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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Thursday, May 2, 2019**

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**Chair**

**Ms. Julie Dabrusin**



## Standing Committee on Canadian Heritage

Thursday, May 2, 2019

• (1525)

[*English*]

**The Chair (Ms. Julie Dabrusin (Toronto—Danforth, Lib.)):** We are beginning our 155th meeting of the Standing Committee on Canadian Heritage. Today we have a briefing on the Canadian Radio-television and Telecommunications Commission's report. It is not named here, but I believe we are referring to the "Harnessing Change" report.

With us from the CRTC, we have Scott Hutton, executive director of broadcasting, and Sheehan Carter, director of television programming. Please begin with your presentation.

**Mr. Scott Hutton (Executive Director, Broadcasting, Canadian Radio-television and Telecommunications Commission):** Thank you, Madam Chair, for this invitation to discuss the report titled "Harnessing Change: The Future of Programming Distribution in Canada".

I'll skip the introductions, as the chair already went through them, but I'll just underscore that Sheehan is pronounced "Shawn".

We are pleased to support the committee's important work on shaping the future of Canada's media industries. At the government's request, the CRTC prepared the Harnessing Change report to evaluate the future of our environment and how it would support a vibrant domestic market for the creation and distribution of audiovisual programming. The report is intended to inform the government's review of communications legislation and the work of the legislative review panel.

It describes the many benefits and opportunities generated by digital technologies. Canadians can now access more content from more places around the world than ever before. Innovative services succeed by catering to this demand. New digital tools make it easier to create high-quality audio and video content and make it available globally. The number of content buyers continues to increase, and data analytics make it possible to learn more than ever before about the relationship between content and audiences.

The report analyzes traditional and digital platforms in terms of the relative level of maturity and long-term sustainability. In the audio market, for instance, radio is mature and is adapting to the shifts in consumer habits. However, new online services such as Spotify are experiencing rapid growth.

The market for video content is also fragmented. Conventional broadcast television is on the decline, while online services and user-

uploaded content continue to attract a growing number of subscribers.

Mature distribution models such as cable, satellite and fibre services will face increased competition, but they are making investments in new technology.

As online markets and distribution models for both video and audio continue to change, it will become increasingly difficult to divide them into clear-cut categories.

• (1530)

[*Translation*]

And while there are numerous opportunities for Canadians, the content they make and enjoy watching risks being lost among all the digital options at their fingertips. Moreover, as we watch less traditional television, there may be impacts on the underlying support systems used to create much of the video content we enjoy today, including news programming.

One of the report's key findings is that video and audio streaming account for two-thirds of all online data traffic on North America's fixed networks and one-third of all data on mobile networks. We expect that these percentages will only continue to grow, as more Canadians have access to faster broadband service and larger mobile wireless data plans.

The preferences of people under the age of 35 give us a sense of what the future holds. This group is three times more likely than older Canadians to watch video online, for instance. And younger people are less likely to subscribe to traditional television services, such as cable and satellite. At the same time, streaming services such as Spotify and Netflix continue to draw greater numbers of subscribers both young and old.

Digital services are clearly on a growth trajectory and will play a more important role in the years ahead. It is important to keep in mind, however, that traditional services are mature businesses. Despite recent declines, they are popular with Canadians, and will continue to evolve and remain viable for the foreseeable future. The main area of concern is for services whose business models are declining. Conventional television, for instance, is facing considerable challenges and may not remain viable due to the erosion of advertising revenues.

These trends have serious implications, not only for Canada's media industry, but on our regulatory and policy framework's ability to meet its objectives. In essence, the current framework was designed for another time—a closed system of traditional broadcast services.

It is not sufficiently adaptable to meet the challenges of an era marked by ready access to streamed content.

[*English*]

As the members of this committee recognize, the CRTC and the report we produced view these through a regulatory lens. Canada's regulatory regime strives to achieve specific policy goals, such as to foster the production and accessibility of Canadian content, including news programming.

Licensing is the principal mechanism used to achieve stated policy goals. Licences for most television service providers, for instance, require the investment of prescribed percentages of revenue in the production of Canadian content.

Given these realities, the report considers four regulatory approaches: the status quo, deregulation, applying existing rules to digital players, and designing and implementing an entirely new approach.

The report concludes that the first three are inadequate in light of the current and emerging challenges. New tools and approaches are required to ensure a vibrant Canadian media production industry—innovative tools and techniques that exploit the opportunities presented by current and emerging technologies.

The process to design a more effective regulatory regime must begin by identifying clear policy goals. The Harnessing report suggests three.

First, we need to foster both the production and promotion of Canadian content, including news programming. Moreover, in a digital age, discoverability is essential to success.

Second, we must recognize that there are social and cultural responsibilities associated with operating in Canada, and all parties should contribute to ensure that Canadians benefit and that all players can compete fairly and effectively—however, in an equitable manner.

Furthermore, and third, we need to create a nimble and innovative regime that can be readily adaptable to change.

The last of these goals is particularly important over the long term. Just as those who designed Canada's current regime could not have imagined today's digitized world, we cannot foresee all of the changes that will arrive in the future. We must have flexible tools to adapt to new realities.

• (1535)

[*Translation*]

The report concludes by describing a series of potential policy options—new mechanisms that could help achieve the stated goals. To be effective, the new policy requires legislative support, including the regulatory authorities needed to ensure compliance. This could

include the authority to impose administrative monetary penalties in instances of non-compliance.

Ultimately, to ensure that the broadcasting industry continues to thrive, Canada must have a regulatory regime that encourages innovation and delivers the content that Canadians want.

While the panel conducts its review, the CRTC continues to look forward and fulfill its mandate for the benefit of Canadians. Our current activities are focused on assisting the broadcasting system to adapt to the digital environment and develop new approaches and tools. These activities include a review of the policy for indigenous broadcasting to ensure that indigenous communities have access to content that reflects them as well as the tools to produce it.

As a radio transforms itself in the digital environment, the CRTC will also review its commercial radio policy with the intention of developing renewed approaches that will more effectively support artists and content development, including news and information. Work is also underway to implement a digital monitoring system for radio and update the policy on Canadian programming expenditures in light of digital media. These are essential steps in improving the ways we monitor and understand how the digital environment is evolving so as to regulate as effectively as possible in the future.

In addition, we will soon initiate the process to renew the radio and television licenses of the CBC and Radio-Canada. This will enable us to examine ways it can move forward in the digital environment while continuing to fulfil its mandate to Canadians.

[*English*]

We'll do our best to answer your questions. Thank you.

**The Chair:** Thank you.

Before we begin questions and answers, I first would like to welcome Rob Oliphant and Rosemarie Falk to our committee for today and also let everyone know that MP Steven Blaney is listening by telephone. He is not asking questions today, but he is on the telephone with us.

On that note, why don't we begin with MP Randy Boissonnault?

**Mr. Randy Boissonnault (Edmonton Centre, Lib.):** Thanks very much, Madam Chair.

[*Translation*]

My thanks to the witnesses for their presentation.

As I read the report, I find that one fact is clear and it gives us cause for alarm.

[*English*]

Everybody is going very quickly to new online platforms.

You can send us these numbers later on, if you need to, but I'd like to know the following. Do Canadians consume more traditional television or more Internet television?

Go ahead, Mr. Carter.

**Mr. Scott Hutton:** I'll start. We're just conferring on what data we do have with us.

Right now, as you have properly noted, it's a question of the pace of change.

**Mr. Randy Boissonnault:** Right.

**Mr. Scott Hutton:** What we're seeing in our market today is that over the long term, digital products will clearly be taking over. Digital forms of delivery will represent the future. Currently, by a vast majority, the consumption of television programming, for example, is done on traditional platforms.

**Mr. Randy Boissonnault:** Is it about 95%?

**Mr. Sheehan Carter (Director, Television Programming, Canadian Radio-television and Telecommunications Commission):** I would say it's closer to 85% versus 15% between those two types of platforms.

**Mr. Randy Boissonnault:** What percentage of Canadians is reached by Internet television? Would it be 50%, 60%, 75%...?

**Mr. Scott Hutton:** In terms of the consumption levels, the reach levels, as opposed to the number of hours, which was what we were answering in the previous question, are very high.

**Mr. Randy Boissonnault:** So 60%, 90%...?

**Mr. Scott Hutton:** I believe so. It's in that zone.

**Mr. Randy Boissonnault:** So it's in the 60% to 65% range.

**Mr. Scott Hutton:** Yes—and growing.

**Mr. Randy Boissonnault:** Do you have an idea of the number of streaming hours versus television hours that people watch? Where are Canadians getting more?

**Mr. Scott Hutton:** We can get you that, but just from memory, for traditional platforms it's about 26 hours a week. At the time of our report, it seemed to be about four to five hours online.

**Mr. Randy Boissonnault:** I'm part of this, at home, so I'm interested in the percentage. What percentage of Canadians who watch TV do so exclusively online?

• (1540)

**Mr. Sheehan Carter:** In terms of the most recent numbers we have access to, we can get you the specifics, but from memory I believe it's 17%.

**Mr. Randy Boissonnault:** So 17% would watch only on digital platforms and not have access to cable or satellite. When I'm in the hotel here, then, it's a different paradigm, but okay.

Would you say that the revenues from broadcasting distribution undertakings are in decline?

**Mr. Scott Hutton:** Yes, definitely. Both subscribership and revenues have been in decline in the last couple of years.

**Mr. Randy Boissonnault:** I was in business before I was in politics, so I'm interested in knowing the bottom line. Are the broadcasting companies still profitable, even though the revenues are in decline?

**Mr. Scott Hutton:** It's a general question. Generally, yes, broadcasting properties are profitable. Each sector, as the report indicates, is going through different changes. One that is no longer profitable is conventional television as a whole.

**Mr. Randy Boissonnault:** So Bell, Rogers, Corus are not in danger of going bankrupt tomorrow. They're healthy. They are turning profits.

**Mr. Scott Hutton:** Overall, those companies do turn profits in the overall market. Now they operate in both the telecom and broadcasting fields, and their distribution units are more profitable, although less than they were in the past, than their media outlets, as I understand the difference between the two.

**Mr. Randy Boissonnault:** So then the broadcasting outlets are able to still contribute to the Canada Media Fund, because they are profitable.

**Mr. Scott Hutton:** Those are the distribution units that contribute to the Canada Media Fund. They continue to be able to contribute, and they do. Generally, we require that about 5% of the revenue goes toward the support of programming, which includes the Canada Media Fund.

**Mr. Randy Boissonnault:** Do you believe the Canada Media Fund is still able to fulfill its mission?

**Mr. Scott Hutton:** The Canada Media Fund has a very important role, and it's quite critical to the system. They are performing their mission as intended, but over the long term, the following is the important question: As the revenues of the distribution units continue to decline, does that 5%, which is based on revenue and not profits, also decline?

**Mr. Randy Boissonnault:** Would you agree—I think you alluded to it or mentioned it in the report—that it would be inappropriate to have one system for the legacy players and an entirely new system for the new players, and that we have to be quite creative in how we approach contributions to the Canada Media Fund and Canadian content in general? Are those the general broad strokes of what came out in your report?

**Mr. Scott Hutton:** The current act does say that it's all one system. I think what we're saying is that you cannot simply apply the current tools to all players, and in particular the new players. We need to be adaptable and to come up with the right tools and the right levers and the right contributions for each type of different player. Each entity is quite different. When you're looking at a radio station and when you're looking at someone who provides on-demand music, they're quite different. A completely different approach is likely needed for those two services.

[Translation]

**Mr. Randy Boissonnault:** I have one minute left, but perhaps I will have to ask my question in the second round.

Had you given me seven minutes, Madam Chair?

**The Chair:** You have two minutes left, Mr. Boissonnault.

[English]

**Mr. Randy Boissonnault:** I have two whole minutes. That's amazing.

Let's talk about one of the more controversial or interesting parts of your report, which is the proposal to have an Internet tax for Canadian consumers. This is like taxing the Internet of things. It's not just ISPs. It would be devices, computers and all of that.

How would Canadians be affected by the imposition of such a new levy, a new tax?

**Mr. Scott Hutton:** I'll use the word "levy", because we cannot impose taxes from the CRTC's standpoint, so it would be a levy or regulatory charge.

Currently, all telecom services contribute towards what I call the "social objectives" of the Telecommunications Act, which include expanding broadband into rural areas. Broadcasting entities such as distribution units and cable companies also contribute a percentage of their revenue to the CMF, for example, and other forms of programming.

As networks are converging, what the report suggests as one example of the things we can do is to merge those two social obligations, essentially, as the market is also converging, as people are getting video distribution products via both platforms together. We're not asking or wouldn't be suggesting that Canadians pay more; it's just a harmonization of their obligations.

• (1545)

**Mr. Randy Boissonnault:** But to split the hair—30 seconds?

**The Chair:** You're actually done.

**Mr. Randy Boissonnault:** No, it can't be true.

**The Chair:** Yes, you are done.

We will be going to Mr. Shields for seven minutes.

**Mr. Martin Shields (Bow River, CPC):** Thank you. I was enthralled by his lines of questioning and, as always, by his knowledge. I appreciate it.

I'm an old guy. I remember the first time I saw a TV when we trucked over to the neighbour's place to see it, because they had the only TV. I remember when we first sat and watched for the test pattern to come on, and then sat and watched the test pattern for half an hour. I remember the first night when we all got together with somebody who had colour TV when it came on the first time.

As for demographics, when you talk about 17%, and you talk about those numbers, the demographics of 17%...

**Mr. Scott Hutton:** That includes all Canadians in all demographics, but it's primarily younger Canadians who are—

**Mr. Martin Shields:** Are they 35 and under?

**Mr. Scott Hutton:** Thirty-five and under is what we have in our opening remarks. It's where you see a greater proportion—and, quite frankly, if you're looking at 20 and under, they're not even sure what a cable company is at this point in time.

**Mr. Martin Shields:** My adult children are all older adult children, and they don't understand why we have a landline in our house. They don't watch TV for anything other than downloading something—all three of my adult children and their families. They don't have cable; that's gone, and they are 40-plus in age. They have gone from that generation.

Is profitability still there without government funding?

**Mr. Scott Hutton:** I think we're speaking of profitability with respect to cable companies or distribution under these things—

**Mr. Martin Shields:** Anything, anything.

**Mr. Scott Hutton:** —that don't receive any federal funding for their operation—

**Mr. Martin Shields:** No, the ones that do.

**Mr. Scott Hutton:** —they contribute towards the objective. I think that was the objective of the other side.

We don't regulate for profitability. A healthy, profitable industry is important to contribute towards the creation of Canadian content. What our position is in light of all of the changes, both current and those to come with the younger generation reaching more into the years where they would have otherwise purchased some of these traditional services....

**Mr. Martin Shields:** Yes.

**Mr. Scott Hutton:** You will be looking at that without some form of government intervention. The production of Canadian content will definitely suffer. I think that's the conclusion of the report.

**Mr. Martin Shields:** One of the things I often hear from my constituents is about the profitability. I am close to an American border in my constituency, and they all give me information back about the cheaper rates in the U.S. It's cheaper in the U.S. with competition. Why is it so expensive here?

**Mr. Scott Hutton:** I would venture to say they might be complaining more about what's not under my purview, since I'm the executive director of broadcasting—

**Mr. Martin Shields:** I know, but I'm asking you anyway.

**Mr. Scott Hutton:** —and issues with respect to telecom products

**Mr. Martin Shields:** Yes.

**Mr. Scott Hutton:** —because if you look at the price of cable, it is cheaper in this country than in the U.S.

**Mr. Martin Shields:** Okay. It was a good try.

When you talk about moving to the future, the ratings for major news that we had on major channels has dropped significantly in recent years. I can't remember the last time I watched a major line TV news show in this country; I don't. All the news I get is on my phone. Where is it going?

**Mr. Scott Hutton:** I've highlighted on a number of occasions in my opening remarks the importance of news. Traditionally in our system, news has been delivered by the market. If you go back and look at a number of the studies over the years, that has not been an area of concern. But as we're moving forward, the CRTC certainly is getting more and more concerned about the delivery of news and information and how the broadcasting system contributes to our democracy and to informing Canadians and enlightening Canadians on that front.

There are various products in the media field that produce news and information with respect to broadcasting. The primary vehicles have been local over-the-air stations. The CTV brand networks and the Citytv brand networks and Global brand networks are the ones certainly that are suffering right now, so there is concern on that front.

**Mr. Martin Shields:** When you talk about news being important, people I know don't get it from there. They don't. I don't have a daily newspaper in my riding; I only have weeklies. That's the local news. It doesn't come from where you are. It doesn't come from there.

It's dead in a sense, because they're on Facebook and social media. When you say local news, the major—

**Mr. Scott Hutton:** But who is producing that news that then gets repurposed on the various platforms? What we have found in our various studies is that Canadians still value news. They still value local news. It's very important to them. Many of them do consume it on the traditional platforms, and what is somewhat concerning, certainly for our country and for local news such as you're mentioning in the local areas—in the big markets it may be a different issue—is that those units that produce local news are certainly under duress and there's great concern.

• (1550)

**Mr. Martin Shields:** Or they're gone.

**Mr. Scott Hutton:** They're still there right now, but—

**Mr. Martin Shields:** —much less than they used to be, right?

They are in only a few major markets now. They've pulled all local—

**Mr. Scott Hutton:** Television stations were primarily in local markets and we haven't had the actual closure of that many local television stations, but they have certainly through the years been rationalizing their offers. The CRTC has been trying to address that for a number of years and we made a number of changes to our regulatory regime to ensure that what we have now is maintained.

**Mr. Martin Shields:** But are you following the consumer, or is that an artificial...?

**Mr. Scott Hutton:** Our research, certainly for the Harnessing Change report, and even for our previous seminal work on Let's Talk TV, shows that one of the most important things for Canadians is that local news and information.

**Mr. Martin Shields:** That's not where the majority I know of are getting it from. They're getting it on social media. They're getting it on Facebook. They might not like the news, but that's where they've gone to get it. That's where most of the news my constituents quote is from.

**Mr. Scott Hutton:** When we do research and we do polling, they seem to value that news. I was looking at my feeds on the floods this morning, and they are from the traditional news platforms, which are being redistributed on Facebook or on other social media platforms. They do continue to contribute to the news-echo system but they are under duress.

**Mr. Martin Shields:** Right, okay.

So where is it going?

**Mr. Scott Hutton:** Well, the local news and information right now are certainly under duress. I don't think viewership has dropped that much. It's down slightly. But contrary to your assertion, our viewership—

**Mr. Martin Shields:** I've seen the numbers for CTV and CBC over the last 30 years. There has been a huge drop.

**Mr. Scott Hutton:** If we compare the recent... Certainly you also have to realize that now versus 30 years ago, there are more products in the broadcasting system.

**Mr. Martin Shields:** That's my point. Where is it going?

**Mr. Martin Shields:** Okay. Thank you.

**The Chair:** That brings us to the end of it.

[Translation]

Mr. Nantel, the floor is yours for seven minutes.

**Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP):** Let's get serious.

Thank you very much for being here, witnesses. I feel that you at the CRTC are the guardians of the status quo. During the bickering that pitted Québecor against Bell, you were roundly criticized for being a little antiquated and out-of-date at certain points. I tired myself out repeating that the bickering was over deck chairs on the *Titanic*, because the reality is that the state of conventional television is a lot worse than specialty television. Is that not true?

**Mr. Scott Hutton:** Yes, it is.

**Mr. Pierre Nantel:** Conventional television stations are those that produce local and national content and news. So this is a major problem.

I will continue with the subjects that were just brought up.

Often, if you ask those in the org charts of large groups, you are told that everything is going well and that they are making lots of money. When they talk to the shareholders who want to sell their shares, that's clearly what they do. When they go to the government, they say that it's frightening, that money is no longer being made, and that things are disgusting.

It's not Bell any more, it's Bell Media that tells us that it is having difficulty paying the salary of Ben Mulroney, the host of the show *Your Morning*. So we have to take it all with a grain of salt.

Just now, however, you told Mr. Boissonnault that 17% of the public gets the audiovisual content of their choice online. Am I missing something? With young people—millennials under 40, 35 years of age—that number has to be much higher. You are probably not using recent figures.

I would like to jump to the conclusion of your report right away. I feel that it is a very lucid report and that the whole television production sector was happy to see that you fully understood everyone's arguments. Heaven knows that television has a fundamental role in our society, particularly in Quebec, where so much has been invested in it. From *Point de mire*—a show that René Lévesque hosted—through the *Janette veut savoir* series to the current show called *Fugueuse*, all kinds of shows have been vehicles for the evolution of Quebec society.

Take *Fugueuse* as an example. The show dealt with the problem of juvenile prostitution, which is a harsh reality in Canada, in Quebec and in Longueuil, particularly at the Longueuil metro station. Let me tell you about it. That harsh reality was depicted in a work of fiction that caught everyone's attention. Actors in the show were featured in an article in the *Star System* magazine and became known to the public. The series was also discussed on a program that brought together a social worker and the producer or writer of the series. It was nominated for a G meaux award. Young people got out of prostitution because the series allowed that reality to be talked about.

This is a long way from the toxic consumption—that's an exaggeration; let's just say the consumption—that does very little on a societal level, like the Netflix series *13 Reasons Why*. That show was dropped on us and I binge-watched it in a hurry because I was afraid that my children might see it before me. I was right to be afraid because, according to figures from the United States, there was a 27% increase in suicide rates after the first episodes. That is huge. You are the defenders, the guardians, of the system we have in place, I feel.

One of the conclusions of your report is to "replace prescriptive licensing with comprehensive and binding service agreements that include traditional and new players". So you are talking about a hybrid system. Do you have enough wiggle room to change things? What do you need?

The culture sector is asking the Yale commission to propose interim measures as a matter of urgency. What do you need to do something similar?

•(1555)

**Mr. Scott Hutton:** I will give you the broad outlines to see if we are heading in the right direction. If not, Mr. Carter can add to my comments.

In our opinion, we need a legislative framework that is clear and gives us clear objectives to which we can commit. This is in order to ensure that all companies that benefit from the Canadian system are contributing to it. That is the first issue.

We also need specific tools, more flexible tools, so that we are able to have a mechanism that adapts to each of the new kinds of services and that allows us to ensure compliance.

**Mr. Pierre Nantel:** For example, the new media exemption which has been in effect since 1999—if I am not mistaken—is that not something that you could remove yourselves? Do you really need the request to come from the Governor in Council or from the government?

**Mr. Scott Hutton:** We need legislative changes so that we can act in that area properly, because at the moment, we have two options. We can either grant a license, as long as the applicant is Canadian, or grant an exemption.

With exemptions, our only way to make sure that the conditions are fulfilled is to grant a licence. At that point, the problem becomes a bit circular.

**Mr. Pierre Nantel:** Okay.

**Mr. Scott Hutton:** This is why we are saying that we need a clear legislative direction so that all the companies benefitting from the system can contribute to it. We also need flexible tools, other than simply issuing licences, as well as ways of ensuring compliance, such as administrative monetary penalties.

**Mr. Pierre Nantel:** Can I ask you to enlighten me about what you would see as achievable with licenses? The exact term you used was "comprehensive service agreements".

Let's talk about Netflix. Netflix hired people from Telefilm Canada to tell us that our system is not a good one. That's amazing; thank you very much, Uncle Sam. But Netflix is still the big player. Normally, traditional television should have stopped posting losses. Now Netflix is being stung by Hulu, Amazon Prime Video, and all the rest.

In your opinion, what would be an example of a commitment from a player like Netflix to (a) fund Canadian and Quebec productions and (b) distribute them? Have you worked out any possible models?

**Mr. Scott Hutton:** We can compare that to existing situations. We have not developed models for each of the different types. Yes, Netflix is the big player, but the next big player will be Amazon.

**Mr. Pierre Nantel:** Right.

**Mr. Scott Hutton:** Amazon sells you refrigerators and gives you programming. Are we going to regulate refrigerators? That would be difficult. That's why we want something flexible.

**Mr. Pierre Nantel:** If I understand correctly, Amazon Prime even provides its producers with audience figures.

**The Chair:** You only have 10 seconds left. Thank you very much.

The floor now goes to Ms. Dhillon for seven minutes.

**Ms. Anju Dhillon (Dorval—Lachine—LaSalle, Lib.):** Thank you, Madam Chair.

[English]

Good afternoon. Thank you for coming.

My questions will be for both of you, whomever is comfortable answering.

You spoke about the report. I'd like to elaborate a little bit more on that. There are risks, and there are also opportunities. Could you tell us what the opportunities are for creators and Canadians in general?

**Mr. Scott Hutton:** I'll start with Canadians. Canadians are clearly benefiting from access to far greater programming than before. They are clearly consuming products in a different way, which is primarily on demand. Monsieur Nantel is a fan of binge-watching. Many Canadians are likewise. So, there certainly are benefits for consumers. The high adoption of these new forms of distributing programming in Canada.... Clearly, Canadians are benefiting from it. That is not to be discounted, and that is a very important factor for our industry.



On the production side, right now production has never been so high in Canada because there are a number of new companies here that are producing content. Is it all Canadian? That's probably a debate for another day, but there is a high level of production. There is the ability to export that Canadian content to world platforms. There is the ability to bring older programming or legacy programming back to the forefront and provide it on different platforms. There are a number of benefits to the system.

Also not to be discounted are the new forms of data available to programmers and broadcasters so that they are able to match and understand what Canadians want, both to provide them better programming and to sell advertising to their customers to support making that programming.

• (1600)

**Ms. Anju Dhillon:** Can you talk to us a little bit about the risks and the potential impacts of those risks?

**Mr. Scott Hutton:** Naturally, the risks are with regard to the fact that we used to be in a closed system where one would issue a licence and one would—as I would say, being a regulator—achieve regulatory rent from that and then contribute back to the system. Most of our system is built on that closed environment. That is no longer the case that we have in front of us, so the risks there are, clearly, that the support mechanisms for Canadian content will be diminished over time and have been diminished here. This will result in fewer types of programming and will certainly make it much more difficult to support niche programming or programming that is meant to support the multicultural nature of this country, or to develop indigenous programming or OLMC programming. Those are certainly not policy objectives that... Those are certainly under threat, and without some form of support, they will not be produced.

**Ms. Anju Dhillon:** Another question of concern, then, is about revenues. Perhaps you could give us some more information on how changes in radio broadcasting revenues would affect the financial contributions used for the development of Canadian music and also spoken-word content.

**Mr. Scott Hutton:** If we want to speak of music, our prime intervention in the area of music is regulating radio stations—approving, licensing and renewing radio stations. Radio stations contribute to the system by various means. They play Canadian content, so there's actually making that content available to Canadians. Essentially it's a marketing vehicle for Canadian content. They also contribute a percentage of their revenue toward the actual development, marketing and creation of new content, new artists being supported through that route. Artists who have a certain success in Canada are being brought to international stages. Some of their contributions go to those objectives.

Canadian content development monies do go to support spoken word programming, and news and information stations are certainly contributing toward Canada's democracy also.

**Ms. Anju Dhillon:** In the conclusion of the report, the CRTC worked with stakeholders and companies. In the conclusion there were recommendations to move forward, and there were four approaches to that.

Can you tell us your opinion on what the impacts would be, short term and long term, moving forward, if we maintain the current approach?

**Mr. Scott Hutton:** What's key is that we always in part overestimate the pace of change but underestimate the real impact of change over time. What we have here is a clear pace of change, which for the moment is.... Most of our markets that we've described in our report are mature and declining. We don't see a sharp decline nor estimate that there will be a cliff immediately, but clearly over time, digital products, new ways of consuming international providers, will be the main vehicle for consumption of product over the future. The main risk there is that over time the supports will be eroded, and the likelihood is that Canadian content and other social objectives of the Broadcasting Act will not be met.

• (1605)

**Ms. Anju Dhillon:** How would deregulation of traditional players have an impact?

**Mr. Scott Hutton:** At this moment in time, it would probably accelerate the pace of change. That's one of the reasons we did not suggest that as one of the four ways that we evaluated going forward as preferable.

**Ms. Anju Dhillon:** The CRTC prefers the fourth approach in the conclusion of the recommendations. Can you please elaborate more in detail why that is the case?

**The Chair:** You have 20 seconds.

**Mr. Scott Hutton:** Deregulation.... The current tools don't really work for all the new players. We need new tools. There are different types of players. They can contribute in different ways. Amazon and Netflix can contribute differently and must contribute differently from a traditional local CTV news station, which gives you news and information. That's why we need a new mechanism, so that new players are clearly part of our system and that we clearly have to tools to be able to ask them to contribute in the best way possible so that we further the objectives of the Broadcasting Act.

**The Chair:** We are going back to Mr. Shields for five minutes.

Oh, Mr. Yurdiga.

**Mr. David Yurdiga (Fort McMurray—Cold Lake, CPC):** I'd like to thank the witnesses for being here today. It's a very interesting topic, the CRTC. It affects everyone to some degree.

Growing up, I remember there was the old rotary phone and the party line. That really ages me. I'm not as old as Martin, so that's a good thing.

Technology is changing so rapidly. I'm not sure if we're keeping up, as far as a regulatory body is concerned, the CRTC. There's always something new. What needs to be done? Are you guys keeping up with technology, or are you always behind the eight ball? I'd like to get your opinion on the current status and what needs to be done to be able to be relevant, being there when something changes.

**Mr. Scott Hutton:** Whether the CRTC is the right body or relevant is not something for all of you to answer. I think we'll talk more about the system. I think the system certainly remains relevant, providing news and information to Canadians so that they know what the positions are, know how to interact in democracy, know about important information in local markets, have access to emergency information on an effective means. Our system clearly remains relevant.

Telling the stories, Mr. Nantel gave examples of social issues that are then debated through our system that are really Canadian issues. Those issues will not be discussed in the same way on international-based platforms. We used to be concerned about the U.S. and its impact on Canada. The market has gone global, so it's a global environment. Stories by Netflix are being produced on a global platform and being distributed all over the world, so there's a great benefit. We're learning more about what's happening elsewhere and being exposed to new and different ideas, but the real risk is that actual Canadian ideas may not be on that global platform in the future.

**Mr. David Yurdiga:** As time goes by and if one compares the situation now with that 10 years ago, is the per cent of Canadian content and the number of hours a person watches going down, or is it steady? What would we need to do to ensure that we have more Canadian content?

**Mr. Sheehan Carter:** As far as viewing goes, the numbers seems to suggest that it is remaining relatively stable. The number of viewers of our traditional platforms, though, is in decline. One can certainly see that even if the people who remain are continuing to watch roughly the same amount of Canadian content, as the subscriber or viewer base declines, you're going to experience decreasing profitability for those services.

**Mr. David Yurdiga:** We've talked a little bit about demographics. I just want to know about the rural and urban split. Obviously, there is faster Internet.

Is there any difference between rural viewing habits of traditional cable or streaming services? Do you have any data on that, or even a comment in any way?

• (1610)

**Mr. Sheehan Carter:** The largest defining feature between rural and urban environments tends to be access to broadband Internet. When there is access to broadband Internet, you see a larger audience for online services. When there is a lower level of access or lower speeds available, you see a smaller number of people who are relying on the online services and they rely more consistently on the traditional services.

That's not consistent across the board. There are demographic splits, of course, and there are language market splits that show differences, but in general the biggest difference tends to be access to broadband.

**The Chair:** You have 40 seconds.

**Mr. David Yurdiga:** I have a quick question, then. Forty seconds is not a long time.

Where do you foresee television going? Is it going to slowly phase out and everything will be streaming, or do you think the market share is going to stay relatively stable?

**Mr. Sheehan Carter:** We would say that it's unquestionable that there will remain a traditional type television service. It will adapt and change.

One of the reasons we described cable service as still being mature, rather than in decline, is that there are options ahead for them. There is a move to IP-based services. There are certain changes that are already in progress to cable services across the country that may make them more appealing to Canadians and maintain subscriber bases.

But they are certainly challenged, and there are difficulties ahead unless significant adaptations are made.

**The Chair:** That's the end of your time.

We are now going to Mr. Long for five minutes.

**Mr. Wayne Long (Saint John—Rothesay, Lib.):** Thank you to our presenters. It's very interesting.

Can you just provide me with a bit of context? I know that you talked about traditional television earlier. I think you said it reaches about 85% of Canadians, and Internet television reaches 60% to 65%?

**Mr. Scott Hutton:** Yes.

**Mr. Wayne Long:** Can you give us the context of what it was five years ago and 10 years ago? And where do you see it—

**Mr. Sheehan Carter:** I'll talk about cable numbers, or what we call BDUs.

Five years ago the cable penetration rate was closer to 85% in English-language markets. It's now about 71%. That's just cable penetration. Of course, you have over-the-air television layered on top of that.

But yes, that's a significant change in not too long a period of time.

**Mr. Wayne Long:** I, too, can remember when we went from two channels to four channels. We added ABC and NBC and our lives were never the same.

You published the report in May 2018. In your view, has the Canadian broadcasting landscape changed significantly since then?

If you were to publish a report today, would you make any changes or suggest any other different policy options from those you outlined in the report? Are things changing so quickly that you're trying to catch up to this, or what would—

**Mr. Scott Hutton:** I think the trends are pretty much in line with what we had evaluated about a year ago, and they certainly are, as we've explained in the report, consistently downward trends in consumption. As Sheehan has indicated, I don't think we're anywhere near a cliff, per se.

There may be additional changes coming forward. That's one of the reasons why, as we've suggested in our report, we need to look forward. We need to adapt our system, but keep it flexible because of that very reality that there is constant change and ever-evolving digital platforms.

**Mr. Wayne Long:** You don't see a point where traditional television will drop right off the map. Do you see it levelling out at some point? Where do you see it in, say, 20 years?

**Mr. Scott Hutton:** I don't think we would venture to look 20 years ahead.

**Mr. Wayne Long:** Yes, that's fair. How about 10 years?

**Mr. Scott Hutton:** We would venture to look five years ahead. I think we'll still have a system for the next five years, but beyond that I would certainly question what the system would look like.

**Mr. Wayne Long:** Okay.

The report also looks at the viability of business models in the audio and video markets. In looking at the models in decline and those that are becoming more successful, are there potential new markets and business models that you foresee taking the place of other models? Do you see any other options, opportunities, maybe, Mr. Carter?

•(1615)

**Mr. Sheehan Carter:** As we look back over the history of communications for more than 100 years, what you tend to see is that models don't disappear. They diminish and they find a position within the overall system. There were concerns at one time that radio would disappear. Certainly, the role of television changes, just as the role of radio has changed and relatively stabilized. Again, it becomes difficult to say what the future will hold too far out, but we can certainly see a definite decline right now, with no obvious plateau in the future.

**Mr. Scott Hutton:** Certainly if they develop, there's no apparent vehicle to currently replace the contributions that the existing broadcasters make to the system. Local news, for example, is certainly under threat. Clearly we're concerned about that.

**Mr. Wayne Long:** How has the changing nature of the media landscape affected the accessibility of Canadian news content for Canadian consumers, in particular low-income Canadians?

**Mr. Scott Hutton:** The CRTC has put in place a number of measures to ensure that television services remain affordable. Prior to looking at the Harnessing Change report, we ran what we called the Let's Talk TV proceeding, in which we looked at a number of measures, including producing programming and what's under threat, and we made changes to support local news in that case. We also made changes to ensure a \$25 basic cable package that included local news and information. We worked on ensuring pick-and-pay or more practical options to being able to develop your own package to address those issues.

**The Chair:** We will now go back to Mr. Shields for five minutes.

**Mr. Martin Shields:** Madam Chair, I'll be sharing my time with Mr. Yurdiga.

You made a couple of comments that I found interesting. You said that it's contributing to Canada's democracy. When I take the word "history" and split it in half, it's "his story". For anybody who writes

or reads news, it's somebody's version. I'm not as tied to what you think is factual news. I probably have a different view from yours.

When you said it achieves the social objectives of the act, the hair on the back of my neck stood up and I thought about whose social objectives. It's like saying you're from the government, that you're here to help. I view that a little differently from how you may, so run like hell now.

News is somebody's story. It's their version of what happened. When police take witness statements, they get 43 different statements from whoever viewed whatever happened. I have a different view from how you may see the news.

With those comments, I'll turn it to Mr. Yurdiga.

**Mr. David Yurdiga:** You don't have a response? I'll just go right in.

**The Chair:** I think it's safe to say there's probably no real response to that.

**Mr. Scott Hutton:** I could give him one, but he's....

**The Chair:** If you would, I—

**Mr. David Yurdiga:** If you want.

**Mr. Scott Hutton:** You are parliamentarians. You set the broadcast policy for Canada. I am a regulator and I'm to implement it, and my objectives require me to be concerned about news and ensuring that a variety of sources are available; that is part of my job. That's my answer: we have that objective, and that's what we're required to do. That's why I highlight that it is under duress and why we need to pay close attention to it.

**Mr. David Yurdiga:** That's a great response.

Talk about the revenue streams. Obviously, they are changing daily. So many more players are providing content. How is that affecting the big players now? Advertising is a huge business. They're going to the best bang for the dollar, and it's usually not the traditional method of how we watch whatever we watch. Is that affecting the viability of some of these different media, whether it's radio, newsprint, TV and streaming?

**Mr. Sheehan Carter:** Absolutely. It's worth making a distinction between the advertising-based model and the subscription-based model. We go to some lengths in the report to describe the subscription-based model as much more stable, and perhaps a better way of looking forward to support the production of Canadian content.

Within the advertising market, there are significant differences between television and radio. Radio advertising revenues have remained more stable, although they've seen some decline, certainly. In particular, our conventional over-the-air television stations, which are largely dependent upon advertising revenue, have experienced the greatest decline and the greatest difficulties with the advertising market.

There are some signs that there may be some changes, some recoveries and some money going back to television to some extent, but not in any way recovering from the declines we've seen in the last few years.

• (1620)

**Mr. David Yurdiga:** Just an interesting comment here. When I was growing up, I did things differently. My children have done things differently—the CDs and everything else. The younger generation, my grandchildren, they're totally different. They're more attuned to YouTube. They are their own reporters—they do their own skits and everything else. That generation is going to change everything again. Are we prepared for the YouTube generation? I like to call them that, because that's the medium they're playing in at this point.

**Mr. Scott Hutton:** Our suggestion is that we need legislative changes and new tools to be able to help the regulatory system adapt to those particular environments. YouTube can contribute to Canadian content. We can all post there. It is contributing right now. It's one of the more open systems. Canadians can post and receive revenue from YouTube. In that case, how does one find that Canadian story in the sea of what is available on YouTube? For example, that's why we've raised many concerns with discoverability—it's the term everybody is using. How do you find that piece of Canadian content in the plethora of content available?

**Mr. David Yurdiga:** Thank you. Am I done?

**The Chair:** You're actually out of time.

We now go to Mr. Hogg for five minutes.

**Mr. Gordie Hogg (South Surrey—White Rock, Lib.):** You were making reference to the change in option number four that you presented.... I'm interested in the work of Bill Drayton. He's saying that in the last 25 years, we're going ten times faster, at 300 times the scale and with 3,000 times the impact, in terms of change and the processes occurring with change.

If that is in fact the environmental reality we're dealing with—and you've outlined some of the objectives in your legislation and have talked about a few principles. I wonder if those are grounded in a set of values, because I think if we are moving that fast, then we have to have a better grasp of the values. You've made reference to Canadians and the role we're playing in terms of a mandate for Canadians. How would you describe the values reflected in the principles you've talked about and the regulations you've made reference to?

**Mr. Scott Hutton:** Well, for us at the CRTC, being a regulator, being a creature of statute, the values we must implement are those prescribed in Canada's broadcasting policy found in section 3 of the Broadcasting Act. That's where we take our marching orders, and those values have been set by government and by parliamentarians such as yourselves for us to implement.

There's a series of them. There's actually a long list, but I often summarize them. We need to bring information and programming to Canadians, and make sure that Canadians can be entertained and enlightened and be able to contribute towards democracy.

On the reverse side, we need a system that produces those stories about Canada and brings them to Canadians and to the world. Those are the easy ways to summarize all of the objectives there.

**Mr. Gordie Hogg:** You made reference to the fact that this, obviously, is happening all over the world, and particularly in the developed countries. Can we learn things from other jurisdictions, both in terms of the practices that are perhaps being implemented there, and whether they're coming to option 4, or to other options? Is the CRTC still relevant in terms of that, or should there be another oversight structure that looks at more adaptable...? Should the legislation be changed to give you more flexibility? My concern—my reference is coming—

• (1625)

**The Chair:** I just want to jump in here. I believe he had responded before that he can't answer regarding the relevance of the CRTC because that's an issue for us. I'm just repeating the answer that I heard from Mr. Hutton, but I just wanted to make sure we didn't put him in the same box again.

**Mr. Gordie Hogg:** Am I putting you in a box?

**Mr. Scott Hutton:** I will have an answer. I won't tell you, you know—

**Mr. Gordie Hogg:** You won't tell me your answer.

**Mr. Scott Hutton:**—whether it's the CRTC that should be doing this or not. Going back to the original question, certainly all countries, legislatures and regulators are struggling with the same issues. We certainly have interacted and done research, and we have a team that scours the world to find out what is happening on this front. Everything is in a development period right now. The European Union has certainly looked at and studied the issues closely and has started to enact some legislation. We're still probably far enough away—with the exception of maybe tax issues—from full implementation, and enforceable implementation, on that front.

It seems to be clear that countries that have traditionally sought to intervene in the media fields to support the objectives of their own interventions—reflecting Canada's nature, producing Canadian content—are all taking some form of action to change and evolve their systems to address the changes occurring as a result of digital broadcasting.

**Mr. Gordie Hogg:** Are there any changes in those that you've not made reference to in the study you've referred to? Could you name a country that you think might be leading in terms of the values that you reflected in the principles you've given us?

**Mr. Scott Hutton:** I can't say that any one has got that complete suite of services just yet. I think if you're looking at areas where you can ensure that you treat both local companies and international companies on a similar level, but again, also adapt to each way forward, those are certainly areas we're looking at. There's no full suite of services yet. I think we're still in development—

**Mr. Gordie Hogg:** There probably never will be if it's evolving.

**Mr. Scott Hutton:** —with lots of plans on that front.

What I think the CRTC is looking for is that, you know...we don't have all the answers to the exact “hows”, but it's essentially to make sure that we make the public policy decision to intervene or not. Then if we do decide to intervene, we give a body or a mandate to some entity to be able to implement those and enforce them.

**Mr. Gordie Hogg:** I happen to believe that we have one of the best systems in the world with the CRTC.

Am I finished?

**The Chair:** You are finished, sir.

We are now going to Mr. Nantel for two minutes.

[*Translation*]

**Mr. Pierre Nantel:** Thank you, Madam Chair.

Gentlemen, I must congratulate you for the speed with which you produced your report. Certainly, the CRTC process normally has to be slow. You are not asked to react so quickly all the time. You are all about a long-term vision. Your report was delivered properly and quite quickly, I feel. We all expect there to be changes. I have three quick questions specifically on that and, of course, I will ask you for very short answers because we have less than a minute and a half now.

In your opinion, what interim measures can be taken, before the legislation is reformed, to accommodate digital?

**Mr. Scott Hutton:** In our opening presentation, we mentioned the measures that are in place at the moment. Naturally, we are focusing on the issue of music on the radio, because that is clearly under threat these days, especially on the francophone side. So we are looking at our mechanisms to see how the radio industry, which supports music in a way, could support it better, so that the music industry can adapt in the future.

**Mr. Pierre Nantel:** Of course.

**Mr. Scott Hutton:** We are looking to establish measurement mechanisms, be they for music or television, in order to clearly define Canadian content and, basically, to be ready for the future and the possible changes. Even if there are no changes, we have to be able to properly measure and understand what is happening. Of course, we are also focusing on CBC/Radio-Canada, which will have large digital footprints in the future. We are meeting with their officials. That is what the CRTC is doing to prepare.

**Mr. Pierre Nantel:** Okay.

On the topic of the consultations, we see that you are in the process of examining the costs associated with Canadian content, including the digital platforms of our Canadian players. Can we then deduce that you are thinking about regulating Canadian content on some digital platforms, the Canadian ones but not the international ones, given that it is all the legislation allows you to do at the moment? I can already hear our people yelling and saying that the Americans now have an open bar, whereas they are being asked to perform miracles with nothing in a declining market.

• (1630)

**Mr. Scott Hutton:** I don't think the public notice you mention talks about regulating Canadian web content at the moment. I think it talks about measurements and definitions.

From our previous consultations, we have also come to understand that programming produced by our traditional broadcasters also ends up on the Internet. There was some talk about requesting credits for those expenditures.

**Mr. Pierre Nantel:** So you are looking at that?

**Mr. Scott Hutton:** Those are the issues we are examining at the moment.

**Mr. Pierre Nantel:** Okay.

I have to stop there. Thank you.

**The Chair:** Thank you.

We have time for two speakers, one from each side, six minutes each.

Let's start with Mr. Boissonnault.

[*English*]

**Mr. Randy Boissonnault:** Okay, well, it's 2019, so I do have to say one thing: that I think her story, their story, his story are all histories and that when we add all of them up, they are the sum total of our combined experience that makes multiple histories. I think it's also important to say that our government is working on reviewing the broadcast system and that we want laws that are for the 21st century. We've just come off a lot of work on the copyright review, on our side. I'm interested in creators and in artists getting their fair share. That's been about a year of our life and is important.

At the same time, I'm also interested in making sure that consumers are able to pay their bills. We've made a lot of investments in the system. I think you gentlemen know—\$172 million in the Canada Media Fund, \$675 million for the CBC. Telefilm and the National Film Board have also had significant top-ups. We've invested \$595 million in a fund for independent journalism, and then we have Canada's first creative export strategy of \$125 million.

We're doing our part. We're trying to make sure that this system is responsive and adapting to these new challenges.

I'm curious as to how much thinking the CRTC has done. It's not just taxing consumers, which would be paid by the consumers, right? How many companies would actually pay the levy?

**Mr. Scott Hutton:** Okay, we're back to that one.

Essentially the same companies that are paying for it now would see a reduction in what they are paying and we would be asking the other Canadian distributors to contribute slightly more than what they are currently contributing.

**Mr. Randy Boissonnault:** And we would also be asking consumers to pay.

**Mr. Scott Hutton:** Consumers pay their bills and this is included in their bills.

**Mr. Randy Boissonnault:** But a new tax would be more money that consumers would have to pay.

**Mr. Scott Hutton:** That's not what we put forward. From the regulatory side, we made statements that there was enough money in the system at this point in time, and the proposition here is to just spread the level across all of the players in the system, as opposed to just a handful of them.

**Mr. Randy Boissonnault:** In comparison with other countries, how much do Canadians, on average, pay for Internet access or phone access? Are we high, are we in the middle, are we low? Are we the best jurisdiction in the world? Where are we in the rankings?

**Mr. Scott Hutton:** You're stepping out of some of my... We're certainly in charge of broadcasting, but if I can give you a high, medium, low ranking, in cable distribution, compared with the U.S., we are lower. The products are different across various nations, but if you're looking at developed nations, we're lower than the U.S., and probably on par with many of the other ones. When you're looking at the Internet and wireless services, you see that international studies show that we're closer to the higher end.

**Mr. Randy Boissonnault:** Okay.

I'm seized by the levy, as you can tell. What would the scope of the levy be and how did you come to define it in the report in the way that you did? I know you used words like "harmonize", but what informed that approach? Is it to get everybody to the same playing field relatively speaking, or is it just a redistribution of the existing cash in the system?

**Mr. Scott Hutton:** There are two elements. One is certainly a level playing field. As we noted in the opening remarks, three-quarters of the data traffic on wireline networks is essentially programming. We've we've heard that more and more Canadians are consuming programming on that front, and that will certainly become the dominant programming distribution vehicle in the future. Certainly, that fact has influenced our suggestions on that front. The importance of the contributions to the system is the other element that we've put forward. If you're only asking a certain portion of the distribution industry to contribute, then you will see a shrinking of those important contributions and a lessening to the system.

On the third part, coming back to the fact that we don't think we need more money, this is essentially maintaining the current system.

• (1635)

**Mr. Randy Boissonnault:** Okay, that's very helpful, because if my memory serves me correctly, going back to when I was

parliamentary secretary to the Minister of Canadian Heritage, the creative sector is about 3.5% of the GDP of the country and employs about 630,000 people, and we want to see that number grow. Did you find any creative approaches other than a levy—other than a consumer tax, other than a redistributed tax on consumers—to actually get the Internet service providers and the streaming platform services to engage with us to create more Canadian content like co-production agreements or stepping into the market? The next time Marco Polo is filmed, let's do it in Canada. Okay, maybe we don't have the same landscape, but let's have some dramas in Edmonton, because there is a lot of drama some days in my city.

How do we get these big shops to produce more Canadian content other than just relying on a levy?

**Mr. Scott Hutton:** There's are various means, and the levy was one of the examples that was highlighted in the report. As we look forward, various players can contribute towards the production directly, as television broadcasters or specialty services currently do. Some global platforms can also distribute Canadian content across the world, and those are certainly some advantages or some contributions that they can do over and above.

There are issues with respect to discoverability. How can we ensure that the user-generated platforms help in putting forward Canadian content on a global platform or on a local platform and so on and so forth? There are various means. We certainly have looked at all of those in the report, and those are why we're concluding that we need some change to be able to adapt our system, to be able ask exactly, and to ask each of those players, to make the best possible contribution towards the Canadian system, as the act currently requires.

**Mr. Randy Boissonnault:** I just have a quick question because I probably have 20 seconds or less. Google owns YouTube. Facebook owns Instagram. Those are powerful companies. Does the part of the CRTC that you regulate and that deals with those companies need more tools from legislators to be able to do your job as regulators?

**Mr. Scott Hutton:** Yes.

**The Chair:** That will bring us to Mr. Shields for the final questions.

**Mr. Martin Shields:** I'll share with Mr. Yurdiga and be quick.

Yes, Mr. Boissonnault, there was a second version of the *Game of Thrones*. It was in Edmonton, and there's a new king in the chair.

**Voices:** Oh, oh!

**Mr. Martin Shields:** Thank you.

In point 3, where you said “create a nimble, innovative and readily adaptable”, now that's for a regulator. Most people want to know what the regulator is and what the rules are and that they're consistent. You made a statement there that to me is just the oxymoron of what people look for in a regulator.

**Mr. Scott Hutton:** The suggestion there is our legislation. What it comes from is that essentially the current legislation, whether it's the Broadcasting Act or Telecommunications Act, has been very much technology neutral. What we're essentially asking and suggesting as legislators look towards the future is to certainly maintain that technology-neutral theme and ensure that we concentrate on outcomes.

Do we want Canadian content to be produced? What type of Canadian content do we want produced, more than the actual specifying that YouTube should be doing X, Google should be doing Y, and CTV News should be doing Z? I think that's the theme we're trying to put forward.

**Mr. Martin Shields:** That would make much more sense if you put that there as part of it, because when you use those words there, it doesn't. Thanks.

Mr. Yurdiga.

**Mr. David Yurdiga:** You mentioned neutrality. I've read a lot of articles about net neutrality and the framework. A lot of people believe that there's a stranglehold on net neutrality. What's the position of the CRTC on what should be done?

**Mr. Scott Hutton:** We're jumping into the telecom side—

**Mr. David Yurdiga:** Yes, I know.

**Mr. Scott Hutton:** —but I will just give a message that Canada, the CRTC and the Telecommunications Act have produced one of the most robust net neutrality regimes in the world, and our suggestion simply is, let's continue with that very robust approach.

**Mr. David Yurdiga:** Is there always an overlap? Obviously, you both work together. It's complicated, but there is a concern that government is overreaching into what we see and what we want to hear. I'm hearing this concern. In your position, do you think we're doing too much or not enough?

**Mr. Scott Hutton:** Well, there's net neutrality on the telecom networks, and essentially that has quite a long history of intervention... It's actually meant to ensure that the telecom players do not intervene in that free flow of communication. I'd actually say that the interventions and our approaches to net neutrality, the free flow of information and the objectives of the Telecommunications Act serve exactly the concern you're expressing.

•(1640)

**Mr. David Yurdiga:** Okay.

How much time do I have left?

**The Chair:** You have three minutes.

**Mr. David Yurdiga:** I'm not sure if this is your department or not, because I've been wrong three times in a row—

**Voices:** Oh, oh!

**Mr. Scott Hutton:** That's all right.

**Mr. David Yurdiga:** It's the Canadian anti-spam legislation. Am I close?

**Mr. Scott Hutton:** Again—

**The Chair:** I'm sorry. I'm just going to jump in to make sure that we get back on topic, because we are talking about the Harnessing Change report. I let us go down that road a bit when you were talking about Canadian content, but now with anti-spam legislation, we're going out—

**Mr. David Yurdiga:** Well, anti-spam does work into the formula here, because that is a problem.

**The Chair:** It just doesn't fit in any part of that report, from my reading of it.

**Mr. David Yurdiga:** In my mind, it really works. Anyway, I'll ask something different.

**The Chair:** Thank you.

**Mr. David Yurdiga:** Moving forward, what tools do we need to be relevant, in the sense of responding to any contraventions? Do we have enough resources to enforce rules that are established or are we lacking on the enforcement side of things?

**Mr. Scott Hutton:** We are lacking enforcement mechanisms. Our current mechanism is related to licences, involving suspending licences, removing licences or imposing new conditions on licences.

Licences are valuable because there has been a closed system. As the closed system is changing, new players are coming in and the Internet is delivering new forms of services that Canadians are clearly enjoying, enforcing our mechanisms and our regulations through licensing is no longer practical. We need new tools, such as administrative monetary penalties, to be able to help with the enforcement of our rules.

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

Thank you to both of our witnesses, Mr. Hutton and Mr. Carter, for being here and helping us to understand more of your report.

We are going to suspend briefly so that we can clear the room, because we are moving in camera for our study on the copyright review.

Thank you.

[*Proceedings continue in camera*]







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