral Media has distributed an average of $90 million per year to its shareholders, or nearly 13% of the group's earnings. Astral Media's earnings are double those of TVA. As such, investors consider shares in this corporation to be a better bet than shares in TVA.

In addition, Astral Media has the advantage of being able to use distribution networks in which it is not required to invest. Vidéotron has invested upwards of $1 billion over the last five years to enhance the performance of its network, in the process taking a considerable financial risk, especially given the current economic climate. According to its own annual reports, over the last five years, Astral Media has spent only $39.3 million on its infrastructures in the form of fixed assets acquisitions for television.

Canadian distributors make available to speciality channels a newly-paved highway to reach their customers, all the while allowing them to operate their businesses in the comfort of their own private reserve, safe from competition. New sources of financing are required to meet the overall needs of general interest television. The first source of such financing is the opportunities created by the expansion of the number of platforms. We have the possibility of recovering at least some of the advertising revenue losses suffered by general interest television by broadcasting content on all platforms. In order for this to happen, broadcasters must have the appropriate exploitation rights. TVA is looking to work with producers to negotiate and obtain such rights.

All parties must agree on the new realities of the television industry, as we saw happen last February when the Union des artistes reached a collective agreement with TVA that defines precise parameters for the use of content on all platforms. This partnership allows for the sharing of the revenues generated by these new platforms, instead of TVA having to pay in advance for operations that for the time being, do not look promising on the revenue side. The second source of financing must come from a rebalancing of the Canadian broadcasting system to allow general interest television to access fees for signal carriage.

● (1650)

There is no longer any need to prove that general interest television should have equal access to fees currently reserved for speciality channels. However, we object to the fact that the CRTC can set and impose these fees and that they are automatically added to the subscriber's bill. No sensible person would dare propose at this point in time that an additional financial burden be placed on Canadians to access services that are already available to them.

Instead, we are proposing that the system be rebalanced by allowing broadcasters, whether general interest or specialty networks, to freely negotiate the fee issue among themselves. A fair and reasonable fee for carriage would be more a function of the overall audience share and of consumer interest in the proposed service than a function of the price set out in business plans that were submitted several years ago to the CRTC and that bear no relation with today's reality.

I think we can readily agree that certain aberrations must be corrected. For example, it would be fairly logical if an all-news service like LCN, which enjoys a larger audience share that its rival RDI, had access to similar fees. That is not the case at this time. RDI receives one dollar per month per subscriber, whereas LCN receives on average only 46 cents per month per subscriber.

Lastly, let me say again that the CRTC must move quickly to deregulate general interest television. It must challenge the need for general interest television to resort to independent production and agree to view the license fees paid by general interest television as genuine investments that make it possible to exploit, over all platforms, rights to programs that it has made successful. The CRTC must revise its whole approach which involves taking action through quotas and so-called priority program selections and where investments by general interest television in content are often targeted and made primarily to comply with regulatory requirements.

For nearly 60 years, our business model has been rooted in an unshakeable faith in local content and culture. We make a very significant contribution to home-grown culture by supporting original production and disseminating it widely. Our subsidiaries broadcast and distribute content across the land on a full spectrum of media and platforms.

Quebecor media spent over $370 million on developing, creating, producing, broadcasting and promoting Canadian content in 2008, making it Canada's largest private producer of original content.

Thank you for your attention.

[*English*]

The Chair: Thank you.

The first question is by Mr. Rodriguez.

[*Translation*]

Mr. Pablo Rodriguez: Thank you, Mr. Chair.

Good day to all of you and thank you for coming here. The committee's focus is primarily on the television industry. How are things going at TVA? Are they going well?

● (1655)

Mr. Pierre Dion (President and Chief Executive Officer, Groupe TVA, Quebecor Media Inc.): Good day. TVA is doing well, under the circumstances, for a variety of reasons, in spite of the fact that over the past five years, we have felt the effects of the tsunami that Pierre Karl spoke of earlier. This is evidenced by the decline in EBITDA. The trend is also toward lower earnings. However, because of a unique situation, this year, TQS's advertising revenues have actually increased. However, a general trend can be noted.

Mr. Pablo Rodriguez: This is interesting and I want to understand clearly. What concerns people is the impact on regional stations and on local content. You have been buffeted by the crisis. Like everyone else, you have to contend with lower advertising revenues. Are you affected more or less than others by this situation?

Mr. Pierre Dion: In terms of sponsors, we in Quebec are feeling the effects just like everyone else in Canada is.

Mr. Pablo Rodriguez: Are you referring here to lower advertising revenues?

Mr. Pierre Dion: We are experiencing a downward pressure on advertising revenues.

Mr. Pablo Rodriguez: You're almost sounding like a politician. Are you saying that revenues are declining?

Mr. Pierre Dion: Yes.

Mr. Pablo Rodriguez: In Quebec, in light of what happened with TQS, there are concerns that the situation will deteriorate in the regions and that television stations will shut down. Would you agree that things are going well with TVA and that it faces no similar worries?

Mr. Pierre Dion: Even though the focus appears to be on the problems in the regions, you have to understand that generally speaking, all general interest television networks are experiencing problems. If things aren't going well for general interest television in Montreal, Quebec City, Toronto or Vancouver, you can be sure that things aren't looking too good either in the regions. However, this problem is not unique to the regions. General interest television is facing structural problems. What exactly does that mean? It means that our costs are increasing and that are revenues are decreasing through fragmentation. There are many different ways for advertisers to sell their products. So then, revenues are declining, costs are increasing and earnings across the country, even in major urban centres, are declining. The same trends are emerging everywhere, whether it be for national or local advertising revenues.

Mr. Pablo Rodriguez: The problem is that the impact is often felt in the regions. I'm thinking here about CTV which is shutting down some stations, and about TQS. CanWest is dealing with problems of its own. We receive many calls, e-mails and messages from very concerned people living outside the major centres. This issue is important to them. I simply want to hear you admit that from your perspective, everything is going well.

Mr. Pierre Dion: You are right to say that people are concerned, but in the large centres, we're concerned as well.

Mr. Pablo Rodriguez: Fine.

Mr. Péladeau, I understand that you support the fee-for-carriage proposal. In your case, this would involve a transfer. Your company owns Vidéotron as well as TVA. Vidéotron would collect this fee from its customers and pay TVA. Therefore, there would be no impact as such on Quebecor.

Mr. Pierre Karl Péladeau: What interests and concerns us is the health of general interest television. That is what we have been saying for many years. The health of general interest television is tied to the health of broadcasting systems. With that in mind, we...

Mr. Pablo Rodriguez: ...are prepared to support this proposal.

Mr. Pierre Karl Péladeau: Exactly.

Mr. Pablo Rodriguez: Previous witnesses have said that should the fee-for-carriage proposal be adopted, the customer's charges will increase immediately. If the proposed fee was 50 cents per month, would that mean that Vidéotron would automatically bill each of its customers an additional 50 ¢?

Mr. Pierre Karl Péladeau: I believe I made myself quite clear when I spoke about this proposal. We must leave it up to the different industry stakeholders to decide, through the negotiation process, the value of their respective services. We have made representation on several occasions to the CRTC. Eventually, we agreed to a transition period during which we would move from a highly regulated environment to one that is less regulated, where market forces and players will decide the fair values of these services.

In the past, as you are no doubt already aware—and this helped to stimulate the Canadian audiovisual landscape—royalty fees were paid to create specialty channels and to help them survive. Today, the reverse is happening. Specialty channels, the only ones to receive royalty fees, are reporting higher income from the operations than general interest networks. Their contribution to the Canadian broadcasting system, particularly in terms of investment in Canadian programming, is less significant. We want some balance to be restored to this equation. Just as royalty fees were important when it came to creating specialty channels, so it is that today general interest television networks are dealing with the harsh reality that they do not have the benefit of these royalty fees.

● (1700)

Mr. Pablo Rodriguez: Summing up, on listening to you, I get the feeling that you do not have much affection for the CRTC. Would you like to see the CRTC's mandate reviewed?

Mr. Pierre Karl Péladeau: You have to understand that the CRTC was entirely legitimate when there were few broadcasting channels. Television was regulated. Subsequently, after the war, we encountered...Today, things are different. People have different ways of staying informed and of entertaining themselves, notably through the Internet which cannot be “regulated“ in that it is not a geographically confined system that operates in a vacuum. It operates on a global scale. Given that the CRTC was created initially to geographically regulate a specific field, its legitimacy is becoming increasingly eroded. If this can be said of the Internet, then it is even truer for other distribution platforms.

As you know, we have invested substantial sums of money to obtain exploitation licenses for the third generation wireless telephone system, which promises to be a major platform for the distribution of Canadian content, a platform that will be, I repeat, impossible to regulate.

[*English*]

The Chair: Okay, thank you.

Ms. Lavallée, please.

[*Translation*]

Mrs. Carole Lavallée: Thank you very much.

Mr. Péladeau, when Bloc MPs found out that you would be appearing before the committee, they all made me promise to ask you if you planned to put in a bid to buy the Montreal Canadiens.

Mr. Pierre Karl Péladeau: The Canadian Heritage Committee is an official forum, Madam.

Some hon. members: Ah! Ah!

Mrs. Carole Lavallée: You can tell me. I won't tell a soul.

Mr. Pierre Karl Péladeau: You won't tell anyone.

Mrs. Carole Lavallée: Is your answer yes, or no?

Some hon. members: Ah! Ah!

Mrs. Carole Lavallée: On a more serious note, even though supporting the Montreal Canadians is akin to a religion, I mentioned earlier to Rogers officials that I was very surprised to see how they broached the issue of the evolving television industry. They view this evolution as a cycle where sometimes things are going well, while at other times, they are not going so well. There is nothing we can do about it, other than wait for the situation to right itself.

In your submission to the CRTC, you called for some major changes. You maintain that the television industry in Canada is being affected by some profound changes and that the system needs to be revamped. Rogers represents general interest television.

Why is it that your position is so very different from that of the Rogers officials? I would even go so far as to say that you are not on the same page.

Mr. Pierre Karl Péladeau: I would not presume to speak for Rogers officials. We are a little surprised by their position. For a number of years now in Canada, North America and throughout the Western World, general interest television networks, the pillars of the broadcasting systems in various countries, have seen their audiences shrink. The same is true for print media. The number of newspaper issues sold, along with advertisements and revenues, is also declining. These are certainly not the signs of a company or industry enjoying strong growth.

Why are fewer people tuning in? The answer would be that the Internet provides alternative forms of news and entertainment. It is impossible to deny the existence of the Internet. In fact, I frequently use this medium too. When we acquired Vidéotron, we had fewer than 100,000 Internet subscribers. Today, we have over one million subscribers. The Internet service that we offer to one million subscribers in Quebec is used for a variety of purposes, not simply to send e-mails. For a given age group, we find that people use the Internet to get information and to entertain themselves. Hours that were once devoted to the only information vehicles available at the time, namely television and the print media, are now devoted to Internet use.

The two media pillars, namely the print media and general interest television, are taking the brunt of the impact of technological change and audience fragmentation.

Mr. Pierre Dion: Just to clarify, but this cannot be cyclical. In the early years of this decade, specialty channels enjoyed a market share of between 18% and 20%. For the period just ended, that is January, February and March, these channels enjoyed a 45% market share. Moreover, this is generally a very good period for general interest television, what with all the reality series on the air. One percentage point of market share is easily worth anywhere from $4 million to $5 million. You do the math: That's 25 times $5 million. That represents revenues earned by specialty channels and their market share is not about to decrease. Some even estimate that their share will increase to 55%, which is already the case elsewhere in Canada and in the United States.

● (1705)

Mrs. Carole Lavallée: You say that there is pressure on your advertising revenues. Are you saying that you are still running as many advertisements, but that you are charging less for them?

Mr. Pierre Dion: There are different situations. There is pressure not only on fees, but also on advertising budgets. For example, where once $10 million was spent on television advertising, today, the budget may be only $7 million or $8 million, because sponsors have decided to diversify their advertising dollars.

Mrs. Carole Lavallée: I'm sorry to interrupt, but aside from declining advertising revenues, it seems that your problems are different from the ones that Rogers is experiencing. Besides, I don't believe you have any television stations outside Quebec.

Mr. Pierre Dion: We have only one station, SUN TV, in Ontario.

Mrs. Carole Lavallée: Nevertheless, your problems are not the same as Rogers', wouldn't you agree? You do not have problems producing, obtaining or broadcasting Canadian or Quebec content. I think that on that score, everything is going well.

Mr. Pierre Karl Péladeau: Yes. We have demonstrated that 90% of our programming is Canadian.

Mrs. Carole Lavallée: In fact, Quebec productions work the best on your television stations.

Mr. Pierre Dion: The problem is that home-grown productions are costly. As mentioned earlier, there is pressure on revenues, but as far as content is concerned, the cost hasn't gone down.

Mrs. Carole Lavallée: I understand that. However, audience ratings aren't a problem for you.

[*English*]

The Chair: Your time's up.

Mr. Angus.

Mr. Charlie Angus: Thank you.

I very much appreciate your presence here today. We had a very interesting set of discussions the last time you came, in February 2007, to discuss the CTF fund, and I'm glad to have your participation today.

In your 2008 brief to the CRTC, when you were asking for subscription fees, you didn't say whether those would be dedicated to local programming. If you got fee-for-carriage, would you commit to having those fees go into a specific fund that could be used only for local programming?

Mr. Pierre Karl Péladeau: At the hearings, what we were trying to mention was that conventional television was in bad shape and that we would therefore need to have fees to subsidize it.

Yes, for sure, we will be ready to commit to and create the sorts of commitment to invest in Canadian programming.

Mr. Charlie Angus: But would all of the money go specifically to local programming? Would that be the commitment?

Mr. Pierre Dion: In our case in Quebec, a good percentage of what we do is already Canadian content. So what we're saying is that if we are to continue to aggressively invest in Canadian content, sooner or later we will need fee-for-carriage to assist us. If not, then we will have to continue reducing the dollars per show that we have been investing. The best example is the series we were doing at $800,000 or $900,000 per hour. Now, for most of the Quebec shows, we've had to drop that to $600,000. And sooner or later, we are going to have to drop it to $400,000.

So in order to maintain the quality of the content we had, part of that money will be to maintain the quality of existing content, and some of it could be to do more.

Mr. Charlie Angus: Okay, some of it.... But I'm looking at CKXT, a station that covers the Toronto and Hamilton areas, where you're now offering 20 hours of local programming, a third of which is original. You're looking to cut that down by half, to ten hours, so that we'd be down to five hours a week of original programming. When the CRTC asked you how you reflected Hamilton in that, you stated that Hamilton residents regularly contributed user-generated content that appeared on *CANOE Live*, and that photos from several residents appeared on air after Hamilton was hit by a snowstorm. You went on to say that local human interest stories had been reported, including a story on Hamilton's animal control service being overwhelmed with stray cats.

For five hours of original programming in the Hamilton area—which you're suggesting—do you really think people should pay a fee for that?

● (1710)

Mr. Pierre Karl Péladeau: I'm sorry, but I don't know what you're referring to, because we don't have any local station in Hamilton, or—

Mr. Charlie Angus: Well, there's the CKXT station in Toronto, SUN TV, of which the CRTC asked how you reflected the region, including Hamilton.

Mr. Pierre Karl Péladeau: In Hamilton?

I'm sorry, sir, but I don't have any clue what you're asking about.

Mr. Charlie Angus: Okay. I'm looking at a submission that I thought was from you.

But you want to go down to five hours a week of original content there. The rest of the programs are repeats. Again, if conventional television is broken, it seems to me that it's broken because there's not enough investment in making people actually want to watch the shows. Why would they watch if they're only getting five hours?

Mr. Pierre Dion: The only thing I can say, sir, is that SUN TV is a very, very, very small station. We have one grid and we're trying to do our best, and we are losing a lot of money right now.

Mr. Charlie Angus: When we met in 2007 about the decision by Vidéotron to pull out of the Canadian Television Fund unilaterally, you had a number of concerns. You didn't believe in a public fund. Luc Lavoie called it a socialist and ideological approach. You wanted to keep the money coming from Vidéotron and be able to use it for in-house, video-on-demand services. That was your argument at the time.

Now we've redone the fund, so now it's in-house. It can be for video-on-demand, and it can be for multi-platform. Your number one competitor for TVA in Quebec, Radio-Canada, no longer has a dedicated fund. So you're sitting at the table, but the other broadcasters aren't; the independent producers aren't.

How do we know that the Vidéotron "hat" isn't going to be there for the TVA "hat", when everybody else, it seems, has basically been booted off the board?

Mr. Pierre Karl Péladeau: What was your question, sir?

Mr. Charlie Angus: Well, my question is simple. With the new media fund you guys are like the last men standing. There are no broadcasters. There are no independent producers. They've all been kicked off. You've now got a fund that is set up exactly the way you wanted it when you pulled out unilaterally. You're able to use it for in-house without using independent producers. You're able to do it multi-platform, so you're a video-demand service. But you're doing this at the table, as Vidéotron, and yet you've got TVA on all your internal services.

How do we know you are going to be making decisions—with public money, on this very, very small board now—that are going to reflect the public good and not your bottom line?

Mr. Pierre Karl Péladeau: At this stage, there are no such rules. There are no details about who is going to sit around the table.

Mr. Charlie Angus: But there are only five. Everybody else has been kicked off.

Mr. Pierre Karl Péladeau: Yes, but probably that's because there were too many previously.

Mr. Charlie Angus: But you're still there.

Mr. Pierre Karl Péladeau: Yes, and we have the right to be there because we're one of the biggest contributors of Canadian programming.

Mr. Charlie Angus: But you're also going to be receiving from it directly. The issue is how you protect against conflicts of interest.

The Chair: Mr. Angus, we've gone over a minute here.

We're going to move now to Mr. Bruinooge, please.

Mr. Rod Bruinooge (Winnipeg South, CPC): Thank you very much for your testimony so far. It is good to hear various opinions. We've had a number of opinions today. Clearly there are a lot of different viewpoints on some of these matters, and I appreciate your bringing them to our attention.

First I want to thank your company, and of course you, Mr. Péladeau, for the various representations you made in relation to some of the changes we made to the Canadian Television Fund. I know that Mr. Angus has a different opinion on it, but we see some of the changes as improvements to the model and efficiencies that needed to be brought into place.

How have these changes changed some of your viewpoints on the fund, and do you see it as perhaps a more ideal model today? Could you speak to that for a moment?

Mr. Pierre Karl Péladeau: Absolutely.

Again, I think the Canadian media fund recognizes that the Canadian landscape has changed dramatically in the last few years. They recognize that the market is more fragmented. They recognize that there is more and more of an audience who is watching television on other than conventional TV sets. They're on the Internet, and in the future they will be on mobiles.

They recognize the existence and growth of the other distribution channels. That being said, I think they will be well positioned to make sure we will be able to have content on those new multi-platform distribution channels other than American programming. Canadian will be there. We'll have the chance to figure out what those new channels are all about. We will continue to grow in the existing industry, which is very strong and which we would like to be strong in the years to come.

● (1715)

Mr. Rod Bruinooge: Building on that point in terms of some of the new broadcast mediums—new mediums, in general—that are available to consumers throughout our country, and going back to your initial comments, you did talk quite a bit about the capacity of the CRTC to understand the changing industry. You went on somewhat at length on this topic.

What recommendations can you make at this time to perhaps improve the CRTC so it is able to deal with the rapid changes you've spoken about?

Mr. Pierre Karl Péladeau: We've been loud and clear in front of the commission about the regulations. Again, this industry has been regulated since its inception. We now live in an environment where consumers and citizens have many other alternative choices, which was not the case previously. Recognizing this fact is an important matter.

Mr. Rod Bruinooge: You spoke a bit about broadcasting on all platforms. Your company has an interest in being able to do that. Could you speak a bit more about how you would achieve that? What platforms in particular would you like to see added?

Mr. Pierre Karl Péladeau: One good example we can mention is what I referred to earlier in my presentation, about *Star Académie*, which is the biggest show right now on television. To be able to invest the amount of money we've been investing in this show, which offers the chance to talk about Canadian culture, Canadian singers, the Canadian production system, we need to make sure that we will be able to move this content in many other platforms. If we are successful in achieving an audience of three million, it is because we have the capacity to distribute this content on many other platforms. This is probably the best example, because this is the larger audience, but that doesn't mean we cannot create the same kind of pattern elsewhere with other programming. This is what we're working on, and we would like to continue to move forward in this direction.

The Chair: Thank you.

Mr. Simms.

Mr. Scott Simms: Thank you.

Mr. Péladeau, thank you very much for your submission. I'm very interested in what you had to say. As you mentioned earlier, there are varying degrees of differences from the prior witnesses from Rogers. I'm not quite sure if you're at opposite ends of the spectrum. Nonetheless, what I want to zone in on is the issue of the fund itself, the local programming improvement fund. Would I be right in saying that the local improvement fund is a model that you would embrace before getting into regulatory changes such as fee-for-carriage?

Mr. Pierre Karl Péladeau: Yes, we mentioned that we were looking to have more drastic solutions. The point we made in front of the Canadian Television Fund and the CRTC is that we would be ready to invest a dollar more of our actual contribution to the Canadian Television Fund if we had the right to use this content on all our platforms.

Mr. Scott Simms: So where's the local commitment there? In the title of our study we talk about local communities. What is your commitment, based on what you extract from that fund, to the local community?

Mr. Pierre Karl Péladeau: Well, adding conventional television that is strong, alive and kicking, will certainly have important impacts on local information. If the networks are dying, there is not going to be any local at all, because conventional television right now is the only piece of the puzzle or piece of the system that is creating local information.

● (1720)

Mr. Scott Simms: So you consider a show similar to, say, *Star Académie* as your idea of what the local programming goals are to be?

Mr. Pierre Karl Péladeau: No, I don't refer to *Star Académie* as having any relationship with local—

Mr. Scott Simms: So it's news and information, current affairs. Is that your idea of bolstering the local community?

Mr. Pierre Karl Péladeau: Yes, and we also have local stations we use to create local production that is also broadcast on the entire network.

Mr. Scott Simms: Outside of news, is it drama, that sort of thing, or just news and information programming?

Mr. Pierre Karl Péladeau: News and information or public service shows.

Mr. Scott Simms: Okay, I see. That's interesting.

You mentioned something about deferring the decision. You're obviously not pleased about the study being deferred to 2010. How detrimental is that going to be—time not being of the essence, obviously, because you talk about the pillars of conventional television and their suffering to that point. How detrimental is it to conventional television to defer this to 2010?

Mr. Pierre Karl Péladeau: We've been saying that conventional television was not going well, it was broke. TQS in Quebec went bankrupt. CTV and Global certainly have some challenges in front of them. Will we be forced, for evidence of the problem of conventional television, to see the network die, or go bankrupt like TQS did? Is this what's necessary to make sure that people understand we have a problem with conventional television? We've been saying it for the last three years. Again, there are simple facts—fragmented audiences, new technology, a young generation that's not watching television the way the generation previous was. Those facts are there, and those facts create the problems we're dealing with.

Mr. Scott Simms: But by saying that, and using the model of conventional television as a pillar, are you really chasing after something that is no longer there or is drifting away? For instance, our teenage children are not using the remote control as much as they are using the computer mouse to entertain themselves. Therefore, if you want to invest more in conventional television, are you investing in something that is slowly dying and that really has no way of resuscitating itself?

Mr. Pierre Karl Péladeau: We're ready to invest in conventional television—and it's related to the discussion we had around the Canadian Television Fund—only if we have the capacity to get those rights other than on conventional television. Unfortunately, the system was built such that to be able to have a contribution from the Canadian Television Fund, you buy a licence only for conventional television. The audience is not there anymore to finance that by the broadcasters; therefore, unfortunately, we're not buying them anymore, and at the end of the day the industry is suffering.

What we're asking for, and what we've been saying for the last few years, is that we need to have all the rights. We're happy to find out that we have an agreement with one of the important unions in Quebec, where we now have the capacity to get those shows other than only on conventional television.

Mr. Scott Simms: Would it be fair to say, then, that when it comes to fee-for-carriage your response is “not yet”?

Mr. Pierre Karl Péladeau: No. We're saying we should have fee-for-carriage for conventional television.

Mr. Scott Simms: All right.

Mr. Pierre Dion: Basically we're saying two things. Yes, there is a future for conventional television, under two conditions: let's have the same sources of revenue as the specialized channels have—they have two, we have one; and let's have more deregulation so that we can export our content on a multi-platform strategy, because consumers are going to the media they want, when they want, where they want. We just want to follow the consumer, and we want to have the same sources of revenue as our competition has now, which is almost a 50% market share. With those two conditions, yes. On top of that, conventional TV is investing in quality Canadian content right now. But we need those two conditions.

● (1725)

The Chair: For the last question, Mr. Pomerleau and Ms. Lavallée will split the time.

[*Translation*]

Mr. Roger Pomerleau (Drummond, BQ): Thank you, Mr. Chair. Mrs. Lavallée will put her questions after me.

I am not a technician specializing in this particular field. My question is more theoretical and philosophical in nature. From what I've been told, you have a background in philosophy. Therefore, this should be easy for you.

The business executives who testified before you made very brilliant, intelligent and Cartesian presentations. They explained to us how profits are earned and why the market should be left to sort itself out. Then you come along. You are also prosperous business executives, but you have talked to us a great deal more about culture. Culture will eventually represent the foundations of your company. All of this leads me to believe that while culture may be a paying proposition in Quebec, it creates many more problems in Canada.

Let me clarify my statement. I have the impression that on the Canadian side—perhaps not for Canadians, but for those who distribute culture— it can be tempting to turn to the United States for program content. It is much easier to distribute these products elsewhere in Canada than it is in Quebec. Canadians have become increasingly Americanized over the past forty years. They are exposed to American books, films, music and television programs. Quebeckers, on the other hand, are focusing more on Quebec culture, on home-grown products. Culture is a paying proposition in Quebec.

Canadian content, whether produced in Quebec or in Canada, entails certain costs. I imagine that you are wondering if we are prepared to invest in this area.

Mr. Pierre Karl Péladeau: As I noted in my presentation, we are great believers in Canadian content. We invest significantly in this area and hope to be able to continue doing so. However, as I tried to explain, we must be in a position to continue benefiting from the system and from structures that allow us to invest and profit from this content. Aside from Radio-Canada, which is fortunate to receive $1 billion a year from taxpayers, I know of no other company that can survive when it cannot profit from the products it markets.

As far as we're concerned, we've made a choice. As you said, Quebeckers have an appetite for home-grown culture, certainly for reasons linked to history and language. There is no question that English Canadian broadcasters do not benefit from the same level of protection as broadcasters in Quebec, to the extent that they must compete with the big American networks. In Quebec, we are protected by a natural “shield“, although we could choose to invest in something other than Canadian content. Clearly, it cost considerably more to invest in a Canadian production than it does to purchase the exploitation rights to Gilligan's Island or to other Canadian productions.

We have made a choice and we would like to stick with it. However, we need to be able to sustain this level of investment in the years to come.

Mrs. Carole Lavallée: There is no question, Mr. Péladeau, that Canadian and Quebec broadcasters face different problems. You are asking that the system be restructured and that new regulatory principles be adopted, something that the CRTC refuses to do. I can't understand why the CRTC is not listening to what you have to say. If I had the time, I would put that question to officials.

Last year, Quebec's Minister of Culture Christine St-Pierre called for the repatriation of the broadcasting and telecommunications industry. As you know, she is not a sovereignist. She called for control over this sector to be transferred to the Government of Quebec. The Bloc Québécois has long been demanding the creation of a Quebec CRTC. In fact, various parties have been calling for this since 1929.

Having stakeholders who share the same problems, values and language may not resolve all of the problems faced by general interest television, but it might resolve some of them. What do you think?

● (1730)

Mr. Pierre Karl Péladeau: I'd like to comment briefly on the statements of the Minister of Culture—not necessarily Ms. St-Pierre, but her predecessors—as well as on statements made by the Minister of Finance. In Quebec, we are discriminated against when it comes to securing tax credits. Even though we make a significant contribution to Canadian programming, we are still victims of discrimination in this area. In other Canadian provinces, notably in Ontario, broadcasters are now eligible for tax credits because they contribute to the Canadian system.

As far as creating a Quebec CRTC goes, my sense is that we already have enough public servants. Having more of them will complicate, rather than simplify, matters. I think I've made my position fairly clear. I believe the solution is the deregulation of the industry. As a result of the deregulation by the CRTC of the telephone sector, at least in Quebec, Quebeckers are today enjoying landline telephone service that is just as reliable as, but much less costly than, it was when Bell held a monopoly.

The CRTC has opened the door to deregulation. Ultimately, who benefited from this move? Citizens and consumers. In our opinion, consumers and citizens always benefit from fewer regulations. Evidence of that fact can already be seen in the telecommunications sector.

[*English*]

The Chair: Thank you.

Since we didn't start until 4:35, we will have a last question from Mr. Del Mastro, please.

Mr. Dean Del Mastro: Thank you very much.

Mr. Péladeau, thank you very much to you and your colleagues for appearing today. We do appreciate your taking the time to come. And frankly, you had a lot to say, and I appreciate that.

During the time you spoke, you spent virtually all of it talking about the CRTC's reluctance to change and certainly that it seems to be holding you up from a regulatory standpoint and that you could be doing better. In fact, I would argue that your comments were indicating you could be much more profitable, with more Canadian content, and putting that out on more mediums, and so forth than what you're doing right now, if the CRTC wasn't in your way.

So if I am to understand you, the CRTC is actually directly impacting the profitability of broadcasters through its regulations. Is that a fair statement?

Mr. Pierre Karl Péladeau: Absolutely, and again, with the fees they've been regulating for the last few years, especially on the specialty side, it is a body, at the end of the day, that will decide how profitable the specialty channels will be on a carriage basis. On tier three, or on category B, which is non-mandatory carriage, there's also some capacity for the CRTC to determine the tariff applicable.

What we're saying, and we'll continue to try to provide evidence, is that conventional television has not been able to fulfill the proper expectations for business, and moving forward will not be able to continue to invest in Canadian programming unless we have the benefit of the fees that are available right now only to the speciality channels. There's no doubt about it; they have a strong impact on the profitability of the industry, especially on conventional television.

Mr. Dean Del Mastro: It sounds to me as if a lot of people are paying fees. Broadcasters are paying fees. Broadcasters are coming back saying that they need a fee because they have the fees and they can't keep up with everything that's going on. It sounds, maybe, like a lot of money is being spent on regulation and so forth, and by Canadians, ultimately, via the cost to broadcasters. That must put the cost of your advertising up, so advertisers have to pay more. These fees, from what you're saying, are getting in the way and costing broadcasters money.

The CRTC was created 40 years ago, or a little more than that. Has its mandate changed? Is its mandate or what it has been charged with doing kept pace, in your opinion? Is it still relevant? Should we be making specific recommendations as to the mandate of the CRTC in this committee?

● (1735)

Mr. Pierre Karl Péladeau: I was not there 40 years ago, but I can say that there was no such thing as many of the alternatives citizens in Canada now have for the chance to use to inform themselves or to be entertained. Today is a new reality. The CRTC was there to regulate something that was awarded on a monopoly basis. It is still relevant, certainly, but only if it is considering the requirements of the regulation of the industry because of the alternatives that are now available to all Canadian citizens.

Mr. Dean Del Mastro: You operate a number of specialty channels along with TVA. CTV operates a number of specialty channels. Global operates a number of specialty channels. All these channels need to sell advertising. CBC/Radio Canada competes for advertising dollars. It seems to me that the more stations we operate, the more the advertising dollars are going to be cut up, and conventional broadcasters may start to struggle. We've talked about how over-the-air broadcasting revenues have gone up only about 2% a year, or marginally. But there's an awful lot of advertising being sold on specialty channels, as well. Could it be that we're seeing a slower rate of growth on over-the-air broadcasting because there are just more channels to sell advertising to? Is that a fair argument?

Mr. Pierre Dion: That's exactly what's happening. The 20% to 45% market share I was talking about earlier, at $5 million per share, was a direct transfer to specialty channels. We just have to look at their numbers. They have two sources of revenue, and we have one. One is guaranteed, which is fee-for-carriage, and the other has been growing in the double digits for the last ten years.

Mr. Dean Del Mastro: For you, fee-for-carriage doesn't really matter, because you have the top TV station, and you're the supplier of cable, so you're just kind of taking the money and turning it through. It's not like Rogers or CTV. CTV isn't a cable company, and Rogers isn't in the over-the-air broadcast business to the extent that CTV and Global are. You're in a little different position. You don't really care one way or the other.

Is that a fair statement?

Mr. Pierre Karl Péladeau: Again, we're not CBC/Radio Canada. We need to make sure that our business will be profitable. At the end of the day, if it's not profitable, it will die. We're certainly not here to make that happen. Therefore, we will work very hard to make sure that our shareholders, at the end of the day, receive a decent return.

If conventional television starts losing money.... I don't think that there's no relation between operating it and making it in relation to the specialty channels. It's not as if you have five newspapers and you'll keep the five newspapers if two of them are losing money. There's no relevance or immediate relationship to the fact that we operate conventional and/or specialty channels and so will forget about the problem conventional television is facing.

Mr. Dean Del Mastro: Okay. Thank you.

The Chair: Thank you very much.

Again, I thank our witnesses and our questioners around the table. Thanks for your great answers and for being so candid.

The meeting is adjourned.

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