A More Challenging Media Environment

The Canadian media environment has seen unparalleled transformation in recent years.

Market fragmentation, the introduction of digital services and acquisitions and mergers involving key players have reshaped the media landscape.

While 2001 did not see the same level of consolidation activity as 2000, there was still close to $1.8 billion of mergers and acquisitions in the broadcasting sector. Examples include Alliance Atlantis' purchase of Salter Street and Quebecor's divestiture of TQS to Cogeco/Bell Globemedia. The reversal of the CRTC rule regarding cable company ownership of specialty channels allowed cross-ownership of assets including Rogers' purchase of the balance of Sportsnet. Arguably the most significant transaction, though, was Télémédia's sale of its radio properties to Astral, Rogers and Standard Broadcasting. The transaction represented Télémédia's wholesale exit from the radio business and fuelled concern over concentration in the radio market, particularly in Quebec.

The focus for media companies in 2001 was to digest their acquisitions, as the ability of these companies to realise synergies is key to their future growth potential. Media companies continued to seek out opportunities from cross-promotion, cross-selling and consolidation of administrative resources to strengthen their positions and exert pressure on audiences and advertising dollars. Efforts amongst the largest media conglomerates to enact their convergence strategies continued unabated, but were overshadowed by an unexpected economic downturn that saw them streamline their operations rather than aggressively pursue the top-line revenue growth from new services that was the rationale for their acquisitions.

Despite a dampening economy, many new services did rollout in 2001. Perhaps the most significant was the launch of over 50 licensed digital specialty services – the single largest launch of new specialty services in Canadian history. These channels were made available across Canada to digital cable and satellite subscribers. Although audience viewing numbers were low, in comparison to conventional and other analog services, both cable operators and channel owners expect to see increased penetration of these services in the future. This will inevitably lead to further audience fragmentation.

In addition to the new digital specialty services, we saw new "on-demand" television technologies emerge in the broadcasting system. Bell ExpressVu launched a new set-top box with an integrated personal video recorder (PVR) – the first in Canada. The PVR, which is essentially a computer hard-drive, allows the viewer to pause and rewind live television as well as record programs with the click of the remote. In the future, other Broadcasting Undertaking Units (BDUs, i.e., cable operators or satellite service providers) hope to use the PVR capacity to download movies and offer advanced interactive television services. Cable companies have also begun to deploy "on-demand" television technologies. Rogers was the first cable company in Canada to launch video-on-demand, a service that allows its consumers to order movies over their remote control with full VCR-like functionality. Other cable companies in Canada have similar plans. As cable and satellite companies embrace services that deliver programming on-demand, the broadcasters' traditional advertising model will face challenges as consumers learn to bypass commercials.

Advances in digital audio services also expanded in 2001, creating a more dynamic environment. Digital Audio Broadcasting (DAB) continued to expand in Canada, with 55 DAB stations in four major markets and additional planned expansion in 2002.

The impact of consolidation and technological change on the broadcasting system continues to be monitored and managed. In 2001, the Canadian Radio-television and Telecommunications Commission (CRTC) conducted hearings on the rollout of digital television (or DTV) to develop a sustainable policy framework for the conversion to digital. The Commission also initiated a fact-finding process for interactive television, or new services enabled by the conversion to digital. The Department of Canadian Heritage also weighed in on important issues this year – the question of what is Canadian content being one.

We expect that next year, like this and the one before, the media landscape will continue to change and transform. Canadian broadcasters are continually challenged to meet the demands of such a dynamic environment.

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