THE CRISIS IN CANADIAN MEDIA AND THE FUTURE OF LOCAL BROADCASTING – CMI REPORT BACKGROUNDER

Canadian local broadcast media (radio and television) are in **crisis**. A just-released report by Communications Management Inc. ("CMI Report") projects that in the next three years between 2020 and 2022, local television and radio broadcasters will face a **revenue shortfall totaling $1.06 billion**. Of Canada's **737** total private radio stations in Canada, **as many as 50** could go silent over the next four to six months. A further **100 to 150** stations could turn off their mics over the next year and a half, leading to as many **as 2,000 job losses**. The number of total private conventional television reporting units in Canada is set to shrink from **95** to just **50 to 60** over the next three years. The most vulnerable operations are AM stations as well as independent and other private radio and TV stations in smaller markets across Canada.

Starting in the fall of 2020, the Canadian broadcast industry needs government and regulatory support to create a more **fair** and ***sustainable*** future. Without it, Canada will see a wave of local private broadcaster closures that will deny many communities a daily local media voice, and significantly reduce the diversity of news choices and voices in almost every community in Canada.

Why does it matter?

A continued reduction in the resources available for local journalism will have **devastating effects** on the country and Canadian storytelling. Without it, who will cover the Legislature, the City Hall, or the School Board? Who will cover local events and developments? Who will share local health guidelines required to get community economies moving across our provinces and territories? Who will cover breaking public health and safety information as a second COVID-19 impacts our homes, schools and businesses?

Local journalism and news are critical to our communities. The stories of our communities and the scrutiny of our institutions are important ingredients in the functioning of our democracies. Moreover, local broadcast media, specifically local television news, is the **most important** and **most efficient** source of local news for Canadians: in 2019, in the news category, private conventional television accounted for 75% of spending but 85% of viewing by Canadians. This is critical for public policy makers working to sustain local news and the health of our democracy – private conventional television is the most efficient and effective way to reach the greatest number of Canadians.

How did this happen?

In the 20th century, Canadian local broadcast media had two unique advantages that allowed it to both provide free, local journalism and grow revenue:

(i) Media were able to "**bundle**" products, combining genres and categories to use profitable parts of the bundle to **internally cross-subsidize** the unprofitable parts of the bundle, achieving overall viability of the platform. For example, television stations bundled all genres of programming (news, sports, etc.) and used the profits to subsidize less profitable genres.

(ii) Radio, television, and newspapers played a "**gatekeeper**" function, offering news that was otherwise not easily available to audiences.

The internet changed everything. Websites and platforms, beginning with Craigslist classified ads and then international digital platforms like Google and Facebook ads grew to compete with the profit centres of local media. The internet, with its digitally-delivered and targeted print, audio, and video media, meant more competition for **advertising dollars** and for consumers' **time** and **attention** – including international competition for all three of these.

The competition – particularly from global internet conglomerates – has devastated Canada's local media industry: private radio revenues have been in decline since 2014, with 40% of private radio stations having negative PBIT in 2019; private conventional TV revenues have declined in six of the eight years after 2011, with 70% of units having negative PBIT in 2019; and the number of employees in private radio and private conventional television has dropped year-over-year since 2011. COVID-19 has, of course, exacerbated and fast-tracked these worrisome trends.[1]

What can we do now?

The Government of Canada's COVID-19 measures such as the CEWS have been helpful, but only cover part of local broadcasting's revenue shortfall. The CMI Report provides compelling evidence of the need to for the CRTC to grant emergency regulatory relief for this broadcast year and for government to step up its targeted support this fall.

To buttress critical community voices while developing a more sustainable media ecosystem in Canada, CMI suggests government:

(i) Immediately devised and implemented **additional forms of assistance;**

(ii) Immediately enacted **regulatory relief** for private radio and television stations; and

(iii) A **thorough, holistic review** of the future of media, including television and radio, in Canada.

Where can I go to get more information?

To measure the impact and consequence of the economic devastation from COVID and the negative financial impacts of largely foreign internet-based media, the CAB commissioned a report from media economist Ken Goldstein of Communications Management Inc.

Mr. Goldstein's report (CMI Report) is available at www.cab-acr.ca.

[1] The projected advertising revenue for Canadian private radio in 2020 is expected to be $383 million lower than 2019 results, and $310 million lower than the previous, pre-pandemic, projection for 2020. The projected advertising revenue for Canadian private conventional television in 2020 is expected to be $276 million lower than 2019 results, and $260 million lower than the previous, pre-pandemic projection for 2020.