Communic@tions Management Inc.

Forecast for radio:
Sunny, with storm clouds on the horizon

Prepared for the Canadian Association of Broadcasters

March 15, 2006

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RADIO *"Medium transmitting sound via electromagnetic waves. Evolving during the first quarter of the twentieth century amid disputes over its proper use, it became during the second quarter of the century **the most ubiquitous mass communication medium ever known**."*[1]

Introduction

This report has been prepared to help the Canadian Association of Broadcasters and the CRTC to assess a number of the economic issues and trends that will be relevant to the Commission's review of the radio industry.

The data in this report come primarily from the CRTC[2] and Statistics Canada, with some data from other sources. At the outset, we would like to express our thanks to the staff of both the CRTC and Statistics Canada for their help with the tabulations that form part of this report.

Summary of our conclusions

Based on our assessment of current trends, we believe that radio's short term (1-3 years) outlook appears positive. For example, preliminary CRTC data for private radio for 2005 indicate increases in radio ad revenues and profitability.

However, storm clouds begin to appear on the horizon in the medium term (3-5 years), for two interlocking reasons:

1. First, a review of radio's economic history indicates that a cyclical downturn is highly probable; and

2. Second, new, fragmenting technologies will begin to reach the thresholds at which they "bite" conventional radio, both in terms of audiences and revenues.

In macro terms, those are the two significant risks to any planning for the next five years of CRTC radio policy.

In addition to the two significant risks noted above, the following points should also be noted:

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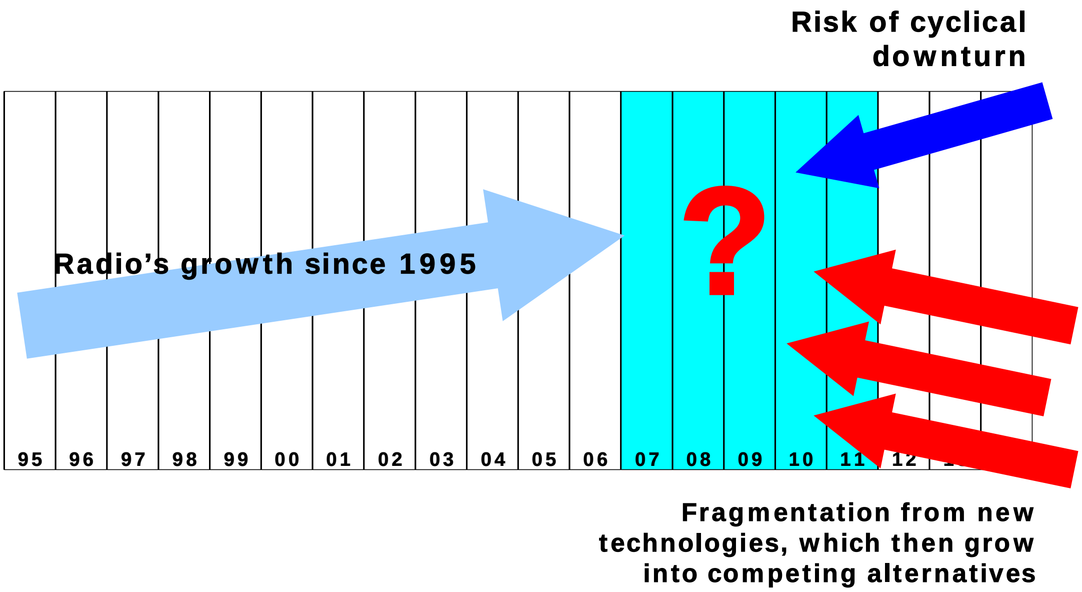
[1] *International Encyclopedia of Communications*, Oxford University Press, 1989, Vol. 3, p. 417.
[2] Including the CRTC's preliminary data for radio for the 2005 broadcast year.

Figure 1.
Radio is likely to enter a period of uncertainty in the next five years:

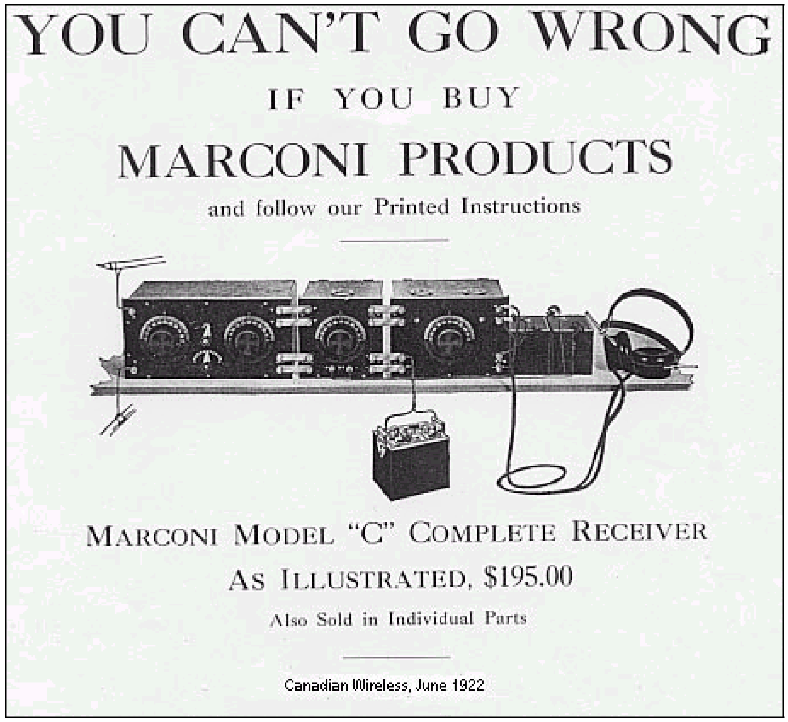


Digital confusion: In the short to medium term, radio will enter a period of "digital confusion," with competing digital formats vying for consumer acceptance.

Copyright uncertainty: The level and nature of copyright payments are creating an increased burden for the industry.

Impacts are not always linear: As new technologies and services begin to take slices of audience away from conventional radio, the impacts may not be linear and immediate. Two stages may be involved – first, the initial reduction of audience; and second, an impact on revenue growth once new technologies and services reach the thresholds that make them more competitive. A further complicating factor could be the impact of fragmentation on radio's position vis-à-vis other media.

This advertisement appeared in the June 1922 issue of Canadian Wireless *magazine. Note the price for the Marconi radio receiver in 1922 – $195. Adjusted for inflation, $195 in 1922 dollars would be equivalent to about $2,300 today. Thus, for the equivalent amount that a radio alone would have cost in 1922, Canadians today can purchase more than one radio, plus a TV set, plus a computer (with CD and DVD burners), plus one or more portable devices on which they can also listen to music.*



New technologies mean porous borders and increased fragmentation

In May 1920, an experimental private radio station in Montreal, the forerunner of CFCF, broadcast what many believe to be the world's first real radio program.[3] Eight decades later, Canadians have more consumer communications technology than at any time in history (see Figure 2). It is interesting to note that, in Figure 2, the percentage of Canadian households with CD writers means that, effectively, there are almost five million manufacturers of CDs in Canada.

Canadians are among the world leaders in adoption of the Internet, and in using high-speed (broadband) Internet access (Figure 3).

As indicated in Figure 4, there now are more than 5,000 radio stations, worldwide, broadcasting on the Web.

[3] Donald G. Godfrey, "Canadian Marconi: CFCF, the forgotten first," *Canadian Journal of Communication*, September 1982, pp. 56-71 [Internet].

Figure 2.
Canadians have more consumer communications technology than at any time in history:

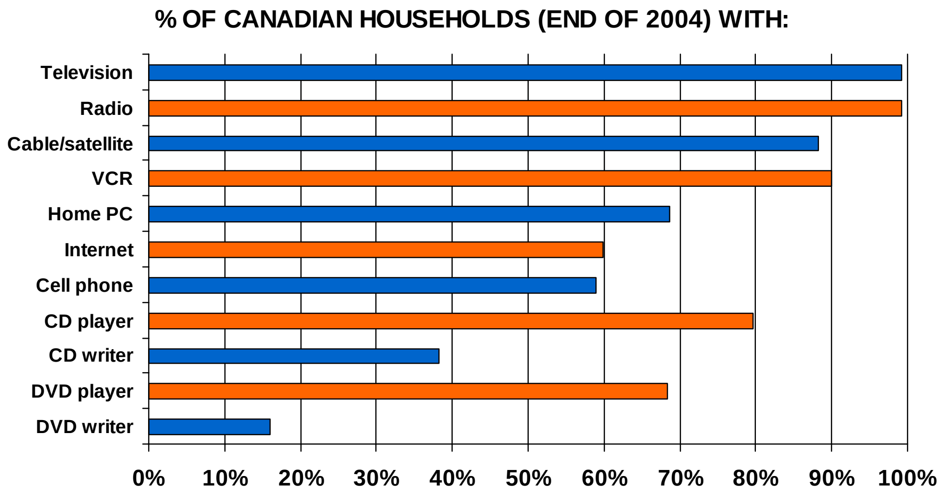


Figure 3.
Rapid growth in the percentage of Canadian households accessing the Internet ... and in broadband/high-speed access:

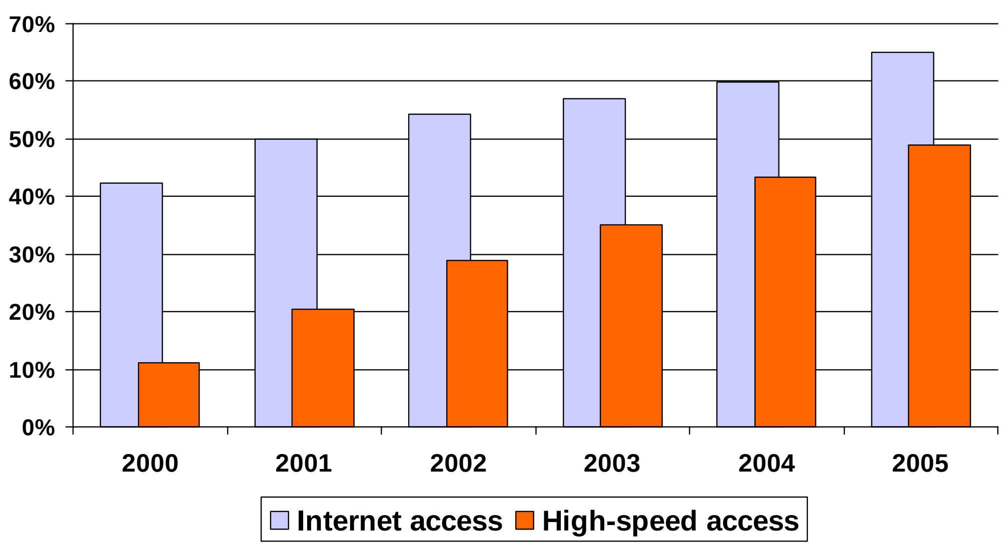
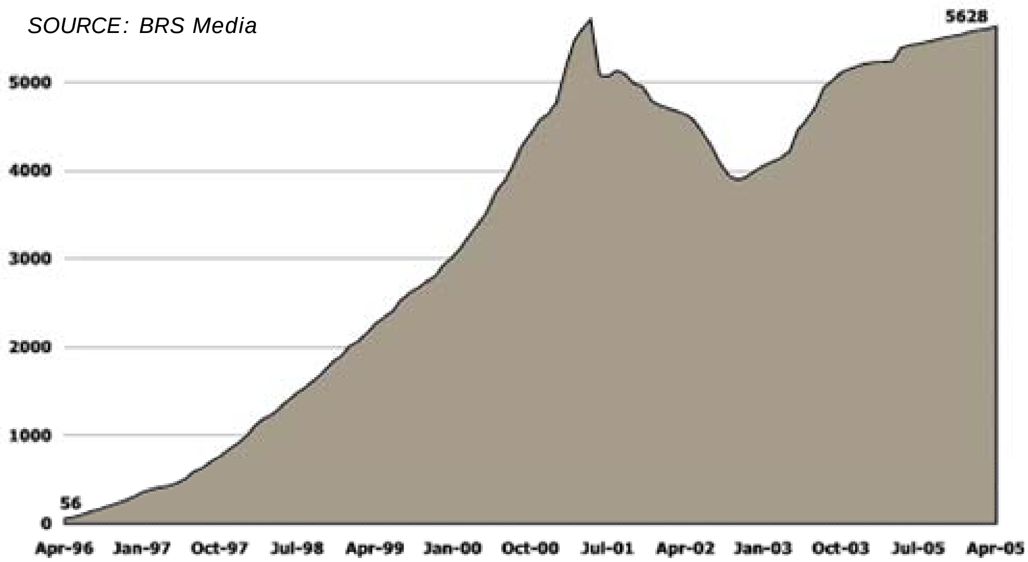


Figure 4.
Number of radio stations worldwide broadcasting on the Web:



Fragmentation from new technologies

It is clear that radio faces fragmentation from numerous new technologies and services:

- Internet radio (streaming), including streaming over wireless broadband
- iPods and other personal media devices
- Digital radio
- Satellite/subscription radio
- Cell phone radio
- Peer-to-peer file-sharing
- Commercial Internet music services
- Advertiser-supported music services

While the short term impact of each of these new technologies and services may initially be modest, the medium term impact of all of them combined could be significant.

A long period of digital transition – and possible digital confusion

Using a number of historical data sources, we have estimated that, as of today, there are approximately 60 million radio receivers in Canadian homes and vehicles.

Canadian consumers have to decide what new technologies and services will motivate them to add to, or replace, those receivers.

To date, radio receivers have generally offered universal access to available services. In the short to medium term, however, services may not have universal access to consumers unless they are present on all platforms.

Over time, after a period of transition, it is possible that new radio receivers will enable "software-defined" or "cognitive" radio – which could then have the effect of allowing access across multiple platforms or frequencies.

But the kind of transition described above raises two significant questions:

1. *How do we navigate that transition, which could take 10 years or more?*

2. *How do we deal with the fragmenting impact of new and unlicensed services made possible by those new platforms?*

The changing audio continuum and changing value chain

To help assess where radio has been and where radio may be going, it is useful to visualize radio as part of an "audio continuum," and also as part of a value chain within that audio continuum.

In Figures 5 and 6, we have illustrated the audio continuum in 1990 and in 2005-2010. As can be seen from those figures, the basic audio continuum was relatively simple in 1990 – there was radio, and there was recorded music. Today, the audio continuum has become much more cluttered and fragmented. That has already been felt in a major way in the market for recorded music, and it may well be about to impact on conventional radio.

In Figures 7 and 8, we have illustrated radio's place in the audio continuum value chain, again using 1990 and 2005-2010 as the two points for purposes of illustration. Once again, we can see how the radio market was once relatively uncluttered, and now is increasingly fragmented.

Of particular interest in the evolving value chain is the growing role of the consumer – as a distributor of audio content (peer-to-peer), as a "manufacturer" of audio content (home CD writers), and as a creator of personalized audio content ("podcasting").

Figure 5.
The basic audio continuum, 1990:

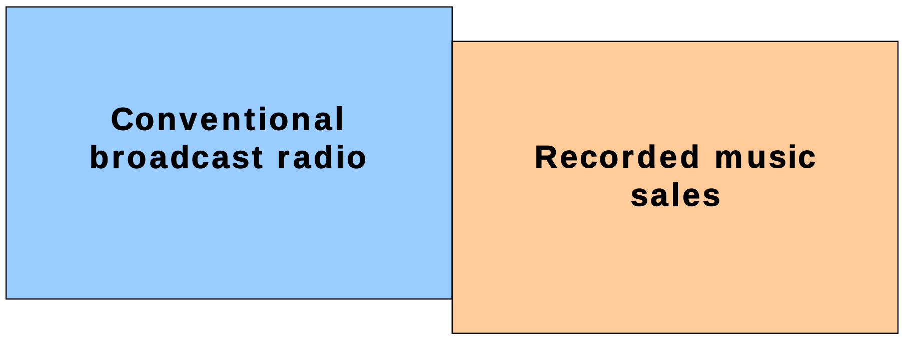


Figure 6.
The evolving audio continuum – 2005-2010:

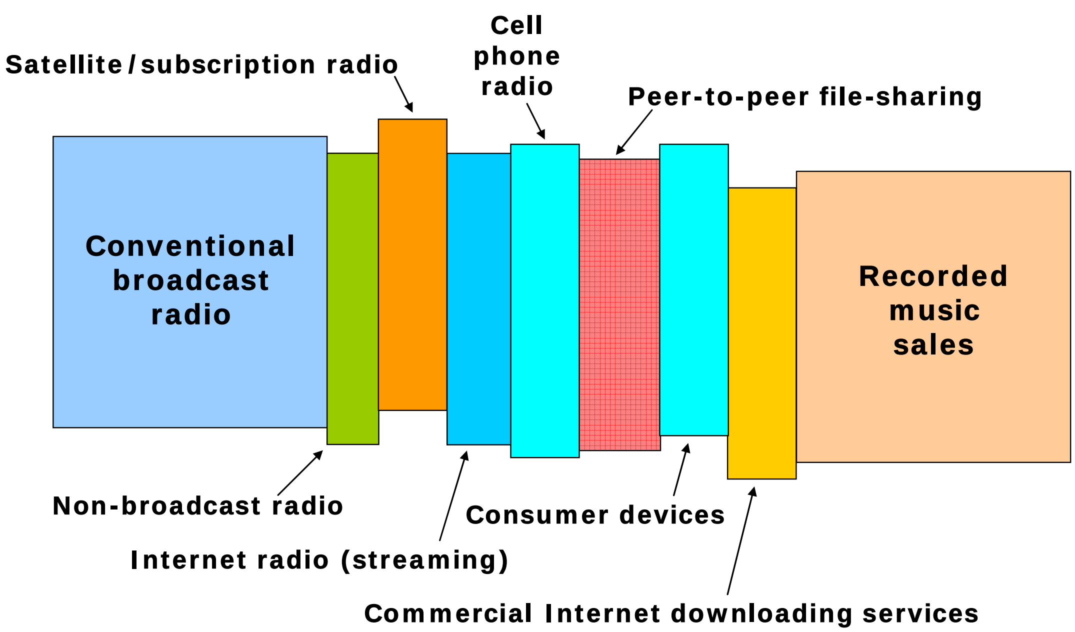


Figure 7.
Radio in the audio continuum value chain, 1990:

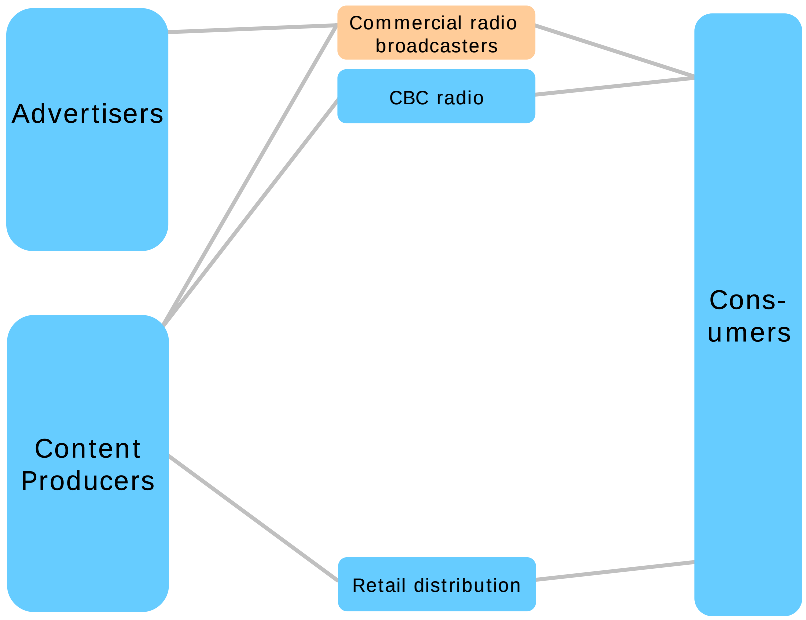
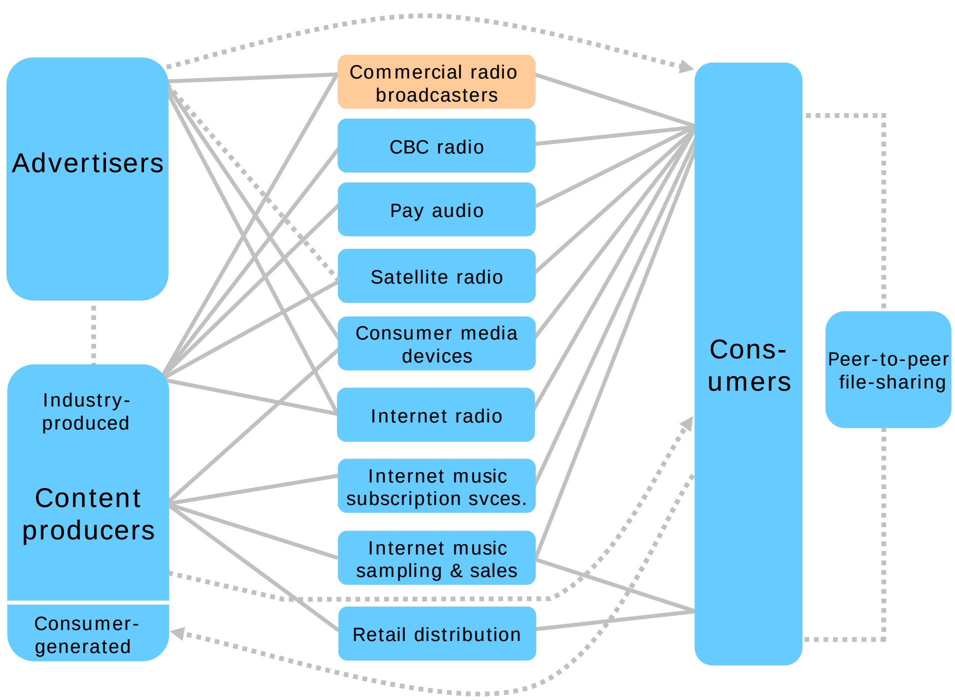


Figure 8.
Radio in the audio continuum value chain, 2005-2010:



Assessing radio's economic performance

In this section, we provide data that are useful in assessing the impact of the CRTC's 1998 radio policy on the economic performance of private radio in Canada. Essentially, the policy allowed more consolidation, while increasing Cancon levels and licensing more stations.

Radio's profitability improved after 1998, but the data indicate that the CRTC policy alone is not the only reason for that improvement – it is likely that cyclical and market size factors were also important.

Figure 9 indicates the growth in total revenues for private radio in Canada from 1995 to 2005, and also indicates the share of total revenues accounted for by AM and FM stations.

Figures 10 and 11 track private radio's advertising revenues in relation to GDP and retail trade. The data indicate that radio's revenue growth has been, at best, stable in relation to GDP and retail trade, and the indicators in both cases are lower than they were in the early 1990s.

Figure 9.
Growth in total revenue for private radio in Canada, 1995-2005:

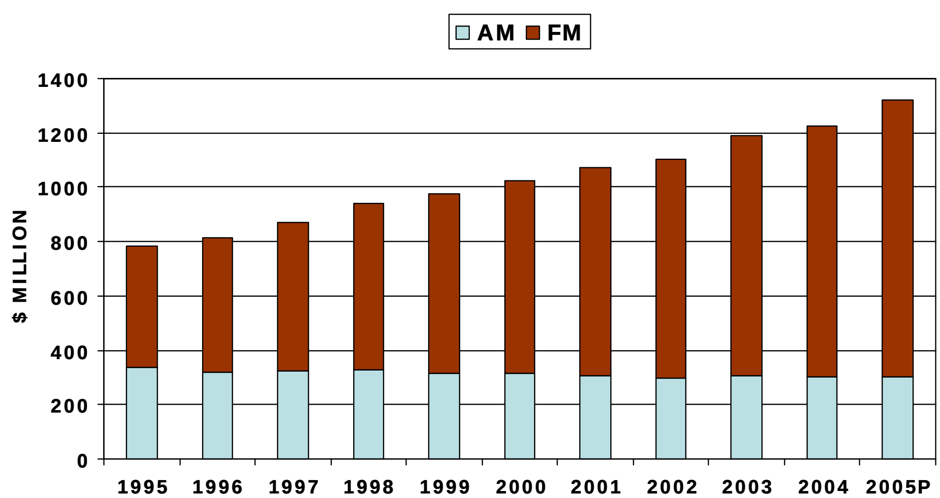


Figure 10.
Private radio ad revenues as % of GDP, Canada, 1991-2005:

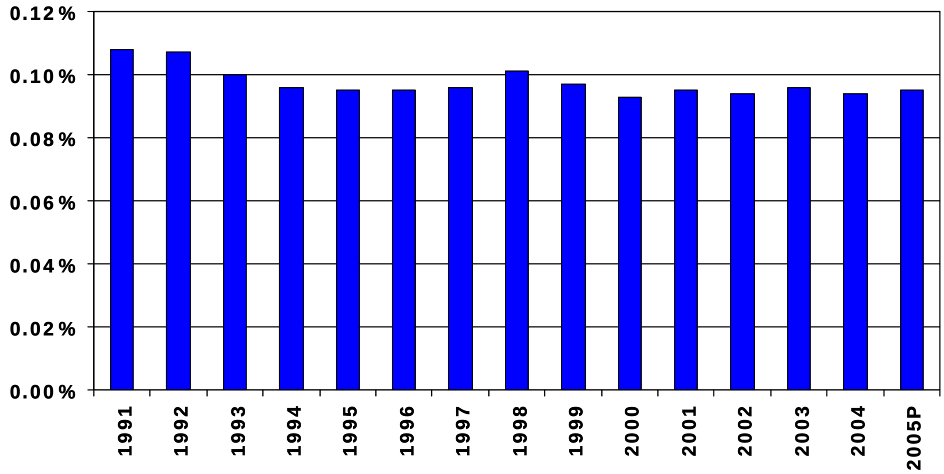
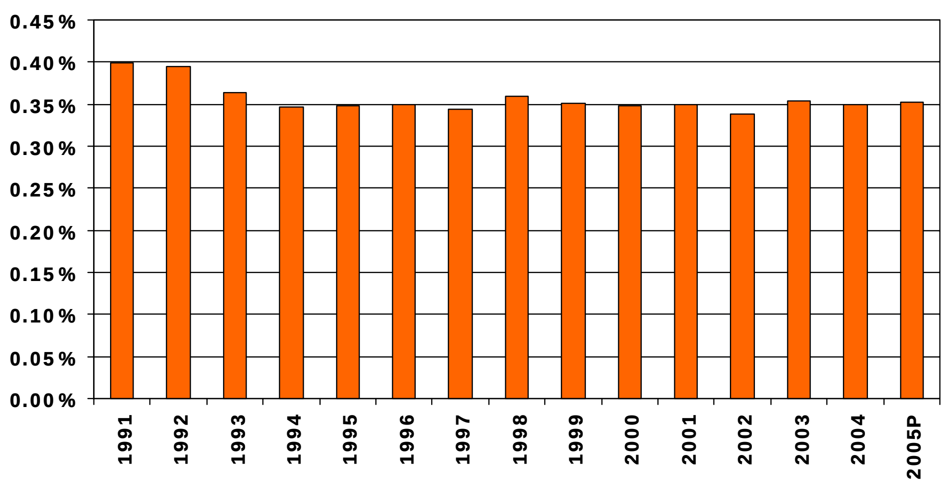
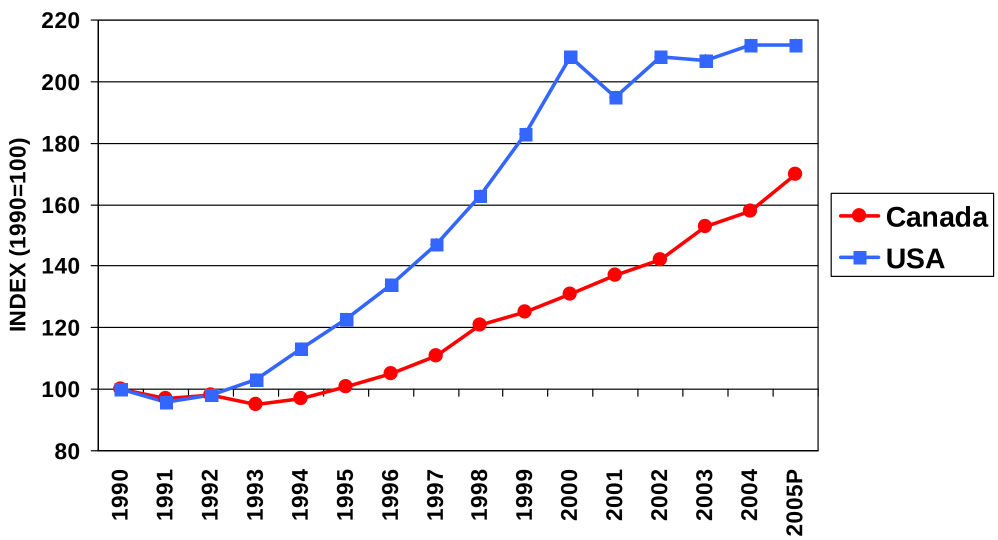


Figure 11.
Private radio ad revenues as % of retail trade, Canada, 1991-2005:



By tracking radio revenue trends in Canada, and by comparing them to radio revenue trends in the U.S., it is also possible to illustrate the fact that revenue growth trends can be cyclical in nature. As indicated in Figure 12, after 1990, radio ad revenues in the U.S. began their growth earlier – and grew faster – than was the case in Canada. After a period of growth, however, the U.S. radio growth curve flattened, indicating a cyclical pattern – which may also occur in Canada.

Figure 12.
Growth in radio advertising revenues, Canada and U.S.A., 1990-2005, Index basis (1990=100):



Radio vs. other media

As indicated in Figures 13 and 14, from 1995 to 2005, radio ad revenues have grown slightly faster than television, and both radio and television advertising have grown faster than daily newspapers.

Radio market shares by language

Figure 15 shows the split of radio revenues by language, in 1995 and 2005. As indicated in the figures, the split of radio revenues by language has remained relatively constant over time, but French-language stations appear to be receiving a lower share of revenues than would be expected based on population.

Figure 13.
Advertising revenue trends for radio, television, and daily newspapers, Canada, 1995-2005:

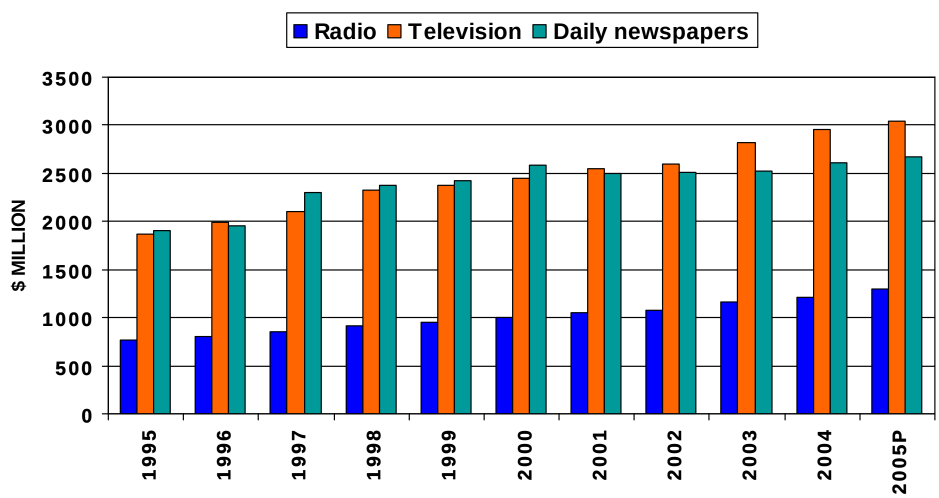


Figure 14.
Growth of advertising revenues, Canada, 1995-2005:

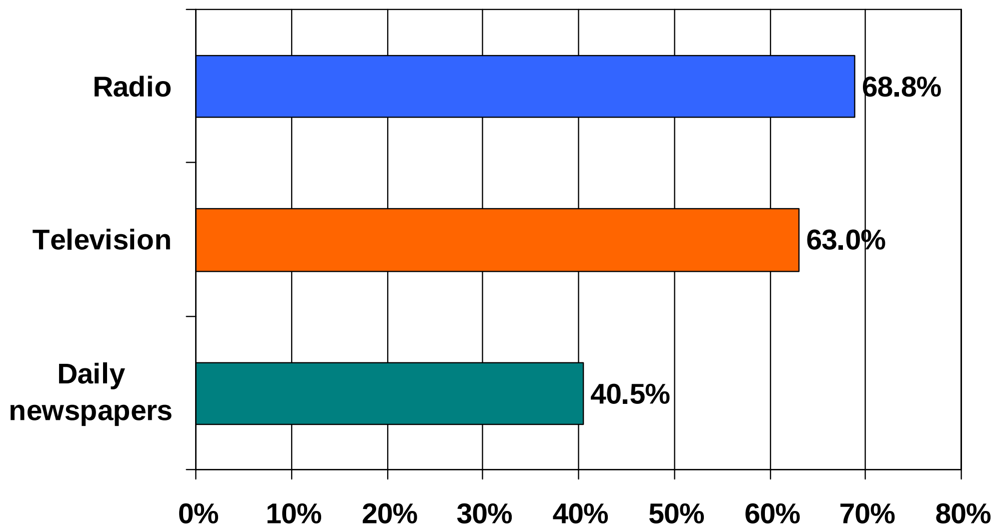
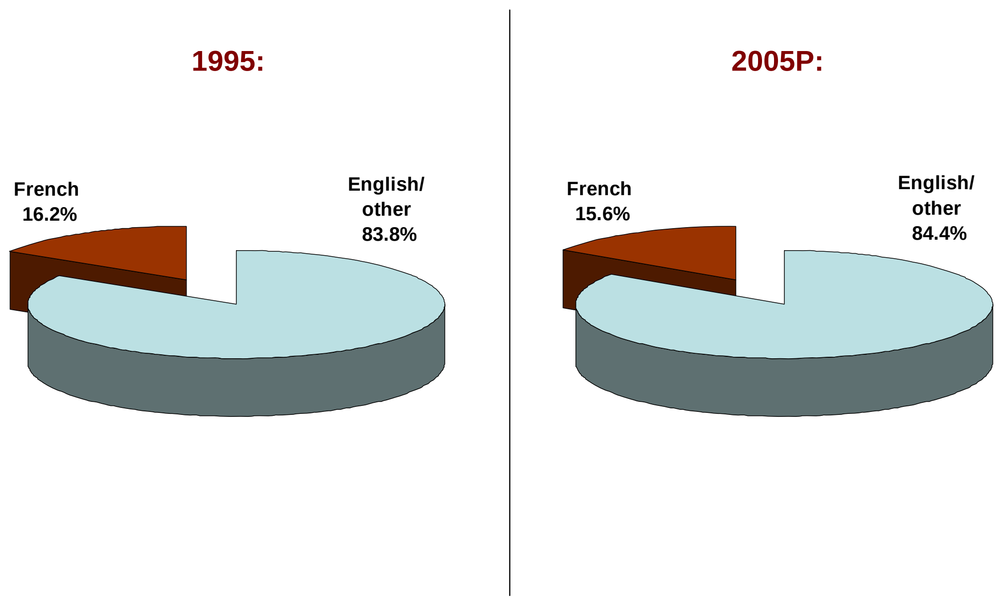


Figure 15.
Private radio revenue shares, by language, Canada, 1995 and 2005:



Profitability

The measure of profitability is PBIT (profit before interest and taxes) as a percentage of total operating revenue – a measure the CRTC itself often uses. The data indicate private radio overall at PBIT levels higher than was the case in the early to mid-1990s. Within those overall totals, of course, there are wide differences – AM/FM, market size, etc.

Figure 16 summarizes the PBIT data from 1995 to 2005, and indicates the levels for all private radio, for AM stations and for FM stations. As indicated in the figure, we can see that one reason for the recent improvement in overall profit levels is the fact that AM radio moved out of its overall loss position. Overall FM profit levels have been relatively flat since 1999.

Figure 17 focuses only on the overall profit levels for private radio, from 1995 to 2005, and Figure 18 expands that focus to cover PBIT data for the 35-year period from 1970 to 2005. This longer view illustrates the cyclical nature of radio's profitability – and there is no reason to expect that at least some degree of cyclical movement will not take place in the future.

Figures 19-21 provide a number of other comparisons of profitability. Figure 22 indicates employee level trends from 1995 to 2005.

Figure 16.
Private radio profitability (AM, FM, total), Canada
(PBIT % of total revenue), 1995-2005:

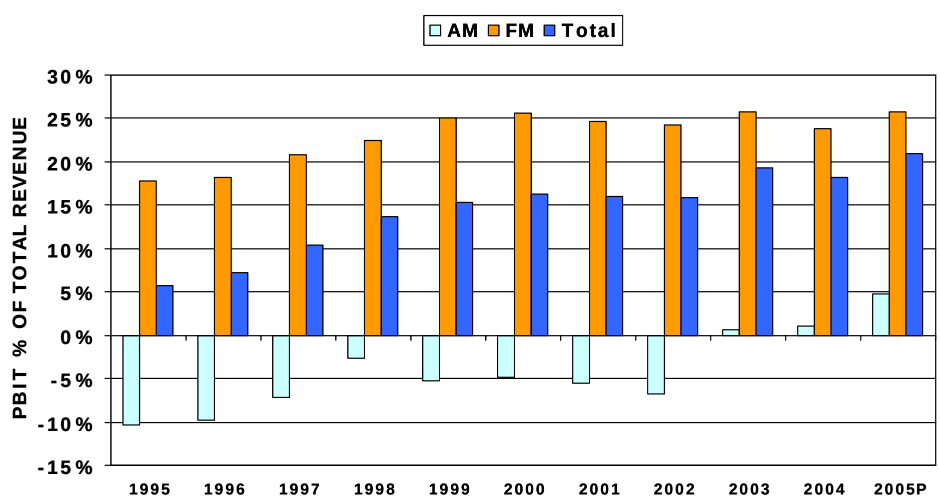


Figure 17.
Private radio profitability, Canada
(PBIT % of total revenue), 1995-2005:

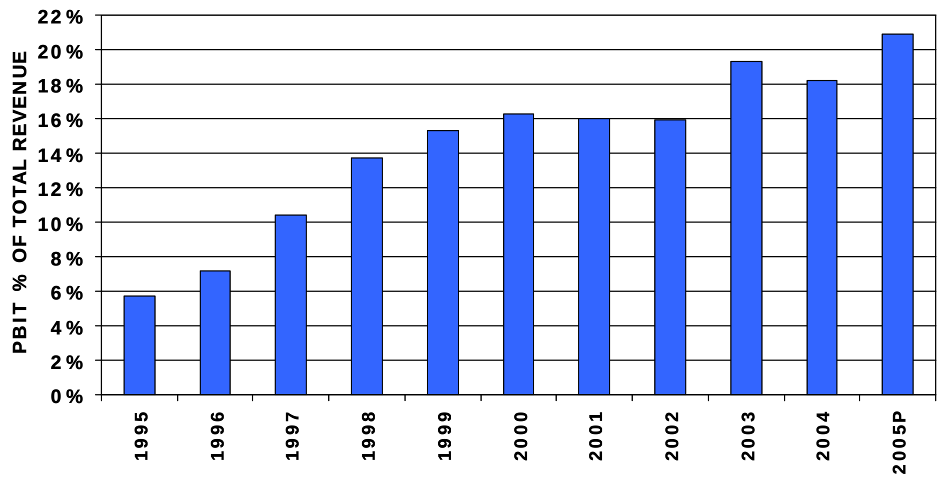


Figure 18.
Private radio profitability, Canada
(PBIT % of total revenue), 1970-2005:

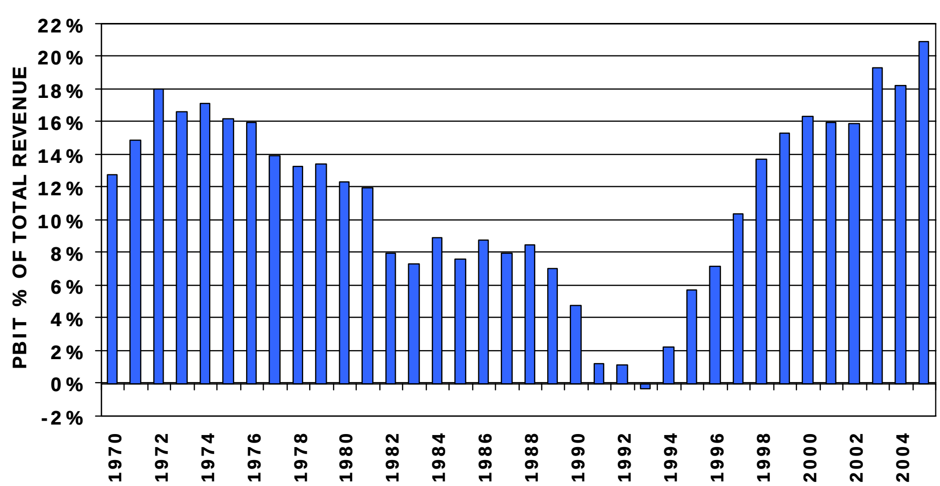


Figure 19.
Operating indicators for Canadian private radio stations, 1995:

	1995		
	Canada-total	French	English/Other
Average revenue per station	$1.60 million	$1.35 million	$1.66 million
Revenue (%):			
Local	75.5%	68.6%	76.9%
National	22.5%	29.1%	21.2%
Expenses (% of revenue):			
Program	32.5%	36.0%	31.8%
Technical	4.1%	3.2%	4.3%
Sales/promo	27.0%	23.6%	27.6%
Admin/general	27.0%	31.7%	26.1%
PBIT (%)	5.7%	2.3%	6.4%

Figure 20.
Operating indicators for Canadian private radio stations, 2005:

	2005 (preliminary)			
	Canada-total	French	English	Ethnic & Native
Average revenue per station	$2.44 million	$2.42 million	$2.44 million	$2.31 million
Revenue (%):				
Local	74.0%	64.5%	75.4%	87.1%
National	24.2%	33.1%	23.1%	4.5%
Expenses (% of revenue):				
Program	26.7%	29.8%	25.9%	32.5%
Technical	2.9%	2.5%	2.9%	6.5%
Sales/promo	24.5%	24.2%	24.8%	18.3%
Admin/general	22.0%	28.9%	20.4%	28.8%
PBIT (%)	20.9%	11.6%	23.0%	10.6%

Figure 21.
PBIT as % of total revenue, private radio, Canada, by language, 1995-2005:

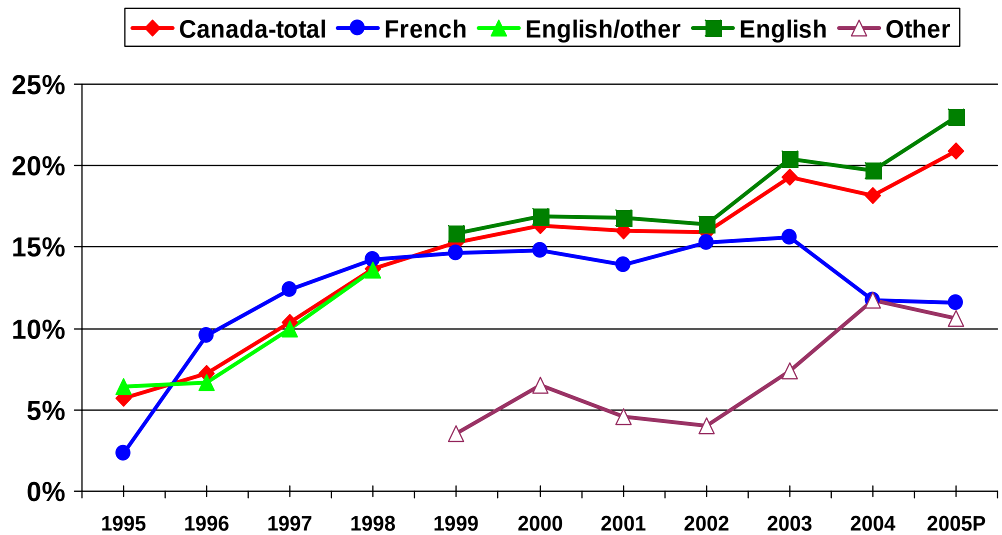
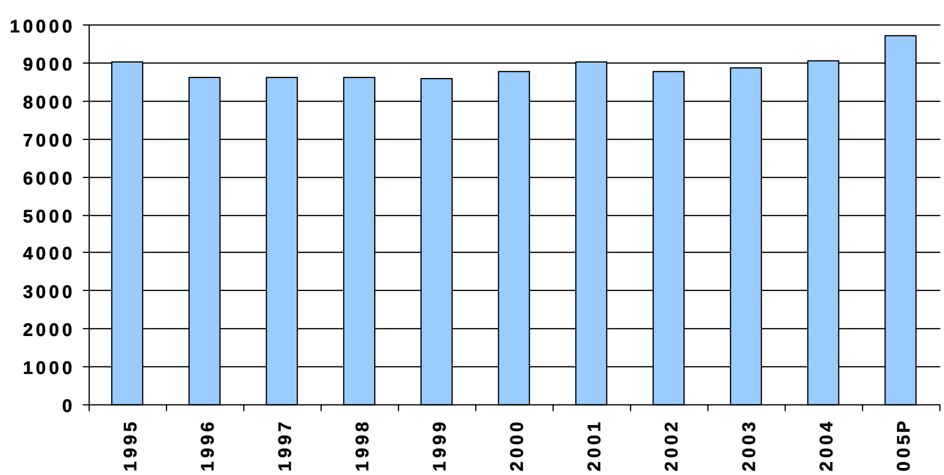


Figure 22.
Number of employees in the private radio industry, Canada, 1995-2005:



As shown in Figure 22, employment levels in private radio were relatively constant from 1995 to 2004, but the preliminary 2005 data from the CRTC indicate an increase of about 7 per cent over 2004.

Operating results by market size

In order to bring greater detail to the assessment of radio's economic performance, we have done an additional analysis by market size. The analysis is based on special tabulations by the CRTC. As of mid-March 2006, the most recent available tabulations by market size cover the period 1995 to 2004.

Four market groupings have been selected, based on population data from the 2001 Census of Canada:

- Markets over 500,000 population (the nine largest Census Metropolitan Areas)
- CMAs with population 250,000 to 500,000
- Markets with population 100,000 to 250,000
- Markets with population under 100,000

(Additional detailed data may be found in a report titled *Radio economic trends by market size, 1995-2004*, prepared by Communications Management Inc. in March 2006 for the Canadian Association of Broadcasters.)

As can be seen from the data, more than half the private radio stations in Canada are in small markets (less than 100,000 population) (Figure 23).[4] In fact, most of the small market stations are in markets of less than 50,000 population.

However, the nine largest CMAs (markets over 500,000 population) account for almost 60 per cent of private radio revenues (Figure 24).

Figure 25 compares 2004 data on a per station basis, by market size, and Figure 26 compares PBIT as a percentage of revenue, from 1995 to 2004, by market size.

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[4] Please note that Figure 23 is based on station counts. In Figures 24-26, data are based on "reporting units," which also include networks. In 2004, there were five "network" reporting units, and they have been included in "markets 500K+" in Figures 24-26.

Figure 23.
Number of private radio stations in market size groups, Canada, 2004:

More than half the private radio stations are in small markets

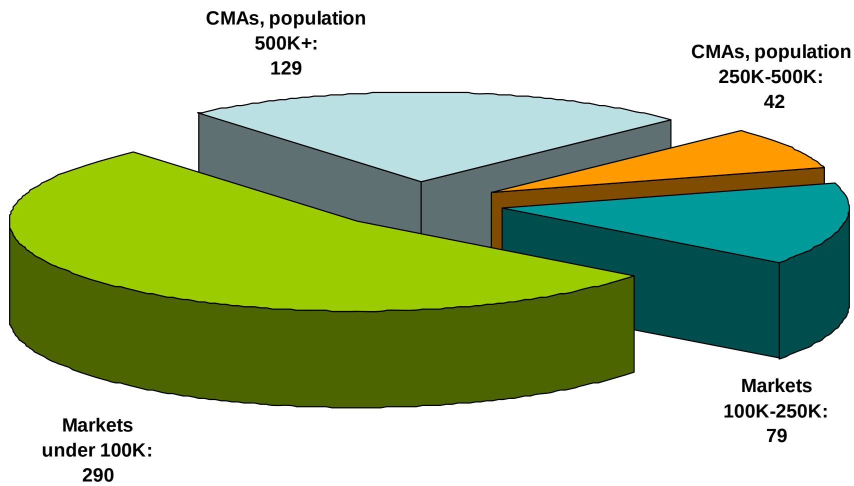


Figure 24.
Private radio station revenues by market size groups, Canada, 2004:

The 9 largest CMAs account for almost 60% of private radio revenues

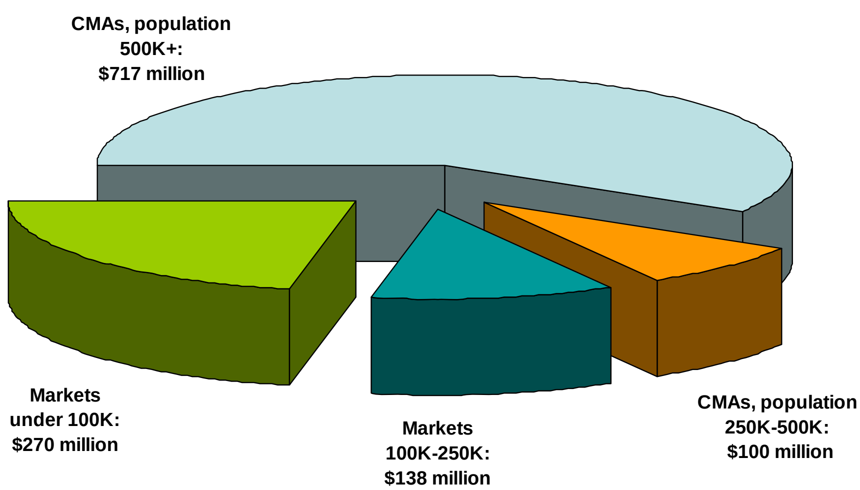
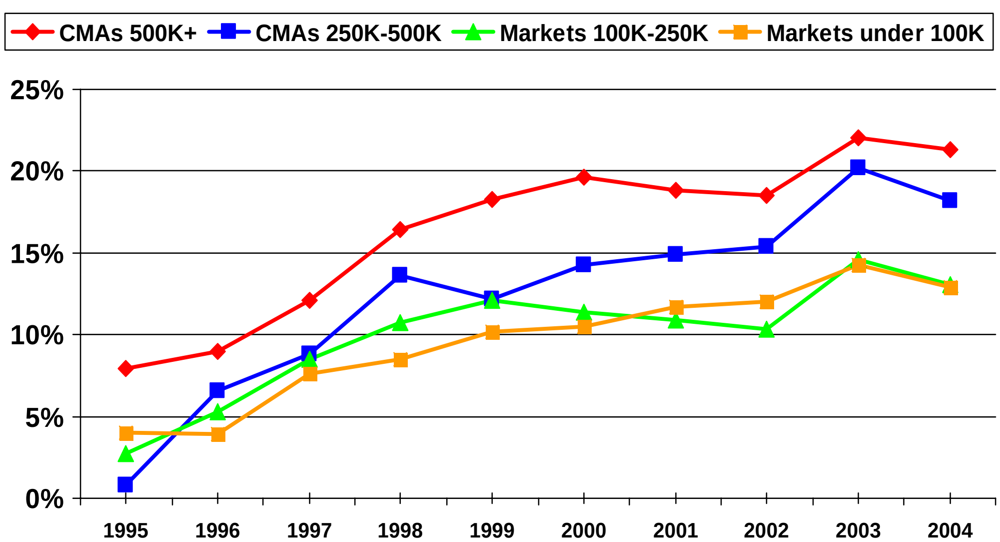


Figure 25.
Operating indicators for Canadian private radio stations, 2004,
by market size:

	2004				
	Canada-total	500K+	250K-500K	100K-250K	Under 100K
Average revenue per station	$2.25 million	$5.35 million	$2.37 million	$1.74 million	$0.93 million
Revenue (%):					
Local	76.4%	75.3%	71.0%	81.1%	79.2%
National	22.2%	23.8%	26.5%	17.6%	18.7%
Expenses (% of revenue):					
Program	27.2%	27.6%	26.4%	27.8%	26.1%
Technical	3.1%	2.6%	3.5%	3.6%	4.1%
Sales/promo	25.9%	25.7%	27.8%	26.8%	25.3%
Admin/general	22.3%	20.0%	20.7%	25.0%	27.6%
PBIT (%)	18.3%	21.3%	18.2%	13.1%	12.9%

Figure 26.
PBIT as % of total revenue, private radio, Canada,
by market size, 1995-2004:



The impact of consolidation

The data in the preceding figures indicate that improvements in radio's PBIT were underway prior to the CRTC's 1998 radio policy. As indicated in Figure 27, industry consolidation increased from 1999 to 2002, but then appears to have leveled off.

However, there appears to be less of a correlation between consolidation and PBIT levels than might have been expected. Figure 27 compares the PBIT levels (as a percentage of revenue) and the percentage of stations owned by the "top 10" ownership groups (as defined by the CRTC) for 2004. The percentage of stations owned by the "top 10" owners is used as an indicator of the degree to which that form of industry organization is present in each of the market groups. Based on the data in Figure 28, it appears that radio's current PBIT levels may be a function of market size and economic cycles to a greater degree than they are a function of the CRTC's 1998 radio policy.

Figure 27.
Consolidation in Canadian private radio increased from 1999 to 2002,
but appears to have leveled since 2002:

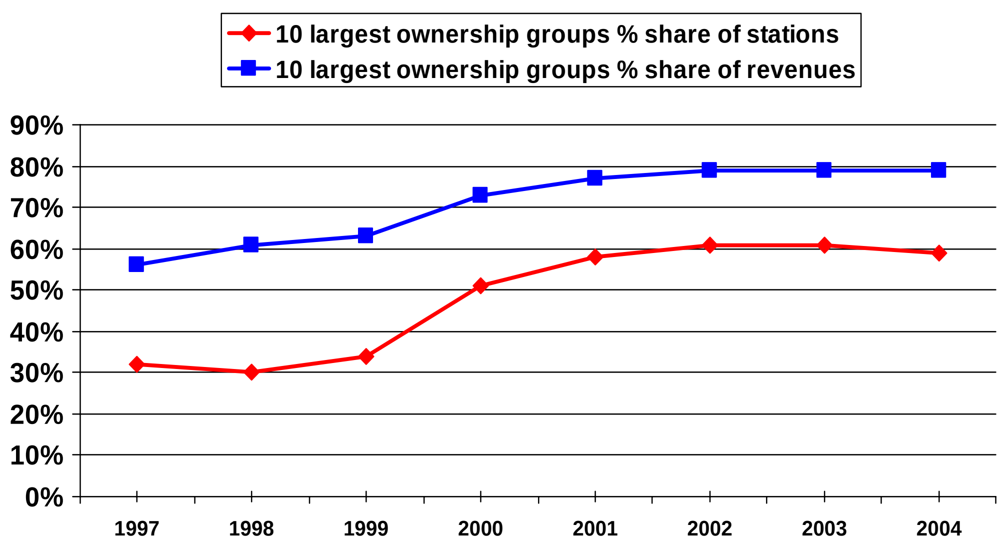


Figure 28.
Is there a relationship between consolidated ownership and PBIT?

Market group	% of stations in market group owned by top 10 owners, 2004	PBIT as % of revenue, 2004
500K+	70%	21.3%
250K-500K	71%	18.2%
100K-250K	67%	13.1%
Under 100K	50%	12.9%

NOTE: The percentage of stations owned by one of the "top 10" owners is used as an indicator of the degree to which that form of industry organization is present in the market group.

Based on the foregoing data on the apparent relationship between PBIT levels and market size, it might well be argued that the appropriate dividing line between "large" and "small" radio markets should be above or below a population of 250,000.

The radio audience

Over the last 10 years, the percentage of Canadians listening to radio has declined, and the decline is particularly acute among teens.

At the same time, there has been a decline in tuning to music formats on Canadian private radio stations. This decline is also most pronounced among teens, and could be an indicator of alternatives fragmenting the market.

It should also be noted that these changes are occurring at a time when the audience measurement system itself is about to change – from a diary system to portable people meters (PPMs).

Figure 29 indicates tuning by location for Anglophones and Francophones.

Figure 30 indicates the percentage of the potential audience not tuning to radio, for all persons 12+, from 1995 to 2005. Figure 31 indicates the percentage of the potential audience not tuning to radio, for teens 12-17, from 1995 to 2005.

Figure 29.
Weekly tuning by location, Fall 2005 (all persons 12+):

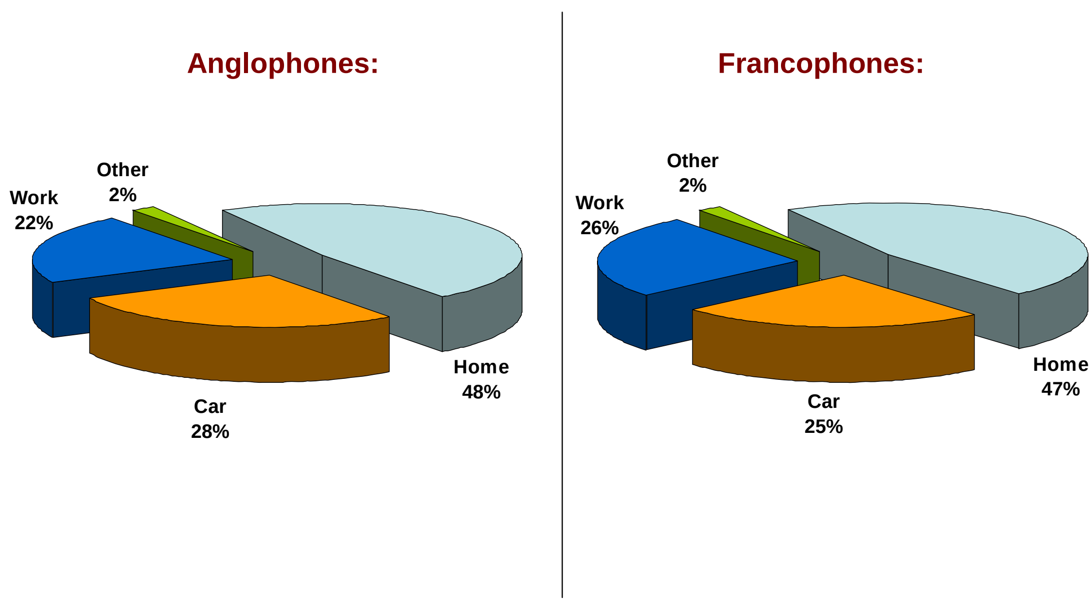


Figure 30.
Percentage of potential audience not tuning to radio,
Canada, 1995-2005 – **all persons 12+**:

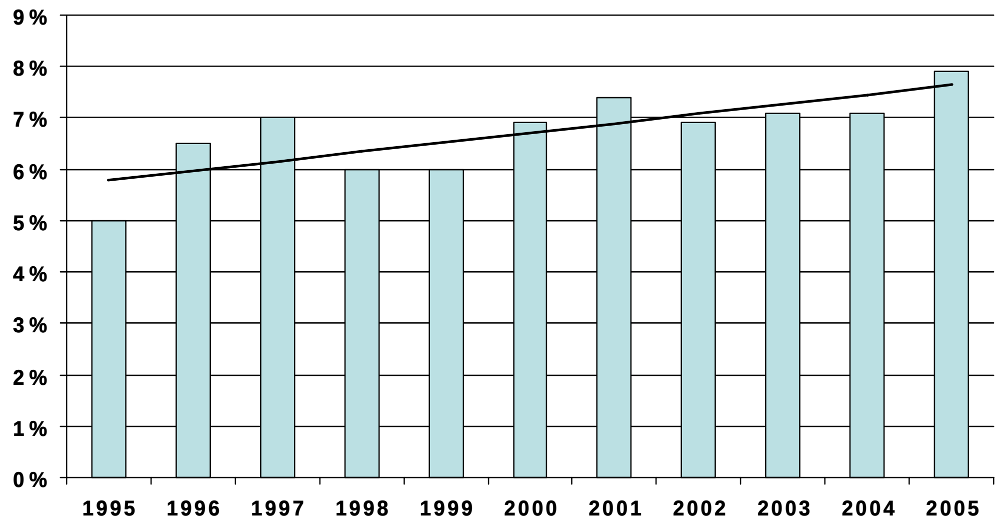
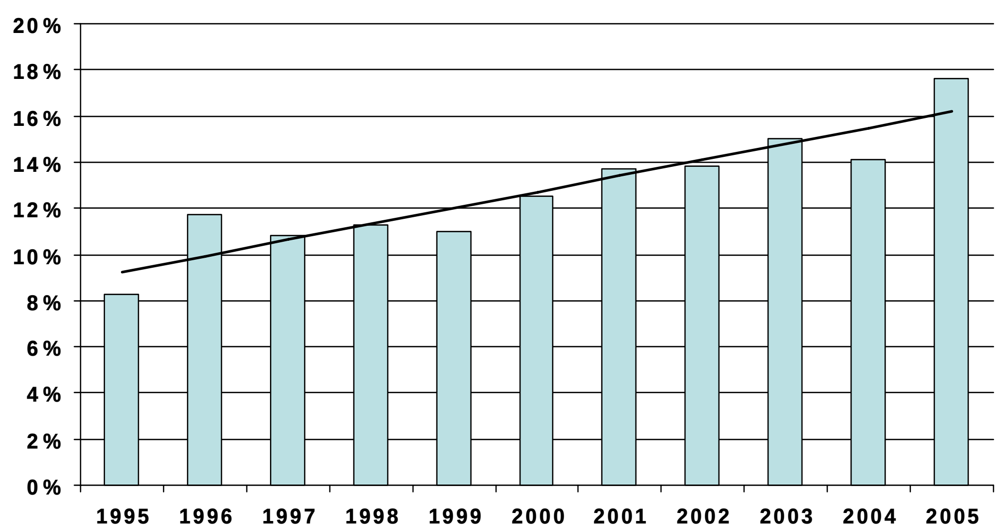


Figure 31.
Percentage of potential audience not tuning to radio,
Canada, 1995-2005 – **teens 12-17**:



Figures 32-34 summarize data from a mid-2005 survey conducted for the Department of Canadian Heritage, and deal with the impact of technology and alternative sources of music – for example, 68 per cent of Canadians in the 15-20 age group have downloaded free music.

Figure 32.
Access to technologies that allow production/reproduction of CDs and DVDs, Canada, 2005, by selected age groups:

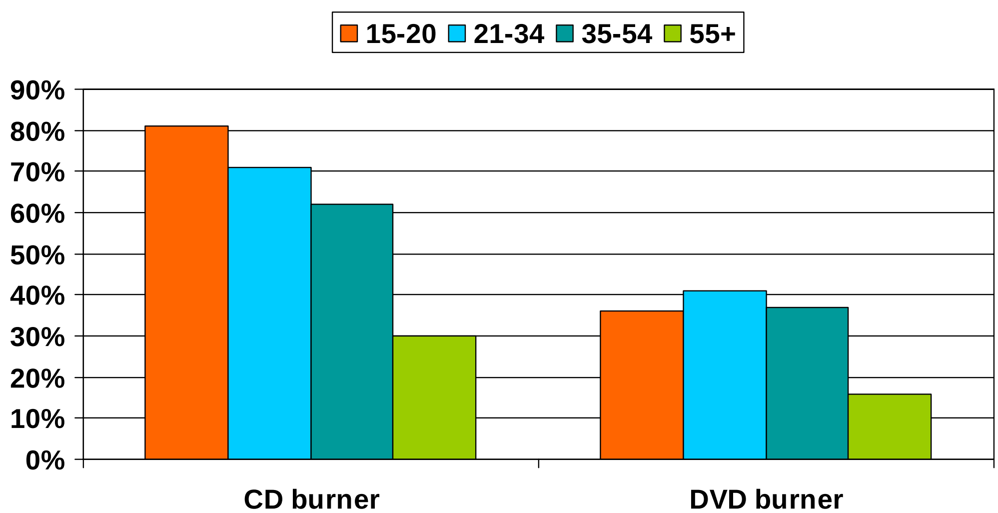


Figure 33.
Purchasing and downloading free music from the Internet (in past year), Canada, 2005, by selected age groups:

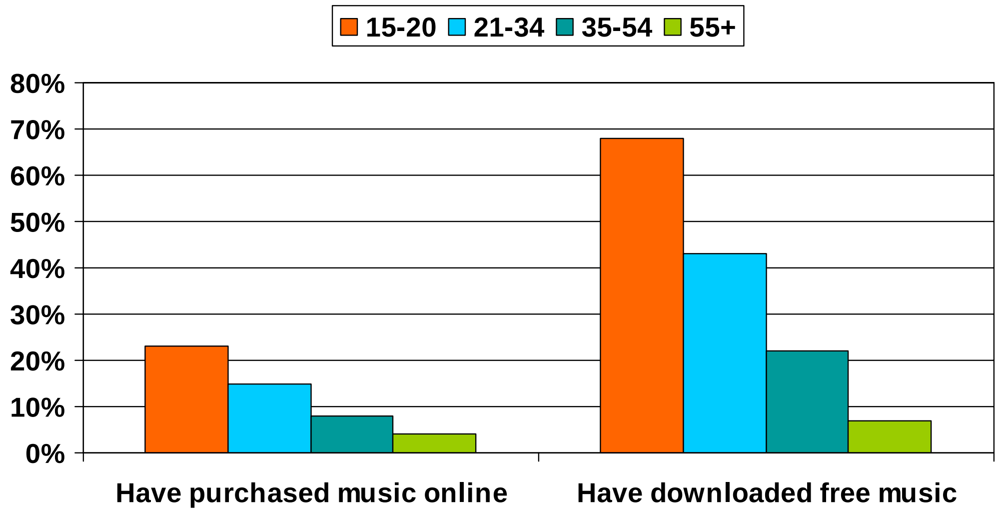
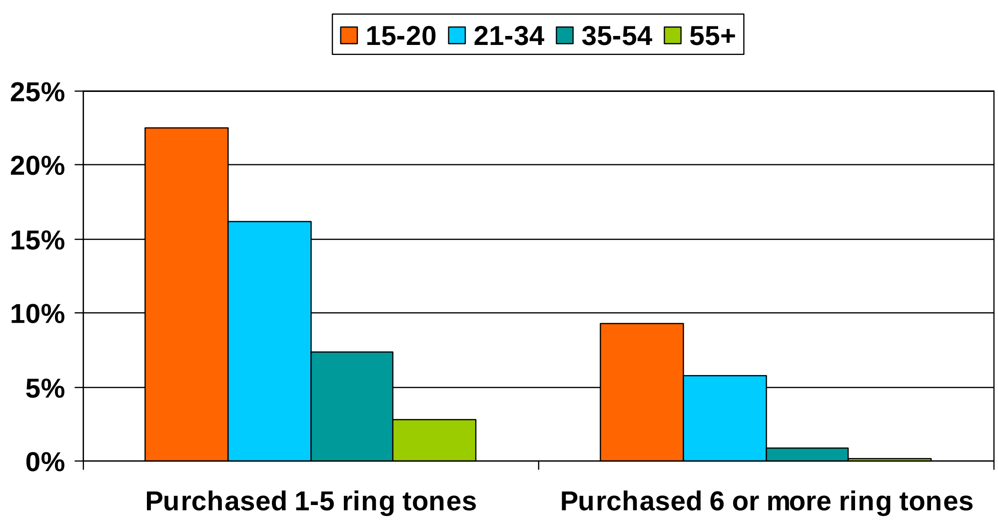


Figure 34.
Ring tone purchases for cell phones (in past year), Canada, 2005, by selected age groups:



Copyright

Copyright represents a major storm cloud on the horizon for private radio in Canada. New tariffs have been added to the long-standing SOCAN tariff. In addition, on October 14, 2005, the Copyright Board increased the rates in the tariffs for SOCAN and NRCC (the new rates are retroactive to 2003).

(The Canadian Association of Broadcasters has appealed the Copyright Board decision.)

The analysis in this section will indicate the increase in copyright burden from the addition of new tariffs – without the latest rate increases – and it will also indicate how the copyright burden will be increased even further if the new rates are upheld.

Even without the most recent rate increases, the total copyright fees paid by Canada's private radio stations will have jumped from less than $25 million in 1995 to about $56 million in 2005.[5]

If the new rate increases are factored in, the total copyright fees paid by Canada's private radio stations will have jumped from less than $25 million in 1995 to almost $70 million in 2005.[6]

For many years, the SOCAN tariff closely tracked the rate of growth of radio revenues. However, with the new tariffs and the new rates, the rate of growth for copyright fees now far exceeds the rate of growth for radio revenues.

Figures 35 to 40 indicate the growth in radio's copyright payments, and relate those payments to revenues and expenses.

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[5] The figure for copyright payments – under the old rates – for 2005 is based on pro forma application of the old rates to the CRTC's preliminary radio data for 2005.
[6] The figure for copyright payments – under the new rates – for 2005 is based on pro forma application of the new rates to the CRTC's preliminary radio data for 2005.

Figure 35.
Growth of copyright fees paid by private radio, Canada, 1995-2005:

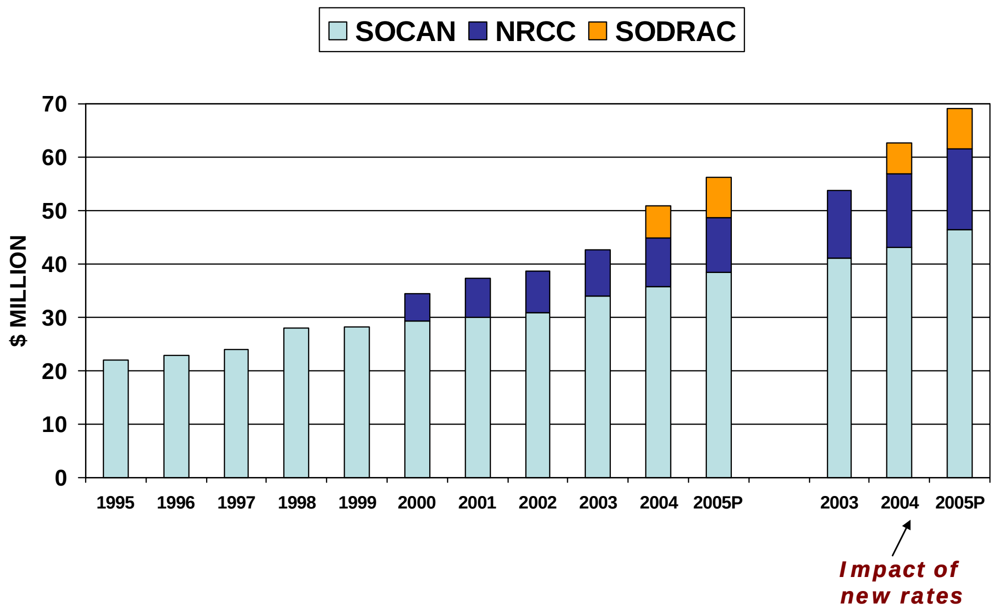


Figure 36.
Growth of private radio revenues, SOCAN fees, and total copyright fees, 1995-2005, Index basis (1995=100):

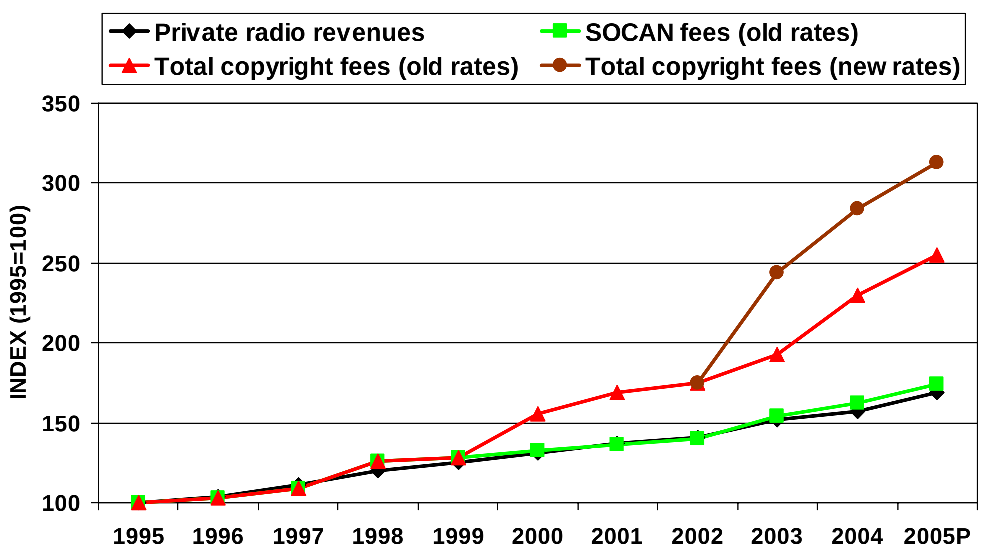


Figure 37.
Copyright fees paid by private radio, Canada,
as % of total operating expenses, 1995-2005:

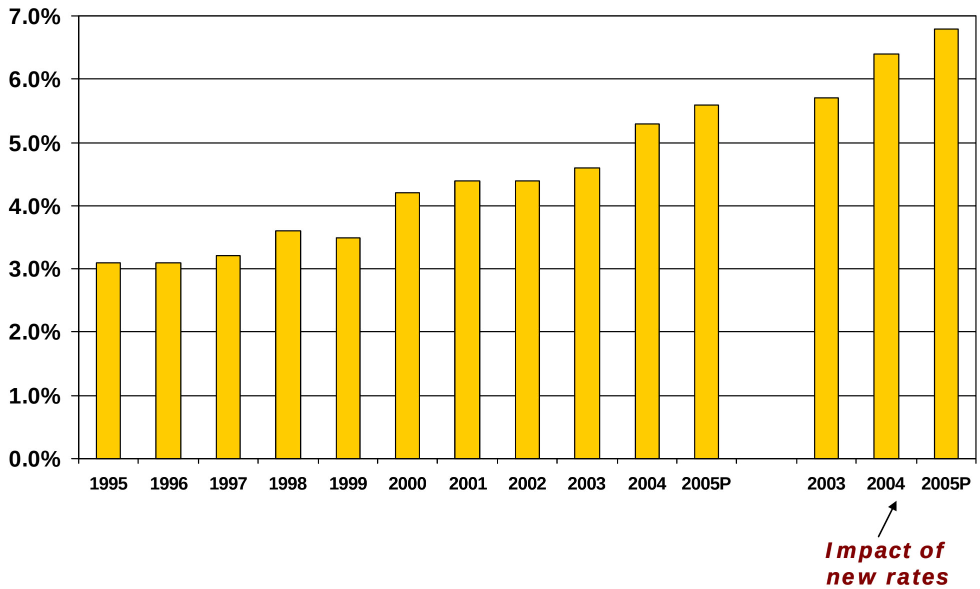


Figure 38.
Growth of private radio total operating expenses, and total copyright fees, 1995-2005, Index basis (1995=100):

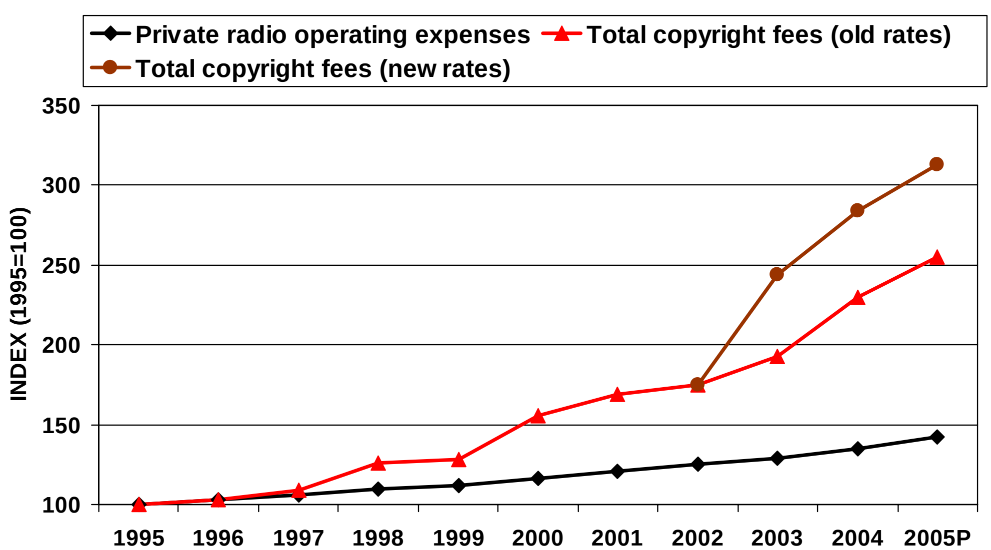


Figure 39.
Copyright fees paid by private radio, Canada,
as % of program expenses, 1995-2005:

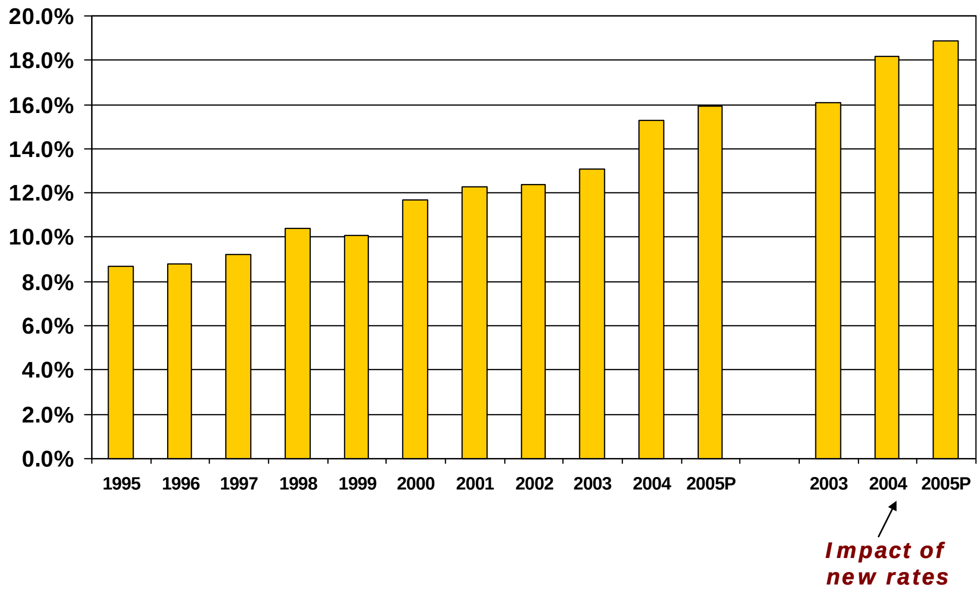
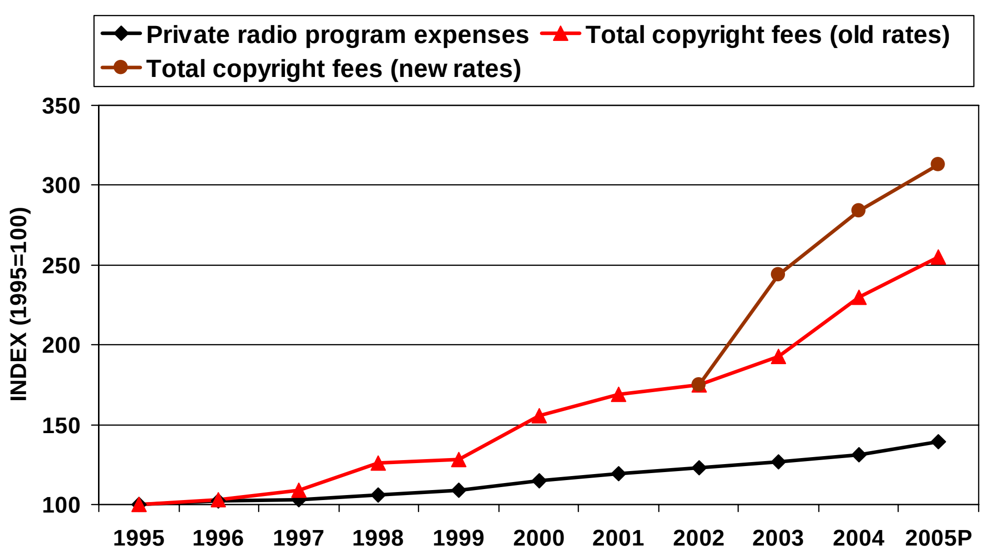


Figure 40.
Growth of private radio program expenses, and total copyright fees,
1995-2005, Index basis (1995=100):



Estimating impacts of new technologies and services

Estimating future impacts of any fragmenting service on conventional radio is highly dependent on the assumptions that are made. The impact assessment that follows is on an order-of-magnitude basis, and takes into account many fragmenting factors – the Internet, cell phones and other devices, satellite/subscription radio, etc.

No attempt has been made at this stage to isolate the impact of a single fragmenting technology. While that would be prudent in any event, it also makes sense, because it is the combined effect of fragmenting services that yields the total reduction in tuning levels to conventional services.

Two estimates have been developed for the likely impact of new technologies on tuning levels to conventional radio – a "low impact scenario" and a "high impact scenario". The assumptions are indicated below.

Assumed annual percentage change in tuning levels, by location of tuning:	**Low impact scenario**	**High impact scenario**
Tuning at home	**-0.5%**	**-1.0%**
Tuning in vehicles	**-2.0%**	**-3.0%**
Tuning at work	**-1.0%**	**-2.0%**
Tuning in all other locations	**-0.5%**	**-1.0%**

Please note that these assumptions are compounded over a 10-year period.

Based on those assumptions for tuning by location, the resulting impacts on overall tuning levels are indicated below, for each of the two scenarios.

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
% change:*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*
Low impact	**-1.0**	**-2.0**	**-3.0**	**-4.0**	**-4.9**	**-5.9**	**-6.8**	**-7.7**	**-8.7**	**-9.6**
High impact	**-1.8**	**-3.5**	**-5.2**	**-6.8**	**-8.5**	**-10.1**	**-11.6**	**-13.1**	**-14.6**	**-16.1**

** Expressed as a % reduction in the tuning levels that would otherwise have been achieved.*

To translate estimated tuning changes into estimated revenue changes, it is necessary to understand that relationships are not always linear, particularly in the short term. In the short term, tuning declines may have very small impacts on revenue, until two important thresholds have been met:

1. First, the size of the tuning decline itself must be meaningful; and

2. Second, new services causing the fragmentation will begin to reach tuning levels that will be large enough to attract advertising revenue.

We have developed a model that relates estimated declines in total hours tuned to estimated declines in advertising revenues. In that model, the revenue impact lags the tuning impact in the short term, at relatively low levels of tuning impact, but then begins to approach the same levels at higher levels of tuning impact.

If we focus on two points in time – Year 5 and Year 10 – we estimate the relationships would be as follows:

<u>In the low impact scenario:</u>

- *A 4.9% overall tuning reduction in Year 5 would lead to a 1.0% reduction in ad revenues;*

- *A 9.6% overall tuning reduction in Year 10 would lead to a 4.8% reduction in ad revenues.*

<u>In the high impact scenario:</u>

- *An 8.5% overall tuning reduction in Year 5 would lead to a 3.0% reduction in ad revenues;*

- *A 16.1% overall tuning reduction in Year 10 would lead to a 14.5% reduction in ad revenues.*

(Note that each of the percentages shown indicates an estimate of the percentage change versus what the levels would otherwise have been.)

We have then applied those metrics to the actual data for radio advertising revenues in 2005. In other words, we have asked this question:

<u>"If 2005 had been either Year 5 or Year 10 in one of the impact scenarios, what impact would that have had on advertising revenues?"</u>

<u>Low impact scenario:</u>

- If 2005 had been <u>Year 5</u> in the low impact scenario, radio ad revenues would have been <u>$13 million less</u> than they actually were.

- If 2005 had been <u>Year 10</u> in the low impact scenario, radio ad revenues would have been <u>$62.4 million less</u> than they actually were.

High impact scenario:

- If 2005 had been Year 5 in the high impact scenario, radio ad revenues would have been $39 million less than they actually were.

- If 2005 had been Year 10 in the high impact scenario, radio ad revenues would have been $188.5 million less than they actually were.

The impacts are also illustrated in Figures 41 and 42.

In addition to estimating the impact of fragmenting technologies and services, it should also be noted that the impact would not be felt equally across the system. Based on the nature of the fragmenting services, it seems likely that the impact will be greater for English-language services.

It also seems likely that the impact will be greater in small markets, for three reasons:

1. Fragmenting services will offer greater choice than is economically possible in smaller markets;

2. Fragmenting services will add many more “networks” to smaller markets, thereby reducing the effectiveness of “networked programming” as a way of containing costs; and

3. To the extent that more local programming is seen as a response, that will add to program costs for small market stations.

Finally, we would stress again that a number of factors that are currently unknown might change these assumptions and the resulting impact estimates. For example:

- Music channels on the U.S. satellite services are currently commercial-free, but at least one major U.S. ad agency has speculated that, once higher subscriber levels are reached, limited commercials may be introduced on those channels.

- We do not know how the roll-out of digital radio will progress, and the new services have the potential to create “digital confusion” in the minds of consumers.

- We do not know the degree to which new non-local services may seek to add local components in the future.

Figure 41.
Estimated impact if Year 5 or Year 10 of
"low impact scenario" had been in 2005:

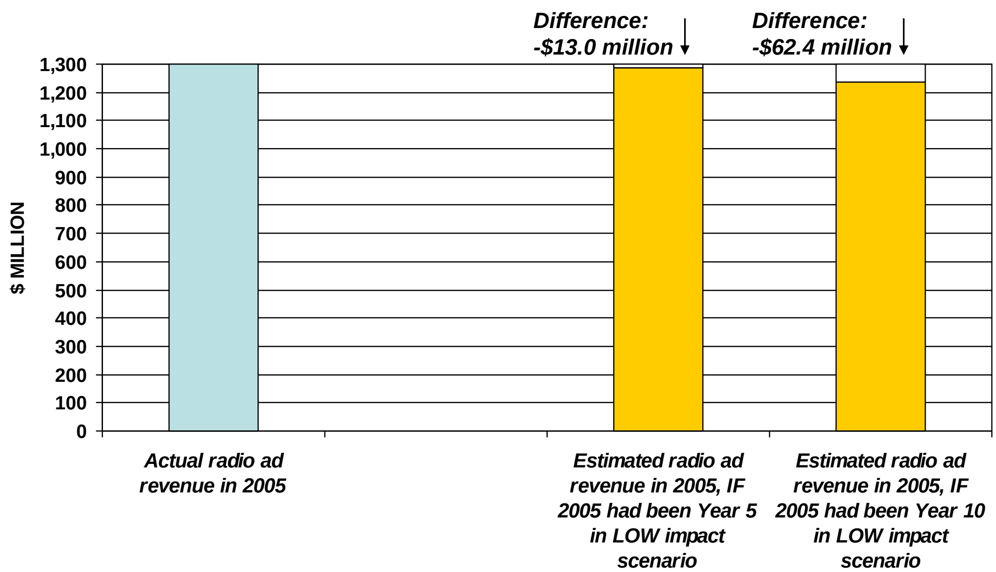
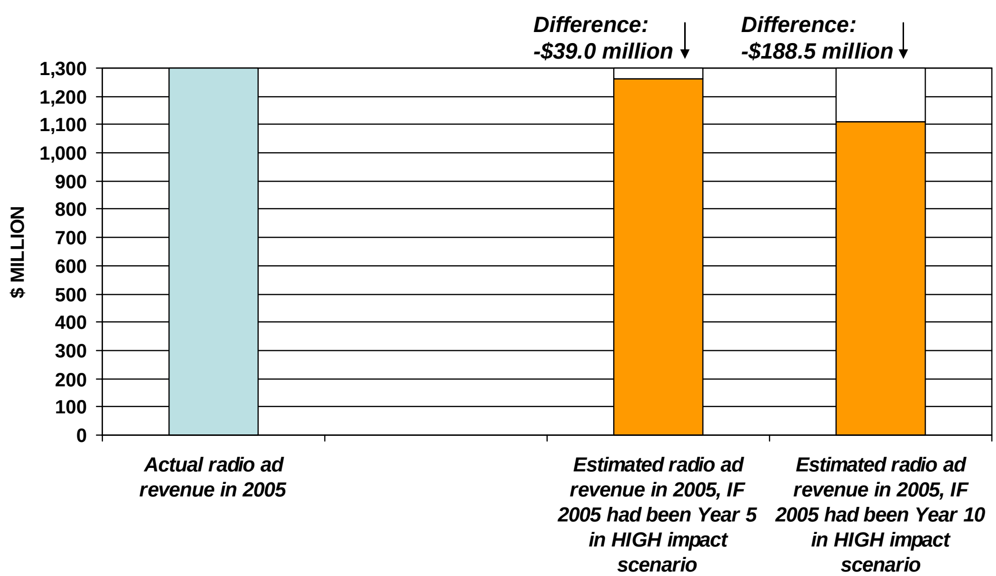


Figure 42.
Estimated impact if Year 5 or Year 10 of
"high impact scenario" had been in 2005:



Sources

Figure	Page	Source
1	2	Communications Management Inc. (CMI).
2	4	Statistics Canada
3	4	Statistics Canada; Communications Management Inc.
4	5	BRS Media.
5	7	Communications Management Inc.
6	7	Communications Management Inc.
7	8	Communications Management Inc.
8	8	Communications Management Inc.
9	9	CRTC.
10	10	Statistics Canada; CRTC.
11	10	Statistics Canada; CRTC.
12	11	CRTC; U.S. Census Bureau.
13	12	CRTC; Statistics Canada; Can. Newspaper Association; TVB; CMI.
14	13	CRTC; Statistics Canada; Can. Newspaper Association; TVB; CMI.
15	13	CRTC.
16	14	CRTC.
17	15	CRTC.
18	15	Statistics Canada; CRTC.
19	16	CRTC.
20	16	CRTC.
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23	19	CRTC.
24	19	CRTC.
25	20	CRTC.
26	20	CRTC.
27	21	CRTC.
28	22	CRTC; Communications Management Inc.
29	23	BBM; Statistics Canada.
30	24	BBM; Statistics Canada.
31	24	BBM; Statistics Canada.
32	25	Department of Canadian Heritage, *Canadian Film and Music Opinion Study*, July 2005.
33	26	Department of Canadian Heritage (study noted above).
34	26	Department of Canadian Heritage (study noted above).
35	28	Statistics Canada; CRTC; Communications Management inc.
36	28	Statistics Canada; CRTC; Communications Management inc.
37	29	Statistics Canada; CRTC; Communications Management inc.
38	29	Statistics Canada; CRTC; Communications Management inc.
39	30	Statistics Canada; CRTC; Communications Management inc.
40	30	Statistics Canada; CRTC; Communications Management inc.
41	34	Communications Management Inc.
42	34	Communications Management Inc.