

CRTC 2007-10

Review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services

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CEP Presentation: Peter Murdoch, Monica Auer, Rob Lumgair

16589 THE SECRETARY: Thank you, Mr. Chairman.

16590 I would now invite Communications, Energy and Paperworkers Union of Canada to make a presentation.

16591 Mr. Peter Murdoch, you may now begin your presentation.
PRESENTATION / PRÉSENTATION

16592 MR. MURDOCH: Thank you, Madam Secretary.

16593 Commissioners, it is good to be here. I know we are the last ones up and ninth spot on the batting order is not clean up, I'm afraid.

16594 THE CHAIRPERSON: Well, you're the last one to leave an impression with us, so it is a privileged position.

16595 MR. MURDOCH: Okay. For the record, my name is Peter Murdoch and I am the Vice-President of Media of Canada's largest Union of Communications, Energy and Paperworkers.

16596 We have 25,000 members across Canada who work in television, specialty radio stations, newspapers and independent production. Appearing with me today are Robert Lumgair, to my right, CEP's National Representative in Vancouver; and Monica Auer, CEP's legal counsel in this proceeding.

16597 CEP appreciates the opportunity to appear before you today. Commissioners, our presentation today is very focused. We intend to deal with the proposal that BDU subscribers pay a fee for each local television station that BDUs provide or subscribers receive.

16598 As we understand it, the CRTC may require BDUs or the subscribers to pay a fee to each local television station that BDUs provide or which subscribers receive. At first blush, the notion of a regulator demanding that customers pay for a service which they now get for free is, I might say, unique, but in the broadcast market a fee for carriage is on the table because other issues are at stake and a quid pro quo over carriage fee might be a pragmatic solution to some tough choices.

16599 Making trade-offs among competing interests is probably the main reason we had a Federal Communications Regulator.

16600 In this proceeding we have heard that the quid pro quo for a carriage fee is or may be local news. Broadcasters are now saying that ensuring high quality, locally produced local news is such an integral part of a station's broadcast schedule that the CRTC should require subscribers to begin paying for it.

16601 Although we think there is enough money in the OTA system today to support local news, and also believe that broadcasters, especially large broadcasters, should provide this content in exchange for the many legislative and regulatory benefits they receive, we are offering conditional support for this new deal of fees for local news.

16602 As you know, CEP has been raising concerns about local news for more than a few years. We have watched the steady erosion of TV news and stations across Canada, the most recent of which happened yesterday when the prospective buyer of TQS announced it was eliminating all newscasts this coming September and laying off more than half of its staff, 271 people, in the process.

16603 CEP's bottom line is that cuts to local news have made some communities, some cities and indeed some regions second-class citizens when it comes to news and information, but in our democracy every Canadian should have access to what the Supreme Court in 1988 described as a competitive marketplace of ideas which will enhance the search for the truth and that, quote "is essential to intelligent and democratic self-government".

16604 Canada's broadcasting system is becoming a collection of have and have not communities in so far as news is concerned.

16605 So our first point is that whatever else this new fee for carriage does, it must ensure first and foremost that all cities and communities are treated equally when it comes to news and information because, as we understand it, every subscriber in those communities will be paying these fees. The Internet may some day offer real alternative to mainstream professionally produced original news, but we aren't there yet.

16606 Since we have been expressing our strong concerns about the erosion of local programming for years, we also welcome the attention that the carriage fee has brought to local news in particular. It is critical to remember in these discussions that local news has changed fundamentally from what it was 20, 10 or even five years ago. Now stations, including Citytv and Channel M, simply add voiceovers to other stations' local footage. Canwest has outsourced its sports content in Toronto to The Score and the local newscasts aired by Canwest's Halifax and Montreal stations are produced in Vancouver. Weather aired by Canwest's Halifax station is actually presented from Red Deer.

16607 A regional local news production in smaller markets has either disappeared or is fading to black.

16608 The reality is that what was once clearly local has morphed almost beyond recognition. Major job cuts in the last few years have left many stations trying to fill the same airtime with fewer hours of original news. Some stations no longer even produce the local newscasts they broadcast to their local communities.

16609 As long as local news is unregulated, broadcasters have cut and will continue to cut local newscasts to save money.

16610 But news and information matter to Canadians, to local communities and to our members. We were therefore somewhat encouraged to hear CTV and CanWest reaffirm their commitment to local TV news.

16611 Today we haven't seen any clear evidence that each and every station is in financial distress, indeed that any of them are, or that their problems are caused by local news or that □□ sorry.

16612 What we do know is that private broadcasters are looking for some \$300 million in additional revenue. Before they get this money, several fundamental matters must be addressed to ensure a net benefit to our broadcasting system and the subscribers who pay the fee.

16613 First, to ensure that a fee for carriage doesn't simply flow through the private broadcasters' bottom-line, new revenues from a fee for carriage must be tied to Parliament's objective for our system.

16614 Second, a fee for carriage must demonstrably improve over the air television services. This means that TV stations must not be able to replace their existing spending with fee for carriage income. This money must be added to stations' program expenditures if subscribers are actually going to get benefit from strengthened and improve local news.

16615 To ensure that fee for carriage money is meaningfully incremental to existing local programming expenditures, the CRTC should publish historical local programming expenditures by programming category for the past two licence terms of any station that seeks a fee for carriage, so that a fee for carriage is not granted for what may only be a temporary downwards blip in a station's spending on local news.

16616 Third, if a community's subscribers pay their local broadcasters a carriage fee, this money must be used to improve the local news that is broadcast to that local community. CEP is focused on local news of Canada's mainstream television broadcasters, not just because news is the bedrock of Canadian democracy, not just because consolidated ownership has weakened and continues to weaken local newscasts, and not just because cutting local news spending also eliminates opportunities for young Canadians to gain experience and work where they live, but because, as CTV and Canwest's own survey shows, Canadians place a high value on local news.

16617 If it is properly directed and audited, a fee for carriage will not only increase local employment and incomes, but will provide local communities with the original high-quality Canadian local reflection that our broadcasting legislation mandates.

16618 The alternative, to give a station a fee for carriage without any regulatory requirement for local news at all, will effectively transform over the air television stations into a programming service that are, for all intents and purposes, indistinguishable from pay and specialty services.

16619 A fourth problem is tied to enforcement. Because mainstream TV broadcasting is not a competitive marketplace but a regulated sector with limited entry, subscribers need the CRTC to regulate a fee for carriage regime. Commitments and expectations simply don't work.

16620 Since Parliament has clearly said that stations that breach the CRTC's regulations or their own conditions of licence can be prosecuted, these are the tools to use. So if the CRTC decides to tie a local TV station's receipt for carriage money to improve hours of original local news, for instance, the improvements must be substantial, incremental, measurable, set by condition of licence at licence renewals and enforced.

16621 Fifth, as Ivan Fecan told you earlier last year, you can't manage what you can't measure. Similarly, the CRTC can't regulate and can't enforce things it doesn't measure. If broadcasters apply for a fee for carriage tied to specific expenditures on specific hours of original local news, they must be prepared to provide more detailed information about their news to ensure the fee for carriage is yielding real benefits to those who have paid for it.

16622 Could a station, for instance, take a few hundred thousand dollars of carriage fee revenue to pay another station in a different market to produce their newscasts?

16623 Clear measurement will enable you to ensure subscribers' interests are being met and will make the fee for carriage regime accountable. Since the CRTC publishes the financials of individual pay and specialty services each year, because these companies obtain subscriber revenues, we also assume that the CRTC will publish the financials of over the air conventional broadcasters that receive a fee for carriage as it now does for discretionary programming services.

16624 Enforcement. A sixth issue that should be considered now before we reach an implementation phase is enforcement. Having more details about enforcement is particularly critical because Canwest said last week that a fee for carriage will only fix its problems for the next three to five years.

16625 What will we do if a station receives a fee for carriage but either simply maintains or reduces its original local news spending?

16626 What about stations that lay off all their news staff or simply decide to eliminate their local news altogether, like TQS?

16627 All these questions matter, but the most important from our perspective is identifying just what could receive a fee for carriage because clear, measurable definitions that we all understand are fundamental to smart and effective regulation.

16628 If the fee is granted to local over the air television stations, we need to know what these are. Unfortunately, Parliament has not defined either television station or local television station.

16629 In our view, over the air television stations that receive a fee for carriage must produce and broadcast complete original local newscasts for and about their local community. These are Canada's local TV stations. Stations that can't control their signal or do not produce their own local newscasts, or stations that have been downsized into news bureaus are not local TV stations.

16630 If local monies from the local community are supposed to yield measurable improvements to local service for that community, stations that produce their local news outside the community, or that do not produce local news at all, should not receive the fee.

16631 That said, if the CRTC imposes a fee for carriage for television stations to maintain and improve local programming, it should amend its television and BDU regulations to define a local television station as a licensed television station that originates locally produced programs reflective of the local community, including original locally produced news and information.

16632 Conclusion. In conclusion, Mr. Chair, let me say this. If Canada's over the air stations want new money from subscribers, they must give something back. Replacement revenue, as Mr. Asper once described it, is not in the cards. The CRTC is not here to backstop shareholders.

16633 Our main focus has been the relationship between a fee for carriage and local news. If you approve a fee for carriage, you must also ensure that:

16634 (1) we all know what we mean by local news;

16635 (2) new subscriber fee money will only be used for new original locally produced news programs;

16636 (3) an auditing regime will be created to determine whether original local news commitments are indeed being met;

16637 (4) this auditing machine will be accountable and transparent so that Canadians who are subsidizing local stations get what they are paying for; and

16638 (5) a system will be created to penalize those broadcasters who do not live up to their commitments, including the opportunity for new applications to be made for existing licences whose stations do not meet their commitments.

16639 News is the lifeline of democracy. I recently had the opportunity to speak with Iraqi journalists in Baghdad, and it made me very appreciative of the fact that without a vigilant and diverse media a country can quickly find itself in dangerous difficulty.

16640 I believe in Canada. The alarm bells are already ringing.

16641 We will be happy to answer your questions. Thank you.

16642 THE CHAIRPERSON: Thank you very much for a very concise and pointed submission.

16643 You raise the whole issue of local content. You are primarily focusing on local news. As you know, in terms of over the air stations, one of our requirements is that they have local content, which of course

includes news. Local news is a large part of local content but it is not all local content; you can have other aspects which qualify as local content which are not news.

16644 I think our position on this is quite clear. As you know, we had the Diversity of Voices hearing where one of the rules that we insisted on, that you can't own all three sources of editorial news in one city with the radio and television and journalists. That clearly shows our concern about news.

16645 When City was bought by Rogers, in this very room □□ you were here, Mr. Murdoch □□ I gave Rogers quite a hard time about the lack of news in Vancouver and as part of our approval, there is an expectation that at renewal time they had better address the issue of news in Vancouver.

16646 Then very recently we turned down the HDTV network application, basically because it didn't have local content. There was lip service to local content, but it wasn't going to be locally produced. As you suggested, it would have been bought somewhere and really amounted to a Super Station model from the United States, like a Vancouver station being retransmitted across the country.

16647 We said no, that is not what the broadcasting □□ so I think the Commission has been consistent and very strong and agrees with you. News is important. Over the air stations is one of the primary sources for news. It has to be there. And we look at every application through those eyes.

16648 On top of that, we have said we will have separate hearings on community broadcasting because of course community stations is another source, a different source of local news, but also very important so citizens know what is going on in their community.

16649 So I think in terms of principles, aims and direction we are ad idem with you. Now, let me ask you some specific question of what you said.

16650 One of the issues that I put to Messrs. Fecan and Asper was who should get this money. Should it go down to the station or does it go to the network or what?

16651 I gather from what you are saying here you feel it should go to the actual station?

16652 MR. MURDOCH: Right. Our view is □□ and you can just see it by the very brief examples that we pointed out □□ that the problems are originating in the local stations. They are probably being directed by the networks for cost-saving measures and a whole variety of other reasons, but the effect is in the local community. That's where local news production, local programming has been drastically reduced.

16653 So if there is going to be a benefit for subscribers, particularly in each community across the country so that we don't end up with winners and losers, it seems to me that that money goes to the communities that are paying for it.

16654 THE CHAIRPERSON: Okay. You suggest that money should be incremental so in effect at the end of each fiscal year a network □□ let's take CTV □□ would have to account saying we got so much for fee for services. Here are our local stations. This is how much money we have appropriated to them from our budget, and then from the fee for carriage we divided it on this basis between those stations, if I understand you correctly?

16655 MR. MURDOCH: Right. We want to see net additions to the system.

16656 It alarmed me a little to hear Mr. Asper talk about this money was for maintenance. I think you might recall him using that word.

16657 Well, that's not on. If we are going to ask subscribers to pay for something that they already get for free, they want to see real improvements, not simply maintenance.

16658 The question will be of course □□ and we have made some efforts to pin that out □□ is how do we audit these improvements? How do we ensure that they are not just replacement money.

16659 THE CHAIRPERSON: Yes. I think you will recall CBC said the same thing. They said it was really replenishment money to bring things back to standard, and I pushed both the CBC and Canwest CTV on the fact, you know: What does a subscriber get for it? Surely it has to be recreational. It has to be something new; it can't be just money for this.

16660 Now the mechanics, as you point out, is going to be very difficult to establish if we go that way.

16661 You have one other requirement, which is basically □□ I don't want to put words in your mouth, but you say improved over the air television services. You are really talking about an improvement in quality of local news, if I understand you correctly.

16662 MR. MURDOCH: Right.

16663 THE CHAIRPERSON: How do I measure that? I can measure where the money is being sent in a local station, whether it's incremental, but how do I measure quality?

16664 MR. MURDOCH: Well, I mean, one of the things □□ yes, let's look at the things we can measure.

16665 We can certainly measure the amount, we can measure employment, the amount of money that is being spent and a number of people are doing it. We know that given the recent layoffs □□ let me just give you an example off the top of my head.

16666 In Montreal, for instance, at the Global station in Montreal where we have I think it is now three reporters covering the city Montreal, I think we can assure you that if you even double that number, there is going to be higher quality of service to people in the Montreal community watching Global Television.

16667 In terms of being able to produce it locally, that becomes very important because it is reflective.

16668 I might let Mr. Lumgair actually speak a little bit to the production and what it means to have quality television.

16669 MR. LUMGAIR: Thank you, Peter.

16670 Commissioner, I think one of the measures in terms of the quality and what's happening in a particular market with respect to news, certainly a measure would be the quantity of local coverage. One of the first casualties of moving toward centralization production centres or sort of the super stations, plural rather than singular concept, has been the amount of local coverage.

16671 The regional and national coverage is pretty easy to pick up and repeat and feed into that newscast, either in a sort of cookie-cutter format if you like from all kinds of sources. But what suffered immediately and demonstrably, in our view, at this point in stations where those kinds of changes are happening, is the local coverage.

16672 I think it needs to be some measure of that.

16673 THE CHAIRPERSON: Exactly, and that is what I'm asking.

16674 I mean, we all want better local news coverage, but quality is one of these concepts like love or souls. Everybody knows it but nobody can define it. So all we can do is use proxies.

16675 Mr. Murdoch gave me one proxy. He says number of employment. I guess you have given me a second one of saying number of locally recorded news events.

16676 MR. LUMGAIR: That's right.

16677 THE CHAIRPERSON: Do you have any other proxies?

16678 MR. MURDOCH: Well, original hours of local stories I guess is the same thing.

16679 MR. LUMGAIR: I think it's the same thing.

16680 MR. MURDOCH: You know, what's interesting, though, is that in terms of Cancon we have a system to sort of measure Cancon. And you're right, it doesn't measure quality, as I guess Mr. Shaw points out sometimes a little aggressively.

16681 But there is a system in place there that does measure Cancon. So I think there are a number of and we can perhaps address a little more.

16682 But simple employment, which has really been hit hard, is a big measure because I think once these broadcasters say if they start paying me a wage to go out and get stories, guess what, they're going to put them on air.

16683 THE CHAIRPERSON: What about the CBC? You didn't mention them at all. As you know, they were here before us and they argued just as strongly and just as vociferously that they should be entitled to a local fee for carriage.

16684 MR. MURDOCH: I would agree with that.

16685 THE CHAIRPERSON: What about the second cousin of distant signal, that very much when you listen to Canwest and Global in the same breath they talk about fee for carriage and compensation for distant signal.

16686 MR. MURDOCH: Just so you know, we didn't really spend a lot of time looking at any other issue than local news, and we wanted to stay singly focused on that issue because we think it is the issue of the day.

16687 And sadly, nothing could highlight that more than the announcement yesterday by TQS.

16688 THE CHAIRPERSON: As you know, TQS will come before us so I cannot comment on it. Only I can tell you we will look at it, as we have done on all other licence applications, to what extent you meet the purpose and requirements of the Broadcasting Act.

16689 One of them is clearly local content and local content includes local news, and that applies to TQS the same way as any other licence holder.

16690 You give me a definition of local, and I have actually underlined it here.

16691 You said:

"Local television station is a licensed television station that originates locally produced programs reflective of the local community, including originally local produced news and information." (As read)

16692 That's on page 8, paragraph 29 of your submission.

16693 MR. MURDOCH: Yes, got it.

16694 THE CHAIRPERSON: If I applied that today, Global wouldn't qualify.

16695 MR. MURDOCH: Global would what?

16696 THE CHAIRPERSON: Global Ontario would not qualify because Global essentially for the purposes of Global licence grossly exaggerating, local means regional and their newscast to a large extent is for Ontario and is repeated in their stations.

16697 COMMISSIONER ARPIN: Same in Quebec.

16698 THE CHAIRPERSON: The same in Québec. My colleague knows much more about this.

16699 MR. MURDOCH: Right. Montreal, yes.

16700 THE CHAIRPERSON: But the principle is the same.

16701 So I would say the definition that you offer me would disqualify them. So should I disqualify them or should I amend the definition so as to include what Global does today?

16702 MR. MURDOCH: Right. Well, I guess the sort of obvious answer for us is that if these stations make the effort and devote the resources to local content and local news and programming, they should qualify.

16703 THE CHAIRPERSON: That is too Delphic for me. I don't know what that means.

□□□ Laughter / Rires

16704 MS AUER: Do you want me to answer?

16705 MR. MURDOCH: Go ahead.

16706 MS AUER: Mr. Chairman, I guess the point is Global is licensed as a regional station in Ontario, in Toronto, similarly in Quebec. There were good reasons at the time for the Commission to offer a regional licence. If it should be reconsidered, that is certainly up to Global to make an application. Nothing prevents it at this point.

16707 THE CHAIRPERSON: I don't think they want us to reconsider, so we are just following your logic. You basically say treat them for what they are.

16708 MS AUER: Well, I guess the alternative is □□

16709 THE CHAIRPERSON: □□ sort of a grandfathered exception.

16710 MS AUER: The alternative is to have maybe a separate kind of thing, a regional subscriber programming fee. That is getting very complicated. It doesn't □□ I don't know if it will be as effective as just having a simple, straightforward smart rule.

16711 THE CHAIRPERSON: We are going to have, as I mentioned, a separate hearing on community stations. But just share with me, if you would, your view. You obviously attach great importance to local news.

16712 What role do you see the community stations playing as opposed to the commercial station and how do they differ?

16713 MR. MURDOCH: Well, I guess the significant way they differ is in resources. You know, it's clear that the conventional broadcasters have the resources and, as we mentioned □□ and I know I am sort of echoing an old refrain here □□ those resources that they have, which are substantial, are there because of all sorts of benefits through legislation policies, tax systems, et cetera.

16714 So I don't think, first of all, there is a problem in terms of public policy demanding that these broadcasters that benefit from public policy to devote resources back into those communities and, first and foremost, is local news and information programming.

16715 In terms of community broadcasting, we would like to see some more of that.

16716 You know, it wasn't that long ago that we had □□ when we were here at the last licence renewal for these major broadcasters, we brought in pages and pages of local programming that was being done. And we have a whole list of stars and news anchors and heaven knows what, of people that began in local stations. That was in Timmins or Kelowna or whatever.

16717 So there was a history almost of apprenticeship before you became Peter Mansbridge. Now that is being taken away from us slowly at the conventional side.

16718 What we want to do is if this fee for carriage can restore and add to that, then by all means let's have another step in the rung at the community base to give □□ we are graduating all kinds of young people out of radio arts and television and journalism programs, and as we are graduating them we are decreasing the amount of opportunities they have to follow their careers.

16719 THE CHAIRPERSON: Mr. Murdoch, the fee for carriage that you advocate, is there sort of a triggering threshold because local stations provide local news in varying degrees. A varying amount of money is being spent, resources, et cetera.

16720 Even if you have a very minimal one, are you entitled to a fee? Is the fee tied to the amount that you □□ or how do you see that?

16721 Obviously it would be nice if we had licensed all stations to produce the same amount of local news or local content. They don't, unfortunately. It is all over the place.

16722 That's why I'm wondering, have you thought of whether that (a) should be a threshold amount and (b) should there be some proportional relation between the amount of the fee that you get and the amount of local content that you put in?

16723 MR. MURDOCH: Right. First of all, I think we tried to make the case at the beginning of our presentation, is that what we do have to ensure is that there are no second-class regions or cities in the country, so that regardless of how many resources come out of Halifax, regardless of how much money, the people and Halifax deserve the same □□ I'll use this word again □□ the same quality, not the same quantity of news and the same attendance to news coverage, I guess, as stations across the country should.

16724 And that goes for every other community across the country.

16725 It is very difficult for us to put a threshold of spending in the sense that we don't have the information now □□ and we were suggesting it in our presentation again □□ about how much is being spent now and how much was spent five or 10 years ago and how much savings has been generated by these hundreds and hundreds of job losses.

16726 We just don't have that information and if we could, we might be able to make a submission to you.

16727 THE CHAIRPERSON: What about the second part, the entitlement? Should that be proportional?

16728 MR. MURDOCH: In other words, the entitlement to the carriage fee is dependent on □□

16729 THE CHAIRPERSON: What you spend. I mean, should there be some sort of reward or some sort of incentive that you see or is it only to make absolute that everybody comes up to the same level?

16730 MR. MURDOCH: Go ahead.

16731 MR. LUMGAIR: Mr. Chair, I think that we would adopt or opt for the approach that there be a minimum level regardless of the community and regardless of the market.

16732 In some markets obviously that would be exceeded. You get into larger stations that you simply have more meat on the bones for every daily newscast, there is no question about that.

16733 But I think that perhaps certainly the fairest way to ensure that in the smaller markets they get at least a level of coverage that is deemed, whatever that might be □□ we are getting down to the quantitative approach □□ whatever that might be, that ensures that there will be some adequate reflection of that community.

16734 MR. MURDOCH: Were you suggesting that, in some ways, we might think about using a carrot, not a stick; that if a broadcaster sort of went over the top on local news programming, they would be rewarded for that initiative?

16735 THE CHAIRPERSON: Exactly. Or, at least, a portion of an incentive built in.

16736 I am just exploring ideas here, because you are the only ones before me who seem to have spent an awful lot of time thinking this through and trying to approach the mechanics of what to do about it.

16737 MR. MURDOCH: Our concern, of course, is that that is happening right now a bit.

16738 They are not getting rewarded for it, but it is clear that broadcasters are spending, even proportionately I would argue, more in some centres, and in some cities, than they do in others. So we end up with have and have□not cities, and the winners□and□losers system.

16739 It is a bit difficult, because I think what you will see is, they will end up spending a lot of money where they think the money is. They will chase the money.

16740 THE CHAIRPERSON: So an incentive would actually be counterproductive to your idea of no second□class citizens.

16741 MR. MURDOCH: Yes, I think it holds some very dangerous consequences.

16742 THE CHAIRPERSON: Okay. Thank you very much.

16743 Michel?

16744 COMMISSIONER ARPIN: Thank you, Mr. Chair.

16745 Over the last couple of days we have heard from the Quebec unions, and one of the things they said to us, which I want you to comment on, is that for the first three years of fee for carriage □□ and it is at the wish of the broadcaster □□ the money could be used for digital transition before being used for local programming.

16746 Do you have any comments regarding such an alternative?

16747 MR. MURDOCH: I am going to answer it, but I just want to make sure what the question was.

16748 Are you saying that the unions suggested that, for the first three years, a portion of the fees □□

16749 COMMISSIONER ARPIN: Or even all of the fees.

16750 MR. MURDOCH: □□ all of the fees should be used for, essentially, capital costs related to digital?

16751 COMMISSIONER ARPIN: Yes. That was the proposal that was put before us by SFCP, CFTU and the Syndicat des employés de Radio-Canada.

16752 MR. LUMGAIR: Commissioner, we haven't thought about percentages. We certainly had some discussion about the need, in stations where there is no financial incentive to move to digital and one of the examples today is Global moving into the production centre, and one of the arguments is that there is no financial rationale for moving, and that the cost of moving to digital is prohibitive.

16753 I think it is fair to say that our view is that we don't object to some of those fees being allotted to capital costs in order to make that transition in markets where it is clearly a difficult task financially to move there.

16754 MR. MURDOCH: I would say, as we know, that the digital world just didn't come up yesterday. They have had a lot of time to think about this, and I think in other sectors of the economy companies realize that renewing capital infrastructure is part of the cost of doing business.

16755 I am not sure whether consumers help pay for that. That is just a kind of ideological stance for me.

16756 The other thing is, I would add that while it is clear that in some markets the digital cost might be

What is happening now and what will happen over those three years is that we will see the continual erosion of local news and local programming, even while digital is being put in in some markets.

16758 So the suggestion that all of it should go for three years is prohibitive. The answer to that would be a very firm no.

16759 MR. LUMGAIR: Might I add, Commissioner, that in the markets that broadcasters are indicating currently are difficult to make that transition, and therefore are moving to the broadcast centres, and simply having finished news items broadbanded to those production centres, we would hope that if there is some decision about capital costs and some money going toward that, that the quid pro quo for that would be to clearly move those productions, and move the production of that newscast back to that local station in any particular example where it has been moved to another production centre.

16760 It would have to, most certainly, be part of the equation.

16761 COMMISSIONER ARPIN: You are also a member of the CCAU Coalition, and the CCAU and the guilds that have appeared before us, as well as the CBC and I am not saying that the CBC is part of the Coalition, but they made the same type of argument, that fee for carriage should go to drama.

16762 Obviously, we also have the CFPTA saying that that added that, obviously, drama produced by independent producers.

16763 You are advocating local news, but you are a member of the CCAU. That is why I am asking you that nice question.

16764 MR. MURDOCH: That is very kind of you, Mr. Arpin.
Laughter / Rires

16765 MR. MURDOCH: As you know, CEP has a number of different folks. We have people involved in independent film and television production, as well as thousands of people who work at the broadcasters.

16766 If it is an either-or choice, that is kind of a Sophie's choice. That is a choice that we not only would not like to make, we won't make.

16767 What we are saying is that today we are coming because we firmly believe there is a crisis in local news and information programming, as highlighted by recent decisions.

16768 The system does have in it a number of methods of encouraging and supporting prime time drama, whether it is through the CTF or the benefits program or □□ there is a whole variety of reasons, even in commitments and obligations from broadcasters.

16769 We haven't had that same regulatory approach to local news and programming, and a crisis is brewing in the country.

16770 So that is why we are focusing on it, but it's not a Sophie's choice that we would accept.

16771 COMMISSIONER ARPIN: Thank you very much.

16772 Thank you, Mr. Chairman.

16773 THE CHAIRPERSON: Thank you very much. I think that concludes our questioning, and I think that concludes these hearings in terms of intervener.