



August 2, 2018

Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

By: The Canadian Association of Broadcasters

Recommendation: That the government reimburse over-the-air television broadcasters for 100 percent of the costs they will incur to transition out of the 600 MHz band, as required by the department of Innovation, Science and Economic Development (ISED), and as a result, protect the future of local television that performs a fundamental civic role by supplying reliable, timely and unbiased information to Canadian citizens.

SUBMISSION:

The Canadian Association of Broadcasters (CAB) is the national voice of Canada's private broadcasters, representing the vast majority of Canadian programming services, including private radio and over-the-air (OTA) television stations. CAB represents 578 radio stations, 91 OTA stations (plus their re-transmitters) and 158 discretionary services.

OTA television stations deliver thousands of hours of local programming all across Canada, unavailable through other platforms. They are a pillar of the Canadian broadcasting system and the services they provide, which nourish Canadian communities, make them integral to Canada's competitive capacity. Local news on OTA stations serves a particularly vital community-building function that is key to Canadian competitiveness. "Traditional" Canadian local and discretionary TV services retain the vast majority of Canadian audiences, notwithstanding unregulated "over the top" internet-based television competition. This function continues to be valued by Canadians and has been lauded by governments and parliamentary committees of both political stripes in the past. Recently, the House's Standing Committee for Canadian Heritage released a report emphasizing that, among other things, "[local media] perform a fundamental civic role by supplying reliable, timely and unbiased information on community affairs. They ensure public and private institutions are held to account." The Committee added, "[t]he economic contribution of local media should also not be underestimated".

Pursuant to ISED's Digital Television (DTV) Transition Schedule, starting in 2019, almost a quarter of Canada's local over the air TV broadcasters, including 166 CAB member stations, will be required to relocate their spectrum allocation at their own expense. These expenses

include engineering consultants, tower work, site preparation, equipment replacement (studio and transmitter), and consumer awareness, among others. Local TV stations would now be required to pay additional conversion costs for the second time since 2011, while local TV is already under considerable financial strain.

Private OTA television revenue has declined from a peak of \$2.14 B in 2011 to \$1.68 B in 2016, a decline of 22%. Overall sector profitability has declined from \$156 B to negative - \$113 M. In the CRTC's June 2018 report on the future of programming distribution models, it described local TV as a cornerstone of the Canadian broadcasting system that is in decline. As broadcasters have already been forced to find cost savings over the past few years there is simply no more fat to trim. The anticipated transition costs associated with the 600 MHz repack will have to come out of programming budgets and/or force the closure of OTA transmitters in certain markets.

In 2009-2011, broadcasters assisted the government to make more spectrum available for mobile use by converting analog OTA transmission facilities to digital television (DTV) in order to open up the 700 MHz band. The 700 MHz conversion cost broadcasters approximately \$113 M, and no government assistance was provided. Given the financial state of conventional television in Canada, broadcasters simply cannot shoulder the cost of yet another spectrum conversion so soon after the previous one without jeopardizing local news and information programming in some markets.

The requirement to relocate frequencies comes as a result of the government's decision to repatriate 600 MHz spectrum to auction it for mobile broadband¹. It is expected this auction will generate at least \$1.58 B in federal government revenue. By comparison, for affected broadcasters, the cost of vacating the 600 MHz band is estimated at just over \$100 M. CAB is asking the government to reimburse over-the-air broadcasters for 100 percent of the costs they will incur to relocate frequencies for the sole purpose of freeing up spectrum for mobile uses and as a result, help broadcasters to continue providing local programming via free OTA transmission.

Reimbursing broadcasters in this way could easily be financed by auction proceeds as is being done in the United States. Regardless of how it is financed, however, reimbursement is necessary to ensure that Canadian OTA broadcasters have a level playing field with their counterparts in the United States. The US is allocating \$1.75 B of spectrum auction proceeds to broadcasters to cover 100 percent of their conversion costs.

Finally, it is worth noting that this request for reimbursement will not cost government on a go forward basis, but instead represent a one-time expenditure critical to ensuring Canadian communities continue to receive their current level of OTA service.

If the government fails to reimburse broadcasters in the manner requested, local programming will inevitably suffer and Canadians will be deprived a vital and valued source

¹ SLPB-002-18, [Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band](#), para 6.

of content. Even in the digital era, almost 40 percent of TV viewing in the English-language market and 56 percent in the French-language market is to local TV stations during prime time hours. Conventional TV reaches 87 percent of the national audience, including 85 percent of the English-language audience and 94 percent of the French-language audience. Television also remains the primary source of reliable local news for Canadians, with 70 percent using the television as their primary medium for news. If no reimbursement is provided there will be a loss of OTA service when certain rebroadcast transmitters, which transmit the associated free OTA television, will need to be shut down. In some other cases, a lack of reimbursement could result in station closures as for some stations, 600 MHz conversion costs are simply not absorbable. The reduction in programming, including local news and information will impact hundreds of thousands of Canadians.

The cost of providing the reimbursement is estimated at \$10 M in 2019 and \$30 M in 2020 for affected private broadcasters. It is urgent that government funding be in place to cover these costs no later than 2019 to ensure local programming remain at current levels across the country. There is urgency because more than a third of the transition costs will be incurred in just the next two years according to the Digital Television Transition Schedule². The first 8 Canadian OTA stations, based in Ontario, are scheduled to convert in 2019. They need time to make the necessary decisions on ordering equipment and scheduling engineering work. Another 48 stations (44 private broadcasters) must change channel in 2020. These include stations in Ontario, Quebec, Manitoba, Alberta and BC. This includes 7 independent community broadcasters (Pattison, CHCH, CHEK, Zoomer (Joytv), Crossroads, ICI (Multicult), CHMG Quebec). In absence of reimbursement funding, any of those 48 who decide not to transition in 2020 will likely announce that decision in Fall 2019. The local programming and OTA transmission decisions of just these 66 stations will directly impact millions of Canadians. Just over a hundred other private stations are scheduled to convert in 2021, 2022 and beyond. Whatever decision is made on a reimbursement fund, the die will be cast for these stations, affecting service and local TV for millions more Canadians.

CAB television broadcasters are ultimately private enterprises. They cannot continue to justify absorbing new expense, after new expense, on already-struggling services, however purposeful those services might be. Without assistance, the 600 MHz conversion will jeopardize the future of local television programming in cities and towns across Canada.

Finally, as noted, local media play a vital role in our Canadian communities. They directly support the local economy by creating jobs and promoting local businesses. Supporting local television stations across the country by reimbursing spectrum conversion costs is therefore critical to Canada's competitiveness as broadcasters provide services integral to Canadian democracy. This support is a safeguard to the availability of rigorous local news and programming, amounting to an investment in Canadian society and our collective futures.

² <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11282.html#sA>

Thank you for your consideration of this request and again, as the first affected stations will need to transition in less than a year, we would appreciate that this matter be addressed as soon as possible.



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