

RADIO-CANADA FUNDING: STATUS REPORT AND POSSIBLE SOLUTIONS

Study conducted by:

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Cultural Industries and Communications

APRIL 2015

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**With the financial assistance of
the Government of Quebec
and
the Government of Ontario**

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SUMMARY

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

Direct public funding for CBC/Radio-Canada

After briefly reviewing the Corporation's mission and listing the range of broadcasting services it offers Canadians, we will present an overview of changing levels of total public funding allocated to CBC/Radio-Canada since 1990-91. We will compare these figures to changing levels of total Government of Canada expenditures on operations and programs, federal spending in specific areas (national defence, debt repayment, culture and broadcasting), and the Consumer Price Index (CPI).

Study results show that during the first two decades of the period under consideration (1990-91 to 2009-10), annual parliamentary appropriation to CBC/Radio-Canada increased by slightly less than 6%. This stands in sharp contrast to the approximately 73% of growth in total federal government spending on operations and programs over the same period; for example, National Defence expenditures grew by 70% and spending on culture and broadcasting, not including the Corporation, increased by 73%. However, funds allocated to debt repayment decreased by 31% over the same period, relieving pressure on public finances accordingly.

When it comes to parliamentary appropriation, expressed in current dollars, it cannot be said that CBC/Radio-Canada has been pampered by governments in power over the past two decades. Although the Consumer Price Index (CPI) rose by 41% over that period, the increase in parliamentary appropriation was far lower (6%), which implies a significant drop in constant dollars. This is not the case with general spending by the federal government, which grew at a considerably more sustained rate (73%) than the CPI (41%).

A review of spending through 2013-14 indicates that in the first four years of the decade commencing in 2010, parliamentary appropriation for CBC/Radio-Canada experienced another downward cycle: it dropped by almost 5% between 2010-11 and 2013-14, whereas total public spending continued to climb modestly (2%) and the CPI increased by a little over 4%.

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%.

- *Had a decision been made in 1990-91 to simply index annual parliamentary appropriations for CBC/Radio-Canada to the CPI, funding in 2013-14 would have been approximately \$1.631 billion, which is about \$547 million more than the Corporation actually received.*
- *Had parliamentary appropriation to CBC/Radio-Canada in 1990-91 grown proportionately to overall government spending on operations and programming, it would have totalled approximately \$1.88 billion by 2013-14, which is about \$801 million more than the Corporation actually received.*

It should be pointed out that, historically, successive governments have been rather stingy with CBC/Radio-Canada. Parliamentary appropriation for the Corporation has always grown more slowly (or decreased more quickly) than the rest of federal government spending, resulting in the Corporation's current situation.

Successive governments have consistently allocated less than 1% of their total operations and programs spending to CBC/Radio-Canada. In 1990-91, it was 0.68%; in 2009-10, 0.42%; and in 2013-14, 0.39%.

Turning to the last 10-year period for which figures are available, and comparing the cumulative total for the past five years to the cumulative total for the preceding five years, we observe that total parliamentary appropriation between the two periods was stagnant, for all intents and purposes, growing by only 1.4%. This was also true for each of the three main components of the parliamentary appropriation:

- *Appropriation for operational activities: 1.50%*
- *Appropriation for fixed assets: 0.50%*
- *Working capital: nil*

Again, this is in current dollars. Between these two periods, average CPI rose by 9%. At the same time, total federal government spending on operations and programs rose by 22%.

When this data is further refined and appropriations for operational activities are broken down into core funding, non-recurring grants to enhance programming and other allocations, it appears that core funding rose by almost 3% while non-recurring funding to enhance programming decreased by almost 30% between 2005–2009 and 2010–2014, accounting for almost \$90 million.

This is due to the fact that this non-recurring contribution fell by almost half in 2012-13 and was phased out in 2013-14. It was a casualty of the March 2012 federal budget, which brought in cutbacks totalling \$115 million over three years. Unlike the reductions affecting the other components of parliamentary appropriation, eliminating this targeted contribution has a direct impact on CBC/Radio-Canada programming and cannot be distributed among different categories of expenditure (administration, capital assets, engineering, etc.). It directly affects CBC/Radio-Canada's ability to offer distinctive,

primarily Canadian, high-calibre programming and, specifically, its ability to deliver locally relevant programming to Francophone and Acadian audiences.

The decrease resulting from the March 2012 budget had a direct effect on parliamentary appropriations to CBC/Radio-Canada radio and over-the-air (OTA) television networks, which decreased by 14% between 2010-11 and 2013-14, 12% for French-language programming and 15% for English-language programming.

Indirect public funding

CBC/Radio-Canada has received public funding that could be described as “indirect” from the Local Program Improvement Fund (LPIF) and the Canada Media Fund (CMF) under the Performance Envelope Program. Although these funds come, exclusively or primarily, from private sources, namely, broadcasting distribution undertakings (BDU), they are not contributed voluntarily. Rather, BDUs are required to do so under the regulatory policy of the public body responsible for the oversight and regulation of the Canadian broadcasting system, the Canadian Radio-television and Telecommunications Commission (CRTC).

Instituted on July 6, 2009 by the CRTC to support funding for local television production in small markets outside metropolitan areas, the LPIF was financed by contributions from BDUs set at 1.5% of their gross annual revenue. This contribution was reduced to 1% on September 1, 2012 and to 0.5% as of September 1, 2013. The LPIF was cancelled on September 1, 2014.

Both the cancellation of non-recurring funding for programming support and 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.

- *As a result of this combination of events (the cancellation of both the non-recurring funding to enhance programming and the LPIF) between 2011-12 and 2014-15, it is estimated that CBC/Radio-Canada lost more than \$100 million in annual public funding, both direct and indirect, destined specifically for programming. This is significant.*

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.

Since the envelopes were created in 2011-12, contributions to CBC/Radio-Canada from the CMF performance envelopes have also decreased by a total of 14% (10% for French programming and 16% for English).

It is important to point out that in the Corporation's annual reports, LPIF contributions are recognized as revenue, not as indirect public funding. On the other hand, CMF contributions are not posted as either public funding or revenue. They are used to supplement the broadcasting rights CBC/Radio-Canada pays to fund Canadian programming. They do not benefit CBC/Radio-Canada directly, but go to the companies producing Canadian programs for the Corporation. However, these contributions have a leverage effect that enables CBC/Radio-Canada to fund more and/or higher-quality programs than its own resources would otherwise allow.

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.

Based on figures from the Corporation's annual reports, the lion's share comes from advertising, which accounts for close to 57% of total revenues, followed by specialty services (25%), other revenues (17%) and, finally, funding (less than 2%). 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%).

Further analysis of the components of different revenue items indicated that revenue in each of these categories increased by 12% or more between the last five years for which data are available and the five preceding years.

As such, while parliamentary appropriations to CBC/Radio-Canada grew by only 1.4% between 2005–2009 and 2013-14,

- *Total CBC/Radio-Canada revenue increased by 18% between 2005–2009 and 2013-14;*
- *Its advertising revenue grew by 13% between 2005–2009 and 2013-14:*
 - *Over-the-air network revenue increased by 12%, and*
 - *Specialty services revenue grew by 29%;*
- *Total gross revenue from specialty services rose by 16% between 2004–2008 and 2009–2013:*
 - *Revenue from English-language services grew by 12%, and*
 - *Revenue from French-language services grew by 21%;*
- *Revenue from subscriptions to specialty services at CBC/Radio-Canada increased by 15% between 2004–2008 and 2009–2013:*
 - *Revenue from English-language services grew by 12%, and*
 - *Revenue from French-language services grew by 20%;*

- *The Corporation's other revenues grew by 68% between 2005–2009 and 2013-14:*
 - *Production revenue increased by 30% between 2007–2010 and 2011–2014,*
 - *Rental revenue grew by 14% between 2007–2010 and 2011–2014, and*
 - *Revenue from retransmission rights grew 34% between 2007–2010 and 2011–2014;*
- *Only funding revenue decreased between 2005–2009 and 2010–2014—by 18%, in fact—but it accounts for less than 2% of total revenues.*

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 in 2014-15.

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%.

A final point in this regard: generally speaking, given the size of their audience, French-language services at CBC/Radio-Canada (be they from OTA or specialty services, advertising or subscriptions) account for a considerably larger proportion of total revenue.

It was determined that 24% of Canadians who speak one or both of our official languages at home use French and 76% use English.¹ However, the cumulative share of market revenue (advertising and subscriptions) attributable to French-language services for the past eight or 10 years remains substantially above 24%:

- *Advertising revenue from over-the-air television: 34% French/66% English*
- *Total gross revenue from specialty services: 43% French/57% English*
 - *Subscription revenue: 42% French/58% English*
 - *Advertising revenue: 43% French/57% English*

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. French-language services are more attractive to Francophone audiences than English-language

¹ Sources: Statistics Canada, 2011 Census of Population, Language spoken most often at home, Canada.

programming is to English-speaking audiences. This translated into more substantial audience shares in their respective language markets in 2012-13: a combined total of 17.7% for Radio-Canada over-the-air television and specialty services and a combined total of 7.3% for CBC over-the-air television and specialty services.

International comparisons

Since 2006, Nordicity Group Ltd. has published yearly comparative tables of annual per capita government funding for public broadcasters in 18 western countries. These tables show that CBC/Radio-Canada consistently ends up at the back of the line in terms of per capita public funding and ranks in the bottom half of the average across the comparison countries.

The 18 countries are divided into three groups:

- *Those who are rated high and provide strong government funding for their public broadcasters*

This group includes governments that allocate over \$100 per capita on an annual basis. The following six countries are consistently listed in this category: Germany, Switzerland and the Scandinavian countries, Sweden, Norway, Denmark and Finland. In 2004 and 2007, the United Kingdom was part of this group but it slipped slightly below the \$100 per capita mark in 2011 (\$96).

- *Those who are rated medium and provide moderate government funding for their public broadcasters*

This group includes governments that allocate between \$50 and \$100 per capita. Austria, Belgium, France and Ireland are always listed here. In 2011, they were joined by Australia, Spain, Japan and the United Kingdom.

- *Those who are rated low and provide poor government funding for their public broadcasters*

This group includes governments that allocate less than \$50 per capita. The four countries that are consistently found in this group are Canada, the United States, Italy and New Zealand. This category is decreasing in size over time. In 2004, it included six countries, seven in 2007 and only four in 2011.

Canada has not budged. Given the \$115-million decrease in parliamentary appropriation over three years announced in the federal budget of March 29, 2012, annual public funding per capita should have been around \$29 in 2014-15, or slightly less than \$0.08 a day. In 1990-91, it was \$39.

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.

The study then describes the main parameters of public broadcaster funding models: public/mixed funding; annual/multi-annual funding; budgetary funds/licence fees; discretionary/stable/indexed funding.

Looking forward

The study points out that the funding the Corporation receives from the government is annual and discretionary. If this situation continues, the Corporation's future will depend entirely on the political will of the government of the day, which can be influenced as easily by the state of public finances as by a whole host of other considerations. It then briefly identifies some of the compelling trends in consumer habits, how advertising dollars are being spent and changes in the regulatory and competitive environment capable of affecting how revenue evolves for CBC/Radio-Canada.

The habits of consumers of broadcasting content are changing rapidly, shifting to personalized and on-demand consumption on a wide variety of platforms using an ever-increasing array of receiving and mobile devices. Linear conventional and specialty programming services, including CBC/Radio-Canada's, must continue to adapt to the changing environment and devote the resources and energy required to make their programming equally accessible to consumers, whenever they choose it, on any device or platform.

Numerous studies have shown that

- Advertising dollars are migrating away from conventional media and towards new media,
- Advertising dollars are moving away from OTA television and towards specialty TV.

This could be an issue for CBC/Radio-Canada, which, as indicated earlier, draws 92% of its advertising revenue from OTA services and only 8% from its specialty services. In 2013-14, this advertising revenue accounted for 64% of its overall self-generated revenues.

As a result of *Let's Talk TV: A Conversation with Canadians*, the CRTC has adopted regulatory policies that will fundamentally alter the competitive environment in which CBC/Radio-Canada is required to operate.

The study focuses on the elimination of any obligation for private OTA conventional broadcasters to carry Canadian content between the hours of 6:00 a.m. and 6:00 p.m. It

points out that this new approach will result in a very significant difference between the Canadian content broadcast requirements applicable to private OTA networks and those of CBC/Radio-Canada (which continue to operate under their current obligations).

In this new context, programming for the Corporation's French- and English-language OTA television networks, required to meet the objectives of the Broadcasting Act, will become even more crucial. Canadian viewers wishing to watch Canadian programs they can identify with at any time of day, including local programming, such as producers and creators of Canadian television content of all genres seeking to reach large audiences through OTA television, will rely more heavily than ever on CBC/Radio-Canada to meet their needs. In our view, this alone justifies a major increase in public funding for CBC/Radio-Canada over the next few years.

This is especially important since, in this new competitive environment, CBC/Radio-Canada could well see its advertising revenue decline, particularly from its English network, thereby exacerbating its under-funding problem.

Increasing public funding and/or revenue for CBC/Radio-Canada

In light of the changing situation in public funding for CBC/Radio-Canada over the past 25 years and, also, the last decade, as well as the technological, regulatory and competitive environment in which the Corporation will have to operate in years to come, it is our view that if the Corporation is to fulfill the public service mandate bestowed on it by the Broadcasting Act, and moreover to properly meet the needs and expectations of Francophone and Acadian communities, it will require more sustained funding.

Accordingly, in the second part of the study, we analyze various options and alternatives to improve and/or increase funding for CBC/Radio-Canada. We begin by examining the options for direct and indirect public funding. Some of the possible solutions include increasing the Corporation's overall parliamentary appropriations to enable it to fully carry out its mission as national public broadcaster. It might then be reasonable to hope that this would translate into improved services, particularly for Francophone and Acadian communities. Others are targeted measures, aimed specifically at enhancing local programming on CBC/Radio-Canada radio and TV stations, with special emphasis on meeting the needs and expectations of official language minority communities.

Then, we considered options that would help to increase the Corporation's revenue, options that also assume the support of government through its decisions and policies in this regard. Finally, we will briefly discuss some of the initiatives that would foster entrepreneurial agility at CBC/Radio-Canada or increase access to its specialty services.

All the options deserve consideration and can be assessed for their relevance. In our view, the most promising suggestions for improving the funding situation at CBC/Radio-Canada and/or making its public funding less discretionary in nature, and enabling it to properly fulfill its public service mission, particularly with Francophone and Acadian communities, are as follows:

- *Define parliamentary appropriations for CBC/Radio-Canada, or at least the basic operational appropriations, on the basis of a percentage of total federal government operations and program expenditures in the previous year. A percentage of 0.42% could be set as a target, in light of total parliamentary appropriations. The target would be set for the five-year period following the year of its implementation. Had such a measure been in place in 2014-15, the Corporation's parliamentary appropriations would have been \$1.163 billion, i.e. \$143 million more than the assumed level of \$1.020 billion. This solution would give the Corporation a strong leg up and make parliamentary appropriation less discretionary in future; at the same time, it would honour the budgetary concerns of the government in power, because it would be in sync with general trends in public spending on operations and programs.*
- *Bring parliamentary appropriations for the Corporation back to where they were in 2008-09, before the last cycle of cutbacks began, and keep them stable for three years, at which point they would be reassessed. Had this approach been in place in 2014-15, the Corporation would have received \$1.17 billion in parliamentary appropriations (equivalent to what it was in 1995-96 before the first cycle of cutbacks began), i.e. \$150 million more than the assumed level of \$1.020 billion. If this formula were to remain entirely discretionary, it would at the very least, represent a significant gain for the Corporation upon implementation and provide financing stability for several years.*
- *Invite professional associations, unions, agencies, community representatives and interested citizens who are concerned by this issue to take an active part in the review of community programming and local relevance that the CRTC plans to conduct later this year. These parties would be encouraged to stress the importance of locally relevant programming, greater accountability (which is vital) for CBC/Radio-Canada OTA television stations in this regard in the new regulatory context and the need to financially support locally relevant TV programming.*
- *Reinstate an annual subsidy, over and above basic parliamentary appropriations, of at least \$35 million per annum for a period of five years. This subsidy should be used exclusively to enhance locally relevant programming on CBC/Radio-Canada radio and television stations in smaller markets outside metropolitan areas, i.e. programs that are produced locally and designed primarily to reflect the circumstances, achievements, concerns and expectations of the local and regional communities they serve.*
- *Request an order from the Governor-in-Council pursuant to paragraph 26(1)(b) of the Broadcasting Act instructing the CRTC to require that all terrestrial and satellite BDUs include all CBC/Radio-Canada French- and English-language local or regional stations in their entry-level service, even if the Corporation were to stop OTA broadcasting. In this case, CBC/Radio-Canada would be in a position to negotiate with BDUs a rate for distribution from its local and regional*

stations, substantially boosting its self-generated revenues without compromising Canadians' access to conventional stations by withdrawing them from the entry-level service offering.

- *Give CBC/Radio-Canada a long-term credit margin to enable it to respond more quickly to the challenges of the changing technological, regulatory and competitive environment in which it operates. This would enhance its entrepreneurial agility and help it to deploy multi-platform initiatives or to bolster its presence in the specialty TV universe, thereby strengthening its ability to adapt to Canadian consumer habits and to generate its own revenues.*
- *Ensure that CBC/Radio-Canada's wholly owned specialty services are accessible to all Canadians. This would be achieved by asking the CRTC to issue a broadcasting order pursuant to paragraph 9(1)h) of the Act granting all of the Corporation's wholly owned discretionary services, present and future, a right of access to digital distribution in both Canada's language markets.*

1. INTRODUCTION

1.1 PURPOSE OF THE STUDY

The purpose of this study is to a) provide a detailed description of the current funding situation at CBC/Radio-Canada, and b) identify possible solutions to help the Corporation fulfil its mission as Canada's public broadcaster, particularly for the nation's Francophone and Acadian communities.

In Part 1, after reviewing the Corporation's mission and listing the range of broadcasting services it offers Canadians, we will present an overview of changing levels of total public funding allocated to CBC/Radio-Canada since 1990-91. We will compare these figures to both changing levels of total Government of Canada expenditures on operations and programs and to federal spending in specific areas (National Defence, debt repayment, culture and broadcasting), as well as to the Consumer Price Index (CPI).

We will then turn our attention to the last ten years for which data is available in order to measure in greater detail changes to direct public funding (parliamentary appropriations for operations, property and equipment, and working capital requirements), and indirect funding (Local Program Improvement Fund and Canada Media Fund contributions), as well as CBC/Radio-Canada's self-generated revenue (advertising, specialty services, financing income, and others). This analysis will enable us to determine the direct public funding/revenue ratio for the period in question. We will also compare the results to per capita annual public broadcasting funding in other countries, and to other public broadcasting funding models.

To conclude Part 1, we will look to the future by discussing some of the main trends in changing consumer habits, allocation of advertising budgets, regulatory frameworks and the competitive media environment, all of which are likely to influence CBC/Radio-Canada funding in the years ahead.

In Part 2 we list and discuss a number of options that could help increase funding to CBC/Radio-Canada in the years ahead. We will look at measures and practices that address public funding, revenue, overall funding levels and targeted funding for local programming outside of metropolitan markets.

1.2 METHODOLOGICAL NOTES

The following data sources were used to produce this report:

- CBC/Radio-Canada annual reports
- The Public Accounts of Canada
- Statistical and Financial Summaries published by the Canadian Radio-television and Telecommunications Commission (CRTC)
- Aggregate Annual Returns under Broadcasting Regulatory Policy CRTC 2009-560, published by the CRTC
- Statistics Canada data on the Consumer Price Index (CPI)
- Performance Envelope Program data from the Canada Media Fund (CMF)
- Comparison tables on public broadcaster funding from 18 western countries produced by Nordicity in 2006, 2009 and 2013
- The Communications Monitoring Report, 2014, published by the CRTC

These sources use different reference years. Data from the Public Accounts of Canada, the Corporation's annual reports, and CMF is for the fiscal year (April 1 to March 30); CRTC data is for the broadcasting year (September 1 to August 31); and Statistics Canada CPI data is for the calendar year (January 1 to December 31). While we cannot perfectly match data from these various sources, the orders of magnitude are similar.

Also, the most recent year for which CBC/Radio-Canada annual reports and CRTC Aggregate Annual Returns under Broadcasting Regulatory Policy CRTC 2009-560 are available is 2013-14; for CRTC Statistical and Financial Summaries and the Communications Monitoring Report, it is 2012-13. CMF Performance Envelope data is available up to 2014-15, as their funding is allocated at the beginning of the fiscal year. Whenever possible, we have presented changes over the last ten years for which data is available, depending on the source, and compared aggregates for two five-year periods to smooth out the impact of annual fluctuations. This was not possible in every case, however, as certain budget items, funds or programs have been in existence for less than ten years. In such cases, we used the longest time period possible.

Generally speaking, information on the main categories of CBC/Radio-Canada funding and revenue can be examined over a ten-year period, presented in relatively consistent terms, in the Corporation's annual reports. This becomes problematic, however, when we attempt to subdivide broad categories into more precise subcategories; or separate French, English and other services; or distinguish between radio, television and new media, for example. In such cases, the information is often unavailable, or is compiled or presented inconsistently, making it difficult to establish a continuous, sequential pattern.

We have attempted to fill in these gaps using the CRTC's Statistical and Financial Summaries and Annual Aggregate Returns. However, CBC/Radio-Canada has only provided data in the form required by the CRTC, identifying parliamentary appropriations, since 2008-09 (Statistical and Financial Summaries) and 2010-11 (Aggregate Annual Returns).

To simplify the presentation, all amounts indicated in tables are in millions of dollars (\$M). Figures have been rounded to the closest million and, as a result, totals may differ slightly from the sum of their constituent parts.

Throughout this report “The Corporation,” “CBC/Radio-Canada” and “CBC/SRC” are used interchangeably to refer to Canada’s national broadcaster.

2. CBC/RADIO-CANADA FUNDING

CBC/Radio-Canada is Canada's national public broadcaster. Its activities span radio, television and new media and are offered in English, French and other languages (Aboriginal and foreign).

2.1 MISSION, SERVICES AND FUNDING MODEL

CBC/Radio-Canada's mandate is defined in sections 3(1)(l) and 3(1)(m) of the Broadcasting Act:

l) the Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains;

m) the programming provided by the Corporation should

(i) be predominantly and distinctively Canadian,

(ii) reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions,

(iii) actively contribute to the flow and exchange of cultural expression,

(iv) 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,

(v) strive to be of equivalent quality in English and in French,

(vi) contribute to shared national consciousness and identity,

(vii) be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose, and,

(viii) reflect the multicultural and multiracial nature of Canada;

To fulfil this mandate, a key part of which is to reflect Canada's linguistic duality and regional diversity and meet the needs of minority official language communities, CBC/Radio-Canada operates a range of programming services covering the entire country.

TABLE 1
LIST OF CBC/RADIO-CANADA PROGRAMMING SERVICES

| | French-language | English-language | Bilingual/other |
|---------------------------------------|---|---|---------------------------------------|
| RADIO/MUSIC | | | |
| Over-the-air national services | <p>Ici Radio-Canada Première 22 stations and 146 transmitters² distributed as follows: Atlantic: 3 stations and 20 transmitters Quebec: 9 stations and 69 transmitters Ontario: 5 stations and 32 transmitters Prairies: 3 stations and 15 transmitters B.C., Territories and Nunavut: 1 station and 10 transmitters</p> <p>Ici Musique 12 stations and 25 transmitters³ distributed as follows: Atlantic: 2 stations and 8 transmitters Québec: 4 stations and 11 transmitters Ontario: 3 stations and 2 transmitters Prairies: 2 stations and 3 transmitters B.C., Territories and Nunavut: 1 station and 1 transmitter</p> | <p>CBC Radio One 35 stations and 412 transmitters⁴ distributed as follows: Atlantic: 12 stations and 59 transmitters Quebec: 2 stations and 38 transmitters Ontario: 5 stations and 67 transmitters Prairies: 6 stations and 81 transmitters B.C., Territories, and Nunavut: 11 stations and 167 transmitters</p> <p>CBC Radio Two 15 stations and 39 transmitters⁵ distributed as follows: Atlantic: 3 stations and 11 transmitters Quebec: 1 station and 3 transmitters Ontario: 5 stations and 7 transmitters Prairies: 5 stations and 8 transmitters B.C., Territories and Nunavut: 1 station and 10 transmitters</p> | |
| Online | | CBC Radio 3 cbcmusic.ca | RCI Radio-Canada international |

² A given station's transmitters are not necessarily located in the same province as the station itself. Three of CKBS St. Boniface's transmitters are in Ontario, two of CBOF-FM Ottawa's transmitters are in Quebec, and two of CBAF-FM Halifax's transmitters are in Newfoundland and Labrador.

³ A given station's transmitters are not necessarily located in the same province as the station itself. Thus CBAX-FM Halifax has one transmitter on P.E.I. and another in Newfoundland and Labrador, and CBCX-FM Winnipeg has two transmitters in Saskatchewan.

⁴ A given station's transmitters are not necessarily located in the same province or territory as the station itself.

⁵ A given station's transmitters are not necessarily installed in the same province or territory as the station itself.

| | | | |
|--|---|--|---|
| Subscriber satellite radio | | | SiriusXM Broadcasts the following CBC/Radio-Canada stations: Ici musique chansons Ici musique franco-country CBC Radio 3 CBC Music Sonica |
| TELEVISION | | | |
| Over-the-air national services | Ici Radio-Canada Télé 13 stations distributed as follows: Atlantic: 1 Quebec: 6 Ontario: 2 Prairies: 3 B.C. and Territories: 1 | CBC Television 14 stations distributed as follows: Atlantic: 4 Quebec: 1 Ontario: 3 Prairies: 4 B.C. and Territories: 2 | |
| Specialty television services | Ici RDI Ici ARTV Ici Explora | CBC News Network Documentary | RDI Express/CBC News Express (available in airports) CBC North (in both official and eight Aboriginal languages) |
| Online catch-up television and Video on demand (VOD) services | Ici tou.tv (free) Ici tou.tv extra (by subscription) | | |
| Online | ICI Radio-Canada.ca Curio.ca (educational) | cbc.ca cbcnews.ca cbcsports.ca cbcbooks.ca | |

Sources: CRTC 2013-363 Broadcasting Decision, Appendix 1, List of programming enterprises; 2013-14 CBC/Radio-Canada Annual Report.

This diversity is particularly pronounced in radio, where CBC/Radio-Canada, with 84 stations and 622 transmitters, maintains an unparalleled presence in local and regional French- and English-language communities, even very small ones, in every Canadian province and territory (including Nunavut). The Corporation's French and English over-the-air television networks are also present in every region in Canada.

CBC/Radio-Canada is the only Canadian broadcaster with such broad linguistic and geographical coverage, which is an integral part of its mandate. The Corporation's services are particularly important for Francophone and Acadian communities. To the best of our knowledge, there are no private commercial broadcasting organizations with local French-language radio and television stations west of Quebec. And there is only one local French-language private commercial television station east of Quebec, CHAU-TV Carleton, owned by a small independent broadcaster, Télé Inter-Rives Ltée. It is true that TVA can be viewed by all subscribers to basic television services provided by all broadcasting distribution undertakings (BDUs), as ordered by the CRTC, but TVA does not run a single local station outside Quebec which employs regular in-house staff to broadcast locally relevant daily programming.

CBC/Radio-Canada currently operates five specialty services (three in French and two in English). Three of these (Ici RDI, CBC News Network and Ici ARTV) have been granted certain distribution privileges by CRTC under section 9(1)(h) of the Broadcasting Act. CBC News Network and Ici RDI have mandatory distribution on basic service of all BDUs in their linguistic minority markets, and access rights to digital distribution in their majority linguistic market, while Ici ARTV has digital access rights in Anglophone markets.

CBC/Radio-Canada also offers both OTA and specialty online radio/music and television sites and services accessible to all Canadians with an adequate Internet connection. The Corporation is involved in producing digital and mobile content. The Corporation's French-language network has for several years offered a catch-up television/video on demand (VOD) service, *Ici tou.tv*, originally free of charge and, more recently, with a subscription option (*Ici tou.tv* extra). CBC/Radio-Canada also has international broadcasting operations: RCI Radio Canada International distributes news and cultural programming via the Internet in five languages, and contributes Canadian programs to the international French-language television network TV5 Monde.

To fulfil its public service mission, CBC/Radio-Canada operates on a mixed funding model, with both parliamentary appropriations and self-generated revenue.

In this first part of the report, we will analyze changes in each of these categories of CBC/Radio-Canada funding, and subdivide categories into their constituent parts. The parliamentary appropriations the Corporation receives, for example, fall into three categories: operating activities, fixed assets and working capital. Appropriations for operating activities can be broken down further into base funding and non-recurring funding for particular circumstances. CBC/Radio-Canada revenue is drawn from such sources as advertising, specialty services, financing income and other revenue, which includes production, building rentals, transmission towers, facilities and services, rebroadcast rights, digital programming and so on).

The main goal of this report is to measure and compare changes in public funding to those in self-generated revenue, but we are also seeking a better understanding of how total funding is distributed among over-the-air radio and television services, subscription television and new media services, and French- and English-language services.

2.2 PUBLIC FUNDING

CBC/Radio-Canada's public funding comes mainly from parliamentary appropriations granted annually by the government of Canada on a discretionary basis. The Corporation also receives indirect public funding, i.e. access to funding that is provided by broadcasting distribution undertakings (BDUs) who are compelled to pay under regulations enforced by the CRTC, whose mandate is to regulate and supervise all aspects of the Canadian broadcasting system with a view to implementing Canadian broadcasting policy.

2.2.1 Parliamentary appropriations

2.2.1.1 History since 1990-91

Between 1990-91 and 2009-10, as shown in Table 2, annual parliamentary appropriations to CBC/Radio-Canada increased by just under 6%—a marked contrast with total federal government expenditures on programs and operations, which increased by some 73% in the same period.

A similar discrepancy can be observed between changes to parliamentary appropriations for CBC/Radio-Canada and increased federal spending on National Defence (up 70%), or to total federal expenditures on culture and broadcasting excluding CBC/Radio Canada (up 73%). During the same period, spending on debt repayment decreased by 31%, significantly easing pressure on public finances.

Clearly, when it comes to parliamentary appropriations, CBC/Radio-Canada has not been spoiled by the governments in power in the two decades in question. The increase in appropriations has been far smaller than both the total increase in federal government expenditures for the same period and the increase in overall spending on culture and broadcasting (excluding CBC/Radio-Canada).

What is more, these figures are in current dollars. The Consumer Price Index (CPI) has increased 41% in the period in question, greatly outstripping the 6% rise in parliamentary appropriations to CBC/Radio-Canada, which means that in constant dollars the Corporation's appropriations have actually decreased substantially. No such decrease can be observed in overall federal government expenditures, which have grown at a much faster rate (71%) than the CPI (41%).

TABLE 2
FEDERAL GOVERNMENT EXPENDITURES IN VARIOUS SECTORS,
AND PARLIAMENTARY APPROPRIATIONS TO CBC/RADIO-CANADA
(\$000's)

| Year | Total federal government expenditures on operations and programs | Debt repayment | National Defence | Culture and broadcasting, excluding parliamentary appropriations to CBC/ Radio-Canada | Parliamentary appropriations to CBC/ Radio-Canada | CPI (2002 = 100) |
|---------------------------|--|-----------------|------------------|---|---|------------------|
| 1990-91 | 158,810 | 42,484 | 12,307 | 1,124.6 | 1,078.4 | 82.8 |
| 1991-92 | 168,718 | 41,139 | 11,862 | 1,248.0 | 1,031.0 | 84.0 |
| 1992-93 | 171,474 | 39,292 | 11,956 | 1,295.3 | 1,109.7 | 85.6 |
| 1993-94 | 169,709 | 37,899 | 12,564 | 1,122.3 | 1,089.7 | 85.7 |
| 1994-95 | 173,383 | 41,927 | 12,244 | 1,159.1 | 1,093.8 | 87.6 |
| 1995-96 | 175,765 | 46,692 | 11,938 | 869.3 | 1,170.7 | 88.9 |
| 1996-97 | 166,041 | 44,916 | 10,949 | 1,013.9 | 997.1 | 90.4 |
| 1997-98 | 160,672 | 43,443 | 10,354 | 1,166.5 | 806.5 | 91.3 |
| 1998-99 | 166,593 | 43,967 | 10,449 | 1,182.6 | 896.4 | 92.9 |
| 1999-2000 | 173,337 | 44,140 | 11,869 | 1,315.8 | 879.2 | 95.4 |
| <i>Increase 1991/2000</i> | <i>9.15%</i> | <i>3.90%</i> | <i>(3.56%)</i> | <i>17.00%</i> | <i>(18.47%)</i> | <i>15.22%</i> |
| 2000-01 | 184,612 | 45,650 | 11,968 | 1,400.9 | 902.1 | 97.8 |
| 2001-02 | 184,941 | 40,139 | 12,576 | 1,390.1 | 982.9 | 100.0 |
| 2002-03 | 189,249 | 36,473 | 12,818 | 1,603.5 | 1,046.5 | 102.8 |
| 2003-04 | 197,272 | 34,670 | 13,304 | 1,823.7 | 1,066.3 | 104.7 |
| 2004-05 | 207,128 | 32,753 | 14,360 | 1,924.5 | 1,036.5 | 107.0 |
| 2005-06 | 215,293 | 32,076 | 15,075 | 1,776.0 | 1,098.0 | 109.1 |
| 2006-07 | 223,989 | 32,045 | 16,096 | 1,830.0 | 1,114.0 | 111.5 |
| 2007-08 | 240,461 | 31,225 | 17,925 | 1,882.0 | 1,104.0 | 114.1 |
| 2008-09 | 238,846 | 30,990 | 18,769 | 1,923.2 | 1,170.8 | 114.4 |
| 2009-10 | 274,198 | 29,414 | 20,862 | 1,945.0 | 1,139.5 | 116.5 |
| <i>Increase 2001-2010</i> | <i>48.53%</i> | <i>(35.57%)</i> | <i>74.31%</i> | <i>38.84%</i> | <i>26.32%</i> | <i>19.12%</i> |
| Increase 1991/2010 | 72.66% | (30.76%) | 69.51% | 72.95% | 5.67% | 40.70% |
| 2010-11 | 270,463 | 30,870 | 21,273 | 1,864.5 | 1,137.1 | 119.9 |
| 2011-12 | 271,422 | 31,026 | 22,783 | n.a. | 1,134.3 | 121.7 |
| 2012-13 | 275,563 | 29,153 | 20,406 | n.a. | 1,106.5 | 122.8 |
| 2013-14 | 276,828 | 28,220 | 21,511 | n.a. | 1,083.5 | 125.2 |
| <i>Increase 2011/2014</i> | <i>2.35%</i> | <i>(8.58%)</i> | <i>1.12%</i> | <i>n.a.</i> | <i>(4.71%)</i> | <i>4.42%</i> |
| Increase 1991/2014 | 74.31% | (33.57%) | 74.79% | n.a. | 0.47% | 51.21% |

Sources:

For 1990-91/2009-10: Nordicity Group Limited, *Analysis of Government Support for Public Broadcasting and Other Culture in Canada*, October 2013, Appendix E, tables 19

and 20; and Statistics Canada, CANSIM 326-0016 for Consumer Price Index (CPI), seasonally adjusted (reference year is the calendar year).

For 2010-11/2013-14: Public Accounts of Canada, CBC/Radio-Canada annual reports, Statistics Canada, CANSIM 326-0016 for Consumer Price Index (CPI), seasonally adjusted (reference year is the calendar year).

Note: For 2014-15, parliamentary appropriations for CBC/Radio-Canada can be estimated at \$1.0193 billion, based on the \$115 million in cuts over three years announced in the 2012 federal budget. This would make for a 10.36% drop in parliamentary appropriations for CBC/Radio-Canada between 2011 and 2015.

- **If the parliamentary appropriations received by CBC/Radio-Canada in 1990-91 had simply been indexed to the CPI, they would have totalled \$1.5173 billion in 2009-10, in which case they would have come to \$377.8 million more than the amounts actually received in 2009-10.**
- **If the parliamentary appropriations received by CBC/Radio-Canada in 1990-91 had grown at the same pace as the federal government's total expenditures for operations and programs, they would have totalled \$1.862 billion in 2009-10, in which case, they would have come to \$722.5 million more than the amounts actually received in 2009-10.**

If we consider each of these two decades separately, we note that in the 1990s, the federal government's total expenditures in terms of operations and programs increased much more modestly (9%) than during the 2000s (49%). The same applies to expenses for national defence (4%/36%) or for culture and radiobroadcasting, CBC/Radio-Canada excluded (17%/39%). As for the Corporation's parliamentary appropriations, they *decreased* by 19% between 1990-91 and 1999-2000 *and increased* by 26% between 2000-01 and 2009-10. As we have seen, this translates into an increase of just slightly less than 6% between 1990-91 and 2009-10.

This shows that CBC/Radio-Canada's public financing difficulties are not a recent problem and that the parliamentary appropriations paid decreased significantly between 1995-96 and 1999-2000, and increased progressively thereafter.

Nevertheless, if we extend the sequence to 2013-14, we note that, during the first four years of the 2010s, the parliamentary appropriations received by CBC/Radio-Canada once again went through a declining cycle. They *decreased* by close to 5% between 2010-11 and 2013-14, while total public expenses continued to grow modestly (2%) and the CPI increased by just over 4%.

This means that between 1990-91 and 2013-14, the parliamentary appropriations received by CBC/Radio-Canada increased a little less than 0.5 % in current dollars, while government expenditures increased 74% and the CPI increased 51%.

- **If the parliamentary appropriations received by CBC/Radio-Canada in 1990-91 had been simply indexed to the CPI, we estimate that they should have totalled approximately \$1.631 billion in 2013-14, in which case they would have come to approximately \$547 million more than the amounts CBC/Radio-Canada actually received.**
- **If the parliamentary appropriations received by CBC/Radio-Canada in 1990-91 had grown at the same pace as the federal government's total expenditures for operations and programs, they would have been \$1.88 billion in 2013-14, in which case they would have come to approximately \$801 million more than the amounts CBC/Radio-Canada received.**

Based on this historical overview, CBC/Radio-Canada has been treated rather stingily by the successive governments with respect to the allocation of parliamentary appropriations in that increases have always been much slower and decreases much faster than the federal government's other expenditures. As a result, the Corporation finds itself in the situation we are all familiar with today.

In fact, the successive governments have always allocated less than 1% of their total expenditures for operations and programs as parliamentary appropriations to CBC/Radio-Canada. In 1990-91, the amount was 0.68%; in 2009-10, it was 0.42%; in 2013-14, it was 0.39%.

2.1.1.2 The past ten years

We will now concentrate on the last ten (10) years available in order to come up with a more in-depth analysis of the various types of parliamentary appropriations received. To mitigate the effects of annual fluctuations, we will compare the cumulative amounts for the last five years available to the cumulative amounts for the five previous years.

As indicated in Table 3, which compares the total cumulative amounts for 2005–2009 and 2010–2014, the overall parliamentary appropriations allocated to CBC/Radio-Canada essentially stagnated. The increase was only 1.40%. This applies to each of the following elements:

- Appropriations for operations: 1.50%
- Appropriations for fixed assets: 0.50%
- Working capital: nil

This is in current dollars. Between these two periods, the average CPI increased 9%. The federal government's total expenditures for operations and programs increased by 22%.

TABLE 3
BREAKDOWN OF PARLIAMENTARY APPROPRIATIONS RECEIVED
BY CBC/RADIO-CANADA OVER THE PAST TEN YEARS
(\$M)

| Year | Operating activities | Fixed assets | Working capital | Total | CPI 2002 = 100 | Federal expenses |
|---------------------------------------|----------------------|--------------|-----------------|----------------|----------------|------------------|
| 2004-05 | 936.8 | 95.8 | 4.0 | 1,036.5 | 107.0 | 207,128 |
| 2005-06 | 1,006.2 | 87.5 | 4.0 | 1,098.0 | 109.1 | 215,293 |
| 2006-07 | 974.3 | 135.7 | 4.0 | 1,114.0 | 111.5 | 223,989 |
| 2007-08 | 989.6 | 110.4 | 4.0 | 1,104.0 | 114.1 | 240,461 |
| 2008-09 | 1,070.1 | 96.7 | 4.0 | 1,170.8 | 114.4 | 238,846 |
| <i>Sub-total</i> | <i>4,977.0</i> | <i>526.1</i> | <i>20.0</i> | <i>5,523.3</i> | <i>556.1</i> | <i>1,125,717</i> |
| 2009-10 | 1,017.6 | 117.9 | 4.0 | 1,139.5 | 116.5 | 274,198 |
| 2010-11 | 1,031.6 | 101.6 | 4.0 | 1,137.1 | 119.9 | 270,463 |
| 2011-12 | 1,028.0 | 102.3 | 4.0 | 1,134.3 | 121.7 | 271,422 |
| 2012-13 | 999.5 | 103.0 | 4.0 | 1,106.5 | 122.8 | 275,563 |
| 2013-14 | 975.6 | 103.9 | 4.0 | 1,083.5 | 125.2 | 276,828 |
| <i>Sub-total</i> | <i>5,052.3</i> | <i>528.7</i> | <i>20.0</i> | <i>5,600.9</i> | <i>606.1</i> | <i>1,368,474</i> |
| Variation 2005-09/ 2010-14 | 1.51% | 0.50% | – | 1.40% | 8.99% | 21.56% |

Sources: CBC/Radio-Canada annual reports, 2004-05 to 2013-14.

TABLE 4
BREAKDOWN OF APPROPRIATIONS FOR OPERATING ACTIVITIES
RECEIVED BY CBC/RADIO-CANADA DURING THE LAST TEN YEARS
(\$M)

| Year | Basic appropriations | Ad hoc funding to reinforce programming | Others | Total |
|---|----------------------|---|---------------|----------------|
| 2004-05 | 895.7 | 60 | (18.9) | 936.8 |
| 2005-06 | 946.2 | 60 | - | 1,006.2 |
| 2006-07 | 948.0 | 60 | (33.7) | 974.3 |
| 2007-08 | 948.3 | 60 | (18.7) | 989.6 |
| 2008-09 | 995.8 | 60 | 14.3 | 1,070.1 |
| <i>Sub-total</i> | <i>4,734.0</i> | <i>300</i> | <i>(57.0)</i> | <i>4,977.0</i> |
| 2009-10 | 957.0 | 60 | 0.6 | 1,017.6 |
| 2010-11 | 980.8 | 60 | 14.6 | 1,031.6 |
| 2011-12 | 978.0 | 60 | (10) | 1,028.0 |
| 2012-13 | 978.0 | 32.2 | (10.7) | 999.5 |
| 2013-14 | 968.4 | - | 7.2 | 975.6 |
| <i>Sub-total</i> | <i>4,862.2</i> | <i>212.2</i> | <i>(5.5)</i> | <i>5,052.3</i> |
| Variation 2005-2009/ 2010-2014 | 2.71% | (29.27%) | 90.35% | 1.51% |

Sources: CBC/Radio-Canada annual reports, 2004-05 to 2013-14

If we refine the data somewhat, by breaking down the appropriations for operating activities among basic appropriations, ad hoc subsidies to reinforce programming and others, we note (Table 4) that the basic appropriations increased by close to 3% while ad hoc financing intended to reinforce programming decreased by close to 30% between 2005–2009 and 2010–2014, i.e. by close to \$90 million.

This can be attributed to the fact that this ad hoc contribution was reduced by close to half in 2012-13 and cancelled in 2013-14. This contribution was one of the victims of the \$115 million in budget cuts over three years announced in the federal budget of March 2012. Unlike the reductions affecting the other components of the parliamentary appropriations, the cancellation of this targeted contribution has a direct impact on CBC/Radio-Canada *programming* and cannot be divided among different categories of expenses (administration, capital assets, engineering, etc.). It has a direct impact on the capacity of CBC/Radio-Canada to offer distinctive programming, for the most part Canadian and of high quality, and specifically its capacity to offer local programming to French-speaking and Acadian communities.

The appropriation for operating activities classified under “Others” includes balances carried forward and transfers between funds (for which the balance may be negative) as well as ad hoc assistance. In 2009-10 and in 2013-14, for example, CBC/Radio-Canada received additional expense budgets from the Treasury Board for remuneration adjustments, of \$26.9 and \$18.7 million, respectively. This largely explains the fact that the balance for the 2010–2014 period was much less negative (-\$5.5 million) than it was for the 2005–2009 period (-\$57.0 million).

2.2.1.3 Breakdown of the parliamentary appropriations between radio and television, French and English services

It is important to note from the outset that the parliamentary appropriations received by CBC/Radio-Canada are intended to cover the activities of its over-the-air (OTA) radio and television networks. The specialty services operated by CBC/Radio-Canada must be financed independently, directly from their own revenues, i.e. principally subscription revenues and advertising income. The same applies to other types of programming services that the Corporation owned or in which it held shares during the course of the period studied, such as the *Galaxie* pay audio service (sold to Stingray Digital in October 2009) or the subscription satellite radio service *SiriusXM* in which CBC/Radio-Canada currently has a 14% interest.

It is not clear whether parliamentary appropriations are used to cover the costs of CBC/Radio-Canada on-line services or if they are financed by self-generated revenue. Moreover, the annual reports provide little detail about this matter, other than to indicate that 5% of the “media component” budget is allocated to digital services.

It should also be noted that the Corporation’s Board of Directors and senior management are responsible for allocating the parliamentary appropriations between English and

French services, between radio and television and between its network and local programming. Unfortunately, the Corporation's annual reports and financial statements provide no information as to how the *parliamentary appropriations* are distributed between English and French⁶ services or between radio and television services.

The only constant sources we have in this respect are those published by the CRTC, namely the *Television and Commercial radio Statistical and financial summaries*, which are not broken down on a linguistic basis and the *Aggregate annual returns* produced in keeping with the *Broadcasting Regulatory Policy CRTC 2009-560*, which are. However, the Corporation does not provide data in the form prescribed by the CRTC, indicating the parliamentary appropriations since 2008-09 for the *Statistical and financial summaries* and since 2010-11 for the *Aggregate annual returns*. We are accordingly unable to analyze the manner in which the parliamentary appropriations received by CBC/Radio-Canada are divided between radio and television services and, within those services, between French and English, for a period of more than four (4) years.

TABLE 5
BREAKDOWN OF PARLIAMENTARY APPROPRIATIONS BETWEEN
FRENCH AND ENGLISH RADIO AND TELEVISION SERVICES
(\$M)

| Year | French services | | | English services | | | Total |
|--------------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| | Radio | TV | Total | Radio | TV | Total | |
| 2010-11 | 136.4 | 375.1 | 511.5 | 190.9 | 464.0 | 654.9 | 1,166.4 |
| 2011-12 | 130.9 | 373.4 | 504.3 | 185.6 | 488.0 | 673.6 | 1,177.9 |
| 2012-13 | 122.8 | 341.6 | 464.4 | 172.7 | 441.6 | 614.3 | 1,078.7 |
| 2013-14 | 111.0 | 336.8 | 447.8 | 166.3 | 389.2 | 555.5 | 1,003.3 |
| Variation 2011-2014 | (18.62%) | (10.21%) | (12.45%) | (12.89%) | (16.12%) | (15.18%) | (13.98%) |
| Total | 501.1 | 1,426.9 | 1,928.0 | 715.5 | 1,782.8 | 2,498.3 | 4,426.3 |
| In % | | | 43.56% | | | 56.76% | 100% |
| In % R/T | 25.99% | 74.01 % | 100% | 28.64% | 71.36% | 100% | |

Sources: CRTC, Aggregate annual reports prepared in keeping with Broadcasting Regulatory Policy CRTC 2009-560, 2010-11 to 2013-14

It should be noted that the data published by the CRTC covers the broadcasting year, (September 1 to August 31) whereas the data published in the Corporation's annual reports covers its fiscal year (April 1 to March 31).

We have seen that, in four years, the parliamentary appropriations allocated for OTA French radio and television services *decreased* by close to 13%, i.e. close to 19% for radio and just over 10% for television. Of the total cumulative amount for this four-year period, approximately 26% of the appropriations were allocated for radio (*Ici Radio-Canada Première* and *Ici Musique*) and 74% for Radio-Canada's OTA French-language

⁶ Page 63 of the 2013-14 CBC/Radio-Canada annual report states that the Corporation allocated 58.92% of its radio, television and new media "operating expenses to English-language services and 41.08% to French-language services. In 2012-13, these figures were 56.79% and 43.21%.

television network (*Ici Radio-Canada Télé*). The parliamentary appropriations allocated for English-language OTA radio and television services *decreased* 15%, slightly less than 13% for radio and slightly more than 16% for television. In all, over this three-year period, approximately 29% of the appropriations were allocated for radio (*CBC Radio One* and *CBC Radio 2*) and 71% for the CBC's English-language television network (*CBC Television*). Of the aggregate radio and television total for four years, the Corporation allocated 43% of the parliamentary appropriations to French-language services and 57% to English-language services.

Between 2010-11 and 2013-14, the total parliamentary appropriations allocated to CBC/Radio-Canada's over-the-air television and radio broadcasts were reduced by 14% overall.

In conclusion, we should add that these data apply up to 2013-14, or the second year in a three-year series of parliamentary appropriations downsizing announced in the federal budget tabled in March 2012. If we extrapolate the reduction in the total parliamentary appropriations allocated to CBC/Radio-Canada radio and television broadcasts, the total reduction between 2010-11 and 2014-15—a five-year period—could reach 19%.

2.2.2 Indirect public funding

In terms of performance envelopes, the amounts allocated to CBC/ Radio-Canada from the *Local Program Improvement Fund* (LPIF) and the *Canada Media Fund* (CMF) can be considered as “indirect” public financing. While these funds stem exclusively or predominantly from private sources, i.e. broadcasting distribution undertakings (BDU), they are not funded voluntarily but as a regulatory requirement of the CRTC, the government body responsible for supervising and regulating Canada's broadcasting system. Without this public policy, these funds would not exist. The first fund was in fact recently cancelled when the CRTC decided to withdraw the regulatory requirement that gave rise to these contributions.

It should be noted that in the Corporation's annual reports, the contributions to the LPIF are recorded as income and not as indirect public financing. As far as CMF contributions are concerned, they are not recorded under public financing or revenues; they are amounts that augment the broadcasting rights paid for by CBC/Radio-Canada to finance Canadian programming. CBC/Radio-Canada is not the direct beneficiary of this funding—the producers who develop Canadian programming for the Corporation are. However, these contributions have a leveraging effect that enables CBC/Radio-Canada to finance a greater number of programs and/or higher-quality programs than its own resources would otherwise allow.

2.2.2.1 The Local Program Improvement Fund (LPIF)

CBC/Radio-Canada received contributions from the *Local Program Improvement Fund* (LPIF) between 2009-10 and 2013-14. This fund was introduced by the CRTC on July 6, 2009 (Broadcasting Regulatory Policy CRTC 209-406). At the time, the Commission required broadcasting distribution undertakings (BDU) to contribute 1.5% of their gross annual revenue as of the 2009-10 broadcasting year to the LPIF to support the financing of local television productions in non-metropolitan markets.

The amounts contributed were allocated based on the following parameters:

- A third of the total amount of funds will be allocated fairly among stations in English-language and French-language markets. The exact amounts will be determined based on the number of stations entitled to funding.*
- The remaining two thirds of LPIF financing will be allocated as follows: 30% to French-language markets and 70% to English-language markets.*
- These amounts will be granted based on spending history over three years, in addition to an amount prorated to the anticipated percentage of LPIF funding for all eligible stations in a language market (LPIF's language envelope divided by the historical average of local programming expenditures over three years multiplied by the average of local programming expenditures over three years for an individual station).*

In 2012 (Broadcasting Regulatory Policy CRTC 2012-385), the Commission, while recognizing that the LPIF successfully contributed to maintaining and, in some cases, increasing local programming, and ensuring the survival of local stations that offer this type of programming, throughout the economic crisis and in ensuing years, considered that:

“the success described above has ultimately been achieved primarily at a cost to Canadians who pay the subscriber fees from which the LPIF is derived. While the implementation of the LPIF was appropriate to address the issues facing local stations at the time at which the LPIF was introduced, the Commission is of the view that reliance on LPIF funding is not sustainable in the long term in the context of the new broadcasting environment. The Commission considers that on a going forward basis the broadcast industry as a whole will need to evolve and innovate in order to continue to provide high-quality local programming whether through traditional types of programming offered by local stations or by other means.”

It was therefore decided to gradually reduce and eliminate the LPIF, as follows:

- *Reduce the contribution rate from 1.50% to 1% for the 2012-13 broadcasting year*
- *Reduce the contribution rate to 0.5% for the 2013-14 broadcasting year.*
- *Discontinue the LPIF as of September 1, 2014*

As a television broadcaster that is eligible for LPIF funding, CBC/Radio-Canada will bear the brunt of this decision. CBC/Radio-Canada received an average of \$33.1 million each year from the LPIF between 2009-10 and 2013-14. In the last year in which this program had the biggest endowment (2011-12), CBC/Radio-Canada received \$45.8 million in funding, which has declined gradually as the percentage of contributions from broadcasting distribution undertakings has been cut. The contribution will be zero as of the 2014-15 broadcasting year.

TABLE 6
AMOUNTS RECEIVED BY CBC/RADIO-CANADA
FROM THE LOCAL PROGRAM IMPROVEMENT FUND
(\$M)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Average 2010-2014 |
|------|---------|---------|---------|---------|---------|---------|----------------------|
| LPIF | 19.8 | 36.7 | 45.8 | 37.5 | 25.7 | ?* | 33.1 |

Sources: CBC-Radio-Canada annual reports, from 2009-10 to 2013-14

*LPIF contributions will be zero for the 2014-15 broadcasting year (September 1, 2014 to August 31, 2015). Since CBC/Radio-Canada's 2014-15 fiscal year ran from April 1, 2014 to March 31, 2015, the Corporation will receive a partial contribution that we cannot accurately estimate, given the variable factors that influence how LPIF resources are shared between various over-the-air broadcasters.

Much like the elimination of one-time financing to strengthen programming, the discontinuation of the LPIF directly affects the *programming* at CBC/Radio-Canada, and more specifically, local programming outside metropolitan markets for CBC/Radio-Canada's over-the-air television activities.

- **If both programs are withdrawn (grant to strengthen programming and LPIF) between 2011-12 and 2014-15, we estimate this will translate to a loss of more than \$100 million in direct and indirect public financing *specifically for programming* that CBC/Radio-Canada has lost, which is considerable.**

Lastly, in accordance with LPIF eligibility rules, and since the French and English networks operate an equivalent number of stations (13 in French, 14 in English), the Corporation's French-language stations captured approximately 50% of the LPIF contribution between 2009-10 and 2013-14, as shown in Table 7. This makes the elimination of this grant particularly difficult for French-speakers outside of metropolitan

markets, who stand to lose proportionally more from the elimination of this program than from the total reduction in parliamentary appropriations.

TABLE 7
ALLOCATION OF LPIF CONTRIBUTIONS BETWEEN FRENCH
AND ENGLISH STATIONS FOR CBC/RADIO CANADA
OVER-THE-AIR TELEVISION BROADCASTS
(\$M)

| | French-language stations | English-language stations | Total |
|--------------|--------------------------|---------------------------|--------------|
| 2009-10 | 17.7 | 15.0 | 32.7 |
| 2010-11 | 21.2 | 19.5 | 40.7 |
| 2011-12 | 23.2 | 24.0 | 47.2 |
| 2012-13 | 15.9 | 19.0 | 34.9 |
| 2013-14 | 8.1 | 9.5 | 17.6 |
| Total | 86.1 | 87.0 | 173.1 |
| In % | 49.74% | 50.26% | 100% |

Sources: CRTC, combined annual reports in compliance with Broadcasting Regulatory Policy CRTC 2009-560, 2009-10 to 2013-14.

In conclusion, it should be noted that the amounts received from the LPIF which we consider as indirect public financing are not recorded as public financing in CBC/Radio-Canada's financial statements but rather as "Other" revenue.

2.2.2.2 Contribution of the Canada Media Fund (CMF) to performance envelopes

After the *Canadian Television Fund* (CTF) was replaced by the *Canada Media Fund* (CMF) in March 2010, a new system was introduced as of 2011-12 which allows individual broadcasters or broadcasting groups to receive an annual performance envelope early in the fiscal year. They can then allocate this amount to the projects they choose, to which they must however pay broadcasting rights in compliance with the requirement thresholds set by the CMF based on the linguistic market and the programming category, or the hourly production budget.

The CMF allocates funds to a broadcaster's performance envelope by calculating the broadcaster's performance in each language and category compared to that of other broadcasters who are also vying for the same funds. The envelopes are then calculated based on the following five performance factors:

- Track record
- Regional broadcasting rights
- Audience success – Total Viewing Hours (TVH)
- Audience success – Original first run (OFR) performance
- Investment in digital media

The weighting of each performance factor is set each year to determine funding allocations. The funds are divided among the following programming genres: Drama, Children’s and Youth, Documentary, Variety & Performing Arts. For all broadcasters, the distribution of performance envelopes based on genre is approved by the Board of Directors of the CMF.

Table 8 displays the growth of the performance envelopes (all genres included) allocated to CBC/Radio-Canada from 2011-12 to 2014-15.

TABLE 8
PERFORMANCE ENVELOPES
ALLOCATED BY THE CMF TO CBC/RADIO-CANADA
FROM 2011-12 TO 2014-15
(\$M)

| Year | French-language market | English-language market | Total |
|---------------------------|-------------------------------|--------------------------------|-----------------|
| 2011-12 | 34.0 | 63.0 | 97.0 |
| 2012-13 | 36.3 | 62.1 | 98.4 |
| 2013-14 | 32.7 | 58.1 | 90.8 |
| 2014-15 | 30.5 | 53.0 | 83.5 |
| Total | 133.5 | 236.2 | 369.7 |
| In % | 36% | 64% | 100% |
| <i>2012 – 2015 change</i> | <i>(10.29%)</i> | <i>(15.87%)</i> | <i>(13.92%)</i> |

Sources: CMF website. The contributions include those allocated to over-the-air television networks and specialty services controlled by CBC/Radio-Canada.

For the four-year period in the aggregate, CBC/Radio-Canada received a total of \$370 million in contributions from the CMF in the form of performance envelopes, roughly divided between the French-language and English-language markets and based on the principles that guide the disbursement of the CMF’s total allocations.

Between 2011-12 and 2014-15, the CMF’s contributions declined by a total of 14%: 10% on the French side and 16% on the English side. Given the many factors that influence how performance envelopes are allocated, which have changed over time, we cannot pinpoint a single specific reason for these declines.

There are various interacting factors that could tilt either way for CBC/Radio-Canada, notably the following:

- Consistent growth in the number of players
- Changes in the weightings of performance factors
- Audience shares achieved through supported programming in each language market (generally greater in the French market than the English)
- The size of the investment made by CBC/Radio-Canada in digital media or in regional production vs. other broadcasting groups
- The \$115-million reduction in parliamentary allocations as of 2012-13 which limited the Corporation’s capacity to invest in Canadian television programs

On this last point, we should mention that most of the major private broadcasting groups that are competing with CBC/Radio-Canada for a share of the total annual amount allocated to the performance envelopes have consolidated since 2010. The transactions that led to this consolidation were subject to several hundreds of millions of dollars⁷ in payments for tangible benefits, usually spread over seven years, including a significant portion that was very often allocated to the expenses of the Canadian priority programming produced for these broadcasters, in addition to the existing obligations in their licensing requirements. This significantly boosted the broadcasters' capacity to invest in the program categories supported by the CMF just when CBC/Radio-Canada's investment capacity declined due to the substantial cut in its public funding.

Lastly, the Canadian programs produced for CBC/Radio-Canada benefitted from CMF contributions that were allocated to programs other than the performance envelope, including the Francophone Minority Program, the English Regional Production Bonus and the Anglophone Minority Incentive.

2.3 REVENUES

We will examine the second component of the overall budget for CBC/Radio-Canada, namely the revenues earned by the Corporation.

2.3.1 Primary revenue sources

The revenues of CBC/Radio-Canada are derived from four major sources:

- advertising
- specialty services
- financial revenue
- other revenue

Table 9 shows the relative weight of these four major revenue streams on total revenues for the past ten years. Advertising represents the lion's share, with close to 57% of total revenues, followed by specialty services (25%), other revenues (17%) and lastly, financial revenue (less than 2%).

⁷ Between 2010 and 2013, the CRTC approved 19 transactions in the private television sector, for a combined total value of close to \$6.8 billion. These transactions generated close to \$660 million in tangible benefits. Sources: CRTC, 2014 Communications Monitoring Report, page 111.

TABLE 9
ALLOCATION OF REVENUE GENERATED
BY CBC/RADIO-CANADA IN THE PAST 10 YEARS
(\$M)

| Year | Advertising ⁸ | Specialty services ⁹ | Other revenue ¹⁰ | Financial revenue | Total |
|---------------------------------|--------------------------|---------------------------------|-----------------------------|-------------------|----------------|
| 2004-05 | 321.7 | 138.3 | 73.0 | 13.7 | 546.7 |
| 2005-06 | 314.7 | 144.3 | 62.6 | 14.7 | 536.3 |
| 2006-07 | 328.9 | 150.1 | 64.4 | 15.8 | 559.3 |
| 2007-08 | 317.2 | 146.4 | 83.6 | 15.7 | 563.0 |
| 2008-09 | 356.2 | 148.8 | 95.4 | 11.8 | 612.2 |
| <i>Sub-total</i> | <i>1,638.7</i> | <i>727.9</i> | <i>379.0</i> | <i>71.7</i> | <i>2,817.5</i> |
| 2009-10 | 309.2 | 148.6 | 101.8 | 7.1 | 566.7 |
| 2010-11 | 367.7 | 158.1 | 127.5 | 9.0 | 662.3 |
| 2011-12 | 375.7 | 167.8 | 136.3 | 9.1 | 689.0 |
| 2012-13 | 330.4 | 171.0 | 135.0 | 10.3 | 646.1 |
| 2013-14 | 454.4 | 170.1 | 134.6 | 8.8 | 767.8 |
| <i>Sub-total</i> | <i>1,837.4</i> | <i>815.6</i> | <i>635.2</i> | <i>44.3</i> | <i>3,331.9</i> |
| Variation | | | | | |
| 2005–2009/ 2010–2014 | 12.13% | 12.05% | 67.60% | (18.21%) | 18.26% |
| <i>10-year total</i> | <i>3,476.1</i> | <i>1,543.5</i> | <i>1,014.2</i> | <i>116.0</i> | <i>6,149.4</i> |
| In % | 56.53% | 25.10% | 16.49% | 1.89% | 100% |

Sources: CBC-Radio-Canada annual reports, from 2004-05 to 2013-14

⁸ Includes program sales from 2004-05 to 2007-08 inclusively. As of 2008-09, program sales were classified under “Other Revenue.” In fact, in 2013-14, CBC/Radio-Canada changed the method whereby data on advertising and specialty services are recorded. Up to that point, the advertising data excluded revenues drawn from specialty services advertising which were recorded under “Specialty Services.” As of 2013-14, the advertising position includes the advertising revenue from specialty services and the “Specialty Services” position was replaced with subscription revenue. To obtain a continuous sequence, we estimated the advertising proceeds for specialty services, reallocated them to the “Specialty Services” position and subtracted them from the “Advertising” position.

⁹ From 2004-05 to 2009-10, revenue from specialty services includes revenue from the *Galaxie* pay audio program, for which CBC/Radio-Canada divested its most recent distribution agreements to Stingray Digital Group Inc. in October 2009. From 2004-05 to 2011-12, revenue from specialty services includes revenue from the specialty service CBC Country Canada, renamed Bold, and acquired by Blue Ant Media Inc. in 2012-13 (Broadcasting Decision CRTC 2012-630). In return, the revenues from *Ici ARTV* and *Documentary* were not recorded under “Specialty Services” until 2010-11, once CBC/Radio-Canada acquired control of these stations. The minority shareholder stake of CBC/Radio-Canada in SiriusXM satellite radio services is also accounted for separately. *Ici Explora* was not operational until 2011-12.

¹⁰ Other revenues include the rental of buildings, transmission towers, facilities and services, the LPIF contribution (from 2009-10 to 2013-14), revenue from program sales (from 2008-09 to 2013-14), revenue from reciprocal trades other than advertising, sponsored programs, digital programming revenues, etc.

In terms of growth, we found that unlike the parliamentary allocations, which advanced by a very slim 1.4% between 2005-09 and 2010-14, revenues increased slightly more than 18% over the same period, or twice the CPI (9%).

This overall increase of 18% is divided among the different components as follows:

2.3.1.1 Advertising

Based on the data in Table 9, CBC/Radio-Canada's advertising income increased by close to 12% between 2005–2009 and 2010–2014.

These are primarily advertising revenues from CBC/Radio-Canada French and English over-the-air television networks, given that from 2004-05 to 2012-13 inclusively, CBC/Radio-Canada's over-the-air radio services did not broadcast advertising. The same applies to the *Galaxie* pay audio program and Sirius/XM.

At its most recent licence renewal, CBC/Radio-Canada requested and obtained permission from the CRTC to broadcast a limited number of advertising minutes on *Espace Musique* and Radio Two (Broadcasting Decision CRTC 2013-263). This new provision entered into effect on September 1, 2013. This partly explains the particularly sharp growth in CBC/ Radio-Canada's advertising revenues between 2012-13 and 2013-14;¹¹ the other more determining factor was the broadcast of the Sochi Winter Olympic Games.

Table 10 shows that the broadcast of the Sochi Winter Olympic Games was especially profitable for the Corporation's English-language network, whose national advertising income grew by 75% between 2012-13 and 2013-14. The increase in the French-language network was more modest (8%).

For the eight years studied, combined, the advertising income of the Corporation's over-the-air television networks was allocated as follows: 34% from the French network and 66% from the English network. Within each network, the allocation between local advertising and national advertising was similar, or 88% and 12%, respectively. In the French network, however, we noted that the income from local advertising experienced much sharper growth (46%) than its national counterpart (12%) between the two four-year periods. On the English side, the opposite is true: income from local advertising increased by only 7% while the income from national advertising was up 20%, largely because of the broadcast of the Sochi Games.

As shown in the footnote in Table 9, income from specialty services advertising were included under Specialty Services Revenues—not under Advertising—until 2012-13. We adjusted (estimated) the data in the 2013-14 annual report to extrapolate the sequence in Table 9.

¹¹ But only partly: the combined total of advertising income for *Ici Musique* and CBC Radio Two reached \$1.1 million in 2013-14. Sources: CRTC, combined annual reports in compliance with Broadcasting Regulatory Policy CRTC 2009-560, Radio, 2013-14.

TABLE 10
DISTRIBUTION OF CBC/RADIO-CANADA
OTA TELEVISION ADVERTISING REVENUE¹²
BETWEEN THE ENGLISH- AND FRENCH-LANGUAGE NETWORKS
AND BETWEEN LOCAL AND NATIONAL ADVERTISING
(\$M)

| | French-language network | | | English-language network | | |
|----------------------------------|-------------------------|--------------|---------------|--------------------------|----------------|----------------|
| | Local | National | Total | Local | National | Total |
| 2008-09 | 10.0 | 94.8 | 104.8 | 26.0 | 166.1 | 192.1 |
| 2009-10 | 10.5 | 107.4 | 117.9 | 27.8 | 193.1 | 220.9 |
| 2010-11 | 14.1 | 109.4 | 123.5 | 30.8 | 215.3 | 246.1 |
| Subtotal | 34.6 | 311.6 | 346.2 | 84.6 | 574.5 | 659.1 |
| 2011-12 | 15.4 | 112.0 | 127.4 | 32.0 | 213.4 | 245.4 |
| 2012-13 | 17.1 | 113.8 | 130.9 | 27.4 | 172.8 | 200.2 |
| 2013-14 | 18.1 | 123.3 | 141.4 | 30.9 | 302.3 | 333.2 |
| Subtotal | 50.6 | 349.1 | 399.7 | 90.3 | 688.5 | 778.8 |
| 2009-11/ 2012-14 variation | 46.24% | 12.03% | 15.45% | 6.74% | 19.84% | 18.16% |
| Total | 85.2 | 660.7 | 745.9 | 174.9 | 1,263.0 | 1,437.9 |
| % L/N | 11.42% | 88.58% | 100% | 12.16% | 87.84% | 100% |
| % F/E | | | 34.16% | | | 65.84% |

Sources: CRTC, aggregate annual returns pursuant to Broadcasting Regulatory Policy CRTC 2009-560, Television, 2008-09 to 2013-14.

To estimate developments in the CBC/Radio-Canada's total advertising revenue, we used data from Table 15 on the advertising revenue generated by specialty services (supplied by the CRTC's *Statistical and Financial Summaries* from 2004-05 to 2012-13), as well as findings from the CBC/Radio-Canada Annual Report 2013-2014.

Using Table 11, it can be estimated that for the ten-year period studied, the CBC/Radio-Canada's total advertising revenue amounted to some \$3.8 billion, representing approximately 61% of total revenue.

We also note that, between 2005-09 and 2010-14, advertising revenue from specialty services grew 2.5 times faster (29%) than ad revenue from OTA services (12%), despite the introduction of advertising to radio in 2013-14. However, this only slightly affects the percentage (13.3%) of total advertising revenue growth compared to that reported in Table 9 (12.1%) given that advertising revenue from specialty services represents a relatively small percentage (< 8%) of total advertising revenue. The vast majority of the CBC/Radio-Canada's advertising revenue is generated by OTA television (*Ici Radio-Canada Télé* and *CBC Television*).

¹² Excluding infomercials

TABLE 11
ESTIMATED TOTAL ADVERTISING REVENUE,
CBC/RADIO-CANADA
(\$M)

| Years | OTA TV/radio | Specialty services | Total |
|----------------------------------|---------------------|---------------------------|----------------|
| 2004-05 | 321.7 | 26.3 | 348.0 |
| 2005-06 | 314.7 | 24.4 | 339.1 |
| 2006-07 | 328.9 | 25.1 | 354.0 |
| 2007-08 | 317.2 | 24.6 | 341.8 |
| 2008-09 | 356.2 | 24.7 | 380.9 |
| Subtotal | 1,638.7 | 125.1 | 1,763.8 |
| 2009-10 | 309.2 | 29.6 | 338.8 |
| 2010-11 | 367.7 | 28.2 | 395.9 |
| 2011-12 | 375.7 | 32.3 | 408.0 |
| 2012-13 | 330.4 | 34.5 | 364.9 |
| 2013-14 | 454.4 | 36.8 | 491.2 |
| Subtotal | 1,837.4 | 161.4 | 1,998.8 |
| 2005-09/ 2010-14 variation | 12.13% | 29.02% | 13.32% |
| 10-year total | 3,476.1 | 286.5 | 3,762.6 |
| In % | 92.39% | 7.61% | 100% |
| | | | |

Sources: Table 12 and the CBC/Radio-Canada Annual Report 2013-2014.

2.3.1.2 Specialty services

Table 9 shows revenue from specialty services increased by close to 13% between 2005-09 and 2010-14.

For the reasons outlined in the note in Table 9, these data must be considered carefully since the programming services classified as “specialty services” in the Corporation’s annual reports varied during the period in question, depending on whether, during the given fiscal year, the CBC/SRC wholly owned or had a majority or minority interest in these services.

Whereas *RDI* and the *CBC News Network* have always been wholly owned services, others, like *ARTV* and *Documentary*, have seen the CBC/Radio-Canada’s interest in them change over the years. For example, the Corporation’s interest in *ARTV*, originally at 37%, increased to 45.09% through gradual partner buy-outs, before becoming a majority interest of 60.66% after acquisition of BCE’s interest in 2008 and ultimately attaining 85% after acquisition of Télé-Québec’s interest. Recently, the Corporation announced its intention to acquire the shares held by ARTE France (15%) and make Ici *ARTV* a wholly owned service. The CBC/Radio-Canada’s stake in *Documentary*, initially standing at 29%, rose to 82% in 2007 and remains there. Prior to 2007, revenue generated by *Documentary* was listed under “other revenue.”

Other services were discarded along the way. The *Galaxie* pay audio service was sold to Stingray Digital in October 2009 and *Bold* was sold in 2012-13 to Blue Ant Media Inc., which now operates it under the name *The Cottage Life*. A French-language service, *Ici Explora*, was added in the 2011-12 broadcast year.

For a more accurate and reliable idea of the revenue actually generated by the specialty services with which the CBC/Radio-Canada was associated during the period studied, we compiled the data published by the CRTC in its *Statistical and Financial Summaries, Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services for 2004-2008 and 2009-2013*. This 10-year period differs from the previous period because the last available year is 2012-13 and not 2013-14.

TABLE 12
TOTAL GROSS REVENUE,
SPECIALTY SERVICES, CBC/RADIO-CANADA
(\$M)

| Years | French-language services | | | English-language services | | | | Grand total | |
|---|--------------------------|-------------|------------|---------------------------|--------------|-------------|-------------|---------------|----------------|
| | RDI | ARTV | Ex-plora | Total | CBC NN | Bold | Documentary | Total | |
| 2003-04 | 43.6 | 11.8 | | 55.4 | 72.0 | 2.2 | 3.0 | 77.2 | |
| 2004-05 | 44.8 | 12.8 | | 57.6 | 75.3 | 2.7 | 3.6 | 81.6 | |
| 2005-06 | 45.8 | 13.1 | | 58.9 | 76.8 | 3.2 | 4.2 | 84.2 | |
| 2006-07 | 46.7 | 14.5 | | 61.2 | 78.8 | 3.4 | 4.3 | 86.5 | |
| 2007-08 | 46.8 | 14.9 | | 61.7 | 79.2 | 3.6 | 4.6 | 87.4 | |
| Subtotal | 227.7 | 67.1 | - | 294.8 | 382.1 | 15.1 | 19.7 | 416.9 | 711.7 |
| 2008-09 | 49.4 | 15.6 | | 65.0 | 79.1 | 4.1 | 5.2 | 88.4 | |
| 2009-10 | 54.3 | 16.6 | | 70.9 | 85.5 | 4.3 | 5.5 | 95.3 | |
| 2010-11 | 54.1 | 17.2 | | 71.3 | 82.2 | 4.0 | 5.5 | 91.7 | |
| 2011-12 | 57.0 | 17.2 | 0.5 | 74.7 | 86.2 | 4.1 | 6.0 | 96.3 | |
| 2012-13 | 54.6 | 16.9 | 2.4 | 73.9 | 86.8 | - | 6.3 | 93.1 | |
| Subtotal | 269.4 | 83.5 | 2.9 | 357.8 | 419.8 | 16.5 | 28.5 | 464.8 | 822.6 |
| 2004-08/ 2009-13 variation | 18.31% | 24.44% | - | 21.37% | 9.87% | 9.27% | 44.67% | 11.49% | 15.58% |
| 10-year total | 497.1 | 150.6 | 2.9 | 652.6 | 801.9 | 31.6 | 48.2 | 881.7 | 1,534.3 |
| In % | | | | 42.53% | | | | 57.47% | 100% |

Sources: CRTC, *Statistical and Financial Summaries, Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services 2004-2008 and 2009-2013*.

It should be emphasized that these data refer to the total gross revenue earned by the specialty services in which the CBC/Radio-Canada held an interest and not the revenue earned by the Corporation through this interest, as reported in its *Financial Summaries*. We must also keep in mind that the CBC/Radio-Canada's fiscal year runs from April 1 to March 31, while its broadcast year runs from September 1 to August 31. Thus, data from the annual reports cannot be perfectly reconciled with the CRTC's data.

In the 10-year cumulative total, specialty services wholly or partly owned by the CBC/Radio-Canada reported gross receipts of some \$1.5 billion (\$1,534.3 billion to be specific). This amount does not include revenue from the Galaxie pay audio service, concerning which the CRTC does not publish data. However, we see from the CBC/Radio-Canada’s annual reports that between 2003-04 and 2009-10, Galaxie generated \$119 million in revenue, as indicated in Table 13. This brings the cumulative total revenue from the specialty services plus Galaxie to \$1,653.4 billion.

TABLE 13
TOTAL GROSS REVENUE, GALAXIE
2003-04 TO 2009-10
(\$M)

| 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | Total |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| 16.3 | 17.2 | 20.2 | 21.8 | 22.1 | 18.0* | 3.5* | 119.1 |

Sources: CBC/Radio-Canada annual reports, 2003-04 to 2009-10

*CBC/Radio-Canada share

Galaxie being a bilingual service that included English, French and instrumental music stations, it cannot be assigned to either of the two language markets served by CBC/Radio-Canada programming.

As for the specialty services per se (i.e. as defined under CRTC regulations), their total gross revenue increased by nearly 16% between 2004-08 and 2009-13.

Of the \$1.5 billion in total gross revenue earned by these services, the 10-year cumulative total shows that approximately 57% came from English-language services and 43% from French-language services. Nonetheless, stronger growth in the total gross revenue from French services between 2004-08 and 2009-13 (21% compared to 12% for English-language speciality services), narrowed the gap, bringing it from 41% French/59% English in 2004-08 to 43% French/57% English in 2009-13. This is partly explained by the addition of one French-language service and the cancellation of one English-language service, although both services generated modest revenue. While the 24-hour news channels are the leaders in revenue generated in each of the language markets, RDI’s more sustained revenue growth (18%) between the two five-year periods compared to the CBC News Network (10%) primarily explains the narrowing gap.

Tables 14 and 15, respectively, show growth in subscriber revenue and growth in advertising revenue earned by the CBC/Radio-Canada’s speciality services.

TABLE 14
SUBSCRIBER REVENUE,
SPECIALTY SERVICES, CBC/RADIO-CANADA
(\$M)

| Years | French-language services | | | | English-language services | | | Grand total | |
|---|--------------------------|-------------|--------------|---------------|---------------------------|-------------|------------------|---------------|----------------|
| | RDI | ARTV | Explo- ra | Total | CBC NN | Bold | Documen- tary | Total | |
| 2003-04 | 33.6 | 10.5 | | | 58.0 | 2.1 | 3.0 | | |
| 2004-05 | 34.9 | 10.9 | | | 59.5 | 2.5 | 3.4 | | |
| 2005-06 | 36.1 | 11.7 | | | 62.1 | 3.1 | 3.9 | | |
| 2006-07 | 37.4 | 9.9 | | | 63.5 | 3.3 | 4.2 | | |
| 2007-08 | 38.7 | 13.1 | | | 64.2 | 3.6 | 4.4 | | |
| Subtotal | 180.7 | 56.1 | | 236.8 | 307.3 | 14.6 | 18.9 | 340.8 | 577.6 |
| 2008-09 | 41.0 | 13.6 | | | 64.6 | 4.1 | 5.0 | | |
| 2009-10 | 43.7 | 13.9 | | | 69.9 | 4.2 | 5.3 | | |
| 2010-11 | 43.2 | 14.0 | | | 67.6 | 4.0 | 5.3 | | |
| 2011-12 | 45.3 | 13.7 | | | 68.6 | 4.0 | 4.8 | | |
| 2012-13 | 42.0 | 13.2 | n/a | | 68.3 | - | 6.0 | | |
| Subtotal | 215.2 | 68.4 | | 283.6 | 339.0 | 16.3 | 26.4 | 381.7 | 665.3 |
| 2004-08/ 2009-13 variation | 19.09% | 21.93% | - | 19.76% | 10.32% | 11.64% | 39.68% | 12.00% | 15.18% |
| 10-year total | 395.9 | 124.5 | - | 520.4 | 646.3 | 30.9 | 45.3 | 722.5 | 1,242.9 |
| In% | | | | 41.87% | | | | 58.13% | 100% |

Sources: CRTC, *Statistical and Financial Summaries, Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services 2004-2008 and 2009-2013*.

As indicated in Table 14, the cumulative total of the CBC/Radio-Canada's specialty service subscriber revenue for 2003-04 to 2012-13 exceeded \$1.2 billion (\$1,242.9 billion, to be precise). Adding the entirely subscriber-based revenue from Galaxie, the total stood at \$1,362 billion.

Subscriber revenue from specialty services grew by just over 15% between 2004-08 and 2009-13. Again, French-language services posted stronger growth (20%) than English-language services (12%). However, the individual service with the highest growth was Documentary (40%). RDI experienced stronger growth (19%) than CBC News Network (12%).

In the 10-year cumulative total, subscriber revenue for specialty services amounted to 42% for French-language services and 58% for English-language services. There, too, the gap narrowed, from 41%/59% for the first five-year period to 43%/57% for the second five-year period.

TABLE 15
ADVERTISING REVENUE,
SPECIALTY SERVICES, CBC/RADIO-CANADA
(\$M)

| Years | French-language services | | | | English-language services | | | | Grand total |
|---|--------------------------|-------------|---------|---------------|---------------------------|------------|-------------|---------------|---------------|
| | RDI | ARTV | Explora | Total | CBC NN | Bold | Documentary | Total | |
| 2003-04 | 9.0 | 1.4 | | 10.4 | 12.8 | 0.1 | - | 12.9 | |
| 2004-05 | 9.0 | 1.8 | | 10.8 | 15.0 | 0.3 | 0.2 | 15.5 | |
| 2005-06 | 8.8 | 1.4 | | 10.2 | 13.8 | 0.1 | 0.3 | 14.2 | |
| 2006-07 | 8.3 | 1.7 | | 10.0 | 14.9 | 0.1 | 0.1 | 15.1 | |
| 2007-08 | 7.7 | 1.8 | | 9.5 | 14.9 | 0.1 | 0.1 | 15.1 | |
| Subtotal | 42.8 | 8.1 | | 50.9 | 71.4 | 0.7 | 0.7 | 72.8 | 123.7 |
| 2008-09 | 8.1 | 2.0 | | 10.1 | 14.5 | - | 0.1 | 14.6 | |
| 2009-10 | 10.2 | 2.6 | | 12.8 | 15.6 | 0.1 | 0.1 | 15.8 | |
| 2010-11 | 10.2 | 3.2 | | 13.4 | 14.5 | 0.1 | 0.2 | 14.8 | |
| 2011-12 | 11.1 | 3.5 | n/a | 14.5 | 17.5 | 0.1 | 0.2 | 17.8 | |
| 2012-13 | 12.0 | 3.7 | n/a | 15.7 | 18.5 | - | 0.3 | 18.8 | |
| Subtotal | 51.6 | 15.0 | | 66.6 | 80.6 | 0.3 | 0.9 | 81.8 | 148.4 |
| 2004-08/ 2009-13 variation | 20.56% | 85.19% | - | 30.84% | 12.89% | (57.14%) | 28.57% | 12.36% | 19.97% |
| 10-year total | 94.4 | 23.1 | - | 117.5 | 152.0 | 1.0 | 1.6 | 154.6 | 272.1 |
| In % | | | | 43.18% | | | | 56.82% | 100% |

Sources: CRTC, *Statistical and Financial Summaries, Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services 2004-2008 and 2009-2013.*

As seen in Table 15, the 10-year cumulative total of advertising revenue from specialty services stood at \$272 million, putting the speciality services subscriber/advertising revenue ratio at 82%/18%.

While much more modest, advertising revenue grew slightly faster than subscriber revenue between 2004-08 and 2009-13: 20% versus 15%. However, this was true only for French-language services, whose advertising revenue increased by 31% and whose subscriber revenue grew by 20%. English-language services' growth rates were similar and more modest (12%). The individual specialty service with the strongest growth was ARTV (85%). RDI's advertising revenue showed higher growth (21%) than CBC News Network's (13%)

In the 10-year cumulative total, advertising revenue was distributed as follows: 43% from French-language services and 57% from English-language services. However, significantly higher growth on the French side narrowed the gap, with the cumulative totals going from 41%/59% for the first five-year period to 45%/55% for the second five-year period.

Overall, revenue from the Corporation’s French-language services (whether from OTA TV or specialized services, advertising or subscription) accounts for a far higher proportion of the total revenue than the size of the populations they serve.

In Canada, among all Canadians who speak one or both official languages at home, 24% use French and 76% use English.¹³ However, the eight- and ten-year cumulative market revenue shares (advertising and subscription) generated by French services are still well above 24%:

- Advertising revenue, OTA TV: 34% FR/66% ENG
- Total gross revenue, specialty services: 43% FR/57% ENG
 - Subscriber revenue: 42% FR/58% ENG
 - Advertising revenue: 43% FR/57% ENG

Moreover, for the most part, the percentage of total revenue attributable to French-language services has tended to grow over the years. French-language services have greater appeal for Francophone audiences than do English-language services for Anglophone audiences. This translates into greater audience shares, as indicated in Table 16.

TABLE 16
AUDIENCE SHARE OF CBC/RADIO-CANADA SERVICES
IN THEIR RESPECTIVE LANGUAGE MARKETS
(2012-2013)

| Service category | French-language services, Quebec Francophone market | English-language services, all of Canada (excluding Quebec Francophone market) |
|------------------------|---|--|
| Traditional TV | 12.6% | 5.5% |
| Discretionary services | 5.1% | 1.8% |
| Total | 17.7% | 7.3% |

Source: CRTC Communications Monitoring Report 2014, page 96 (original data source: Numeris, all, 2 years +, Monday to Sunday, 2 a.m. to 2 a.m.)

The reasons underpinning these significant viewership differences between the two language markets served by the Corporation’s television services are largely cultural. The strong attachment of francophone viewers, who make up a very small minority in North America, to their language, culture, creators and artists is behind the success of French-language television here. Despite the considerable number of Canadian and American English-language services to which Francophone Quebecers have access (both online and via cable television), year after year, Canadian French-language services account for 93% of their total TV viewing. American traditional and specialty services account for just 1.3% of their total viewing.¹⁴

¹³ Source: Statistics Canada, 2011 census, home language, all of Canada

¹⁴ Source: CRTC Communications Monitoring Report 2014, page 91 (original data source: Numeris, all, 2 years +, Monday to Sunday, 2 a.m. to 2 a.m.)

Things are very different in English Canada, where the tendency to watch American services has increased steadily since the introduction of television. Today, U.S. services account for 13.8% of television watching in Canada (Francophone Quebec excluded).¹⁵ Canadian English-language services, including international Internet broadcasting services like Netflix, which has a much higher penetration rate among Anglophones than among Francophones, are also far more numerous and more intensely competitive.

2.3.1.3 Other revenue

“Other revenue” includes annually recurring, exceptional and one-time revenue. These forms of revenue have only been detailed as such in the Corporation’s annual reports since 2007-08 (with equivalent data for the previous year).

Table 17 therefore covers the eight years for which data are available and is limited to the primary components of “other revenue,” excluding, in particular, one-time components and those treated previously. Accordingly, LPIF contributions were included in “Other revenue” but had already been treated as indirect government funding (see Table 6). Furthermore, as already indicated, revenue data for certain specialty services, including Documentary, were included when the CBC/Radio-Canada held a minority interest. The total gross revenue from Documentary has been presented in Table 12.

The main component of “Other revenue” is “Building, tower, facility and service rentals,” whose eight-year cumulative total revenue was approximately \$380 million and grew by 14% between the two four-year periods.

The next line is “Production,” comprising revenue from program sales, advertising productions and merchandising, which generated \$137 million over eight years and which grew by 30% between the two four-year periods. This is followed by “Retransmission rights,” which generated \$47 million in revenue and grew by 34% between the two four-year periods.

¹⁵ Source: CRTC Communications Monitoring Report 2014, page 90 (original data source: Numeris, all, 2 years +, Monday to Sunday, 2 a.m. to 2 a.m.)

TABLE 17
DEVELOPMENT OF MAIN FORMS OF OTHER REVENUE,
CBC/RADIO-CANADA
(\$M)

| Year | Production | Rentals | Program sponsorship | Retransmission rights | Digital programming |
|--|-------------------|----------------|----------------------------|------------------------------|----------------------------|
| 2006-07 | 11.7 | 41.2 | - | 4.0 | - |
| 2007-08 | 11.2 | 43.5 | - | 5.3 | - |
| 2008-09 | 17.5 | 46.9 | 6.7 | 4.9 | - |
| 2009-10 | 19.3 | 45.9 | 4.3 | 5.9 | 3.9 |
| Subtotal | 59.7 | 177.5 | 11.0 | 20.1 | 3.9 |
| 2010-11 | 17.4 | 48.2 | 4.9 | 6.5 | 8.4 |
| 2011-12 | 17.6 | 46.5 | 5.4 | 7.8 | 5.7 |
| 2012-13 | 17.9 | 46.7 | 5.6 | 7.9 | 10.4 |
| 2013-14 | 24.6 | 51.6 | 5.4 | 4.7 | 11.2 |
| Subtotal | 77.5 | 203.0 | 21.3 | 26.9 | 35.7 |
| 2007-10 2011-14 variation | 29.82% | 14.37% | - | 33.83% | - |
| 8-year total | 137.2 | 380.5 | 32.3 | 47.0 | 39.6 |

Sources: CBC/Radio-Canada annual reports, 2007-2008 to 2013-2014.

Certain components like “Program sponsorship” were singled out more recently. These were only identified separately starting in 2008-09 and have remained relatively stable since. The same applies to revenue from CBC/Radio-Canada’s digital programming, which has experienced sustained growth since 2009-10 (+187%).

2.4 DISTRIBUTION OF FUNDING: DIRECT PUBLIC FUNDING AND REVENUE

The public funding description and overview of CBC/Radio-Canada’s own-source revenue indicate that, unlike public funding, which is stagnant, CBC/Radio-Canada’s own-source revenue rose by 18% overall and each individual item by at least 12% between the last available five-year period and the previous five-year period.

Thus, while parliamentary appropriations for CBC/Radio-Canada increased by only 1.40% between 2005-09 and 2013-14:

- CBC/Radio-Canada’s own-source revenue rose by 18% between 2005-09 and 2013-14
- CBC/Radio-Canada’s advertising revenue rose by 13% between 2005-09 and 2013-14
 - Advertising revenue from OTA services rose by 12%
 - Advertising revenue from speciality services rose by 29%

- Total gross revenue from CBC/Radio-Canada's specialty services increased by 16% between 2004-08 and 2009-13
 - English-language services revenue rose by 12%
 - French-language services revenue rose by 21%
- CBC/Radio-Canada's specialty service subscriber revenue increased by 15% between 2004-08 and 2009-13
 - English-language services revenue rose by 12%
 - French-language services revenue rose by 20%
- Other revenue increased by 68% between 2005-09 and 2013-14
 - Production revenue rose by 30% between 2007-10 and 2011-14
 - Rental revenue rose by 14% between 2007-10 and 2011-14
 - Retransmission rights revenue rose by 34% between 2007-10 and 2011-14
- Only CBC/Radio-Canada's financing income decreased, by 18%, between 2005-09 and 2010-14. However, this represents less than 2% of total revenue.

If the CBC/Radio-Canada today faces a funding crisis that will entail difficult decisions, numerous job losses and budget cuts that will directly affect local programming and staffing at regional stations serving French-language and Acadian communities, this cannot be ascribed to any failure by the Corporation to increase its own-source revenue.

As we have just seen, the CBC/Radio-Canada's own-source revenue rose at a rate much higher than the inflation rate. Indeed, this figure was double the average CPI increase between 2005-09 and 2010-14: 18% versus 9%.

The problem clearly arises from the stagnation in parliamentary appropriations (low growth of 1.40%) in current dollars between 2005-09 and 2010-14 and their drop in constant dollars given the 9% increase in the average CPI between the two periods, as shown in Table 18. To this must be added the loss of indirect public funding from the LPIF, which ended in 2014-15.

In the 10-year total, public funding represented 64% of total funding and revenue accounted for the remaining 36%. Given the stronger growth in revenue, the ratio went from 66%/34% for 2005-09 to 63%/37% for 2010-14. In 2013-14, the last year available, it stood at 59%/41%.

TABLE 18
DISTRIBUTION OF FUNDING, CBC/RADIO-CANADA
DIRECT GOVERNMENT FUNDING VERSUS REVENUE
(\$M)

| | Government funding | In % | Revenues | In % | Total | CPI 2012 = 100 |
|---|---------------------------|---------------|-----------------|---------------|-----------------|-----------------------|
| 2004-2005 | 1,036.5 | | 546.7 | | 1,583.2 | 107.0 |
| 2005-2006 | 1,098.0 | | 536.3 | | 1,634.3 | 109.1 |
| 2006-2007 | 1,114.0 | | 559.3 | | 1,673.3 | 111.5 |
| 2007-2008 | 1,104.0 | | 563.0 | | 1,667.0 | 114.1 |
| 2008-2009 | 1,170.8 | | 612.2 | | 1,783.0 | 114.4 |
| Subtotal | 5,523.3 | 66.22% | 2,817.5 | 33.78% | 8,340.8 | 556.1 |
| 2009-2010 | 1,139.5 | | 566.7 | | 1,706.2 | 116.5 |
| 2010-2011 | 1,137.1 | | 662.3 | | 1,799.4 | 119.9 |
| 2011-2012 | 1,134.3 | | 689.0 | | 1,823.3 | 121.7 |
| 2012-2013 | 1,106.5 | | 646.1 | | 1,752.6 | 122.8 |
| 2013-2014 | 1,083.5 | 58.53% | 767.8 | 41.47% | 1,851.3 | 125.2 |
| Subtotal | 5,600.9 | 62.70% | 3,331.9 | 37.30% | 8,932.8 | 606.1 |
| 2005-09/ 2010/14 variation | 1.40% | | 18.26% | | 7.10% | 8.99% |
| 10-year total | 11,124.2 | 64.40% | 6,149.4 | 35.60% | 17,273.6 | |

Sources: CBC Radio-Canada Annual Reports, 2004-2005 to 2013-2014

2.5 INTERNATIONAL COMPARISONS

2.5.1 Yearly per-capita public funding

Since 2006, the Nordicity Group Ltd. has periodically published tables showing the yearly per-capita public funding for the public broadcasters in 18 Western countries. Table 19 synthesizes the findings, which consistently place the CBC/Radio-Canada lagging behind, at below half of the per-capita average for all the countries analyzed.

The 18 countries can be categorized in three groups:

- Those who provide their public broadcasters with a **high** level of public funding

These are the countries whose public broadcasters receive over \$100 per capita. Six (6) countries consistently feature in this group: Germany, Switzerland and Scandinavia (Sweden, Norway, Denmark and Finland). The United Kingdom was part of the group in 2004 and 2007 but slipped below the \$100-per-capita threshold in 2011 (\$96).

**TABLE 19
YEARLY PER-CAPITA PUBLIC FUNDING
FOR PUBLIC BROADCASTERS IN 18 WESTERN COUNTRIES**

| | 2004 | 2007 | 2011 |
|-----------------------------------|---|---|---|
| Over \$100 per capita | Switzerland, Norway, Germany, United Kingdom, Denmark, Sweden, Finland (7 countries) | Norway, Denmark, Switzerland, Germany, United Kingdom, Sweden, Finland (7 countries) | Norway, Switzerland, Germany, Sweden, Denmark, Finland (6 countries) |
| Between \$50 and \$100 per capita | Austria, France, Belgium, Ireland, Japan (5 countries) | Austria, Ireland, France, Belgium (4 countries) | United Kingdom, Austria, France, Belgium, Spain, Japan, Australia, Ireland (8 countries) |
| Less than \$50 per capita | Australia, Italy, Spain, Canada, New Zealand, United States (6 countries) | Japan, Australia, Italy, Canada, Spain, New Zealand, United States (7 countries) | Italy, Canada, New Zealand, United States (4 countries) |
| Overall average | \$80 | \$76 | \$82 |
| Canada | \$33 | \$34 | \$33 |

Sources: Nordicity, *Analysis of Government Support for Public Broadcasting and Other Culture in Canada*, 2006 and 2013 and the table published in the CBC/Radio-Canada Annual Report 2008-2009 (there is normally a two-year lag between the table publication date and the reference year to which the data refer).

- Those who provide their public broadcasters with a **moderate** level of public funding

These are the countries whose public broadcasters receive between \$50 and \$100 per capita. Austria, Belgium, France and Ireland consistently feature in this group. Australia, Spain, Japan and the United Kingdom joined in 2011.

- Those who provide their public broadcasters with a **low** level of public funding

These are the countries whose public broadcasters receive less than \$50 per capita. Four countries consistently feature in this group: Canada, the United States, Italy and New Zealand. Note that the number of countries in this group has tended to diminish. Whereas in 2004 there were six, by 2011 there were just four.

Canada will not budge. Taking into account the reduced parliamentary appropriations of \$115 million over three years announced in the March 29, 2012 federal budget, yearly per-capita public funding is expected to work out to around

\$29 in 2014-15¹⁶, or a bit less than \$0.08 per day. In 1990-91, annual per-capita funding amounted to \$39.¹⁷

As a final note, of the four countries that consistently provide the lowest level of per-capita public funding, only Canada has a national public broadcaster required to broadcast in two official languages over an extensive geographic area on both radio and television. In the other three countries, national public radio is unilingual. This makes Canada's presence in this group all the more surprising and disappointing.¹⁸

2.5.2 Primary funding models for public broadcasters

The CBC/Radio-Canada's funding model can be characterized as follows:

- **Mixed** funding (public funding plus commercial revenue)

As we have seen, the model strongly tends toward ongoing cuts to government funding and correspondingly increased dependence on commercial revenue.

- **Annual** and **discretionary** public funding

This means funding established in the annual federal budget after having been adopted by Parliament based on a discretionary decision by the government.¹⁹

Among the 18 countries studied by Nordicity, few operate on the basis of a similar model.²⁰

Essentially public funding versus mixed

In Scandinavia (Sweden, Norway, Denmark, Finland) and Japan, countries that offer strong or at least moderate support to their public broadcasters, public broadcasting is essentially government-funded, with commercial revenue representing less than 5% of total financing.

In countries like France and the UK that support multiple types of public broadcasters (radio/TV/new media, regional/national/international, general/specialized content), it is

¹⁶ Study by Nordicity, October 2013, page 2

¹⁷ In 1990-91 (April 1, 1990 to March 31, 1991), the CBC's parliamentary appropriation was \$1.078 billion and the population of Canada was 27.7 million on July 1, 1990 (source: Statistics Canada, Table 051-0001), which works out to \$38.93 per capita.

¹⁸ By comparison, in other countries with two or more official languages, public per-capita funding is far more sustained. For example, in Switzerland (three languages) it was \$164 per capita in 2011 and in Belgium (two languages), \$68. These are also countries whose geographic area is miniscule compared to Canada's.

¹⁹ This does not preclude the inclusion of multi-year measures in the budget. However, Parliament is sovereign and each year, the new budget can change any previous multi-year decisions.

²⁰ The following information is for the most part taken from previously cited Nordicity studies and has been updated by consulting the websites of governments, public broadcasters and regulatory and fee-collecting organizations in the countries concerned.

common for some components to be financed primarily through public funding, other components through mixed funding and still others primarily through market revenue. This is the case in Canada, where until recently radio was funded entirely through parliamentary appropriations (this is still true of CBC Radio One and Ici Radio-Canada Première). For their part, French- and English-language OTA television networks have operated under a mixed funding model since their very inception. Specialty services, in turn, must rely entirely on market revenue (subscriptions and advertising).

Annual/Multi-year funding

According to Nordicity's October 2013 study, public broadcasters in half of the 18 countries studied have multi-year funding (from two to six years). Broadcasters in the other countries receive their public funding on an annual basis, including Canada, the United States and Italy, which are three of the four countries with consistently low public funding. In contrast, the public broadcasters in four of the six countries that consistently benefit from strong public funding have multi-year funding..

Nordicity notes that countries that provide multi-year public funding are on the whole more generous. They offer, on average, public funding equal to \$95 per capita, compared with \$69 for countries that provide annual funding (the average for all 18 countries is \$82).

Budgetary appropriations and subsidies/licence fees

The main difference between the two public-broadcaster funding models is undoubtedly that between the principle of discretionary spending and the principle of funding based on objective criteria, generally referred to as television licence fees.

This second principle – television licence fees – links public funding to the number of users. When television was introduced and broadcasting was exclusively public in Canada and Europe, a special tax was sometimes applied to the purchase of a television set and the proceeds went to funding public television. This model has evolved into a fee or contribution imposed on all taxable households with a TV or other devices that receive television content.

This model is less discretionary. While the state sets the licence fee rate, the proceeds of this fee change according to objective criteria (change in population and in the number of taxable households). In certain cases, government subsidies may supplement the licence fee. The licence fee proceeds may be shared between a number of various public television institutions on a discretionary basis or based on predetermined criteria.

Several countries that provide moderate or strong public funding support use the licence fee model (supplemented by additional subsidies or not), including Switzerland, Denmark, Norway, Sweden, France, Japan and the United Kingdom. In certain cases, the state collects the licence fee, while in other cases an organization is created to collect the licence fee directly from users.

Without going into the details of each particular situation, here is a brief summary of certain models.

France

In France, the television licence fee was renamed the “contribution to public broadcasting” [translation] on January 1, 2015. Anyone who pays housing tax and owns a television set (including any similar device that can receive audiovisual content) must pay this contribution every year. Each taxable household only pays once, regardless of the number of TVs or residences. Low-income households, disabled persons and people over the age of 75 may be exempted from paying the contribution.

In 2015, the contribution was set at 136 euros per mainland taxable household (around \$200) and at 86 euros in the overseas departments (around \$125). It is collected by the state at the same time as the housing tax. Since 2008, the amount of the annual contribution has been indexed to inflation. From 2008 to 2015, it increased by 17%, going from 116 to 136 euros in mainland France and from 74 to 86 euros in the overseas departments.

The contribution’s proceeds are shared between France Télévisions (67%), Radio-France (18%), Arte France (8%), France Médias Monde and TV5 Monde (4%) and the INA (3%).²¹ The state determines how the contribution is distributed.

United Kingdom

In the United Kingdom, under the *Communications Act*, it is illegal to install or use a television set (including any device that can receive television content) without a licence. Since 1990, the group of public broadcasters has been responsible for collecting the annual licence fee, a task they have assigned to an organization called TV Licensing.

From 2010 to 2017, the annual amount of the basic licence fee is 145.50 British pounds (around \$275) per taxable household. The licence fee also applies to companies, stores and organizations with a television set. Businesses like hotels, motels, campsites and housing cooperatives with a TV must pay the basic licence fee if they have 15 units or less and an additional fee of 145.50 British pounds for each group of 5 additional units. Stores and firms with multiple units can also get a “Company Group TV Licence.” Disabled persons, persons living in a group home, students and persons over the age of 75 may qualify for an exemption or discount.

The TV licencing site states: “The licence fee allows the BBC’s UK services to remain free of advertisements and independent of shareholder and political interest.” The licence fee proceeds fund all BBC activities and in 2013-14 were distributed as follows:

²¹ This is the percentage distribution from 2010. It may have changed since, but the order of importance remains the same.

television (66%), radio (19%), production and other costs (6%), online (5%), and collection and administrative costs (4%).

Germany

Recently, Germany adopted a model that is a hybrid between the British and French models. Up to and including 2012, the German television licence fee (Rundfunkbeitrag) was payable for each television set and radio. Since 2013, it has been payable per taxable household (regardless of the number of devices), as in France. There are also exemptions for sick persons, low-income earners, etc. The licence fee is a lump sum of 17.98 euros per month, or 215.76 euros per year (around \$290). Companies must also pay a monthly amount ranging from 5.99 euros to 3236.40 euros per site and per month, according to their size.

Some parties, including the Rossman retail chain, have opposed the licence fee, claiming that it is a hidden tax. However, the Bavarian Court of Justice ruled in May 2014 that this is not the case, indicating that the television licence fee is payment for a public service rendered, while a tax is not subject to any precondition.

As in the UK, fees are collected by an independent organization, the *ARD ZDF Deutschlandradio Beitrags – service*.

Discretionary/ Stable/Indexed funding

Some other countries, including Australia, and New Zealand fund their public broadcasters based on an annual government discretionary decision, as does Canada. The resulting public funding may increase, decrease or remain stable from one year to the next. Of these three countries, however, only Canada saw its per capita public funding drop between 2007 and 2011. In Australia, the figure rose from \$44 to \$53 per capita and in New Zealand it went up from \$10 to \$21 per capita during the same period.²²

Among the countries with some form of television licence fee, the amount that is determined by the state can be set for a long or short period that may be reviewed periodically (for example, every five years). While the licence fee is stable, this does not necessarily mean that public funding is because variations in the number of taxable households and the size of businesses and stores that pay the licence fee result in an increase (as a general rule) or decrease in the total amount collected.

In France's case, as we have seen, the licence fee amount is indexed annually, meaning that in addition to the above-mentioned factors, there is an increase in the annual fee payable by taxable households. This is, without a doubt, the system that ensures the greatest growth in public funding.

²² Source: successive versions of previously-mentioned Nordicity studies.

2.6 FORECAST

The French singer and comedian Pierre Dac said it well: “It is especially difficult to forecast the future” [translation]. It would therefore be presumptuous to try to predict the development of the CBC’s/Radio-Canada’s funding over the next five or ten years.

Public funding is on an annual and discretionary basis. Its development will thus depend entirely on the political will of the governments in power and this will is influenced both by the public funding situation and by various other considerations. The following chapter provides a proposal to make this funding a bit less discretionary while recognizing the federal government’s need to control its spending, including parliamentary appropriations to the CBC/Radio-Canada.

Changes in revenue are no less difficult to predict in the constantly evolving field of media in general and television in particular. However, we can roughly identify a few strong trends in usage habits, the allocation of public spending and modifications to the regulatory and competitive environment that can influence these changes.

Audiovisual-content consumption habits are quickly moving toward customized and on-demand use on a variety of platforms accessed by means of increasingly diverse and mobile devices. Linear²³, general and specialized programming services, including those provided by the CBC/Radio-Canada, must continue to adapt to these changes, deploying the resources and efforts required to make their programming accessible to consumers on demand and on the device of their choice via various platforms.

Many studies show, moreover:

- That advertising expenditures are moving from traditional to new media.²⁴
- That advertising expenditures are moving from over-the-air to specialized television.²⁵

This could prove problematic for the CBC/Radio-Canada. As mentioned, 92% of its advertising revenue comes from over-the-air services and only 8% from its specialized services. In 2013-14, advertising accounted for 64% of its total independent revenue.

²³ This means programming presented on a fixed and continuous schedule, compared with on-demand programming, which is generally stored on servers that consumers can access directly when they want to.

²⁴ In Canada in 2004, television advertising expenditures totalled nearly \$3B, while Internet ad spending stood at \$364M. In 2013, TV ad spending totalled \$3.4B compared to \$3.5B for Internet ad spending. Source: IAB Canada, *Canadian Internet Advertising Revenue Survey, 2013-2014*, cited in CMF/FMC, *Trends Report: The Big Blur Challenge*, December 2014.

²⁵ On Canadian television, the ratio of advertising revenue went from 85% over the air/15% specialized in 2003-04 to 55% over the air/45% specialized in 2012-13. Source: CRTC Statistical and Financial Summaries.

Furthermore, pursuant to *Let's Talk TV: A Conversation with Canadians*, the CRTC adopted regulatory policies that will profoundly change the competitive environment in which the CBC/Radio-Canada needs to evolve.

The most striking change in our view is the elimination of all requirements for traditional private sector over-the-air broadcasters to broadcast Canadian content between 6 a.m. and 6 p.m. t. With this measure, the Canadian Radio-television and Telecommunications Commission (CRTC) is aiming to shift the focus from quantity to quality with respect to Canadian content. In continuing to require large private broadcasting groups to spend money on Canadian programming, the CRTC hopes to encourage the large over-the-air private networks to concentrate their resources on a fewer number of Canadian shows with big budgets that have a greater potential to attract Canadian and international audiences, as well as on lucrative multi-platform operation opportunities.

While the goal of promoting quality seems appropriate and has received broad enough support from viewers, many who consider that the CRTC took radical and excessive action would have much preferred a more prudent, gradual and organized approach.

The fact remains that when this measure takes full effect,²⁶ the competitive dynamic between the private sector over-the-air television networks and the CBC's/Radio-Canada's French- and English-language networks will profoundly change since the CRTC has stated that the requirements imposed as a licensing condition on the CBC/Radio-Canada will stay unchanged.

Table 20 shows how the Canadian content broadcasting requirements that will take effect in the over-the-air television sector differ between the CBC/Radio-Canada and private broadcasters.

²⁶ The CRTC has indicated that this new measure will take effect when over-the-air television network licences next come up for renewal.

TABLE 20
CANADIAN CONTENT BROADCAST REQUIREMENTS
FOR OVER-THE-AIR TELEVISION STATIONS:
THE PRIVATE SECTOR VS.
CBC/RADIO-CANADA*

| | 6 p.m. to midnight | Other 12 hours | All day |
|----------------|--------------------|-------------------|-------------------|
| Private sector | 50% = 3 hrs | 0% = nil | 17% = 3 hrs |
| | 7 to 11 p.m. | Other 14 hours | All day |
| CBC/SRC | 80% = 3.2 hrs | 57% = 10.3 hrs | 75% = 13.5 hrs |

* When the new regulatory framework is applied.

For the entire 18-hour broadcast day (usually 6 a.m. to midnight), the total Canadian content broadcast requirement for private broadcasters will be 3 hours out of 18, or 17% (16.67%, to be exact); it is currently 9.9 hours, or 55%. For the CBC/Radio-Canada, the requirement will remain 13.5 hours (75%), 4.5 times higher than private broadcasters' reduced requirement. Per week, the requirement difference will be 73.5 hours; per year, over 3,800 hours. That is enormous.

Insofar as all Category A and B discretionary services will now be subject to a single, uniform Canadian content broadcast requirement of 35% of the broadcast day, the CBC's/Radio-Canada's French- and English-language networks, along with the continuous news services²⁷, will be Canada's only broadcast programming organizations subject to Canadian content broadcast requirements consistent with section 3(1)f) of the *Broadcasting Act*²⁸. That is, they are required to predominantly use Canadian resources in creating and presenting their programming.

The CBC/Radio-Canada's programming for its French- and English-language networks will become even more critically important to achieving the objectives of the *Broadcasting Act*. Canadian television viewers who want to watch Canadian shows that reflect them at any time of day, including shows with local relevance, as well as the producers and creators of all types of Canadian television content seeking to reach large audiences through over-the-air television, will be more dependent than ever on CBC/Radio-Canada to get what they want. In my view, this alone justifies a substantial increase to CBC's/Radio-Canada's public funding in the very near future, especially since CBC/Radio-Canada could well see its advertising revenue drop in this new competitive environment, particularly on the English-language side..

²⁷ As well as certain 9(1)h) services that benefit from mandatory distribution on the BDUs' basic digital service.

²⁸ Section 3 (1) f) reads as follows: *f) each broadcasting undertaking shall make maximum use, and in no case less than predominant use, of Canadian creative and other resources in the creation and presentation of programming, unless the nature of the service provided by the undertaking, such as specialized content or format or the use of languages other than French and English, renders that use impracticable, in which case the undertaking shall make the greatest practicable use of those resources.*

Traditional private broadcasters will now be able to devote the bulk of their Canadian Programming Expenses (CPEs) on 17% (3 hours) of their daily schedule, instead of the previous 55% (10 hours). They will be able to finance bigger shows with resulting much larger production budgets, often in the form of international co-productions or co-ventures with U.S. partners, as the CRTC is encouraging them to do. Such programming will have greater appeal to viewers. This is an avenue the CBC/Radio-Canada will be unable to take, however, because it must continue to spread its CPEs over a vast range of Canadian shows that must make up at least 75% of its programming schedule (13.5 hours per day). This could hurt the competitiveness of its prime time programming against private broadcasters, cause a decline in its market share (fairly small in English Canada) and result in a decline in advertising revenue (its main source of independent income), thereby worsening its underfunding problem.

Another group of measures announced by the CRTC concern discretionary services in terms of both their nature and how they are distributed. Effective immediately, the Commission is eliminating protection for the type and nature of Category A discretionary services, i.e. all discretionary services can now compete with each other and modify their type or theme to appeal to audiences as they deem appropriate. At the same time, the Commission will eliminate their distribution access rights when their license next comes up for renewal, i.e. BDUs will be able to decide whether to distribute them or not. However, the Commission has strengthened the *Wholesale Code* and methods for settling disputes between programming services and BDUs and has instituted measures to protect independent discretionary services (which are not affiliated with *any* BDU), with a 1:1 ratio for affiliated vs. independent services. For every official language-affiliated discretionary service that a BDU distributes, it will also have to distribute an independent Canadian discretionary service in the same language.²⁹

Coupled with the institution of limited basic service, renamed "entry-level service offering", and greater freedom to choose among discretionary services (pick and pay, packages built by consumers and pre-assembled packages), these changes to the regulatory framework will clearly create major upheaval for all Canadian broadcast groups.

However, CBC/Radio-Canada should be less affected than most of the country's major broadcast groups since it has proportionally fewer discretionary services than most such groups (some have dozens) and most of them (*Ici RDI*, *CBC News Network*, *Ici ARTV*) have distribution privileges, under section 9(1)h) of the Act, that will be maintained. *Ici RDI* and *CBC News Network*, like all national news services, will also keep their service type, their distribution access rights and their license terms. Of course, CBC/Radio-Canada will also have to adapt to the upheaval in the regulatory framework and to the resulting major change in the competitive environment.

²⁹ Note that CBC/Radio-Canada is the only major pan-Canadian broadcast programming group that is not affiliated with a BDU; all of its discretionary services are independent within the meaning of CRTC regulations.

A more specific aspect of the measures announced on March 19, 2015 deserves attention: BDUs are prohibited from including *Ici RDI* or *CBC News Network* in the entry-level package offered to all Canadians in their respective majority language markets.

The Commission has established the makeup of entry-level service as follows: it must include Canadian local and regional over-the-air stations, with 9(1)h services benefiting from mandatory distribution of the basic digital service and, if offered, the province's educational channel, community channel and provincial legislature channel. This service may include up to 10 Canadian non-local or regional stations, if fewer than 10 local or regional stations are available, American network signals (4+1), an out-of-province educational service in each official language in provinces that do not have them, and local AM and FM radio stations. Any other service will be excluded.

BDUs must currently include *Ici RDI* and *CBC News Network* with basic service in the minority language market, i.e. *Ici RDI* in English-speaking markets and *CBC News Network* in French-speaking markets. These services have distribution access rights in their respective majority language markets, at the best price compatible with type and programming³⁰, but BDUs are not required to include *Ici RDI* in the basic service in French-speaking markets or *CBC News Network* in the basic service in English-speaking markets. However, in practice, most major BDUs do. As of March 2016, they will no longer be authorized to do so, limiting access to the CBC's/Radio-Canada's continuous news services in their majority language markets and likely lowering their reach compared to current practice. Their subscription and advertising revenue could decline accordingly.

///Lastly, one specific component of the last regulatory policy adopted by the Commission subsequent to the *Let's Talk TV* process (Broadcasting Regulatory Policy CRTC 2015-104 of March 26, 2015), which in particular deals with access to television programming, could increase production costs for Canadian shows broadcast on CBC/Radio-Canada. The provision in question will require the major traditional public and private television networks to offer described video for all prime-time programs, i.e. between 7 and 11 p.m., as of September 1, 2019.

As underlined by the Commission, insofar as in the United States, the *21st Century Communications and Video Accessibility Act* imposes greater described-video requirements on the major U.S. channels and networks, the Commission believes that more U.S. shows with described video, which can be acquired at a fraction of the cost of producing described video, will be made available to English-language broadcasters, which tend to broadcast U.S. shows during prime time.³¹

³⁰ As specified in Broadcasting Order CRTC 2013-735.

³¹ Note that private over-the-air broadcasters have a 50% Canadian content broadcast requirement during the evening broadcast period (6 p.m. to midnight). Insofar as, during the week, the major private English-language networks (CTV and Global) put news in their 6 to 7 p.m. and 11 p.m. to midnight slots, their prime time (7 p.m. to 11 p.m.) Canadian content broadcast requirement is just one out of four hours, with the other three hours available for U.S. shows.

But this does not apply to CBC nor, of course, to Radio-Canada, whose Canadian content, as mentioned, must constitute at least 80% of its prime time programming. Since described video is a much more onerous operation than closed captioning, this new social obligation could lead to a progressive increase in the cost of Canadian prime time programming on CBC/Radio-Canada, with full effect in 2019-2020.

3.0 POSSIBLE SOLUTIONS AND RECOMMENDATIONS

In light of the changes observed in CBC's/Radio-Canada's public funding over the last 25 and 10 years respectively, as well as the technological, regulatory and competitive environment in which the CBC/Radio-Canada will have to operate in the years to come, in our opinion, if it is to properly fulfil the public service mission entrusted to it by the *Broadcasting Act* and, in particular, adequately meet the needs and expectations of the French-speaking and Acadian communities, the CBC/Radio-Canada will need more sustained funding.

In this section, we will therefore look at a number of options and possible solutions aimed at increasing the CBC's/Radio-Canada's funding. We will first examine options involving its direct and indirect public funding. We will then look at options to increase the CBC's/Radio-Canada's revenue – options that, to be implemented, also assume government or public policy decisions being made in this regard. Lastly, we will briefly address certain measures that could foster CBC's/Radio-Canada's entrepreneurial agility or increase access to its specialized services.

3.1 INCREASING PUBLIC FUNDING FOR CBC/RADIO-CANADA

It goes without saying that, taken together, the cuts to the parliamentary appropriations announced in the March 2012 federal budget, the cuts to and then elimination of the LPIF, the steps since taken by CBC/Radio-Canada senior management to implement these cuts and the consequences of LPIF's elimination have had substantial negative impacts on the French-speaking and Acadian communities: job cuts at regional stations, limiting of the regional contribution to non-news programming such as *Belle-Baie* (Moncton), *Créatures fantastiques* (Trois-Rivières) and *Caméra boréale* (Regina), elimination of local shows broadcast on *Ici Musique* in 11 communities, etc.

As Table 21 shows, the Canadian Programming Expenses for broadcast allocated to shows produced by local stations in Radio-Canada's French-language over-the-air television network dropped more sharply (-12%) than network production spending (-2%) between 2010-2011 and 2013-2014.

And it's not over. Just recently, on March 26, the Vice President of Radio-Canada's French-language services announced that some 100 additional jobs were being cut in French-language services, including 10 in Acadie, 15 in Ontario and 16 in the Western provinces. Also, *Ici Musique* is having its payroll reduced by 10 positions.

TABLE 21
CHANGE IN CANADIAN PROGRAM EXPENDITURES
FOR RADIO-CANADA'S OVER-THE-AIR TELEVISION
LOCAL STATIONS AND NETWORK
(\$M)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Change 2011/2014 |
|--|---------|---------|---------|---------|---------------------|
| Local station productions (including co- productions) | 79.4 | 74.2 | 72.6 | 69.9 | (11.96%) |
| Network productions | 122.1 | 128.3 | 110.6 | 119.8 | (1.88%) |
| Total expenditures to broadcast Canadian shows ³² | 299.7 | 298.8 | 288.4 | 296.2 | (1.17%) |

Source: CRTC, aggregated annual returns pursuant to Broadcasting Regulatory Policy CRTC 2009-560, Radio-Canada French-language over-the-air television network, 2010-2011 to 2013-2014.

Among the possible solutions discussed below, some are designed to increase the CBC's/Radio-Canada's overall parliamentary appropriations to allow it to fully perform its mission as the national public broadcaster. This, we might hope, could result in better services being offered, in particular to the French-language and Acadian communities. Other possible solutions are measures focused on improving the local programming of the CBC's/Radio-Canada's radio and television stations, with special emphasis on meeting the needs and expectations of official language minority communities (OLMCs).

3.1.1 General approach

3.1.1.1 Multi-year funding

It is recognized that multi-year funding has advantages over annual funding in terms of medium-range planning. Most of the options analyzed below suggest multi-year commitments, for periods of three to five years.

That being said, multi-year funding does not in itself guarantee an increase in CBC's/Radio-Canada's public funding. Multi-year funding can be stable or it can increase or decrease. The March 2012 federal budget is a good example of the last eventuality: it contained a multi-year component, namely, a \$115M cut over three years. This no doubt allowed CBC/Radio-Canada to better plan for the decrease, but simultaneously worsened its public underfunding problem.

³² Total expenditures also include expenditures to acquire shows from independent Canadian producers or other sources. Note that, in spite of the 10% cut to parliamentary appropriations to the French-language over-the-air television network during the same period (see Table 5), the CBC/Radio-Canada managed to protect total expenditures for Canadian content broadcasting, with these expenditures declining by only 1%.

3.1.1.2 Indexing parliamentary appropriations

Annual indexing of the parliamentary appropriations to the CBC/Radio-Canada would no doubt benefit the Corporation because, as we have seen, *over the long term* its parliamentary appropriations have risen at a rate significantly below inflation. Between 1991 and 2010, for example, the CBC's/Radio-Canada's parliamentary appropriations grew by much less (6%) than the CPI (41%). Over the short- and medium term, however, this depends on the period in question. Between 2001 and 2010, for example, the CBC/Radio-Canada's parliamentary appropriations increased more quickly (26%) than the CPI (19%). (See Table 2)

Indexing alone will not meet the need to revitalize the CBC/Radio-Canada through a significant increase in its parliamentary appropriations over the 2014-2015 level. It would check the slide seen over the last three years and likely provide for some annual growth, except in the unlikely case of deflation.

Moreover, some might claim that indexing to the CPI would constitute an unfair approach insofar as, first, the departments and other federal institutions would not similarly benefit and, second, the CPI growth rate and the growth rate of public expenditures respond to different issues and are affected by separate factors specific to each rate.

If we look at Table 2, for example, we see that the federal government's total expenditures on operations and programs dropped by 8.59% between 1995-1996 and 1997-1998, while the CPI rose by 2.70% during the same period. If the CPI indexing principle had been in force, not only would the CBC/Radio-Canada have been shielded from any contribution to the effort to cut public spending, the Corporation would also have benefited from an increase in its parliamentary appropriations, while other federal departments, agencies and bodies would not have benefited from the same protection and would even have had to further cut their spending to make up for the increase in the CBC's/Radio-Canada's parliamentary appropriations.

The same was true for the 2010-2011/2013-2014 period. While, with a view to cutting the deficit and balancing the budget, the federal government limited the increase in public spending on programs and operations to 2.35%, the CPI rose by 4.42%. In our view, the problem is not that parliamentary appropriations did not increase as quickly as the CPI during this period, but, rather, that they *regressed* by nearly 5%.

This is why we look below at a formula that is based, instead, on the change in public expenditures.

3.1.1.3 Set parliamentary appropriations as a percentage of public spending

In the section on the CBC's/Radio-Canada's public funding, we saw that its parliamentary appropriations represented 0.68% of total federal government spending on operations and programs in 1990-1992. In 2009-2010, the figure was 0.42% and in 2013-2014, it was 0.39%. If we consider only basic parliamentary appropriations for operations, these represented 0.35% of public spending in 2013-2014.

One way to make the CBC's/Radio-Canada's public funding less discretionary would be to set the CBC's/Radio-Canada's parliamentary appropriations, or at least its core operational appropriations, as a percentage of total federal government spending on operations and programs the previous year.

Unlike indexing to the CPI, this approach would not shelter the CBC/Radio-Canada from fluctuations in the growth of total government expenditures. In a context in which the federal government decides to cut the growth rate for public expenditures in order to deal with a tough budget situation, the CBC/Radio-Canada would participate in the overall effort since its parliamentary appropriations would grow at the same pace. Conversely, if the government decided to increase the annual growth of public expenditures to meet public needs or stimulate the economy, the CBC/Radio-Canada would also benefit. On the basis of what we have seen over the last 25 years, it is highly likely that the CBC/Radio-Canada would benefit over the medium- and long term.

To ensure that the CBC's/Radio-Canada's parliamentary appropriations increased from their 2014-2015 level, a higher percentage than the current one would have to be set. A figure of 0.42% of total federal government spending on operations and programs the previous year could be targeted if we consider total parliamentary appropriations. This could be a five-year target starting the year it was implemented.

In 2013-2014, federal expenditures totalled \$276,828M. If we applied the formula of 0.42% of the previous year's spending to determine the parliamentary appropriations to the CBC/Radio-Canada in 2014-2015, these would total \$1,163M, up \$143M from the assumed level of \$1,020M. Such an increase seems very reasonable given the challenges the CBC/Radio-Canada will face in the new technological, regulatory and competitive environment. It would certainly help the public broadcaster better fulfill its public service mission in this new environment.

One advantage of such a measure would be to make the CBC's/Radio-Canada's public funding less discretionary without necessarily segregating it from successive governments' budget concerns since it would be in step with the change in public spending on operations and programs.

3.1.1.4 Bringing parliamentary appropriations back to 2008-2009 levels

Another option that might be considered is to bring parliamentary appropriations back to their 2008-2009 level, i.e. before the start of the last cycle of cuts, and keep them at this level for three years, after which a reassessment would be conducted.

In 2008-2009, the parliamentary appropriations to the CBC/Radio-Canada totalled \$1,170M (the same level as in 1995-1996, before the first cycle of cuts). As of 2009-2010, parliamentary appropriations were steadily reduced, leading the CBC/Radio-Canada to announce successive rounds of cuts, notably in March 2009, March 2012, April 2014 and March 2015.

In 2013-2014, parliamentary appropriations to the CBC/Radio-Canada amounted to \$1,083M. They can be estimated to stand at \$1,020M for 2014-2015 once the \$115M cut over three years announced in March 2012 has taken full effect. If this approach were adopted for 2015-2016, the CBC/Radio-Canada would see its parliamentary appropriations increase by \$150M.

This approach yields very similar results to those produced by the previous approach in terms of the increase to the CBC's/Radio-Canada's parliamentary appropriations in the first year of its implementation. The main difference is that the first approach establishes a less discretionary public funding principle based on an objective criterion – the change in public spending. The second approach, which also assumes a political will to revitalize the CBC/Radio-Canada, depends, for its part, on an *ad hoc* budget decision that is, again, entirely discretionary. On the other hand, if public spending increased even slightly over the two subsequent years, parliamentary appropriations would also rise using the first approach while remaining stable using the second approach.

3.1.1.5 Adopting the audiovisual license fee model

While the option of replacing discretionary parliamentary appropriations with an audiovisual license fee paid by users can be considered in theory, in practice it would represent a paradigm break that would now be difficult to accept.

Most countries that finance public broadcasting through licensing fees implemented the system when television was introduced at the end of the 1940s or in the early 1950s (and sometimes even when radio was introduced in the 1920s). In Europe, as in Canada, public broadcasters were generally then the only authorized broadcasters. It was natural then to associate the purchase, possession or use of a television set with the funding of public television. Nearly 70 years later, in a world in which TVs and a multitude of similar devices allow for receiving audiovisual content from a variety of broadcasting firms – private, public, traditional, educational, community, specialty, pay-per-view, pick and pay and VOD, Canadian and foreign, regulated and unregulated, by over-the-air distribution, Internet or mobile device – tying the purchase or possession of a TV (or any

similar device) to solely funding the national public broadcaster is no longer at all the obvious thing to do.

If an approach designed to obtain a contribution to Canadian programming from the new media system (akin to the required contribution from the BDUs or by other means) seems more relevant than ever in the current context, the proceeds of this contribution should naturally be earmarked for stimulating the creation of new national audiovisual content that could be carried by an array of platforms.

We will examine this option in the next point.

3.1.1.6 Contribution from the new media system to funding Canadian cultural products

In the last several years, there has been repeated discussion of the idea of requiring Internet service providers, Internet and mobile programming broadcasters, or even users of these services to contribute to funding the creation of Canadian broadcast content, just as regulated Canadian broadcast distribution and programming companies are required to do.

As we have just seen, it would be hard to tie such a contribution directly to funding of the national public broadcaster, but implementing it would support creation of Canadian broadcast content to be carried on traditional television platforms as well as on the new Internet and mobile broadcast platforms. The CBC/Radio-Canada would also benefit indirectly.

Internet service providers

In 2009, the CRTC contemplated a contribution from the Internet service providers (ISPs). However, the Supreme Court disallowed such a measure.

Note here that, subsequent to urgent requests in this regard from many professional associations, such as ACTRA, ADISQ, APFTQ (now AQPM), CMPA, DGC and Uda, in June 2009 the CRTC referred the following question to the Federal Court of Appeal:

"Do retail Internet service providers (ISPs) carry on, in whole or in part, "broadcasting undertakings" subject to the Broadcasting Act [S.C. 1991, ch. 11 (Broadcasting Act)] when, in their role as ISPs, they provide access through the Internet to "broadcasting" requested by end-users?"

Bell, Cogeco, MTS Allstream, Rogers, Shaw, TELUS and Videotron were respondents before the Court. The issue: given a positive response, the CRTC could have required ISPs to contribute to the funding of Canadian shows just like broadcasting undertakings (BDUs). Unfortunately, the final answer was no.

- On July 7, 2010, the Court of Appeal ruled that by providing an Internet connection, the ISPs were not engaged in "broadcasting" and, accordingly, were not broadcasting undertakings subject to the *Broadcasting Act*.
- The cultural groups requested leave to appeal the decision before the Supreme Court and their request was granted on March 24, 2011.
- On February 9, 2012, the Supreme Court upheld the Court of Appeal's ruling, stating that the terms "broadcasting" and "broadcasting undertakings" are, under the Act, related to entities "assumed to have some measure of control over programming." In the Court's opinion, ISPs simply provide the mode of transmission and are not subject to these terms. In other words, because ISPs do not participate in developing the content transmitted through their networks and have no decision-making power over it, they are not deemed to be broadcasters in the eyes of the law.

This decision by the highest court in the land ruled out any possibility of regulatory intervention by the CRTC intended to obtain a contribution from the ISPs under the existing law. For such an intervention to be possible, the *Broadcasting Act* and/or the *Telecommunications Act* would have to be amended, with lawmakers explicitly authorizing the CRTC to do so.

Internet and mobile broadcast programming services

While, according to the Supreme Court, ISPs do not decide on the content they transmit, Internet and mobile broadcast programming services (the CRTC describes them as "over-the-top programming services" (OTT) such as Netflix, Illico Club Unlimited, iTunes, etc., that package (and increasingly produce) broadcast content for Internet users on a transactional or paid-subscription basis are undeniably broadcast programming firms that decide on the content they transmit.

However, in 1998, the CRTC decided to exempt these services from any obligation under the *Broadcasting Act*, stating that they had a marginal impact on the ability of the regulated Canadian broadcasting system to pursue its development and meet its numerous obligations. The Commission reviewed the issue again in 2008 and 2011 and arrived at the same conclusion, while acknowledging that the situation was changing quickly and that another review would be conducted in May 2012. But it has since postponed this new review indefinitely.

The question was, however, raised once more by numerous stakeholders during the *Let's Talk TV: A Conversation with Canadians* process. But, during and following the process, the Commission reiterated that it had no plans to require OTTs to contribute to funding Canadian programming. The Minister of Heritage and the Canadian government share this position.

Makers or users

Neither the CRTC nor the federal government seems open to imposing on ISPs or OTTs a regulatory or other obligation to contribute to funding national broadcast content.

However, some provincial governments have been receptive to the idea, supporting it during the *Let's Talk TV* process. Quebec's Ministère de la Culture et des Communications suggested that the CRTC study the feasibility of requiring a financial contribution to Canadian programming funding from paid over-the-top television services. Ontario's Ministry of Tourism, Culture and Sport unsuccessfully invited the CRTC to impose Canadian programming expense requirements on foreign OTTs to ensure symmetry in the obligations between traditional and Internet broadcast programming services.

It is therefore possible for provincial governments to act. In Quebec, a working group and review committee recently made recommendations in this direction – recommendations that fall under provincial jurisdiction and deal with the matter through manufacturers of broadcast content reception devices or through users.

In its November 2013 final report, the *Groupe de travail sur les enjeux du cinéma* (GTEC) suggested subjecting digital cultural content reception devices to an eco fee or special sales tax, with the proceeds going to ensure funding for Quebec cultural creation.³³

The eco fee is an environmental management fee charged to manufacturers, the first resellers or holders of the trademark of electronic products sold in the Quebec market and has been applied since October 1, 2012. The eco fee applies to desktop computers and laptops, peripherals, printers, scanners, fax machines and photocopiers, televisions, ebook readers, cellular phones, etc. The amounts were established based on how complex it is to recycle or reclaim different products. These amounts allow for funding additional depots and covering the costs of collecting, reclaiming and transporting products.

In its March 26, 2015 final report, the Quebec Taxation Review Committee recommended that the Quebec government study the possibility of taxing residential Internet services to support, in particular, funding of existing or new cultural measures.³⁴

In short, certain provincial governments are considering obtaining a contribution from the new media system to fund the creation of local cultural content. Implementing such a contribution would no doubt stimulate the creation of new content, which would benefit all types of broadcasting programming services, including the CBC/Radio-Canada. This would, of course, mitigate the effects of the corporation's underfunding, but would not resolve the problem directly.

³³ *De l'œuvre à son public*, Rapport du Groupe de travail sur les enjeux du cinéma, November 15, 2013, pages 62-63.

³⁴ Quebec Taxation Review Committee, final report, volume 2, Une réforme touchant tous les modes d'imposition, page 139.

3.1.2 Targeted Approach

3.1.2.1 Restoring the LPIF

The possibility of restoring the Local Program Improvement Fund (LPIF) to its former version, or converting it into a whole new version, was a topic of discussion on the forum titled Let's Talk TV: A Conversation with Canadians. A number of industry and public stakeholders involved in the process highlighted the importance of over-the-air television stations' local programs, the challenges of funding programs and the need to restore measures to support local programs, in one form or another.

At the end of the process, however, the CRTC concluded with the following: "In this respect, the Commission is of the preliminary view that there is currently sufficient funding within the system to ensure the creation of locally relevant and reflective programming, but that the allocation of such funding needs to be re-examined in order to ensure that such programming is compelling, accessible and well-financed." Consequently, as stated in Broadcasting Regulatory Policy CRTC 2015-24, "The Commission intends to expand its examination to include the overall state and funding of locally relevant and locally reflective television programming offered in the broadcasting system" during the community television policy review scheduled later this year.

The CRTC added the following: "Consequently, the Commission intends to examine issues relating to locally relevant, locally reflective and community access programming more broadly with a view to ensuring that appropriate policies and regulations are in place to provide for:

- the creation and exhibition of locally produced and locally reflective programming in a multi-platform environment;
- access by professional and non-professional independent producers and community members to the broadcasting system;
- the production and exhibition of locally relevant news and information programming."

It appears quite clear that the Commission possibly intends to proceed with the redistribution of existing resources among local programs provided by community television stations, off-air television stations and new media rather than recreating the LPIF or injecting *new* resources into local program funding.

Under Broadcasting Regulatory Policy CRTC 2015-86, the Commission has decided to eliminate all the private off-air television stations' obligations to broadcast Canadian content between 6:00 a.m. and 6:00 p.m. This decision will hardly encourage off-air television stations to broadcast local programs. In addition, it is unclear how the Commission can introduce obligations for private over-the-air television stations to broadcast news or other types of local programs during the day, since such obligations

would contradict the position it has adopted in favour of eliminating any and all obligations to broadcast Canadian shows during the day.

That is the reason underpinning our belief that the possibility of the CRTC stepping in to restore the LPIF or adopting measures with the same financial implications for off-air television stations, including CBC/SRC stations, is very unlikely.

Nevertheless, it would be appropriate for CBC/Radio-Canada, as for 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, in order to advocate once more the importance of locally relevant television programs, greater and essential accountability to be incumbent upon CBC/Radio-Canada's over-the-air television stations in this matter under the new regulations, and the need to fund locally relevant television programs.

3.1.1.2 Subsidy for reinforcing local programs

Between 2001-02 and 2012-13, the Canadian government granted an annual subsidy of \$60 million to CBC/Radio-Canada in addition to basic parliamentary appropriations in order to reinforce programs. The subsidy was reduced in 2012-13 and entirely eliminated as of 2013-14 when parliamentary appropriations of \$115 million granted to CBC/SRC were reduced over three years, as announced in the federal budget of March 2012.

In our opinion, there would be strong arguments in favour of reinstating 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 the locally relevant programs presented by CBC/SRC radio and television stations outside of metropolitan markets. In other words, programs entitled to 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.

In the aforementioned context, where over-the-air private television stations will soon no longer be compelled to broadcast Canadian content between 6:00 a.m. and 6:00 p.m., the role of CBC/SRC regarding the broadcast of local television shows will become all the more fundamental and overriding. As such, we view this fact as a justification for the Canadian government to provide CBC/SRC with greater financial support to fulfill its mission of public service in local and regional communities, in compliance with the objectives set out in Paragraph 3(1)(m) of the *Act*, stipulating that CBC/SRC's programs must "reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions."

We therefore suggest a multi-year subsidy (five years) of at least \$35 million each. This figure represents the amount needed to make up for the loss of the LPIF only, which provided an average annual contribution of \$33.1 million between 2009-10 and 2012-13

(see Table 6). Like LPIF contributions, this amount should be shared fifty-fifty between French- and English-language stations. In addition, emphasis should be placed in particular on the needs of official language minority communities (OLMC), as encouraged by the *Broadcasting Act*, stating that programs should “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,” as well as by the *Official Languages Act*.

Such a targeted approach would likely contribute to achieving the overarching objective of this study, which involves the identification of possible solutions allowing CBC/SRC to fully achieve its mandate of public broadcaster, particularly with French-speaking and Acadian communities.

In addition, reinforcing CBC/Radio-Canada’s local/regional program component in a context where programs provided by digital multinationals still take up most of the market—an offer standardized to worldwide preferences—could become an appreciated and promising distinctive factor. It would become all the more interesting when the new regulatory framework established by the CRTC will discourage private off-air broadcasters from providing such local/regional programs during the day, including cancelling the LPIF.

3.2 INCREASING CBC/RADIO-CANADA REVENUE

3.2.1 Establishing subscription fees for CBC/SRC over-the-air television networks

For close to ten years now, the possibility of compelling broadcasting distribution undertaking (BDUs) companies to pay a monthly wholesale fee to over-the-air television stations for rebroadcasting their signals has been a subject of debate.

Addressed for the first time in 2006, when the framework for over-the-air television was reviewed, the possibility was rejected by the CRTC, as released in Broadcasting Public Notice CRTC 2007-53. The issue was raised again a few months later as part of the “Review of the Regulatory frameworks for broadcasting distribution undertakings and discretionary program services.” The possibility was once again rejected by the Commission at the end of its review, as released in Broadcasting Public Notice CRTC 2008-100.

The issue was raised once more in 2010 during the “Policy proceeding on a group-based approach to the licensing of television services and on certain issues relating to conventional television.” At that point, the Commission deemed it undoubtedly relevant to implement such a solution negotiated to make up for the fair value of local private off-air television signals and make sure that *Broadcasting Policy for Canada* objectives set out in Section 3 of the *Act* were achieved. However, the Commission viewed such a solution as unsuitable for the national public broadcaster’s situation, because its programs must, under the Act, “be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose.” The Commission thought that allowing CBC/SRC to require BDUs to cancel programs in case negotiations failed and therefore prevent the public from having access to programs would go against this objective.

However, as the Commission was unsure of its jurisdiction to implement such a negotiated solution, it decided to refer the matter to the Federal Court of Appeal. The latter recognized the Commission’s jurisdiction in this matter in a majority decision delivered February 28, 2011. As a result, the BDUs opposed to the implementation of compensation (Cogeco, Rogers, Shaw and TELUS) decided to bring the matter before the Supreme Court of Canada. In a split decision (5 against 4) delivered December 13, 2012, the Supreme Court concluded that retransmission rights fell under the *Copyright Law* and that the Commission did not have any jurisdiction to introduce a measure likely to interfere with the provisions of this law.

But the debate did not necessarily end there. On the Let’s Talk TV: A Conversation with Canadians forum, the Commission called to mind the possibility of allowing off-air television stations to stop broadcasting their signals over the air (Broadcasting Notice of Consultation CRTC 2014-190). If it were applicable, the issue would no longer involve retransmission rights, since signals would no longer be broadcast over the air. The only way for BDUs to distribute off-air television stations would be to negotiate with them in

order to obtain their programs no longer available over the air free of charge. Several off-air broadcasters, including CBC/SRC, Bell Media and V Media, considered this new development as an opportunity to negotiate a monthly wholesale fee for the distribution of their local stations.

Although it did not close the door entirely on the possibility, the Commission implemented barriers to such a scenario through Broadcasting Regulatory Policy CRTC 2015-24. Convinced “that it is in the public interest that Canadians continue to have access to this inexpensive means of receiving Canadian programming” and “that a significant number of Canadians would be adversely affected by a transmitter shutdown at this time,” the Commission “will therefore continue to require conventional television licensees to maintain an over-the-air presence in order to retain certain regulatory privileges. Broadcasters electing to shut down their over-the-air transmitters will not be permitted to retain the privilege to be distributed on the basic service nor will they be able to make requests for simultaneous substitution in the manner described in the *Broadcasting Distribution Regulations*.”

For CBC/SRC, the decision to abandon over-the-air broadcasting in order to obtain compensation from BDUs would mean depriving the stations of its conventional English- and French-language networks of the privilege of inclusion in the basic service of BDUs, recently renamed as entry-level service.³⁵ Such stations would then become optional services among many others that the BDUs would be free to distribute or not. As the Commission highlighted in 2010 and again in 2015, such an approach would be hardly compatible with the objective to ensure that CBC/SRC programs “be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose.”

It should nevertheless be noted that under the *Broadcasting Act*, the Governor in Council is invested with powers that could allow the Corporation to circumvent barriers established by the CRTC in the event that CBC/SRC decided the cease all off-air broadcast of signals of its traditional stations. Paragraph 26(1)(b) of the Act stipulates that:

“The Governor in Council may, by order, issue directions to the Commission”

(..)

(b) respecting the reservation of channels or frequencies for the use of the Corporation or for any special purpose designated in the order;”

This power has already been exercised in the past, for instance in the case of the Canadian Public Affairs Channel (CPAC) parliamentary channel. In 2005, the Governor in Council issued an order instructing the CRTC to require all Canada-wide BDUs with over 2,000 subscribers to distribute the CPAC in the basic service. The order specified that the BDUs should reserve two video channels for this service, one in French and the

³⁵ The loss of simultaneous substitution would have little impact, since CBC/SRC’s programs are mostly Canadian content and since CBC is broadcasting few American series simultaneously with the major American networks. This issue does not really have anything to do with the French-language network.

other in English, including one in the basic service (based on the market language). The CRTC implemented the directions by way of distribution order early in 2006.

The Governor in Council could therefore instruct the CRTC by order to require all the terrestrial and direct-to-home satellite broadcasting distribution undertakings (DTH BDUs) to include local or, by default, regional³⁶ French- and English-language CBC/SRC stations in their basic service, now known as entry-level service, even if CBC/SRC decided to cease any over-the-air broadcasting. CBC/Radio-Canada would thus be in a position to negotiate a distribution fee with the BDUs for its local 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.

Should pricing negotiations between CBC/SRC and a particular BDU break down, the matter could be submitted as a last resort to the conflict resolution process established by the CRTC for a decision.

By issuing such an order, the Governor in Council would unquestionably contribute to achieving the Broadcasting Policy for Canada objectives and help CBC/SRC meet its public service mission, notably in local and regional communities. Issuance would not require any additional cash outflow from the Government. The cost of implementing the measure would most likely be shared among the BDUs and their subscribers, since the Commission capped the monthly cost of the entry-level service at \$25.

³⁶ The current *Cable Television Regulations* provide that the following must be included in the basic service: (a) the program services of any local television station owned and operated by CBC/SRC; and (d) the program services of any regional television station owned and operated by CBC/SRC, except if it distributes, in compliance with provision (a), the program services of a local television station owned and operated by CBC/SRC and for which the official broadcasting language is the same as that of the regional television station.

3.3 OTHER MEASURES

3.3.1 Providing CBC/Radio-Canada with access to a line of credit and a long-term repayment opportunity

If the Government of Canada decided to grant CBC/Radio-Canada a substantial long-term line of credit, it would provide the Corporation with a much greater capacity to meet the challenges brought about by fast-paced changes in technology, regulations and competition. CBC/SRC would also benefit from enhanced entrepreneurial agility, easily 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.

We have established that the deployment of specialty services was of great benefit to CBC/SRC in that it allowed the Corporation to extend the scope of its mission to inform and to promote culture, while generating constantly growing subscription and advertising revenue. In 2012, CBC/Radio-Canada obtained a licence for a specialty service temporarily called *Trésor*,³⁷ featuring programming dedicated to television and movie classics. CBC/Radio-Canada has not yet launched the service, but it could breathe new commercial life into its huge catalogue of shows and make it once again readily available to the public. However, the world of speciality television is slowly becoming saturated (particularly in English Canada) and loss in new services must be sustained sometimes during several years before achieving budget balance. The introduction of *Ici tou.tv* has also been quite beneficial to French-speakers across the entire country. But this type of initiative requires considerable investment at the beginning, undoubtedly essential in the current and future context, yet with profitability likely achieved only in the medium or long term.

Although CBC/SRC currently has borrowing power, the guidelines established by the Department of Finance restrict CBC/SRC's borrowing opportunity to short-term initiatives whereby loans have a short repayment period.

There is no doubt that lifting such a restriction would help CBC/Radio-Canada deploy its initiatives faster. How fast an organization responds to technological changes and growing competition of services proposed by major digital multinationals is currently vital. The first to corner a niche quite often acquire enviable visibility that others, who jump on the train after it has been rolling for quite a while, find extremely hard to achieve. CBC/Radio-Canada has the advantage of a strong, well-known corporate image (in Quebec, it constantly ranks among the top 10 of most appreciated corporate image). It should be therefore be given the means to leverage this advantage and deploy its corporate image quickly on emerging platform, despite the possibility of CBC/Radio-Canada only repaying the costs incurred over a long-term horizon.

Strictly speaking, granting a long-term line of credit would not represent an increase in CBC/SRC's public funding since CBC/SRC would remain accountable for repaying the

³⁷Broadcasting Decision CRTC 2012-346

line of credit. However, the line of credit would improve CBC/SRC's financing conditions and provide it with an additional tool to enhance its entrepreneurial agility, undoubtedly fulfill its public service mandate more efficiently and, ultimately, probably generate more independent revenue.

3.3.2 Asking the CRTC to call for a special public hearing about CBC/Radio-Canada

Some have brought up the idea of asking the CRTC to call for a special public hearing about CBC/Radio-Canada. Undoubtedly, the number of recently announced changes to the regulatory frameworks governing private off-air television, optional services and BDUs, combined with major cuts in CBC/SRC's public funding in recent years could justify holding such a special hearing.

As far as we are concerned, we are rather skeptical about the relevance of such a request for a number of reasons.

First, with regard to the issue central to this study—CBC/Radio-Canada's public funding—there is little that the CRTC can do on its own initiative. The public funding of CBC/SRC is not the CRTC's concern, but the Government of Canada's. With regard to CBC/SRC's revenue, the recent Supreme Court decisions in terms of fair compensation for off-air television station signals and potential contribution of Internet service providers (ISP) to the creation of Canadian programs of the type required by BDUs have considerably eroded the Commission's powers of intervention.

Secondly, the Commission just completed the lengthy Let's Talk TV process in which CBC/SRC took part. In this context, the Commission could have commented about the impact of its new regulatory frameworks on the national public broadcaster and proposed specific measures to this effect. To date, the Commission has not done anything of the sort, limiting itself instead to specifying that the lower number of Canadian content broadcasting obligations of private off-air broadcasters did not apply to CBC/Radio-Canada. The Commission also did not accept proposals to implement measures requiring currently unregulated Internet radio broadcasting program services, both Canadian and foreign, contributing to funding Canadian programs. CBC/SRC could well have benefitted from similar measures.

Lastly, it should be mentioned that public hearing processes of this kind are quite exacting for all stakeholders, especially for CBC/Radio-Canada. They mobilize a great deal of time, energy and resources. CBC/Radio-Canada renewed its licences per group in 2013 and should start the process again in the fall of 2017. In the meantime, it participated in the long Let's Talk TV process and will be able to take part later this year in the previously announced local and community process. Moreover, CBC/Radio-Canada must often appear before various senate committees (Heritage, Communications and Transportation, Official Languages, etc.) to account for its activities. Hence, adding another process involving a general review of its situation, without any guarantee of concrete results, is perhaps not the most relevant option.

3.3.3 Ensuring easy access to CBC/Radio-Canada’s wholly owned specialty services to every Canadian

A more precise request could be submitted to the CRTC: grant CBC/SRC’s wholly owned optional services a right of Canada-wide access to digital distribution.

Three of the five specialty services currently provided by CBC/Radio-Canada have such a guarantee of access to distribution, either in complete or limited form: complete for *Ici RDI* and *CBC News Network*, in compliance with Mandatory Distribution Orders CRTC 2013-263, 2013-264 and 2013-735 and partial (in English-language markets only) for *Ici ARTV*, in compliance with Mandatory Distribution Order CRTC 2013- 375.

In light of the cancellation of the right of access to the distribution of Category A services announced by the Commission in its Regulatory Broadcasting Policy CRTC 2015-96, *Ici ARTV* will no longer have any rights to French-language distribution markets while *Documentary* and *Ici Explora* will no longer have any distribution rights, whether on their minority or majority language markets, as of September 1, 2018. This means that BDUs will be free to choose not to distribute them.

We mentioned earlier in this paper that the CRTC considers it inappropriate for CBC/Radio-Canada to cease over-the-air broadcasting of signals by its off-air television stations—which would allow it to negotiate a monthly wholesale fee for the distribution of their programs—because it would run against the *Broadcasting Act* objective specifying that CBC/Radio-Canada programs should “be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose.”

For anyone agreeing with this premise, it could be argued that the fact that not all Canadians have access to CBC/SRC’s wholly owned specialty services (actually extensions of the programming of its basic networks helping CBC/SRC achieve its mission of public service) is also against this *Act* objective. This situation could be corrected if the Commission issued a broadcasting order under Paragraph 9(1)(h) of the *Act* to grant all existing or future CBC/SRC wholly owned optional services a right of access to digital distribution in both language markets across Canada.

Such a right of access to distribution is not a mandatory distribution right to basic service. The right simply ensures that all CBC/SRC wholly owned services are provided by all the BDUs and that all digital distribution subscribers have the *possibility*, if they so desire, to subscribe to these services *à la carte* and include them in a service package of their choice or, if already included, to subscribe to pre-established packages offered by their BDUs.

This possibility would also benefit official language minority communities likely to have the concrete opportunity to access all CBC/Radio-Canada’s off-air and specialty

programs in their language, an opportunity absolutely not guaranteed by the new regulatory framework.

It should be pointed out that for *Documentary* to benefit from this measure, CBC/SRC should acquire all of the shares it currently owns (82% in terms of value) and change the share ownership agreement it has with its current partners, including the National Film Board of Canada (14%), into program supply agreements, like the agreement it entered into with ARTE for *Ici ARTV*.

We should also mention that on March 25, 2015, the CRTC published a request submitted January 19, 2015 by the Ontario French-language Educational Communications Authority to grant the TFO channel the same right of access to digital distribution to in both language markets across Canada.

Lastly, it should be noted that this measure requiring the mandatory distribution of CBC/SRC's local and regional off-air television stations at the service of all entry-level terrestrial and direct-to-home satellite BDUs, combined with the Governor in Council's order addressed earlier, would provide all Canadian subscribers to cable television broadcasting with a universal capacity of access to the services of their national public broadcaster.

3.4 IN SHORT (AND IN CONCLUSION)

All the possibilities identified in this study merit consideration, thus enabling individuals to determine which are the most relevant in their view. The possibilities that we have short-listed as being most likely to increase CBC/Radio-Canada's funding and/or make its public funding less discretionary, allowing it to fulfill its mission of public service particularly in French-language and Acadian communities, are the following:

- **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 then 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 regional³⁸ 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**

³⁸ The current *Cable Television Regulations* provide that the following must be included in the basic service: (a) the program services of any local television station owned and operated by CBC/SRC; and (d) the program services of any regional television station owned and operated by CBC/SRC, except if it distributes, in compliance with provision (a), the program services of a local television station owned and operated by CBC/SRC and for which the official broadcasting language is the same as that of the regional television station.

- 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.**