

Minister of Canadian Heritage
and Status of Women



Ministre du Patrimoine canadien
et de la Condition féminine

Ottawa, Canada K1A 0M5

Mr. Gary Schellenberger
Chair
Standing Committee on Canadian Heritage
House of Commons
Ottawa, Ontario
K1A 0A6

JUN 14 2007

Dear Mr. Schellenberger :

On behalf of the Government of Canada, I am pleased to provide the Government's response to the Report of the Standing Committee on Canadian Heritage entitled *The Funding Crisis of the Canadian Television Fund*.

I would like to thank the Standing Committee for its work on the Canadian Television Fund (CTF) and for having taken the time to meet with over thirty groups and interested parties on this matter.

The Canadian broadcasting industry is going through considerable change in terms of new digital technologies and changing consumer attitudes and behaviors. Canadians have seen an unprecedented growth in the number of new pay and specialty broadcasting services and the emergence of new platforms for the production and distribution of content. Creating compelling Canadian content capable of competing with that from other countries (particularly the United States) is a constant economic challenge for Canadian television producers and broadcasters. At the same time, the changes occurring in the media environment also present opportunities to domestic producers and broadcasters.

What does not change is that this government remains committed to a strong broadcasting system and high-quality Canadian programming.

In this context, the following represents the Government's response to your report on the CTF.

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Findings of the Standing Committee

The Committee's report recognized the importance of the work done by the CTF and its overall results since 1996. The Committee condemned the actions taken by Shaw Communications and Videotron Limitée.

It found that the CRTC had very little recourse to the actions of Shaw and Videotron given that the CRTC Circular 426, which specifies that contributions of broadcasting distribution undertakings (BDUs) are made on a monthly basis, does not form part of the BDU regulations. The Committee called for this Circular to be included in the CRTC regulations pertaining to BDUs.

The report recommended that the status-quo be applied to the regulations prescribing that a minimum of 5% of contributors gross revenues from broadcasting activities go toward Canadian programming and that 80% of the required contribution must go to the CTF. The Committee also concluded that the policies in place setting aside 37% of the CTF contributions for the CBC/SRC and ensuring that the CTF funds independent productions exclusively should be maintained.

Finally, the Committee recommended that the Government's annual contribution to the CTF be made permanent and noted that the work of the CRTC on this issue would be conducted in private and called upon the Government to ensure a public process.

The Government's response

The Government recognizes that the CTF has played a key role in ensuring the broadcast in peak viewing hours of high-quality Canadian content in both official languages, as well as Aboriginal languages. It has also played an important role in supporting the television production sector. The Government is committed to ensuring the creation of Canadian content. That is why the Government acted promptly to support the industry.

First, we announced, in January 2007, the renewal of the Government's annual contribution of \$100M to the CTF for 2007-2008 and 2008-2009, which is added to an amount of approximately \$20M in the Department's budget, for a total of approximately \$120M in government funding for the CTF.

Furthermore, following decisions by Shaw Communications and then Vidéotron Limitée to withhold their contributions to the CTF, the Government called upon both companies to resume their payments to the CTF thereby responding to the Committee's first recommendation. The message sent by the Government was clear: as stated in the *Broadcasting Act*, each element of the Canadian broadcasting system must contribute in an appropriate manner to the creation and presentation of Canadian programming. This requires that all players respect the rules and obligations that come with the privilege of holding a licence. The letter further stated that: « For these reasons, it is essential that you resume your monthly payments to the CTF. This sign of good faith will be necessary before we can consider proposals for reform. » Following the issuance of these letters, both companies resumed their contributions to the CTF.

As well, the CRTC played a key role in stabilizing the television production sector. First, the CRTC publicly stated that it would, if necessary, make the circular part of the BDU regulations thus effectively dealing with the Committee's third recommendation that the CRTC make that change. Second, on February 20, 2007, it announced the creation of a task force on the CTF. The terms of reference of the CRTC Task Force will allow them to address the issues raised by the Standing Committee, including those raised in the Committee's recommendations pertaining to the criteria, funding and regulatory framework for the CTF (recommendations 4 and 5).

Given the mandate of the CRTC Task Force and the fact that the CRTC is an independent body, which has the power to modify its rules and regulations, it would be inappropriate to prejudge its review of the CTF currently underway. The Government is looking forward to receiving the CRTC's final report and views on this important issue. The Government is confident that the results of the work of the CRTC Task Force will contribute to a relevant and effective regulatory regime for Canadian content.

It is also important for the Committee members to note that, as indicated by Mr. Konrad von Finckenstein during his appearance in front of the Standing Committee, the CRTC may, if required or deemed advisable based on the conclusions of the report of the Task Force, issue a public notice and hold a public hearing, thus addressing for the moment the Committee's call for a public process (recommendation 6).

Conclusion

The Government acted at a critical time for Canadian television production and ensured minimal disruption to the annual television production cycle and brought stability to the sector.

Over the longer term, the Government believes that content is and will be the driver in the changing broadcasting environment. Ensuring that the broadcasting system continues to meet the needs of Canadians – by providing them with choice, including Canadian choices – is a priority for the Government. Its efforts will be directed at ensuring the long-term sustainability of both the production and broadcasting industries.

Again, the Government would like to thank the Standing Committee for its work, which will help inform the Government's ongoing policy deliberations on the future of the CTF and ensure that the broadcasting policy is responsive to and reflective of the changing nature of the Canadian broadcasting system and of audiences.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bev Oda', written in a cursive style.

Bev Oda. P.C.. M.P.