Communic@tions Management Inc.

A statistical profile of CBC/Radio-Canada:

Based on data released by the CRTC
for the 2010 and 2011 broadcast fiscal years,
and data released by CBC/Radio-Canada

Prepared for the Canadian Association of Broadcasters

October 5, 2012

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NOTE: As of October 5, 2012 (the deadline for interventions), CBC/Radio-Canada has still not filed the full information required to assess its projections for its English and French conventional television services. The issues raised by this failure to file information are discussed in Part IV of this report.

According to the CRTC, the missing information will be filed on October 12, 2012. When that information is filed, we will update this report and/or produce a supplementary report, to take into account the information filed at that time

I. Introduction

In recent months, there has been considerable controversy about CBC/Radio-Canada, with both the CBC and its critics using various statistics to attempt to prove either the "value" of the CBC or to criticize the public broadcaster. Many of those statistics have been incomplete, often creating confusion as well as controversy.

However, many of those incomplete analyses can be remedied by referring to data about CBC/Radio-Canada that the CRTC has released, along with other data from CBC/Radio-Canada itself. The data in this report come from three main sources:

1. CRTC financial summary data for radio and television for 2010 and 2011, and "aggregate annual return" data for CBC/Radio-Canada (and other broadcasters) that the CRTC has made public.

2. CBC/Radio Canada, in the material for its licence renewal process.

3. CBC/Radio-Canada, in a number of reports it has commissioned.

We have provided a brief history of the funding for CBC/Radio-Canada since it was formed in 1936, a history that reveals that the question of funding for CBC/Radio-Canada is not new – indeed, it appears that, from the CBC perspective, it has always been underfunded.

The role of advertising in that funding is also a recurring question, and it is interesting to note in this regard that, when Radio Two was being planned by the CBC in the early 1970s, it was explicitly stated that it would be non-commercial.

In the last part of the introduction, we have presented a chart which tracks the CBC/Radio-Canada Parliamentary operating appropriation over the past 50 years, and compares the actual amounts received by CBC/Radio-Canada with what the operating appropriation would have been if the 1962 level had simply been increased each year by the growth in the Consumer Price Index (CPI).

On that basis, we find that, from 1963 to 2012, CBC/Radio-Canada received $31.4 billion from Parliament as operating appropriations, an amount that was $16.9 billion greater than the amount it would have received if the 1962 operating appropriation would simply have been increased each year by the CPI.

II. CBC/Radio-Canada in 2010 and 2011

- The total operating revenue for CBC/Radio-Canada's radio, conventional television and specialty television operating units was $1,767.8 million in the 2010 broadcast fiscal year, and $1,838.8 million in the 2011 broadcast fiscal year.

- In 2010, $1,140.3 million (64.5 per cent) came from CBC/Radio-Canada's Parliamentary Appropriation, and $627.5 million (35.5 per cent) came from other sources. In 2011, $1,166.4 million (63.4 per cent) came from the Parliamentary Appropriation, and $672.4 million (36.6 per cent) came from other sources.

- <u>Although the Parliamentary operating appropriation went up by $26 million from 2010 to 2011, CBC/Radio-Canada chose to allocate an additional $45 million to its conventional television services, while reducing the allocation to its radio services by $19 million.</u>

- In 2010, CBC/Radio-Canada accounted for 20.2 per cent of the total revenue and 31.3 per cent of the total employees in Canadian broadcasting.[1]

- In 2011, CBC/Radio-Canada accounted for 20.0 per cent of the total revenue and 30.0 per cent of the total employees in Canadian broadcasting.

- In 2010 and 2011, CBC/Radio-Canada was the largest radio broadcaster in Canada.

- CBC/Radio-Canada is the largest employer in Canadian radio.

- CBC/Radio-Canada is the largest Canadian provider of specialty TV news.

- CBC/Radio-Canada is the largest conventional television broadcaster in Canada.

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[1] "Canadian broadcasting" includes private and CBC/Radio-Canada radio, private and CBC/Radio-Canada conventional TV services, and pay television, pay-per-view, video-on demand and specialty services. The CRTC data do not include educational/provincial services.

- CBC/Radio-Canada employs almost half of the people who work in conventional television in Canada.

- In 2010 and 2011, excluding sports, CBC/Radio-Canada conventional television and private conventional television spent about the same amount on Canadian programs telecast.

- In 2010 and 2011, in the English-language market, the three largest private conventional television broadcasters (combined) spent more than CBC conventional television on Canadian programs telecast.

- In 2010 and 2011, in the French-language market, Radio-Canada conventional television spent more than the two largest private conventional television broadcasters (combined) on Canadian programs telecast.

- Across conventional television, private conventional TV delivers higher viewing to Canadian programs than does CBC/Radio-Canada conventional TV.

- Within the viewing to CBC English conventional TV, in 2011, CBC English conventional television got 57.7 per cent of its viewing from its sports and foreign programs. Canadian drama and comedy shows accounted for only 11.6 per cent of its viewing.

If CBC English conventional television broke even on its sports and foreign programming, then the advertising revenue attributable to the balance of its schedule in 2011 would only have been $53.7 million, raising questions about whether those programs are being sold at market rates. To the extent the balance of the schedule achieved revenues higher than that estimate, then it is possible that either sports or foreign programming may not have yielded a surplus.

III. CBC/Radio-Canada – issues and reports

Sports on CBC television:

We have reviewed the issue of professional sports on CBC English conventional television, both in terms of past questions about the degree to which such programming delivers a revenue "surplus", and in terms of the relationship between CBC/Radio-Canada's revenue and program spending projections for its proposed next licence term. It appears that the projections do not take into account either the possibility that CBC English television will lose the NHL rights after the 2014 season, or that CBC English television will have to pay more to retain those rights.

Questions about CBC television and sports were raised in 1994, and at that time, the CBC produced an accounting of its costs and revenues for professional sports, and that accounting was made public (see Appendix).

CBC/Radio-Canada's "economic impact":

In June 2011, CBC/Radio-Canada released a study by Deloitte, dated 8 June 2011, titled "The Economic Impact of CBC/Radio-Canada". This study used economic "multipliers" to estimate the "value" of the CBC to the overall economy, and concluded that the CBC's expenditure of $1.7 billion in 2010 had an overall economic impact of $3.7 billion – an overall multiplier of about 2.18.

We make three general comments about the CBC/Deloitte study:

1. First, almost every form of economic activity has some type of multiplier, so the CBC is not unique in this regard. In fact, according to Statistics Canada, the multiplier for radio and television broadcasting is 2.22, and the multiplier for pay and specialty television is 2.10, so a similar analysis of private broadcasting would produce proportionally similar results.[2]

2. Second, the CBC/Deloitte study contains a number of anomalies. For example, the study states that it is based on the broadcast fiscal year ending August 31, 2010, but it then mixes in data for other time periods, thereby producing inconsistencies with the data for 2010 that have been published by the CRTC.

3. Third, the CBC/Deloitte study is seriously flawed in its choice of a hypothetical "counterfactual" CBC/Radio-Canada to use as a basis for comparison. Instead of setting up alternatives in which CBC/Radio-Canada's conventional services would have to depend only on its $1.1 billion Parliamentary Appropriation, or in which all or part of that $1.1 billion might be used in a different way to support public service broadcasting, the CBC/Deloitte study chose to create a "counterfactual" situation in which the taxpayer subsidy would be removed entirely and the resulting CBC/Radio-Canada would be a diminished commercial broadcaster.

The question of advertising on CBC/Radio-Canada television:

On November 28, 2011, CBC/Radio-Canada released a study by Nordicity that presents a number of assumptions of what might happen if CBC television were to withdraw from the advertising market. As was the case with the CBC/Deloitte study, the CBC/Nordicity study touches on a number of useful questions, but it is not clear how its assumptions link to the published data on CBC/Radio-Canada conventional television program costs.

In 2011, without advertising, CBC/Radio-Canada conventional TV would still have been the largest conventional television broadcaster in Canada.

[2] Multipliers supplied by Statistics Canada, for the same year used by Deloitte.

Comparisons with other countries:

We have reviewed an April 2011 study by Nordicity for the CBC, which compares funding for public broadcasting in a number of countries. While interesting, such studies are not necessarily relevant, because of historical differences in the development of broadcasting in each country, geographic differences, different service levels, and the impact of fluctuations in exchange rates.

The CBC/Radio-Canada Parliamentary Appropriation and other forms of assistance to broadcasters:

CBC/Radio-Canada has attempted to create a false equivalency between its Parliamentary Appropriation and a number of policies that it has called "subsidies" to private broadcasters. But CBC/Radio-Canada ignores two important facts:

1. First, the so-called "subsidies" to private broadcasters are not direct subsidies at all (for example, Canada Media Fund payments go to production companies, not broadcasters); and

2. Second, CBC/Radio-Canada itself also takes advantage of the same mechanisms as the private broadcasters, in addition to the Parliamentary Appropriation (that only CBC/Radio-Canada receives).

Operational and structural efficiency:

We note that the CBC/Radio-Canada share of employment significantly exceeds its share of revenue, raising question about operational and structural efficiency.

IV. CBC/Radio-Canada – the licence renewal process

Because of changing dates and changing circumstances, CBC/Radio-Canada has filed three sets of projections for each of its services, although its television projections are still incomplete. By tracking these evolving projections, we can gain an interesting insight into the plans and priorities of CBC/Radio-Canada.

Radio:

The radio projections indicate that, when faced with a shortfall in its expected Parliamentary Appropriation, CBC/Radio-Canada responded by seeking permission to add advertising to Radio Two and Espace Musique. In the case of Radio Two, the projections filed on July 16, 2012 not only showed the addition of advertising, but also the complete elimination of any allocation from the Parliamentary Appropriation.

The proposal to add advertising to CBC/Radio Canada radio:

Aside from raising significant questions of public policy, the CBC/Radio-Canada proposal to add advertising to its radio services:

1. Fails to take into account the impact on private radio broadcasters;

2. Is inconsistent with market reality in terms of the projections for English and French markets; and

3. Is internally inconsistent in terms of matching projected audience shares to market revenues in English-language markets.

CBC English conventional television:

As noted above, CBC/Radio-Canada has not filed full projections, in a timely manner, for its conventional television services. Based on what is available on the public record, it appears that CBC/Radio Canada proposes the following for its English conventional TV service:

- A greater reliance on advertising (the projected advertising revenue for 2015 was $254.6 million in the original projections and $276.3 million in the revised projections).

- A decrease in the amount spent on news (the projected spending on news in 2015 was $142.1 million in the original projections and $111.8 million in the revised projections).

- An increase in the amount spent on sports (the projected spending on sports in 2015 was $149.o million in the original projections and $181.6 million in the revised projections).

We have already noted, above, that the projected spending on sports does not appear to take into account either a possible increase in the cost of NHL rights or the possibility that the CBC will lose those rights after 2014.

There is another important issue that emerges from an examination of the changing projections for CBC English conventional television. The CBC has argued that its spending on professional sports produces a revenue surplus within that genre. However, when we compare the original (from 2011) with the revised (July 16, 2012) projections, we see advertising revenue for 2015 projected to be $21.7 million higher, but spending on sports in 2015 is projected to be $32.6 million higher. In other words, the increased spending on sports does not produce a corresponding increase in advertising revenues, and certainly does not produce a “surplus”.

Radio-Canada French conventional television:

Based on what is available on the public record, it appears that CBC/Radio Canada proposes the following for its French conventional TV service:

- A greater reliance on advertising (the projected advertising revenue for 2015 was $135.1 million in the original projections and $152.1 million in the revised projections).

- A small increase in the amount spent on news (the projected spending on news in 2015 was $77.9 million in the original projections and $85.9 million in the revised projections).

- An decrease in the amount spent on sports (the projected spending on sports in 2015 was $12.9 million in the original projections and $4.2 million in the revised projections).

V. Additional comments and analysis

When faced with the need to adapt to federal budget realities, this was the CBC/Radio-Canada response:

- It proposed to reduce the public subsidy to radio, and to Radio Two in particular;

- It proposed to alter the character of CBC/Radio-Canada radio by opening the door to commercial advertising; and

- It proposed to dramatically increase the spending on sports on CBC English conventional television, even though its own projections showed that the increased advertising revenues would not cover the increased costs.

Implicit in all of the projections is a vision for the future of CBC/Radio-Canada. But it is not clear whether or not that vision is consistent with either market realities or the policy expectations one should have for Canada's "national public broadcaster".

I. Introduction

In recent months, there has been considerable controversy about CBC/Radio-Canada, with both the CBC and its critics using various statistics to attempt to prove either the "value" of the CBC or to criticize the public broadcaster. Many of those statistics have been incomplete, often creating confusion as well as controversy.

However, many of those incomplete analyses can be remedied by referring to CRTC data about CBC/Radio-Canada.

In the past, there have been questions about the comparability of data for the CBC and other broadcasters, partly because of the different fiscal years, and partly because of different ways of accounting for various revenues and expenses.

However, beginning with data for the 2010 broadcast fiscal year, the CRTC has included data on the allocation of the CBC/Radio-Canada Parliamentary Appropriation between radio and television, and those data are presented for the same broadcast fiscal year as used for private broadcasters. And the CRTC has also required CBC/Radio-Canada's conventional radio and television services to file aggregate annual returns, which provide more detail on expenses, with data going back to 2008.[3]

The CRTC should be commended for introducing this greater transparency to the data about CBC/Radio-Canada. By using these data, we are able to gain insights into the operations of the CBC, and to determine what additional data, if any, might be necessary to help answer some of the key policy questions about CBC/Radio-Canada and its operations.

The data in this report come from three main sources:

1. CRTC financial summary data for radio and television for 2010 and 2011, and "aggregate annual return" data for CBC/Radio-Canada (and other broadcasters) that the CRTC has made public.

2. CBC/Radio Canada, in the material for its licence renewal process.

3. CBC/Radio-Canada, in a number of reports, including one prepared to estimate its value to the Canadian economy.

Taken together, these sources help to create a useful frame of reference for the CRTC, for other broadcasters, and for Canadian consumers to assess the CBC's current operations and proposals for the future.

[3] The data are available at: http://www.crtc.gc.ca/eng/stats.htm.

How this report is organized

We have organized this report into five parts:

I. This introduction, along with some historical information.

II. A statistical review of CBC/Radio-Canada in 2010 and 2011.

III. An analysis of some of the key issues and reports relating to CBC/Radio-Canada.

IV. A review of the projections by CBC/Radio Canada for its next licence term, including an analysis of the CBC/SRC's proposal to add commercials to two of its radio services.

V. Additional analysis and comments.

Paying for CBC/Radio-Canada – a brief history

When the CBC was first created in 1936, it was both an operator of radio services and the regulator of Canadian broadcasting.[4] Its principal revenue sources were licence fees on radio receivers (along the British model) and advertising sold on its networks and stations (a departure from the British model). And ever since 1936, the question of CBC funding has been a topic for debate.

It seems that the CBC perspective is that it has always been underfunded. For example, on May 19, 1947, the CBC made its annual appearance before a House of Commons committee. The CBC was 11 years old at the time; Canadian television was more than five years in the future; and the CBC both regulated its private radio competitors and supplied many of them with network programming. In its appearance before the committee, the CBC asked that the federal government free the CBC of the cost of collecting the annual licence fee then paid by Canadians with radio receivers.

According to a report in *The Globe and Mail*:

> A. Davidson Dunton, chairman of the CBC, and Dr. Augustin Frigon, general manager of the corporation, presented briefs which in the main were appeals for more funds for the corporation.[5]

The *Globe* report then quoted Mr. Dunton:

> "Unless further funds come in," he said, "it will be impossible to keep the present level of service. It will be impossible to produce as much

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[4] This dual role continued until 1958.

[5] Harvey Hickey, "CBC Asks Taxpayers Bear Costs Of Radio License Fee Collections," *The Globe and Mail*, May 20, 1947, p. 17.

> broadcasting by Canadian artists as is being done at present. And this is apart from the question of needed improvements."[6]

Twenty-seven years later, in 1974, CBC/Radio-Canada appeared before the CRTC to seek renewal of its radio and television licences. And the President of CBC/Radio-Canada, Laurent Picard, had a message very similar to the message from 1947. According to *The Globe and Mail,* Mr. Picard's message to the CRTC was this:

> ... the times are changing, and so must the network – but the CBC is efficient, up to date, and needs only more money to be great.[7]

It is clear from the reports from 1947 and 1974 that the question of funding the CBC is not a new one; indeed, it has become a perennial argument.

With the introduction of television in Canada in 1952, the radio receiver licence fee had been phased out, and the early years of CBC/SRC television operations were paid for through a combination of advertising and the proceeds from the federal excise tax on television sets.

By 1960, the excise tax transfers had also been phased out, and the Parliamentary Appropriation became the main government mechanism for providing funds to the CBC. This appropriation was supplemented by the corporation's advertising sales on both radio and television.

By the early 1970s, the CBC was planning for new radio services. In its *Annual Report* for 1970/71, the CBC outlined the plan:

> That the existing CBC radio services, in English and in French, each be divided into two complementary services (with the working titles, Radio One and Radio Two).[8]

It went on to state:

> The proposed Radio Two service, to be carried on FM, will be non-commercial.[9]

In fact, radio commercials were discontinued on all CBC radio services from March 31, 1975, with some very limited exceptions.[10]

However, CBC/SRC conventional television has retained its hybrid model, mixing advertising sales and government grants, to this day.

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[6] *Ibid.*
[7] Blaik Kirby, "Critics are losers, CBC chief says in 3-hour defence", *The Globe and Mail*, February 19, 1974, p. 1. *The Toronto Star* report of the same presentation was headlined "CBC chief says lack of money hurts service" (*The Toronto Star*, February 19, 1974, p. A3).
[8] Canadian Broadcasting Corporation, *Annual Report 1970/71*, p. 7.
[9] *Ibid.*, p. 8.
[10] Canadian Broadcasting Corporation, *Annual Report 1974/75*, p. 5.

In the case of the CBC's specialty services, the expectation is that they be operated as commercial undertakings, although there is clearly an advantage (particularly for the news services) to be able to operate on the base of the news infrastructure of the conventional services.

Has the CBC's Parliamentary Appropriation kept pace with inflation?

This is also a perennial question, often raised by CBC/Radio-Canada and others. But too often the starting point for the analysis is the year before government reductions in the level of the appropriation, rather than including prior years in which the appropriation may have increased by more than the rate of inflation.

So we decided to calculate what would happen if one went back 50 years, and tracked the Parliamentary Appropriation almost from its inception.

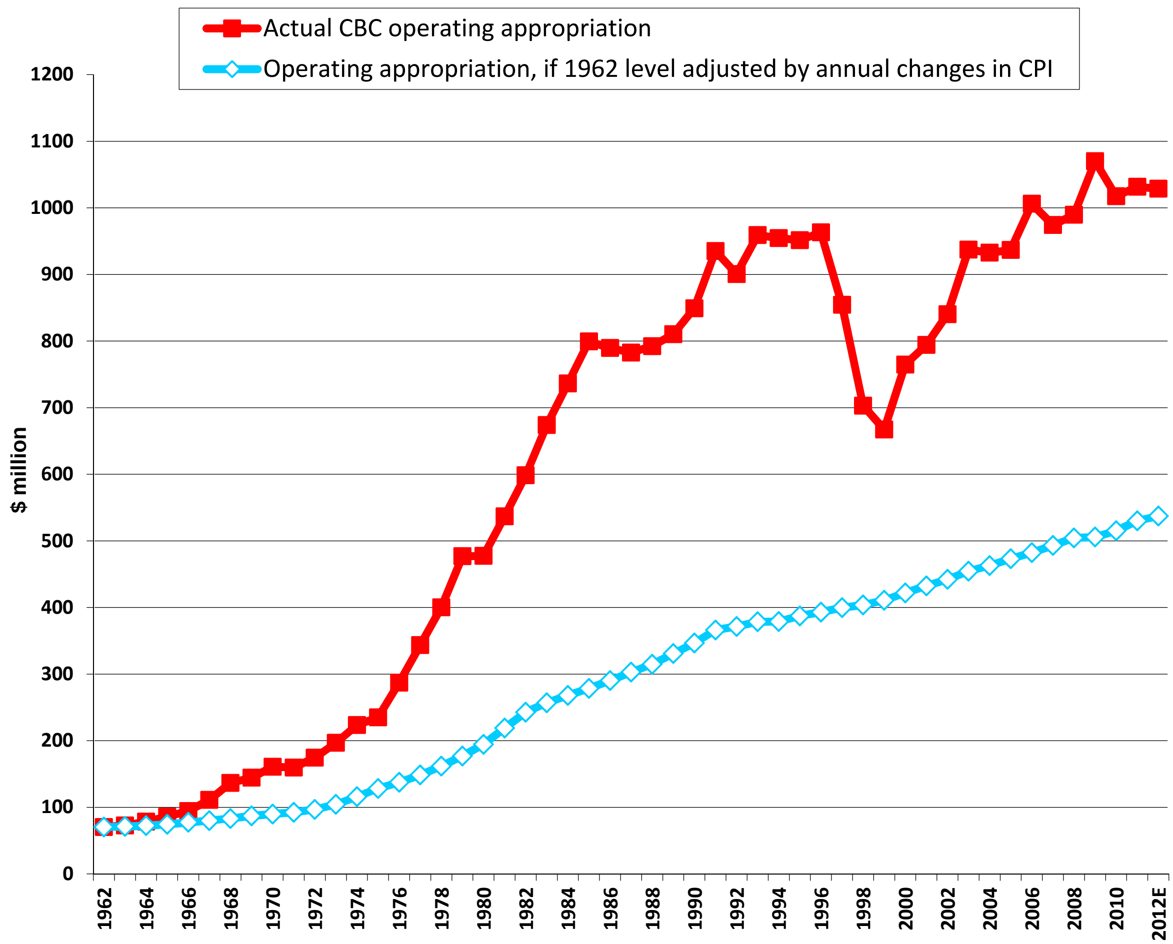
Figure 1 tracks Parliamentary operating appropriations to the CBC starting in 1962. It also indicates what would have happened if the CBC's operating appropriation in 1962 would simply have been increased each year by the growth in the Consumer Price Index (CPI).

In the 50 years since 1962, the Parliamentary operating appropriations actually received by CBC/Radio-Canada totaled $31.4 billion. Using 1962 as the base year, the total amount by which the CBC/Radio-Canada Parliamentary operating appropriations exceeded inflation from 1963 to 2012 was $16.9 billion.

We are not suggesting that the data in Figure 1 provide any rationale to alter the level of the Parliamentary Appropriation, either up or down; we are merely attempting to illustrate how comparisons of this nature are sensitive to the starting point chosen for the analysis.

Figure 1.

Actual CBC/Radio-Canada operating appropriation, 1962-2012, compared to what the appropriation would have been if the 1962 level had been adjusted each year by the Consumer Price Index:



NOTES:

1. Operating appropriations do not include special appropriations for downsizing in 1996, 1997, and 1999.
2. CPI for 2012 is estimated, based on CPI for July 2012.
3. CBC/Radio-Canada 2012 operating appropriation is estimated, based on CBC/Radio-Canada's *Third Quarter Financial Report 2011-2012*, p. 31.

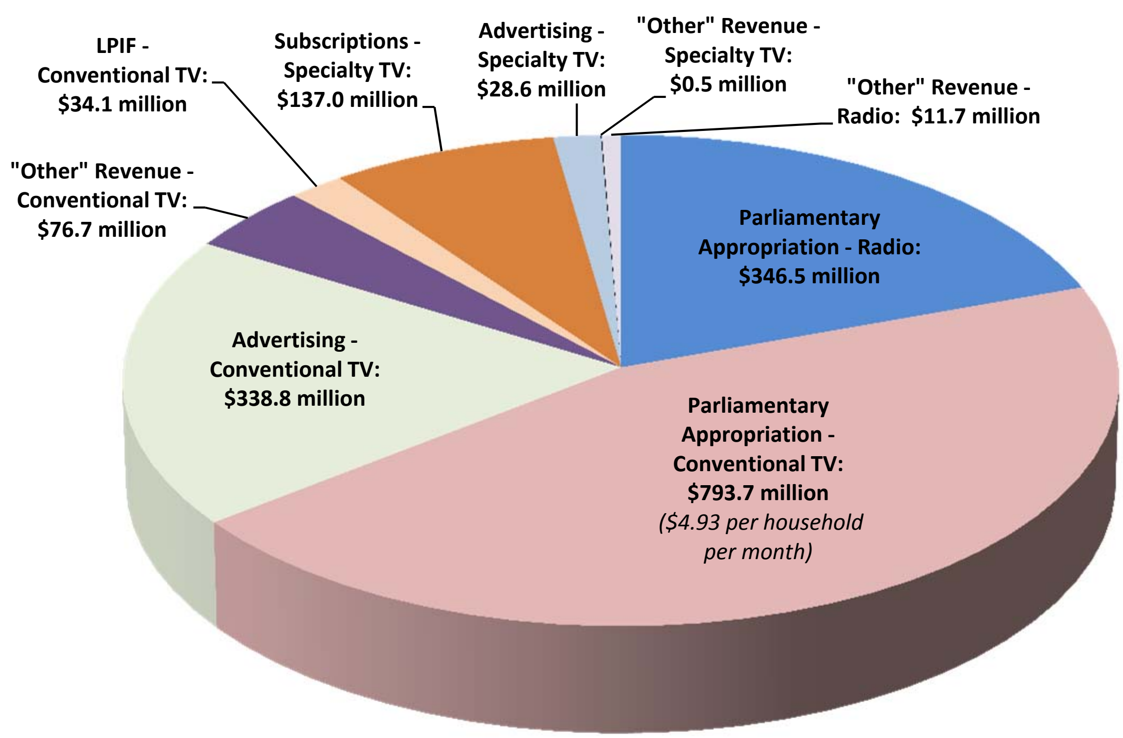
SOURCE: CBC/Radio-Canada; Statistics Canada. CBC/Radio-Canada data are for years ending March 31st; CPI data are for calendar years.

CBC/Radio-Canada in 2010 and 2011: Where did the money come from?

It is useful to start this analysis by setting out the main revenue sources for CBC/Radio-Canada in 2010 and 2011. In 2010, the total revenue for CBC/Radio-Canada's radio, conventional television and specialty television operating units was $1,767.8 million; that increased by four per cent to $1,838.8 million in 2011.

Using data from the CRTC, we have been able to identify nine main revenue sources, and those revenue sources are shown in Figures 2 and 3.[11]

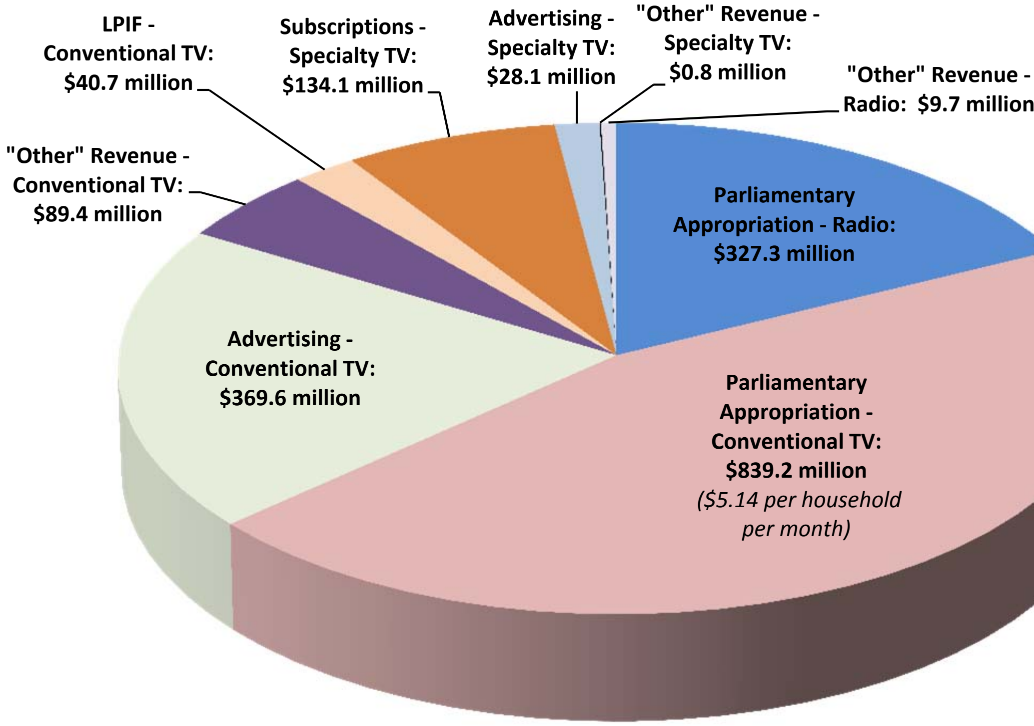
Figure 2.
Principal revenue sources for CBC/Radio-Canada, **2010**:



SOURCE: CRTC, *Conventional Television, Statistical and Financial Summaries, 2007-2011*, p. 13; *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 13; *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 11,37,51,69,153.

[11] Unless otherwise noted, all data are for broadcast fiscal years ending August 31st.

Figure 3.
Principal revenue sources for CBC/Radio-Canada, **2011**:



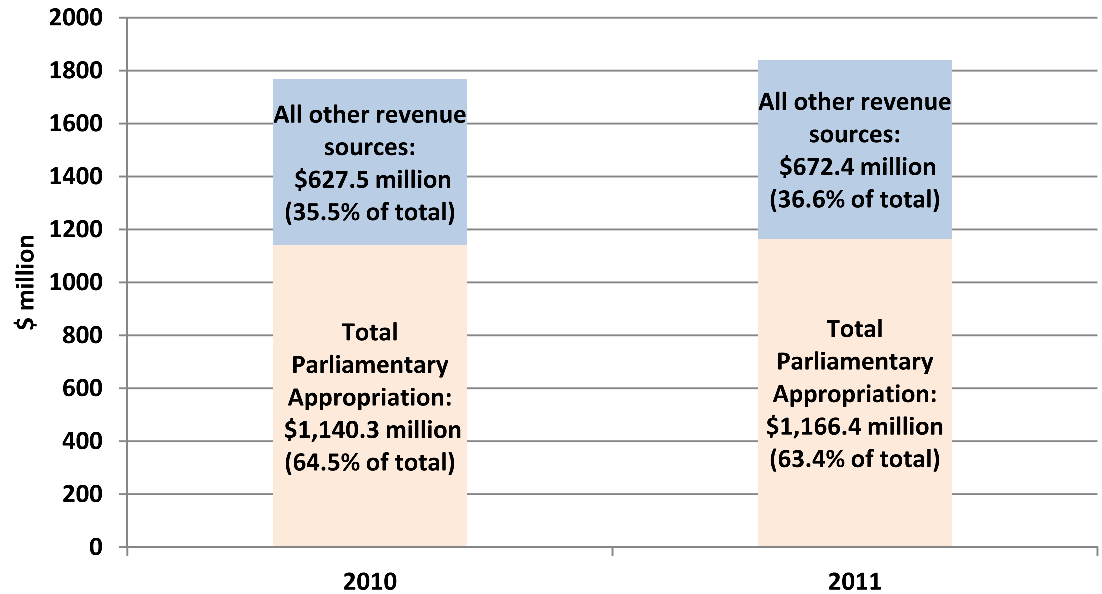
SOURCE: CRTC, *Conventional Television, Statistical and Financial Summaries, 2007-2011*, p. 13; *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 13; *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 11,37,51,69,153.

(Note: The Parliamentary Appropriations shown in Figures 2 and 3 only refer to the CBC/Radio-Canada operating appropriations. There are also additional appropriations for capital expenditures, and additional funds from the Canada Media Fund that go to producers working on CBC/Radio-Canada programs.)

In Figure 4, we have indicated the split in CBC/Radio-Canada revenues between the Parliamentary Appropriation (taxpayer subsidy) and all of the CBC's other revenue sources. In 2010, CBC/Radio-Canada received 64.5 per cent of its total revenues from its Parliamentary Appropriation; in 2011, the figure was 63.4 per cent.

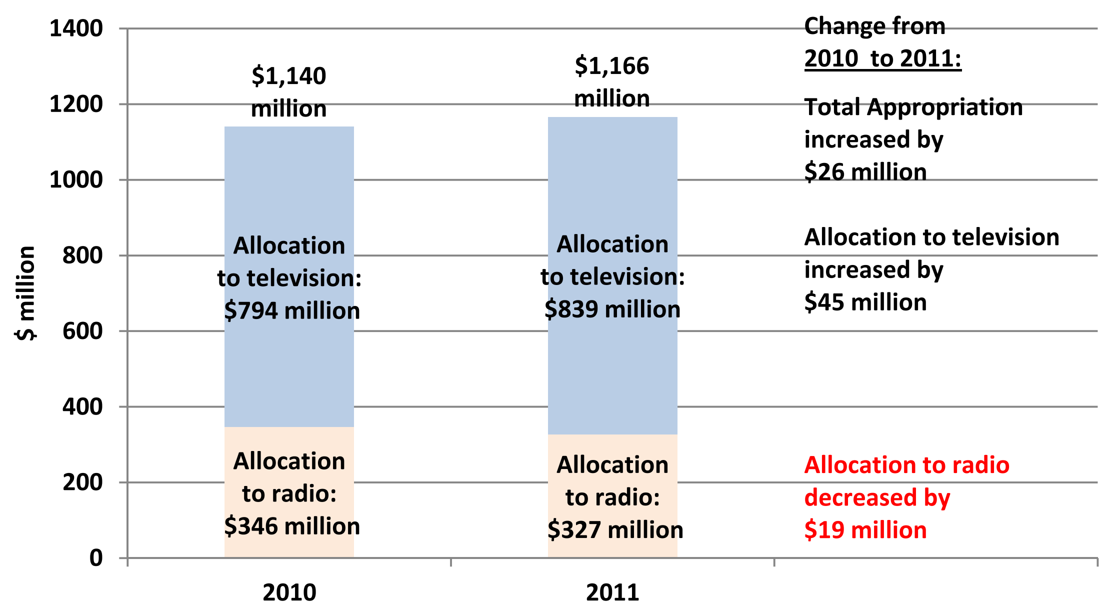
In Figure 5, we have indicated how CBC management allocated the Parliamentary Appropriation between conventional TV and conventional radio. As can be seen from Figure 4, the Parliamentary Appropriation went up from 2010 to 2011, but the CBC reduced the allocation to radio and increased the allocation to conventional TV, in both dollar and percentage terms.

Figure 4.
Public (taxpayer) and other revenue sources, Canadian Broadcasting Corporation, 2010 and 2011:



SOURCE: Based on data in Figures 1 and 2.

Figure 5.
Changes in the CBC/SRC allocation of its Parliamentary Appropriation, 2010 to 2011:

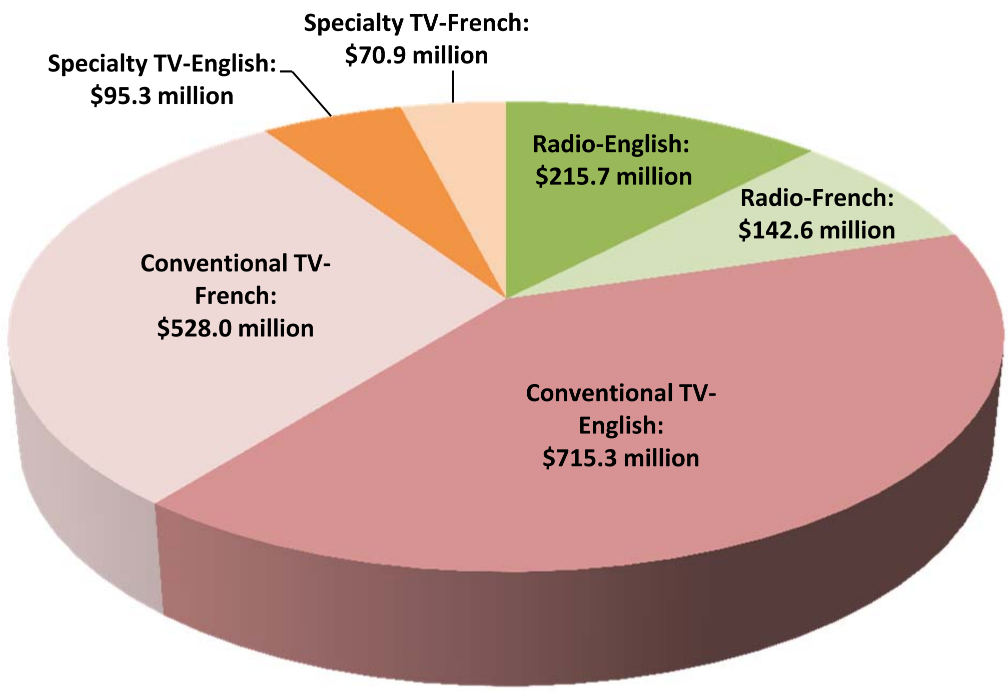


SOURCE: Based on data in Figures 1 and 2.

CBC/Radio-Canada: Six operating units

While tax-supported vs. other revenue sources is one way of looking at CBC/Radio-Canada, one could also subdivide the revenues by the type of service being provided – radio, conventional television, or specialty TV – and by language. That subdivision by general type of service and by language is provided for 2010 in Figure 6, and for 2011 in Figure 7.

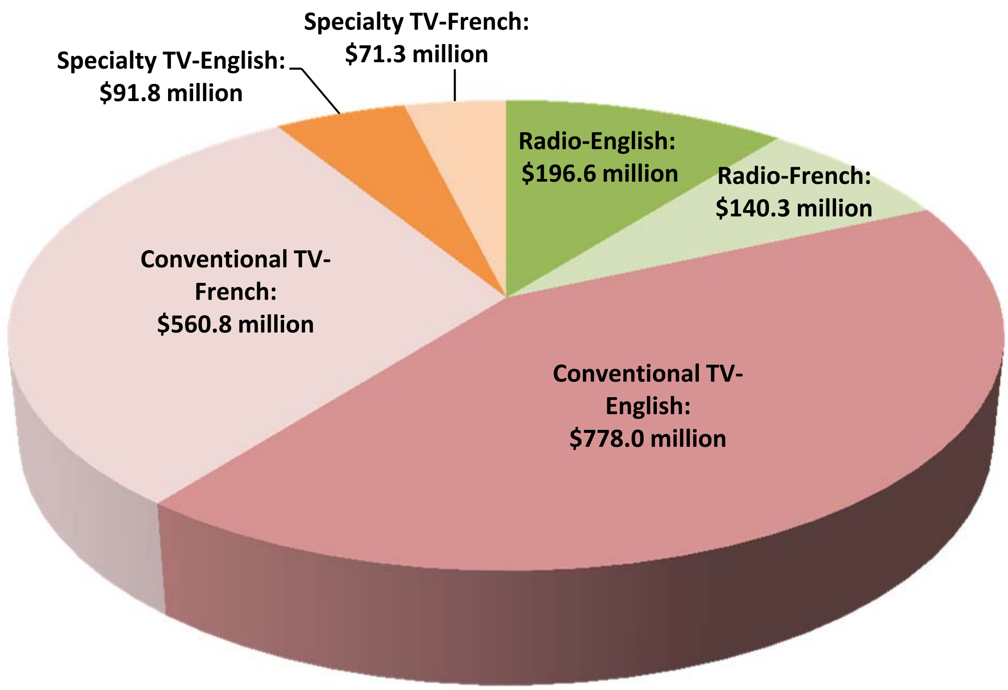
Figure 6.
Revenues by general service type and language, CBC/Radio-Canada, **2010**:



SOURCE: CRTC, *Conventional Television, Statistical and Financial Summaries, 2007-2011*, p. 13; *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 13; *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 11,37,51,69,153. The revenues for English and French radio, and for English and French conventional television, have been derived by linking the "aggregate annual return" data on the CRTC Web site with the data published in the CRTC's financial summaries.

As indicated in Figures 6 and 7, conventional television is the largest service type, followed by radio, and then specialty TV services. Based on the data in Figures 6 and 7, it appears that a useful way to understand the functional nature of CBC/Radio-Canada is to view it as being made up of six operating units:

Figure 7.
Revenues by general service type and language, CBC/Radio-Canada, **2011**:



SOURCE: CRTC, *Conventional Television, Statistical and Financial Summaries, 2007-2011*, p. 13; *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 13; *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 11,37,51,69,153. The revenues for English and French radio, and for English and French conventional television, have been derived by linking the "aggregate annual return" data on the CRTC Web site with the data published in the CRTC's financial summaries.

1. French radio
2. English radio
3. French specialty TV services
4. English specialty TV services
5. French conventional television
6. English conventional television

While there will obviously be linkages between and among these services, the functional differences make this a useful framework for analysis.

In Figure 8, we have provided some additional detail on why we think this is an appropriate way to view CBC/Radio-Canada. As indicated in Figure 8, in addition to the obvious language differences, there are clearly different economic characteristics for the CBC's radio, specialty TV, and conventional television services.

Figure 8.
CBC/Radio-Canada's six main operating units, indicating key economic characteristics:

Service types	**Operating units**	Key economic characteristics
RADIO[12]	**1. French radio** **2. English radio**	*CBC/Radio-Canada's radio services are public broadcasters that are financed almost entirely from public funds*
SPECIALTY TELEVISION	**3. French specialty services** **4. English specialty services**	*CBC/Radio-Canada's specialty TV services are required to operate on a commercial basis and receive no public funds*
CONVENTIONAL TELEVISION	**5. French conventional TV** **6. English conventional TV**	*CBC/Radio-Canada has described its conventional television service as "a publicly-subsidized commercial network", so it represents a hybrid that has never been fully defined*

SOURCE: Communications Management Inc.

In Figure 8, we note that CBC/Radio-Canada has described its conventional television service as "a publicly-subsidized commercial network".[13] While full consideration of that self-description by the CBC is beyond the scope of this report, we would note that it could be argued that:

- The concept of "a publicly-subsidized commercial network" may be inconsistent with the concept of a "national public broadcaster" set out in the *Broadcasting Act*; and

- If the public funds are to be used to subsidize a commercial network, why should such subsidies be limited to a single commercial network (the CBC)?

[12] The CBC operates two distinct services within each of English and French radio.
[13] The description of CBC Television as "a publicly-subsidized commercial network" is contained in a letter from CBC Media Relations that appeared in the *Moncton Times & Transcript*, January 22, 2009.

How big is CBC/Radio-Canada, compared to its competitors?

Using the CRTC's data for 2010 and 2011, it is possible to calculate CBC/Radio-Canada's share of industry revenues and staffing, and to compare the CBC/Radio-Canada components with its competitors for each of the six business units defined above.

In 2010, CBC/Radio-Canada accounted for:

- 20.2 per cent of the total revenue in Canadian broadcasting[14] ($1,767.8 million out of a total of $8,758.1 million); and

- 31.3 per cent of the total number of employees in Canadian broadcasting (CBC/Radio-Canada employed 9,585 of the total staffing of 30,638 people).

In 2011, CBC/Radio-Canada accounted for:

- 20.0 per cent of the total revenue in Canadian broadcasting ($1,838.8 million out of a total of $9,173.6 million); and

- 30.0 per cent of the total number of employees in Canadian broadcasting (CBC/Radio-Canada employed 9,467 of the total staffing of 31,505 people).

(The difference between the share of revenue and the share of employees may raise questions about operational efficiency, which are dealt with in a later section.)

While the CBC/Radio-Canada shares of overall revenues and staffing are significant, an analysis by sector reveals that CBC/Radio-Canada's shares of revenue and employees are even greater in radio and in conventional television.

[14] "Canadian broadcasting" includes private and CBC/Radio-Canada radio, private and CBC/Radio-Canada conventional TV services, and pay television, pay-per-view, video-on demand and specialty services. The CRTC data do not include educational/provincial services.

CBC/Radio-Canada is the largest radio broadcaster in Canada

Based on revenues, and across all languages, CBC/Radio-Canada was the largest radio broadcaster in Canada in 2010 and 2011. CBC/SRC radio had total revenue of $358.3 million in 2010. Because of CBC/SRC management's reallocation of part of the Parliamentary Appropriation away from radio, that figure fell to $336.9 million in 2011.

The data are summarized in Figures 9 and 10.

In the English-language radio market, based on revenue, we find that CBC radio was the second-largest broadcaster in 2010, and the third-largest broadcaster in 2011, as summarized in Figures 11 and 12.

According to data in the CRTC's latest *Communications Monitoring Report*, the CBC's share of tuning to English-language stations in 2011 was:

- CBC Radio One: 12.1 per cent in diary markets; 11.4 per cent in PPM markets[15]
- CBC Radio Two: 2.2 per cent in diary markets; 3.0 per cent in PPM markets[16]
- Total English-language: 14.3 per cent in diary markets; 14.4 per cent in PPM markets[17]

In the French-language radio market, based on revenue, Radio-Canada radio is by far the largest broadcaster, as summarized in Figures 13 and 14.

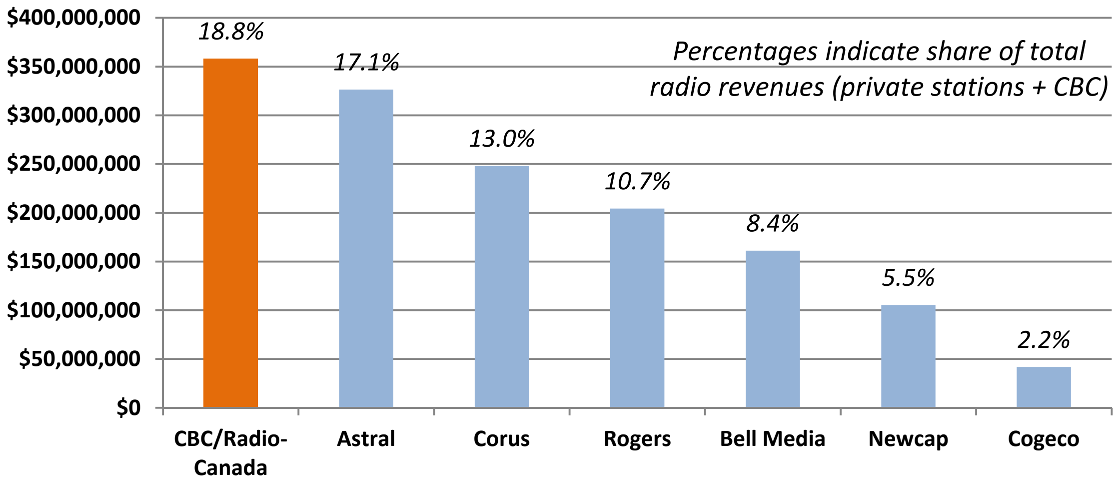
According to data in the CRTC's latest *Communications Monitoring Report*, the Radio-Canada share of radio tuning in 2011 was:

- Premier Chaine: 9.6 per cent in diary markets; 11.6 per cent in PPM markets[18]
- Espace Musique: 3.3 per cent in diary markets; 3.0 per cent in PPM markets[19]
- Total French-language: 12.9 per cent in diary markets; 14.6 per cent in PPM markets[20]

… text continues on page 17

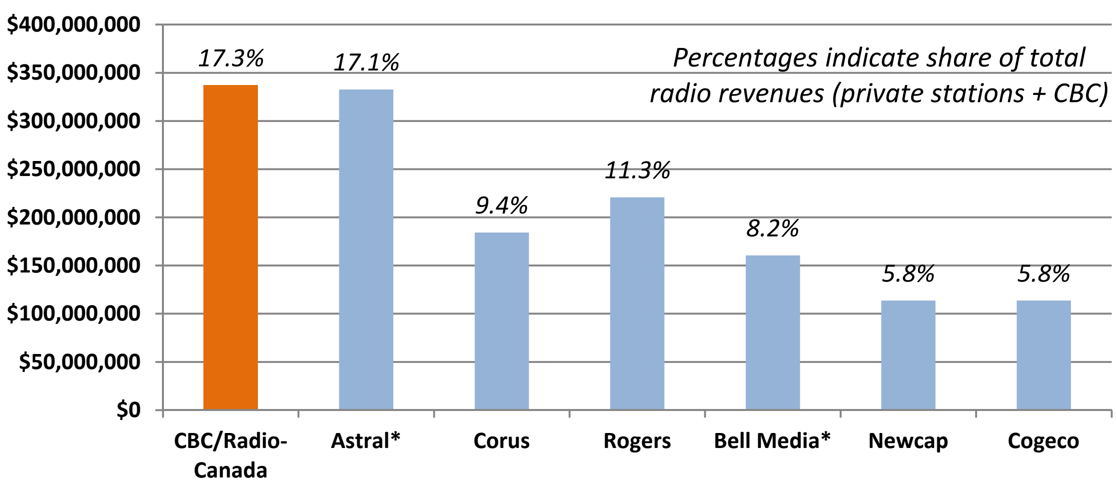
[15] CRTC, *Communications Monitoring Report 2012*, Figures 4.2.3 and 4.2.5, pp. 47 and 48.
[16] *Ibid*.
[17] *Ibid*.
[18] CRTC, *Communications Monitoring Report 2012*, Figures 4.2.4 and 4.2.6, pp. 47 and 48.
[19] *Ibid*.
[20] *Ibid*.

Figure 9.
Largest radio broadcasters in Canada, by revenue, **2010**:



SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; *Communications Monitoring Report 2012*, Table 4.2.8, p. 57; "aggregate annual return" data on the CRTC Web site.

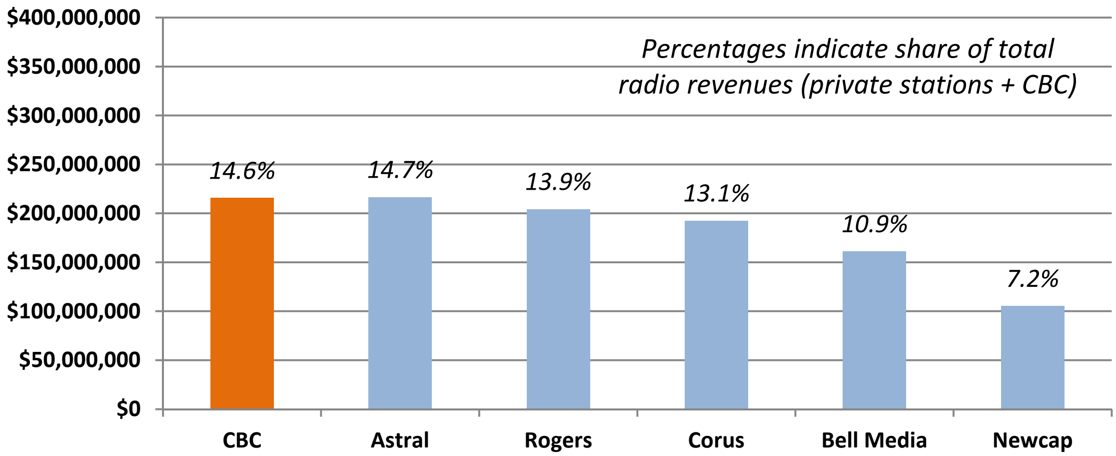
Figure 10.
Largest radio broadcasters in Canada, by revenue, **2011**:



* Note: As this report was being prepared, the Commission was considering the proposed merger of BCE and Astral. For that reason, we have developed an estimate of the market size and share of Bell Media plus Astral. Adjusting for the stations to be divested, we estimate that the combined market share of Bell Media plus Astral would have been about 22 per cent in 2011.

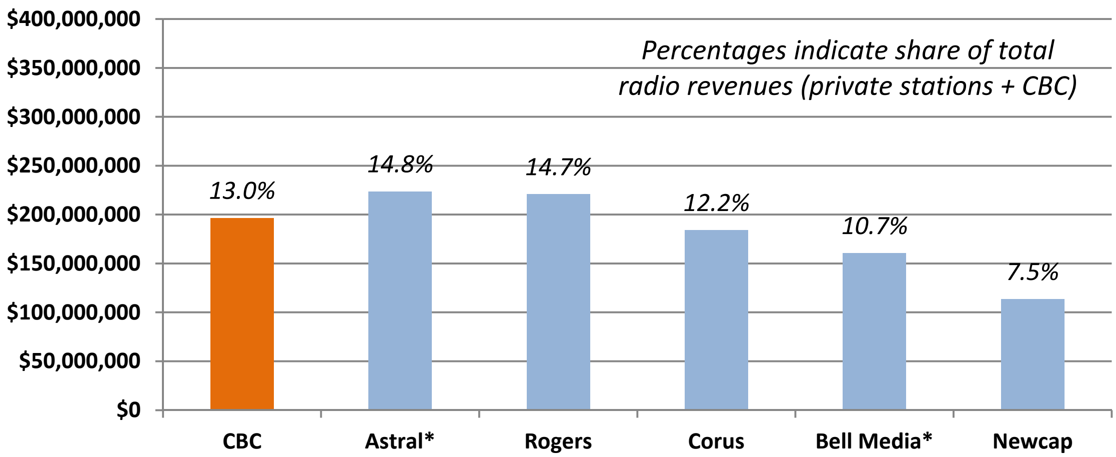
SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; *Communications Monitoring Report 2012*, Table 4.2.8, p. 57; "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Figure 11.
Largest radio broadcasters in Canada, by revenue,
English-language market, **2010**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.2.8, p. 57;
"aggregate annual return" data on the CRTC Web site.

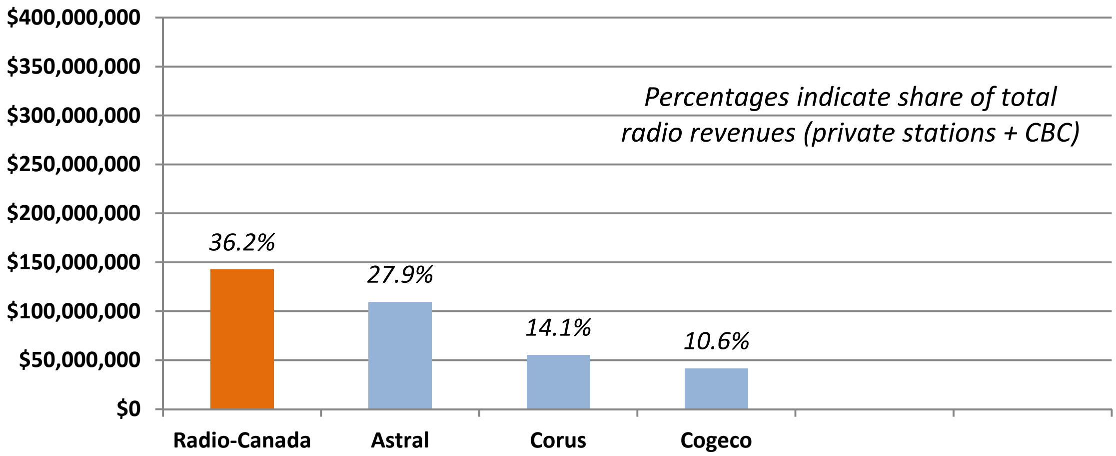
Figure 12.
Largest radio broadcasters in Canada, by revenue,
English-language market, **2011**:



* Note: As this report was being prepared, the Commission was considering the proposed merger of BCE and Astral. For that reason, we have developed an estimate of the market size and share of Bell Media plus Astral. Adjusting for the stations to be divested, we estimate that the combined market share of Bell Media plus Astral would have been about 21 per cent in 2011.

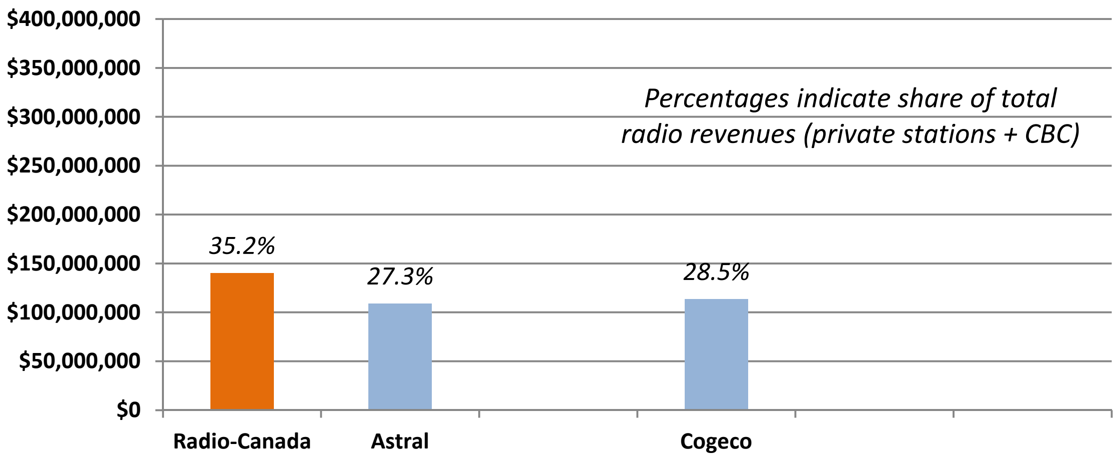
SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.2.8, p. 57;
"aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Figure 13.
Largest radio broadcasters in Canada, by revenue,
French-language market, **2010**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.2.8, p. 57; "aggregate annual return" data on the CRTC Web site.

Figure 14.
Largest radio broadcasters in Canada, by revenue,
French-language market, **2011**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.2.8, p. 57; "aggregate annual return" data on the CRTC Web site.

CBC/Radio-Canada is the largest employer in Canadian radio

Figure 15 summarizes the number of employees in Canada's largest radio broadcasters in 2010, across all languages. If we compare Figure 15 with Figure 9, we can see that, in 2010, CBC/Radio-Canada accounted for 18.8 per cent of radio revenues and 20.1 per cent of radio employment.

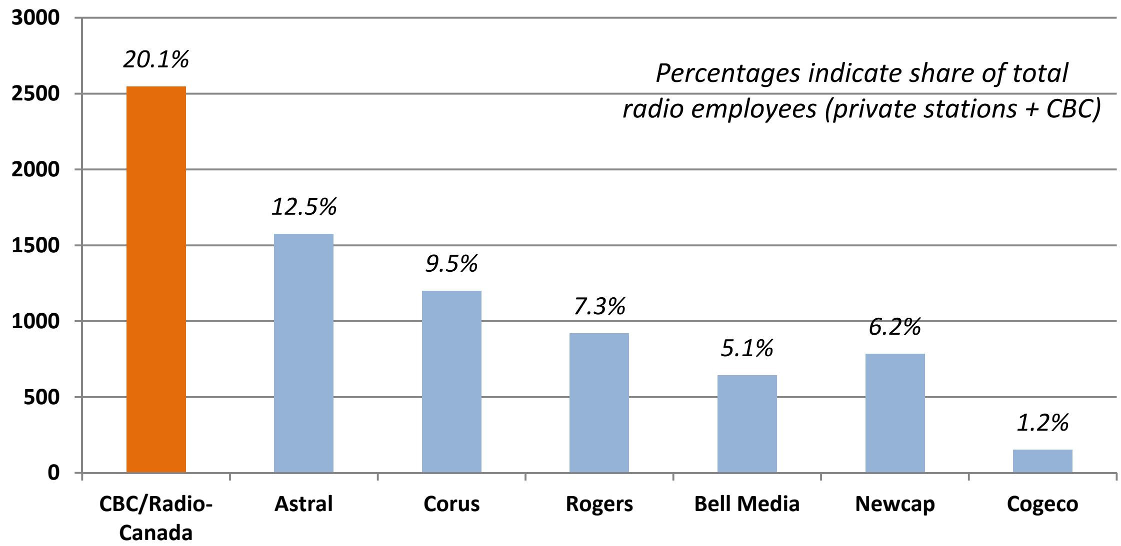
Figure 16 provides a similar summary for 2011. If we compare Figure 16 with Figure 10, we can see that, in 2011, CBC/Radio-Canada accounted for 17.3 per cent of radio revenues and 19.0 per cent of radio employment.

CBC radio is the largest employer in the English-language market, as summarized in Figure 17 and 18. In 2010, its share of radio employment in this market was 16.3 per cent, compared with its revenue share of 14.6 per cent (see Figure 11). In 2011, its share of radio employment in this market was 15.1 per cent, compared with its revenue share of 13.0 per cent (Figure 12).

Radio-Canada radio is also the largest employer in the French-language market, as summarized in Figures 19 and 20. In 2010, its share of radio employment in this market was 39.5 per cent, compared with its revenue share of 36.2 per cent (see Figure 13). In 2011, it share of radio employment in this market was 37.4 per cent, compared with its revenue share of 35.2 per cent (see Figure 14).

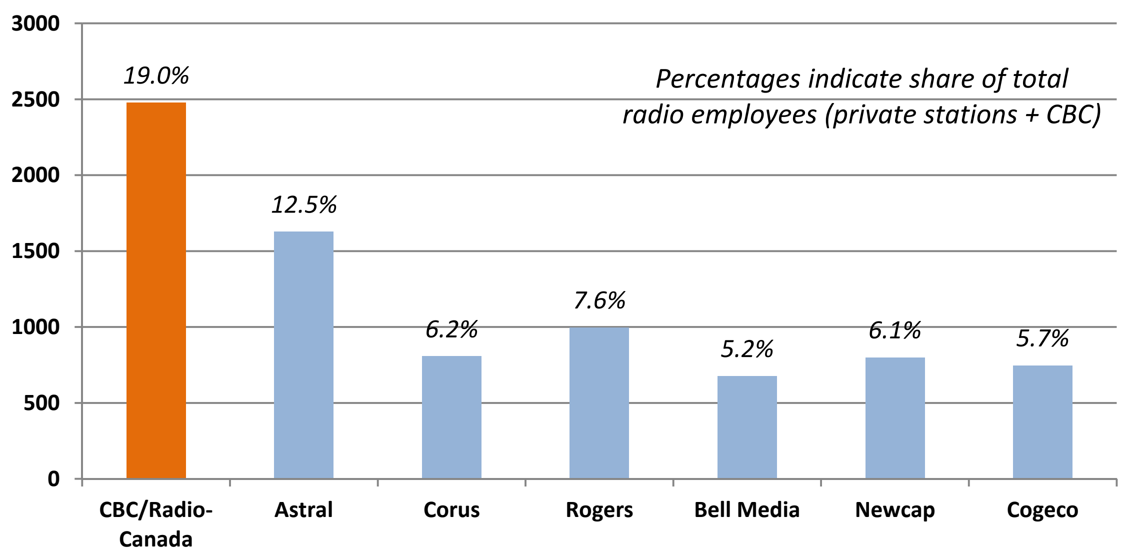
… text continues on page 21

Figure 15.
Largest radio broadcasters in Canada, by number of employees, **2010**:



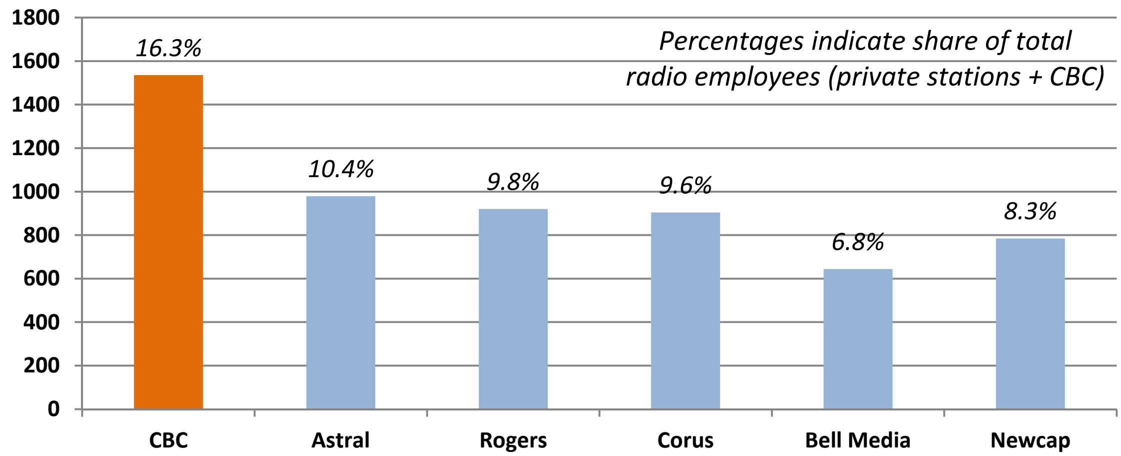
SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; "aggregate annual return" data on the CRTC Web site.

Figure 16.
Largest radio broadcasters in Canada, by number of employees, **2011**:



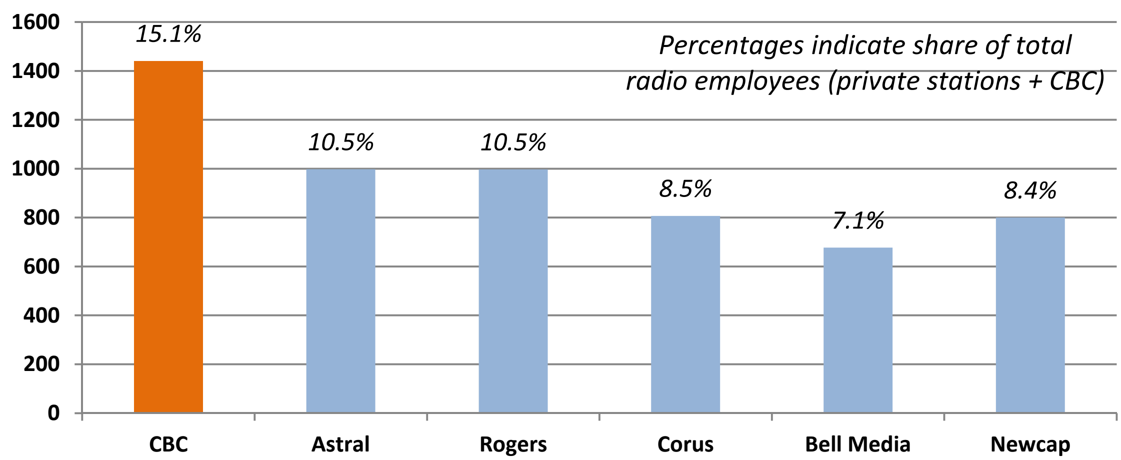
SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; "aggregate annual return" data on the CRTC Web site.

Figure 17.
Largest radio broadcasters in Canada, by number of employees,
English-language market, **2010**:



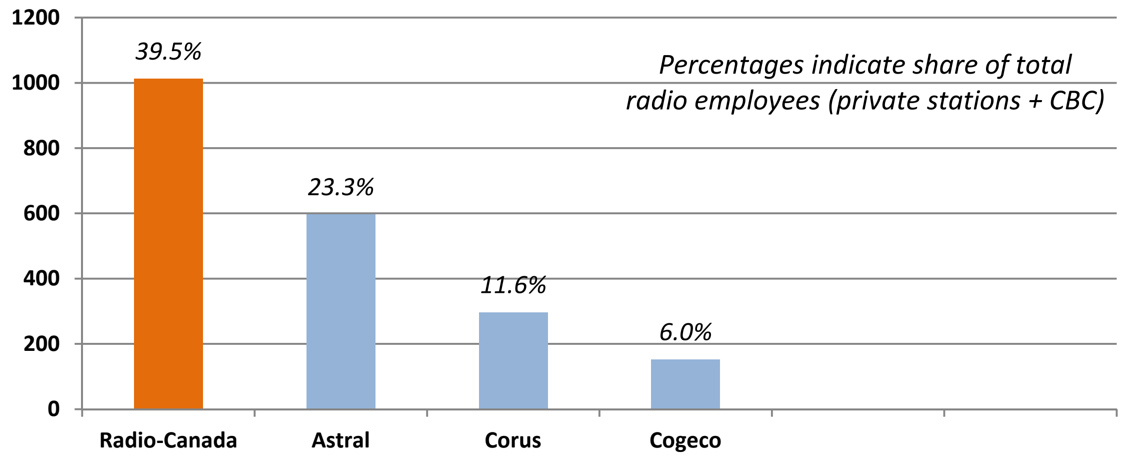
SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 2; "aggregate annual return" data on the CRTC Web site.

Figure 18.
Largest radio broadcasters in Canada, by number of employees,
English-language market, **2011**:



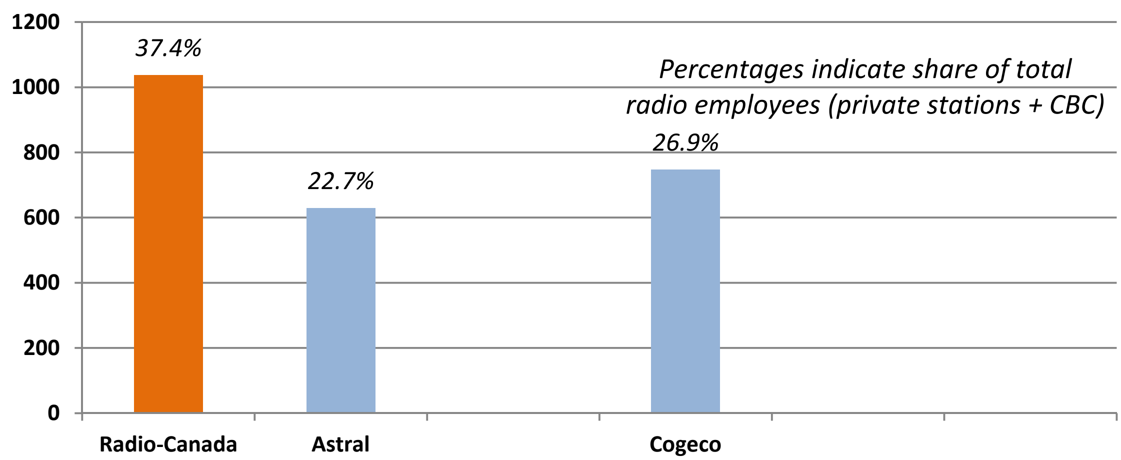
SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 2; "aggregate annual return" data on the CRTC Web site.

Figure 19.
Largest radio broadcasters in Canada, by number of employees,
French-language market, 2010:



SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 3; "aggregate annual return" data on the CRTC Web site.

Figure 20.
Largest radio broadcasters in Canada, by number of employees,
French-language market, 2011:



SOURCE: CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, p. 3; "aggregate annual return" data on the CRTC Web site.

CBC/Radio-Canada is the largest Canadian provider of specialty TV news

While the CBC is a relatively small player in specialty services, it does occupy an important role in the specialty services news channel category.

Table 1 summarizes revenue and staffing count data for the CBC/SRC specialty channels in 2010 and 2011.

Table 1.
Total operating revenues and total staff counts for CBC/Radio-Canada's specialty services, 2010 and 2011:

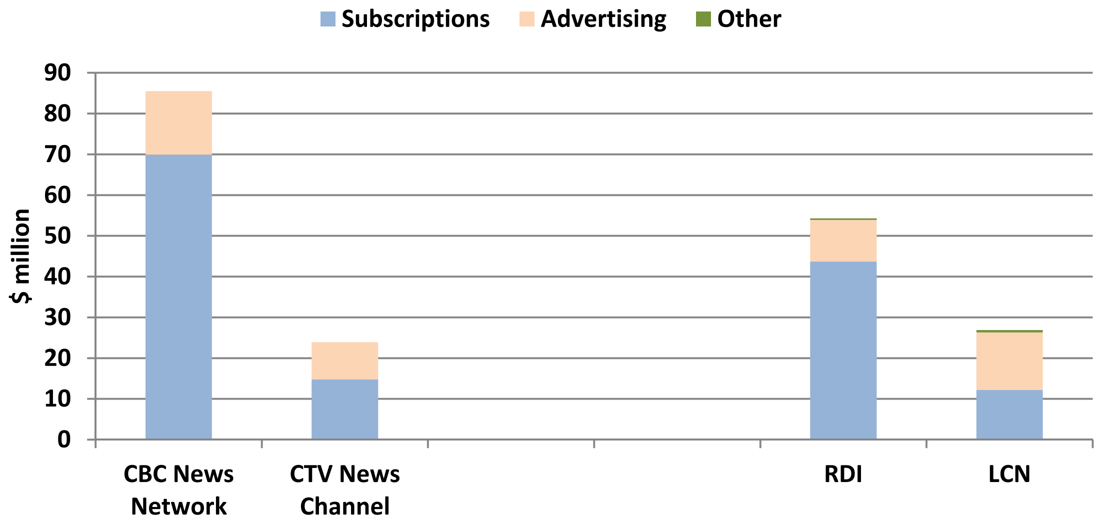
	2010		2011	
	Total operating revenue ($ million)	Staff count	Total operating revenue ($ million)	Staff count
CBC News Network	85.5	392	82.2	342
Bold	4.3	8	4.0	8
Documentary	5.5	8	5.5	8
RDI	54.3	361	54.1	371
ARTV	16.6	40	17.2	46

SOURCE: CRTC, *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 11,37,51,69,153.

It should be noted that, in August 2012, it was announced that the CBC was selling Bold to Blue Ant Media. As can be seen from the data in the table, this will have a very small impact on the CBC/SRC overall totals.

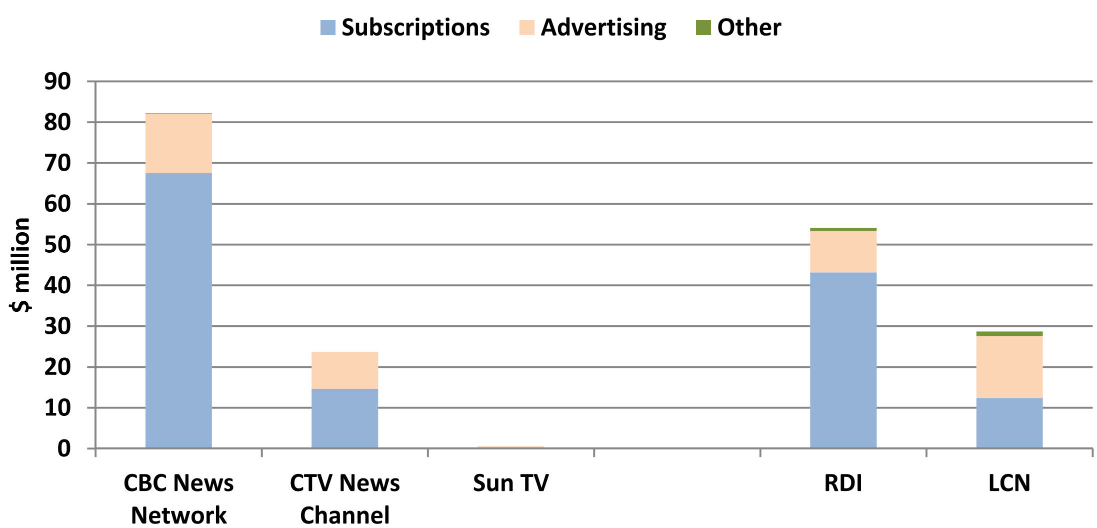
Figures 21 and 22 compare the revenue of the CBC's two specialty news services with their principal competitors, for 2010 and 2011.

Figure 21.
CBC/Radio-Canada and competitive specialty news services revenues, **2010**:



SOURCE: CRTC, *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 51,60,111,153.

Figure 22.
CBC/Radio-Canada and competitive specialty news services revenues, **2011**:



SOURCE: CRTC, *Individual Pay Television, Pay-Per-View, Video-On-Demand and Specialty Services, Statistical and Financial Summaries, 2007-2011*, pp. 51,60,111,153,184.

CBC/Radio-Canada is the largest conventional television broadcaster in Canada

Based on revenues, and across both main languages, CBC/Radio-Canada is the largest conventional television broadcaster in Canada, with 2010 revenues of $1,243.3 million and 2011 revenues of $1,338.8 million. The next closest broadcaster is Bell Media, with conventional television revenues of about $925 million in 2010 and $829 million in 2011.[21]

The data for conventional television are summarized in Figures 23 and 24.

The CBC is the second-largest conventional TV broadcaster in the English-language market,[22] as summarized in Figures 25 and 26.

In the French-language market, the CBC is by far the largest conventional TV broadcaster, as summarized in Figures 27 and 28.

According to data from BBM, the CBC/Radio-Canada conventional services' shares of television tuning in the 2010-2011 season were:

- English-language market: 6.6 per cent[23]
- French-language market: 13.4 per cent[24]
- All languages: 8.2 per cent[25]

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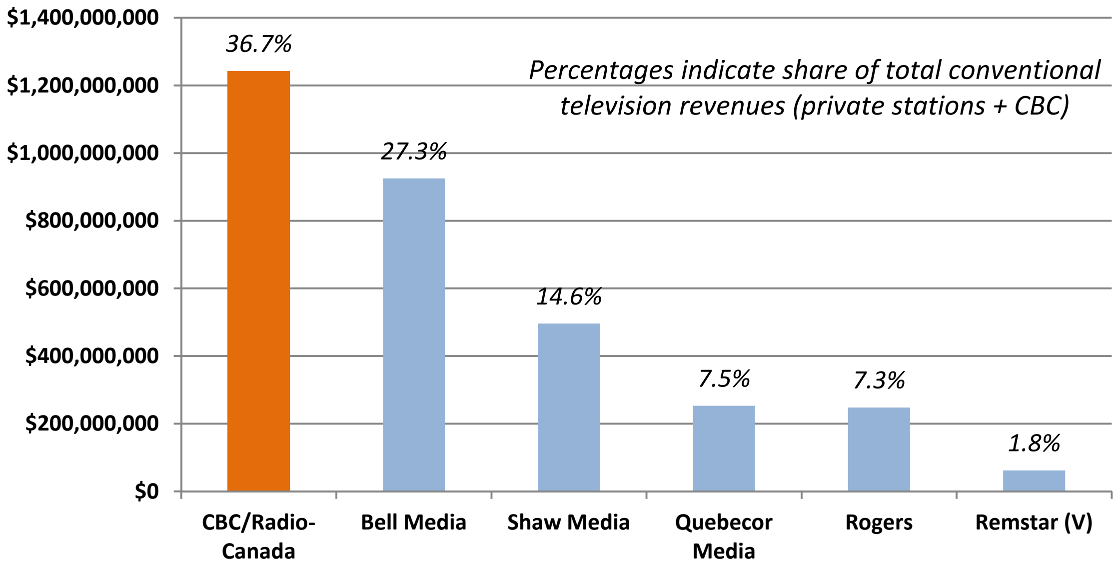
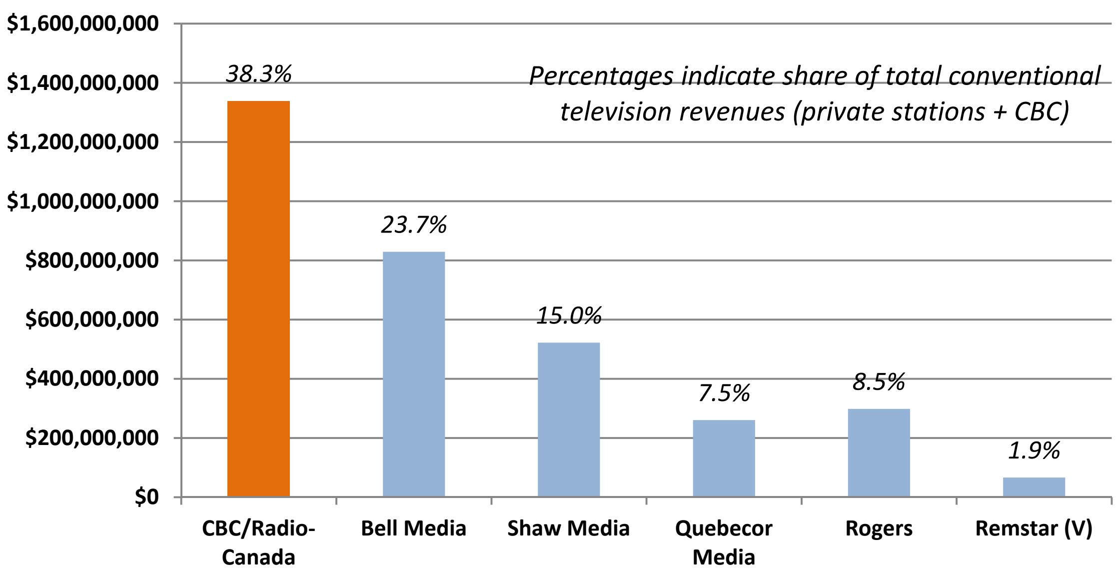
[21] It should be noted that the 2010 data include Bell Media's revenues from the 2010 Winter Olympics.
[22] Note that the CRTC includes multilingual conventional TV stations as part of the English-language market.
[23] CRTC, *Communications Monitoring Report 2012*, Table 4.3.3, pp. 64-65.
[24] *Ibid.*, Table 4.3.4, p. 66.
[25] *Ibid.*, Table 4.3.3, pp. 64-65 and Table 4.3.4, p. 66.

Figure 23.
Largest conventional TV broadcasters in Canada, by conventional TV revenue, **2010**:



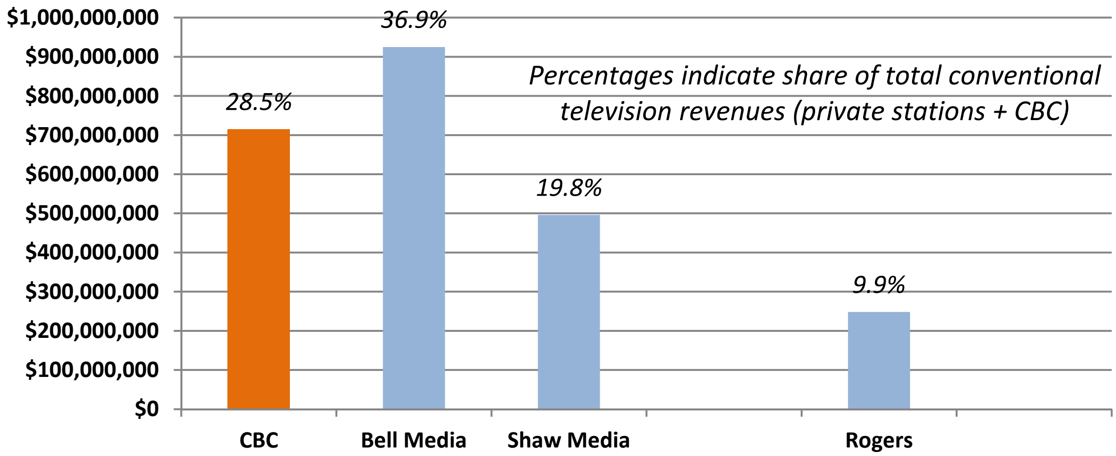
SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; *Communications Monitoring Report 2012*, Table 4.3.12, p. 75, Figure 4.3.11, p. 81, Figure 4.3.12, p. 82.

Figure 24.
Largest conventional TV broadcasters in Canada, by conventional TV revenue, **2011**:



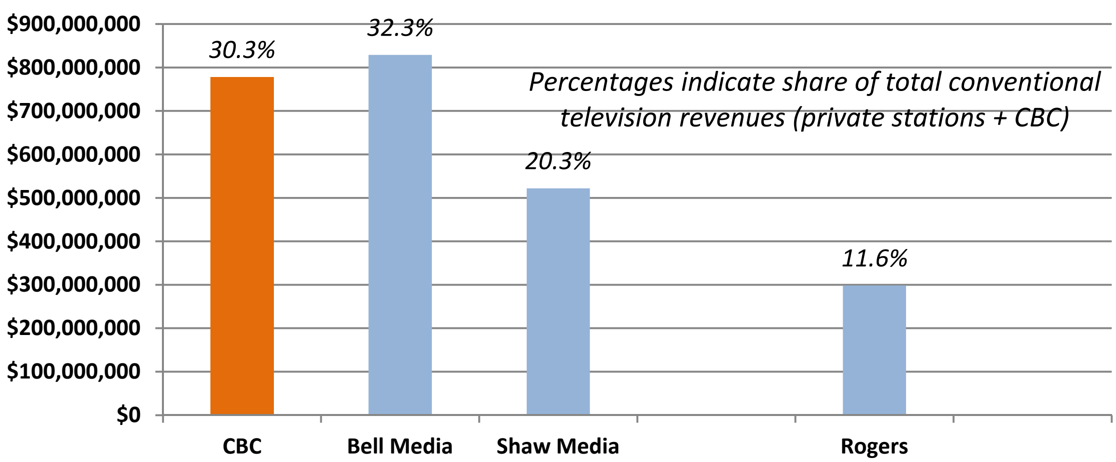
SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; *Communications Monitoring Report 2012*, Table 4.3.12, p. 75, Figure 4.3.11, p. 81, Figure 4.3.12, p. 82.

Figure 25.
Largest conventional TV broadcasters in Canada, by conventional TV revenue,
English-language market, **2010**:



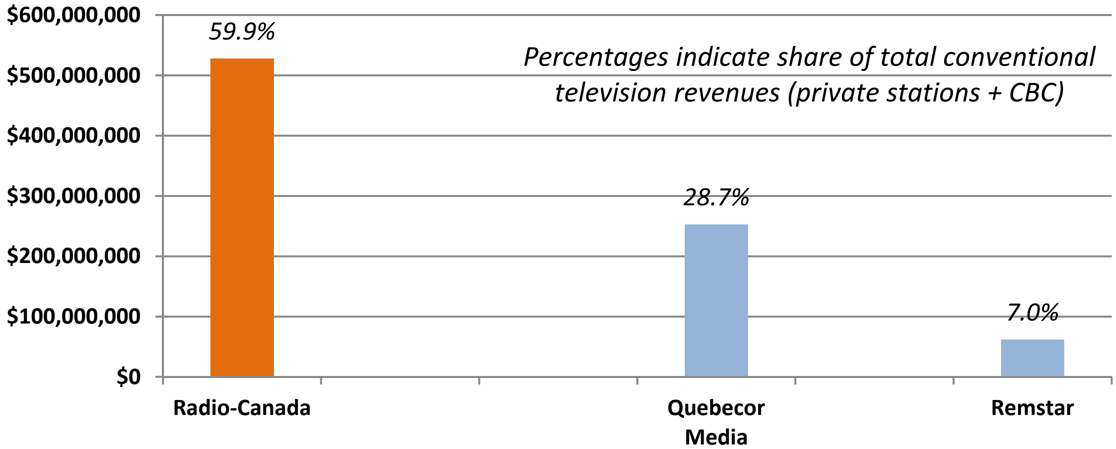
SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.12, p. 75, Figure 4.3.11, p. 81; "aggregate annual return" data on the CRTC Web site.

Figure 26.
Largest conventional TV broadcasters in Canada, by conventional TV revenue,
English-language market, **2011**:



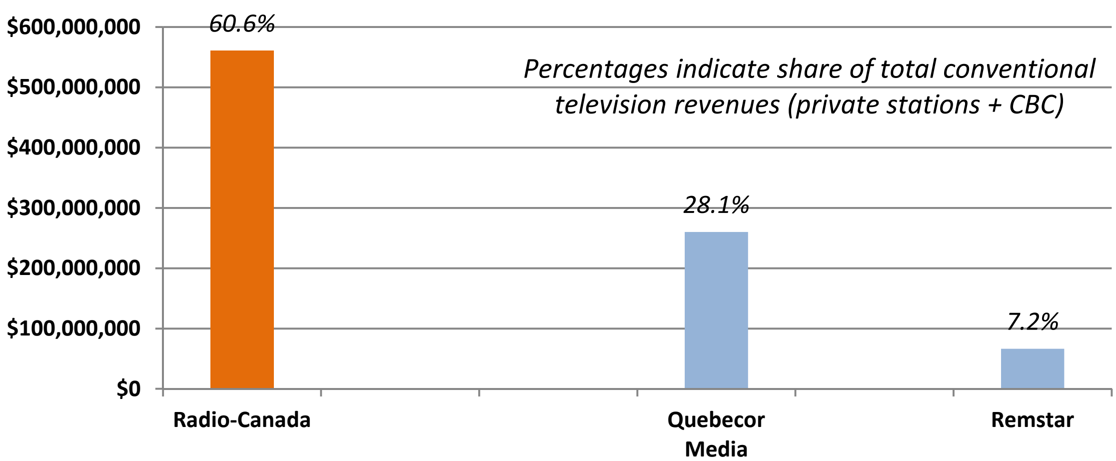
SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.12, p. 75, Figure 4.3.11, p. 81; "aggregate annual return" data on the CRTC Web site.

Figure 27.
Largest conventional TV broadcasters in Canada, by conventional TV revenue,
French-language market, **2010**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.12, p. 75,
Figure 4.3.12, p. 82; "aggregate annual return" data on the CRTC Web site.

Figure 28.
Largest conventional TV broadcasters in Canada, by conventional TV revenue,
French-language market, **2011**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.12, p. 75,
Figure 4.3.12, p. 82; "aggregate annual return" data on the CRTC Web site.

CBC/Radio-Canada employs almost half of the people who work in conventional television in Canada

Figure 29 summarizes the number of employees in Canada's largest conventional television broadcasters, across all languages, in 2010. As indicated in the data, CBC/Radio-Canada accounted for 49.8 per cent of the employees in this sector, compared with its revenue share of 36.7 per cent (see Figure 23).

Figure 30 summarizes the number of employees in Canada's largest conventional television broadcasters, across all languages, in 2011. As indicated in the data, CBC/Radio-Canada accounted for 49.5 per cent of the employees in this sector, compared with its revenue share of 38.3 per cent (see Figure 24).

CBC conventional TV is the largest employer in the English-language market, as summarized in Figure 31 and 32. In 2010, its share of conventional TV employment in this market was 39.4 per cent, compared with its revenue share of 28.5 per cent (see Figure 25). In 2011, its share of conventional TV employment in this market was 38.4 per cent, compared with its revenue share of 30.3 per cent (Figure 26).

Radio-Canada conventional TV is also the largest employer in the French-language market, as summarized in Figures 33 and 34. In 2010, its share of conventional TV employment in this market was 66.9 per cent, compared with its revenue share of 59.9 per cent (see Figure 27). In 2011, its share of conventional TV employment in this market was 68.2 per cent, compared with its revenue share of 60.6 per cent (see Figure 28).

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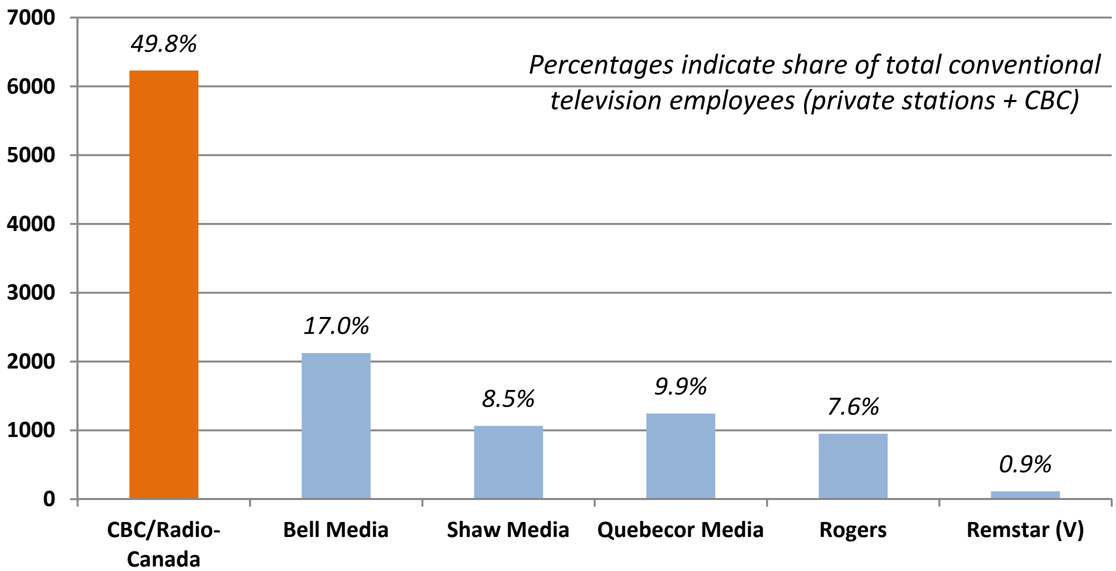
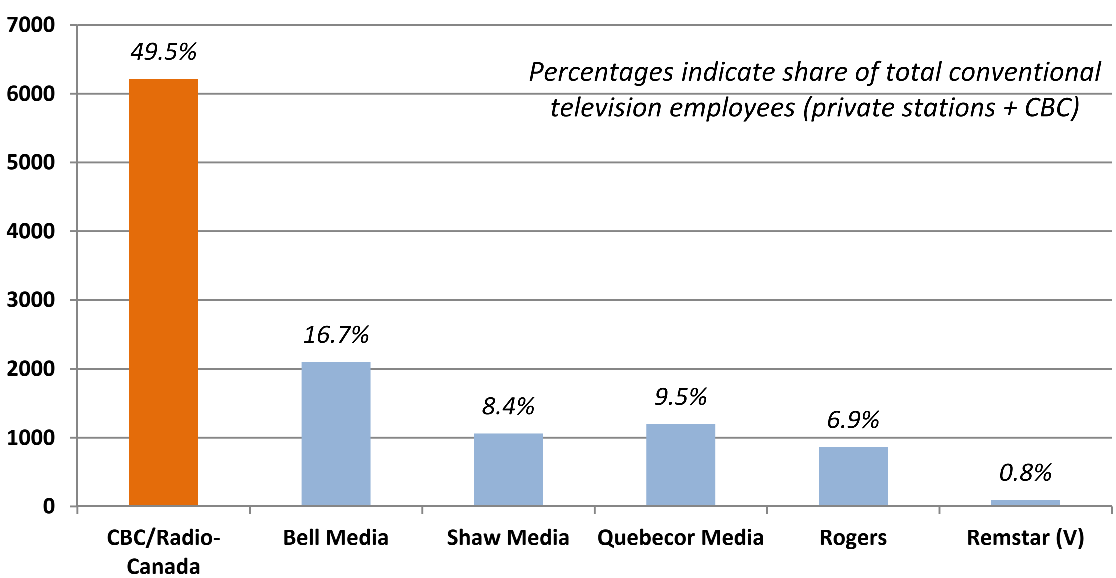
Figure 29.
Largest conventional TV broadcasters in Canada, by number of conventional TV employees, **2010**:



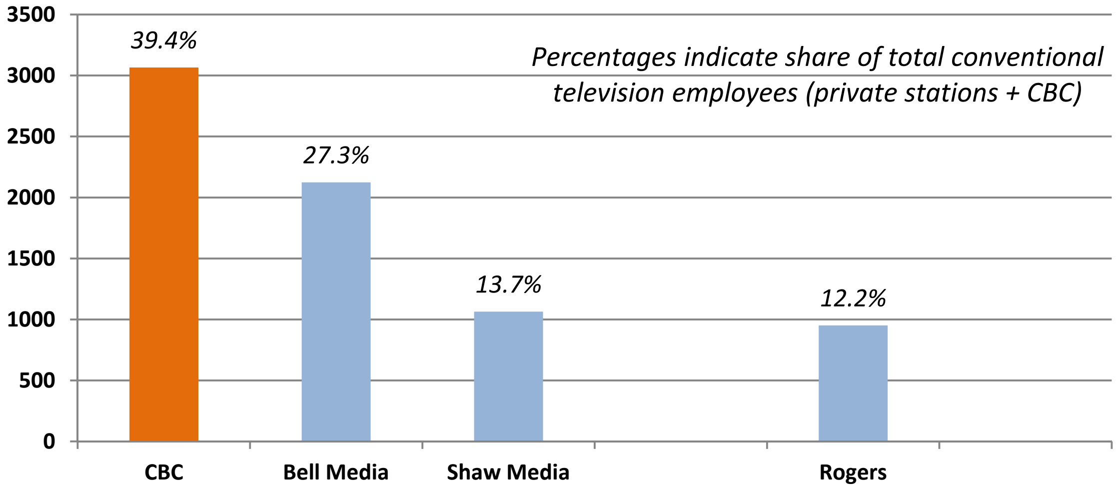
SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; "aggregate annual return" data on the CRTC Web site.

Figure 30.
Largest conventional TV broadcasters in Canada, by number of conventional TV employees, **2011**:



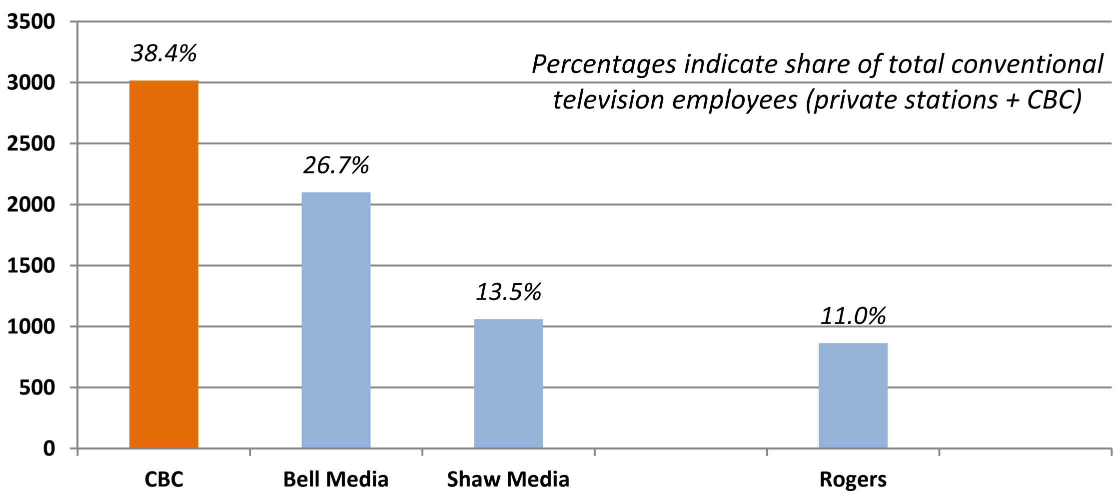
SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; "aggregate annual return" data on the CRTC Web site.

Figure 31.
Largest conventional TV broadcasters in Canada, by number of conventional TV employees, **English-language market**, **2010**:



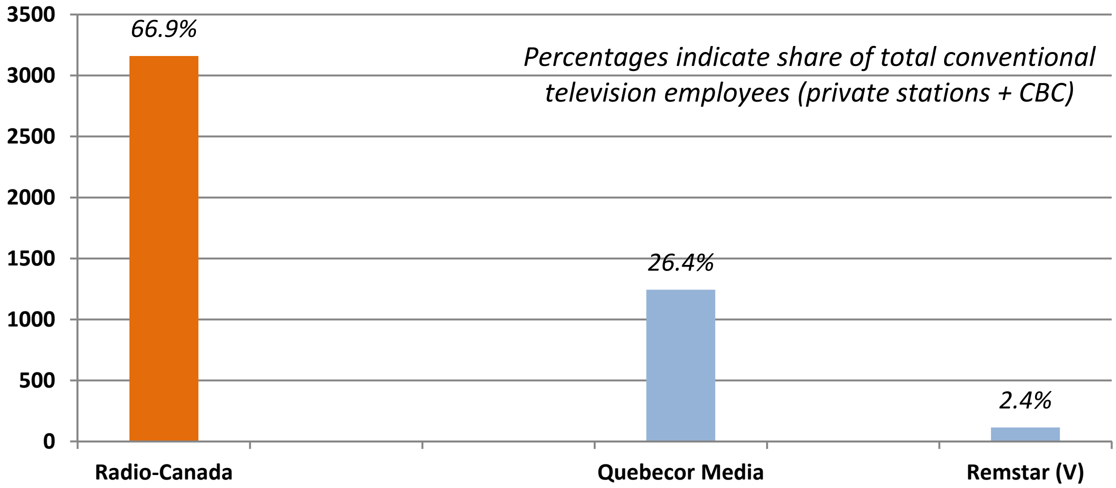
SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Figure 32.
Largest conventional TV broadcasters in Canada, by number of conventional TV employees, **English-language market**, **2011**:



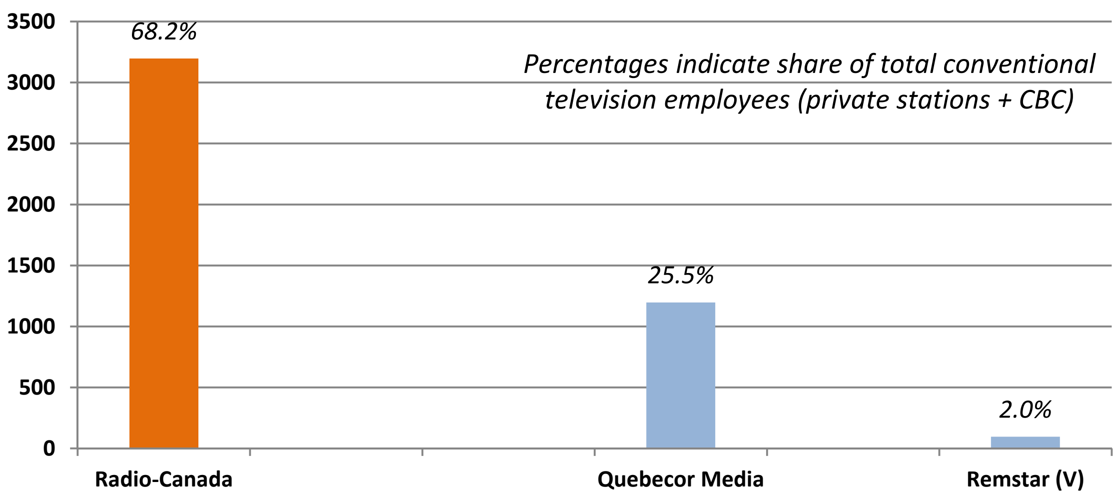
SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Figure 33.
Largest conventional TV broadcasters in Canada, by number of conventional TV employees, **French-language market**, **2010**:



SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Figure 34.
Largest conventional TV broadcasters in Canada, by number of conventional TV employees, **French-language market**, **2011**:



SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Spending on Canadian content

In addition to revenue comparisons, it is also interesting to compare the spending on Canadian content by the CBC's conventional TV services and by private conventional television.

We have used as the basis for comparison the data for spending on programs telecast, because those data are consistently available at both a total industry level and in the "aggregate annual return" data on the CRTC Web site.

In Figures 35 and 36, we have summarized the spending on programs telecast, across all languages, for private conventional television, and compared those data with the CBC's conventional services.

As can be seen from Figures 35 and 36, when spending on sports is excluded, private conventional television broadcasters spend more on Canadian programs than does CBC/Radio-Canada. As indicated in the figures, private conventional TV spends far more on news than does CBC conventional TV, while CBC conventional TV spends more on sports and drama.

However, there are significant differences when one considers the data for spending on programs telecast in the two principal language markets. Those data have been summarized in Figures 37 through 40.

(The CRTC does not release program spending data for private conventional television by English and French markets. However, it does release aggregate annual returns for the largest broadcasters in each of those markets. In the comparisons in Figures 36 through 39, we have used the totals for the largest private conventional broadcasters in each of the language markets as a proxy for the totals for all private conventional broadcasters in those markets. Thus, the totals shown in Figures 36 through 39 for private conventional TV are slightly understated.)

As we can see, in the English-language market, when sports are excluded, private conventional TV substantially outperforms CBC conventional TV in spending on Canadian programs telecast, and this is particularly noticeable in news.

In the French-language market, where the CBC has about 60 per cent of the conventional television revenues, its spending on Canadian programs telecast is greater than its private sector competitors.

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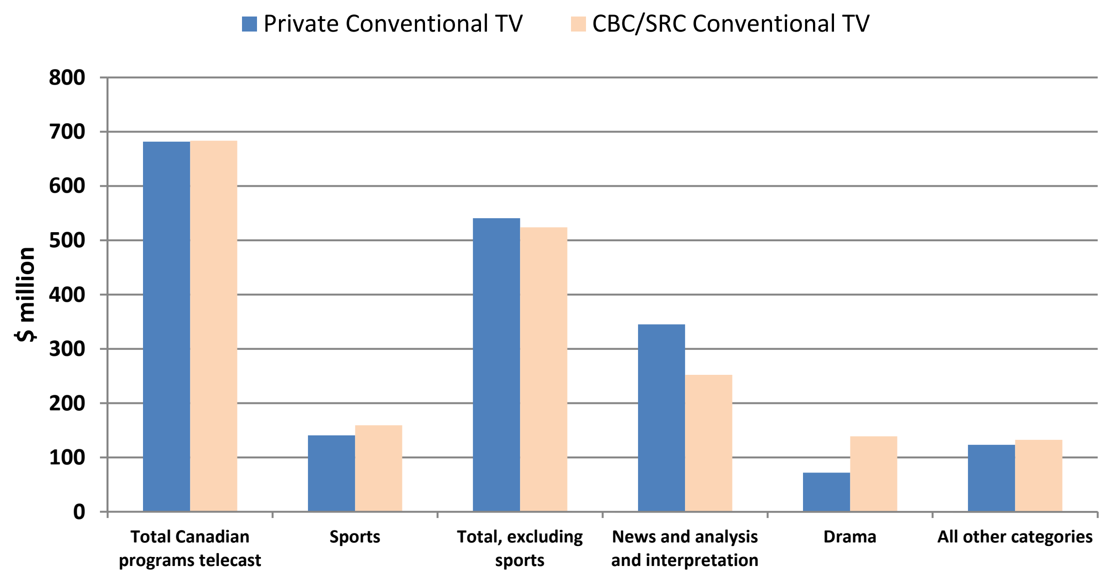
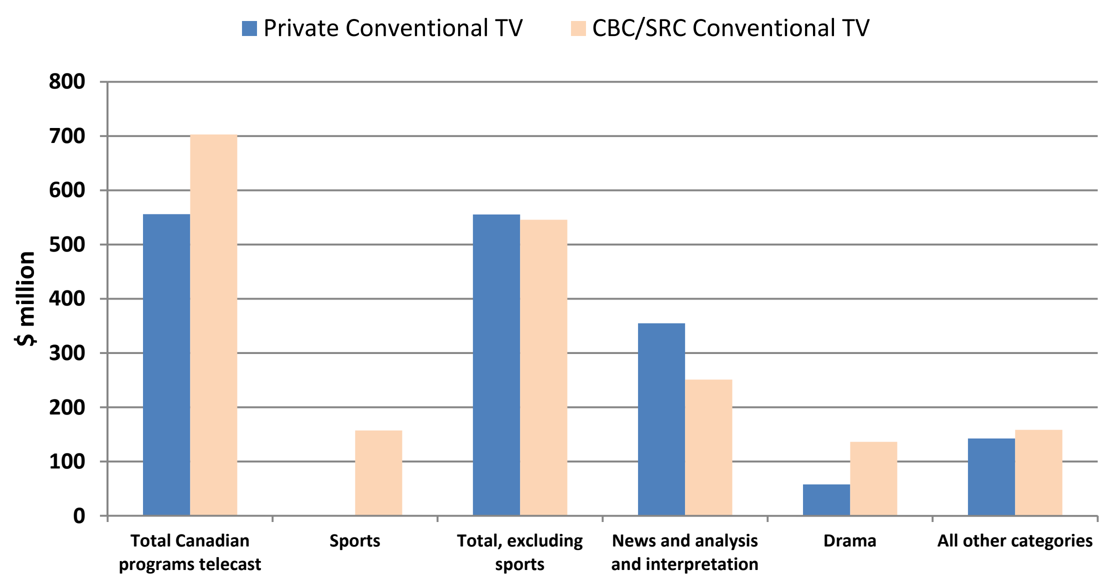
Figure 35.
Spending on Canadian programs telecast, private conventional TV and CBC/Radio-Canada conventional TV, Canada, **2010**:



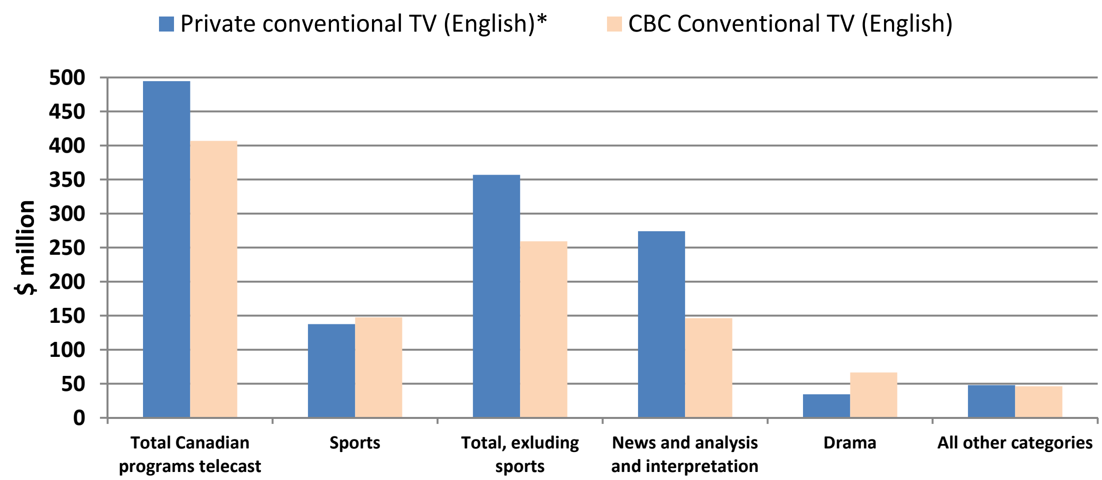
SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2006-2010*, pp. 7,19.

Figure 36.
Spending on Canadian programs telecast, private conventional TV and CBC/Radio-Canada conventional TV, Canada, **2011**:



SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2007-2011*, pp. 7,19.

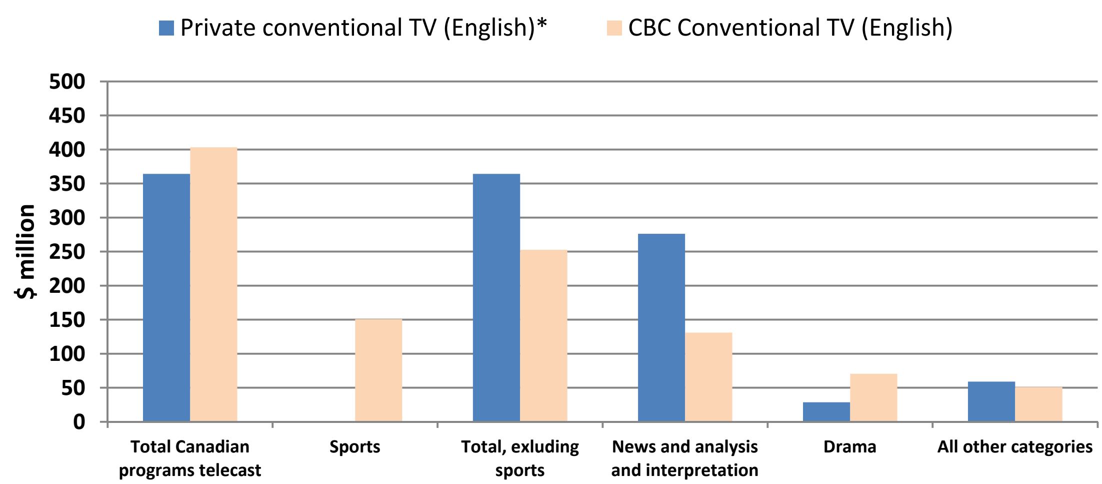
Figure 37.
Spending on Canadian programs telecast, private conventional TV and CBC conventional TV, **English-language market**, **2010**:



* Note: The "private conventional TV" totals are based on the totals for the largest private companies in the market (see text).

SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

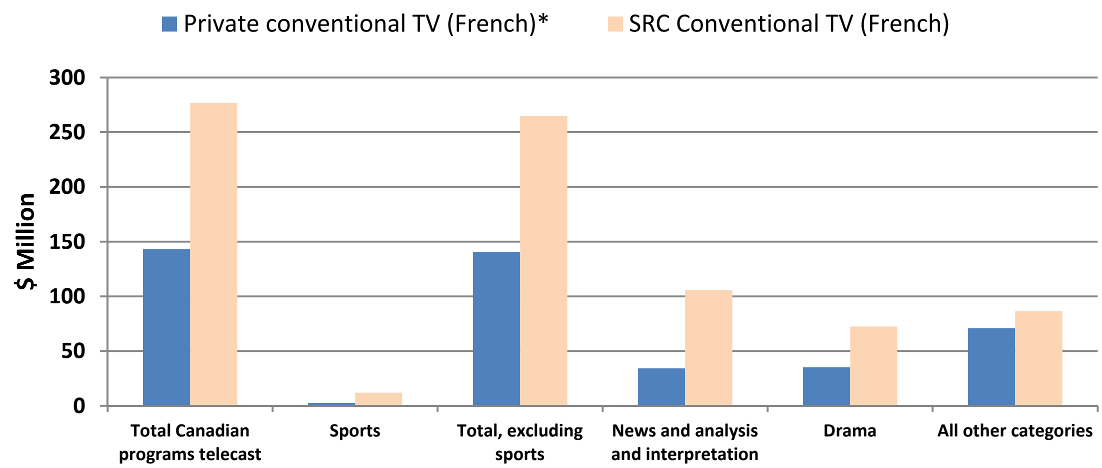
Figure 38.
Spending on Canadian programs telecast, private conventional TV and CBC conventional TV, **English-language market**, **2011**:



* Note: The "private conventional TV" totals are based on the totals for the largest private companies in the market (see text).

SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

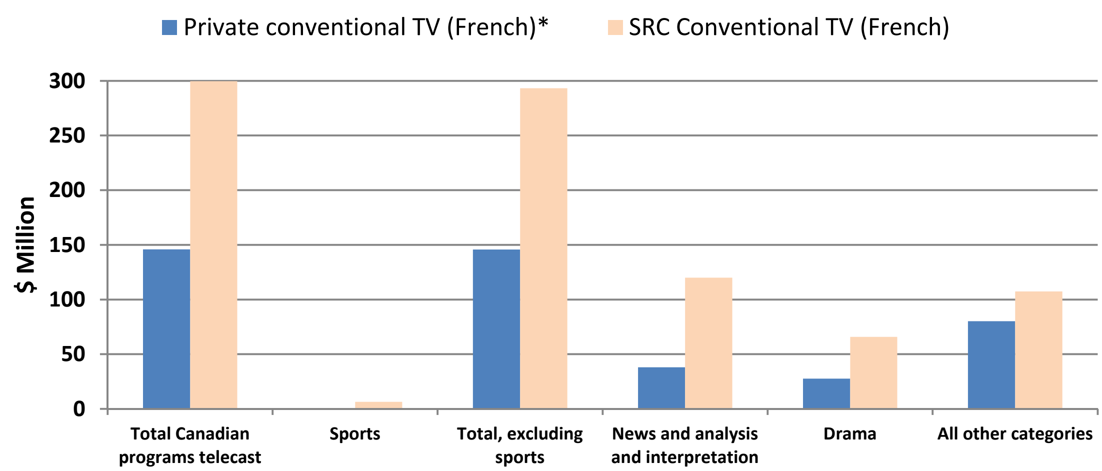
Figure 39.
Spending on Canadian programs telecast, private conventional TV and Radio-Canada conventional TV, **French-language market**, **2010**:



* Note: The "private conventional TV" totals are based on the totals for the largest private companies in the market (see text).

SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Figure 40.
Spending on Canadian programs telecast, private conventional TV and Radio-Canada conventional TV, **French-language market**, **2011**:



* Note: The "private conventional TV" totals are based on the totals for the largest private companies in the market (see text).

SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

Private conventional TV delivers higher viewing to Canadian programs than does CBC/Radio-Canada conventional TV

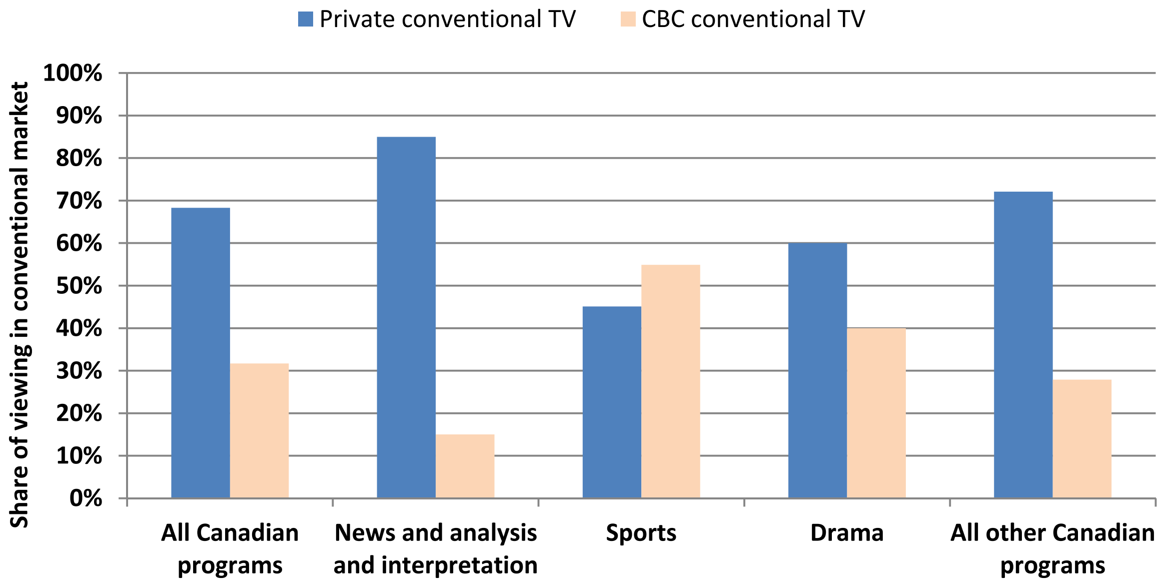
When we compare viewing[26] to Canadian programs on Canadian conventional TV services in the Canadian English-language conventional TV market, we find that private conventional television has a larger share of viewing within the total conventional market than does CBC conventional TV, although the CBC does have a higher share of viewing to sports programming carried on conventional TV. This is illustrated in Figures 41 and 42.

The viewing data for the French-language market are summarized in Figures 43 and 44.

... text continues on page 38

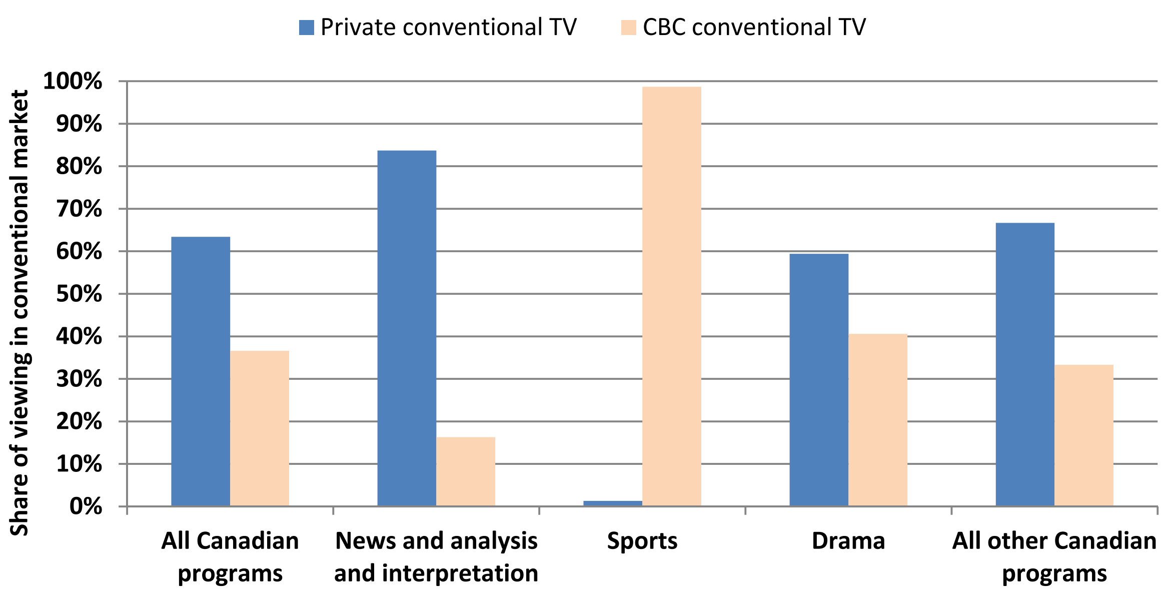
[26] Viewing data are for all persons 2+.

Figure 41.
Share of viewing to Canadian programs on English-language Canadian conventional TV services in the Canadian **English-language conventional television market**, **2010**:



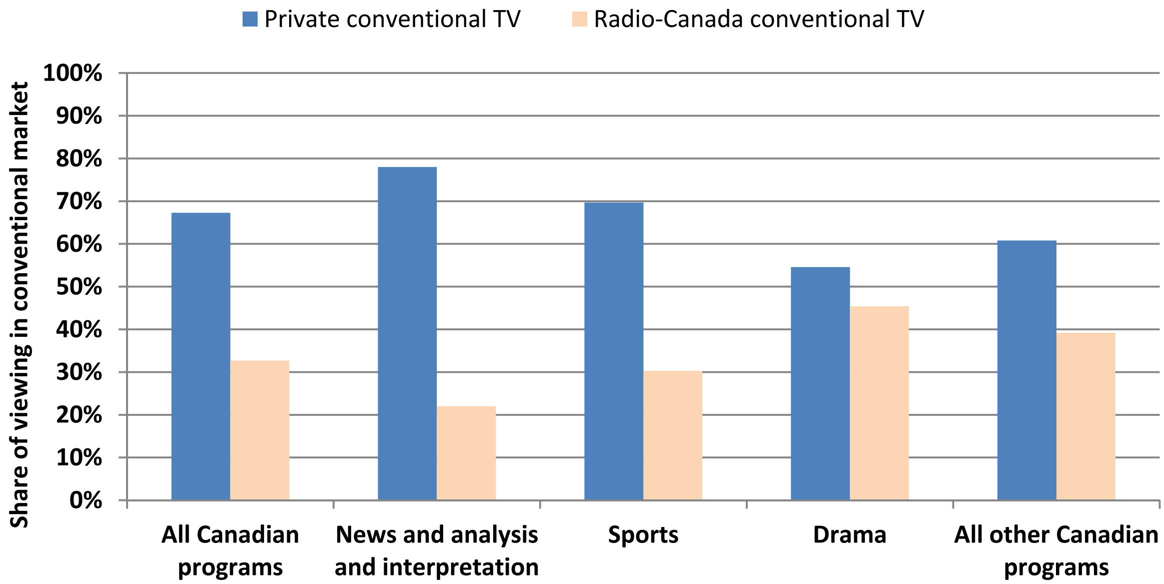
SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.6, p. 68, Table 4.3.7, p. 69.

Figure 42.
Share of viewing to Canadian programs on English-language Canadian conventional TV services in the Canadian **English-language conventional television market**, **2011**:



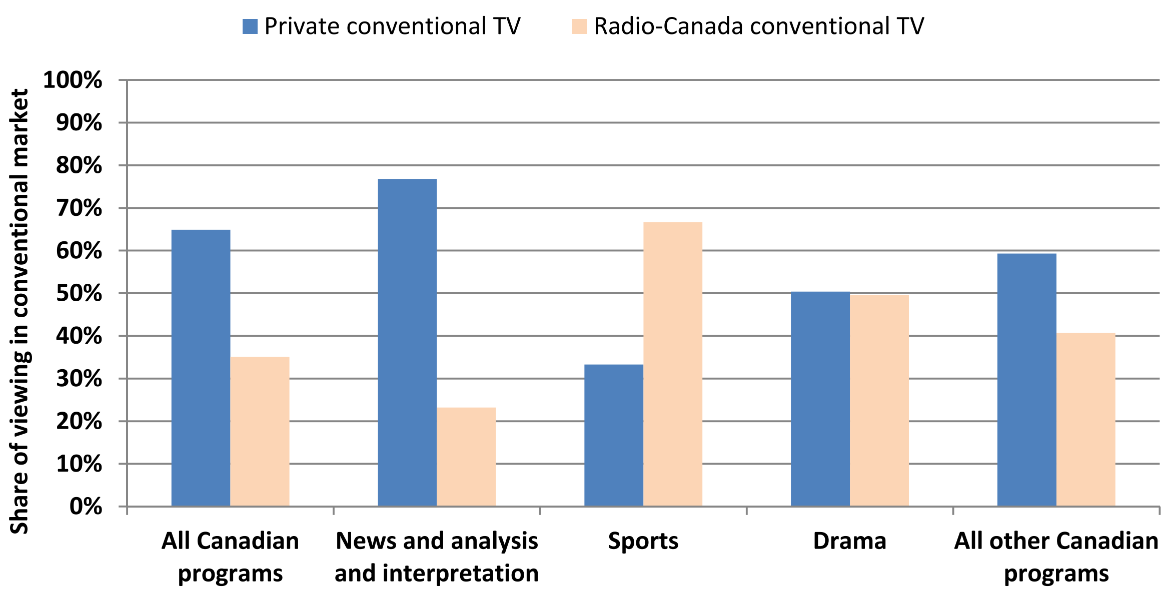
SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.6, p. 68, Table 4.3.7, p. 69.

Figure 43.
Share of viewing to Canadian programs on French-language Canadian conventional TV services in the Canadian **French-language conventional television market**, **2010**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.6, p. 68, Table 4.3.7, p. 69.

Figure 44.
Share of viewing to Canadian programs on French-language Canadian conventional TV services in the Canadian **French-language conventional television market**, **2011**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.6, p. 68, Table 4.3.7, p. 69.

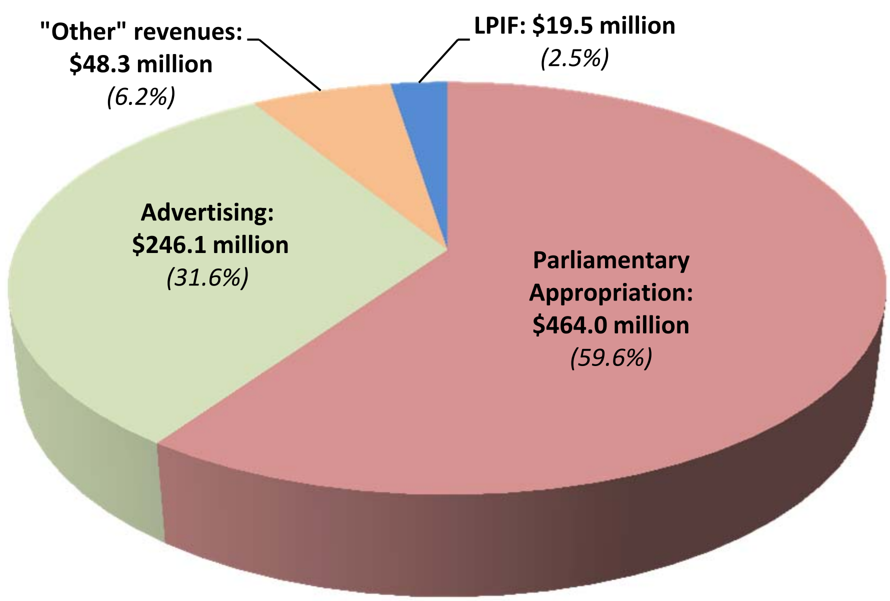
Additional data on CBC conventional English-language television

We now turn our attention to a more detailed analysis of the performance of, and the issues relating to, CBC conventional English television, which is the largest single component of the CBC's six main operating units.

We begin with a picture of CBC conventional TV's revenue sources, spending on programs telecast, and the share of its audience that comes from certain program genres.

Figure 45 summarizes the revenue sources for CBC conventional English television in 2011.

Figure 45.
CBC conventional **English-language television**, revenues by source, **2011**:

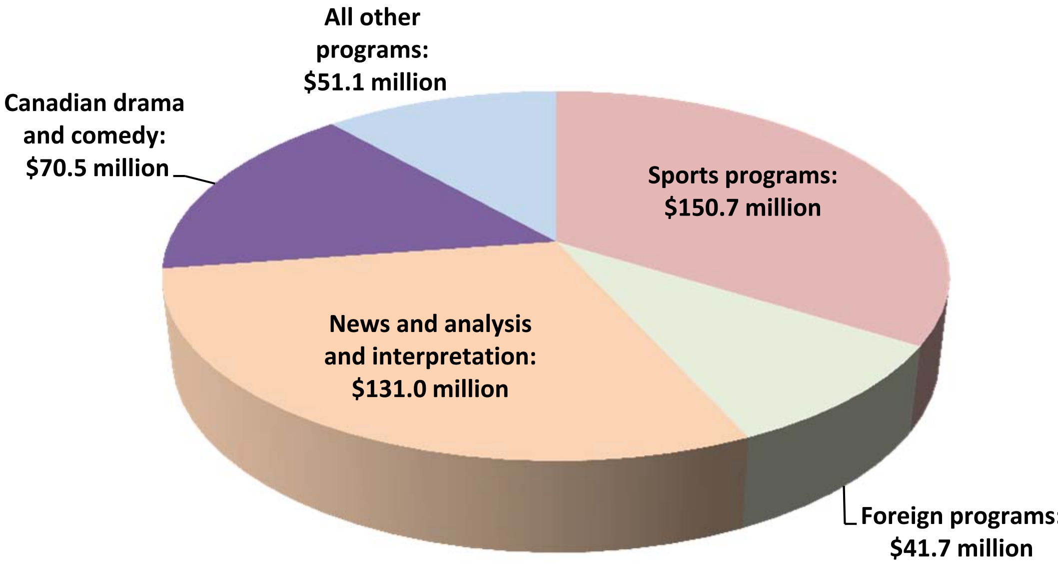


SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site; Communications Management Inc.

(Note: The Parliamentary Appropriation shown in Figure 45 only refers to the operating appropriation. There are also additional appropriations for capital expenditures, and additional funds from the Canada Media Fund that go to producers working on CBC television programs.)

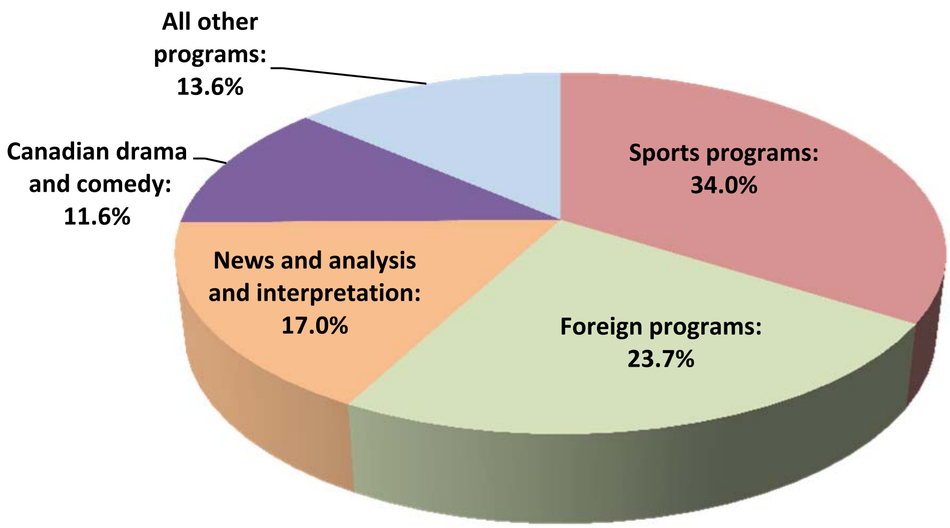
Figure 46 summarizes the data for spending on programs telecast by CBC conventional English television. Figure 47 indicates how much of the viewing to CBC conventional English television is accounted for by the categories shown in the spending data.

Figure 46.
CBC conventional **English-language television**, spending on programs telecast by selected genres, **2011**:



SOURCE: CRTC, "aggregate annual return" data on the CRTC Web site.

Figure 47.
Share of total viewing to CBC conventional **English-language television**, by selected genres, **2011**:



SOURCE: CRTC, *Communications Monitoring Report 2012*, Table 4.3.7, p. 69.

As we can see from Figure 47, in 2011, CBC English conventional television got 57.7 per cent of its total viewing from sports and foreign programs, with the entire balance of the schedule accounting for only 42.3 per cent of its viewing.

Matching advertising revenues and program genres

In Part III of this report, we will deal in some detail with some of the issues related to the CBC's spending on sports and on foreign programming on its English conventional television service.

It has generally been the position of the CBC that those program genres produce a surplus that can then be used to subsidize other programming. While it is not yet possible to determine with precision whether or not the CBC makes a profit on its sports programs or its foreign programs, the CRTC now has placed enough data on the public record so that we can at least set the parameters for finding the answer.

As noted above, we know the total advertising revenue for CBC conventional English TV in 2011, and we know the amounts spent on programs telecast for sports and foreign programs.

If CBC conventional English TV is making money on sports and on foreign programs, then its advertising revenues from those programs should at least be equal to the amount spent on those programs – i.e., it should not be worse than break-even. That would mean advertising in sports programs of at least $150.7 million, and advertising in foreign programs of at least $41.7 million. Since we know the total advertising revenue ($246.1 million), then the maximum amount of advertising earned by the entire rest of the CBC conventional English schedule (in 2011) would have been $53.7 million.

The calculations are summarized in Exhibit 1.

Of course, this is just an illustration of how the numbers might work. Within the sports category, it is possible that CBC conventional English TV makes money on NHL hockey, but loses money on other sports. However, if the "profits" on some sports do not exceed the losses on other sports, then that would leave nothing to be transferred to other program genres. Or, the CBC may do much better on foreign programs than just break even, but that might mean that the advertising revenues for the rest of the schedule are even lower.

To the extent that the rest of the schedule is yielding very low advertising revenues, that raises important issues about whether the commercial inventory in those programs is being sold at market rates, or is undercutting and depressing the advertising market. On the other hand, if the rest of the schedule is yielding higher advertising revenues than shown in Exhibit 1, that would mean that sports programs or foreign programs are not breaking even, and are, therefore, being subsidized by revenues other than advertising.

Exhibit 1.
Estimate of advertising revenues for **CBC conventional English television**, by genres, if sports programs and foreign programs at least break even, **2011**:

Program category	**Spending on programs telecast**	**% share of spending on programs telecast**	**% share of total tuning to CBC-TV**	**Adver-tising revenue**	**% share of adver-tising revenue**	
Sports	$150.7 million	33.9%	34.0%	$150.7 million	61.2%	*Assumes CBC-TV at least breaks even on Sports*
Foreign programs	$41.7 million	9.4%	23.7%	$41.7 million	16.9%	*Assumes CBC-TV at least breaks even on foreign programs*
All other programs	$252.6 million	56.8%	42.3%	$53.7 million	21.8%	*Balance left for all other programs, if CBC-TV at least breaks even on Sports and foreign programs*
Total	$445.0 million	100.0%	100.0%	$246.1 million	100.0%	

SOURCE: CRTC; Communications Management Inc.

We believe the data in Exhibit 1 raise serious concerns, and those concerns will be discussed in greater detail in Section III of this report.

Introduction

In this section, we deal with a number of issues and reports relating to CBC/Radio-Canada, including:

- The relationship between professional sports and CBC English-language conventional television
- The economic impact of CBC/Radio-Canada: The CBC/Deloitte study
- The CBC/Nordicity study: What if CBC/Radio-Canada conventional television were to withdraw from the advertising market?
- The CBC/Nordicity comparison of funding for public broadcasting in other countries
- Is the CBC/Radio-Canada Parliamentary Appropriation the same as other forms of assistance in the broadcasting industry?
- Operational efficiency and structural efficiency

CBC English-language conventional television and professional sports

For many years, there has been a debate about the place of professional sports on CBC English-language conventional television.

In the past, the CBC has responded either that it had a responsibility to carry sports, and/or that professional sports in particular yielded a profit that could then be used to subsidize other Canadian programs.

For example, on March 26, 2007, CBC Sports reported that the CBC had concluded a new agreement with the NHL that would keep *Hockey Night in Canada* on the CBC until the 2013-2014 season. The report from CBC Sports then noted:

> "This is the first day of a very exciting future for us and the NHL," added Richard Stursberg, the executive vice-president of CBC Television.
>
> Financial terms of the contract were not released (the current deal is worth $65 million a season), but Stursberg claimed the CBC will make money on the new deal. ...
>
> "This is financed completely out of private money ... There is no public money involved in this deal," said Stursberg, adding that revenue generated from the deal will help finance other, less-profitable CBC programs.[27]

However, on November 28, 2011, the President of CBC/Radio-Canada, Hubert Lacroix, made this comment in an address to a conference in Ottawa:

> If we want to have not only our popular made-in-Canada shows such as *Corner Gas* and *Michael: Tuesdays and Thursdays*, but also the Canadian Football League and *Hockey Night in Canada*, local stations with local news programs, television coverage of elections – in fact, if we want to have any substantive television outlet for Canadian voices – then, we will need to subsidize the Canadian broadcasting sector.[28]

The comments by Mr. Lacroix on November 28, 2011 paint a substantially different picture than the comments from the CBC in 2007. In fact, when one juxtaposes the comments from 2007 and 2011, the CBC appeared to be saying that *Hockey Night in Canada* had gone from subsidy-producing to subsidy-consuming.

On August 27, 2012, in the context of the current licence renewal process, the CRTC asked the CBC to provide detailed information on the costs and revenues associated

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[27] Available at: http://www.cbc.ca/sports/hockey/story/2007/03/26/hockey-night-in-canada.html.
[28] CBC/Radio-Canada, "Speaking notes for Hubert T. Lacroix, President and CEO, CBC/Radio-Canada, at the IIC Conference", November 28, 2011 [available at: http://www.cbc.radio-canada.ca/speeches/20111128.shtml].

with NHL-related programming. The CBC stated that it could not provide such information because the details of its contract with the NHL are confidential.[29]

The CBC then went on to say:

> ... hockey results were below expectation for the first few years of the NHL contract due to a soft advertising market associated with a global economic recession. However, hockey results have improved significantly in the last two years and Hockey Night in Canada will have generated a net positive revenue contribution over the life of the contract term. These monies have been and will continue to be invested toward generating more original Canadian content.[30]

The CBC added:

> In order to ensure the Commission has access to any additional information it may need, while respecting the requirements of the NHL contract, the Corporation would propose to conduct an in-camera information session with the Commission.[31]

The Commission also asked the CBC about any contingency plans the CBC might have if it lost the NHL rights after the 2014 season. The CBC responded:

> The Corporation has not lost the broadcast rights to Hockey Night in Canada and does not intend to do so. There are two seasons left of hockey. The Corporation has developed plans to address such a contingency and therefore anticipates being able to meet its proposed condition of licence throughout the licence term should it be unsuccessful in reacquiring hockey broadcast rights.[32]

We have noted above (Exhibit 1) that CBC conventional English television spent $150.7 million to telecast sports programs in 2011. While NHL hockey was the largest single component of that, it did not take up the total amount.

The current agreement between the CBC and the NHL was announced in March 2007, and runs for six years, from 2008-2009 to 2013-2014. According to media reports from March 2007, the old agreement had the CBC paying the NHL $65 million per year for the broadcast rights, and the current agreement involves annual rights payments of about $90 million.[33] So there was a jump in the rights payment of about $25 million per year when the current agreement took effect.

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[29] Letter from CBC/Radio-Canada to the CRTC, September 14, 2012, pp. 16-17.
[30] *Ibid*., p. 17.
[31] *Ibid*., p. 17.
[32] *Ibid*., pp. 17-18.
[33] Chris Zelcovich, "CBC ponies up $550 million; Locks up rights to keep broadcasting NHL games for another six years", *The Toronto Star*, March 27, 2007, p. C4. William Houston, "Hockey Night lives to see another day; CBC, NHL agree to keep weekend fixture on public broadcaster through 2014", *The Globe and Mail*, March 27, 2007, p. S1.

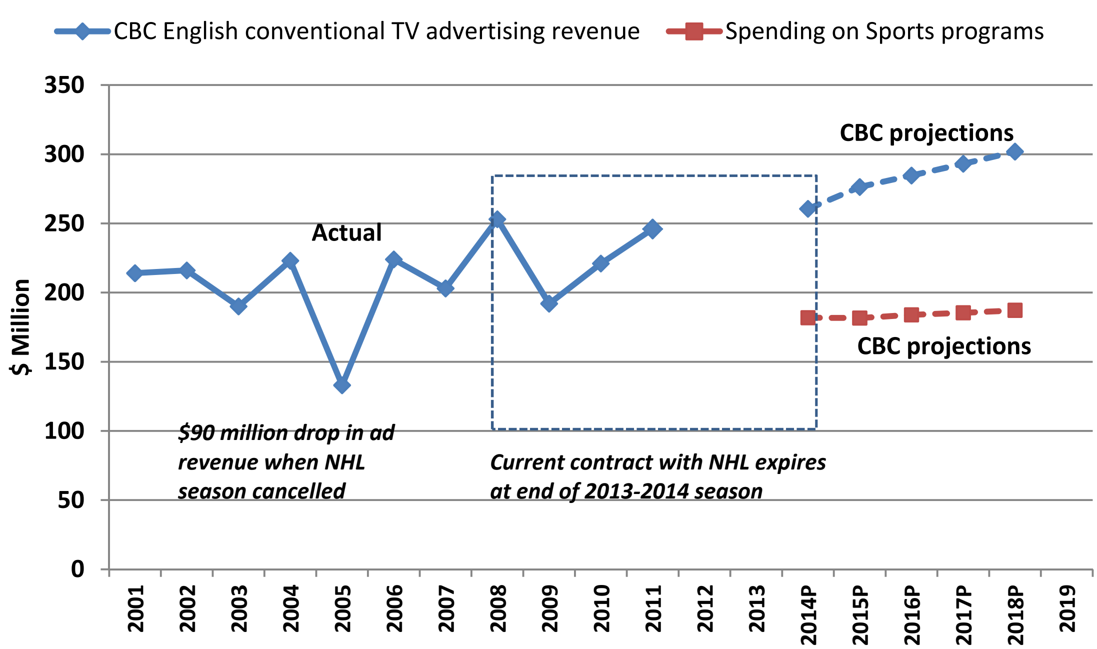
In addition to the current rights payment of $90 million a year, there is also the cost of producing the broadcasts, salaries for commentators, etc., which we estimate at an additional $10 million per year. So the total annual cost to the CBC for NHL hockey is about $100 million a year, which leaves CBC English conventional TV spending (in 2011) about $50 million on other sports programs.

While we will deal with the CBC/Radio-Canada licence renewal projections in greater detail in Part IV of this report, we believe that some of the data from those projections are also relevant to this issue. We have reviewed the CBC/Radio-Canada projections for CBC conventional English TV for the years 2014 to 2018. A summary of key data appears in Figure 48.

(<u>Note:</u> As of October 5, 2012 – the date by which interventions are due – CBC/Radio Canada has still not filed spending projections by program genre that correspond to the overall revenue and expense projections it filed on September 14, 2012. The program spending projections shown below are based on the most recent program spending projections available – those filed by CBC/Radio-Canada on July 16, 2012.)

Figure 48.

CBC conventional English TV – actual advertising revenues, 2001-2011; projected advertising revenues (from CBC application), 2014-2018; projected spending on sports programs telecast (from CBC application), 2014-2018:



SOURCE: CRTC; CBC/Radio-Canada licence renewal application (projections dated July 16, 2012); Communications Management Inc.

As noted above, the CBC's agreement with the NHL expires at the end of the 2013-2014 season. But nothing in the projections appears to take that into account.

For example, we have noted that, when the current agreement came into effect, it resulted in an annual increase of $25 million for NHL hockey. Yet the CBC's projections for sports costs actually show a slight decline from 2014 to 2015. If the CBC is expecting to renew its agreement with the NHL, the costs are obviously not reflected in its projections.

Thus, the question of professional sports on CBC English-language conventional TV is not only a general question of public policy; it is also linked to CBC/Radio-Canada's application for renewal of the licence for that service.

With that in mind, one must ask whether the CBC's offer of an "in camera" discussion is sufficient. Would alternative financial projections also be offered "in camera"? Surely there must be a better process, so that the issue can be discussed in an informed manner.

Fortunately, there is a precedent for the CBC to make public at least some of the information requested by the CRTC. In 1994, CTV appeared before the House of Commons Standing Committee on Canadian Heritage, and argued that the CBC had not fully presented the costs and revenues of its professional sports programming.

In response, the CBC presented data to the Auditor General of Canada on the costs and advertising revenue associated with its professional sports programming, indicating that, in the CBC's 1994 fiscal year, it had received $95.9 million in revenue for its professional sports programming, yielding a profit on that genre of just under $2 million. Those data were made public (see Appendix).

The economic impact of CBC/Radio-Canada: The CBC/Deloitte study

In June 2011, CBC/Radio-Canada released a study by Deloitte, dated 8 June 2011, titled "The Economic Impact of CBC/Radio-Canada". This study used economic "multipliers" to estimate the "value" of the CBC to the overall economy, and concluded that the CBC's expenditure of $1.7 billion in 2010 had an overall economic impact of $3.7 billion – an overall multiplier of about 2.18.

In many respects, the Deloitte study for CBC/Radio-Canada appeared to follow the format of a similar study by Deloitte for the British Broadcasting Corporation in the United Kingdom, which came to a generally similar conclusion – it found a multiplier of about 2.25 for the BBC. In fact, in at least one case (the use of the term "NAR"), the Deloitte study for CBC/Radio-Canada appears to continue the use of U.K. terminology.

A complete analysis of the CBC/Deloitte study is beyond the scope of this report, but it is useful to comment briefly on that study, particularly in the context of the foregoing statistical analysis. We would make three general comments about the CBC/Deloitte study:

1. First, almost every form of economic activity has some type of multiplier, so the CBC is not unique in this regard. In fact, according to Statistics Canada, for the year Deloitte used for its multiplier data, the multiplier for radio and television broadcasting is 2.22, and the multiplier for pay and specialty television is 2.10, so a similar analysis of private broadcasting would produce proportionally similar results.[34]

2. Second, the CBC/Deloitte study contains a number of anomalies. For example, the study states that it is based on the broadcast fiscal year ending August 31, 2010, but it then mixes in data for other time periods, thereby producing inconsistencies with the data for 2010 that have been published by the CRTC.

3. Third, the CBC/Deloitte study is flawed in its choice of a hypothetical "counterfactual" CBC/Radio-Canada to use as a basis for comparison, and that is discussed below.

The most serious flaw in the CBC/Deloitte study is the choice of the hypothetical "counterfactual" scenario – in effect, a "base case" or "straw man" against which to compare the estimated economic impact of the CBC. Instead of examining plausible alternative scenarios for spending the same $1.1 billion of public funds on the same goal – public service broadcasting – the CBC/Deloitte study chose as its base case the removal of the entire $1.1 billion and the redistribution of that amount to other government departments, in proportion to the current spending by those departments.

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[34] Multipliers supplied by Statistics Canada.

In other words, the CBC/Deloitte study decided that the best alternative against which to compare the current CBC/Radio-Canada would be, in effect, nothing at all in terms of direct public funding, leaving the "counterfactual" CBC/Radio-Canada as a smaller commercial broadcaster. Implicit in this appears to be the assumption that, if the people of Canada, through Parliament, decide to spend $1.1 billion in support of public service broadcasting, only the current model of the CBC is worth considering.

Yet surely that does the taxpayers of Canada a disservice. Would it not have been possible to test more realistic scenarios as possible alternatives to the status quo? For example, here are three possible alternatives that could have been tested, for purposes of comparison with the CBC's current structure:

1. ***Leave CBC/Radio Canada's English and French radio services unchanged. Leave CBC/Radio-Canada's specialty TV services unchanged. Have CBC/Radio Canada conventional television drop professional sports, but leave all other parts of CBC/Radio-Canada conventional television unchanged, including the Parliamentary Appropriation and the sale of advertising.***

   Based on the data outlined above, in 2010, this would have reduced CBC/Radio-Canada's expenses by between $100-$160 million (the cost of professional sports and some costs of sales), although one would have to estimate the cost of replacement programming. Based on the data for 2010, this would have reduced its revenues by an amount in the same range ($100-$160 million). To the extent that CBC/Radio-Canada earns a "profit" on professional sports, then that could also be quantified. However, the professional sports programming would move to private broadcasters, likely creating broader economic value not very different from the broader economic value that would no longer be part of the multiplier effect of CBC/Radio-Canada. In other words, the net difference in overall economic value from this alternative would likely be very small.

2. ***Leave CBC/Radio Canada's English and French radio services unchanged. Leave CBC/Radio-Canada's specialty TV services unchanged. Have CBC/Radio Canada conventional television drop professional sports and advertising, but leave all other parts of CBC/Radio-Canada conventional television unchanged, including the Parliamentary Appropriation.***

   Based on the data outlined above, in 2010, this would have reduced CBC/Radio-Canada's expenses by between $150-$210 million (the cost of professional sports and foreign programs, and costs associated with sales). Based on data for 2010, it would have reduced its revenues by about $339 million. However, again, much of that amount would move to other broadcasters, so the net difference in overall economic value might still be relatively small.

3. ***Leave CBC/Radio Canada's English and French radio services unchanged. Leave CBC/Radio-Canada's specialty TV services unchanged. Reallocate most of the Parliamentary Appropriation that was allocated to CBC/Radio-Canada's conventional television[35] to a "super-fund" that would help to fund the production of Canadian programming, particularly Canadian drama and comedy (the most difficult category).[36]***

   This would change the conventional television component of CBC/Radio-Canada from a subsidized facilities-based conventional broadcaster into a "public service programmer" that would vastly increase the amounts available for the production of Canadian content.[37] According to the data contained in the CBC/Deloitte report, the multiplier effect could be greater under this scenario.

In the progression of alternatives outlined above, the first one envisages a relatively minor change, the second one slightly more change, and the third one considerable change. Yet each of the alternatives would have maintained the same $1.1 billion level of public subsidy for public service broadcasting in Canada.

We are not suggesting that any of these alternatives should be the future of CBC/Radio-Canada. But we are suggesting that examining the economic impact of each of these alternatives would have been far more realistic and far more useful than the CBC/Deloitte decision only to examine an alternative in which the $1.1 billion in public subsidy was removed altogether.

There is an additional reason why a more realistic set of alternatives needs to be considered. As noted above, the current CBC contract with the NHL expires after the end of the 2013-2014 hockey season. There is no guarantee that the CBC will be able to renew that contract, and it is certainly likely that the cost of the program rights will increase substantially when the contract is renewed. A more realistic set of alternatives (including, for example, the first alternative outlined above) would help the CBC, the CRTC, and the federal government to develop and assess more realistic plans for the future.

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[35] The amount was $793.7 million in 2010 and $839.2 million in 2011.
[36] In this scenario, one would have to quantify the linked nature of the relationship between CBC/Radio-Canada's conventional television news services and its specialty television news services, in order to ensure that the appropriate resources are maintained for that purpose.
[37] The resulting Canadian programs could be exhibited and distributed through a wide array of channels.

The CBC/Nordicity study: What if CBC/Radio-Canada conventional television were to withdraw from the advertising market?

On November 28, 2011, CBC/Radio-Canada released a study that presents a number of assumptions of what might happen if CBC television were to withdraw from the advertising market. As was the case with the CBC/Deloitte study, the CBC/Nordicity study touches on a number of useful questions, but it is not clear how its assumptions link to the published data on CBC/Radio-Canada conventional television program costs.

At the outset, the CBC/Nordicity study states:

> For the purpose of this report, it is assumed that the federal government would <u>not</u> make up any of the lost advertising revenue earned by CBC/Radio-Canada. Thus, it is assumed that the public broadcaster retains its mandate, but has no other public source of revenue to make up the shortfall from the elimination of advertising.[38]

The report then goes on to discuss two scenarios – the complete elimination of advertising on CBC television, and the elimination of advertising in all programming except sports. While the CBC/Nordicity report does begin to fill in a number of the details that might have been in the CBC/Deloitte study, a number of the assumptions in the CBC/Nordicity report must be questioned.

First, Nordicity has included CBC/Radio-Canada's specialty services in its calculations, which seems unnecessary, since the CBC/Radio-Canada specialty services do not receive direct funding from the CBC's Parliamentary Appropriation. In fact, as noted above, the CBC/Radio-Canada specialty services are required to operate as commercial enterprises, and there would appear to be little rationale for requiring them to drop advertising.

Second, in its first scenario (elimination of all advertising), Nordicity has assumed that the CBC would no longer spend money on sports, and it has also assumed that there would be a reduction in the costs associated with advertising sales. However, it then assumed that the cost of replacement programming would not only be the cost of filling the hours vacated by sports, but also the cost of filling all the advertising minutes contained in all the other programming.

On that basis, Nordicity then estimated that CBC English-language conventional television would have to replace as much as 28 per cent of its schedule, and CBC French-language conventional television would have to replace as much as 22 per cent of its schedule. Nordicity then went on to estimate the net cost of such replacement programming and added that figure to the net loss of advertising.

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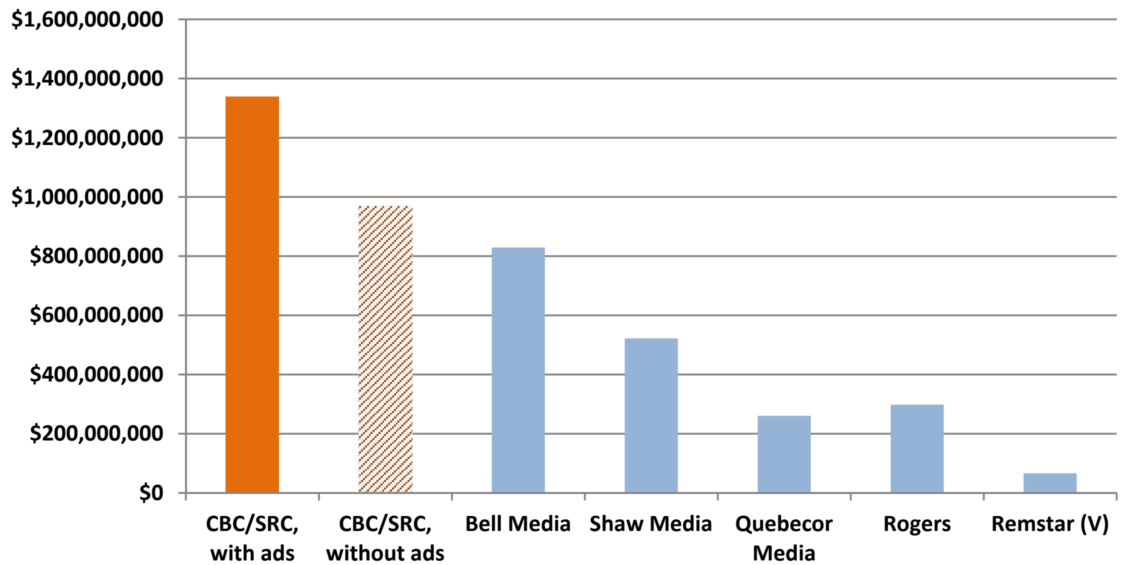
38 Nordicity, *Why Advertising on CBC/Radio-Canada is Good Public Policy*, prepared for CBC/Radio-Canada, November 2011, p. 1.

There are two flaws in this approach – first, the calculations are unsupported by actual data about CBC television program costs; and, second, the calculation of additional program costs is inconsistent with the original premise in the CBC/Nordicity study – that the net loss from withdrawing from advertising would not be made up from other public sources.

In other words, if advertising were to be eliminated, CBC/Radio-Canada conventional television would simply have to live within its means as a publicly-funded broadcaster.

Figure 49.
Largest conventional TV broadcasters in Canada, by conventional TV revenue, **2011**, indicating total revenue of CBC/Radio-Canada conventional TV with advertising and excluding advertising:



SOURCE: CRTC, *Commercial Television, Statistical and Financial Summaries, 2007-2011*, pp. 1,13; *Communications Monitoring Report 2012*, Table 4.3.12, p. 75, Figure 4.3.11, p. 81, Figure 4.3.12, p. 82.

Figure 49 compares CBC/Radio-Canada conventional television – with and without advertising – with its principal commercial conventional television competitors. As indicated in Figure 49, even without advertising, in 2011, based on revenue, CBC/Radio-Canada would still have been the largest conventional television broadcaster in Canada.

The CBC/Nordicity comparison of funding for public broadcasting in other countries

In a study prepared for the CBC and dated April 2011, Nordicity presented some comparisons between Canada and the funding of public broadcasting in other countries.

While such comparisons are interesting, they do not actually add much in terms of relevant information, because:

- They do not take into account historical differences in the development of the broadcasting industry in each country;
- They do not take into account geographic differences, particularly in terms of the availability of broadcast signals from neighbouring countries;
- They do not take into account different service levels; and
- They are subject to variations because of fluctuations in exchange rates.

In the case of this Nordicity study, there may also be some arithmetic issues in the data presented for the United Kingdom.

On page 18 of the Nordicity study, the figure for "total public funding in home currency" for 2009 in the United Kingdom is given as £5,171,969,00. It is further stated that "U.K. includes public funding for BBC and S4C".[39]

However, a review of U.K. sources indicates that the Nordicity figure may be greatly overstated. For example, Ofcom's *Communications Market Report* for 2012 states that, in 2009, of the BBC's licence fee income, £2,663 million was spent on the BBC's television services and £660 million was spent on the BBC's radio services, for a total of £3,323 million.

According to the *Annual Report* of S4C for 2009, the amount received as a grant from the U.K. Department of Culture, Media and Sport was £101.4 million.

According to the *Annual Report* of the BBC for 2009, the total licence fee the BBC applied to public service broadcasting in the U.K. (radio and television) was £2,923.7 million.

So the correct total for the U.K. appears to be in the range of £3.0-£3.4 billion, not the £5.2 billion claimed by Nordicity.

For all of the reasons noted above, we believe the comparisons add little value to the context of the CBC/Radio-Canada licence renewal process.

[39] Nordicity, *Analysis of Government Support for Public Broadcasting and Other Culture in Canada*, prepared for CBC/Radio-Canada, April 2011, p. 18.

Is the CBC/Radio-Canada Parliamentary Appropriation the same as other forms of assistance in the broadcasting industry?

As the discussion about the future of CBC/Radio-Canada has progressed in recent months, CBC/Radio-Canada has argued that its $1.1 billion Parliamentary Appropriation should be considered in the context of a number of other forms of support that can be accessed by private broadcasters as well as CBC/Radio-Canada.

But the CBC/Radio-Canada argument creates a false equivalency, for two important reasons:

1. First, the so-called "subsidies" to private broadcasters are not subsidies at all; and

2. Second, CBC/Radio-Canada itself also takes advantage of the same mechanisms as the private broadcasters, <u>in addition to</u> the Parliamentary Appropriation (that only CBC/Radio-Canada receives).

The first of these support mechanisms is the Local Programming Improvement Fund (LPIF), which took effect with the 2010 broadcast fiscal year. While the LPIF program is to be phased out, in each year of the LPIF, CBC/Radio-Canada has also been a recipient of those funds. (The CBC/Radio-Canada LPIF payment is over and above its Parliamentary Appropriation.)

The Canada Media Fund (CMF) provides support for independent producers, which helps CBC/Radio-Canada and private television broadcasters carry Canadian programs of higher quality than might otherwise be possible. However, the CMF funds are not actually received by the broadcasters; the funds go to independent production companies. (According to the study by Nordicity released on November 28, 2011, CBC/Radio-Canada benefits from CMF spending in the range of $90-$100 million,[40] and those funds are over and above the CBC/Radio-Canada Parliamentary Appropriation.)

It has also been suggested that private conventional television broadcasters "benefit" from two measures put in place in the 1970s – simultaneous substitution and income tax provisions on the deductibility of advertising. In reality, those two measures are not "benefits"; they are measures put in place to compensate for losses that would otherwise flow from copyright erosion or impacts from outside the system.

Thus, we would reject the argument than there is some kind of "balance" or equivalency between the CBC/Radio-Canada Parliamentary Appropriation and other forms of support for television broadcasting – forms of support that CBC/Radio-Canada also uses, and that are over and above the CBC/Radio-Canada Parliamentary Appropriation.

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[40] Nordicity, *Why Advertising on CBC/Radio-Canada is Good Public Policy*, prepared for CBC/Radio-Canada, November 2011, p. 17.

Operational efficiency and structural efficiency

As noted above, CBC/Radio-Canada's share of industry employment exceeds its share of industry revenue. While additional analysis would be required, this may indicate that there are issues of operational efficiency that should be considered. For example, the data indicate that, in 2011, CBC/Radio-Canada accounted for 38.3 per cent of total conventional TV revenues, but 49.5 per cent of total conventional TV employment.

However, when considering efficiency, operational issues are only part of the broader question. The CBC/Deloitte study dealt with a number of important issues, and set out one alternative ("counterfactual") model for CBC/Radio-Canada. While that was in the context of economic multipliers, similar analyses could be done to focus on the question of structural efficiency. For example, in addition to measuring the economic multiplier effect, other alternative models for CBC/Radio-Canada might be found to be more structurally efficient in delivering support for public service broadcasting in Canada.

The renewal process for the CBC/Radio-Canada licences was originally scheduled for a CRTC public hearing to be held in September 2011. That was rescheduled for June 2012, and now is scheduled for November 19, 2012.

In the time period since mid-2011, two significant events have occurred that impact the CBC/Radio-Canada projections:

1. The March 2012 Federal Budget put in place a staged reduction in the CBC's Parliamentary Appropriation – a reduction (from 2011-12 levels) of $27.8 million in 2012-13, a further $41.8 million in 2013-14, and a further $45.4 million in 2014-15.[41]

2. On July 18, 2012, the CRTC announced that it was phasing out the Local Programming Improvement Fund (LPIF), from which CBC/Radio-Canada had received $40.7 million in the 2011 broadcast fiscal year. The last year for the reduced LPIF would be the 2014 broadcast fiscal year.[42]

The sequence of events meant that CBC/Radio-Canada had to place on the public record three sets of financial projections:

1. <u>The original projections filed in 2011.</u>

2. <u>The revised projections filed on July 16, 2012.</u> These projections were complete.

3. <u>The revised projections filed on September 14, 2012.</u> However, these projections were not complete, since revised revenue and expense summaries were filed for CBC/Radio-Canada English and French conventional television, but the CBC failed to file the corresponding projections for program spending by genre. We will comment further on this issue in the discussion of the projections for conventional television.

On the following pages, to the extent possible, we will summarize each of those sets of projections, because they provide an interesting insight into the plans and priorities of CBC/Radio-Canada.

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[41] Data are for CBC/Radio-Canada fiscal years ending March 31.
[42] CRTC, Broadcasting Regulatory Policy CRTC 2012-385, 18 July 2012.

The CBC/Radio-Canada financial projections for radio

Table 2 presents a summary of the original (2011) CBC/Radio-Canada projections for English radio. Table 3 presents a summary of the projections filed for English radio on July 16, 2012, and indicates the CBC/Radio-Canada decision to add advertising to Radio Two. Table 4 presents a summary of the revisions filed for English radio on September 14, 2012.

Table 5 presents a summary of the original (2011) CBC/Radio-Canada projections for French radio. Table 6 presents a summary of the projections filed for French radio on July 16, 2012, and indicates the CBC/Radio-Canada decision to add advertising to Espace Musiue. Table 7 presents a summary of the revisions filed for French radio on September 14, 2012.

The revisions filed on September 14, 2012 were in response to a request from the Commission for projections for Radio Two and Espace Musique if permission was not granted to add advertising to those services.

Table 8 summarizes the sequence of overall projections for CBC/Radio-Canada radio services.

As can be seen from the sequence of projections, when faced with a shortfall in its expected Parliamentary Appropriation, CBC/Radio-Canada responded by seeking permission to add advertising to Radio Two and Espace Musique. In the case of Radio Two, the projections filed on July 16, 2012 not only showed the addition of advertising, but also the complete elimination of any allocation from the Parliamentary Appropriation.

When asked by the Commission to explain that decision, the CBC responded:

> Each year, the Corporation's budget is established on the basis of expected revenues and costs. In accordance with this budgeting process, government appropriations are allocated to all services on a prorata basis, based on expected need. This process applies to all services and results in different levels of appropriation for different services.[43]

… text continues on page 64

[43] Letter from CBC/Radio-Canada to the CRTC, August 13, 2012, p. 21.

Table 2.
CBC/Radio-Canada revenue projections for **English** radio services, as filed in 2011:

	Actual		Original projections (2011):				
(In $ million)	2011		2014	2015	2016	2017	2018
Radio One:							
Parl. Appropriation							
Advertising							
Other			185.6	190.8	192.9	194.0	198.4
Total op. revenue			185.6	190.8	192.9	194.0	198.4
Program expense			130.8	134.9	134.4	136.5	137.9
Radio Two:							
Parl. Appropriation							
Advertising							
Other			12.7	12.8	13.1	13.1	13.4
Total op. revenue			12.7	12.8	13.1	13.1	13.4
Program expense			10.0	10.0	10.1	10.3	10.4
English radio:							
Parl. Appropriation	190.9						
Advertising	--						
Other	5.7		198.3	203.6	206.0	207.1	211.8
Total op. revenue	196.6		198.3	203.6	206.0	207.1	211.8
Program expense	137.8		140.8	144.9	144.6	146.8	148.3

Table 3.
CBC/Radio-Canada revenue projections for **English** radio services, July 16, 2012:

	Actual		Projections as of July 16, 2012:				
(In $ million)	2011		2014	2015	2016	2017	2018
Radio One:							
Parl. Appropriation			172.7	172.2	172.4	176.4	180.2
Advertising							
Other			5.5	6.2	6.3	6.4	6.5
Total op. revenue			178.2	178.4	178.7	182.8	186.7
Program expense			125.1	127.1	129.1	131.1	133.2
Radio Two:							
Parl. Appropriation			--	--	--	--	--
Advertising			18.5	22.6	27.1	28.8	31.1
Other			0.3	0.4	0.4	0.4	0.5
Total op. revenue			18.8	22.9	27.6	29.3	31.5
Program expense			9.7	10.0	10.3	10.5	10.7
English radio:							
Parl. Appropriation	190.9		172.7	172.2	172.4	176.4	180.2
Advertising	--		18.5	22.6	27.1	28.8	31.1
Other	5.7		5.8	6.6	6.7	6.8	7.0
Total op. revenue	196.6		197.0	201.3	206.3	212.1	218.2
Program expense	132.8		134.7	137.1	139.4	141.6	144.0

Table 4.

CBC/Radio-Canada revenue projections for **English** radio services, September 14, 2012:

	Actual		Revised September 14, 2012:				
(In $ million)	2011		2014	2015	2016	2017	2018
Radio One:							
Parl. Appropriation			172.7	172.2	172.4	176.4	180.2
Advertising							
Other			5.5	6.2	6.3	6.4	6.5
Total op. revenue			178.2	178.4	178.7	182.8	186.7
Program expense			125.1	127.1	129.1	131.1	133.2
Radio Two:							
Parl. Appropriation			9.1	6.1	6.2	6.4	6.6
Advertising							
Other			0.2	0.1	0.1	0.2	0.2
Total op. revenue			9.3	6.2	6.3	6.5	6.8
Program expense			6.5	4.0	4.0	4.2	4.3
English radio:							
Parl. Appropriation	190.9		181.8	178.3	178.6	182.9	186.8
Advertising	--						
Other	5.7		5.7	6.3	6.4	6.6	6.7
Total op. revenue	196.6		187.5	184.6	185.0	189.3	193.5
Program expense	137.8		131.6	131.1	133.1	135.3	137.5

Table 5.
CBC/Radio-Canada revenue projections for **French** radio services, as filed in 2011:

	Actual		Original projections (2011):				
(In $ million)	2011		2014	2015	2016	2017	2018
Premiere Chaine:							
Parl. Appropriation							
Advertising							
Other			107.5	107.3	109.2	109.7	112.2
Total op. revenue			107.5	107.3	109.2	109.7	112.2
Program expense			78.9	78.2	78.6	79.6	80.4
Espace Musique:							
Parl. Appropriation							
Advertising							
Other			24.8	23.3	23.7	23.9	24.5
Total op. revenue			24.8	23.3	23.7	23.9	24.5
Program expense			15.8	14.2	14.2	14.4	14.6
French radio:							
Parl. Appropriation	136.4						
Advertising	--						
Other	3.9		132.3	130.6	132.9	133.6	136.7
Total op. revenue	140.3		132.3	130.6	132.9	133.6	136.7
Program expense	100.9		94.7	92.4	92.8	94.1	95.0

Table 6.
CBC/Radio-Canada revenue projections for **French** radio services, July 16, 2012:

	Actual		Projections as of July 16, 2012:				
(In $ million)	2011		2014	2015	2016	2017	2018
Premiere Chaine:							
Parl. Appropriation			102.8	102.2	103.0	105.7	108.4
Advertising							
Other			2.8	3.2	3.1	3.2	3.2
Total op. revenue			105.6	105.3	106.2	108.9	111.6
Program expense			76.1	77.2	79.2	80.8	82.5
Espace Musique:							
Parl. Appropriation			22.1	20.9	19.9	20.2	20.4
Advertising			1.6	1.7	1.9	2.1	2.2
Other			1.2	1.2	1.2	1.2	1.2
Total op. revenue			24.8	23.7	23.0	23.5	23.9
Program expense			15.0	14.1	14.2	14.4	14.6
French radio:							
Parl. Appropriation	136.4		124.9	123.1	122.9	125.9	128.8
Advertising	--		1.6	1.7	1.9	2.1	2.2
Other	3.9		4.0	4.4	4.3	4.4	4.4
Total op. revenue	140.3		130.4	129.0	129.2	132.4	135.5
Program expense	100.9		91.1	91.3	93.4	95.2	97.0

Table 7.
CBC/Radio-Canada revenue projections for **French** radio services, September 14, 2012:

	Actual		Revised September 14, 2012:				
(In $ million)	2011		2014	2015	2016	2017	2018
Premiere Chaine:							
Parl. Appropriation			102.8	102.2	103.0	105.7	108.4
Advertising							
Other			2.8	3.2	3.1	3.2	3.2
Total op. revenue			105.6	105.3	106.2	108.9	111.6
Program expense			76.1	77.2	79.2	80.8	82.5
Espace Musique:							
Parl. Appropriation			21.7	20.2	20.0	20.2	20.4
Advertising							
Other			1.2	1.2	1.2	1.2	1.2
Total op. revenue			22.8	21.4	21.2	21.4	21.6
Program expense			13.7	12.6	12.6	12.6	12.7
French radio:							
Parl. Appropriation	136.4		124.5	122.4	123.0	125.9	128.8
Advertising	--						
Other	3.9		4.0	4.4	4.3	4.4	4.4
Total op. revenue	140.3		128.4	126.7	127.4	130.3	133.2
Program expense	100.9		89.8	89.8	91.8	93.4	95.2

Table 8.

Comparison of CBC/Radio-Canada revenue projections for radio services, as filed in 2011, as filed on July 16, 2012, and as filed on September 14, 2012:

(In $ million)	Actual		**Original projections (2011):**				
	2011		2014	2015	2016	2017	2018
Parl. Appropriation	327.3		319.8	326.0	330.3	332.4	340.1
Advertising							
Other	9.6		10.7	8.3	8.6	8.3	8.4
Total op. revenue	336.9		330.6	334.2	338.9	340.7	348.5
Program expense	238.7		235.5	237.3	237.4	240.9	243.3

(In $ million)	Actual		**Projections as of July 16, 2012:**				
	2011		2014	2015	2016	2017	2018
Parl. Appropriation	327.3		297.6	295.3	295.3	302.3	309.0
Advertising			20.1	24.3	29.0	30.9	33.3
Other	9.6		9.8	11.0	11.0	11.2	11.4
Total op. revenue	336.9		327.4	330.3	335.5	344.5	353.7
Program expense	238.7		225.8	228.4	232.8	236.8	241.0

(In $ million)	Actual		**Revised September 14, 2012:**				
	2011		2014	2015	2016	2017	2018
Parl. Appropriation	327.3		306.3	300.7	301.6	308.7	315.6
Advertising							
Other	9.6		9.7	10.7	10.7	11.0	11.1
Total op. revenue	336.9		315.9	311.3	312.4	319.7	326.7
Program expense	238.7		221.4	220.9	224.9	228.7	232.7

The CBC/Radio-Canada proposal to add advertising to its radio services

At the outset, of course, the proposal to add advertising to radio raises a significant question of public policy. Is it consistent with the CBC/Radio-Canada policy set out in 1975, and with the concept of a "national public broadcaster", to allow advertising on CBC radio?

And we should remember that, once the door is open to advertising on Radio Two and Espace Musique, it will be more difficult to stop the introduction of advertising on Radio One and Premiere Chaine.

We quoted above from the CBC/Radio-Canada response about allocating resources across services. What will happen if CBC English-language conventional TV does not retain the rights to NHL hockey after 2014? Will that cause CBC conventional television to reach further into the Parliamentary Appropriation and, therefore, require the sale of advertising on Radio One or Premier Chaine, or both?

And what will be the impact on private radio broadcasters, both in the short term and in the long term?

In addition to those broad policy questions, there are also specific questions about the projections that CBC/Radio-Canada has filed for Radio Two and Espace Musique. In reviewing the advertising projections, we find that they appear to be inconsistent with market realities, and also inconsistent with each other.

In 2011, national advertising on English-language private radio in Canada was $345.3 million, and it was $93.7 million on French-language radio. The English:French ratio was 3.7:1.[44]

However, if we examine the CBC/Radio-Canada projections for 2013, we find that national advertising on Radio Two (English) is projected to be $14.9 million, and national advertising on Espace Musique is projected to be $1.4 million – a ratio of 10.5:1.[45]

This seems completely illogical and inconsistent, particularly since Espace Musique has a tuning share in the French-language market which is the same or greater than Radio Two's tuning share in the English-language market.

The second major inconsistency is within the market-by-market projections for national advertising on Radio Two. This point can be illustrated by comparing the Radio Two projections for Halifax and Edmonton.

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[44] CRTC, *Commercial Radio, Statistical and Financial Summaries, 2007-2011*, pp. 2,3.
[45] The projected totals are based on information dated "8/15/2012", filed with the CRTC by CBC/Radio-Canada.

Halifax: According to CBC/Radio-Canada, the 2013 national advertising revenues of the Radio Two station in Halifax would be $1.1 million, based on a 3.5 per cent tuning share. In 2011, radio advertising in Halifax totaled $21.6 million, of which $7.9 million was national and $13.7 million was local. So the Radio Two projection would be 14.0 per cent of the national market and 5.1 per cent of the total market.

Edmonton: According to CBC/Radio-Canada, the 2013 national advertising revenues of the Radio Two station in Edmonton would be $1.4 million, based on a 2.3 per cent tuning share. In 2011, radio advertising in Edmonton totaled $86.2 million, of which $23.6 million was national and $62.6 million was local. So the Radio Two projection would be 6.0 per cent of the national market and 1.6 per cent of the total market.

As can be seen from those two examples, there is no consistency between and among the Radio Two projections, market shares, or the size of the specific radio markets.

CBC/Radio-Canada's failure to file television projections in a timely manner

As noted above, CBC/Radio-Canada filed projections on July 16, 2012, in response to the changes in the Parliamentary Appropriation mandated in the federal budget. When the CRTC announced that the LPIF would be phased out, CBC/Radio-Canada undertook to file additional revisions on September 14, 2012. However, when those revised projections were filed on September 14, the television projections were not complete – CBC/Radio-Canada had excluded the required detailed projections for spending on programs, by genre, for its English and French conventional television services.

In its letter of September 14, CBC/Radio-Canada indicated it would file the missing details on October 26, 2012 – 21 days after the intervention deadline of October 5! Subsequently, on September 28, the Commission announced that CBC/Radio-Canada was prepared to file the missing information on October 12, but that is still one week after the October 5 intervention deadline.[46]

CBC/Radio-Canada's failure to file relevant information raises two significant issues, one of process and one of substance.

The question of process is quite straightforward. The deadline for interventions is October 5, 2012. The deadline for CBC/Radio-Canada to reply to interventions is October 15. If CBC/Radio-Canada is allowed to file additional information on October 12, it will, in effect, have two opportunities for reply, because it can modify the program spending projections after reviewing the interventions that will have been filed on October 5.

[46] CRTC, Broadcasting Notice of Consultation CRTC 2011-379-4, 28 September 2012.

The question of substance is equally important. On September 14, CBC/Radio-Canada filed projections for the advertising revenues and the total spending on programming and production for its English and French conventional television services. But it is not clear how CBC/Radio-Canada could file such projections without knowing, at that time, the detailed projections for spending on programs by genre. If the advertising projections and the totals for programming on production were not linked to or based on detailed projections for spending on programs by genre, how did CBC/Radio-Canada come up with its September 14 projections for advertising revenues and total spending on programming and production?

The CBC/Radio Canada projections for CBC English conventional television

Table 9 presents a summary of the original (from 2011) CBC/Radio-Canada projections for CBC English conventional television. Table 10 presents a summary of the projections filed on July 16, 2012, and Table 11 presents a summary of the revisions filed on September 14, 2012. If we compare the original (from 2011) projections with the projections from July 16, 2012, we can see that CBC/Radio-Canada management responded to the reduction in the Parliamentary Appropriation with the following changes for CBC English conventional television:

- A greater reliance on advertising (the projected advertising revenue for 2015 was $254.6 million in the original projections and $276.3 million in the revised projections).

- A decrease in the amount spent on news (the projected spending on news in 2015 was $142.1 million in the original projections and $111.8 million in the revised projections).

- An increase in the amount spent on sports (the projected spending on sports in 2015 was $149.o million in the original projections and $181.6 million in the revised projections).

We have already noted, in Part III, above, that the projected spending on sports does not appear to take into account either a possible increase in the cost of NHL rights or the possibility that the CBC will lose those rights after 2014.

There is another important issue that emerges from an examination of the changing projections for CBC English conventional television. The CBC has argued that its spending on professional sports produces a revenue surplus within that genre. However, when we compare the original with the revised (July 16, 2012) projections, we see advertising revenue for 2015 projected to be $21.7 million higher, but spending on sports in 2015 is projected to be $32.6 million higher. In other words, the increased spending on sports does not produce a corresponding increase in advertising revenues, and certainly does not produce a “surplus”.

… text continues on page 70

Table 9.
CBC/Radio-Canada revenue and program expense projections for CBC **English** conventional television, as filed in 2011:

(In $ million)	Actual		Original projections (2011):				
	2011		2014	2015	2016	2017	2018
Advertising	246.1		246.6	254.6	265.3	280.7	295.9
Parl. Appropriation	464.0						
LPIF	19.5						
Other	48.3		518.6	513.5	519.0	518.3	516.8
Total op. revenue	778.0		765.2	768.0	784.4	799.0	812.7
Programming and production expense	501.1		521.4	524.6	534.3	550.9	556.7
Spending on Canadian programs telecast:							
News	107.8		135.6	142.1	145.8	149.7	148.7
Long-form documentary	21.9		11.1	11.1	11.2	11.3	11.4
Information (other)	23.2		15.6	15.7	15.8	15.9	15.9
Sports	150.7		145.0	149.0	154.7	160.3	166.0
Drama and comedy	70.5		81.9	97.7	98.4	103.2	104.7
Music/Variety	1.9		5.9	6.0	6.2	6.2	6.2
Human interest	25.4		28.8	29.1	29.4	29.5	29.6
Game shows	--						
Award shows	1.8		0.7	0.8	0.8	0.8	0.8
Other	--		--	--	--	--	--
Total Canadian	403.3		424.6	451.6	462.3	476.9	483.3
Spending on non-Cdn. programs telecast	41.7		43.3	20.5	19.3	19.6	20.0

Table 10.
CBC/Radio-Canada revenue and program expense projections for CBC **English** conventional television, July 16, 2012:

(In $ million)	Actual		Projections as of July 16, 2012:				
	2011		2014	2015	2016	2017	2018
Advertising	246.1		260.5	276.3	284.6	293.1	301.9
Parl. Appropriation	464.0		458.5	433.3	427.7	428.4	429.1
LPIF	19.5		23.9	23.9	23.9	23.9	23.9
Other	48.3		49.2	52.3	53.4	54.7	55.9
Total op. revenue	778.0		792.1	785.8	789.6	800.1	810.8
Programming and production expense	501.1		528.5	528.6	536.7	542.3	548.7
Spending on Canadian programs telecast:							
News	107.8		112.0	111.8	113.5	114.5	115.8
Long-form documentary	21.9		23.5	23.4	23.7	23.9	24.2
Information (other)	23.2		24.1	24.0	24.4	24.6	24.8
Sports	150.7		181.8	181.6	183.9	185.4	187.2
Drama and comedy	70.5		82.3	82.2	83.3	84.0	84.7
Music/Variety	1.9		1.9	1.9	2.0	2.0	2.0
Human interest	25.4		29.1	29.0	29.4	29.7	30.0
Game shows	--		0.2	0.2	0.2	0.2	0.2
Award shows	1.8		3.0	3.0	3.0	3.0	3.1
Other	--		--	--	--	--	--
Total Canadian	403.3		457.9	457.2	463.4	467.4	472.0
Spending on non-Cdn. programs telecast	41.7		23.6	23.5	24.2	24.6	25.1

Table 11.

CBC/Radio-Canada revenue and program expense projections for CBC **English** conventional television, September 14, 2012:

(In $ million)	Actual		Revised September 14, 2012:				
	2011		2014	2015	2016	2017	2018
Advertising	246.1		260.5	276.3	284.6	293.1	301.9
Parl. Appropriation	464.0		457.5	429.0	423.6	423.9	424.1
LPIF	19.5		8.0	--	--	--	--
Other	48.3		49.1	52.0	53.2	54.5	55.7
Total op. revenue	778.0		775.1	757.3	761.4	771.5	781.7
Programming and production expense	501.1		514.4	503.3	511.1	516.9	523.4
Spending on Canadian programs telecast:							
News	107.8		DATA NOT YET FILED BY CBC/RADIO CANADA				
Long-form documentary	21.9						
Information (other)	23.2						
Sports	150.7						
Drama and comedy	70.5						
Music/Variety	1.9						
Human interest	25.4						
Game shows	--						
Award shows	1.8						
Other	--						
Total Canadian	403.3						
Spending on non-Cdn. programs telecast	41.7						

The CBC/Radio Canada projections for Radio-Canada French conventional television

Table 12 presents a summary of the original (from 2011) CBC/Radio-Canada projections for SRC French conventional television. Table 13 presents a summary of the projections filed on July 16, 2012, and Table 14 presents a summary of the revisions filed on September 14, 2012.

If we compare the original (from 2011) projections with the projections from July 16, 2012, we can see that CBC/Radio-Canada management responded to the reduction in the Parliamentary Appropriation with the following changes for CBC French conventional television:

- <u>A greater reliance on advertising</u> (the projected advertising revenue for 2015 was $135.1 million in the original projections and $152.1 million in the revised projections).

- <u>A small increase in the amount spent on news</u> (the projected spending on news in 2015 was $77.9 million in the original projections and $85.9 million in the revised projections).

- <u>An decrease in the amount spent on sports</u> (the projected spending on sports in 2015 was $12.9 million in the original projections and $4.2 million in the revised projections).

The sequence of projections for CBC/Radio-Canada conventional television

Table 15 summarizes the sequence of overall projections for CBC/Radio-Canada conventional TV services.

Projections for the CBC/Radio-Canada specialty services

As noted above, the Bold specialty service has been sold to Blue Ant Media. We have reviewed the CBC/Radio-Canada projections for its remaining four specialty services, and find that they are generally consistent with current operating patterns.

... text continues on page 75

Table 12.
CBC/Radio-Canada revenue and program expense projections for CBC **French** conventional television, as filed in 2011:

(In $ million)	Actual		Original projections (2011):				
	2011		2014	2015	2016	2017	2018
Advertising	123.5		128.4	135.1	141.0	146.4	152.0
Parl. Appropriation	375.1						
LPIF	21.2						
Other	41.0		435.4	430.3	429.3	440.3	447.9
Total op. revenue	560.8		563.8	565.4	570.3	586.7	599.9
Programming and production expense	353.6		354.3	355.4	356.9	372.1	377.6
Spending on Canadian programs telecast:							
News	84.1		77.7	77.9	78.1	81.7	83.1
Long-form documentary	17.2		16.9	17.0	17.0	17.8	18.1
Information (other)	35.9		35.7	35.9	35.9	37.6	38.3
Sports	6.5		12.9	12.9	11.5	12.0	12.3
Drama and comedy	65.8		77.6	77.9	79.5	83.1	84.6
Music/Variety	10.1		8.4	8.5	8.5	8.9	9.0
Human interest	62.0		63.3	63.5	63.7	66.5	67.7
Game shows	11.9						
Award shows	4.0		4.0	4.0	4.0	4.2	4.3
Other	2.2		--	--	--	--	--
Total Canadian	299.7		296.5	297.5	298.3	311.8	317.4
Spending on non-Cdn. programs telecast	6.4		8.2	8.2	8.2	8.6	8.8

Table 13.
CBC/Radio-Canada revenue and program expense projections for CBC **French** conventional television, July 16, 2012:

(In $ million)	Actual		Projections as of July 16, 2012:				
	2011		2014	2015	2016	2017	2018
Advertising	123.5		142.9	152.1	156.7	161.5	166.4
Parl. Appropriation	375.1		351.8	340.9	349.5	355.0	361.0
LPIF	21.2		23.1	23.1	23.1	23.1	23.1
Other	41.0		38.9	41.8	41.9	42.0	42.2
Total op. revenue	560.8		556.7	557.9	571.2	581.6	592.7
Programming and production expense	353.6		351.3	356.8	370.8	376.6	383.1
Spending on Canadian programs telecast:							
News	84.1		85.2	85.9	89.6	91.0	92.6
Long-form documentary	17.2		12.5	12.6	12.9	13.0	13.1
Information (other)	35.9		35.1	36.0	37.6	38.1	38.8
Sports	6.5		5.2	4.2	4.3	4.3	4.3
Drama and comedy	65.8		70.3	71.7	74.7	75.8	77.1
Music/Variety	10.1		8.2	8.4	8.8	9.0	9.2
Human interest	62.0		64.8	66.1	68.9	70.0	71.2
Game shows	11.9		12.7	13.0	13.5	13.7	13.9
Award shows	4.0		4.2	4.2	4.3	4.4	4.4
Other	2.2		2.3	2.3	2.4	2.4	2.4
Total Canadian	299.7		300.4	304.3	317.0	321.6	327.0
Spending on non-Cdn. programs telecast	6.4		6.6	6.7	6.9	6.9	6.9

Table 14.

CBC/Radio-Canada revenue and program expense projections for CBC **French** conventional television, September 14, 2012:

(In $ million)	Actual 2011		Revised September 14, 2012: 2014	2015	2016	2017	2018
Advertising	123.5		142.9	152.1	156.7	161.5	166.4
Parl. Appropriation	375.1		351.4	342.4	349.0	355.0	361.5
LPIF	21.2		7.7	--	--	--	--
Other	41.0		38.7	41.5	41.8	41.8	42.0
Total op. revenue	560.8		540.7	536.0	547.5	558.3	569.9
Programming and production expense	353.6		335.6	333.3	343.3	349.1	355.6
Spending on Canadian programs telecast:							
News	84.1		DATA NOT YET FILED BY CBC/RADIO-CANADA				
Long-form documentary	17.2						
Information (other)	35.9						
Sports	6.5						
Drama and comedy	65.8						
Music/Variety	10.1						
Human interest	62.0						
Game shows	11.9						
Award shows	4.0						
Other	2.2						
Total Canadian	299.7						
Spending on non-Cdn. programs telecast	6.4						

Table 15.

Comparison of CBC/Radio-Canada revenue projections for its conventional television services, as filed in 2011, as filed on July 16, 2012, and as filed on September 14, 2012:

	Actual		**Original projections (2011):**				
(In $ million)	2011		2014	2015	2016	2017	2018
Advertising	369.6		375.0	389.7	406.3	427.1	447.9
Parl. Appropriation	839.2		833.1	831.7	834.2	845.2	850.8
LPIF	40.7		35.3	35.3	35.3	35.3	35.3
Other	89.4		85.6	76.7	78.9	78.1	78.6
Total op. revenue	1,338.8		1,329.0	1,333.4	1,354.7	1,385.7	1,412.6
Programming and production expense	854.8		875.7	880.0	891.2	923.0	934.3

	Actual		**Projections as of July 16, 2012:**				
(In $ million)	2011		2014	2015	2016	2017	2018
Advertising	369.6		403.4	428.4	441.3	454.6	468.3
Parl. Appropriation	839.2		810.3	774.2	777.2	783.4	790.1
LPIF	40.7		47.0	47.0	47.0	47.0	47.0
Other	89.4		88.1	94.1	95.3	96.7	98.1
Total op. revenue	1,338.8		1,348.8	1,343.7	1,360.8	1,381.7	1,403.5
Programming and production expense	854.8		879.8	885.4	907.5	918.9	931.8

	Actual		**Revised September 14, 2012:**				
(In $ million)	2011		2014	2015	2016	2017	2018
Advertising	369.6		403.4	428.4	441.3	454.6	468.3
Parl. Appropriation	839.2		808.9	771.4	772.6	778.9	785.6
LPIF	40.7		15.7	--	--	--	--
Other	89.4		87.8	93.5	95.0	96.3	97.7
Total op. revenue	1,338.8		1,315.8	1,293.3	1,308.9	1,329.8	1,351.6
Programming and production expense	854.8		850.0	836.6	854.4	866.0	879.0

The measure of the vision of an organization comes only partly from what it says. An equally, if not more, important part of that vision is reflected in what the organization actually does. In that context, the CBC/Radio-Canada studies and projections reveal a philosophy that should be part of the debate about the future of public broadcasting in Canada.

We have already noted that, in the CBC/Deloitte study on the "economic value" of CBC/Radio-Canada, the CBC chose to compare its current overall status quo with, effectively, no direct public support at all. Surely that was a missed opportunity, one that could have been used to outline alternative scenarios for more efficient ways to use public funds to support public service broadcasting.

The CBC/Radio-Canada projections further cloud the vision of a national public broadcaster. When faced with the need to adapt to federal budget realities, this was the CBC/Radio-Canada response:

- It proposed to reduce the public subsidy to radio, and to Radio Two in particular;

- It proposed to alter the character of CBC/Radio-Canada radio by opening the door to commercial advertising; and

- It proposed to dramatically increase the spending on sports on CBC English conventional television, even though its own projections showed that the increased advertising revenues would not cover the increased costs.

Implicit in all of the projections is a vision for the future of CBC/Radio-Canada. But it is not clear whether or not that vision is consistent with either market realities or the policy expectations one should have for Canada's "national public broadcaster".

The 1974 CRTC hearings on CBC/Radio-Canada licence renewals led to the elimination of commercials on CBC/Radio Canada radio services. They also saw an interesting exchange between CRTC Chairman Pierre Juneau and CBC/Radio-Canada President Laurent Picard, during a discussion about CBC English conventional television. As reported in *The Toronto Star*:

> This was the point at which Juneau crossed Picard's path. If the CBC did not now exist, would Picard recommend that it be created in its present form? For the first time, Picard paused. "No," he answered, "I would recommend that it be created as a purely public network."[47]

[47] Richard Gwyn, "Purely public TV has never been tried", *The Toronto Star*, February 21, 1974, p. B6.

CBC News Release
and
Auditor General's Review of CBC revenue and expenses for professional sports

October 1994

CBC SRC

News Release

FOR IMMEDIATE RELEASE

CBC'S RESPONSE TO THE CTV SPORTS STUDY

OTTAWA - The attached documents were released today by CBC in response to the CTV paper entitled "A Perspective on the CBC". These documents report on the results of the CBC's detailed review of the revenues and expenses associated with its network television sports programs.

The most critical focus of the CTV study was on CBC's involvement in professional sports. In the study released today, CBC provides evidence that it does, in fact, make money on its coverage of professional sports.

To support the results of its review, without revealing competitive information, CBC asked the Auditor General of Canada to review its methodology. The results of that review form part of the attached documents.

-30-

October 24, 1994

Contact: Charlotte O'Dea
Corporate Communications and Public Affairs
CBC Head Office
(613) 738-6779

AUDITOR GENERAL OF CANADA | VÉRIFICATEUR GÉNÉRAL DU CANADA

Review Engagement Report

To the President and Chief Executive Officer of the Canadian Broadcasting Corporation

I have reviewed the Schedule of Excess of Revenue over Expenses for Television Network Professional Sports Programs of the Canadian Broadcasting Corporation for the year ended March 31, 1994 which is prepared by management of the Corporation. My review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Corporation.

A review does not constitute an audit and consequently I do not express an audit opinion on this Schedule of Excess of Revenue over Expenses for Television Network Professional Sports Programs.

Based on my review, nothing has come to my attention that causes me to believe that this Schedule of Excess of Revenue over Expenses for Television Network Professional Sports Programs is not, in all material respects, in accordance with the basis of presentation, definitions and bases of allocation described in notes 1 to 3 to the Schedule.

L. Denis Desautels.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
October 21, 1994

UNAUDITED

Canadian Broadcasting Corporation (CBC)

Schedule of Excess of Revenue over Expenses for Television Network Professional Sports Programs
For the year ended March 31, 1994 (thousands of dollars)

Revenue	95,903
Direct, facilities, overhead and selling expenses	82,798
	13,105
Operational management services, distribution, transmission, corporate management and engineering services expenses	11,139
Excess of revenue over expenses	1,966

The accompanying notes are an integral part of this schedule.

Original signed by:
S. Cotsman
Vice-President,
Finance and Administration

Original signed by:
A.S. Manera
President and Chief Executive Officer

UNAUDITED

Canadian Broadcasting Corporation (CBC)

Notes to the Schedule of Excess of Revenue over Expenses for Television Network Professional Sports Programs

For the year ended March 31, 1994

1. **Basis of presentation**

This schedule presents the revenue, expenses and excess of revenue over expenses for Television Network Professional Sports Programs for the year ended March 31, 1994. It has been prepared in accordance with the accrual basis of accounting and derived from the books, records and Annual Report of the Corporation. The significant accounting policies are as follows:

Revenue, representing advertising net of agency commissions, is recognized in the period in which the related programs are broadcast.

Direct expenses, representing costs that can reasonably be identified with the Television Network Professional Sports Programs, are recognized in the period in which the related programs are broadcast.

Direct labour and facilities expenses were determined on the basis of actual usage where available, budgets and management best estimates.

All other expenses are allocated to Professional Sports Programs on the bases outlined in Note 3 below.

2. **Definitions**

The following definitions have been used in the preparation of the Schedule of Excess of Revenue over Expenses for Television Network Professional Sports Programs:

Professional Sports Programs. Broadcasts of games and competitions comprising, in the opinion of management, National Hockey League hockey, Major League baseball, football, auto racing, golf, horse racing, tennis and European figure skating. Professional sports programs do not include "Sportsweekend", "Nouvelles du sport", "Univers des sports" and "Univers des sports (spéciaux)", and all other sports broadcasts.

Direct expenses. Items of expense that can reasonably be identified with the Television Network Professional Sports Programs. They include broadcast rights, talent rights, remuneration for announcers, producers, cameramen, technicians, designers and other direct labour, travel and other expenses.

Facilities. The term used by the Corporation to signify the expenses incurred for the use of cameras, studios, mobile units, editing suites and other production equipment.

Overhead. The term used by the Corporation to signify expenses incurred for the supervisory management associated with the production of programs, unit managers, programming and production administration and occupancy expenses.

Operational management services. The term used by the Corporation to signify allocated expenses for Network and regional support services such as Human Resources, Finance, Communications, and Management Information Services.

Distribution and transmission. The term used by the Corporation to signify expenses related to satellite usage, main transmitters, studio to transmitter links, master control and other related technical services.

Selling. The term used by the Corporation to signify expenses relating to the sales and marketing of television time to advertisers.

Corporate management and engineering services. The term used by the Corporation to signify expenses related to functions discharged on a corporate basis such as policy and standards formulation, corporate planning and external relations, and engineering services such as applied research, development, training, architectural and design services and technical standards.

3. **Bases of allocation**

The bases of allocation for the following expenses are:

Overhead. For the production centres, on the basis of the ratio of direct labour expense charged to professional sports programs to total direct labour expense charged by the centres for all production activities. For the Sports Departments, the expense of the department pro rated between the Professional and Amateur Sports on the basis of direct labour expense.

Operational management services. On the basis of the ratio of Television Network Professional Sports program expense to total network program expense, net of broadcast rights.

Distribution and transmission. Generally on the basis of the ratio of professional sports broadcast hours to total broadcast hours.

Selling. On the basis of management judgement in establishing best estimates.

Corporate management and engineering services. On the basis of the ratio of total network professional sports expenses to total expenses of the Corporation, net of broadcast rights.