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Digital Revolution Rendering Canadian Content Rules Obsolete, New Approach Needed: C.D. Howe Institute

Toronto, Jan. 28 - In the unfolding digital world, the regulations traditionally used to foster Canadian content in the broadcasting and telecommunications sector will not be viable, according to a study released today by the C.D. Howe Institute. In *Scrambled Signals: Canadian Content Policies in a World of Technological Abundance*, authors Lawson A.W. Hunter, Edward Iacobucci and Michael J. Trebilcock assess the implications of the rapid digital revolution underway for the Canadian Radio-television and Telecommunications Commission's regulatory tools, and point to the need for new approaches to promote and fund Canadian content.

Having undergone a transformation from an era of a few channels broadcast over the air to hundreds of channels available via cable or satellite, Canada's broadcasting and telecommunications sector is on the verge of another tectonic shift, say the authors, of which Internet Protocol (IP) TV is an example. The transition from a "push" network, where entertainment choices were limited to those available at a given time, to a "pull" network, where content is available on demand, will render many current regulatory tools obsolete, they say. Ownership regulations and exhibition and expenditure quotas that mandate Canadian ownership of media and the percentage of Canadian content broadcast or purchased will be unenforceable online and should be abolished.

Other tools that promote Canadian content may still be useful in the future, they suggest. More direct subsidies to Canadian content would ensure that there is Canadian content available for those who want it. Public broadcasting, including the CBC, could be focused as an outlet for Canadian content.

However, the means of supporting this subsidy will have to change, according to the study. In the past, broadcasters directly and indirectly subsidized Canadian content production. Currently, cable and satellite companies are in a strong position to fund Canadian content given their poten-

tial market power over distribution networks. The rise of the Internet and wireless transmission will change that balance yet again.

The future of telecommunications and broadcasting regulation should be focused on anti-competitive activities, say the authors. Parties should have access to distribution networks on commercially reasonable, arm's-length terms that do not reflect the network owner's potential conflicts of interest resulting from a desire to limit competition.

The authors conclude that a review is urgently needed by an independent expert panel charged with proposing a transition roadmap.

For the study, go to www.cdhowe.org

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Scrambled Signals: Canadian Content Policies in a World of Technological Abundance,
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at www.cdhowe.org.