

# Listening to the Future

PLANNING FOR THE FIRST DECADE OF THE SECOND CENTURY OF RADIO IN CANADA

Prepared for the Canadian Association of Broadcasters  
**March 26, 2021**

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This report has been prepared to provide an economic and statistical framework for Canada's private commercial radio industry. The report includes a number of radio-related data sets that were used in a report by Communications Management Inc., dated August 24, 2020, titled "The crisis in Canadian media and the future of local broadcasting". However, to the extent new data are available, the data in this report have been updated accordingly.

We find that, at the beginning of 2021, Canadian private radio faces two significant challenges:

1. The sudden, severe challenge of the COVID-19 pandemic, and the related economic disruption; and
2. The wide-ranging long-term continuing impacts of the emergence of digital alternatives, many of which have been accelerated because of the pandemic.

The key areas covered in the report include:

- An analysis of the economic markets in which radio operates, both of which are far larger than just the private radio component – 1) the broader audio market; and 2) the competitive cross-media advertising market.
- An analysis of private radio's contribution to democracy and to the economy, including: 1) the important role radio plays in delivering news and information to our communities; 2) radio's broader contribution to Canadian content; 3) private radio's "multiplier" and stimulus effects within the Canadian economy. For example, from 2010 to 2019, private radio contributed over \$1 billion to Canadian Content Development and copyright payments to the Canadian music industry.
- The growth of online alternatives, which indicates not only a far more competitive environment for audio content, but also the need for more flexibility in developing formats to meet that competition.
- A review of trends in radio revenue and profitability. Radio's total revenues fell from \$1.625 billion in 2013 to \$1.457 billion in 2019 – a decline of about \$170 million. To maintain profitability, the industry reduced staffing, but, to that point, was able to reduce administrative staffing more, and program staffing less, in order to maintain program choices for listeners. In terms of profitability, while the overall PBIT percentage for private radio in 2019 was about 17 per cent, 40 per cent of the stations had negative PBIT.

The analysis also includes the relationship between radio advertising and retail trade. In the 20 years from 1993-2012, radio advertising averaged about \$3.50 per

\$1,000 of retail trade. From 2013 to 2019, that indicator fell from \$3.31 to \$2.34 (per \$1,000 of retail trade).

- An analysis of what happened to radio revenues in 2020, indicating a reduction in advertising revenue of an estimated \$375 million from 2019 to 2020. The analysis also deals with the number of private radio stations “at risk”. In our August 2020 report, we indicated that station closures might occur, depending on possible government assistance programs and other factors.

It appears that government assistance was useful in keeping the number of closures to a very small number of stations. At the same time, further staff reductions were also necessary to ensure survival, and, in some cases, that led to regional (shared) programming mixing with local programming.

However, we would caution that the crisis is not over. It is not certain what the levels of government assistance will be going forward, and cost reductions have limits. In that context, we would also note that our projections in August 2020 were based on an assumption of a PBIT reduction of 10 percentage points from 2019 levels; the most recent available data indicate that the actual reduction might have been closer to 15 percentage points.

- Projecting radio advertising revenue to 2029. In our August 2020 report, based on the data available at the time, we had projected that, after a sharp decline in 2020, Canadian radio advertising revenues could return to something approaching previously-projected levels by 2022. The more recent industry tracking data now are pointing to a longer time frame before revenues recover closer to, but still below, the pre-COVID projections.

- Key external and internal operating issues. Finally, we have briefly set out three key issues as part of the context for understanding current and future policies for private radio:

1. “Storelessness” – the importance of understanding the degree to which the retail market is changing, and the trend to online retail, a trend that connects digital advertising to the other online activities of many retailers.

2. Changing operational patterns – cost-sharing and targeting. This has implications for ownership policies that can impact on the degree of cost-sharing that is possible, and also has implications for policies that impact on the ability of private radio to refine formats to meet digital competition.

3. The need to discuss potential public assistance to help maintain local news. The importance of local radio news has been well-documented. It may be time to consider public assistance programs for private radio news and information, including targeted subsidies, labour tax credits, or provisions for philanthropy.

### Radio in context

This report has been prepared to provide an economic and statistical framework for Canada's private commercial radio industry, in the context of the "Commercial radio policy framework review" currently being undertaken by the Canadian Radio-television and Telecommunications Commission.<sup>1</sup>

The report includes a number of radio-related data sets that were used in a report by Communications Management Inc., dated August 24, 2020, titled "The crisis in Canadian media and the future of local broadcasting". However, to the extent new data are available, the data in this report have been updated accordingly.

The report covers the following areas:

1. The relevant market in which Canada's commercial radio stations operate – both in terms of their relative size in relation to other sources of audio entertainment and information, and their relative size in relation to their competitors for advertising.
2. Private radio's contribution to community, to democracy, and to shared experience, through radio news, community information, and emergency alerting.
3. Private radio's economic contribution – to Canadian content and creators; its "multiplier" effect within the Canadian economy; and its stimulus effect for the sales of goods and services.
4. The radio audience, and the impact of online audio competition.
5. Trends in radio revenues, profitability, and employment.
6. The changing relationship between radio advertising revenues and retail trade.
7. What happened to private radio in 2020?
8. Projections for radio revenues and profitability.
9. Key external and internal operating issues.

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<sup>1</sup> Canadian Radio-television and Telecommunications Commission, Broadcasting Notice of Consultation CRTC 2020-374 (12 November 2020) and CRTC 2020-374-1 (11 January 2021).



Headline in the *Ottawa Journal* on May 21, 1920, the day after the first broadcast.

## **The first year of radio's second century**

We would be remiss if we did not note that commercial radio in Canada celebrated its 100th anniversary on May 20, 2020.

What might have been the world's first real, scheduled radio program, and certainly the first in Canada, was broadcast on May 20, 1920. The program originated at Montreal station XWA (later renamed CFCF), and was heard by those attending a meeting of the Royal Society of Canada at the Chateau Laurier Hotel in Ottawa.

That set off not only the development of the radio industry, but also the debate about who would own radio, and about how it should be regulated.

Commercial radio came first. It was joined in 1923 by the first government-owned station – CKY, in Winnipeg, owned by the Manitoba Telephone System.

The 1920s and early 1930s saw ongoing debates about the roles and responsibilities for radio, leading to the creation of the Canadian Radio Broadcasting Commission in 1932 and the Canadian Broadcasting Corporation in 1936.<sup>2</sup>

So the current CRTC process for commercial radio can be placed in historical context – we are in the first year of radio's second century in Canada, and engaged in a process that will set the framework for commercial radio for the first decade of that second century.

## **Short-term and long-term challenges**

As private radio begins its second century in Canada, it can look back on a record of success, both in commercial terms, and in the way it has been an integral part of the information infrastructure that is so vital to our local, regional, and national communities.<sup>3</sup>

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<sup>2</sup> For additional information on radio's early history, see: [http://media-cmi.com/downloads/The\\_100th\\_anniversary\\_of\\_Canadian\\_broadcasting\\_052020.pdf](http://media-cmi.com/downloads/The_100th_anniversary_of_Canadian_broadcasting_052020.pdf).

<sup>3</sup> A brief overview of radio's economic history since 1960 is contained in Appendix 1 to this report.

But, at the beginning of 2021, Canadian private radio faces two significant challenges:

1. First, the sudden, severe challenge of the COVID-19 pandemic. While hope is on the horizon that the pandemic can be controlled in the not-too-distant future, the pandemic has had a dramatic negative effect on the economics of most traditional media. The pandemic may also have accelerated some of the longer-term trends described below.
2. Second, the wide-ranging long-term continuing impact of the emergence of digital alternatives – not just the digital alternatives that have increased the competition for listeners’ time and attention, but also the digital alternatives that have changed the nature of the retail economy, whose advertising dollars have been the source of revenue for commercial radio.

Thus, as will be demonstrated in this report, even absent the pandemic, private radio had already entered a period of gradual decline. The pandemic made that decline much worse in 2020, and it is possible that Canadian radio advertising revenues may not return to something approaching the previously-projected (albeit declining) revenue levels until 2023.<sup>4</sup>

### **Sources and methodology**

The main sources of data in this report are Statistics Canada and the CRTC, along with industry tracking data.<sup>5</sup> In addition to published data, we have been able to access a number of custom tabulations from Statistics Canada, which provide additional insights into the operational results for local radio broadcasting.

In early 2021, the Canadian Association of Broadcasters conducted a survey that yielded results for 573 private radio stations, and the results of the CAB survey have been used to supplement the other data.

Historical data for retail trade come from Statistics Canada, and future projections for retail trade have been developed after reviewing projections from Canadian financial institutions.

The projections for radio advertising revenues are based on recent trends, and then benchmarked to projections for retail trade.

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<sup>4</sup> Please note that the economic data for private radio are for years ending August 31<sup>st</sup>.

<sup>5</sup> For a more detailed discussion of the “industry tracking data”, see “Data sources for estimating industry results”, on page 21.



## II. The economic markets in which radio operates

### Two overlapping economic markets

In our report of August 24, 2020, we set out the components that make up the relevant Canadian audio market. We have updated those data in this report, to take into account any new information.

In addition, it is also useful to indicate the relative position of radio within the Canadian advertising market, and we have done that for 2019, with comparisons to 1999 and 2009.

### The Canadian audio market in 2019

In Figure 1, we have summarized the main components that made up the Canadian audio market in 2019.

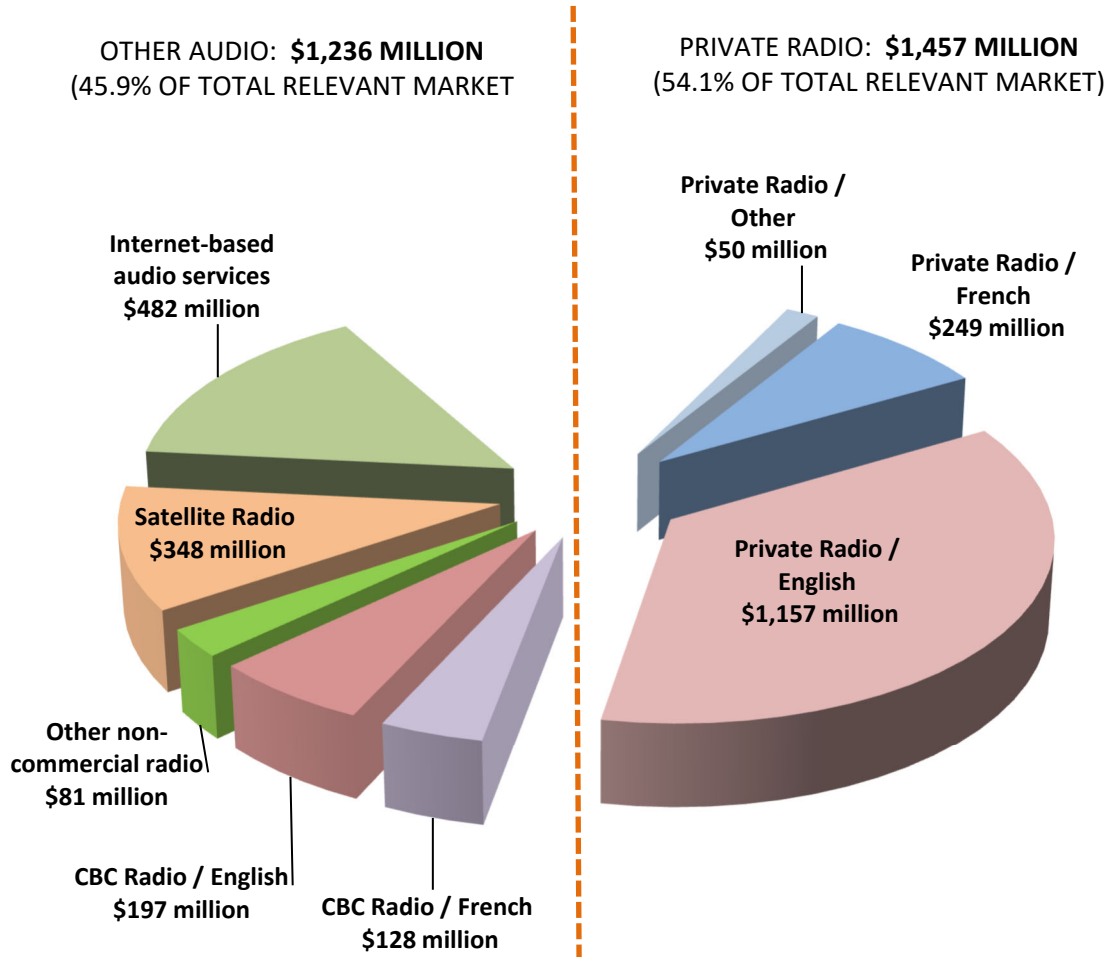
As indicated in Figure 1, the total Canadian revenue for those components in 2019 was about \$2.7 billion, with Canadian private radio accounting for just over half that total – a significant reduction from its pre-Internet share of the audio market.<sup>6</sup>

Figure 1 also allows us to refine the calculation of the market share held by a specific group or organization. If one were to total the 2019 revenues of the five largest private radio groups in Canada, their combined market share of just the private radio component would be 64 per cent. However, if the market share is calculated using the entire relevant market as the base, their combined market share would only be 35 per cent – a much more realistic assessment of their actual competitive position.

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<sup>6</sup> We have developed estimates for the main components in the relevant market. It should be noted that there may be some smaller components that have not been included. For example, although declining, there were still some sales of physical recorded music in 2019. Thus, the estimate for the size of the total relevant market might be slightly understated.

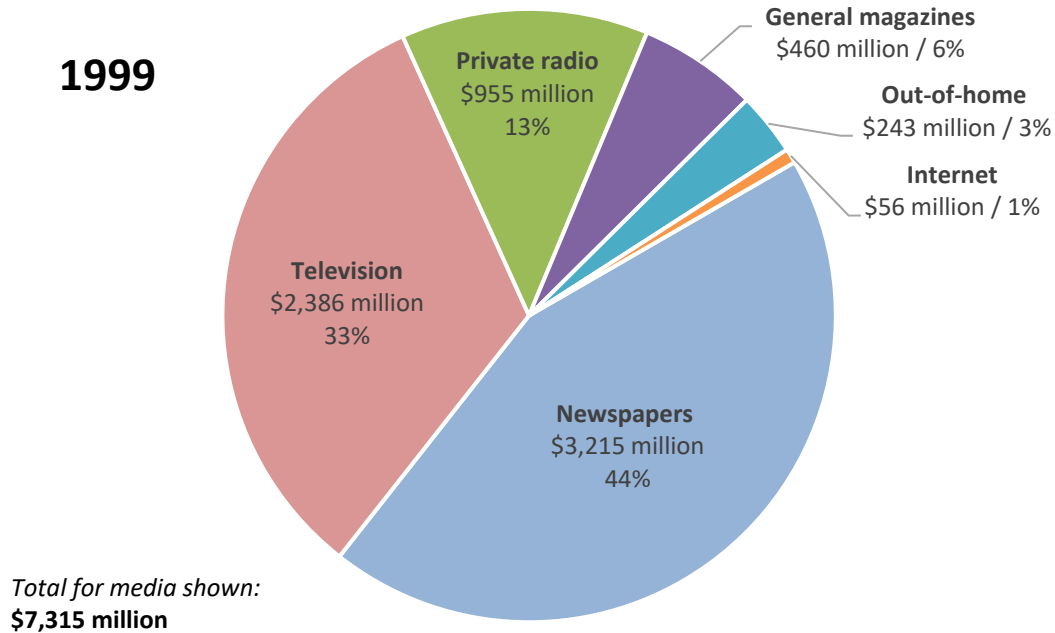
**Figure 1.**  
 The Canadian audio market in 2019:  
 [TOTAL RELEVANT MARKET: \$2,693 MILLION]



<i>MARKET SHARE CALCULATION FOR FIVE LARGEST PRIVATE RADIO GROUPS (TOTAL REVENUE: \$930 MILLION):</i>		
AS % OF PRIVATE RADIO		64%
AS % OF TOTAL RELEVANT MARKET		35%

SOURCE: CRTC; Statistics Canada; Communications Management Inc.

**Figure 2A.**  
Advertising market shares for selected media, **1999**:



SOURCE: TVB Canada; Statistics Canada; Communications Management Inc.

### **Radio's share of the Canadian advertising market**

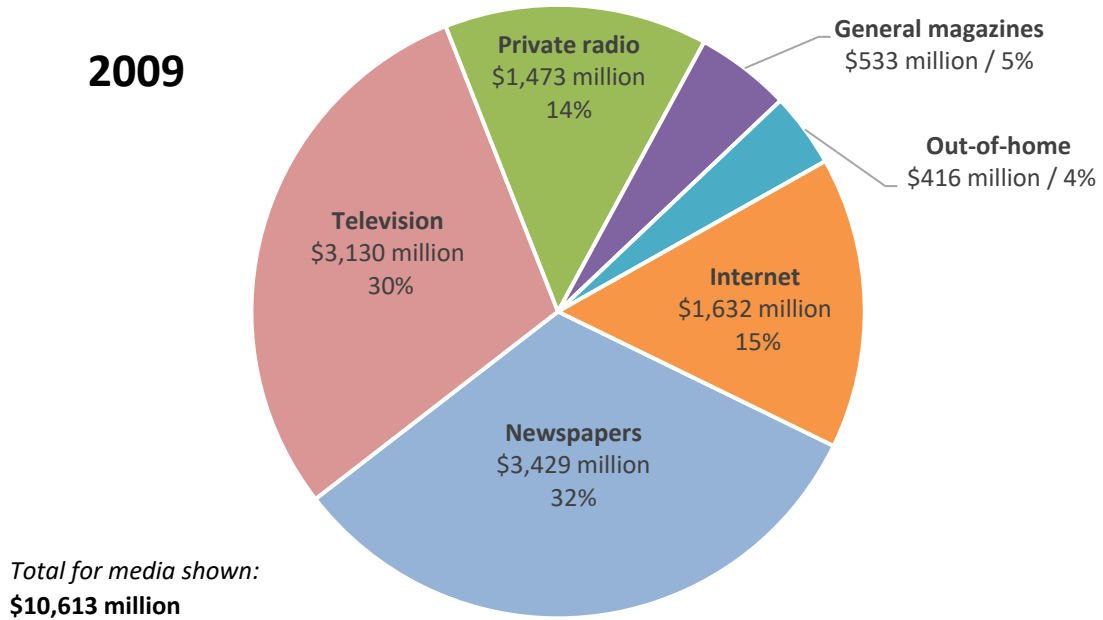
While radio competes with all of the other audio components shown in Figure 1, it also competes, more broadly, with many other media for advertising dollars aimed at Canadian consumers.

To indicate radio's share, and also the dramatic changes that have occurred over the last two decades, we have presented the data in Figure 2A (for 1999), Figure 2B (2009), and Figure 2C (2019).

*(Note: In order to be able to compare the data over time, we selected the main advertising media for which data were consistently available. For example, comparable estimates for spending on Direct Mail were available for 1999 and 2009, but not for 2019.)*

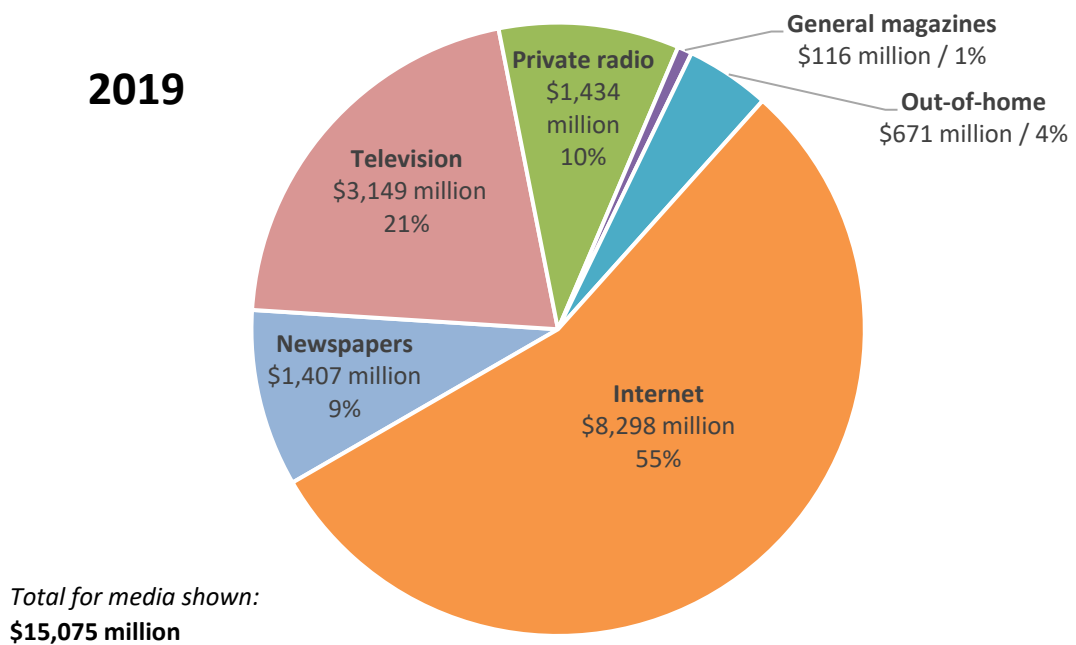
As indicated in Figures 2A, 2B, and 2C, radio's share of advertising within the selected media was 13 per cent in 1999 and 14 per cent in 2009, but fell to about 10 per cent in 2019. The most significant changes were the shares for newspapers (daily and community) and the Internet. In 1999, newspapers had a 44 per cent share; by 2019, that had fallen to 9 per cent – and newspaper advertising was lower than radio advertising in actual dollars for the first time in history. At the same time, the Internet's share of advertising within the selected media group grew from one per cent in 1999 to 55 per cent in 2019.

**Figure 2B.**  
Advertising market shares for selected media, **2009**:



SOURCE: TVB Canada; Statistics Canada; Communications Management Inc.

**Figure 2C.**  
Advertising market shares for selected media, **2019**:



SOURCE: ThinkTV; Statistics Canada; Communications Management Inc.

### III. Private radio's contribution to democracy and to the economy

#### **Private radio is an important contributor to our sense of shared experience**

In a time of fragmenting media choices, private radio continues to play an important role in providing Canadians with a locally-focused source of news and community information, essential ingredients in maintaining our sense of shared experience.

Indeed, as our local print media are facing even more serious challenges, private radio may emerge as the principal local information source in many communities.

It is important to remember that “local information source” is not limited to formal newscasts. There are, of course, formal newscasts on a regular basis, but there are also the ongoing updates on local events and developments interspersed in spoken word portions in music programming, in addition to the material covered in scheduled newscasts.

And, of course, radio has a primary role in alerting citizens about emergencies that might affect their communities.

When considered together – regular local news, community information throughout the day, and emergency alerting – we believe it is fair to say, and important to remember, that private radio in Canada plays a vital role in our democracy.

The importance of radio as a source of local news has been confirmed many times, most recently in a study by Solutions Research Group for the Canadian Association of Broadcasters. One of the key findings from that study is reproduced in Figure 3.

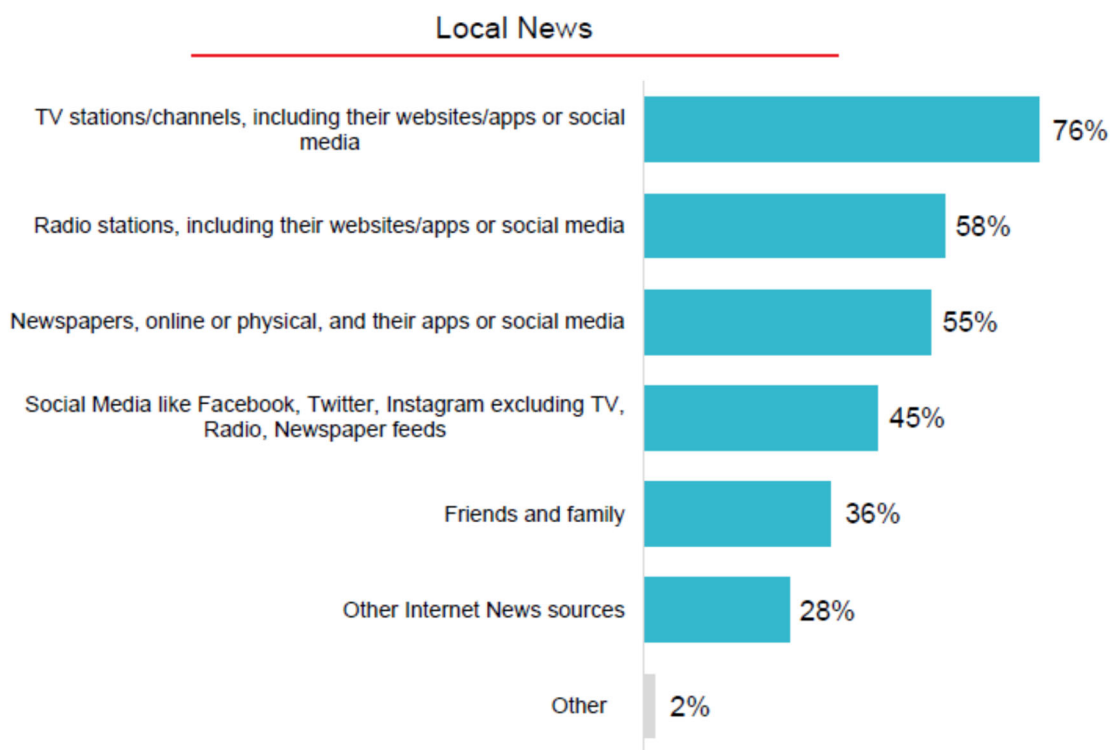
#### **Private radio's economic contributions**

Canada's private radio industry makes economic contributions in at least four ways:

1. Support for news and community information;
2. Support for Canadian content, particularly for Canadian music;
3. The general “multiplier” effect for the industry's impact within the economy; and
4. The stimulus effect that radio advertising brings to the sales of goods and services.

Each of those contributions is discussed below.

**Figure 3.**  
Sources for local news, Canadians 12+, December 2020 - January 2021:



SOURCE: Solutions Research Group.

### **Private radio's economic contribution to news and information**

We have been able to use the results of the CAB survey, along with a custom tabulation of data from Statistics Canada, to estimate the spending by private radio stations on news and information.

While the CRTC reports annually on the spending by television on News, the reporting for radio only covers direct remuneration for News salaries, and does not cover all stations.

As noted above, news and information on radio extend beyond scheduled newscasts, and make up a significant part of radio's overall spoken word content. In the CAB survey, respondents were asked to estimate the percentage of their spoken word content that could be considered news and information. The answer: 47 per cent.

And, according to a custom tabulation from Statistics Canada, in 2019, private radio in Canada paid out remuneration of \$320.1 million in the Programming function.

If we accept the broader definition of news and information outlined above, then we believe it is not unreasonable to suggest that 47 of that total could be attributed to news – news in formal newscasts, and news and community information within other spoken word programming.

So an approximate estimate of private radio’s economic contribution to news and information in 2019 would be 47 per cent of \$320.1 million, or \$150 million.

Clearly, that is an estimate, but we believe it is a fair indicator of private radio’s economic contribution to providing news and community information to its listeners.

### **Private radio’s contributions to Canadian content**

In addition to the spending on news and information estimated above, private radio makes a significant contribution to Canadian content of all types.

For example, in its 2019 *Communications Monitoring Report*, in a section titled “Contributions to Canadian content”, the CRTC noted:

Commercial radio stations typically contribute to CCD initiatives to support the development and promotion of Canadian musical and spoken word content for broadcast. ... Canadian broadcasters also support Canadian content in a variety of other ways, such as through the exhibition of Canadian content, copyright and other programming expenditures, and the production of Canadian radio programming.<sup>7</sup>

In the broadest sense, one could say that virtually all of the programming on Canadian private radio is Canadian content, at a cost of \$491 million in 2019, and a total of \$4.9 billion from 2010 to 2019.<sup>8</sup>

As noted above, of that \$491 million in 2019, an estimated \$150 million was spent on gathering and delivering news and community information.

Private radio’s programming budgets also include two types of specific contributions to Canadian content that are paid to individuals and groups outside the stations themselves – the amounts paid to a variety of initiatives for Canadian Content Development (CCD), and the amounts paid to a number of copyright collectives for the use of music.

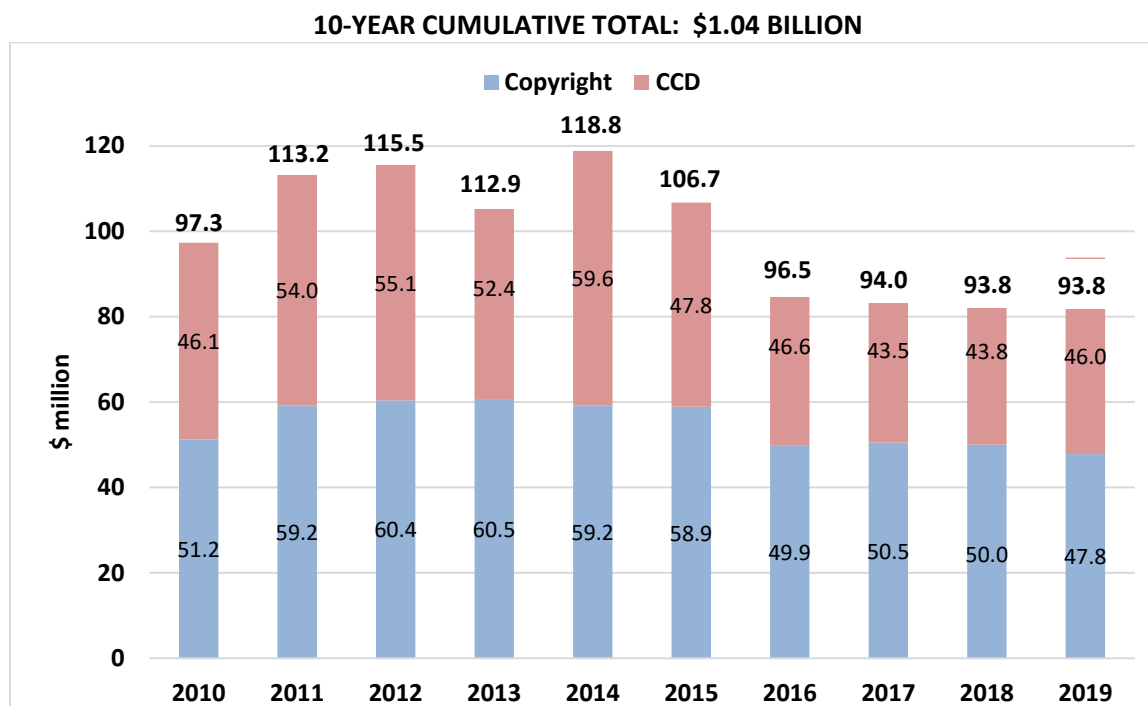
Figure 4 summarizes the CCD and copyright payments from 2010 to 2019.

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<sup>7</sup> CRTC, *Communications Monitoring Report 2019*, pp. 103-104.

<sup>8</sup> Based on data from Statistics Canada.

**Figure 4.**  
Total of CCD and copyright payments from Canadian private radio broadcasters to Canadian recipients, 2010-2019:



**Note:** The copyright payments shown here have been adjusted to exclude the estimated portion of those payments that went to recipients outside of Canada.

SOURCE: CRTC; Statistics Canada; Communications Management Inc.

As indicated in Figure 4, for that 10-year period, the total paid by Canadian private radio to Canadian CCD and copyright recipients was \$1.04 billion.<sup>9</sup>

### “Multiplier” and stimulus effects

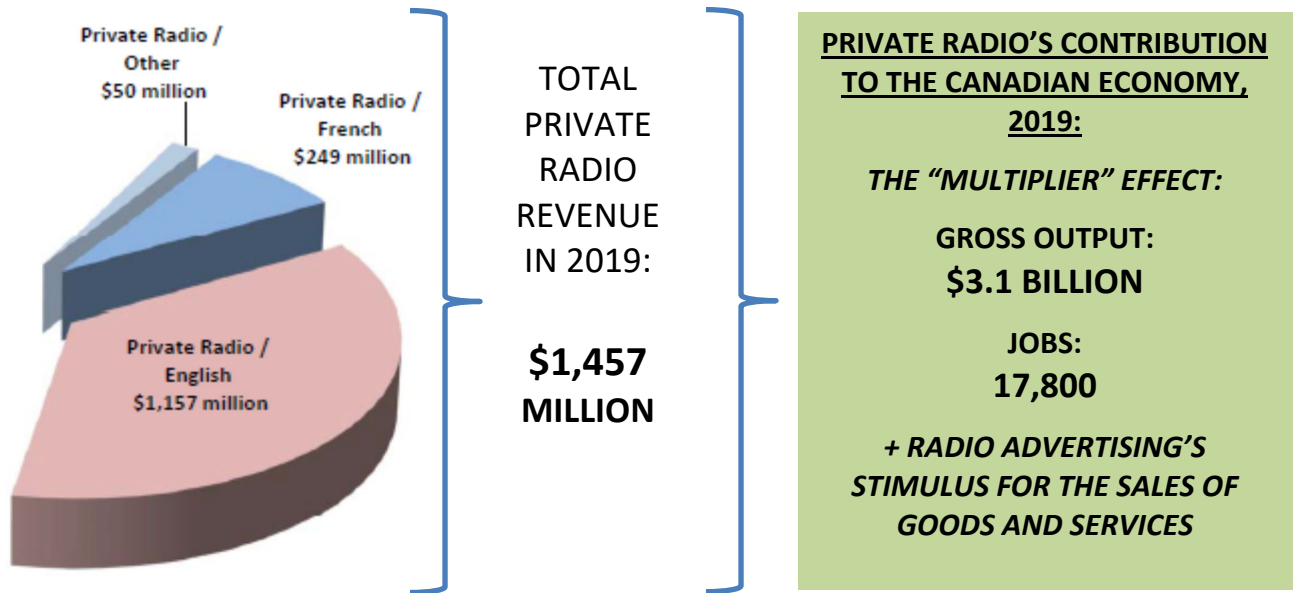
In Figure 5, we have summarized the calculations for private radio’s “multiplier” effect within the Canadian economy. As indicated in Figure 5, in 2019, private radio’s economic activities added over \$3 billion to the economy, and 17,800 jobs.

Over and above that, while more difficult to quantify, we also know that radio advertising plays an important role in stimulating the sales of good and services across Canada.

<sup>9</sup> Over the 10-year period, the copyright payments to recipients outside Canada are estimated to have been \$365 million.



**Figure 5.**  
Private radio's value to the Canadian economy, 2019:

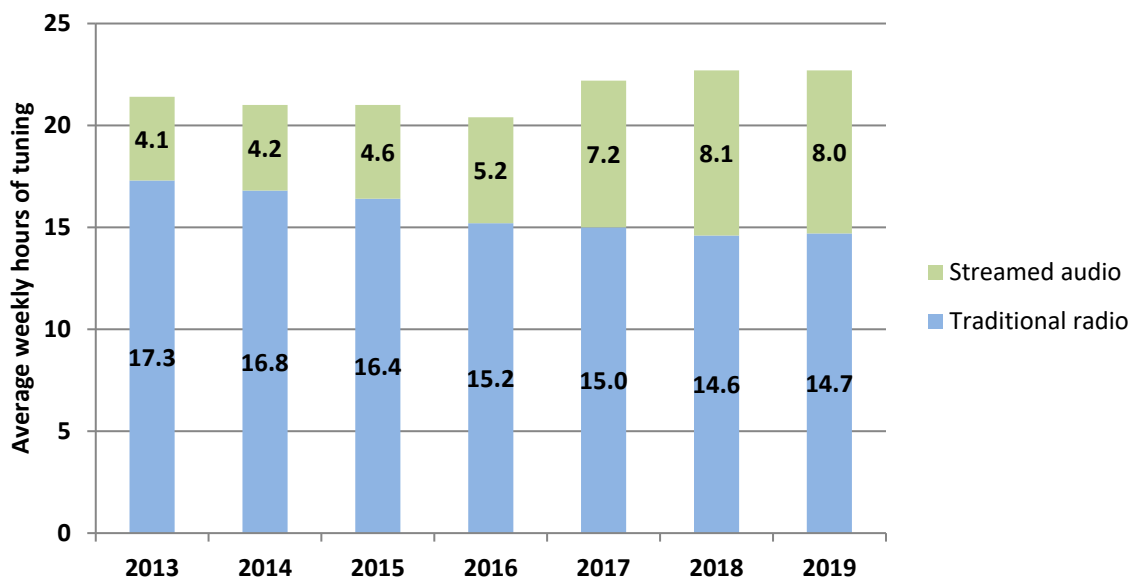


SOURCE: Statistics Canada; Communications Management Inc.

### The growth of online alternatives

Figure 6 indicates the CRTC’s summary of the relationship between tuning to traditional radio and tuning to streamed audio services.

**Figure 6.**  
Average weekly hours of tuning to traditional radio vs. listening to streamed audio services, by Canadians 18+, 2013-2019:



Source: CRTC, *Communications Monitoring Report*, 2020.

### The impact on Canadian radio formats and audience targeting

As radio has expanded, stations have developed new formats, often built around specific genres of music, in order to attract and hold audiences. And while it is obvious that the almost unlimited choices presented by digital streamed audio services provide more general competition for radio, it must also be noted that the nature of “formatting” itself is affected by those digital alternatives.

Thus, to the extent that a format on a Canadian station must be constructed within the constraints of regulatory requirements that affect the programmer’s choice of music selections, the Canadian station could be at a competitive disadvantage vis-à-vis a non-Canadian digital alternative that does not face those same constraints.

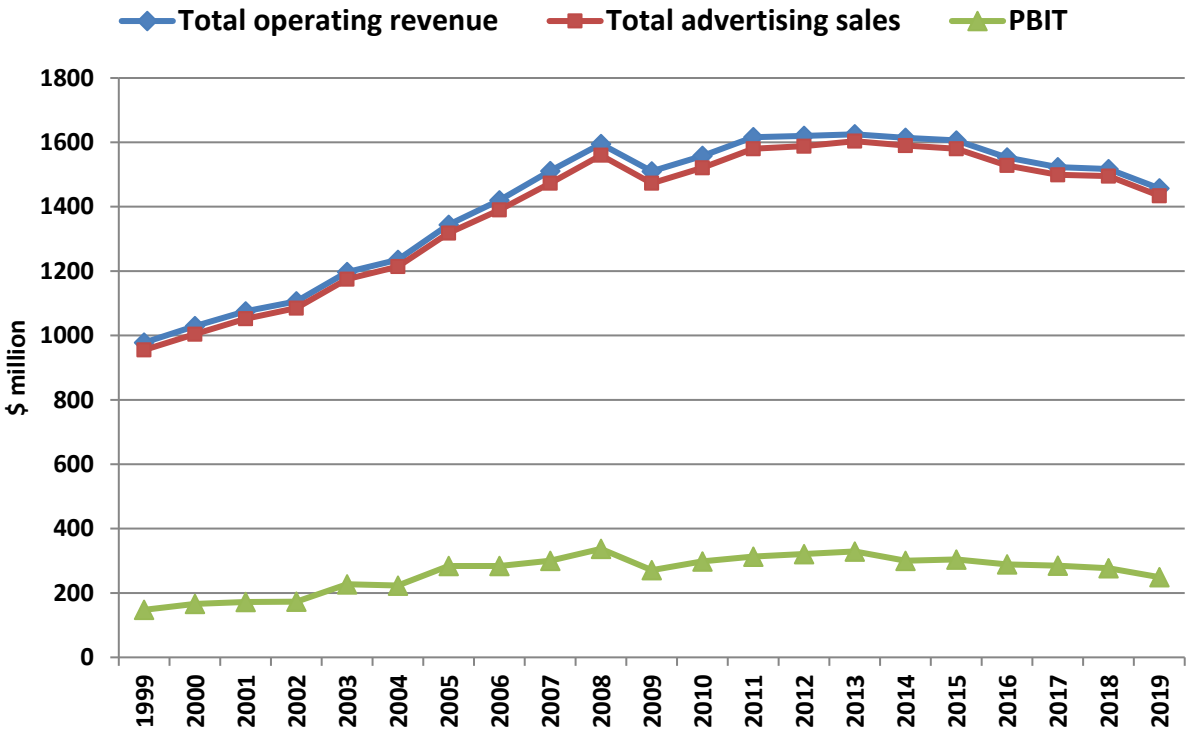
## V. Private radio – revenue, profitability, and the link to retail trade

### Trends in revenue and profitability, 1999-2019

In Figure 7, we have tracked private radio’s total revenue, total advertising sales, and profit before interest and taxes (PBIT), from 1999 to 2019.<sup>10</sup>

As can be seen in Figure 7, with the exception of a cyclical dip due to the 2008-2009 economic downturn, private radio revenues in Canada grew in most years from 1999 to 2013. However, those revenues began to decline in 2014, and were about \$170 million lower in 2019 than they were in 2013.

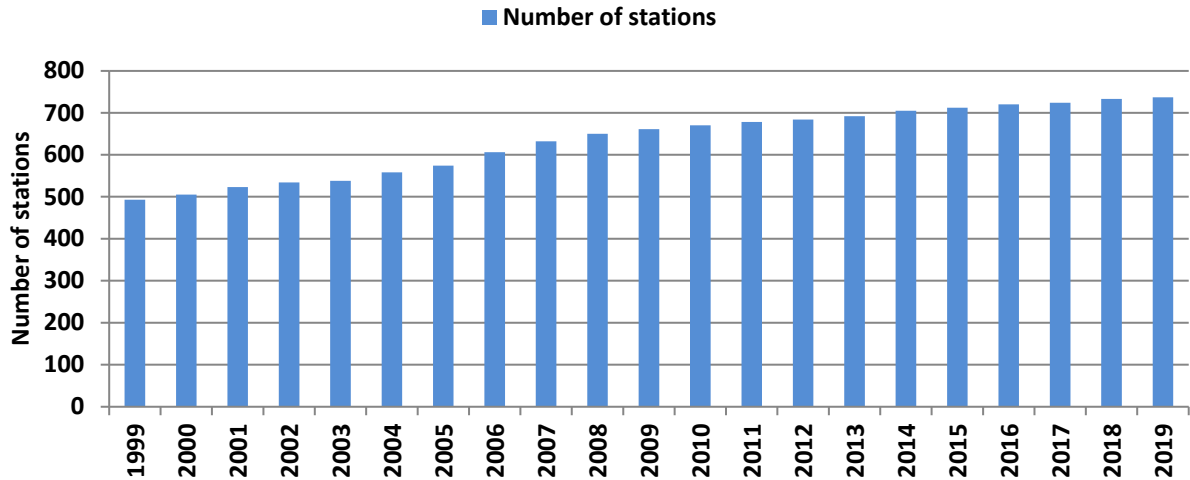
**Figure 7.**  
Private radio – trends in total operating revenue, total advertising sales, and PBIT, Canada, 1999-2019:



SOURCE: Statistics Canada.

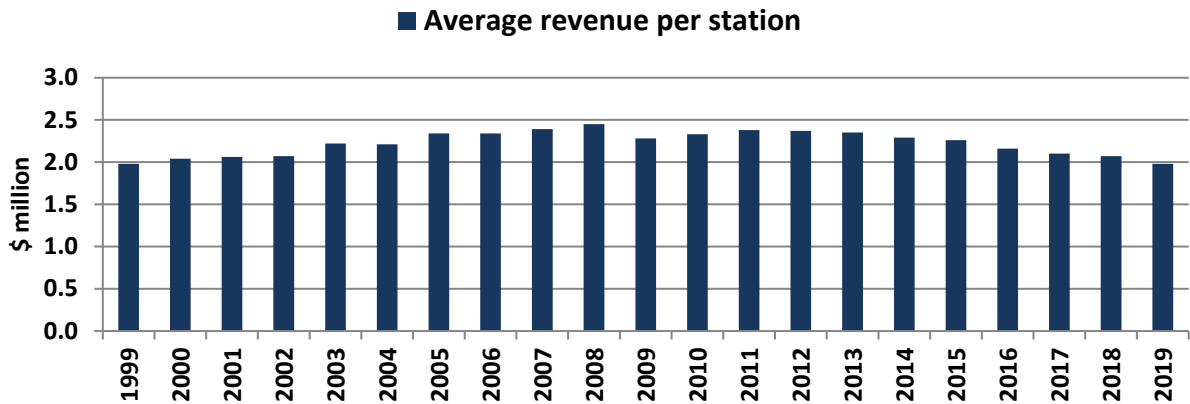
<sup>10</sup> Please note that the data on private radio in this section are based on data from Statistics Canada, because those data will be consistent with the additional data derived from the custom tabulations prepared by Statistics Canada. The CRTC also produces data for private radio, and the broad trends in data from the two sources are similar. For example, for 2019, the CRTC’s data for private commercial radio indicated total operating revenue of \$1,453 million; the corresponding figure from Statistics Canada was \$1,457 million – a difference of three-tenths of one per cent.

**Figure 8.**  
Number of private radio stations, Canada, 1999-2019:



SOURCE: Statistics Canada.

**Figure 9.**  
Average revenue per private radio station, Canada, 1999-2019:



SOURCE: Statistics Canada; Communications Management Inc.

In Figures 8 and 9, we present data for the number of private radio stations in Canada over the same time period, and for the average revenue per station. The number of private radio stations grew from 493 in 1999 to 737 in 2019. As indicated in Figure 9, the average revenue per station was approximately the same in 2019 as it was in 1999 – about \$1.98 million.<sup>11</sup>

<sup>11</sup> If the average revenue per station had kept pace with the Consumer Price Index from 1999 to 2019, it would have grown from \$1.98 million per station in 1999 to \$2.90 million per station in 2019.

## An important indicator – radio advertising revenues per \$1,000 of retail trade

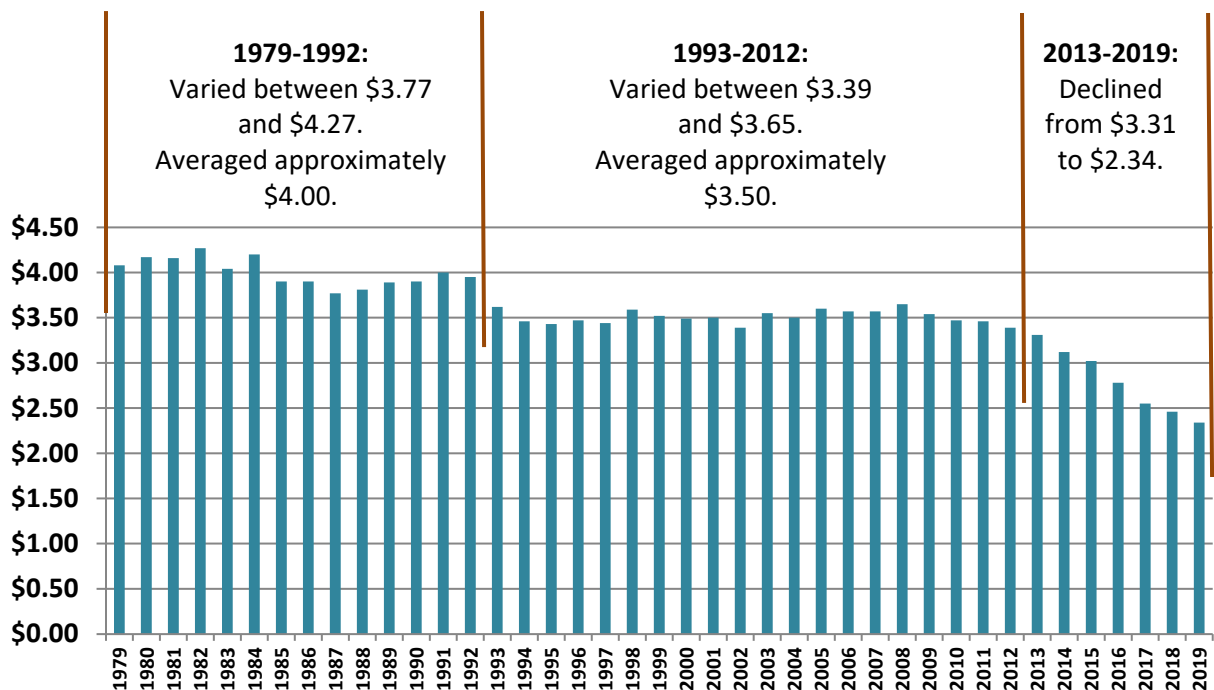
Because of the local nature of the medium, radio advertising has historically been linked to retail trade. The linkage can be expressed as radio advertising revenues per \$1,000 of retail trade. As indicated in Figure 10, those linkages stayed within relatively narrow ranges from 1979-1992 (about \$4.00 per \$1,000), and from 1993-2012 (about \$3.50 per \$1,000). However, the linkage fell sharply after 2012, from \$3.31 per \$1,000 in 2013 to \$2.34 per \$1,000 in 2019.

(When expressed in dollars-per-thousand, the change might appear small. But the significance of the decline can be illustrated by this comparison: If private radio advertising revenues in 2019 had been \$3.50 per \$1,000 of retail trade, instead of \$2.34, the advertising revenues would have been over \$2.154 billion, instead of the actual total of \$1.434 billion – a difference of \$720 million.)

That change helps to explain the revenue decline over the same time period, and is an indicator of a) the changing structure of the retail market; and b) the increase in the number of competitors for local advertising, particularly from online digital alternatives. And the change in the relationship between radio advertising and retail trade might also be signalling serious concerns about future trends in radio advertising.

**Figure 10.**

Private radio advertising revenues per \$1,000 of retail trade, Canada, 1979-2019:



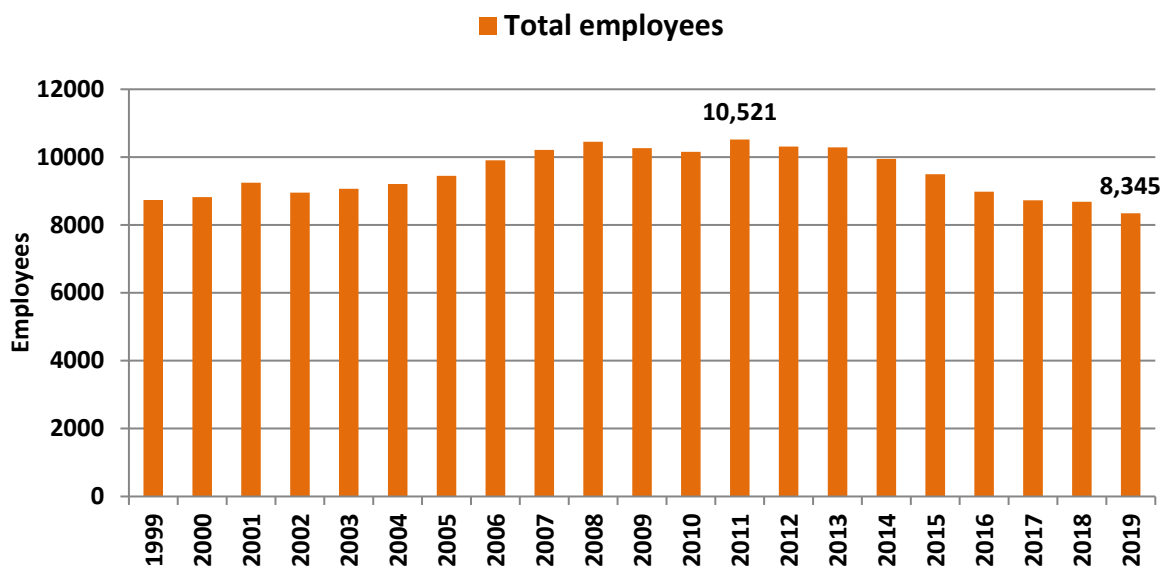
SOURCE: Statistics Canada; Communications Management Inc.

## Private radio – changes in employment levels

As indicated in Figure 11, in the period between 1999 and 2019, the number of employees in Canadian private radio reached 10,521 in 2011. By 2019, the figure stood at 8,345, which was lower than it had been in 1999.

The reduction in the number of employees after 2011 was, unfortunately, part of the response to the decline in advertising revenues noted above.

**Figure 11.**  
Total employees in private radio, Canada, 1999-2019:



SOURCE: Statistics Canada.

However, it is interesting to note that the changes in employment levels were not proportional across all expense categories. Table 1 summarizes the employment data for private radio, for the years 2014-2019, by expense category. And Figure 12 indicates the changes in employment levels on an Index basis, using the levels in 2014 as the base.

As indicated in Table 1 and Figure 12, the steepest relative decrease took place in the Administration category, with a much lower relative decline for Programming. In other words, radio management attempted to realize cost savings with as little disruption as possible to the audience-facing activities of the stations.

**Table 1.**

Numbers of employees, by expense category, private radio, Canada, 2014-2019:

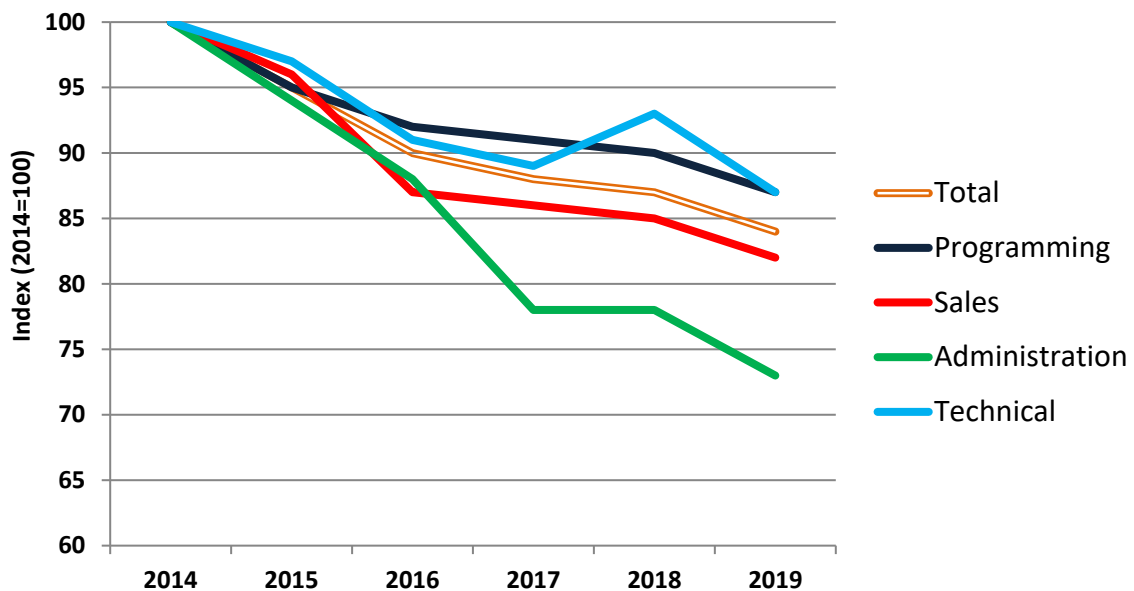
	Programming and Production	Technical	Sales and Promotion	Administration and General	Total
<b>2014</b>	5,319	352	3,016	1,262	<b>9,949</b>
<b>2015</b>	5,063	342	2,904	1,186	<b>9,494</b>
<b>2016</b>	4,917	321	2,635	1,107	<b>8,979</b>
<b>2017</b>	4,839	315	2,584	988	<b>8,726</b>
<b>2018</b>	4,812	327	2,555	988	<b>8,682</b>
<b>2019</b>	4,643	307	2,480	915	<b>8,345</b>
<b>% change, 2014-2019</b>	-12.7%	-12.8%	-17.8%	-27.5%	<b>-16.1%</b>

SOURCE: Statistics Canada.

(Note: See Appendix 2 for additional data on employment trends by language of broadcast.)

**Figure 12.**

Private radio, total employment, by expense category, 2014-2019, Index basis (2014=100):



SOURCE: Statistics Canada; Communications Management Inc.

In some cases, these employment level changes took place on an individual station basis, and, in other cases, stations under group ownership were able to use technology to centralize some administrative functions without cutting as deeply into programming.

However, the data also indicate that, if further cuts are required, it will be more difficult to cut mainly inward-facing functions in the future.

### **Forty per cent of private radio stations had negative PBIT in 2019**

Although private radio overall had positive PBIT, 40 per cent of Canadian private radio stations had negative PBIT in 2019. The data are summarized in Table 2, which is based on a custom tabulation from Statistics Canada.

How did those stations remain in business? In addition to the employment reductions noted above, it is likely that station groups were able to use profits in some stations to cover the losses in other stations.

**Table 2.**

Private radio by total operating revenue, PBIT, and by groups of stations within selected ranges of positive and negative PBIT, Canada, 2019:

<b>2019 DATA: (Statistics Canada)</b>	<b>Number of stations</b>	<b>Total operating revenue (\$'000)</b>	<b>Profit before interest and taxes (PBIT) (\$'000)</b>	<b>PBIT as % of total operating revenue</b>
<b>Total private radio stations</b>	<b>737</b>	<b>1,457,280</b>	<b>248,914</b>	<b>17.1%</b>
Private FM stations	619	1,205,108	240,422	20.0%
Private AM stations	118	252,172	8,492	3.4%
<b><i>Stations grouped by PBIT as % of total operating revenue:</i></b>				
+20% or greater	230	738,318	268,690	36.4%
10% up to 20%	111	280,188	42,665	15.2%
0% up to 10%	101	145,236	7,557	5.2%
-10% up to 0%	109	129,805	-6,013	-4.6%
-20% up to -10%	53	49,612	-7,391	-14.9%
-20% or worse	133	114,121	-56,593	-49.6%
<b><i>Total stations with negative PBIT</i></b>	<b>295</b>			

SOURCE: Statistics Canada.



As indicated in Table 3, the greatest economic vulnerability appears to be in AM stations, stations broadcasting in non-official languages, and stations in smaller (non-metro) markets.

**Table 3.**  
Private radio by total operating revenue, PBIT, and by selected groups of stations, Canada, 2019:

<b>2019 DATA: (Statistics Canada)</b>	<b>Number of stations</b>	<b>Total operating revenue (\$'000)</b>	<b>Profit before interest and taxes (PBIT) (\$'000)</b>	<b>PBIT as % of total operating revenue</b>
<b>Total private radio stations</b>	<b>737</b>	<b>1,457,280</b>	<b>248,914</b>	<b>17.1%</b>
Private FM stations	619	1,205,108	240,422	20.0%
Private AM stations	118	252,172	8,492	3.4%
English	605	1,157,496	198,361	17.1%
French	101	249,483	46,435	18.6%
Other language	31	50,300	4,118	8.2%
Top 5 CMAs <sup>12</sup>	130	668,605	150,100	22.4%
Other CMAs	159	377,510	49,743	13.2%
Non-CMAs	448	411,164	49,071	11.9%

SOURCE: Statistics Canada.

<sup>12</sup> Census Metropolitan Areas, as defined by Statistics Canada.

## VI. What happened to private radio in 2020?

### **Estimated impact of the pandemic on Canadian private radio in 2020**

In our August 24, 2020 report, we used a number of estimates and projections for 2020 radio advertising results, for the impact on profitability, and for the likely trend in radio advertising revenues after 2020.

At the time, radio industry tracking data were only available for the first 11 months of the broadcast year ending August 31, and data on indicators like retail trade were also only up to one or two months earlier.

As of the date of this current report, we have radio industry tracking data up to February 2021, and retail trade data for the full 2020 calendar year.

(Based on past practice, the 2020 data for the full radio industry, from both Statistics Canada and the CRTC, are likely to be released sometime between May and July 2021.)

### **Data sources for estimating industry results**

Three data sources are available to help estimate the industry results in advance of the publication of the data by Statistics Canada and the CRTC:

1. The first of these sources is a monthly survey done by the industry itself, through the Canadian Association of Broadcasters, and referred to as “TRAM” (Trans-Canada Radio Advertising by Market), also referred to in this report as “industry tracking data”. Participation is voluntary, and, based on the results for the most recent three full years, the TRAM data cover about 60 per cent of industry advertising revenue.

If we compare the results from TRAM with the published data for 2015-2019, we can see that the TRAM survey has provided trend data that are consistent with the full industry figures published by Statistics Canada and the CRTC:

#### **Percentage change in private radio advertising revenue, 2015-2019:**

• TRAM	- 9.4 %
• Statistics Canada	- 9.2 %
• CRTC	- 9.3 %

Additional information from, and about, the TRAM survey is provided in Appendix 3.

Along with the industry tracking data, two additional data sources have become available:

2. On January 28, 2021, the CRTC published its 2020 “aggregate data” for large broadcasters, which provides another tool for estimating the results for the entire industry for 2020.
3. And, as noted above, in early 2021, the Canadian Association of Broadcasters conducted a survey that yielded results for 573 private radio stations. Those results included revenue data for 2019 and 2020, and revenue expectations for 2021 and 2022.

Those data sources have also been considered in updating and extending our estimates and projections.

### **The impact of updated data on the estimates for 2020**

In our report of August 24, 2020, we projected that, because of the pandemic-related economic downturn, radio advertising revenues would fall from \$1,434 million in 2019 to \$1,051 million in 2020 – a decline of 26.7 per cent.

Based on the subsequently-released industry tracking data, the decline from 2019 to 2020 appears to have been 27.3 per cent. If that percentage were to be applied to the actual 2019 results for all stations, then the estimate for radio advertising in 2020 would have been \$1,043 million – slightly lower than the earlier estimate.

For the CRTC’s “aggregate” data, Table 4 summarizes the highlights of those results, and compares them to the 2019 results for the same station groups. As indicated in Table 4, the total advertising revenue for those groups was 26.6 per cent lower in 2020 than it was in 2019 – a result very close to the findings in the industry tracking data.

If we apply that percentage to the actual 2019 results for all stations, that would yield an estimate of \$1,053 million for radio advertising in 2020.

For the CAB survey, respondents were questioned about total revenue. Since private radio advertising accounts for more than 98 per cent of total revenue, we think it is reasonable to apply the percentage change for total revenue to the advertising revenue, to produce an additional estimate.

The CAB survey indicated that total private radio operating revenue for the stations surveyed declined by 24.7 per cent from 2019 to 2020. If we apply that percentage to the actual 2019 advertising results for all stations, that would yield an estimate of \$1,080 million for radio advertising in 2020.

Thus, we have three estimates. The average of those three estimates yields an estimate of \$1,059 million for private radio advertising revenue in 2020 – which would be a decline of \$375 million from 2019.

**Table 4.**

Comparison of “aggregate” data for large private radio groups, Canada, 2019 and 2020:

(In \$'000, except for employees and percentages)	2019	2020	% change
Total operating revenue*	929,595	689,124	-25.9%
Total advertising revenue	919,195	674,296	-26.6%
Operating expenses:			
Programming	326,524	291,791	-10.6%
Technical	29,904	28,166	-5.8%
Sales and promotion	195,014	166,566	-14.6%
Administration	151,092	133,056	-11.9%
Profit before interest and taxes	199,859	34,212	-82.9%
<i>PBIT as % of operating revenue</i>	<i>21.5%</i>	<i>5.0%</i>	
Number of employees	3,774	3,468	-8.1%

\* Data have been adjusted slightly for consistency in comparisons over time.

SOURCE: CRTC; Communications Management Inc.

The severity of the decline on private radio’s total operating revenues may be illustrated by one additional calculation: As indicated on page 14, private radio’s total operating revenue in Canada peaked in 2013 (at \$1.625 billion). From 2013-2019, it declined by about \$170 million. Before the pandemic hit in mid-March 2020, the industry tracking data were indicating a further decline of 6.8 per cent for the 2020 broadcast year, which (without the pandemic) would have brought the decline from 2013-2020 to almost \$270 million. But the impact of the pandemic in the last half of the 2020 broadcast year (March-August 2020), changed the 2013 to 2020 decline from almost \$270 million into more than \$550 million.

The data in Table 4 also let us compare the changes in spending by expense category, the employment levels for the largest station groups, and profitability, from 2019 to 2020.

In our August 24, 2020 report, we used a model that assumed a 10-percentage-point decline in PBIT as a percentage of operating revenue, from 2019 to 2020. As indicated in Table 4, the data for the large station groups indicate a decline that could be closer to 15 percentage points.

## **Estimating the number of “at risk” stations**

In our August 24, 2020 report, based on the above-noted assumption of a 10-percentage-point decline in the PBIT percentage, we projected that the number of stations with negative PBIT could rise from 295 in 2019 to 396 in 2020<sup>13</sup>, putting as many as 200 stations at risk of closure over the next 18 months, with this caveat:

“The degree to which these potential reductions become actual reductions will also be related to the nature and quantum of short-term assistance programs, and the nature and timing of longer-term regulatory reforms.”

Fortunately, the number of station closures to this point has been small. Two key factors might be noted in this regard:

1. First, one of the key reasons appears to be the federal government’s Canadian Emergency Wage Assistance (CEWS) program.
2. Second, as noted in Table 4, it also appears that expense reductions accelerated in 2020, and that appears to have continued into the 2021 broadcast year. In a number of cases, those expense reductions were accomplished by moving from mostly-local formats, to a mix of local and more regional programming. In other words, to keep stations on the air, cost-sharing moved beyond administrative functions and began to impact programming.

However, one should not assume that the crisis is over. It is not certain whether the levels of assistance under the CEWS program will be the same going forward, and cost reductions have limits.

Thus, based on the data available to date, we would continue to be concerned about the number of stations at risk, particularly since the “aggregate” data are indicating that the negative impact on profitability might have been more severe than the assumption used in the earlier estimates.

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<sup>13</sup> Which would be more than 50 per cent of the private radio stations in Canada.

## VII. Projecting radio advertising revenues to 2029

### **Updating our advertising revenue projections**

Based on the latest available data, we have updated our projections for radio advertising revenues, and extended the projections from 2025 to 2029.

The projections are based on the latest tracking data, longer term projections for retail trade, and data from the CAB survey.

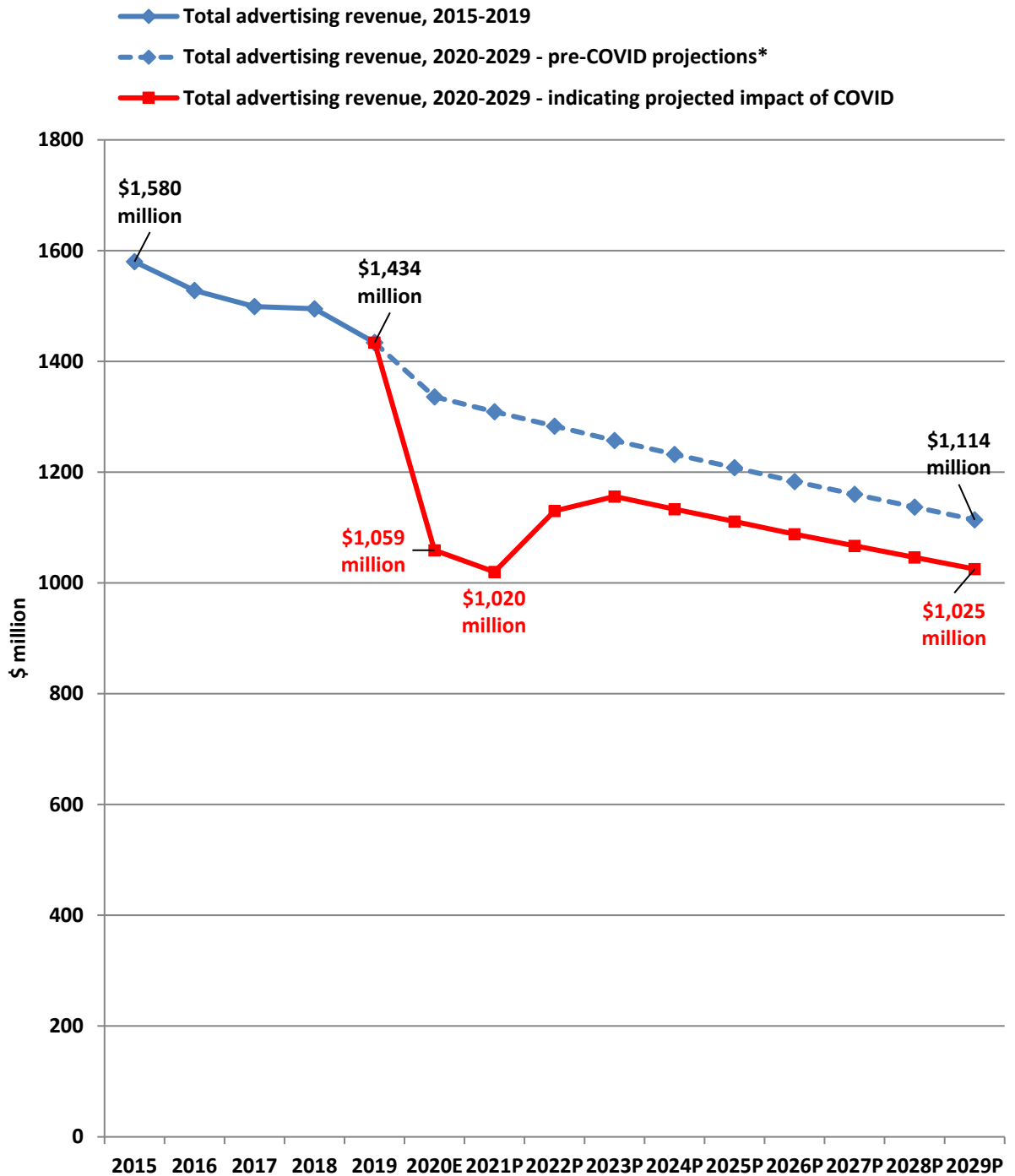
The revised projections are shown in Figure 13.

In dollar terms, the projected advertising revenue for Canadian private radio in 2020 now is estimated to be \$375 million lower than the actual results for 2019.

As noted above, the projections for radio advertising revenues are based on recent trends and then benchmarked to projections for retail trade.

Based on those data, it appears that, over a 20-year period, radio advertising's linkage with retail trade will have gone from about \$3.50 per thousand dollars of retail trade in 2009 to between \$1.30 and \$1.40 per thousand dollars of retail trade in 2029.

**Figure 13.**  
Actual advertising revenue, private radio, Canada, 2015-2019, and projected advertising revenue to 2029, indicating pre-pandemic and post-pandemic projections:



\* The “pre-COVID projections” indicate the projections derived from data that were current to the end of February 2020.

SOURCE: Statistics Canada; Communications Management Inc.

## VIII. Key external and internal operating issues

As we reviewed the trend data summarized on the preceding pages, we identified three broad issues for private radio in the 2020s. Some of the issues are external, but they may force radio to adopt new approaches to audiences and advertisers. Some of the issues are operational – for example, the ability to maximize cost-sharing among stations in order to preserve more choice in programming.

The issues are summarized below:

**1. “Storelessness”.** We have used this term to represent changes in the retail market, and, in particular, the growing trend to online shopping. In some cases, “stores” are totally online, and, in an increasing number of cases, some stores still maintain a physical presence, but have a growing online component to their business. This not only changes the nature of retail, but it also changes the competitive position of online advertising vs. traditional advertising, because the online advertising is often considered part of a package connected to online sales functions and customer tracking. In other words, some online advertising is, effectively, bundled into the budget for the retailer’s other online functions.<sup>14</sup>

**2. Changing operational patterns – cost-sharing and targeting.** The trend data discussed in this report indicate clearly that stations have been able to maintain programming by cost-sharing and staff reductions in other areas. However, those reductions cannot continue indefinitely. In that context, then, a serious discussion is required about current CRTC rules that limit the number of stations that a single company can own in a market, and/or limit cost-sharing among stations with different owners. Such internal economies might become a vital ingredient for maintaining a wide choice of programming for Canadian listeners. In addition, private radio stations will have to maintain and enhance their ability to target their programming to specific demographics and specific geographies.

**3. The need to discuss potential public assistance to help maintain local news.** The challenges facing local media have been well documented. At the same time, local news and information continue to be both necessary and important. In that context, an argument can be made that public assistance programs for private radio news and information should be seriously considered – in the form of federal (and provincial) programs that could range from targeted subsidies, to labour tax credits, to a framework for philanthropic assistance.

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<sup>14</sup> See, for example: “Is online marketing ‘the new rent?’” (available at: <https://www.warc.com/newsandopinion/opinion/is-online-marketing-the-new-rent/3825>).



## **Six decades of Canadian radio – from the 1960s to the 2010s**

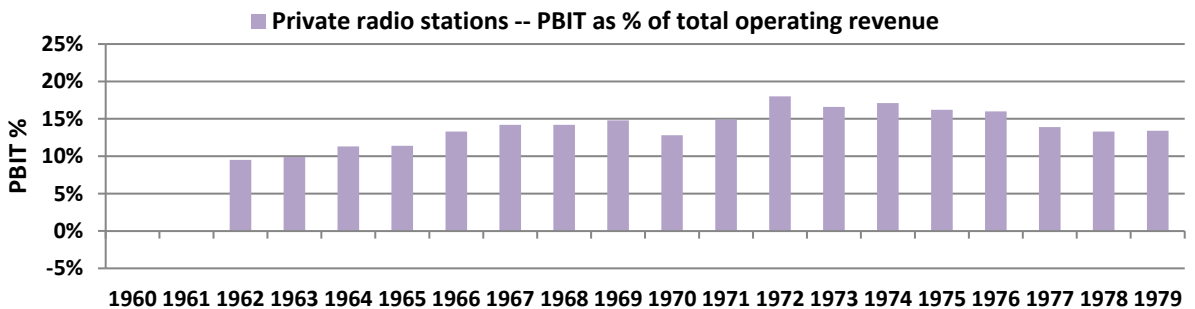
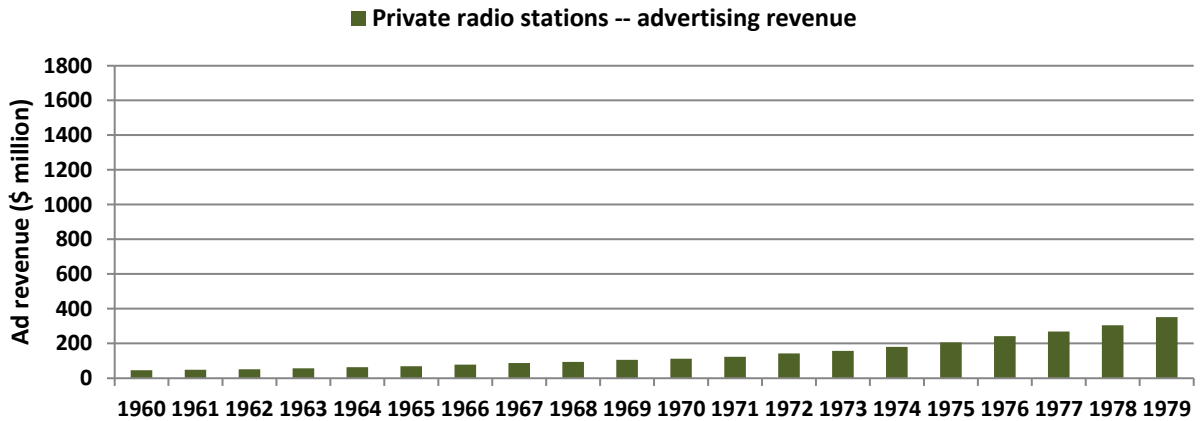
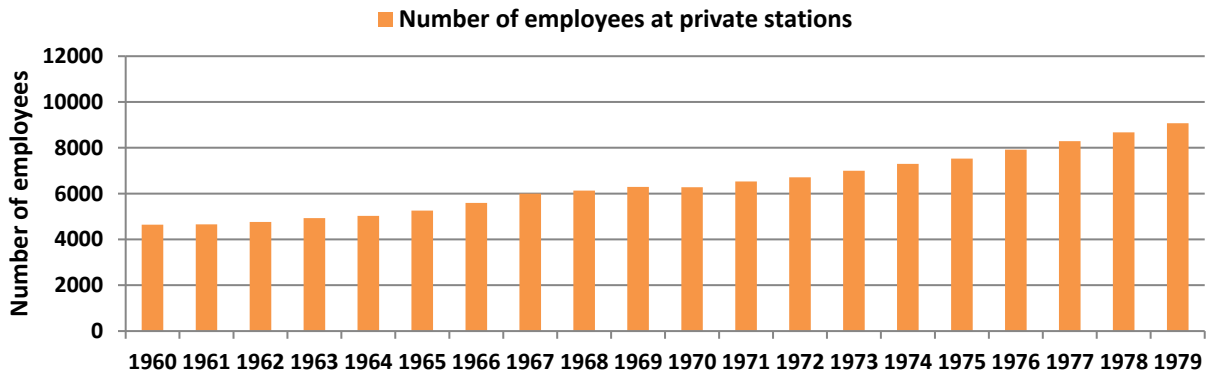
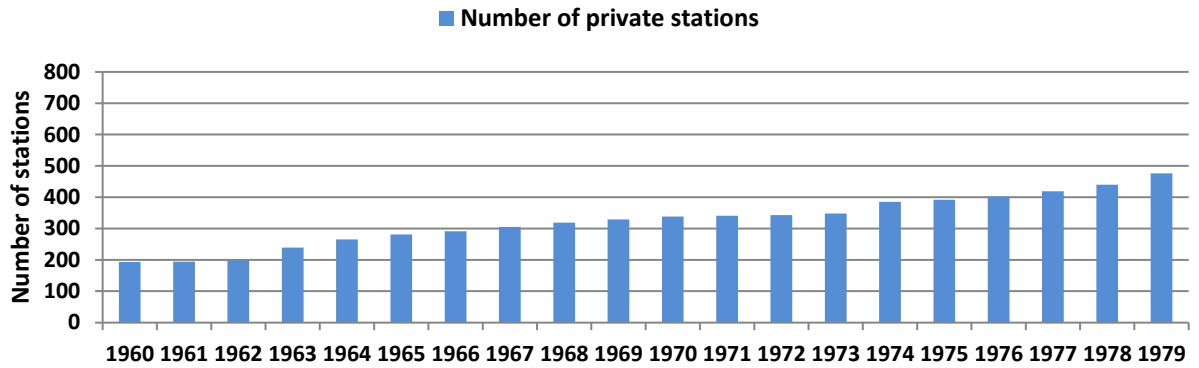
On the following three pages, we have presented summary data that indicate the economic trends for private radio in Canada, for the six decades from 1960 to 2019:

- From just under 200 private stations in 1960, private radio grew to over 700 stations by 2019.
- From just over 4,600 employees in 1960, private radio employment peaked at 10,734 in 1989, and stood at 8,345 in 2019.
- From under \$50 million in advertising revenue in 1960, private radio ad revenue peaked at \$1.6 billion in 2013, and stood at \$1.43 billion in 2019.
- Private radio's profit before interest and taxes (PBIT) as a percentage of total operating revenue peaked at 21.9 per cent in 2005, and stood at 17.1 per cent in 2019 (although, as noted in this report, 40 per cent of the private stations had negative PBIT in 2019).<sup>15</sup>

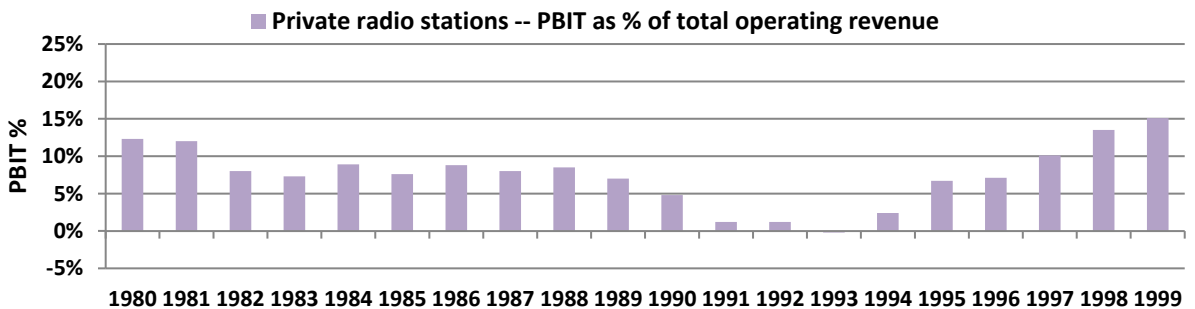
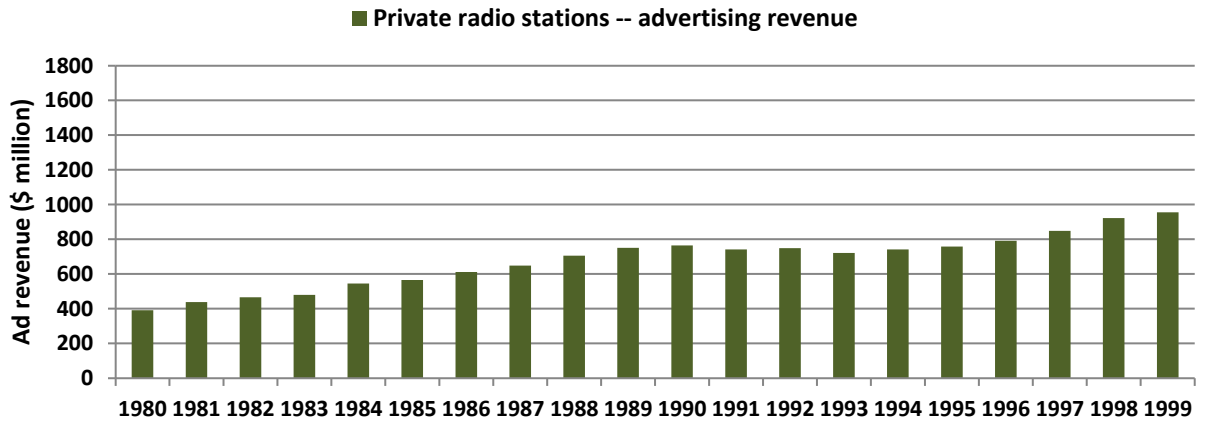
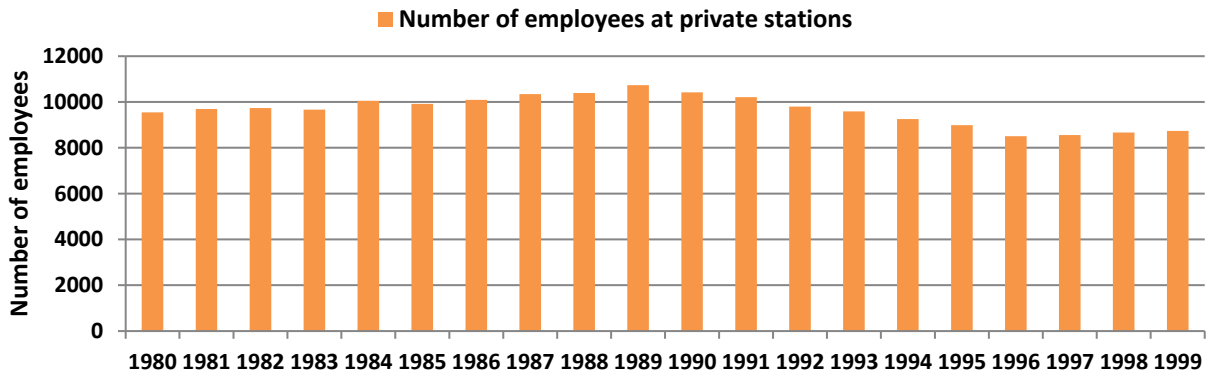
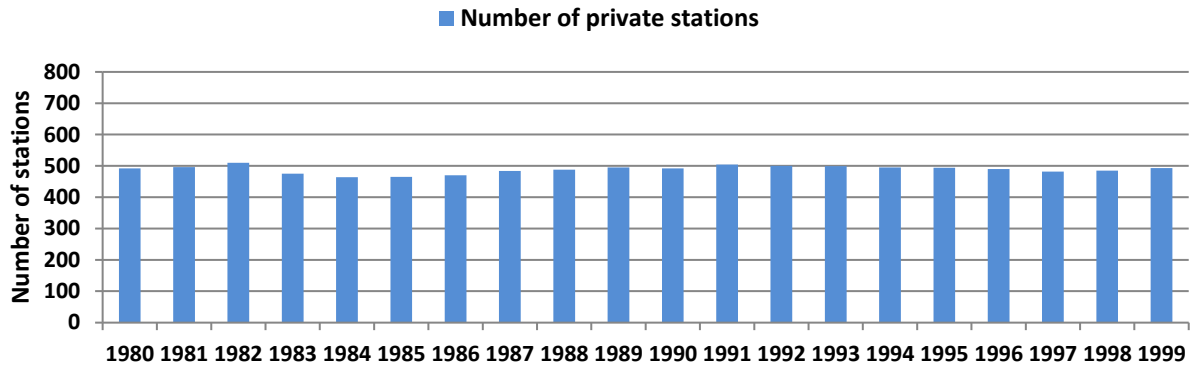
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<sup>15</sup> In the time series of data on the next three pages, PBIT percentages have not been estimated for 1960 and 1961, because the presentation of data followed different parameters in those two years.

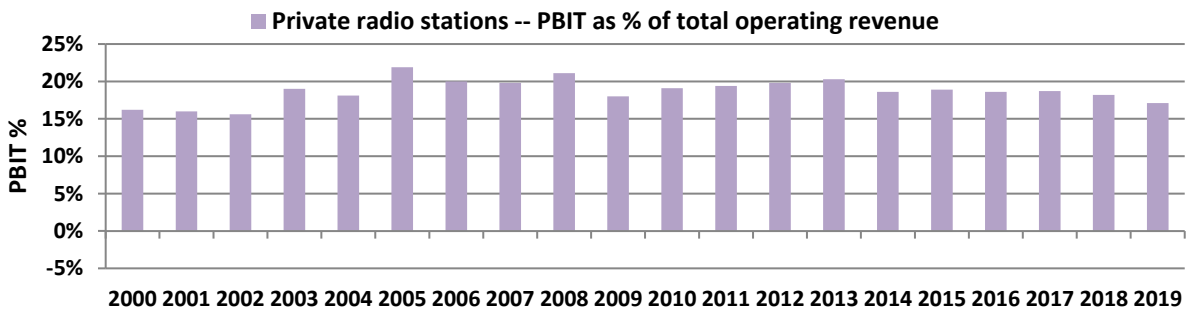
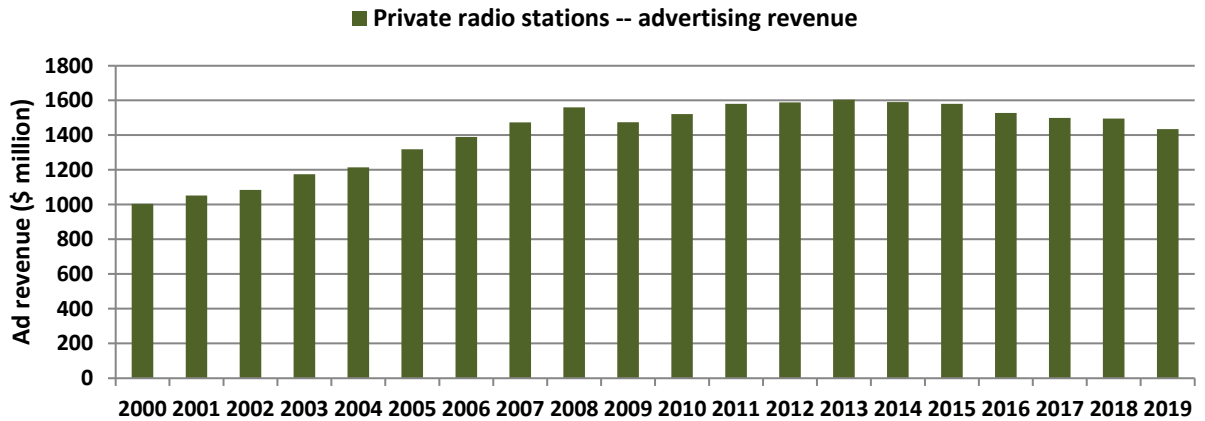
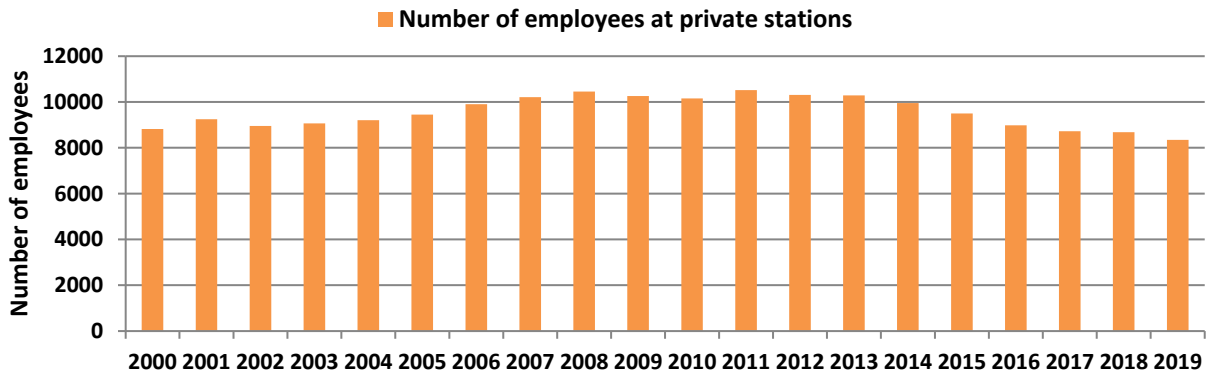
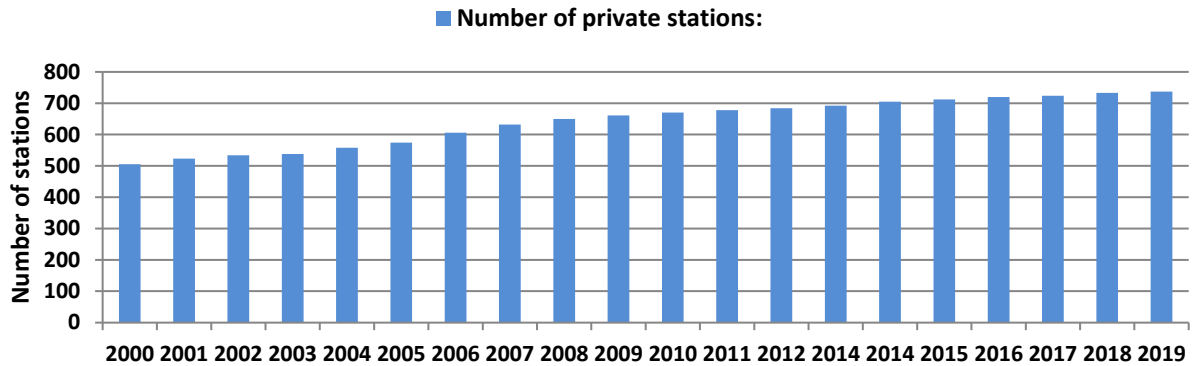
## The 1960s and 1970s:



## The 1980s and 1990s:



## The 2000s and 2010s:



### Additional data on employee trends for private radio, by language

**Table A-1.**

Numbers of employees, by expense category, private radio, Canada, 2014-2019:  
**TOTAL**

	Programming and Production	Technical	Sales and Promotion	Administration and General	Total
<b>2014</b>	5,319	352	3,016	1,262	<b>9,949</b>
<b>2015</b>	5,063	342	2,904	1,186	<b>9,494</b>
<b>2016</b>	4,917	321	2,635	1,107	<b>8,979</b>
<b>2017</b>	4,839	315	2,584	988	<b>8,726</b>
<b>2018</b>	4,812	327	2,555	988	<b>8,682</b>
<b>2019</b>	4,643	307	2,480	915	<b>8,345</b>
<b>% change, 2014-2019</b>	-12.7%	-12.8%	-17.8%	-27.5%	<b>-16.1%</b>

SOURCE: Statistics Canada.

**Table A-2.**

Numbers of employees, by expense category, private radio, Canada, 2014-2019:  
**ENGLISH**

	Programming and Production	Technical	Sales and Promotion	Administration and General	Total
<b>2014</b>	3,984	247	2,438	924	<b>7,594</b>
<b>2015</b>	3,792	239	2,355	882	<b>7,268</b>
<b>2016</b>	3,688	220	2,155	821	<b>6,883</b>
<b>2017</b>	3,618	225	2,097	719	<b>6,659</b>
<b>2018</b>	3,585	228	2,080	719	<b>6,611</b>
<b>2019</b>	3,393	216	1,983	635	<b>6,227</b>
<b>% change, 2014-2019</b>	-14.8%	-12.6%	-18.7%	-31.3%	<b>-18.0%</b>

SOURCE: Statistics Canada.

**Table A-3.**

Numbers of employees, by expense category, private radio, Canada, 2014-2019:  
**FRENCH**

	Programming and Production	Technical	Sales and Promotion	Administration and General	Total
<b>2014</b>	853	61	464	206	<b>1,584</b>
<b>2015</b>	835	62	448	195	<b>1,540</b>
<b>2016</b>	789	64	375	178	<b>1,406</b>
<b>2017</b>	770	54	384	159	<b>1,366</b>
<b>2018</b>	771	60	370	158	<b>1,360</b>
<b>2019</b>	746	51	371	169	<b>1,337</b>
<b>% change, 2014-2019</b>	-12.5%	-16.4%	-20.0%	-18.0%	<b>-15.6%</b>

SOURCE: Statistics Canada.

**Table A-4.**

Numbers of employees, by expense category, private radio, Canada, 2014-2019:  
**OTHER LANGUAGES**

	Programming and Production	Technical	Sales and Promotion	Administration and General	Total
<b>2014</b>	481	45	113	132	<b>771</b>
<b>2015</b>	435	41	101	110	<b>687</b>
<b>2016</b>	440	38	105	108	<b>690</b>
<b>2017</b>	450	37	103	111	<b>700</b>
<b>2018</b>	456	39	105	111	<b>711</b>
<b>2019</b>	503	40	126	111	<b>780</b>
<b>% change, 2014-2019</b>	+4.6%	-11.1%	+11.5%	-15.9%	<b>+1.2%</b>

SOURCE: Statistics Canada.

### Summary TRAM data for the most recent six calendar quarters

As indicated in the text of this report, private radio advertising is tracked on a monthly basis through a CAB survey called “TRAM” (Trans-Canada Radio Advertising by Market). Participation is voluntary, and, based on the results for the most recent three full years, the TRAM data cover about 60 per cent of industry advertising revenue.

(We also noted that, when TRAM results are compared with published data for 2015-2019, the TRAM survey has provided trend data that are consistent with the full industry figures published by Statistics Canada and the CRTC.)

The TRAM survey currently covers the following markets:

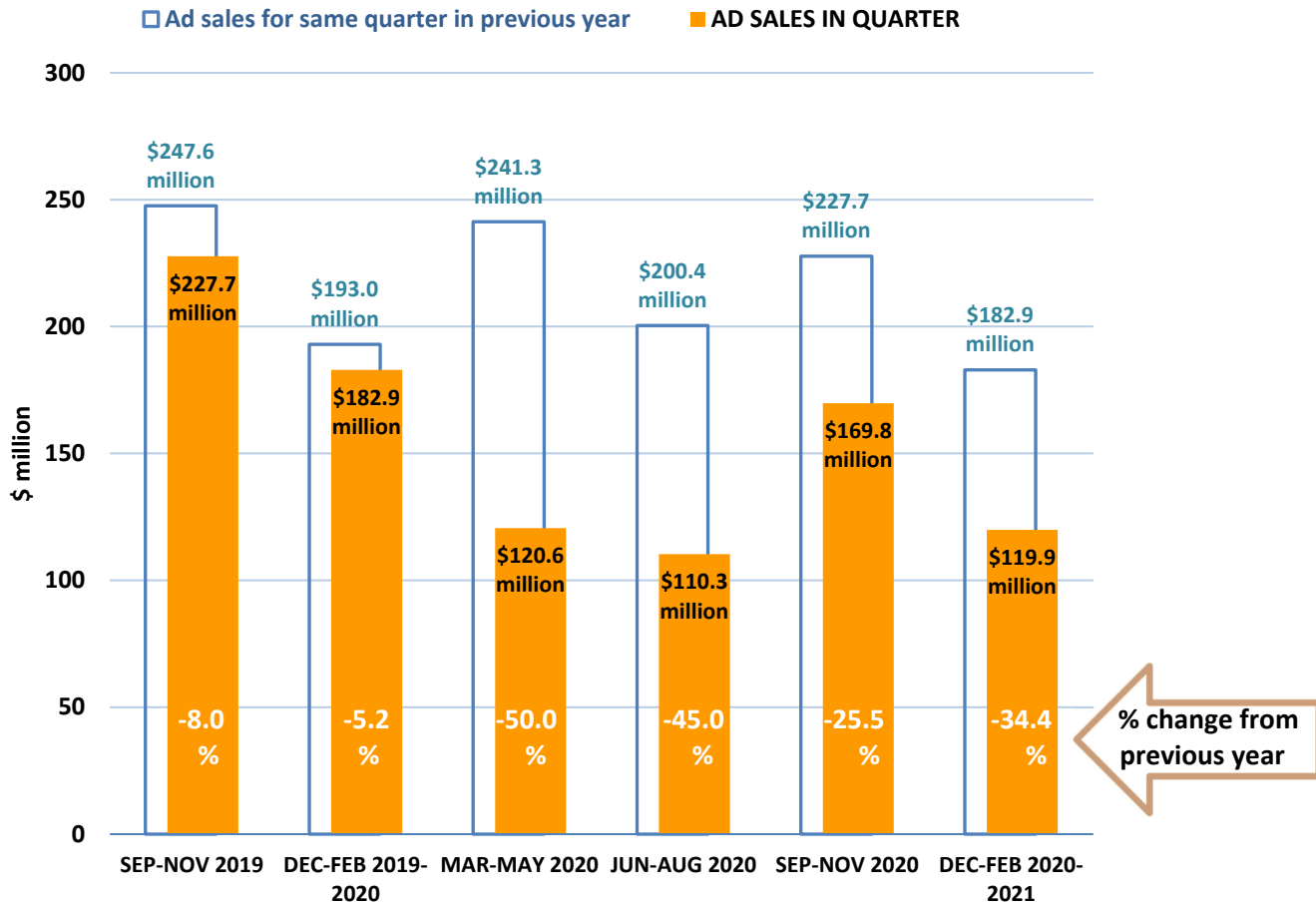
Victoria  
Vancouver  
Kelowna  
Calgary  
Edmonton  
Grande Prairie  
Lethbridge  
Red Deer  
Winnipeg  
London  
Kitchener  
Hamilton  
Toronto  
Ottawa-Gatineau  
Montreal  
Quebec City  
Saguenay  
Halifax

The TRAM data are gathered every month on the basis of the broadcast weeks corresponding to the month in question. In cases when the system yields a different number of weeks than the corresponding year-earlier month or longer time period, TRAM adjusts the data to enable year-to-year comparisons.

In Figure A-1, on the next page, we have aggregated and reproduced the TRAM data for the most recent six calendar quarters, starting with September-November 2019, and running up to December 2020-February 2021.

**Figure A-1.**  
 Quarterly TRAM data, for advertising on participating Canadian private radio stations, indicating:

- Data for the six quarters from September-November 2019 to December 2020-February 2021
- Results for the same quarters in previous years
- Percentage changes from the previous years



SOURCE: TRAM; Communications Management Inc.

It is important to note that the last four quarters shown – starting in March 2020 – correspond closely to the time frame of the pandemic. It is also important to note that all of the previous-year comparisons are from the pre-pandemic period.

Although it is not a surprise, by tracking the quarterly data, and comparing with data from the same quarter in the previous year, we get a graphic picture of the severe impact of the pandemic on Canada’s private radio stations.