

# Appendix 4

## The Economic Status of the Canadian Television Broadcasting Industry

Broadcasting Public Notice CRTC 2006-72



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Canadian Association of Broadcasters  
L'Association canadienne des radiodiffuseurs

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**The Economic Status of the Canadian Television Broadcasting Industry: A Review of Key Trends in the Economic Performance of the Canadian Television Broadcasting Industry over the period 1994/95 to 2003/04 and 2004/05**

**August 28 2006 Revised**

## **A. Objectives**

- The consultant was asked by the Canadian Association of Broadcasters (“CAB”) to prepare a report on the economic status of the Canadian television broadcasting industry. The report is intended to provide information and analysis to assist the CAB in developing its response on behalf of its members to Broadcasting Public Notice CRTC 2006-72. In that Public Notice, the Commission invited comments on the matters raised in Order in Council P.C. 2006-519 in which the Governor in Council asked the Commission to provide a factual report on the future environment facing the Canadian broadcasting system.
- This report:
  - identifies and tracks key trends in the economic performance of the Canadian television broadcasting industry as a whole and by sector;
  - compares trends between television broadcasting sectors and to trends in the broadcasting distribution industry; and
  - draws conclusions with respect to the relevant market factors that are driving these trends.
- The analysis is undertaken over the ten year period from broadcast year 1994/95 to 2003/04. Data for broadcast year 2004/05 also are included in the report.<sup>1</sup>

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<sup>1</sup> Broadcast year 2004/05 was an unusual year due to the NHL strike. The absence of televised hockey games had direct and indirect impacts on the revenues, expenses and profitability of a number of broadcasting services in various sectors of the industry. As such, the results for broadcast year 2004/05 may not reflect underlying industry trends and, if they were to be included as the end year in the trend analysis, could distort the results.

## B. Total Television

- Figure 1 sets out total revenues, including advertising, subscription and other revenues, for all television services in Canada and national gross domestic product (GDP) over the period 1994/95 to 2003/04 and for 2004/05.

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR		
											95-04	00-04	2004/05
Television	2,465	2,662	2,785	3,079	3,282	3,515	3,783	3,990	4,326	4,542	7.0%	6.6%	4,671
GDP	810,426	836,864	882,733	914,973	982,441	1,076,577	1,108,048	1,152,905	1,213,408	1,290,788	5.3%	4.6%	1,371,425
Television %	0.30%	0.32%	0.32%	0.34%	0.33%	0.33%	0.34%	0.35%	0.36%	0.35%			0.34%

Source: CRTC, Statistics Canada, Armstrong Consulting

- As this figure shows, television revenues increased at a faster compound annual growth rate (“CAGR”) than the rate of growth for the economy as a whole over the entire period and the more recent period 1999/00 to 2003/04, with the result that television revenues as a percentage of GDP increased slightly.
- Figure 2 sets out total advertising and subscription revenues for all television services in Canada in dollars and as a share of combined total advertising and subscription revenues.

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR		
											95-04	00-04	2004/05
Advertising	1,857,805	1,994,315	2,104,297	2,330,170	2,370,448	2,450,314	2,553,135	2,593,135	2,826,488	2,963,079	5.3%	4.9%	3,013,034
share	81.0%	80.3%	80.5%	80.1%	77.0%	74.0%	71.4%	69.0%	69.4%	69.2%			68.4%
Subscription	436,040	489,014	510,599	578,244	707,606	858,944	1,021,720	1,166,139	1,247,404	1,320,802	13.1%	11.4%	1,389,048
share	19.0%	19.7%	19.5%	19.9%	23.0%	26.0%	28.6%	31.0%	30.6%	30.8%			31.6%
Total	2,293,845	2,483,330	2,614,896	2,908,414	3,078,054	3,309,259	3,574,855	3,759,274	4,073,892	4,283,881	7.2%	6.7%	4,402,082

Source: CRTC, Armstrong Consulting

- As this figure shows, subscription revenues increased at a much faster rate over the period than did advertising revenues, with the result that subscription revenues as a share of the total increased significantly. At the same time, it should be noted that the rate of growth in both advertising and subscription revenues was slower over the latter half of the period than for the period as a whole, particularly in the case of subscription revenues.
- Figure 3 presents advertising revenues for all advertiser-supported media in Canada.

**Figure 3: Net Advertising Volume, All Media, 1994/95 to 2003/04 and 2004/05, Canada, \$ millions**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR	95-04	00-04	2004/05
Television	\$	1,850	1,982	2,104	2,330	2,370	2,450	2,553	2,593	2,826	2,963	5.4%	4.9%		3,013
	share %	24.1%	24.5%	23.9%	24.3%	24.2%	23.6%	24.3%	24.2%	24.7%	24.5%				23.9%
Newspaper		1,900	1,960	2,304	2,379	2,428	2,581	2,501	2,510	2,529	2,611	3.6%	0.3%		2,659
	share %	24.8%	24.2%	26.2%	24.8%	24.8%	24.9%	23.8%	23.4%	22.1%	21.6%				21.1%
Radio	\$	748	792	848	920	953	1,001	1,049	1,080	1,171	1,209	5.5%	4.8%		1,299
	share %	9.8%	9.8%	9.6%	9.6%	9.7%	9.7%	10.0%	10.1%	10.2%	10.0%				10.3%
Magazines	\$	316	318	347	451	460	514	541	558	610	647	8.3%	5.9%		665
	share %	4.1%	3.9%	3.9%	4.7%	4.7%	5.0%	5.1%	5.2%	5.3%	5.4%				5.3%
Out-of-Home	\$	142	165	177	219	243	263	281	273	284	303	8.8%	3.6%		344
	share %	1.9%	2.0%	2.0%	2.3%	2.5%	2.5%	2.7%	2.5%	2.5%	2.5%				2.7%
Cat/Direct Mail	\$	991	1110	1,168	1,251	1,190	1,255	1,264	1,295	1,399	1,499	4.7%	4.5%		1,547
	share %	12.9%	13.7%	13.3%	13.0%	12.2%	12.1%	12.0%	12.1%	12.2%	12.4%				12.3%
Internet	\$	0	0	10	25	56	110	97	176	237	364	67.1%	34.9%		519
	share %	0.0%	0.0%	0.1%	0.3%	0.6%	1.1%	0.9%	1.6%	2.1%	3.0%				4.1%
Yellow Pages	\$	864	892	899	935	975	1,029	1,046	1,060	1,121	1,168	3.4%	3.2%		1,206
	share %	11.3%	11.0%	10.2%	9.7%	10.0%	9.9%	10.0%	9.9%	9.8%	9.7%				9.6%
Misc.	\$	855	878	934	1,090	1,119	1,165	1,177	1,192	1,261	1,314	4.9%	3.1%		1,356
	share %	11.2%	10.8%	10.6%	11.4%	11.4%	11.2%	11.2%	11.1%	11.0%	10.9%				10.8%
Total		7,666	8,097	8,791	9,600	9,794	10,368	10,508	10,737	11,439	12,078	5.2%	3.9%		12,608

Source: TVB, Armstrong Consulting

- Over the entire period, television advertising revenues increased at roughly the same rate of growth as the advertising market as a whole, with the result that television generally maintained its share of total advertising revenues, with slight year-to-year variations. Radio broadcasters had a similar experience.
- In contrast, Internet, out-of-home and magazine advertising revenues increased at a considerably faster rate, though the growth of out-of-home fell below the rate of growth for the market as a whole in the latter half of the period.
- Figure 4 presents total local, national (including infomercials) and network advertising revenues for all television broadcasting services and the ratio of those revenues to total retail sales or personal disposable income in each broadcast year.

**Figure 4: Total Television, Local, National+Infomercial and Network Advertising Revenues, \$ thousands, Retail Sales and Personal Disposable Income, \$ millions, Ratios, 1994/95 to 2003/04 and 2004/05, Canada**

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95-04	00-04	2004/05
Local	367,655	377,949	389,776	400,765	411,450	394,712	399,688	378,250	374,579	396,371	0.8%	0.1%	390,116
Retail Sales	220,134	225,282	239,849	253,955	265,592	282,742	296,747	313,474	327,499	339,630	4.9%	4.7%	360,951
Loc/Ret Sales	1.67	1.68	1.63	1.58	1.55	1.40	1.35	1.21	1.14	1.17			1.08
National+Info	1,255,071	1,321,042	1,458,486	1,622,480	1,666,583	1,767,995	1,836,479	1,906,339	2,171,542	2,243,434	6.7%	6.1%	2,359,544
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Nat+info/PDI	2.42	2.50	2.67	2.85	2.80	2.76	2.74	2.75	3.02	3.00			3.03
Network	235,079	295,325	256,034	306,926	292,414	287,607	316,968	308,546	280,367	323,274	3.6%	3.0%	263,375
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Net/PDI	0.45	0.56	0.47	0.54	0.49	0.45	0.47	0.44	0.39	0.43			0.34
Nat+Info+Net	1,490,150	1,616,367	1,714,521	1,929,405	1,958,998	2,055,602	2,153,447	2,214,885	2,451,909	2,566,708	6.2%	5.7%	2,622,918
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Nat+info+Net/PDI	2.87	3.06	3.14	3.39	3.29	3.21	3.22	3.19	3.41	3.43			3.37

Source: CRTC, Statistics Canada, Armstrong Consulting

- Retail sales increased at a CAGR of almost 5% over the period, reflecting the strength of the local economy in many parts of Canada. However, local television advertising revenues were almost flat over the period and the ratio of local advertising revenues to retail sales decreased sharply. This flattening out of local television revenues reflects the impact of a number of market factors, including the increasing variety of alternative media available to local advertisers and the relatively high cost of television in comparison to those media.
- In contrast, national advertising revenues increased at a faster rate than did the relevant economic indicator, personal disposable income, with the result that the ratio of national advertising revenues to personal disposable income increased sharply over the period.. Relatively strong growth in national television advertising revenues reflects the continuing importance of television to major brand-based advertisers, as well as changes in the structure of the Canadian broadcasting system, such as the launch of many new specialty television services that offer a national advertising buy.
- Network revenues, which include both network payments to affiliates and revenues from the sale of network advertising, increased at a slightly lower rate of growth than personal disposable income.
- Figure 5 sets out the share of total television viewing in Canada to Canadian and US television services over the period 1996/97 to 2003/04 and in 2004/05 and 2005/06.<sup>2</sup>
- As this figure shows, there was a significant transfer of viewing share from conventional television services to specialty and pay services over the period. This transfer of viewing share continued in 2004/05 and 2005/06.

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<sup>2</sup> Viewing data in this format are not available from Nielsen Media Research for 1994/95 and 1995/96.

**Figure 5: Share of Total 2+ Viewing Hours, English and French-Language Canadian and US, Conventional, Specialty and Pay Services, Canada, 1996/97 to 2003/04 and 2004/05**

		1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Share Change	2004/05	2005/06
<b>Canadian:</b>	Eng Conv	41.2%	38.8%	35.6%	33.9%	32.8%	31.1%	29.3%	31.1%	-10.1	30.8%	30.5%
	Fre Conv	16.4%	15.9%	16.2%	15.9%	15.1%	14.7%	13.5%	13.3%	-3.0	13.6%	12.9%
	Total	57.6%	54.7%	51.8%	49.7%	47.9%	45.8%	42.8%	44.5%	-13.1	44.4%	43.4%
	Eng Spec	10.8%	14.9%	16.8%	18.3%	19.4%	19.8%	21.1%	22.0%	11.2	23.0%	24.3%
	Fre Spec	3.6%	3.9%	4.2%	5.0%	5.3%	5.8%	6.7%	6.3%	2.7	5.9%	6.4%
	Total	14.4%	18.8%	21.0%	23.3%	24.7%	25.6%	27.8%	28.3%	13.9	28.9%	30.7%
	Digital	0	0	0	0	0	1.5%	1.7%	1.9%	1.9	2.7%	2.6%
	Pay	1.7%	1.4%	1.4%	1.7%	2.2%	2.6%	3.6%	3.3%	1.6	3.1%	3.2%
	Total	73.8%	74.9%	74.2%	74.7%	74.9%	75.6%	75.9%	78.0%	4.3	79.1%	79.9%
	<b>US:</b>	Conv	17.2%	14.7%	14.2%	13.4%	12.4%	11.0%	9.9%	9.1%	-8.1	8.8%
	Spec	7.1%	8.3%	10.0%	10.0%	10.5%	11.3%	11.9%	10.5%	3.3	10.0%	9.3%
	Total	24.4%	23.0%	24.2%	23.3%	23.0%	22.3%	21.8%	19.6%	-4.8	18.8%	17.7%
<b>Other:</b>		2.5%	2.8%	2.5%	2.7%	2.9%	2.9%	3.3%	3.2%	0.7	2.9%	3.2%
<b>Conv:</b>		74.8%	69.4%	66.0%	63.1%	60.4%	56.8%	52.6%	53.6%	-21.2	53.2%	51.8%
<b>Spec+Pay:</b>		23.3%	28.5%	32.4%	35.0%	37.5%	41.1%	45.1%	44.0%	20.7	44.7%	45.8%

Source: Nielsen Media Research (Weeks 1 to 43), CTV Research, Armstrong Consulting

### C. Conventional Television

- Figure 6 presents total local, national (including infomercials) and network advertising revenues for conventional television broadcasting services (private conventional<sup>3</sup> and CBC/SRC) and the ratio of those revenues to total retail sales or personal disposable income in each broadcast year.

Figure 6: Total Conventional Television, Local, National+Infomercial and Network Advertising Revenues, \$ thousands, Retail Sales and Personal Disposable Income, \$ millions, Ratios, 1994/95 to 2003/04 and 2004/05, Canada													
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95-04	00-04	2004/05
Local	362,264	371,449	382,220	392,556	402,040	383,701	388,105	365,848	359,708	380,080	0.5%	-0.2%	373,657
Retail Sales	220,134	225,282	239,849	253,955	265,592	282,742	296,747	313,474	327,499	339,630	4.9%	4.7%	360,951
Loc/Ret Sales	1.65	1.65	1.59	1.55	1.51	1.36	1.31	1.17	1.10	1.12			1.04
National+Info	1,144,306	1,172,395	1,282,340	1,390,183	1,371,611	1,398,305	1,410,038	1,410,161	1,579,794	1,551,940	3.4%	2.6%	1,608,204
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Nat+Info/PDI	2.20	2.22	2.35	2.44	2.30	2.19	2.11	2.03	2.20	2.08			2.07
Network	235,079	295,325	256,034	306,926	292,414	287,607	316,968	308,546	280,367	323,274	3.6%	3.0%	263,375
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Net/PDI	0.45	0.56	0.47	0.54	0.49	0.45	0.47	0.44	0.39	0.43			0.34
Nat+Info+Net	1,379,385	1,467,720	1,538,374	1,697,109	1,664,025	1,685,912	1,727,006	1,718,707	1,860,161	1,875,214	3.5%	2.7%	1,871,578
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Nat+Info+Net/PDI	2.65	2.78	2.82	2.98	2.79	2.64	2.58	2.48	2.59	2.51			2.41

Source: CRTC, Statistics Canada, Armstrong Consulting

- As this figure shows, all categories of conventional television advertising revenues grew more slowly over the period than the rate of growth in the relevant economic indicator, with the ratio falling sharply in the case of local advertising and showing a moderate downward trend in the case of national and network revenues.

<sup>3</sup> The financial results for private conventional television and English-language private conventional television include the financial results for ethnic television stations.

- Growth in all advertising categories was slower in the latter half of the period than for the period as a whole.
- Figure 7 sets out the revenues, expenses and profitability of the private conventional television broadcasting sector.

**Figure 7: Private Conventional Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR	95 to 04	00 to 04	2004/05
<b>Revenues:</b>	local	333,215	341,767	355,254	366,411	378,703	361,523	369,465	348,871	345,571	366,808	1.1%	0.4%		362,884
	national	1,030,729	1,052,883	1,146,542	1,254,326	1,248,967	1,285,498	1,295,143	1,304,335	1,470,643	1,449,764	3.9%	3.1%		1,519,112
	network	78,321	86,553	86,021	94,853	102,062	97,877	103,846	87,799	96,398	105,189	3.3%	1.8%		111,264
	infomercial	10,092	16,180	11,802	11,559	15,527	17,346	19,611	18,380	16,649	17,879	6.6%	0.8%		19,059
	syn/prod	89,921	85,574	79,742	60,582	72,921	63,044	60,165	58,130	58,902	59,719	-4.4%	-1.3%		61,803
	other	33,838	22,362	27,951	36,789	49,035	54,244	55,269	75,242	104,288	115,677	14.6%	20.8%		123,595
	<b>total</b>	<b>1,576,116</b>	<b>1,605,319</b>	<b>1,707,313</b>	<b>1,824,519</b>	<b>1,867,215</b>	<b>1,879,532</b>	<b>1,903,500</b>	<b>1,892,758</b>	<b>2,092,451</b>	<b>2,115,036</b>	<b>3.3%</b>	<b>3.0%</b>		<b>2,197,716</b>
<b>Expenses:</b>	program	832,325	890,050	924,052	1,060,461	1,020,726	1,058,636	1,110,060	1,137,914	1,206,127	1,275,383	4.9%	4.8%		1,320,870
	technical	75,486	74,031	72,169	75,127	75,089	70,704	58,552	63,021	62,350	63,587	-1.9%	-2.6%		66,280
	sales&promo	169,566	172,485	187,763	201,746	208,992	206,216	205,166	221,399	210,765	217,852	2.8%	1.4%		224,896
	admin	210,069	196,637	196,905	224,746	214,952	215,179	217,411	216,204	234,790	243,101	1.6%	3.1%		265,260
	<b>total</b>	<b>1,287,445</b>	<b>1,333,203</b>	<b>1,380,889</b>	<b>1,562,080</b>	<b>1,519,759</b>	<b>1,550,735</b>	<b>1,591,189</b>	<b>1,638,539</b>	<b>1,714,032</b>	<b>1,799,922</b>	<b>3.8%</b>	<b>3.8%</b>		<b>1,877,307</b>
<b>Operating Income:</b>		<b>288,670</b>	<b>272,116</b>	<b>326,424</b>	<b>262,439</b>	<b>347,456</b>	<b>328,797</b>	<b>312,311</b>	<b>254,219</b>	<b>378,419</b>	<b>315,114</b>	<b>1.0%</b>	<b>-1.1%</b>		<b>320,409</b>
	depreciation	55,674	58,810	59,306	60,101	67,809	68,529	70,404	75,977	79,798	81,747	4.4%	4.5%		78,231
<b>PBIT:</b>	\$	232,997	213,306	267,118	202,339	279,648	260,268	241,907	178,242	298,621	233,367	-1.2%	-2.7%		242,178
	margin %	14.8%	13.3%	15.6%	11.1%	15.0%	13.8%	12.7%	9.4%	14.3%	11.0%				11.0%
<b>Indicators:</b>															
	program/total revenues	52.8%	55.4%	54.1%	58.1%	54.7%	56.3%	58.3%	60.1%	57.6%	60.3%				60.1%
	s&p/airtime revenues	11.7%	11.5%	11.7%	11.7%	12.0%	11.7%	11.5%	12.6%	10.9%	11.2%				11.2%
	admin/total revenues	13.3%	12.2%	11.5%	12.3%	11.5%	11.4%	11.4%	11.4%	11.2%	11.5%				12.1%

Source: CRTC, Armstrong Consulting

- Total revenues for private conventional television broadcasters increased at a very modest CAGR of 3.3% over the period, with slower rates of growth in the latter half of the period in total revenues and in all categories of advertising revenues.

- Profitability trended downward, propelled by the growth in programming costs. Programming costs increased as a percentage of total revenues over the period and grew at a CAGR well ahead of the rate of growth in revenues.
- In other areas, private conventional television broadcasters were able to achieve operating efficiencies, perhaps due to their more consolidated ownership structure. Technical costs decreased. Sales and promotion costs decreased as a percentage of airtime revenues and administrative costs decreased as a percentage of total revenues.
- Figure 8 sets out the revenues, expenses and profitability of private conventional television broadcasters in major markets based on the market-by-market data that are available from the CRTC, including Vancouver/Victoria, Calgary, Edmonton, Winnipeg/Portage La Prairie, Toronto/Hamilton, Ottawa/Gatineau/Pembroke, Montreal and Quebec City. In 2005, there 36 private conventional television stations in these markets, out of a total of 96 private conventional television stations that reported financial results to the CRTC in that year.
- The profitability of private conventional television stations located in major markets was slightly higher over the period than the profitability for the private conventional television broadcasting industry as a whole.
- However, consistent with the trends in the private conventional television market as a whole, total expenses and programming expenses in particular increased more rapidly than revenues, putting downward pressure on profitability.

<b>Figure 8: Private Conventional Television, Major Markets, Revenues, Expenses and Profitability, 2002/03 to 2003/04 and 2004/05, Canada, \$ thousands</b>					
		<u>2002/03</u>	<u>2003/04</u>	<u>% incr.</u>	<u>2004/05</u>
<b>Revenues:</b>	local	232,379	253,144	8.9%	248,973
	national	1,252,874	1,240,865	-1.0%	1,303,452
	network	56,214	63,653	13.2%	69,924
	infomercial	12,992	14,376	10.7%	15,159
	syn/prod	50,507	53,583	6.1%	55,283
	other	91,716	96,174	4.9%	102,794
	total	1,696,681	1,721,796	1.5%	1,795,584
<b>Expenses:</b>	program	985,835	1,055,707	7.1%	1,090,691
	technical	43,954	45,671	3.9%	47,262
	sales&promo	156,007	161,651	3.6%	164,835
	admin	173,611	180,414	3.9%	202,943
	total	1,359,408	1,443,443	6.2%	1,505,731
<b>Operating Income:</b>		337,273	278,353	-17.5%	289,853
	depreciation	64,950	67,233	3.5%	64,514
<b>PBIT:</b>	\$	272,323	211,120	-22.5%	225,339
	margin %	16.1%	12.3%		12.5%
<b>Indicators:</b>					
	program/total revenues	58.1%	61.3%		60.7%
	s&p/airtime revenues	10.0%	10.3%		10.1%
	admin/total revenues	10.2%	10.5%		11.3%

Source: CRTC, Armstrong Consulting

- Figure 9 sets out the revenues, expenses and profitability of the remaining 60 private conventional television broadcasters in smaller markets.

<b>Figure 9: Private Conventional Television, Smaller Markets, Revenues, Expenses and Profitability, 2002/03 to 2003/04 and 2004/05, Canada, \$ thousands</b>					
		<u>2002/03</u>	<u>2003/04</u>	<u>% incr.</u>	<u>2004/05</u>
<b>Revenues:</b>	local	113,192	113,664	0.4%	113,911
	national	217,769	208,899	-4.1%	215,660
	network	40,184	41,535	3.4%	41,339
	infomercial	3,657	3,503	-4.2%	3,900
	syn/prod	8,396	6,137	-26.9%	6,520
	other	12,572	19,503	55.1%	20,801
	total	395,770	393,240	-0.6%	402,132
<b>Expenses:</b>	program	220,292	219,675	-0.3%	230,179
	technical	18,397	17,916	-2.6%	19,018
	sales&promo	54,757	56,201	2.6%	60,062
	admin	61,179	62,687	2.5%	62,317
	total	354,624	356,479	0.5%	371,576
<b>Operating Income:</b>		41,146	36,761	-10.7%	30,556
	depreciation	14,848	14,513	-2.3%	13,717
<b>PBIT:</b>	\$	26,298	22,248	-15.4%	16,839
	margin %	6.6%	5.7%		4.2%
<b>Indicators:</b>					
	program/total revenues	55.7%	55.9%		57.2%
	s&p/airtime revenues	14.6%	15.3%		16.0%
	admin/total revenues	15.5%	15.9%		15.5%

Source: CRTC, Armstrong Consulting

- As this figure shows, private conventional television stations in smaller markets achieved a much lower level of profitability over the period than did private conventional television stations in major markets and in the private conventional television industry as a whole.

- Expenses increased more than revenues, putting downward pressure on profitability.
- Figure 10 sets out Canadian and foreign programming costs for private conventional television broadcasters over the period 1999/00 to 2003/04 and for 2004/05.

<b>Figure 10: Private Conventional Television, Canadian and Foreign Program Expenses, 1999/00 to 2003/04 and 2004/05, Canada, \$ thousands</b>								
							CAGR	
		1999/00	2000/01	2001/02	2002/03	2003/04	00 to 04	2004/05
<b>Canadian:</b>	Telecast	488,723	502,522	517,231	536,050	569,051	3.9%	581,340
	% total revenues	26.0%	26.4%	27.3%	25.6%	26.9%		26.5%
	Total Eligible	497,585	514,577	525,539	543,789	575,501	3.7%	587,009
	% total revenues	26.5%	27.0%	27.8%	26.0%	27.2%		26.7%
<b>Foreign:</b>		434,040	466,412	499,048	541,846	567,381	6.9%	611,960
	% total revenues	23.1%	24.5%	26.4%	25.9%	26.8%		27.8%

Source: CRTC, Armstrong Consulting

- Expenditures on Canadian programs telecast and total eligible Canadian programs<sup>4</sup> increased slightly faster than the growth in total revenues, resulting in a modest increase in Canadian program expenditures as a percentage of total revenues. Foreign programming costs increased more quickly, at a CAGR of 6.9%.

<sup>4</sup> The cost of Canadian programs telecast includes the cost of Canadian programs that were broadcast by the reporting television stations. Total eligible Canadian program expenditures, as that term was most recently defined by the CRTC in the *2006 Broadcast Policy Monitor Report* at page 70, includes Canadian programs telecast, write-downs of Canadian programming inventory, script and concept development expenditures on Canadian programs not broadcast and losses on equity investments in Canadian programs produced at arms-length.

- The data for English-language private conventional television broadcasters tell a similar story to that for the private conventional television broadcasting industry as a whole.

**Figure 11: English-Language Private Conventional Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	local	265,712	273,463	285,707	295,639	299,482	277,018	282,209	262,236	258,298	271,817	0.3%	-0.5%	271,112
	national	901,768	930,346	1,010,070	1,112,522	1,119,601	1,147,590	1,165,257	1,175,064	1,335,816	1,325,125	4.4%	3.7%	1,394,336
	network	26,178	28,685	27,257	28,799	29,022	31,578	31,387	10,129	5,437	5,465	-16.0%	-35.5%	5,154
	infomercial	9,725	11,721	9,715	7,990	10,776	12,296	13,889	13,003	11,693	11,929	2.3%	-0.8%	12,836
	syn/prod	37,547	40,458	38,538	26,922	34,599	20,967	17,332	15,875	14,638	14,360	-10.1%	-9.0%	13,329
	other	19,959	16,618	16,103	23,680	27,009	29,276	27,479	38,614	57,795	64,690	14.0%	21.9%	66,747
	<b>total</b>	<b>1,260,889</b>	<b>1,301,291</b>	<b>1,387,390</b>	<b>1,495,551</b>	<b>1,520,489</b>	<b>1,518,725</b>	<b>1,537,553</b>	<b>1,514,920</b>	<b>1,683,676</b>	<b>1,693,387</b>	<b>3.3%</b>	<b>2.8%</b>	<b>1,763,515</b>
<b>Expenses:</b>	program	704,680	732,456	766,764	906,272	859,580	881,334	925,342	945,429	1,007,457	1,059,364	4.6%	4.7%	1,093,837
	technical	61,546	60,899	59,536	62,935	62,805	58,112	46,938	50,786	49,902	51,798	-1.9%	-2.8%	53,561
	sales&promo	138,059	139,356	152,330	164,924	169,127	164,302	162,861	178,505	165,861	171,468	2.4%	1.1%	173,744
	admin	142,061	126,836	126,365	151,970	142,529	143,228	142,110	143,727	155,808	163,037	1.5%	3.3%	188,262
	<b>total</b>	<b>1,046,347</b>	<b>1,059,547</b>	<b>1,104,995</b>	<b>1,286,101</b>	<b>1,234,040</b>	<b>1,246,975</b>	<b>1,277,251</b>	<b>1,318,446</b>	<b>1,379,028</b>	<b>1,445,667</b>	<b>3.7%</b>	<b>3.8%</b>	<b>1,509,404</b>
<b>Operating Income:</b>		214,542	241,744	282,395	209,450	286,450	271,750	260,302	196,473	304,649	247,719	1.6%	-2.3%	254,111
	depreciation	43,533	46,403	46,191	49,953	56,000	55,946	55,831	60,184	63,409	65,178	4.6%	3.9%	61,823
<b>PBIT:</b>	\$	171,009	195,341	236,204	159,498	230,450	215,804	204,472	136,289	241,240	182,541	-2.5%	-4.1%	192,288
	margin %	13.6%	15.0%	17.0%	10.7%	15.2%	14.2%	13.3%	9.0%	14.3%	10.8%			10.9%
<b>Indicators:</b>														
	program/total revenues	55.9%	56.3%	55.3%	60.6%	56.5%	58.0%	60.2%	62.4%	59.8%	62.6%			62.0%
	s&p/airtime revenues	11.5%	11.2%	11.4%	11.4%	11.6%	11.2%	10.9%	12.2%	10.3%	10.6%			10.3%
	admin/total revenues	11.3%	9.7%	9.1%	10.2%	9.4%	9.4%	9.2%	9.5%	9.3%	9.6%			10.7%

Source: CRTC, Armstrong Consulting

- As Figure 11 shows, total revenues for English-language private conventional television broadcasters increased moderately over the period at a CAGR of 3.3%, with slower growth in total revenues and in each advertising revenue category in the latter half of the period. Improved operating efficiencies in the technical, sales and promotion and administration categories were insufficient to offset strong upward pressures on program costs, which increased well ahead of the rate of growth in revenues at a CAGR of 4.6% and increased as a percentage of revenues from 55.9% to 62.6%. As a result, profitability fell over the period.

- Figure 12 sets out expenditures by English-language private conventional television broadcasters on Canadian programs telecast, eligible Canadian programming expenditures and foreign programming.
- Canadian program expenditures increased faster than the growth in total revenues over the period 1999/00 to 2003/04, resulting in a modest increase in Canadian program expenditures as a percentage of total revenues. Foreign programming costs increased more quickly, at a CAGR of 7.1%.

<b>Figure 12: English-Language Private Conventional Television, Canadian and Foreign Program Expenses, 1999/00 to 2003/04 and 2004/05, Canada, \$ thousands</b>								
							CAGR	
		1999/00	2000/01	2001/02	2002/03	2003/04	00 to 04	2004/05
<b>Canadian:</b>	Telecast	367,201	374,836	386,003	402,880	419,562	3.4%	424,497
	% total revenues	24.2%	24.4%	25.5%	23.9%	24.8%		24.1%
	Total Eligible	375,940	384,221	392,485	407,648	423,570	3.0%	428,086
	% total revenues	24.8%	25.0%	25.9%	24.2%	25.0%		24.3%
<b>Foreign:</b>		419,334	451,878	485,175	527,875	552,487	7.1%	591,133
	% total revenues	27.6%	29.4%	32.0%	31.4%	32.6%		33.5%

Source: CRTC, Armstrong Consulting

- Figure 13 sets out revenues, expenses and profitability for French-language private conventional television broadcasters.

- As this figure shows, total revenues for these conventional broadcasters also grew moderately over the period at a CAGR of 3.8%, but with no slowing of growth in the latter half of the period as was the case for English-language conventional television. Local advertising revenues increased at a CAGR of 3.7% compared to almost no growth in this category for English-language conventional. National advertising revenues decreased over the period, but this was more than compensated for by strong growth in network revenues at a CAGR of 7.5%.

**Figure 13: French-Language Private Conventional Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	local	68,234	68,304	69,547	70,772	79,221	84,505	87,256	86,635	87,272	94,991	3.7%	3.0%	91,772
	national	128,961	122,537	136,472	141,804	129,366	137,909	129,886	129,271	134,827	124,639	-0.4%	-2.5%	124,776
	network	52,143	57,868	58,765	66,053	73,040	66,299	72,459	77,670	90,962	99,724	7.5%	10.7%	106,109
	infomercial	368	4,459	2,087	3,569	4,751	5,049	5,722	5,378	4,956	5,950	36.3%	4.2%	6,223
	syn/prod	48,089	45,116	41,204	33,660	38,322	42,077	42,833	42,256	44,265	45,359	-0.6%	1.9%	48,474
	other	3,898	5,744	11,848	13,109	22,026	24,968	27,790	36,628	46,493	50,987	33.1%	19.5%	56,848
	total	301,692	304,028	319,922	328,968	346,726	360,806	365,947	377,838	408,774	421,649	3.8%	4.0%	434,202
<b>Expenses:</b>	program	151,110	157,594	157,288	154,189	161,146	177,302	184,718	192,485	198,670	216,019	4.1%	5.1%	227,033
	technical	13,939	13,132	12,633	12,192	12,285	12,592	11,614	12,235	12,448	11,788	-1.8%	-1.6%	12,719
	sales&promo	31,507	33,128	35,433	36,823	39,865	41,914	42,305	42,895	44,904	46,384	4.4%	2.6%	51,152
	admin	68,008	69,801	70,540	72,775	72,423	71,951	75,302	72,478	78,982	80,064	1.8%	2.7%	76,998
	total	264,564	273,656	275,894	275,979	285,719	303,759	313,938	320,093	335,004	354,254	3.3%	3.9%	367,904
<b>Operating Income:</b>		37,128	30,372	44,029	52,989	61,007	57,047	52,009	57,746	73,771	67,395	6.8%	4.3%	66,298
	depreciation	12,140	12,407	13,115	10,148	11,809	12,583	14,574	15,793	16,390	16,569	3.5%	7.1%	16,408
<b>PBIT:</b>	\$	24,988	17,965	30,914	42,841	49,198	44,464	37,435	41,953	57,381	50,826	6.2%	3.4%	49,890
	margin %	8.3%	5.9%	9.7%	13.0%	14.2%	12.3%	10.2%	11.1%	14.0%	12.1%			11.5%
<b>Indicators:</b>														
	program/total revenues	50.1%	51.8%	49.2%	46.9%	46.5%	49.1%	50.5%	50.9%	48.6%	51.2%			52.3%
	s&p/airtime revenues	12.6%	13.1%	13.3%	13.0%	13.9%	14.3%	14.3%	14.3%	14.1%	14.3%			15.6%
	admin/total revenues	22.5%	23.0%	22.0%	22.1%	20.9%	19.9%	20.6%	19.2%	19.3%	19.0%			17.7%

Source: CRTC, Armstrong Consulting

- Program costs increased slightly faster than did total revenues, as did sales and promotion costs. However, these costs were offset by a reduction in technical costs and very modest growth in administrative costs at a CAGR of 1.8%. As a result, profitability trended slightly upward over the period.

- Figure 14 sets out Canadian and foreign programming costs for French-language private conventional television broadcasters over the period 1999/00 to 2003/04 and for 2004/05.

<b>Figure 14: French-Language Private Conventional Television, Canadian and Foreign Program Expenses, 1999/00 to 2003/04 and 2004/05, Canada, \$ thousands</b>								
							CAGR	
		1999/00	2000/01	2001/02	2002/03	2003/04	00 to 04	2004/05
<b>Canadian:</b>	Telecast	121,522	127,687	131,228	133,170	149,489	5.3%	156,844
	% total revenues	33.7%	34.9%	34.7%	32.6%	35.5%		36.1%
	Total Eligible	121,645	130,356	133,053	136,141	151,931	5.7%	158,923
	% total revenues	33.7%	35.6%	35.2%	33.3%	36.0%		36.6%
<b>Foreign:</b>		14,706	14,533	13,874	13,970	14,893	0.3%	20,826
	% total revenues	4.1%	4.0%	3.7%	3.4%	3.5%		4.8%

Source: CRTC, Armstrong Consulting

- Canadian programming costs increased faster than the growth in total revenues, with expenses for Canadian programming telecast increasing at a CAGR of 5.3% and eligible Canadian programming at 5.7%. The cost of foreign programming was close to flat over the period, with a CAGR of 0.3%. Both Canadian programming telecast and eligible Canadian programming increased as a percentage of total revenues.
- Figure 15 sets out local, national and network advertising revenues and total revenues for CBC/SRC conventional television combined and total advertising revenues separately for CBC and SRC conventional.

**Figure 15: CBC Conventional Television, Advertising and Total Revenues, 1994/95 to 2003/04 and 2004/05, Canada, \$ millions**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR		
												95 to 04	00 to 04	2004/05
<b>CBC+SRC</b>	local	29	30	27	26	23	22	19	17	14	13	-8.3%	-12.0%	11
	national	103	103	124	124	107	95	95	87	93	84	-2.3%	-3.1%	70
	network	157	209	170	212	190	190	213	221	184	218	3.7%	3.5%	152
	other	24	50	40	50	56	58	62	69	62	60	10.8%	0.6%	59
	total	313	392	361	412	377	366	389	395	352	375	2.0%	0.7%	292
<b>CBC:</b>	total ad revs	194	238	212	249	206	193	214	217	190	223	1.6%	3.6%	133
<b>SRC:</b>	total ad revs	95	104	109	114	115	114	113	109	100	93	-0.3%	-5.1%	100
<b>CBC+SRC:</b>	total ad revs	289	342	321	363	321	307	327	325	291	316	1.0%	0.7%	233

Source: CRTC, Armstrong Consulting

- As this figure shows, CBC/SRC experienced very moderate growth in total revenues over the period at a CAGR of 2.0%, with reductions in local and national advertising revenues. Growth in total revenues was slower in the latter half of the period than for the period as a whole at a CAGR of 0.7%.
- CBC had stronger growth in advertising revenues in the latter half of the period, but this was offset by a significant reduction in advertising revenues for SRC.

#### **D. Specialty Television**

- Figure 16 sets out the revenues, expenses and profitability of Canadian specialty television services over the period 1994/95 to 2003/04 and in 2004/05. In 2004/05, there were 120 specialty television services that reported financial results to the CRTC.<sup>5</sup>
- Total specialty television revenues increased very strongly over the period at a CAGR of 15.7%, though the rate of growth decreased in all revenue categories in the latter half of the period. Growth in expenses tracked slightly behind growth in revenues, with the result that profitability moved upward over the period.
- As is evident in Figure 16, profitability varied widely over the period. These variations generally track with periods of increased entry, when the financial results for the industry include many new start-up services.

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<sup>5</sup> The financial data in this section are drawn from the most recent edition of the *Pay and Specialty Statistical and Financial Summaries* issued by the CRTC. These data differ very slightly from the data in the most recent *Broadcast Policy Monitoring Report* which includes financial data for an additional ethnic specialty television service.

**Figure 16: Specialty Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	cable	310,643	366,051	383,493	449,487	527,030	590,444	625,205	651,773	644,944	683,664	9.2%	3.7%	722,033
	DTH	903	367	30	4,517	24,494	55,431	111,366	182,123	256,061	265,468	88.0%	47.9%	291,722
	local	5,391	6,500	7,556	8,208	9,410	11,011	11,583	12,402	14,871	16,291	13.1%	10.3%	16,460
	national	110,765	148,647	176,147	232,296	294,973	369,690	426,441	496,178	591,748	691,494	22.6%	16.9%	751,340
	other	24,092	20,283	22,512	22,688	24,749	30,186	29,920	27,297	26,915	22,654	-0.7%	-6.9%	24,383
	total	451,795	541,849	589,737	717,198	880,656	1,056,762	1,204,515	1,369,773	1,534,539	1,679,572	15.7%	12.3%	1,805,937
<b>Expenses:</b>	program	236,243	304,849	313,230	387,082	506,036	573,399	676,315	802,414	859,291	907,905	16.1%	12.2%	883,762
	technical	45,343	44,424	43,001	48,494	55,147	61,021	63,168	99,530	107,061	99,000	9.1%	12.9%	92,286
	sales&promo	44,156	52,214	58,890	89,908	104,551	115,178	120,952	161,295	150,446	141,833	13.8%	5.3%	149,624
	admin	40,639	48,656	56,726	74,787	81,409	94,276	111,947	160,519	192,601	170,893	17.3%	16.0%	202,087
	total	366,381	450,142	471,847	600,272	747,143	843,875	972,382	1,223,758	1,309,399	1,319,631	15.3%	11.8%	1,327,759
<b>Operating Income:</b>		85,415	91,706	117,890	116,926	133,513	212,887	232,134	146,016	225,140	359,940	17.3%	14.0%	478,177
	depreciation	6,013	8,301	9,334	13,193	15,974	17,626	23,311	33,913	31,925	29,502	19.3%	13.7%	30,730
<b>PBIT:</b>	\$	79,402	83,405	108,557	103,733	117,539	195,261	208,823	112,103	193,215	330,438	17.2%	14.1%	447,447
	margin %	17.6%	15.4%	18.4%	14.5%	13.3%	18.5%	17.3%	8.2%	12.6%	19.7%			24.8%
<b>Indicators:</b>														
	program/total revenues	52.3%	56.3%	53.1%	54.0%	57.5%	54.3%	56.1%	58.6%	56.0%	54.1%			48.9%
	s&p/airtime revenues	10.3%	10.0%	10.4%	12.9%	12.2%	11.2%	10.3%	12.0%	10.0%	8.6%			8.4%
	admin/total revenues	9.0%	9.0%	9.6%	10.4%	9.2%	8.9%	9.3%	11.7%	12.6%	10.2%			11.2%

Source: CRTC, Armstrong Consulting

- Over the period 1994/95 to 2004/05, the number of specialty television services reporting financial results to the CRTC increased by almost six times, from 21 to 120. Access rules established by the CRTC ensured that many of these services would have broad distribution, which helped to drive strong growth in subscriber revenues. The vast number and diversity of these new services propelled the transfer of viewing that was set out in Figure 5, which in turn drove strong increases in advertising revenues, as is set out in Figure 16 above and in Figure 17 below.

**Figure 17: Specialty Television, Local and National Advertising Revenues, \$ thousands, Retail Sales and Personal Disposable Income, \$ millions, Ratios, 1994/95 to 2003/04 and 2004/05, Canada**

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR		
											95-04	00-04	2004/05
Local	5,391	6,500	7,556	8,208	9,410	11,011	11,583	12,402	14,871	16,291	13.1%	10.3%	16,460
Retail Sales	220,134	225,282	239,849	253,955	265,592	282,742	296,747	313,474	327,499	339,630	4.9%	4.7%	360,951
Loc/Ret Sales	0.02	0.03	0.03	0.03	0.04	0.04	0.04	0.04	0.05	0.05			0.05
National	110,765	148,647	176,147	232,296	294,973	369,690	426,441	496,178	591,748	691,494	22.6%	16.9%	751,340
PDI	519,588	527,783	546,166	568,766	596,227	639,567	669,196	693,667	719,553	747,496	4.1%	4.0%	777,684
Nat/PDI	0.21	0.28	0.32	0.41	0.49	0.58	0.64	0.72	0.82	0.93			0.97

Source: CRTC, Statistics Canada, Armstrong Consulting

- Figure 18 sets out Canadian programming expenditures by specialty television services over the period 1999/00 to 2003/04 and in 2004/05. As this figure shows, expenditures on Canadian programming by specialty television services increased slightly faster than the rate of growth in revenues over the period, resulting in a modest increase in the percentage.

**Figure 18: Specialty Television, Total Revenues and Canadian Programming Expenses, 1999/00 to 2003/04 and 2004/05, \$ thousands, Canada**

	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR	
						00-04	2004/05
Total Revenues	1,056,762	1,204,515	1,369,773	1,534,539	1,679,572	12.3%	1,805,937
Cdn Prog	420,172	495,146	588,998	647,085	694,205	13.4%	637,657
% of Revenues	39.8%	41.1%	43.0%	42.2%	41.3%		35.3%

Source: CRTC, Armstrong Consulting

- Figure 19 sets out the revenues, expenses and profitability of English-language specialty television services over the period 1994/95 to 2003/04 and in 2004/05. In 2004/05, there were 84 English-language specialty television services in operation.

- As was the case for the specialty television industry as a whole, English-specialty television services experienced very strong growth in total revenues over the period at a CAGR of 16.4%, though growth was slower in all revenue categories in the latter half of the period.
- Profitability has varied with increased entry and was lower at the end of the period than at the beginning, though the recent trend is upward. Growth in expenses has tracked with revenues.

**Figure 19: English-Language Specialty Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	cable	229,146	268,423	280,810	325,113	394,140	446,724	468,396	486,419	487,728	521,726	9.6%	4.0%	553,546
	DTH	794	359	30	3,453	20,153	47,631	93,321	151,521	204,433	208,471	85.7%	44.6%	231,761
	local	-	0	-	335	-	-	-	3	2	4			174
	national	92,278	124,683	148,811	195,031	249,595	312,241	359,122	417,572	492,967	573,565	22.5%	16.4%	632,695
	other	14,926	9,840	10,439	11,833	16,083	20,621	18,701	18,060	18,854	15,111	0.1%	-7.5%	17,224
	<b>total</b>	<b>337,145</b>	<b>403,304</b>	<b>440,090</b>	<b>535,764</b>	<b>679,971</b>	<b>827,216</b>	<b>939,540</b>	<b>1,073,575</b>	<b>1,203,984</b>	<b>1,318,877</b>	<b>16.4%</b>	<b>12.4%</b>	<b>1,435,400</b>
<b>Expenses:</b>	program	178,114	227,106	229,973	283,355	397,140	448,766	522,724	636,957	672,880	710,927	16.6%	12.2%	689,857
	technical	28,071	30,207	30,184	33,897	40,903	44,415	46,207	81,036	88,503	81,034	12.5%	16.2%	73,080
	sales&promo	35,432	41,294	46,817	74,248	84,347	92,558	97,080	134,195	124,304	113,120	13.8%	5.1%	118,406
	admin	24,503	30,834	37,527	51,505	59,426	71,095	87,171	133,362	163,466	137,550	21.1%	17.9%	168,503
	<b>total</b>	<b>266,119</b>	<b>329,441</b>	<b>344,501</b>	<b>443,005</b>	<b>581,816</b>	<b>656,834</b>	<b>753,183</b>	<b>985,550</b>	<b>1,049,153</b>	<b>1,042,631</b>	<b>16.4%</b>	<b>12.2%</b>	<b>1,049,847</b>
<b>Operating Income:</b>		71,026	73,863	95,589	92,759	98,155	170,382	186,358	88,025	154,831	276,245	16.3%	12.8%	385,553
	depreciation	4,207	5,776	6,319	9,225	11,896	12,168	15,047	24,014	24,949	22,136	20.3%	16.1%	22,992
<b>PBIT:</b>	\$	66,819	68,087	89,271	83,535	86,259	158,215	171,311	64,011	129,881	254,109	16.0%	12.6%	362,562
	margin %	19.8%	16.9%	20.3%	15.6%	12.7%	19.1%	18.2%	6.0%	10.8%	19.3%			25.3%
<b>Indicators:</b>														
	program/total revenues	52.8%	56.3%	52.3%	52.9%	58.4%	54.3%	55.6%	59.3%	55.9%	53.9%			48.1%
	s&p/airtime revenues	11.0%	10.5%	10.9%	14.2%	12.7%	11.5%	10.5%	12.7%	10.5%	8.7%			8.3%
	admin/total revenues	7.3%	7.6%	8.5%	9.6%	8.7%	8.6%	9.3%	12.4%	13.6%	10.4%			11.7%

Source: CRTC, Armstrong Consulting

- Figure 20 sets out the revenues, expenses and profitability of for-profit English-language specialty television services over the period 2000/01 to 2004/05. As this figure shows, profitability increases in most years by about one point

when the results for the non-profit English-language specialty television services<sup>6</sup> are removed from the data for English-language specialty television services as a whole.

<b>Figure 20: For-Profit English-Language Specialty Television, Revenues, Expenses and Profitability, 2000/01 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
		<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	418,136	435,437	437,272	469,908	500,158
	DTH	84,705	139,715	190,665	193,451	215,349
	local	-	3	2	4	174
	national	347,600	404,678	479,535	559,831	616,158
	other	9,661	10,136	10,625	5,371	7,603
	total	860,102	989,968	1,118,099	1,228,565	1,339,442
<b>Expenses:</b>	program	465,749	577,785	604,810	642,572	626,552
	technical	41,347	76,207	83,662	76,008	68,011
	sales&promo	87,460	125,676	113,740	105,779	110,853
	admin	84,669	128,353	159,564	134,545	164,717
	total	679,224	908,022	961,776	958,903	970,133
<b>Operating Income:</b>		180,877	81,946	156,323	269,663	369,310
	depreciation	14,642	23,713	24,536	21,813	20,913
<b>PBIT:</b>	\$	166,235	58,233	131,787	247,850	348,397
	margin %	19.3%	5.9%	11.8%	20.2%	26.0%
<b>Indicators:</b>						
	program/total revenues	54.2%	58.4%	54.1%	52.3%	46.8%
	s&p/airtime revenues	10.3%	12.8%	10.3%	8.6%	8.3%

Source: CRTC, Armstrong Consulting

<sup>6</sup> Newsworld and Vision

- Figure 21 sets out Canadian programming expenditures by English-language specialty television services over the period 1999/00 to 2003/04 and in 2004/05. As this figure shows, expenditures on Canadian programming by specialty television services increased slightly faster than the rate of growth in revenues over the period, resulting in a modest increase in the percentage.

<b>Figure 21: English-Language Specialty Television, Total Revenues and Canadian Programming Expenses, 1999/00 to 2003/04 and 2004/05, \$ thousands, Canada</b>							
						CAGR	
	1999/00	2000/01	2001/02	2002/03	2003/04	00-04	2004/05
Total Revenues	827,216	939,540	1,073,575	1,203,984	1,318,877	12.4%	1,435,400
Cdn Prog	332,522	384,226	467,364	503,967	542,599	13.0%	480,832
% of Revenues	40.2%	40.9%	43.5%	41.9%	41.1%		33.5%

Source: CRTC, Armstrong Consulting

- Figure 22 presents the revenues, expenses and profitability of French-language specialty television services. In 2004/05, there were 18 French-language specialty television services in operation.
- As was the case for the specialty television industry as a whole and English-specialty television services, French-language specialty television services experienced strong growth in total revenues over the period at a CAGR of 13.7%. Though growth was slower in all revenue categories in the latter half of the period, the slow down was less severe for French-language than English-language specialty services, with the CAGR falling by only 1.5 points compared to 4.0 points.
- Moreover, unlike English-language specialty television services, French-language specialty services have experienced strong growth in profitability over the period. This may reflect the lower level of market entry in this sector over the period, as the number of French-language specialty services only increased by three times compared to the seven fold increase in English-language specialty services.

- French-language specialty television services also were much more effective than English-language specialty services in holding the growth of expenses below the growth of revenues to support increased profitability. Technical expenses decreased absolutely over the period and administrative expenses decreased as a percent of revenues.

**Figure 22: French-Language Specialty Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	cable	73,781	89,967	94,536	115,174	123,230	133,317	145,548	152,646	144,897	146,062	7.9%	2.3%	150,630
	DTH	109	8	-	987	3,924	6,798	15,823	26,289	44,497	48,686	97.0%	63.6%	51,150
	local	-	-	-	-	-	-	-	-	-	-			-
	national	14,416	19,399	20,917	29,146	36,579	46,989	57,731	68,809	90,951	108,640	25.2%	23.3%	108,315
	other	9,052	10,059	11,697	10,263	7,884	8,461	10,220	7,753	6,576	6,540	-3.5%	-6.2%	5,781
	total	97,358	119,434	127,151	155,570	171,616	195,566	229,322	255,498	286,922	309,928	13.7%	12.2%	315,876
<b>Expenses:</b>	program	49,788	68,217	72,779	89,364	94,988	109,122	136,803	148,213	167,094	176,310	15.1%	12.7%	169,132
	technical	16,048	12,587	11,192	12,563	12,267	14,666	15,064	14,595	14,596	14,152	-1.4%	-0.9%	14,883
	sales&promo	6,498	8,239	8,897	12,355	15,610	17,807	18,508	21,998	20,207	22,138	14.6%	5.6%	25,016
	admin	13,112	14,453	15,489	18,938	17,003	17,887	19,340	20,487	23,182	27,421	8.5%	11.3%	26,442
	total	85,445	103,496	108,356	133,220	139,868	159,483	189,715	205,294	225,080	240,021	12.2%	10.8%	235,473
<b>Operating Income:</b>		11,912	15,938	18,794	22,350	31,748	36,083	39,607	50,204	61,842	69,906	21.7%	18.0%	80,402
	depreciation	1,448	1,980	2,387	3,238	3,193	4,419	6,950	8,398	5,501	6,067	17.3%	8.2%	6,465
<b>PBIT:</b>	\$	10,465	13,958	16,408	19,111	28,555	31,664	32,657	41,806	56,341	63,840	22.3%	19.2%	73,937
	margin %	10.7%	11.7%	12.9%	12.3%	16.6%	16.2%	14.2%	16.4%	19.6%	20.6%			23.4%
<b>Indicators:</b>														
	program/total revenues	51.1%	57.1%	57.2%	57.4%	55.3%	55.8%	59.7%	58.0%	58.2%	56.9%			53.5%
	s&p/airtime revenues	7.4%	7.5%	7.7%	8.5%	9.5%	9.5%	8.4%	8.9%	7.2%	7.3%			8.1%
	admin/total revenues	13.5%	12.1%	12.2%	12.2%	9.9%	9.1%	8.4%	8.0%	8.1%	8.8%			8.4%

Source: CRTC, Armstrong Consulting

- Figure 23 sets out the revenues, expenses and profitability of for-profit French-language specialty television services over the period 2000/01 to 2004/05. As this figure shows, profitability increases by three to four points when the results for the non-profit French-language specialty television services<sup>7</sup> are removed from the data for French-language specialty television services as a whole.

<sup>7</sup> TV5 and RDI

<b>Figure 23: For-Profit French-Language Specialty Television, Revenues, Expenses and Profitability, 2000/01 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
		<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	105,038	112,072	112,081	113,368	116,862
	DTH	15,823	26,289	36,312	39,795	41,726
	local	-	-	-	-	-
	national	52,332	62,053	83,536	99,665	99,288
	other	955	348	944	851	443
	total	174,148	200,762	232,873	253,679	258,319
<b>Expenses:</b>	program	100,066	110,421	125,598	135,662	125,631
	technical	9,078	9,690	10,335	9,617	10,355
	sales&promo	15,042	18,073	16,813	17,873	19,651
	admin	15,990	16,846	19,835	24,780	22,268
	total	140,176	155,030	172,582	187,932	177,904
<b>Operating Income:</b>		33,973	45,733	60,291	65,747	80,415
	depreciation	3,369	3,998	4,146	3,892	4,162
<b>PBIT:</b>	\$	30,603	41,735	56,145	61,855	76,252
	margin %	17.6%	20.8%	24.1%	24.4%	29.5%
<b>Indicators:</b>						
	program/total revenues	57.5%	55.0%	53.9%	53.5%	48.6%
	s&p/airtime revenues	8.7%	9.0%	7.2%	7.1%	7.6%
	admin/total revenues	9.2%	8.4%	8.5%	9.8%	8.6%

Source: CRTC, Armstrong Consulting

- Figure 24 sets out Canadian programming expenditures by French-language specialty television services over the period 1999/00 to 2003/04 and in 2004/05. As this figure shows, expenditures on Canadian programming by these specialty television services increased more than three points faster than the rate of growth in revenues over the period, resulting in a significant increase in Canadian program expenditures as a percent of revenues.

<b>Figure 24: French-Language Specialty Television, Total Revenues and Canadian Programming Expenses, 1999/00 to 2003/04 and 2004/05, \$ thousands, Canada</b>							
						CAGR	
	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>00-04</u>	<u>2004/05</u>
Total Revenues	195,566	229,322	255,498	286,922	309,928	12.2%	315,876
Cdn Prog	79,315	101,868	111,953	131,795	140,063	15.3%	141,929
% of Revenues	40.6%	44.4%	43.8%	45.9%	45.2%		44.9%

Source: CRTC, Armstrong Consulting

- Figure 25 presents revenue, expense and profitability data for the analog specialty services.
- In 2004/05, there were 49 analog specialty television services reporting financial results to the CRTC. This group of services includes the longest-established and most financially successful specialty television services. The structure of the analog specialty television market has been stable since 2001/02. Profitability has increased over the period and particularly since the market structure stabilized. However, revenue growth is slowing markedly. Total revenues have been growing at less than 10% since 2002/03, which is below the CAGR for the period 1994/95 to 2003/04 as a whole and for the last half of that period.

**Figure 25: Analog Specialty Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR		
												95 to 04	00 to 04	2004/05
<b>Revenues:</b>	cable	310,643	366,051	383,493	449,487	527,030	590,444	625,205	639,289	621,396	649,954	8.5%	2.4%	679,770
	DTH	903	367	30	4,517	24,494	55,431	111,366	152,527	189,660	196,070	81.8%	37.1%	212,846
	local	5,391	6,500	7,556	8,208	9,410	11,011	11,583	12,135	14,193	15,739			15,419
	national	110,765	148,647	176,147	232,296	294,973	369,690	426,441	489,682	583,603	678,001	22.3%	16.4%	729,566
	other	24,092	20,283	22,512	22,688	24,749	30,186	29,920	26,705	23,131	20,999	-1.5%	-8.7%	19,903
	total	451,795	541,849	589,737	717,198	880,656	1,056,762	1,204,515	1,320,339	1,431,982	1,560,763	14.8%	10.2%	1,657,504
<b>Expenses:</b>	program	236,243	304,849	313,230	387,082	506,036	573,399	676,315	730,092	779,022	824,453	14.9%	9.5%	785,684
	technical	45,343	44,424	43,001	48,494	55,147	61,021	63,168	65,181	67,622	65,463	4.2%	1.8%	57,927
	sales&promo	44,156	52,214	58,890	89,908	104,551	115,178	120,952	125,413	132,939	127,954	12.5%	2.7%	134,586
	admin	40,639	48,656	56,726	74,787	81,409	94,276	111,947	121,412	154,746	141,778	14.9%	10.7%	155,243
	total	366,381	450,142	471,847	600,272	747,143	843,875	972,382	1,042,097	1,134,329	1,159,648	13.7%	8.3%	1,133,441
<b>Operating Income:</b>		85,415	91,706	117,890	116,926	133,513	212,887	232,134	278,242	297,653	401,115	18.8%	17.2%	524,063
	depreciation	6,013	8,301	9,334	13,193	15,974	17,626	23,311	23,943	19,169	20,724	14.7%	4.1%	23,266
<b>PBIT:</b>	\$	79,402	83,405	108,557	103,733	117,539	195,261	208,823	254,299	278,485	380,391	19.0%	18.1%	500,797
	margin %	17.6%	15.4%	18.4%	14.5%	13.3%	18.5%	17.3%	19.3%	19.4%	24.4%			30.2%
<b>Indicators:</b>														
	program/total revenues	52.3%	56.3%	53.1%	54.0%	57.5%	54.3%	56.1%	55.3%	54.4%	52.8%			47.4%
	s&p/airtime revenues	10.3%	10.0%	10.4%	12.9%	12.2%	11.2%	10.3%	9.7%	9.4%	8.3%			8.2%
	admin/total revenues	9.0%	9.0%	9.6%	10.4%	9.2%	8.9%	9.3%	9.2%	10.8%	9.1%			9.4%

Source: CRTC, Armstrong Consulting

- Figure 26 presents revenue, expense and profitability data for the English-language analog specialty services over the period 2000/01 to 2004/05. In 2004/05, there were 30 English-language analog specialty services.
- As this figure shows, the profitability of the English-language analog specialty television services was slightly higher than for analog specialty television services as a whole.

<b>Figure 26: Analog English-Language Specialty Television, Revenues, Expenses and Profitability, 2000/01 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
		<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	468,396	474,319	465,165	489,223	513,204
	DTH	93,321	122,057	138,185	139,326	153,998
	local	-	-	-	-	87
	national	359,122	411,077	484,905	560,367	612,204
	other	18,701	17,678	15,451	13,673	13,342
	total	939,540	1,025,131	1,103,706	1,202,589	1,292,836
<b>Expenses:</b>	program	522,724	565,302	593,551	628,730	598,664
	technical	46,207	47,046	49,563	47,866	40,522
	sales&promo	97,080	98,380	107,016	99,518	104,390
	admin	87,171	94,390	126,094	108,915	123,818
	total	753,183	805,118	876,223	885,029	867,394
<b>Operating Income:</b>		186,358	220,013	227,483	317,560	425,442
	depreciation	15,047	14,122	12,355	13,515	15,828
<b>PBIT:</b>	\$	171,311	205,891	215,129	304,045	409,614
	margin %	18.2%	20.1%	19.5%	25.3%	31.7%
<b>Indicators:</b>						
	program/total revenues	55.6%	55.1%	53.8%	52.3%	46.3%
	s&p/airtime revenues	10.5%	9.8%	9.8%	8.4%	8.2%
	admin/total revenues	9.3%	9.2%	11.4%	9.1%	9.6%

Source: CRTC, Armstrong Consulting

- Figure 27 presents revenue, expense and profitability data for the for-profit English-language analog specialty services over the period 2000/01 to 2004/05.

<b>Figure 27: For-Profit Analog English-Language Specialty Television, Revenues, Expenses and Profitability, 2000/01 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
		<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	418,136	423,337	414,709	437,405	459,817
	DTH	84,705	110,251	124,418	124,306	137,586
	local	-	-	-	-	87
	national	347,600	398,182	471,473	546,634	595,667
	other	9,661	9,754	7,221	3,933	3,722
	total	860,102	941,524	1,017,821	1,112,278	1,196,878
<b>Expenses:</b>	program	465,749	506,130	525,481	560,375	535,359
	technical	41,347	42,217	44,721	42,840	35,453
	sales&promo	87,460	89,860	96,452	92,177	96,837
	admin	84,669	89,382	122,192	105,909	120,031
	total	679,224	727,589	788,846	801,301	787,680
<b>Operating Income:</b>		180,877	213,934	228,976	310,977	409,199
	depreciation	14,642	13,821	11,942	13,192	13,749
<b>PBIT:</b>	\$	166,235	200,113	217,034	297,786	395,450
	margin %	19.3%	21.3%	21.3%	26.8%	33.0%
<b>Indicators:</b>						
	program/total revenues	54.2%	53.8%	51.6%	50.4%	44.7%
	s&p/airtime revenues	10.3%	9.6%	9.5%	8.3%	8.1%
	admin/total revenues	9.8%	9.5%	12.0%	9.5%	10.0%

Source: CRTC, Armstrong Consulting

- As this figure shows, the profitability of the for-profit analog English-language services was about 1.5 points higher each year than for all analog English-language specialty television services as a whole.

- Figure 28 presents revenue, expense and profitability data for the French-language analog specialty services over the period 2000/01 to 2004/05. There were 14 of these services in 2004/05.

<b>Figure 28: Analog French-Language Specialty Television, Revenues, Expenses and Profitability, 2000/01 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
		<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	145,548	152,646	144,897	146,062	150,428
	DTH	15,823	26,289	44,497	48,686	50,880
	local	-	-	-	-	-
	national	57,731	68,809	90,951	108,640	107,490
	other	10,220	7,753	6,576	6,540	5,781
	total	229,322	255,498	286,922	309,928	314,580
<b>Expenses:</b>	program	136,803	148,213	167,094	176,310	164,927
	technical	15,064	14,595	14,596	14,152	13,747
	sales&promo	18,508	21,998	20,207	22,138	24,364
	admin	19,340	20,487	23,182	27,421	25,742
	total	189,715	205,294	225,080	240,021	228,780
<b>Operating Income:</b>		39,607	50,204	61,842	69,906	85,800
	depreciation	6,950	8,398	5,501	6,067	6,407
<b>PBIT:</b>	\$	32,657	41,806	56,341	63,840	79,394
	margin %	14.2%	16.4%	19.6%	20.6%	25.2%
<b>Indicators:</b>						
	program/total revenues	59.7%	58.0%	58.2%	56.9%	52.4%
	s&p/airtime revenues	8.4%	8.9%	7.2%	7.3%	7.9%
	admin/total revenues	8.4%	8.0%	8.1%	8.8%	8.2%

Source: CRTC, Armstrong Consulting

- Analog French-language specialty television services were more profitable by approximately two points than French-language specialty television services as a whole in 2004/05, the only year that both analog and digital French-language specialty television services reported financial results.
- Figure 29 presents revenue, expense and profitability data for the for-profit French-language analog specialty services over the period 2000/01 to 2004/05.
- As this figure shows, the profitability of the for-profit analog French-language services was consistently a few points higher each year than for all analog French-language specialty television services as a whole.

<b>Figure 29: For-Profit Analog French-Language Specialty Television, Revenues, Expenses and Profitability, 2000/01 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
		<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	105,038	105,202	104,053	105,205	108,242
	DTH	15,823	24,992	34,303	37,498	38,981
	local	-	-	-	-	-
	national	52,332	61,378	82,649	98,312	96,697
	other	955	348	944	851	352
	total	174,148	191,920	221,948	241,867	244,272
<b>Expenses:</b>	program	100,066	103,906	118,095	127,180	112,192
	technical	9,078	8,979	9,635	8,973	8,590
	sales&promo	15,042	16,752	15,257	16,211	17,380
	admin	19,340	20,487	23,182	27,421	25,742
	total	143,525	150,125	166,168	179,786	163,904
<b>Operating Income:</b>		30,623	41,795	55,780	62,081	80,368
	depreciation	3,369	3,603	3,760	3,783	4,022
<b>PBIT:</b>	\$	27,254	38,192	52,020	58,298	76,346
	margin %	15.6%	19.9%	23.4%	24.1%	31.3%
<b>Indicators:</b>						
	program/total revenues	57.5%	54.1%	53.2%	52.6%	45.9%
	s&p/airtime revenues	8.7%	8.7%	6.9%	6.7%	7.1%
	admin/total revenues	11.1%	10.7%	10.4%	11.3%	10.5%

Source: CRTC, Armstrong Consulting

- Figure 30 sets out the revenues, expenses and profitability of the Category 1 digital specialty television services in 2001/02 to 2003/04 and in 2004/05.

<b>Figure 30: Category 1 Digital Specialty Television, Revenues, Expenses and Profitability, 2001/02 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
					<u>CAGR</u>	
		<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>02 to 04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	6,612	9,132	11,454	31.6%	15,148
	DTH	11,055	29,976	31,624	69.1%	34,168
	local	-	-	-		23
	national	2,379	2,688	3,439	20.2%	5,592
	other	45	3,213	1,139	402.5%	2,517
	total	20,091	45,010	47,657	54.0%	57,448
<b>Expenses:</b>	program	32,008	34,799	33,908	2.9%	42,977
	technical	12,341	13,347	12,469	0.5%	12,585
	sales&promo	13,418	7,500	5,585	-35.5%	5,746
	admin	15,042	12,941	10,373	-17.0%	22,686
	total	72,809	68,588	62,335	-7.5%	83,994
<b>Operating Income:</b>		(52,719)	(23,578)	(14,678)	152.8%	(26,547)
	depreciation	2,206	2,593	2,344	3.1%	2,199
<b>PBIT:</b>	\$	(54,925)	(26,171)	(17,023)	155.7%	(28,746)
	margin %	-273.4%	-58.1%	-35.7%		-50.0%
<b>Indicators:</b>						
	program/total revenues	159.3%	77.3%	71.1%		74.8%
	s&p/airtime revenues	66.9%	17.9%	12.0%		10.5%
	admin/total revenues	74.9%	28.8%	21.8%		39.5%

Source: CRTC, Armstrong Consulting

- In 2004/05, there were 17 Category 1 digital specialty television services reporting financial results to the CRTC. These services benefit from broad distribution in digital cable and DTH households due to CRTC access rules. They have experienced strong growth in total revenues at a CAGR of 54% and have made progress in reducing their operating losses. However, their potential for growth currently is limited by the smaller size of the digital distribution market compared to the analog market. This limitation will diminish over time but in the meantime, these services will continue to face significant financial challenges.
- Figure 31 sets out the revenues, expenses and profitability of the Category 2 digital specialty television services in 2001/02 to 2003/04 and in 2004/05.
- In 2004/05, there were 54 Category 2 digital specialty television services reporting financial results to the CRTC. These services do not benefit to the same degree from CRTC access rules as do the Category 1 services. However, these services have also experienced strong growth in total revenues at a CAGR of 55.7% since their launch in 2001/02, and have made progress in reducing their operating losses, though these losses are still substantial totaling \$25 million in 2004/05 or -27%. These services are likely to face significant financial challenges for some time.

<b>Figure 31: Category 2 Digital Specialty Television, Revenues, Expenses and Profitability, 2001/02 to 2003/04 and 2004/05, Canada, \$ thousands</b>						
					<u>CAGR</u>	
		<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>02 to 04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	5,872	14,417	22,256	94.7%	27,115
	DTH	18,541	36,424	37,773	42.7%	44,708
	local	266	678	553		1,017
	national	4,117	5,457	10,053	56.3%	16,182
	other	547	571	516	-2.8%	1,963
	total	29,344	57,547	71,152	55.7%	90,985
<b>Expenses:</b>	program	40,314	45,470	49,544	10.9%	55,101
	technical	22,008	26,091	21,068	-2.2%	21,774
	sales&promo	22,464	10,008	8,294	-39.2%	9,292
	admin	24,065	24,914	18,742	-11.8%	24,158
	total	108,851	106,482	97,648	-5.3%	110,324
<b>Operating Income:</b>		(79,507)	(48,935)	(26,496)	157.7%	(19,339)
	depreciation	7,764	10,163	6,434	-9.0%	5,265
<b>PBIT:</b>	\$	(87,271)	(59,098)	(32,930)	161.4%	(24,604)
	margin %	-297.4%	-102.7%	-46.3%		-27.0%
<b>Indicators:</b>						
	program/total revenues	137.4%	79.0%	69.6%		60.6%
	s&p/airtime revenues	78.0%	17.6%	11.7%		10.4%
	admin/total revenues	82.0%	43.3%	26.3%		26.6%

Source: CRTC, Armstrong Consulting

- Figures 32 and 33 present revenue, expense and profitability data for the English-language and French-language digital specialty television services. In 2004/05, there were 54 English-language digital specialty television services and 4 French-language digital specialty services.

- As these figures show, profit margins are improving for the English-language services, though they are still strongly negative after four years of operation. Data for the French-language services are for one year only and reflect the substantial losses that are incurred by most new services in their first year of operation.

**Figure 32: English-Language Digital Specialty Television, Revenues, Expenses and Profitability, 2001/02 to 2003/04 and 2004/05, Canada, \$ thousands**

		<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>CAGR</u> <u>02 to 04</u>	<u>2004/05</u>
<b>Revenues:</b>	cable	12,100	22,563	32,503	63.9%	40,341
	DTH	29,464	66,248	69,145	53.2%	77,763
	local	3	2	4		87
	national	6,496	8,062	13,197	42.5%	20,490
	other	382	3,403	1,438	93.9%	3,881
	total	48,444	100,277	116,288	54.9%	142,564
<b>Expenses:</b>	program	71,655	79,329	82,197	7.1%	91,193
	technical	33,990	38,941	33,168	-1.2%	32,558
	sales&promo	35,816	17,289	13,602	-38.4%	14,016
	admin	38,971	37,372	28,636	-14.3%	44,686
	total	180,432	172,930	157,602	-6.5%	182,453
<b>Operating Income:</b>		(131,988)	(72,653)	(41,315)	155.9%	(39,889)
	depreciation	9,892	12,595	8,621	-6.6%	7,163
<b>PBIT:</b>	\$	(141,880)	(85,247)	(49,936)	159.3%	(47,053)
	margin %	-292.9%	-85.0%	-42.9%		-33.0%
<b>Indicators:</b>						
	program/total revenues	147.9%	79.1%	70.7%		64.0%
	s&p/airtime revenues	74.5%	17.8%	11.8%		10.1%
	admin/total revenues	80.4%	37.3%	24.6%		31.3%

Source: CRTC, Armstrong Consulting

**Figure 33: French-Language Digital Specialty Television, Revenues, Expenses and Profitability, 2001/02 to 2003/04 and 2004/05, Canada, \$ thousands**

					CAGR	
		2001/02	2002/03	2003/04	02 to 04	2004/05
<b>Revenues:</b>	cable	-	-	-	-	202
	DTH	-	-	-	-	269
	local	-	-	-	-	-
	national	-	-	-	-	825
	other	-	-	-	-	-
	total	-	-	-	-	1,296
<b>Expenses:</b>	program	-	-	-	-	4,205
	technical	-	-	-	-	1,137
	sales&promo	-	-	-	-	652
	admin	-	-	-	-	700
	total	-	-	-	-	6,694
<b>Operating Income:</b>		-	-	-	-	(5,398)
	depreciation	-	-	-	-	59
<b>PBIT:</b>	\$	-	-	-	-	(5,457)
	margin %	-	-	-	-	-421.1%
<b>Indicators:</b>						
	program/total revenues	-	-	-		324.5%
	s&p/airtime revenues	-	-	-		50.3%
	admin/total revenues	-	-	-		54.0%

Source: CRTC, Armstrong Consulting

## E. Pay Television

- Figure 34 sets out the revenues, expenses and profitability of Canadian English and French-language pay television services over the period 1994/95 to 2003/04 and in 2004/05.

**Figure 34: Pay Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	cable	123,418	122,491	127,076	116,895	123,045	135,875	157,552	180,220	184,578	203,266	5.7%	10.6%	206,003
	DTH	1,075	105	-	7,344	33,037	77,194	127,597	152,022	161,821	168,405	75.3%	21.5%	167,897
	local	-	-	-	-	-	-	-	-	-	-			-
	national	-	-	-	-	-	-	-	-	-	-			-
	other	71	36	43	644	600	600	845	271	411	317	18.0%	-14.7%	472
	<b>total</b>	<b>124,565</b>	<b>122,631</b>	<b>127,119</b>	<b>124,884</b>	<b>156,682</b>	<b>213,669</b>	<b>285,994</b>	<b>332,513</b>	<b>346,810</b>	<b>371,988</b>	<b>12.9%</b>	<b>14.9%</b>	<b>374,372</b>
<b>Expenses:</b>	program	66,582	70,246	72,954	67,658	83,684	115,176	153,170	187,473	195,548	220,290	14.2%	17.6%	211,395
	technical	13,171	10,460	9,583	8,200	8,217	13,233	13,327	13,010	14,262	10,910	-2.1%	-4.7%	11,018
	sales&promo	15,898	14,982	15,703	13,081	16,832	30,476	33,793	29,385	25,547	24,882	5.1%	-4.9%	23,229
	admin	8,878	10,526	10,289	10,272	13,573	21,525	18,793	16,779	17,107	23,730	11.5%	2.5%	23,280
	<b>total</b>	<b>104,529</b>	<b>106,214</b>	<b>108,529</b>	<b>99,211</b>	<b>122,305</b>	<b>180,410</b>	<b>219,082</b>	<b>246,646</b>	<b>252,464</b>	<b>279,812</b>	<b>11.6%</b>	<b>11.6%</b>	<b>268,923</b>
<b>Operating Income:</b>		<b>20,036</b>	<b>16,417</b>	<b>18,590</b>	<b>25,673</b>	<b>34,377</b>	<b>33,259</b>	<b>66,912</b>	<b>85,867</b>	<b>94,346</b>	<b>92,176</b>	<b>18.5%</b>	<b>29.0%</b>	<b>105,449</b>
	depreciation	1,061	1,301	1,914	3,110	2,685	6,997	4,824	5,479	2,656	4,441	17.2%	-10.7%	3,362
<b>PBIT:</b>	\$	<b>18,975</b>	<b>15,116</b>	<b>16,676</b>	<b>22,563</b>	<b>31,692</b>	<b>26,263</b>	<b>62,088</b>	<b>80,388</b>	<b>91,690</b>	<b>87,735</b>	<b>18.5%</b>	<b>35.2%</b>	<b>102,087</b>
	margin %	15.2%	12.3%	13.1%	18.1%	20.2%	12.3%	21.7%	24.2%	26.4%	23.6%			27.3%
<b>Indicators:</b>														
	program/total revenues	53.5%	57.3%	57.4%	54.2%	53.4%	53.9%	53.6%	56.4%	56.4%	59.2%			56.5%
	s&p/airtime revenues	12.8%	12.2%	12.4%	10.5%	10.8%	14.3%	11.9%	8.8%	7.4%	6.7%			6.2%
	admin/total revenues	7.1%	8.6%	8.1%	8.2%	8.7%	10.1%	6.6%	5.0%	4.9%	6.4%			6.2%

Source: CRTC, Armstrong Consulting

- Unlike most other sectors of the television industry, the pay television sector experienced stronger growth in total revenues over the latter half of the period at a CAGR of 14.9% than during the period as whole at a CAGR of 12.9%. This stronger growth was driven by a modest increase in the number of pay and pay-per-view services and more importantly, by the growth of the digital cable and DTH distribution market.

- Programming costs increased more rapidly than revenues, but these increases were offset by slower growth in other expense categories, especially in the latter half of the period. As a result, profitability increased over the period, with a relatively steady upward trend since 2000/01.
- Figure 35 sets out Canadian programming expenditures by pay television services over the period 1999/00 to 2003/04 and in 2004/05. As this figure shows, expenditures on Canadian programming by these services increased slightly faster than the rate of growth in revenues over the period, resulting in a modest increase in the percentage to 2003/04.

	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 00-04	2004/05
Total Revenues	213,669	285,994	332,513	346,810	371,988	14.9%	374,372
Cdn Prog	35,561	31,349	43,205	54,000	62,795	15.3%	58,668
% of Revenues	16.6%	11.0%	13.0%	15.6%	16.9%		15.7%

Source: CRTC, Armstrong Consulting

## F. Ethnic Pay and Specialty

- Figure 36 sets out the revenues, expenses and profitability of ethnic specialty and pay television services over the period 1994/95 to 2003/04 and for 2004/05. The number of these services reporting financial results to the CRTC increased from 3 in 1994/95 to 21 in 2004/05.

**Figure 36: Ethnic Specialty and Pay Television, Revenues, Expenses and Profitability, 1994/95 to 2003/04 and 2004/05, Canada, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	CAGR 95 to 04	00 to 04	2004/05
<b>Revenues:</b>	cable	7,716	7,662	8,146	9,200	9,661	10,404	11,262	12,708	12,318	15,876	8.3%	11.1%	18,190
	DTH	-	-	-	78	417	1,002	2,222	4,312	7,130	8,311		69.7%	9,869
	local	5,391	6,500	7,556	7,874	9,410	11,011	11,583	12,399	14,870	16,287	13.1%	10.3%	16,286
	national	4,072	4,564	6,418	8,119	8,799	10,460	9,587	9,797	7,830	9,289	9.6%	-2.9%	10,330
	other	404	385	376	592	782	1,105	1,000	1,484	1,485	1,003	10.6%	-2.4%	1,378
	total	17,583	19,111	22,496	25,864	29,069	33,980	35,653	40,700	43,634	50,767	12.5%	10.6%	56,054
<b>Expenses:</b>	program	8,341	9,526	10,478	14,363	13,909	15,511	16,787	17,244	19,317	20,668	10.6%	7.4%	25,514
	technical	1,125	1,629	1,625	2,034	1,977	1,940	1,897	3,898	3,961	3,815	14.5%	18.4%	4,375
	sales&promo	2,226	2,681	3,176	3,305	4,594	4,813	5,364	5,101	5,935	6,575	12.8%	8.1%	6,289
	admin	3,024	3,370	3,710	4,345	4,979	5,294	5,436	6,670	5,953	5,921	7.8%	2.8%	7,267
	total	14,716	17,205	18,989	24,047	25,459	27,559	29,484	32,913	35,167	36,979	10.8%	7.6%	43,445
<b>Operating Income:</b>		2,867	1,905	3,507	1,817	3,610	6,422	6,169	7,787	8,467	13,788	19.1%	21.0%	12,609
	depreciation	358	546	629	730	885	1,039	1,314	1,501	1,475	1,300	15.4%	5.8%	1,305
<b>PBIT:</b>	\$	2,509	1,360	2,878	1,087	2,725	5,383	4,855	6,287	6,993	12,489	19.5%	23.4%	11,304
	margin %	14.3%	7.1%	12.8%	4.2%	9.4%	15.8%	13.6%	15.4%	16.0%	24.6%			20.2%
<b>Indicators:</b>														
	program/total revenues	47.4%	49.8%	46.6%	55.5%	47.8%	45.6%	47.1%	42.4%	44.3%	40.7%			45.5%
	s&p/airtime revenues	13.0%	14.3%	14.4%	13.1%	16.2%	14.6%	15.5%	13.0%	14.1%	13.2%			11.5%
	admin/total revenues	17.2%	17.6%	16.5%	16.8%	17.1%	15.6%	15.2%	16.4%	13.6%	11.7%			13.0%

Source: CRTC, Armstrong Consulting

- These ethnic broadcasting services experienced strong growth in total revenues over the period at a CAGR of 12.5%, though growth in total revenues moderated somewhat in the latter half of the period.

- Expenses, including programming expenses, increased at lower CAGR than the CAGR for total revenues, resulting in significantly increased profitability over the period. However, a substantial portion of this increase appears to have been driven by a temporary decrease in programming expenses as a percent of total revenues in 2003/04 and therefore, may not be indicative of the underlying trend, especially given the substantial amount of new entry that has occurred very recently.
- Figure 37 sets out Canadian programming expenditures by ethnic specialty and pay television services over the period 1999/00 to 2003/04 and in 2004/05. As this figure shows, expenditures on Canadian programming by these services increased at a lower rate than the rate of growth in revenues over the period, resulting in a decrease in the percentage to 2003/04.

						CAGR	
	1999/00	2000/01	2001/02	2002/03	2003/04	00-04	2004/05
Total Revenues	33,980	35,653	40,700	43,634	50,767	10.6%	56,054
Cdn Prog	8,336	9,052	9,681	11,324	11,543	8.5%	15,606
% of Revenues	24.5%	25.4%	23.8%	26.0%	22.7%		27.8%

Source: CRTC, Armstrong Consulting

## G. Comparative Statistics

- Figure 38 sets out total revenues per reporting unit for private conventional television, specialty, and pay television over the period 1994/95 to 2004/05.

**Figure 38: Total Revenues per Reporting Unit, Canada, 1994/95 to 2003/04 and 2004/05, \$ thousands**

		1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Private Conventional	\$	1,576,116	1,605,319	1,707,313	1,824,519	1,867,215	1,879,532	1,903,500	1,892,758	2,092,451	2,115,036	2,197,716
	units	95	95	94	99	99	99	98	99	94	96	96
	\$/unit	16,591	16,898	18,163	18,429	18,861	18,985	19,423	19,119	22,260	22,032	22,893
Specialty	\$	451,795	541,849	589,737	717,198	880,656	1,056,762	1,204,515	1,369,773	1,534,539	1,679,572	1,805,937
	units	21	21	22	35	39	46	48	98	99	103	120
	\$/unit	21,514	25,802	26,806	20,491	22,581	22,973	25,094	13,977	15,500	16,307	15,049
Pay Television	\$	124,565	122,631	127,119	124,884	156,682	213,669	285,994	332,513	346,810	371,988	374,372
	units	8	8	9	12	12	13	13	14	14	14	16
	\$/unit	15,571	15,329	14,124	10,407	13,057	16,436	22,000	23,751	24,772	26,571	23,398

Source: CRTC, Armstrong Consulting

- As this figure shows, the number of reporting units for conventional television broadcasters was relatively stable over the period, with revenues per unit increasing somewhat, reflecting the mature structure of this industry sector and its moderate growth rate. Revenues per pay television reporting unit also increased over the period even as the number of reporting units doubled, reflecting the higher rate of growth in this sector. Revenues per reporting unit in the specialty sector decreased notwithstanding the high rate of growth in revenues in this sector, reflecting the very rapid increase in the number of reporting units.
- Figure 39 presents the total revenues and profitability of the conventional television, specialty, pay television and broadcasting distribution (BDU) sectors over the period 1999/00 to 2003/04 and 2004/05.

<b>Figure 39: Total Revenues and Profitability, Private Conventional, Specialty, Pay and Broadcast Distribution Undertakings, Canada, 1999/00 to 2003/04 and 2004/05, \$ thousands</b>								
							CAGR	
		1999/00	2000/01	2001/02	2002/03	2003/04	00-04	2004/05
Revenues	Private Conventional	1,879,532	1,903,500	1,892,758	2,092,451	2,115,036	3.0%	2,197,716
	Specialty	1,056,762	1,204,515	1,369,773	1,534,539	1,679,572	12.3%	1,805,937
	Pay Television	213,669	285,994	332,513	346,810	371,988	14.9%	374,372
	BDU	3,540,632	4,105,354	4,655,427	5,360,209	5,912,195	13.7%	6,042,758
	Total	6,690,595	7,499,363	8,250,472	9,334,008	10,078,790	10.8%	10,420,783
PBIT (\$)	Private Conventional	260,268	241,907	178,242	298,621	233,367	-2.7%	242,178
	Specialty	195,261	208,823	112,103	193,215	330,438	14.1%	447,447
	Pay Television	26,263	62,088	80,388	91,690	87,735	35.2%	102,087
	BDU	214,653	210,274	324,153	618,730	972,195	45.9%	971,097
	Total	696,444	723,092	694,887	1,202,255	1,623,735	23.6%	1,762,808
PBIT (%)	Private Conventional	13.8%	12.7%	9.4%	14.3%	11.0%		11.0%
	Specialty	18.5%	17.3%	8.2%	12.6%	19.7%		24.8%
	Pay Television	12.3%	21.7%	24.2%	26.4%	23.6%		27.3%
	BDU	6.1%	5.1%	7.0%	11.5%	16.4%		16.1%
	Total	10.4%	9.6%	8.4%	12.9%	16.1%		16.9%

Source: CRTC, Armstrong Consulting

- As this figure shows, revenues for specialty, pay television and BDU services increased at a higher CAGR than the CAGR for the total of the four sectors, while revenues for conventional television broadcasters increased at a CAGR well below that for the total.
- The profitability of the BDU sector increased at CAGR of 45.9% and accounted for almost 60% of the profitability of the four sectors combined in 2003/04 and 55% in 2004/05. In contrast, the profitability of the private conventional television sector decreased over the period at a CAGR of -2.7%.

## H. Conclusions

- The Canadian television broadcasting industry registered a strong economic performance over the period 1994/95 to 2003/04. Total revenues for all television services grew more quickly than the Canadian economy as a whole, with the result that television revenues as a percentage of GDP increased. The number and diversity of the television broadcasting services available to Canadians has been vastly expanded. Profitability has increased in many sectors of the industry, in some cases significantly, especially in the French-language sector and often due to better cost control and improved operating efficiencies. Expenditures on Canadian programming generally increased faster than the rate of growth in revenues.
- However, there is considerable evidence that growth in the Canadian television broadcasting industry is slowing.
- Television advertising revenues increased at a CAGR of 5.3% and kept pace with the rate of growth in all media advertising, though the growth rate slowed in the second half of the period and other advertiser-supported media, such as the Internet, magazines and out-of-home, registered much stronger performances. Subscription revenues increased rapidly over the period at a CAGR of 13.1% and now account for over 30% of total combined television advertising and subscription revenues, compared to 19% in 1994/95. However, growth in these revenues also slowed in the latter half of the period.
- Profitability in the private conventional television broadcasting sector as a whole is drifting downward. This trend is being driven by the English-language private conventional television broadcasters, whose growth in revenues over the past five years at a CAGR of 2.8% has barely exceeded the rate of inflation, while total expenses and programming expenses in particular increased at a much higher rate. French-language conventional television broadcasters, on the other hand, with revenues increasing at a CAGR of 3.8% over the past ten years and with less upward pressure on expenses, have experienced a modest improvement in profitability.
- There were significant differences in the financial performance of private conventional television stations in major and smaller markets over the period. Smaller market private television stations were considerably less profitable.

- Revenues are now growing more slowly in the specialty television sector as whole and in both the English and French-language specialty sectors. The profitability of English-language specialty services decreased modestly over the period, though the recent trend is upward due to reduced growth in expenses. The French-language specialty television broadcasters have been much more effective at controlling the growth of expenses and as such, significantly increased their profitability over the period.
- The long-established analog specialty television services appear to have achieved solid and stable profitability, though they have experienced a very significant reduction in the rate of growth in their revenues over recent years. The Category 1 and 2 digital specialty television services have experienced strong growth in revenues and have made progress in reducing their operating losses, but are likely to face significant financial challenges for some time.
- The pay television sector is running counter to the general trend, with an increase in its revenue growth rate and a very strong upward trend in profitability, driven in large part by the growth in the digital distribution market.
- The number of ethnic pay and specialty services increased significantly over the period, with much of this increase occurring in 2004/05. Trends in this sector mirror the general trends in the industry, with slower growth in revenues and increased profitability achieved through cost control.
- A comparison of the revenues and profitability of the private conventional, specialty and pay television sectors to the broadcasting distribution sector highlights the size and strong financial performance of the broadcasting distribution sector and the deteriorating financial position of the private conventional television sector with very low growth in revenues and decreasing profitability.