

Message from the Chair

It is with great pleasure that I take on the role of Chair of the CAB Board following our most recent Annual General Meeting, which took place in May. As your Chair, my key focus will be the primary role that CAB plays on behalf of our members in the current rapidly changing broadcasting landscape.

It is clear that the upcoming year will again be marked by constant upheaval and challenges. We must address these challenges head on, and turn them into new opportunities for our industry. I am confident that we can do it; while an environment of constant change has become the new “normal” in our industry, Canada’s private broadcasters have demonstrated time and again that they can adapt and succeed.

That being said, the upcoming appointments that are due both at the CRTC and at the Copyright Board, along with the announced review of the Broadcasting Act and Telecommunications Act, and the statutory Copyright Act review, have the potential to create a situation where a new paradigm could emerge. This will require constant vigilance on the part of your Association.

In recent months there have been several positive developments that I find encouraging. For example:

- the CAB CEO Radio Council has undoubtedly played a leading role in moving our Canadian radio industry forward to be better positioned in the digital era, through key initiatives including the creation this year of Radio Connects, the new marketing body for radio in Canada - <http://radioconnects.ca/>
- the proactive approach taken by the CAB Copyright Working Group also resulted in a noticeable decrease in copyright royalties’ payable by radio members to the reproduction collectives. Radio members will shortly be able to take full advantage of these favorable changes that result in a better balance between the rights of users and those of copyright holders.
- on the television front, CAB continues to be active in seeking compensation for broadcasters who will need to relocate as part of the digital TV allotment plan that comes with the ISED 600 MHz repacking to free up spectrum for mobile use. In addition, starting next September, CAB will administer the new Independent Local News Fund.

Below you will find more details about the make-up of the new Board, as well as ongoing developments and activities.

Rest assured that we will continue to diligently represent the interests of our members and our industry. We will also keep you informed of new developments as they emerge in the months ahead.

Nathalie Dorval, Chair, Canadian Association of Broadcasters

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CAB CEO Radio Council Update

The CAB CEO Radio Council (Radio Council or Council) is currently comprised of the following radio members: Ian Lurie (Chair; Newcap), Troy Reeb (Corus), Randy Lennox (Bell), Julie Adam (Rogers), Richard Lachance (Cogeco Media), Sylvain Chamberland (Attraction Media), Rod Schween (Pattison), Elmer Hildebrand (Golden West), Geoff Poulton (Vista) and Paul Larch (Larche).

In the past year there were a number of changes to Radio Council membership. But the commitment and participation of members continues to be strong and we were able to move forward with a number of initiatives.

At its June 7, 2016 meeting, the Radio Council approved the creation of Radio Connects, a new “RMB2” organization and the hiring of Sarah Garvie as Executive Director along with Paul Ski as a Special Advisor. Since that time, “Radio Connects” has, among other things, taken office space at ThinkTV, launched its website, met with key advertisers and agencies, and proposed targets and benchmarks with timing (as between 2016/17) so Council can track progress and ensure accountability. While, post formation, the Radio Council assumes no day-to-day governance responsibility over Radio Connects (an Advisory Board does this), Sarah Garvie and Paul Ski present regular updates to the Council, thereby ensuring that senior Radio executives are apprised of, and can provide broad direction, on broad-based developments.

In addition, the Radio Council continues to voice its support for – and legitimate concerns regarding – the implementation of the Emergency Alerting system spearheaded by Pelmorex. In particular, the Radio Council followed up on its earlier expressed concerns to the Governance Council by inviting representatives of Pelmorex to attend a Radio Council meeting held on May 24, 2016. The goal – to an appreciable extent – was achieved as it was meant to improve communication between broadcasters and Pelmorex/Governance Council, so that issues can be more quickly identified and acted upon.

In addition, representatives of various broadcasting groups have now joined the Pelmorex/Governance Council and can therefore provide constructive comments during Governance Council discussions and feed back to the CAB. The implementation of a new centralized text-to-speech (TTS) system in late 2016 has brought improvements in quality. The file nevertheless remains active, and exploration of means to improve central governance ongoing. The CAB is also meeting with CRTC staff to provide formal feedback on the NPAS governance model and reinforces the importance of having industry representation on any continuing oversight body.

Meet Your New Board!

Chair, Board of Directors

Ms. Nathalie Dorval
Vice-President, Regulatory Affairs and Copyright
Cogeco Inc.

Vice-Chair, Board of Directors

Mr. Rod Schween
President and General Manager
Jim Pattison Broadcast Group

Secretary

Ms. Lenore Gibson
Senior Counsel, Regulatory Affairs
Bell Media Inc.

Treasurer

Ms. Glenda Spenrath
Vice-President, Operations & Regulatory Affairs
Newcap Radio

Director

Ms. Heidi Bonnell
Vice-President, Federal Government Affairs
Rogers Media Inc.

Director

Mr. Matt Thompson
Director, Legal Affairs
Corus Entertainment Inc.

Other Radio Council initiatives in 2016

CBC Advertising

In June 2016, the Radio Council filed an intervention in opposition to CBC's request to extend its ability to accept advertising on ICI Musique and CBC Radio 2. In Broadcasting Decision CRTC 2016-353, dated August 31, 2016, the CRTC sided with the Radio Council and denied CBC's request. Authority for CBC to broadcast national advertising on radio services expired as of that date.

HD Radio

A NABA Position Paper, released February 14, 2017, advocated a "voluntary North American digital radio standard". For the time being, the Council has agreed that it is premature to support HD radio as a Canadian standard. Rather it is in Canadian radio's interests to continue with the current experimental approach.

Government Relations

In November 2016, the Council filed submissions with the Review of Digital Cancon led by Minister Joly, and the House of Commons Standing Committee on Canadian Heritage: Local Media Review. Among other things, the Council's submissions stressed the vital role of radio in a digital age, and the need for policy and regulation to not hold back Canadian radio in competing with foreign digital media. While these reviews encompass radio, the Council does not expect any decisions affecting radio to be made as a direct consequence.

In May 2017, the Council sent a letter to Minister Joly respectfully asking that any mandate letter issued to the incoming CRTC Chairperson direct the new Chair to conduct a review and modernization of the radio regulatory framework early in their term. Despite the fact that radio's operating environment has changed significantly, it has now been over ten years since the CRTC's last comprehensive review of the radio regulatory environment. The Council stressed its concern that, if not identified by government as a priority, radio regulatory matters will continue to languish, further compromising radio's ability to compete with digital media, and the vital local service that radio provides to communities across Canada.

In addition to follow-up work to be done on the above, Council anticipates an increase in policy/regulatory activity in 2017 for at least two reasons:

- The current Chair, and the Vice Chair Broadcasting, have departed. As well, the Vice Chair Telecommunications announced that he was leaving on July 15, 2017. A "new Commission" will be in place by the fall.
- In Budget 2017, released March 22, 2017, the Government stated that it "proposed to review and modernize the Broadcasting Act and Telecommunications Act". While it is unclear at this stage what that actually means, it presents an opportunity for radio to be proactive with its agenda.

The Council will be looking to advance a new Radio Regulatory Framework in 2017-2018. Issues to be brought to the attention of a new CRTC/Government include AM revitalization, through use of FM translators and nested FMs, or a more general ability to own 3 FMs in a market.

FM Chips in Smartphones

Geoff Poulton arranged and chaired a well-attended briefing with CRTC staff on this matter on October 19, 2016. Latest reports suggest that the number of phones that are equipped with the FM chips in Canada is low and decreasing, and, beyond encouragement, there appears to be little appetite on the part of the CRTC to force the issue with phone carriers. The Council maintains a watching brief on the file.

On other matters, the Radio Council's long-time advisor, facilitator, and friend to many, Peter Fleming, passed away in June 2016, after an all too short battle with cancer. He is sorely missed. Peter Miller has been acting as Counsel and Facilitator to the Council since April 2016.

The Council also wishes to note, with appreciation, the ongoing support of Sylvie Bissonnette, CAB's VP Finance & Administration and CFO, and Kirk Nesbitt, our Technical Advisor.

Television Matters

600 MHz Relocation

On April 13, 2017, Innovation, Science and Economic Development (ISED) announced a new digital TV allotment plan. This plan comes less than a decade after the last plan was implemented to transition local TV to HDTV. The new plan was motivated by the government's desire to directly align Canada's TV spectrum use with that of the U.S., so that the 600 MHz band could be freed up for mobile broadband use. Unlike the US approach, where broadcasters had the opportunity to sell their spectrum, and are otherwise being compensated for relocation, ISED has no plan to reimburse Canadian local TV stations for any transition costs.

In addition to providing technical input into the process, as guided by the CAB Technical Coordinating Committee (see below), CAB has retained the lobby firm Bluesky to help advocate for reimbursement of broadcaster moving costs associated with the 600MHz repacking. We hope to have an indication of the Government's willingness to do so in Fall 2017.

Independent Local News Fund

In Broadcasting Regulatory Policy CRTC 2016-224, issued June 15, 2016, the CRTC announced that the current DTH funded Small Market Local Programming Fund (SMLPF) will be replaced by the Independent Local News Fund (ILNF) as of 1 September 2017. The ILNF is to be funded by 0.3% of licensed BDU revenues, with the objective of supporting the production of locally reflective news and information, and is accessible by independent stations. As with the SMLPF, the Commission has tasked the CAB with administering the ILNF, which is estimated by the Commission to have a value of approximately \$20 million annually.

Proposed regulations to enact funding of the ILNF were gazetted on February 24th. The CAB is currently working with Commission staff and members to obtain the historic data necessary to confirm station eligibility and funding. First payments from the fund will be issued late fall 2017. Costs associated with the administration of the ILNF will be borne exclusively by station recipients.

Closed Captioning

In November 2016, the CRTC issued Broadcasting Regulatory Policy 2016-435 on quality standards in closed captioning. It adopted the plan CAB and CBC had put forward jointly with various associations of captioning consumers.

The CAB plan involved converting the condition of licence that required broadcasters to maintain 95% caption accuracy on a word-by-word verbatim basis into an expectation, in exchange for a commitment by Bell, CBC, Corus and Rogers to undertake a two-year trial of NER - an internationally used method of measuring caption accuracy based on the meaning of the captions.

As part of this process, Broadcasters continue to meet with the caption consumers and caption providers during the trial period to develop a joint proposal on how to assess captioning accuracy and quality, which will be submitted to the CRTC in November 2018. The CRTC also required broadcasters to work with stakeholders on an educational outreach plan that would educate consumers on how live captioning is performed.

We are pleased to report that work is well underway and large broadcast groups have undertaken the training and certification of 11 people in the use of the NER system. Certification is now almost complete, and the trial period began with the April programming.

A video explaining the techniques and limitations of live captioning by AMI, with input from CAB, CBC and captioning consumers, is now completed and will be going into distribution very shortly.

The broadcasters are also providing support to a research project of the Canadian Association of the Deaf, funded by the Broadcasting Accessibility Fund, into the subjective preferences of consumers on closed captioning.

CAB Copyright News

Commercial Radio (SOCAN 2012-2013; Re:Sound 2012-2014; CSI 2012-2013; AVLA/SOPROQ 2012-2017; ArtistI 2012-2014)

The Copyright Board released its decision and certified the new commercial radio tariff on April 19, 2016. Most notably, for the first time, the tariff included a **rate decrease** for radio broadcasters. The reductions are based on changes to the Copyright Act achieved through extensive CAB lobbying. CSI and CONNECT/SOPROQ, the reproduction right collectives impacted by the reductions, sought judicial review of the decision on the grounds that the Copyright Board misapplied the law when it granted the reductions to stations.

The CAB also sought judicial review on the basis that the Board was incorrect in not granting further reductions. The parties have since come to an agreement that will result in an overall reduction for stations while eliminating the administrative burden required to realize it. A final settlement has been achieved and is expected to take effect imminently. Under the terms of settlement, radio stations will see a further reduction in tariff payments effective January 1, 2017 beyond the rates set by the Copyright Board. Radio stations are advised to continue paying under existing terms until further notice.

SOCAN Tariff 2.A/17 (TV & Specialty and Pay)

SOCAN proposed an increase in the rate for Tariffs 2.A and 17, from the current 1.9% to 2.1% for 2014, 2015, 2016 and 2017. The CAB is engaging in proactive research and analysis to develop arguments against any increase and possibly in support of a reduction. No hearing has been scheduled to address these tariffs and the CAB expects that these tariff proposals are amenable to settlement. Recall that the CAB had settled Tariffs 2A and 17 up to 2013, and those rates continue on an interim basis until a new tariff is certified.

CMRRA Tariff 5 (Commercial Television Stations)

Both SODRAC and CMRRA have now proposed tariffs for commercial television that would set a rate for reproductions made by commercial television stations in the course of broadcasting. CMRRA issued its first proposal effective Jan 1, 2016 and the SODRAC proposal is effective Jan 1, 2017. The proposed rates are 0.66% of gross income, and for the CMRRA tariff only, 0.28% of gross income for low music use stations. The CAB has objected to both tariff proposals, and is engaging in proactive discussions with TV members to review and analyze the types of reproductions that are made and the extent to which these may or may not be covered by existing agreements. In any event, the TV reproduction tariffs will be subject to many of the same provisions of the Copyright Act that were used to reduce the value of the Commercial Radio reproduction tariffs. A hearing has not yet been scheduled.

Re:Sound Tariff 8 (Internet – Audio Simulcast and Audio Webcast)

The Copyright Board released its decision in Re:Sound Tariff 8 Non-Interactive and Semi-Interactive Webcasts on Friday, May 16, 2014 (following a hearing on the matter that took place in September/October 2012). The tariff is applicable to non-interactive (i.e. b-streams) and semi-interactive (i.e. Pandora type services) webcasts offered by commercial and non-commercial webcasters.

Simulcasts were originally targeted by this Tariff and Re:Sound argued at the hearing for rates of \$2.30 to \$4.00 per 1000 plays. The CAB took the position that simulcasting should not be subject to this tariff because it is a purely ancillary business to over-the-air broadcasting. The Board agreed with the CAB and deferred any decision on simulcasting until the next time it considers the Commercial Radio tariff.

With respect to non-interactive webcasting, the rates certified by the Board are 10.2¢ per 1000 plays for commercial webcasters, 13.1¢ per 1000 plays for CBC, and \$25 per year for small non-commercial webcasters. This is substantially lower than what Re:Sound requested, which was between \$2.30 and \$4.00 per 1000 plays.

Re:Sound applied for judicial review of this decision on the basis that the rates are unsatisfactory and unfair, and on the basis that the Board should have certified a rate for simulcasting. On June 28, 2017, the Federal Court of Appeal released its decision. Federal Court of Appeal Judge Stratas dismissed the application with costs. The FCA decision rejects Re:Sound's position requesting that the Board's decision be invalidated and sent back for redetermination, and supports the arguments made by the CAB, Pandora and the Services, that the Board's decision should be upheld and the certified rates for webcasting preserved. SOCAN intervened to seek confirmation that section 90 of the Copyright Act requires the 1:1 ratio between SOCAN and Re:Sound rates be maintained. The FCA found the application of the ratio reasonable, but did not comment on whether it was mandated by the Act.

The decision is a systematic and unequivocal rejection of each argument presented by Re:Sound. Unless and until Re:Sound seeks, and is granted, leave to appeal to the Supreme Court of Canada, the tariff certified by the Copyright Board in 2014 stands as the Re:Sound tariff applicable to webcasting on an interim basis.

SOCAN Tariff 22.D (Internet – TV & Specialty and Pay)

The CAB is engaged in advanced settlement discussions with SOCAN in respect of its Internet Tariff 22 that applies to offering TV and S&P programming on websites, OTT services and TV Everywhere platforms. Our goal is to obtain tariff terms that are reasonable and relatively easy to administer. The CAB is also advancing a tariff model that avoids any

double payments. We expect to have updates on this matter in the coming months.

CSI Online Music Services and SOCAN Tariff 22.A

There was a hearing relating to CSI and SOCAN's interests in online webcasting and streaming held in November 2013. Closing Arguments took place on May 12 and 13, 2014. The CAB participated in a limited capacity to deal with some audio streaming components of the proposed tariffs. The vast majority of CAB members are not affected by these tariffs so the CAB worked with Pandora to share resources and save costs. The CAB built on arguments made in the 2012 Re:Sound 8A and 8.B (Internet – Audio Simulcast and Audio Webcast) proceeding, namely that the existing rates for webcasting should be maintained. We may see a decision from the Board later this year.

Copyright Reform Issues

As part of the Copyright Modernization Act adopted in 2012, the Copyright Act is now subject to a statutory 5 year review by Parliament. The review is expected to officially begin in November 2017. No specific parameters or items for consideration have been identified by the Government to date. The CAB has also developed its own copyright reform priorities and is having its own independent meetings (through counsel) with government officials.

The CAB Copyright Committee is developing a list of priorities for the upcoming review that will reflect Members' interests as both users and owners of copyrighted material. These will include among other things efforts to combat piracy and the need to preserve and defend existing technical exceptions which have been used in recent years to reduce tariff liability. The CAB is also engaging with the Business Coalition for Balanced Copyright (BCBC), a coalition of business entities with similar user-based interests, in order to participate in ongoing discussions related to the review as well as potential copyright issues that could arise from the opening of the NAFTA discussions.

CAB Recognizes Our Copyright Counsel

On behalf of all members, CAB would like to extend its sincere thanks and congratulations to the CAB's Copyright Counsel, Gabriel Van Loon and Kathleen Simmons, for the significant wins they have achieved this year for the membership. Their expertise in copyright matters, and their dedication to Canada's private broadcasters, is greatly appreciated.

Canadian Broadcast Standards Council

The Canadian Broadcast Standards (CBSC) continues to maintain its level of service, for the benefit of audiences and broadcasters. In 2015/16 the number of complaints and ruling requests remained at a consistent level.

CAB is pleased to report that, with the exception of several unusual files, the CBSC Panel decisions are generally being released within four months of the receipt of a Ruling Request. Summary decisions are also adhering to the four-month timeframe.

Work continues on creating a new database structure that will allow the CBSC to better manage complaint files. We expect the new system to be in place in the coming months.

CAB Technical Coordinating Committee (TCC) Activities

Emergency Alerting

The TCC Emergency Alerting Working Group continues to identify and resolve operational and technical emergency alerting issues. Significant improvements were introduced in 2016. A new Broadcast Text Parameter was developed to shorten the length of emergency alert messages and reduce the unnecessary repetition of alerts.

A centralized Text to Speech system was developed to improve the audio quality and intelligibility of alert messages. These improvements are now being used by Environment Canada and six provinces. The changes were adopted in a new version 1.2 of the Common Look and Feel Guideline in December 2016. The full transition to utilize these new features is expected in 2017 to give time for broadcasters to update software in all station emergency alerting equipment. In 2017, more focus is anticipated on the training of alerting agencies to reduce

the number of errors when generating emergency alert messages.

Although the changes described above are not fully completed, broadcasters should be encouraged that significant steps are being taken to improve emergency alerts for the upcoming severe weather season. Stations are reminded to work closely with their emergency alerting equipment vendors to implement software updates when appropriate.

Repacking the Television Band

The TCC participated in over a dozen meetings with ISED and the Radio Advisory Board of Canada to explain the challenges facing TV stations to accommodate the repack. The US Incentive Auction concluded in March 2017. On April 13, ISED published a new DTV Allotment Plan and Transition Plan to displace all TV stations above channel 35. As a result, many VHF and UHF stations within the new smaller TV Bands must also change channel and/or switch from analog to DTV.

Combined, more than half of regular power stations and almost all low power TV stations must make changes. The Transition, which officially started on April 13, 2017, is being closely coordinated with the FCC in the US. The US Transition will have ten scheduled phases and conclude in 39 months. The TCC was successful to convince ISED to provide more time for Canadian stations to transition. As a result, no Canadian stations are scheduled before Phase 3 and Canada will have fourteen scheduled phases, finally ending on January 14, 2022.

Safety Code 6 Compliance

ISED is introducing new requirements for broadcasters and wireless providers to demonstrate compliance with SC 6 at all transmitter sites. The TCC participated in a number of meetings with ISED and the RABC to debate the proposed changes. The new ISED rules will require broadcasters to file an updated Safety Code 6 analyses of their transmitter sites at the time of Broadcast Certificate renewal (typically every 7 years).

Next Generation Radio

Technologies are evolving which allow radio stations to connect with listeners in new ways. The opportunities relate to audio streaming, HD Radio, the connected car, hybrid radio, FM radio in smartphones, and AM revitalization. The TCC contributed to a Position Paper on HD Radio which was developed by the North American Broadcasters Association. Hybrid radio is the linkage of OTA audio programming with enhanced/interactive content delivered over the Internet. A meeting was held with CRTC staff in October to explain the opportunities and challenges surrounding FM radio in smartphones. The TCC is continuing to monitor these developments, through collaboration with other associations such as the NAB, NABA and the NRSC, to explore how these evolving technologies may be utilized in a Canadian context.

IP Security

The TCC issued a Technical Bulletin to remind members of the importance of protecting broadcast equipment that is connected to the Internet from external hacking through the use of proper network security and passwords. Incidents have been reported in the US of hackers interrupting broadcasts with offensive material.

TV White Space Devices

These devices, which utilize unused spectrum between TV channels are expected to be introduced in Canada in the near future. The use of these devices will be managed and monitored by a central database operator to prevent interference to licensed TV stations. White Space technology may also impact the use of unlicensed wireless microphones and video equipment commonly used by broadcasters within their studios and for outside broadcasts. An ISED consultation is expected this year to identify the options for broadcasters to register and/or license wireless microphones and video equipment in the TV White Space Database.

If you would like more information about these topics or the activities of the Technical Coordinating Committee, please contact Kirk Nesbitt at aknesbitt@rogers.com.

AlertReady: Canada's National Emergency Alerting System

Second Public Awareness Campaign launched

On May 1, the second public awareness campaign for AlertReady, the national emergency alerting system, was launched on TV, radio and online. The campaign includes four TV spots (three English and one French) and two radio spots (both English and French) and continues with a PSA campaign.

The broadcasting industry committed to "voluntarily participate in an awareness campaign (for instance, air PSA)," during the process leading to Regulatory Policy CRTC 2014-444. Indeed, the Commission commended broadcasters for "committing to voluntarily participate in the education campaign." CAB therefore encourages all members to participate in this important public awareness campaign.

As the principal distributors of public alerts, broadcasters benefit greatly from increased awareness of public alerts, which reduces confusion and potential complaints when alerts are issued. Public awareness of the AlertReady system will also help Canadians better understand how to react when they receive an alert. Airing the PSAs on your television and radio stations, as well as promoting the campaign on your digital properties will greatly increase awareness of public alerts.

The radio PSAs and digital banners are available on an FTP website. Instructions to access that site are provided below.

Welcome to the Newest CAB Members!

The CAB is very pleased to welcome some new Radio members:

Effective June 1, 2017, Durham Radio's five stations have joined the CAB. They are CJKX-FM, Ajax; CKGE-FM, Oshawa; CKDO, Oshawa; CHKX-FM, Hamilton; CHTG-FM Caledonia.

This brings our total membership to 821. Your support helps CAB achieve great results for Canada's private broadcasters and their audiences. We look forward to strengthening our relationship with these newest members and our long-time adherents in the months ahead.

Instructions: FTP access

tel: 905 940 1948 x 212 | tagagency.ca

To access our FTP site you will require either a file transfer program (Filezilla is free online for PC and Mac) or an internet browser (Internet Explorer or Firefox). **Please note that you CANNOT upload files using an internet browser. You must use a file transfer program.** You can download a version for free at: <http://filezilla-project.org>

USING A FILE TRANSFER PROGRAM

When you launch the program input the following information:

Host: ftp.tagagency.ca
User ID: ftpuser
Password: ft9g75

USING AN INTERNET BROWSER (DOWNLOAD ONLY)

Internet Explorer or Firefox are recommended. In the web address bar type in: <ftp.tagagency.ca>

A dialogue box will pop up. Input the following information:
User ID: ftpuser
Password: ft9g75

Files may be downloaded by simply dragging and dropping from one window to another. Due to file size and storage space, it's recommended that files are downloaded within 7 days. When uploading files please e-mail your main contact with the file name or better yet, give us a call. We'd love to hear from you.

The TV PSAs will be provided by Extreme Reach. To receive them, please contact Ashley Allison at Extreme Reach directly: aallinson@extremereach.com | (416) 964-7539 x 3286

ISCI codes: AR201701TV30E AR201702TV30E AR201703TV30E AR201701TV30F