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Chair

The Honourable Hedy Fry

Standing Committee on Canadian Heritage

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•(0845)

[English]

The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)): Order, please.

In the first hour, we have Rogers and the Fédération nationale des communications.

I think each one of you who are presenting, both as a unit, Rogers and the Fédération, should remember that you have 10 minutes to present. I will let you know when you have two minutes left. After that, there is a question and answer period.

We will begin with Rogers. I don't know if you'll split your 10 minutes or if one person is going to speak.

Please begin.

[Translation]

Ms. Colette Watson (Vice-President, Television and Broadcast Operations, Rogers): Thank you, Madam Chair and members of the committee, for inviting us here to discuss the current challenges facing local media.

My name is Colette Watson, vice-president of television and broadcasting operations for Rogers Media, and with me is Susan Wheeler, vice-president of regulatory affairs for Rogers Media.

At Rogers, we are committed to innovation and the celebration of Canadian culture. It has been our legacy ever since Ted Rogers revolutionized radio in this country with the first FM signal. We honour a diversity of voices by delivering content to Canadians that enlightens, informs, and entertains.

On the local level, we operate under the City brand in seven markets across the country—Toronto, Vancouver, Calgary, Edmonton, Winnipeg, and Montreal, and in the province of Saskatchewan—and operate 51 local music and news/talk radio stations across Canada.

We also operate five local multicultural TV stations under the OMNI brand in Toronto, Vancouver, Calgary, and Edmonton. At OMNI, we provide programming to more than 40 distinct ethnic and cultural groups in more than 40 different languages.

Across our cable footprint in Ontario, New Brunswick, and Newfoundland, we have 41 community TV channels offering coverage of local events and issues in both official languages. In fact, in 15 of these 41 communities, Rogers TV is the only source of local TV news and information content, and last year, close to 30,000 community groups participated in the creation of this community content.

[English]

As you have no doubt heard throughout these hearings, the Canadian media industry has been in a state of transformation for a few years. The economic model for local television is under significant pressure as advertising dollars shift from linear to digital platforms. We've had to adapt to the new realities of this changing economic model over the last few years, not just for financial reasons but also to meet changing audience demands and trends. As Canadians we lead the way in data consumption globally. We want to consume content where we want, when we want, and on the device of our choosing. There is no doubt the consumer is firmly in the driver's seat.

As broadcasters, we must move with this changing tide and the successful companies will be the ones who adapt the fastest. While the industry is still in a state of transition and new business models have not yet been firmly established, we believe there are three immediate actions the government and its legislative arms can take to help navigate the digital transition.

One, fully compensate local broadcasters for costs associated with the government's plan to repurpose the 600 megahertz spectrum and create a fund for local programming with a portion of the auction proceeds.

Two, modernize the government's funding tools and programs to reflect Canada's digital reality.

Three, ensure sustainable financing for local news and information programming resulting from the CRTC's review of local and community television programming.

First, allow me to give you a sense of the economics of the broadcast industry today. Based on the CRTC's latest statistical and financial report on conventional television, the private over-the-air, or OTA, television sector in Canada has experienced a 16% decline over the past four years.

In 2014, profits before interest and taxes, or PBIT, for private local television stations dropped industry-wide to minus \$138.7 million, and the PBIT margin decreased to minus -7.7%.

As the smallest conventional television group, Rogers stations have been disproportionately impacted by this decline with a PBIT margin of minus -37.2% in 2014.

For niche stations like OMNI, the situation is dire. Since 2011, OMNI has experienced a cumulative decline in revenue of 74%. That is a drastic and unsustainable decline, a decline that has forced us to take costs out of the business in an effort to keep these stations on the air. While these challenges are real and significant, we do remain committed to finding a new business model for the production and dissemination of local news and information programming. One that reflects how, when, and where Canadians consume the content they trust and rely on.

The 600 megahertz spectrum is currently occupied by local OTA television stations. In August of last year the Department of Innovation, Science and Economic Development issued its decision to repurpose a good portion of this spectrum band for mobile broadband use.

●(0850)

Rogers supports the repurposing of this spectrum, but we have deep concerns about the impact it will have on local television. We have expressed these concerns to the department directly and through our trade association, the Canadian Association of Broadcasters. It is important for this committee to know that the cost of relocating to new channel allotments will be significant and, in some cases, totally prohibitive for certain broadcasters.

For us alone, we estimate the cost to relocate our stations to be over \$20 million at a time when we have yet to fully depreciate the major investments we made to convert to digital transmission in 2011. On an industry basis, the cost could be anywhere from \$520 million to \$1.25 billion, depending on the complexity of the transition. The timing, quite frankly, couldn't be worse.

Given the fragile state of the OTA television sector here in Canada, and that the auction for this sector will likely generate more than \$5 billion in revenue, we urge the federal government to fully compensate affected broadcasters for their relocation costs, and create a fund for local television programming from a portion of the proceeds of this auction.

South of the border, we note that the U.S. Congress has already agreed to compensate local broadcasters in full for their relocation costs. This was made clear to local broadcasters well before the commencement of the U.S. auction in March of this year. Unfortunately, we have yet to receive a response to our requests for compensation. We hope this committee will help bring attention to what risks being a very serious and immediate threat to the availability of local television in Canada.

Our second proposal is the suggestion that as part of the minister's upcoming digital consultations, this committee recommend a full review of its current cultural funding tools and support programs. The policy objectives of the funds are still very valid, but the framework is outdated and has not kept up with the rapid change of pace in the industry. We would welcome the opportunity to participate in such a review.

Finally, our third proposal is one we presented to the CRTC as part of its proceeding on local and community television programming. In that proceeding we proposed a model that would allow companies like Rogers, Quebecor, Bell, and Shaw/Corus that own both cable and local television stations to reallocate funding from the

community channels they operate in major markets towards either OTA stations or community channels in smaller markets. This would, for example, allow us to reallocate funds from our Rogers TV station in Toronto, a market that is well-served by local broadcasters including City and OMNI, and direct these funds to a small market like, say, Bathurst, New Brunswick. Bathurst is a bilingual community that is not currently served by a local OTA station, and this would ensure that people there are given access to truly local news and information in both English and French.

We recognize that these suggestions are not long-term solutions to the current challenges facing local television, but we believe they do offer local broadcasters an immediate path that can help navigate what are currently very turbulent and financially difficult times in the traditional media space.

We hope our suggestions today will encourage further discussions on the development of new and creative policies that will result in the continued availability of local content in markets large and small across Canada.

Thank you.

●(0855)

The Chair: Thank you, Ms. Watson.

Now we will go to the Fédération nationale des communications, Ms. St-Onge, for 10 minutes please.

[*Translation*]

Ms. Pascale St-Onge (President, Fédération nationale des communications): Thank you, Madam Chair. Good morning everyone.

My name is Pascale St-Onge, and I am the president of the Fédération nationale des communications, or FNC. I am joined today by my colleague, Pierre Roger, corporate secretary and treasurer of the FNC. We appreciate the opportunity to speak to the committee about news and information and, more specifically, about the future of regional news.

The FNC is a labour organization affiliated with the Confédération des syndicats nationaux, or CSN. The FNC represents more than 88 unions and some 6,000 workers in the communications and cultural sector. Present in most of Quebec's mainstream media outlets, the FNC represents the vast majority of staff and freelance journalists in the province.

We also have unions in Ontario and New Brunswick. Radio-Canada, *La Presse*, Groupe Capitales Médias newspapers, *Le Devoir*, *Le Journal de Montréal*, Transcontinental, TVA, Cogeco, and *L'Acadie Nouvelle* are just a few of the media outlets in which we are present. The people we represent work in print media, TV and radio, and increasingly, digital media.

In our brief, we discuss the numerous issues facing the news and information industry. On a structural level, the traditional media is experiencing financial trouble that is hindering its ability to carry out its first mission: to inform. Clearly, the advent of the Internet and the technological developments since have made it easier for people to access information and provided opportunities to significantly grow audiences.

The trend towards the use of digital media and social networks, which are free for the most part, is constantly on the rise. And these sources of information, which deprive traditional media organizations of considerable revenues, are, above all, dissemination platforms, as opposed to content producers.

Not only does this reality challenge the traditional media business model, but it has also given rise to a news and information crisis that could eventually lead to a democratic crisis.

In addition to these dramatic shifts, the industry's pervasive media concentration and convergence practices are jeopardizing the quality and diversity of information by turning it into an increasingly commercial commodity. All too often, spot news, fluff stories, and sensational headlines are what appeal to audiences. This type of information is intended, first and foremost, to entertain. The focus is on growing the audience at all costs, because that is the only way to make more money.

It goes without saying that such an environment undermines the work of journalists. Being forced to multi-task and operate on multiple platforms has led to a much heavier workload for journalists. For their part, freelance journalists have no resources at their disposal to negotiate working conditions, in light of the high level of media concentration in the industry. Now more than ever, their independence and integrity are under tremendous strain.

As part of this consultation process, the FNC encourages our political leaders to redefine their vision of the media. Our various levels of government have a duty to intervene to safeguard and improve information accessibility, quality, and diversity, and most western nations are in the process of doing just that.

We would like to submit to the committee 10 recommendations that, we believe, will provide the support needed to ensure that the media can continue to play its role as the fourth estate. Without further ado, here they are.

First, the FNC believes that it is now necessary to implement funding measures to support the production of high-quality and diverse information and news in Canada, as well as Quebec. All funding options should be considered. We are especially in favour of a payroll tax credit. Such a measure would allow media companies in financial trouble to keep their staff or, even better, to hire journalists to improve information plurality and diversity. Similarly, the measure would provide support to hire more advertising representatives or new technology experts.

Second, the federal government should set up a permanent fund to support local and regional programming and production, to expand the regional media footprint. It is imperative that funding be allocated to the production of regional news and information.

Third, CBC/Radio-Canada should be involved in producing quality local and regional information and news content. It is crucial that the crown corporation strengthen its presence in the regions. In order to do that, the public broadcaster needs considerably more funding and, above all, a much stronger commitment to and awareness of regional realities on the part of its leadership.

● (0900)

Fourth, to give Canadians better access to this high-quality and diverse news and information, particularly in remote regions, it is crucial that the government recognize high-speed Internet service as being an essential service.

Fifth, the government should introduce grant programs to support digital platform innovation. Similar programs are in place for cultural enterprises. Many small media organizations cannot afford to build better online applications. As audiences increasingly turn to the web, media outlets need to equip themselves with appealing, innovative, and effective platforms in order to attract those audiences.

Sixth, given the period of upheaval that our media companies are going through, it is incumbent upon government leaders to create a task force to examine the regulatory framework that should govern multinational web companies. The purpose is to identify the right tools to protect the production of local content in the digital era. It is also incumbent upon government leaders to impose certain requirements on these Internet giants, who enjoy lucrative advertising markets, both locally and nationally. They should have to contribute financially to the production and dissemination of high-quality and diverse news and information content in connection with those markets. They should also have to follow the tax rules in force in the countries where they operate.

Seventh, the federal and provincial governments have a duty to immediately address the issue of media concentration and convergence rife in the industry. Clear restrictions need to be imposed on media companies in order to limit their ability to employ sweeping practices that hurt information and news quality and diversity. The media should be subject to stricter regulation, particularly as regards its responsibility to inform. Simply put, government leaders must address the urgent need to protect the diversity of voices, not just locally, but also regionally and nationally.

Eighth, the FNC-CSN believes that the government should undertake an in-depth review of the CRTC's role and governance. In our view, the rules governing the appointment of commissioners should be reviewed. Political partisanship should not determine who sits on the CRTC. The Harper government's direct involvement when industry players asked the CRTC to regulate Internet giants was especially disgraceful. The CRTC has a duty to ensure that licence holders comply with the conditions imposed on them, especially in the case of news and information. The CRTC should also be involved in the discussion on how to legislate and regulate the Internet. Similarly, it should examine ways to protect the local and national media industry.

Ninth, it is our view that governments should make an effort to spend their advertising dollars on Canadian and Quebec media organizations, first and foremost. While we appreciate that social media provide access to large audiences, we think it makes no sense to have our tax money end up in the hands of multinational giants who thumb their nose at our tax rules and contribute nothing whatsoever to the production of information and news or the production of cultural Canadian and Quebec content.

Tenth, and finally, as social networks continue to grow in size and number, we believe the federal government should work with its provincial counterparts to establish media education programs. Canadians need to be able to distinguish between information from reliable sources and the so-called fake news that is prevalent on social media sites. Canadians also need to be able to distinguish between editorial content and advertising, which is increasingly blurring that line. Given the crumbling of online boundaries, it has become necessary to explain and underscore the role and contribution of professional journalists.

Keep in mind that we have discussed these solution proposals with a number of media company heads in Quebec, as well as with our union leaders and members. Though it was not possible to obtain unanimous agreement on which approaches to adopt, we see a clear consensus emerging industry-wide. Immediate action is needed. Several measures, especially financial ones, could be implemented temporarily to give companies the chance to transition fully to digital platforms and build new business models to protect the future of news and information.

As our societies grow more and more complex and as social networks contribute to the polarization of ideas, our media outlets need to be able to continue producing high-quality news and information and to make it accessible on appealing platforms to ensure that Canadians are exposed to diverse points of view.

• (0905)

Thank you for listening to us. We are available to answer any questions.

[English]

The Chair: Thank you very much.

Now we go to the question section. This is a seven-minute round, in which members will ask questions of you. The seven minutes includes questions and answers, so I would like everyone to be as concise as possible so we can get as many questions in, and as much information from our witnesses, as possible.

We begin with Ms. Dabrusin, for the Liberal Party.

[Translation]

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): Thank you, Madam Chair.

[English]

Thank you to all the witnesses.

My first question is for Rogers because you mentioned in your presentation that in moving to a digital platform our current “framework is outdated and has not kept up with the rapid pace of

change in the industry.” I was wondering if you could elaborate on what you see is outdated and needs change.

Ms. Colette Watson: We refer specifically to the CMF criteria and the CAVCO tax credit system. The genres that they allow for funding perhaps need some updating. They don't allow for local news and information, and the type of programming that is most popular with Canadians today.

With respect to tax credits, I think there might be something my colleague would add.

Ms. Susan Wheeler (Vice-President, Regulatory, Media, Rogers): Yes. With respect to the tax credits, I think our main recommendation is to review the eligible productions that can receive the benefit of the tax credit program and look to see whether there are measures that can be taken to support local news and information programming. Traditionally, those have been excluded categories because they've been well financed and supported through advertising revenue, and that, given the digital transition, has obviously changed. The other programs that we believe should be in scope are things like the Canadian periodical fund as well. That currently doesn't provide any support for digital distribution. Given that is likely the trend going forward, we think that is something the department should consider.

Ms. Julie Dabrusin: We see a lot in the media these days, or we hear a lot, about people cutting the cord and moving away from cable to digital platforms. How are you facing that challenge, first of all of monetizing content in the digital realm, and also are there any specific copyright challenges that are posed by that switchover?

Ms. Colette Watson: I'll start, and I'll let my colleague discuss the copyright challenges.

With respect to cable erosion, for the last few years it's been within the regulated pie. With respect to our community channels, we've seen a 1.5% to 2% decline per year for the last four years. As the members may be aware, community television is financed by 2% of cable revenues. The community television financing has declined significantly since 2010, which has made it difficult to produce programming in those very small local markets, where sometimes it's the only television media available to those markets.

With respect to monetizing in the face of cable erosion, we have to look to different platforms. We will be looking at direct-to-consumer opportunities, we are looking at how to monetize online, and we are looking to create new programming, either through branded content or integrations, that will allow advertisers to also reach the audiences they seek.

Ms. Susan Wheeler: As more media consumption moves online, obviously the issue of piracy and the illegal consumption of content becomes a larger issue. The government, in its last review of the Copyright Act, indicated that it had built in a five-year review time frame for that. I think that the issue of piracy needs to be a priority in that next review, in terms of the tools that we currently have to remove that content and exercise our territorial rights for that content in the market.

• (0910)

[Translation]

Ms. Julie Dabrusin: You talked about that, Ms. St-Onge.

Would you like to comment on the issue?

Ms. Pascale St-Onge: When it comes to traditional television, it is clear that people are increasingly replacing cable television with intelligent TV and the web.

Our concern has more to do with the news. News content is currently produced by general-interest networks. When it comes to smart television, there is a lot of development and innovation left to do in terms of applications for users to have online access to the news. The format will have to be completely different from that used by general-interest networks.

The problem is that this requires investments in technology, innovation and programming, and many companies don't have the means to make those investments. I will let Mr. Roger provide further information on this, if he wants.

For example, the tablet application *La Presse+* from the *La Presse* newspaper did not exist before; it's something completely new in the newspaper world. It has a good chance of success—and we hope that will be the case—but it required \$40 million to \$60 million in investments. I don't think that smaller markets have the means, especially when it comes to regional and local news, to develop these kinds of new technologies. I think that government support will be needed.

Mr. Pierre Roger (Secretary General-Treasurer, Fédération nationale des communications): In addition, I would say that the traditional business model is becoming less and less effective for the media. We could be talking about television or radio, but the situation is worse for print media, which are clearly struggling with that shift toward new platforms. On the one hand, traditional advertising revenues are decreasing, and on the other hand, companies have to develop digital platforms, and that requires investments. There is also advertising on digital platforms, but it is less profitable than advertising in traditional media.

We believe that considerable financial assistance will have to be provided by various levels of government over a number of years. That assistance could come in the form of payroll tax credits or significant funding dedicated to that digital transition.

[English]

The Chair: Mr. Waugh, for the Conservative Party.

Mr. Kevin Waugh (Saskatoon—Grasswood, CPC): Thank you and good morning everyone.

We'll start with Rogers. Congratulations, it appears that you have either the first- or second-largest media outlet in this country. You've made some good choices, I see, with radio.

The specialty channels have certainly treated you well, but what hasn't treated you well? I guess that's the first statement I'm going to ask you to clarify. You've owned a lot of FM stations in radio. Your specialty channels have done well, maybe you've overpaid for some products. We won't talk about the NHL.

What's gone well for you right now?

Ms. Colette Watson: It's not that it's gone wrong, it's that the environment is evolving. Things are changing and as with many things in life, frameworks don't necessarily move at the pace of consumer evolution. We're here saying that there's a change. We want to operate within the Canadian cultural framework that has been established.

We have been a proud partner of that framework for 50 years, but it's changing and we're here to say that we have some ideas on how we can evolve this together for the benefit of Canadians. Good, strong, profitable Canadian companies create jobs for Canadians and pay taxes to the government. We want to evolve and we are hoping to keep pace with the pace of that evolution.

Mr. Kevin Waugh: You're a distributor. You're in broadcasting, telecom, publishing, you're into everything here. We look to you. Other than looking at the CBC and their umbrella, you're the private people who have to lead the way, so lead.

Ms. Colette Watson: Right and that's why we're here. We have three concrete suggestions for you to look at.

Mr. Kevin Waugh: Yes, I have them, the compensation, but everyone wants to be compensated by government. I'm tired of that, actually.

• (0915)

Ms. Colette Watson: We wouldn't need to be compensated if you weren't repatriating the spectrum we already occupy. We're saying if you want to expropriate, that's great, but we should be compensated since we've already made a digital transformation change in 2011 based on a government policy.

We haven't even fully depreciated all of those costs and those are unrecoverable costs. It's not like we can hang out a shingle and make some money off this, and so that's the kind of thing.... As for the Canada Media Fund, it's stuck in the 80s, and we need to bring it to 2016.

Mr. Kevin Waugh: We haven't even updated our Broadcasting Act. Why would we do what you're suggesting?

The transformation talk about that...because you're supposed to be a leader in digital. I've sat with groups here in the last two weeks in my office, and all they complain about is Yahoo, Facebook, and Google. When are we going to take these companies on, and what do we have to do to take these companies on, and to get into the digital game?

Ms. Colette Watson: These are global companies with global scale. We operate in the world's best country, but it doesn't have the kind of scale those companies have. We have created and obtained cultural copyrights for content that can be easily usurped or monetized on a larger platform than we can compete with.

With respect to leading the way, we are. We like to innovate. We want to innovate. We just need to have a framework that allows and enables that digital transformation.

With respect to being leaders, I'm happy to point out that last week, or the week before, we launched the first direct-to-home sports channel application in the country. I can give you a 30-second commercial on Sportsnet now, if you'd like.

Mr. Kevin Waugh: I saw it.

Ms. Colette Watson: We were the first to do this.

I was hired by Ted Rogers. Mr. Rogers needed to be first at everything. He wanted to try. If it didn't work, that's fine, but he would go out and try again. That DNA still exists in this company. We still want to be first. We want to succeed. He was also a patriot. We want to succeed in this country, and we're just here to offer some suggestions on how we can do that together.

Mr. Kevin Waugh: Now with the publishing industry, you've had some failures, and you've had some successes. Where is it going? You have a big umbrella here.

Ms. Susan Wheeler: We came here primarily to talk about the state of local television, but the challenges that are facing local television have been facing the publishing industry for a much longer period of time. We have tried to get ahead of that curve by introducing new products like Texture, which is our digital aggregation product. It's Netflix for magazines, as we like to call it. That has slowly been gaining traction in Canada, but it's a slow process, and firm business models have yet to be established.

Mr. Kevin Waugh: I have to move on.

Ms. St-Onge, we'll just talk. The one thing I didn't like at all in your proposal is that all government institutions should be encouraged to increase advertised spending. Why do you think it's the people of Canada who need to spend on your behalf?

[Translation]

Ms. Pascale St-Onge: We don't feel that the government has to increase advertising spending, but that it should begin by investing in Canadian and Quebec companies instead of in Facebook or other platforms, since that money goes to multinationals that do not pay taxes or help produce local and regional news.

The media will need support until they complete the digital transition. The government's role is also to support them.

[English]

Mr. Kevin Waugh: You know, and you said in your report, only 10% of local media revenues were derived from digital advertising. Nobody's making money in this country on digital advertising. It's cheap. You know it's cheap.

[Translation]

Ms. Pascale St-Onge: Yes, absolutely. That is part of the problem. The fact is that, to produce information, giants such as Facebook and Google do not have to bear the expenses the media have to bear. They reproduce information and can offer much lower advertising rates. We are asking for a level playing field for all the players. Whether we like it or not, Facebook, Google and other giants have benefits that others do not have. Certain rules force the media to reinvest money in content, while those large companies have no such obligations.

• (0920)

[English]

The Chair: Thank you.

Now we're going to go to Mr. Nantel from the New Democrats.

[Translation]

Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP): Thank you very much, Madam Chair.

The witnesses are right in saying that these are tremendous challenges. The Americans are currently making the most money, as they are not charging a sales tax on their advertising contracts. That's despicable, and I am among the clients who consume advertising on Facebook. Many people do this without even realizing it. It's part of modern life, but it is very problematic.

I want to begin by thanking all the witnesses for joining us this morning. I have a question for the Rogers representatives.

I especially appreciate the fact that you looked at the issue from two perspectives: the regulatory perspective and the television perspective. I am seeing more and more that all the industry stakeholders—artisans, producers, broadcasters and distributors—feel that the system is becoming flawed. Big players are coming out of nowhere with large trucks that create road ruts.

Can we count on the big players like Rogers to delegate representatives of various sectors, such as production, distribution, and home and wireless Internet? When the minister does her consultations, we will need to hear the point of view of all the players and not just that of one big, careful player that will say just about anything so as not to jeopardize their business. Do you think we can hope that Rogers will delegate all those representatives to contribute to the debate?

I have noted the same kind of discomfort among the other players many times. Theoretically, the 600-megahertz figure is to the advantage of some of your companies that can do more in terms of the Internet, but it is a huge problem for you as a producer and broadcaster. Do you think we can hope that everyone will do their part?

The same question is for the Bell and Québecor representatives.

Ms. Colette Watson: It would be our pleasure to do so. We are joined by our group of people from print media. There was a limit of two people, but if you want to create a task force with more representatives, we would be happy to participate.

Mr. Pierre Nantel: That's great. Thank you.

It's important for everyone to see that the boat is taking on water all over the place, and the situation is no longer funny. People may think that they can make money by selling patches for the boat, but that's not funny anymore. The hull can no longer be patched up, as water is leaking on the other side and there are bigger holes.

I have another very quick question to ask, as I would like to put some questions to the other witnesses. This may bring a smile to the the old timers' faces.

Radio was something that worked well and made a lot of money. It is doing the best job of withstanding the changes nowadays because its operating costs remain fairly low. Is the radio still a valid penetration tool for our regions?

Ms. Colette Watson: Our radio sector is successful, but each medium is facing challenges, which are starting to be recognized. New platforms such as Spotify and iHeartRadio are coming to the country, and that may lead to an erosion of revenues, but the situation is currently stable.

Mr. Pierre Nantel: Thank you for maintaining your point of view on the issue, as the goal of our study is to see how our small regional media—you have a lot of stations and I congratulate you on that—can do successful business and how the situation can be fun for everyone because that contributes a lot to our cultural diversity. With that in mind, I am still wondering why the Minister of Innovation, Science and Economic Development is not involved. It's fine and well that the Department of Canadian Heritage is dealing with this, but we are talking about business, and these people are facing business changes.

That brings me to your 10 recommendations, all of which I find very worthwhile. The industry is fed up and has numerous challenges to deal with. I would like to discuss your 10 recommendations, but I can only talk about the last 9 because I unfortunately missed the first one. I asked our clerk why we did not have a copy of your presentation. I hope we will all get it, in English and in French, as it is crucial for everyone to be familiar with your overview, which seems very complete to me. What was your first recommendation?

Ms. Pascale St-Onge: It was to put on the table all the economic assumptions to support the digital transition of media companies. Our preferred solution is payroll tax credits because we believe that is the quickest way to do things and it would place the media at arm's length from the government.

Many people may say that those tax credits should be used mainly to hire journalists or be applied to their wages, but we believe it should go much further because there are two difficulties involved. The first one has to do with the development of new technologies. Companies have to be able to hire programmers, web integrators, and so on. The second issue is that a diversity of audiences has to be ensured and new directions have to be explored in terms of advertising in order to generate revenues. Of course, we want those measure to be temporary to give the industry a new lease on life and new business models.

● (0925)

Mr. Pierre Nantel: You used the term “industry”. There are challenges in terms of research and development. It's not a matter of weaving a sash, but rather of creating new business models. The costs associated with those new platforms also have to be considered.

You talked about government advertising. I know that my colleague is always worried that we are spending too much. I would like to come back to the point raised by the Minister of Canadian Heritage. She said that official language responsibilities

should be shared by all departments, so that everyone would be promoting official languages in Canada. That is not the concern of a single minister, but of all the ministers. Similarly, support for regional media should be the responsibility of all departments, which should concern themselves with regional markets. You made a relevant analysis.

I agree with you about managing what is commonly referred to as GAFA—an acronym that stands for Google, Apple, Facebook and Amazon. Unions could be asked to contribute to the debate by providing a practical analysis worthy of the Observatoire de la culture du Québec, like the one you provided.

Regarding GAFA, do you believe the solution lies internationally?

Ms. Pascale St-Onge: Part of the solution is definitely international. We are actually very worried about the Trans-Pacific Partnership, which will prevent signatory countries from adopting legislation....

[English]

The Chair: Ms. St-Onge, can you wrap up, please? Finish your sentence.

[Translation]

Ms. Pascale St-Onge: It will prevent signatory countries from adopting new legislation that would help us regulate the web giants a bit more.

[English]

The Chair: Thanks very much.

Now we go to Mr. Vandal for the Liberals.

Mr. Dan Vandal (Saint Boniface—Saint Vital, Lib.): My first question is to Rogers. In your presentation you stated a few times that under modernizing tools and programs, the policy objectives of the funds are still very valid, but the framework is outdated. You said the frameworks don't move with the industry evolution, I believe, a few minutes ago.

Could you speak more on that? I think you have started already, but I'm having trouble with the echo in the room. Could you just say more exactly what that means, that the frameworks are outdated and the frameworks don't move with industry evolution?

Ms. Susan Wheeler: There are three primary funding mechanisms for the content we currently provide: the Canada Media Fund, CAVCO tax credits, and the Canada periodical fund. All of those programs right now don't necessarily support digital distribution, where we believe the industry is moving.

On the CAVCO side, it requires you to exploit the content first on a linear platform, so if you have a first-window digital distribution, that's not something you're going to get tax credits for.

On the CMF, a lot of their funding formula is based on total hours tuned, so that's a linear metric that really measures and rewards volume of content being repeated and watched. We know that linear viewing is obviously decreasing, and people are watching more content on demand. The funding mechanism should reflect that.

On the Canada periodical fund, right now there is no support for digital distribution. They measure content on the physical space on a page. That's obviously not something that's a relevant metric going forward in a digital environment.

Mr. Dan Vandal: Several months ago, or maybe six weeks ago, we had a representative of the CRTC that was in delegation, and they said that there was more than enough money in the system to support the creation of news and local information programming.

Do you agree with that position?

• (0930)

Ms. Colette Watson: I would say that there's an opportunity to reallocate within the existing system. More than enough might not be the description I would use, but things can be made better with the proper reallocation within the system.

Mr. Dan Vandal: Regarding your first position that the framework is outdated, is that not contrary to what the CRTC are, in fact, saying? They're saying that there's more than enough money and resources in the system to adapt to help the broadcasters and the media industry going forward. Is that not a contrary position?

Ms. Colette Watson: There's enough, not necessarily more than enough. Within the current pie I think the proper reallocation would alleviate many of these things. We've tabled a proposal with the CRTC and we believe that solution would solve many issues.

There are a lot of opportunities to update and modernize and change, but I do agree with the commission that we don't need to increase the amount of money required through the 5% fund that exists today.

Mr. Dan Vandal: Is the proposal that you tabled with CRTC the same presentation you've made this morning or are there changes?

Ms. Colette Watson: No, this is consistent with what we've filed.

Mr. Dan Vandal: Okay.

How do you define a community TV station? You have 41 of them, I believe?

Ms. Colette Watson: Those are entities licensed by the CRTC, and so a cable company or a BDU, a broadcast distribution undertaking, has two options. They can take 5% of their television revenues and send them to the Canada Media Fund or they can create a terrestrial network of local community channels called for local expression.

Of that 5%, two points can be taken to fund those community channels. They are done by licence though and so what happens in Bathurst if you have—I'm pulling a number out of the air—30,000 customers on 2% of those revenues, that's the money you have for Bathurst. You can't take that money and move it to Miramichi or Saint John. You can't take the money from Toronto and move it to St. John's or Gander.

We have to operate within those licence frameworks, so we are proposing some flexibility to maybe spend less in Toronto and more in Bathurst or in Gander or Corner Brook, as need would dictate.

Mr. Dan Vandal: Am I right that 5% of the subscription revenues from BDUs go to support Canadian programming?

Ms. Colette Watson: Yes, the other three points go to the Canada Media Fund.

Mr. Dan Vandal: Okay.

In your opinion should the CRTC review it? Is that a recommendation we should be making? Should it be increased or decreased?

Ms. Colette Watson: No, we agree with the current. We agree with the commission saying that the 5% is more than enough within that framework. We've asked the commission for flexibility to take from Toronto and give to the smaller markets and then look at a way within a vertically integrated company, perhaps within our own group, to take from a Toronto community channel and give to a city station in Winnipeg, if that were the case.

Mr. Dan Vandal: I understand Netflix, Shomi do not pay taxes in Canada. They're quite popular in Canada. Do you have any opinion on that scenario? Is that something we should be looking at?

Ms. Susan Wheeler: Just to clarify, Shomi does pay taxes in Canada. Netflix is.... The non-Canadian services do not pay taxes. Yet we believe that all services should be operating on a level playing field, so that's something I think we would agree with.

The Chair: Thank you very much.

Now we move into a second round. It's a five-minute round, and we begin with Mr. Van Loan from the Conservatives.

Hon. Peter Van Loan (York—Simcoe, CPC): Thank you very much, Madam Chair.

I think it's fair to say Canadians have a love-hate relationship with Rogers. They love a Canadian success story. They love much of the product they get and then they have things about the company or its actions at times that drive them crazy. I think that's true probably for a lot of the people at Rogers too.

But that being said, having seen it grow to success, we want to see it continue to be successful. One of the things I have noted is that when we talk about print delivering news, we hear more and more, for example, that in the Torstar empire their local newspapers are successful, they continue to generate revenue and do well, and that's being used to subsidize the mother ship.

We're hearing an opposite message from you. I have seen evidence in my local Rogers; the people have taken some tentative steps toward delivering local news that could be in parallel. We have these very compelling political talk shows that people like us get to appear on. Of course we think those are great; I'm not sure the community loves them as much.

For example, I have seen in my own municipality, a community of about 40,000 to 50,000, the beginnings of what look like an effort to deliver local news by that Rogers community channel, but it always seems like half-efforts, tentative efforts. What are the barriers that you face technically or otherwise or in a regulatory way to taking that additional step to delivering the same kind of news that our local newspapers deliver, but on television?

● (0935)

Ms. Colette Watson: Thank you for that great question.

In your riding, we used to do a newscast. It was called “First Local”, as you may remember. In 2010 the CRTC changed its policy on community television and required us to spend on and exhibit more access programming, which is programming created by and for the community. Everything we do on community channels is created by, for, and with members of the community.

When it came to the daily news show, we felt that it needed to be produced more by the entity itself rather than being community produced. When the regulation took effect in 2010, we had to withdraw from that program in order to meet the regulatory obligations on access spending. We understood that we took away a very valuable service. We had to do that in all the 905s, embrace it, and embrace the new framework. When we appeared before the commission in January, we explained to them that if the commission felt there was a dearth of local news in smaller markets, we could reinstate these newscasts if they went back to the pre-2010 access formula.

So that would be one thing: to support our proposal at the commission to go back to the access level of 30% rather than 50% in order for us to create those local newscasts.

Hon. Peter Van Loan: Okay. When you say “30% rather than 50%”, you’re getting into technical stuff I’m not that familiar with, so I’ll invite you to expand a bit on that. It seems to me that it was a way of meeting the requirements. I look at our local television stations, and for CTV Barrie I might see one of their cameras at a community event about once every six weeks now. It used to be much more frequent than that. I would look at this and say that kind of Rogers stuff had the potential to really fill that gap and meet that community need.

Could you expand on the 30% to 50% and also identify any other barriers that you might have? I’ll save the other question until you’re done.

Ms. Colette Watson: Currently, the commission obliges us to spend 50% of that 2% that I explained earlier on access programming. Newscasts are expensive to produce. We were typically spending fully 50% on that, which means that you have no money to do your local hockey, the local high school football championship, the parades, or the political talk shows. If we were to go back to the 70% and 30%, we could afford to do it again and do it the way we used to.

That is step number one: for the commission to approve that proposal.

Hon. Peter Van Loan: Very quickly, you keep talking about this 2%. Is there any barrier to dipping into any other Rogers revenues/profits to make that number higher—

Ms. Colette Watson: No.

Hon. Peter Van Loan: —and to make the 5% higher? There’s nothing that doesn’t allow you to take money out of your general profits and plow that into local community stuff?

Ms. Colette Watson: No, nothing prevents us.

● (0940)

Hon. Peter Van Loan: Nothing prevents you?

Ms. Colette Watson: There is no regulatory barrier.

The Chair: Thank you very much.

Now we’ll go to Mr. Samson, for the Liberals.

Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.): Thank you.

I’ll start with Rogers. I have a question on your third point and your presentation to the CRTC concerning the redistribution of funds, which I think we’ve been talking about quite a bit so far. What was the response? Is it going to improve as we move forward?

Ms. Colette Watson: The commission hasn’t issued its decision. We expect it later this spring. We’ll know at that point.

Mr. Darrell Samson: If it were to be accepted, what would be the strategy that Rogers would bring to the table to improve the services in local and regional areas?

Ms. Colette Watson: We would reduce the spending that we currently spend in Toronto, on the community channel in Toronto. We would increase spending on regional, smaller community channels, particularly in New Brunswick and Newfoundland. Then we would look at helping to improve the production levels in our smaller city stations.

Mr. Darrell Samson: You don’t have a percentage that you’d want to put on the table today so we would know?

Ms. Colette Watson: It’s difficult without knowing what the commission is going to do. Once they issue their decision, I’d be happy to come back before you and give you our plans after that.

[Translation]

Mr. Darrell Samson: Thank you.

My next questions will be mainly for the representatives of the Fédération nationale des communications.

Ms. St-Onge, I really appreciated your presentation and the 10 recommendations you submitted to us.

Unlike Mr. Waugh, I would say that recommendations 2, 3 and 4 are the ones I am the most sensitive to. All three of them are related. You talk a lot about local programming, which I am extremely interested in. You talk about CBC/Radio-Canada and the need for the public broadcaster to have a stronger regional presence. You also mention high-speed service.

The budget we just presented contains additional funding for the affected sectors. Were you able to analyze future implications? What kind of an impact could this have on you, on us and on Canadians?

Ms. Pascale St-Onge: If we are talking about CBC/Radio-Canada more specifically, the fact that additional funding was allocated over a five-year period is a positive development. We hope that will enable the public broadcaster to turn even more toward new technologies while continuing to reach people with no Internet access who are still consuming information through television or radio. That's important to us.

We hope that CBC/Radio-Canada's management will adopt somewhat clearer positions because the problem, in the public broadcaster's case, is that we still don't know how that money will be invested. You will recall that, after the latest cuts, regional newscasts were reduced from 60 minutes to 30 minutes. Will the corporation's management reinvest in regional newscasts? That's clearly a priority for us.

We're still talking about cuts at CBC/Radio-Canada, as that was announced in the 20/20 plan. There seems to be no backtracking for the time being. This still seems nebulous to us, but I think it's in the hands of the CBC/Radio-Canada management. The corporation's executives will have to understand that they have a key role to play. We have noticed over time that, when CBC/Radio-Canada is present in the regions, others go there for the sake of competition, to get news, and so on. It's very positive, and we hope it will help revive regional news.

Mr. Darrell Samson: Okay, thanks.

The committee will have to look into this because it's a key regional and local issue.

I wanted to mention that I really liked you pointing out that the former government was directly involved with the CRTC, which was not quite right. I agree with you.

Can you say a few quick words about programming and education? What could be done to improve those aspects? What are your comments and opinions on the issue?

Ms. Pascale St-Onge: When it comes to education, we feel that we must work with provincial partners because this issue comes under provincial jurisdiction. We have to educate Canadians, who are very confused by the information found on social networks. When we know that Facebook uses algorithms, for example, to control the information in order to comfort users and support their positions and viewpoints, we see that it is becoming even more essential for people to understand that they are mostly seeing things on Facebook that interest them in the first place. Therefore, they are not exposed to opposing viewpoints.

For instance, I work for a union and I have the impression that everyone likes unions. Of course, when I read other news, I realize that is not the case. There are still people who question our role. This is a glimpse of the problem posed by social networks. That is why it is important to have media that provide real information professionally, with codes of ethics and ethical duties in place.

• (0945)

[English]

The Chair: Thank you very much.

I want to thank both groups of witnesses for coming. We appreciate what you had to say, lots of meat in what you gave us.

We're going to suspend now to move into the next session.

• (0945)

_____ (Pause) _____

• (0945)

The Chair: I call the meeting to order. We have before us two sets of witnesses.

We have Transcontinental Inc. and DBC Communications inc. They will share their 10 minutes, five and five. I will give you each a note when you have one minute left on each of your presentations, so you can finish on time.

We also have the Public Interest Advocacy Centre with Ms. Lau and Mr. White.

For DBC, we have Mr. Chartier and for Transcontinental, Mr. Olivier.

We will begin with Transcontinental, for five minutes, please.

• (0950)

Mr. François Olivier (Chief Executive Officer, Transcontinental Inc.): I want to thank the committee for having us here.

My name is François Olivier. I am the CEO of Transcontinental Inc., which is a Canadian public company listed on the Toronto Stock Exchange. We're active in two businesses at Transcontinental.

Just before we start, we're not exactly going to share five and five, but we are discussing the same issue.

At Transcontinental, we have two businesses. In manufacturing, we are the largest printer in Canada. We print everything from retail flyers for all retailers in Canada, including *The Globe and Mail*, and many others. We have revenues of \$1.5 billion in manufacturing and our media sector revenue is \$575 million, of which \$235 million is in local media, local content.

We produce in five provinces: Quebec, the Atlantic region, and Saskatchewan. We own 159 community papers across those provinces. We have 143 websites that complement the paper product. We also produce a lot of local digital content.

We have more than 1,700 people who produce and work on that local content in those provinces, with more than 1,000 people in Quebec. We produce *Le Courrier du Sud*, where Mr. Nantel is the MP. In Newfoundland, we produce *The Telegram*, and in Granby, we produce *Journal L'Express*. In most of your ridings, we own a paper and cover your activities.

I will let Benoit introduce his company and who he represents.

[Translation]

Mr. Benoit Chartier (President, Director General, DBC Communications inc): Thank you, François.

I will introduce myself. I am Benoit Chartier, president and editor of DBC Communications.

I am appearing today in a dual capacity, as I am also president of Hebdos Québec, a group of independent Quebec editors.

I want to start by telling you about DBC Communications. It is a publishing group that publishes three newspapers and a monthly agricultural journal. One of DBC Communications' famous newspapers is *Courrier de Saint-Hyacinthe*, which is the oldest French newspaper in America. It is in its 164th year of existence. DBC Communications is a publishing group with about 100 employees and 20 journalists, and we are very engaged in our community in the Saint-Hyacinthe region.

I would now like to talk to you about Hebdos Québec, which is a group of independent editors, like myself. There are about 20 of us, representing some 30 newspapers. We are all independent. We do not belong to any newspaper chain. We publish 1 million copies a week. We have 1.5 million readers per week and 800,000 unique visitors a month on our websites. The advertising revenue is estimated to be \$52 million. We have 400 employees, of whom 111 are journalists and 33 are photographers.

Basically, in Quebec, TC and Hebdos Québec have ties to 99.9% of the province's weekly newspapers.

I yield the floor again to Mr. Olivier.

[English]

Mr. François Olivier: We will get right into what we want to share with you this morning. We want to share the challenges that our industry has faced since 2009-10.

I want to explain how our business works. Basically, a company like ours, or an independent like Benoit's, in the weekly business we solely live on advertising dollars. We have to pay for the content, the journalists, the salesmen, the printing, and we pay for the distribution that in our case is total market coverage for most of our product. We send a paper to every home, so we don't have any subscription revenue. The readers don't pay anything for the content. We live solely on ad dollars for our community paper.

Some of our dailies in Atlantic Canada would have about 20% to 25% of their revenue coming from readers paying through subscriptions or through the newsstands, but the bulk of the industry is living on advertising, as I'm sure you've heard. Advertisers for many years, for decades, have supported and paid for the local content that citizens enjoy.

Who are our advertisers and those businesses? They are local businesses, local and regional businesses, not the big retailer and the national retailer. Those people deal transcontinentally with different flyers for their deals and they tend to advertise less in weekly papers. Our advertisers are local in nature and our readers are local in nature.

Basically what we have done, moving to why we're here in a sense, is very well expressed on page 5. Since 2005, we have seen the Internet.... At that point it was about \$500 million that they were capturing in ad dollars, and in 2014 it was \$3.8 billion. So the Internet is capturing advertising dollars away from traditional TV, specialty TV, radio, and daily newspapers, and also community newspapers.

It's fair to say that community papers, with a lot of local content, have been less affected than the other media, but things have changed in the last 24 months. Where we were seeing a 2%, 3%, or 4% decrease three or four years ago, and daily newspapers were

suffering a 10% to 15% decrease, now we're getting into the same zone.

From that graph, the blue bar, which is the advertising market for all community papers across Canada, you can see that all of our papers—our paper, Metroland papers, all the independent papers across Canada—at the peak in 2009 were capturing about \$1.2 billion in ad revenue, and in 2010 it started to go down. You can see that in 2014 we had lost 36% of our ad revenue.

I can tell you what the number is in 2015, and I am running the business in 2016. I can tell you now, to make a round number, that we have lost about 50% of our revenue.

If your business is living on only ad dollars and you lose 50% of your revenue, whether it's media or any kind of business, you need to react. You cannot lose half of your revenue and run the same business model.

Where is that money going? It's going to people who produce zero local content; people like Facebook, Google, all those guys. They are aggregators of content and they are people who do social media which is, in French we say *les discussions de perron d'église*. This is not a church porch discussion, this is not curated content. They don't produce content but they capture a lot of the ad dollars.

What have we done as an industry? For sure, we didn't come here to ask you to do our job. We've been doing our job in the last five years and when you lose 50% of your revenue, you have two things you can do. You try to catch the digital wave, so we invested a lot in digital, and produced a lot of digital product around content, some not around content, some around advertising.

For Transcontinental, we capture about 10% of our business, which is now digital. On \$240 million we generate \$24 million of digital revenue. Our digital products are very much liked by the community, but you can see the relationship. You lose 50% of your revenue. And when you capture the wave of trying to create new revenue, you create only 10%, so you still have a big gap.

• (0955)

The second thing we've looked at is our costs, and if we cannot make the shortfall on revenue we have to look at our costs. Transcontinental being a consolidator in that industry helped a lot in making sure that we took a lot of costs out of the system through economies of scale, best-practice sharing, and stuff like that.

In a sense, the fact that we are a large group saved a lot of papers that would have died on their own, not having the means of a large corporation. We cut on the printing costs, on the distribution costs, on the administration costs, on the sales costs. The only place we cannot cut is on the content because the content is the heart of what we do. If we cut there, we don't have a product. We're done.

Basically, also we have a lot of challenges—

• (1000)

The Chair: You have one minute left.

Mr. François Olivier: Just one minute. Okay.

I guess I will finish my presentation in the question period. Basically we moved from a single-product organization producing one product on paper to a multiple-product organization selling very complex products on the Internet. This is a very tough transition.

Also, a lot of our weekly papers moved from an organization that was creating content once a week—once a week—where you have a week to produce your story, a lot of time to do interviews, to a news organization that needs to produce content every single minute. It's a big challenge and a big task for our journalists.

Our business is changing a lot. I'll speak about the content later. Basically, what we're asking is for help in the transition year period. We've been supporting this for five years, but we're at the point where we will need to cut the content or some products will disappear because we don't have enough time to make this transition to the Internet.

We're asking, on the last page for various parts of the government to give us maybe a transition period—I think these are the key words. We're not asking for help forever. We know we need to be a stand-alone business, but we think that Canadian Heritage can maybe help for a period of three to maybe five years to help news organizations that support journalists, support content, and regions to give us the time to make that transition. If not, the paper will disappear—that would be my guess.

The Chair: Mr. Olivier, thank you.

Now we go to the Public Interest Advocacy Centre, Ms. Lau and Mr. White. Will you be sharing your time, or will one of you speak?

Ms. Alysia Lau (Legal Counsel, Public Interest Advocacy Centre): We'll be sharing our time.

The Chair: Then be mindful, please, of the time. Thank you.

Ms. Alysia Lau: Good morning. Madam Chair, honourable members of the committee. Thank you for inviting the Public Interest Advocacy Centre, or PIAC, to appear this morning to discuss the media and local communities. My name is Alysia Lau, legal counsel at PIAC; and with me is Geoff White, external counsel to PIAC.

PIAC is a non-profit organization and charity that provides legal and research services on behalf of consumer interests, including vulnerable consumers. In communications policy, PIAC advocates for fair and affordable access to a diversity of programming that serves Canadians' needs. PIAC has intervened extensively in CRTC proceedings relating to broadcasting policy and on numerous broadcasting licensing and acquisition matters, and in television in particular.

PIAC has one key message for the committee today. Local television is important, and it can flourish in the future. To achieve this, PIAC has three specific recommendations.

Number one, private broadcasters must fulfill their promises to provide local programming, and especially local news. Any funding support should be allocated in a way that is accountable; prioritizes small, independent stations; and focuses on encouraging local stations to develop sustainable business models.

Number two, CBC/Radio-Canada needs to be a strong public broadcaster with a mandate to be engaged with and even extend service where necessary to local communities.

Number three, the importance of non-profit community media must be recognized in policy and supported in funding.

Despite changes in the way Canadians access local programming and local news, local television remains important to Canadians. This is especially so for many rural communities that may not be connected to broadband. Local television continues to be a vital link to the rest of the country.

A 2014 poll commissioned by the CRTC found that 81% of Canadians said local news was an important type of television programming, and 53% said that local programming generally was important.

In the U.S., a 2015 Pew Research Center study found that nearly nine in 10 residents follow local news closely, and local TV was still the dominant source of local news in all three cities studied. The majority of respondents accessed local news on local TV combined with or separate from the web or social networking sites.

Even with the growth in online-only news sources, news produced by so-called traditional media such as print and television still played the dominant role in keeping democratic institutions accountable. Even the top news websites in Canada are online versions of traditional news media, such as the CBC and the CTV.

Mr. Geoff White (External Counsel, Public Interest Advocacy Centre): Good morning.

The Canadian television market has experienced significant ownership concentration over the last 15 years, and 79% of commercial television revenues are now controlled by four vertically integrated private broadcasters. Many of these also control massive stables of radio stations. Yet the major broadcasters, although continuing to operate profitable television media assets, are letting down local communities outside major urban markets and marginalized communities within urban markets.

They've significantly cut staff, especially at their local stations. Bell Media cut 380 positions last November. Rogers Media cut 200 jobs in January. Shaw has adopted a model that centralizes the production of all newscasts in one location, primarily Toronto. Rogers has completely eliminated multilingual newscasts across all of its Omni stations, ending access to over-the-air multilingual news for ethnocultural communities. This is despite the fact that during the 2014 licence renewals before the CRTC, Omni acknowledged that these programs played an important role in the communities that Omni served.

PIAC recognizes that conventional station advertising revenues have indeed fallen over the last few years. At the same time, other pay and subscription-based channels owned by the same national broadcasters are doing very well. Many of these broadcasters, upon acquiring local stations, promised that they would use their size, scale, expertise, and diversity of broadcasting and distribution assets to continue investing in local television. That generally hasn't been happening. The national, private, conventional broadcaster should continue to have obligations to produce and air local programming and especially local news.

PIAC recognizes the challenges faced by smaller independent local stations, and to the extent that any fund may be created to support local stations, that fund should prioritize these independent stations and focus on helping all stations develop sustainable business models. Such a fund could also draw on the proceeds of the planned repurposing and auctioning of the 600 megahertz radio frequency spectrum band, which will displace many local over-the-air stations.

PIAC supports the creation of a fund to assist those stations that would be reassigned. Given the importance of the issues raised in this committee consultation, this fund could also be earmarked for the production of local programming, particularly local news.

On the subject of CBC/Radio-Canada, the public broadcaster has a very important role to play and PIAC believes that the federal government's budget proposal to invest \$675 million in CBC/Radio-Canada over five years is a welcome step towards Canada having a strong national public broadcaster. However, PIAC believes this funding and any strategic plan for CBC/Radio-Canada should not fix all its attention on the transition to digital media. It should also ensure that local communities are adequately served by CBC stations, particularly where broadband access isn't available, reliable, or affordable.

●(1005)

Ms. Alysia Lau: Even with the popularity of digital media, independent non-profit community media still play a vital role in informing, engaging, and empowering local communities and marginalized groups. This is especially true in Canada where many communities do not have a local over-the-air station.

At the recent CRTC review of local and community television, numerous community groups and associations passionately described the ways they are trying to step up to provide programming that informs and engages their communities. Independent, community, and campus radio stations have emerged and developed throughout Canada, with approximately 105 community and 46 campus radio stations in operation in 2014. However, in television, more space must be created for the establishment and growth of non-profit community stations that understand and can serve the needs of their communities.

PIAC recommends that the committee recognize and support the ongoing importance of independent non-profit community media, from both a policy and a funding perspective. This could include a heritage study on community media, a national community media strategy, resources that provide training and administrative support to community stations, and initiatives that could provide some ongoing funding to community stations.

In sum, local television is important and can flourish in the future. Even in a digital era, local communities should be able to access programming that serves their needs through as many platforms as possible including, at this time, traditional local television. This will take an approach in which public, private, and community broadcasters all draw from their strengths and resources to fully serve Canadian communities.

Thank you for the opportunity to appear today and we welcome any questions you may have.

The Chair: Thank you very much.

Now we're going to go to our questions.

The first round is a seven-minute round, and that seven minutes includes questions and answers. I would like everyone to be as succinct as they can possibly be. We now begin for seven minutes with Mr. O'Regan from the Liberals.

Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.): Thank you, Madam Chair.

[*Translation*]

I would like to thank the witnesses for their presentations.

I will start with you, Mr. Olivier and Mr. Chartier.

●(1010)

[*English*]

Real-time analytics, I have been reading about this. From what I understand, it's revolutionizing the newspaper industry because now newspapers and editors can know how many people are reading their work, how they're reading it and through what devices, what sites they're going to, how long readers are sticking with those articles, and what ones they're ignoring. Newsrooms, like the *New York Times* and the *Washington Post*, are completely fixated on this. One quote I read said, "the biggest and least talked about development in traditional print media as it moves to digital is ratings". It now has ratings. Newspapers now have ratings, which only television had previously.

I wonder if real-time analytics is something that's affected your business.

Mr. François Olivier: Yes, we do sell that in the local community because we're a large corporation. We own some of these companies that are like a market of digital advertising. You could buy this in real time and—

Mr. Benoit Chartier: Real-time bidding.

Mr. François Olivier: —we do that at Transcontinental. We have developed a product for local communities, which has nothing to do with our content. Basically what we do is take the call to action that the advertiser wants to put on the paper on our websites, and we make this appear. We are able to buy or locate traffic around that community and make their ad appear on various websites through programmatic. This is a service we are offering in the community for the advertiser that has nothing to do with our content business.

We have free products you could advertise in the paper, or advertise on our websites, or have your ad appear on other people's websites that we're buying because we are a large corporation. We have access to this so that the calls to action of local retailers can be seen in the house where they do business or on various websites that are non-Transcontinental websites. We offer that service, but we have a lot of new competitors on the web that offer advertising to our local businesses.

The challenge is that a lot of the local businesses face their own challenge and their own competition. When Walmart builds a huge centre in a community, some local businesses that tend to be very supportive of our community paper often die. Walmart has other means to advertise, which is not these papers. It's not only our problem. It's also that if the local business community gets weaker, then we get weaker also.

Mr. Seamus O'Regan: What's interesting with these analytics is that they're starting to get results across the industry. A lot of it is not surprising, and it's consistent. Videos and podcasts are very popular. Short items of interest that can be easily read on smart phones, and almost anything that has the words Donald Trump in it apparently do very well.

I think what's heartening for me is that, perhaps counterintuitively and surprisingly, deeply reported features and investigative pieces do well. For instance, the *New York Times* had some long-standing coverage on ISIS and their barbarity, and that drew an incredible amount of traffic. In fact it drew readership levels they never would have gotten through print. What doesn't do well are those 600-word pieces about yesterday's news. One quote I read said, "this is the talk that you hear in newsrooms across the world". It's a great cause for concern that those pieces aren't getting attention because if you look back, Watergate began as a story of a burglary.

It was featured by anybody who saw the movie *Spotlight*, which just won best picture. That was a huge story that unearthed child sex abuse in the Catholic Church in the United States and for that matter around the world. It began with one small story about one priest. Therein lies the rub. People want to read deeply investigative articles, but they only begin with short articles.

You obviously want an audience. You want an audience that's going to stick. You want an audience that is going to subscribe. How do these fairly recent findings...I'm reading this in the *New York Times* article that only came out on Sunday. How does that affect your business?

Mr. François Olivier: Obviously we're not the *New York Times*.

Mr. Benoit Chartier: No.

Mr. François Olivier: Most of our papers have one, two, three journalists, or four.

Basically, if you go back to my presentation, on page 7 I express our problem in a very simple way. There is nothing more that our journalists would like to do than investigation, and we give them time and space, and the paper, and the websites to do investigation. I think they play a vital role in all the community to make sure that all the stories about city hall, and about what you all are doing, are made public.

For example, if a friend of the mayor wants to illegally rezone land and our people put that on the front page, I guess the land is not going to be rezoned. They play a role in the community.

• (1015)

Mr. Seamus O'Regan: *The New York Times* and *The Boston Globe* can afford a whole roomful of people.

Mr. François Olivier: Yes.

Mr. Seamus O'Regan: But on the flip side, you guys can afford one.

Mr. Benoit Chartier: It costs a lot of money.

Mr. François Olivier: Yes.

Mr. Benoit Chartier: It costs a lot of money to do. It's a lot of journalists and a lot of time, and we have three journalists in our newsrooms. We do what we can do with it.

Mr. François Olivier: If you look at page 7 of my document, I will explain all our business work. My business works that when you produce a paper you need to have half of the pages that are ad dollars and half of the pages content. That's how it works because you solely live on ad dollars.

If you send your people selling into the community and the community says we will support you with 16 pages of ads, then you produce 16 pages of content and you produce a 32-page paper. Then you can do a lot of investigation because you have 16 pages of space.

If your people go into the community and the community supports you with eight pages of advertising, I guess you're producing eight pages of content, and then people start to phone us and make comments like Monsieur Olivier, I'm paying my tax, why are you not covering this, why are you not covering my press conference? I can't. I only have eight pages and I have to feed the websites on top of it and I only have three journalists. So we do less.

Mr. Seamus O'Regan: The pressure to have those ads in no way affects the editorial content?

The Chair: Mr. O' Regan...

Mr. François Olivier: It doesn't affect the quality but it does affect the quantity.

The Chair: Thank you very much.

Now we go to Mr. Van Loan for the Conservatives.

Hon. Peter Van Loan: Thank you.

My question is for the Public Interest Advocacy Centre. This study has been unfortunately largely a dialogue between those who work for media outlets or those who are the media outlets and us. There has been a dearth of people speaking for the consumers, which is why I searched high and low for folks like you to have as witnesses. I think it's important that the consumer voice be heard as part of this conversation rather than just those on the other end of the spectrum.

One of the things that you have been very active in advocating for as a consumer group was this notion of these basic skinny packages, which the CRTC then went on to approve. I've been reading conflicting reports about nobody is grabbing onto it, or a lot of people are grabbing onto it, and it's going to really hurt the ability to get revenues or it's going to have no impact on them for the long run. What do you think about the desirability of it? Is it successful and if the use of them becomes more widespread, what kind of impact will it have on our interest in local news?

Ms. Alysia Lau: I'll try to address several parts of that question.

There are several reasons for proposing what is actually skinny basic and pick-and-pay together. Rogers mentioned before in the previous meeting that the way consumers are accessing content is changing and that's partly why PIAC and other consumer groups had advocated for these different options.

In a world where consumers want access to content, they want choice and they want flexibility to choose their content, and many were getting much more frustrated with their large bundles, which they felt they were paying too much for. This really was a way—not to force people to change, if you like your bundles you can stay with your bundles—if you wanted to downsize, you could go for a skinny basic and then be able to pick-and-pay on top of that if that suited your family's needs.

The pick-and-pay won't be fully integrated until December, so really we'll have to wait for a few more months to see what the impact of these new options will be.

In relation to your question on local stations, actually the skinny basic packages should include all the local stations and some regional stations as well, so that option itself shouldn't affect whether Canadians are receiving their local over-the-air stations.

Hon. Peter Van Loan: I take it from you then that if we're hearing from witnesses that that's one of the things causing a problem for them, your view is that it is not causing a problem for delivering local news.

Ms. Alysia Lau: Not in relation to your local over-the-air stations or your community stations.

Hon. Peter Van Loan: Were you here for the evidence from Rogers today?

• (1020)

Ms. Alysia Lau: Yes, we were.

Hon. Peter Van Loan: Well, you heard me ask a question about local news in my neck of the woods. I'm in the north end of the GTA, although it feels much more remote, when you're there, in a media context. I talked about how I would see a CTV Two camera about once every six months, when it would hit the constituency. As to CBC, I would have to count in years since the last time I saw a CBC

camera. The closest CBC station is in downtown Toronto, and they think they need to get a passport, I think, to go north of St. Clair Avenue. The chance of their coming up to Georgina, at the north end of York region.... It has been literally years since I've seen them cover a news story up there with an actual person with a camera on the ground.

I talked about how Rogers seemed to be making the move to fill some of that gap with local news. They say in their evidence that they were doing it, but then there was this tweak limiting the amount of their 2% local take for community broadcasting. They limited the amount that could be used for their news production.

I wonder if you could comment on that: the desirability of their moving into that space and the desirability of that regulation being changed back in a way that would facilitate it, or the desirability of their reaching into some of their own plans to do it.

Ms. Alysia Lau: First of all, in relation to local news, generally our position is that the local stations are in a better position to provide local news because of the history of having professionalism. It is usually labour-intensive reporting.

In regard to community stations, if they want to move into local information and local news, in our view the access programming threshold—the requirements set out by the CRTC—doesn't actually prevent Rogers from moving into local news, because the access programming just means that the idea needs to come from a community member and that the member need to be involved in producing that programming. That to us really is what a community channel is about: engaging the community members and making sure that they have a say in what's being aired on their community channel. In our view, then, there is a way to work access programming into local news.

Does that answer your question? I could also move into Roger's proposal about redistributing their 2%.

Hon. Peter Van Loan: Sure. I'd like to hear your thoughts on that.

Ms. Alysia Lau: I think you would have to tread very carefully in considering Roger's proposal, if it's the same as what they submitted to the CRTC. The urban markets they proposed to move the money from were just Toronto, Vancouver, and Montreal. In their proposal they could move the money or have the flexibility to reallocate either to community stations or to over-the-air stations in smaller communities. That could mean anywhere outside of Toronto, Vancouver, and Montreal, so it could also be Calgary and Edmonton and their Omni and City stations there. I know they mentioned Bathurst, New Brunswick, but there could be a concern that the money wouldn't actually go to Bathurst, that it could go to Edmonton.

We would have a concern to make sure that they are transparent about how they want to reallocate their funding.

Hon. Peter Van Loan: Okay.

Your first recommendation was that private broadcasters must fulfill their commitments locally. You spoke about Omni as your example of this. Are there other examples in which you think that commitments are made to local news content that are not being fulfilled?

Ms. Alysia Lau: We see generally right now that the obligations are for local programming, not local news. Regarding Omni, I think, we've mentioned the budget cuts. I know the CBC as well have decided to cut their late evening newscasts and their weekend newscasts in Ottawa. We consider Ottawa to be actually an urban market.

We believe one of the recommendations, moving forward, is to make sure that the conditions of licence are specific to local news, because that is what Canadians value. Local news still means a lot to them.

The Chair: Thank you.

That's it, Mr. Van Loan. Thank you very much.

Now we're sharing time between Mr. Nantel and Ms. Sansoucy from the NDP.

Thank you.

[Translation]

Ms. Brigitte Sansoucy (Saint-Hyacinthe—Bagot, NDP): Thank you, Mr. Chair.

My question is for Mr. Chartier.

In our regions, we know how important local media are. They are often the only way of getting news about the region. As my colleague said, if you are 50 kilometres from a major centre, it is often like you are on another planet.

All the witnesses who appeared today spoke about the challenge of producing regional news. We also heard about the importance of raising the profile of professional journalists in our democracy. With regard to your request for support during this transitional period, I would like to hear how you contribute to community development, through both advertising and editorial content.

● (1025)

Mr. Benoit Chartier: Consider, for example, the *Courrier de Saint-Hyacinthe*, which has ten or so journalists in the field and which has been reporting on the city for 164 years.

In my opinion, a regional newspaper is quite simply a pillar of democracy. The rapid shift to digital advertising in the last 24 months, as Mr. Olivier said, is jeopardizing this role and threatening the strength of journalism in the region. Without strong regional journalism, everything is up in the air. As Mr. O'Reagan said, the ability to do investigative journalism and get to the bottom of issues can be diminished. We would not find out, for instance, that the mayor's friend owns a lot in the neighbourhood that has been rezoned. Freedom of the press is part of the foundation of democracy, and that freedom must also exist in the regions. It must exist right across Canada, but especially in the regions.

Falling advertising revenues have left newspaper publishers in turmoil, in a downward spiral, which could soon lead to the closure of certain newspapers. When regional newspapers disappear, news

coverage is greatly reduced. There is no reporting on local politicians, be they local MPs, MLAs, or the mayor. Facebook, Google and Yahoo will not provide this coverage since they are based in San Francisco and elsewhere in the world. They take advertising dollars out of the country.

The situation is critical, in my opinion. We must take a serious look at the challenge posed by digital advertising. We will probably need a lot of government help to support journalism and news coverage in the regions.

Ms. Brigitte Sansoucy: Thank you.

Mr. Pierre Nantel: Thank you very much to all of our witnesses.

Thank you, Ms. Lau and Mr. White.

This is cause for great concern. I would like to highlight to my fellow committee members that, when Mr. Olivier says he will have to cut products, he means he will have no choice but to shut down newspapers in the regions.

Mr. François Olivier: Yes, we are a large corporation. I can tell you that we have a number of newspapers that are operating at a loss. I am not talking about tens or hundreds of dollars, but millions.

The corporation has a social role to play as a civic partner, but it also has to answer to shareholders. I am the head of a public corporation. When the numbers don't add up anymore, we have to address it. We try to group titles together. For example, a newspaper that served just one municipality will have to serve two or three at the same time.

We are in a transition. It's true that we do very well selling print advertising because we have been doing it for 40 years and because we have improved our practices. We need time to adapt to the Internet. Consumers want our product. Citizens and readers demand local content. They call saying they want more. The demand is there, but we need time to transition to a digital company, and I think we can get there. People are following us, in the print edition, on the website, on tablets, and on mobile apps. We are inventing a new business, which poses certain challenges. Whereas in the past, we managed news organizations, we must now in a sense become technology-based organizations.

We have two requests. First, we need temporary assistance for content production; second, we need financial incentives to invest in technology, to create new jobs in this area, and to purchase software applications.

Could some of our expenses be reimbursed as tax credits? We are trying to adapt in order to keep local news alive. We are not asking for a single dollar that we are not prepared to invest ourselves.

Mr. Pierre Nantel: Essentially, you operate in Saskatchewan and in eastern Canada. You have a very wide reach since you own nearly 100% of regional weeklies. You print and distribute them, and you maintain your editorial independence.

Mr. Benoit Chartier: Yes. We are also the publishers.

Mr. Pierre Nantel: Is the situation similar—I think so, but I'll ask all the same—in the other provinces?

Mr. François Olivier: Yes.

•(1030)

Mr. Benoit Chartier: Yes, it is identical.

Mr. Pierre Nantel: I would like to consider your recommendations.

You are correct in saying, on page 8, that it is incumbent on Canadian Heritage to support you through financial incentives that would cover up to 50% of production and content costs. You are making a request to Innovation, Science and Economic Development Canada, which is your R and D support in general. Then you make a request that we have often heard, namely, that all government departments and agencies be encouraged to use your advertising services.

That is a very good idea, especially since it would have a leverage effect. If an ad is created by a professional graphic artist within a department, it enhances the content and the appearance. The local fruit store is happy to advertise its pineapples, which are not expensive, because it increases the critical mass of advertising.

We have to wonder what our communities would be like without the community bulletin board that these newspapers provide. People would have to put up an ad at the IKEA store, 300 kilometres from the town where a softball game will be held, in support of a youth association. Your media are extremely important, and I think our examination of the issues is very sound.

Thank you for describing the very similar situation in Quebec and in eastern Canada.

[English]

The Chair: Thank you, Mr. Nantel.

We now go to a second round, but we can only take a three-minute round instead of a five-minute round this time because of time constraints.

Mr. Breton, for the last seven-minute round.

Mr. Pierre Breton (Shefford, Lib.): Is it seven minutes or three minutes?

The Chair: You have seven minutes.

Mr. Pierre Breton: [Translation]

Thank you very much, Madam Chair.

Many thanks to the witnesses for their time today. It's very appreciated.

I would like to continue in the same vein as my colleagues, Mr. Nantel and Ms. Sansoucy.

In my riding in the Granby area, three newspapers you represent, the *Granby Express*, the *Journal de Chambly*, and *La Pensée de Bagot*, reach nearly 100% of the population. Since my riding is regional, I am also very concerned about the future of these newspapers. I consider them and your media to be an important resource for our community.

I completely agree with what my colleagues said. Who will cover the Rougemont municipal council if your newspapers disappear? Who will report on the winter festival or other regional activities? No one will. In addition to being an important resource, your media really bring people together. Your role is relevant and it makes sense. When I hear of potential closures, I am concerned, not only for myself of course, but for everyone in my riding.

You have presented your requests and suggested measures to us. As we have discussed each one, I know they are on page 8.

At first glance, I support your ideas in general, but I would like to hear more about each of your proposals.

Mr. François Olivier: The government could support us in two ways.

It could create programs that would give us tax credits or grants that would help us deal with the challenges we are facing.

During this transition period, our challenge is to maintain the quantity and quality of information. To achieve this, we would need temporary assistance from Canadian Heritage to support content. If we were to spend \$150,000 to pay people to create content in a given region, we could receive assistance in the form of tax credits or grants to support content, which is at the very heart of our business.

By the same token, we can't always come to you for help. We must become self-sufficient. We can only achieve that by deploying our content on digital platforms. Moving from a print organization to a digital one is a tremendous challenge. We have to make investments. In the last four years, Transcontinental has invested \$40 million to transition to digital platforms. Our sales are \$24 million and it will take a long time before we see a return on our investment. We will ultimately need help. The second area of assistance relates to innovation and science.

If we invest, could the government give us a tax credit for our investments? Transcontinental is seen as too large of a company to receive any kind of assistance under federal and provincial programs. Could someone look into this? Ministers, premiers, mayors, and MPs are calling me to say that we don't have the right to close newspapers. That is our second request. This is one way the government could support us.

Here is another way the government could help.

The government advertises a great deal in our print and digital media. The 50% loss in revenues is also due to the fact that the federal, Quebec, and municipal governments are advertising less. Someone would have to tell all the departments that, given the importance of local content in Canada, assistance will be provided over the next three or four years. These Canadian news organizations have innovative print and digital products. Could the advertising purchasers in all departments make a slight effort to be more strategic in order to support these organizations through government advertising dollars? That would be another way of helping us. Right now, there is no strategy at all.

•(1035)

Mr. Benoit Chartier: The government also spends a lot on advertising on Facebook and Google. For my part, I am not comfortable with this. These two American companies earn billions of dollars, but that money does nothing for Canada. These are good platforms, to be sure, but our media reach everyone. It is as simple as that.

The government should also encourage the 33 newspapers and the 20 independent publishers that I represent. We don't have the power or strength of Transcontinental, which has its own distribution, printing, and packaging network. It can be active on the various platforms. For our part, we focus on the weekly edition. Our revenues are from our advertisers but the revenues are dwindling. The government could, of course, help us a great deal, as Mr. Olivier suggested, especially as regards spending on advertising. The government could establish a strong strategy to help local media since they are part of the riding's ecosystem. That is the long and short of it.

We write about you and cover your press conferences. The newspaper *La Pensée de Bagot* covers Valcourt, Roxton, and all the other localities in the region. We are on the ground every week, but Facebook and Google would never provide that coverage.

Mr. François Olivier: I would like to make a last point, which relates more to the provincial level.

Provinces have different formulas requiring newspaper publishers to pay recycling fees. We are absolutely ready to do that. Some provinces adopted those formulas in 2010 and 2011. Newspaper circulation in those provinces has dropped by 40%, but we are still paying according to the same formula, as though all those newspapers were in the recycling bins.

We have been telling the provinces for years that it makes no sense to keep paying the price we paid in 2011 considering the 40% drop in newspapers going into the bins. We get a positive response, but we are still paying. For Transcontinental, the cost is \$1.4 million per year. We are not saying that we don't want to pay, but could the formula be changed to better reflect the current situation? Those are our four requests.

Once again, we are asking for temporary assistance only if investments are made.

[English]

The Chair: Thanks very much.

Now we go to the second round, which is three minutes.

Mr. Waugh from the Conservatives.

Mr. Kevin Waugh: Recycling fees, that was a big story today actually, so, yes, you've hit the point. You're selling less paper, so you should be paying less. I would agree with you there.

Mr. François Olivier: Yes.

Mr. Kevin Waugh: I'm just going to pick up on Mr. O'Regan. It's interesting that I flew home last Friday, and on the second page of every national paper they were blowing their horn about how many eyeballs are reading per week in the newspaper industry. I feel your pain. If you ever lose the advertising on the flyers, which you are

going to—you must know that the flyer industry in papers is going down, and eventually it is going to go digital—then you're done. Those flyers are billions of dollars in this country from coast to coast. I see the storm clouds; you must see them. The flyers are what make your newspaper.

Mr. François Olivier: The flyers, in a sense, support the distribution of all these local papers that incur a lot less cost because they are distributed with the flyers. Actually, since 2009 a lot of people have been predicting, like you, the disappearance of printed flyers. We just ran a study lately that shows they are still very popular. Only 9% of Canadians look at the deals only digitally—39% of Canadians look just on paper—which means that 91% look at the paper through digital.

I won't talk a lot about that. I think we still have a lot of years with the printed flyer, but eventually, yes, something will happen. When that happens, if that happens, it's going to create more pressure on community papers because right now they're piggybacking on the 20 or 25 retailers that are paying for the distribution network, and they jumped on that. If these guys disappear, it's going to create more pressure on the community paper business model.

•(1040)

Mr. Kevin Waugh: But you are on the stock exchange, so it's hard for government to give you what you want. You're at this point for the government and that point for stockholders.

Mr. François Olivier: It depends on what is important. You could speak with your wallet as an advertiser. It's cool to advertise on all these digital products., but we have to look at whether they are really doing the job for you as an advertiser. If you don't support the industry, then the industry might go. Maybe you don't care, and that's okay, too. That's one way.

The other way is, we are an industry and we are a business willing to invest and fight for survival. I think governments support a lot of other industries—the gaming industry, the forest industry—but the media industry and local communities are unknown, and nobody seems to be aware of our challenges.

That's why I took the time to come here this morning. If it's not important to you all, I'm okay with that, but if you call me when I close the paper in your riding, then I will remember that I came here to tell you so.

The Chair: Thank you, Mr. Olivier.

Now I go to Mr. Samson for three minutes, please.

Mr. Darrell Samson: I've given my questions to my colleague.

The Chair: Ms. Dabrusin.

Ms. Julie Dabrusin: Thank you.

Most of our discussion for this part has been about advertising and the direction of advertising dollars. You've made some suggestions about government plans. What about tax deductions for advertising, have you looked at that? I'll point out that line 8521 for advertising focuses on deductions for advertising in broadcast newspapers. It doesn't mention anything about digital. That line also refers to Canadian markets and targeting them, and in fact, it says in the commentary that you cannot deduct expenses for advertising directed mainly at a Canadian market when you advertise with a foreign broadcaster.

I'm just curious about what you think might be something about the application of that kind of a deduction for the newspaper industry now that we are moving towards a digital platform.

Mr. François Olivier: If I understand correctly what you're talking about, you would offer a deduction to our customers if they advertise with us, making their advertising cheaper for them to buy from us. Is what you're talking about?

Ms. Julie Dabrusin: Yes, as opposed to going through a foreign digital platform.

Mr. François Olivier: That could be, but if you were a local advertiser 20 years ago, your job was pretty simple. Many communities had no TV stations, so you were splitting your budget between three things: you put an ad in the Yellow Pages once a year, you were advertising in a weekly paper, and, if you were rich, you were doing a little bit of local radio.

Today, if you run a local business, you need to be present on the web. This is not one thing; this is not one product. It's getting to be very, very complex. A lot of our customers and advertisers are doing like us: trial and error. They're throwing some good money sometimes at bad products to try to find out what works for them on the Internet. That's why anything that would help our customers make the right choice on the Internet or us building the right product on the Internet... Because I am totally convinced that the weekly paper community is not going to be the sole way for local businesses to advertise on the Internet.

Ms. Julie Dabrusin: You've been commenting about advertising on Facebook, which is not a Canadian platform, and you're moving to digital platforms yourself, so the idea would be that people spending on advertising on Canadian digital platforms would receive a deduction.

● (1045)

Mr. François Olivier: That would help us. That would make us more competitive, but that would not stop them advertising on those other platforms, and honestly, sometimes I think they should. I don't think it's a bad thing. What we're talking about is more direct help in a transition period, as opposed to what you are talking about, which is building a competitive advantage.

I mean, any help will help, but I think we're at the point now where we're looking for some direct support, some direct signal that if newspaper publishers are willing to invest in content, are willing to invest in a digital product, they will be supported in some way.

The Chair: Thank you, Mr. Olivier. Thank you, Ms. Dabrusin.

I want to thank the witnesses for appearing here today and for the excellent questions. I think Ms. Dabrusin mentioned that we talked a lot about advertising, and I'm just going to make a comment.

When I go online to read stuff, I literally skim over the advertising. I don't even read it, so I just don't know if people are getting a bang for their buck by advertising on digital platforms. I really don't. I read ads in the newspapers. I really do. I can't help but read them.

I just wanted to comment on that in terms of bang for your buck on advertising.

Thank you very much. I appreciate it.

May I have a motion to adjourn, Mr. Van Loan?

Hon. Peter Van Loan: I so move.

The Chair: Thank you very much.

The meeting is adjourned.

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