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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Wednesday, June 17, 2015**

**Chair**

**Mr. Gordon Brown**



## Standing Committee on Canadian Heritage

Wednesday, June 17, 2015

• (1630)

[English]

**The Chair (Mr. Gordon Brown (Leeds—Grenville, CPC)):** Good afternoon, everyone.

We're going to call to order meeting number 52 of the Standing Committee on Canadian Heritage. In today's business pursuant to Standing Order 108(2), we are doing a study on OMNI programming changes.

With us today from Rogers Media we have Keith Pelley, the president, and Colette Watson, vice-president of television and operations, with Susan Wheeler, vice-president of regulatory media at Rogers Communications.

For up to eight minutes, Mr. Pelley, you have the floor.

**Mr. Keith Pelley (President, Rogers Media):** Thank you, Mr. Chairperson.

We also have with us Paritosh Mehta from OMNI, who is at the back of the room. He is our head of independent production. As well, Heidi Bonnell, our vice-president of federal government relations, is in the audience.

Thank you for the opportunity to appear to talk about OMNI, the challenges it faces as an over-the-air ethnic television station, and our thinking behind the program strategy that we have recently put in place. Our remarks today will focus on three key areas: Rogers' 30-year investment in Canadian ethnic television, the challenge to OMNI's business model, and the need for policy and regulation to keep pace with market changes.

I will pass it over to Colette, our vice-president of OMNI.

[Translation]

**Ms. Colette Watson (Vice President, Television and Operations, Rogers Media):** We know that OMNI plays a vital and essential role in reflecting and connecting Canada's multicultural and multilingual communities. We have had the privilege of working alongside ethnocultural communities and organizations for over 30 years and believe we have made a meaningful contribution to the engagement and integration of those communities in Canadian society. We remain an important partner to many different ethnocultural communities through direct investments in local programming and marketing, and participation in festivals, events and on diverse boards and committees.

We take this role seriously and believe our record of performance over the past 30 years has exceeded Canadian ethnic service

standards in terms of the quantity, quality and distribution of Canadian ethnic programming available to consumers.

In fact, until two years ago, when we gave over \$1 million to an independent community group to launch an ethnic television station in Montreal, we were the only ethnic over-the-air television broadcaster in Canada. We believe we have upheld that responsibility well, despite troubling financial challenges.

[English]

When I was appointed head of OMNI earlier this year, I was given a mandate to refresh the OMNI brand to make it more relevant to the next generation of ethnocultural viewers and to stem its financial losses to a break-even position. The mandate wasn't driven by profits. It was about making OMNI self-sustaining.

OMNI supports three types of Canadian programming: in-house local production, which included our language newscasts and information programs; national independent productions; and local independent production.

Local in-house production is by far the most expensive of these programming categories, since the station bears 100% of the cost and risk. In the last broadcast year, the language newscasts we produced cost over \$9 million on an unallocated basis—\$11.7 million if you include overhead costs—and garnered only \$5.8 million in revenue. After several years of losses, it was clear that we had to find another more sustainable model for our in-house production.

[Translation]

OMNI also makes significant investments in ethnic drama and documentary programming. Since 2002, OMNI has committed and spent almost \$65 million in the licencing and development of Canadian ethnic and third-language independent drama and documentary productions through tangible benefits contributions. With this investment, which is unmatched by any other Canadian ethnic broadcaster, OMNI has played a foundational role in the creation of this type of content and in fostering the Canadian ethnic independent production sector.

[English]

Specifically, this investment has produced over 600 hours of ethnic and third-language dramas and documentaries. This year we're very proud to launch OMNI's first serialized drama, *Blood and Water*, which was shot in Vancouver and Toronto, in Chinese and English. We are very excited about this project and hope it will resonate with current audiences and attract new viewers to OMNI.

The rest of our Canadian ethnic programming is composed of local, independent production. We work with 49 local ethnic producers in 48 languages across all our OMNI stations. We use a model where we provide local ethnic producers with airtime, and in return we share the revenues generated from advertising in the program. This model has worked well and provides an important outlet for local expression, but unfortunately, revenues from this type of programming will never be able to sustain our in-house production investments. Our in-house production remains subsidized by our foreign-acquired programming.

In setting out to refresh the OMNI brand, we sought input from OMNI staff, including its community liaison officers. We spoke with our regional advisory councils, and we conducted a number of strategic reviews, all intended to identify the right programming strategy and business model for OMNI going forward. The feedback we received was that OMNI's programming was not highly visible. It was seen as tired and outdated, particularly by young viewers, who are the key demographic for advertisers.

Moreover, our market research indicated that where at one time new Canadians came to this country knowing only the language of their country of origin, many now come to Canada proficient in either English or French. This research also indicated that more and more Canadians are looking to alternate online sources for their news programming. This trend has made it even more difficult to attract broad audiences to our traditional newscasts. All of this suggested that a new approach is required.

I'd like to make clear that this wasn't just about cutting costs to save money. It was really about reinvigorating the OMNI brand and its programming. We simply saw a better opportunity to engage a broader audience on local issues with new local current affairs programs. Unlike newscasts, current affairs programming has a flexible format that allows members of the community to engage and interact on local issues. It also provides a greater opportunity to delve deeper into issues, exploring a variety of different angles and perspectives, which is something formal newscasts cannot do.

Contrary to what you may have heard, we have not reduced the number of languages nor hours of local programming OMNI offers. The national Mandarin, Punjabi, and Cantonese newscasts have all been replaced with local current affairs programs in those languages, which we believe will better resonate with local audiences. In most cases we've kept the same on-air talent, which preserves the trust and continuity our people have built with audiences over many years. Our Italian newscasts will be replaced with novellas and a new Italian lifestyle program that is scheduled to launch this fall. We're also extremely excited to launch a new national Punjabi lifestyle program called *Kitty Talk*, which will feature three dynamic women as they discuss the issues of the day that are important to their communities.

These are just a few examples of OMNI's new programming direction, which is based on a more sustainable production model, and is designed to attract new and broader audiences. While there is no guarantee this new approach will succeed, we are very much encouraged by the positive feedback we have received from viewers and community organizations about this new strategy.

• (1635)

**Mr. Keith Pelley:** Thanks, Colette.

OMNI is operating, as you probably know, in an extremely competitive environment that is being transformed daily by the introduction of new and unregulated digital platforms, changes to video consumption patterns, and shifts in advertising revenue to digital platforms.

In order to understand OMNI's financial situation, it is important to understand the over-the-air television sector. Advertising on conventional television is declining at a torrid pace. This is not just a couple of years. This is not cyclical. This is a structural change, and, unfortunately OMNI, as the smallest and the most niche player in the marketplace, feels the pain. Since 2011, OMNI's advertising revenue has dropped from \$80 million to this year's advertising revenue of about \$22 million.

OMNI's business model has been very simple over the past number of years. The U.S. programming, the strip programming, i.e., *Two and a Half Men* and *The Simpsons*, has been the reason for OMNI's success. It has funded all the ethnic programming. For example, in 2011 there was \$55 million in advertising revenue from the U.S. programming against \$30 million in costs. We were making \$25 million on the U.S. programming and we allowed that to be spent on the ethnic programming. Now the industry has changed and the way people are consuming has changed dramatically and with that advertising revenue gone away, we can no longer fund the ethnic programming in the way we did. The U.S. programming is not generating that type of margin any more, so we have had to significantly change.

OMNI was also hit hard by the extension of CTV Two in the marketplace. OMNI is facing intense competition not only from over-the-air and the piracy challenges that the broadcast industry is facing but also because Canadian distributors now carry over 130 foreign ethnic specialty services. This, unfortunately, as I've said over and over again, is not 1979 any more.

I know we're running out of time here, so I'm going to just pass it to Susan quickly to talk a little bit about some of the regulatory challenges we have faced with OMNI.

**Ms. Susan Wheeler (Vice-President, Regulatory, Media, Rogers Communications, Rogers Media):** Over the last three years we have made several attempts to raise awareness about OMNI's financial challenges and have suggested tangible policy and regulatory changes for how the system can support and govern OTA ethnic television in Canada.

In 2013 we met with representatives from each of your political parties and walked through OMNI's financial challenges and made recommendations on how the government could support ethnic programming. Specifically, we recommended giving the CMF a mandate to support language, news, and information programming. Last year we asked for several changes to OMNI's licence at our renewal hearing. We believe many of these changes would have helped OMNI drive the revenue needed to support its in-house production.

All but one of these requests were rejected. Even as recently as last fall we were asked to appear before the Senate committee reviewing the mandate of the CBC to talk about our challenges with OMNI and about how we are making the station work given its financial situation. We made it very clear that major changes were needed to make the station financially viable.

In addition to these efforts, we have discussed OMNI's financial situation with our regional advisory councils, which comprise independent representatives from communities and organizations involved in the local diversity community.

While we wish we were here under different circumstances, we do welcome the opportunity to draw attention yet again to OMNI's financial situation, and hope it will encourage and expedite a discussion of a new policy and regulatory framework for free ethnic television.

● (1640)

**The Chair:** Thank you very much for your presentation.

We are now going to go to Mr. Fantino, for seven minutes.

**Hon. Julian Fantino (Vaughan, CPC):** Thank you, Mr. Chair.

Thank you for attending here today, on a matter of significant importance to the Punjabi, Cantonese, Mandarin, and Italian speaking Canadians of whom we have about 1.8 million.

Since the cancellation of OMNI's Italian-language newscast, many of my constituents and many in the Italian Canadian community in Ontario have contacted me to express their concern about this particular decision that you have taken. For Italian Canadians in Ontario, it was a much more personal transgression, as OMNI, then-CFMT, was founded by a prominent Italian Canadian, Dan Iannuzzi. Indeed, I would like to share some of those comments.

One person noted:

It is time to take Rogers Communications to task. They have grown and prospered on the backs of Immigrants who were new to Canada and subscribed to their services.... Italo-Canadians accepted every aspect of their changing organization and contributed to the growth and prosperity of the Rogers of today.... Ted Rogers must be rolling in his grave!

Another noted, "...my parents and inlaws...like being able to keep up to date with what goes on... and are very saddened at the loss of" OMNI News Italian edition.

I can go on with a number of others. Recently, you, Ms. Watson, a senior executive at Rogers, had a very flippant response to concerns that I had raised publicly on behalf of my constituents about the cancellation of the local ethnic newscasts, indeed here. If I don't have your quote, you can correct me, but you spoke to the *Globe and Mail* and the quote is, as reported, "This is a private sector business. Does

Julian Fantino go to Wal-Mart and say, You need to have more stuff in a certain language?" That's pretty bizarre. It's an insult really for someone at Rogers to make. As well, as we all know, unlike Wal-Mart, Rogers has obligations stemming from its CRTC-issued licence to broadcast on public airwaves.

Further, I want to read from a transcript from a CRTC hearing from April 2014 on the renewal of OMNI's licence. Specifically, I want to read the testimony of Madeline Ziniak, the former national vice-president of OMNI Television. She said:

During its proud history of broadcasting, OMNI has played a critical role in developing ethnic programming in Canada and serving ethnocultural audiences... We are an important partner to many different ethnocultural communities through the provision of local news programming and participation in events, festivals. ...we know that this was a very meaningful and important vehicle for communities...

But here we are, a little over a year later, and Rogers has cancelled Italian, Cantonese, Mandarin, and Punjabi newscasts. In Ms. Ziniak's testimony for the OMNI licence renewal, she waxed eloquently on local news programming and its importance to OMNI. Why didn't Rogers reveal its plans to cancel all news programming within the very near future? Doesn't it seem a little odd that Rogers would omit mentioning that very fact? Especially, I note, from the CRTC July 2014 broadcasting decision, there is a clear expectation for licensees to provide at the time of licensing and licence renewal specific plans as to how the station will reflect local issues and concerns during the terms of their licences.

I fully appreciate that Rogers and OMNI are in the business per se. I more reflect on what was said to a licensing body that, within a very short time thereafter, seems to have become a flip-flop. Why the apparent misrepresentation, and why did we not hold true to what was stated to the CRTC?

Mr. Chair, I can wait for the answer.

● (1645)

**Mr. Keith Pelley:** Thank you very much.

To be totally honest, that comes as an overwhelming surprise to me, because for three years I have been talking about the challenges that OMNI faces. We have spoken to every ethnic group. We have spoken to the ethnic council. We've spoken to the Senate committee. We spoke to the Conservatives. We spoke to the Liberal caucus. We spoke to the NDP.

The fact that this comes as a bit of a surprise or somewhat of a shock is really somewhat surprising, quite honestly, and it's very easy, with all due respect, to select a couple of phrases that came out of that hearing. We were pretty clear in the hearing that if in fact we were not able to get licence changes that we requested—and we requested a plethora of them—there would be gargantuan changes coming to OMNI. We made our first changes, and then again we congregated with all the respective groups, but these were going to come.

The industry has changed dramatically. Unfortunately, ethnic programming and audiences have deteriorated significantly, and the ad revenue just cannot match the actual programming costs. In every aspect of OMNI, we are meeting our conditions of licence, and that is very important for you to understand, because under no circumstances are we not in compliance with the licence we have. We are in compliance in every particular way.

At the same time, we do believe that we'll continue to invest in ethnic programming. We continue to invest in OMNI. Very easily, with the continued deterioration of ad revenue, any private business that lost almost \$12 million in 2014, cash in, cash out, would be very likely to say that maybe they shouldn't be in this business. Instead, we've congregated as a group. We came up with different strategies and what we thought was more compelling programming for a millennial demographic, which the advertisers are seeking. We developed a very robust strategy. As Colette said, this is the very first time that we have ever done a serial drama in a different language.

With all due respect, sir, I do differ in what we communicated to the CRTC and what we have communicated to the Liberals, to the NDP, and to the Conservatives.

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

We're now going to move to Ms. Sims for seven minutes.

**Ms. Jinny Jogindera Sims (Newton—North Delta, NDP):** Thank you very much.

First of all, let me say that my community in Surrey, B.C., in the Lower Mainland, and the Punjabi-speaking community across the country from coast to coast to coast are very disturbed and quite angry at the cuts they are seeing. The chat shows or the talk shows that you've just mentioned do not cut it and do not replace the news items that have been cancelled.

I also want to quote from a statement made by you on March 5, 2015:

Holding a...television licence is a privilege that comes with important obligations that are in the public interest, especially in regards to high-quality news coverage and reporting. An informed citizenry cannot be sacrificed for a company's commercial interests. Canadians can only wonder how many times corporate interests may have been placed ahead of the fair and balanced news reporting they expect from their broadcasting system. We expect Canada's broadcasters...I'll save the rest. You can imagine the rest. We can send you the letter as well.

It is very clear that you have abandoned the very principles you put forward in there, where you specifically talk about news and how that cannot be sacrificed for commercial interests. What changed?

**Mr. Keith Pelley:** Again, I beg to disagree and will say that if we actually went through the transcript of the CRTC and spent three hours on it, I don't think we would have the exact same opinion. I believe that we have been totally up front, and at the exact same time we have also continued to serve the ethnic community.

Once again, if you're not willing to change, and you're not willing to change and follow where consumers want to be, you probably shouldn't own a broadcast licence. To be honest with you, all of the

• (1650)

**Ms. Jinny Jogindera Sims:** Sorry, Mr. Pelley—

**Mr. Keith Pelley:** Excuse me. Let me finish, please.

**Ms. Jinny Jogindera Sims:** I'm sorry, Mr. Pelley, but we only have seven minutes and we have a number of people.

My question was specifically on what had changed, but as you said, I am going to pass it on to Mr. Sullivan right now.

**Mr. Mike Sullivan:** As Mr. Fantino has already said, this issue is huge in the Italian community, both in my riding of York South—Weston and in Toronto generally, so much so that the Italian consul general called a meeting and brought in 70 representatives of the Italian community to complain about this decision, which had come as a shock to them.

Giuseppe Pastorelli, who is the Italian consul general, Emilio Battaglia, the new president of Comites, and the Honourable Joe Volpe, who publishes *Corriere Canadese*, all have said that this decision is a shock to the community. Many in the Italian community came to Canada years ago and speak little or no English, so they rely on OMNI to get their news of Canada in Italian.

That is now gone. It's not going to be replaced by anything until this fall, when some kind of lifestyle program is coming that's aimed at younger people. We have abandoned an entire demographic of the Italian community. They will no longer be receiving any news. With an election coming, it is like voter suppression. These people will not be able to be engaged in the electoral process.

At the licence hearings, you committed to adhere to the standard conditions of licence applicable to English language conventional television stations, which expect “the licensee”—I say the word “expect”, and I know that you are going to yell that it is not a condition, but an expectation—“to maintain a local presence”, and a local presence includes “providing seven-day-a-week original local news coverage distinct to the market; employing full-time journalists”, which you don't anymore, and “operating a news bureau or news gathering office in the market”.

That's what you committed to do to live up to those expectations, and I know there is a difference in the words, but with a federal election on the horizon, the Italian community is up in arms. They are fuming. They were talking about boycotting Rogers, which I don't believe you would want them to do. They are concerned that a big part of that community will no longer have access to be engaged in Canadian society in the way they were.

With all respect to all of the dire predictions, you can't take news in isolation and say that news doesn't make money and therefore you are cutting out news. All the broadcasters in Canada would stop producing news if that was the attitude, because nobody makes a ton of money doing news. That's not what the licences are for. The licences are a licence to give Canadians information as per the Broadcasting Act, and I'm sorry, but lifestyle programming for a younger audience doesn't cut it.

**Mr. Keith Pelley:** The first comment I would make is that the CRTC has recognized this as a challenge, and people would drop the news, hence the reason that English news services had 9(1)(h) status in the last CRTC hearings. There is a recognition that news, not only in ethnic languages, is struggling in English Canada as well, based on the fact that you can get news anywhere. There is just a plethora of opportunities where you can get your news.

As far as the Italian goes, again, I don't want to get into selecting quotes and so forth from individual transcripts and so forth, because it would be very easy to go through the entire conversation that I had with Mr. Cash, your colleague, about this exact challenge—

**Mr. Jasbir Sandhu (Surrey North, NDP):** Mr. Pelley, I do want to echo what my colleagues have said in regard to the ethnic news being cut, especially the Punjabi and the Cantonese news in the Lower Mainland. This serves as a vital link for people to get not only Canadian news in the language they understand but also news from abroad, whereby they're able to keep up links with whatever country they have come from.

Getting a licence is a privilege. It comes with a responsibility. I believe you're not living up to that responsibility of providing that content for the licence you got.

People are very upset in my community. I want to echo that here in this committee. As Mr. Sullivan has said, they're thinking about boycotting Rogers in regard to other services you provide. In one component you're going to make money and in others you're going to lose, but it's the whole package that you have to deliver. I have to convey this for my constituents: I think that in this case you guys have failed.

• (1655)

**Mr. Keith Pelley:** With all due respect, again, we are living up to the conditions of our licence. I strongly disagree with your comments.

**The Chair:** Thank you.

We're going to move to Mr. Vaughan for seven minutes.

**Mr. Adam Vaughan (Trinity—Spadina, Lib.):** You've made a number of comments about the business model, which we appreciate is changing, and certainly those of us who have worked in the industry understand it to be changing.

What I don't understand is why you have formerly used U.S. programming to subsidize multilingual programming. As a platform provider and not simply a content provider, you have a robust business model, all of it granted to you by federal statute. Why are you not using those other privileges granted to you by the CRTC, such as Rogers being a cable provider, which is gaining revenue as a result of media changes? Why are you not cross-subsidizing within your larger corporation? Why are you choosing to only cross-subsidize within OMNI?

**Mr. Keith Pelley:** OMNI has only one revenue source, which is advertising revenue. It doesn't have secondary—

**Mr. Adam Vaughan:** No, I appreciate that. The question was, why aren't you using Rogers' full spectrum of revenue streams to cross-subsidize, to sustain the promise of performance you've made to the CRTC?

**Mr. Keith Pelley:** OMNI is not a not-for-profit organization. OMNI is a separate entity that is part of a private company, that runs as a separate entity with a separate P and L. If it were a not-for-profit or if it were a charitable organization, we could have that conversation, but that's not what it is.

**Mr. Adam Vaughan:** You're misunderstanding the question, and I hope it's not deliberate. Rogers has a number of broadcast platforms, which it is given privilege to broadcast in. It has a number of telecommunications operations. To fulfill your promise of performance for multilingual programming, which is the reason the station exists, why have you not chosen to cross-subsidize through the Rogers' family of businesses? Why have you chosen to have OMNI stand alone when other wings of Rogers cross-subsidize one another?

**Mr. Keith Pelley:** Well, because we can't have those conversations.

**Mr. Adam Vaughan:** Why not?

**Mr. Keith Pelley:** Because we're not permitted to. We're not permitted to actually discuss with the cable company what we're going to do with our media companies.

**Mr. Adam Vaughan:** You have several television stations.

**Mr. Keith Pelley:** That's correct.

**Mr. Adam Vaughan:** Those stations could be used to cross-subsidize to sustain your promise of performance to the CRTC.

**Mr. Keith Pelley:** No, City's losing money as well. You're saying we should use the profit that Sportsnet has to subsidize OMNI. Well, that's not the way you run a private business, sir. You have to actually look at them individually. You're not going to subsidize one business through another business. You have to look at them to see if they're all sustainable on their own. OMNI—and I've been saying this for the last three years—under the current model and with the current conditions of licence is not sustainable in this structurally changing world.

**Mr. Adam Vaughan:** If the station was created to serve multilingual communities locally, and you can no longer fulfill that mandate, why don't you surrender the licence?

**Mr. Keith Pelley:** Because I believe we are meeting every condition of licence. We have to broadcast in 20 different languages; we're broadcasting in 48 different languages.

**Mr. Adam Vaughan:** If the local communities disagree, and if the local communities say they're not being served by the change—i.e., switching news to lifestyle or current affairs to infotainment—and if they don't want the change from local news to simply getting international news, if the local communities you're required to serve are not happy with the product that's being served, and if your audience continues to diminish as a result, which is the argument you've put in front of us, why wouldn't you surrender the licence and allow broadcasters that want to perform those duties to step up and take over the channel?

**Mr. Keith Pelley:** Well, first, we haven't seen ones that would like to take on these conditions of licence. However, why don't we see where we are in a year from now? I beg to differ as well. For the news programming, for example, in Italian alone, in three years the ratings have eroded 68%. Let's see how the new programming and the new strategy work, but let's not evaluate them right away before we've had a chance to actually see how they work.

**Mr. Adam Vaughan:** You mean even though it contradicts your promise of performance.

**Mr. Keith Pelley:** I'm sorry?

**Mr. Adam Vaughan:** It contradicts the spirit of your promise of performance.

**Mr. Keith Pelley:** I totally disagree. I'm going to say exactly the same thing, that we are living up to our conditions of licence. The actual dollars we've put into the ethnic community, based on changing the strategy, with all due respect, do not in any way fail to live up to the spirit of the OMNI licence.

• (1700)

**Mr. Adam Vaughan:** You disagree that you have an obligation to provide local news programming.

**Mr. Keith Pelley:** I agree that we have an obligation to live up to the conditions of licence that we were given by the CRTC, and we are doing that in spades.

**The Chair:** Thank you very much, Mr. Vaughan.

We'll now go to Mr. Leung for seven minutes.

**Mr. Chungsen Leung (Willowdale, CPC):** Thank you, Chair.

We should address this issue perhaps from a financial viability side. I've been a public accountant and I somehow don't understand how your finances work with the trend of our current immigration patterns. Canada brings in about 280,000 immigrants a year, over half of whom settle in Toronto and another third or so in other urban centres. That means there are 90,000 people coming into Toronto. On top of that, we also have 100,000 foreign students who come in. A lot of them would come from China or Mandarin-speaking countries. Again, over half of them come to Toronto, which is 50,000 students coming to Toronto.

Of the greater Toronto population of more than four million, over 130,000 Mandarin or Cantonese speakers have come here. On top of that, more than a third, more than half a million Chinese, live in the Greater Toronto area. I would say that about 90% of them are first generation, who will probably have an understanding of either Cantonese or Mandarin.

What I don't understand is that as recently as 2010 and 2011 you were making a profit. It was a viable operation. What has changed between 2010 and your current and forecast situation that has made this dramatic drop? Have your internal costs increased tremendously? I don't see why you would not go after this increasing population, selling more advertising and so on, to gain that market share.

Finally, why do you throw away that market share?

**Mr. Keith Pelley:** To be candid with you, I'll answer in two ways, very quickly. The network was always funded, and the ethnic programming was always subsidized, by the U.S. programming. U.

S. programming in 2012 generated \$55 million in revenue versus a cost of \$30 million. In 2013 that revenue dropped to \$35 million, so we dropped our cost to \$18 million on the U.S. programming. It dropped to \$20 million in 2014, so that is a \$35-million drop in the U.S. programming that always had a large margin that funded the ethnic programming.

I definitely want to squash the myth that ethnic programming, cash in, cash out, is not large enough to generate the advertising dollars to support the actual news programming. It's not any more complicated than that. Nobody from our team wanted to do what we had to do, but as the industry changed, and when you lose \$58 million in ad revenue, you are going to have to make some changes.

With all due respect to the actual ethnic advertising, when you are drawing small numbers—and ratings are nothing more than a form of currency—advertisers will not spend big dollars against it. It's as simple as that. Your people who are coming in are pirating more than many other ethnic groups, and at the exact same time the opportunity to subscribe to a network in their specific language is now commonplace, with each broadcast distribution unit carrying over 130 specific language networks.

**Mr. Chungsen Leung:** Could you give some clarification regarding your U.S. programming? Why are you not able to maintain that chunk, or why is it no longer in existence? Why did we lose that? You talked about the U.S. component—

**Mr. Keith Pelley:** That's because now you add the emergence of Netflix, which used to be in a million homes. Now it's in four million homes, so strip programming, meaning taking *Two and a Half Men*, or *30 Rock* or something like that, which would air at 7 o'clock every night, would generate large audience numbers and large advertising. That has just shrunk. The advertising has shrunk. The ratings have shrunk with competition and the ability to get the programming now in so many different places, whether it be over-the-top content, whether it be on Internet, whether it be other networks, or whether it be our own service like Shomi or Netflix.

The U.S. programming has gone down significantly, and not only on OMNI. We were just the first to be hit.

• (1705)

**Mr. Chungsen Leung:** To follow on with Mr. Vaughan's line of thinking, Rogers is a fairly modern, sophisticated communications technology company, and it defies me why you cannot use other channels of delivery, whether it be the Internet or the cellphone. There must be other channels you can use in order to improve that newscast and improve that program.



**Mr. Keith Pelley:** No, what you're asking is for another part of our business to subsidize OMNI, and that's just, from a pure.... We have a fiduciary responsibility to our shareholders to make sound economic decisions. You can't take a network like Sportsnet or a network like FX or another part of our business to subsidize a business that isn't viable. That just wouldn't be sound business practice. Anybody who has worked in the private sector would....

To be honest with you, after looking at all facets of our business at OMNI, I'd be surprised if you all didn't come to the same resolution.

**Mr. Chungsen Leung:** What is the impact of some of these other stations, such as Fairchild or some of the single-language dedicated stations? How do they impact you? Can you work cooperatively with them or not?

**Mr. Keith Pelley:** Sure. Telelatino currently makes about \$10 million, but Telelatino has two forms of revenue. It has sub-revenue and it has advertising revenue. OMNI has advertising revenue and that's all it has.

The specialty networks all have two forms of revenue, hence the reason that conventional broadcasting, not just OMNI, is in trouble. If change doesn't happen, then you'll see the likes of CTV, you'll see the likes of City, and you'll see the likes of Global and overall over-the-air networks change dramatically in the coming years.

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

We'll now move to a five-minute round, beginning with Ms. Sitsabaiesan.

**Ms. Rathika Sitsabaiesan (Scarborough—Rouge River, NDP):** Thank you, Mr. Chair.

Thank you for being here.

I am going to read a quote from a letter that I think has already been mentioned. It was signed by the Urban Alliance on Race Relations, the National Congress of Italian-Canadians, the Canadian Ethnocultural Council, the Ontario Council of Agencies Serving Immigrants, the Metro Toronto Chinese and Southeast Asian Legal Clinic, the Urban Alliance on Race Relations past president, Ryerson University, and the Yee Hong foundation. A lot of these organizations and their members are represented in my constituency, and are very concerned about cuts.

Their letter states as follows:

On the 7th day of May—Asian Heritage Month—...Rogers announced the elimination of all newscasts on its OMNI TV stations. For over 30 years OMNI TV has played a vital and essential role in reflecting and connecting Canada's culturally diverse and multilingual communities. OMNI TV news programming creates a voice for Canada's ethnocultural communities to challenge social injustices; it provides programming that pertains to their needs; and more importantly it gives these communities information that the mainstream media does not provide.

From what we've learned, this decision was made without consultation of community members and leaders, who have watched and benefited from OMNI TV for decades. In my opinion, and I know in the opinion of many who have written to me specifically, Rogers has abandoned the spirit of OMNI TV's licence by eliminating the local Cantonese, Mandarin, Punjabi, and Italian news programming. We feel it's systematically dismantling OMNI's ability to meaningfully serve the multilingual audiences.

I know you said, Mr. Pelley, that you have a fiduciary responsibility to your shareholders. That means, quarter over quarter, trying to turn a profit. Your vice-presidents, in a conversation I had with them before, mentioned that not really much has changed: we still have services or programming in the same languages, it's just a pop-culture, news-ish kind of conversation show that's happening now.

But that's not what the communities are looking for. We know that well over a million people rely on OMNI for the news they're receiving on what is happening in this country. You may say that it's not making money....

Well, let me hear what you have to say. What is it you can say about the seniors and many people in my community in Scarborough who rely on the Mandarin, Cantonese, Punjabi, and Italian to get news—not just current events conversation but news on what's happening in our country—in their language?

• (1710)

**Mr. Keith Pelley:** We didn't take this decision lightly in any such way. I just wish that more of those people were watching. Obviously, with some of the people who have now come out, I'm not sure they were watching, because the ratings speak for themselves. As I said, ratings are like a pure form of currency, and you could not in any such way through the news programming and the cost of doing it be sustainable in this changing market. Unfortunately, this is not 1979 any more, or 1960 when Donny and Marie had a 60s share. There is so much competition out there, and as a result advertisers have just gone like this.

**Ms. Rathika Sitsabaiesan:** I'm glad you brought up advertisers. I'm sorry to cut you off, but I don't have a lot of time.

**Mr. Keith Pelley:** Sure, no problem.

**Ms. Rathika Sitsabaiesan:** My understanding from the local businesses in these language communities is that they haven't really been courted by OMNI. You're saying that you don't have the advertising revenue coming in from the communities, the Cantonese, Mandarin, Punjabi, or Italian communities, and yet I'm speaking with local chambers of commerce and individual entrepreneurs and they're saying that they really haven't been courted.

**Mr. Keith Pelley:** No, I would disagree. I think they have been, but that's a very—

**Ms. Rathika Sitsabaiesan:** Maybe that's something to bring up with your advertising department.

**Mr. Keith Pelley:** We have 32 people selling ethnic advertising. I would disagree again.

**The Chair:** You have 15 seconds.

**Ms. Rathika Sitsabaiesan:** I tend to disagree with your disagreement because I'm speaking with people on the ground and this is what they're telling me. It is what it is and I'm sure my 15 seconds are up now. Thank you, Mr. Chair.

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

We will now go to Mr. Lizon.

**Mr. Wladyslaw Lizon (Mississauga East—Cooksville, CPC):** Thank you very much, Mr. Chair, and thank you to all the witnesses for coming here this afternoon.

You were speaking about changing times, saying that everything is changing, the technology etc. You know what? I know everything is changing. When I was growing up, if I wanted to talk to someone, I had to walk and talk in person. Now 50 years later I can sit in front of a computer and with a single touch of the screen or a button, I can actually reach someone. Of course, the world is changing and it's changing dramatically. Therefore, are you saying that you were surprised by this dramatic change and didn't foresee it?

You were talking about financial losses over the years and now we're talking about the recent changes to Cantonese, Mandarin, and Punjabi programming. You also changed what you broadcast in Polish, Ukrainian, and other languages. Therefore, shouldn't you maybe change your business model and look at it differently as a whole model? I'll tell you why. I personally, and I think my colleagues as well, would expect any business that operates in a community not only to draw from the community, but also to give back. If you're talking about financial losses, why don't you look at those dollars as investment back in a community that supports you in wireless, in cable, in other businesses? I think OMNI should not be looked at as a separate little piece of your business. You should look at your customers as a base that you serve not only in this little part, but as a whole.

•(1715)

**Mr. Keith Pelley:** I appreciate that comment. The only thing I would say is that, yes, we did see this coming. That's why we've been talking about it for the last three years and why we went to the CRTC and requested the conditions of licence, and that's why we spoke to all three critical parties. That's why we've spoken to ethnic groups. That's why we've spoken to chambers of commerce. We did see it coming.

I understand your last point, but your first point as far as whether or not we did see it, absolutely we did. We saw the erosion of the advertising, but as I said, \$58 million is a lot in any business to make up in four years. You have to be prepared in this media world to change and we're changing and making it as viable as we possibly can to be sustainable. If we weren't investing the money that we are in OMNI, I'm not sure there would be anybody else who would be doing it under the conditions of licence that are currently there, losing the money that we currently are, and producing the programming that we are.

**Mr. Wladyslaw Lizon:** Thank you.

Mr. Chair, if I have any time left, I would like to offer it to Mr. Terence Young.

**The Chair:** Mr. Young, you have about a minute and a half.

**Mr. Terence Young (Oakville, CPC):** Thank you.

I want to ask Madam Watson if it's the position of OMNI and Rogers Communications that ethnic programming, which is by its nature cultural, is like the products sold in Walmart.

**Ms. Colette Watson:** Thank you for that.

My unfortunate comment—and I do apologize unreservedly and unequivocally, Minister, for the flippancy of it—was meant to show that we are a private sector operation. We made a difficult business decision, and based on that... It's a private sector business decision. We have a responsibility to our shareholders and to our superiors.

**Mr. Terence Young:** Thank you.

Mr. Pelley, your theory is that people are upset because the news they weren't watching is no longer available to watch, and I don't buy that. People don't go to their MPs and complain about things with no reason.

I want to ask you this. If you went home at the end of the day to watch the news to learn what has happened around the world that might affect your life, your country, your family, and your future, and all you could get in your first language was a soap opera or three people chatting about issues instead of reliable, clear, trustworthy news on which you can plan your career and your future, would you find that acceptable?

**The Chair:** In 15 seconds.

**Mr. Keith Pelley:** I'll say two things. First of all, I didn't say nobody was watching. I said that not enough people were watching, and if more people were watching, it would be more viable.

Second of all, I believe there are so many other options now for people to get that information that weren't available back in 1979, so it is not as imperative for OMNI to do it as it was 15 years ago.

**The Chair:** Thank you.

[*Translation*]

Mr. Nantel, you have the floor for five minutes.

**Mr. Pierre Nantel (Longueuil—Pierre-Boucher, NDP):** Thank you very much, Mr. Chair.

Mr. Pelley, did you want to add anything to the answer you gave Mr. Young?

[*English*]

**Mr. Keith Pelley:** I concur that there is no doubt that it is very viable to have people watching news in their own language—

**Mr. Pierre Nantel:** Absolutely.

**Mr. Keith Pelley:** —but at the exact same time I do believe that there is a plethora of opportunities for them to get that now. You can go very, very quickly online to get that information.

[*Translation*]

**Mr. Pierre Nantel:** I see that your television is clearly a service television. That is why you are available on the air, as normal, and on cable.

To be honest, the situation is very comical. “Comical” is not really the right word to use. Instead, perhaps I should say that it is very ironic to get to the end of the parliamentary session and realize how much of a mess this government has made. All this time, it has been letting the situation get more toxic.

My comments seem to be very election-oriented, but the truth is that a report was produced in 2011 on challenges related to emerging digital media in Canada. The government shelved the report, and nothing happened. Today, people and communities are losing a news service with a CRTC licence. The CRTC was supposed to establish the process so that this would be available to people. But it turns out that business people have lost their business model and that media are organized vertically, which makes the situation difficult for you.

Mr. Vaughan told you that, given the number of sister companies you have, you could self-finance. I dislike the fact that there is no framework for such complex activities. I see that Rogers, which is one of our largest media families and plays a key role, is basically in the situation you are describing. I am sure that you have difficult choices to make. It is clear that the laxity of government policies and the lack of vision have led to a bankruptcy. I'm not talking about a financial bankruptcy, but about a problem for audiences and entrepreneurs.

You have my sympathies, as you have had an unpleasant quarter of an hour. We represent all our constituents. This is our job, and it's normal for us to ask you the question. I would like to express my sympathy to you over the fact that the government has ignored the arrival of a new platform, a new supply, the place of heritage and Canadian identity and content the news represents. That is a relevant editorial and a Canadian vision of things. What strikes me the most in this whole matter is that business people want to do business in a field useful to Canadians. Canadians are the ones who consume that service, but they can no longer do so because there have been no updates to keep pace with the proliferation of international platforms.

I feel the government has also neglected other aspects. Clearly, I will finish this Parliamentary season, but I hope the heritage committee will be able to meet next week. I would like to remind you that CBC/Radio-Canada has once again had a very questionable appointment, that of Robert Jeffery. Consequently, I would like to move the following motion:

That the Committee, pursuant to Standing Order 111, invite Mr. Robert Jeffery, newly appointed director of the Board of Directors of the Canadian Broadcasting Corporation, to examine his qualifications and competence to perform the duties of the post to which he has been appointed, and that this televised two-hour meeting be held before Tuesday June 23rd 2015.

• (1720)

[English]

**Mr. Terence Young:** On a point of order, Mr. Chair.

[Translation]

**Mr. Pierre Nantel:** We are clearly putting forward this motion because it is appropriate to question that selection. I feel this government has once again shown negligence toward our public broadcaster, whose role is the same, whether we are talking about minority language communities across the country, about Quebec or about all Canadians, be they anglophones or francophones. As I saw

strong parallels between those two situations, I used the opportunity to request a study on the matter.

Thank you for your testimony. I now yield the floor to my colleagues.

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

[English]

A motion has been moved. You've all heard the motion:

That the Committee, pursuant to Standing Order 111, invite Mr. Robert Jeffery, newly appointed director of the Board of Directors of the Canadian Broadcasting Corporation, to examine his qualifications and competence to perform the duties of the post to which he has been appointed, and that this televised two-hour meeting be held before Tuesday June 23rd 2015.

Is there debate on that?

Mr. Dykstra.

**Mr. Rick Dykstra (St. Catharines, CPC):** Yes, sir.

**The Chair:** Is there debate?

**Mr. Rick Dykstra:** There's no debate. We're going to vote.

(Motion negated)

**The Chair:** We have a few minutes left. We'll go back to Mr. Young for about four minutes.

• (1725)

**Mr. Terence Young:** Thank you, Chair.

Mr. Pelley, you talked about your responsibility to your shareholders, which I'm sure everybody here understands. You currently administer a licence that you hold in trust for the people of Canada. You have a responsibility to them.

It may not be a condition of your licence, strictly by legal definition, but you made a commitment; you made a promise to provide these news services to ethnic communities, and it sounds pretty clear to me like you've given up. You're saying to me, “Well they can get the news on the Internet”. I don't know too many seniors who watch news on the Internet. Young people do that; they get it from Facebook and Myspace, but most seniors don't. They're used to sitting down in their living room and watching news on television, which is the business you're in. You're in breach of those promises. You're in breach of those commitments.

I'd like to ask you this again, as Mr. Vaughan asked you. Why don't you relinquish the licence and let somebody else give it a try? I just want to mention a possibility. There are at least, I think, 25 Punjabi newspapers in the GTA that advertise. I know there are lots of very brilliant business people running those papers. I bet a consortium could be put together, or perhaps even one business leader, to provide news in Punjabi to the Punjabi community in the GTA. Why not let somebody else have a try? Why not go to the CRTC and say, “We can't do it anymore, we've given up. Let somebody else give it a try and let them have a licence”?

**Mr. Keith Pelley:** Again, I beg to differ that we are not serving the ethnic community. I take offence to the notion that Rogers hasn't been there for the ethnic community over the last 40 years. We've spent more money on ethnic programming than any other broadcaster.

I believe that our new strategy is one that is viable and sustainable. What surprises me today is that all of you seem surprised. That's the biggest one for me, because I've been talking about this for the last three years. This isn't going to be the only thing that you're going to face going forward in the broadcast industry. OMNI is just the tip of it. As the minister alluded to, you have to be prepared to change.

Do you want to make any other comments on that?

**Ms. Susan Wheeler:** No, I would simply note that we did commission a research study in the context of our licence renewal to look at media usage patterns. It indicates that in the 55-plus demographic, 52% are accessing international news on the Internet, 45% are accessing national news, and 36% are accessing local news on the Internet. These trends clearly do show that even older demographics are migrating to digital platforms to consume their news content, which creates additional competition for a service like OMNI.

**Ms. Colette Watson:** If I could add as well, ever so briefly, in the Ontario market we enhanced our services to the Punjabi community. The newscast in Punjabi was a national newscast done out of Vancouver. Under the new format, we now have a local to Ontario program and then a local to British Columbia program. Our Punjabi hosts in the GTA are now able to talk about issues specific to them in their market and how they view them, as opposed to having something from Vancouver.

We are trying to grow and adapt as well as we can. This in an election year, to answer Mr. Sullivan's question from earlier, allows us to be actually more interactive with our viewers. This allows them to go deeper into an election issue. A typical news report is 90 seconds long. While I understand your comments, it was never meant to be flippant with respect to saying that current affairs can replace news—

**Mr. Terence Young:** Thank you, Chair. I'll give the rest of my time to Mr. Fantino.

**The Chair:** Thank you.

**Ms. Colette Watson:** —90 seconds is not enough time to get into an issue but a half-hour is.

**Mr. Keith Pelley:** We'll be carrying the federal debate in how many languages?

**Ms. Colette Watson:** In five languages.

**Mr. Keith Pelley:** The first federal debate, we'll be carrying in five languages. Again, if we had continued under the old scenario, that would not be done.

• (1730)

**The Chair:** You've got about 30 seconds left.

**Hon. Julian Fantino:** Just very quickly, Mr. Chair, thank you very much.

I want to just reference back to the CRTC. You've indicated that it did not see this coming, etc. At the 2014 licence renewal hearing, Rogers did not tell the CRTC that it intended to cancel all local news on OMNI stations. The other thing too, of course, is the response by the CRTC. A broadcaster is not a conventional broadcaster unless it offers a wide range of programming that reflects Canadian attitudes, opinions, ideas, values, and artistic creativity. Local programming

containing newscasts, both on weekdays and the weekend, constitutes an essential part of the required programming.

Finally, Mr. Chair—

**The Chair:** Sorry, I'm going to have to cut you off.

**Hon. Julian Fantino:** I just want to hearken back and say that if you can't comply with the licence, you should give it up.

**Mr. Keith Pelley:** We are complying with the licence, but thank you.

**The Chair:** I'm going to have to move on. Mr. Sullivan will have the floor.

Mr. Vaughan.

**Mr. Adam Vaughan:** Having not used my full allotment of time, I would ask the committee's indulgence to have a second go-round. I didn't use the full time.

**The Chair:** Mr. Vaughan is asking for unanimous consent to get some time.

There is no consent.

Mr. Sullivan, you have about three minutes.

**Mr. Mike Sullivan:** You stated several times that people have other options. In fact the Italian community doesn't have another option for local news in Italian. It isn't there. Nor does the Punjabi community.

I agree with you that generally in Canada, in English and in French, consumers are moving away from conventional television to receive their news, not in big enough numbers to cause the kind of abandonment of news that is happening now but certainly not in these languages.

There is no other Italian facility for persons who don't have English. I agree that some of them have English, and they may go somewhere else. They're certainly talking about going somewhere else for their cable and cellphone providers.

The other comment you made was that you were going to provide some kind of current affairs access to news. Correct me if I'm wrong, Ms. Watson, but what you said was that the Italian community would be served by a lifestyle program starting in the fall.

That's really not going to help the Italian community at all.

**Ms. Colette Watson:** I don't disagree with you. I'm not happy with the solution I have with respect to the Italian service we're providing.

**Mr. Mike Sullivan:** So fix it. Put back the news.

**Ms. Colette Watson:** We will be creating the current affairs show for them in 2016, in that language market. That's all I can afford, sir.

**Mr. Mike Sullivan:** You talked about it in terms of the election campaign, and how people would be able to use that to get longer-form access to current affairs. That's not going to happen in the Italian community, and you just confirmed it. Maybe in 2016 there will be a different government then.

**Ms. Colette Watson:** It's all we can afford.

**Mr. Keith Pelley:** I can tell you, I would be surprised if every one of you who was working in the private sector would not have come to the same conclusion, having exhausted every possible opportunity that we did.

I understand the role that you play. I understand that you have to speak the way you have to your constituencies. At the same time, if you were looking at the actual business model and running it as a private business model, you would do exactly the same thing.

I have let people know that it's coming, and with all due respect, we are adhering to every facet of our conditions of licence. I think to suggest otherwise is completely unfair.

**The Chair:** On that note, that will have to be the last word.

**Mr. Adam Vaughan:** On a point of order, Mr. Chair, the issue raised by Minister Fantino is a significant one. A change to a

promise of performance is properly done through a public hearing at the CRTC at the time of licence renewal.

**The Chair:** Mr. Vaughan, I'm sorry, but this is not a point of order; it's a point of debate.

**Mr. Adam Vaughan:** Just let me finish. This is the point of order.

Insofar as there has not been a public hearing under the regulatory process, it would be entirely responsible to ask for this committee to reconvene and to call witnesses from the communities that have been affected.

**The Chair:** Mr. Vaughan, I'm going to have to cut you off there. That's not a point of order.

On that note, the meeting is adjourned.

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