



Submitted via CRTC Intervention Comment Form

14 June 2023

Mr. Claude Doucet
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Dear Mr. Doucet:

**Re: Comments of the Canadian Association of Broadcasters with respect to
Applications 2022-0946-0, 2022-0986-6 and 2023-0307-2**
Applications for relief from conditions of licence

1. The Canadian Association of Broadcasters (CAB) is submitting these comments in support of the above noted applications filed by Corus Entertainment Inc. (Corus) and Quebecor Media Inc. (Quebecor) seeking relief from various conditions of licence.
2. We have read the applications currently before the Commission and note that other applications are likely to be filed in the coming days and weeks, as private Canadian television and radio broadcasters grapple with unprecedented, even existential, disruption in the Canadian broadcasting system.
3. These applications bring two fundamental points to mind. First, broadcasters are in immediate need of greater regulatory flexibility; and second, their particular needs are unique. Corus has requested reductions in Canadian programming expenditures (CPE) and obligations with respect to programs of national interest (PNI), and Quebecor is seeking relief from certain highly specific local programming obligations, including associated, onerous monitoring and reporting requirements. Others may also request different reductions or changes in how their obligations are calculated and applied in the short term.
4. Ultimately, what these applications demonstrate is that in the face of unprecedented competition for content, audiences, and advertising dollars from unregulated online providers, Canadian broadcasters need operational and regulatory flexibility **now**.

5. The Commission has launched important public consultations to bring online players into the regulatory fold and has acknowledged the importance of regulatory fairness and equitability. However, it will take significant time to fully implement the new framework. Indeed, in the Notice of hearing¹ launching a three step process to establish a modernized regulatory framework, the Commission has specifically stated that existing contributions by traditional broadcasters will not change as a result of Step 1 but will form part of the Step 2 discussion. Coupled with recent two-year administrative renewals, this means that it will be two to three years before these broadcasters can be relieved of conditions of licence that were established under very different financial conditions.

Canadian television faces significant structural challenges...

6. The Canadian television industry is facing significant structural challenges. The operating environment has changed considerably over the last decade, and the pace of change is accelerating quickly. Broadcasters face significant competition for program rights and advertising revenue. Subscription revenue is on the decline and audiences are increasingly fragmented as many foreign streaming services have been introduced, encouraging Canadians to “cut the cord” from traditional linear services. These challenges are particularly acute for private conventional television.
7. On May 24, 2023, Statistics Canada released its data for Canadian broadcasting for the 2022 broadcast fiscal year. That was followed by the release of the CRTC data for 2022, on June 7, 2023. While Statistics Canada and the CRTC use slightly different methodologies for calculating results for private conventional television, both sets of results confirm serious structural issues.
8. The data indicate that in 2022, private conventional television advertising revenue recovered to approximately the pre-pandemic level of 2019. However, the cost of achieving that revenue also increased, resulting in what appear to be the largest losses in history for the private conventional television component of the market.
9. Based on profit before interest and taxes (PBIT), the Statistics Canada data indicate that private conventional television had negative PBIT in 2022 of \$344 million. The CRTC data indicate a negative PBIT in 2022 of \$264 million.
10. In both sets of data, 2022 was the tenth year in a row in which PBIT was negative, resulting in **10-year cumulative losses of \$1.68 billion based on the Statistics Canada data, and \$1.43 billion based on the CRTC data.**
11. The data clearly reflect the changing structure of the television industry, and how those changes are impacting private conventional television stations and their ability to continue to fulfill cultural obligations established through regulations and conditions of licence.

¹ *The Path Forward – Working towards a modernized regulatory framework regarding contributions to support Canadian and Indigenous content*, Broadcasting Notice of Consultation CRTC [2023-138](#), 12 May 2023.

... and can no longer support the old regulatory bargain

12. In the past, private conventional television stations were able to balance revenue and regulatory obligations, as profits earned on some program categories cross-subsidized losses on other categories. As fragmentation and increased competition for advertising impact conventional television, internal cross-subsidies become more difficult. Ownership groups have largely been able to balance the poor results of their conventional services with profits from other types of services, specifically discretionary services that also have a subscription revenue stream.
13. However, even that type of balancing act is becoming more difficult, as cord-cutting increasingly impacts the financial health of discretionary services. The challenges for broadcasters are becoming even more pronounced now that streaming services are also entering the advertising market.
14. The net result is that, for private broadcasters, there is a growing imbalance between their operating viability and their ability to maintain their cultural obligations as licensees.
15. The old regulatory bargain is broken. Broadcasters can only make meaningful and sustainable contributions to cultural policy goals if they have the flexibility to adapt and remain viable given the profound structural challenges to their businesses.
16. There is an urgent need to rebalance the obligations of traditional broadcasters.
17. We urge the Commission to immediately recalibrate the system, to approve these applications, and others that may follow, and help to ensure the sustainability and continuity of healthy Canadian broadcasting businesses to the ultimate benefit of the Commission's cultural objectives.
18. All of which is respectfully submitted.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Desjardins', with a stylized flourish at the end.

Kevin Desjardins
President