

RESPONSE TO SUGGESTED STUDY THEMES

FUNDING

1. What are the financial and other pressures on local broadcasting?

The health of local broadcasting is at risk from a number of factors. First, the rapid growth in the number of television channels available to viewers has fragmented television audiences to such a degree that individual conventional broadcasters can no longer depend on large audiences to drive advertising revenue. At the same time, the growth of multiple platforms for viewing what was once exclusively television content has diluted the value of conventional television advertising even further.

It is also important to remember that of the new channels being offered, many are stations imported from distant markets into local markets. And most are specialty services that offer virtually no local content.

Canadians' access to local broadcasting options is further hurt by the failure of satellite providers to carry all of the local signals in a particular market. In the case of Radio-Canada, this means that viewers in Regina, Toronto, Ottawa, Trois-Rivières, Saguenay, and Eastern Québec do not have access to the local programming in their community.

Local programming, for a national broadcaster, is also relatively expensive to produce since one hour of programming targeted to a specific community – for example, local news – must be produced separately in each community rather than creating a single national program serving all markets.

2. How is the decrease in advertising affecting local broadcasting?

The decline in conventional television advertising affects all aspects of conventional broadcasting, including local programming.

In response, conventional broadcasters look for more efficient ways to provide local services – usually with reduced costs and staffing. It also creates pressure for broadcasters to reduce local services, retaining only the most essential element, which is typically supper hour news programming. Ultimately, the decline can force broadcasters to close local stations and eliminate their associated costs.

Lower advertising revenue in the region is closely linked to the fact that major advertisers prefer to pursue "network" rather than local purchase strategies.

3. To what extent are new media, changing viewing habits, audience fragmentation, and convergence affecting local broadcasting?

Audience fragmentation weakens the revenue stream that supports local broadcasting. That financial pressure, and the effect of convergence in the broadcast industry, can result in more generic content that can be used economically in multiple markets rather than local content tailored to specific communities.

With respect to new media, it helps to look at this question in terms of providing local service to communities in the most effective way possible. New media is a delivery platform for program content, like radio. It complements traditional broadcasting and in some ways can be more effective.

CBC/Radio-Canada's new media content is focused on providing users with up-to-the-minute news and information, tailored to their interests – including interest in their communities. Local services across television, radio and new media platforms are different in that they are structured to fit the platform – whether it is strong pictures on television or strong breaking news and links to other content on new media. In this way, our new media efforts work in concert with and support our local television services.

With regards to changing viewing habits, it is important to remember that despite the growth of the Internet, usage of television remains strong, with Canadians watching an average of 27 hours a week of television, close to an all-time high and relatively unchanged over the past four years.

4. What additional revenue streams are available for local broadcasting?

Under the current regulatory environment, there are no additional revenue streams available for local broadcasting. Advertising is the sole source of revenue currently available to local broadcasters. As that revenue declines, local broadcasters can search for additional advertising on Web platforms, or compete with local newspapers for local advertising, but that will not necessarily translate into increased advertising revenue.

FEE-FOR-CARRIAGE

5. Would fee-for-carriage for over-the-air television signals help local broadcasting?

Yes. Fee-for-carriage could help replace lost advertising revenues. In its submission to the CRTC, CBC/Radio-Canada proposed that conventional broadcasters be able to receive subscriber fees to fund specific initiatives that the Commission considers important and where existing levels of advertising revenues are not sufficient or not expected to be sufficient. Maintaining or increasing local broadcasting could be one of these priorities.

In the case of CBC/Radio-Canada, it is important to note that fee-for-carriage for local services would not represent a levy in addition to the Parliamentary appropriation already provided by taxpayers. It would be a source of revenue to allow the Corporation to provide additional levels of services not provided for by the current level of Parliamentary appropriation.

In the case of Radio-Canada, fee-for-carriage would help make up for the loss of local advertising revenue due to satellite distributors not offering our local signal in markets in Ottawa, Trois-Rivières, Saguenay, and Eastern Québec.

TRANSITION TO DIGITAL PROGRAMMING

6. What are the costs to local broadcasters associated with the transition to digital programming?

Given the prohibitive cost of replacing all over-the-air analogue transmitters with digital ones, and the small number of Canadians watching television over-the-air (OTA), the Corporation proposed to the CRTC a hybrid plan to install digital OTA transmitters in key markets in order to reach most Canadians. Currently, CBC/Radio-Canada has eight digital television (DTV) transmitters in place and operational. These reach approximately 47 per cent of Canadians.

In its September 2007 submission to the Standing Committee on Canadian Heritage, CBC/Radio-Canada estimated that the remaining investment necessary to achieve our proposed hybrid DTV transmission/distribution model is \$50 million. We stated, however, that to convert or upgrade our remaining production facilities at the regional and network level in a manner that supports high definition (HD) production would cost an estimated \$550 million.

7. Should the Federal Government assist local broadcasters in meeting the costs of digital transition, and if so, how?

That is a decision for Government. Certainly the cost of the digital transition and the lack of additional funding is a significant constraint on the ability of broadcasters to finance the transition. This cost must also be balanced against the other necessary capital investments like high definition television.

ROLE OF THE FEDERAL GOVERNMENT

8. How could the Federal Government address the situation of local broadcasting?

As stated previously, financial assistance, including fee-for-carriage, could be used to help support local production. Government could also help ensure accessibility to regional signals by cable and satellite distributors.

9. How could cultural development funds ensure the survival of local broadcasting?

The CRTC's Local Programming Improvement Fund (LPIF) will help conventional broadcasters continue to provide local services. By focusing the fund on smaller stations, and allocating funding based on each station's relative spending on local programming, the Fund will encourage additional investment in the communities where local service is particularly important.

CBC/Radio-Canada believes that the funding it would receive under these criteria would allow it to improve its local services in more than 20 French and English communities.

10. Will the Canadian Radio-television and Telecommunications Commission's Local Programming Improvement Fund meet the needs of local broadcasting?

It is a start. But the Fund is small – an estimated \$60 million dollars. To be effective, the Fund will have to be targeted at smaller markets where the need is greatest.

The one per cent contribution level from Broadcast Distribution Undertakings (BDUs) that was set by the CRTC last fall is a starting point. The situation in smaller markets posed by the financial crisis and the decline in advertising revenue is more acute, but the challenge of sustaining an effective level of local service is a problem for the entire sector.

Ultimately, the needs of the entire sector will need to be addressed, which means that the LPIF will need to be larger and applied more broadly.

11. Would changes to the regulatory system be effective in meeting the needs of local broadcasting?

The regulatory system needs to evolve to address the changing structure of the Canadian broadcasting system. At present, conventional television broadcasters, both public and private, are the primary drivers and creators of original Canadian programming, as well as the principle source of local news and information for viewers.

Conventional television broadcasters' ability to continue to play that leadership role is under threat because of audience fragmentation and a systemic shift of advertising revenue out of the sector.

There are two choices before the regulator: decide that the conventional television sector's role in the system has changed irrevocably; reduce the expectations placed upon the sector and attempt to shift those responsibilities elsewhere; or support the conventional television sector with new measures that directly address the challenges. In our view, conventional broadcasters continue to play a pivotal role. What are required are measures to support their efforts. The new measure that most effectively addresses that challenge is fee-for-carriage.

IMPACT OF POTENTIAL LOSS OF LOCAL BROADCASTING

12. What impact does the loss of local broadcasting have on the diversity of voices?

Local broadcasting – on television and radio – remains an important way of ensuring that the issues and perspectives of local communities have an outlet for expression – both locally and on a national level. That identification with the lives of people in other communities is the very essence of a national identity. While other platforms, particularly new media, are emerging to address the needs of local communities, to the degree that local television broadcasting is lost, an important safeguard of diversity is lost with it.

That is why CBC/Radio-Canada is committed to remaining deeply rooted in Canada's regions. We believe that it is part of our mandate, as the public broadcaster, to ensure that that service remains part of the Canadian broadcasting system.