

A More Challenging Media Environment

CBC/Radio-Canada now operates in a more challenging environment than ever before. The digital revolution, globalisation of the economy and changes in the communication sector are major drivers of change. At the same time, increased audience fragmentation from new services reinforces the need for a strong public service broadcaster in Canada.

The past year has seen the emergence of powerful media conglomerates in Canada. Most have opted for a strategy oriented towards vertical integration while at the same time reinforcing their position in acquiring more broadcasting assets and expanding their activities by integrating key national newspapers and production companies.

With these deals, the concentration in the Canadian media industry has reached new heights. There are far fewer but much stronger key players who now compete for Canadian audience and advertising dollars.

In addition, the ownership of program rights is becoming a critical issue in the multi-platform environment. Broadcasters are now seeking Internet broadcast rights to supplement conventional, specialty and pay television windows for their programming. The technological convergence and increasing penetration of the Internet, including high-speed Internet, are gradually allowing content producers to distribute their product directly to the consumer, thus bypassing the intermediaries in the value chain. In this new environment, those who will not be able to secure long-term access to content in high demand run the risk of losing their competitive advantage. As a result, broadcasters have sought to reduce the uncertainty regarding the supply of Canadian programming and to expand business opportunities by acquiring production houses.

Audience fragmentation resulting from the increased number of specialty television services available in Canada will continue to exert pressures on the industry. The Canadian Radio-television and Telecommunications Commission (CRTC) policy for digital pay television and specialty channels provides very liberal entry conditions for new services. More than 280 digital television services were approved by the CRTC in November 2000, many of which are expected to become available to the public as soon as Autumn 2001.

Given the new competition, it will be more difficult and more costly for CBC/Radio-Canada to acquire program rights to high-quality Canadian programming. Greater demands on the Canadian Television Fund (CTF) will also put pressure on CBC/Radio-Canada's ability to get access to a level of financing essential to maintaining a truly distinctive Canadian program schedule and to achieve the transformation of English Television and the strengthening of French Television.

The emergence of media powerhouses will also have an impact on the advertising market. The larger the conglomerate, the more niches and the more opportunities for high-impact media placement and cross-promotion.

The broadcasting industry continues to go through unprecedented changes. With much stronger and vertically integrated competitors and new competition from both domestic and international sources, the need to preserve a public broadcasting space in Canada becomes critical.

