

## HIGHLIGHTS

**CUTS AT RADIO-CANADA:  
CHALLENGES, FUNDING  
AND PROPOSED SOLUTIONS**

## CONTEXT

### **The mandate of the Société Radio-Canada under the *Broadcasting Act***

By virtue of its mandate as defined in the 1991 *Broadcasting Act*, section 3(1)(m), the Société Radio-Canada must provide radio and television services that:

- reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions;
- be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities;
- strive to be of equivalent quality in English and in French.

### **The unique role of the Société Radio-Canada for Francophone and Acadian communities**

SRC plays an important role in the development and fulfilment of the Francophone and Acadian communities:

- it ensures an essential presence in French in all provinces and territories;
- in several English-language majority regions of the country, it is one of the only media to provide a French-language presence on television and radio..

### **The current situation following the cuts at the Société Radio-Canada**

The cuts made to French-language services at CBC/SRC have had impacts on the local French-language services to which French-speakers have access within the country, and particularly those living in a minority situation:

- Between March 2009 and April 2014, over 2,100 positions were cut at CBC/SRC;
- The five-year strategic plan "A Space for Us All", made public by the CBC/SRC on June 26, 2014, announced staff reductions of 1,000 to 1,500 more employees by 2020. Since then, 636 of these jobs have been eliminated;
- Since 2009, 1,113 of the positions eliminated have been in French-language services. Of these, 535 have been cut during the past year alone, including more than one hundred in the regional stations serving Francophone and Acadian communities;
- The 6:00 p.m. regional news bulletins have been reduced from 60 minutes to 30 in Ontario, in the Canadian West and in certain regions of Québec, with the exception of Ottawa, Acadia, Québec City and Montréal.

## EXPERT REPORT

### *Le financement de Radio-Canada : état de situation et pistes de solution* (Radio-Canada Funding : Status Report and Possible Solutions)– Michel Houle

The purpose of the study was:

- to provide a detailed description of the current funding situation at CBC/Radio-Canada;
- to identify possible solutions to help the Corporation fulfill its mission as Canada's public broadcaster, particularly for Francophone and Acadian communities.

### **Direct public funding for CBC/Radio-Canada**

"[...] Accordingly, from 1990-91 to 2013-14, CBC/Radio-Canada's parliamentary appropriations increased a little less than 0.5% in current dollars, whereas government expenditures rose by 74% and the CPI by 51%."

### **Indirect public funding**

Instigated in 2009 by the CRTC, the Local Program Improvement Fund (LPIF) aimed to support the financing of local television productions broadcast by stations in non-metropolitan markets. On average, CBC/SRC received \$33.1 million annually from the LPIF between 2009-2010 and 2013-2014. The LPIF was discontinued on August 31, 2014.

"[...] the elimination of the LPIF had a direct impact on CBC/Radio-Canada programming, more specifically on local programming in non-metropolitan markets in CBC/Radio-Canada's over-the-air television networks."

"From 2009-10 to 2013-14, the Corporation's French-language stations accounted for approximately 50% of the LPIF. Accordingly, the termination of the LPIF was particularly problematic for the Francophone community outside metropolitan areas. Proportionately, they lost more when the LPIF was terminated than they did from the decrease in total parliamentary appropriation."

### **Self-generated revenues and direct public funding/revenue ratio**

"CBC/Radio-Canada draws its revenue from four main sources: advertising, subscriptions to its specialty services, funding and other revenues."

"When examining revenue trends from 2005–2009 and 2010–2014, we noted that in contrast to parliamentary appropriation, which grew only very slightly (1.4%), revenue increased by a little more than 18% over the same period, which is twice the rate of the CPI (9%)."

"Although CBC/Radio-Canada is facing a financial crisis today, forcing it to make difficult decisions, eliminate numerous jobs and implement budget cuts directly affecting local programming and the workforce in regional stations that serve Francophone and Acadian communities, it cannot be attributed to any failure on its part to grow self-generated revenues."

"Undeniably, this problem stems from the stagnation in parliamentary appropriation in current dollars between 2005–2009 and 2010–2014 and its decline in real terms, given the 9% increase in average CPI between the two periods. And it is also a result of the reduction and ultimate cancellation of indirect public funding from the LPIF [on August 31, 2014]."

"Over the entire 10-year period, public funding accounted for 64% of total funding, and revenues for 36%. Given the stronger growth in revenue, the cumulative ratio went from 66%/34% for 2005–2009 to 63%/37% for 2010–2014. In 2013-14, the last year for which data are available, it stood at 59%/41%."

In Canada, among all Canadians who use one or the other official language as their language spoken at home, 24% of Canadians use French and 76% use English. Yet the share of market revenues earned by French-language services over the past eight to ten years has continued to be substantially higher than 24%:

- Advertising revenue from over-the-air television: 34 %;
- Total gross revenue from specialty services: 43%;
  - » Subscription revenue: 42%;
  - » Advertising revenue: 43%.

Furthermore, it has been shown here that, by and large, the percentage of total revenues attributable to French-language services has trended upwards over the years.

### **International comparisons**

Among the 18 countries studied, in 2011, 6 provide strong government funding for their public broadcaster (over \$100 per inhabitant), 8 provide moderate funding (between \$50 and \$100 per inhabitant), and 4, including Canada (\$33 per inhabitant), provide poor government funding (under \$50 per inhabitant).

"It is worth noting that of these four countries with consistently weak government funding, Canada is the only one with a national public broadcaster required to serve this vast country in two official languages, with both radio and television services. In the other three countries, the national public broadcaster serves its audiences in only one language. This makes Canada's presence in this group even more surprising and disappointing."

## Solutions proposed by Michel Houle

- "Identify CBC/SRC's parliamentary appropriations or at least the basic operational credits based on a proportion of overall federal government expenditures, in terms of operations and programs engaged during the previous year. A proportion of 0.42% could be a likely target (all parliamentary appropriations considered) to be set for five years, starting on the year of implementation. If this measure had been in effect during 2014-15, the parliamentary appropriations paid to CBC/SRC would have been \$1.163 billion. This figure would have represented an increase of \$143 million, compared with the estimated figure of \$1.020 billion. This approach would provide CBC/SRC with a significant gain during implementation and would make future parliamentary appropriations less discretionary, without being removed from the budgetary concerns of successive governments nonetheless, because it would be in line with the overall changes of public expenditures in terms of operations and implemented programs.
- Reinstate CBC/SRC's parliamentary appropriations to their 2008-09 level, i.e. before the last cycle of constraints begins, and keep them stable for three years, at the end of which the appropriations will be re-assessed. If this approach had been adopted in 2014-15, CBC/SRC would have received \$1.17 billion's worth in parliamentary appropriations (also the same amount the CBC/SRC received in 1995-96, prior to the start of the first cycle of constraints). This figure would have represented an increase of \$150 million, compared with the estimated figure of \$1.02 billion. If this formula remained entirely discretionary, it would at least guarantee the Corporation a significant gain during its implementation, as well as financing stability for a few years.
- Invite professional associations, labour unions, organizations, representatives and community members concerned with this issue to become more actively involved in the process to review the situation of community programs and local relevance that the Commission intends to carry out later this year, in order to once again advocate the importance of locally relevant television programs, greater and essential accountability to be incumbent on CBC/Radio-Canada's over-the-air television stations in this matter under the new regulations, and the need to fund these locally relevant television programs.
- Reinstate an annual subsidy, in addition to basic parliamentary appropriations. Such a subsidy could be of at least \$35 million per year for a period of five years. The subsidy should be used entirely to reinforce locally relevant CBC/SRC radio and television stations outside of metropolitan markets. In other words, programs to benefit from this subsidy should be produced locally and be primarily intended to reflect the context, achievements and concerns of local and regional communities served by CBC/SRC.
- Ask the Governor in Council to issue an order under Paragraph 26(1)(b) of the *Broadcasting Act* instructing the CRTC to require all terrestrial and direct-to-home satellite broadcasting distribution undertakings (DTH BDUs) to include local or regional CBC/SRC stations of French and English languages in their entry-level service, even if CBC/SRC decided to cease over-the-air broadcasting. CBC/Radio-Canada would thus be in a position to negotiate a distribution fee with the BDUs for its local and regional stations and, as a result, substantially raise its independent revenue without compromising Canadians' access to its off-air stations by removing them from the entry-level service.
- Grant CBC/Radio-Canada a long-term line of credit to provide it with a much greater capacity to meet the challenges brought about by fast-paced changes in technology, regulations and competition. CBC/SRC would also enjoy enhanced entrepreneurial agility, more readily deploy multi-platform initiatives, increase its presence in the world of specialty television and reinforce its capacity to adapt to the consumption patterns of Canadians and generate independent revenue.
- Ensure that wholly owned specialty CBC/Radio-Canada services are accessible to every Canadian by asking the CRTC to issue a broadcasting order under Paragraph 9(1)(h) of the Act granting all of CBC/SRC's existing or future wholly owned optional services the right of access to digital distribution in both language markets across Canada."