

Then... Now

PRIVATE RADIO'S
CHANGING REALITIES

Canadian Radio: That Was Then...This Is Now

Speech by

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Presented to the
Halifax Chamber of Commerce

March 30, 2006



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*'Canadian Radio: That Was Then...This Is Now'
CAB President & CEO, Glenn O'Farrell, Speech*

*Halifax Chamber of Commerce
March 31, 2006*

Thank you very much, Ted, for your introduction.

It is great to be here in Halifax. Somehow, it doesn't seem all that long ago that I used to come here with friends for a weekend when I was attending St. F-X in the late 70's.

I'd like to thank the Halifax Chamber of Commerce for having me here to speak to you today. I know that they have played a key role in making sure that the HRM continues to prosper, and I am very pleased, yet humbled, to be a part of your Distinguished Speaker Series.

And what a great time to be here! Juno Week is about to begin, and the city has clearly got Juno Fever. Since 2002, the Juno's have traveled the country, going from St. John's to Ottawa to Edmonton and to Winnipeg last year.

In large part the credit for this success has to go to CTV who embraced the event as soon as they took over the broadcast a few years ago. And judging by the buzz around town, it certainly looks like Sunday night's broadcast on CTV is going to be another terrific hit— maybe Pamela Anderson will have something to do with it?

Each year, the host city becomes incredibly energized by the event – and the City of Halifax has gone all out.

Why - because it speaks to something that we all care very deeply about: our Canadian music talent. We love to celebrate the success that our stars are having, not just here in Canada, but around the world.

I always find it incredibly gratifying to come to the Juno's, and to feel that excitement and that passion for Canadian music. As the President of the CAB, I take great pride in the role that private radio stations play in supporting all of these artists, often before they become household names.

Take Aaron Lines, for instance. This is a great story about a high school kid in Fort McMurray, Alberta. As a 17 year-old, he appeared a couple of times on "McMurray Music", a local showcase for musicians on Kicks 98. Now, Aaron got dumped by his girlfriend, and in the great country music tradition, he wrote a song about it.

Then he performed it on the show. And wouldn't you know, the station started getting requests to hear his song. And then more requests. Aaron's teenage heartache was the number one song at the station for four weeks in a row. That was enough to kick-start Aaron's career, leading him to Nashville, and back to Canada. This week, he's nominated at the Juno's for the Country Recording of the Year.

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Or take Chad Kroeger, from Nickelback. In 1999, he called the program director at the Bear in Ottawa, posing as the band's agent, and got her to listen to a song from their first record. She listened, and liked what she heard, and added that song to her playlist. Fast-forward to 2006, and Nickelback is a multi-platinum, worldwide phenomenon, nominated for six Juno's.

And while many say that Antigonish is famous as the home of the "X" ring – in this province and across Canada, this weekend, Antigonish is also going to become more famous - as the home of one of the hottest bands in Canada – The Trews. With stations like Q-104 here in Halifax who promoted their music from the early days, these young rock n' roll lads made rock n' roll history last summer when they opened for the Rolling Stones in Toronto.

That's really what this week is about. It's about celebrating music, and celebrating our successes. And it's about celebrating Canada. Frankly, I can't think of a better way.

Now, let me get to the point that has brought me here today. Let's talk about the business of private radio. Because that's what the 400 or so private radio stations across the country are. They are businesses, just like yours.

They provide a product and a service to the consumers – as do the members of the Halifax Chamber of Commerce. They worry about their return on investment, and their profitability, just like you do.

They are entrepreneurs, like you are.

Private radio stations are a part of this community. They employ people who live in their communities. And like many other businesses, including those represented here in this room, they give back to their community; they work every day to ensure that they make their city or town a great place to live.

There is however, a difference between broadcasters and most businesses. Unlike many of you, the business of private broadcasting is regulated.

From its very beginnings, broadcasting in Canada has been regulated. Eighty years ago, in 1926, the CAB was first established to help broadcasters forge a workable public-private partnership with government and its agencies.

Over the many years since, we have had a very good relationship with government - the CRTC.

The Commission has shown that it is open to hearing the concerns of the public, stakeholders' and broadcasters'. In fact the broadcasting policy framework developed over the years, was considered a model that other countries studied and sought to emulate. This public-private partnership has helped us build businesses, while fulfilling a cultural mandate. Historically, this has all worked very well.

But that was then.

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In recent years, the broadcast industry has been faced with a new challenge. Or, I should say, challenges on top of challenges.

The fundamental principles that helped us create the policy framework governing our industry, and that worked so well for so long are losing their significance. They are being overtaken very quickly by a massive influx of new technology.

Many of the new media services made available by Internet and wireless technologies exist completely outside the regulated system of broadcasting. Consequently, these new businesses operate without rules: their only limitations are set by the relevance of their products and the creativity of their marketing plans. For example, I'm talking about the 5000 web radio services available for free on the Internet operating from anywhere and everywhere. And, obviously, these Internet and broadband media businesses compete with private broadcasters directly for listeners and for viewers. And they are entering the market at a mind-blowing pace. Over the past few years, we've barely been able to assess the impact of one new technology before two more have overtaken it.

Let me back up a second here.

Think back a few decades, think about what you had on your TV dial here in Halifax. You had ATV, and you had CBC. You probably knew exactly how far you had to flick your wrist on the knob to switch back and forth between the two channels. I'm talking about the days before remote control devices when you actually had to get up and walk over to the set and change the channel. Imagine that?

Then came cable TV. A couple of years later, there was ASN. The arrival of MTV followed. And, the first Canadian specialty services, like TSN and MuchMusic came along.

By the start of the 1990's, a more American specialty services were added, so cable subscribers could get 30 to 40 channels.

Digital networks were added in 2001, and every year, a few more channels get added. Today, if your retinas can handle it, you can literally watch hundreds and hundreds of television channels from all across Canada, and from all parts of the globe.

It's important to recognize that those changes were gradual. The distribution technologies – cable and satellite – expanded organically and throughout that period, the CRTC was able to provide thoughtful regulation and supervision of the Canadian broadcasting system.

Now, imagine that sequence of events in the regulated tv – orderly and deliberate – occurring over the space of the past 24 years or so, imagine if similar sweeping changes were to occur in 24 months!

That's the pace of change radio is facing – today!!

This is now.

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Radio competes for listeners with a seemingly endless list of competitors:

Internet radio,
Cell phone radio,
Satellite radio
iPods,
Podcasting,
Peer to peer file sharing

...and that's just what we can access today. There's more coming, and it is coming quick.

And here's the interesting thing about new technology: it used to be that young people were the first ones to adopt and embrace new technologies. But in the last few years, we have all become early adopters.

These new technologies are becoming intuitive, and easier to use. They are becoming smarter and smarter. And for that matter, so are we! We're becoming accustomed to trading in our old technology and learning how to use new technology on the run. We trade in our cell phones every couple of years, because we seemingly, absolutely, need one that has all the hot new features...a camera, a mobile TV screen, email, music storage and playback...

We all embrace and learn to use these new technologies because we have learned over the few years how monumentally our lives have been altered by the advent of these ever-evolving technologies.

They offer convenience...and sometimes a lot more...

But Canadians, like Americans, Europeans, Australians, Asians and many others, keep buying and adapting to these ever-developing electronic devices.

As private radio broadcasters in Canada, we don't fear these technological advances. But we do need to keep our eyes wide open on the fundamental changes they are producing in the business environment.

When these new competitors enter the market, they don't have to satisfy any regulatory test or secure anybody's approval to do so – they just do, from near and far. Borders, and countries, and treaties, do not resist the new technologies and the music content they offer.

The world where radio once stood alone in the audio landscape has not just passed us by. That world is no longer, there's no turning back. The *old* economy of radio has been replaced – and replaced in a fairly brief period of time – with a *new* economy of radio. Now granted, we are, in all likelihood, as history will tell us some day, at an early stage in the new cycle. But the page has been turned, irreversibly.

All of this is my way of prefacing the following: the Canadian private radio industry will soon be engaged in the single most important examination - ever - of its regulatory framework.

The CRTC has launched a process that will examine the commercial radio industry – with a view to update its 1998 policy governing private stations in Canada - a daunting task by any measure when

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you consider the exhaustive and exhausting amounts of submissions and research filed by interested parties with the CRTC for a public hearing beginning in May. And more daunting yet, when you consider the forces of technological change reshaping the environment private radio operates in.

The CAB has made its submission and in a summary it all comes down to recognizing the difference between “Then ...and...Now”.

We can't just react to the changes going on around us. We need to make every attempt to anticipate the changes that will make an impact three, five, and seven years down the road. And, we need to make the right decisions. Right now.

But that's easier said than done.

Before I expound on what private radio broadcasters think are the right directions necessary to face the future, I want to talk about what is at stake.

There are a lot of things that private radio has done exceptionally well over the years. Sometimes, we may take these things for granted.

People rely on radio as a vital source of information, everyday.

In a recent survey by Decima, 78 percent of commercial radio listeners said they tuned in to radio for news and information. And a further 73 percent of Canadians rated the commercial radio stations they listen to as ‘excellent’ or ‘good’ in terms of the local news and information they provide.

Private radio tells you how crazy the traffic is at the Armdale Rotary. It tells you if the Mooseheads won last night. It tells you if tomorrow's weather will be good, or bad, or both.

Whether it's a major blackout, or another record-breaking snowfall, or an event like Hurricane Juan, radio provides us with an important link to the events happening around the world, or around the block. And Canadians think this is important -- 84 percent of Canadians surveyed by Decima said it's important that all communities have access to strong commercial radio stations.

Radio is local – giving back to the community is second nature - and not something radio operators and owners tend to brag about – I have the pleasure of doing that for them. Last year, private radio stations in Canada contributed an amount estimated at \$238 million to a wide range of charitable initiatives. In one weekend here in Halifax, Q104 raised more than \$13,000 for the Children's Trust Fund with their Pay-For-Play All Request Rock-a-thon. We saw this Christmas where CJLS in Yarmouth, gave a huge boost to the local Salvation Army simply by appealing over the air for people to donate to the Red Kettle Campaign – we'd all miss the Juno Awards on Sunday night if I were to list them all – but \$238 million to charities across the country - one pledge at a time - is something to proud of.

And of course, radio is also about the music. But it goes beyond what is played on air – it's about how private radio contributes to the support of the music industry in Canada. Private radio's financial contribution to Canada's music artists has never been greater. Since 1998, private radio has committed over \$168 million in new Canadian Talent Development – CTD as its known - initiatives

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with much of the funding directed to outstanding agencies such as the Radio Starmaker Fund, Fonds RadioStar, FACTOR and MusicAction.

Over that period, the amount that radio has contributed to talent development on an annual basis has increased by 1171 percent!

I see Chip Sutherland here today, and he's done a great job over the years working on the Radio Starmaker Fund. Radio Starmaker is 100% supported by private radio, and especially noteworthy this week, is the fact that above and beyond the on-going promotional support it provides the Canadian music industry, Radio Starmaker also offers travel grants for more than 40 artists to attend the Juno's in person.

Why? We want to ensure that if an artist's name is called out at the Gala on Saturday or the on-air celebration on Sunday night, they'll be there to walk up on stage and receive their award..

These are just a few of the things that are at stake.

So with this in mind, let's go back to the question of how we can help make sure that we keep private radio healthy.

Regulation of radio in the past largely supported commercial radio development, while ensuring that the key objectives of Broadcasting Act were met.

When the CTRC's Radio Review public hearing begins this May, we will have an important opportunity to re-craft the tools of regulation. We can make them *smarter*. We can make them more *effective*. We can do this in a way that supports the regulated radio sector, and recognizes the growing power and influence of the parallel, unregulated sector.

This isn't to suggest that the sector needs to be deregulated. But change is definitely in order.

The Radio Review is a great opportunity to initiate some bold actions, and the CAB on behalf of its radio members has already made some bold recommendations in our submission. We have, for instance, recommended a bonus system that would reward radio stations for playing new and emerging Canadian artists.

To create a stable system of financial support for artists, we're also proposing to consolidate all Canadian Talent Development funding into commercial funds in the English and French-language markets. The commercial funds already established have a great track record of accountability and transparency, and are designed to help serve the people who listen to commercial radio.

We've also called for a flexible regulatory approach that will enable Digital Radio Broadcasting to develop in the marketplace.

We believe that our proposals will help guide our industry from the *then* into the *now*.

They will ensure that we continue to have a strong connection to our communities, and ensure our industry will be well positioned to contend with our multiple new competitors.

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They will also contribute a great deal more to Canadian artists and Canadian music, so when the music industry gathers at next year's Juno's in Saskatoon, we'll have a crop of new stories to tell – and hopefully, for many annual Juno celebrations to come.

I hope that you all thoroughly enjoy your Juno week, and I hope that we can do it all again in this part of the country. If you're going to "Party Hard", there's no better place than Halifax to do it.

Thank you very much for your time.