Toward a fair, equitable and sustainable broadcasting framework

Submission of the

Canadian Association of Broadcasters

with respect to

The Path Forward – Working towards a modernized regulatory framework regarding contributions to support Canadian and Indigenous Content

Broadcasting Notice of Consultation CRTC 2023-138

Table of Contents

Part 1 - Introduction and Summary

1. As the national voice of small, medium and large, Canadian privately-owned and controlled radio, television and discretionary broadcasters, both independent and vertically integrated, including services operating under 9.1(1)(h) distribution orders, the Canadian Association of Broadcasters (CAB) is pleased to provide its comments on *The Path Forward,* Broadcasting Notice of Consultation CRTC 2023-138, the Commission's call for comments on a modernized regulatory framework.[1] The CAB requests to appear at the November 20th, 2023 public hearing to expand on the positions advanced herein.

2. As a first principle, the new framework must be fair and equitable and must ensure the ongoing sustainability of the Canadian owned and controlled broadcasting sector. Section 3(1)(a) of the *Broadcasting Act* (the Act) provides that the Canadian broadcasting system *"shall be effectively owned and controlled with Canadians."* Without Canadian broadcasters, it would be impossible to achieve this objective.

3. Canadian broadcasters have made significant contributions to the system over the last decades but now face considerable disruption in the face of massive competition from unregulated online undertakings who currently make no specific contributions to the objectives of Canadian broadcasting policy.

4. It is past time for the system to be recalibrated, to bring foreign streaming services into the regulatory fold and ensure they make meaningful and equitable contributions to the Canadian broadcasting system, from which they derive massive returns in terms of audiences and revenue. The old regulatory *quid pro quo* model is broken. Holding a broadcasting licence no longer guarantees profitability and Canadian broadcasters can no longer be the primary source for cultural benefits.

5. Canadian broadcasters can only make meaningful ongoing contributions to the many cultural and public policy goals set out in in the Act, listed in the Draft Policy Direction[2] (the Direction), and identified by the Commission in its notice of consultation, under the following conditions:

---

[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, 28 June 2023).

[2] Canada Gazette, Part I, Volume 157, Number 23: *Order Issuing Directions to the CRTC (Sustainable and Equitable Broadcasting Regulatory Framework)*. Available at: https://canadagazette.gc.ca/rp-pr/p1/2023/2023-06-10/html/reg1-eng.html.

- They must be able to operate viable businesses that are able to adapt to the profound structural challenges facing their operations;
- They need flexibility to be able to adjust quickly as audience preferences and the market shifts or with the introduction of new technologies, techniques or platforms; and
- They must be subject to a lighter regulatory touch than has existed up until now, to permit them to contribute to the outcomes sought by the Commission in a way that is most appropriate given their particular circumstances.

6. To these ends, the CAB puts forward the following set of specific recommendations:
   - The sustainability of the Canadian owned and controlled broadcasting system must be identified as a priority and named as one of the Commission's key objectives for the new contribution framework.
   - The Commission must urgently take this opportunity to recalibrate the contribution framework to ensure that foreign online streamers make meaningful and equitable contributions to the Canadian broadcasting system, and to reduce the regulatory burden of Canadian radio and television broadcasters.
   - The initial contribution requirements established as part of Step 1 in the present public process should apply only to ***standalone*** online undertakings, and not those undertakings affiliated or associated with Canadian radio and television services. The content on such Canadian undertakings is largely content made by and for existing radio and television services, which are already subject to significant regulatory obligations that have become unrealistic in today's media landscape. Layering on additional obligations for these undertakings would simply exacerbate their current challenges and further entrench the unlevel playing field on which they operate.
   - Although the Commission's model suggests an initial base contribution requirement that will form part of overall contribution requirements to be established in Step 2, the CAB recommends that the financial contribution requirement for large standalone online undertakings – defined as undertakings earning more than $50 million from broadcasting activities in Canada – be established now. At this level of revenue there is no need to spoon-feed these companies, requiring only a small contribution at first, especially considering the quantum of revenue being taken out of the Canadian broadcasting system at this time.
   - The CAB also recommends that the entire contribution requirement of standalone online undertakings be directed to third-party Canadian funds that support Canadian and Indigenous artists or programming and other important public policy objectives. Requiring the contributions of foreign web giants to be directed solely to third-party funds is the most effective way to ensure that new money being injected into the system is managed in the best interests of that system, does not unduly impact the

Canadian rights market, and that the contributions of foreign companies are directed to fully qualified content initiatives and public policy objectives.

- The CAB further recommends that the contributions of standalone online undertakings should be split into to four funding 'buckets':
  - Support for Canadian audiovisual programming – like the Canada Media Fund (CMF) and the certified independent productions funds (CIPFs) – or musical content (for example, FACTOR/Musicaction and Radio Starmaker Fund/Fonds RadioStar);
  - Support for the production of news and information programming;
  - Support for Indigenous programming and producers and the production activities of Canadians from Black or other racialized communities, Canadians of diverse ethnocultural backgrounds, or other equity seeking groups including producers with disabilities and producers who self-identify as 2SLGBTQI+; and
  - Supports for public policy objectives, including funds that support public participation in Commission proceedings (for example, the Broadcast Participation Fund (BPF)), accessibility initiatives (including the Broadcasting Accessibility Fund (BAF), and other public interest objectives (such as community channels and 9.1(1)(h) services).
- The CAB's recommendation for additional funding to support the production of news flows directly from section 3(1)(i)(ii.1) of the *Act*, which was introduced as part of the *Online Streaming Act*, and provides that the Canadian broadcasting system should *"include programs produced by Canadians that cover news and current events... and that reflects the viewpoints of Canadians."* The Direction also requires the Commission to "*consider the importance of sustainable support by the entire Canadian broadcasting system for news and current events programming*." As noted above, the entry of foreign streamers into Canada has had a marked impact on Canadian private radio and television stations, massively disrupting their primary source of revenue and their ability to continue to sustain their news operations. This is a critical moment for the CRTC to ensure that sustainable funding remains available for professional newsgathering and production by Canadian radio and television broadcasters, Canadians' most frequent and trusted source for news.

Part 2 - Toward a fair, equitable and sustainable broadcasting framework

Identify the sustainability of Canadian broadcasters as a key priority

7. The CAB applauds the Commission's stated intention to shift towards an outcomes-based regulatory approach. We understand that under this approach, the Commission will identify certain specific regulatory objectives, and then allow broadcasting undertakings to determine how best to achieve these established outcomes within a flexible contribution framework.

8. The Commission has identified a number of general objectives in its notice (at para 59) as follows:

   - *the production of high-quality, original audio and video Canadian programming;*
   - *the production of news and locally reflective content;*
   - *increased support for French-language programming, Indigenous-created programming, and programming that is reflective of and relevant to Canada's diverse communities;*
   - *the prominence and discoverability of Canadian programming in English, French, and Indigenous languages;*
   - *the establishment of long-term sustainable funding for content;*
   - *increased innovation in the production of content through the development of a more flexible, incentives-based contribution framework;*
   - *ensured equitable access by Canadians to a full range of audio and video content; and*
   - *the ability for Canadians to make informed choices about their audio and video services.*

9. As elaborated on further below, however, the ability of Canadian broadcasters to contribute to these important objectives is increasingly at risk. The old regulatory model is broken.

10. The Canadian broadcasting system has a long history of regulatory *quid pro quo*. In return for the privilege of using scarce public airwaves, broadcasters have been required to contribute to the maintenance and enhancement of national identity and cultural sovereignty, in alignment with section 3(1)(b) of the *Act*.

11. However, this underlying premise of the current broadcasting regulatory frameworks no longer applies. Today's open broadcasting system is not characterized by scarcity – it is wonderfully diverse, makes use of many different types of platforms, changes almost weekly in response to consumer demand, and constantly reinvents itself.

12. In this new broadcasting paradigm, the Commission must adopt a new regulatory model that not only recognizes the central role of Canadian private radio and television broadcasters in the system, but actively supports their ability to continue in that role.

13. Section 3(1)(a) of the *Act* provides that the Canadian broadcasting system *"shall be effectively owned and controlled with Canadians."* Without Canadian broadcasters, it would be impossible to achieve this objective.

14. Accordingly, the Commission must identify the viability of the Canadian owned and controlled broadcasting system as a priority and must name its sustainability as one of the key objectives for the new regulatory framework. Only in this way can the Commission both acknowledge *and support* the continuity of Canadian radio and television broadcasters in the Canadian broadcasting system.

Recalibrate the contribution regime

15. The CAB commissioned Communications Management Inc. (CMI) to undertake a review of the state of the Canadian radio and television markets. This research is included with our submission as Appendix A (television) and B (radio).

16. As described in more detail in the CMI research, in the face of unprecedented competition for content, audiences, subscribers and advertising dollars from unregulated online providers, the private radio and television sectors are facing significant structural, even existential challenges. The operating environment has changed considerably over the last decade, and the pace of change is accelerating quickly.

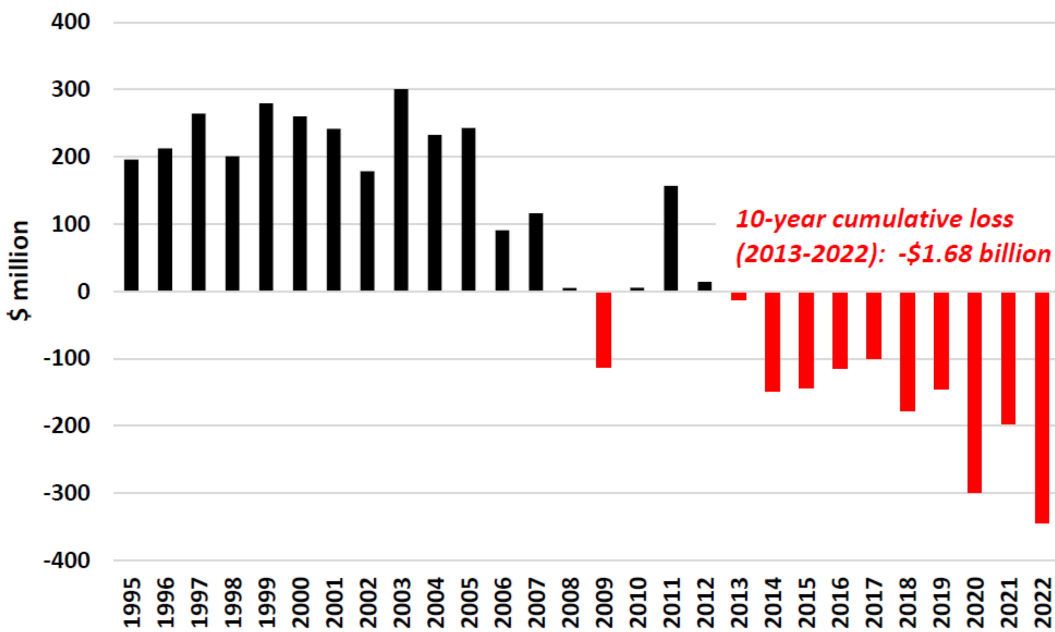
17. Television broadcasters face significant competition for program rights and advertising revenue. Subscription revenue is on the decline and audiences are increasingly fragmented as many foreign streaming services have entered the market, encouraging Canadians to "cut the cord" from traditional linear services with a concomitant impact on the funds available for the production of Canadian content, namely the Canada Media Fund (CMF), the certified independent productions funds (CIPFs), and the Independent Local News Fund (ILNF).

18. These challenges are particularly acute for private conventional television.

19. Data released by Statistics Canada in May and the CRTC in June confirm serious structural issues. It indicates 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.

20. The Statistics Canada data indicate that private conventional television had negative PBIT in 2022 of $344 million. As demonstrated in the following chart, CMI's analysis shows that private conventional television has had a **10-year cumulative loss of $1.68 billion**. And, almost three-quarters of private conventional television stations had negative PBIT in 2022.

Profit before interest and taxes (PBIT), private conventional television, Canada, 1995-2022:



SOURCE: Statistics Canada; Communications Management Inc.

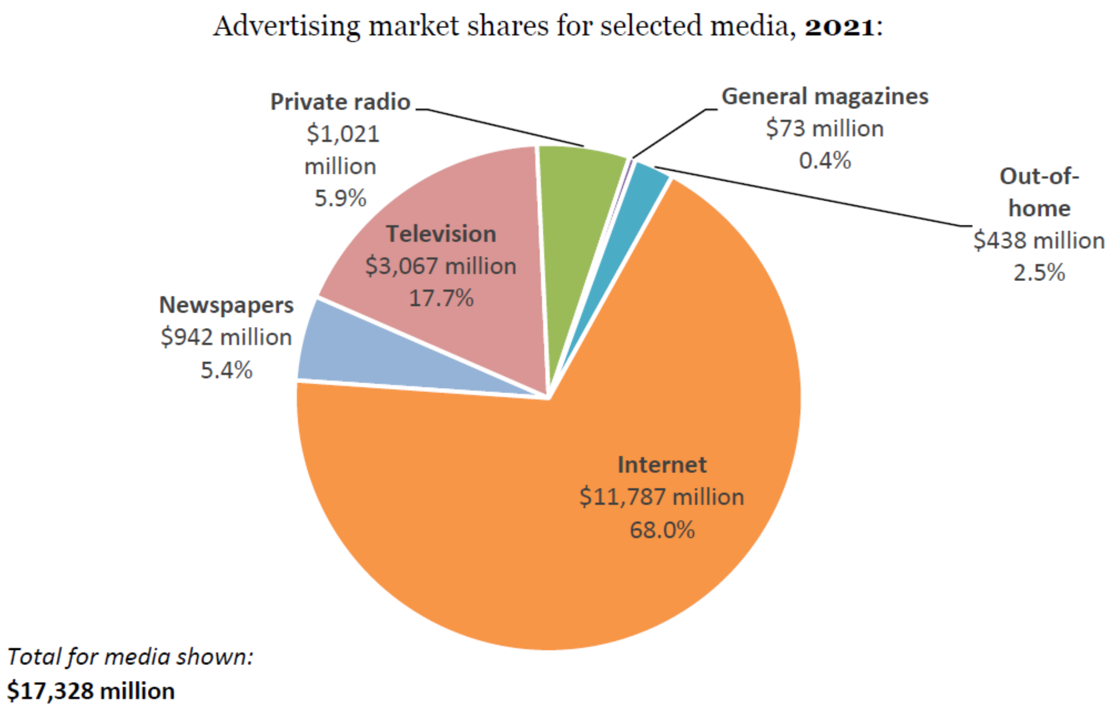
21. Whereas, historically, discretionary television revenue has largely helped to balance the losses on the conventional side, this particular cross subsidy is becoming less effective, given greater competition for audiences, advertising and subscription revenues, and increased programming costs.

22. Compounding the problem is the erosion of the Canadian television program rights market, something Peter Miller wrote about extensively in a research paper commissioned by the CRTC. More specifically, Miller noted the following:

> *"The issue of whether a separate Canadian television program rights market can continue to exist, and a Canadian broadcasting system as we have come to know it exist along with it, is now very much in question. This question also extends beyond the*

English-language television market to the French-language market as well as to indigenous and ethnic broadcasting, to greater or lesser effect."[3]

23. The CMI research also demonstrates that the impact of the Internet on the advertising market has been profound. In 2005, the Internet represented approximately 6% of the total advertising market (see Figure 2A in Appendix 1). Today, as shown in the figure below, Internet advertising now overwhelms the advertising share of radio, television and other media.



SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

24. Advertising declines in the traditional broadcasting sector have also had a serious impact on the radio industry.

---

[3] Miller, Peter. *The State of the Canadian Program Rights Market 2022: The Demise of the Foundational Business Model of Private Television* (March 25th, 2022) at paragraph 5.

25. Keeping in mind that their primary source of revenue is advertising, it is alarming to note that radio has shifted from 13.7% of the advertising market (in 2005) to 5.9% in 2021. Revenues in the radio sector have declined from a high of $1.6 billion in 2013 to less than $1.1. billion in 2022, and PBIT has declined from 17.1% in 2019 (the last full year before the pandemic) to 5.4% in 2022. In fact, CMI identifies 167 radio stations as "at risk" given profitability levels lower than negative 20%, as set out in the table that follows.

Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2022**:

2022 DATA: (Statistics Canada)	**Number of stations**	**Total operating revenue ($'000)**	**Profit before interest and taxes (PBIT) ($'000)**	**PBIT as % of total operating revenue**
Total private radio stations	**749**	**1,116,880**	**60,602**	**5.4%**
Private FM stations	628	924,101	81,309	8.8%
Private AM stations	121	192,778	-20,707	-10.7%
Stations grouped by PBIT as % of total operating revenue:				
+20% or greater	194	352,977	114,686	32.5%
10% up to 20%	134	248,707	36,675	14.7%
0% up to 10%	103	143,406	7,320	5.1%
-10% up to 0%	94	152,312	-5,870	-3.9%
-20% up to -10%	57	64,602	-9,271	-14.4%
['AT RISK'] -20% or worse	167	154,876	-82,939	-53.6%
Total stations with negative PBIT	***318***			

SOURCE: Statistics Canada.

26. Taken together, these figures – and the entirety of the research provided by CMI – demonstrate that something has to give.

27. Therefore, the CAB recommends that the Commission urgently take this opportunity to recalibrate the contribution regime – to ensure that foreign online streamers make immediate, meaningful, and equitable contributions to the Canadian broadcasting system, and to reduce the regulatory burden of Canadian radio and television broadcasters. The proposals in this submission ensure that any reductions in the obligations of Canadian broadcasters will be more than offset by the contributions of foreign undertakings.

28. This is demonstrated in research recently commissioned by Bell Media and attached to this document as Appendix C. Armstrong Consulting prepared a model examining the impact on the system if Canadian programming expenditures (CPE) for Canadian broadcasters and broadcasting distribution undertakings (BDUs) were lowered and commensurate CPE obligations were imposed on online undertakings. What the model shows is that a CPE obligation of 20% applied to both Canadian television services and foreign online streamers would result in a significant increase in Canadian programming contributions, despite the reduction of CPE for traditional broadcasting undertakings.

Apply initial contribution requirements only to standalone online undertakings

29. As noted above, Canadian radio and television stations make significant contributions to the Canadian broadcasting system in the form of spending commitments and exhibition requirements, among others. Most traditional television broadcasters have CPE obligations ranging between 30% and 50%. Radio stations must meet quotas relating to Canadian musical selections and local programming. Moreover, at the present time, any online undertakings they have launched are almost entirely made up of content from their existing services or content created by their staff for their websites (i.e., 100% Canadian).

30. As a result, it would be inappropriate to impose additional obligations on Canadian broadcasters at this time as it would simply put these services at a further competitive disadvantage. Furthermore, as discussed in detail below, CAB is recommending contribution requirements for standalone online undertakings that are lower than those currently imposed on traditional broadcasting undertakings.

31. For these reasons, the CAB recommends that the initial contribution requirements established as part of Step 1 in the present public process should apply only to ***standalone*** online undertakings, and not those undertakings affiliated or associated with Canadian radio and television services given the meaningful contribution they make to achieving the objectives of the broadcasting policy set out in section 3 of the Act. Once the obligations of traditional broadcasters are recalibrated, the Commission can consider if it would be appropriate to require a contribution from online undertakings affiliated with traditional broadcasting services.

Apply the financial contribution requirement to large standalone online undertakings now

32. Although the Commission's model suggests an initial base contribution requirement that will form part of overall contribution requirements to be established in Step 2, the CAB recommends that the complete financial contribution requirements for large standalone online undertakings be established now. The CAB further recommends that the definition of a "large" standalone online undertaking (i.e., the threshold for contribution) – at least for this initial period – should be set at $50 million of Canadian gross revenues from broadcasting activities in Canada. At this level of revenue there is no need to impose

obligations on these companies in stages, requiring only a small contribution at first, especially considering the quantum of revenue they are taking out of the Canadian broadcasting system at this time.

33. The *Act* does not specifically distinguish between types of online undertakings, but in no way prohibits the Commission from doing so. As the Commission's proposed model appears similarly neutral, the CAB sees important value in recognizing that different types of undertakings can contribute to Canada's broadcasting policy objectives in different ways. Therefore, we recommend an "activities-based" approach to the regulation of online undertakings. Much like the manner in which the system is regulated today with different classes of undertakings, each undertaking can be subject to a different contribution scheme. More specifically, we recommend the following:
    - Online undertakings that operate like broadcasting distribution undertakings (BDUs) – for example, virtual BDUs (vBDUs) like Amazon Channels, sometimes identified as "aggregators" – should be subject to obligations that are similar to those applied to Canadian BDUs.
    - Online undertakings that operate like audiovisual programming undertakings – like Netflix or Disney+, sometimes called "curators" – should be subject to levels of obligation that are similar to those applied to Canadian television undertakings.
    - Online audio undertakings – such as Spotify or Apple Music – should be subject to initial financial obligations similar to Canadian satellite radio and pay audio services.

Direct Step 1 contributions of large standalone online undertakings to specified funds

34. The CAB recommends that the entire financial contribution requirements of standalone online undertakings be directed to specified Canadian funds that support Canadian and Indigenous artists or programming and the other important public policy objectives as identified by the Commission in its notice (i.e., the first category of contributions identified by the Commission). Requiring the contributions of foreign web giants to be directed solely to Canadian funds that support Canadian and Indigenous content, and other important broadcasting policy objectives, be they audio or video, is the most effective way to ensure that new money in the system is managed in the best interests of Canadian and Indigenous creators, does not unduly impact the Canadian rights market, and that the contributions of foreign companies are directed to fully qualified Canadian and Indigenous content and public policy objectives.

35. While online audiovisual programming undertakings may argue that they should be permitted to direct contributions to the second category of requirements identified by the Commission (for example, that they should be subject to Canadian programming expenditure (CPE) or programs of national interest (PNI) requirements), the CAB believes that directing their contributions to funds recognizes two important considerations. First,

direct-to-consumer online undertakings share many characteristics with *both* programming services *and* distribution undertakings in that in addition to providing programming content, they control the relationship with subscribers and collect subscription revenue from them directly. Second, acknowledging them as competitors to BDUs also recognizes the tremendous direct impact they have had on Canadian BDU subscription levels, with concomitant impacts on BDU contributions to Canadian programming, including contributions to the CMF, CIPFs and news funds.

36. Furthermore, contributions to funds are the most effective way to ensure that Canadian cultural policy objectives are being met. They are also more easily monitored and verified, which is a significant issue when dealing with global providers with centralized decision making and accounting departments outside of Canada.

37. In addition, applying a CPE or PNI obligation to foreign streamers also raises complex questions about the appropriate allocation of expenditures for worldwide rights versus Canadian rights. Traditionally, Canadian programming is licensed for the Canadian market by a domestic broadcaster, while the worldwide distribution rights are sold separately by a program distributor. As a result, when a Canadian broadcaster reports CPE, its reported spending relates directly to investments in Canada. However, to date, the rights to Canadian programming being acquired by streaming platforms are generally worldwide rights that happen to include Canada, a territory that represents roughly five per cent of a global platform's subscriber base.

38. Allowing a standalone online undertaking to count global rights expenditures as an investment in Canadian programming would effectively allow them to count worldwide expenditures to meet a regulatory obligation that is based on Canadian revenues.

39. Accordingly, consistent with its recommendations regarding the establishment of contribution requirements on the basis of activities, the CAB recommends the following Step 1 contribution requirements:

   - Online BDU-like undertakings, vBDUs or "aggregators" should be required to devote **5%** of their Canadian gross annual revenues to specified funds;
   - online audiovisual programming undertakings or "curators" should be required to direct **20%** of their Canadian gross annual revenues to specified funds; and
   - online audio undertakings should contribute **4%** of their Canadian gross annual revenues to specified funds.

40. The CAB further recommends that the Step 1 contributions of standalone online undertakings should be split into to four funding 'buckets':

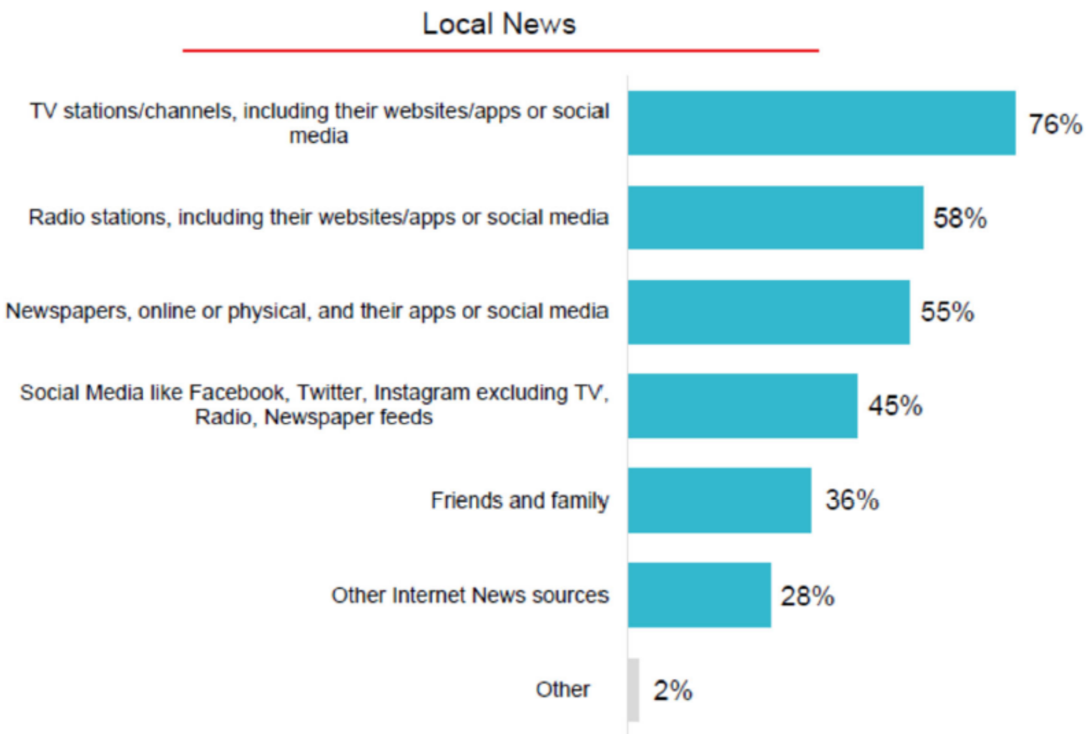
- Funds that support Canadian audiovisual programming – like the Canada Media Fund (CMF) and the certified independent productions funds (CIPFs) – or musical content (for example, FACTOR/Musicaction and Radio Starmaker Fund/Fonds RadioStar);
- Funds that support the production of professional news;
- Funds that support Indigenous programming and producers and the production activities of Canadians from Black or other racialized communities, Canadians of diverse ethnocultural backgrounds, or other equity seeking groups, including producers with disabilities and producers who self-identify as 2SLGBTQI+; and
- Funds that support public participation in Commission proceedings (the Broadcast Participation Fund (BPF)), accessibility initiatives (including the Broadcasting Accessibility Fund (BAF), and other public interest objectives (such as 9.1(1)(h) services).

Direct a portion of new contributions to the production of news

41. As noted above, the entry of foreign streamers into Canada has had a marked impact on Canadian radio and television stations, massively disrupting their primary source of revenue and their ability to continue to sustain their news operations. For independent local television stations, there has also been a significant impact in terms of declining BDU contributions to the ILNF due to subscribers leaving the regulated system.

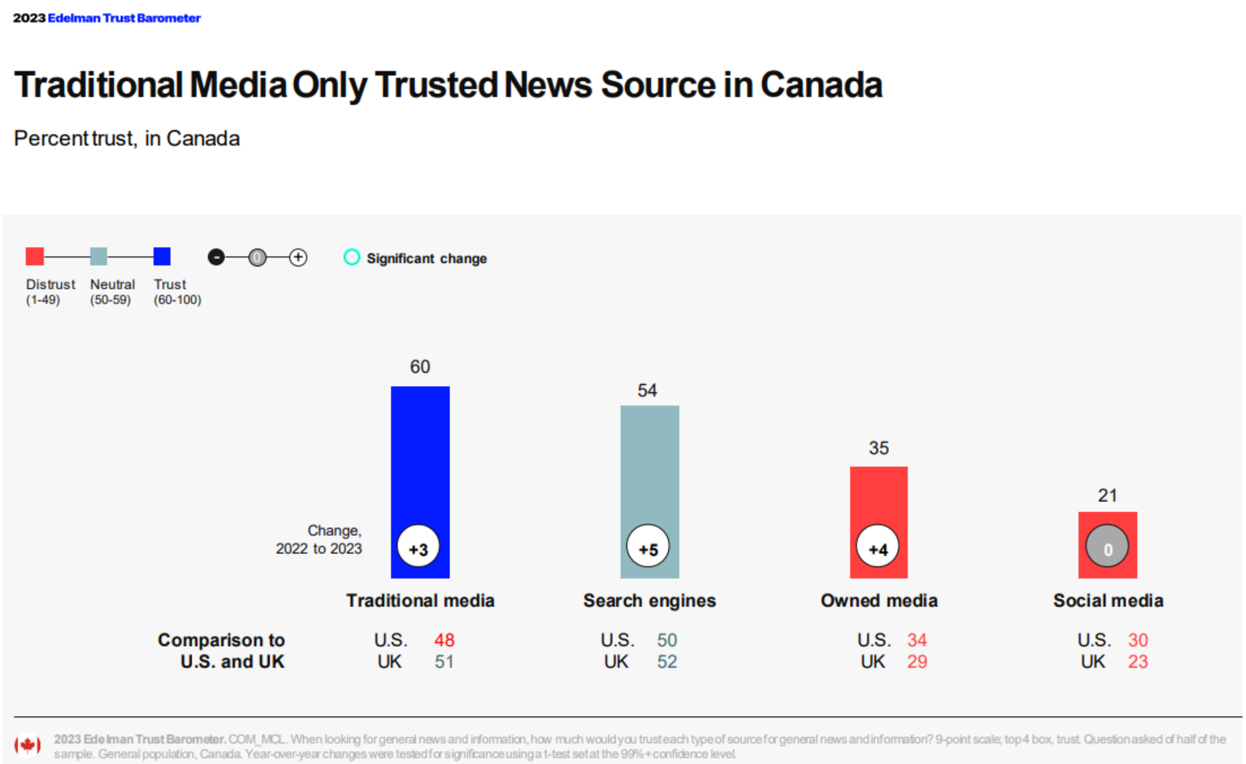
42. This is a critical moment for the CRTC to ensure that sustainable funding remains available for professional newsgathering and production by Canadian broadcasters. Prioritizing local, regional and national news delivered by Canadian radio and television services is especially vital given that Canadian broadcasters remain Canadians' most frequent source for local news – as demonstrated by research undertaken by Solutions Research Group in 2021:

Sources for local news, Canadians 12+, December 2020 - January 2021:



SOURCE: Solutions Research Group.

43. Further, according to the 2023 Edelman Trust Barometer, in Canada, traditional media is the only trusted news source in Canada:



44. In light of the important challenges facing Canadian radio and television broadcasters and recognizing that foreign streaming services are unlikely to ever fill the gaps in the Canadian news ecosystem, the CAB recommends that an important proportion of the contributions of standalone online streamers be specifically directed towards the production of news.

45. The CAB submits that sustained funding for Canadian news production must be a critical outcome of the present proceeding, not just for independent local television stations, but for all private radio and television stations. Without sustained, reliable and significant funding, the ability of Canadian radio and television broadcasters to continue to provide professional quality local and community news and information programming is at risk.

In Conclusion

46. The CAB believes that its proposals represent a measured and reasonable approach to the regulation of online streaming services as Step 1 in the Commission's design of a modernized contribution framework.

47. As outlined in this submission, the CAB believes that in Step 1, no additional obligations should be applied to Canadian radio and television broadcasters or their associated online undertakings. Once the Commission has completed its consideration of the Step 1 contribution framework and issued proposed orders imposing initial obligations on

applicable undertakings, the CAB will be in a better position to comment on the appropriate modernized contribution regime for radio, television and discretionary services and their associated online undertakings.

48. The CAB has elaborated on its recommendations in its responses to the Commission's questions, set out in Part 3 of this document.

Part 3 – Answers to the CRTC's Questions

Step 1 issues and questions

Q1. The thresholds proposed in Broadcasting Notice of Consultation 2023-139 and Broadcasting Notice of Consultation 2023-140 are being consulted on as part of those proceedings, and any decisions in that regard will be considered by the Commission in the context of this proceeding. Are there other criteria upon which the Commission should base its threshold for the purposes of the new contribution framework? If so, what should the specific threshold be (e.g., what specific revenue or subscriber level should apply)? Indicate whether the criteria or threshold should be different for audio versus video services and online versus traditional undertakings.

As noted in our comments with respect to Broadcasting Notices of Consultation 2023-139 and 2023-140 ("BNOC 2023-139" and "BNOC 2023-140", respectively), the CAB is of the view that the thresholds for registration and initial conditions of service can and should be lower than the thresholds for contribution. The stated purpose of the registration regime outlined in BNOC 2023-139 is to help the Commission *"to better understand the Canadian online broadcasting landscape more generally."* Setting a registration threshold so the Commission can gather information on online players is different than determining which undertakings can and ought to play a material role in achieving the objectives in the *Act*, especially as part of Step 1 in the implementation of the proposed new contribution framework when many key details (including how the new contribution framework will apply to traditional broadcasters) remain unknown.

As the CAB has highlighted in this submission, Canadian broadcasters have been dealing with an asymmetrical regulatory environment for well over a decade. They have been saddled with significant obligations while the online services they directly compete with have remained unregulated. Consequently, in Step 1, the CAB submits that the objective should be to bring the largest standalone online undertakings (those without an affiliation to a Canadian broadcaster) into the Canadian broadcasting system and apply contribution requirements immediately. Based on the foregoing, CAB recommends that the threshold for contribution by standalone online undertakings be set at $50 million of Canadian gross annual revenues, as defined below.

Q2. In regard to Q1, if you are proposing to consider elements other than Canadian broadcasting revenues, please indicate how the Commission should measure those elements.

The CAB maintains that using a revenue threshold remains the best approach to determining whether or not an undertaking will have a material impact on the Canadian broadcasting system and must therefore be subject to the new contribution regime. While certain services may have many subscribers or users, if the undertaking generates limited revenue, it is unlikely that it would be able to make significant investments in Canadian programming.

Q3. Are there other factors that the Commission should take into consideration in establishing which broadcasting undertakings do not have a material effect on the implementation of the broadcasting policy set out in subsection 3(1) of the current *Broadcasting Act* and should therefore be exempted from the requirement to make specific contributions to the Canadian broadcasting system?

As noted above, revenue should be the key factor in determining whether an undertaking should be required to make specific contributions to the Canadian broadcasting system. An additional factor the Commission could also consider is whether the undertaking competes directly with other undertakings for viewers, listeners, subscribers or advertisers, which would help ensure equitable treatment of like services.

Q4. How should the Commission determine the appropriate level of contributions in cases where only a portion of an online undertaking's services are covered by the *Broadcasting Act*?

The CAB recommends that contribution requirements be established as a percentage of annual Canadian gross revenues derived from broadcasting activities (i.e., those activities that fall under the *Act*). Online undertakings should follow generally accepted accounting practices in preparing their annual returns and in response to Commission requests for information.

Q5. How should the Commission define "social media service"? What, if any, criteria should be used to assess whether an online undertaking is providing a social media service?

The CAB has no comment on this matter.

Q6. Generally speaking, commercial radio stations with total revenues exceeding $1,250,000 are required to make basic CCD contributions of $1,000 plus 0.5% of revenues in excess of $1,250,000. Large English-language vertically integrated television groups have CPE requirements of approximately 30% of gross revenues from the previous broadcast year, while large French-language vertically integrated television groups have CPE requirements of up to 45% of gross revenues from the previous broadcast year, along with a requirement to produce original French-language programs. Licensed BDUs are generally required to contribute 4.7% of their previous broadcast year's gross revenues relating to broadcasting activities to Canadian programming, less any allowable contribution to local expression. With this in mind, under the new contribution framework, should the overall contribution commitment of online undertakings be comparable to the existing contribution levels of traditional broadcasting undertakings? If so, which traditional broadcasting undertakings? Please explain.

As discussed in this submission, broadcasting regulation needs to be equitable, and it needs to be recalibrated. The traditional broadcasting sector has been looked to for too long as the key vehicle for achieving the objectives of the Broadcasting Policy for Canada set out in the *Act*, while online undertakings, specifically foreign services, have made little to no contribution to the system. While the CAB will address its proposed overall approach to the regulation of the radio and television sectors in its Step 2 submission, it is clear that obligations for traditional broadcasters need to be rationalized and reduced and meaningful contribution requirements need to be imposed on standalone online undertakings now.

There is also no public policy rationale for spoon feeding regulatory requirements to large online streaming services. Those companies have been well aware of coming changes to the Canadian broadcasting legislative framework and, in fact, actively engaged with Government throughout the statutory reform process. Phasing in requirements for these providers simply perpetuates the current unlevel playing field. Consequently, the Commission needs to establish the financial contribution commitment, not an interim amount, for the largest standalone undertakings in Step 1.

Further, although the Act does not specifically distinguish between types of online undertakings, and the Commission's proposed model appears similarly neutral, the CAB sees important value in recognizing that different types of undertakings can contribute to Canada's broadcasting policy objectives in different ways. Therefore, as noted above, we recommend an "activities-based" approach to the regulation of online undertakings.

More specifically, we recommend the following:

- Online undertakings that operate like broadcasting distribution undertakings (BDUs) – for example, virtual BDUs (vBDUs) like Amazon Channels – should be subject to obligations that are similar to those applied to Canadian BDUs. In terms of their Category 1 financial contributions, they should be required to devote **5%** of their Canadian gross annual revenues to the specified funds.
- Online undertakings that operate like audiovisual programming undertakings, like Netflix or Disney+, should be subject to obligation levels that are similar to those applied to Canadian programming undertakings. Given our arguments elsewhere about reducing the obligations of Canadian television stations and discretionary services, the CAB recommends that **20%** of the Canadian gross annual revenues of online programming undertakings be directed to the specified funds.
- Online audio undertakings should be subject to obligations similar to Canadian satellite radio and pay audio services. As a result, their Category 1 contribution requirement to the specified funds should be **4%** of Canadian gross annual revenues.

Q7. Many of the Commission's existing contribution requirements are calculated on the basis of annual revenues. On what basis should the initial base contribution level and the overall contribution commitment of online undertakings be calculated? If the Commission were to use annual revenues, please comment on the appropriateness of the following definition:

Annual revenues means revenues attributable to the person or that person's subsidiaries and/or associates, if any, collected from the Canadian broadcasting system across all services during the previous broadcast year (i.e., the broadcast year ending on 31 August of the year that precedes the broadcast year for which the revenue calculation is being filed), whether the services consist of services offered by traditional broadcasting undertakings or by online undertakings. This includes online undertakings that operate in whole or in part in Canada and those that collect revenue from other online undertakings by offering bundled services on a subscription basis. The Commission will accommodate requests for alternative reporting periods and permit respondents to file data based on the closest quarter of their respective reporting years.

As noted in response to question 4 above, The CAB recommends that contribution requirements be established as a percentage of annual Canadian gross revenues derived from broadcasting activities, i.e., those activities that fall under the Act and which have not been exempted from registration/base conditions of service.

More specifically, the CAB recommends the following amended definition of annual Canadian gross revenues:

> **Annual gross revenues** means total revenues collected from broadcasting activities of an online undertaking ~~attributable to the person or that person's subsidiaries and/or associates, if any~~, collected from the Canadian broadcasting system ~~across all services~~ during the previous broadcast year (i.e., the broadcast year ending on 31 August of the year that precedes the broadcast year ~~for~~ within which the revenue calculation is being filed), ~~whether the services consist of services offered by traditional broadcasting undertakings or by online undertakings~~. This includes online undertakings that operate in whole or in part in Canada and those that collect revenue from other online undertakings by offering bundled services on a subscription basis. The Commission will accommodate requests for alternative reporting periods and permit respondents to file data based on the closest quarter of their respective reporting years.

Q8. What would constitute an appropriate level of initial base contributions for online undertakings? Should this initial base contribution be the same for online undertakings operating audio services versus those operating video services? Please explain and specify the level that should be established for each type of service.

Please refer to the CAB's response to Q6 above.

Q9. In the current system a variety of funds exist to support the creation and promotion of Canadian content. In what ways are the existing funds successful in their support of Canadian content generally, and in what ways could they be improved? Similarly, do the existing funds sufficiently support the objectives of the current *Broadcasting Act*, including those relating to OLMCs, diversity, inclusion and accessibility? How can they be improved? For example, should the Commission consider amending the CIPF criteria?

The primary funding mechanisms currently available to support the creation and promotion of Canadian television programming are the CMF, the Certified Independent Production Funds (CIPFs) and the Independent Local News Fund (ILNF). Recognized audio funds include FACTOR and Musicaction, Radio Starmaker Fund and Fonds RadioStar, and the Community Radio Fund of Canada.

The CAB notes that each of the audiovisual funds contributes in their own ways to Canada's broad diversity objectives. In many cases, these funds include specific supports for diverse creators and content. What may be lacking is specific self-directed funding for Indigenous production and storytelling.

The CAB is of the view that the current funds for audio content similarly support the objectives of the current Act, although tweaks could be made to address improved supports for OLMCs, diversity, inclusion and accessibility. In addition, the CAB recommends that new funding be made available to support the very important work of Canadian radio stations in the production of news.

With respect to the key audiovisual funds, the CAB wishes to share the following observations.

CMF

The CMF plays an important role in the Canadian broadcasting system, collecting the indirect financial contribution of BDUs as required by their conditions of licence or exemption orders, and distributing those funds, along with funding from the federal government to Canadian producers for the production of Canadian content. The CMF has a diverse array of initiatives and envelopes in place to support Indigenous and OLMC production, as well as productions by Indigenous peoples and racialized communities.

While the CMF does good and important work, the CAB's members have some concerns about the transparency of its operations, the methods the CMF uses to disburse funds, and the manner in which its guidelines and policies are introduced and applied.

CIPFs

For over twenty years, the Commission has certified a number of independent production funds as recipients of funding from BDUs as well as tangible benefit funding as a result of ownership transactions. The CIPFs provide important additional support to Canadian production, with several of them focusing on specific genres of programming, for example, the Shaw Rocket Fund supports youth and family television programming, the Rogers Documentary fund supports Canadian documentary film production, and the TELUS fund supports content that promotes the well-being of people in their environment. Some also support regional production (e.g. SaskFilm and the Nova Scotia Independent Production Fund). Several of these funds have independently taken steps to improve the diversity of the production activities they support.

The CAB is of the view that these independent funds are an important component of the Canadian broadcasting system and should remain eligible to continue to receive a portion of funding going forward.

The Commission last updated the criteria for CIPFs in 2016.[4] When it next does so, it can consider at that time whether additional criteria are required to ensure diversity objectives are being met (noting that the existing criteria already include consideration of production by OLMCs).

ILNF

In 2016, The Commission established the ILNF to support the production of locally reflective news and information by private independent television stations.[5] The ILNF is currently funded by licensed BDUs, which are required to contribute 0.3% of their gross revenues from broadcasting activities in the previous broadcast year. All private television stations that do not belong to a vertically integrated group and that provide locally reflective news and information are eligible, and funds are disbursed by the CAB according to specific guidelines set out by the Commission.

The ILNF is of vital importance to Canada's independent local television stations, in some cases, representing up to a third of their total revenue. Without that funding, many independent stations would be unable to provide the trusted local and community news and information programming on which Canadians rely. However, the ILNF is rapidly losing funding as the subscription levels of Canadian BDUs decline due to cord-cutting and cord shaving.

The CAB submits that sustained funding for Canadian news production must be a critical outcome of the present proceeding, not just for independent local television stations, but for all private radio and television stations. Without sustained, reliable and significant funding, the

[4] *Policy framework for Certified Independent Production* Funds, Broadcasting Regulatory Policy CRTC 2016-343, 25 August 2016.
[5] *Policy framework for local and community television,* Broadcasting Regulatory Policy CRTC 2016-224, 15 June 2016

ability of Canadian radio and television broadcasters to continue to provide professional quality local and community news and information programming is at risk.

Q10. The current *Broadcasting Act* sets out that the Commission "may make regulations respecting expenditures to be made by persons carrying on broadcasting undertakings for the purposes of […] supporting participation by persons, groups of persons or organizations representing the public interest in proceedings before the Commission under this Act." Should the Commission direct a portion of initial base contributions to the BPF or other funds with similar objectives?

The CAB acknowledges that the *Act* has specifically recognized the possible need for support for funds like the BPF. Similarly, the draft policy direction includes a provision requiring the Commission to:

> ***(g)*** *consider the need for sustainable and predictable funding to support participation by persons, groups of persons or organizations representing the public interest in proceedings before the Commission under the Act;*

With this in mind, the CAB supports the allocation of a portion of the contributions of standalone online undertakings to the BPF or a fund with similar objectives as designated by the Commission.

Q11. Should base contributions flow only to existing funds or could they be directed to newly created independent funds? Should online entities be permitted to create their own independent production funds, to which their contributions would flow? If yes, what criteria should they be required to meet? For any proposal, please describe the initiative, including the level of funding that would be required to support it.

The CAB is of the view that the base contributions by standalone online undertakings should be directed to existing Canadian CIPFs, an updated version of the CMF, and direct or indirect support for news, such as through a new and improved fund for the support of the production of news by radio and television stations in Canada. Directing contributions through Canadian funding bodies is the best way to ensure that those funds are managed and allocated in the best interests of Canadian creators.

These funds are also already operational, ensuring monies can be distributed quickly once the Commission has determined the appropriate framework.

Non-Canadian entities should not be permitted to create their own funds.

Q12. How can production funds better support Canada's diversity, inclusion and accessibility, as they relate to representation in programming, creators, or a combination of both? Should contributions or a portion of the contributions be directed towards the funds specifically dedicated to supporting diversity, inclusion and accessibility in the broadcasting system? If

yes, which organizations and funds? Should new funds be created? In addition, please comment on the selection process, eligibility criteria, and reporting requirements that would be necessary to support this objective.

The CAB notes that there are multiple ways to improve the support of diversity, inclusion and accessibility in the Canadian broadcasting system, both through specific envelopes or guidelines within existing funds and through specific new purpose driven funds. Some funds already allocate funding to initiatives that support Indigenous and other equity-seeking creators; new criteria could also be added to ensure that they do so going forward; and new funds could be created.

The CAB sees value in all three approaches, particularly as it relates to Indigenous content, as discussed below. As a result, the CAB supports an approach where a percentage of the initial base contribution of standalone online undertakings is directed either towards funds that support diversity, inclusion and accessibility (including the Broadcast Accessibility Fund) or to existing funds with the requirement that the funding be used to support these specific objectives. That said, the CAB notes that the creation of too many separate funds may decrease their efficacy and would recommend that the federal government and the CRTC work together to ensure targeted support for diversity and inclusion initiatives.

The CAB looks forward to reviewing the recommendations of groups representing diverse creators and to work with them in the design of the new contribution framework.

Q13. Comment on the possibility of a certain percentage or envelope of production funds being dedicated to Indigenous video productions and audio projects. What percentage would be appropriate and what entities should be required to contribute to such a fund? How could/should such a requirement be implemented and who should administer and be responsible for such a fund? What other considerations are relevant to the creation and management of such a fund?

As described above, the CAB believes that a percentage of the base contribution of standalone online undertakings should be directed towards Indigenous video production and audio projects.

We note that the federal government has given the Indigenous Screen Office the mandate to support Indigenous narrative sovereignty and that this may be the best vehicle to support Indigenous video production.

We are unaware of a similar audio body, although one could be created with similar support of both public and private funding.

Alternatively, we note that the 2022 budget provided $40 million in additional funding to the Canada Media Fund to *"make funding more open to traditionally under-represented voices and* *to increase funding for French-language content*.*"* Similarly, a portion of the new contributions could be directed to existing funds with specific criteria to support Indigenous audio and audiovisual storytelling.

The CAB submits that a coordinated approach between the federal government and the CRTC is essential to ensuring adequate support for Indigenous video productions and audio projects. We are also concerned that having too many funds would be inefficient, divert too much funding to administration and not on screen or on air, and potentially limit the effectiveness of such support.

The CAB looks forward to hearing the perspectives of Indigenous peoples and to working in consultation with them in the design of the modernized contribution framework.

Q14. Are there new funds that should be created? If so, what entities should be required to contribute to such a fund? Who should administer and be responsible for the fund?

The CAB notes that the Commission may wish to ensure the creation of a separate and specific fund for Indigenous audio content, self-directed by Indigenous peoples.

Q15. Should the Commission require that a certain percentage or proportion of an undertaking's or ownership group's base contribution be directed to a particular fund or type of fund?

As noted it its submission, the CAB believes the contributions by standalone online undertakings should be split into four categories:

1. funds that support audiovisual or musical content;
2. direct or indirect investment in news content;
3. support for audio and visual content from Indigenous producers and those from other equity seeking groups; and
4. support for the BPF, accessibility and other public interest objectives (such as 9.1(1)(h) services).

The CAB reiterates the acute need to support all providers of broadcast news, regardless of ownership. As noted, section 3(1)(i)(ii.1) of the *Act* provides that the Canadian broadcasting system should *"include programs produced by Canadians that cover news and current events... and that reflects the viewpoints of Canadians."* Furthermore, the Direction also requires the Commission to "*consider the importance of sustainable support by the entire Canadian broadcasting system for news and current events programming*."

Step 2 issues and questions

Q16. Would an outcomes-based approach and customized contribution framework ensure that the broadcasting system as a whole (including online undertakings) contributes to the achievement of the Commission's above-noted objectives? What other outcomes or objectives, other than those set out in the above list, may be required to ensure that Canada's broadcasting system can thrive now and in the future? Is the above list of objectives complete, accurate, fair and representative of the objectives set out in the current Broadcasting Act?

First principles - the CRTC needs to add sustainability to its list of objectives

As noted above, as a fundamental underlying principle in the modernization of the broadcasting regulatory framework, the CAB believes that it is critical that the Commission identify as a key objective the sustainability of the Canadian owned and controlled broadcasting system.

As described in Appendices A and B, in the face of unprecedented competition for content, audiences, subscribers, and advertising dollars from unregulated online providers, the private radio and television sectors are 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 advertising revenue, subscription revenue is on the decline and audiences are increasingly fragmented as many foreign streaming services are introduced directly into the Canadian market.

Whereas in the past a broadcasting licence was generally a profitable proposition – this is no longer true, and the old regulatory bargain of cultural benefits in return for a licence no longer works.

The net result is that, for private broadcasters, there is a growing imbalance between their ongoing viability and their ability to maintain their cultural obligations as licensees.

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.

The CAB urges the Commission to immediately adopt as a clear policy goal, the objective of ensuring the sustainability and continuity of healthy Canadian broadcasting businesses to the ultimate benefit of the Commission's cultural and public policy objectives.

Support for an outcomes-based customized contribution framework

As the CAB understands it (upon reading the CBC renewal decision[6]), an outcomes-based approach starts with a focus on desired results, without specifying the precise means of achieving them. This aligns with the Commission's statements in the present notice, in which it states:

> *The Commission intends to apply an approach that recognizes that each broadcasting undertaking or group of undertakings is unique, and that focuses on desired performance standards and measures of success.* (para 15)
>
> *All broadcasting undertakings (traditional as well as online) [will] be required to support the Canadian broadcasting system (audio and video elements) through a standardized contribution framework that allows for specific requirements to be tailored to a particular undertaking or group of undertakings.* (para 30)

With this context, the CAB supports the Commission's objective of a flexible, outcome-oriented customized contribution framework. However, a "standardized contribution framework" that requires all undertakings to make contributions into the three categories of contribution as identified in the Commission's notice may not be appropriate for all types of services. For example, it clearly is not realistic, nor desirable for Canadian television services that currently are subject to CPE requirements to redirect monies to third party funds. Such an approach could force broadcasters to cut programming on their own channels only to watch their money go to support their competitors.

Like undertakings should have like baseline obligations (i.e., two radio stations or two conventional television stations). The Commission could also factor in any other intangibles that a particular undertaking or group of undertakings might do or create incentives to make certain types of investments that otherwise are unlikely to be made. Furthermore, individual groups and undertakings should be given the flexibility to direct their contributions to the Canadian broadcasting system in ways that makes most sense given their specific business models.

Q17. Would the proposed new contribution framework achieve desirable policy outcomes for the Canadian audio and video broadcasting system? Why or why not?

The CAB believes that seeking fair and equitable contributions from online broadcasting undertakings is an important and desirable policy outcome. As noted above, Canadian broadcasting companies face considerable structural challenges. As a result, there is an urgent need to recalibrate the obligations of traditional broadcasters. As evidenced by the Armstrong

---

6

Consulting Report attached as Appendix C, any reductions in the financial obligations of Canadian broadcasting undertakings will be more than offset by the contribution requirements for online undertakings recommended by the CAB.

Q18. Should the regulatory approaches for traditional broadcasting undertakings and online undertakings (audio and/or video) be separate and different, or should the Commission establish a new approach that considers the broadcasting system as a whole?

The CAB submits that obligations that apply to standalone online undertakings and the services operated by or affiliated with traditional broadcasting undertakings need to be equitable, but not necessarily identical.

For example, as noted in the body of our submission, for standalone online undertakings, the Canadian market is generally an add on. As a result, it would be more appropriate to require standalone online undertakings to direct their contributions to the system to third-party funds as it would ensure transparency, is easily verifiable and would ensure that the requirements levied on a service's Canadian operations actually go to support the production of programming for this market and not to cover the costs of worldwide distribution rights.

In contrast, for traditional broadcasters, the Canadian market is the primary (if not only) market in which they operate. They invest significantly in Canadian talent and are present in their communities. Consequently, the contributions they make should be more tailored to their specific operating situation.

Q19. Would an outcomes-based approach and customized contribution framework, once finalized, ensure regulatory symmetry between traditional broadcasting undertakings and online undertakings?

An outcomes-based approach and customized contribution framework can, in theory, create regulatory symmetry, but whether it will depends heavily on the contribution obligations imposed on each undertaking or group of undertakings and what those obligations require.

Q20. Could/should the new contribution framework be applied to broadcasting undertakings or to broadcasting ownership groups? If the framework is applied at the ownership-group level, are there any impediments to it being implemented via orders issued pursuant to subsection 11.1(2) of the current *Broadcasting Act*?

Without further clarity on how specific obligations will be imposed and at what level, it is difficult to comment on whether contribution requirements should be applied at the ownership group or undertaking level. In either situation, Commission regulation shouldn't create an unlevel playing field where comparable undertakings are subject to different regulatory obligations simply on the basis of ownership.

Under existing Commission policies, a large television ownership group that is subject to a group CPE requirement only includes revenues from its licensed undertakings. To the extent it operates exempt discretionary services, the revenues from those undertakings are not included the group CPE base. In the radio regime, smaller radio stations – those earning revenues less than $1.25 million – have no CCD contribution requirement. A similar approach should apply to the new contribution framework. In other words, the fact that an ownership group has significant revenue should not mean that its smaller services that otherwise would not be subject to spending requirements are now required to make a contribution solely because they form part of a larger group.

Section 11.1(2) of the *Act* should not restrict the Commission from adopting such an approach or to allow obligations to be shared across various undertakings. This section simply allows the Commission to impose expenditure obligations of various types (all of those recommended by the CAB herein are contemplated by this section) by Order instead of by Regulation. Moreover, words in the singular, include the plural (as in the operator of more than one broadcasting undertaking), as specified in the *Interpretation Act*.

Q21. To what extent is the proposed new contribution framework adaptable to the needs and capacities of smaller, independent players?

The CAB has some concerns that the framework may not work for some groups. For example, the vision the Commission has shared of contributions applied to ownership groups and divided into the three categories of contribution-based obligations, could work for some ownership groups and online undertakings depending on the services they offer. However, it makes little sense for programming undertakings. As noted elsewhere in this submission, Canadian television undertakings – regardless of ownership – should have full flexibility to direct all of their programming contributions into their own programming, at their discretion, and should not be required to contribute to funds.

Q22. What, if any, special considerations should be given to English- and French-language markets?

3(1)(c) of the Act continues to require the Commission to recognize that English and French language broadcasting operate under different conditions and may have different requirements. In setting the broad framework, the Commission must acknowledge this statutory point and the operating realities of French and English language broadcasting undertakings. It is when the Commission is setting the customized contribution requirements that it may need to establish different obligations for services serving different language groups.

Supports for Canadian programming

Q23. Some online undertakings offer only or mostly Canadian-created content. Should their contribution requirements be adjusted to reflect this reality? If yes, how? What type of information should the Commission use to determine this?

The CAB is of the view that a customized contribution framework will be adaptable enough to respond to such situations. Further, any online undertaking offering only, or mostly Canadian-created content will easily fulfill any Category 1 or 2 baseline obligations the Commission may impose, in addition to meeting Category 3 obligations as appropriate.

Q24. Should the Commission recognize other forms of contributions to the Canadian broadcasting system, such as rights payments, predominance/carriage commitments (for example, 9.1(1)(h) or 9.1(1)(i) services), promotion/discoverability, training/internships, or capital expenditures? If yes, how should such contributions be recognized, measured and monitored?

The CAB submits that it is important to acknowledge that there are myriad ways that Canadian private broadcasting undertakings contribute to the system. For example, the latest available CRTC data on radio's CCD contributions (for 2021) indicate payments of $20.1 million, and the latest Statistics Canada data on radio's copyright payments (for 2022) indicate payments of $34.8 million for Canadian content. In addition, in 2022, Canadian private radio stations spent an estimated $136.9 million on news and community information programming (based on Statistics Canada data). In fact, almost 100 per cent of radio’s programming expenditures are spent on Canadian content, despite the Commission’s regulatory focus on musical selections.

Factors such as these should be considered when establishing the final contribution obligations of online audio services, and when tailoring obligations to a specific group or undertaking.

Q25. How can the Commission incent online undertakings to source Canadian and Indigenous content? How can the Commission facilitate creators’ access to supports, and creators’ ability to make their content available to domestic and non-Canadian audiences? How can the Commission better encourage partnerships between foreign online undertakings and Canadian and Indigenous creators?

The CAB believes that a multifaceted approach is required to address these important questions about supporting Canadian and Indigenous content. As noted above, contributions from streamers need to bolster existing funds, and new funds need to be created. The Commission has also indicated that it is seeking ‘intangible’ contributions from online broadcasting undertakings to ensure the discoverability of Canadian and Indigenous content. These initiatives should be coupled with incentives to support the creation of content.

The CAB looks forward to reviewing the submissions of other interveners and providing additional input as part of its reply comments.

Q26. In what other ways can the Commission encourage the support of Canadian and Indigenous audio and video content? What types of projects or endeavours would be the most impactful? What initiatives for the support of Canadian and/or Indigenous content are you currently exploring/considering/undertaking?

The Commission could use a mix of tools to encourage Canadian and Indigenous audio and video production, including establishing broad parameters as part of its outcomes-based approach, and relying on individual groups to propose mechanisms that will make most sense given their particular business models. It could also include baseline obligations and incentives, such as time or spending credits.

The CAB looks forward to reviewing the submissions of other interveners and providing additional input as part of its reply comments.

Q27. How should the Commission support Canadian and Indigenous spoken word programming in a digital context?

One of the ways to support an increase in spoken-word programming in the audio space is by ensuring sufficient funding as well as reducing the current regulatory emphasis on musical selections.

Indigenous broadcasting

Q28. How can Indigenous creators and storytellers best be supported to ensure Indigenous stories are told and accessible on multiple platforms, including online services?

Q29. Should all broadcasting undertakings (both online and traditional) be required to make available or broadcast certain amounts of Indigenous audio or video content on their services, including content in Indigenous languages? Are spending requirements a more appropriate means of supporting the creation, promotion and discoverability of Indigenous

content? Should the approaches differ for audio and video content? Are there other incentives or supports that could be used to meet the Commission's objectives?

Q30. What incentives or other supports could be established to increase the number of Indigenous creators and storytellers who occupy key creative positions in regard to the production of Canadian programming?

Q31. What incentives or other supports could be established to increase the number of Indigenous artists?

Properly supporting Indigenous content arguably requires a multi-faceted approach that takes into account where that programming has the best chance to be seen or heard. The concept of exhibition requirements for linear broadcast services is quickly becoming obsolete and forcing broadcasters, whether television or radio stations or discretionary services to offer programming their audiences are unlikely to tune into serves no public policy benefit.

However, on-demand services may be able to create shelf space for this content and creating an incentive do so may be the best strategy. It will, however, be critical to ensure sufficient funding for both Indigenous audiovisual and audio content.

The CAB also recommends that the Commission explore other types of incentive-based regulation, such as granting bonus points for the hiring of Indigenous creators and storytellers in key creative positions in the production of Canadian programming, building on the existing incentives for Indigenous production.[7] Moreover, the definition of Indigenous programming and the appropriate points system for such programming should be determined in co-development with Indigenous peoples.

The CAB looks forward to reviewing the submissions filed by Indigenous peoples and to working with them to co-develop approaches for the support of Indigenous storytelling.

Diversity and inclusion

Q32. How are online undertakings currently supporting the production and discoverability of diverse and inclusive audio and video content? What are some of the most successful

[7] To encourage the reflection of Indigenous peoples, Canadian broadcasters have received a 50% credit against their CPE expenditures for expenditures on Canadian programming produced by Indigenous producers. See for example, *,* Broadcasting Decision CRTC 20117-148, 15 May 2017.

initiatives? Should they be adapted to specifically promote diverse and inclusive Canadian content? If yes, how could they be adapted?

Canada's private broadcasters are fully committed to reflecting the diversity of their audiences – both on-screen/on-air, online and behind the scenes – fostering inclusive, equitable and accessible workplaces, and taking meaningful actions to address issues of systemic racism or discrimination. Many of the CAB's members report annually on their specific activities to support diversity and inclusion, including reporting on corporate accountability; recruitment, hiring and training practices; community outreach initiatives; and efforts to improve diversity on-air.

Q33. Should the Commission consider requirements, incentives, or both to best ensure that audio and video content is created by diverse and inclusive groups currently under-represented in the Canadian broadcasting system? Are there different considerations for traditional versus online undertakings? Audio versus video content or services?

As noted in response to Q29, there is a difference between ensuring the resources are available to create programming from certain groups and how to ensure that programming is easily accessible to Canadians.

The requirements imposed on different undertakings relating to supporting equity deserving groups may vary based on the various components making up their overall contribution. For example, it may be more appropriate for a subscription music streaming service to devote resources directly to funds supporting this kind of content given the nature of the service as opposed to a radio station, which doesn't just air music, but also produces news and local programming and is a lifeline to the local community in times of need.

For linear broadcast services, an incentive-based approached is likely most appropriate. For other services that don't offer a material amount of Canadian programming in their library, more prescriptive requirements to help fund the development of programming from equity seeking groups and channels on which that programming can be given pride of place are likely necessary.

Q34. Would reporting requirements, whether on content or key creative positions, be considered an efficient tool to incentivize increased diversity and inclusion in programming? If yes, how could this apply to audio and video content or services? To news and sports programs?

While reporting requirements can offer useful information relating to progress in achieving a particular outcome, these obligations, in of themselves, do not incentivize a particular activity. Moreover, the Commission needs to be sensitive to the administrative burden those obligations place on the parties who need to provide the information. Consequently, any reporting requirements should be streamlined to the greatest extent possible.

Q35. How can the Commission best ensure the creation and discoverability of content from OLMCs and from regions outside major metropolitan centres on multiple platforms?

The CAB looks forward to reviewing the submissions of other interveners and providing additional input as part of its reply comments.

Q36. How can the Commission ensure that online undertakings make Canadian and Indigenous audio and video programming available in Canada and abroad? What types of requirements or incentives would best optimize the distribution of Canadian and Indigenous content, both internationally and domestically?

The CAB looks forward to reviewing the submissions of other interveners and providing additional input as part of its reply comments.

Q37. How can the Commission ensure that Canadian and Indigenous content is discoverable and promoted on online platforms? What incentives can be applied?

The CAB looks forward to reviewing the submissions of other interveners and providing additional input as part of its reply comments.

Q38. What is the role of content curators and aggregators, and playlists, in assisting with promotion and discoverability?

It is important to acknowledge that different types of undertakings can contribute to the Act's objectives in different ways. By virtue of exhibition requirements, radio, television and discretionary services (as "curators") are already contributing to the promotion and discoverability of Canadian content. For online providers, different models will apply based on their particular operations. The CAB recommends that such "intangible" contributions be determined as part of the process of establishing tailored/customized contribution agreements.

Q39. Should the Commission consider requirements, incentives, or both to best ensure that audio and video content created by equity-deserving communities is distributed, promoted and discoverable? Are there different considerations for traditional versus online undertakings?

As noted in previous answers, the CAB believes that a multifaceted approach is required to support the creation, distribution, promotion and discoverability of audio and video content created by equity-deserving communities. One component will be ensuring that funds are available to support such activities. The CAB also believes that incentives will be a useful tool to promote these objectives.

The CAB looks forward to reviewing the submissions of other interveners and providing additional input as part of its reply comments.

Appendix A – Communications Management Inc., Structural change in the Canadian television market: Implications for public policy

Submitted under separate cover.

Appendix B – Communications Management Inc., Structural change in the Canadian commercial radio market: Implications for public policy

Submitted under separate cover.

Appendix C – Canadian Programming Expenditure and Contribution Financial Model

Submitted under separate cover.

Appendix D – Communications Management Inc., Broadcasting in Canada by the Numbers: Media Spending on the News

Submitted under separate cover.

Communic@tions Management Inc.

Research Note

JULY 7, 2023

Structural change in the Canadian television market: Implications for public policy

PREPARED FOR THE CANADIAN ASSOCIATION OF BROADCASTERS

Introduction

On May 24, 2023, Statistics Canada released its compilation of the 2022 data for broadcasting in Canada. On June 7, 2023, the CRTC released its compilation of the 2022 broadcasting data. Those recent releases provide useful reference points for updating the data on the Canadian television market.

This Research Note has been prepared for the Canadian Association of Broadcasters, to help place those newly-available statistics in context, and, in particular, to link the statistical data to the changing structure of the television industry.

The changing structure of the Canadian television industry

Canadian television is undergoing major structural change. After decades of being primarily public and private over-the-air "conventional" television, it saw the expansion of multiple additional channels delivered via cable or satellite. At the same time, revenue sources also changed, as subscription revenues were added to advertising.

In the last decade, Internet-delivered streaming services have added another level of fragmentation and competition, and are beginning to expand into advertising in addition to their initial base of subscription revenues.

All of these changes have had a significant impact on the programming costs in the industry, and on the ability of the legacy television broadcasters (private conventional television) to maintain their profitability and their long-standing regulatory obligations.

As will be documented below, until the early 2000s, the basic economic and regulatory structure of the private conventional television industry in Canada worked. Generally, for English-language television in particular, the revenue surplus on acquired non-Canadian programs was sufficient to cover revenue shortfalls on other programming, including the all-important local newscasts on which Canadians have come to depend.

As the audience and revenues for discretionary (specialty and pay) services grew, the economic health of private conventional television was impacted. Because of the ownership structure within the industry, the internal cross-subsidies within private conventional television evolved into a system in which the profits on discretionary services helped to balance the losses on conventional. In a sense, we went from one form of "balancing act" to another.

However, that second type of balancing act now is being challenged in a number of ways, including:

1. Increased competition for audiences and for subscription revenues from streaming services delivered via the Internet;

2. The resulting "cord-cutting" by Canadian subscribers to broadcasting distribution undertakings (BDUs);

3. Increased competition for advertising from a multiplicity of digital services; and

4. Increased programming costs, particularly for non-Canadian programs, as the U.S. television industry in particular feels similar pressures that change the nature of programming and how it is delivered to audiences.

As will be seen from the statistics summarized below, there are signs that the second type of balancing act may not be sustainable.

The statistical analysis

In reviewing the historical statistics, we find that, in 1990, private conventional television had about four times the total revenue of pay and specialty services in Canada.

According to Statistics Canada, it took another 15 years – until 2005 – for the combined revenues of discretionary services to pass the combined revenues of private conventional TV.

To help create useful reference points, we have summarized the state of the Canadian television industry in 2005, and then compared those data with similar data for 2019 (the last pre-pandemic year) and, where possible, for 2022.

Notes on methodology

The data used in this Research Note come from Statistics Canada and the CRTC, along with a number of industry sources. Two important points should be noted in this context:

1. Differences between the Statistic Canada and CRTC reporting of data for television:

There are two main differences between the reporting of data for private television by Statistics Canada and the CRTC. First, Statistics Canada includes the results for the network licence for Hockey Night in Canada in its private conventional television data; the CRTC includes the results for that reporting unit in the data for discretionary services. Second, the calculation of profit before interest and taxes (PBIT) may differ between the two sources in some years, depending on whether contributions from specific funding mechanisms are included as part of operating revenue or as subsequent additional adjustments.

2. The impact of inaccurate annual returns for CBC conventional television:

On July 13, 2018, the CBC issued a news release stating that, for a number of years, up to and including 2016, it had filed inaccurate annual returns with the CRTC for the CBC conventional television services. For the years in question, the CBC had included its non-broadcast digital news services (that compete with newspapers) in its annual returns for conventional television. That had the effect of overstating the data for CBC conventional television, and, at the same time, not revealing the expenditures for the non-broadcast digital services.

Those inaccurate annual returns impact the ability to present consistent data for the CBC – and for any industry totals that include the CBC – for a number of years, likely from about 2012 to 2016. However, we have been able to develop a method for estimating the impact on the advertising revenue component, in order to present total industry advertising trends over time.

Shares of the Canadian television/video market – 2005, 2019, and 2021

In Figure 1A (for 2005), Figure 1B (2019), and Figure 1C (2021), we have summarized the main components that make up the Canadian television/video market. (Even though we have the revenue data for the Canadian components of the market for 2022, the CRTC has not yet updated its published estimates for the non-Canadian components. Thus, the most recent year for which one can estimate the full relevant market is 2021.)

(Note: We have focused on estimates for the main components in the relevant market. It should be noted that there may be some smaller components that have not been included. For example, although less than in 2005, there were still sales of physical copies of video programming in 2019 and 2021.)

The data indicate that private television's share of the Canadian television/video market was as follows for the selected years:

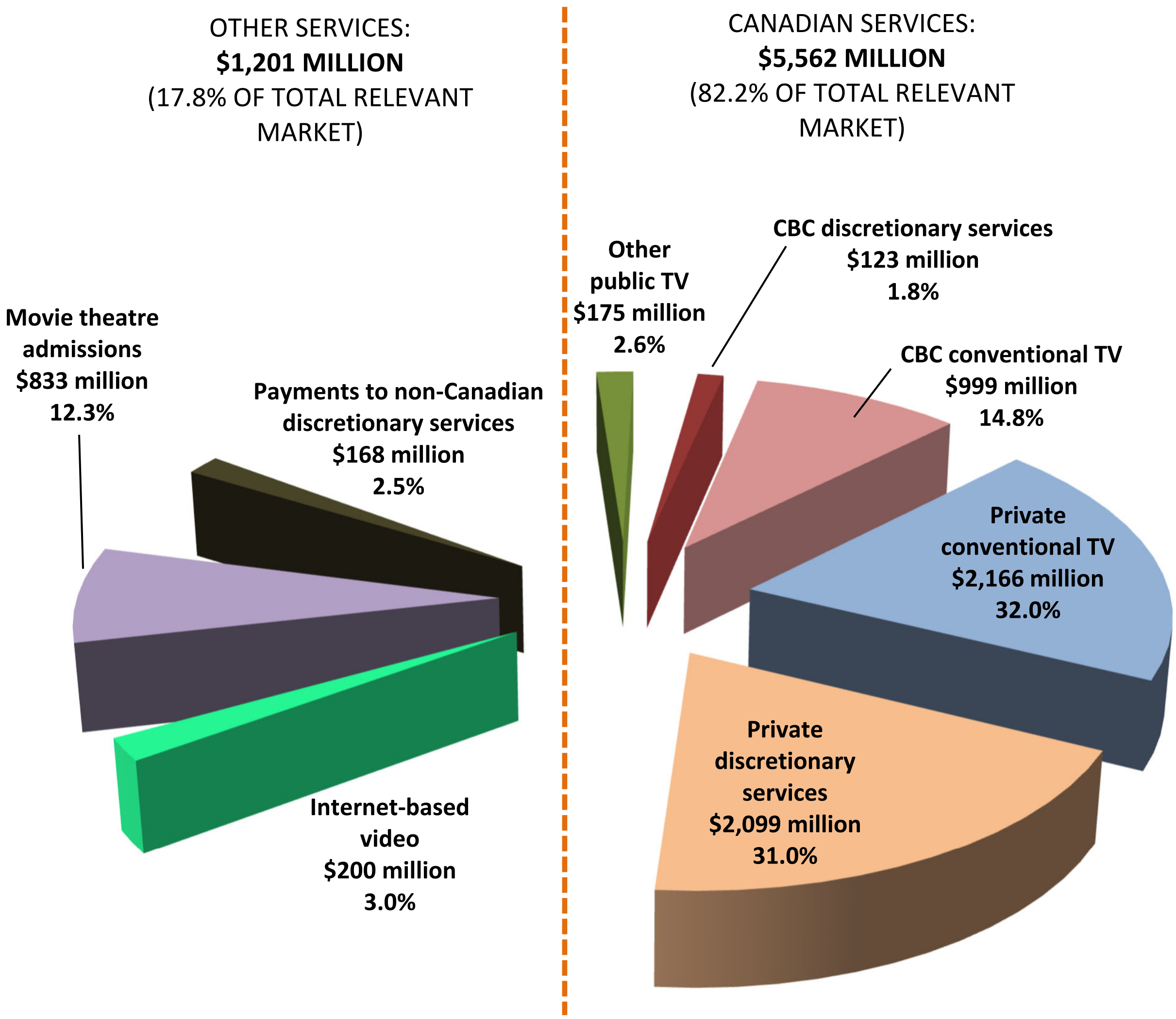
- 2005 63.1 %
- 2019 48.4 %
- 2021 43.8 %

The changing shares within the television/video market reflect the fact that more content is available from more sources than ever before, but that also has implications for revenue sources (advertising and subscriptions) and the nature, availability and cost of programming.

Text continues on page 7 …

Figure 1A.
The Canadian television/video market in **2005**:

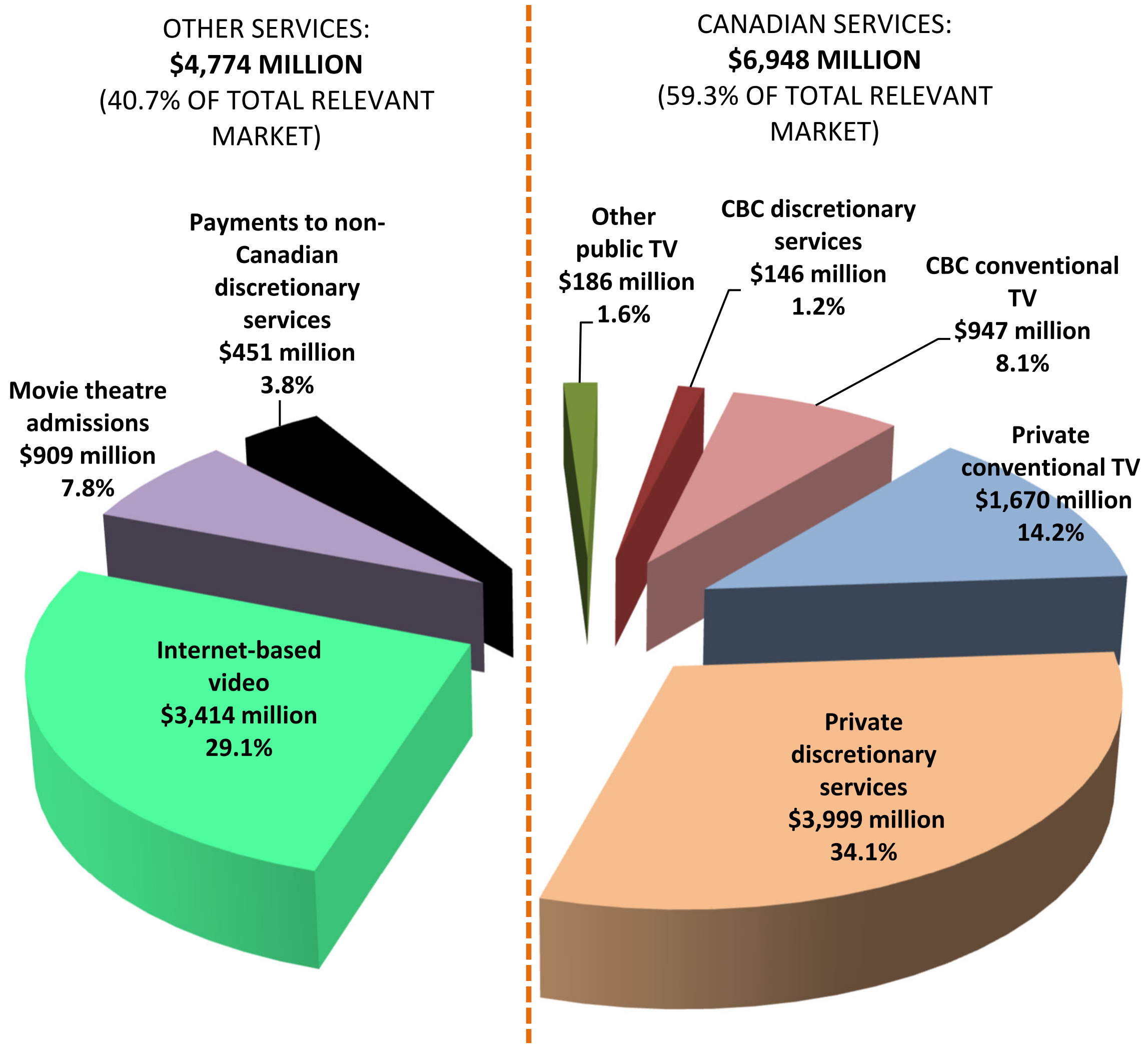
[TOTAL RELEVANT MARKET: **$6,763 MILLION**]



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

Figure 1B.
The Canadian television/video market in **2019**:

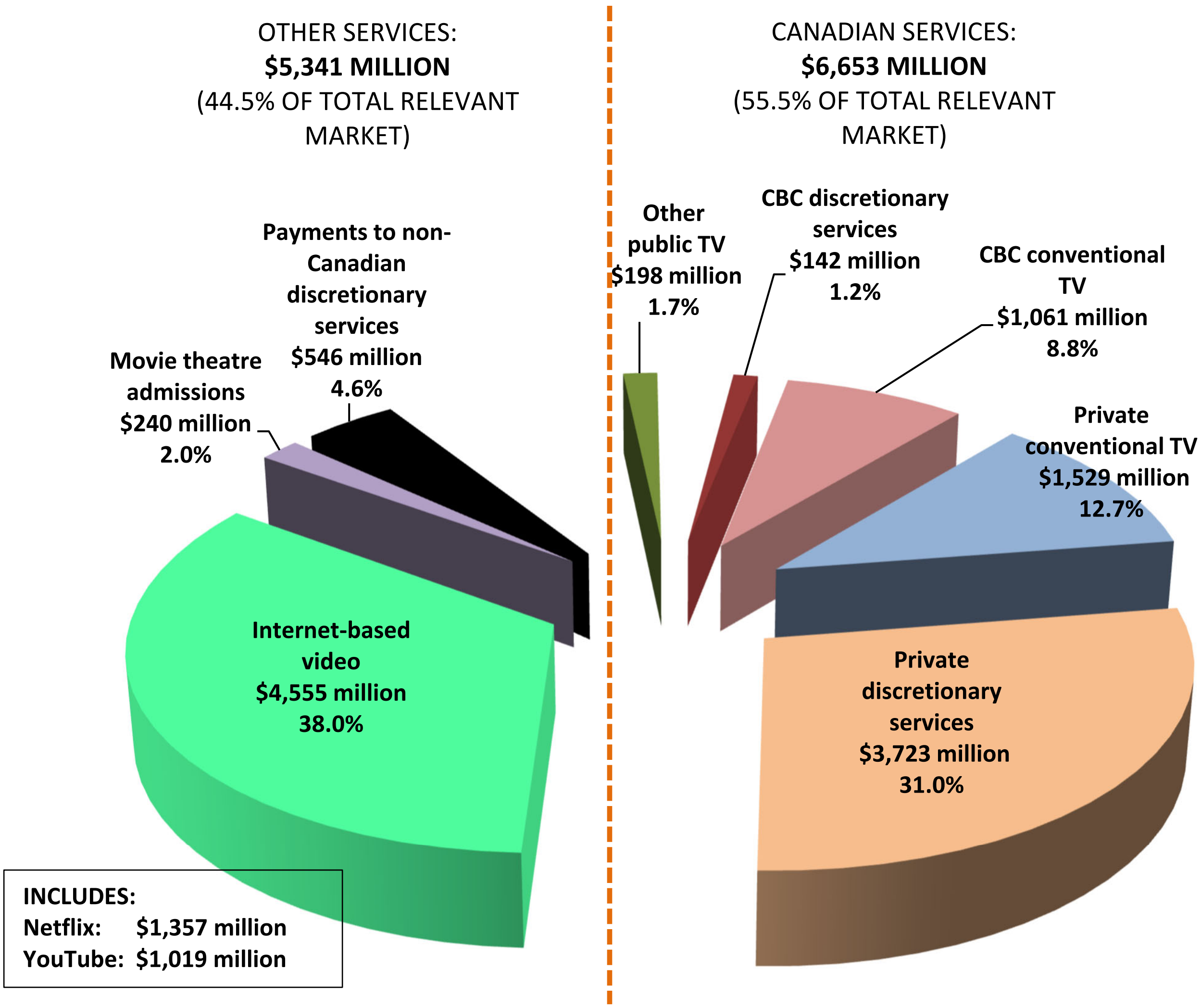
[TOTAL RELEVANT MARKET: **$11,722 MILLION**]



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

Figure 1C.
The Canadian television/video market in **2021**:

[TOTAL RELEVANT MARKET: **$11,994 MILLION**]



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

The evolution of the advertising market from 2005 to 2021

Advertising-supported television competes in two overlapping markets:

1. The television market (versus other video options); and
2. The Canadian advertising market (versus other advertising options).

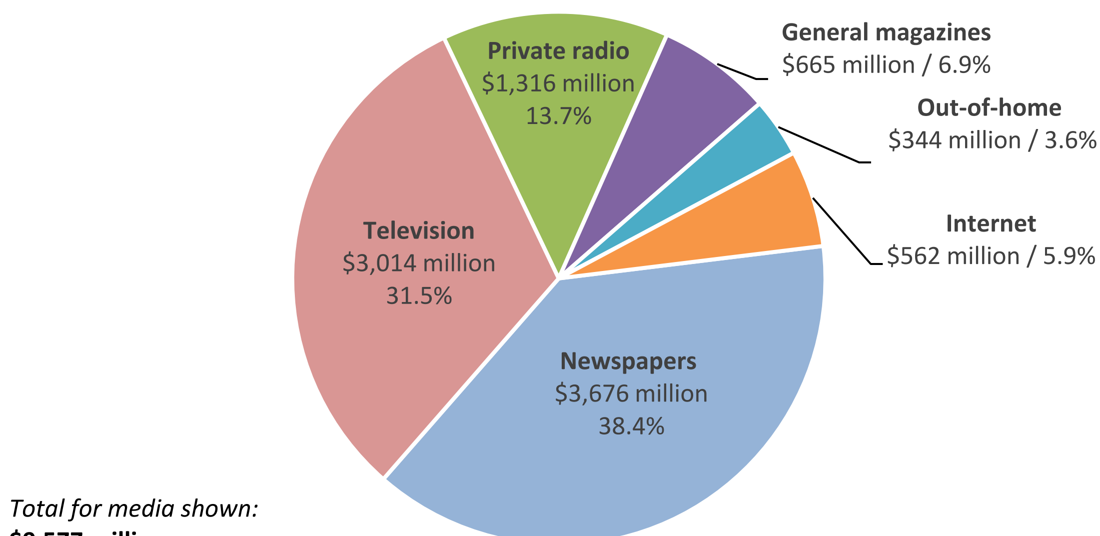
Market share comparisons are presented here for the Canadian advertising market. The advertising data by medium are another important indicator of the changing structures in the television/video market, and the media market generally.

Shares of the Canadian advertising market, by media – 2005, 2019, and 2021

To indicate television's share, and also the dramatic changes that have occurred over the last two decades, we have presented the data in Figure 2A (for 2005), Figure 2B (2019), and Figure 2C (2021). (Data for some of the non-broadcast media are only publicly-available up to 2021.)

(Note: In order to be able to compare the data over time, we selected the main advertising media for which data were consistently available. For example, estimates for spending on Direct Mail were available for 2005, but not for 2019 or 2021. Note also that the data for "newspapers" include daily and community newspapers.)

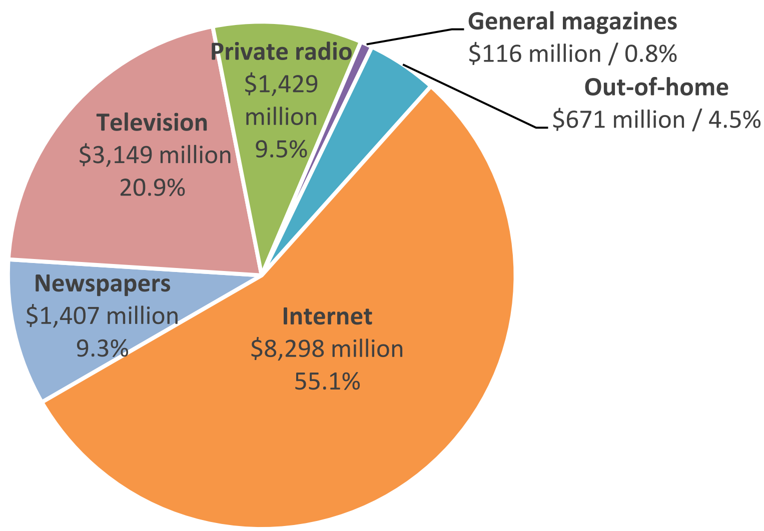
Figure 2A.
Advertising market shares for selected media, **2005**:



SOURCE: TVB Canada; Statistics Canada; Communications Management Inc.

Text continues on page 9 …

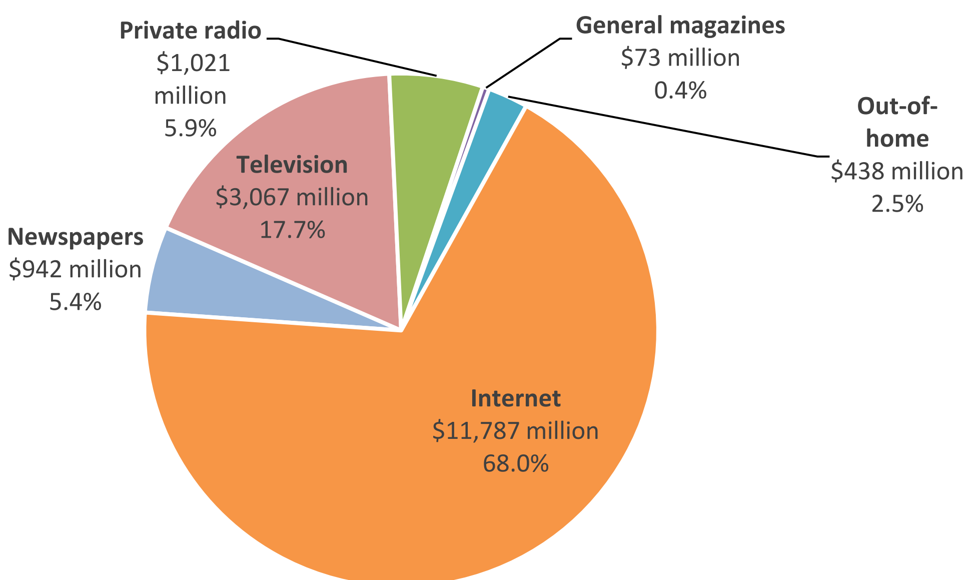
Figure 2B.
Advertising market shares for selected media, **2019**:



Total for media shown:
$15,071 million

SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

Figure 2C.
Advertising market shares for selected media, **2021**:



Total for media shown:
$17,328 million

SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

As can be seen in Figures 2A, 2B, and 2C, the changes in market shares from 2005 to 2021 are significant:

- Internet advertising jumped from 5.9 per cent to 68.0 per cent;
- Print media (newspapers and magazines) fell from 45.3 per cent to 5.9 per cent; and
- Television fell from 31.5 per cent to 17.7 per cent.

Television advertising is no longer tracking GDP

In Figure 3, we have presented data that track the trends for private conventional TV advertising, total TV advertising on Canadian services, and GDP.

As indicated in Figure 3, the growth rate for private conventional TV advertising fell below the GDP growth rate after about 2000, and the growth rate for total TV advertising fell below the GDP growth rate after about 2011. Both have continued to lag.

The advertising-GDP linkage shown here reflects:

1. The changing structure of the television market; and
2. The increase in the number of competitors, first from discretionary services (pay and specialty channels), and more recently from digital OTT alternatives.

Projecting advertising revenues – "cyclical" or "structural"?

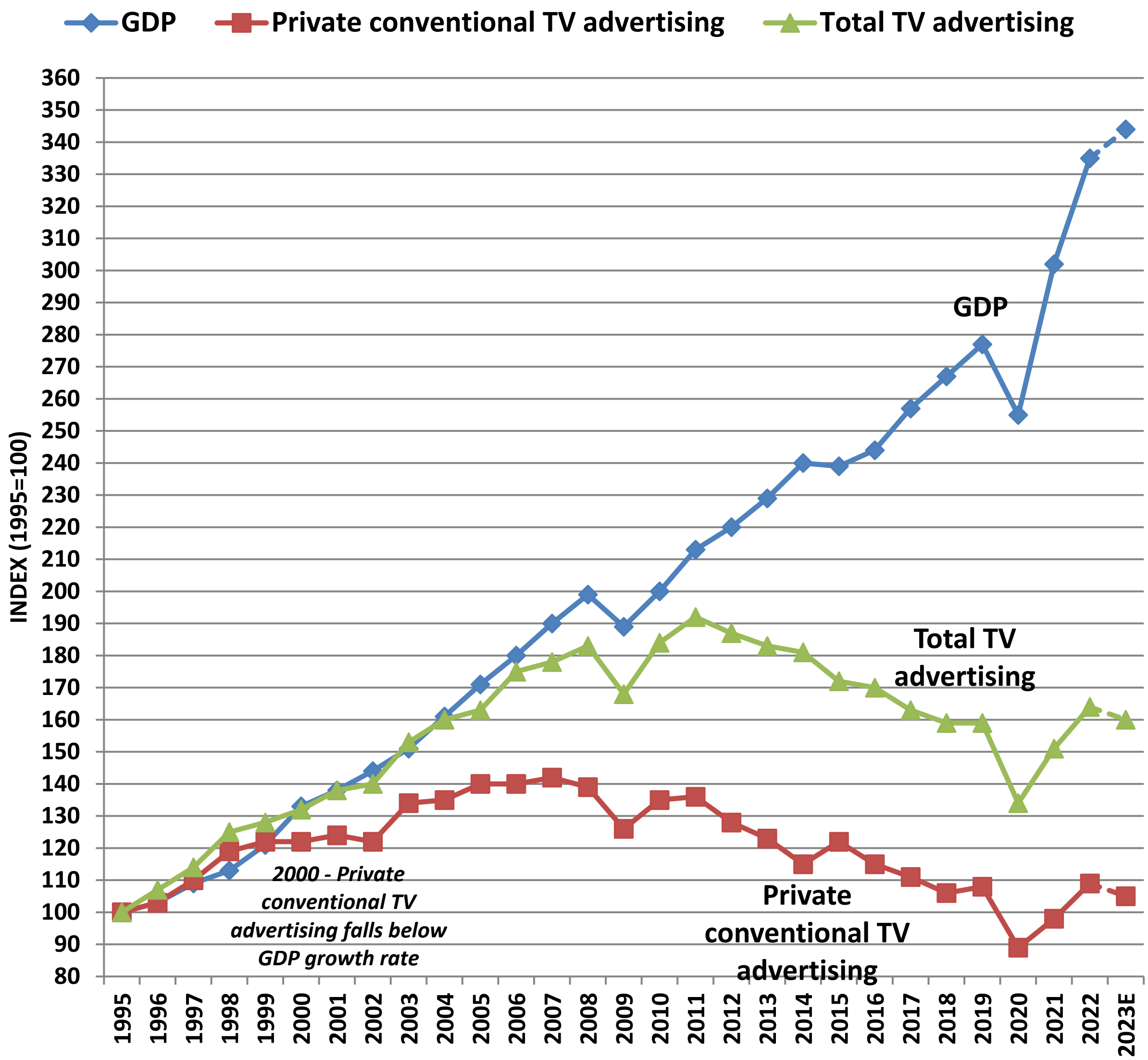
In the case of television advertising, the advertising levels fell from 2019 to 2020, but then recovered in 2022 to about the same levels as they had been in 2019. It might therefore be tempting to assume that the initial decline was mainly pandemic-related (cyclical) and that the bounce-back to 2022 might lead to longer-term growth.

We would caution against that assumption for two important reasons:

1. First, the longer-term declining trend indicated in Figure 3; and
2. Second, the most recently-available industry tracking data, for the first eight months of the 2023 broadcast year, are indicating a decline in television advertising revenues.

Text continues on page 11 …

Figure 3.
GDP and advertising on Canadian television services, 1995-2023,
Index basis (1995=100):



SOURCE: Statistics Canada; Communications Management Inc.

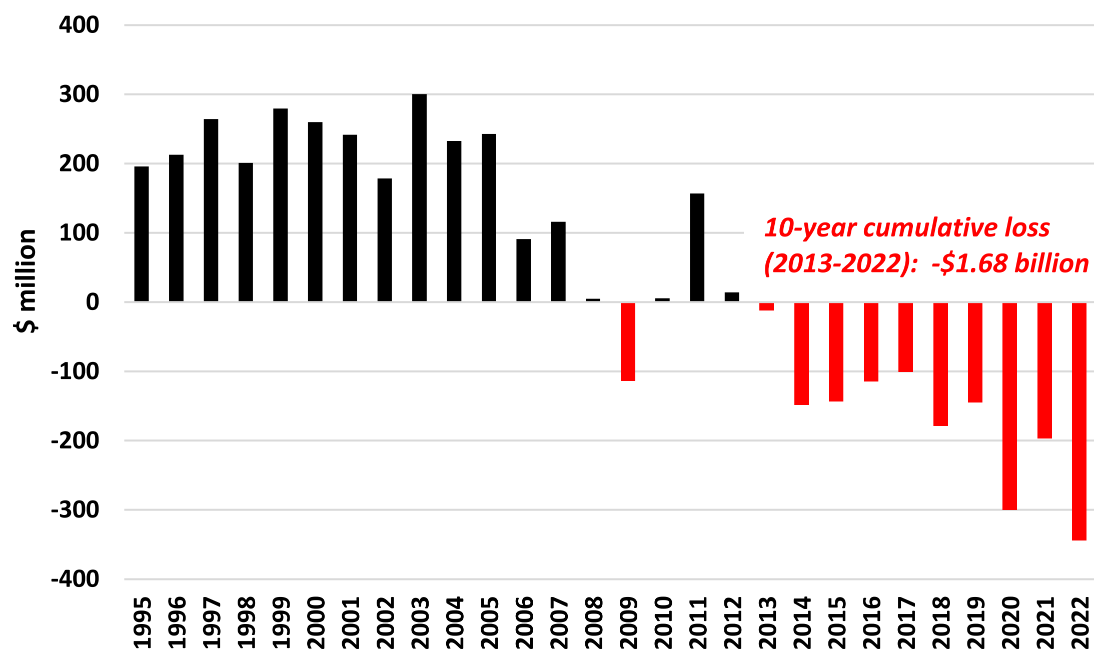
The impact on industry profitability

As noted above, the greatest structural impact within the television industry has been felt by private conventional television.

Figure 4 summarizes the profit before interest and taxes (PBIT) for the private conventional television industry in Canada, from 1995 to 2022.

Figure 4.

Profit before interest and taxes (PBIT), private conventional television, Canada, 1995-2022:



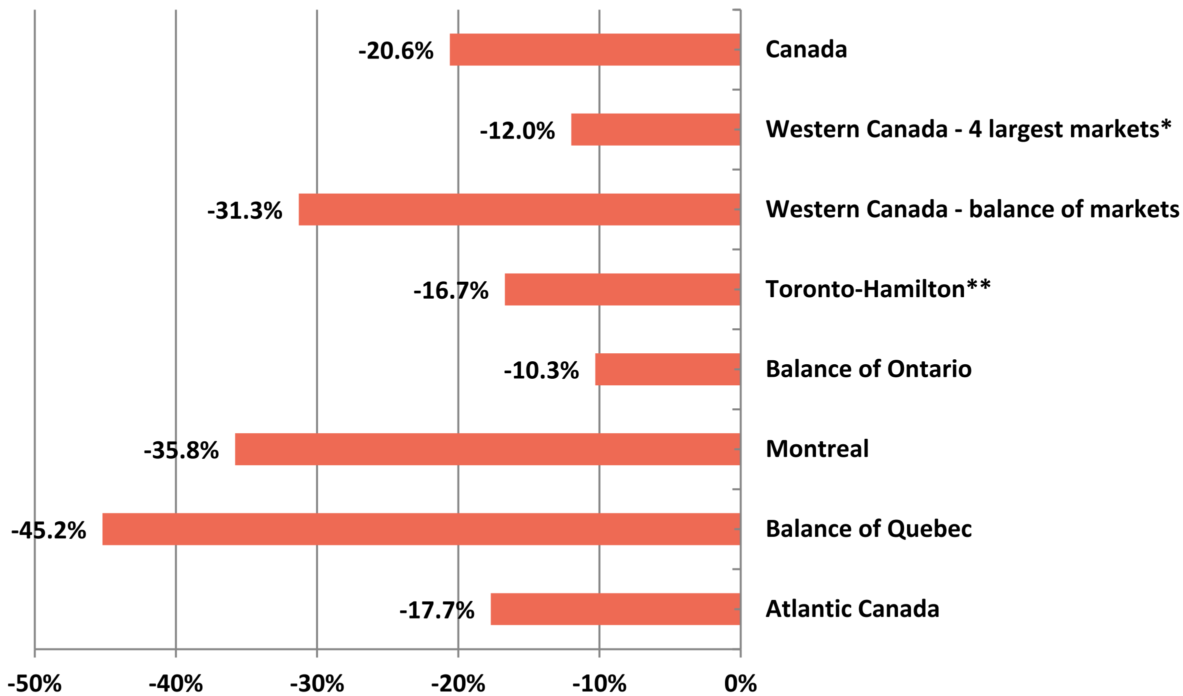
SOURCE: Statistics Canada; Communications Management Inc.

As indicated in Figure 4, the 10-year cumulative loss for private conventional television from 2013 to 2022 was $1.68 billion. (We noted above that the CRTC uses a slightly-different methodology in its data for television. If we use the CRTC data for 2013 to 2022, the 10-year cumulative loss in PBIT was $1.43 billion.)

In the case of private discretionary services, they were still profitable in 2022, but one could see the impact of a number of the general trends, and, in particular, the impact of “cord-cutting” on subscription revenues.

Figure 5 indicates the PBIT percentage for selected markets across Canada.

Figure 5.
PBIT as % of total operating revenue, private conventional TV, selected areas, 2022:



* The 4 markets are Vancouver-Victoria, Calgary, Edmonton, and Winnipeg.
** Data for Toronto-Hamilton include some regional services.

SOURCE: Statistics Canada; Communications Management Inc.

According to Statistics Canada, in 2022, almost three-quarters of private conventional television stations had negative PBIT.

Overall industry profitability – the "apparent overall PBIT"

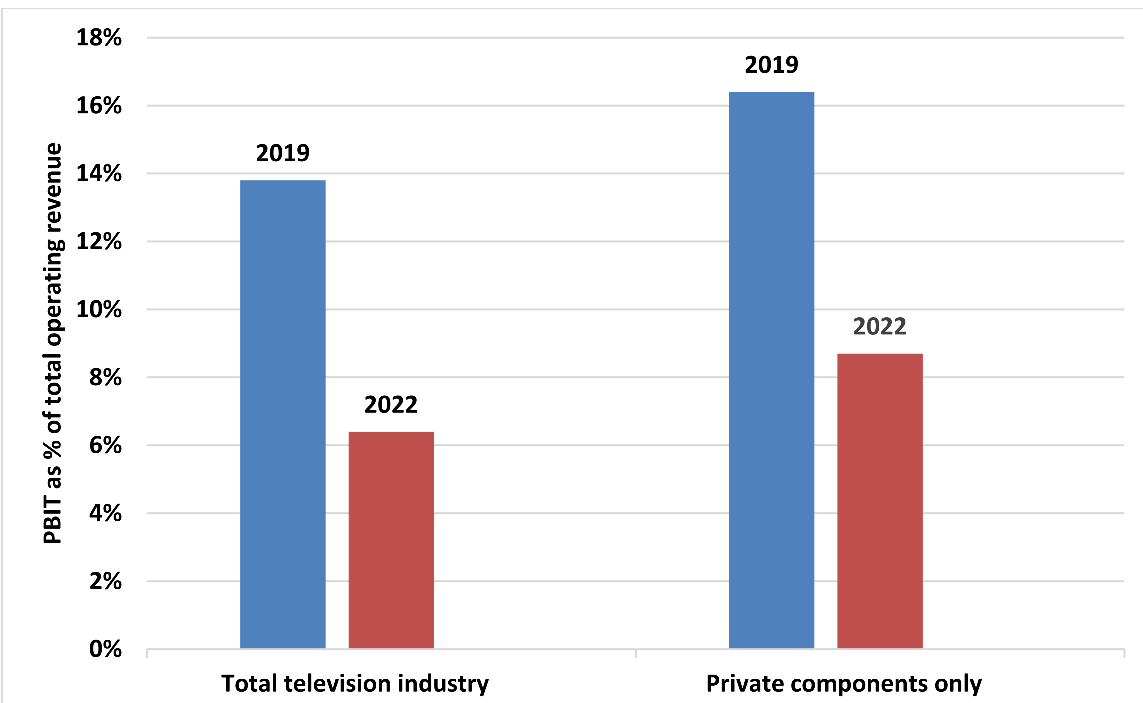
Clearly, an important thesis within this Research Note is that the historical internal cross-subsidies within private conventional television evolved into a system in which the profits on discretionary services helped to balance the losses on conventional.

Because that has obvious and important implications for future viability, we think it is important to try to assess what we have called the "apparent overall PBIT" of Canadian television. We have summarized those data in Figure 6, for 2019 (the last pre-pandemic year) and for 2022 (the most recent year for which data are available).

We have presented two sets of data – for the total television industry, including private and public components, and for just the privately-owned components of the industry.

Essentially, this represents a measure of how successful the "balancing act" was in each year, because the data represent the overall PBIT level after balancing the losses in some units against the profits in other units.

Figure 6.
The "apparent overall PBIT" of the Canadian television industry, 2019 and 2022.



SOURCE: Statistics Canada; Communications Management Inc.

As indicated in Figure 6, the overall PBIT percentages in 2022 were about half of what they were in 2019, indicating a diminished ability to compensate for losses.

The future of news on Canadian television

Private television makes significant contributions to society and the economy, across many categories, including programming on its services, and "multiplier" effects on the broader economy.

Within those benefits, one of the most important is the contribution to Canadian news, and to local news in particular.

Table 1 summarizes the spending on news by Canadian television in 2022.

Table 1.
Spending on News* by Canadian television, 2022.

CONVENTIONAL TELEVISION:

(In $ million)	Private conventional television	CBC/SRC conventional television	Total
British Columbia**	68.6	10.0	78.6
Prairie provinces	102.7	14.8	117.5
Ontario	140.2	32.6	172.8
Quebec	57.5	45.5	103.0
Atlantic provinces	20.0	12.1	32.1
CANADA	**388.9**	**115.0**	**504.0**

** B.C. includes the Territories

DISCRETIONARY TELEVISION:

(In $ million)	Private television	CBC/SRC television	Total
CANADA	**152.5**	**93.4**	**245.9**

TOTAL TELEVISION:

(In $ million)	Private television	CBC/SRC television	Total
CANADA	**541.4**	**208.4**	**749.8**

* Note: The amounts shown above are based on the 'Canadian programming expenses' within the 'News' category. In addition to these amounts, a further amount of about $1.6 million was reported as 'non-Canadian programming expenses' within the 'News' category.

SOURCE: CRTC; Communications Management Inc.

Within these numbers the single largest component is the spending on news by private conventional television. It is also the best proxy for local news.

But the economic reality also looms over these numbers – the largest single spender on local news is the industry component with the largest current and accumulated losses.

The geographic distribution of that spending is also important. As indicated in Table 1, private conventional television not only accounts for 72 per cent of the total spending on television news, but private TV's spending on local news is meaningfully distributed across the country.

Implications for public policy:
Finding a new balance for public service, viability and sustainability

We believe the data on the preceding pages clearly indicate that there is a structural imperative to develop and implement the next phase of the "balancing act" for television in Canada. While the need is particularly acute today for private conventional television, it is clear that new structure-related policies are required across the television industry, including, but not limited to:

1. An assessment of the amounts and criteria for specific assistance programs to support local news;

2. Within the promised overall mandate review of the CBC, a specific review of the logic of having CBC/SRC television continue to distort the advertising market; and

3. A general need to rebalance programming obligations and revenue potential across the Canadian television industry.

In presenting the data in this Research Note, it is our hope that we can help create an updated context for the discussion of those "next steps" in the policy development process.

Communic@tions Management Inc. | **Research Note**
UPDATE: JULY 7, 2023

Structural change in the Canadian commercial radio market: Implications for public policy

PREPARED FOR THE CANADIAN ASSOCIATION OF BROADCASTERS

Introduction

On January 30, 2023, we completed a Research Note on structural change in the commercial radio market, in response to the new CRTC radio policy released in December 2022. Since then, additional relevant data have become available, including:

- *Release of the 2022 revenue and expense data for commercial radio by Statistics Canada, on May 24, 2023;*
- *Release of the 2022 revenue and expense data for commercial radio by the CRTC, on June 7, 2023;*
- *Additional updates of general economic data (such as retail trade) by Statistics Canada; and*
- *Additional updates of industry data that track radio industry advertising trends.*

This Update includes data from those more recent releases.

On 7 December 2022, the CRTC released a new "Revised Commercial Radio Policy".[1]

This Research Note has been prepared for the Canadian Association of Broadcasters, to provide additional economic and statistical context in relation to that policy and process, and, in particular, to link the evolution of commercial radio policy to the changing structure of the industry.

To help create useful reference points, we have summarized the state of the Canadian commercial radio industry in 2005, the year before the major CRTC radio policy released in 2006, and then compared those data with similar data for more recent years.[2]

The key issue here is whether the policy will have the desired effect in relation to the economic and technological structure of the industry to which it is being applied. As will be seen below, it might be necessary to evolve the policy to encompass greater assistance for operational flexibility, viability, and sustainability.

[1] Broadcasting Regulatory Policy CRTC 2022-332, 7 December 2022, Revised Commercial Radio Policy.
[2] 2019 is the last full pre-pandemic year, and 2022 is the most recent year for which data are available from both Statistics Canada and the CRTC.

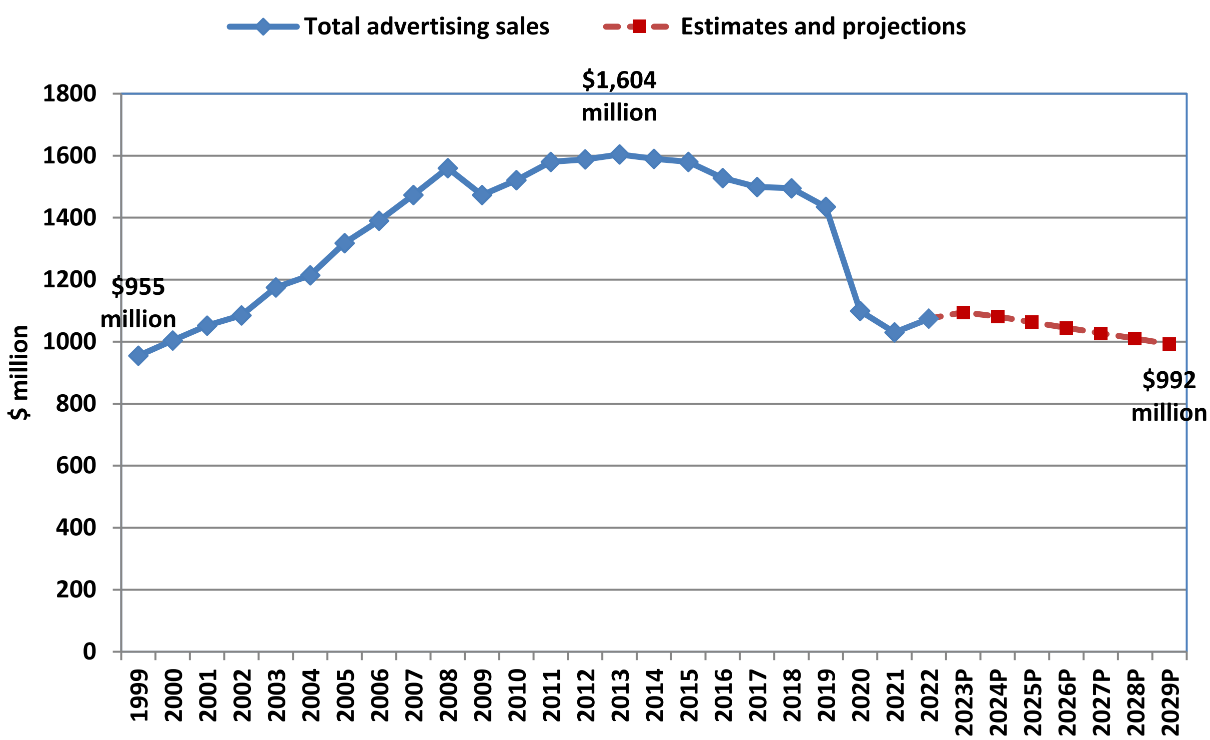
To “set the scene”, Figure 1 summarizes the trends in total private radio advertising sales in Canada, using actual data for 1999-2022, and estimated and projected data to 2029.

As can be seen in Figure 1, the shape of the current and anticipated radio advertising sales curve – the overwhelming source of private radio’s revenue – is very different today than it was at the time the CRTC set out its 2006 commercial radio policy.

Yet the new CRTC policy, released in December 2022, appears mainly to follow the broad elements of the older policy, from 2006.

That, in turn, raises an important question – at a time of fundamental change in the structure of the radio market (and the broader audio and advertising markets), what is the best direction for policy options, in order to ensure they will be effective in dealing with the new economic realities?

Figure 1.
Trends in total private radio advertising sales, Canada,
actual data 1999-2022, and estimated and projected data to 2029:



SOURCE: Statistics Canada; Communications Management Inc.

The evolution of the advertising market and the audio market from 2005 to today

Commercial radio competes in two overlapping markets:

1. The Canadian advertising market (versus other advertising options); and

2. The audio market (versus other audio options).

Market share comparisons are presented here for both, starting with the Canadian advertising market. At the outset, however, it is useful to understand the structural changes that have led to those changing market shares.

Factors influencing changing shares in the advertising market

Traditionally, reaching the right audience in the right place has been among the most important considerations, and that remains true today. However, in changing the nature of retail itself, the Internet has also altered the sequence in which advertising is purchased. In simple terms, it means that part of an advertiser's budget might be "pre-spent" (and linked to online activities), earlier in the marketing planning process than the planning for traditional media advertising.

Thus, while commercial radio still delivers meaningful audiences, the combination of new audio choices and the change of purchasing sequence appears to have impacted radio advertising sales more than tuning measurements alone.

Shares of the Canadian advertising market, by media – 2005, 2019, and 2021

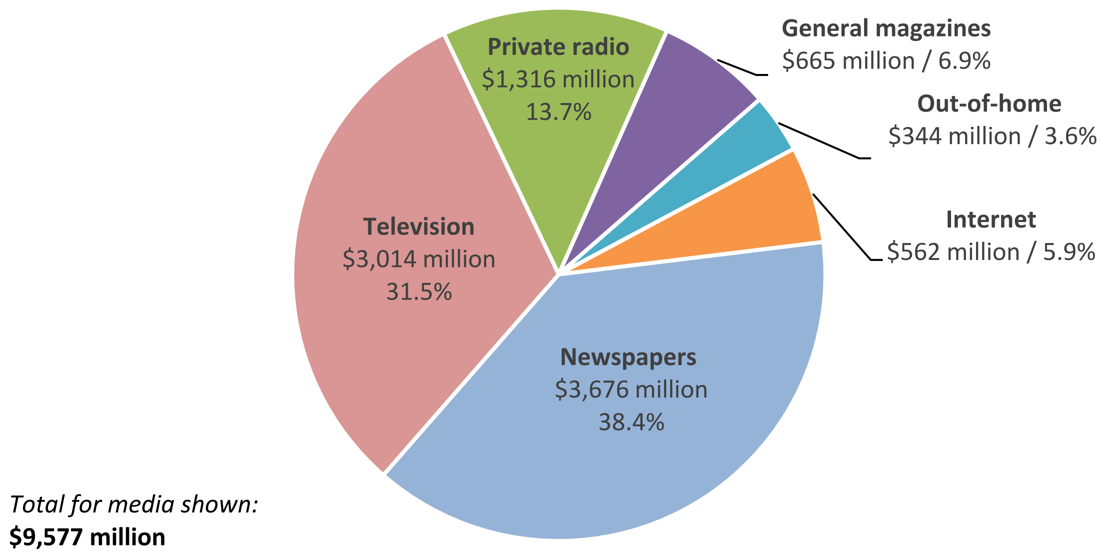
To indicate radio's share, and also the dramatic changes that have occurred over the last two decades, we have presented the data in Figure 2A (for 2005), Figure 2B (2019), and Figure 2C (2021).[3]

(Note: In order to be able to compare the data over time, we selected the main advertising media for which data were consistently available. For example, estimates for spending on Direct Mail were available for 2005, but not for 2019 or 2021. Note also that the data for "newspapers" include daily and community newspapers.)

Text continues on page 5 …

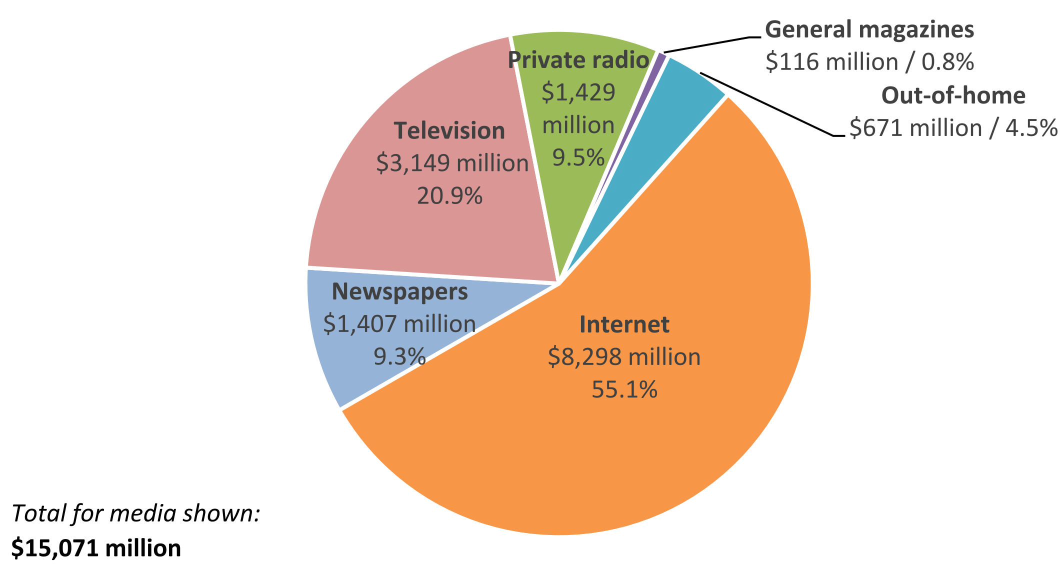
[3] Full comparable data for 2022 are not yet available.

Figure 2A.
Advertising market shares for selected media, **2005**, preceding the 2006 Commercial Radio Policy:



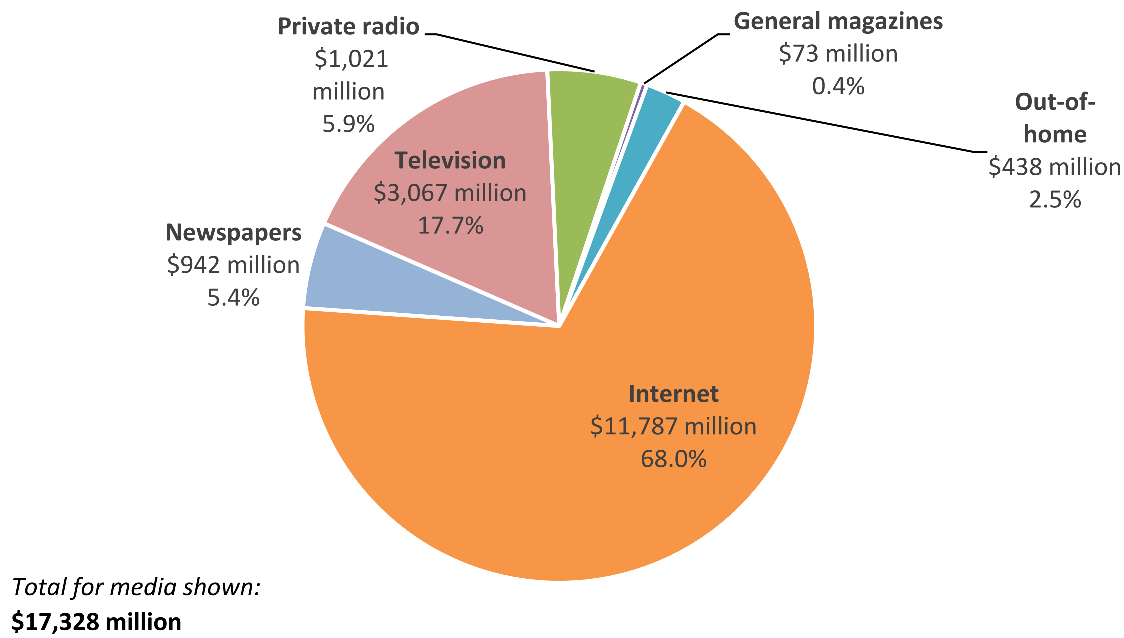
SOURCE: TVB Canada; Statistics Canada; Communications Management Inc.

Figure 2B.
Advertising market shares for selected media, **2019**, preceding the 2022 Commercial Radio Policy:



SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

Figure 2C.
Advertising market shares for selected media, **2021**, preceding the 2022 Commercial Radio Policy:



SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

As can be seen in Figures 2A, 2B, and 2C, the changes in market shares from 2005 to 2021 are significant:

- Internet advertising jumped from 5.9 per cent to 68.0 per cent;
- Print media (newspapers and magazines) fell from 45.3 per cent to 5.9 per cent; and
- Commercial radio fell from 13.7 per cent to 5.9 per cent.

Shares of the Canadian audio market – 2005, 2019, and 2021

In Figure 3A (for 2005), Figure 3B (2019), and Figure 3C (2021), we have summarized the main components that make up the Canadian audio market.[4]

(Note: We have developed estimates for the main components in the relevant market. It should be noted that there may be some smaller components that have not been included. For example, although less than in 2005, there were still sales of physical recorded music in 2019 and 2021. On the other hand, podcasting was a much smaller part of the audio market in 2005 than it is today.)

The data indicate that commercial radio's share of the Canadian audio market was as follows for the selected years:

- 2005 74.8 %
- 2019 54.2 %
- 2021 43.7 %

The changing shares within the audio market reflect the fact that more content is available from more sources than ever before, but that also has implications for how programmers structure formats within their operations.

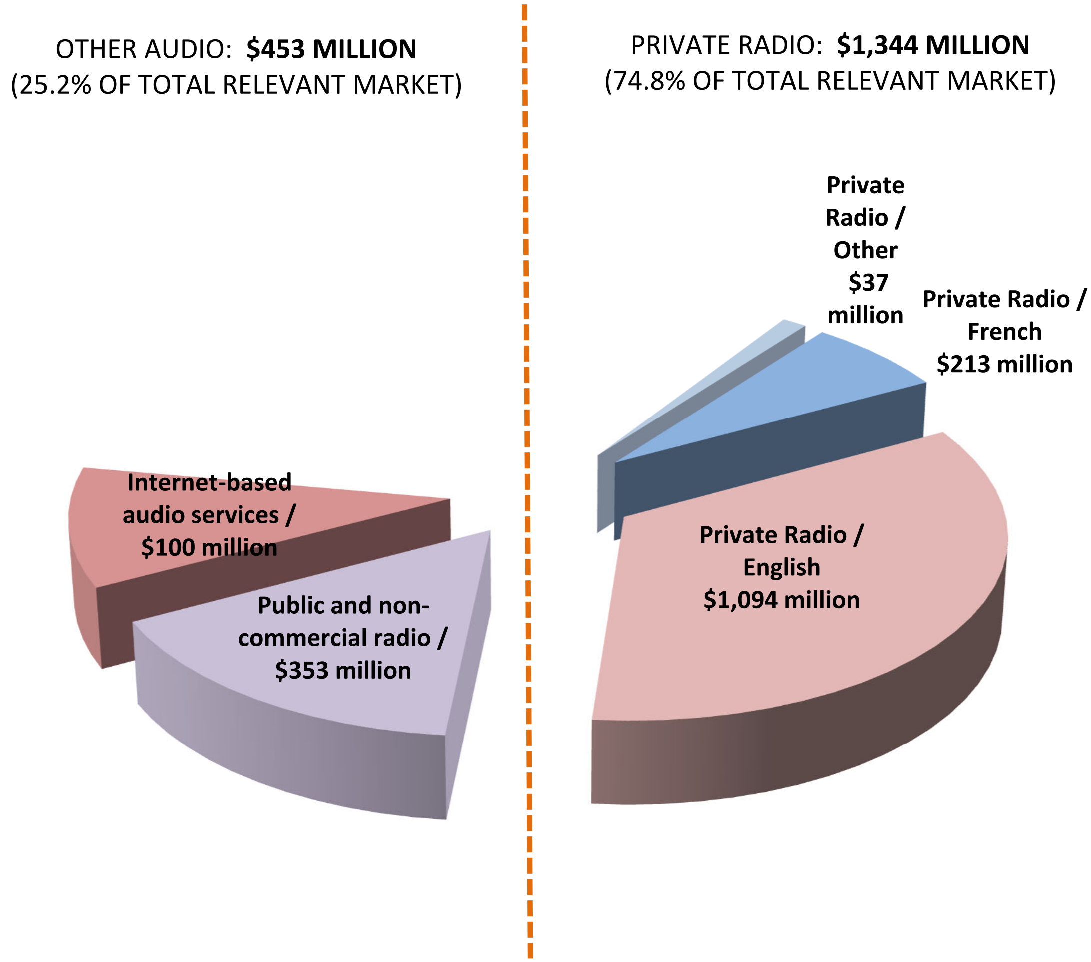
If we link the market shares to the question of station formats, we see that the audio market is evolving toward an environment in which formats might be less fixed than in the past. In other words, station programmers will likely require greater flexibility and fewer restrictions, to allow radio formats to respond more effectively to increasing competition from unregulated sources.

Text continues on page 10 …

[4] Although both Statistics Canada and the CRTC have released the 2022 data for Canadian commercial radio, the CRTC has not yet updated its 2022 estimate for Internet-based audio services. Thus, the shares within the overall audio market have not yet been updated to 2022.

Figure 3A.
The Canadian audio market in **2005**:

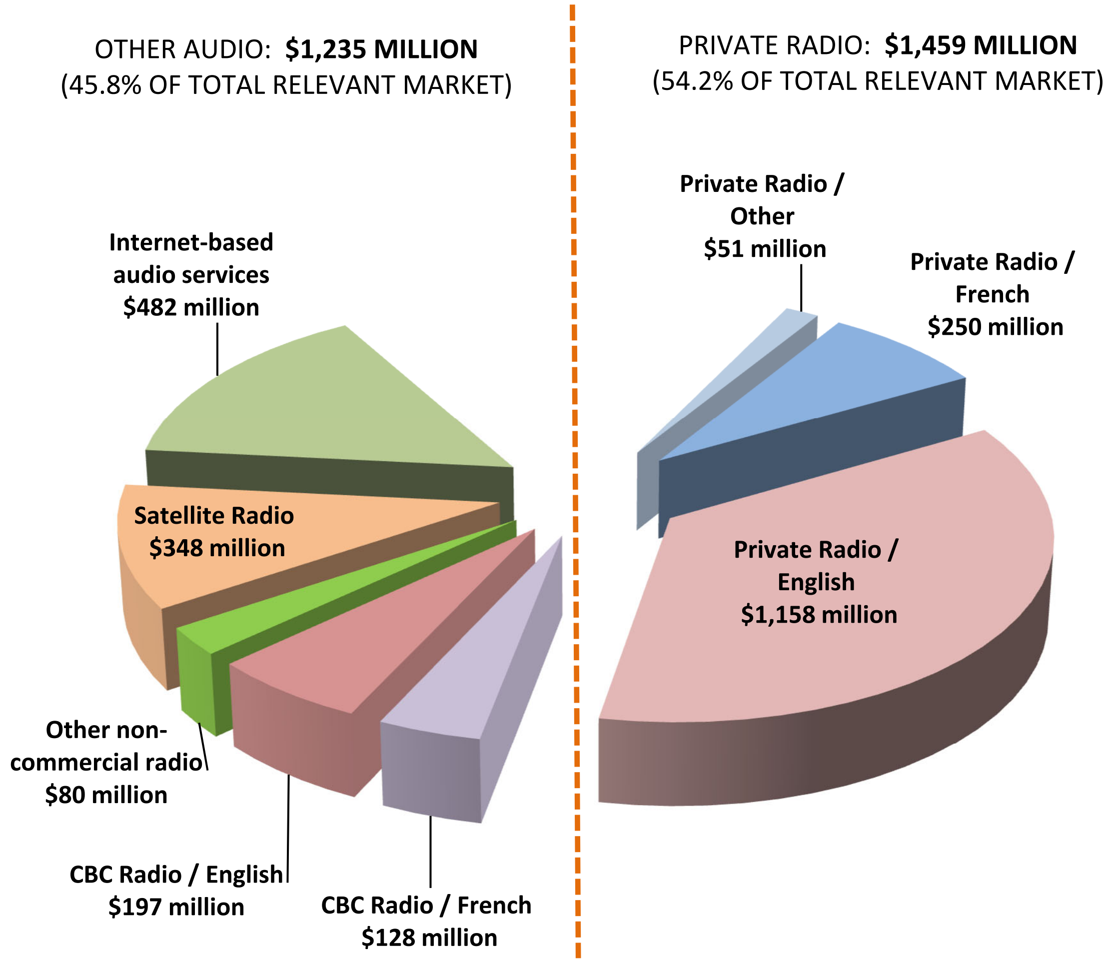
[TOTAL RELEVANT MARKET: **$1,797 MILLION**]



SOURCE: CRTC; Statistics Canada; Communications Management Inc.

Figure 3B.
The Canadian audio market in **2019**:

[TOTAL RELEVANT MARKET: **$2,694 MILLION**]



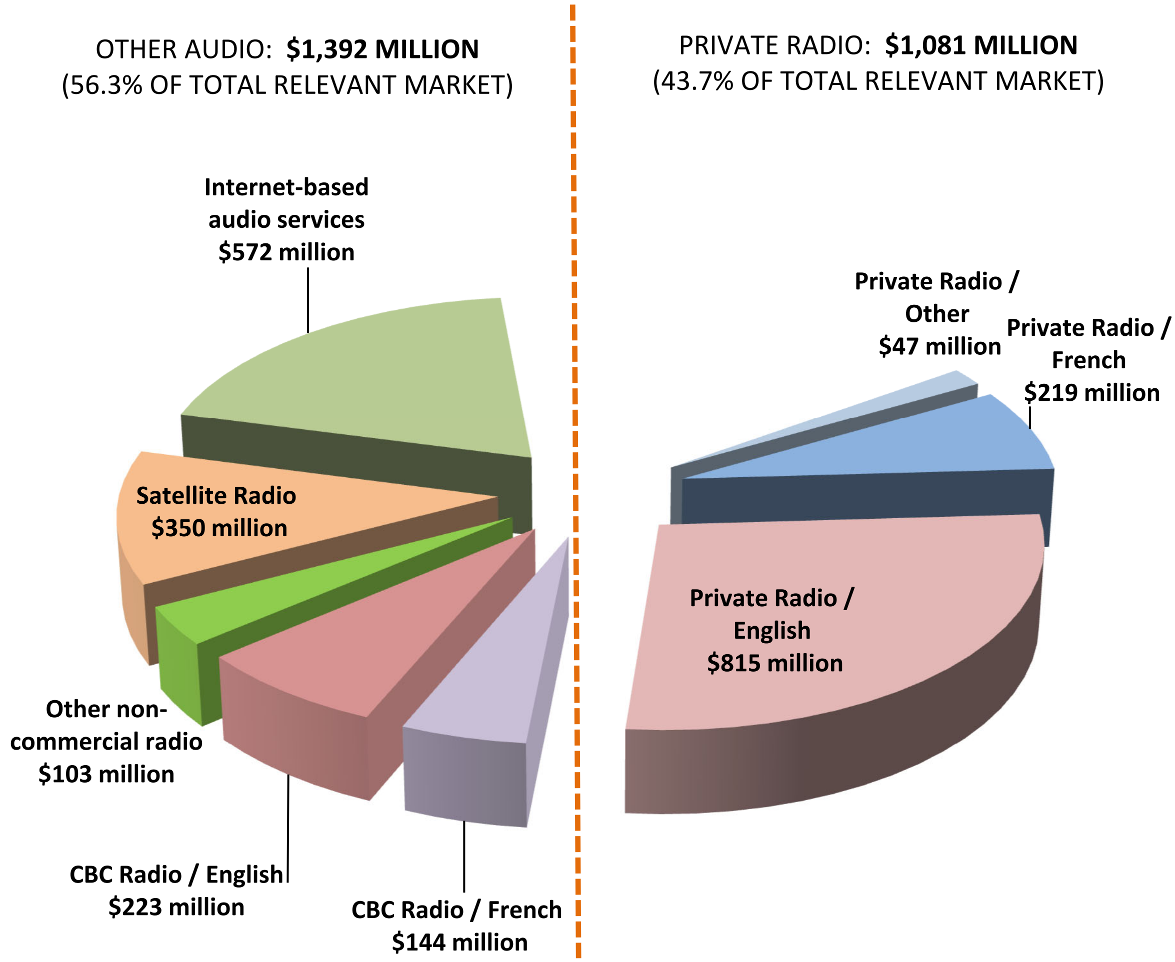
SOURCE: CRTC; Statistics Canada; Communications Management Inc.

Figure 3C.
The Canadian audio market in **2021**:

[TOTAL RELEVANT MARKET: **$2,473 MILLION**]

OTHER AUDIO: **$1,392 MILLION**
(56.3% OF TOTAL RELEVANT MARKET)

PRIVATE RADIO: **$1,081 MILLION**
(43.7% OF TOTAL RELEVANT MARKET)



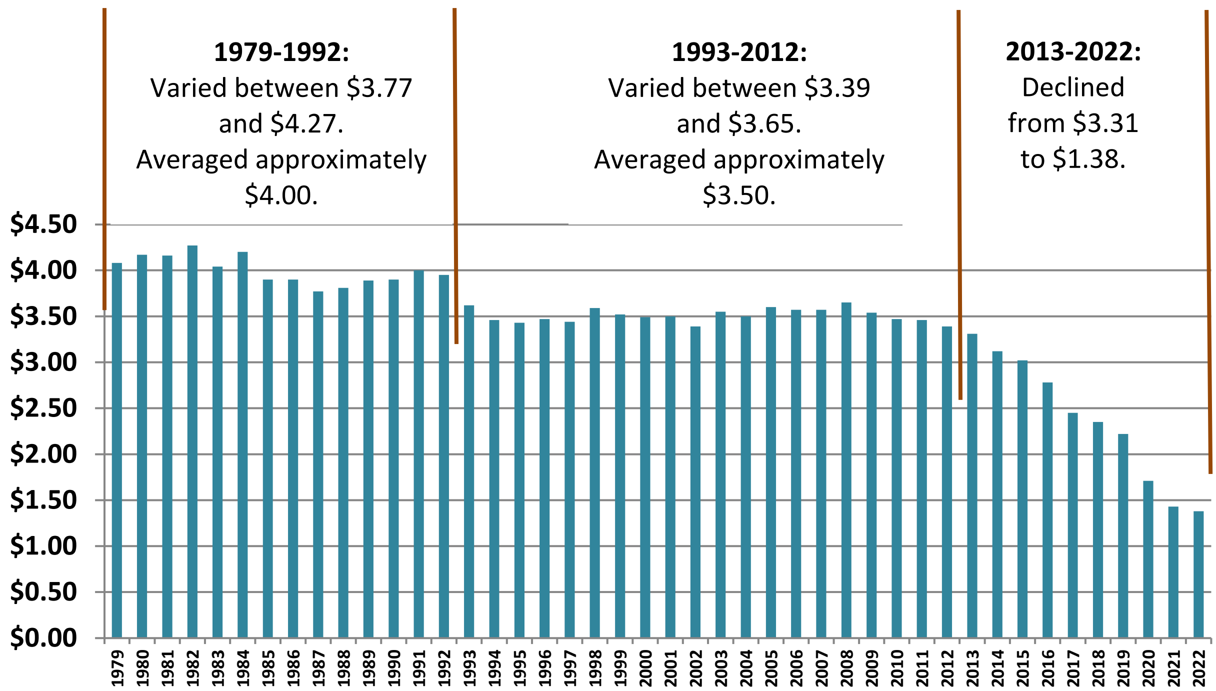
SOURCE: CRTC; Statistics Canada; Communications Management Inc.

The changing relationship between retail trade and radio advertising revenues

As a result of increasing competition for tuning, increasing competition for advertising dollars, and the changing sequence in which advertising is purchased, Canadian commercial radio's historical link to retail trade has been significantly impacted – resulting in a structural decline in radio advertising revenues.

The changes are summarized in Figure 4.

Figure 4.
Private radio advertising revenues per $1,000 of retail trade, Canada, 1979-2022:



SOURCE: Statistics Canada; Communications Management Inc.

As indicated in Figure 4, in 2005, commercial radio advertising in Canada was equivalent to $3.60 per $1,000 of retail trade.

In 2019, commercial radio advertising in Canada totalled $1.435 billion, or $2.22 per $1,000 of retail trade. Had the link between radio advertising and retail trade been the same in 2019 as it was in 2005, the advertising revenue in 2019 would have been $2.330 billion – $895 million higher than it actually was.

In 2022, commercial radio advertising in Canada totalled $1.074 billion, or $1.38 per $1,000 of retail trade. Had the link between radio advertising and retail trade been the same in 2022 as it was in 2005, the advertising revenue in 2022 would have been $2.799 billion – $1.725 billion higher than it actually was.

These data provide a graphic example of the structural change in the radio industry:

1. First, the change in the radio advertising / retail trade link between 2005 and 2019; and

2. Second, the additional impact of the pandemic on making the shortfall even deeper.

The fact that there was already a significant shortfall in the radio advertising / retail trade link before the pandemic should be seen as a caution against assuming that, once the pandemic effects have passed, then things will get back to something resembling the "old normal".

That is unlikely to happen. Continuing reductions from the 2019 levels are still likely.

Predicting radio's advertising revenues to 2029

In Figure 5, we have summarized our projections for commercial radio advertising revenues in Canada, to 2029.

These projections are based on the latest available data, including:

- The trends in the link between radio advertising and retail sales;

- Industry data up to 2022 from the CRTC and Statistics Canada;

- Radio industry tracking data for the first eight months of the broadcast year ending August 31, 2023; and

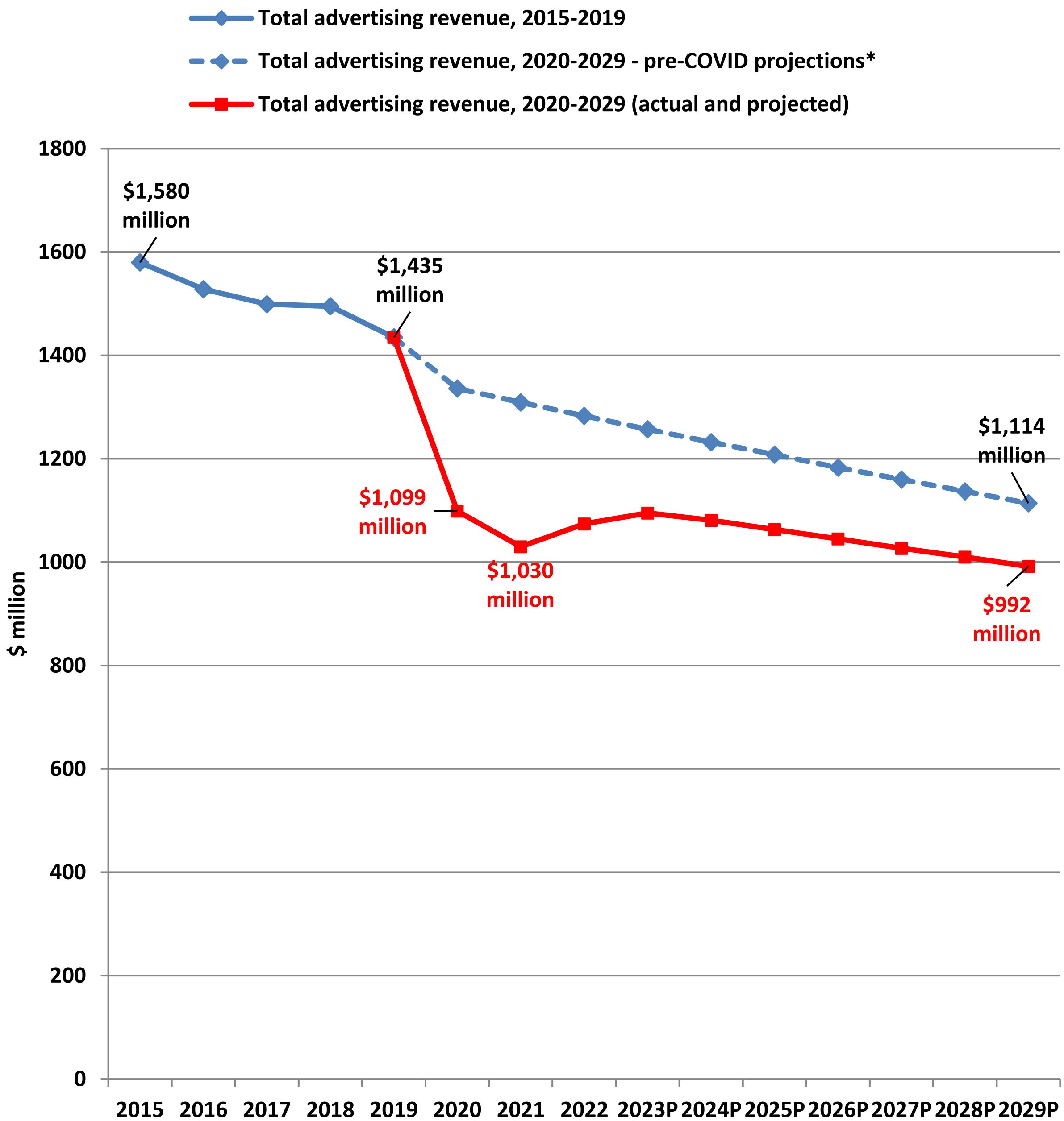
- Other data from the CRTC and Statistics Canada.

As indicated in Figure 5, the current projections indicate that Canadian commercial radio advertising will total just under a billion dollars in 2029, a decrease of almost $600 million (or 37 per cent) from the actual total in 2015.

And that, in turn, poses risks to system viability/profitability, and to the level of contributions that might be anticipated.

Text continues on page 13 …

Figure 5.
Actual advertising revenue, private radio, Canada, 2015-2022, and projected advertising revenue to 2029, indicating pre-pandemic and post-pandemic projections:



* The "pre-COVID projections" indicate the projections derived from data that were current to the end of February 2020.

SOURCE: Statistics Canada; Communications Management Inc.

Commercial radio's contributions to society and the economy

As we know, commercial radio makes a wide variety of contributions to our society, and to the economy, including, but not limited to:

- News and community information
- Copyright payments for the use of music
- Canadian Content Development contributions
- "Multiplier" effects on the broader economy, in terms of incomes and employment
- Stimulative effects on retail trade

While some of those contributions are required by regulation, many flow naturally from the nature of the relationship between local radio stations and their communities. We have estimated that Canadian content of all types accounts for the great majority of spending on programming and production by Canada's commercial radio stations.

Commercial radio spending on News and Information in 2022

While the CRTC reports annually on the spending by television on News, the reporting for radio appears to cover only part of the spending on News, and does not cover all stations.

In early 2021, the Canadian Association of Broadcasters conducted a survey that yielded results for 573 private radio stations. We have been able to use the results of the CAB survey, along with a custom tabulation of data from Statistics Canada, to estimate the spending by private radio stations on news and information.

We know that news and information on radio extend beyond scheduled newscasts, and make up a significant part of radio's overall spoken word content. In the CAB survey, respondents were asked to estimate the percentage of their spoken word content that could be considered news and information. The answer: 47 per cent.

According to a custom tabulation from Statistics Canada, in 2022, private radio in Canada paid out remuneration of $291.2 million in the Programming function.

If we accept the broader definition of news and information outlined above, then we believe it is not unreasonable to suggest that 47 per cent of that total could be attributed to news – news in formal newscasts, and news and community information within other spoken word programming.

Thus, an approximate estimate of private radio's economic contribution to news and information in 2022 would be 47 per cent of $291.2 million, or $136.9 million.

Clearly, that is an estimate, but we believe it is a fair indicator of private radio's economic contribution to providing news and community information to its listeners.

"Stations at risk"

If the changing structure of the radio industry threatens the viability of some stations, then we must be concerned that the level of those important contributions will be more difficult to maintain.

In the early months of the pandemic, there was concern that a number of stations might be at risk of closing. So far, that has not happened to a large degree, due to a mixture of:

- Ownership groups using profitable stations to help support non-profitable stations
- Pandemic assistance programs
- Staff reductions and sharing of resources to help keep stations operating (according to Statistics Canada, the number of employees in private radio in Canada was 10,521 in 2011, falling to 8,348 in 2019, and 6,977 in 2022)

But those remedies are not unlimited in either scope or duration:

- If revenues and profits decline, there is less opportunity for internal cross-subsidy
- Pandemic assistance programs do not continue indefinitely
- Stations have attempted to manage necessary staff contractions with less impact on programming functions, compared, for example, to administration – but that, too, has limits

Thus, it is also useful to try to estimate the number of radio stations that might be "at risk" from the ongoing structural changes. To do so, we have used Statistics Canada data to track the profit before interest and taxes (PBIT) of private stations.

The results of that tracking are summarized in Tables 1, 2, 3, and 4, for 2019-2022. A comparison of those tables indicates that PBIT as a percentage of operating revenue for commercial radio in Canada fell from 17.1 per cent in 2019 to 5.3 per cent in 2020, increased slightly to 5.9 per cent in 2021, and then fell again to 5.4 per cent in 2022.

Text continues on page 17 …

Table 1.
Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2019**:

2019 DATA: (Statistics Canada)	**Number of stations**	**Total operating revenue ($'000)**	**Profit before interest and taxes (PBIT) ($'000)**	**PBIT as % of total operating revenue**
Total private radio stations	**737**	**1,457,280**	**248,914**	**17.1%**
Private FM stations	619	1,205,108	240,422	20.0%
Private AM stations	118	252,172	8,492	3.4%
Stations grouped by PBIT as % of total operating revenue:				
+20% or greater	230	738,318	268,690	36.4%
10% up to 20%	111	280,188	42,665	15.2%
0% up to 10%	101	145,236	7,557	5.2%
-10% up to 0%	109	129,805	-6,013	-4.6%
-20% up to -10%	53	49,612	-7,391	-14.9%
['AT RISK'] -20% or worse	133	114,121	-56,593	-49.6%
Total stations with negative PBIT	***295***			

SOURCE: Statistics Canada.

Table 2.
Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2020**:

2020 DATA: (Statistics Canada)	**Number of stations**	**Total operating revenue ($'000)**	**Profit before interest and taxes (PBIT) ($'000)**	**PBIT as % of total operating revenue**
Total private radio stations	**738**	**1,156,767**	**61,652**	**5.3%**
Private FM stations	620	961,410	83,619	8.7%
Private AM stations	118	195,357	-21,967	-11.2%
Stations grouped by PBIT as % of total operating revenue:				
+20% or greater	188	401,497	127,644	31.8%
10% up to 20%	113	187,433	28,362	15.1%
0% up to 10%	126	197,755	9,129	4.6%
-10% up to 0%	78	123,096	-6,614	-5.4%
-20% up to -10%	65	98,392	-14,273	-14.5%
['AT RISK'] -20% or worse	168	148,564	-82,596	-55.6%
Total stations with negative PBIT	***311***			

SOURCE: Statistics Canada.

Table 3.
Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2021**:

2021 DATA: (Statistics Canada)	Number of stations	Total operating revenue ($'000)	Profit before interest and taxes (PBIT) ($'000)	PBIT as % of total operating revenue
Total private radio stations	**743**	**1,081,199**	**63,963**	**5.9%**
Private FM stations	623	901,699	91,169	10.1%
Private AM stations	120	179,500	-27,206	-15.2%
Stations grouped by PBIT as % of total operating revenue:				
+20% or greater	218	359,958	126,546	35.2%
10% up to 20%	116	199,998	30,785	15.4%
0% up to 10%	109	180,771	10,262	5.7%
-10% up to 0%	72	113,278	-6,441	-5.7%
-20% up to -10%	40	61,968	-9,292	-15.0%
['AT RISK'] -20% or worse	188	165,244	-87,897	-53.2%
Total stations with negative PBIT	***300***			

SOURCE: Statistics Canada.

Table 4.
Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, **2022**:

2022 DATA: (Statistics Canada)	Number of stations	Total operating revenue ($'000)	Profit before interest and taxes (PBIT) ($'000)	PBIT as % of total operating revenue
Total private radio stations	**749**	**1,116,880**	**60,602**	**5.4%**
Private FM stations	628	924,101	81,309	8.8%
Private AM stations	121	192,778	-20,707	-10.7%
Stations grouped by PBIT as % of total operating revenue:				
+20% or greater	194	352,977	114,686	32.5%
10% up to 20%	134	248,707	36,675	14.7%
0% up to 10%	103	143,406	7,320	5.1%
-10% up to 0%	94	152,312	-5,870	-3.9%
-20% up to -10%	57	64,602	-9,271	-14.4%
['AT RISK'] -20% or worse	167	154,876	-82,939	-53.6%
Total stations with negative PBIT	***318***			

SOURCE: Statistics Canada.

Implications for public policy:
Finding the right balance between viability, sustainability, and public service

The trend data presented on the preceding pages clearly indicate that commercial radio in Canada is continuing to undergo significant structural changes, and that those changes are affecting the industry's revenue and profitability.

However, as noted above, the new CRTC Commercial Radio Policy, released in December 2022, appears mainly to follow the broad elements of the older policy, from 2006, which were based on a substantially different economic structure.

In presenting the data in this Research Note, it is our hope that we can help create an updated context for the discussion of "next steps" in the policy development process – steps that will balance viability, sustainability, and public service.

CANADIAN PROGRAMMING EXPENDITURE AND CONTRIBUTION MODEL June 12 2023

The Canadian Programming Expenditure and Contribution Model

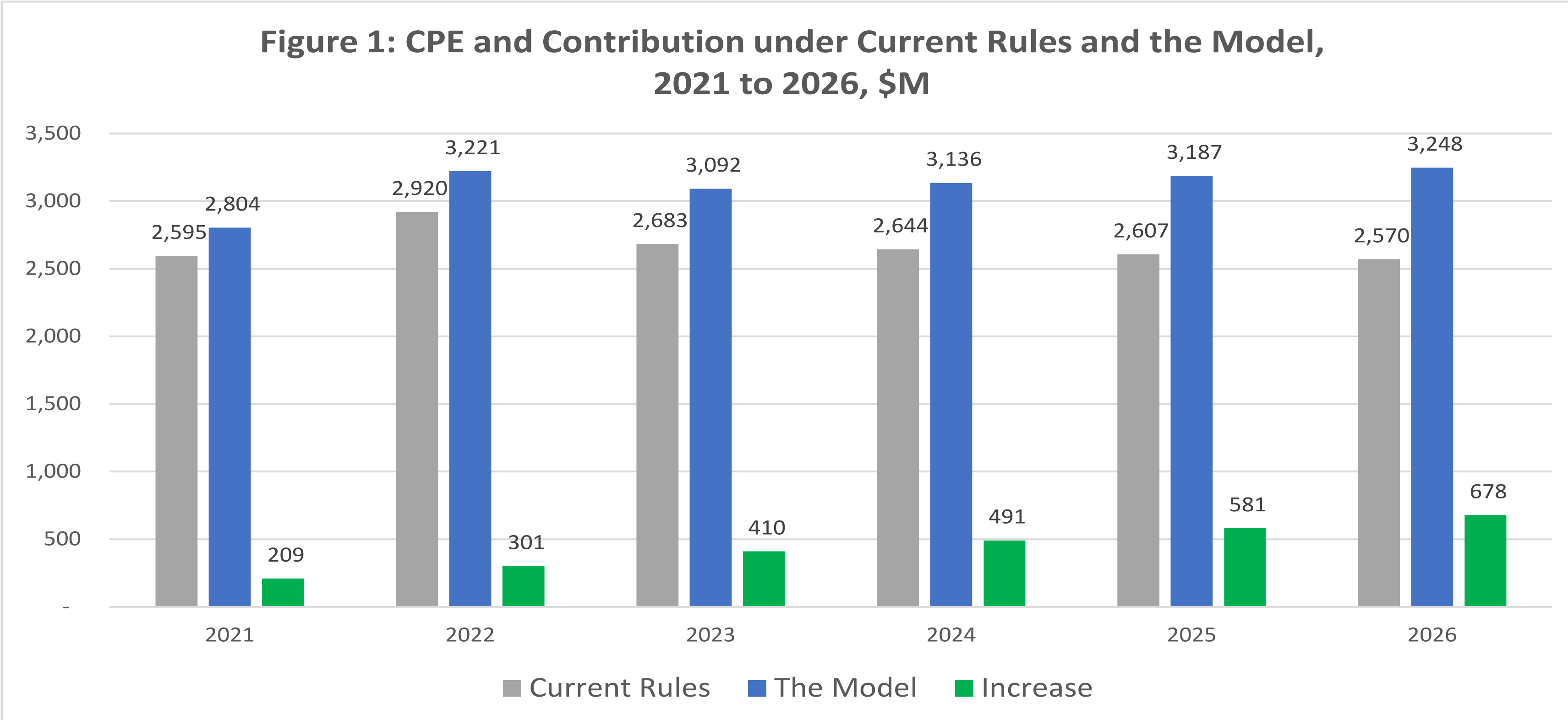
With the passage of the Online Streaming Act, the CRTC has launched consultations to examine how the new Act should be implemented and what the parameters should be for a modernized contribution framework that requires online undertakings (such as foreign streamers like Netflix) to support the creation and distribution of Canadian and Indigenous audio and video content. To that end, and in support of Bell Media's Part I application to reduce Canadian programming expenditure (CPE) obligations, BCE has commissioned Armstrong Consulting to demonstrate the impact resulting from a rebalancing of the CPE obligations in an equitable manner as between legacy broadcasters, broadcast distribution undertakings (BDUs) and online undertakings.

We have examined the impact of rebalancing the contributions based on the following assumptions (the Model):

- The CPE requirement for linear Canadian television programming services (private conventional and discretionary television services) and for those Canadian digital media broadcasting undertakings ("DMBU") that offer audiovisual programming would be set at 20% of previous year revenues.
- Foreign DMBUs that offer audiovisual programming would be required to contribute 20% of previous year revenues.
- BDUs including both legacy BDUs and digital media broadcasting distribution undertakings ("DMBDU") would be required to contribute 4% of previous year revenues.

We have calculated the impact beginning with broadcast year 2022/21 for which a complete set of industry data is available from the CRTC and have extended the analysis to broadcast year 2025/26.

As Figure 1 shows, the Model would result in a significant increase in CPE and contributions compared to the current rules while reducing the obligations of traditional broadcasters and BDUs at the same time. In 2026 alone, we estimate that the Model would result in an extra $678M in CPE and contribution.



Source: CRTC Statistical and Financial Summaries, 2018 to 2022; Armstrong Consulting

Note that the Model examines the output of "CPE and contribution", a catch all term that refers to multiple categories of programming expenditures including requirements to contribute to production funds (like the Canada Media Fund), Canadian broadcaster internal CPE spend (including for programs of national interest (PNI)), contributions to local expression such as community TV and funding for BDU affiliated local news operations, and contributions to news funds such as the Independent Local News Fund (ILNF). The Model does not address how these funds should be allocated between all these (and other) categories of CPE and contribution, as this will be an issue canvassed by the Commission. Nonetheless, the Model provides useful details on the level of total funding available.

Detailed Results

Table 1: Audiovisual Services, Actual and Estimated CPE/Contribution 2021 to 2026 based on Current Regulations/COLs and the Model, M

	Current 2021	Model 2021	Change	Current 2022	Model 2022	Change	Current 2023	Model 2023	Change	Current 2024	Model 2024	Change	Current 2025	Model 2025	Change	Current 2026	Model 2026	Change
Canadian Linear CPE	$ 2,203	$ 1,910	-$ 294	$ 2,534	$ 2,227	-$ 308	$ 2,311	$ 2,026	-$ 285	$ 2,283	$ 2,000	-$ 283	$ 2,255	$ 1,975	-$ 280	$ 2,227	$ 1,950	-$ 278
Canadian DMBU CPE	$ -	$ 114	$ 114	$ -	$ 136	$ 136	$ -	$ 154	$ 154	$ -	$ 169	$ 169	$ -	$ 186	$ 186	$ -	$ 205	$ 205
Non-Canadian DMBU	$ -	$ 457	$ 457	$ -	$ 545	$ 545	$ -	$ 616	$ 616	$ -	$ 677	$ 677	$ -	$ 745	$ 745	$ -	$ 819	$ 819
Canadian BDU	$ 392	$ 324	-$ 68	$ 386	$ 313	-$ 73	$ 371	$ 297	-$ 74	$ 361	$ 289	-$ 72	$ 352	$ 281	-$ 70	$ 343	$ 274	-$ 69
TOTAL	**$ 2,595**	**$ 2,804**	**$ 209**	**$ 2,920**	**$ 3,221**	**$ 301**	**$ 2,683**	**$ 3,092**	**$ 410**	**$ 2,644**	**$ 3,136**	**$ 491**	**$ 2,607**	**$ 3,187**	**$ 581**	**$ 2,570**	**$ 3,248**	**$ 678**

Methodology Notes

1. <u>Actual CPE/Contribution under current regulations</u>

   2021 and 2022 CPE and contribution data under the current regulations are actuals as per published CRTC reports.[1,2]

2. <u>Estimated CPE/Contributions under current regulations</u>

   Estimates of the CPE for Canadian linear programming services under the current regulations over the period 2023 to 2026 are based on the assumption that the trends evident in the pre-pandemic years will resume:

   i) Revenues for English-language services (excluding mainstream news and sports discretionary services) are assumed to decrease at the pre-pandemic annual average of -0.9% and at -1.4% for all other services; and
   ii) CPE expenditures by English-language services (excluding mainstream news and sports discretionary services) are assumed to equal the pre-pandemic annual average of 30% of previous year revenues, with CPE expenditures by other services set equal to the pre-pandemic average of 57% of previous year revenues.[3]

---

[1] CRTC, 2018 to 2022 Conventional Television, Discretionary and On-Demand and Distribution, Statistical and Financial Summaries.

[2] PPV/VOD services are excluded from this analysis since these services are comparable to transactional DMBU services which the Commission has indicated it will exclude from the proposed new CPE/contribution regulatory framework. See: Broadcasting Notice of Consultation CRTC 2023-138, para 40.

[3] The basis of these assumptions is that the major English-language broadcast groups, which together in 2022 accounted for 86% of the revenues and CPE of all English private conventional and discretionary services (excluding mainstream news and sports discretionary services) will spend only up to their 30% CPE obligation. In contrast, French broadcasters exceed their CPE obligation on an annual basis, as do the mainstream news and sports channels. To that end, we have assumed these entities will continue to spend the same 57% as they are not driven by regulatory obligations.

Estimates of the contributions by legacy BDUs assume that revenues over the period 2023 to 2026 will decrease at an average annual rate of -2.6%, consistent with the current annual rate of decrease in the total number of subscribers to these legacy services. The contribution rate is set at 5% of previous year revenues as per the current rules.

3. 2021 to 2026 – CPE/Contribution under the Model

i) Canadian Linear Programming Services CPE

Estimates of the CPE for Canadian linear programming services under the Model are based on actual revenue data for 2021 and 2022.

For the period 2023 to 2026, revenues for the Canadian linear programming services were estimated based on the same assumptions as those set out in Note 2 i) above.

In addition, for this analysis, it is assumed that even if the CPE requirement for all Canadian television programming services were to be reduced to 20% of previous year revenues, as noted above, some Canadian television programing services would be unlikely to implement such a reduction, including French-language private conventional and discretionary services and English-language mainstream news and sports services.[4] When calculations are undertaken based on this assumption, the projected CPE for Canadian linear television programming services under the Model is considerably greater than would result from a straight-line reduction by all services.

ii) Canadian audiovisual DMBU

Revenues for Canadian audiovisual DMBUs in this analysis are based on data from the CRTC Annual Digital Media Survey. The Commission has proposed to exempt DMBUs with revenues of under $10M. It is assumed that the CRTC 2022 Digital Media Survey only captured revenues of DMBUs that exceed the amount of whatever threshold the Commission elects to use for contribution in BNC 2023-138 (as we understand that the survey was only sent to large DMBUs with significant annual revenues that far exceed $10M). Estimated transactional video-on-demand ("TVOD") revenues have been removed from the audiovisual DMBU total in keeping with the stated intention of the CRTC to exempt these services from the new CPE/contribution regime. The Canadian share of audiovisual DMBU revenues is assumed to equal 20%. These revenues are assumed to increase over the projection period at an annual rate of 10%. The CPE requirement is set at 20%.

[4] For this analysis, it is assumed that the following English-language specialty services would not reduce their expenditures on Canadian programming: CPAC, CBC News Network, CTV News Channel, Sportsnet 360, Sportsnet, Sportsnet One, TSN and the Weather Channel. Revenue and CPE data for 2022 for these individual specialty services are not currently available. 2022 revenue and CPE data can be estimated for some of these services based on the aggregated financial data for the larger groups published by the CRTC. For the remaining services, 2021 revenue and CPE data are used in this analysis. CRTC, 2021 Individual Discretionary and On-Demand, Statistical and Financial Summaries.

iii) Foreign Audiovisual DMBU services

The revenues used in this analysis for foreign audiovisual DMBU services are based on data from the CRTC Annual Digital Media Survey. As above, we assume that this survey only captured revenues of DMBUs that exceed the contribution threshold to be set in BNC 2023-138. Estimated transactional video-on-demand ("TVOD") revenues have been removed from the audiovisual DMBU total in keeping with the stated intention of the CRTC to exempt these services from the new CPE/contribution regime. The foreign share of audiovisual DMBU revenues is assumed to equal 80%. These revenues are assumed to increase over the projection period at an annual rate of 10%. The contribution rate is set at 20%.

iv) Canadian BDU Contribution

Estimates of the contribution by Canadian legacy BDUs under the Model are based on actual revenue data for 2021 and 2022.

For the period 2023 to 2026, revenues for these services were estimated based on the same assumptions as those set out in Note 2 above.

The contribution rate for Canadian BDUs is set at 4% of previous year revenues.

v) DMBDU Contribution

Data is not available upon which to base a calculation of the potential contribution of DMBDUs under the Model.

UPDATE / JULY 7, 2023

BROADCASTING IN CANADA

BY THE NUMBERS

MEDIA SPENDING ON THE NEWS

Estimates of the relative support for journalism by Canadian media in 2022

PREPARED FOR THE
CANADIAN ASSOCIATION OF BROADCASTERS

BY COMMUNICATIONS MANAGEMENT INC.

Introduction

It is useful to estimate the current spending on journalism by Canadian media, for at least two main reasons:

1. To help understand the relative expenditures by medium; and

2. To provide additional context for proposed assistance programs.

This update focuses on data for 2022, and incorporates the latest information available from Statistics Canada and the CRTC.

Sources, methodology, and estimates

Only one Canadian medium – television (both private and public) – has consistent and accurate data for the amount it spends on the news. Those data come from the CRTC.

For all other media, there is a variety of estimates, or none at all:

1. Partial data for radio, based on CRTC data;

2. Data for newspapers, based on information from Statistics Canada, News Media Canada, historical studies, and "rules of thumb"; and

3. A lack of data for other media, including magazines and recently-established online-only news media.

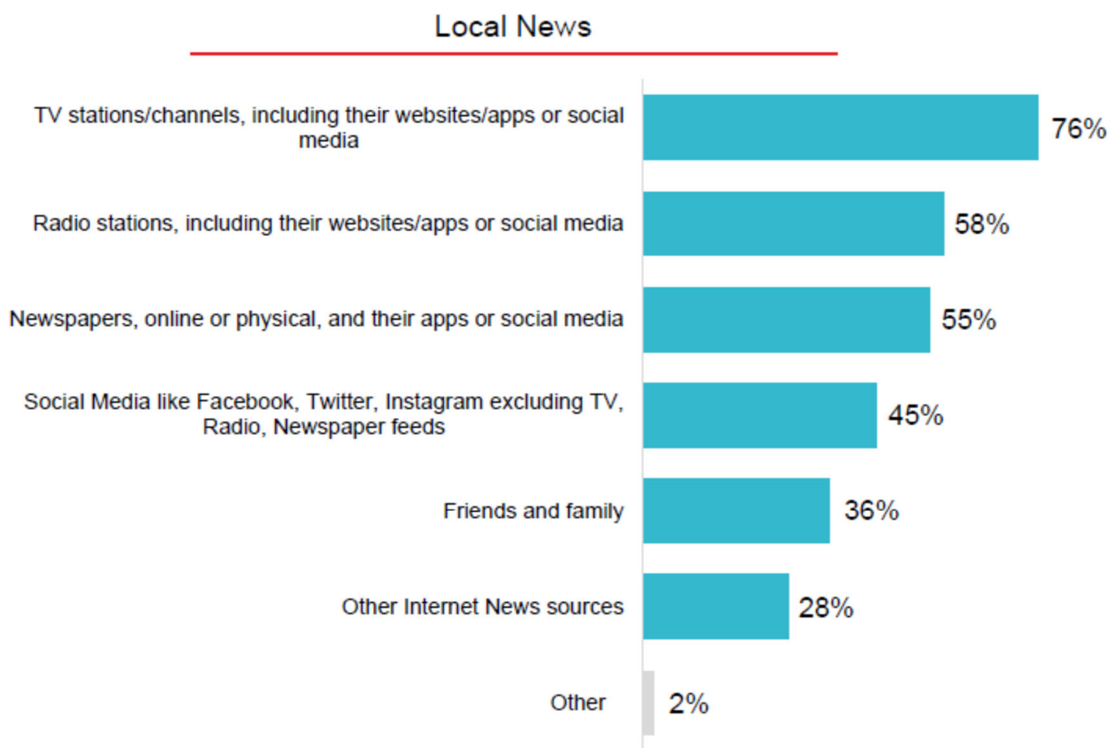
It should also be noted that the data and estimates used here are not purely salary-based. While salaries can be a good approach in the context of some specific assistance programs, the salaries alone do not always represent the total cost of covering, producing, and delivering the news. Thus, some of the reported data and estimates might also include functions that support the journalism.

Nevertheless, even that imperfect combination can still give us a general sense of the annual spending on journalism in Canada.

Where do Canadians get their news?

In a study for the Canadian Association of Broadcasters, completed in early 2021, Solutions Research Group found that Canadians stated that television, radio, and newspapers were the three highest-ranking sources for local news.

Figure 1.
Sources for local news, Canadians 12+, December 2020 - January 2021:



SOURCE: Solutions Research Group.

The following sections will deal with the media in the order shown above – television, radio, and newspapers.

Television

Within the television category, there are two important sub-divisions:

1. Privately-owned and CBC-owned; and

2. Conventional television and discretionary television.

Table 1 summarizes those data:

Table 1.
Spending on 'News' by Canadian television services, 2022:*

CONVENTIONAL TELEVISION:

(In $ million)	**Private conventional television**	**CBC/SRC conventional television**	**Total**
British Columbia**	68.6	10.0	78.6
Prairie provinces	102.7	14.8	117.5
Ontario	140.2	32.6	172.8
Quebec	57.5	45.5	103.0
Atlantic provinces	20.0	12.1	32.1
CANADA	**388.9**	**115.0**	**504.0**

** B.C. includes the Territories

DISCRETIONARY TELEVISION:

(In $ million)	**Private television**	**CBC/SRC television**	**Total**
CANADA	**152.5**	**93.4**	**245.9**

TOTAL TELEVISION:

(In $ million)	**Private television**	**CBC/SRC television**	**Total**
CANADA	**541.4**	**208.4**	**749.8**

* <u>Note:</u> The amounts shown above are based on the 'Canadian programming expenses' within the 'News' category. In addition to these amounts, a further amount of about $1.6 million was reported as 'non-Canadian programming expenses' within the 'News' category.

SOURCE: CRTC; Statistics Canada; Communications Management Inc.

As indicated in Table 1, private conventional television outspends the CBC by a significant margin, and that is particularly so for conventional television, which would contain the local news category.

Radio

While the CRTC reports annually on the spending by television on News, the reporting for radio appears to cover only part of the spending on News, and does not cover all stations.

In early 2021, the Canadian Association of Broadcasters conducted a survey that yielded results for 573 private radio stations.

We have been able to use the results of the CAB survey, along with a custom tabulation of data from Statistics Canada, to estimate the spending by private radio stations on news and information.

We know that news and information on radio extend beyond scheduled newscasts, and make up a significant part of radio's overall spoken word content. In the CAB survey, respondents were asked to estimate the percentage of their spoken word content that could be considered news and information. The answer: 47 per cent.

And, according to a custom tabulation from Statistics Canada, in 2022, private radio in Canada paid out remuneration of $291.2 million in the Programming function.

If we accept the broader definition of news and information outlined above, then we believe it is not unreasonable to suggest that 47 per cent of that total could be attributed to news – news in formal newscasts, and news and community information within other spoken word programming.

Thus, an approximate estimate of private radio's economic contribution to news and information in 2022 would be 47 per cent of $291.2 million, or $136.9 million.

Clearly, that is an estimate, but we believe it is a fair indicator of private radio's economic contribution to providing news and community information to its listeners.

A similar methodology has been used for CBC/SRC radio, and it produces an estimate of $110 million for 2022.

Summary data for Canadian broadcasting

Table 2 combines the data for television and radio, to present a summary of spending on News by Canadian broadcasting in 2022.

Table 2.
Spending on 'News' by Canadian broadcasting, 2022:*

CONVENTIONAL TELEVISION:

(In $ million)	**Private conventional television**	**CBC/SRC conventional television**	**Total**
British Columbia**	68.6	10.0	78.6
Prairie provinces	102.7	14.8	117.5
Ontario	140.2	32.6	172.8
Quebec	57.5	45.5	103.0
Atlantic provinces	20.0	12.1	32.1
CANADA	**388.9**	**115.0**	**504.0**

** B.C. includes the Territories

DISCRETIONARY TELEVISION:

(In $ million)	**Private television**	**CBC/SRC television**	**Total**
CANADA	**152.5**	**93.4**	**245.9**

TOTAL TELEVISION:

(In $ million)	**Private television**	**CBC/SRC television**	**Total**
CANADA	**541.4**	**208.4**	**749.8**

RADIO:

(In $ million)	**Private radio**	**CBC/SRC radio**	**Total**
CANADA	**136.9**	**110.0**	**246.9**

TOTAL TELEVISION+RADIO:

(In $ million)	**Privately-owned**	**CBC/SRC**	**Total**
CANADA	**678.3**	**318.4**	**996.8**

* Note: The amounts shown above are based on the 'Canadian programming expenses' within the 'News' category. In addition to these amounts, a further amount of about $1.6 million was reported as 'non-Canadian programming expenses' within the 'News' category.

SOURCE: CRTC; Statistics Canada; Communications Management Inc.

Newspapers

For many years, it was common to refer to "rules of thumb" for the amount of daily newspaper revenue spent on the editorial function. Many of those estimates originated with the Inland Press Association in the U.S.

In 2009, that association posted an article, based on its 2002 data, which indicated that "newsroom expenses should be 12-13% of total revenues".[1]

In 1981, in Canada, the Royal Commission on Newspapers reported that, for 1978-1980, "editorial expense was 15 per cent of revenues".[2]

However, those percentages may no longer be as valid as they once were. They appear to have been based mainly on daily newspapers, and they reflected operating structures which may have changed in the last decade.

Nevertheless, the percentages still provide a starting point for estimating.

According to Statistics Canada, the total revenue of Canadian newspapers (daily and community) in 2020 was $2.1 billion. More recent data indicate that the figure for 2022 was likely slightly lower.

If we apply the 15 per cent factor to that total revenue, we get an estimate of editorial costs in the range of about $300 million in 2022.

In December 2021, a source in the Canadian newspaper industry estimated that payments from Google and Facebook to publishers could total between $100 million and $150 million per year, and that that would represent 30 per cent of annual newsroom costs.[3]

That would yield an estimate for the cost of journalism for Canadian newspapers in the range of $333 million to $500 million.

Based on all of the data, we have estimated that the "spending on news" by Canada's newspaper industry in 2022 was about $400 million.

---

[1] Accessed at: http://inlandpress.org/stories/financial-management-rules-of-thumb-2002,6953.

[2] Canada, *Royal Commission on Newspapers*, page 221.

[3] William Turvill, "Canada's news industry expects up to $150m annual windfall from Australia-style big tech crackdown", *PressGazette*, December 2, 2021. Accessed at: https://pressgazette.co.uk/canada-google-facebook-regulation-news-industry/.

Other media

In addition to television, newspapers, and radio, there are, of course, magazines, Internet-based media (including a number of start-ups) and, likely, a small number of media that do not fit neatly into any of the traditional categories. Unfortunately, consistent data or estimates are not available for those other media.

The total media spending on journalism in Canada

Based on the foregoing data and estimates, we believe that it would be reasonable to estimate the total spending on News by Canada's media at approximately $1.75 billion.

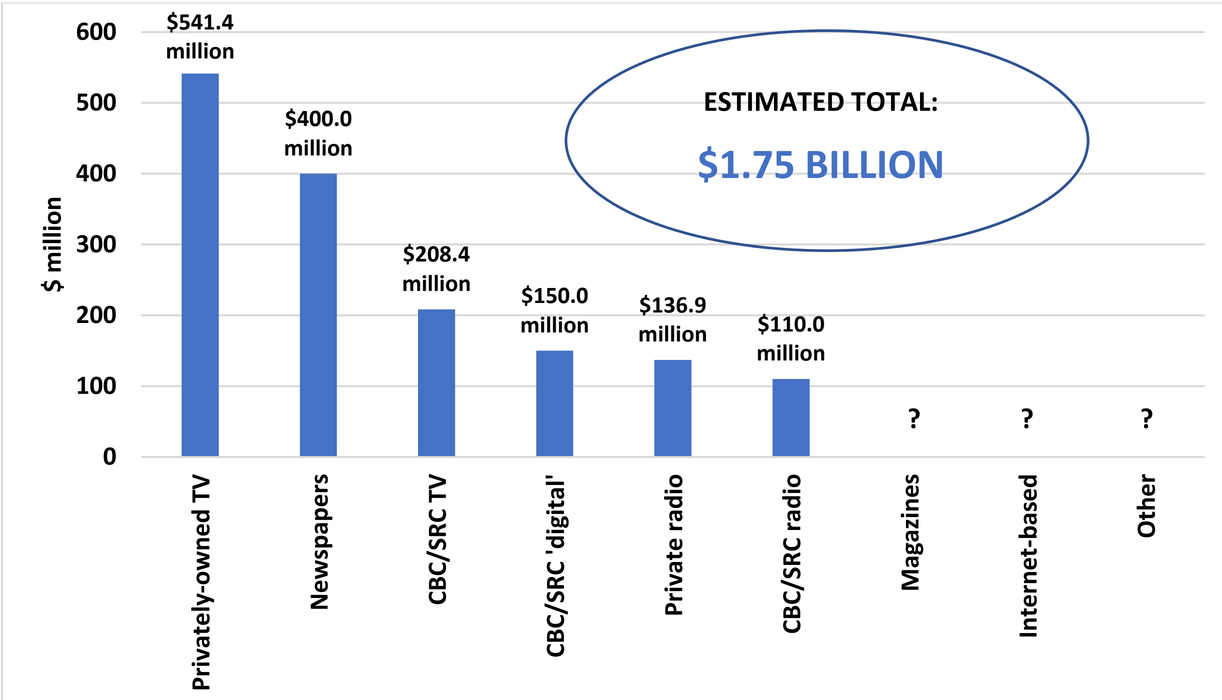
Within that total, the two largest spenders (based on the 2022 data) are:

- Privately-owned television, at $541.4 million; and
- Newspapers, at an estimated $400 million.

The data are summarized in Figure 2.[4]

[4] For the legacy media, there may be some variance in the degree to which online activities are included in the data and estimates used in Figure 4.

Figure 2.
Estimated spending on 'News', Canadian media, 2022:



NOTES:

1. Privately-owned TV – includes conventional and discretionary services.
2. Newspapers – includes daily and community newspapers.
3. CBC/SRC TV – includes conventional and discretionary services.
4. CBC/SRC 'digital' – estimated.
5. Private radio – see description of methodology in text.
6. CBC/SRC radio – see description of methodology in text.

SOURCE: CRTC; Statistics Canada; Communications Management Inc.