

# Evolution of the Television Industry in Canada and its Impact on Local Communities



CAB Presentation to the  
Standing Committee on Canadian Heritage  
May 4, 2009

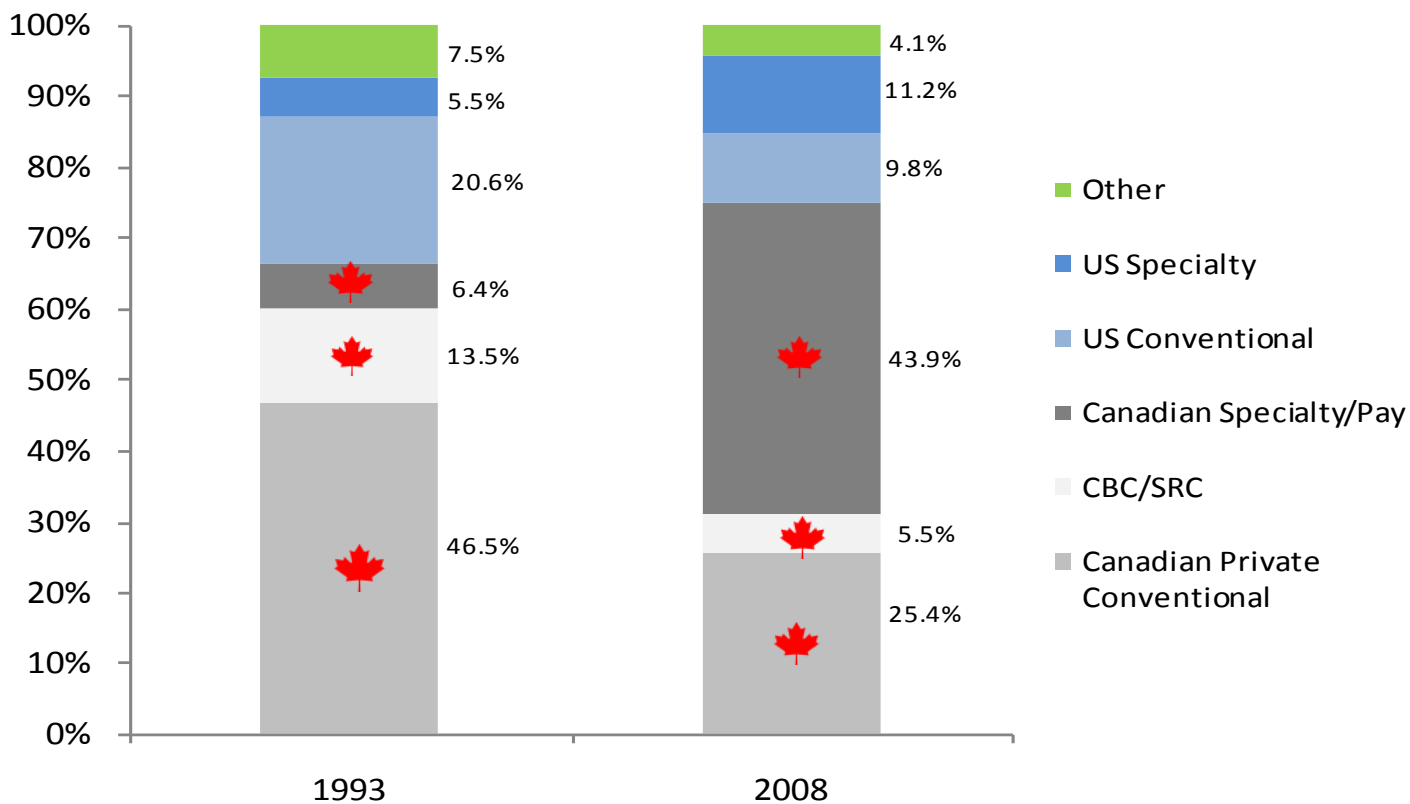


# Introduction

- CAB represents the majority of private radio, specialty & pay, and conventional television services operating in Canada
- Canadians tune first to private radio and television with services in more than 40 languages and access to over 170 different television services
- Private broadcasters employ 23,000 Canadians in creative, highly-skilled jobs.

# Canadians Tune First to Canadian Television

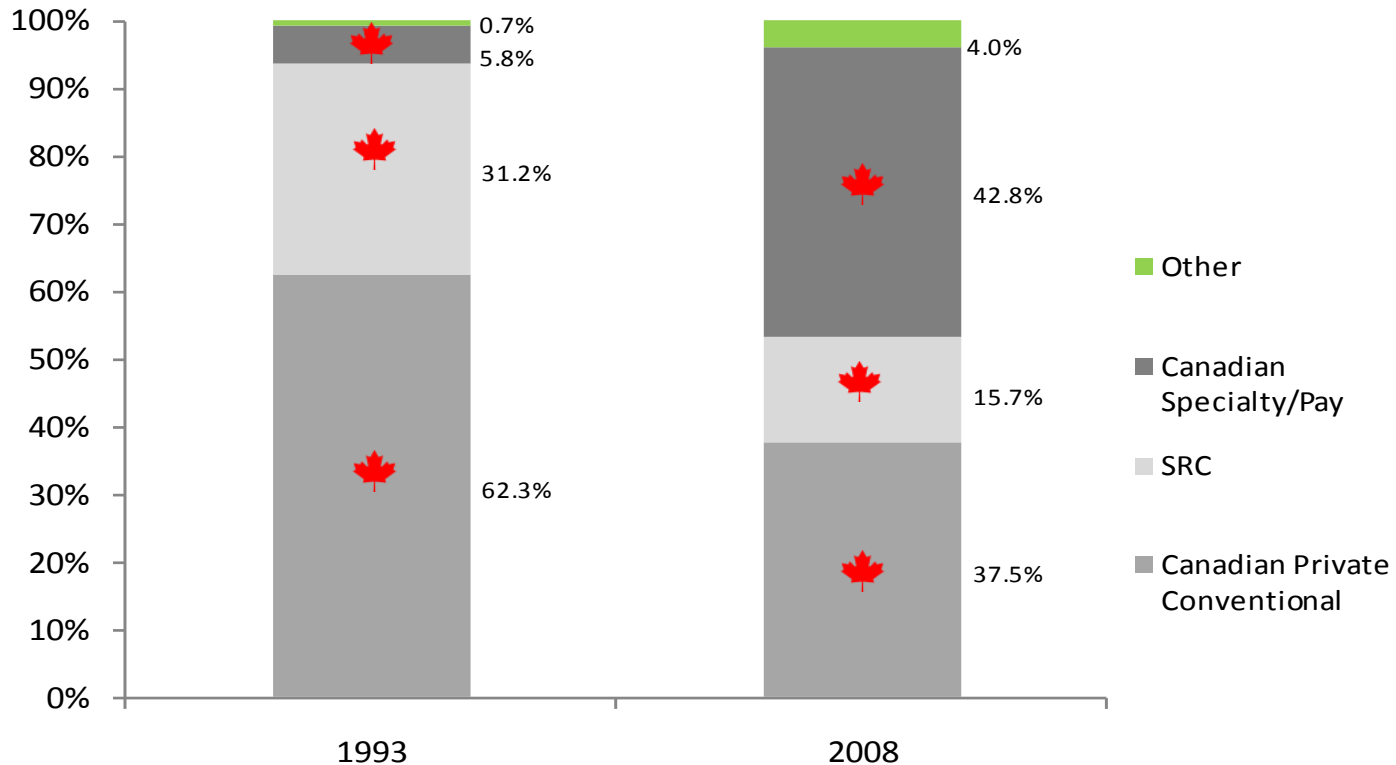
Share of Television Viewing (English-Language Services),  
1993 and 2008



Sources: Standing Committee on Canadian Heritage, *Our Cultural Sovereignty*, June 2003; BBM, special run for 2007-08.

# Canadians Tune First to Canadian Television

**Share of Television Viewing (French-Language Services), 1993 and 2008**



Sources: Standing Committee on Canadian Heritage, *Our Cultural Sovereignty*, June 2003; BBM, *TV Data Book 2007-08*.



# Private Television's Local Contributions

## Local Conventional Broadcasters' Contributions

Contribution Item	Amount Paid in 2008	Cumulative amounts paid since 1998
Local station produced programming	\$385M	\$3.9B
Closed captioning and Described Video	\$6.4M	\$ 51.6M
Tangible Benefits from consolidation	\$4.3M	\$ 90.8M
<b>TOTAL</b>	<b>\$395.7M</b>	<b>\$4.04B</b>

Data source: CRTC

**TABLE 2: Private Broadcasters' Community Contributions 2007/2008**

Types of Contribution	2007/2008
Value of Public Service Announcement Airtime	\$78.2M
Corporate and station donations	\$14.2M
Audience Pledges	\$222.1M
<b>TOTAL</b>	<b>\$314.5M</b>
Time volunteered by private broadcasters' employees	230,252 Hours

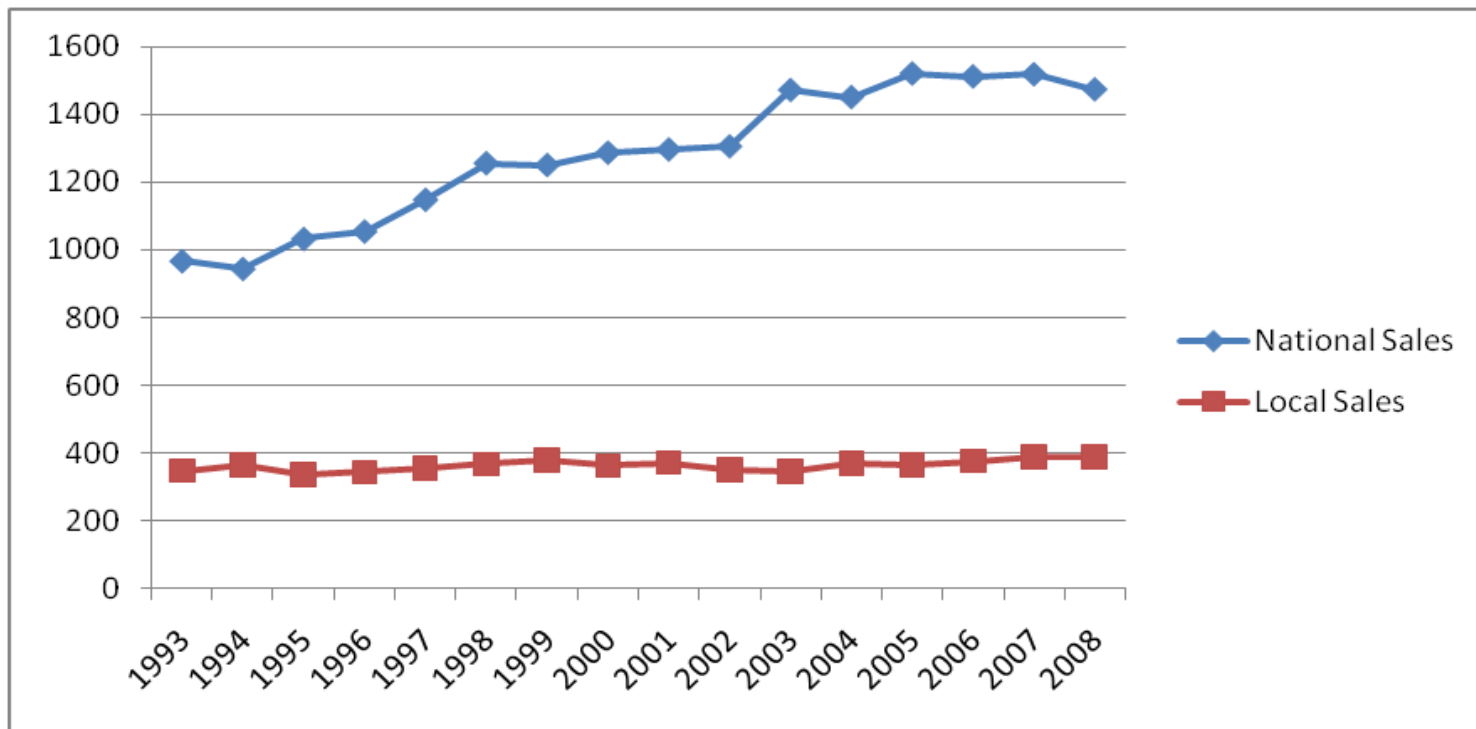
Source: CAB Member Survey 2008





# The Revenue Picture

## Advertising Revenues for Private Conventional Television, 1993 - 2008



Source: CRTC Statistical and Financial Summaries 1993-2008

Haliburton  
BROADCASTING GROUP



RAZER



CFMB  
Radio Montréal

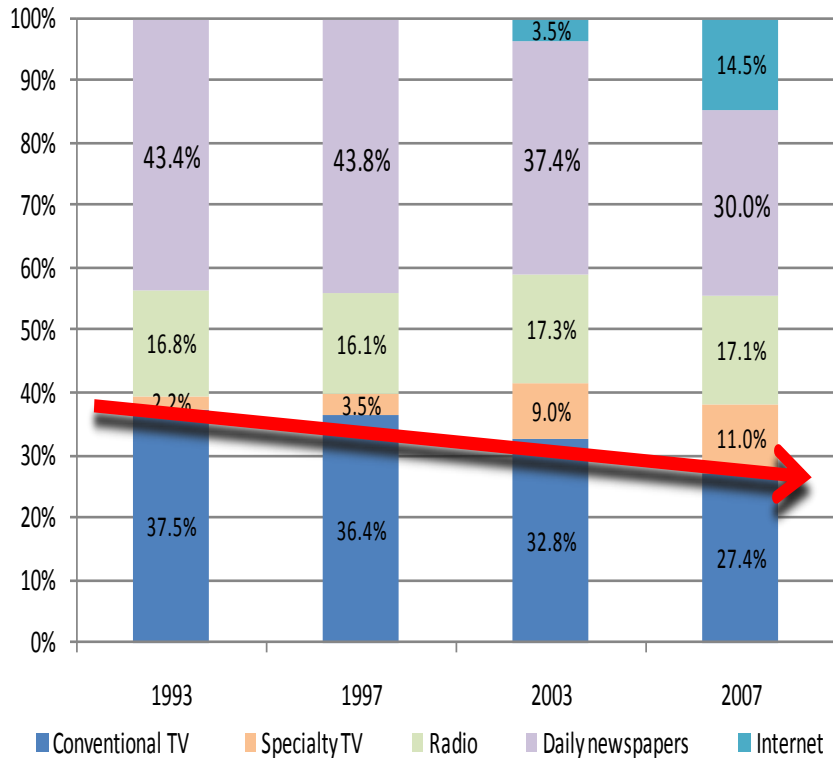
Bravo!





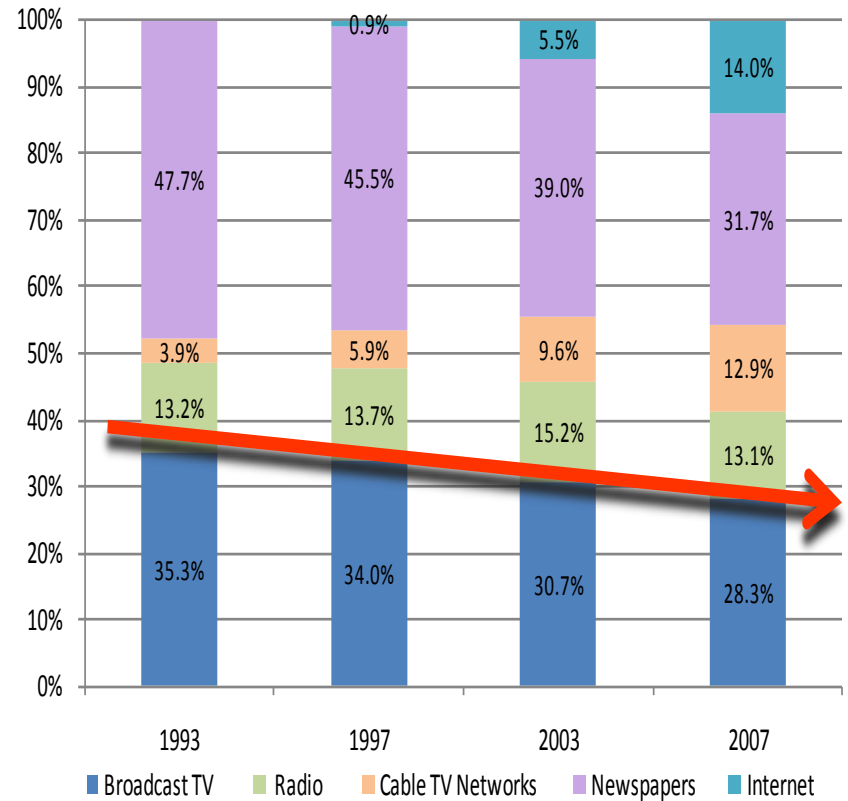
# Is This a Cyclical "Blip" or a Structural Transformation?

Share of Ad Revenue for Various Media in Canada, 1993 - 2007



Data source: TVB

Share of Ad Revenue for Various Media in the US, 1993-2007



Data source: SNL Kagan

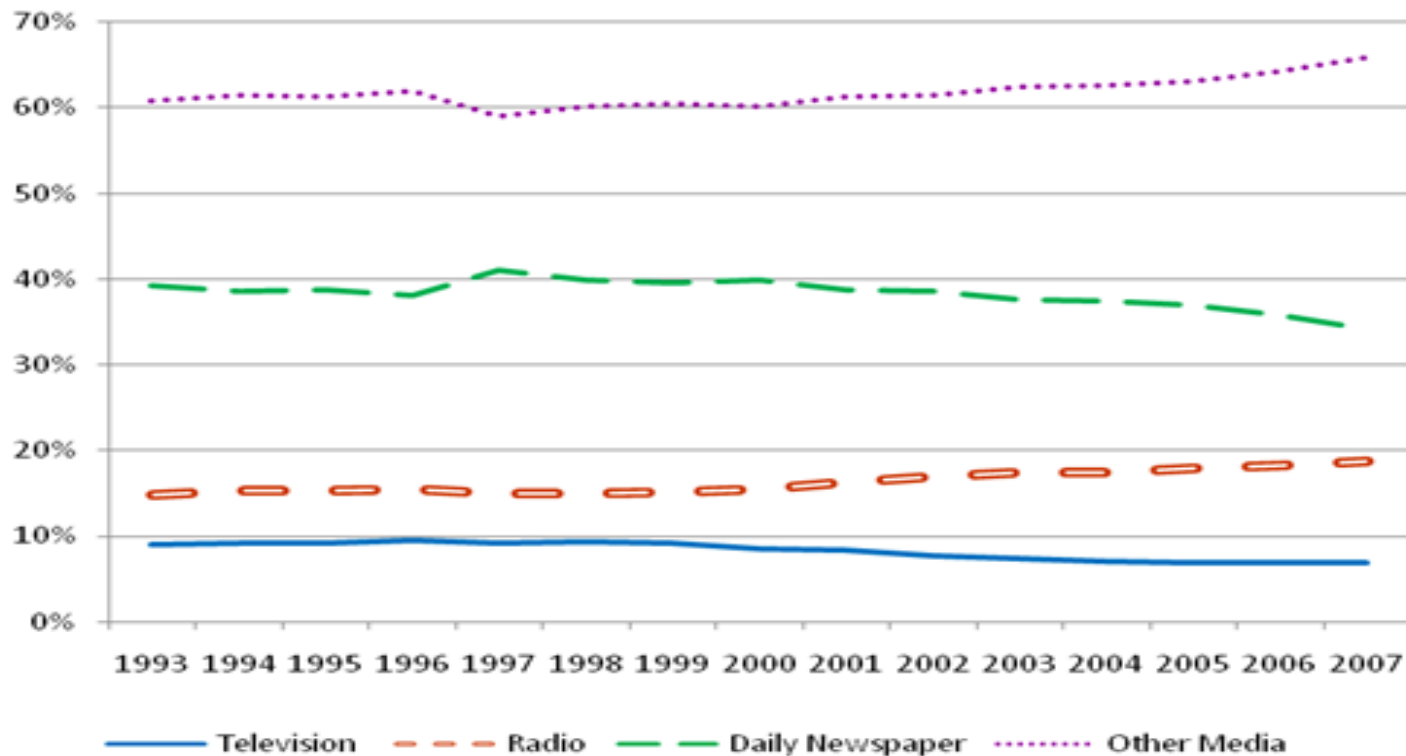






# Competitive Local Advertising Markets

Share of Local Advertising Revenue by Medium, 1993 - 2007



Data source: TVB





# Are Revenues Keeping Up with Canadian Programming Costs?

## Average Budgets of Canadian Programming in English

Genre	2003-04	2004-05	2005-06	2006-07	2007-08	CAGR (%)
	(\$000s)					2004 to 2008
Fiction	\$987	\$1,046	\$1,202	\$1,438	\$1,518	11.4%
Children's	\$557	\$516	\$497	\$594	\$649	3.9%
Documentary	\$205	\$219	\$207	\$174	\$257	5.8%
Var./Perf. Arts	\$169	\$236	\$321	\$294	\$381	22.5%
Magazine	\$44	\$44	\$60	\$34	\$74	13.9%

Source: CFTPA Profile 2009

## Average Budgets of Canadian Programming in French

Genre	2003-04	2004-05	2005-06	2006-07	2007-08	CAGR (%)
	(\$000s)					2004 to 2008
Fiction	\$266	\$275	\$276	\$368	\$429	12.7%
Children's	\$169	\$120	\$131	\$125	\$158	-1.7%
Documentary	\$131	\$118	\$157	\$134	\$151	3.6%
Var./Perf. Arts	\$113	\$125	\$155	\$151	\$197	14.9%
Magazine	\$37	\$36	\$37	\$42	\$51	8.4%

Source: CFTPA Profile 2009

	CAGR (%)
	2004 to 2008
Conventional Television Total Revenue	0.9%
Conventional Television Canadian Programming Expenses	2.0%

Source: CRTC



# Smaller and Larger Stations: Can Cross-Subsidy Continue?

## Revenue and Expenses of Private Conventional Television Stations, 2008, by Revenue Category

	Revenue Category (in millions of dollars)		
	<25.0	> 25.0	Total
<b># of Stations</b>	78	21	99
	(\$000s)		
Total Revenue	\$523.6	\$1,614.7	\$2,138.3
Total Operating Expenses	\$570.9	\$1,490.3	\$2,061.2
PBIT	-\$69.2	\$77.2	\$8.0
PBIT Margin	-13.2%	4.8%	0.4%

Data source: CRTC





# The Digital TV Conversion: a Looming Cost Pressure

TV Market Size	Affected Stations	Range of Average Costs (\$M)
Large Markets	75	65-77
Small & Medium Markets	320	166-250
Totals	395	232-327

Source: CAB





# Policy Recommendations

- Private broadcasters recommend a number of measures to address the state of local television programming:
  - Financial support from the Local Programming Improvement Fund;
  - Policy and regulatory change to ensure carriage for all local broadcasting signals;
  - Federal government support for digital television conversion (capital investment & public communications);
  - Elimination of Part II Licence Fees;
  - Recalibration of CBC/Radio-Canada reliance on commercial advertising revenues.





# Impact of CAB's Policy Recommendations

Policy Action	How it Helps Local Television
Local Programming Improvement Fund	Incremental revenue source for programming in markets < 1 million
Distant signal compensation	Incremental revenue source to help offset losses of \$70M annually
DTV transition support	Reduces cost for private broadcasters and support a public information campaign
Part II fees	Reduces costs to private broadcasters
CBC/SRC funding	Sustainable revenue source for private and public broadcasters

