

INTERVENTION of Friends of Canadian Broadcasting, November 23, 2012

10022 MR. MORRISSON: Mr. Chair and Commissioners, my name is Ian Morrison, and I speak for the Friends of Canadian Broadcasting. It is an independent watchdog for Canadian programming, on the air and online. It works in the anglophone sector of the country.

10023 Friends is not affiliated with any broadcaster or political party, and we are supported by 175,000 Canadian families, people like these:

--- Video presentation

10024 MR. MORRISSON: These comments come from eight town hall consultations across the country in recent months, called "The CBC We Want".

10025 Although the participants are big supporters of public broadcasting, like all friends, they believe that they have a right and a responsibility to offer constructive criticism.

10026 Je veux souligner que lorsque nous critiquons la Société, nous ne visons pas les artisans talentueux qui créent la programmation, mais plutôt des politiques et des pratiques spécifiques de sa haute direction.

10027 The CBC we want is properly funded to do its job. In poll after poll, a significant majority of Canadians say they support maintaining or increasing public funding for the CBC.

10028 We recognize that your Commission has no power to establish the CBC's parliamentary allocation, but we do urge you to send a strong message in your decision that the current level of funding is insufficient to discharge CBC's statutory mandate.

10029 Only four of twenty-six western democracies spend a lower proportion of GDP than Canada on public broadcasting -- Portugal, Poland, New Zealand, and the United States of America.

10030 The CBC has been singled out for disproportionate damage by the government. From 2006 to 2015, total program spending will have increased by 15 percent, while spending on the CBC will have declined by 22 percent. That is a 37 percent gap, based on budget and Treasury Board data.

10031 The CBC's response to this financial crisis has been to replace declining funding with more commercial revenue. This is a bad business strategy, and also bad public policy. It has not prevented deep cuts to CBC's programs, services and staff. It has not resulted in increased audiences or profit. It has alienated core supporters, and it has skewed programming and scheduling decisions.

10032 This is why Friends is profoundly opposed to the CBC's request for permission to bring ads back to some of its English and French radio services.

10033 This is also why we recommend that the Commission look closely at alternative funding models for a less commercial CBC English television, especially if next year the CBC were to lose the Hockey Night in Canada franchise that we estimate represents more than half of all of the English television network's ad revenue.

10034 This is why our written submission proposes a number of specific licence conditions or expectations, commitments regarding the type of program content that we believe is essential for a public broadcaster, such as documentaries, arts and culture, children's shows, and regional reflection.

10035 Like you, we wish it were not necessary to impose this kind of detailed regulatory monitoring and oversight. We understand the value of flexibility. However, we cannot support the CBC when it asks you to trust it to do the right thing. Recent past experience shows that such trust would be misplaced.

10036 Since the previous licence renewal 13 years ago, the CBC has walked away from numerous commitments, and now wants to be let off the hook for many more. This must not be allowed to happen.

10037 The CBC says that many of these decisions are financially motivated. They simply cannot afford to do these things any more. We disagree. We think it is a matter of choice. Does the CBC want to be a public service broadcaster, or a commercial broadcaster that loses \$1 billion a year?

10038 Unfortunately, the CBC has answered that question in the Response to Interventions, where it says, more than once, that it wants to be treated like any other broadcaster. They have tried to backpedal on that this week, but their words speak for themselves.

10039 Well, Mr. Chair and Commissioners, the CBC is not any other broadcaster. The CBC is Canada's national public broadcaster, with pride of place in the Broadcasting Act, and it should, and it must, be treated accordingly.

10040 In the ongoing absence of a transparent, arm's length, professional system for appointing the Corporation's chair, directors and CEO, an absence that Friends deplores, we are forced to look elsewhere for an appropriate governance model.

10041 Friends would like the Commission to create a distinct regulatory regime specifically for the CBC. Failing that, we invite you to examine, and recommend, a system along the lines of the BBC Trust, which, while not without its flaws, does provide an independent means to ensure that key strategic decisions of the public broadcaster are scrutinized to determine whether or not they make a positive contribution to public value.

10042 Under such a system, the CBC would not have been allowed to, for instance, unilaterally abandon the program format for Radio 2 without an opportunity for public input.

10043 Without such safeguards, we respectfully submit that proceedings like this are far less meaningful than they should be. The CBC is called on the carpet every decade, or more, and in between apparently gets to do pretty much whatever it likes.

10044 The CBC boasts about its many forms of public accountability. However, there is an important difference between simple reporting and real accountability.

10045 Friends submits that when it comes to actually listening to what Canadians want, and acting on the input, the CBC's performance leaves a lot to be desired.

10046 The unfortunate result is that many of its strongest supporters are losing patience with the CBC. That would be a tragedy, as it would capitulate to those forces that are opposed to a robust and independent public broadcaster.

10047 We need to turn this downward spiral around by increasing the real and perceived value of the CBC to Canadians.

10048 Commissioners, the idea of public broadcasting is too important to abandon. We need to help the CBC learn how to earn and deserve renewed public support, and then mobilize that support to advocate for resources to do its job.

10049 I would be pleased to answer your questions, but first I would like to give the rest of Friends' ten minutes to a few more comments from some of our and the CBC's friends.

--- Video presentation

10050 THE CHAIRPERSON: Thank you very much. That is the end of your presentation?

10051 MR. MORRISON: That's all I've got.

10052 THE CHAIRPERSON: That's perfect, I was just asking.

10053 Commissioner Duncan will have some questions for you to start off with.

10054 COMMISSIONER DUNCAN: Good morning.

10055 First of all, that might be all you have to say at this very minute, but you certainly said a lot in your submission, and I read it with great interest.

10056 You were mentioning in your comments this morning that you would like the Commission to create a distinct regulatory regime specifically for the CBC. I am wondering, because you have made a number of suggestions throughout your document on the various issues, as to what would be a COL or an expectation, if we took all of those recommendations, would that comprise what you mean by a distinct regulatory regime, or could you tell me more about what you would expect there?

10057 MR. MORRISON: Well, seeking not to repeat, first off, probably we have common ground that the CBC is not a broadcaster like any other, and all of those comments about "We should be treated like any other broadcaster", are worth absolutely nothing. They should never have been put on the record, and shame on them for saying that.

10058 But, beyond that, we think that you need to have the CBC coming here from time to time, and "time to time" would never be 13 years. Your Chair's predecessor -- it's a blot on his record that those administrative decisions were made to delay the CBC coming back here.

10059 So, from time to time the CBC should be coming here, and should be held to a higher standard than the private sector.

10060 There is a lot of detail in our presentation on this. I particularly commend to your attention, and would offer to provide you more detail, if you wish, the application of the BBC Trust model as a mechanism. That would require a statutory change, but it is something that you could recommend.

10061 The status quo is just not good enough.

10062 COMMISSIONER DUNCAN: So, then, I do understand when you say to create a distinct regulatory regime, if that was as far as we could go, incorporating your recommendations would address that line, but then, beyond that, you offer the BBC Trust as a model.

10063 I think it would be useful. I don't know if Staff would already have that document, but I think it would be useful to submit it, if you would.

10064 MR. MORRISON: I will write the Secretary General a letter.

10065 COMMISSIONER DUNCAN: That's fine. Sure, that would be great.

10066 I am wondering, because you had mentioned in your submission -- you had a lengthy section on the importance of sports to the CBC, and the significance if they were to lose that. So I am just wondering, following along on that point -- I did raise the point -- with respect to the terms of licence, I raised the recommendation that you had made, that we make a provision to meet with the CBC if they fail to negotiate that agreement again, renegotiate it, or under substantially the same terms, and they were not receptive to that idea.

10067 I don't know if you were listening to the hearing at that point.

10068 So I just wanted to -- because I have read the document, and you certainly create a great cause of concern, I am just wondering if you are satisfied or you are still holding your position, I guess, that we should put some provision in the licence term, as you recommended.

10069 MR. MORRISON: I would say that we are completely dissatisfied with the CBC's response.

10070 Although I personally have not been able to listen to everything, I have arranged for people, many of them smarter than me, to be my eyes and ears. So I am fully familiar with the comments you made.

10071 Just to give you a summary, we have picked up information from sources we trust -- and I don't think that any of this information would be news to Nazr Mohammed or to George Cope, or even to Gary Bettman. It's stuff that's out there.

10072 When we first publicized the concern after submitting it to you, a Globe and Mail reporter said: None of this is new. I knew all that.

10073 Our concern is -- just to summarize it in a nutshell -- currently the CBC is generating about \$130 million of advertising revenue from Hockey Night in Canada and a few other small sports properties.

10074 In the last fiscal period, the last broadcast season, it was 53 percent of their ad revenue.

10075 Now, you have, of course, had access to a confidential briefing, and there are good reasons why that should be confidential. So you will have a way of evaluating the broad strokes, but what we are trying to do is scope for you the importance.

10076 And President Lacroix said: We are not a hockey channel.

10077 It has been reported to me that he so said.

10078 And that's true. But if you take the eight months of the year -- a typical year, not a year with a lockout -- if you take the eight months of the year when 400 hours of programming, in prime time, are related to professional sports, 90-something percent of it hockey, it is 40 percent a sports channel. There are about 1,000 hours of prime time in eight months of the year.

10079 So it's a very serious thing, and if they were to lose the rights -- and the rights come up for negotiation, it's public knowledge, next year, the current contract ends in 2014 -- and that is only, effectively -- no matter how fast you put out a decision, that will only be the beginning of the second year of your decision -- there might be a 400-hour, prime time gap to fill in the schedule.

10080 Plug in a number. We plugged in \$500,000. Maybe \$400,000 is a better number, but \$500,000 times that number of hours is \$200 million.

10081 So they are losing the ad revenue, and the whole business model is cast into doubt, because the remaining ad revenue is just north of \$100 million, and currently -- the data in our brief on page 23 show that they currently have something like \$80 million a year of costs to maintain it.

10082 So if it were to happen -- and we are not advocating that it happen. We do not have a mandate from the 175,000 families to be against hockey. But if it were to happen -- and it could, because their competitors have deep pockets and can afford to take a long view -- then it's appropriate to discuss these things, not to sweep them under the rug. And, at the very least, they should have to come back here to explain themselves, because the loss of something in the order of \$200 million to the Corporation is not an English television network problem, it is a corporate problem -- English, French, radio, television -- everything -- including the unregulated services.

10083 COMMISSIONER DUNCAN: I appreciate your comments and bringing them to our concern.

10084 Based on the analysis you have done, what impact do you think the current lockout is having?

10085 MR. MORRISON: You can learn a fair bit about the current lockout impact by looking at the financials. It is quite serious. It will get much more serious if it continues longer, and I don't think that the CBC has any influence over that. That is something that is almost, if not completely, beyond its control.

10086 But of the \$130 million of revenue that they have -- and you can check this with your confidential briefing -- about \$50 million is the playoffs, which begin in the month of April.

10087 So the revenue is not spread out equally, it comes at the end, and when a season is cancelled, they are going to have a very serious problem, something in the range of the third year of the government's cuts from the 2012 Budget.

10088 COMMISSIONER DUNCAN: So we are already going to experience the impact of hockey on their plans, even before the renewal.

10089 MR. MORRISON: Except that rational interests might align. That is to say, the CBC interest, some American broadcaster's interest, the interest of the owners and the interest of the players, might cause them to do the right thing. Who knows?

10090 I suppose that there would not have been a First World War if everybody had been rational.

10091 COMMISSIONER DUNCAN: Well, certainly there is increasing pressure on the parties to settle.

10092 With respect to the regions, and representation of the regions, what is your reaction to CBC's suggestion that new media would be the solution for reflecting the regions?

10093 MR. MORRISON: Profound disdain.

10094 We think, by the way -- let me say, having criticized a few things about the current management, that their recognition of their regional responsibilities, after a decade of trying to avoid that and withdraw from the regions of Canada --

10095 And, by the way, I remember from a consultation, somebody in Newfoundland once said to me: Toronto is also a region, like all the others. The problem is that Toronto just doesn't get it.

--- Laughter

10096 MR. MORRISON: So talking about the regions, they are moving in the right direction, certainly in radio. Some of the news services are good.

10097 I do not have the high opinion, nor do our supporters have the high opinion of that Hamilton initiative that others have presented.

10098 But one deficit that we see at the moment -- and this would come back to conditions of licence -- would be that a certain amount of programming for the network -- I am talking television here -- should be coming from the regions, and we suggest a number like 40 percent.

10099 It's something you can do. It's not inherently more expensive to make a program in one place rather than another. There are the problems with provincial tax incentives and all of that, but you could be pushing the English television network to do a minimum -- and we suggest 40 percent -- beyond --

10100 What is that definition, 120, 150 kilometres from Toronto's City Hall, or something like that?

10101 COMMISSIONER DUNCAN: Yes.

10102 Did you have a chance to look at the amended COLs that the CBC filed on Tuesday?

10103 MR. MORRISON: Yes, I do have that here somewhere.

10104 COMMISSIONER DUNCAN: They say there that they don't feel they can make a specific commitment to non-news local programming due to financial constraints.

10105 MR. MORRISON: Yes.

10106 COMMISSIONER DUNCAN: I think this is the same condition that we are talking about, that they should be held to have a certain percentage from the regions.

10107 MR. MORRISON: Yes.

10108 COMMISSIONER DUNCAN: I am interested in --

10109 MR. MORRISON: If you have a chance when they come back -- and you are still in a position to pose questions to them -- try to find out why national programming coming from other places than the network headquarters is inherently more expensive.

10110 COMMISSIONER DUNCAN: Okay. Thank you, we will ask them that.

10111 I had some other questions here. I was actually hoping to have my lunch hour to get more organized with my questions, so if you don't mind --

10112 MR. MORRISON: Well, you'll probably have a better lunch, Commissioner, as a result.

--- Laughter

10113 COMMISSIONER DUNCAN: See? Yes, every cloud has a silver lining or some such thing as that. Yeah.

10114 So on the first-run programming I take your point that you feel there should be a requirement. You note in your study of that Toronto station the higher percentage of -- a lower percentage of repeat and primetime but much higher outside of primetime, but you're recommending a general 50 percent across the board.

10115 MR. MORRISON: That's our recommendation. But we are just drawing to you attention something that was -- these are your data, by the way. I mean, you own the logs. All we did was run them through a machine, you know.

10116 But the --

10117 COMMISSIONER DUNCAN: We don't come up with pretty pictures like that one you came up with.

10118 MR. MORRISON: But it's going in the -- it's going in the wrong direction. It's the velocity as an economist would say, of the repeats that is wrong.

10119 And I think what you can do, without interfering in minute detail in the corporation's management is to either encourage or require a change in that direction that there should be some balance between original and repeat programming.

10120 Of course, that has a fiscal implication. But you know ultimately, if you think about repeats, once you get to 100 percent repeats you have no programming.

10121 COMMISSIONER DUNCAN: Well, actually my next question was what impact you thought that would have on their costs? But, actually, you sort of average it out.

10122 It would seem there would be no impact on their costs from that recommendation because you had very high original content in primetime.

10123 MR. MORRISON: It's like in accounting failing to amortize a capital cost and living off it until something bad happens. There is an analogy to be made.

10124 COMMISSIONER DUNCAN: Thank you.

10125 I'm just going to continue. Just bear with me a second while I...

--- Pause

10126 COMMISSIONER DUNCAN: CBC did address some of your comments in their response on October the 19th.

10127 And I don't know if you have any -- just let me -- your answer about the multiplatform approach to serve the regions. You spoke in terms of the Hamilton experience but I was actually thinking more than that.

10128 That was because I'm not -- I'm concerned that people outside of -- well, not everybody has equal broadband capability for one thing. I'm concerned that not everybody is interested in using computers. Not everybody can and not everybody can afford it and not everybody is interested. I just don't know that this is the proper solution for regional programming.

10129 MR. MORRISON: Ah, yes. Okay. You raised that earlier and I took you away from it.

10130 COMMISSIONER DUNCAN: Oh, sorry. No, that's fine.

10131 MR. MORRISON: Sorry proves that you're a Canadian.

--- Laughter

10132 MR. MORRISON: You know, the phrase "digital citizen" you know that some of the people that we just showed you on video have coined, you should not have to be digital to be a citizen and the Broadcasting Act does not say that.

10133 And we're living in a country with an increasingly aging population. There are a number of people for a number of reasons who do not wish or have the capacity or cannot afford that. I think it's the role of your Commission, at least implied if not explicitly stated in the various statutes, to look out for those people. I mean they need you to look out for them.

10134 We haven't done any recent polling about public expectations of the CRTC but we have at an earlier point in this century and there's quite a bit of trust in this institution to protect the public.

10135 COMMISSIONER DUNCAN: It's interesting because, not only in fairness to the people living in the regions which is where I come from, but these digital citizens that you talk about, not everybody in Toronto I expect is a digital citizen either.

10136 So I think, first of all, it's a poor approach for regional because -- for that reason. I think there is more limited local content in the regions. So I think it's not --

10137 MR. MORRISON: You mentioned -- I'm sorry, I didn't mean to over speak.

10138 COMMISSIONER DUNCAN: It's all right. Go ahead.

10139 MR. MORRISON: You mentioned Hamilton. Because it's a digital service you and I and friends in Whitehorse can watch it. I urge you to surprise them by just watching it at random some hour and see what you think about it.

10140 COMMISSIONER DUNCAN: All right, I will.

10141 Interesting, you mentioned there Whitehorse -- or Whitehorse did you say? Did you in --

10142 MR. MORRISON: Off the top of my head, I guess. Yes.

10143 COMMISSIONER DUNCAN: Okay, but I'm thinking Yellowknife.

10144 MR. MORRISON: Oh.

10145 COMMISSIONER DUNCAN: But CBC in their presentation -- this is one of the instances where they talk about they want to be treated like the commercial broadcasters. They want the 14 hours and the seven hours.

10146 But when you think about a community like Yellowknife, which would be less appealing to a commercial broadcaster, do you think that's a fair approach?

10147 Shouldn't the CBC be required to provide more and better service in that area? I know that they are saying they will continue to offer 10.5 hours but not by condition or expectation. They'll do it on their own and trust us those features.

10148 Do you think -- I don't want to put words in your mouth -- do you think that it's the proper approach for the public broadcaster to want to have the same condition in that respect as a commercial broadcaster?

10149 MR. MORRISON: I think, at the risk of repeating myself, it's completely unacceptable. I mean, if you were a CBC manager it would make your life easy, wouldn't it? I mean, it would be a rationale for doing less.

10150 But it would be the -- and in a sense I think I'm quoting you, Commissioner Duncan, to say the commercial broadcaster that loses a billion dollars a year, it's that kind of value set. It's your task in our view to hold them to a higher standard. That involves a whole range of things. The COL, conditions of licence are part of that. But the governance structure, all of the accountability things also come into play.

10151 But, yes, two more hours in Yellowknife, yeah.

10152 COMMISSIONER DUNCAN: I did have the opportunity since I've been on the Commission to visit CBC in Yellowknife and they have a great operation there, very enthusiastic people and we enjoyed visiting with them. So I know they're committed --

10153 MR. MORRISON: I find -- I mentioned it in French at the beginning that we're doing -- nothing in our submission is designed to criticize the dedicated people who make programming -- the people who are you know sitting before me at this table.

10154 The criticism is only of the senior management, sometimes people who through no fault of their own, don't have the kind of skills and experience that they should have to manage the most important cultural institution in the country.

10155 But what you have described in Yellowknife, I have been in so many CBC radio and television stations around this country and there are so many dedicated people working very, very hard at the kind of things that the Media Guild people said are definitely true. It's something to celebrate.

10156 But those people need more encouragement, more leadership. They need more resources. They are really pressed.

10157 COMMISSIONER DUNCAN: Thank you for that. I think we're in agreement on that. I just want to -- you're opposed to the commercialization of Radio One and Radio 2.

10158 MR. MORRISON: Yeah.

10159 COMMISSIONER DUNCAN: Am I correct in that?

10160 MR. MORRISON: Yes.

10161 COMMISSIONER DUNCAN: But then I think you say that -- just bear with me a second here -- that you want the minimum hours. You want an expectation -- first of all, just the bigger picture, let me step back a bit.

10162 I notice that a number of your points are COLs and a number of expectations. And CBC seems to be wanting, as we know and we have talked about, more flexibility. But they seem to maybe want to move away from expectations and just deal with a couple of COLs.

10163 The fact that some of yours are stated as expectations versus COLs, do I assume that you would expect the CBC to put the same weight on them, whether they are a COL or an expectation?

10164 MR. MORRISON: You would hope so, wouldn't you? I mean it's a difference between a legal and a moral obligation. Ethical people treat those moral things as important.

10165 But I guess I would say we have made a number of suggestions to the Commission regarding expectations and conditions of licence. We trust you as commissioners and with your staff, to look at the big picture and find a reasonable balance that you think will work. That's not something that anybody on the outside can see because you are in a position to see the big picture.

10166 But since you raised the question of commercials on Radio 2 and Espace Musique, we think that -- and by the way, there was an image earlier, I've forgotten who raised it, about a cliff that you drop off and you never get back up. You got up that cliff in 1974, your predecessors. You just forced the CBC out of commercial activity on radio which it had been in since 1936.

10167 So climbing cliffs is not impossible if the will is there, but in this case there is a bit of a slippery slope and Radio One despite what President Lacroix says -- I mean I could quote what President Lacroix's predecessors said about ads back in the last hearings. They are completely at odds.

10168 We think -- let's see. Mr. Goldstein was on the CAB panel yesterday. He said that he thought CBC was low balling potential revenue.

10169 The data that we have gathered supports Mr. Goldstein's position. We think that this is turning particularly the English side, Radio 2, into a kind of a profit centre for the rest of the network. We think it's a shame.

10170 We also see it as the change of format going four or five years ago, the introduction of ads, increasing popularization. We see a bit of a pattern here and we think it's going in the wrong direction and we urge you to stop it.

10171 I also strongly support the private broadcasters' position. It's who is going to be hurt by this in an economic sense. It's going to be the radio broadcasters in small markets and the small broadcasters in the big markets.

10172 COMMISSIONER DUNCAN: Now, I read your section on that, of course, in here. Do you have any more detailed forecasts than what were included in here?

10173 MR. MORRISON: Yeah, and if you like, I'd be happy to -- I think CBC said in the reply document, which we found on the Web -- the first time I've ever dealt with a broadcaster, by the way, that did not copy intervenors to give them information on what they were doing. They wanted to be treated like other broadcasters.

10174 But we read in there something about a secret report that we had. If you're interested we can pull that report together and put it into a form that could be part of your record. It would take me a few days to do so, I would think.

10175 COMMISSIONER DUNCAN: I think that would be very helpful.

10176 THE CHAIRPERSON: How long could you -- how long would it take you for you to propose that?

10177 MR. MORRISON: Okay. Can I do a best efforts here that we would do our best efforts to get it to you by, say, Tuesday?

10178 THE CHAIRPERSON: Right. I'm not saying that it's necessarily on the record, yet. We'll have to look at it.

10179 MR. MORRISON: Okay. But anything that is useful to you officially or unofficially. I mean we don't care if it's on the record. It's just we're trying to contribute to the process.

10180 HE CHAIRPERSON: Right.

10181 COMMISSIONER DUNCAN: Okay, thank you.

10182 THE CHAIRPERSON: Right. But by the end of the day Tuesday to the Secretary and copying CBC, please.

UNDERTAKING

10183 MR. MORRISON: Okay.

10184 THE CHAIRPERSON: It's a publicly-available document.

10185 MR. MORRISON: Yeah, but we always copy the broadcasters when we do that. We know the rules.

10186 THE CHAIRPERSON: Thank you.

10187 COMMISSIONER DUNCAN: Thank you, so okay.

10188 So with respect to then regional live music I think that was the point you were trying to make at 183 of your submission. It's not that you didn't make your point clearly. It's just that I'm rushing trying to read my point, my own point.

10189 MR. MORRISON: Okay.

10190 COMMISSIONER DUNCAN: But --

10191 MR. MORRISON: You said paragraph 183?

10192 COMMISSIONER DUNCAN: 183, yes. You're talking about the amount of regionally-originated production in general and of regional live music in particular.

10193 And that live music, of course, was one of the areas I understood CBC to say would be cut out of or reduced on Radio 2 and Espace Musique if we --

10194 MR. MORRISON: Mr. Steinman said that on Tuesday, I think, here did he not? If I understand from what's been reported to me, I may have seen a transcript.

10195 COMMISSIONER DUNCAN: The CBC panel did say that it would be eliminated if they didn't get -- or reduced if they didn't get it.

10196 MR. MORRISON: But what was wrong with what they said, according to all my information, and I've got some good information, is the tense of the sentence. They have already done that.

10197 Like, we don't actually see what more they can cut. They have greatly reduced some of the services that used to be taken for granted on Radio 2. I'm not as familiar as Espace Musique.

10198 And, by the way, Espace Musique is a different case. You know, as we see it, the world classical culture is down to 40 percent and in bad times of day on Radio 2. But Espace Musique has 60 percent of that, so they're not the same thing at all.

10199 COMMISSIONER DUNCAN: I noticed just along those lines that you make a point in your presentation about the cuts proposed or the -- well, I guess it would be cuts if it doesn't get approved.

10200 But the way their forecasts were drawn up, the hardship was imposed to a greater extent on Radio 2 instead of Espace Musique or not equally on both or proportionate --

10201 MR. MORRISON: Speaking off the top of my head -- I didn't bring all my papers here obviously, but my recollection is that the projections -- you'll have them in the record by going out, say, two, three years, they've got a revenue you know in the 17 -- I'm speaking in ranges here -- \$17 million range from Radio 2 and something like \$1.5 for Espace Musique.

10202 Then we looked at the total cost of the services and for some reason Espace Musique is you know, up there at the same cost as Radio 2. So if their plans happened, we think they would have more revenue.

10203 But if their plans happened the people of Canada through the parliamentary allocation would be supporting Espace Musique and Radio 2 would be contributing to the CBC's bottom line three years out. That's our reading of it. I don't know if you have a different view.

10204 COMMISSIONER DUNCAN: No. Well, I think that's an interesting comment and perhaps speaks to the credibility of their projections, would you say?

10205 MR. MORRISON: We think their projections are too modest.

10206 COMMISSIONER DUNCAN: Yes.

10207 MR. MORRISON: But I'll tell you where the real money is, and that's Radio One and La Première Chaîne. That's where the real money is. You get up to much larger amounts and that will be included in what I will send you.

10208 COMMISSIONER DUNCAN: And it seems that the further -- that the move to commercialization on the radio service would probably in the future -- you'd be concerned, I gather from your comments, would change the nature of those services like it did on the television.

10209 MR. MORRISON: Well, sitting quietly in the -- I was here Monday morning and then I had to go out west because the Prime Minister very unkindly called by-elections and I was hosting public broadcasting all candidates meetings in Calgary and Victoria.

10210 But I noticed as I had to walk out the great Mark Starowicz sitting here, now responsible for documentaries. Starowicz was involved at the time when radio lost its commercials. Many people call that the renaissance of radio. You know it was just like a complete rebirth of the power of CBC radio as a distinctive service, something you'd expect from a public broadcaster.

10211 It enjoys a huge loyalty with Canadians, way beyond its 10 or 15 percent audience share. People -- you know, if you check do they tune in at least half-hour a week, radio is such a powerful thing you know people tend also to tune in to a favourite radio channel or service, whereas with television they are just -- they're shopping around. They're watching programs.

10212 And so what has been proposed we like to -- more in sorrow than in anger, we like to think, is being proposed by people who just don't get it, just how important this is to the public broadcaster's mandate and the fidelity of the Canadian people to public broadcasting.

10213 COMMISSIONER DUNCAN: I noticed that -- I believe that you make a comment in here that what was it, 175,000 people that responded to your survey?

10214 MR. MORRISON: No, I think you might be confusing us with the Reimagine people. We did not compete with Reimagine on a survey. We have cooperated with them.

10215 But what we did was we analysed -- you remember your Commission called this hearing originally for September of 2011.

10216 COMMISSIONER DUNCAN: Yes.

10217 MR. MORRISON: And we took -- the one-year gap gave us a chance to do a very detailed content analysis of something like 2,007, actually, submissions that had been put into your -- I guess -- no, they weren't all put in because you had cancelled it for the deadline date. So we just analyzed them all and that gave us some background.

10218 We actually have -- our group is supported by 175,000 Canadian families. So we estimate you can at least, you know, almost double that in terms of the people that communicate with us about these things. I mean, for example, I know about problems with CBC and complaints, as Louise Poirier raised earlier, because I hear from these people all the time.

10219 COMMISSIONER DUNCAN: But I thought what I had read -- and maybe you could speak to that -- was the impact on that audience of commercializing those two radio stations. Are you -- you seem to indicate that they'd lose the audience.

10220 MR. MORRISON: Well, yeah. I mean, there is a difference between our supporters in the Canadian public. Our supporters are people who believe intensely something.

10221 If you're polling you can find out that -- by the way every poll that we have ever commissioned is on our website. There are about 15 of them, including the one that asks about the CRTC.

10222 So I'm not pretending that our membership base reflects Canadians although we can measure the extent to which it does. But I was struck by the -- I've forgotten the name -- but a woman who is an expert that was called by the CBC to support its position on the Radio 2 advertising question.

10223 She said at one point that something like almost half of the people that she surveyed said they would tune in quite a bit less. I thought she was going off message but she's an expert. She's telling the truth, you know.

10224 COMMISSIONER DUNCAN: Well, thank you very much, Mr. Morrison. I think you've answered my questions. I'll have some later if I come tomorrow, but I'll give my colleagues a chance.

10225 Thank you very much.

10226 MR. MORRISON: Okay.

10227 THE CHAIRPERSON: Mr. Vice-Chair.

10228 COMMISSIONER PENTEFOUNTAS: I had some questions but I think Ms Duncan sort of did the rounds of them.

10229 A really interesting presentation. I also liked the subtle art that you have of sending messages out there. It's really quite well done.

10230 But to the CBC specifically, first of all, allowing commercials on Radio 2 would certainly change the nature and the experience of the listener. That's pretty clear.

10231 You would agree with that, Mr. Morrison?

10232 MR. MORRISON: Yeah, yeah.

10233 Well, number one, supposing you have 12 minutes an hour, just take that as a number of commercials, you've just reduced the programming by 25 percent.

10234 COMMISSIONER PENTEFOUNTAS: Yeah. And in terms of --

10235 MR. MORRISON: 20 percent, yeah, 20 percent.

10236 COMMISSIONER PENTEFOUNTAS: 12 -- 20, yeah.

10237 MR. MORRISON: Yeah.

10238 COMMISSIONER PENTEFOUNTAS: And in terms of the accounting, two issues came up yesterday. Obviously, a lot of issues came up. One of them was that they were sort of low balling their estimates.

10239 The other issue was did you see in the cutbacks that there was disproportionate cutting of Radio 2 and Espace Musique as a proportion of the parliamentary allocation to Radio -- to CBC?

10240 MR. MORRISON: I think the most meaningful thing, if you and I put ourselves in the mind-set of the senior management of the CBC and there is a shortage of money, what are we going to do?

10241 I don't think you would look at how you're cutting up the parliamentary allocation. You look at the whole thing.

10242 So again I don't walk around with decimal places in the back of my head. But it's about \$1.8 million for the SRC/CBC.

10243 COMMISSIONER PENTEFOUNTAS: Yeah, m'hmm.

10244 MR. MORRISON: So when we look at the size and scope of radio in that whole thing it comes out somewhere like 16 percent, you know -- let's say 15 just to rough it.

10245 If radio takes a cut that is -- you know, you have to think that the other services including the unregulated services, they all do their share, radio's cut should only be that one-seventh.

10246 And we think that they have disproportionately suffered to date, for some reason, and we don't know why.

10247 COMMISSIONER PENTEFOUNTAS: The ultimate view perhaps being to make a better case for allowing commercial revenue to come through the second stations.

10248 MR. MORRISON: Yes. I am old enough to have learned not to imply motives to other people egregiously, so I just don't know why they do their bad things.

10249 COMMISSIONER PENTEFOUNTAS: In terms of programming and CanCon, you heard -- as you know, there were all kinds of numbers -- 100 percent, it should be 75 percent, it should be 80 percent.

10250 Are you comfortable with the numbers that are being offered?

10251 MR. MORRISON: We would insist that the numbers should be compatible between the English and the French services, and the number 80 seems like a good and reasonable number to us.

10252 I commend to your attention the wise words of our Prime Minister, quoted on the first page of our brief, where he said that it would be a good thing to have more programming in the 20 percent coming from other parts of the world, rather than just American commercial programming.

10253 COMMISSIONER PENTEFOUNTAS: I guess we can't under-stress the importance of original programming. You mentioned that earlier.

10254 MR. MORRISON: Yes, because the Broadcasting Act says so. You know, it's right there.

10255 COMMISSIONER PENTEFOUNTAS: And are you comfortable with the proposition that has been put forth by CBC/Radio-Canada on original programming?

10256 MR. MORRISON: At the risk of repetition, I think I responded to Commissioner Duncan at one point, saying: We think that there should be a commitment -- I am talking English television -- to put a certain proportion of entertainment programming outside --

10257 COMMISSIONER PENTEFOUNTAS: Yes, to come from the regions.

10258 What was the percentage? I missed that.

10259 MR. MORRISON: I said 40.

10260 COMMISSIONER PENTEFOUNTAS: Forty percent.

10261 MR. MORRISON: We suggest that to you. I mean, you might, in your wisdom, decide that some other number is better, and we would be very happy if you just put that on your list of issues to be dealt with.

10262 COMMISSIONER PENTEFOUNTAS: Yes. I was taking notes, and I didn't get the actual number, so I am happy that we cleared that up.

10263 I don't want to get into the details of the hockey situation, but you made an interesting case. If you conservatively calculate that an hour of television will cost you half a million dollars, and you multiply that by 400 hours, you have a \$200 million spend.

10264 MR. MORRISON: You can subtract the \$15 million profit, I will call it, that we believe they currently have. So maybe you are --

10265 COMMISSIONER PENTEFOUNTAS: On the hockey side.

10266 MR. MORRISON: Yes. Maybe the net result is something like \$185 million.

10267 It doesn't matter, conceptually it's the same.

10268 COMMISSIONER PENTEFOUNTAS: Yes, there's \$200 million, and there's \$15 million in profit potentially. So even if you subtract that, you are still short \$185 million.

10269 MR. MORRISON: Yes, and they don't appear to admit that.

10270 Now, they have given you confidential information, so behind closed doors maybe you can hash that out.

10271 We would be very happy to be wrong, but we don't think we are.

10272 COMMISSIONER PENTEFOUNTAS: Well, they don't want to speak -- they don't even want to discuss the hypothetical, if you followed the full presentation on Monday.

10273 MR. MORRISON: Yes. It's amazing, when a deal is done by the NHL with an American broadcaster, a press release comes out from the American broadcaster: We've just done a deal. It's worth this much, over so many years.

10274 When a deal is done in this country, it's the Official Secrets Act, you know?

10275 It's an amazing thing, how different it is across the border.

10276 COMMISSIONER PENTEFOUNTAS: And, at the end of the day, there should be a contingency plan for filling those 400 hours. That's the position of --

10277 MR. MORRISON: If you ignored this, you would be ignoring something on a scale larger than the three-year cut that the Minister of Finance imposed in March, at least according to us, and you would be --

10278 The blank cheque image is not intended to be discourteous, but if you were to ignore it -- I guess I will risk that and say: I think you would be writing them a blank cheque, because something fundamental could change in the second year of a licence -- three-year, five-year, seven-year, it doesn't matter how long the licence is -- that would be on a scope and scale so severe to CBC's interest that, at the very least, they should be back here explaining what the hell they are going to do about it.

10279 I should remove the word "hell" from that sentence.

10280 COMMISSIONER PENTEFOUNTAS: That's fine. Good Canadian, as you said earlier, sorry, and no hell.

10281 But wouldn't that be tantamount, almost, to creating sort of two separate licences, or two separate conditions of licence within that licence, one with the hockey and one without it?

10282 MR. MORRISON: That might possibly be a problem, but you folks are creative people.

10283 What we are really suggesting is an idea, and the idea is: You should find a way to make sure -- not just leave it to them to volunteer to come back retrospectively, like the eloquent defence of the Radio 2 changes that came five years after the fact, a couple of days ago.

10284 You should find a way to make sure that they come back here and explain it to you, and, through your public process, to the people of Canada.

10285 COMMISSIONER PENTEFOUNTAS: And that position is warranted given that they are not a sports channel, but 40 percent of their content is sports-based, if you will, according to what you told us today.

10286 MR. MORRISON: Yes, and I was trying to be a bit ironic. I think that they are a sports channel dressed up as an all-purpose channel, I guess, right now. There is an excessive dependence, obviously.

10287 I mean, you can see it if you compare SRC television and the English television network.

10288 COMMISSIONER PENTEFOUNTAS: And when you do look at SRC, I mean, SRC did find a way to come out of not having hockey and --

10289 MR. MORRISON: To be fair, the economics are different. It's a different issue.

10290 COMMISSIONER PENTEFOUNTAS: Yes. Thank you very much.

10291 THE CHAIRPERSON: I want to bring you back to -- I am glad that we got into the details of the regulatory role that we have to play, because, after all, we are a statutory body, right? We only have the powers that the Act provides to us.

10292 That is the system or the rule of law that we live in.

10293 I must say -- and it's not just you, but I am a bit surprised by some of the recommendations that we are getting this week from certain parties. You know, we live in a parliamentary democracy that finds its roots several hundred years ago, in fact, and we have a situation, and you may not like it personally, and others may not like it, but budgets are presented and voted on annually by our elected officials, and, as I say, it's an annual affair. Except for a few statutory programs, parliamentary budgets are an annual thing, and that goes back to the very origins of our parliamentary democracy.

10294 You raise some issues about the BBC Trust and the governance in the U.K. that they have around the BBC, all interesting ideas that have been studied by others, but my understanding is that the treatment of government issues is the exclusive prerogative of Cabinet and the Prime Minister, and he usually looks to his officials in the Privy Council Office for advice and not the CRTC.

10295 MR. MORRISON: Well, you would have a better perspective on that than most of us.

10296 THE CHAIRPERSON: Right.

10297 Frankly, getting back to our statutory mandate, if indeed the government wanted -- because we are arm's length with our roles and responsibilities -- if they wanted our view on the right governance model for the CBC, section 15 of the Broadcasting Act would allow them to ask our opinion on that.

10298 In light of all that, I am a bit surprised at some of your recommendations, that we would somehow go beyond what is our statutory body power and start giving advice on things that we haven't been asked an opinion on.

10299 MR. MORRISON: I recall a press report early in your incumbency, where you were quoted as saying something like: We don't want to give the government too much advice, and we expect them not to give us too much advice -- or something like that.

10300 Parliament is sovereign, and the duly elected Government of Canada makes fiscal decisions, but I think, if you see, as we see, a gap or a problem in the way the CBC is regulated and is accountable, or not sufficiently accountable, you have the right, maybe not the responsibility, to articulate that.

10301 I guess, maybe in our choice of words it was infelicitous, but if you share our view that the problem is serious enough, I think you can find a way to validate that in your decision without perhaps giving -- without you writing a letter to the Prime Minister, Mr. Chair.

10302 THE CHAIRPERSON: I take your point on that. In fact, the accountability of the CBC -- I mentioned this right at the beginning -- is something that we will turn our minds to, as we do for every broadcaster. We are not treating them any differently. There are reports -- and probably even more so in this case --

10303 MR. MORRISON: We want you to treat them differently.

10304 THE CHAIRPERSON: Well, in the sense that our jurisdiction -- the scope of our jurisdiction is not any different for the CBC in terms of accountability and our ability to ask them for reports and so forth.

10305 And what I was going to add -- perhaps even more so, in view of the fact that the source of their funding is, obviously, public money, which is drawn from parliamentary appropriations, but also public money through contributions delivered through broadcast distribution undertakings.

10306 MR. MORRISON: Yes.

10307 THE CHAIRPERSON: There is a lot of public money there, I'm not disputing that. It's just that some of these other suggestions -- and you are not the only one, I am not singling you out --

10308 MR. MORRISON: I will take responsibility for all of the others.

--- Laughter

10309 THE CHAIRPERSON: I am not taking issue with the fact that you may disagree with some choices that have been made in terms of the level of funding, but we have to execute our statutory authorities and obligations within a given set of facts, and I think the level of funding is something that we have to deal with.

10310 MR. MORRISON: I think that's -- isn't that paragraph 3 of my oral remarks this morning?

10311 THE CHAIRPERSON: Yes.

10312 MR. MORRISON: We understand that completely, and our position with the Corporation is that, instead of becoming less and less of a public service broadcaster and more and more of a commercial broadcaster, which loses \$1 billion a year, it is important that they make choices.

10313 In a big picture sense, were they to lose the rights to Hockey Night in Canada -- they say: We are not going to lose the rights to Hockey Night in Canada.

10314 I am sure they say that, but can we really believe that that would be the case?

10315 I mean, they could lose those rights, and should that happen, something fairly serious is going to happen to the whole model of the English television network. The amount of commercial revenue is going to drop way, way down, and certain sunk costs for selling it -- it is an appropriate time to think about their whole business model.

10316 You make questions about business models of all kinds of people who come before you, so I think we are in the ballpark in the comments we are making, and obviously you take or do not take advice, based on your understanding of your responsibilities.

10317 THE CHAIRPERSON: Right, and we will be guided, in large part -- not exclusively, in large part, by section 3(1)(m), which actually defines what the Corporation's mandate is, and section 5, which talks about the regulatory obligations that we have, and 5(2), about our regulatory obligations, and that gets all put in the mix.

10318 MR. MORRISON: Some people memorize Shakespeare's sonnets. I memorize section 3(1)(m), but I don't want to have to prove it to you.

10319 THE CHAIRPERSON: Yes, I am sure you do. Unfortunately, it's somewhat less poetic than Shakespeare's sonnets, but let's count the paragraphs rather than the ways.

10320 Thank you. Those are my questions. I believe that the Vice-Chair has a follow-up.

10321 COMMISSIONER PENTEFOUNTAS: Yes. Now that you are in the mood for taking responsibility for one and all, let's put something else on those broad shoulders.

10322 The Ombudsman. Would you speak to us on the feeling amongst the Friends of Canadian Broadcasting as to the role of the Ombudsman, and if there is room for improvement?

10323 MR. MORRISON: The worst "No" that you got from President Lacroix was "No" to the independence of the Ombudsman, and I think you shouldn't let go of that question. That was a very important question.

10324 I am not going to finger any individuals, but there is too much of a clubby, inside the network -- many of the people who have been "ombudspeople" are put in a position to kind of judge their former colleagues, they are inside the loop, and that bothers us, and on one or two occasions we believe that they have actually been eased out through subtle means.

10325 We don't think that they are -- and I think there is an international association of ombudsmen. If they had some type of quality assurance system, we don't think that CBC would be at the top. I will put it that way.

10326 So I think you should find some way to make sure that when the Ombudsman says something and CBC management doesn't like it, that you hear about it. It should somehow come back to the regulator, because it is an accountability matter.

10327 I mean, I don't have to sell you on the value of an ombudsman. It's something that the Swedes introduced to this planet 50 years ago. It is widely understood. Even the city that I come from has an ombudsman.

10328 So we would like that ombudsman function to work better, and we encourage you not to let that -- don't take no for an answer, in other words.

10329 COMMISSIONER PENTEFOUNTAS: Would you have a formula to propose as to the nomination of said ombudsman?

10330 MR. MORRISON: Well, my understanding -- and I am not an expert on this, but my understanding is that, generally speaking, the CEO puts together some type of committee, and invites candidates to apply, and there is an interview type of process, and my understanding is that the chair of that committee is usually not inside CBC/SRC.

10331 That's good, but it's pretty opaque to the public. You tend to hear about it after the person is appointed, and I stand by my clubbiness comment.

10332 So I think that you should push on that. That is not interference in some matter of scheduling or something like that, that's a fundamental accountability issue akin to what I said earlier about the difference between reporting and accountability.

10333 COMMISSIONER PENTEFOUNTAS: Thank you, Mr. Morrison.

10334 Thank you, Mr. Chair.

10335 THE CHAIRPERSON: Thank you. Those are our questions.

10336 Thank you for appearing --

10337 MR. MORRISON: I appreciate the opportunity.

10338 THE CHAIRPERSON: -- and for bringing the views that you gathered through your networks. It is very much appreciated.

10339 The Commission, even though it sits at these hearings, also has other decisions to make, and we have a meeting over the lunch break, so that's why the lunch break will be a little longer.

10340 We will come back at 1:45 and continue with the next presenters.

10341 Maybe the Secretary could tell people now what likely will be the order, so that people can plan accordingly.

10342 THE SECRETARY: Yes. At 1:45 we will hear the presentation of MAC, on behalf of Access 2020 Group of Stakeholders.

10343 After that we will hear the presentation of Cathy Hunt, appearing by videoconference from Toronto.

10344 After that will be the Canadian Association of Film Distributors and Exporters.

10345 After that we will hear from Brenda Baker and Hans Schuetze, and that will be it.

10346 THE CHAIRPERSON: We are adjourned until 1:45. Thank you.

--- Upon recessing at 1218