

Avoiding a two-tier approach to TV service in Canada

Canadian Media Guild

Intervention on Broadcasting Notice of Consultation

CRTC 2009-411

July 2009

Summary

1. The Canadian Media Guild is a union representing 6,000 workers in the Canadian media industry, including employees at CBC/Radio-Canada, TVOntario, the Aboriginal Peoples Television Network, CW Television and S-VOX.
2. The CMG is deeply concerned that the transition to digital television, as it is emerging in Canada, will deprive 11 million Canadians in hundreds of communities from something they have counted on since the dawn of television broadcasting: access to free TV signals. The CMG is firmly opposed to a two-tiered approach to television service.
3. For this proceeding, we provide the results of a public opinion survey conducted in mid-July 2009 in Kamloops, BC, a city that is representative of the hundreds of communities that stand to lose free TV service after 2011. The poll shows that 84% of people find it unfair that smaller cities will lose free TV while people in the largest cities will continue to enjoy the service. It also shows that there would be significant interest in an improved menu of free, over-the-air Canadian channels. The Guild contends that this improved service would boost viewing to Canadian programming.
4. We have presented research on the record at previous proceedings, most recently at CRTC 2009-113, on an efficient way broadcasters could use digital multiplexing to maintain and improve free TV coverage in Canada. More effort should be made to get broadcasters to adopt the model to extend coverage of free digital TV beyond what is currently planned.
5. We urge the Commission to maintain regulations in place that prioritize the provision of a free signal after the transition to digital and to work with broadcasters and the government to ensure a phased transition that does not exclude large groups of Canadians.
6. We also urge the Commission to spearhead a public communications campaign to ensure that Canadians understand the transition and the changes it will bring.
7. We request to appear before the Commission during the public hearing that begins on September 29, 2009.

Introduction

8. The Commission is poised to close an era of Canadian broadcasting for 11 million Canadians living in some 1,000 communities by allowing broadcasters to eliminate free TV signals, which have always been available to the vast majority of Canadians. We are facing a reality in which TV signals are sold to one-third of the country exclusively through broadcast distribution undertakings such as cable and satellite providers while the rest – those who live in major cities – continue to enjoy the option of free signals.
9. The CMG contends that this move to a two-tier system must be reversed. Given that the analogue shut-off date has been set for August 31, 2011, time is running out to ensure a transition that is fair to all Canadians.
10. This proceeding introduces the strong possibility of a shift in broadcasting policy away from universally available signals as it seems to stray from the declaration in Section 3 of the *Broadcasting Act*:
11. “(T)he Canadian broadcasting system ... makes use of **radio frequencies that are public property** and provides, through its programming, **a public service essential to the maintenance and enhancement of national identity and cultural sovereignty.**” (Emphasis added.)
12. The possibility of making once-conventional stations available only by a “free” satellite service or on cable through the provision of “direct feeds” of the signals to BDUs, after the digital transition, breaks with the policy established by the Commission in 2007. In CRTC 2007-53, the Commission ruled that “construction of OTA digital facilities should continue to be at the discretion of television licensees, **however it will retain its current approach to regulatory privileges, such as priority carriage and simultaneous substitution**, in order to encourage the extension of local and regional digital OTA services.” (Emphasis added). We are concerned that the Commission is stepping back from this 2007 determination in this proceeding.
13. Canadians continue to turn to television to entertain and inform themselves. This habit appears to be little affected by the internet, which serves as a complementary past-time. While the internet has opened up a world of new possibilities and experiences, it has not replaced conventional television broadcasting, which is anchored in time and space to “serve the needs and interests, and reflect the circumstances and aspirations, of Canadian men, women and children, including equal rights, the linguistic duality and multicultural and multiracial nature of Canadian society and the special place of Aboriginal peoples within that society...” (*Broadcasting Act*, Section 3 (d) (iii))
14. The transition to digital, as it is currently envisioned, will further open up the digital divide between large urban areas, on the one hand, and smaller towns and rural areas, on

the other. Canadian television will lose its role as the place all Canadians turn to enjoy a common experience with their family, friends, neighbours and fellow citizens.

15. These changes are happening with far too little public discussion, partly because the very media companies Canadians rely upon to tell them what is happening have little interest in covering a story so intimately connected to their business plans. We must also say that the government and the Commission have not been particularly helpful in communicating directly with Canadians, in plain language, about what is going to happen during and after the transition to digital TV.
16. A poll the Canadian Media Guild commissioned in July in Kamloops reveals that 76% of residents know little or nothing about the transition, and yet that city of nearly 100,000 stands to lose its free TV signals. (See Appendix A).
17. That same poll shows that people are interested in having more choice of free, over-the-air Canadian TV channels. One-third of Kamloops residents say they would choose 6 free channels instead of paying for cable or satellite, **a number that increases to 42% for those under the age of 35**. Digital television provides an opportunity to increase free TV service across the country, something we believe would help the industry while continuing to provide *the* destination for Canadians to find professional programming for and about themselves.
18. We also note that Canadians living along the US border, some 90% of the population, will continue to receive free TV signals from cross-border stations even if they don't receive Canadian signals. It is unacceptable that only US stations will be available for free in some Canadian communities.
19. We therefore urge the Commission to:
 - immediately start working with broadcasters and the government to develop an orderly and co-operative plan that phases in the provision of free digital TV signals to all of the communities that are currently served with analogue TV signals. We previously put research on the record about how this could be done using digital multiplexing.
 - Work with broadcasters and the federal government to develop a communications plan to ensure that Canadians get well-informed about the transition to digital TV.
20. For CRTC 2009-113, we submitted a research report entitled *The Over-the-Air Digital Television Transition in Canada*, prepared by Olsen Enterprises, which outlines a model for an affordable transition to digital in smaller communities. Under the model, broadcasters would share a single digital transmitter to broadcast their signals using multiplexing, an approach that could serve to improve access to Canadian conventional television over what is currently available in most smaller markets.

21. We submit that a shared multiplexing model provides the best way for the broadcasting system to fulfill its purpose, as stated above and in the *Broadcasting Act*, to the most Canadians.
22. The results from a survey of Kamloops residents, commissioned this summer by the Canadian Media Guild, suggest that OTA viewers in that smaller city are the most faithful viewers of Canadian programming. Furthermore, a decent selection of conventional, OTA channels represents a viable alternative to cable and satellite services for some one-third of respondents – more than five times the number who currently view TV over the air in Kamloops. (See Appendix A for a report on the survey).

After learning details on 6 free channels, what people are likely to do if they could watch them				
	Current TV service - only...			
	Total	Cable	Satellite	Antenna
Pay for cable or satellite	57%	55%	73%	5%
Would watch 6 free channels	33%	33%	18%	95%
Both (vol.)	1%	1%	2%	–
Depends	6%	8%	6%	–
No opinion	3%	3%	1%	–

Vector Research + Development

23. It stands to reason that an improved menu of free Canadian OTA channels will attract more viewers to the free service and therefore more viewing to Canadian programming. If a shared multiplex were developed for Kamloops to provide six OTA channels – CBC, CTV, Global, CFJC (the local channel now affiliated with Rogers), Knowledge Network and Radio-Canada – *more* Canadian programming would be viewed in Kamloops.
24. The reverse is also likely true. Kamloops is not currently on the list of communities mandated for DTV by the CRTC. **If the OTA option disappears altogether in Kamloops, it is likely that less Canadian programming will be viewed in that city.**
25. The survey indicates that Kamloops residents who watch TV solely over the air have no intention of switching to cable or satellite service if and when the three existing OTA signals go off the air. They say they will do without live television: 42% say they will watch TV shows on the internet while another 48% say they will simply live without any television at all.

26. We note that nearly one-third (31%) of those who rely solely on OTA TV also watch TV over the internet, nearly three times the proportion of people in households that rely on cable or satellite who watch TV on the internet. Some two-thirds of people in Kamloops who TV watch programs on the Internet are under 35. It is our contention that if the option of free conventional television viewing disappears, the TV industry risks losing young internet viewers such as these altogether.
27. The poll also reveals that only 1% of Kamloops residents say they would buy a \$500 receiver in order to receive a free satellite service providing 5 or 6 stations with no monthly fee.
28. The Freesat option being considered is not, in our view, a permanent solution to the problem of providing universal access to conventional TV signals. The “free” service has significant upfront costs for consumers, ongoing costs for broadcasters who must provide a signal to the satellite provider, and ongoing administrative costs for the BDUs who provide the service. There is no guarantee the program would last, given that it would be delivered by a company that has a greater interest in selling similar services to TV viewers.
29. No other country in the industrialized world has allowed for the abandoning of terrestrial services, which continue to be the most efficient way of reaching TV viewers.
30. A successful transition to digital requires co-ordination and co-operation within the industry. As we have noted before, the Commission has a key role to play in directing and guiding broadcasters to work together to find workable and affordable means to bring the exciting technological opportunity of digital OTA television to all Canadians.

Answers to selected questions posed in CRTC 2009-411

31. *The appropriateness of reverting to the initial criteria for the LPIF, as set out in CRTC 2008-100 (paragraph 34. a):*
We fully support the intention of restoring the initial requirement that only incremental programming be eligible for the LPIF. We urge you to use a three-year average as the baseline to measure incrementality, with the final year being 2008-9. We note that broadcasters have been given the green light to reduce local programming hours in 2009-10 and that year should therefore not be used in ongoing averages.
32. We don't believe it is wise to reduce the revenue devoted to the LPIF after a single year. The cost of the LPIF contributions will have already been passed on to cable and satellite subscribers as part of their ongoing monthly fees. Those fees are not likely to be reduced again even if the LPIF is reduced by one third. Therefore, it makes sense for that money to continue to support the production of new local programming.

33. *Are there any other considerations that the Commission should take into account in designing measures for negotiating fair value for conventional signals (paragraph 39. c)?*

Only stations that provide an OTA digital signal should be included in any mechanism designed to arrive at fair value for a conventional signal. If a station does not have a transmitter, it does not have a conventional signal.

34. *Is the Commission's preliminary list of markets mandated to convert to digital complete (paragraph 45 a)?*

The list of mandatory markets for conversion should be expanded on the following bases:

35. A. In CRTC 2009-406, the Commission provides a list and a description of communities included on that list. Within the description are "markets ... served by multiple originating stations (including CBC stations)." There are four communities with multiple originating stations that are not on the CRTC list and should be added based on the existing criteria: Sydney, Nova Scotia; Rouyn, Québec; Thunder Bay, Ontario; and Lloydminster, Alberta. (See Appendix B for the list of originating stations, by province and network, that are excluded from the Commission's mandatory conversion list.)

36. B. It is our contention that all originating conventional TV stations should be mandated to convert to digital as a condition of licence. Under that criteria, an additional 23 communities should be added to the list: Rimouski, Val-d'or, Carleton, Pembroke, Peterborough, Kingston, Oshawa, Wingham, Sault Ste. Marie, Sudbury, Timmins, North Bay, Kenora, Brandon, Yorkton, Prince Albert, Red Deer, Medicine Hat, Terrace, Dawson Creek, Kelowna, Kamloops, Prince George and any other community that has an originating station. (See Appendix B.)

37. We estimate that ensuring digital transmission in the communities listed in A and B above would enfranchise an additional 2 million Canadians with free digital TV signals.

38. The communities included in our A and B lists above are prime candidates for a phased approach to implementing digital OTA TV using the shared multiplex model, beginning with those in list A as they have multiple stations for sharing.

39. C. The third phase of the implementation would include the some 900 communities that are currently served exclusively by analogue repeaters. We estimate that the full cost of bringing digital TV to all of these communities is in the range of \$140 million to \$227 million, which is not beyond reach for a country of 35 million (see below).

40. *What system should be in place to allow existing OTA viewers with analog television sets to receive the new digital television signals (paragraph 45 b)?*

Obviously the first and most important system is the provision of digital OTA signals in the first place. There will be nothing to be done for analog sets in communities that don't have access to digital OTA signals.

41. Notice of Consultation CRTC 2009-411 indicates that “broadcasters may wish to explore opportunities, such as multiplexing of standard definition OTA signals, to further extend coverage” of digital OTA. **We urge the CRTC to find mechanisms to encourage and assist broadcasters in establishing and/or participating in a shared multiplex.** We also urge the CRTC to work with broadcasters on a phased transition to digital OTA that restricts the loss of access to OTA.
42. If public money is made available to support the transition, one priority for that funding should be to establish multiplexed digital repeaters in communities that are currently served by analogue repeaters. We estimate it would cost \$156,000 on average to upgrade an existing analogue transmitter in the “repeater” communities (as per the costing research we submitted in CRTC 2009-113). The Spectrum Expert report on the record during CRTC 2009-113 estimated an average upgrade cost of \$253,000 per transmitter site. Assuming some 900 repeater locations, the capital cost of such a program would be therefore range from \$140 million to \$227 million; it could be phased in over several years, beginning with the largest communities served by broadcast repeaters. Rent paid by broadcasters to participate in the repeater multiplexes would cover ongoing power and maintenance costs.
43. In our view, it makes no sense to provide a subsidy for consumers, as the US government did with its coupon program, unless the signals are available to all Canadians. Universal availability of the free signals was a premise upon which the US coupon program was based, which is not the reality in Canada so far.
44. One potential source of public funds for the digital OTA infrastructure proposal would be the proceeds of the auction of the analogue spectrum.
45. *Where a conventional television station does not implement a digital OTA transmitter but provides its signal to BDUs via direct feed, how should its regulatory obligations and privileges, such as simultaneous substitution and mandatory carriage, be determined (paragraph 45 c)?*
If a television station does not implement a digital OTA transmitter after the transition to digital, the Canadian Media Guild contends that it is no longer a conventional television service. It therefore should not command simultaneous substitution or mandatory carriage. We urge the Commission to stick to its determination in CRTC 2007-53, noted above.
46. *Under what circumstances might some conventional television services not be required to convert to digital (paragraph 46 c)?*
We urge the CRTC to establish a firm expectation that existing analogue services will be converted to digital in a phased and orderly way and encourage broadcasters to work together to make this possible.

47. *What are the costs to provide a (satellite) service, including costs for customer equipment and ongoing maintenance (paragraph 49 a):*
Please see Appendix C, a comparison of the estimated costs of providing a “Freesat” service with the estimated costs of multiplexing. The Canadian Media Guild submitted this estimate as an undertaking after the proceeding on CRTC 2009-113 and believes it continues to be relevant.
48. *Who should be responsible for these costs?*
Although this is not a model we favour for providing local signals, it is clear that broadcasters, BDUs and TV viewers would have to share the costs of the program.
49. *What are the costs of providing signals by direct feed to satellite uplink centres?*
Please see Appendix C.
50. *Is an offset to LPIF contributions by those BDUs offering a service of this nature appropriate?*
We do not believe it is appropriate to divert money from local programming production to offset the BDU costs of administering a Freesat program, nor to covering the costs to viewers of such a program. It would distort the notion of supporting local *programming*. We estimate that the aggregate one-time cost to TV viewers for the satellite receiver would be \$40 million, assuming 80,000 participants in the Freesat program each require a \$500 receiver. In addition, the BDU would have a start up cost of \$1 million; the total start-up costs would therefore be some \$41 million, or a significant proportion of the total annual LPIF, especially if this reverts to 1% of cable and satellite revenues by the time of the 2011 transition to digital. As well, participating BDUs would likely divert a significant proportion of their ongoing contributions to the LPIF to cover the administrative costs of the Freesat program (in the order of \$5 million per year, according to Bell TV’s evidence at the hearing on CRTC 2009-113) and thereby undermine the support for local programming production on a permanent basis.

Conclusion

60. The Canadian Media Guild urges the CRTC and broadcasters to devise a plan immediately to phase the transition to digital TV that excludes as few Canadians as possible from the new, free, high-quality digital signals that will be available to people in the country’s major cities. We believe shared digital multiplexing is the most effective model to achieve that objective and provided extensive research on it for the proceeding CRTC 2009-113).
61. The federal government should be a partner in the transition, helping to fund new infrastructure in smaller communities currently served by analogue repeaters and communicating with Canadians about the changes the transition is bringing. We urge the CRTC and the broadcasting industry to lead the way in making the case for government participation in the process.

62. We urge the Commission to take a lead role, working with broadcasters and the government, in developing a communications plan for the transition.
63. We urge the Commission to maintain the contribution level toward the LPIF at 1.5% of BDU revenues beyond 2010.
64. We request to appear before the Commission panel to further elaborate on our survey findings and to provide additional information as necessary during the hearing.

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Appendix A

Canadian Media Guild

Intervention on Broadcasting Notice of Consultation

CRTC 2009-411

July 2009



Public Opinion in Kamloops, BC
on Free TV

July 13-15, 2009

Conducted for the
Canadian Media Guild

Summary of the poll findings

An overwhelming majority – 84% – of people in Kamloops say it’s unfair that people in smaller cities won’t be able to watch free over-the-air TV channels while people in major cities will, after broadcasters change to digital signals but only serve major cities.

People with lower household incomes (under \$40,000 annually) are somewhat more likely than high-income people to say that not providing free TV signals in smaller cities is not fair. Lower income TV households in Kamloops are more likely than higher income households to rely exclusively on rabbit ears or antennas for their sets.

(Q5) As you may know, television broadcasters want to provide the new free digital signals only in major cities, such as Vancouver, Toronto, Montréal and Ottawa, not in smaller cities like Kamloops. That means in Kamloops people will lose the option to watch TV for free with rabbit ears or an antenna. Do you think it is fair that people in smaller cities and towns won’t be able to watch free over-the-air TV channels while people in major cities will?

	Total	Satellite users	Women	Men	<\$40,000 h/h income
Yes, fair	8%	11%	6%	11%	6%
No, not fair	84%	78%	86%	80%	87%
Depends	4%	2%	4%	5%	4%
No opinion	4%	8%	3%	4%	3%

Lower income households in Kamloops have two TV sets, on average, while households with annual pre-tax incomes over \$70,000 have around three sets on average, according to the Canadian Media Guild survey conducted July 13-15. Most antenna users have one set.

(Q2) How many working television sets do you have in your household?

Census of TV sets in Kamloops						
	How they watch				Annual h/h income	
	Total	Antenna	Cable	Satellite	<\$40,000	\$70,000+
1	25%	67%	27%	24%	41%	12%
2	38%	28%	36%	45%	33%	36%
3	25%	5%	25%	24%	20%	32%
4	7%	—	8%	5%	4%	13%
5+	5%	—	4%	2%	3%	7%
Average	2.33	1.38	2.31	2.16	1.99	2.71

Cable TV has the biggest share of the TV market in Kamloops – 7 in 10 TV households use cable compared with three in 10 who have satellite service and 6% who use rabbit ears or some form of antenna. Only 3% of Kamloops TV households use antennas or rabbit ears exclusively.

Cable is the service of choice among lower-income households – 76% in the under-\$40,000 group use cable and 18% satellite service. Among higher income households (\$70,000+) 63% use cable and 35% have satellite TV service, according to the Canadian Media Guild survey.

(Q3) For each television set, please tell me if it is connected to cable service, uses satellite service or uses rabbit ears, an outside or rooftop antenna or some other form of antenna.

How about your first, second... television set...

How Kamloops watches TV					
	Annual pre-tax household income				
	Total pop.	Internet TV viewers	<\$40,000	\$40-69,999	\$70,000+
Cable	69%	58%	76%	69%	63%
Satellite	28%	33%	18%	32%	35%
Rabbit ears or antenna	6%	10%	10%	2%	7%
Cable only	63%	44%	68%	64%	56%
Satellite only	23%	31%	12%	27%	28%
Ears or antenna only	3%	8%	6%	1%	3%
Cable, satellite and antenna	10%	16%	11%	6%	13%

While few people in Kamloops watch TV shows on the Internet at home (12%), Internet TV viewers are the most likely to have sets with antennas or rabbit ears and no other TV service.

Internet TV viewers are younger than people who watch conventional TV sets. Some 43% of Internet TV viewers are under 25; 67% are under 35. In antenna households without cable or satellite service, three in 10 people say they watch TV shows on the Internet at home. In homes using only satellite or only cable service, 11% watch TV on the Internet.

(Q14) Do you watch any TV programs on the internet through a home internet connection?

Who watches TV on the Internet in Kamloops			
Total	Men	Women	Antenna-only household
12%	16%	11%	31%

More than three out of four people in Kamloops TV households (76%) have heard little or nothing about the upcoming change in the way TV stations broadcast over the air from analog signals to digital signals.

About a quarter of the people in Kamloops television households (24%) are following the issue closely and say they have read or heard “a lot” about it.

People in households with antennas or rabbit ears (and no cable or satellite service) are the most inclined to say they have heard “a little” while people with cable or satellite are more likely to say they have heard “a lot.” People most likely to know about the change to digital are men, people with more than one TV set at home, people who view TV programs on the Internet and respondents in higher than average income households.

(Q4) Right now people in Kamloops have options for the way they watch television, by paying for cable or satellite or by watching free over-the-air television channels using rabbit ears, an outside or rooftop antenna or some other form of antenna. In two years, television stations in Canada are scheduled to change the way they broadcast over the air from what is called an analog signal to a digital signal. How much, if anything, have you read or heard about this upcoming change?

	Total	Women	Men	Internet TV viewers	\$70,000 h/h income
A lot	24%	20%	31%	35%	33%
A little	50%	49%	52%	41%	46%
Nothing	26%	32%	17%	24%	21%
No opinion	<1%	<1%	<1%	—	<1%

About a third of the television viewers in Kamloops who will lose free over-the-air TV in the switch to digital signals say they will just live without TV signals on their sets that use rabbit ears or some other form of antenna, including 48% of the people whose TV sets receive over-the-air signals exclusively.

Half say they are most likely to use the Internet or subscribe to cable or satellite TV services if their community loses free over-the-air channels.

Lower income people say they are more likely to watch TV programs on the Internet if Kamloops no longer has free over-the-air channels while higher income people (\$40,000+ a year households) are more likely to say they will subscribe to cable or satellite services.

Higher income households, since few have sets using antennas anyway, are the most inclined to think they would live without free over-the-air channels.

(Q6) [Interviewers asked respondents using rabbit ears or an antenna...] When the changeover from analog to digital happens, you will no longer have free over-the-air channels in Kamloops even if you buy a digital converter box for an old TV or buy a new digital TV. You will not be able to watch television shows unless you pay to subscribe to cable or satellite service or watch TV shows on the Internet. Although the change is two years away, without free over-the-air television channels in Kamloops what do you think you are most likely to do about a TV set of yours that uses rabbit ears, an outside or rooftop antenna or some other form of antenna?

Without free channels, what are people likely to do?			
Base: households using rabbit ears or antenna			
	Households using antenna or rabbit ears...		
	Total	...Only	... and cable or satellite
Subscribe to cable	12%	–	28%
Subscribe to satellite	17%	–	39%
Watch TV shows on the Internet	23%	42%	–
Just live without any television	32%	48%	14%
Depends	14%	10%	13%
No opinion	3%	–	6%

Nearly all the people in Kamloops who rely on rabbit ears or other antennas for their TV sets (91%) say they would watch just three free over-the-air channels – not pay for cable or satellite – if the government requires broadcasters to provide Kamloops with three over-the-air TV channels that people could watch using rabbit ears or an outside antenna.

Some 5% of viewers using satellite service only would just watch the free channels and give up satellite. Among cable TV subscribers (who do not use rabbit ears, antennas or have satellite service), 15% would watch only the three free channels in a scenario where the government requires broadcasters in the digital era to provide three free channels in Kamloops that people could watch with an antenna or ears.

(Q7) Suppose the government requires broadcasters to provide Kamloops with three free over-the-air TV channels that people could watch using rabbit ears, an outside or rooftop antenna or some other form of antenna. If that happened, would you pay to subscribe to cable or satellite TV service, or instead watch just the three free channels?

With 3 [unnamed] free OTA channels, what people in Kamloops are likely to do				
	Type of TV service			
	Total	Cable	Satellite	Antenna only
Pay for cable or satellite	72%	73%	84%	5%
Would watch just 3 free channels	16%	15%	5%	91%
Both (volunteered)	<1%	<1%	–	5%
Depends	9%	9%	7%	–
No opinion	3%	3%	4%	–

What if broadcasters provide six free over-the-air channels in Kamloops instead of just three? Increasing the number of free channels people could watch using rabbit ears or an antenna from three to six increases the share of Kamloops TV viewers who would watch the free channels by 25%, from 16% to 20%.

In lower income households the share who would watch just the free channels increases from 23% to 33% when the number of free channels goes from three to six.

Women are more attracted than men to the prospect of six free channels and are more likely than men to say they would watch just the free channels instead of subscribing to cable or satellite services.

Satellite subscribers are the most loyal to their TV service – 75% say even with six free channels they would continue paying for satellite or cable. Among cable-only households, 61% say they would pay for cable while 19% would defect and watch only the six free channels using rabbit ears or an antenna.

- (Q8) It has been suggested that broadcasters could provide Kamloops with six free over-the-air TV channels that people could watch using rabbit ears, an outside or rooftop antenna or some other form of antenna. If that happened, would you pay to subscribe to cable or satellite TV service, or instead watch just the six free channels?

With 6 [unnamed] free channels, what people in Kamloops are likely to do if they could watch the 6				
	Type of TV service			
	Total	Cable	Satellite	Antenna only
Pay for cable or satellite	63%	61%	75%	–
Would watch 6 free channels	20%	19%	9%	95%
Both (vol.)	1%	–	3%	–
Depends	14%	17%	12%	5%
No opinion	2%	3%	1%	–

Hearing descriptions of programs on the six channels in the Canadian Media Guild poll, however, attracts even more cable viewers to the free channels, but satellite TV subscribers still remain loyal to satellite service. Six free channels and cable apparently are substitutable for a portion of Kamloops TV watchers.

(Q9) Suppose the six free channels were the following:

- Global B.C., which has American dramas such as House and 24, and the B.C. and national news;
- CFJC, which has local news and American drama and reality shows;
- CBC, which has B.C. and national news, professional hockey and soccer, and Canadian dramas such as The Border and Being Erica;
- CTV, which has B.C. and national news, American dramas such as CSI, Canadian dramas such as Flashpoint, the Olympics, Canadian Idol and American Idol;
- The Knowledge Network, B.C.'s educational broadcaster
- Radio-Canada, which has French language programs.

If you could watch these six free over-the-air channels, would you pay for cable or satellite service, or instead watch just these six free channels?

After learning details on 6 free channels, what people are likely to do if they could watch them				
	Current TV service - only...			
	Total	Cable	Satellite	Antenna
Pay for cable or satellite	57%	55%	73%	5%
Would watch 6 free channels	33%	33%	18%	95%
Both (vol.)	1%	1%	2%	–
Depends	6%	8%	6%	–
No opinion	3%	3%	1%	–

People who watch TV a lot – seven hours or more a day during weekdays – are much less interested in the six free channels than viewers who watch less television.

Some 69% of seven-hour-plus viewers would pay for cable or satellite even if they could watch the six channels described in the survey, compared with 47% of viewers who watch three hours a day or less. People 18 to 34 are more inclined to say they would watch the six free channels, compared with people 35 and older. Some 42% of

those under 35 would watch the six free channels compared with 30% among older Kamloops TV viewers. Younger people are the most inclined to watch TV on the Internet. For them online TV is beginning to substitute for antennas, cable and satellite.

Interest in watching 6 free channels via ears or antenna instead of paying for cable or satellite				
	Current TV service - only...			
	Total	Cable	Satellite	Antenna
Before hearing 6 channels described	20%	19%	9%	95%
After hearing 6 channels described	33%	33%	18%	95%

A third of TV viewers using antennas or rabbit ears say they would be willing to pay up to \$80 for a digital converter box for their TV sets allowing them to watch the six over-the-air channels – with an antenna or ears – described by the interviewers.

Overall 21% in Kamloops TV households say they would pay up to \$80 for a converter so they could watch the six free channels. Satellite subscribers and viewers watching programs over the Internet are the least willing to pay \$80 for a converter for their TV sets.

(Q10) Would you personally be willing or not willing to pay up to \$80 for a digital converter box for your TV set that would let you watch these six free over-the-air channels?

Willing to pay up to \$80 for digital converter box to watch 6 free over-the-air channels				
	Annual household income			
	Total	<\$40,000	\$70,000+	Antenna only households
Yes, willing	21%	24%	26%	33%
Depends (vol.)	7%	6%	6%	11%
No, not willing	69%	67%	66%	56%
No opinion	4%	3%	2%	—

Almost no one is willing to buy a \$500 special receiver to see five or six free channels from companies providing satellite TV service in Kamloops.

Among residents who are the most interested in watching the six free channels outlined in the survey, instead of subscribing to cable or satellite, 1% are willing to pay \$500 for a special receiver to watch those five or six channels via satellite.

(Q11) It has also been suggested that companies providing satellite TV service could provide Kamloops with five or six free channels that would require using a special receiver that costs \$500. Would you personally be willing or not willing to pay \$500 for a special receiver that would let you watch five or six TV channels for free via satellite service?

Willing to pay \$500 for a receiver to watch 5 or 6 satellite channels				
	Annual household income			
	Total	<\$40,000	\$70,000+	Antenna only households
Yes, willing	1%	1%	2%	—
Depends (vol.)	2%	3%	3%	6%
No, not willing	96%	96%	95%	94%
No opinion	1%	—	—	—

People don't need more television sets to watch more TV programs. But they like having more channels as their TV watching grows. In Kamloops the more TV you watch the more likely you are to have cable or satellite service.

Residents who watch seven or more hours on a typical weekday have 2.48 sets on average while people watching under three hours a day have 2.30 sets. But eight in 10 people who only use rabbit ears or antennas watch TV less than three hours a day while 52% of people with cable watch three hours a day or more (on TV sets).

Some 25% of viewers who watch under three hours a day have satellite compared with 32% of viewers who watch seven or more hours. Antenna-only viewers make up 5% of those who watch under three hours and just 1% of those who watch seven-plus-hours. Age and TV watching are correlated. Some 63% who are 55 and older watch three or more hours a weekday. Some 59% of those under 35 watch two hours a day or less.

(Q12) About how many hours do you personally spend watching television programs on a TV set on an average weekday, Monday through Friday? Just your best guess will do.

Average weekday hours of TV viewed on TV sets			
	Total	Age 18-34	55+
Less than 1 hour	11%	17%	5%
1 or 2 hours	35%	42%	31%
3 to 4 hours	23%	15%	30%
5 to 6 hours	10%	8%	13%
7 to 8 hours	5%	3%	4%
9 hours or more	14%	14%	16%
Depends	2%	1%	2%

Nearly half the TV viewers in Kamloops say they most often watch American and other foreign programs on television; 26% say they most often watch Canadian programs. Antenna users who have no cable or satellite service are the most interested in Canadian programs (62%).

The audience for Canadian programs is older than average (34% among those 55 and older versus 21% in the 18-34-year-old cohort). Canadian TV watchers have below-average household incomes. People in households with one TV set are more inclined than households that have more sets to say they most often watch Canadian programs.

(Q13) Which of the following programs do you watch most often on television... Canadian programs, American programs or other foreign programs?

Programs TV viewers watch most often				
	Only...			
	Total	Antenna	Cable	Satellite
American programs	43%	16%	43%	43%
Other foreign programs	4%	—	3%	7%
Canadian programs	26%	62%	27%	23%
Canadian & American or all	14%	6%	13%	13%
Depends	10%	10%	12%	8%
No opinion	3%	5%	1%	7%

Watching TV on the Internet is no threat at the moment to conventional TV in Kamloops. In the Canadian Media Guild poll in July just 12% of respondents watch TV programs on the Internet at home. Among people under 35, 32% watch on the Internet.

Internet TV viewers spend much less time watching TV programs on the Internet than people spend watching programs on TV sets. Some 86% of those who view programs on the Internet spend two hours or less on an average weekday viewing programs on the Internet. In contrast, 46% of those who watch conventional TV sets spend less than two hours a day watching TV programs.

The most popular TV programs on the Internet are drama shows (named by 42%) and action or adventure programs (25%). Some 12% said situation comedies are their favourite shows on the Internet. Fewer than 10% named shows in any other categories such as local news, reality shows or talk shows. Respondents could name “the one or two you would miss the most if they weren’t available.”

(Q15) [Interviewers asked respondents who watch TV on the Internet...] About how many hours do you personally spend watching television programs through the Internet on an average weekday, Monday through Friday?

Average weekday hours of TV viewed on ...		
	Internet	TV sets
Less than 1 hour	63%	11%
1 or 2 hours	24%	35%
3 to 4 hours	5%	23%
5 to 6 hours	–	10%
7 to 8 hours	–	5%
9 hours or more	3%	14%
Depends	5%	2%

Kamloops residents who watch television on the Internet are more likely than viewers who watch on TV sets to say the programs they watch most often on the Internet are American or other foreign shows.

Some 60% who watch TV on the Internet say they most often watch American programs, while 22% say they most often watch Canadian programs. Among people who watch on TV sets, 43% say their most-watched shows are American versus 26% who say Canadian.

(Q16) What are your favourite television shows or programs that you watch on the Internet, the one or two you would miss the most if they weren't available?

Internet TV viewers' favourite shows	
Drama shows	42%
Action, adventure	25%
Situation comedies	12%
Channels, networks	9%
Local news	9%
Reality shows	5%
Talk shows	5%
Other	16%
None/no opinion	16%

(Q17) Which of the following television programs do you watch most often through the Internet...Canadian programs, American programs or other foreign programs?

Programs Internet TV viewers watch most often	
American programs	60%
Other foreign programs	9%
Canadian programs	22%
Canadian & American or all	3%
Depends	3%
No opinion	1%

Method

The findings in this poll are based on 502 telephone interviews conducted between July 13 and 15, 2009, with respondents in Kamloops, B.C., who have a working television set. In the initial sample respondents without a working TV set equal 1% of Kamloops households.

The sample of phone numbers was drawn by recognized probability sampling and by a method that gave all residential telephone numbers in Kamloops, both listed and unlisted, an equal chance of being included in the poll.

Vector Research weighted the data by age, a known characteristic of the Kamloops population.

In sampling theory, in 19 cases out of 20 (or 95% of all samples), the results based on a random sample of 502 will differ by no more than ± 4.4 percent in a population (aged 18 and over) the size of the adult population in Kamloops.

This means you can be 95% certain that the survey results do not vary by more than 4.4 percent in either direction from results that would have been obtained by interviewing all adults in the city of Kamloops.

The maximum margin of sampling error for subgroups such as women or men is larger.

To get error margins for any group in this poll use the calculator at www.surveysystem.com/sscalc.htm.

Samples of any size have some degree of precision. Larger samples are generally more precise but sometimes not. The important rule in sampling is not how many respondents are selected but how they are selected.

One method to guarantee that all members of a population have a known chance of being polled includes dialing randomly generated phone numbers to ensure that people with unlisted numbers are included. Another is to dial the number repeatedly when no one answers to ensure that people often away from home are sampled.

The margin of error refers only to sampling error. Even in true random samples, factors such as the wording of questions can compromise precision. The order in which interviewers ask the questions may lead to different results.

*– Analysis by Marc Zwelling
President, Vector Research + Development Inc.*

Appendix B

Canadian Media Guild

Intervention on Broadcasting Notice of Consultation

CRTC 2009-411

July 2009

Communities with TV stations excluded from CRTC list for mandated DTV

	CBC	SRC	CTV	A	E!	TVA	TQS
Nova Scotia	CBIT-Sydney		CJCB-Sydney				
Quebec		CKRN-Rouyn(A)				CFEM-Rouyn(A)	
						CFER-Rimouski	CFVS Val-d'Or(A)
						CHAU-Carleton(A)	
Ontario	CKPR-Thunder Bay(A)		CHFD-Thunder Bay(A)				
	CHEX-Peterborough(A)		CICI-Sudbury	CKNX-Wingham			
	CKWS-Kingston(A)		CITO-Timmins	CHRO-Pembroke			
			CKNY-North Bay				
			CHBX-Sault Ste. Marie				
			CJBN-Kenora(A)				
Manitoba	CKX-Brandon(A)						
Saskatchewan			CICC-Yorkton				
			CIPA-Prince Albert				
Alberta	CKSA-Lloydminster(A)		CITL-Lloydminster(A)				
						CHCA-Red Deer	
						CHAT-Medicine Hat(A)	
B.C.	CFTK-Terrace(A)					CHBC-Kelowna	
	CJDC-Dawson Creek(A)					CFJC-Kamloops(A)	
						CKPG-Prince George(A)	
Owned	1		7	2	2	1	
Affiliates (A)	7	1	3		3	2	1
Total	8	1	10	2	5	3	1
Cumul. Total	8	9	19	21	26	29	30

Appendix C

Canadian Media Guild

Intervention on Broadcasting Notice of Consultation

CRTC 2009-411

July 2009

Undertaking B - CRTC 2009-113

Comparing the costs of Multiplexing and Freesat

The Canadian Media Guild accepted an undertaking from Commission Molnar to prepare a cost comparison of the Multiplexing proposal that the Guild presented during the current proceeding with the Freesat proposal that Bell TV presented.

In light of the time available to undertake this cost comparison, some modeling of the key variables involved in the study was required. Costs for both proposals vary depending on how many households are included, on the number of TV Stations included in both proposals and on the geographic location of the TV Stations due to the requirement for a fiber backhaul from each TV station to the Bell TV uplink in Toronto.

For simplicity and clarity this cost comparison will be based on incremental costing only for each alternative based on equivalent parameters for each such as the number of households involved and the number of TV stations involved.

The cost parameters for the Multiplexing model have already been tabled on the public record as part of the Guild evidence and testimony in this proceeding. The cost of the Digital Converter Box required to receive digital television signals on an analogue TV set is \$60. This cost is assumed for every household in the study, although it should be noted that households with a digital television set equipped with ATSC receiver will not require a converter box as they can receive the digital television signal directly. The cost to upgrade a single analogue transmitter including a multiplexer is estimated to be \$156,000, which was the average cost per site, presented in the Guild evidence for all of Canada.

In their evidence Bell TV indicated the cost of a satellite terminal to receive Freesat would be \$500 including installation. There would be \$1million to \$2 million set up costs in the first year. In total, the annual cost for the satellite capacity and other operating costs to support this service were estimated by Bell at \$5 million annually assuming 80,000 subscribers took the Freesat service. Bell TV also indicated that each Broadcaster would be responsible for the cost of the backhaul to the Bell TV Toronto uplink.

Bell TV also indicated in their evidence they expected 30 to 40 TV Stations might participate in the Freesat program. For purpose of this cost comparison we are assuming that 30 TV stations participate and they are evenly distributed across the country. That assumption provides the baseline to estimate the cost of backhaul of local signals to Toronto.

As specific locations were not identified and time was short, supplier quotes for each individual backhaul was not feasible. However, based on typical fiber backhaul rates identified in other parts of our research, a costing approach using average costs from each Province to Toronto was deemed practical. This average costing for backhauls from each Province is shown in Table 1 – Provincial Costing Model for Fiber Backhauls to Toronto, as is the total annual cost for 30 TV stations. Not included in these costs are one-time installation charges that will be site specific for each TV station participating.

Table 1 – Provincial Costing Model for Fiber Backhauls to Toronto

	Monthly Cost per station for a Fiber Backhaul to Toronto	Annual Cost per station for a Fiber Backhaul to Toronto
Newfoundland	\$8,000	\$96,000
Nova Scotia	\$7,000	\$84,000
New Brunswick	\$6,500	\$78,000
Prince Edward Island	\$6,500	\$78,000
Quebec	\$6,000	\$72,000
Ontario	\$5,500	\$66,000
Manitoba	\$6,500	\$78,000
Saskatchewan	\$7,000	\$84,000
Alberta	\$8,000	\$96,000
British Columbia	\$9,000	\$108,000
Total Cost for 10 TV Stations	\$70,000	\$840,000
Total Cost for 30 TV Stations	\$210,000	\$2,520,000

The number of households involved was also an important variable in determining the one-time costs for consumers. For this element of the comparison, the Bell estimate of 80,000 households has been assumed. The total incremental costs for each proposal are compared on a one-year and a five-year basis in Table 2 – Cost Comparison based on 80, 000 Households.

Table 2 – Cost Comparison based on 80, 000 Households

80,000 Households 1 & 5 Year Costs				
	Freesat	Multiplexing	Multiplexing Annualized	Notes
Consumer	\$40,000,000	\$4,800,000	\$4,800,000	Note 1
Broadcasters	\$2,520,000	\$4,680,000	\$234,000	Note 2
Bell TV- One-time	\$1,000,000			Note 3
Bell TV Annual	\$5,000,000			Note 4
Total in Year 1	\$43,520,039	\$9,480,000	\$5,034,000	
Subtotal of broadcaster costs for 5 years:	\$12,600,000	\$4,680,000	\$1,170,000	
Total for 5 years	\$78,600,000	\$28,200,000	\$5,970,000	

Notes:

Note 1. The consumer expenditures in both plans are one-time only costs

Note 2. The backhaul costs shown in the Table are annual costs and the Transmitter upgrade costs are one-time capital costs. To make these more comparable and follow general accepted accounting principles, the capital cost would normally be reflected on an annual basis as a recurring depreciation charge. If we assume a straight-line depreciation over 20 years (estimated depreciation period for transmitters as noted in the Spectrum Expert Report), the one-year charge against earnings from operations for the transmitter upgrades would be \$234,000. The column titled Multiplexed Annualized reflects this methodology.

Note 3. Bell TV estimated the one-time set up costs at \$1 to \$2 Million. In this comparison \$1 million has been assumed. These costs would be paid for from the Bell contributions to the LPIF. It was not clear what type of capital expenditure the set-up costs represent, so we did not assign an average depreciation charge against these costs.

Note 4. Bell TV is only allocating \$1 million per year against the Ka-band space segment used to support this service as it is already in space and a sunk cost for them. With the normal satellite replacement 12 or so years from now, the annual

cost to be recovered could rise significantly. Bell also identified an annual support cost per subscriber of \$50. Based on 80,000 subscribers this would total \$4 million annually. These costs would be subtracted from the annual Bell TV contributions to the LPIF.

From the cost comparison, we draw the conclusion that the Multiplex alternative is the lowest overall cost solution for all the parties involved. Other levels of household participation both higher and lower than those above were also reviewed and the answer was the same in each case: the Multiplex option is lower cost. The main variable driving this difference between the two proposals is the cost to the consumer, the television viewing public.