



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

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May 6, 2010

Canadian Radio-Television and
Telecommunications Commission
Ottawa, ON
K1A 0N2

VIA E-PASS

Attention: Mr. Robert Morin, Secretary General

Dear Mr. Morin:

**Re: Broadcasting Notice of Consultation re: CRTC 2010-169
Call for Comments on Issues Related to the Digital Television Transition**

The Public Interest Advocacy Centre (PIAC) hereby files its comments in relation to the above-noted proceeding.

Yours truly,

[original signed]

Michael Janigan
Counsel for PIAC

Broadcasting Notice of Consultation

CRTC 2010-169

**Call for Comments on Issues Related
To The
Digital Television Transition**

**Comments of the Public Interest Advocacy Centre
(PIAC)**

May 6, 2010

1. The Public Interest Advocacy Centre (PIAC) is a non-profit Ottawa-based organization that engages in the representation of the concerns of ordinary and vulnerable consumers in important public services. PIAC has participated in numerous CRTC hearings in broadcasting issues including the review of Broadcasting Distribution Undertakings' regulatory framework.
2. PIAC has reviewed the Notice of Consultation 2010-169 and has comments to make concerning the issues set out therein.
3. PIAC commends the Commission in taking the initiative associated with preparing Canada for the transition to over-the air (OTA) digital transmission. In large part, the potential problems associated with the transition have not been a policy priority of the federal government. In the result, there is some likelihood of confusion and outcry when the transition occurs unless steps are taken quickly to prepare for the same.
4. As Canada is not a country leader in making the digital transition, it seems appropriate that the experience of other countries is studied with a view to learning from the example.
5. According to the European Commission:

Analogue terrestrial TV switch-off has already taken place in Luxemburg, the Netherlands, Finland, Sweden, Germany, Belgium (Flanders) and in major areas in Austria. It will take place by end of 2010 or earlier in all of Austria, Estonia, Denmark, Spain, Malta and

Slovenia. Analogue terrestrial TV will be switched off between the end of 2010 and the end of 2012 in Belgium (Wallonia and Brussels capital region), Bulgaria, Cyprus, Czech Republic, Greece, France, Hungary, Italy, Lithuania, Latvia, Portugal, Romania, Slovakia and the United Kingdom. In Poland the final switch-off date is 2015 at the latest.¹

6. In the United States, all full power television stations ended their broadcasting of analog signals on June 11, 2009. The transition was mandated by the provisions of the *Digital Transition and Public Safety Act* of 2005. The spectrum used by the analog OTA broadcasting was auctioned off by the FCC for other uses including public communications.

7. Some 15% of American homes received only analog OTA signals prior to the transition. The transition was considered largely successful, while it was acknowledged that more work has to be done. The FCC Chairman Julius Genechowski, in his speech to FCC staff , noted that the transition:

“...succeeded far beyond expectations. You pulled it off by working collaboratively with each other across the agency, and with the Commerce Department and other parts of government, and by thinking creatively to leverage all available resources.”²

8. Some of the essential components of the American effort were :

1. Public education and consumer awareness
2. Financial subsidies to consumers in the form of coupons

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<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/266&format=HTML&aged=0&language=EN&guiLanguage=en>

² http://www.broadcastingcable.com/article/307210-Genachowski_to_Staff_FCC_at_Crossroads.php?rssid=20103&q=digital+tv

3. Active involvement of the federal government's Department of Commerce through the National Telecommunications and Information Administration (NTIA)
 4. Mandatory broadcast of analog for local broadcasting and border areas beyond the June 2009 cut off
 5. Trial transition in Wilmington, North Carolina in September 2008
9. In the United States, the public education advertising component included the expenditure of some \$5 million a year by the NTIA and 2.5 million annually for the FCC together with an additional \$20 million in 2009. The brunt of the advertising costs, amounting to more than one billion dollars, was borne by the broadcasters following FCC Regulations. The advertisements directed viewers to government-funded telephone hotlines and an internet site. The hotlines were well used, and received some 800,000 calls in the week before the June, 2009 transition alone. These calls were fielded by thousands of FCC operators¹. This expense was paid for by some \$90 million that was allocated to public education in the Obama administration bill, the *DTV Delay Act* that extended the deadline for the switchover from February to June, 2009.
10. The essential mechanism that eased the American transition was the NTIA program to distribute coupons, up to 2 to a household, that were worth \$40 on the purchase of a digital converter for OTA digital signals. These boxes ranged in price between \$40 and \$70. From January, 2008, telephone, mail or internet requests resulted in the distribution of some \$1.34 billion in

¹ http://www.usatoday.com/news/nation/2009-06-13-digitaltvswitch-helpline_N.htm

coupons initially, and an additional \$650 million following passage of the *DTV Delay Act*.

11. Notwithstanding the public education programs outlined previously and take up of the government directed subsidy program, some 2.5% of American homes were still unready for the switchover immediately before the June 2009 date.¹ This does not bode well for our late-starting Canadian efforts.

12. The European implementation of the switch to digital OTA shows a similar combination of public education and subsidies to ease the consumer transition, but the size of the programs so designed appears to vary, in large part because of prevailing local conditions. In the Berlin-Brandenburg region of Germany, the switchover of some 160,000 OTA users in 2003 was accomplished with a relatively frugal outlay.² In the United Kingdom, on the other hand, an aggressive consumer awareness campaign costing approximately a billion dollars³ was conducted prior to the 2008 transition, coupled with a scheme to deliver help to assist older and disabled people with the switch to digital television of approximately £600 million.

13. In PIAC's view, the choice of appropriate policy options for the switchover is very much a function of the national broadcasting and distribution industries as well as the television culture that exists in the country. There are some differences between the modes of access, and relative importance placed upon television viewing that exists in Canadian and American households. The chief difference is the higher percentage of American

¹ Ibid

² http://ec.europa.eu/information_society/policy/ecomms/doc/current/broadcasting/switchover/de_bgd_en.pdf

³ http://www.broadcastingcable.com/article/112503-Ready_or_Not_Here_Comes_DTV.php

homes that received only OTA analog TV signals prior to the June 2009 transition. In Canada some 8-10% of homes are in this position, while the figure of 15% was the estimate for the United States.

14. Nevertheless, in PIAC's view, the American experience is probably the most relevant to consider in terms of the design of an equivalent program of transition. American demographic statistics tend to show that analog OTA users, particularly in urban areas such as New York City, tend to be significantly lower income, isolated, and/or elderly.¹ Poorer and minority households were found to be less prepared for the analog shutdown throughout the US.² This presents considerable difficulty in both designing consumer awareness programs and ensuring affordability of the substitute for OTA analog broadcasting.

15. PIAC's last study of public attitudes on issues of importance in the switchover, filed in the Broadcasting 2007-10 (BDU regulatory framework) proceeding, showed a marked resistance for many to migrate to services offered by BDUs, especially at the basic service rates that are prevailing. Only 37% of OTA users were willing to pay for a BDU substitute and of those, 50% were unwilling to pay over \$20 per month.

16. Notwithstanding the relative lack of resources available to more comprehensively research the issues set out in this Notice of Consultation, PIAC has the following observations to make:

¹ <http://www.gothamgazette.com/article/technology/20080226/19/2440>

² http://www.usatoday.com/news/nation/2009-06-13-digitaltvswitch-helpline_N.htm

- (i) The magnitude of the problems posed by the switchover to digital, and the very real potential for a policy failure and accompanying public outrage have been underestimated by most stakeholders, with the exception of the Commission. There is a huge learning and implementation curve that lies ahead. It must be mastered without any evident sense of urgency being currently exhibited by the industry and the government.
- (ii) In June 2005, the American NGO, Public Knowledge wrote:

Public Knowledge believes that the main factor that will spell the difference between a relatively smooth and difficult digital TV transition is public education. It is quite clear that many consumers do not know that there is a possibility that their analog television sets will cease receiving broadcast television at sometime in the near future. Part of the reason for this is that the broadcast industry has done little, if anything, to promote the transition and the value of free, over-the-air digital broadcasting.

Broadcasters must commit to real and substantial consumer education, including public service announcements and extended news coverage; if they do not commit to such an education program, Congress should consider mandating that broadcasters provide it... The date most recently mentioned as the analog cut off date -- January 1, 2009 -- should give broadcasters, consumer electronics manufacturers, retailers and consumer advocates plenty of time to educate consumers, but they must do so starting now. Waiting until the waning

moments of the transition to educate consumers will only cause panic and confusion.

PIAC is of the opinion that, in Canada, we are closer to the time of panic and confusion on Public Knowledge's timeline, yet there has been minimal public education and industry lethargy.

- (iii) PIAC has difficulty envisioning an effective game plan emerging from the confines of the traditional CRTC decision making process. While the Commission should provide the outline of the required components of the transition to digital OTA, there are significant design and implementation issues that can only be addressed in a collaborative fashion among stakeholders. Many of these stakeholders, or their representatives, such as the rural, disabled or elderly may have had minimal participation. The Commission should provide leadership, and the government must become firmly engaged in providing the wherewithal for the appropriate transition framework to be implemented.
- (iv) While this transition will likely afford consumers better access to new, important and interoperable services, it provides considerable economic opportunities for the industry and significant new revenues for the federal government as a result of the return of the analog spectrum for auction. The extent of benefits that will be conferred on industry and government stakeholders has not been reflected in the timid and parsimonious approach they have taken to date with these issues.
- (v) The provision of a basic service BDU offering free of charge to those households, estimated to be approximately 44,000 in number, that will lose access to OTA TV signals of all types, is in keeping with the

objectives of the *Broadcasting Act*, and a necessary component of any switchover

- (vi) PIAC has some experience in attempts to design programs to provide services and goods at reduced rates that rely upon certification and verification to be carried out for receipt. In general terms, complex verification procedures will add costs that exceed the likely benefits.
- (vii) In PIAC's view, all Canadians should be eligible to receive a voucher that can be used towards the purchase of digital receiving equipment. To prevent price escalation as a result of the subsidy, a ceiling on price or similar arrangements with retailers should be implemented. In PIAC's view, while there is some possibility of non-affected viewers obtaining subsidized equipment, it is not likely to significantly drive costs upwards to the extent comprehended by any audit requirement or escalate demand.
- (viii) Public assistance authorities should be encouraged to help with any difference between the amount of the digital converting equipment and the coupon voucher. Funds should also be put aside to address any hardship associated with the failure of financially disadvantaged viewers to obtain the same.
- (ix) Commitments must be obtained from government and industry sources for funding of public information about the transition, including any subsidy programs, as soon as possible. Such commitments should be in line with those made in the United States and the United Kingdom. Once again, the necessity to align these programs with OTA viewer demographics and needs cannot be overemphasized.

- (x) The Commission should establish a committee of stakeholders to receive review and make recommendations on the progress of any implementation regime both before and after the August 2011 date for transition.
- (xi) The Commission should establish a knowledge base on this issue including public surveys, primary and secondary research and similar materials. It should be publicly maintained by the Commission and augmented throughout the implementation process.
- (xii) PIAC believes that a trial market implementation makes sense. It is to be noted that the Wilmington test conducted by the FCC revealed a broad range of technical and other issues raised by consumers that were addressed in the 2009 public education campaign.

17. PIAC is prepared to participate, to the limits of its resources in any follow up to this proceeding.

All of which is respectfully submitted this 6th day May, 2010.

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