

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Quebecor Media Inc.

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

As the technology and communications sector is very promising and generates high-quality jobs for a knowledge society such as Canada, Québecor Média believes that the Government of Canada should pursue its agenda to promote competition in wireless telecommunications and broadcasting, which are now inseparable fields. The industrialized countries are facing changes in the ways in which media are consumed, particularly in the area of communications. All measures, together with regulatory relief promoting investment in the country's digital economy, are essential. The recent entry of new players, including Videotron, in the mobile telephone sector in Canada has had a positive impact on consumer prices. With its more than \$1 billion investment in its new national wireless network, Videotron has brought a breath of fresh air to the Canadian economy, generating thousands of new jobs. All of that could not have taken place in the "oligarchic" context in which three major players agreed to divide up the sector. Any return to a form of oligopoly, or even monopoly, would be very harmful to the Canadian telecommunications and broadcasting landscape. With BCE's proposed acquisition of Astral, we have to say that we are on the threshold of just such a return. If that transaction is allowed, it will result in a giant of such size that we will have to forget the very concept of competition in Canadian broadcasting for decades. In its concentration of ownership within a single business, the Bell/Astral combination would have no equivalent elsewhere in the western world, except for the powerful Silvio Berlusconi group. It seems clear to us that the most promising federal measures for the Canadian economy, particularly in this period of fiscal restraint, are those promoting investment in the digital economy and, especially, healthy competition. Allowing Bell to occupy such a dominant position and to engage in reprehensible practices designed to eliminate its competitors would risk undermining employment in entire sectors (e.g. distributors, radio/television producers, announcers, artists, technicians).

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

In the current globalization context, job creation in Canada in as sensitive a sector as telecommunications and broadcasting requires deregulation and the removal of tax inequities. This message is unfortunately not getting through to government authorities and administrative tribunals, which are not proceeding with the necessary deregulation to create strong Canadian businesses able to compete with foreign companies. Foreign distribution platforms such as Netflix have no obligation or particular interest in broadcasting or promoting Canadian content, and they provide little Canadian content, as may be seen by merely going to their websites. On the other hand, services such as those of Videotron and Archambault.ca (owners of Québecor Média) feature domestic content. Canadian content distributors such as Videotron have an obligation to fund Canadian content that foreign platforms do not. In addition, unlike Canadian platforms, platforms like Netflix or Apple are not charged

GST. Every dollar spent on foreign rather than Canadian platforms undermines the financing of Canadian content. Québecor would very much like the government to put an end to these discriminatory measures and to ensure that Canadian distribution platforms can compete on an equal footing. We also demand that federal film production financing programs not discriminate between independent producers and those affiliated with a broadcaster. Québecor has all the tools to play a crucial role in extending the international outreach of our films and television. For the moment, Canada is a buyer rather than a seller of television and film products, a factor in Canada's trade deficit. The astounding number of formats that we purchase internationally and that increase the profits of foreign businesses is proof of that. The future of Canadian film and television production depends on solid Canadian businesses that enjoy greater flexibility so that they can compete internationally.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Canada's increasing health system costs associated with the aging of its population, not to mention our social programs and various pension plans, are forcing the Canadian and provincial governments to make choices in their management of public funds. Now is the time to make choices for Canadian businesses, such as Québecor Média, that are feeling the effects of this phenomenon, which will not go away. Many federally chartered companies with fixed-benefit pension plans, including two of our subsidiaries, Groupe TVA and Vidéotron, are facing a serious issue that has resulted in an unfunded liability. To address this issue and to arrive at a viable situation for many Canadian businesses such as Groupe TVA and Vidéotron, Québecor Média would very much like federally chartered companies to be authorized to liquidate the unfunded liabilities of their fixed-benefit employee pension plans over a period of 10 years, rather than 5 years, without being subject to any condition requiring letters of credit or mandatory approval by the plan's members and beneficiaries. This procedural relief would enable many federally chartered companies to contain the growing unfunded liabilities associated with this type of pension plan and thus to avoid paying out colossal sums to rectify the situation while remaining competitive. Funds could be invested in their infrastructure to support the economic recovery and to stimulate employment in Canada. Québecor Média believes that maintaining a climate of healthy competition in the telecommunications and broadcasting sector, free of any form of monopoly, would have the positive effect of enabling domestic businesses to remain in Canada, to grow and to compete with foreign companies.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Québecor Média believes that strong competition equals high productivity. This is particularly true in the communications sector. At a time when the globalization of markets has achieved new highs, competitiveness has become an essential factor in the success and continued existence of Canadian businesses. Consequently, we feel it is more important than ever that the federal government adopt and promote all statutory measures favouring and stimulating innovation, an essential factor in performance and in the emergence of Canadian champions. Although the federal government and the provinces have jurisdiction over labour relations, we feel it is vitally important that the federal government take the necessary initiatives to shape a consensus in all jurisdictions in order to put in place as soon as possible a simplified Canadian statutory framework for labour relations that will release Canadian companies from the union straightjacket that stifles them and prevents them from competing effectively and on an equal

footing with foreign businesses. This kind of relief will enable them to be more effective in addressing the many disruptions affecting their markets in a global economic context.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Québecor Média took an active part in the consultation conducted by Industry Canada last April on details of the format to be used in the 700 MHz spectrum auction scheduled for mid-2013. We noted, when briefs were filed in response to that consultation, that we were aware of the efforts made by Industry Canada to modernize and improve the spectrum auction format and the related rules previously used in Canada. However, we told Industry Canada that it was necessary to prevent the introduction of potential improvements from ultimately raising new barriers that would prevent full participation by regional operators in subsequent spectrum auctions. We noted that the Canadian political framework associated with the spectrum has always acknowledged the substantial benefits that accrue from a dynamic presence of regional operators and that the framework has always been established to encourage their presence. Since the last spectrum auction in 2008, it is the new entrants (all of which have a regional presence and include our wholly owned subsidiary Videotron) that have transformed the traditionally oligopolistic Canadian sector by attuning it to consumer expectations, thus affording substantial savings for consumers. Whatever decision Industry Canada makes with regard to the 700 MHz spectrum auction format, the new regional entrants' ability to acquire the necessary additional spectrum resources in the 700 MHz band to expand and improve their networks and form alliances with other regional or national players (while enabling them to take part individually in future auctions) must not be undermined.