

# Survival strategies in a fragmented marketplace



Glenn O'Farrell is President and CEO of the Canadian Association of Broadcasters. He may be contacted by phone at (613) 233-4035 or by e-mail at [cab@cab-acr.ca](mailto:cab@cab-acr.ca).

**I**n 1970, Senator Keith Davey chaired a committee of the Senate charged with examining issues of ownership and control within Canadian media.

The importance of that committee's work is no less crucial today, as Canadians have direct access to more television and radio stations, more newspapers, magazines, more news and sources of information and entertainment than would have been conceivable 30, or even 10 years ago.

The final report of Senator Davey's committee noted that "...no other communication medium has had this charge laid upon it by an Act of Parliament: 'to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada.'"

It is a charge that Canada's private broadcasters take seriously. But today, the landscape is vastly different.

In 1970 Canadians could choose from one of two Canadian television networks—in English, CBC or CTV; in French, SRC or TVA. One in five Canadian households

had cable TV. For Canadians outside of the urban markets, radio was limited to one or two mainly AM stations.

Today Canadians can choose from over 100 Canadian TV channels; FM radio offers vastly increased choice to listeners. Soon, subscription radio will add many more. There are more media ownership groups active across Canada today.

The history of Canadian broadcasting has been the history of a regulated industry, balancing public and private components, and balancing our ability to tell Canadian stories in an economic reality dominated by a global entertainment industry.

As a result of changes in technology, that balance is shifting—and shifting rapidly. Issues that demand up-to-date regulatory attention, from copyright reform to signal theft to digital television and radio, relate to two fundamental trends that private broadcasters in Canada must confront and accommodate in their day-to-day operations, and in their strategic planning: One is fragmentation, and the other is the erosion of traditional borders.

Alone, each of these issues would be complicated and difficult—but they are happening at the same time, with a compounding effect.

Let's start with fragmentation. More channels mean more choice and more opportunities to tell Canadian stories and reflect Canadian diversity. But more choice—a synonym for fragmentation—also changes the economics of the industry. As fragmentation divides the market into smaller slices, the relative share of resources available to any single outlet is also reduced.

One of the consequences of the vastly expanded menu of broadcasting choices in Canada over the past generation is that our fragmented market makes it more difficult to do local and expensive dramatic programming.

The economic impact of fragmentation in the Canadian broadcasting market is significant, and even more significant

when combined with the effect that new technologies are having with respect to the "erosion of traditional borders"—it disrupts the copyright system on which the broadcasting industry is based.

The extension of unauthorized distribution impedes the rights of copyright owners authorized in each market. Peer-to-peer file sharing of programming could eliminate the value of legitimately-acquired programming rights.

The business model for Canadian broadcasting has changed, and will continue to change. Yet, among certain commentators and observers, it has become an article of faith that Canadian broadcasting has become more concentrated over the past generation. Seldom, however, is that assumption put to any scrutiny.

We must consider the sheer volume of fragmentation in the broadcasting market today. There has not only been an increase in the number of broadcasting outlets, but also in the number of owners/operators of those outlets, each of which reaches smaller audiences today than at any point in the history of our broadcasting system.

A "concentrated" broadcasting market in Canada would imply that Canadians, as a pool of broadcasting consumers, receive common information from a common pool of sources. This is clearly not so. Fragmentation is the new reality of Canadian broadcasting.

The strength in our broadcasting system has been that we have encouraged public discussion and public debate. We have found our way to building a system that has twice as many indigenous Canadian television services on a per capita basis than the U.S. To me that is a success story. Maintaining the success is the challenge.

(**Note:** In a recent submission to the Senate Committee, the CAB tabled a research document titled *Media in Canada—then and now* that provides a statistical overview of the media in Canada in 1970 and today.)