



## The Canadian Media Environment

The past year was plagued by continuing economic and geo-political uncertainty worldwide. Like many other industries, the Canadian broadcasting industry has felt the impact.

The Canadian media environment also continues to feel the impact of the significant transformation it went through in recent years. Key players have been profoundly reshaped following a series of mergers and acquisitions initiated at the beginning of the new century.

Those who opted for a convergence strategy have either backtracked or were forced to realise that the price paid for a chance of taking the lead in such a tumultuous market remains quite heavy. The debt ratio of major media companies has increased dramatically. Major write-downs, restructuring, divestiture of non-core assets, and streamlining of operations have continued throughout 2001 and 2002.

The overall result has been a higher concentration of ownership of media properties and businesses along the value chain. There are now fewer but bigger players. They exert more control over editorial content and have deeper pockets to bid for program rights. They have more control over the key distribution channels and have the ability to limit expansion possibilities of smaller competing players.

Most of the digital specialty services launched in 2001, many of which are owned by media conglomerates, continued to experience lower than anticipated audiences and still remain non-profitable. Eventually, some of them will be shut down for lack of sufficient demand.

The focus of media companies in 2003 will continue to be the consolidation of their operations. The ability of these companies to realise synergies and reduce cost is key to future growth potential. The anticipated economic recovery in a post-Iraq-conflict era bodes well for the advertising market in general and broadcasters should reap some of the benefits. With time, the bottom line should improve.

In the meantime, the rollout of new services and technologies such as Digital Television (DTV), Video-On-Demand (VOD), Subscription Video on Demand (SVOD), Personal Video Recorders (PVR), and Interactive television (Itv) continues to take place although at a slower pace than what many were expecting at the beginning of year 2000.

In June 2002 the CRTC released a market-driven framework for the transition to digital over-the-air television and broadcasters continue to assess the business case. Digital Audio Broadcasting (DAB) continued in anticipation of a review of the CRTC's digital radio policy in the coming year. Telesat launched Nimiq 2, expanding ExpressVu's channel capacity for its Direct-to-Home (DTH) satellite service. In 2002, Canada also passed the one-third

mark of the total number of households in the number of digital cable and satellite TV households, while it also tried to curb another side of digital technology. The grey and black market satellite industry was estimated to be 700,000 households in Canada and stealing revenue from all players in the broadcasting system.

Internet penetration and high-speed Internet continue to offer an interesting complementary platform for traditional media. They, however, also represent a growing threat to conventional broadcasters as more and more content is being digitised and becomes more easily downloadable. The protection of intellectual property rights will remain a major concern for content producers for quite some time.

The Standing Committee on Canadian Heritage continued its review of the **Broadcasting Act** and is expected to make recommendations in the Spring of 2003. Industry Canada conducted a review of ownership rules in the telecommunications industry, which could be extended into a review of foreign ownership in the television industry (e.g.: cable, satellite, broadcasters).

The Canadian production industry and the policy and regulatory apparatus that supports it saw some activity. A group of Canadian guilds declared a crisis in Canadian drama, while the CRTC commissioned a report on the state of Canadian drama, and the Federal Government initiated a review of the definition of Canadian content. The Government also made some difficult financial changes, choosing to reduce the Canadian Television Fund (CTF) by \$25 million annually.

#### Editor's Note

---

On June 5, 2003, the Government announced that it would advance \$12.5 million in funding for the Canadian Television Fund (CTF) for 2003-2004 from next year's allocation. This announcement should help to alleviate some of the pressures resulting from the cut to the CTF, although concerns about funding levels for future years remain.