

June 7, 2018

VIA Electronic Intervention Comment Form

Mr. Claude Doucet  
Secretary-General  
CRTC  
1 Promenade du Portage  
Les Terrasses de la Chaudière  
Central Building  
Gatineau, QC  
K1A 0N2

Dear Mr. Doucet:

**Subject:        *Broadcasting Notice of Consultation CRTC 2018-127: Applications for a national, multilingual multi-ethnic television service offering news and information programming, which, if licensed, would receive mandatory distribution on the basic service pursuant to section 9(1)(h) of the Broadcasting Act***

1. The Canadian Communication Systems Alliance (“CCSA”) speaks for independent communications distributors – smaller broadcasting distribution companies, telephone companies and ISPs – across Canada. CCSA represents more than 110 companies operating from sea to sea to sea, including across the North.
2. CCSA wishes to appear at the public hearing of this matter.
3. CCSA has no position regarding the relative merits of any of the individual applications that are the subject of the proceeding. Rather, CCSA’s comments treat four general areas of concern, each of which is engaged by some or all of those applications.
4. Specifically, CCSA’s concerns are with:

- increase to the wholesale cost of the basic service;
- increase to the capacity demands and associated underlying costs of providing the basic service to retail customers;
- inclusion of major league sports programming in the mandatory basic service; and
- possible introduction of a precedent for escalating wholesale rates for programming services mandated for inclusion in the basic service.

#### Increase to the Wholesale Cost of the Basic Service

5. CCSA appreciates that the Commission has identified the need for a national multi-lingual, multi-ethnic programming service that should be available to Canadians who subscribe to a BDU's basic service.
6. However, CCSA urges the Commission to consider, very carefully, the impact of any new, additional wholesale fee for services in the mandatory basic service on the ability of independent BDUs to compete with innovative "skinny basic" offerings tailored to their markets.
7. CCSA bases that recommendation on the reasons set out below, which CCSA previously set out in its submissions relating to the renewals of licences for existing mandatory carriage services:<sup>1</sup>
10. As CCSA pointed out in its submission in response to BNC CRTC 2017-359:

Consumers now demand video content from a variety of traditional television and online sources. That behavior will become more widespread over time. Consumers' interest in "skinny" bundles of traditional off-air and cable channels is high and demand for such smaller, reasonably priced bundles of traditional television services has exceeded industry expectations.

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<sup>1</sup> CCSA submission, "Broadcasting Notice of Consultation CRTC 2017-365: Applications for the renewal of services with mandatory distribution on the basic service pursuant to section 9(1)(h) of the Broadcasting Act", December 8, 2017 at paras. 10-20.

11. In BRP CRTC 2015-96, the Commission announced that licensed BDUs would be required to offer a small basic service which would include only certain, specified programming services and which would have to be priced at \$25 or lower.
12. While those “skinny basic” requirements were not imposed upon exempt BDUs, the exempt BDUs were effectively encouraged to experiment with their own, less restricted, small basic service offerings.
13. Those BDUs have welcomed that challenge and have, indeed, been experimenting to the benefit of their customers.
14. In its response to BNC CRTC 2017-359, CCSA advised the Commission that:

A number of those independent distributors have had considerable success with the design and pricing of “skinny basic” offerings and have seen encouraging customer take-up of these packages which, in some cases, are priced below twenty dollars.

15. The table below sets out a few examples of the retail pricing CCSA members offer customers for their small basic service:

<b>Company</b>	<b>Package Name</b>	<b>Retail Price</b>
Mascon Communications	Digital Starter	\$20.00
Seaside Communications	Essentials	\$19.95
Access Communications	Micro HD (Includes one HD STB)	\$21.95
Execulink	LinkTV Starter	\$20.00
CCAP	Base Numérique	\$15.20
VMedia	The Skinny	\$17.95

16. Generally, those small basic packages include local and regional off-air stations, mandatory 9(1)(h) services, the US 4+1 networks, educational, legislative and community channels, local radio stations and Stingray music channels.
17. Some CCSA members have experimented with a different model that includes both the services noted above and the premium sports channels:

<b>Company</b>	<b>Package Name</b>	<b>Retail Price</b>
Cable Cable	Skinny Starter (Includes TSN 1-5, Sportsnet and discretionary specialties)	\$30.00
Mornington Communications	Basic (Includes TSN 1-5 and discretionary specialties, especially news and children’s programming)	\$30.95

18. Introduction of the freedom to experiment with the small basic service has given exempt BDUs a new way to compete and, more importantly, a new way to give their customers the flexibility to combine affordable television packages with content from

online sources. That being said, the economics of a new small basic offering are not easy for the smaller BDUs.

19. Whereas the large MSOs have generally set their retail prices for small basic at the regulated \$25 maximum, price competitiveness is of the utmost importance to the smaller, exempt BDUs.
20. Given the fixed network and capacity costs involved in offering a small basic service, CCSA members who are experimenting with such a service are pricing, at retail, as aggressively as they can. CCSA is therefore concerned about any upward pressure on the wholesale rates that the “9(1)(h)” services are authorized to charge.
8. CCSA notes that wholesale fees proposed by the applicants, in this proceeding, range from \$0.04 per subscriber per month up to \$0.40 per subscriber per month.
9. Such increases would represent a potential increase to the monthly bill of every subscriber to a digital BDU service from an exempt BDU, many of whom subscribe to those BDUs’ “skinny basic” services for reasons of affordability.
10. Any such increase will come directly from the margin of any BDU that must provide a basic service capped at a \$25 retail rate. More importantly for many CCSA members, any such increase will directly impact their ability to compete on the basis of competitive retail pricing as discussed above.
11. CCSA urges the Commission to exercise the utmost restraint in adding to the wholesale cost of the basic service and to ensure that any such cost increase be fully justified.

#### Increase to Capacity Demands

12. CCSA notes that some applications propose dual video channels and/or multiple audio channels associated with the main linear channel(s).
13. Any imposition on a BDU to add more than one video channel to its basic service will introduce capacity demands that are higher than would be required to deliver a single channel.

14. Again, such capacity demands impose an additional layer of cost on the provision of the basic service to customers and, again, detracts from the smaller BDUs' ability to compete effectively on the basis of retail price.
15. A requirement to support multiple audio channels comes with its own capacity and technical challenges. We note that the application for Voices states:

... it may be technically simpler for the BDU, and easier for the consumer, to offer the same video feed with separate audio feeds on different assigned numeric channels within the EPG channel lineup. We note this method results in the use of **no** additional bandwidth by the BDU beyond what would typically be used to distribute a standard television programming service. The assignment of different channel numbers to the different language versions of the service does not require the distribution of multiple video feeds.<sup>2</sup>

16. CCSA considers that such a statement over-simplifies and may misrepresent the challenges imposed on BDUs by such an approach.
17. In response to a request to comment on that proposition by CCSA to one of its members, the member responded as follows:

I spoke with my team, I have learned that audio bit rates can range from as little as 128 to ~400Kbit/s. Commonly two-channel audio is ~192Kbit/s. For 25 audio feeds this would equate to 4.8Mbit/s, or more than a standard SD channels bandwidth requirements. Their comment about no more bandwidth being required is specific to the notion of having the BDU transmit the single video feed and the 25 audio feeds once, then include in the channel map 25 channels that all reference the same video but in turn reference a specific audio feed; this eliminates the need for the viewer to manually select the audio program of their choosing. This is in contrast to sending out 25 copies of the video each with only a single copy of the audio; otherwise more crudely accomplishing the same outcome as in the previous sentence. As a must carry we will initially have to broadcast this as mpeg2, to support DCTs, between the video and the 25 audio channels that are proposed to exist in the end, we are going to be looking at somewhere around 9Mbit/s. We also don't have specific knowledge about what the upper limit of audio streams for a given channel can be before we encounter issues.

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<sup>2</sup> Ethnic Channels Group Limited, "Application for a national multilingual multi-ethnic television service offering news and information programming as well as other high-quality programming for Canada's diverse communities For distribution on the digital basic service pursuant to section 9(1)(h) of the Broadcasting Act, Broadcasting Notices of Consultation CRTC 2017-154 and 2017-154-1, Supplementary Brief", 6 November 2017 at para. 56.

From the standpoint of our various STBs, Tivo and our MOXI platform have a fairly straightforward interface for selecting the audio stream. iGuide boxes are more limited and appear to support only the choice of English, French, Spanish, and Portuguese. These details are moot if we are employing the use of 25 channels on the map each with the hint as to which audio stream to use. I guess we would have to decide if we are willing to have 25 virtual channel numbers for a single service to support these legacy systems?

In speaking with my headend group, they are concerned about constraints that the DAC may have regarding having 25 VCNs that all refer to the same QAM/MPEG number combination and that we may not be able to do the 25 channel option. We would have to test this before we knew if this would work for us technically, again assuming we even want to approach this from the notion of having 25 VCNs in play.

In conclusion, for them to say there is no impact, I would suggest that from [where] I stand, there seems to be both a potential technical constraint on the QAM side, along with a bandwidth repercussion for Westman.<sup>3</sup>

18. It is apparent that some of the proposed services engage issues of capacity usage and technical complexity. In addition, there is a potential cost associated with management of that additional technical complexity, including optimization of the user experience, which will necessarily impose time and cost demands on at least some BDUs.
19. Again, CCSA urges the Commission to consider these possible impacts very carefully, especially as to the new burdens they may place on smaller BDUs that have very limited capacity to dedicate to their full array of services, including retail Internet, and that are continuously challenged to squeeze every possible efficiency out of their networks.

### Inclusion of Major League Sports Programming in the Basic Service

20. CCSA notes ICTV's proposal for TELE-2, as follows:

TELE2 will be seeking exclusivity contracts with the major sports affiliations, like the NHL, CFL, MLB and NBA as well as women's leagues and sporting events open to all abilities, to broadcast Canadian team games in Indigenous and third languages. Initially the broadcasts may be offered on the linear channel in Cree

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<sup>3</sup> Jeffrey DeSarno email to Chris Edwards, June 6, 2018.

and Punjabi, but soon after TELE2 streaming services will begin offering play-by-play in other languages like Russian, Mandarin, Arabic, and Spanish.<sup>4</sup>

21. While CCSA appreciates the benefit to be obtained by providing major league sports programming to Canadians with coverage in their own languages, we also note that major league sports programming rights are the locus of the most dramatic, continuous price increases in the video marketplace.
22. CCSA is very concerned that, once major league sports rights of any sort become entrenched as part of the cost base of a mandated basic service, there will be an inevitable upward pressure on the retail price of the “skinny basic” service.
23. CCSA recommends that the Commission ensure that such premium sports programming, regardless of the language in which it is presented, not be permitted for inclusion in any mandated basic service.

#### Precedent for Escalating Wholesale Rates

24. For its OMNI Regional service, Rogers has proposed a wholesale rate structure that escalates from \$0.19 in the first licence year to \$0.21 in the fifth year of the licence.
25. While that structure may be presented as being a restrained approach to wholesale pricing, CCSA has concerns with any introduction of a precedent for regular price increases over the term of a licence that mandates a service for distribution on a BDU's basic service.
26. CCSA is concerned that once such a model has been accepted, licensees of mandatory basic services will have a precedent and an incentive to apply such models in subsequent licensing rounds.
27. CCSA suggests that such a precedent could have a negative impact on BDUs' ability to continue to offer a “skinny basic” service to retail customers at a set, affordable price point.
28. CCSA recommends that the Commission should avoid setting any such precedent.

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<sup>4</sup> Independent Community Television Project “ APPENDIX 1 Supplementary Brief, Application to obtain a broadcasting licence to operate a discretionary programming undertaking (television) serving more than 200,000 subscribers To provide: A national, multilingual, multi-ethnic television service offering news and information programming by TELE1”, November 6, 2017, at para. 88.

29. CCSA thanks the Commission for the opportunity to provide these comments.

Sincerely,



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