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Chair

The Honourable Michael Chong

Standing Committee on Canadian Heritage

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• (1530)

[Translation]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Welcome to the 43rd meeting of the Standing Committee on Canadian Heritage. Today is Monday, February 28, 2011.

[English]

We're here pursuant to Standing Order 108(2) for a study of the implementation of Canada's transition to digital television.

In front of us today, from the Canadian Radio-television and Telecommunications Commission, we have Mr. Hutton, the executive director.

Welcome.

We have Mr. Anani, the executive director of policy development and research.

Welcome.

We also have with us Mr. Keogh, senior general counsel.

Welcome.

We'll begin with an opening statement.

Mr. Scott Hutton (Executive Director, Broadcasting, Canadian Radio-television and Telecommunications Commission): Thank you, Mr. Chairman.

I'll skip our introductions.

On August 31, 2011, Canada will join the growing list of countries around the world that have made the transition from analog to digital television. The commission established this deadline in 2007 after consulting widely with the broadcasting industry and the public.

At the time, the Federal Communications Commission had already announced a date for the transition south of the border. There was a consensus that Canada should take the opportunity to learn from our neighbour's experience and follow relatively quickly in its footsteps.

The industry also urged us to provide regulatory certainty by setting a firm date. This afternoon, we will review the progress we have made over the last four years to facilitate an orderly transition for Canadians. We will also provide an update on the industry's preparations.

[Translation]

Let me begin by addressing the following question: Why should broadcasters make the transition from analog to digital television?

First and foremost, spectrum is a scarce public resource that must be managed as effectively as possible for the benefit of Canadians. Since the 1950s, analog broadcasting was seen as the most effective way to provide televised information and culture to viewers. With digital technologies, however, the same number of television stations can operate using much less spectrum, and even broadcast multiple services on a single channel. Another important consideration is that we share spectrum with the United States, which went digital nearly two years ago. In order to harmonize spectrum uses, Canadian broadcasters will be required to vacate channels 52 to 69. Some of these channels have been reserved, on both sides of the border, for public safety services. The government has set aside another portion of the spectrum for advanced wireless services.

Canadians have been enthusiastic adopters of smartphones, tablets and other mobile devices. These devices are being used to run more bandwidth-intensive applications, whether it's to make a video phone call, stream a TV show from the Internet or keep in touch with the office while travelling abroad. As we move forward in the digital economy, innovative applications will place increasing demands on mobile broadband networks. A wireless spectrum auction is planned for next year, which will help ensure Canada stays at the forefront of this fast-moving environment.

Finally, the transition will provide Canadian producers and broadcasters with the infrastructure they need to reach viewers with crystal-clear programming in high-definition. This is a key competitive advantage for our broadcasting system, particularly in an age where content from around the globe can be watched on different platforms.

[English]

The digital transition poses an interesting challenge for a country the size of Canada. While the majority of our population is clustered along the U.S. border, many Canadians live in rural or remote areas.

The industry expressed concern that forcing every local station to convert to digital would not be a desirable or practical scenario. As I explained a moment ago, we have no choice regarding the spectrum that needs to be vacated for harmonization purposes; the transition is therefore mandatory for all television stations operating on channels 52 to 69.

The commission also identified 31 large markets where stations will be required to stop broadcasting in analog regardless of which channel they occupy. They include provincial and territorial capital cities, markets with a population over 300,000, and markets where there is more than one local television station.

• (1535)

[Translation]

That being said, we are not insensitive to the fact that it may be more difficult for broadcasters in smaller markets to upgrade their transmission equipment. Stations that are on channels 2 to 51 outside the mandatory markets will have the flexibility to continue broadcasting in analog. Likewise, stations operating on channels 52 to 69 in these markets will be able to hold off on converting their transmitters as long as they move their analog signal to one of the lower channels and there are no interference issues.

Through the establishment of mandatory and non-mandatory markets, the transition has become a manageable task. Rather than having to convert over 700 transmitters, broadcasters need only worry about the 193 transmitters operating on channels 52 to 69 and located in mandatory markets.

In the past few months, we have approved over 100 applications, making it possible for broadcasters to put up digital transmitters or move their signal down on the dial.

[English]

We are confident that broadcasters were given enough time to prepare and will be ready by August 31 at the latest. The operation of full-power analog transmitters in analog markets will not be authorized after that date.

I would like to make it clear that the transition will not cause any local television stations to close. These stations will continue to produce local programming for their home communities. However, transmitters that rebroadcast a station's signal into other communities may no longer be in operation after the transition.

Namir.

Mr. Namir Anani (Executive Director, Policy Development and Research, Canadian Radio-television and Telecommunications Commission): Thank you, Scott.

While the transition represents a milestone for the broadcasting system, the majority of Canadians won't even notice a change on the morning of September 1. That is because 93% of households currently subscribe to cable or satellite television services.

The only viewers who may be affected are those who rely on rabbit ears or an outdoor antenna to receive their television services. How many of these viewers are there? To be on the safe side, we have included every household in our calculations even though some of them may not have a television set.

In markets where the transition is mandatory, approximately 900,000 households may have to buy a converter box. Some models can be purchased for as little as \$30. In non-mandatory markets, as many as 31,500 households could potentially lose access to free over-the-air television. Satellite television is often the only alternative to an over-the-air signal in these smaller markets. A

receiver and dish would cost each household \$300 plus an installation fee.

[Translation]

Now that we have a better understanding of broadcasters' plans, it appears that our initial estimate of the affected households in non-mandatory markets was overstated. The majority of stations on channels 52 to 69 will stay on the air by moving to a lower channel. As a result, fewer households than previously thought will be at risk of losing access to their local television stations. We are reviewing the applications that we have received in order to provide a more accurate estimate.

The Commission has taken additional steps to ensure viewers maintain access to the local and regional television stations that are currently available over the air. Last summer, we changed our regulations to exempt cable and satellite companies from having to distribute the full basic television package. This change was made so that they can offer affected households a package of local and regional stations at no charge. Certain cable and satellite companies have expressed interest in this option.

For example, we permitted Shaw Communications to direct some of the tangible benefits resulting from the Canwest Global transaction to assist with the digital transition. Shaw will spend \$15 million to provide and install satellite receivers and dishes to viewers whose local stations decide to drop their over-the-air signals. Shaw will also have to offer these viewers—which include those living in official-language minority communities—a free local package.

• (1540)

[English]

For the transition to be successful, affected Canadians must not be caught by surprise on the morning of September 1. We believe they can best be informed through a national education campaign led by the industry.

Broadcasters in particular have a vested interest in ensuring that consumers understand the impending changes to their television services, such as the date and time a station will stop broadcasting in analog. They also need to know where they can obtain converter boxes and satellite dishes, as well as about the existence of free local packages.

Although many broadcasters are currently developing public service announcements, we will soon issue new rules making this a formal requirement. The new rules will also include our final determination on the information broadcasters should make available on their websites.

Public service announcements should start airing as soon as possible, since some stations will be switching to digital before the August 31 deadline.

[Translation]

In closing, I want to underline the fact that the vast majority of Canadians will see no change to their television services as a result of the digital transition. The Commission has therefore been collaborating with broadcasters, distributors and government officials with one objective in mind: to find solutions so that viewers maintain access to the television stations they currently watch over the air.

Everyone has made significant progress toward this goal, especially in the last year. We have every assurance that the industry will be ready on time and over-the-air viewers will be well informed. We would now be happy to answer your questions. Thank you.

The Chair: Thank you, Mr. Anani.

We have 50 minutes for questions and comments.

Mr. Rodriguez, you have the floor.

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

Good afternoon and welcome, Mr. Hutton.

Why did you chose August 31?

Mr. Scott Hutton: In broadcasting mode, the year begins on September 1, when stations launch their new program schedules. So, August 31 represents the end of the year.

Mr. Pablo Rodriguez: What percentage of people still use antennas?

Mr. Scott Hutton: Basically, 93% of Canadians subscribe to a television service, be it cable or satellite. We estimate that about 7% of Canadians use...

Mr. Pablo Rodriguez: So, 7% of the population use antennas?

Mr. Scott Hutton: Yes, and that even includes people who may not have a television.

Mr. Pablo Rodriguez: I often hear conflicting opinions about this 7%. Sometimes, people tell me this figure is made up of folks living in remote, hard-to-reach regions, but I have also heard that it is made up of young people who, even in the cities, refuse to even consider cable television service. Tell me a little bit about this group's demographic profile. Do you know much about it?

Mr. Scott Hutton: There is no particular demographic profile. It's more general than that. There are people living in rural areas and others living in urban areas. There are also people who can afford a television set, but choose not to have one. We have not come up with a specific demographic profile corresponding to those who do not subscribe to cable or satellite services.

Mr. Pablo Rodriguez: So it's normal that I am unable to really put my finger on it.

Mr. Scott Hutton: Exactly. This group consists of Canadians from all walks of life.

Mr. Pablo Rodriguez: It includes a small number of people in remote regions as well as in the cities. I have also been told that young people, who are much younger than myself, are not at all interested in this service, since they can use the Internet to access content. With the arrival of Netflix, many people, especially young

people, say that they are no longer interested in cable TV. Have you also noticed this shift?

• (1545)

Mr. Scott Hutton: Yes. That's the information that has been given to us, but so far, the figure of 7% is not in relation to any specific population groups.

Mr. Pablo Rodriguez: I don't know if you will be able to answer me, but I would like to know whether the Internet's impact on the broadcasting and consumption of content is noticeable.

Mr. Namir Anani: Clearly, we are closely monitoring the rapid evolution currently taking place in the new media environment. We mustn't forget that we exempted new media following a meeting we held some two years ago. However, we have established a working group in order to be able to closely monitor this environment. We are keeping a close watch on this situation.

Mr. Pablo Rodriguez: Okay.

Shouldn't private network broadcasters begin launching awareness-raising and educational campaigns as of March 1?

Mr. Scott Hutton: We have announced that industry people should work together to inform Canadians of the changes. We are working closely with them.

Mr. Pablo Rodriguez: We were told that the ad campaigns would begin airing in March 2011, but this has still not happened.

Mr. Scott Hutton: March begins tomorrow. We are currently implementing regulations to ensure that broadcasters launch their campaigns as soon as possible.

Mr. Pablo Rodriguez: You are telling us that you have time, since the initiative is only supposed to begin tomorrow. Is that right?

Mr. Scott Hutton: Well...

Mr. Pablo Rodriguez: Do you think broadcasters will be ready the day after tomorrow or next week?

Mr. Scott Hutton: We have already seen some drafts of ads they will broadcast. They are getting ready.

Mr. Pablo Rodriguez: What will the consequences be for broadcasters who are not ready?

Mr. Scott Hutton: Most broadcasters have submitted their plan to us. So, we are confident that they will be ready.

Mr. Pablo Rodriguez: But what will the consequences be if they are not?

Mr. Scott Hutton: For now, we intend to take away their broadcasting rights as of September 1.

Mr. Pablo Rodriguez: Thank you.

The Chair: Thank you, Mr. Rodriguez.

Mrs. Lavallée, go ahead.

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

Mr. Hutton, I was surprised to hear you say to my colleague earlier that no demographic profile has been established. You talked about 900,000 people who have over-the-air television. Many studies have been conducted on the topic. One of them is a study by the Canadian Media Research Consortium that was published in September 2006. The study analyzed all the data collected through a survey conducted in collaboration with BBM.

The study revealed that those who have over-the-air television are low-income individuals, seniors, disabled people, downtown residents, immigrants and rural dwellers. They represent 9% of the population. Downtown residents who watch television on the Internet and people who decide not to have television for all kinds of intellectual reasons make up this percentage. In addition, by focusing on the province-by-province figures, the study found that 14% of people in Quebec used antennas to watch television, which is the highest percentage among all provinces. Regarding your figure of 9%, Quebec's 14% should be taken into consideration because it brings down the percentage for the rest of Canada to 6% or 7%.

This is a big concern for me, since it affects many people in Quebec. You talked about 900,000 people, but I don't know how many of them live in Quebec. If you divide that number by the number of households, what figure do you end up with?

Mr. Scott Hutton: We don't have those figures on hand, but you said that in Quebec...

Mrs. Carole Lavallée: First, I would like to finish my remarks.

So, it has been determined that the figure is 14% in Quebec. In other words, the broadcasting mode shift affects more people. You can submit those figures to us. If you cannot do it today, you can send them to the chair soon. What's worrisome is that, in most cases, people who have over-the-air television—aside from the few intellectuals who find other ways to watch television or who do not watch it for intellectual reasons—are low-income individuals, who consequently need more help.

Despite that fact, no measures have been taken to remedy the situation. In the United States, a coupon system was implemented. Perhaps this system has not been very effective, but at least, something was done. In France, low-income people have also been provided with assistance. However, here, this part of the population will be left to fend for themselves. Most big industrialized countries, such as the United States, the United Kingdom, France and Italy, have focused on the needs of low-income citizens and have devised measures to assist them. We have done absolutely nothing about this. We've given the industry free rein when it comes to this. In addition, the ad campaigns are supposed to start airing tomorrow, on March 1. That's what was announced. I see now that this initiative will not begin on March 1. I don't understand how, despite the many studies conducted by the CRTC, you will leave 900,000 people to fend for themselves like this.

• (1550)

Mr. Scott Hutton: I don't think that we are leaving 900,000 Canadians to fend for themselves. The problem used to be much bigger, and our objective was to reduce it as much as possible. The measures we have taken have obviously excluded certain markets so that people wouldn't lose service completely. This was our main concern. Therefore, our first objective was to minimize loss of service. We

have gone from a very broad range consisting of some 700 transmitters and reduced that number to 193. It was—

Mrs. Carole Lavallée: Yes, but look at things from the consumers' point of view. Low-income people who live in rural municipalities and are used to watching television will be forced as of tomorrow morning to spend \$30 or \$300, depending on the case, or they will no longer have television services.

Mr. Scott Hutton: People in rural municipalities are not forced to go digital. Analog service will still be provided in rural areas, and no changes will occur. This is one of the steps that have been implemented.

A great many television companies that provide services on channels 52 to 69 in rural areas and were slated to move their signal or stop broadcasting for coordination purposes have decided to move their signal in order to continue broadcasting in analog mode.

What we said during our presentation is that, after we talked to Shaw Communications, the company decided to provide service—through satellite receivers and dishes—to people in areas where the service would no longer be available. The old service will be replaced by a completely new one free of charge in order to basically ensure that those people do not lose their service.

Mrs. Carole Lavallée: How many people have you left to their own devices?

The Chair: Thank you, Mrs. Lavallée. Thank you, Mr. Hutton. Mr. Angus, you have the floor.

[English]

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

My thanks to all of you for coming. At the outset, I hope you'll indulge me if I veer off topic slightly.

We've heard news reports that the CRTC is going to drop its study on changing the regulations regarding station owners promoting or publishing false and misleading journalism as long as it doesn't endanger human life. Is it the position of the CRTC that this proposed change is no longer going to be studied?

Mr. John Keogh (Senior General Counsel, Canadian Radio-television and Telecommunications Commission): Yes. About a week ago, at the Canadian Media Production Association's conference, the chairman said publicly that in light of the position of the standing joint committee the commission would no longer be proceeding with that proposed change and that the existing regulation would remain in place.

Mr. Charlie Angus: Thank you.

I will follow up at the end of our meeting on a motion.

I'm interested in this issue of the national education campaign, because in the United States, there was a big lead-up, a lot of awareness, and a lot of preparation for the public. It seems to me that I don't know anybody who's aware that the transition is coming. I've never heard anybody talk about it. People think television just is television.

So I'm concerned, because it sounds as if we're looking at a number of hodge-podge solutions. For example, CBC might stay on analog, and in rural areas Shaw is going to offer people a box. How are we going to have a coordinated media strategy so that people know what the options are and are given enough time to look at them?

Mr. Namir Anani: Well, we are currently collaborating quite closely on this issue with members of the industry, but also with Industry Canada and the Department of Canadian Heritage. As Scott indicated earlier, the public service announcement will be coming out soon. We have specific guidelines for that aspect, and we are also in discussion with the industry on this aspect.

But clearly, the order of magnitude between Canada and the United States, as you mentioned, is somewhat different. The United States has gone to several thousand full-power transmitters in the transition to digital. In Canada, we've brought it down from 746 transmitters to 193, so basically 25% of all of that, and a very much smaller order of magnitude to whatever it is in the United States.

• (1555)

Mr. Charlie Angus: I've run a home-based business for a number of years. When the computer came, we could decide whether to run the computer on the Internet or talk on the phone. Then the fax machine came in and we ran dedicated phone lines for the faxes and we sent them out on cards. Then we started drilling all kinds of ugly holes through our walls and stringing wire so that we could have a hub for our computers. We thought we were state of the art.

Now when I go home to see my wife and kids on the weekend, they're all sitting in different rooms with laptops. There are no wires anywhere. They're using Wi-Fi, which in the 1980s was junk band-space that nobody knew what to do with. Now everybody is using Wi-Fi.

I ask that because we have no idea where we're going with respect to the potential of the spectrum and what new applications are going to be used. Has the CRTC examined the spectrum that is available? How much is going to go for wireless? Has there been any discussion about the use of the white spaces? Have you done any examination of the possibility of reserving some of that band-space for future applications not yet thought of?

Mr. Namir Anani: As you know, the auction of the spectrum, the 700-megahertz spectrum that will be freed as a result of the 52 to 69, is really the role of Industry Canada. However, we do have a very good understanding of what's taking shape, not only in the United States but around the world—in Europe, in Australia, in other countries as well.

So we have a good understanding of these issues. We clearly know that there is that aspect of white space. In fact there are discussions, and some decisions have been made by the FCC recently, on the use of white space, which in the United States was decided to be an unlicensed frequency.

To go back to your question, I think the 700 megahertz is the core or the pillar of innovation that's going to take place around the world. It's a source of economic development as well.

Mr. Charlie Angus: You don't have to tell us, but do you have recommendations on the white spaces similar to those of the FCC? I

mean, they've looked at it. We're talking about innovation. It could be all gobbled up by one or two big players and they could sit on it.

Are we looking at the need to make sure that those white spaces become available for other options?

Mr. Namir Anani: As I mentioned earlier, Industry Canada is looking into that. They have information in this regard.

Mr. Charlie Angus: In terms of the 700 megahertz, we're talking about 52 to 69 coming open. That's certainly a good chunk of real estate. So what happens to two to 51?

Mr. Namir Anani: Basically, that's where most of the stations will be transitioning to—two to 51.

Mr. Charlie Angus: Will they need that as they go digital? I mean, there will be stations like CBC still offering analog until their towers fall down, but at a certain point, analog is not going to be. I mean, it may be a couple of years, but it's....

Is that space going to be taken up and sold for other uses?

Mr. Scott Hutton: The space right now is planned for television broadcasters. What can they do with that space? Well, moving from analog to digital allows a more efficient use. That's why you're clearing up what you're mentioning there. They get to keep a level of spectrum similar to what they were using before, but it's used more effectively. They can use what they have in order to do a variety of things.

Right now most broadcasters are aiming towards providing high-definition television. That's what Canadians and their customers seem to have told them they want. So as opposed to using it for other purposes, they're really aiming at digital television; however, it can be used for a variety of other uses, such as additional TV channels or other forms of communications.

The Chair: Thank you, Mr. Angus.

Thank you, Mr. Hutton.

Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you.

Thank you for your presentation today.

It's interesting; there seems to be....

Frankly, I don't share a lot of the concern that deals with digital transition. If you compare Canada with the United States, for example, when digital transition occurred there, they didn't have the kind of connectivity that we have in Canada between television viewers and BDUs. We know that 93% of all households are connected to a BDU, be it satellite or cable. We don't know what percentage of the remaining 7% even watch television. So I would argue that in Canada we have very good coverage.

Perhaps you could talk a little bit to the committee about this aspect. I'm aware that obviously you're currently reviewing the Bell purchase of CTV. I think that's something we've taken a supportive position on in our party. Certainly when Shaw bought Global they did make specific considerations for digital transitions for customers who could be affected, not just by providing satellite dishes but also by providing the installation at no charge.

Now, when I was kid growing up on a farm, I remember that with a set of rabbit ears we could get one station in, kind of fuzzy. My parents, back in the seventies, put in an antenna, which cost a lot of money, so that we could get channels. So the signal may have been free, but the apparatus was not.

This is even better. Not only will they get a very clear signal, but they won't even pay for the equipment to connect. I thought that was a pretty good gesture on behalf of Shaw, and a pretty good measure that the CRTC took in terms of actually guaranteeing that viewers in those areas would in fact still receive television signal.

Could you expand on that a little bit?

• (1600)

Mr. Scott Hutton: Certainly.

First of all, compared to the U.S., we are slightly further ahead on cable and satellite penetration, so there is an advantage there. We mentioned that the U.S. converted two years back. That extra time, being a fast follower in this case, has allowed greater penetration of digital TV sets, even further reducing the need for special conversion units and basically opening Canadians up to the advantages of digital that much sooner.

In recent transactions by both BCE and Shaw, both companies had proposed, as part of their tangible benefits packages, plans that address digital transition, and in both cases were speaking about rolling out digital transition to rural areas, effectively. The key one for us, we'll see...on BCE's, we've yet to approve that transaction or come down on a final determination, so I'll reserve myself on that one. But on Shaw, you are quite right: they have earmarked \$15 million toward helping to ensure people do not lose service at the end of the day. They will be provided with a clear digital signal from Shaw satellite services, a free box, a free dish, and free installation on that front.

Mr. Dean Del Mastro: In my riding we have a local television broadcaster, and I believe we have a CTV signal that's also broadcast higher up on the band, but I'm really not hearing anything from any constituents on this. This isn't a new issue. It's certainly not a new story. The CRTC indicated that we were moving in this direction quite some time ago.

Is the CRTC hearing or are you hearing from any consumers? Are you hearing from Canadians who are really concerned about this? I'm not. I'm just curious. Are you hearing anything?

I find that in terms of the connectivity, from my perspective, with the exception of some folks who have cottages and who maybe can't position satellites through the trees such that they can get reception, or folks with RVs and so forth who are very seasonal in my region, I'm not hearing anything from anyone indicating that they're really concerned about this.

Mr. Scott Hutton: We have not had an onslaught yet of consumer requests or information. What we've been trying to do is, in the meantime, minimize the impact on loss of service. That's been our objective to date. We were concerned that Canadians, even if they are few in number, should be able to maintain some level of service, and through the variety of means we've put in place, we are ensuring that.

Mr. Dean Del Mastro: I just wanted to thank you for your concern for those consumers who could be affected. I think you are coming up with a good mitigation plan and I also support the transition to digital. Thanks for everything you're doing on it.

• (1605)

The Chair: Thank you, Mr. Del Mastro.

Madam Crombie.

Mrs. Bonnie Crombie (Mississauga—Streetsville, Lib.): Thank you, Mr. Hutton.

Thank you to our guests for attending today.

I'm just trying to get a handle on the numbers. There are about one million people affected in the mandatory markets, am I right? Sorry, that's households, one million households. There are 900,000-plus households, and in the non-mandatory markets there are about 100,000 or slightly less. Am I correct?

In the mandatory markets, it will cost about \$30 for a converter box—you've found something less expensive than the original forecasts—and for satellite in the non-mandatory, it will be about \$300.

Is that correct? Is that what we're looking at?

Mr. Scott Hutton: That's what we're looking at.

Mrs. Bonnie Crombie: So what's the total aggregate cost to consumers that we're expecting?

Mr. Scott Hutton: Essentially, in the mandatory markets, those for whom the television stations will be converting, we're looking at around the 900,000 number. So in their case, there are various options, but the boxes, thanks to us being a couple of years behind the U.S., manufacturing being what it is, and extra availability from the sets in the U.S., they seem to be as low as \$30, whereas in the U.S. they're at \$75.

Mrs. Bonnie Crombie: So the aggregate cost to consumers in the briefing note we received was about \$64 million. Has it come down slightly?

Mr. Scott Hutton: Yes. That's more or less where we are, but that is a very high number because we're being on the safe side in estimating both, those who will need to purchase equipment or potentially lose service.

Mrs. Bonnie Crombie: Last year the CRTC issued a report on the digital transition. You made a number of recommendations that are also in our briefing notes. They were that the government set out a clear policy and coordinate the implementation plan for Canada's digital transition, that it fund and lead a coordinated national consumer education and awareness program, and that it consider funding for a consumer subsidy program for the purchase of digital converter boxes and satellite receiving equipment.

Do you still stand by these recommendations?

Mr. Scott Hutton: I think the commission has moved away from the third one. Having moved from being a few years behind the United States and boxes as low as \$30, we think the latter one is no longer necessary.

What is key right now for us is coordinating. That's what we're working on with the Department of Canadian Heritage and the Department of Industry, along with broadcasters. We want to get the message out to consumers. That's the key thing, and I think we're all working together to that end.

Mrs. Bonnie Crombie: Is there a coordinated national consumer education awareness plan? Is it led by you? Is it led by the government? Where are we with it? You said it was the third recommendation that you moved away from.

Mr. Namir Anani: Certainly, our focus is to make consumers aware of the availability of these converter boxes, of where to get hold of them. Discussions are currently taking place on this with the broadcasters.

The Chair: I'm going to interrupt for a minute, Madam Crombie, because everybody is dancing around this, and I think it's important. I won't take from your time.

Anybody with a flat screen TV or a CRT TV that has been purchased in the last couple of years will require no additional equipment. The switch will be automatic.

Mrs. Bonnie Crombie: Granted, but not everybody has that, especially in the rural markets.

The Chair: I understand that, but I just wanted to put that on the record because I'm not sure if everybody is aware of it. I think the public needs to be aware of it. In other words, anybody with a flat screen TV or a recently purchased CRT TV will require no new equipment. The switch on August 31 will be automatic. They won't notice a thing.

So I'll give the floor back to you. I just wanted to put that on the record as chair because nobody has asked the question. I'm worried that people are going to have the wrong impression.

Mrs. Bonnie Crombie: But that's five months away, and not everybody has \$1,000 to pay for a new TV.

The Chair: Understood—I just wanted to put that on the record so that nobody was misinformed about the situation.

You have the floor.

Mr. Pablo Rodriguez: Can you clarify something? You're talking about the people who have those TVs?

[*Translation*]

Mrs. Carole Lavallée: He's right, but this still means that 900,000 households do not own a flat screen television.

[*English*]

The Chair: A lot of the 900,000 households will have flat screen TVs. Look, I have personal experience with this. I live on a farm. We do not have cable or satellite. The only way I get my television is through an antenna. Half my stations are analog; half my stations are digital from the United States and partly through Canadian stations that have already converted. If you have a flat screen TV or a conventional TV that you've purchased in the last couple of years, the switch will be automatic. I just put that on the table just in case anybody has any misconception about what's going to happen.

I give you back the floor.

• (1610)

Mrs. Bonnie Crombie: Thank you, Mr. Chairman, but I don't think you're the average Canadian. Do you think you represent the average Canadian?

The Chair: For anybody with a TV purchased in the last couple of years who doesn't have access to cable or satellite, this transition will be seamless.

Go ahead.

Mrs. Bonnie Crombie: So about the education awareness plan, where are we with five months to go? With five months to go, where are we with the education plan and awareness plan?

Mr. Scott Hutton: That's what we're about to embark upon. That's the last phase of what we've been working on with industry.

Mrs. Bonnie Crombie: There's not a lot of time left, Mr. Hutton.

Mr. Scott Hutton: The important message here is not to start too early, because after all, the main thing here is that this will not affect 93% of Canadians. That is clear.

Mrs. Bonnie Crombie: That's still almost a million Canadians, though. I'm going to move on from this line of questioning.

The heritage minister says that he expects the industry, not government, to pay for and coordinate the transition to digital. Do you support that as well even though the Government of the United States offered households \$75 to help with the conversion?

Mr. Scott Hutton: As I indicated earlier in the questioning, we have been able to work within the confines of the current policy to come up with a mechanism that minimizes the impact of loss of service to Canadians, and we've found a way to ensure that those who will lose service will be provided with free digital satellite equipment, to be able to maintain service to them. Those are two things that we've already done within our purview.

As for the remaining people, again, the 900,000 is a top-end number, because it does include those who have purchased a TV set in the last five years. These sets automatically have a digital receiver within them and are equipped to receive both technologies. It also includes—

Mrs. Bonnie Crombie: Well, Mr. Hutton, if the U.S. government can offer \$75 to every household, why shouldn't the Canadian government do the same?

Hon. Hedy Fry (Vancouver Centre, Lib.): It's \$35.

Mrs. Bonnie Crombie: It's only \$35 now. Exactly. The number has been reduced from \$75.

Mr. Scott Hutton: In the U.S. at the time, the boxes were valued at about \$75, and I believe they provided coupons to households for about \$40, which brought the cost to them down to about \$35.

Here in Canada, being a couple of years behind and having learned from that experience, manufacturing, and technologies, and benefiting from the volume of the United States, they're selling for \$30. So we're coming to the point of view that Canadians are already ahead of the Americans on that standpoint without direct intervention by a subsidy mechanism.

Mrs. Bonnie Crombie: Maybe there could be a tax credit of sorts.

Mr. Angus asked a question. I want to restate it because I don't think we got a clear answer. How much of the freed-up spectrum is going to be repurposed for wireless telecommunications?

Mr. Namir Anani: That's an aspect that Industry Canada will be looking into and determining.

Mr. Scott Hutton: Just to make it clear, spectrum in Canada is primarily regulated by the Department of Industry. Those are the people who slice and dice the spectrum, provide for its uses, and auction off what can be auctioned off for mobile uses. We at the CRTC only handle the broadcasting assignments within those original ones.

Mrs. Bonnie Crombie: I've got it. Thank you.

So the last auction raised \$4.25 billion in revenue. How much do you think will be generated this time around?

Mr. Scott Hutton: Industry Canada has the folks who are the specialists in that domain. We only deal with repurposing the broadcasting spectrum and reassigning it to the various broadcasters pursuant to their licences.

Mrs. Bonnie Crombie: It's interesting that the government will stand to gain more than \$4 billion, but doesn't want to pay out a penny to households and consumers to help in the transition. How do you explain that?

Mr. Scott Hutton: That's not for us at the CRTC to explain. We have learned from the U.S. experience that direct subsidy mechanisms are not necessary.

The Chair: Thank you very much, Madam Crombie.

Madame Lavallée.

[*Translation*]

Mrs. Carole Lavallée: I want to continue our earlier conversation. Mr. Hutton, I have not understood. Based on your forecasts, how many people will no longer get any kind of signal as of September 1?

Mr. Scott Hutton: We estimated the number of households that will no longer receive service at 31,500. This estimate was established a while ago. Today, we have the figures on hand, and reports from various broadcasters are coming in constantly. As I said earlier, in rural areas, broadcasters can opt to keep broadcasting in analog mode. Many of them do adopt this strategy. That's why the estimated number of 31,500 households is declining steadily.

•(1615)

Mrs. Carole Lavallée: Why did you talk about 900,000 households in your submission?

Mr. Scott Hutton: The 900,000 households are located in areas where conversion will take place. These are households that do not subscribe to cable or satellite services. As you know, if someone subscribes to cable or satellite, they have nothing to worry about; nothing will change for them. The 900,000 remaining households include—

Mrs. Carole Lavallée: There is also no problem for those who have a modern television receiver.

Mr. Scott Hutton: That's correct.

Mrs. Carole Lavallée: As the chair has pointed out.

Mr. Scott Hutton: Exactly. As the chair has indicated—to confirm his statement—this number includes people who do not have a television receiver. The commission has considered this figure in a general sense in order to pinpoint the source of the problem. Therefore, this figure includes people who do not watch television or who have a television receiver like the one in this room. It need not be huge. It can be a very small modern television receiver that is already compatible with digital signals. As for the remainder of the population, the commission has not quite worked out the cross-section. However, those who have not done so will have to upgrade their television receiver or get an analog converter, which costs \$30. This is the amount the commission is talking about.

Mrs. Carole Lavallée: You talked about 31,500 households. After all the calculations you have done, you've come up with a figure of 31,500 households across Canada. Do you have the figures for each province?

Mr. Scott Hutton: Yes, we do have them, but not on hand. We can provide them for you.

Mrs. Carole Lavallée: Could you send them to us?

Mr. Scott Hutton: Yes, we could.

Mrs. Carole Lavallée: This is an official request. Please, send these documents to the committee chair.

There are, after all, 31,500 households remaining, which is not totally insignificant. If you cut that into half, there are some 15,000 households remaining. That would account for a little more than two persons per household.

According to the demographic studies conducted by the Canadian Media Research Consortium that I quoted earlier, the homes lacking a television receivers are six-person households. Therefore, there are many people that would no longer have access to television.

You have done a few studies over the years. In 2009, you asked a group consisting of Bell TV, Quebecor, Shaw, Rogers, and so on, to provide you with a report on digital television. Those broadcasters recommended a way to assist the 31,500 people who do not have television receivers. You—the CRTC—published another report in October 2009 in which you provided solutions for helping those people. All of a sudden, you no longer wish to help them; you are placing the burden on the broadcasters by telling them to deal with it. What has happened to the CRTC?

Mr. Scott Hutton: We have found a solution to the problem. As we stated in our conversation with Mr. Del Mastro, Shaw has proposed, as part of the transaction in which it acquired Canwest Television, to set aside \$15 million for providing satellite service to all 31,500 households and not only to 15,000 households. This service would replace the lost signals. So, we have solved the problem.

Mrs. Carole Lavallée: Free of charge?

Mr. Scott Hutton: Free of charge.

Mrs. Carole Lavallée: Okay. This means that, on September 1, everybody will be receiving a television signal, correct?

Mr. Scott Hutton: Correct.

Mrs. Carole Lavallée: Guaranteed?

Mr. Scott Hutton: Our first objective was to ensure that no one would lose service. That's the purpose behind all the measures we have implemented.

Mrs. Carole Lavallée: You said that this is what you have tried to do. However, I am wondering whether all Canadians and Quebecers will really be able to receive a television signal at home as of September 1?

Mr. Scott Hutton: As far as I know, yes.

Mrs. Carole Lavallée: As far as you know, yes.

The Chair: Thank you, Mrs. Lavallée. Thank you, Mr. Hutton.

Mr. Armstrong, you are the last MP to have the floor today.

[English]

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): Thank you.

Thank you for your submission. I've enjoyed listening to your answers to the various questions you've had.

Maybe you can just elaborate on some things you've mentioned before and, in particular, talk about the regional aspects of this transition. Being from Atlantic Canada as I am, for example, my riding's very rural. I estimate that there are probably about 2,000 households that may be affected by this. Many of these are cottages or secondary houses. They still have an old television that they've had for 20 years. They bring in CBC to watch golf on Sunday afternoon when they are at their cottages. We're not talking about something that's a drastic change in their lifestyles.

But for those people, can you explain to me, if they're not sure what's going to happen to them and they start seeing these ads on TV, where can they call? Who can they contact? What central government agency can they contact to try to determine what's going to happen directly to them if they're confused?

•(1620)

Mr. Scott Hutton: One thing to remember is that for the companies we're dealing with, their main objective is to keep people watching them, so they have a self-interest in making sure that all the people continue to watch them. As for what we will be putting in place in our public service announcements, we are ensuring that the companies tell Canadians what they have to watch for, what they have to think of, and what the new channels will be, and that they have both a website and a 1-800 number for those people to contact.

Mr. Scott Armstrong: Will that website and the 1-800 number be specific to the company that's involved? Or is there some sort of government agency, say, the CRTC, that will have some information available directly for consumers who are challenged by this changeover?

Mr. Scott Hutton: I believe you will see both.

You will see both. Right now the Department of Canadian Heritage does run a website. They are working on it to improve it. We will be requiring that each of the broadcasters actually has the specific information related to the specific channel they're broadcasting on, what's happening, and the information with respect to their local market.

Mr. Scott Armstrong: If there was an area of one province... Let's say it's Nova Scotia, where we have many people in my riding who can't get CBC from Halifax and are forced to get CBC from Charlottetown, a different province. So they don't really get their local news, particularly during the summer when they're at their secondary residences. Do you see this changeover helping that situation or would it have any effect at all?

Mr. Scott Hutton: Basically, they will be getting information from the channel they watch and the origination point they watch. That will not change with respect to the digital transition.

Mr. Scott Armstrong: We have recently held meetings regarding the impact of vertical integration with the broadcast industry. How will this affect the transition to digital? What are the impacts of vertical integration with regard to this transition?

Mr. Scott Hutton: What we've seen is in the context of the transactions, both the Shaw acquisition of Canwest and BCE's acquisition of CTV. The latter one is not concluded, so I'll just try to keep talking about Canwest and Shaw. In their case, what they have put forward is an aggressive transition proposal under the tangible benefits packages that they had to provide to us.

So this means that those companies have spread out and are aggressively looking at upgrading their analog transition to getting us to a digital platform. As mentioned earlier, Shaw will be providing \$15 million to provide free digital satellite service to those who will lose service.

Mr. Scott Armstrong: Great.

Thank you.

The Chair: Thank you, Mr. Armstrong.

Before our three witnesses depart, I believe Mr. Angus wishes to move a motion.

Mr. Charlie Angus: Yes, Mr. Chair.

Given the fact that the CRTC has dropped their decision to open up the question on changing the regulations for broadcast stations and their obligations in regard to factual journalism or false and misleading journalism, I don't feel there's much point in our committee continuing with our proposed study. I think it would be pointless at this time.

I would like to bring it to committee and ask for unanimous consent that we drop this study.

The Chair: Is there unanimous consent to allow the motion to be put, seeing that it's not on the orders of the day? Is there unanimous consent to proceed?

Mr. Charlie Angus: You're not looking happy, Dean.

The Chair: Go ahead, Mr. Del Mastro.

Mr. Dean Del Mastro: Given that it was Mr. Angus' motion, and we neither supported nor opposed it at the time, I have no problem with this, although I will say that it looked a far sight more exciting than what we are going to do that day.

Voices: Oh, oh!

Mr. Dean Del Mastro: Mr. Angus always has an interest in fair and balanced news. I know that.

The Chair: It seems that there's unanimous consent to proceed.

We have a motion on the floor. The motion is to cancel next Monday's CRTC appearance with respect to their proposed study of the regulation concerning false and misleading news. We have the motion in front of us.

Madame Lavallée.

[*Translation*]

Mrs. Carole Lavallée: So, next Monday, we will be able to receive Mr. Pentefountas at our committee meeting?

• (1625)

[*English*]

The Chair: I'll address that in a minute. I just want to deal with the motion first. Is there any further debate on the motion in front of us? Seeing none, I'll call the question.

All those in favour of Mr. Angus' motion to cancel the CRTC's appearance? Opposed?

(Motion agreed to)

The Chair: The motion is adopted.

Mr. Hutton, could you inform your colleagues that their presence on Monday next week is no longer required? I'll have the clerk follow up as well.

[*Translation*]

Mrs. Lavallée, did you have a question?

Mrs. Carole Lavallée: So, next Monday, there is a time slot available for Mr. Pentefountas?

The Chair: Yes, that's a possibility. We have an hour to meet with representatives from the Department of Canadian Heritage and discuss challenges related to the implementation of the digital television transition. If Mr. Pentefountas is available to appear during the second hour, we will invite him.

[*English*]

Is there any further discussion?

Seeing none, I want to thank our three witnesses for their appearance.

I wish you all the best in the transition. Thank you very much.

This meeting is adjourned.

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