



March 24, 2020

Hon. Steven Guilbeault, PC, MP
Minister of Canadian Heritage
House of Commons
Ottawa, ON
K1A 0A6

Dear Minister:

Re: Impact of COVID-19 on Canadian Broadcasters – Request for emergency relief

As Canadians navigate the COVID-19 crisis, private broadcasters are taking all possible measures to stay on air and continue to provide critical local news and information in communities across the country. Unfortunately, private radio and television stations are witnessing unprecedented losses in advertising revenue. Without emergency relief, private local broadcasters will face the prospect of closures in as little as two or three months, leaving many communities without a local media presence. This letter outlines key emergency steps we propose Federal Government take to allow broadcasters to stay on air to provide critical services in this time of crisis.

Canada's private broadcasters

The Canadian Association of Broadcasters (CAB) is the national voice of Canada's private broadcasters, which comprise 600 private radio stations across 250 local markets, 94 private TV stations across 44 markets and 286 discretionary services.¹ Private broadcasters contribute \$15.3 billion to the Canadian economy,² and serve English, French, aboriginal and third-language Canadians in every part of the country. We form the private element of "a public service essential to the maintenance and enhancement of national

¹ CRTC Financial Summaries.

² Ibid, Statistics Canada, Communications Management Inc.

identity and cultural sovereignty”,³ and have been recognized as “essential services” in recent provincial shut-downs of non-essential services.⁴

With the COVID-19 crisis evolving rapidly, private broadcasters are turning to you for support in order to be able to continue providing critical services to Canadians. Private over-the-air television and radio stations are entirely dependent on advertising as their principal source of revenue. The COVID-19 crisis has a direct negative impact on the continuity of retail businesses and their advertising buys, and hence an immediate and significant impact on the local and national revenues of television and radio stations. Especially at this time of unprecedented crisis, private broadcasters are key to providing trusted news and information to Canadians, traditionally and online.⁵

Even before the COVID-19 crisis, for a number of years, private broadcasters have sustained difficult economic circumstances due to the influx of foreign internet platforms:

- Private local TV revenues have declined over 28%, from a peak of \$2.14 billion in 2011 to \$1.54 billion in 2018, a trend that has been continuing at a slightly lower rate; and
- Private radio revenues declined 6% from their peak of \$1.60 billion in 2013 to \$1.51 billion in 2018, and a further 5% in 2019, a trend that has accelerated.⁶

COVID-19 is dramatically increasing these already significant revenue declines.

Impact of COVID-19

Advertising on mainstream local media predominantly comes from consumer facing retail businesses. The challenges confronting Canada’s retail sector from COVID-19 are now understandably resulting in a considerable volume of advertising cancellations on private radio and television stations.

As a result, broadcasters are seeing advertising revenue declines of 20% and more at this time. Declines of 50% to 75% in the next weeks are unfortunately expected.⁷

³ *Broadcasting Act*, SC 1991, c 11, s.3(1)(b).

⁴ For example, in Ontario and Quebec, broadcasters fall under the category of Communications services. As federally regulated businesses, it would be vital that the Federal Government designate broadcasters as being permitted to continue to operate should the *Emergencies Act* be utilized.

⁵ 66% of Canadians get news from TV, while 25% get it from radio. The most trusted local and national TV news brands – CTV, TVA, Global and City – also operate some of the most frequently visited news websites in Canada. Other radio and TV broadcasters across the country are also the dominant local news providers – on-air and online – in their communities. Reuters, *2019 Digital News Report*. The value of the sense of community that local radio and TV help create in times of crisis and isolation should also not be underestimated.

⁶ CRTC Financial Summaries through to 2018. CAB Radio TRAM reporting for 2019 to present. February TRAM figures report a 6.2% drop in radio revenues year over year, and an 8.2% revenue drop in the broadcast year commencing September 1, 2019.

⁷ CAB is aware that Canadian Heritage staff have already been in contact with many of our members on the impact of COVID-19, and asked them to share financial information. CAB would be pleased to help coordinate such information gathering going forward.

As our costs to produce and air programming remain largely fixed, such revenue losses are not sustainable. To prevent local station closures – and a loss of local news – bold action is necessary.

Proposed emergency measures

The following federal government measures would provide significant support at this time, and, as a package, allow private broadcasters to stay on air and maintain news coverage. Some measures could be taken administratively (and thus immediately), while others would require legislative change (but still be implemented rapidly).

Immediate roll-out (administrative change)

- Redirecting of federal government advertising buys to Canadian media outlets;
- Suspension of all monthly & quarterly federal HST instalment payments;⁸
- Suspension of broadcast licence fees;⁹ and
- Reimbursing required TV broadcaster 600 MHz relocation expenses.

Rapid roll-out (legislative change required)

- Extending the journalism tax credit to broadcasters;¹⁰
- Making TV news and other broadcaster produced programming eligible for production tax credits;¹¹
- Expanding the temporary wage subsidy for small business announced March 18, 2020;¹² and
- Amending section 19 of the Income Tax Act to create an incentive to advertise on Canadian media.

The Canadian Association of Broadcasters is seeking your support to avoid, in the short term, closure of stations that would leave many communities without a local media presence and increase the number of unemployed Canadians.

The CAB is in communication with officials at the CRTC in respect of short-term flexibility on regulatory requirements. The CRTC clearly recognizes the importance of local broadcasters staying on air, and the efforts being made to continue to provide crucial news and information, at this time. Commission staff have assured broadcasters that the CRTC will be flexible in its approach to compliance, when best efforts are being made.

⁸ We note that CRA announced, effective March 18, 2010, that it will allow all businesses to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18 and before September 2020. This should be extended indefinitely.

⁹ Broadcasters pay both CRTC Part 1 and Part 2 licence fees.

¹⁰ At present, this previously announced credit only applies to print journalism.

¹¹ News, current affairs and other programming produced by broadcasters does not qualify for the *Canadian Film or Video Production Tax Credit* (CPTC), a 25% labour federal production tax credit.

¹² We are not aware of any private broadcasters that qualify for this wage subsidy (as small businesses) at this time. The subsidy should be expanded to all broadcasters, raised beyond the current 10%, and extended indefinitely. It would either complement, or if set at a sufficiently high rate (above 25%), effectively subsume the proposed labour tax credits.

While such CRTC efforts will provide important relief, they will not be sufficient to allow local broadcasters to continue to operate, and provide critical local news and information, in the tsunami of revenue losses to come.

Beyond the upcoming months, there will be other important work to do to maintain private broadcasting and sustain local news over the longer term. In particular, as proposed by the Broadcasting and Telecommunications Legislative Review Panel, directing the CRTC to implement contribution requirements on foreign internet conglomerates is a key first step to updating our broadcasting legislative and regulatory framework. Greater regulatory flexibility for licenced broadcasters must ultimately follow.

Next Steps

Canadian Heritage staff have already been in contact with many of our members on the impact of COVID-19, and we understand the Department is currently putting together a plan of action. We applaud the Department for this initiative.

We look forward to working with Department officials in the days and weeks ahead to provide the necessary information so that emergency measures can be further defined and implemented as quickly as possible.

Sincerely,



Lenore Gibson
Chair, CAB

cc. Hélène Laurendeau, Deputy Minister, Canadian Heritage
Jean-Stéphane Piché, Senior Assistant Deputy Minister, Cultural Affairs, Canadian Heritage
Thomas Owen Ripley, Director General, Broadcasting, Canadian Heritage
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