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Conseil de la radiodiffusion et des télécommunications canadiennes

Broadcasting Regulatory Policy CRTC 2010-485

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Issues related to the digital television transition

The following document provides a consolidated view of stakeholders' positions and sets out the Commission's determinations on a number of issues related to the digital television (DTV) transition, including:

- *the number of Canadians who could potentially lose service as a result of the transition to over-the-air digital television;*
- *the Commission's proposal to authorize the provision by broadcasting distribution undertakings of a free package consisting of all local and regional conventional television signals currently available over-the-air in a given market;*
- *possible measures to educate consumers regarding the DTV transition; and*
- *the implementation of one or more trial market(s) for DTV conversion.*

Introduction

1. Canadian television is in the process of converting its over-the-air transmitters from analog to digital. The transition to digital television (DTV) will provide significant benefits to Canadians. In addition to providing television viewers with better picture and sound, including high definition programming, and allowing for more services through multiplexing,[1] it will make spectrum available for public safety uses and greater wireless competition and innovation through the repurposing of channels 52 to 69.

2. In its 2007 policy on conventional television,[2] the Commission at the request of the Department of Industry established 31 August 2011 as the date for the transition from analog to digital over-the-air television in Canada. In its recent policy on the licensing of private television services,[3] it confirmed that broadcasters will be expected to convert full-power transmitters to digital in mandatory markets by that date. The Commission defined mandatory markets as all markets containing a provincial, territorial or national capital, all markets with populations over 300,000 and all markets with more than one local television station. Additionally, channels 52 to 69 must be vacated both inside and

[1] Multiplexing is the use of one digital transmitter by one or more broadcasters to transmit several programs at the same time.
[2] Broadcasting Public Notice 2007-53.
[3] Broadcasting Regulatory Policy 2010-167.

outside mandatory markets by 31 August 2011. Consequently, outside mandatory markets, broadcasters can, under certain circumstances,[4] elect to continue operating transmitters on channels 2 to 51 either in analog or digital or cease over-the-air transmission and depend on broadcasting distribution undertakings (BDUs) for the distribution of their signals. However, broadcasters who cease over-the-air transmission will lose their privileges as over-the-air broadcasters, i.e. primarily mandatory carriage and simultaneous substitution.

3. Accordingly, in Broadcasting Notice of Consultation 2010-169, the Commission called for comments and sought further information on:

- the number of Canadians that could potentially lose service as a result of the transition to over-the-air digital television;
- its proposal to authorize the provision by BDUs of a free package consisting of all local and regional conventional television signals currently available over-the-air in a given market;
- possible regulatory measures to educate consumers regarding the DTV transition; and
- the implementation of one or more trial market(s) for DTV conversion.

4. The following, while containing a number of Commission determinations on matters within its purview, is also meant to provide a consolidated view of stakeholders' positions on the above-noted issues.

Potential loss of service to Canadians

5. In Broadcasting Notice of Consultation 2010-169, with a view to providing the Government with a revised estimate of the impact of the digital transition, the Commission sought comment on a number of issues, including broadcasters' plans outside mandatory markets. Some broadcasters, particularly those operating on channels 52 to 69 outside mandatory markets, did not provide details on their transition plans as they were still evaluating their options.

6. Based on the record of this proceeding and more recent estimates of the number of Canadian households that rely solely on over-the-air reception, the Commission has revised its estimates of the number of households that may require digital receiving equipment to maintain access to local over-the-air signals.[5]

7. As noted by parties, there is uncertainty with regard to changes in the number of Canadian households relying solely on over-the-air reception as the transition date nears. In addition, as raised by parties, estimating the impact of the transition is difficult as it is hard to accurately determine the reliance on over-the-air reception for secondary

[4] Except where its operation would prevent a digital transmitter from being implemented and provided that the technical requirements of the Department of Industry are met, the operation of an analog transmitter outside mandatory markets on channels 2 to 51 may continue beyond 31 August 2011.
[5] The Commission's estimates are based on each household maintaining access to services on at least one television set.

television sets used by BDU subscribers, the number of households with digital television sets relying on over-the-air reception and the number of analog television sets still being used for over-the-air reception. All of the above-noted factors may affect the number of television sets needing equipment to continue to receive over-the-air television services.

Over-the-air digital converter boxes

8. According to 2006 Census data, approximately 11.2 million Canadian households currently have access to analog over-the-air television in mandatory markets. As well, there are approximately 550,000 Canadian households in non-mandatory markets that are served by transmitters operating on channels 52 to 69. Of these households, 118,000 are served by a transmitter which is slated for conversion.[6]

9. Given that in 2009 approximately 7.3% of Canadian households relied solely on over-the-air reception,[7] approximately 826,000 to 857,500 households may require over-the-air digital converter boxes to ensure that viewers in these households maintain access to over-the-air services using older television sets.[8]

10. As a result, based on one digital converter box per affected household retailing for up to $75, the aggregated cost to consumers affected by the transition for the purchase of over-the-air digital converter boxes may be up to $64 million.

Satellite receiving equipment

11. Outside the mandatory markets, a number of broadcasters operating transmitters on channels 52 to 69 may cease over-the-air transmission altogether or maintain analog or digital operation on channels 2 to 51. Most broadcasters indicated that they were still formulating their transition plans or still evaluating their options.[9] Based on 2006 Census data, 432,000 Canadian households currently rely on transmitters operating on channels 52 to 69 outside mandatory markets for which broadcasters are currently evaluating their options.

12. Given that in 2009 approximately 7.3% of Canadian households relied solely on over-the-air reception and assuming the broadcasters noted in the previous paragraph were to cease over-the-air transmission altogether, up to 31,500 households outside the mandatory markets may require digital receiving equipment, such as satellite receivers and dishes.

13. Based on one satellite dish and receiver per affected household at a total cost of approximately $300, excluding installation, the estimated aggregated cost to consumers affected by the transition towards the purchase of digital receiving equipment may be up to $9.5 million.

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[6] CTVglobemedia stated that it intended to convert its transmitter serving Bobcaygeon/Peterborough.

[7] In its submission Canwest indicated that according to Fall 2009 BBM Canada numbers, nationally 7.3% of all Canadian households rely on over-the-air reception. However, over-the-air penetration varies by region/province. For a breakdown by BBM extended market based on Canwest's submission, see the appendix to this document.

[8] The number of households that may need a digital converter box is expressed as a range due to uncertainty regarding broadcasters' transition plans for transmitters operating on channels 52 to 69 outside mandatory markets.

[9] See note 6.

Support program eligibility

14. In order to facilitate the possible establishment and administration of a support program for consumers for the purchase of digital receiving equipment, the Commission also sought comment on the size, type and manner of administering such a program for over-the-air viewers. The Commission is not making a determination on this issue, but rather providing a consolidated view of stakeholders' positions.

15. Parties were generally in favor of a consumer support program for the purchase of technology-neutral digital receiving equipment (e.g. over-the-air digital converter box, satellite receiving equipment or terrestrial BDU receiving equipment). They noted that funding should come from future spectrum auction proceeds. Further, they submitted that all affected Canadian households both in and outside mandatory markets should be eligible and that eligibility should be based on self-identification as a viewer who relies solely on over-the-air reception, given the challenges associated with having BDUs verify this information.

16. Some parties suggested that support take the form of tax rebates for the purchase of digital receiving equipment, including television sets, that monthly BDU subscription fees should be eligible and that eligibility should be limited to low-income households.

General authorization to distribute a local package

17. In Broadcasting Notice of Consultation 2010-169, the Commission stated its preliminary view that BDUs should be authorized to provide a free package consisting of all local and regional conventional television signals currently available over-the-air in a given market (local package) on condition that:

- it is provided at no charge,
- no other television services are provided in conjunction with the local package and
- access to the local package is not conditional on the purchase of any other services.

18. Accordingly, the Commission sought comment on this proposal and on the terms and conditions under which a local package would be offered. The Commission also sought comment on BDUs' intentions to offer such a package on these or other terms.

19. Both FreeHD Canada and MTSAllstream agreed with the Commission's preliminary view that BDUs should be authorized to provide a free local package and stated their intention to offer such a package. Most BDUs supported the proposal on condition that offering a local package would be optional, not a requirement. BDUs also argued that they should be permitted to charge a monthly fee for the local package to recover the costs incurred, as well as a fee for the sale or rental of customer equipment necessary to receive the package. BDUs also argued that in the event that the proposed compensation regime for the fair value of private local conventional television signals referred to the

Federal Court of Appeal in Broadcasting Order 2010-168 were adopted, television stations that are offered as part of the local package should not receive compensation under this regime.

20. A number of specialty broadcasters expressed concern that a local package offering might provide incentives for current BDU subscribers to downgrade the broadcasting services they currently receive. They submitted that significant reductions in the number of subscribers receiving basic or discretionary services could impact the revenues of their services.

21. The Commission considers that authorizing BDUs to offer a local package subject to the conditions described below would provide Canadians who rely solely on over-the-air television with a means to maintain access to services they currently enjoy after the digital transition. Moreover, the Commission is of the view that the availability of such a package would benefit over-the-air stations by providing Canadians with another option for accessing these stations, while also benefitting BDUs by allowing them to reach new customers.

22. The Commission considers that any local package offered by a BDU should be implemented as a customer-friendly option to replace over-the-air television, not as a substitute for BDU basic or discretionary services. In this regard, prohibiting BDUs from offering other broadcasting services in conjunction with a local package would minimize the potential impact on other basic and discretionary broadcasting services.

23. Given that the local package would serve as a replacement for over-the-air television service, the Commission continues to be of the view that it would be inappropriate for BDUs to charge a monthly fee for such a package. Since BDUs would not be permitted to charge a fee for the local package, it would also be inappropriate for television stations to seek compensation from BDUs under the proposed local television signal compensation regime for the distribution of their signals as part of the local package. However, given that such a local package would be distributed by BDUs on a digital basis, which requires a set-top box and possibly other customer equipment, local package users would be required to purchase or rent any such equipment from BDUs in order to receive the local package, as well as pay the costs of any service calls necessary to install or maintain customer equipment or facilities.

24. For the reasons set out above, the Commission will establish a general authorization, pursuant to Broadcasting Regulatory Policy 2009-546, that will grant BDUs an exception to section 5 of the *Broadcasting Distribution Regulations* so as to permit them to distribute a local package both in and outside mandatory markets without having to provide users of the local package with the full basic service. This authorization will be subject to the following conditions:

    - Only local and regional television stations licensed to broadcast within the BDU's licensed area shall be included in the package. Stations without over-the-air transmitters must provide a direct feed to BDU head-ends or up-link centres.

- Local package users cannot receive video-on-demand or any other broadcasting services in conjunction with the local package.
- BDUs may offer telephony or Internet services to local package users, but may not offer a local package as part of a bundle or otherwise make receiving this package contingent on purchasing other services.
- No monthly fee shall be charged for the local package service, but users may be required to purchase or rent equipment or pay for service/support calls. In addition, users may choose to pay for the use of an electronic programming guide.
- Any future compensation related to the proposed local television signal compensation regime will not apply to the local package.

Consumer education and awareness

25. In Broadcasting Notice of Consultation 2010-169, the Commission set out its preliminary view that the broadcast of public service announcements (PSAs) is the most effective and efficient means of ensuring that over-the-air television viewers are adequately prepared for the digital transition. In addition to seeking comment on this and other measures that could be undertaken by broadcasters, it sought comment on the role BDUs and other licensees could play in creating greater awareness among Canadians regarding the transition.

26. Broadcasters indicated their intentions to air PSAs, noting that such efforts will ensure maximum audience retention following the transition and are thus in their best interest. BDUs also indicated their intentions to participate in a consumer education campaign based on the need to respond to consumer demand for information regarding the transition.

27. Many parties, including Canwest, the Canadian Cable System Alliance, MTS Allstream and the Public Interest Advocacy Centre, emphasized the urgency of launching a consumer education campaign. Most indicated that PSAs should begin at least one year ahead of a given market's conversion and that they should increase in frequency. Parties generally recommended that the information contained in the PSAs include:

    - what is happening, where, when and why;
    - who will be affected and what to do; and
    - references to a toll-free number and/or website with more detailed information.

28. Finally, parties generally called on the Government to lead and fund a coordinated consumer education campaign consisting of PSAs for multiple media (e.g., TV, radio, print), websites, call centres and volunteer programs. In this regard, some parties suggested that the Government produce standardized PSAs or fund their delivery (e.g. through the purchase of airtime). Canwest, the Canadian Media Guild and Channel Zero suggested the creation of a special task force or committee comprising major stakeholders to design and execute a consumer education campaign.

29. Rather than the imposition of reporting and monitoring obligations on licensees, parties recommended the use of public research surveys, funded by Government or the Commission, to ensure the effectiveness of the education efforts.

30. The Commission notes that parties' comments with respect to the Government's role in establishing a consumer education campaign are consistent with a recommendation contained in its 23 March 2010 report to the Government on the implications and advisability of implementing a compensation regime for the value of local television signals. Specifically, the Commission recommended that the Government fund and lead a coordinated national consumer education and awareness program to ensure that Canadians are well-informed with regard to their access to local television services and any required consumer action. The Commission added that the Government should establish a working group tasked with implementing a comprehensive, coordinated national DTV consumer education program with involvement from all stakeholders, including broadcasters, cable and satellite companies and consumer groups.

31. The Commission notes broadcasters' intentions to undertake efforts to inform Canadians of the transition in order to maximize audience retention. It further notes that BDUs and other licensees can and intend to respond to consumer demand for information regarding the transition using a variety of means. However, the Commission expects broadcasters, BDUs and other licensees to actively participate in the creation and implementation of a coordinated national consumer education program. As part of this program, the Commission further expects broadcasters to publish and maintain a comprehensive account of their transition plans on their websites. The Commission considers that this program should begin no later than 1 March 2011. The Commission may adopt regulatory measures, as part of a coordinated national consumer education program or otherwise, in order to ensure that Canadians are informed concerning the transition.

DTV trial market(s)

32. In Broadcasting Notice of Consultation 2010-169, the Commission indicated that the conversion of one or more markets prior to the conversion deadline of 31 August 2011 may enable stakeholders to assess whether measures established to educate Canadians in these markets were sufficient and to implement any necessary changes prior to the conversion of the remaining markets. The Commission indicated that market selection could be based upon, among other factors:

- distance from other mandatory markets;
- size; and
- broadcasters' intentions to convert in the market.

33. Broadcasters and other stakeholders generally supported the establishment of one or more trial market(s) for mandatory conversion to digital prior to 31 August 2011. However, there was no agreement among broadcasters regarding which market(s) would be the most appropriate for the trial, and some BDUs questioned the merits of the proposed approach.

34. Having reviewed the submission of parties and broadcasters' plans, the Commission is of the view that the conversion of one or more trial market(s) several months before the conversion of the remaining markets would be beneficial. It also considers that Winnipeg would constitute an appropriate trial market given its size, its distance from other mandatory markets and the presence of all major English-language broadcasters in the market. The Commission is also of the view that the city of Québec would constitute an appropriate trial market given its size and the presence of all major French-language broadcasters. The Commission notes that most broadcasters in these markets have stated their intentions to implement digital transmitters by 2011 and that some broadcasters in the Québec market are already operating DTV transmitters on their post-transitional channels.

35. The Commission would also be prepared to adopt regulatory measures to facilitate such a trial in a given market selected jointly by broadcasters. However, the Commission considers it inappropriate to establish trial market(s) in the absence of clarity concerning the timing and scope of a national coordinated consumer education campaign, since this will have a significant impact on the success of any trial market.

Secretary General

Related documents

- *The implications and advisability of implementing a compensation regime for the value of local television signals: A report prepared pursuant to section 15 of the* Broadcasting Act, 23 March 2010
- *Call for comments on issues related to the digital television transition,* Broadcasting Notice of Consultation CRTC 2010-169, 22 March 2010
- *Reference to the Federal Court of Appeal – Commission's jurisdiction under the* Broadcasting Act *to implement a negotiated solution for the compensation for the fair value of private local conventional television signals,* Broadcasting Order CRTC 2010-168, 22 March 2010
- *A group-based approach to the licensing of private television services,* Broadcasting Regulatory Policy CRTC 2010-167, 22 March 2010
- *General authorizations for broadcasting distribution undertakings,* Broadcasting Regulatory Policy CRTC 2009-546, 31 August 2009
- *Policy proceeding on a group-based approach to the licensing of television services and on certain issues relating to conventional television,* Broadcasting Notice of Consultation CRTC 2009-411, 6 July 2009

- *Policy determinations resulting from the 27 April 2009 public hearing*, Broadcasting Regulatory Policy CRTC 2009-406, 6 July 2009

- *Determinations regarding certain aspects of the regulatory framework for over-the-air television*, Broadcasting Public Notice CRTC 2007-53, 17 May 2007

Appendix to Broadcasting Regulatory Policy CRTC 2010-485

The following provides approximate over-the-air penetration for various BBM Extended Markets (EM), based on Fall 2009 numbers, as submitted by Canwest. Canwest further noted that BBM markets do not align with signal contours and therefore these percentages only represent approximate over-the-air penetration.

Newfoundland and Labrador	
St. John's	4.5%
Prince Edward Island	
Charlottetown	8.1%
Nova Scotia	
Halifax	6.0%
Sydney-Glace Bay	7.2%
New Brunswick	
St. John-Moncton (incl. Fredericton)	8.5%
Carleton	4.8%
Quebec	
Rimouski (incl. Saguenay)	3.2%
Rivière-du-Loup	6.7%
Québec	7.7%
Sherbrooke	8.0%
Montréal EM (Anglophone)	9.0%
Montréal EM (Francophone)	5.1%
Trois-Rivières	6.3%
Rouyn-Noranda (incl. Val d'Or)	5.6%
National Capital Region	
Ottawa-Gatineau	7.9%
Ontario	
Kingston	6.8%
Peterborough	4.3%
Toronto (incl. Hamilton)	5.9%
Barrie	4.9%
Kitchener	12.4%
London	9.4%
Windsor/Essex	24.8%
Sudbury-Timmins-North Bay	6.0%
Thunder Bay	6.6%
Kenora	8.3%

Manitoba	
Winnipeg	7.8%
Saskatchewan	
Regina-Moose Jaw	4.0%
Saskatoon	6.7%
Prince Albert	10.4%
Alberta	
Medicine Hat	6.2%
Lloydminster	3.4%
Edmonton	7.4%
Calgary (incl. Lethbridge)	5.1%
British Columbia	
Prince George-Kamloops	6.7%
Terrace-Kitimat	15.7%
Kelowna	5.9%
Dawson Creek	11.1%
Vancouver (incl. Victoria)	2.8%