



*Submission to Innovation, Science and Economic Development
Canada*

*Consultation on a Technical, Policy and Licensing Framework for
Spectrum in the 600 MHz Band*

(Canada Gazette, Part 1, Notice No. SLPB-005-17, August 19, 2017)

c/o Senior Director, Spectrum Licensing and Auction Operations
Innovation, Science and Economic Development Canada
Ottawa, Ontario
K1A 0H5

October 2nd, 2017

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Attention: Senior Director, Spectrum Licensing and Auction Operations
Innovation, Science and Economic Development Canada
Ottawa, Ontario
K1A 0H5

To Whom It May Concern:

Re. Response of Canadian Association of Broadcasters to Innovation, Science and Economic Development Canada's Consultation on a "Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band"

The Canadian Association of Broadcasters ("CAB") is the national voice of Canada's private broadcasters, representing the vast majority of Canadian programming services, including private radio and over-the-air ("OTA") television stations. We appreciate the opportunity to comment on Innovation, Science and Economic Development Canada's ("ISED") consultation paper, "Consultation on a Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band," on behalf of our members. Our members look forward to participating constructively in this process.

In this digital era, conventional (OTA) television continues to be important to Canadians, with almost 40% of viewing in the English-language market and 56% in the French-language market is to conventional television stations during the prime time hours of 7:00 p.m. to 11:00 p.m. Local news on OTA stations serves a particularly vital community-building function, which governments and parliamentary committees of both political stripes have often lauded in the past, and which Canadians continue to value.

In recent years, Canadian OTA television broadcasters have assisted the Government of Canada to make more spectrum available for mobile use at a significant cost to their bottom lines, without any assistance. They have done this while continuing to provide Canadians from coast to coast to coast with local programming that informs and reflects their daily lives.

OTA television broadcasters are proud to provide Canadians from Saint John to Peterborough, from Regina to Kamloops. But, they simply cannot continue to justify absorbing new expense, after new expense, on already-struggling services, however purposeful those services might be. They will require assistance from the Government of Canada with 600 MHz conversion costs in order to ensure the future of local television programming in cities and towns across Canada.

We have prepared this document to outline how the Government of Canada might best structure that assistance. Thank you again for the opportunity to provide our comments. The CAB and its members remain at ISED's service throughout this process as it works to achieve a successful outcome.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Nathalie Dorval". The signature is fluid and cursive, with the first name being more prominent.

Nathalie Dorval
Chair, Board of Directors
Canadian Association of Broadcasters

Introduction

1. The CAB is the national voice of Canada's private broadcasters, representing the vast majority of Canadian programming services, including radio and local over-the-air (OTA) television stations.
2. We appreciate the opportunity to comment on ISED's consultation paper, "Consultation on a Technical, Policy and Licensing Framework for Spectrum in the 600 MHz Band," on behalf of our members. Our members look forward to participating constructively in this process.
3. OTA television stations are a pillar of the broadcasting system, providing over 177 million English-language programming hours and over 70 million French-language programming hours last year to Canadians from coast to coast to coast.¹ Notably, OTA stations are able to deliver thousands of hours of local programming that are unavailable to Canadians through other platforms.
4. CAB members will be acutely impacted by the Government of Canada's 600 MHz repurposing initiative. Of the 792 stations listed in ISED's Allotment Plan, 166 CAB member stations will be required to make changes, with 58 of these required to transition in strict accordance with ISED's schedule. Affected stations will be required to install new equipment or reconfigure existing equipment at affected transmitter sites, and signal disruption is possible. Based on a detailed station by station analysis performed by CAB member companies, we estimate that total transition costs for private broadcasters will exceed \$106 million.²
5. While local television continues to serve a vital public function, including the provision of local news, and is valued by a majority of Canadians, OTA stations are struggling financially. The costs of the 600 MHz repackaging will place a burden on OTA television stations that they simply cannot afford. Broadcasters are still grappling with costs incurred from the 700 MHz spectrum conversion in 2011-2014. Taking on significant incremental expenses related to the 600 MHz conversion will place local television across Canada in jeopardy.
6. There is a real possibility that some television stations may be forced to shut down because the financial cost of continued operation cannot be justified.
7. In order to preserve this cornerstone of Canadian democracy and civic life, we urge ISED to follow the lead of its counterpart in the United States and compensate OTA television broadcasters for 100 percent the costs of transitioning from the 600 MHz

¹ CRTC Communications Monitoring Report (2014), Section 4.2, pages 88-89.

² This cost estimate is based on the cost elements identified by ISED as "Station Transition Activities" in its "Notice of Engagement Regarding the 600 MHz Transition Plan Objectives and Methodology, October 31, 2016, <https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11215.html>

band. Furthermore, we urge ISED to work in cooperation with Canadian Heritage and Finance to establish new funding, financed by 600 MHz spectrum auction proceeds, to help secure the future of local television during this challenging time.

8. The CAB further requests assurance from ISED that no OTA television station will be forced to shut down or accept undue interference for reasons beyond its control. This includes assurance that stations will continue to be protected from interference from Remote Rural Broadband Systems (“RRBS”) at all times, including TV stations that elect to extend their channel conversion beyond the scheduled cut-over date.

Local programming is important to Canadians and it is struggling

9. In this digital era, conventional (OTA) television continues to be important to Canadians. Almost 40% of viewing in the English-language market and 56% in the French-language market is to conventional television stations during the prime time hours of 7:00 p.m. to 11:00 p.m.³ And, OTA stations garner 40 percent of the news programming viewing market share. As a result, the CRTC has mandated that OTA stations must maintain an over-the-air presence in order to retain certain regulatory privileges, such as distribution as part of the basic service and program rights protections in the form of simultaneous substitution.
10. “Traditional” Canadian local and discretionary TV services retain the vast majority of Canadian audiences, notwithstanding unregulated “over the top” internet-based television competition.⁴ Within the Canadian television system, local advertising supported TV stations and networks continue to be the cornerstone, as prime drivers of quality Canadian programming, including drama and news.
11. Local news on OTA stations serves a particularly vital community-building function, which governments and parliamentary committees of both political stripes have often lauded in the past.⁵ Most recently, the House Standing Committee for Canadian Heritage released a report emphasizing that, among other things, “[local media] perform a fundamental civic role by supplying reliable, timely and unbiased information on community affairs. They ensure public and private institutions are held to account.”⁶ The Committee added, “[t]he economic contribution of local media

³ Numeris – TV Meter – Consolidated – 2016-2017 (8/29/2016 to 8/27/2017) – M-Su 2+ - Ind. 2+ - English Language Market (Canada minus Quebec Franco - Total TV Eng & CDN CONV ENG); French Language Market (Quebec Franco – Total TV French & CDN CONV FR)

⁴ Most recent CRTC figures place average traditional television viewing at 28.6 hours a week and internet TV viewing at 2.7 hours a week for Canadians 18+. 2016 CRTC Monitoring Report, Figure 4.2.15.

⁵ See “Issues and Challenges Related to Local News,” Report of the Standing Committee on Canadian Heritage, June 2009, 40th Parliament, 2nd Session, and Response of Minister of Canadian Heritage, Hon. James Moore; see also “OUR CULTURAL SOVEREIGNTY The Second Century of Canadian Broadcasting” Standing Committee on Canadian Heritage, June 2003, 37th Parliament, 2nd Session, and Response of Minister of Canadian Heritage, Hon. Sheila Copps.

⁶ “DISRUPTION: Change and Churning in Canada's Media Landscape,” Report of the Standing Committee on Canadian Heritage, June 2017, page 4.

should also not be underestimated. They directly support the local economy by creating jobs and promoting local businesses.”⁷

12. Local news continues to be popular with a majority of Canadians. In a 2015 public opinion poll, 81 percent of Canadian respondents stated that they considered local news programming to be important.⁸ It serves an especially important role in our democracy. Local news continues to provide the most reliable and comprehensive coverage of provincial and municipal election campaigns, including live election night coverage; it will certainly play a central role in covering the Ontario, Quebec and New Brunswick provincial campaigns in 2018. And, local news continues to hold political leaders at the municipal, provincial and federal levels of government to account.
13. Despite its critical role, local news in Canada is struggling. In 2016, the Canadian Radio-television and Telecommunications Commission (“CRTC”) found that the costs associated with local news television content exceeded the revenues generated by this programming by approximately 22 percent between 2012 and 2015. It further found that the gap widened over that same period, with costs increasing by approximately two percent while revenues declined by approximately 10 percent.⁹
14. In an effort to protect local content, the CRTC has revamped exhibition and expenditure requirements for local and community television.¹⁰ OTA television broadcasters are working to do their part to preserve this cornerstone of Canadian democracy and civic life, notwithstanding the financial challenges. But, in order to do that, they simply cannot afford to take on any significant new costs.

OTA broadcasters will be acutely impacted by the 600 MHz repurposing

15. Private broadcasters will bear the brunt of the 600 MHz repurposing. As noted above, we estimate this cost to exceed \$106 million. In addition, public, educational and low power TV stations will also be affected. While we do not have specifics on such costs for these additional stations, we believe it would be prudent for ISED to assume that mandatory transition costs for public, educational and low power broadcasters would exceed \$10 million. A review of the DTV Allotment Plan¹¹, published April 2017, indicates that CAB member television stations represent 79% of Regular Power stations in the Plan.
16. While requesting confidentiality for the specific markets served and channels of operation, CAB members have provided the following budget examples, based on real

⁷ Ibid, page 5.

⁸ CRTC, “Let’s Talk TV: Quantitative Research Report”, 24 April 2014, <http://www.crtc.gc.ca/eng/publications/reports/rp140424.htm>

⁹ Broadcasting Notice of Consultation CRTC 2015-421-3, “A review of the policy framework for local and community television programming – Working document for discussion”, para 13.

¹⁰ Broadcasting Regulatory Policy CRTC 2016-224, Policy framework for local and community television, June 15, 2016

¹¹ <https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11281.html>

situations, necessary to meet the requirements of the Digital Television (DTV) Transition Schedule, April 2017.¹²

TABLE 1: USE CASES TO ILLUSTRATE ACTUAL TRANSITION COSTS FOR DIFFERENT TYPES OF TELEVISION STATIONS

	Case 1: Change from DTV VHF to DTV VHF (Regular Power)	Case 2: Change from DTV UHF to DTV UHF (Regular Power)	Case 3: Change from Analog UHF to DTV UHF (Regular Power)	Case 4: Change from Analog VHF to DTV VHF (Regular Power)	Case 5: Change from Analog VHF to DTV UHF (Regular Power)	Case 6: Change from Analog UHF to DTV UHF LP
Transmitter	\$15,000	\$15,000	\$300,000	\$360,000	\$780,000	\$58,000
Mask Filter/Combiner	\$55,000	\$55,000				
Antenna	\$120,000	\$120,000	\$120,000	\$120,000	\$750,000	
Transmission Line						
Tower Modifications					\$100,000	
Feed system			\$40,000		\$100,000	\$25,000
Building infrastructure Modifications				\$75,000	\$300,000	
Consultants/Licencing	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$7,000
Consultants/SC6	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Internal Engineering	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$5,000
Contingency	\$20,000	\$20,000	\$50,000	\$50,000	\$50,000	\$5,000
Total	\$246,000	\$246,000	\$546,000	\$641,000	\$2,116,000	\$106,000
Note:	Antenna costs in Case 1,2,3,4 are for harness cable changes to achieve pattern on new channel.					
	If antenna replacement is required in case 1,2,3,4 add \$700K					

OTA broadcasters are still struggling with 700 MHz repurposing costs

17. In 2011, Canadian television broadcasters were mandated to convert analog OTA transmission facilities to the ATSC digital standard (“DTV”) in order to make the 700 MHz band available for mobile services. This required OTA broadcasters to change and upgrade their transmission facilities, and many were required to resume broadcasting on new television channels in order to preserve their licences.
18. The conversion placed significant financial and technical strain on impacted OTA television broadcasters, which were required to convert 145 stations to DTV over a two-year period from June 2009 through August 2011. As stated in the CAB Response to ISED SLPB-005-14, Consultation on Repurposing the 600 MHz Band¹³, January 2015, Canadian stations invested approximately \$113 million in capital spending to construct DTV facilities. The costs were determined based on discussions with CAB members and the CBC. These capital investments have not been fully depreciated. The typical life expectancy of television transmission equipment is 20 to 25 years.
19. Canadian television broadcasters bore 100 percent of the cost of conversion; they received no compensation from the Government of Canada. Moreover, no incremental, potentially offsetting, revenues were generated by the conversion: revenues of local OTA television stations declined between 2011 and 2015, with a negative CAGR of 4.7

¹² <https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf11282.html>

¹³ <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/sf10891.html#s13>

percent.¹⁴ At the same time, the 700 MHz band spectrum auction in 2014 generated roughly \$5.27 billion for the Government of Canada.¹⁵

20. In light of the cost burden that they have already shouldered, OTA television broadcasters simply cannot afford to sustain additional conversion costs for the 600 MHz conversion. Broadcasters are proud to provide Canadians from Saint John to Peterborough, from Regina to Kamloops, with local television programming that informs and reflects their daily lives. They take seriously their role in the Canadian democratic system by bringing national stories to local communities. But, CAB television broadcasters are ultimately private enterprises that are in the business of generating profit, and answering to shareholders. They simply cannot continue to justify absorbing new expense, after new expense, on already-struggling services, however purposeful those services might be. Without assistance, the 600 MHz conversion will jeopardize the future of local television programming in cities and towns across Canada.

ISED should reimburse broadcasters like their American counterparts

21. In order to ensure the future of local programming across the country, we urge the Government of Canada to reimburse OTA television broadcasters for 100 percent the costs of transitioning from the 600 MHz band.
22. Broadcasters should be fully compensated for 100 percent of all costs associated with the 600 MHz conversion, including: engineering consultants; tower work; building and site preparation and reconfiguration; equipment reconfiguration and/or replacement; equipment installation; project staff resources; replacement of studio equipment; and a consumer awareness campaign. All of these changes will be needed to ensure a smooth transition.
23. Notably, wireless microphones, cameras and intercom equipment have become an integral part of local television station operations because of their flexibility and rapid deployment for news gathering, special events and in-studio uses. When television stations were required to vacate the 700 MHz, wireless microphones, cameras and intercoms, also in the 700 MHz band, became obsolete. Broadcasters were thus required to make substantial investments of millions of dollars to replace wireless equipment displaced from the 700 MHz Band. Much of that new equipment operates in the 600 MHz band. Broadcasters will be required to abandon these and, again, purchase new wireless equipment costing millions of dollars more. One television group alone spent \$1 million to replace 700 MHz equipment and now estimates over \$1.6 million to replace 600 MHz equipment. The cost of replacement wireless

¹⁴ CRTC Communications Monitoring Report (2014), Section 4.0, page 34.

¹⁵ Industry Canada Spectrum Management and Telecommunications, 700 MHz Auction Results http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf10598.html

microphones, cameras and intercom equipment should therefore be included in the reimbursement to OTA broadcasters.

24. In this way, the Government of Canada should follow the lead of its counterpart in the United States. In the United States, the Federal Communications Commission (“FCC”) used an incentive auction to make substantial funding available to broadcasters for the repacking of television signals elsewhere in the wireless spectrum. More than \$10 billion of the auction proceeds will go to broadcasters that chose to relinquish spectrum usage rights; and at least \$1.75 billion to reimburse broadcasters that incur costs in changing channels.
25. The auctioning off of this spectrum will create a unique opportunity for the Government of Canada to provide financial support for local television stations that are being displaced at a time when the financial struggles of local television stations across the country are well documented. We therefore urge the Government to set aside a further portion of the auction proceeds to support local television stations across the country.

Other Issues

26. Notwithstanding the multi-phase DTV transition schedule, the CAB encourages the Government of Canada to ensure that there is flexibility in the channel conversion deadlines. This flexibility will be necessary to address the likely construction delays that will occur as a result of weather events, equipment deliveries and insufficient access to technical resources. Under no circumstance should a local, OTA television station be forced to shut down or accept undue interference for reasons beyond its control.
27. The CAB appreciates ISED’s assurance in paragraph 43 of the consultation paper that, “RRBS are not permitted to cause interference to, or claim protection from, licensed broadcast operations.” We urge ISED to ensure that this restriction applies at all times. It should also ensure to include protection from interference to television stations which extend their channel conversion beyond the scheduled date in the DTV Transition Schedule.
28. The CAB further supports the separate consultation proposed by ISED in paragraph 45 of the consultation paper with regard to secondary uses of low power apparatus (including wireless microphones) and WS devices. The potential to harmonize regulations with US FCC rules may allow for some continued use of wireless broadcast equipment in the guard bands and duplex gap within the 600 MHz Band, and ensure that such equipment available in the US can also be purchased and used in Canada.

Conclusion

29. In recent years, Canadian OTA television broadcasters have assisted the Government to make more spectrum available for mobile use at a significant cost to their bottom lines. They have done this while continuing to provide Canadians from coast to coast to coast with local programming on OTA stations that informs and reflects their daily lives.
30. Broadcasters are prepared to assist the Government to make additional spectrum available in the 600 MHz band, while preserving the future of local programming across Canada. However, they will be unable to do so without assistance from the Government of Canada.
31. The CAB states that this assistance should include the following:
 - a. Reimbursement to broadcasters to cover 100 percent of all costs associated with the 600 MHz conversion (including replacement costs of wireless microphones and cameras) along the lines provided to broadcasters in the United States;
 - b. Funding to be created from spectrum auction proceeds to support local television;
 - c. Assurance that no OTA television station will be forced to shut down or accept undo interference for reasons beyond its control; and,
 - d. Assurance that television stations will continue to be protected from interference from RRBS at all times, including television stations that elect to extend their channel conversion beyond the scheduled cut-over date.