

# “ENVIRONMENTAL SCAN”



**TO:** Board of Directors

**MEETING:** November 24-25, 2015

**FROM:** Marco Dubé

**PURPOSE:** This document provides an extensive review of the industry in which we operate. It is provided to inform the Board and support CBC/Radio-Canada’s planning activities. The material is updated annually. This is the third edition.

**DATE:** As of November 16, 2015

# 2015 MEDIA ENVIRONMENT

Information for the Board of Directors  
November 24-25, 2015  
Toronto, Ontario





# INTRODUCTION

- **This document provides Board members with:**
  - A high-level overview of how the Canadian broadcasting industry operates
  - CBC/Radio-Canada's role within it
  - Some of the key challenges we and the industry are facing now and in the future
  - An update on some important developments impacting the road ahead



# KEY HIGHLIGHTS

- **Pressure continues to mount for a rethink of broadcasting policy for the digital age**
  - *Let's Talk TV* eliminated more regulatory protections to support consumer choice (p. 15, 18, 22)
  - Public broadcasting's business model is broken (p. 40, 41)
  - The role of public investment on markets is under scrutiny globally, even in the media industry (p. 23)
- **The thirst for content is as strong as ever, but viewing is shifting platforms. Most noticeably in the English Market.**
  - Cord-cutting has taken hold (p. 60) and is impacting subscription revenues (p. 61)
  - Broadcast TV viewing is still significant, but is in decline (p. 82) as online TV viewing increases (p. 83)
  - Online has sparked new viewing behaviours (p. 84, 85)
  - This trend is being led by younger Canadians (p. 81)



# KEY HIGHLIGHTS

- **A structural shift is underway in the advertising market**
  - TV is still the dominant advertising medium, but revenues will experience low single digit declines (p. 58)
  - Advertising revenues are shifting online, where we expect strong growth in video and mobile and declines in display (p. 65)
  - Radio advertising is holding on with low single digit increases (p. 62)
- **Partnerships are key to success in our competitive landscape**
  - CBC/Radio-Canada is small compared to national vertically integrated players and global online behemoths (p. 45, 46, 47)
  - Technology is transforming the industry (p. 49, 86, 90)
  - Major media players are restructuring to adjust to lower revenues (p. 56, 57, 58)
  - CBC/Radio-Canada can be an attractive partner (p. 50)



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6. Audience Behaviour	69



# WHAT IS THE PURPOSE OF PUBLIC POLICY IN BROADCASTING?

Broadcasting policy is typically based on one of three assumptions:

1. The economics of **distribution** are challenging in a country the size of Canada (e.g. off-air coverage, universal broadband)
2. The economics of **original content** creation in Canada are challenging in comparison to acquiring content from a larger market (e.g. US vs. Canadian, National vs. Local)
3. Broadcasting is an effective way to inform and enlighten society and **high quality** content would be underrepresented (e.g. public affairs, drama/comedy, kids, performing arts)



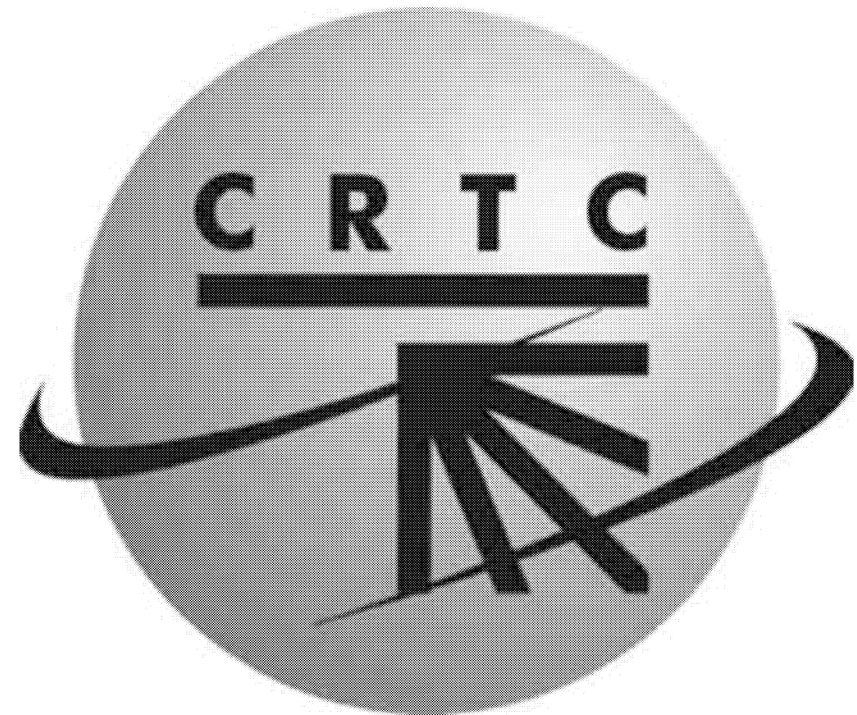
# THE HIGH IMPORTANCE PLACED UPON BROADCASTING IS CLEARLY EVIDENT IN THE *BROADCASTING ACT*

- The *Broadcasting Act* was passed into law in 1991 and is still in force today
- The *Act* explicitly states that broadcasting “provides, **through its programming**, a public service essential to the maintenance and enhancement of **national identity and cultural sovereignty**.” (Paragraph 3.(1)(b))
- Given that important role, broadcasting in Canada should “serve to safeguard, enrich and strengthen **the cultural, political, social and economic fabric of Canada**.” (Paragraph 3.(1)(d)(i))
- All broadcasting activities are covered under the *Act*





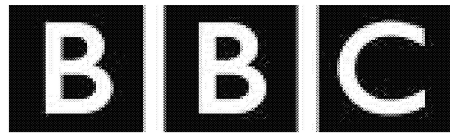
# THE ACT ESTABLISHES TWO PRIMARY POLICY TOOLS



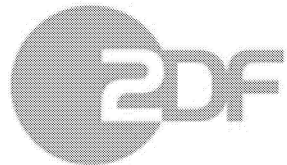
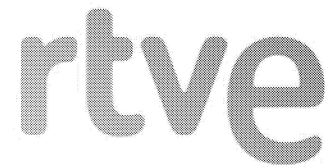
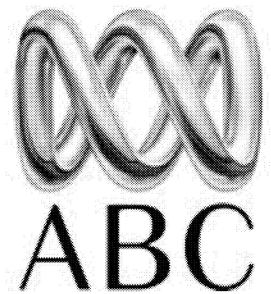


# TOOL #1: PUBLIC BROADCASTING

- Countries all around the world have created public broadcasters to promote public policy



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## CBC/RADIO-CANADA'S MANDATE IN THE ACT IS VERY BROAD

3. (1) (l) the **Canadian Broadcasting Corporation**, as the national public broadcaster, should provide **radio and television services** incorporating a wide range of programming that **informs, enlightens and entertains**;
- (m) the **programming provided** by the Corporation should
- (i) be predominantly and distinctively **Canadian**,
  - (ii) reflect Canada and its regions to national and regional audiences, while serving the **special needs of those regions**,
  - (iii) actively contribute to the flow and exchange of **cultural expression**,



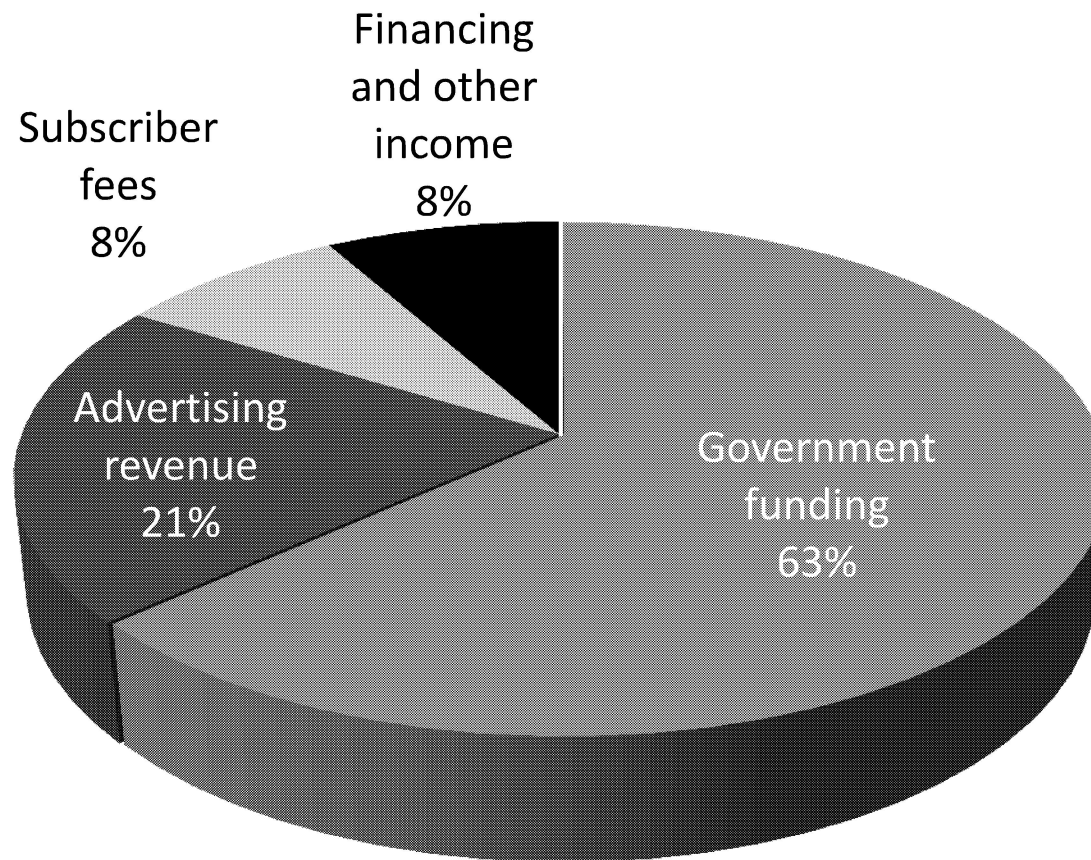
## CBC/RADIO-CANADA'S MANDATE IN THE ACT IS VERY BROAD

- (iv) **be in English and in French**, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French **linguistic minorities**,
- (v) strive to be of **equivalent quality** in English and in French,
- (vi) contribute to shared **national consciousness and identity**,
- (vii) **be made available** throughout Canada **by the most appropriate and efficient means** and as resources become available for the purpose, and
- (viii) reflect the **multicultural and multiracial** nature of Canada;



# CBC/RADIO-CANADA RELIES HEAVILY ON PUBLIC FUNDING

## CBC/Radio-Canada's Revenue and Sources of Funds (\$1,636 Million)



Source: CBC/Radio-Canada Annual Report 2014–2015



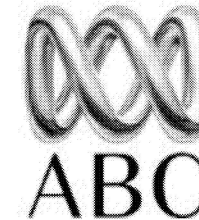
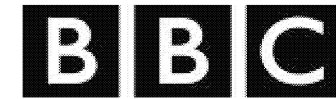
# THERE ARE MANY DIFFERENT MODELS BEING USED AROUND THE WORLD TO FUND PUBLIC BROADCASTERS

- Many public broadcasters collect their licence fee directly from their citizens. Historically, in some countries including the UK, all households with a TV set had to pay a licence fee. Germany is the first country to have moved to a household fee. As viewers move online, some households do not have a TV and the model needs to adjust.
- Many public broadcasters receive a funding allocation directly from Government. Canada, Belgium and Australia are prominent examples.
- Most public broadcasters have advertising. This is often in addition to a licence fee or an allocation from Government.
- Some countries are experimenting with new models
  - The Finnish pay for public broadcasting through their tax filing
  - Telecommunications providers in France contribute to the funding of the public broadcaster by paying a portion of their revenues to it



# ... AND PSB FUNDING SOURCES ARE ALWAYS UNDER SCRUTINY

- BBC Charter Public Consultation
  - Is the model sustainable?
- Australia
  - Ministers called for further cuts to the public service broadcaster and directly criticized editorial decisions
- France
  - The Minister of Finance is floating suggestions that in order to address funding shortfalls, advertising should return to the prime-time schedules of France Télévision



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# THE PRIVATE SECTOR ALSO OBTAINS PUBLIC FUNDING

<i>Category</i>	<i>Type of Public Support</i>	<i>Value to Private Broadcasters</i>
<i>Market Entry Restrictions</i>	<i>Foreign Ownership Restrictions</i>	<b>PRICELESS?</b> The CRTC is reducing barriers to entry
	<i>CRTC Licensing Policies</i>	
<i>Revenue Protections</i>	<i>Advertising Rules</i> <i>Sec. 19.1 of the Income Tax Act</i>	<i>\$91 - 130 million (1)</i>
	<i>Simultaneous Substitution</i>	<i>\$242 - 262 million (2)</i>
<i>Expenditure Relief</i>	<i>Production Tax Credits</i>	<i>\$520 million (1)</i>
	<i>Canada Media Fund (CMF)</i>	<i>\$177 million (3)</i>
<b>TOTAL</b>		<b>\$1.0 - \$1.1 billion</b>

Source: (1) Nordicity 2011 estimates; (2) Armstrong Consulting 2014; and (3) CMF Performance Envelopes 2015-2016





## TOOL #2: THE CRTC

- The CRTC is an independent government agency that **supervises all aspects** of Canadian broadcasting, **including CBC/Radio-Canada**
- **Promoting access to Canadian content** is one of the key underlying principles of the CRTC's objectives
- The **CRTC's powers and jurisdiction are set out in the *Broadcasting Act***, and the CRTC is guided by the policy objectives set out in it
- The CRTC is required to **regulate** the broadcasting system **in a flexible manner** that, among other things, recognizes our **two official languages**, takes into account **regional concerns**, and is **adaptable to technological developments**



# A CHANGING REGULATORY ENVIRONMENT

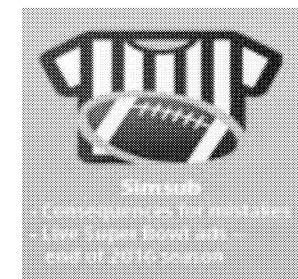
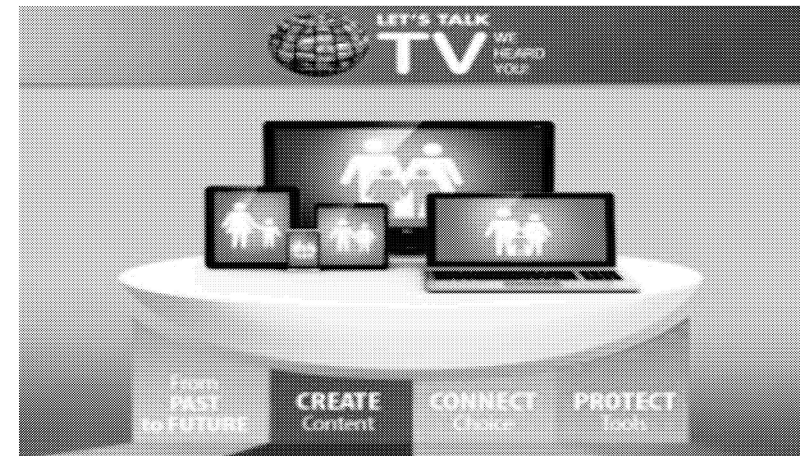
The **current environment** can be characterized as follows:

- 1) Regulatory intervention is becoming **increasingly selective**
- 2) Significant emphasis has been placed on **increasing consumer choice** (e.g. skinny basic, pick & pay)
- 3) The CRTC has **exempted from regulation** undertakings that provide broadcasting services delivered and accessed over the **Internet and mobile services**
- 4) Going forward, CRTC will be required to play a greater role in **adjudicating disputes** between broadcasters and TV distributors



# “LET’S TALK TV” INTRODUCED RULES TO ENHANCE CONSUMER CHOICE

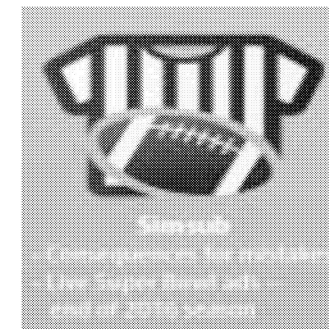
- Introduction of more consumer choice (e.g. skinny basic, pick & pay)
- Specialty TV services can morph into other programming categories effective immediately, but will lose existing access rights at license renewal
- Conventional broadcasters must maintain free, off-air TV to keep priority carriage and simultaneous substitution
- Elimination of simultaneous substitution for the Super Bowl





## AND SOME PLAYERS IN THE INDUSTRY ARE PUSHING BACK

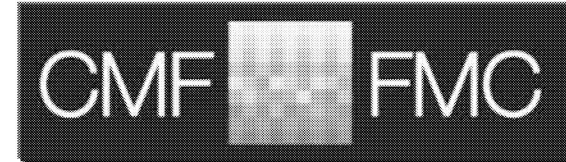
- Industry players are challenging the CRTC on their *Let's Talk TV* decisions including:
  - Wholesale Code
  - Retail Code
  - And limits imposed on simultaneous substitution



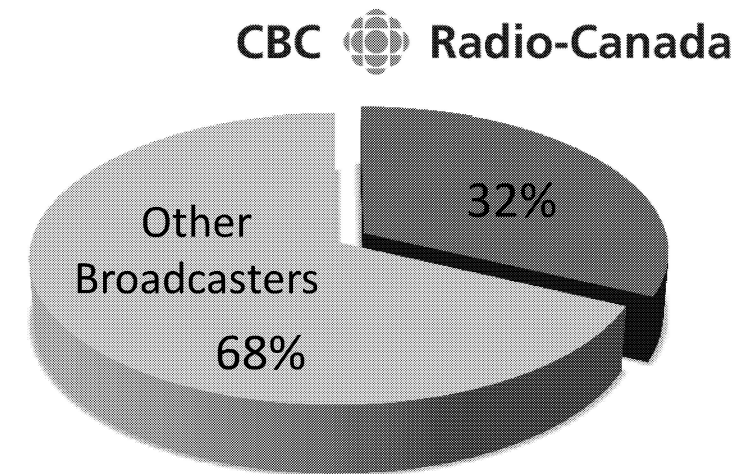


# THE CMF IS ANOTHER IMPORTANT POLICY TOOL MANDATED BY HERITAGE AND FUNDED BY BDUS AND GOVERNMENT

- CBC/Radio-Canada indirectly benefits from about \$85 million in CMF allocations annually
  - Our share is tied closely to our audience performance
- The CMF is under review and any changes could have a negative impact on CBC/Radio-Canada's access



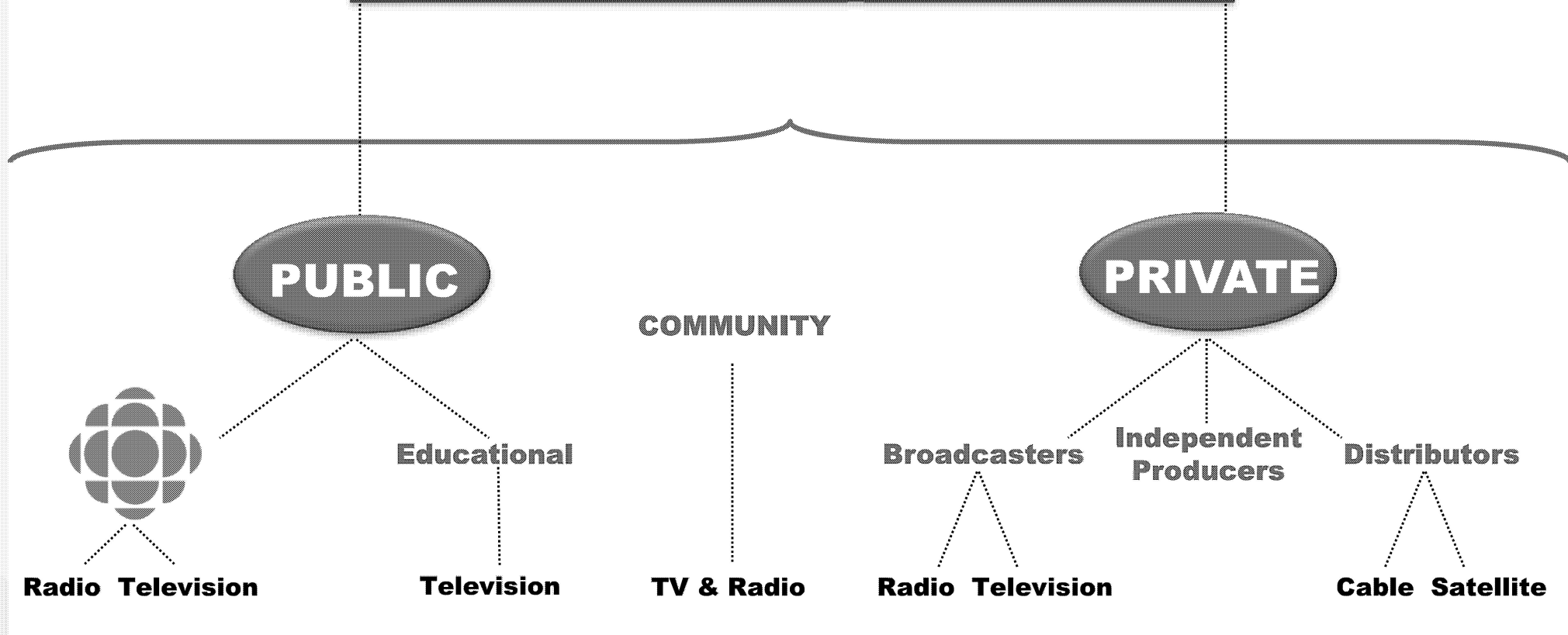
CMF Performance Envelope  
Funding Allocations  
2015-2016





# THE BIG PICTURE: PUBLIC POLICY IS AN IMPORTANT COMPONENT OF THE BROADCASTING INDUSTRY

## The *Broadcasting Act* (1991)



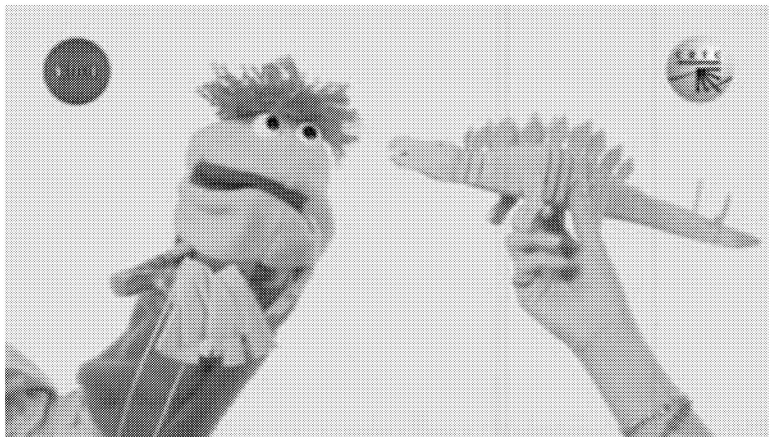
**All Must Contribute**



## ... BUT DEFINING AND PROMOTING PUBLIC POLICY HAS BECOME A CHALLENGE



Broadcasting policy is increasingly putting **consumers first**, through affordable service options and **removing protections** for content providers that supported the industry.

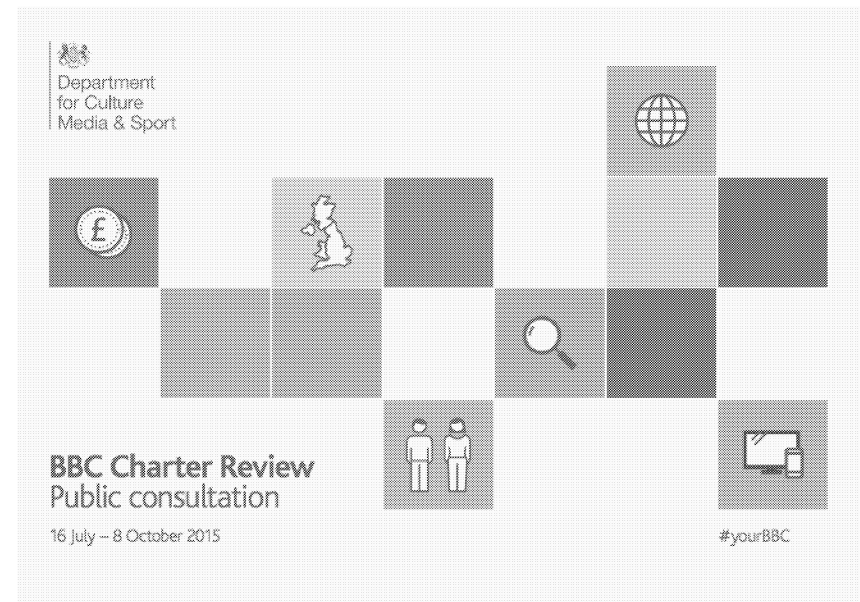
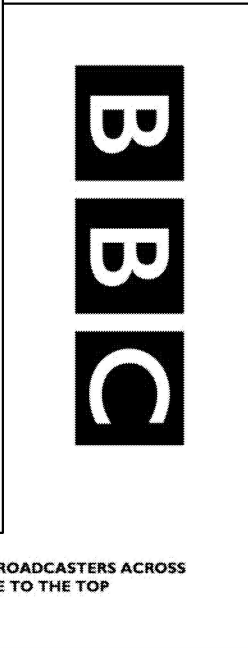
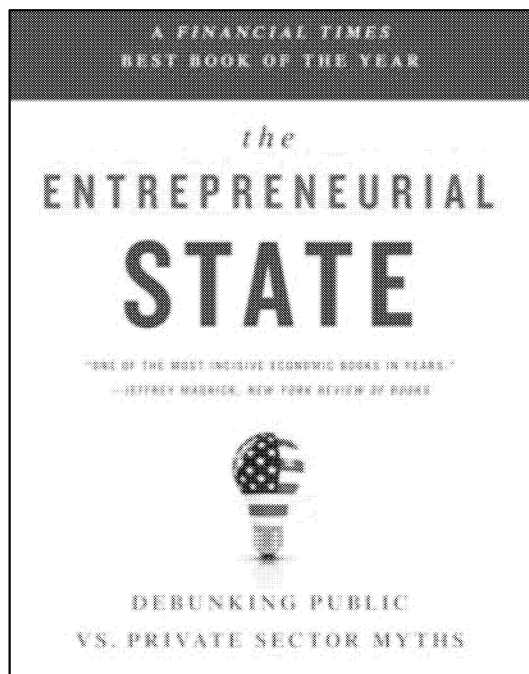


The Internet represents the future of broadcasting, yet **the notion of the CRTC regulating Internet services is unrealistic.**



# WHAT IS THE ROLE OF PUBLIC BROADCASTING IN THE FUTURE?

Global debate over the role of the public sector on whether it promotes **competition for quality** that help shape markets or whether it **crowds out private investment**.







## KEY TAKEAWAYS

- **The broadcasting system is deemed essential** for the well being of our culture, society, economy and democracy.
- Like other countries, the Government utilizes **two key tools** to fulfill its objectives: public broadcasting (**CBC/Radio-Canada**) and regulation (**CRTC**)
- **A greater** focus on consumers and the opportunities created by the **digital technologies** are putting **pressure on current regulated markets** and the tools that govern them
- **With continued deregulation** by the CRTC **of the private sector, public broadcasting becomes even more important** to achieving public policy goals in the future



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# CBC/RADIO-CANADA REACHES CANADIANS IN MANY WAYS

## TV

CBC   
 CBCnews NETWORK   
 ICI RADIO-canada TÉLÉ   
 ICI artv   
 CBC Radio-Canada  
 CBC News Express / RDI Express

documentary   
 ICI RDI   
 ICI EXPLORA   
**TV5MONDE**

## Radio

radio one   
 ICI RADIO-canada Première   
 ((SiriusXM))  
SATELLITE RADIO

radio 2   
 ICI musique Franco country

ICI musique   
 ICI musique CHANSONS   
 cbc music SONICa   
 radio3

## Digital and Other Services

cbc.ca   
 ICI RADIO-canada .ca   
**RCI** RADIO CANADA INTERNATIONAL

cbcnews.ca   
 ICI TOU.TV   
 kids'CBC

cbc sports.ca   
 ICI musique   
 CBCnorth  
YOUR OLYMPIC NETWORK / VOTRE DIFFUSEUR OLYMPIQUE

CBC books.ca   
 CBCmusic.ca   
 CURIO.ca



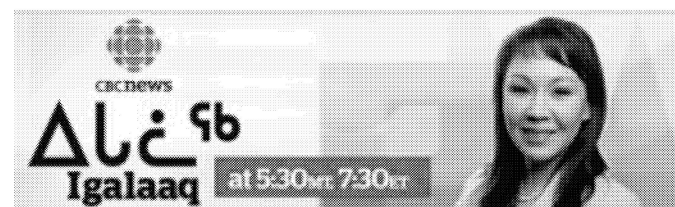
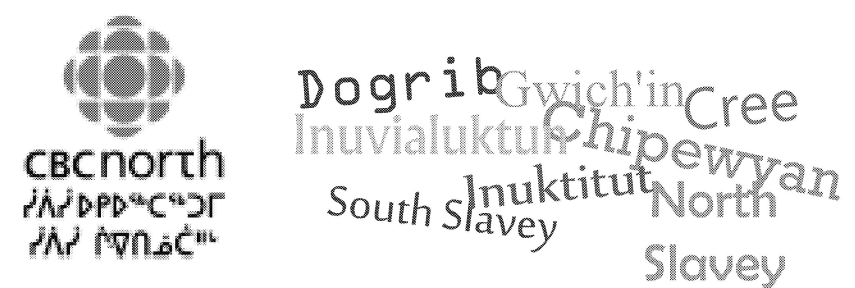
# WE SERVE CANADIANS FROM COAST, TO COAST, TO COAST





# AND OFFER SERVICES TO ALL CANADIANS – WHERE COMPETITORS WON'T GO

- Reaching Canadians is part of our mandate ensuring services for all Canadians
- And we offer services to audiences that would not be reached by competitors
  - OLMC\* markets in English and French
  - As well as services in the North in eight aboriginal languages

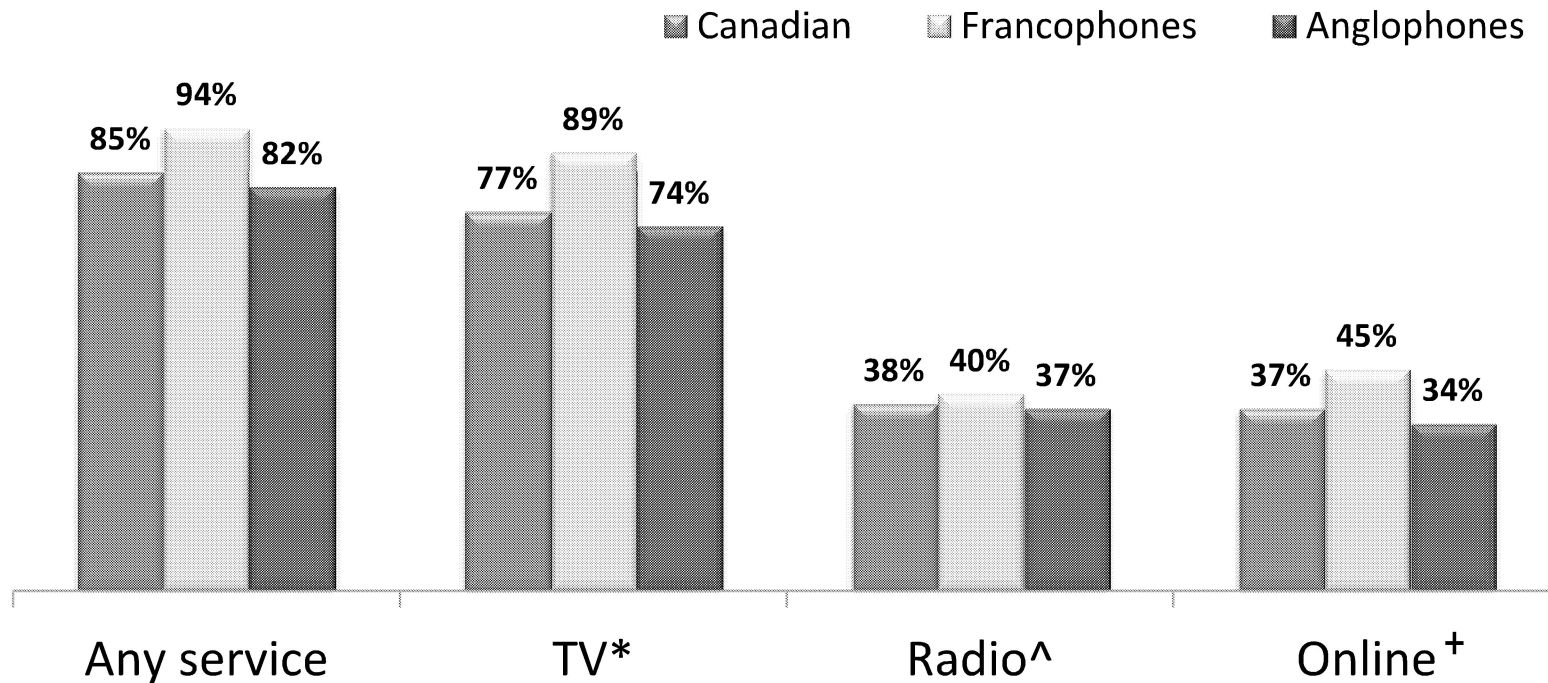


\* Official language minority community



# CBC/RADIO-CANADA REACHES VIRTUALLY ALL CANADIANS. TV IS STILL THE MOST COMMON MEANS. RADIO AND ONLINE ARE IMPORTANT.

Unduplicated CBC/Radio-Canada Monthly Reach Canadians



\* Television Services include: CBC Television, CBC News Network, *documentary*, ICI Radio-Canada Télé, ICI RDI, ICI ARTV and ICI EXPLORA.

^ Radio Services include: CBC Radio One, CBC Radio 2, ICI Radio-Canada Première and ICI Musique.

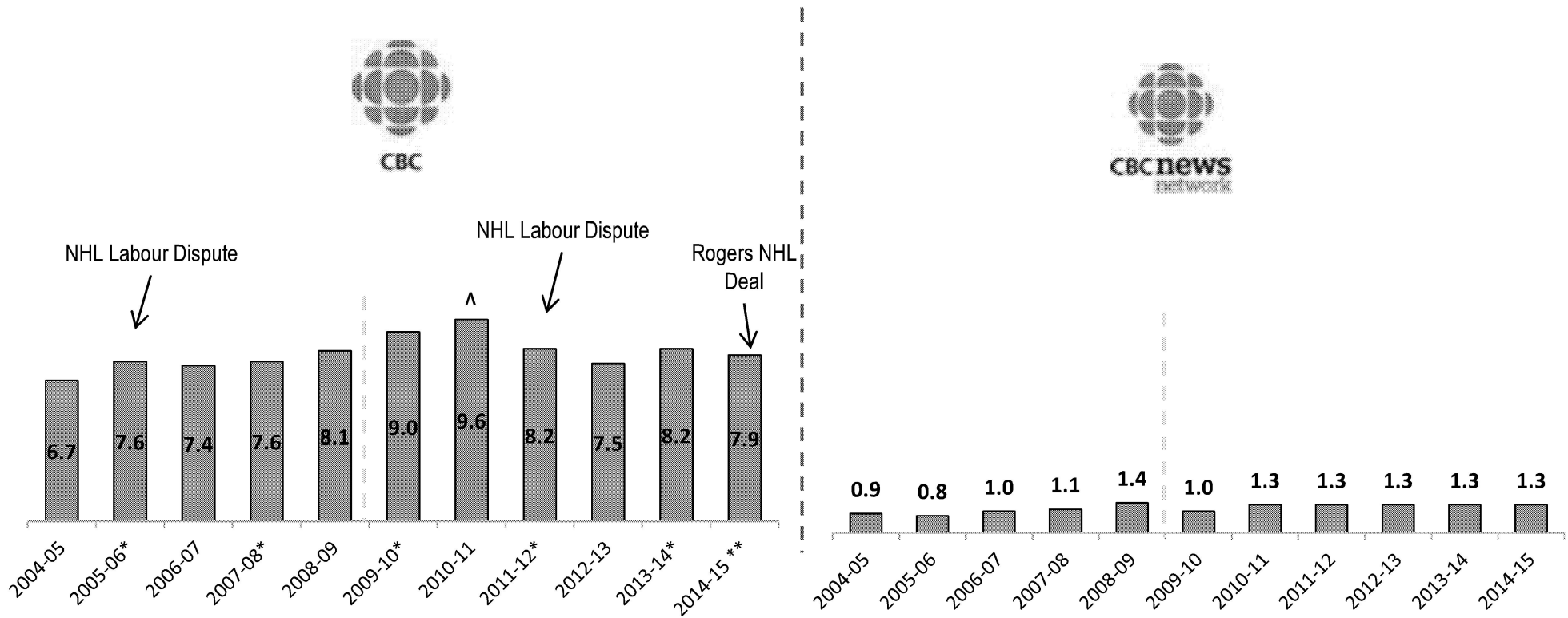
+ Web Services: CBC.ca, CBC Music, ICI Radio-Canada.ca, ICI Musique.ca and ICI Tou.tv.

Source: Mission Metrics Survey 2014-2015, TNS Canadian Facts (n = 4,800 Canadians 18+ – 2,400 Anglophones and 2,400 Francophones).



# OUR ENGLISH TELEVISION SERVICES HAVE PERFORMED WELL OVER THE LONGER TERM ...

## Performance of CBC Television and CBC News Network in Prime Time Share (%)



<sup>^</sup> Vancouver Canucks appearance in the Stanley Cup Finals.

Note: The lines indicate methodological changes.

Source: Numeris (BBM Canada), Broadcast Year 2004-2005 to 2014-2015 (Total EN TV - Total Canada 2+) (PPM).

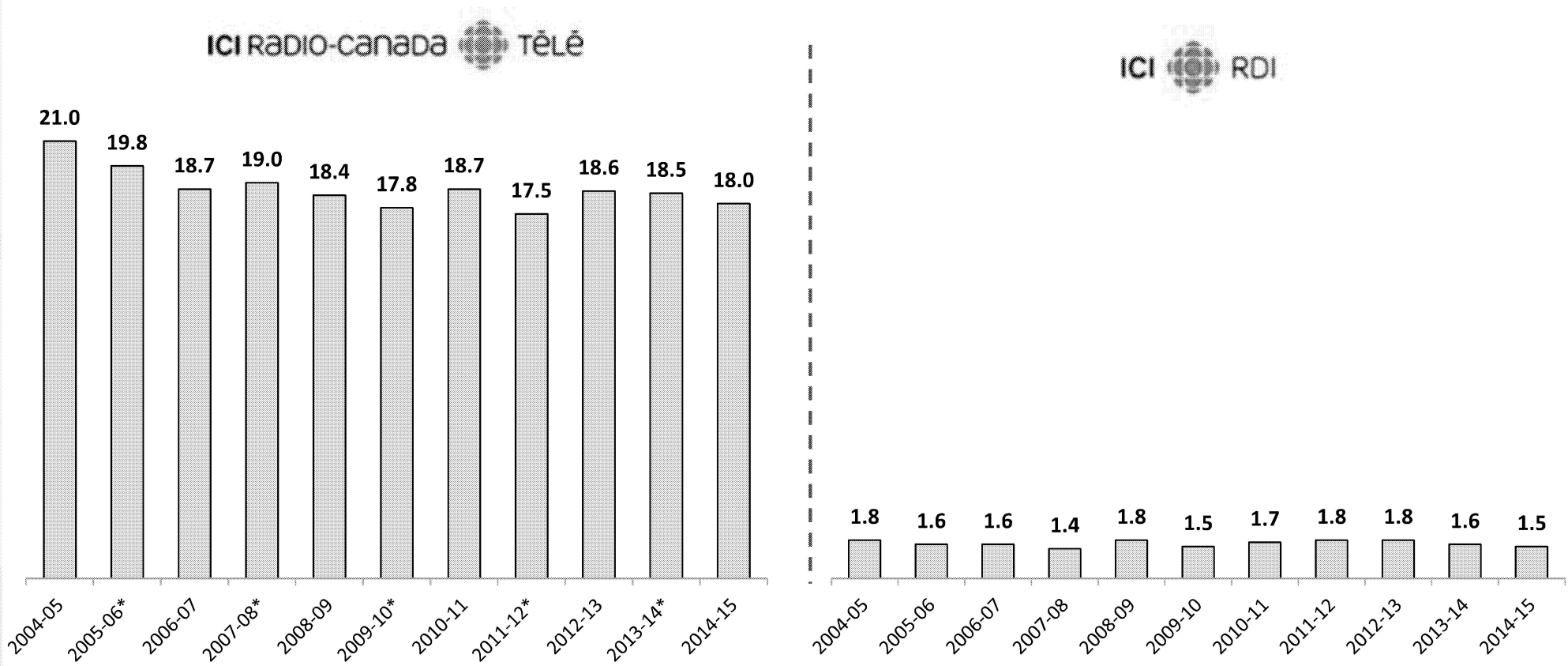
\*Excluding Olympic weeks.

\*\* Includes HNIC to be comparable with previous years. (CBC TV's regular season 6 day prime-time share was 6.0)



# ... AS HAVE OUR FRENCH TELEVISION SERVICES

**Performance of ICI Radio-Canada Télé and ICI RDI in Prime Time Share (%)**



Source: Numeris (BBM Canada), Broadcast Year 2004-2005 to 2014-2015 (Total TV – Québec Franco 2+) (PPM).

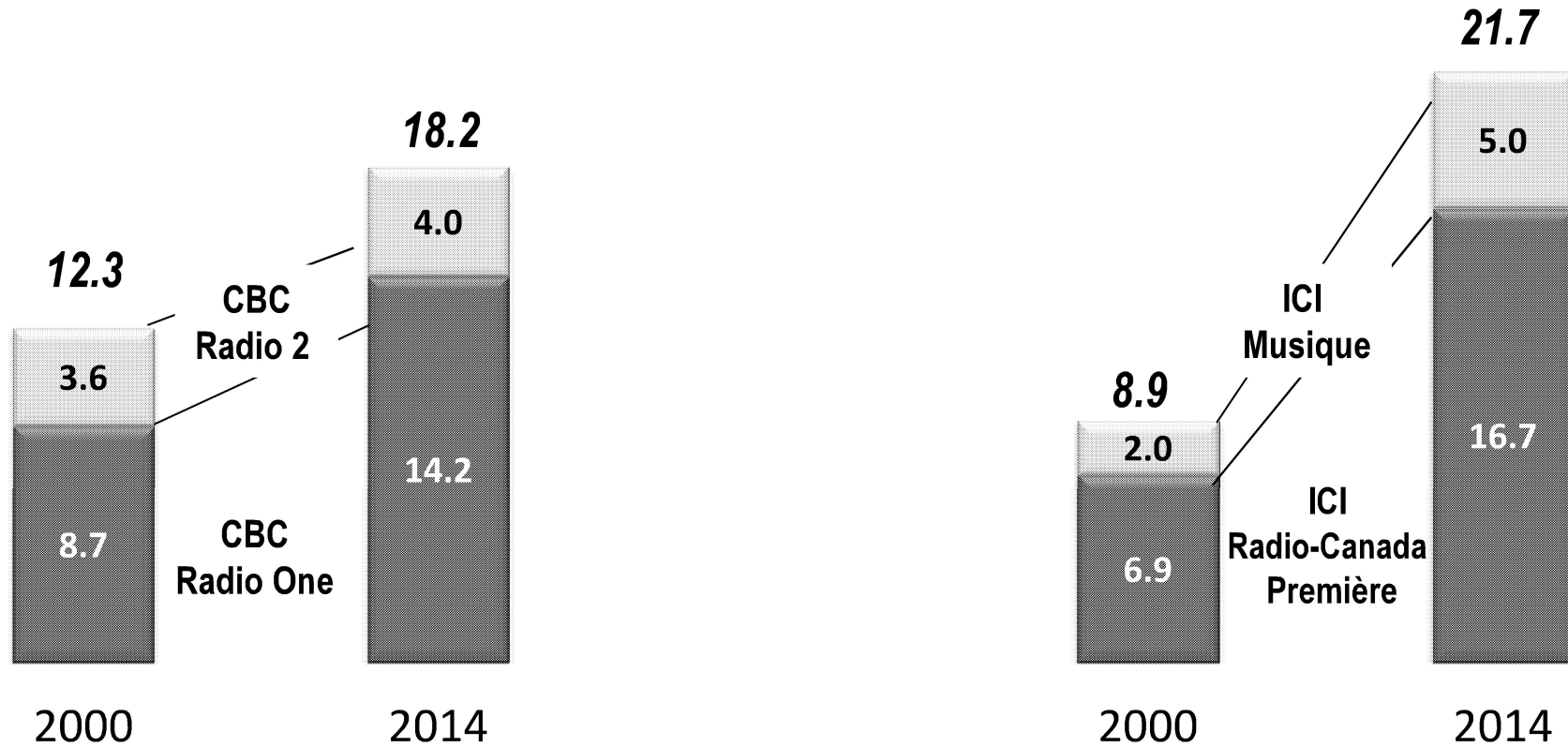
\* Excluding Olympic weeks.





# AUDIENCES TO OUR RADIO SERVICES ARE AT RECORD HIGHS

**Performance of Our English and French Radio Networks  
Share (%)**



Note: May not add up to the total due to roundings.

Source: CBC/Radio-Canada Research and Analysis, Numeris (BBM Canada) (Diary – Fall 2000 and Fall 2014)



# CBC.CA IS A LEADER AMONG NEWS AND INFORMATION DIGITAL PROPERTIES

**Total Unique Visitors/Viewers to Media and News and Information Digital Properties  
Total Canada 2+, PC and Mobile  
September 2014 to August 2015 (000's)**

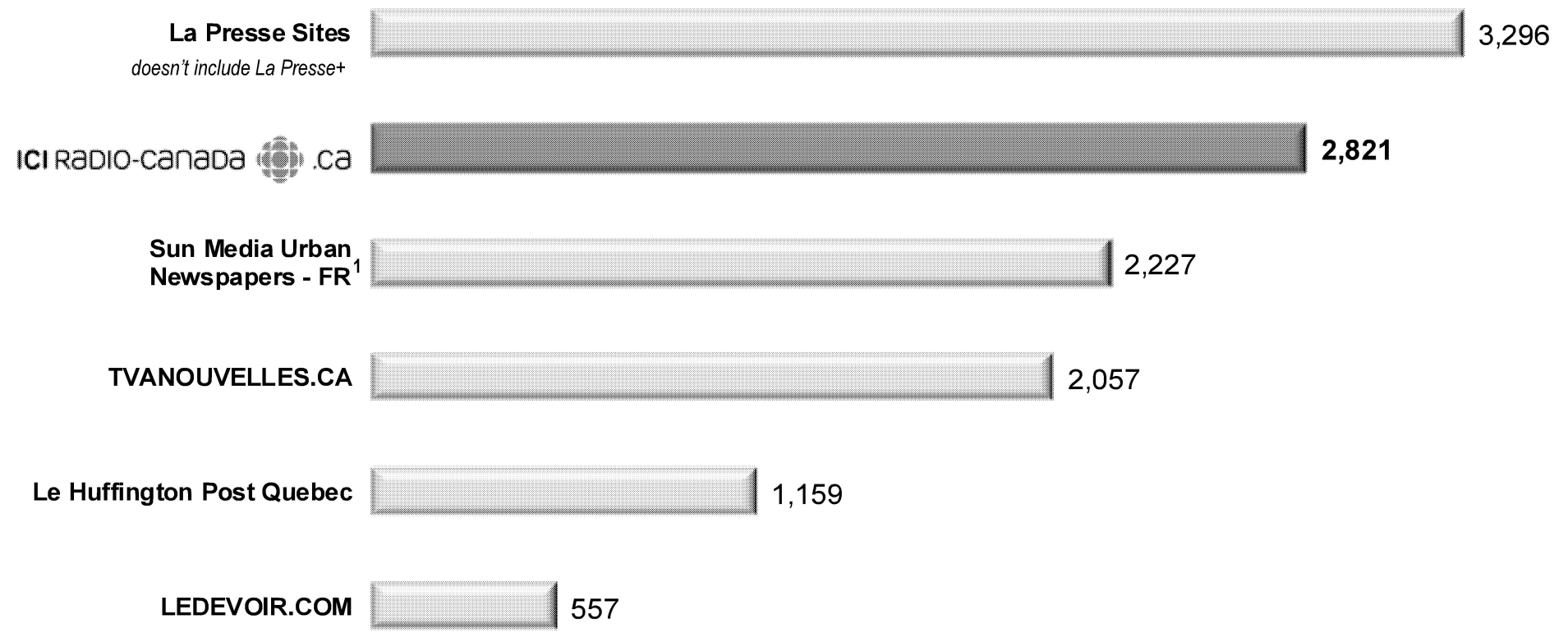


Please note that mobile measurement is currently underestimated since not all websites and mobile applications have been tagged.  
Source: CBC/Radio-Canada Research and Analysis, comScore (Multi-Platform)



# RADIO-CANADA.CA IS ALSO A LEADER AMONG FRANCOPHONE NEWS AND INFORMATION DIGITAL PROPERTIES

**Total Unique Visitors/Viewers to Media and News and Information Digital Properties  
Total Canada 2+, PC and Mobile  
September 2014 to August 2015 (000's)**



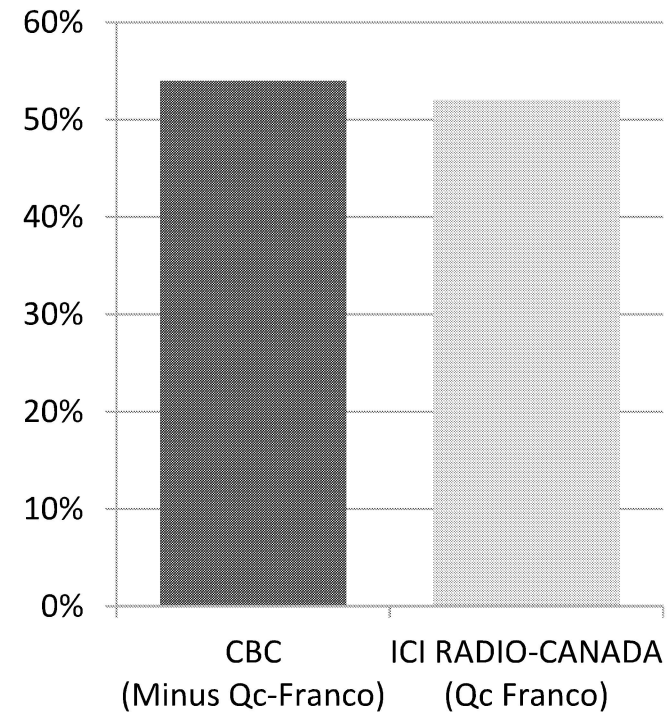
Please note that mobile measurement is currently underestimated since not all websites and mobile applications have been tagged.  
Source: CBC/Radio-Canada Research and Analysis, comScore (Multi-platform)  
<sup>1</sup> Includes Journal de Montréal, Journal de Québec and 24 Heures Montréal.



# OUR DIGITAL PROPERTIES REACH OVER HALF OF MILLENNIALS IN CANADA

- Average monthly reach of 18-34 year olds is strong for both CBC and Radio-Canada

Sept 2014 – August 2015 Average Monthly Reach of 18-34 Year Olds



Source: comScore Multiplatform, Ages 18-34. Reach percentages for CBC Sites and Radio-Canada sites are calculated against Numeris' 2014-2015 18-34 population estimates for Canada Minus QC Franco and QC Franco, respectively. Radio-Canada Sites includes TOU.TV, RCINET.CA, ARTV.CA, EXPLORATV.CA and ICIMUSIQUE.CA.



## THERE IS STRONG PUBLIC SUPPORT FOR CBC/RADIO-CANADA

**74%** Canadians **strongly agree**<sup>1</sup> that there is a clear need and role for CBC/Radio-Canada into the future.

**59%** CBC/Radio-Canada is **very personally important**<sup>1</sup> to Canadians.

Source: Mission Metrics survey 2014-2015

1. Scored 8, 9 or 10 on a 10-point scale. 6-10/10 is 77% personally important and 85% agree.



# CBC/RADIO-CANADA CONTRIBUTES POSITIVELY TO THE INDUSTRY AND THE CANADIAN ECONOMY

**Deloitte.** CBC/Radio-Canada has a **substantial positive impact on the economy** — well above its spending power

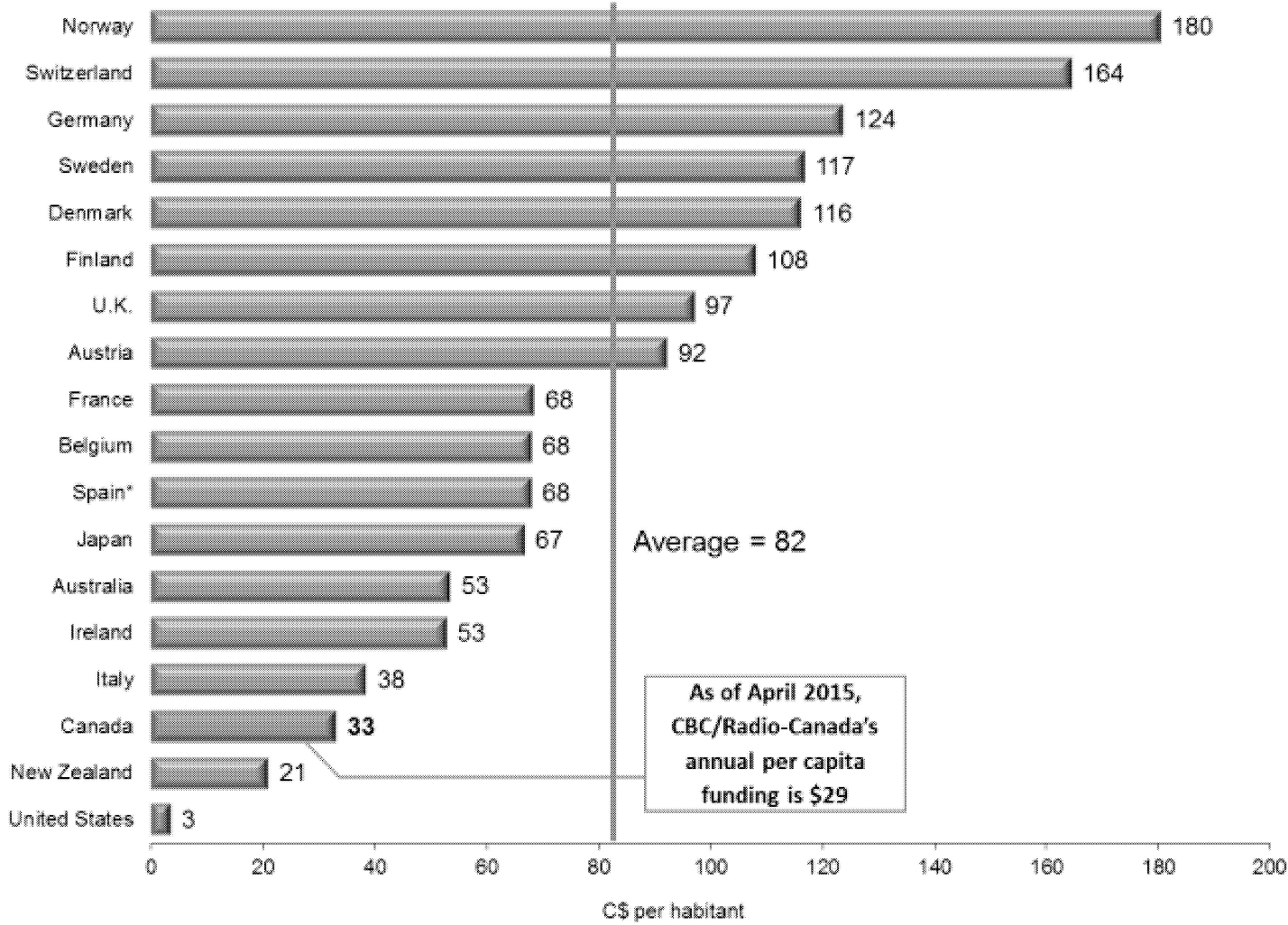
Among the measureable benefits identified were:

- **For every dollar** we receive from Canadians, **we generate almost \$4.00** for the Canadian economy
- Its **regional and local** activities contribute to local economies and creative clusters in many Canadian cities
- It creates depth in the **production sector** by commissioning a wide range of genres
- **Expenditure on programming**, whether commissioned from independent producers, acquired or made in-house, accounts for 72% of CBC/Radio-Canada's total expenditure (\$1,104 million in 2014<sup>1</sup>)
- It implements **new technologies** which are later adopted by other broadcasters and the wider creative sector



# BUT CBC/RADIO-CANADA'S PUBLIC FUNDING IS AMONG THE LOWEST IN THE WORLD...

**Per Capita Public Funding for Public Broadcasters - 2011**



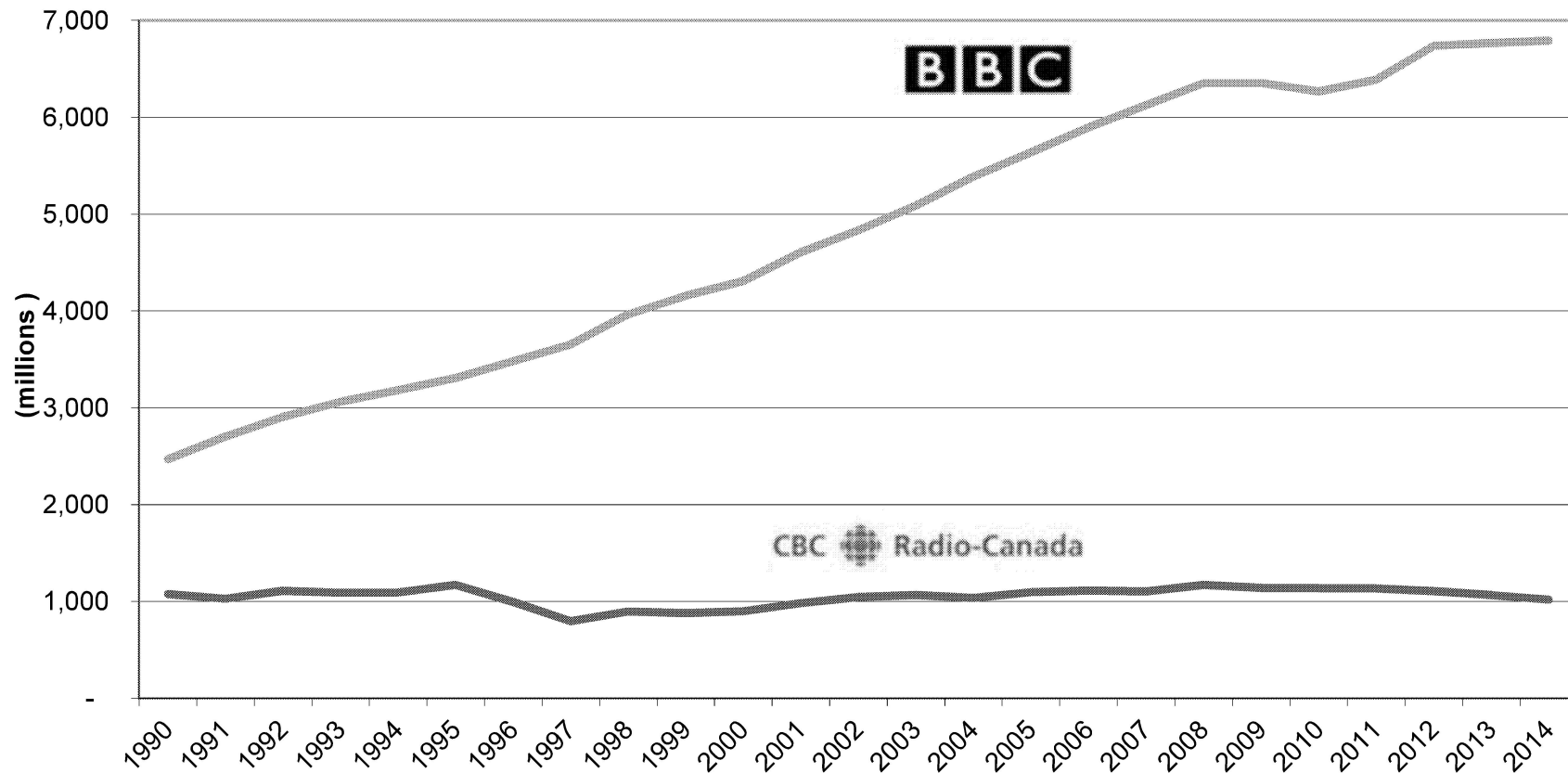
Source: Nordicity, "Analysis of Government Support for Public Broadcasting and Other Culture in Canada" (October 2013)

\* Figures for Spain include an estimate for the public broadcasters of the autonomous regions.



# ... AND NOT KEEPING PACE WITH OTHER PUBLIC BROADCASTERS SUCH AS BBC

### BBC vs CBC/Radio-Canada Public Funding



Source: BBC and CBC/Radio-Canada Annual Reports  
\* Uses 2014 exchange rate of 1 CDN = 1.82 Pounds for all years.

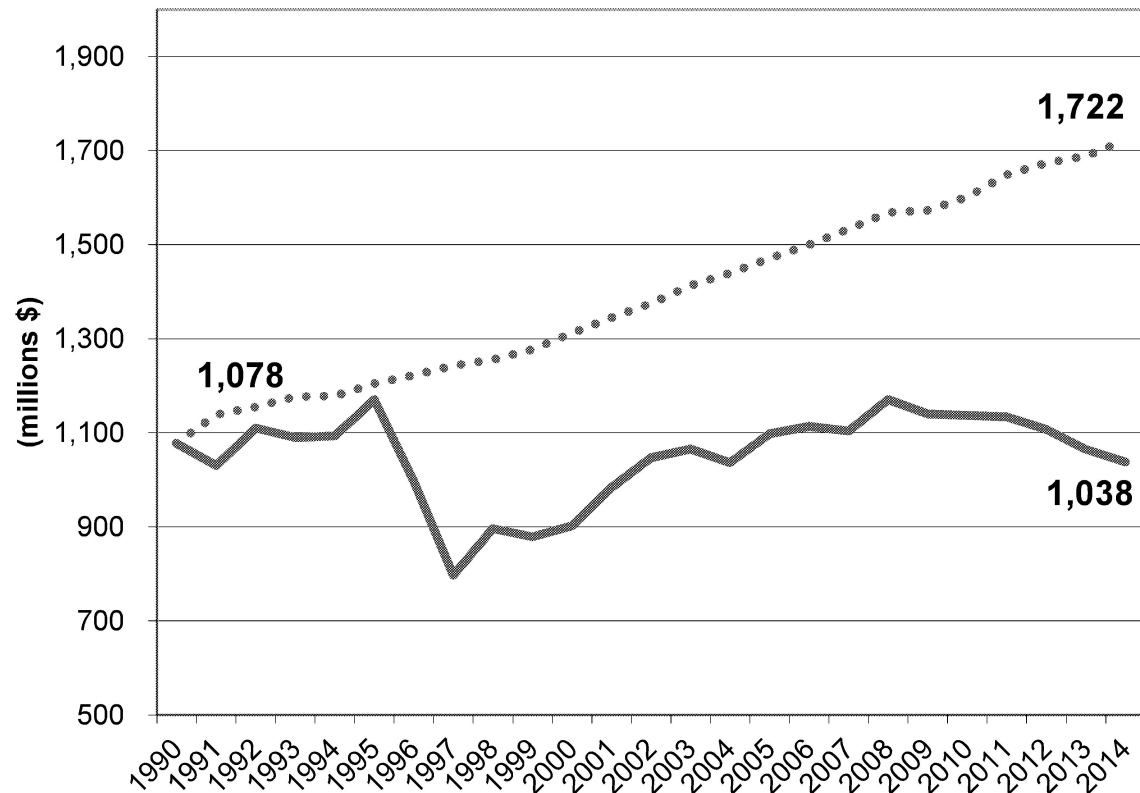




# CBC/RADIO-CANADA'S PUBLIC FUNDING DOESN'T EVEN KEEP UP WITH INFLATION

- CBC/Radio-Canada's nominal **parliamentary appropriation** is below what it was 20 years ago
- If the appropriation **grew at the pace of inflation** (consumer price index), **it would be \$1.7B today**

CBC/Radio-Canada Parliamentary Appropriation Indexed to CPI Growth



Sources: Statistics Canada, Nordicity and CBC/Radio-Canada Annual Reports



# ... AND OUR COMMERCIAL REVENUES ARE IN DECLINE

s.18(a)  
s.18(b)  
s.21(1)(b)





## KEY TAKEAWAYS

- CBC/Radio-Canada has a **broad mandate**
- CBC/Radio-Canada has well over **100 stations** (88 radio, and 27 TV) and an **expanding offering of services on new platforms and in all regions**
- CBC/Radio-Canada **attracts a significant portion of Canadians** to its services, including new younger audiences from Internet services
- Canadians continue to **strongly support** CBC/Radio-Canada
- CBC/Radio-Canada contributes positively to **support the industry and the economy**
- CBC/Radio-Canada's funding stresses are the root of its **broken business model**



# AGENDA

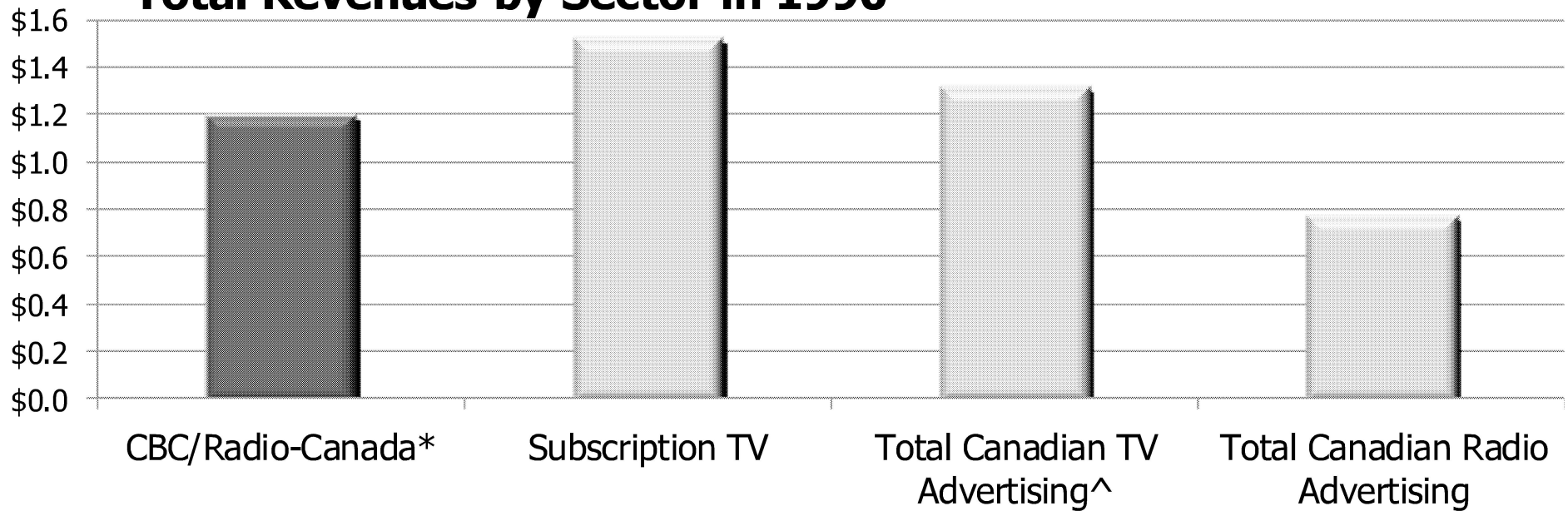
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# A GENERATION AGO, CBC/RADIO-CANADA WAS A LARGE PLAYER IN THE BROADCASTING INDUSTRY

**CBC/Radio-Canada's financial resources were comparable to entire industry sectors, like TV, radio and cable**

### Total Revenues by Sector in 1990

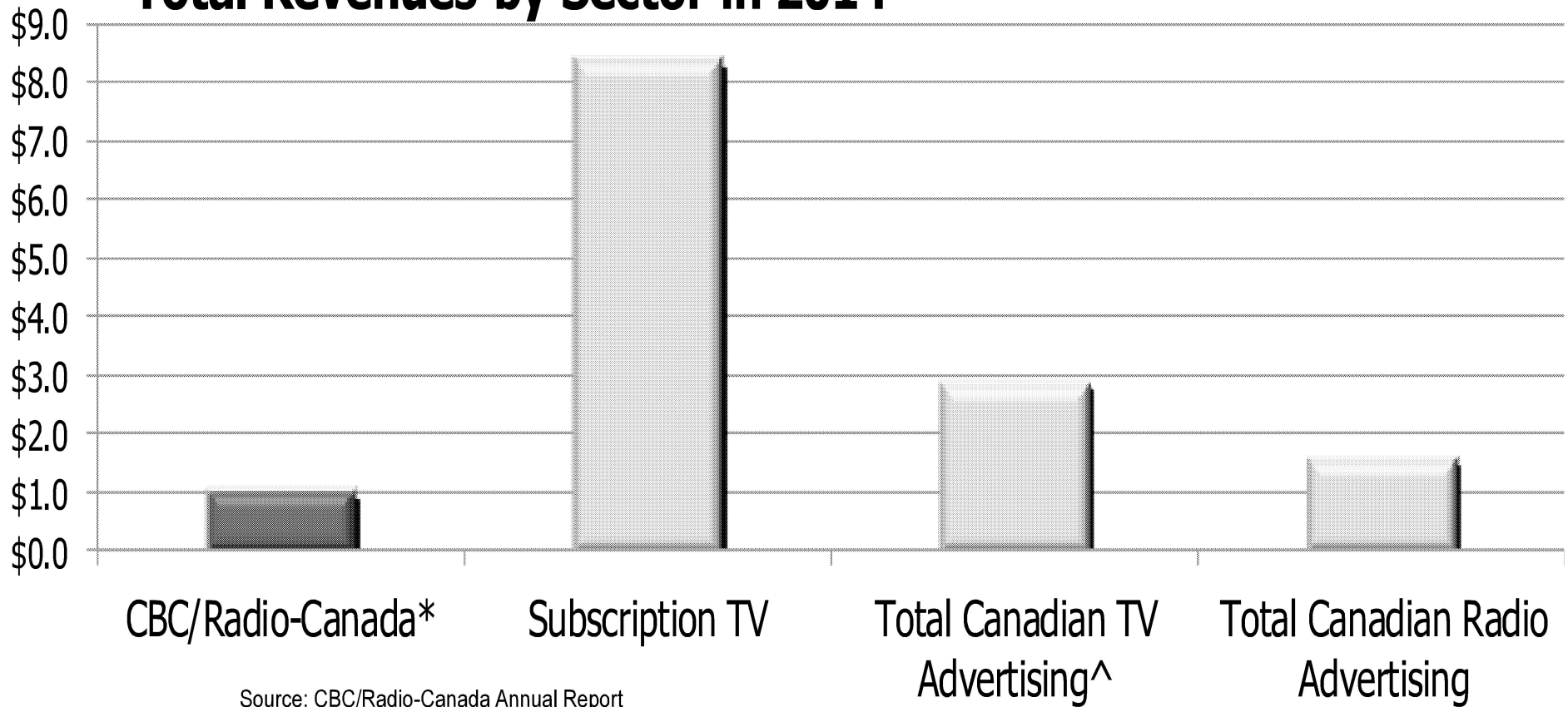


Source: CBC/Radio-Canada Annual Report  
 \* Total revenues and sources of funds.  
 ^ Net of CBC/Radio-Canada's TV advertising.



# TODAY, CBC/RADIO-CANADA IS A SMALL PLAYER

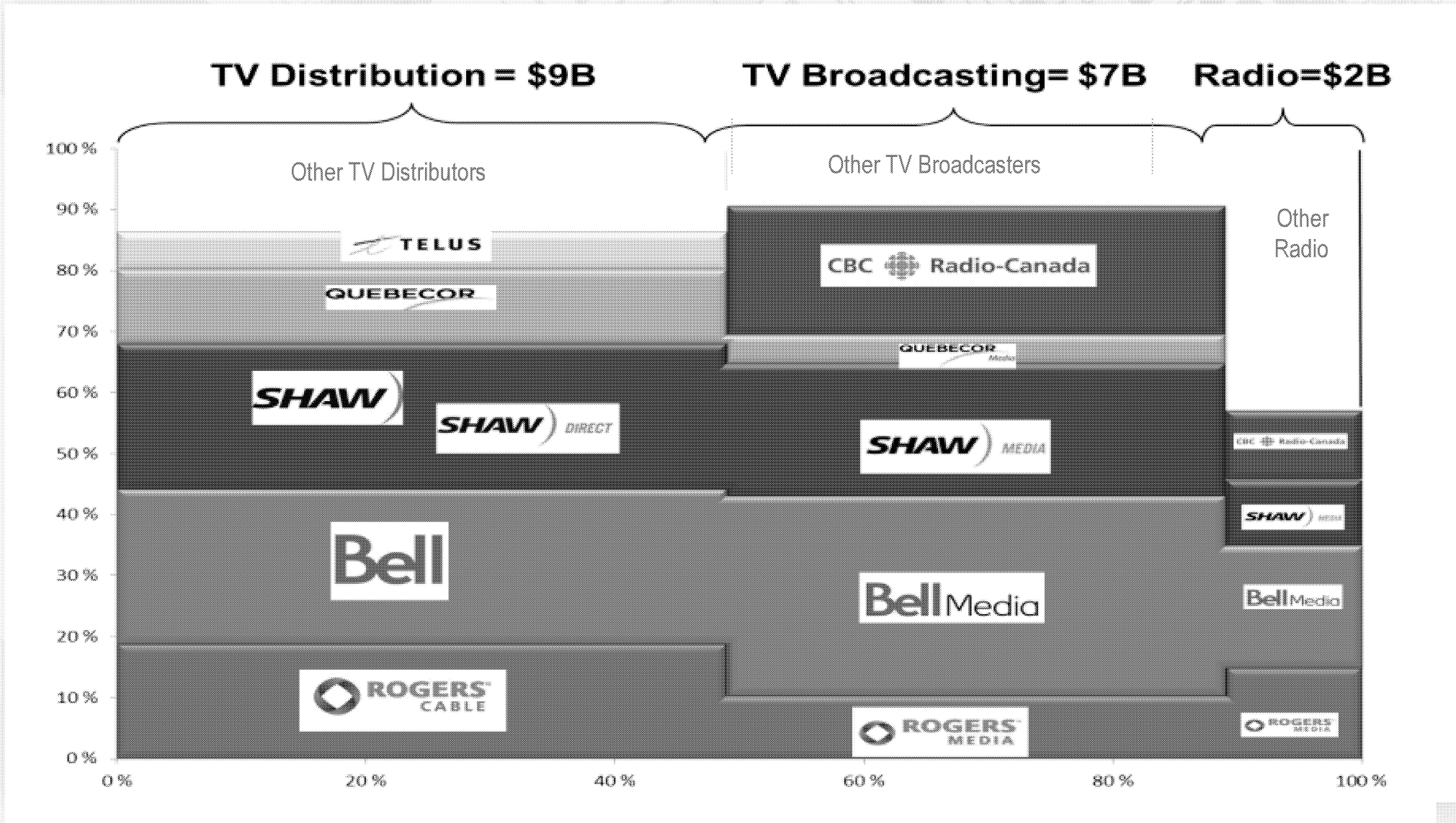
## Total Revenues by Sector in 2014



Source: CBC/Radio-Canada Annual Report  
 \* Total revenues and sources of funds.  
 ^ Net of CBC/Radio-Canada's TV advertising.



# BROADCASTERS HAVE LARGELY BEEN ACQUIRED BY MUCH LARGER TV DISTRIBUTORS



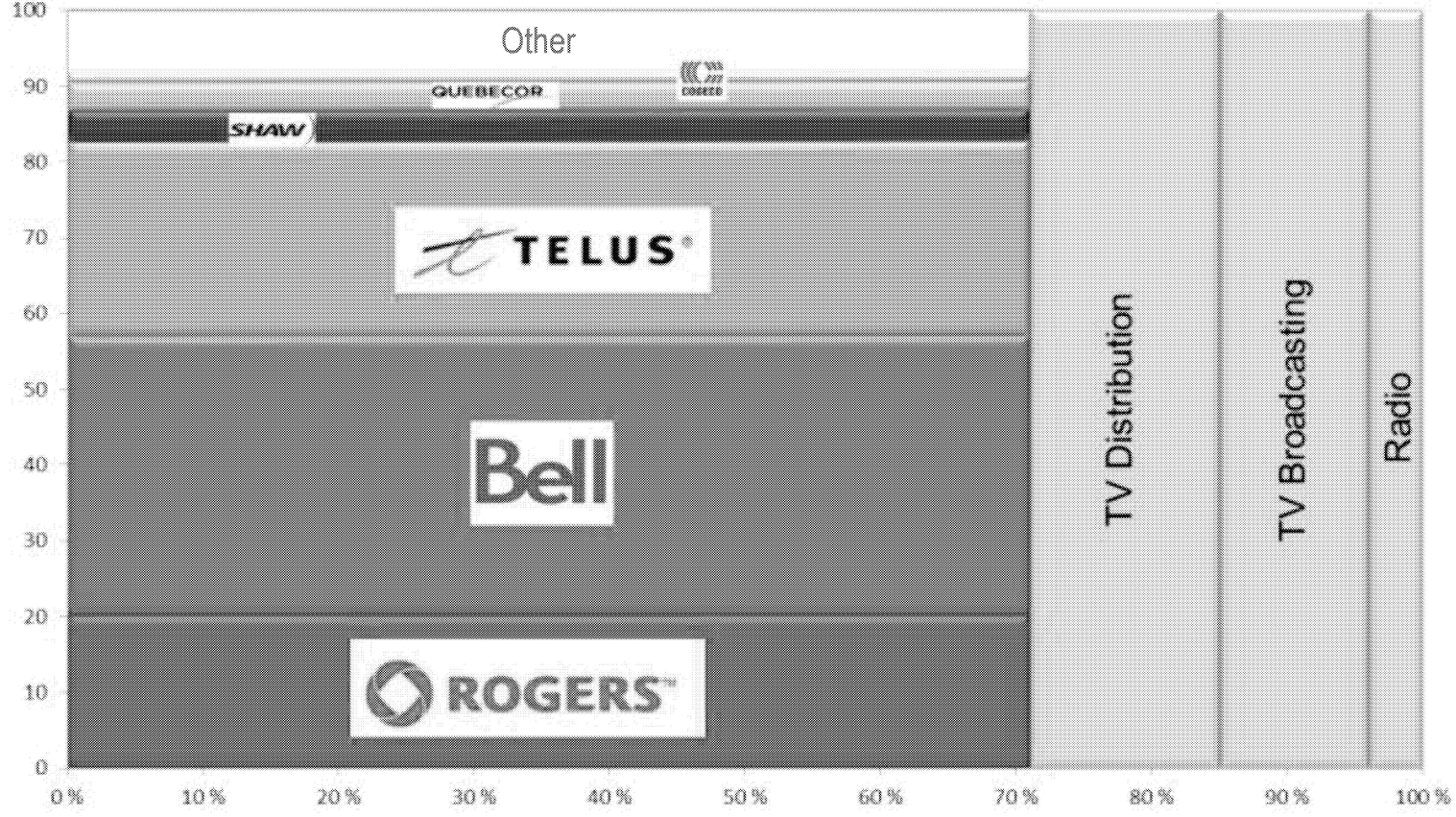
Source: CRTC 2014



# ... WHO OFTEN ARE ALSO TELECOM GIANTS

### Telecommunication Industry Revenues \$45 B

### Media Industry Revenues \$18 B



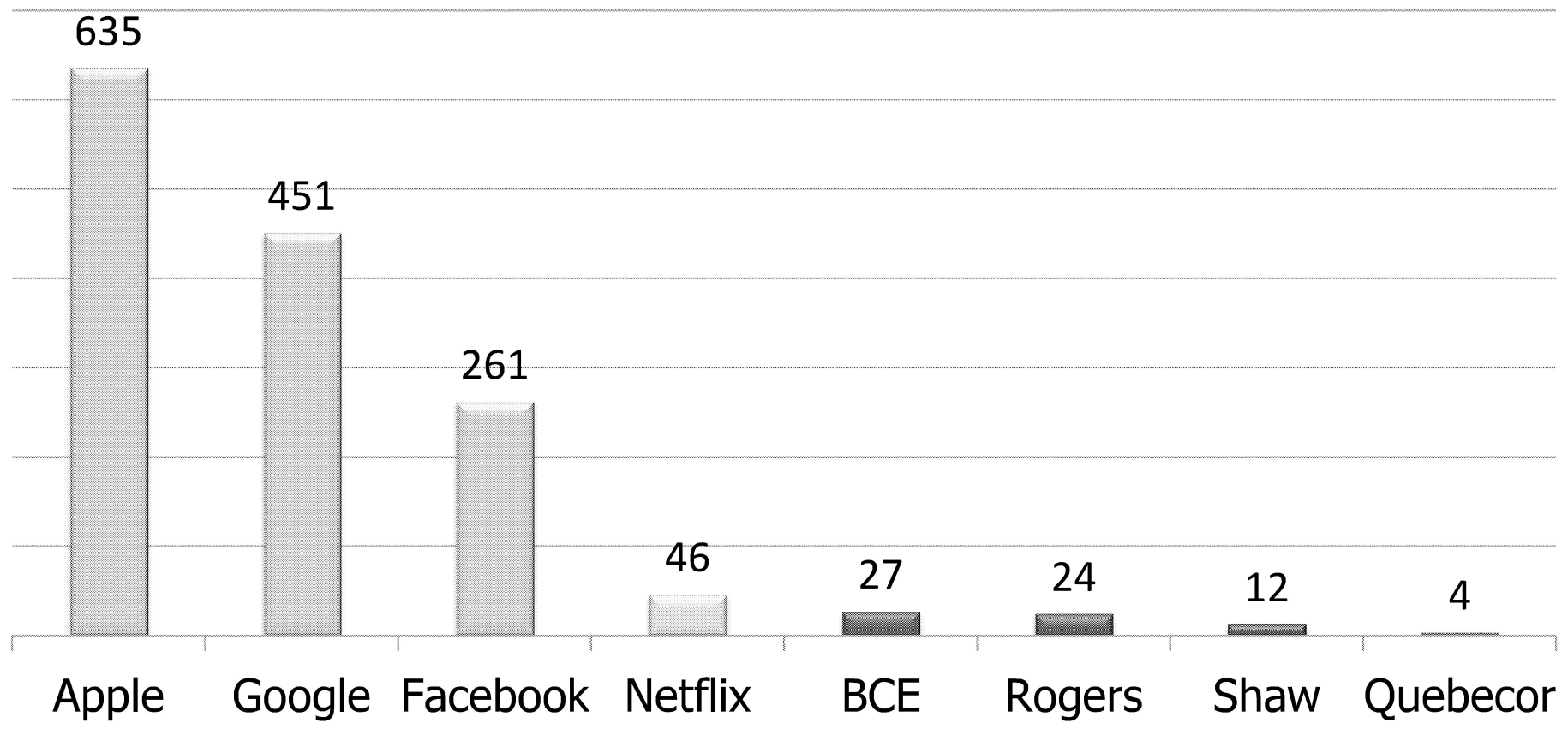
Source: CRTC 2014 and Company Reports



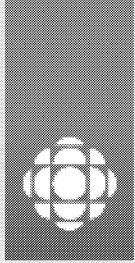


# THE INTERNET OPENS UP OUR BORDER TO NEW, BIGGER COMPETITORS...

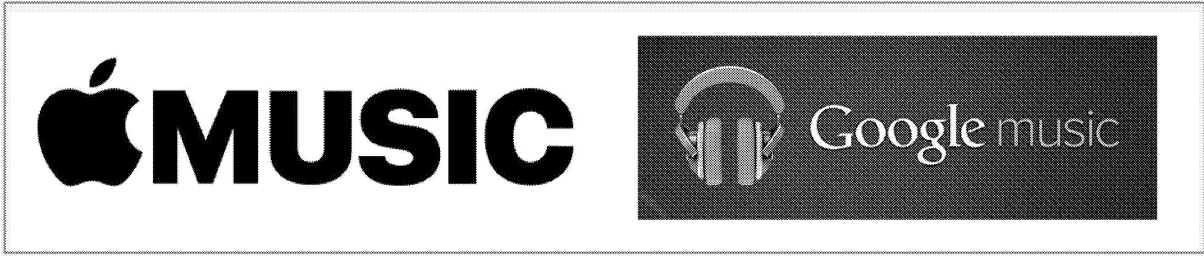
## Market Capitalization of Select Companies, Foreign and Domestic (in Billions)

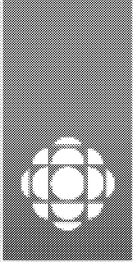


Source: Marketwatch.com, Accessed: October 7, 2015



# ... MANY OF WHOM ARE TRYING TO CHANGE THE BUSINESS AND MAKE IT GLOBAL





# AS AN INDEPENDENT PLAYER, WE CAN BE AN ATTRACTIVE PARTNER

CBC/Radio-Canada sees partnerships with new and existing players (“frenemies”) as key to its future.

YOUR OLYMPIC NETWORK  
VOTRE DIFFUSEUR OLYMPIQUE

ROGERS™ Bell

Fullscreen

ICI CBC TOU.TV

ROGERS™ TELUS

NETFLIX CBC

iTunes

NHL ROGERS™ CBC



## KEY TAKEAWAYS

- A generation ago, CBC/Radio-Canada **was a large player** in the broadcasting industry. **Now it is a small player.**
- Private broadcasting assets are now largely **integrated into larger distribution/telecommunication industries**
- The Internet has opened Canada's borders to **global competitors**
- **We need to partner** with new and existing players to succeed in the future (**'frenemies'**)



# AGENDA

1. Introduction	2
2. Public Policy Framework	6
3. Snapshot of CBC/Radio-Canada	26
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6. Audience Behaviour	69



# THERE ARE THREE PRINCIPLE SOURCES OF REVENUES IN THE BROADCASTING INDUSTRY

## 1. Advertising

Helping advertisers reach consumers

## 2. Subscription

Helping consumers fulfill their demands

## 3. Public Funding

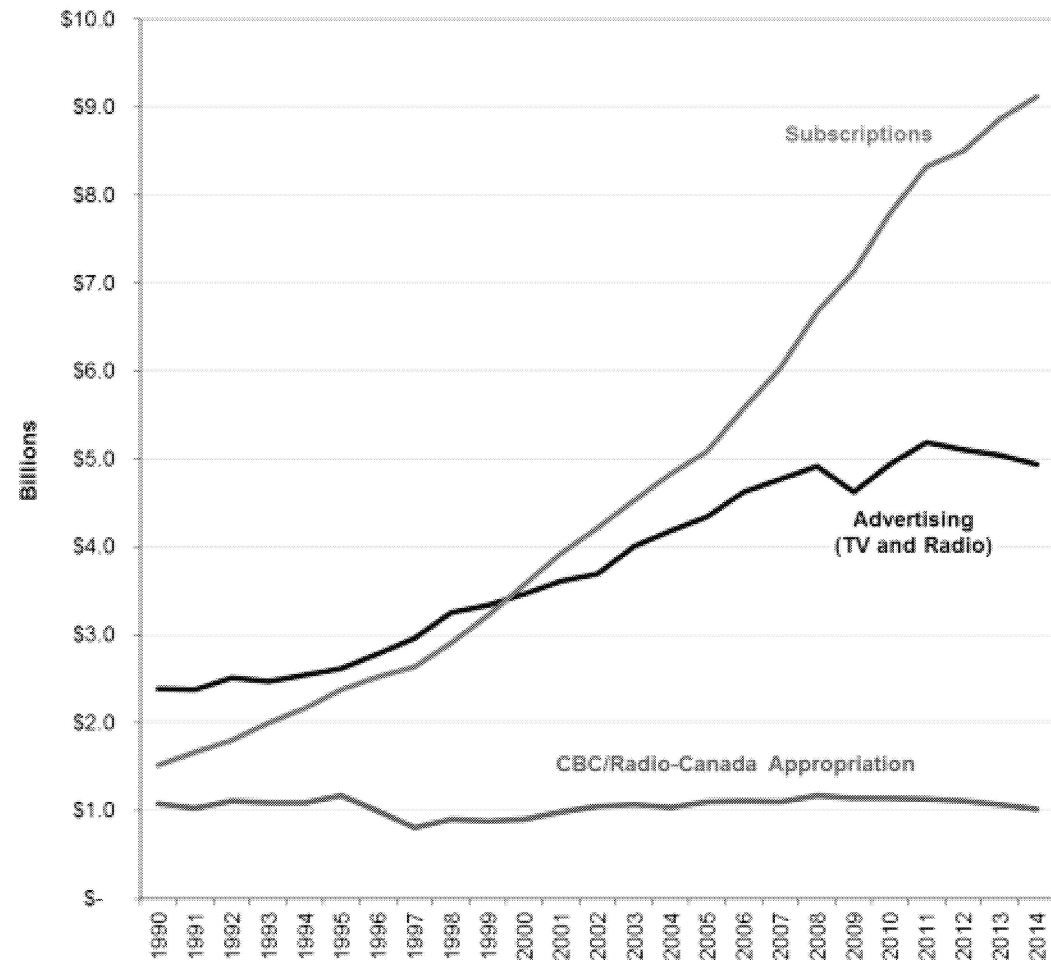
Helping achieve public policy goals



# MASSIVE SHIFTS IN REVENUES HAVE RESHAPED THE INDUSTRY

- A generation ago, **subscriptions** were small. Over time they have grown to be a **significant revenue source** in the industry
- **Advertising** has been **growing**, but has **experienced instability** in recent years
- **Public funding** has been relatively **flat in comparison**

Canadian Broadcasting Industry Revenues



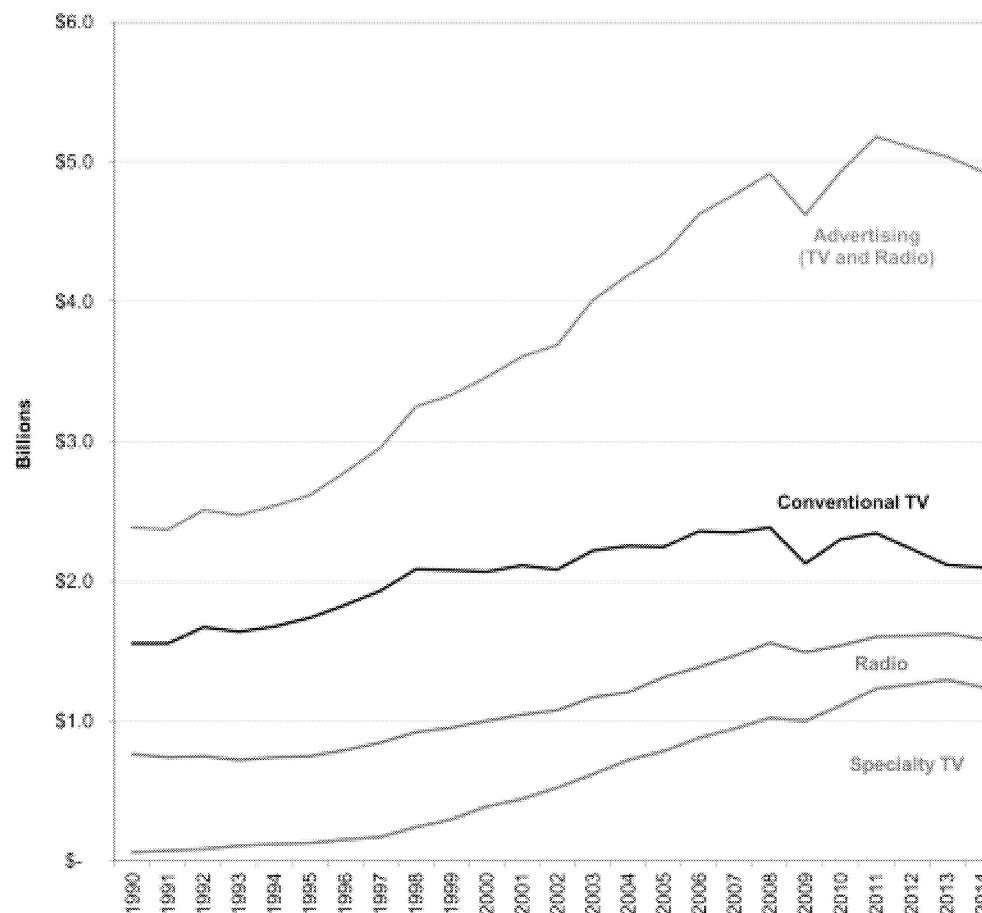
Sources: Statistics Canada, CRTC and CBC/Radio-Canada Research and Analysis estimates



# BROADCAST ADVERTISING HAS BEEN STAGGERING IN RECENT YEARS

## Canadian Broadcasting Industry Revenues: Advertising

- This applies to all categories of broadcast advertising
  - **Specialty TV**
  - **Conventional TV** and
  - **Radio**



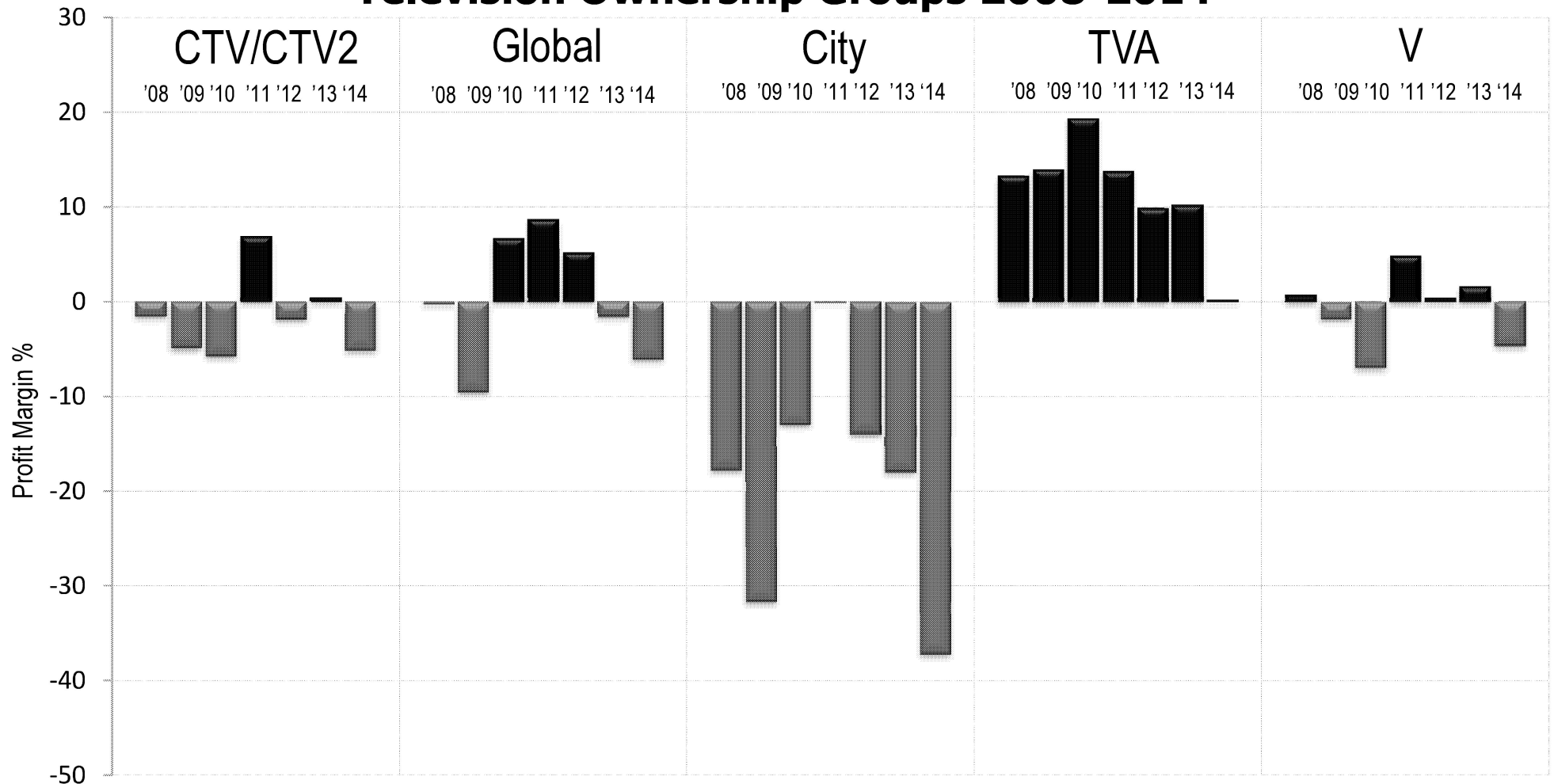
Source: Statistics Canada, CRTC





# UNTIL NOW, SOME BROADCASTERS HAD BEEN HOLDING UP BETTER THAN OTHERS

## Profit Margin (PBIT %) of Major Private Conventional Television Ownership Groups 2008-2014



Source: CRTC, Aggregate Returns



# ALL ARE WORKING TO ADDRESS DECLINES IN REVENUES IN 2015-16

**Bell**

 **ROGERS™**

- Restructuring
- Streamlining
- Layoffs
- Acquisitions
- Consolidating news/resources

**QUÉBECOR**  
*Média*

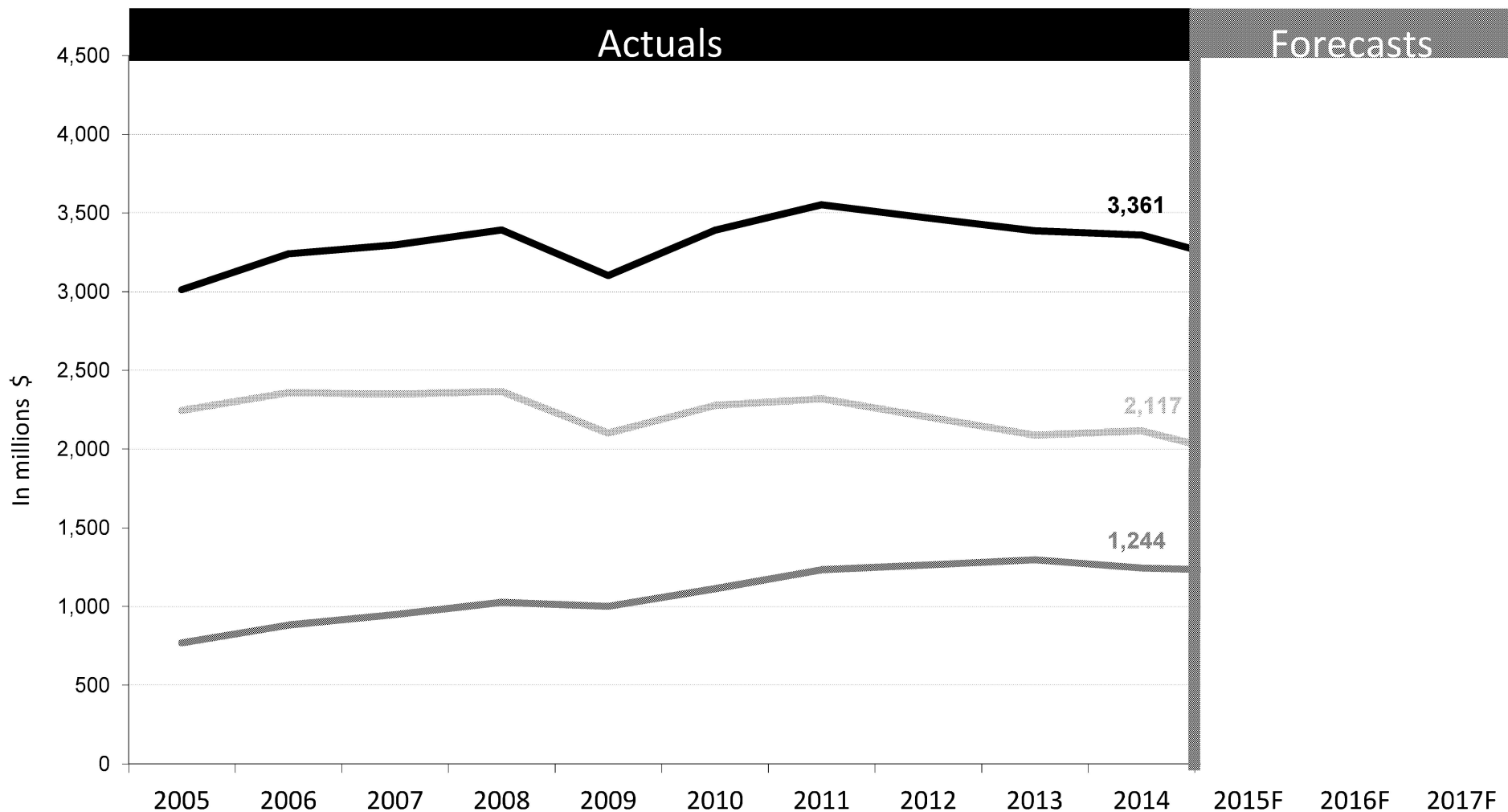
**Shaw)**



# TV ADVERTISING REVENUES ARE WEAKENING

s.18(a)  
s.18(b)  
s.21(1)(b)

### Canadian TV Advertising Revenues



Sources: Historical data from CRTC Financial Summaries. Forecasts inferred using year-over-year growth rates from ZenithOptimedia, "Advertising Expenditure Forecasts", September 2015.



# TV SUBSCRIBERS NOW HAVE ALTERNATIVES FOR TELEVISION

**NETFLIX**

**ICI TOU.TV**

**shomi**

**CLUB ILLICO** FILMS ET SÉRIES EN FRANÇAIS À VOLONTÉ **9.99\$ /MOIS\***

ABONNEZ-VOUS

**CraveTV™**

**UNLEASHING THE Free Tv Revolt**

Tell everyone you know about this site  
Spread the word – Spread the Revolution!

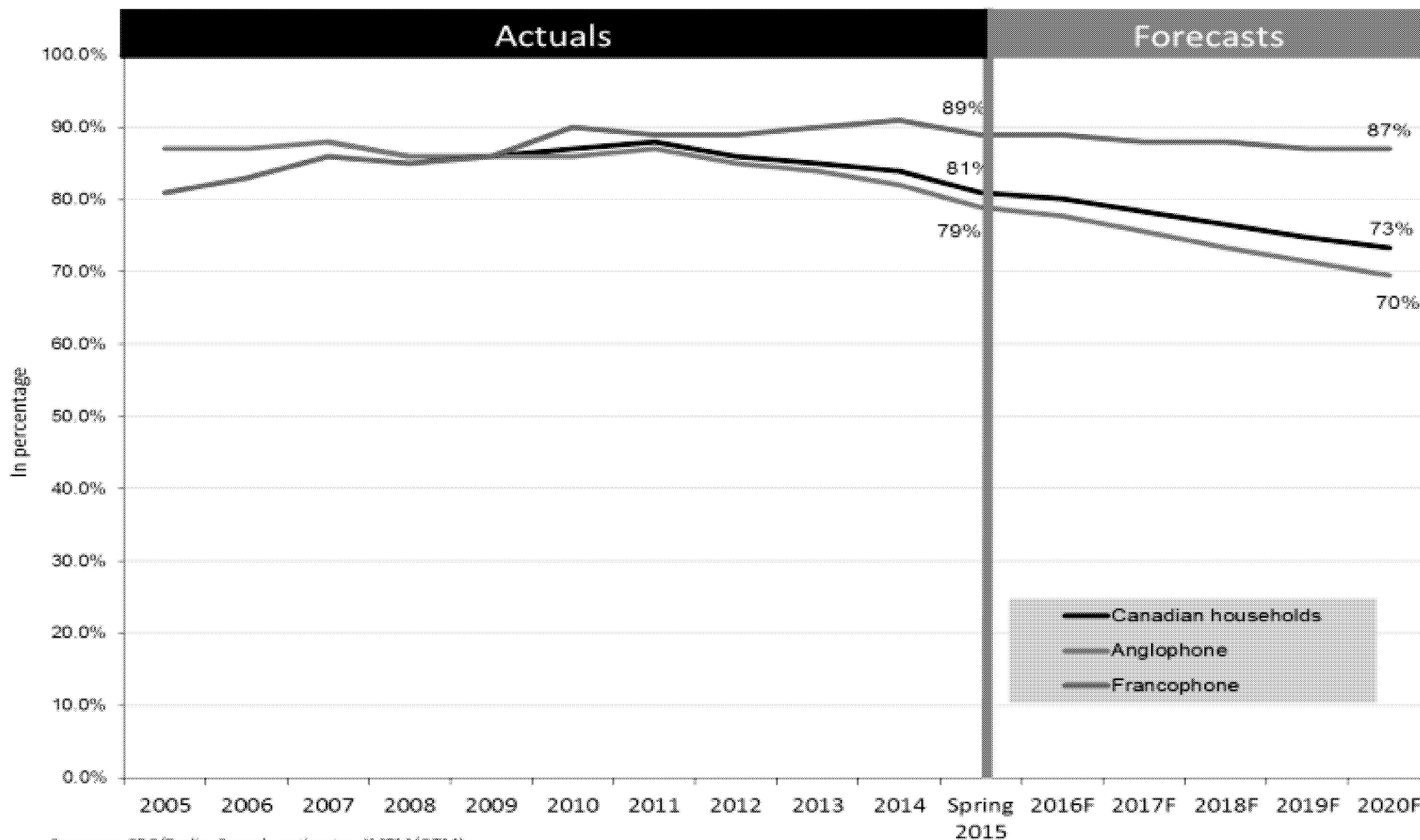
**Project - Free TV**

Watch all your favorite tv-shows & movies online 4 FREE



# CAUSING TV SUBSCRIPTION DECLINES – PARTICULARLY IN THE ENGLISH MARKET...

## Canadian TV Subscription Households



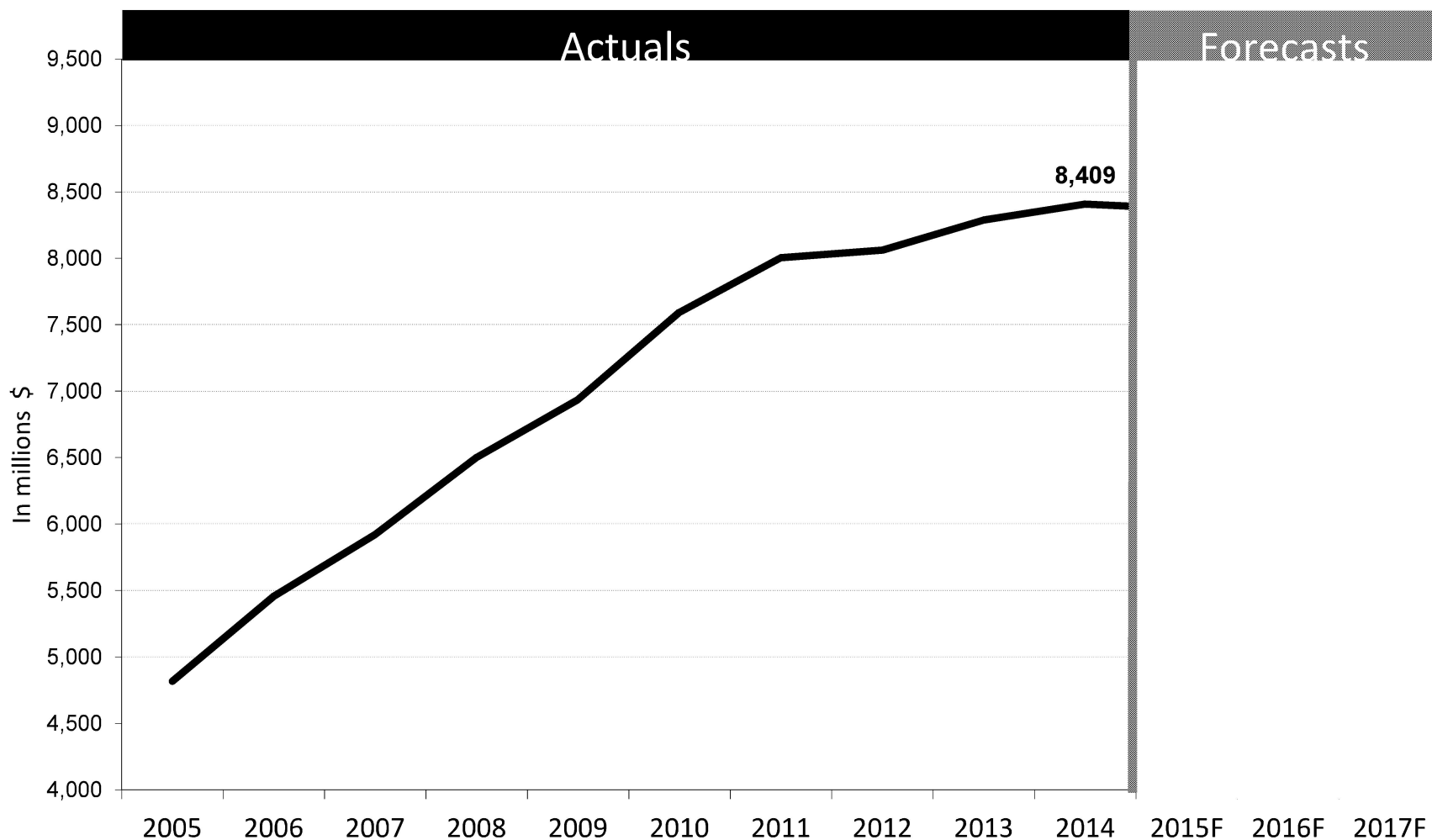
Sources: CBC/Radio-Canada estimates (MTM/GTM)



# ... AND SLOWING SUBSCRIPTION REVENUE GROWTH

s.18(a)  
s.18(b)  
s.21(1)(b)

### Canadian TV Subscription Revenues



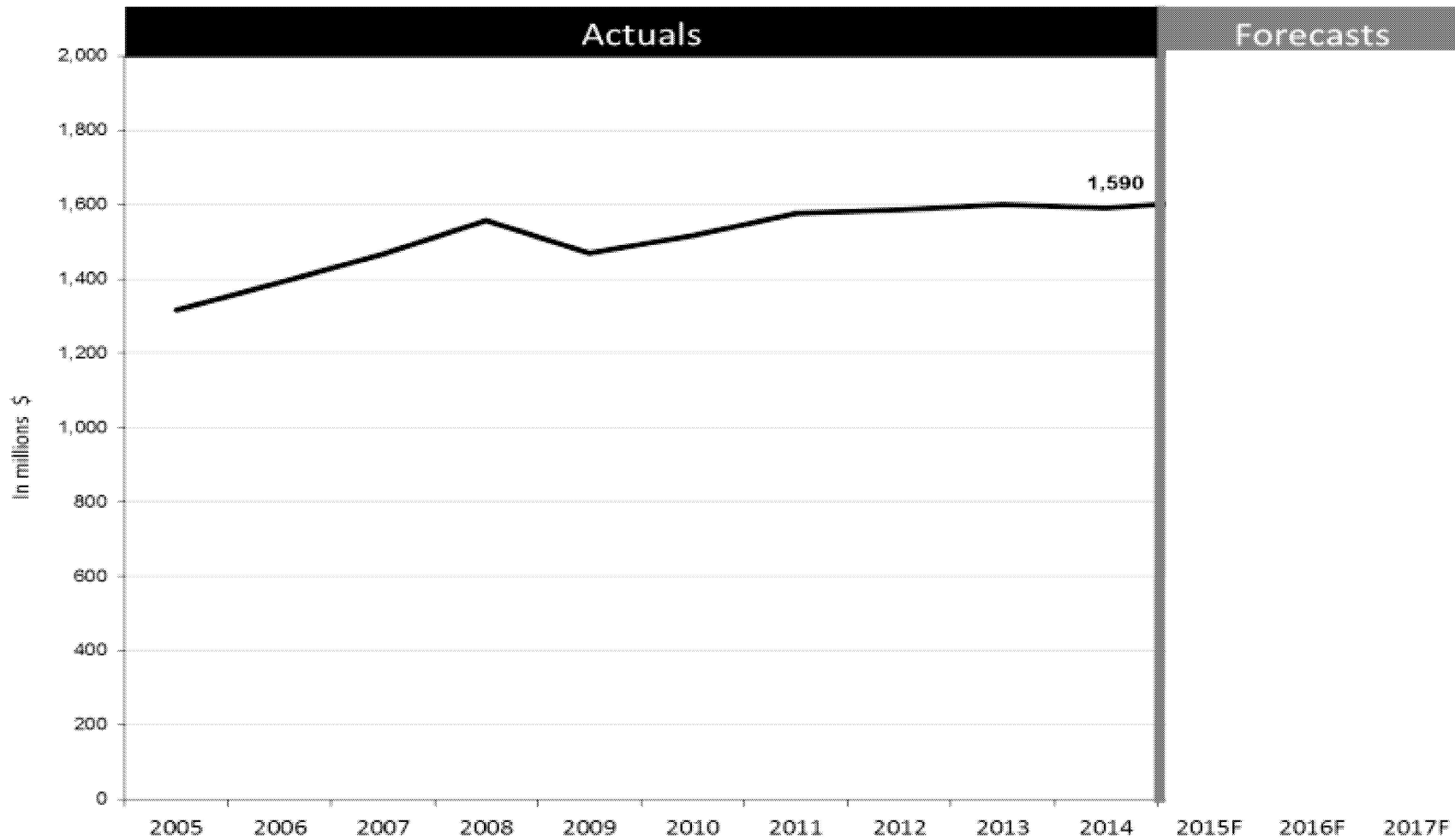
Sources: Historical data from CRTC Financial Summaries. Forecasts inferred using year-over-year growth rates from PriceWaterhouseCoopers, "Global Entertainment and Media Outlook" 2015.



# RADIO REVENUES ARE EXPECTED TO GROW MARGINALLY

s.18(a)  
s.18(b)  
s.21(1)(b)

**Canadian Radio Advertising Forecast**



Sources: CRTC and ZenithOptimedia (September 2015)

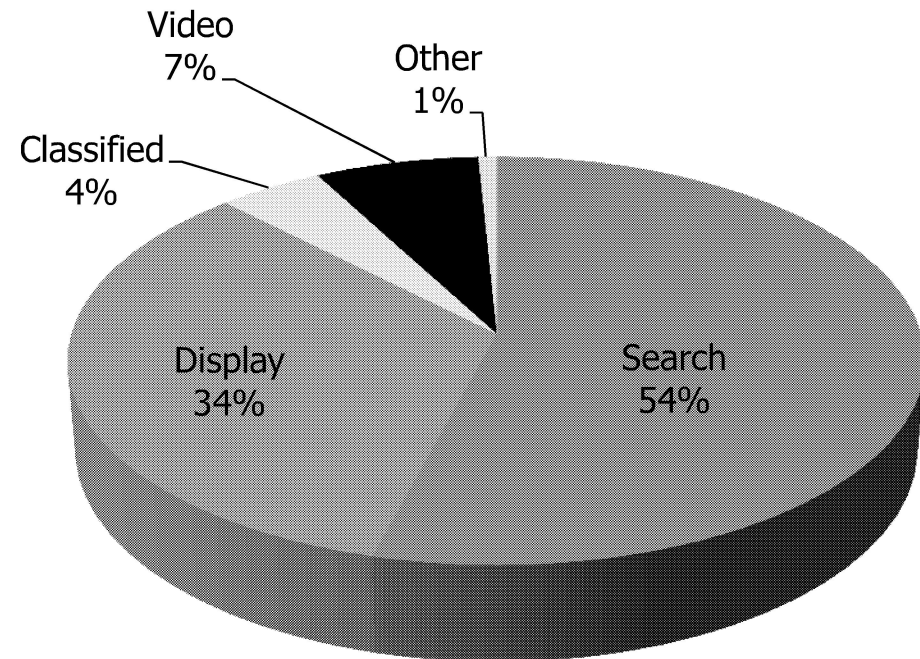


# INTERNET ADVERTISING IS DRIVEN FOREMOST BY DIGITAL COMPANIES...

Internet Advertising Revenue  
by Category (\$3.8B)

It is important to note that **CBC/Radio-Canada only competes in less than half the market: Display (34%) and Video (7%).**

**Google, Facebook and Yellow Pages dominate this advertising market and represent about three-quarters of internet revenues.**



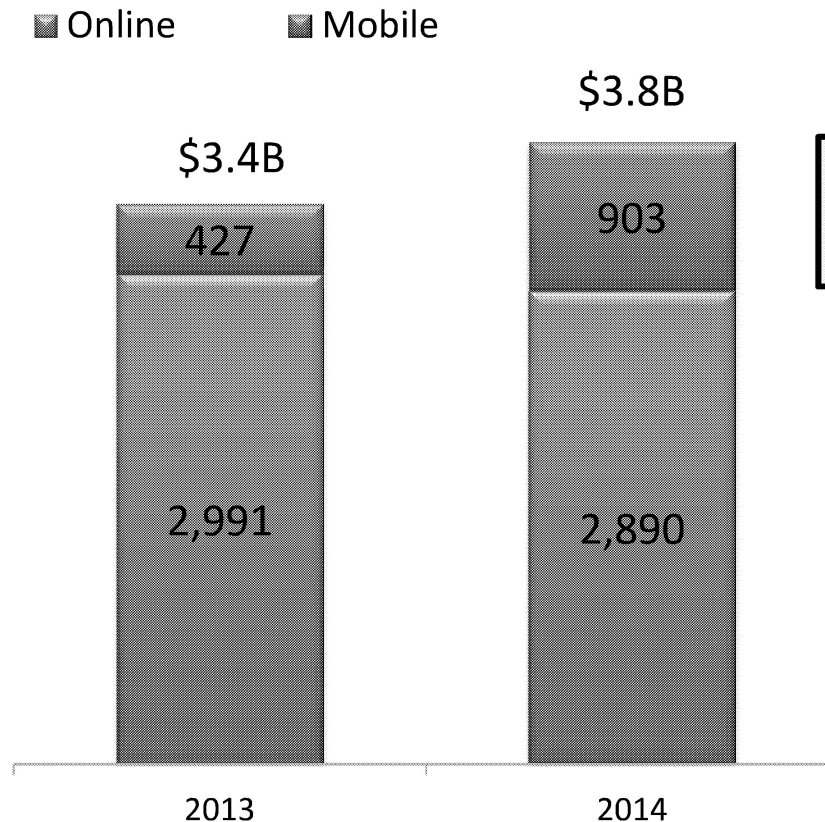
Source: Internet Advertising Bureau (June 2015)





# ... AND GROWTH IS COMING FROM MOBILE

## Internet Advertising Revenue By Platform (000s)



**Mobile has more than doubled in one year**

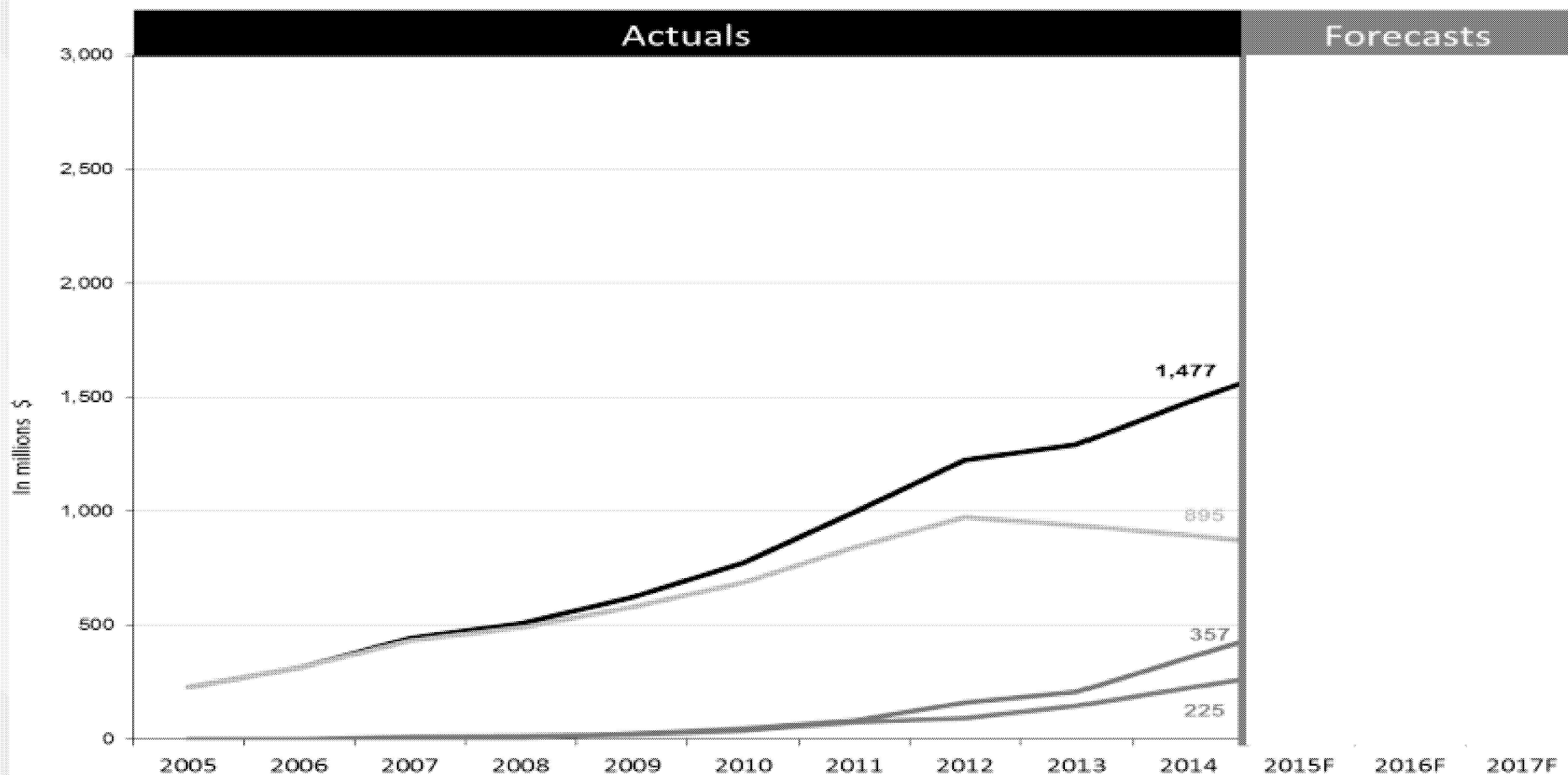
Source: Internet Advertising Bureau (June 2015)



# INTERNET<sup>(1)</sup> ADVERTISING WILL GROW FROM MOBILE AND VIDEO, DESPITE DECLINES IN DISPLAY

s.18(a)  
s.18(b)  
s.21(1)(b)

Canadian Internet Revenues <sup>(1)</sup>: Advertising



Notes:

(1) Internet ad revenues for the purposes of this presentation only include Display, Video and Mobile since these are the categories in which CBC competes. As a result, Internet revenues from Classified, Search and Email categories are excluded from this analysis.

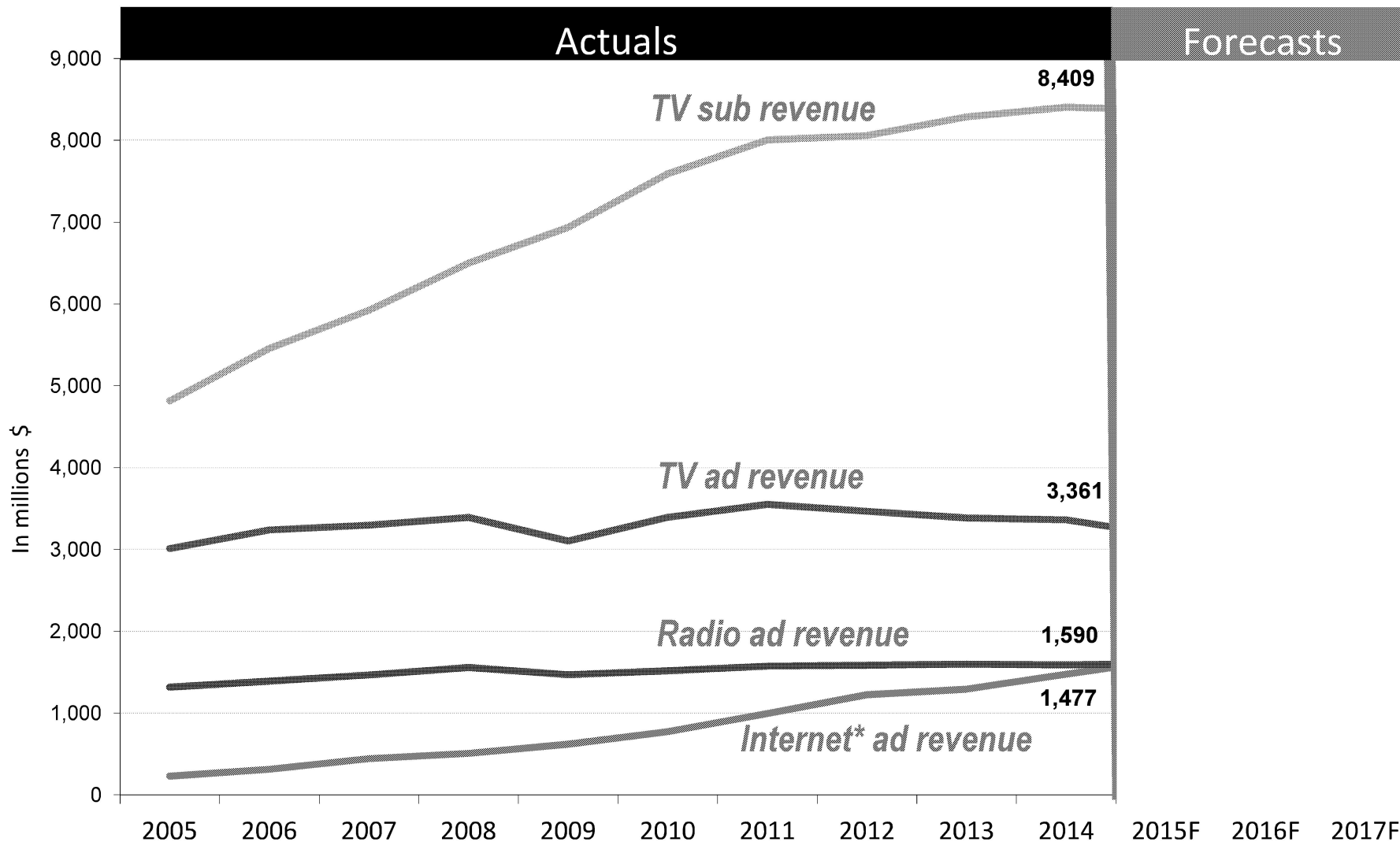
(2) Mobile category: data from 2005-2012 taken directly from ZenithOptimedia; data for 2013-2017 was adjusted using eMarketer to strip out estimated Mobile ad spend in Classified, Search and Email categories.

Sources: ZenithOptimedia , "Advertising Expenditure Forecasts", September 2015. eMarketer "Mobile Ad Spending in Canada, by Format", Mar and Sept 2015.



# OVERALL, TRADITIONAL REVENUES ARE LARGE BUT SLOWING. GROWTH IS ONLINE.

s.18(a)  
s.18(b)  
s.21(1)(b)



Sources: Historical data from CRTC/IAB. Forecasts inferred using year-over-year growth rates from ZenithOptimedia , "Advertising Expenditure Forecasts", September 2015 and PriceWaterhouseCoopers, "Global Entertainment and Media Outlook" 2015.

\* Internet advertising revenues for the purposes of this presentation only include Display, Video and Mobile since these are the categories in which CBC competes. As a result, Internet revenues from Classified, Search and Email categories are excluded from this analysis.



## KEY TAKEAWAYS

- A generation ago, **advertising was the largest source** of revenue in the broadcasting industry **but that has changed**
- Today, subscription revenue is by far the largest source but **pressure is mounting on the traditional subscription model. OTT subscriptions are growing.**
- As time spent on the Internet grows, **advertisers are increasing their spending on-line** where digital companies dominate
- Some **traditional media models are under financial stress**



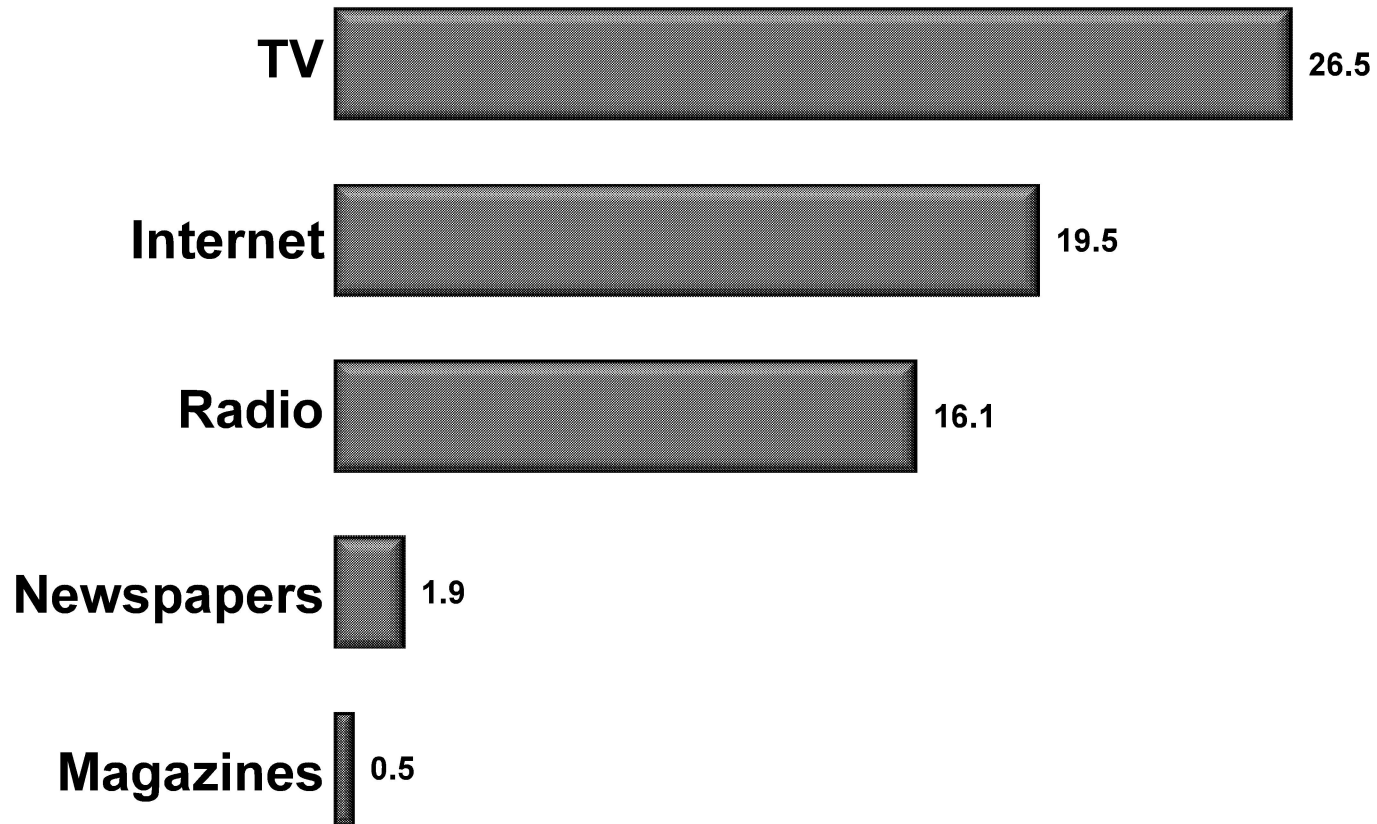
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# RESEARCH SHOWS THAT TELEVISION IS BY FAR THE MOST USED MEDIA

Time Spent Weekly per Capita Hours  
2014-2015



Sources: BBM Analytics, RTS (Fall 2014), Canada, 18+ [Newspapers, Magazine]; MTM Spring 2015 [Internet]; Numeris (BBM Canada), Broadcast Year 2014-2015, Canada, 2+ [Television] (Note: 2014-15 includes change in edit rules by Numeris); Numeris (BBM Canada), Fall 2014, Canada, 12+ [Radio]

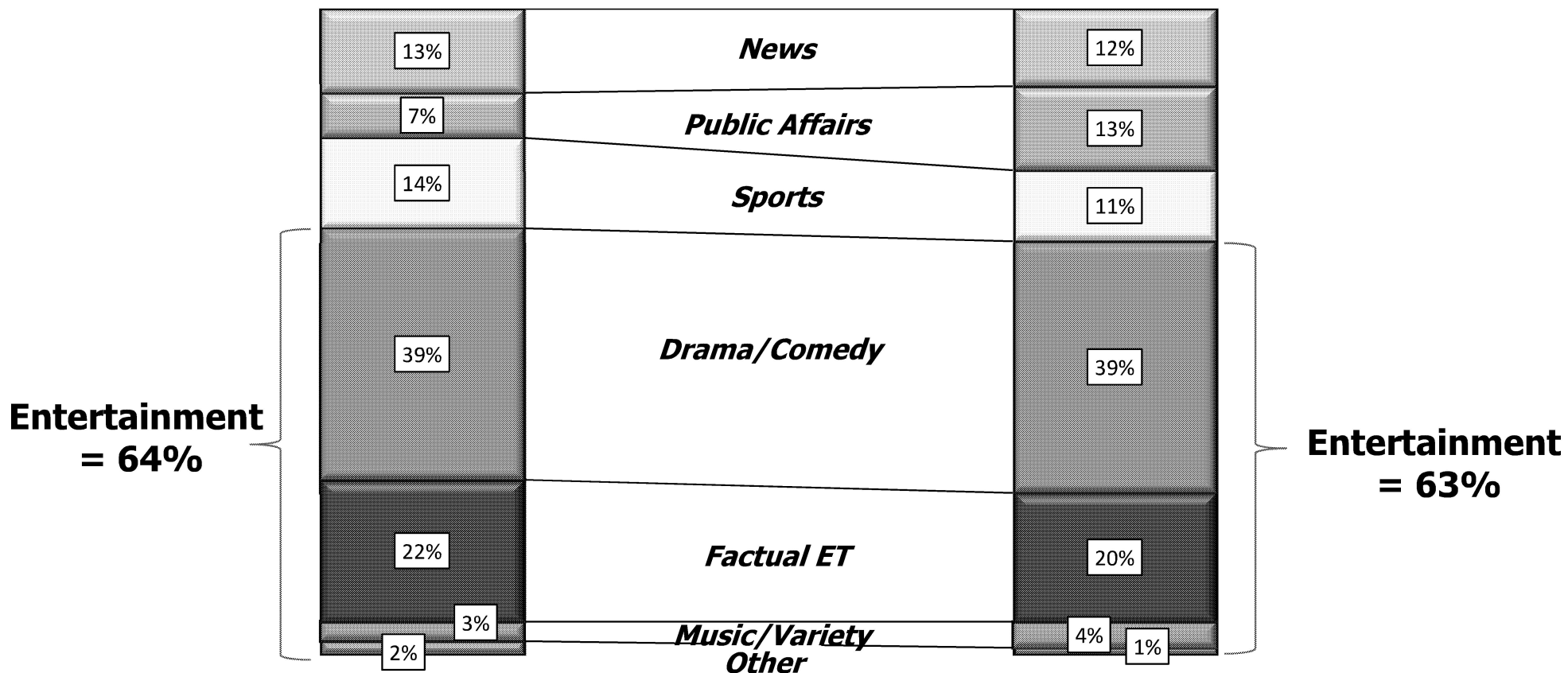


# MOST CANADIANS WATCH TV TO BE ENTERTAINED

## Distribution Of Viewing Hours To Television by Genre 2014-2015

Anglophones

Francophones



Note: There are many popular public affairs shows on French television networks e.g., *Découverte*, *Denis Lévesque*, *Enquête*, *J.E.*, *La Facture*, *La semaine verte*, *Salut Bonjour*, *L'Épicerie*, etc.

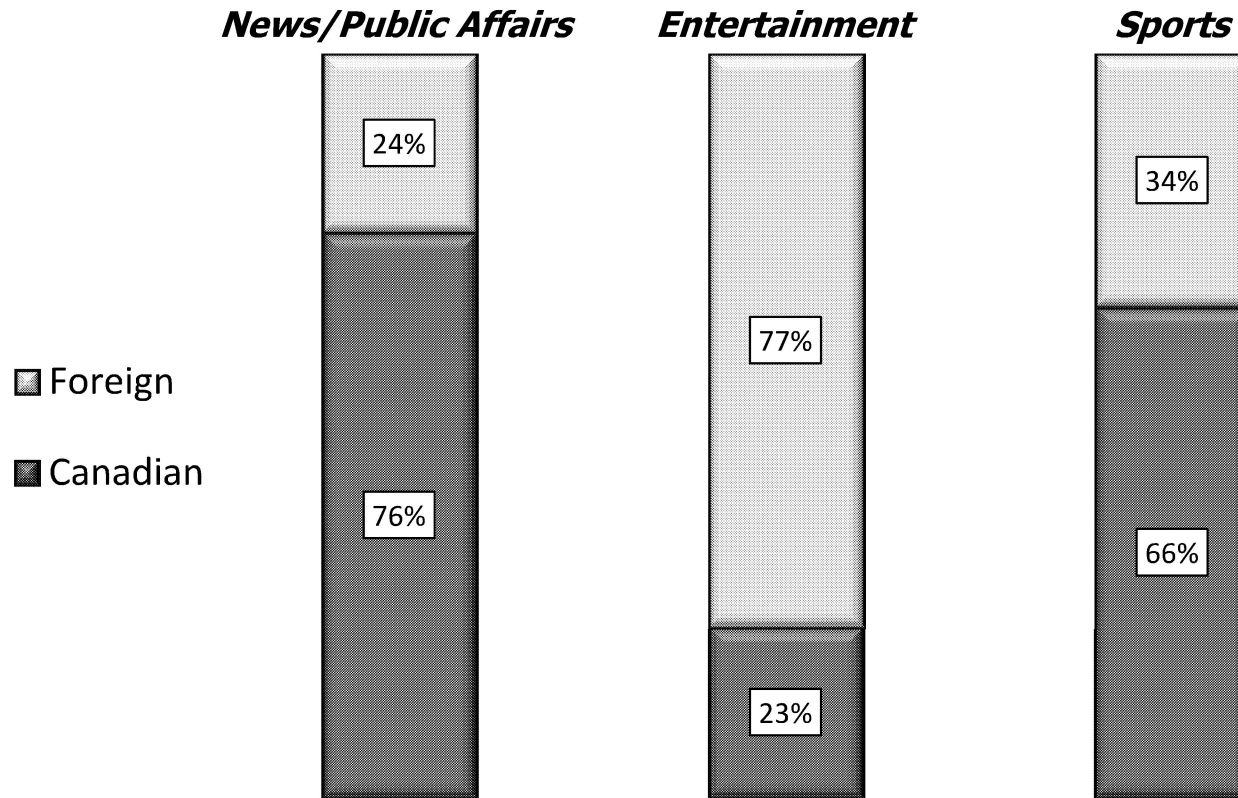
The "other" category relates mainly to Kids programming.

Source: CBC/Radio-Canada Research and Analysis, Canada minus Qc Franco 2+ and Qc Franco 2+, Viewing to Total TV, Broadcast Year 2014-2015. Numeris (BBM Canada) (PPM).



# ENGLISH CANADIANS WATCH MORE FOREIGN ENTERTAINMENT CONTENT

### Distribution of Viewing by Country of Origin Canada minus Qc Franco, 2+ 2014-2015



Source: CBC/Radio-Canada Research and Analysis, Canada minus Qc Franco 2+, Viewing to Total TV, Broadcast Year 2014-2015. Numeris (BBM Canada) (PPM).





# WHICH IS LARGELY UNIQUE IN THE WORLD

English Canada is one of the only countries in the world where the top 10 programs are significantly dominated by foreign titles.

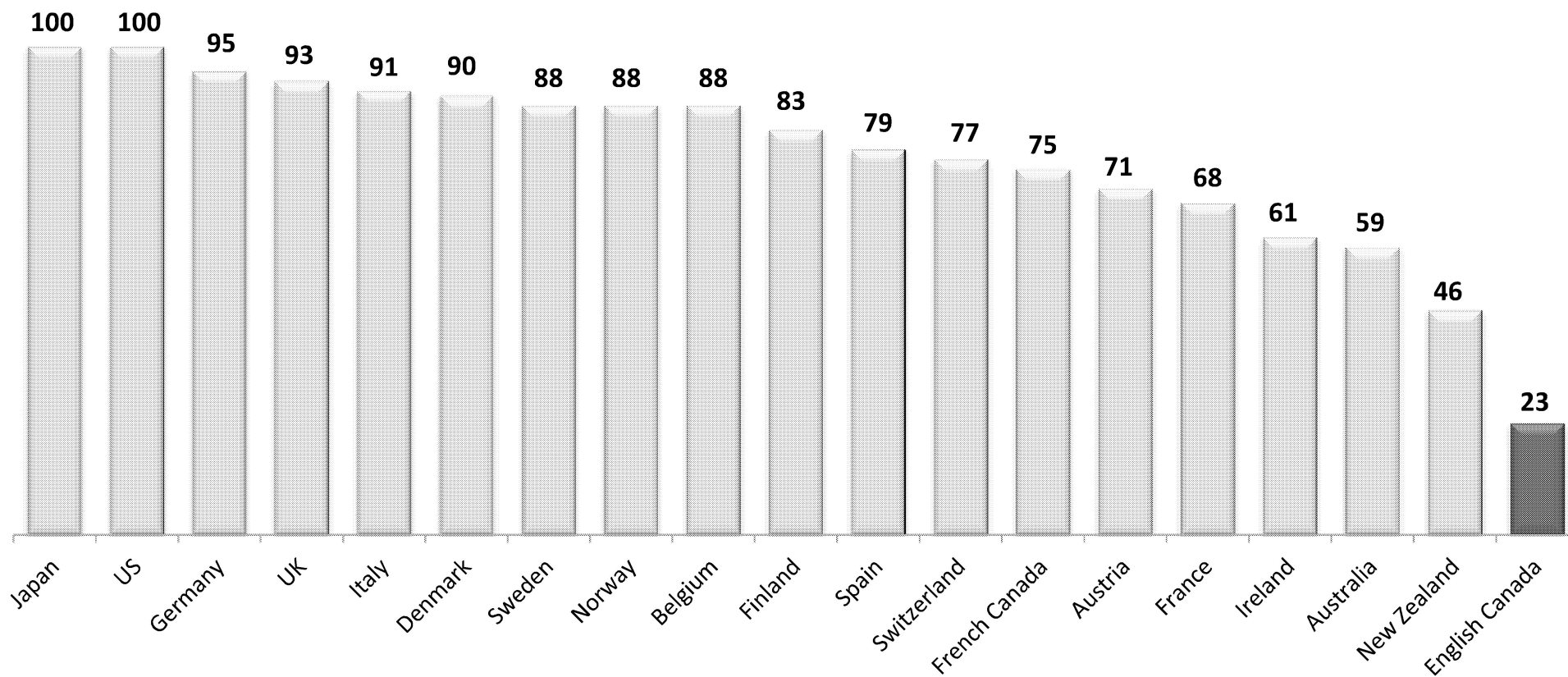


Source: Eurodata, *One TV Year In The World*, 2015 Issue



# ... AND RUNS DEEP

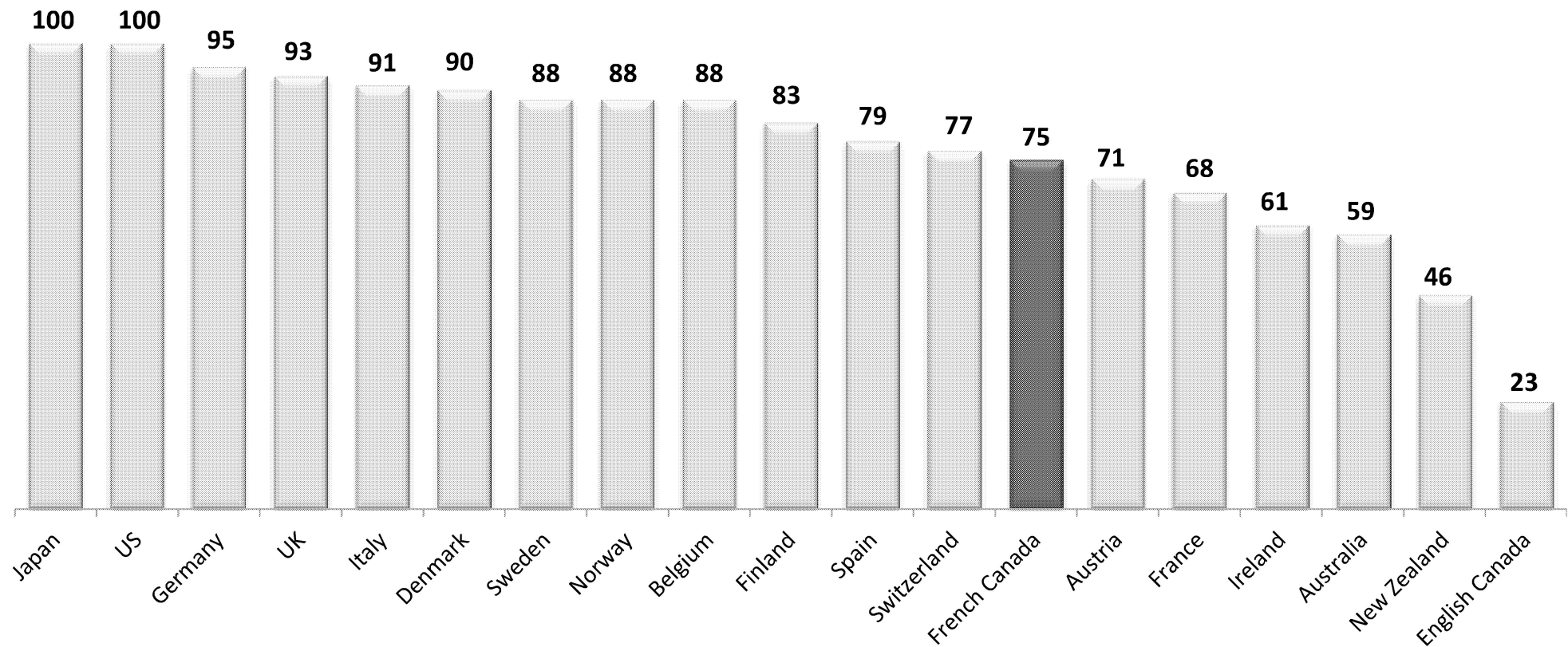
## Number of Domestic Programs in the Top 100 Programs Viewed by Country





# CONVERSELY, FRENCH CANADIANS OVERWHELMINGLY PREFER THEIR OWN PROGRAMS

## Number of Domestic Programs in the Top 100 Programs Viewed by Country

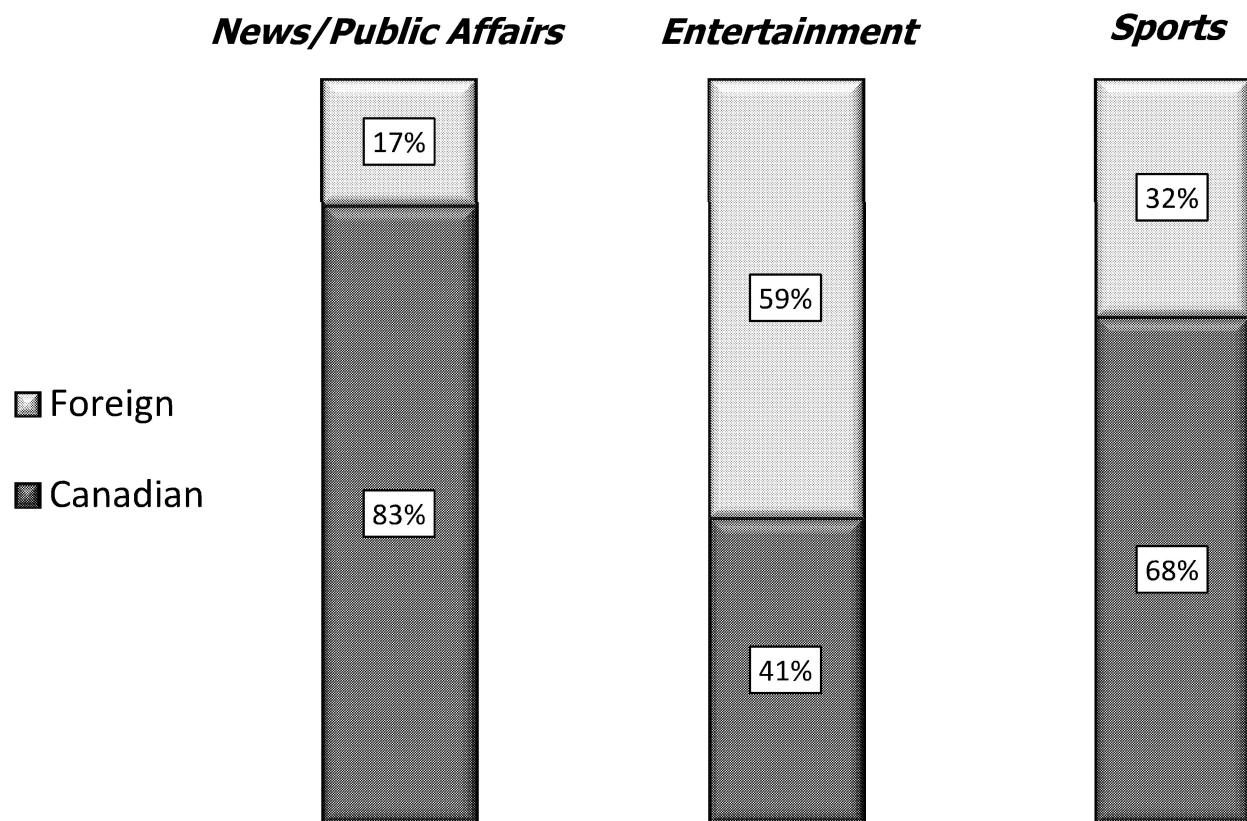


Source: Eurodata, *Top 100 Programs* (Non-news, non-sports), 2012 Issue



# FRANCOPHONES ALSO WATCH A SIGNIFICANT AMOUNT OF FOREIGN ENTERTAINMENT PROGRAMS

**Distribution Of Viewing by Country of Origin  
Qc Franco 2+  
2014-2015**

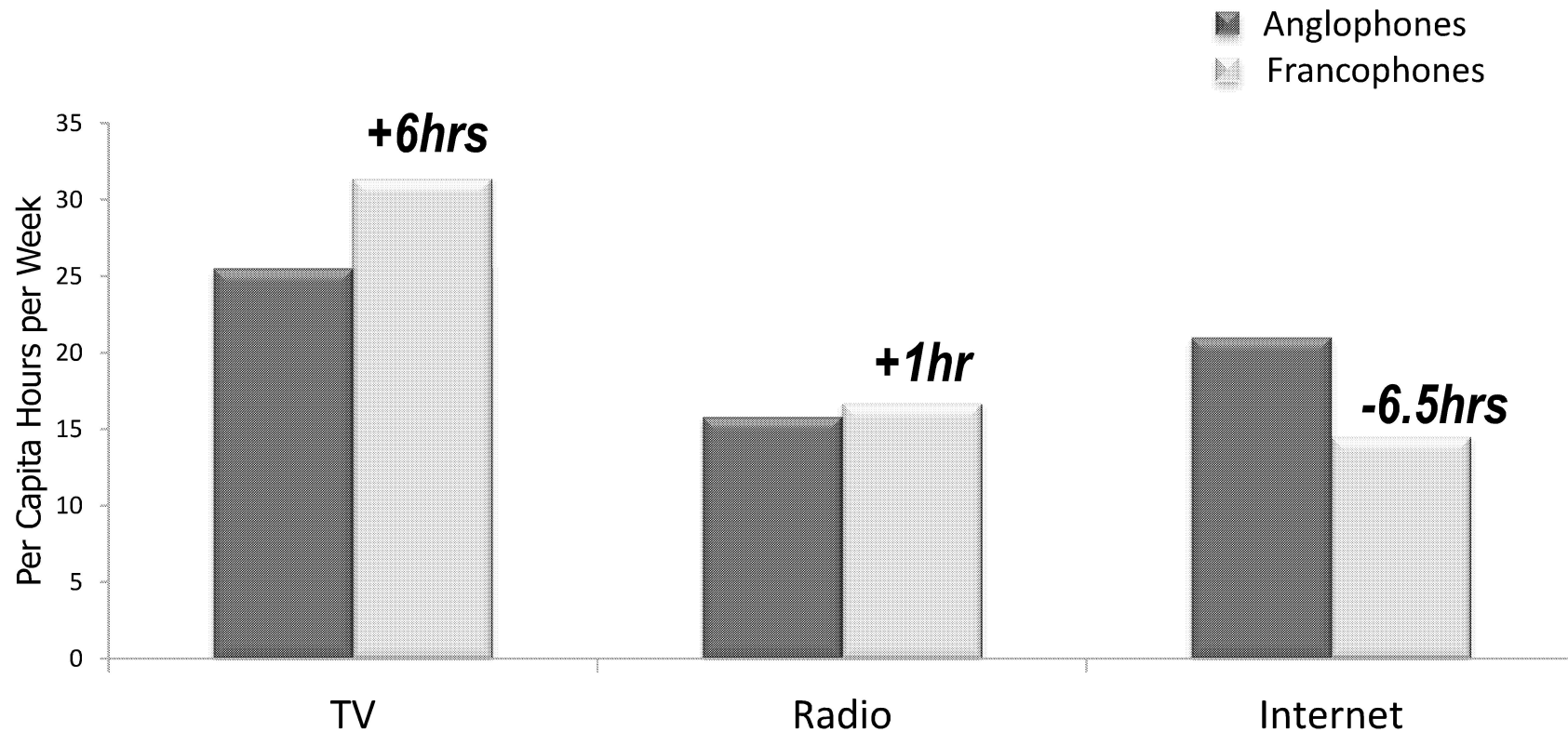


Source: CBC/Radio-Canada Research and Analysis, Qc Franco 2+, Viewing to Total TV, Broadcast Year 2014-2015.  
Numeris (BBM Canada) (PPM).



# AND TEND TO USE TRADITIONAL MEDIA MORE THAN ENGLISH CANADIANS

### Time Spent with TV, Radio and the Internet in Canada by Language Weekly Per Capita Listening Hours

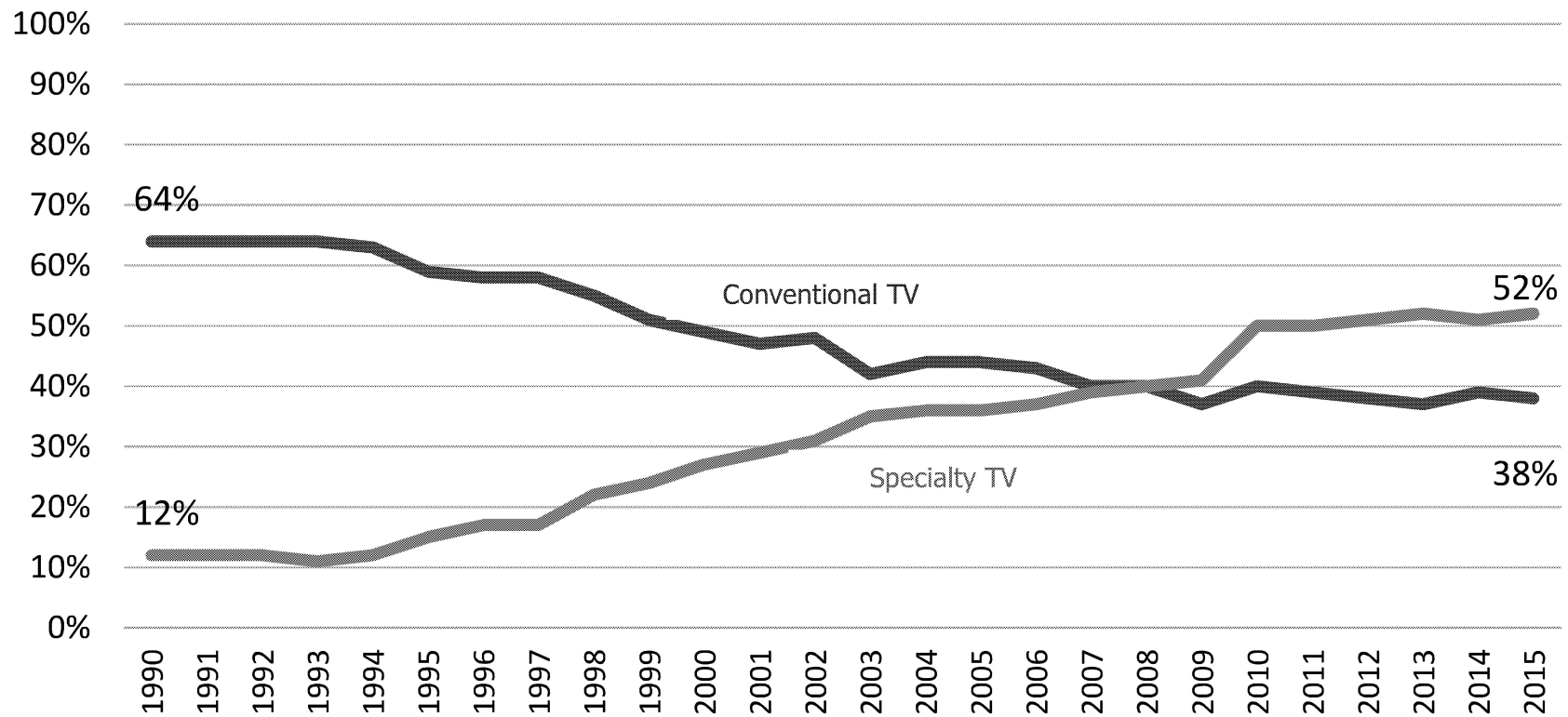


Source: TV (Numeris (BBM Canada), Broadcast Year 2014-2015); Radio (Numeris (BBM Canada) Fall 2014 Diary), Internet (Media Technology Monitor (MTM), Spring 2015)



# CANADIANS HAVE BEEN INCREASINGLY TUNING TO SPECIALTY TV...

1990-2015  
Canadians aged 2+

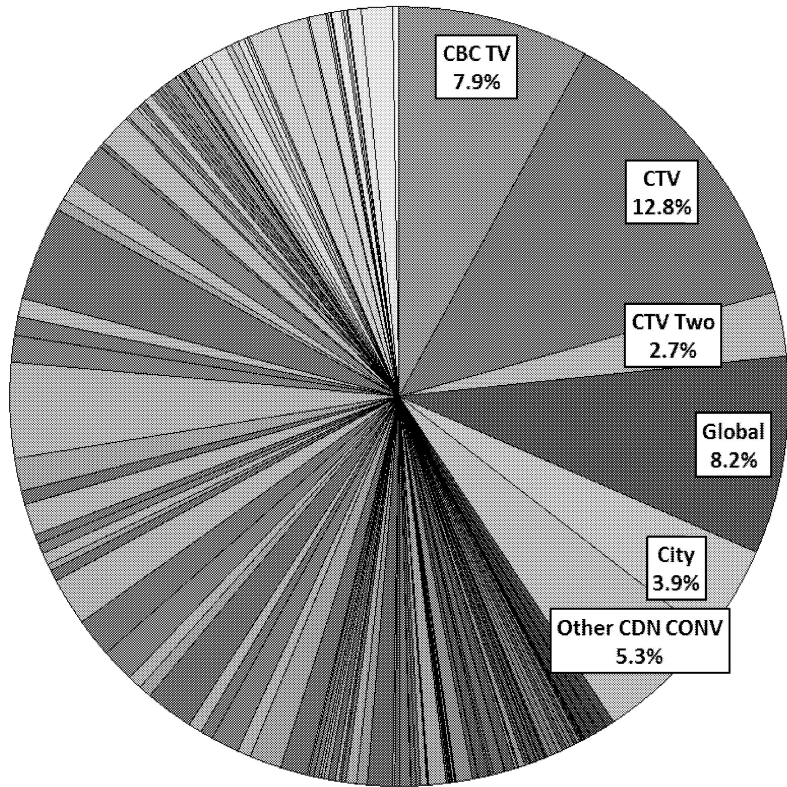


Source: Numeris (BBM Canada)  
Note: The percentage balance not shown refers to US stations.

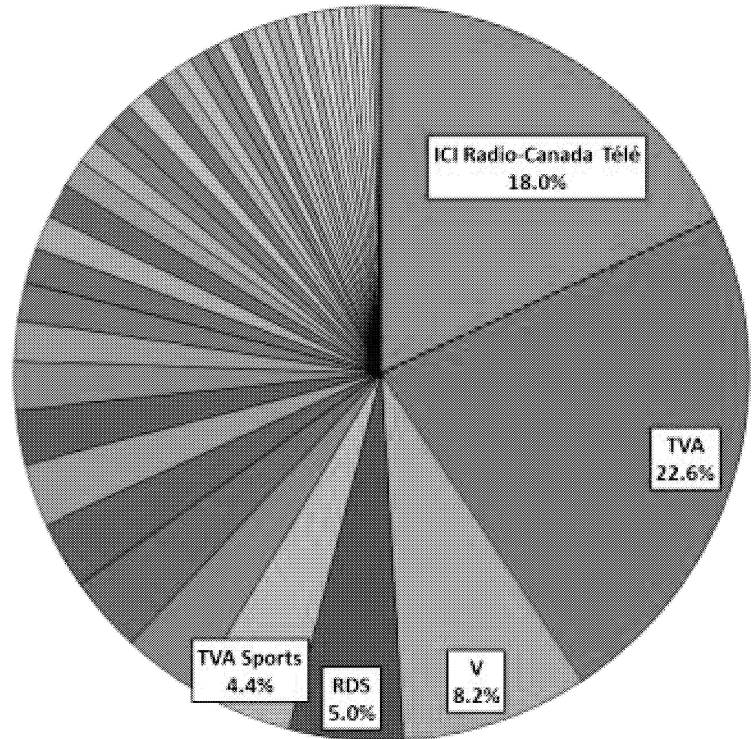


# ...WHICH HAS RESULTED IN AUDIENCE FRAGMENTATION

**Share of Viewing to English TV by Channel  
Total Canada, Prime Time (7pm-11pm)  
%**



**Share of Viewing to Total TV in Quebec Franco  
by Channel  
Quebec Franco, Prime Time (7pm-11pm)  
%**

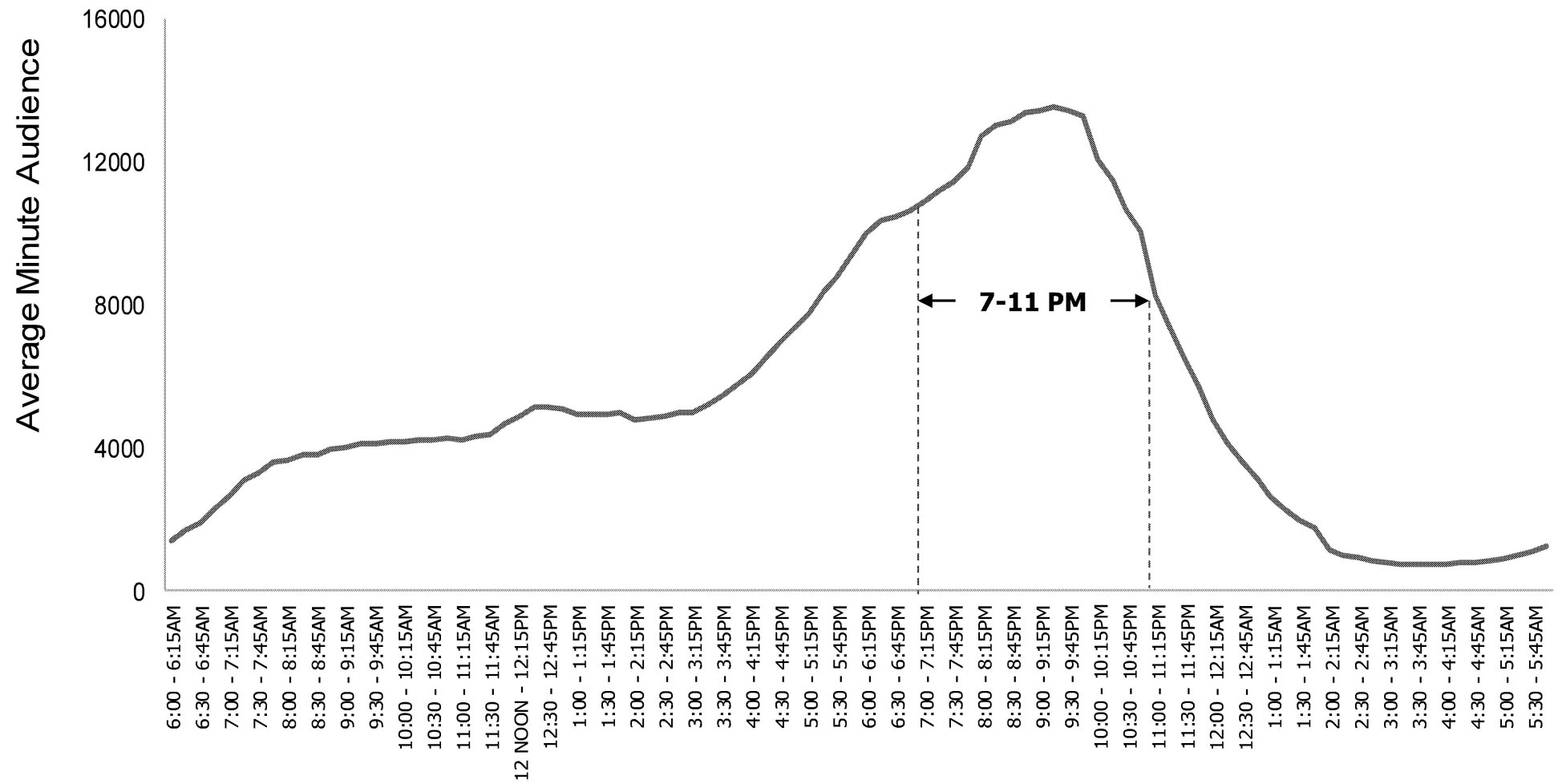


Source: CBC/Radio-Canada Research and Analysis, Numeris (BBM Canada), 2+, Broadcast Year 2014-2015 (PPM)



# PRIME TIME STILL MATTERS...

**Hourly Viewing Curve of All Television Stations  
Monday to Sunday, All Persons 2+**

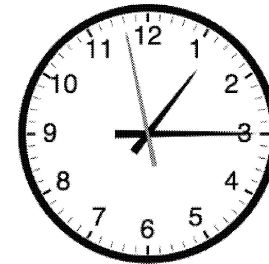
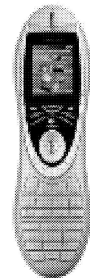


Source: CBC/Radio-Canada Research and Analysis, Broadcast Year 2014-2015 (Numeris (BBM Canada))

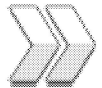




# ... AND NOW SOME CANADIANS ARE TURNING TO ONLINE PLATFORMS



Limited Channel Choices



Multichannel Choices



Non-Linear Choices

**5%** of all TV viewing is directly from off-air TV transmitters.\*

**79%** of all TV viewing is from a multichannel TV platform, principally cable or satellite TV.\*

**8%** of all TV viewing is playback from a playback device (e.g. PVR, VCR).\*

**9%** of TV viewing is from the Internet, including Netflix.^

Source: CBC/Radio-Canada estimates [Numeris (BBM Canada), Media Technology Monitor (MTM)]

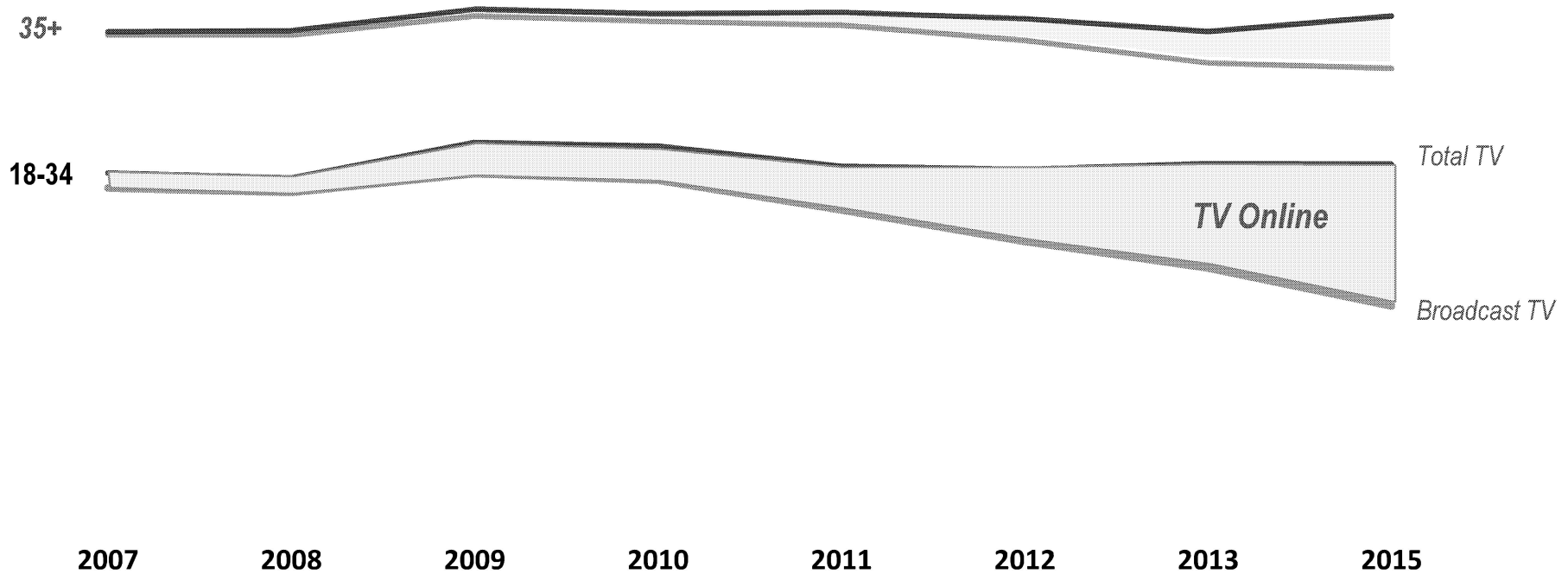
\* Numeris (BBM Canada): All Persons 18+, Total Canada, Total TV, 24/7, March 16 – May 10, 2015

^ Media Technology Monitor (MTM): All Persons 18+, Total Canada, Spring 2015, Total Time Spent viewing TV on the Internet, including Netflix



# YOUNGER CANADIANS ARE TURNING TO ONLINE TV THE MOST

### Total TV Viewing by Platform: Millennials (18-34) and Older Canadians (35+)



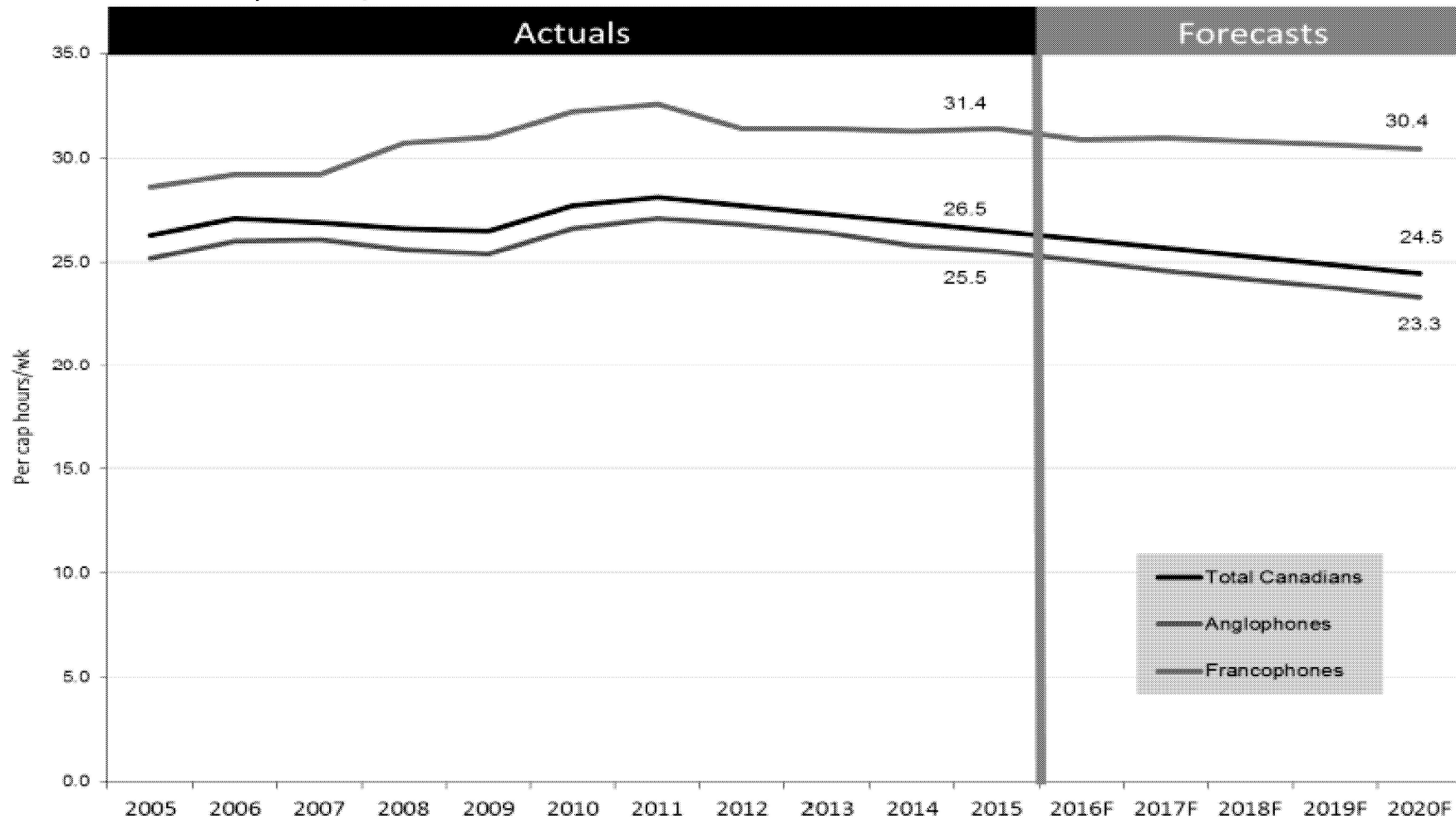
Source: MTM/OTM

Note: Self-reported viewing hours tend to under represent time spent with TV. This should note be used as a replacement for Numeris PPM results.



# THIS IS IMPACTING TRADITIONAL VIEWING...

**Broadcast TV Viewing Per Capita**  
All Persons 2+, Hours/Week

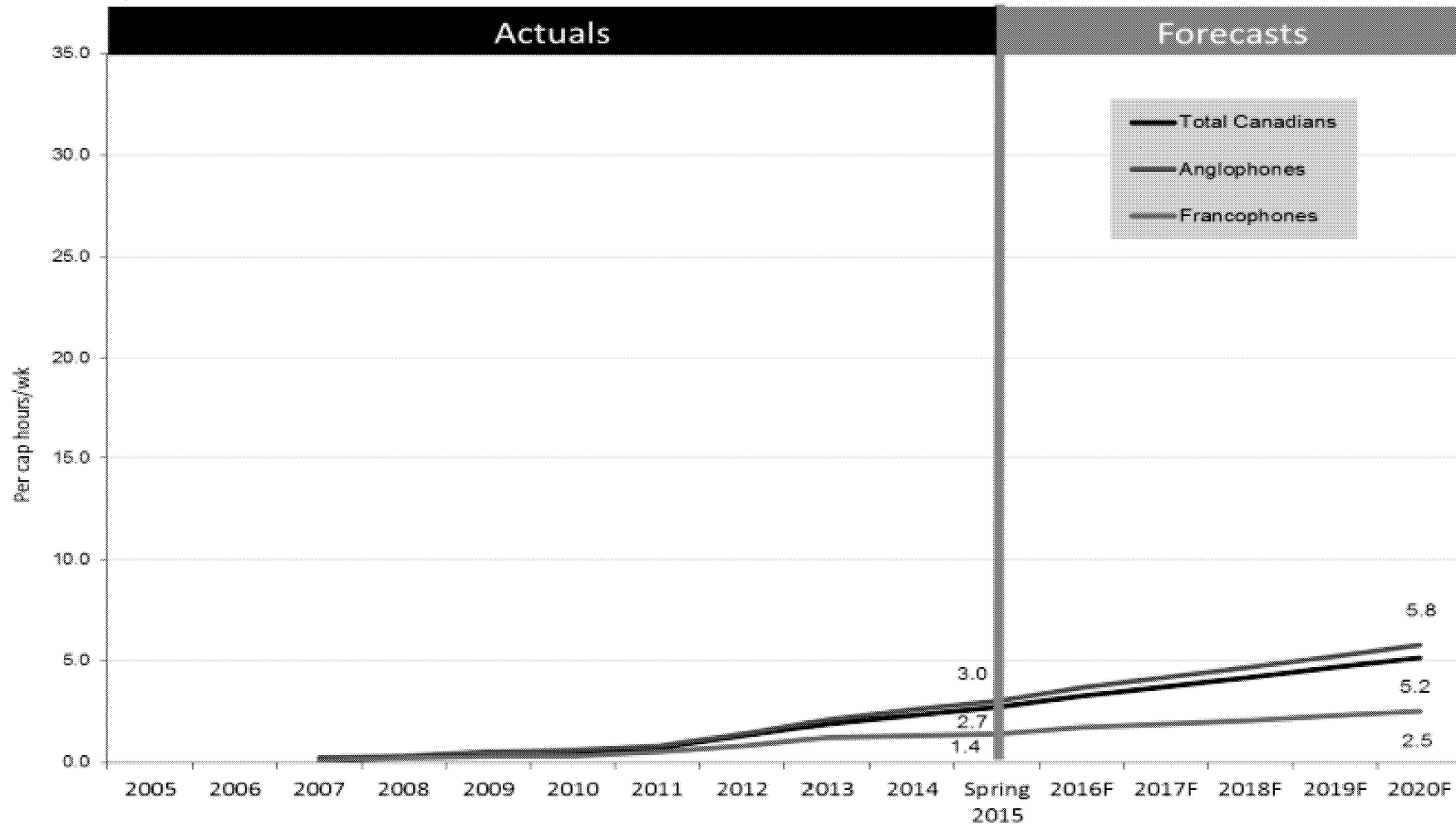


Sources: CBC/Radio-Canada (Numeris)



# ... AS ONLINE TV VIEWING INCREASES

**Online TV Viewing Per Capita**  
Hours/Week

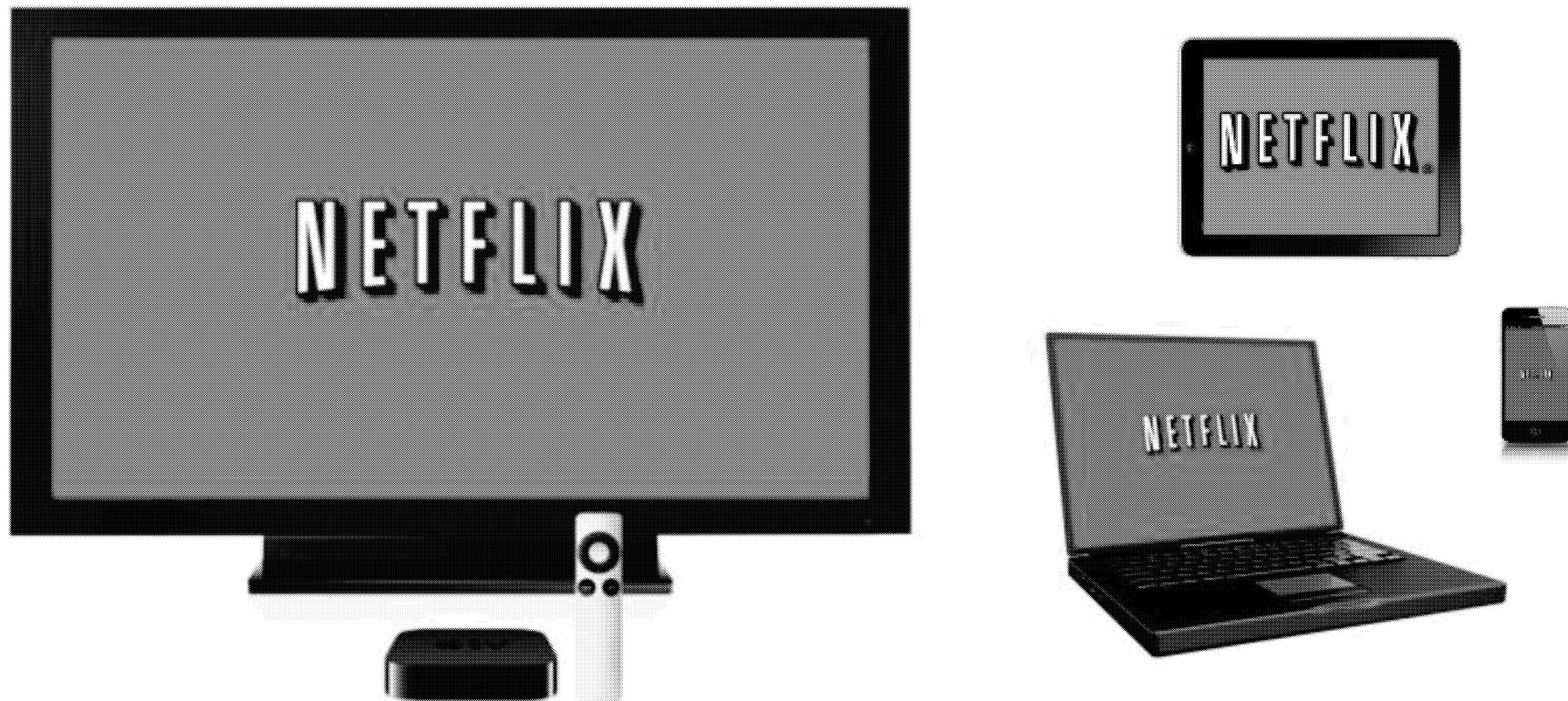


Sources: CBC/Radio-Canada estimates (MTM/OTM)



# NETFLIX LEADS THE CHARGE FOR ONLINE VIEWING AND ON PERSONAL DEVICES

**44% of Anglophone Canadians** have adopted Netflix since its Canadian launch in 2010. Regular viewers\* spend more than **7 hours a week** watching Netflix.



Source: Media Technology Monitor (MTM) , Spring 2015

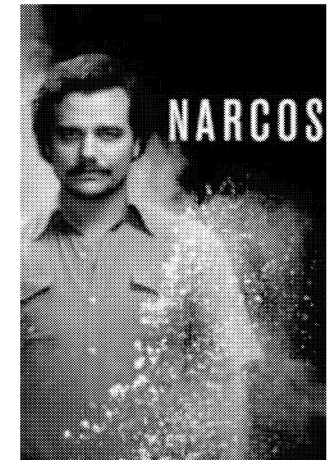
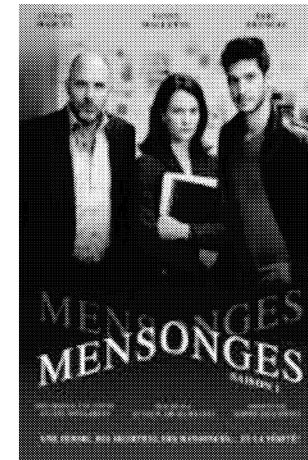
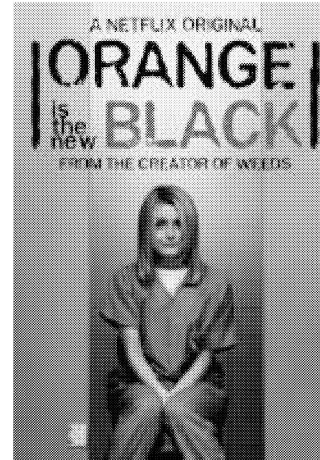
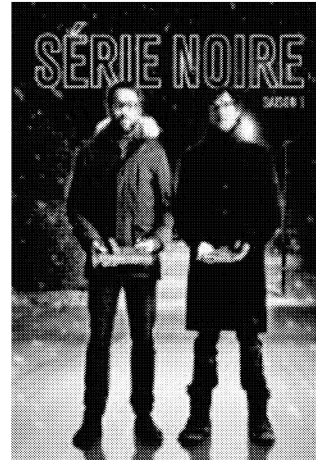
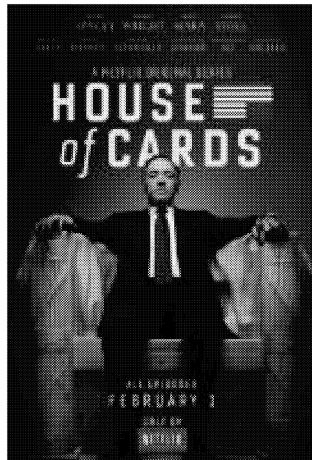
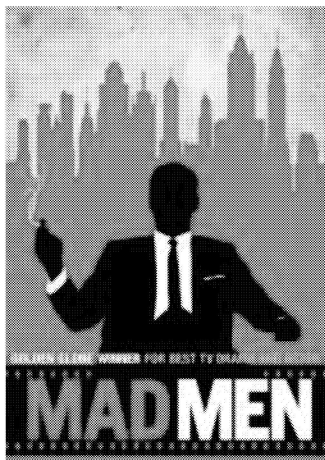
\* Weekly viewers of Netflix.



# SOME TV IS NOW LIKE A GOOD BOOK

Over half of Canadians are binge watching. Rather than channel surfing, they watch the next chapter of their favourite show and often on a personal devices (e.g. laptop, smartphone, tablet).

This is impacting content release windows, making the acquisition of regional content rights more difficult against players seeking global content rights.





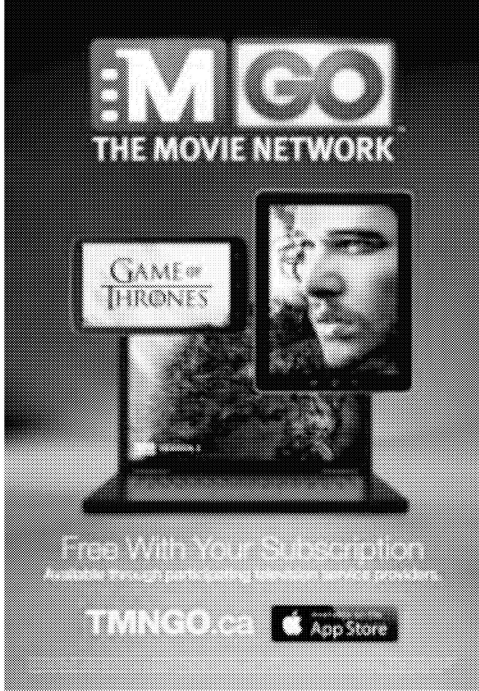
# TRADITIONAL TV PLAYERS ARE ADAPTING TO THIS NEW REALITY

CraveTV™

shomi

ICI  TOU.TV

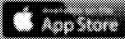
 CBC player



**MGO**  
THE MOVIE NETWORK

GAME OF THRONES

Free With Your Subscription  
Available through participating television service providers.

TMNGO.ca 



COGECO  
On Demand

Watch Online | What's played On Your TV

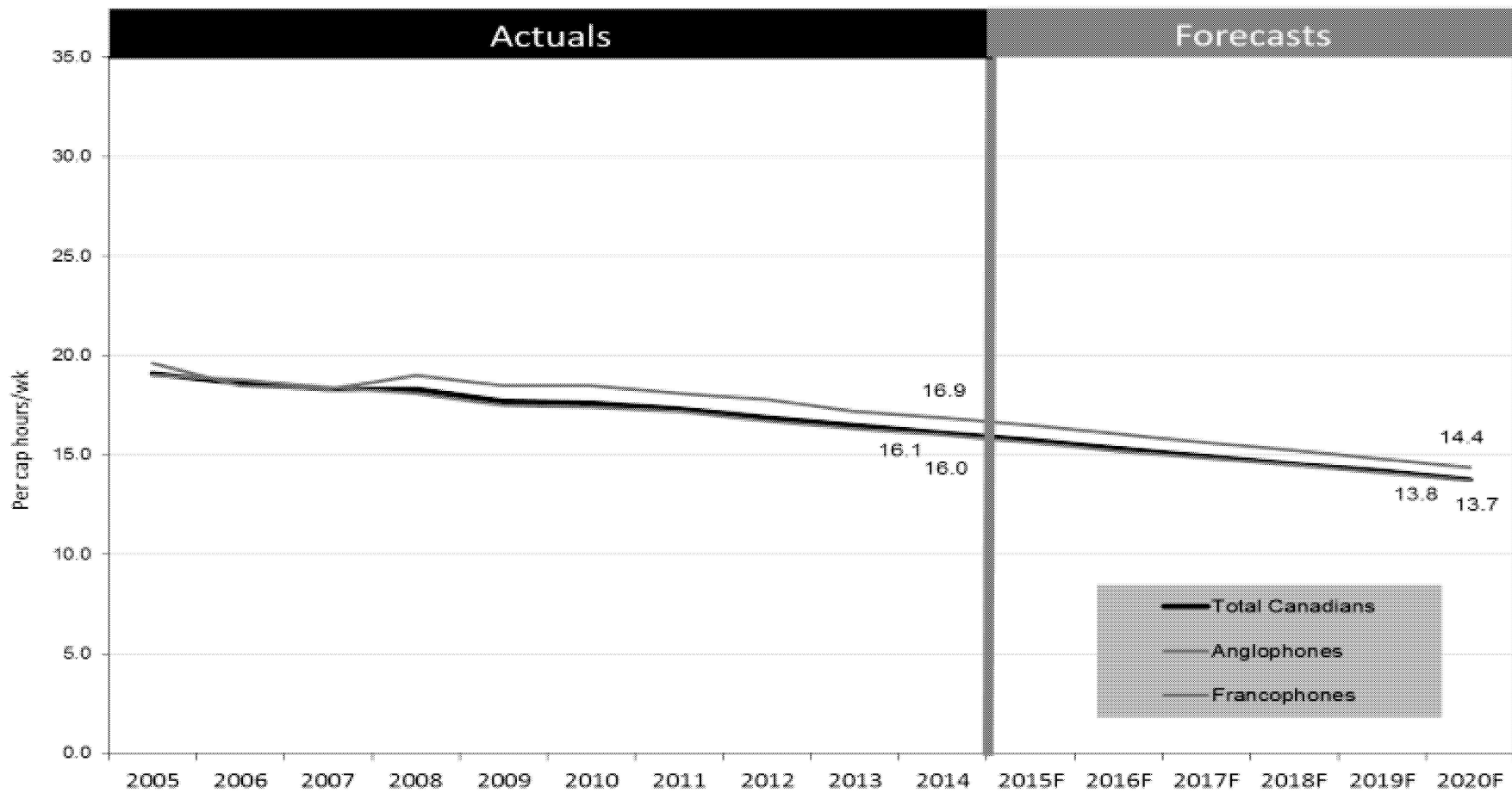
Shows | Movies | Music | W





# TRADITIONAL RADIO LISTENING IS FACING A GRADUAL DECLINE IN USAGE

**AM/FM Radio Listening Per Capita, 2005 to 2020,**  
Total Canada 2+, Hours/Week Per Capita



Sources: CBC/Radio-Canada estimates (Numeris, Fall Diaries)

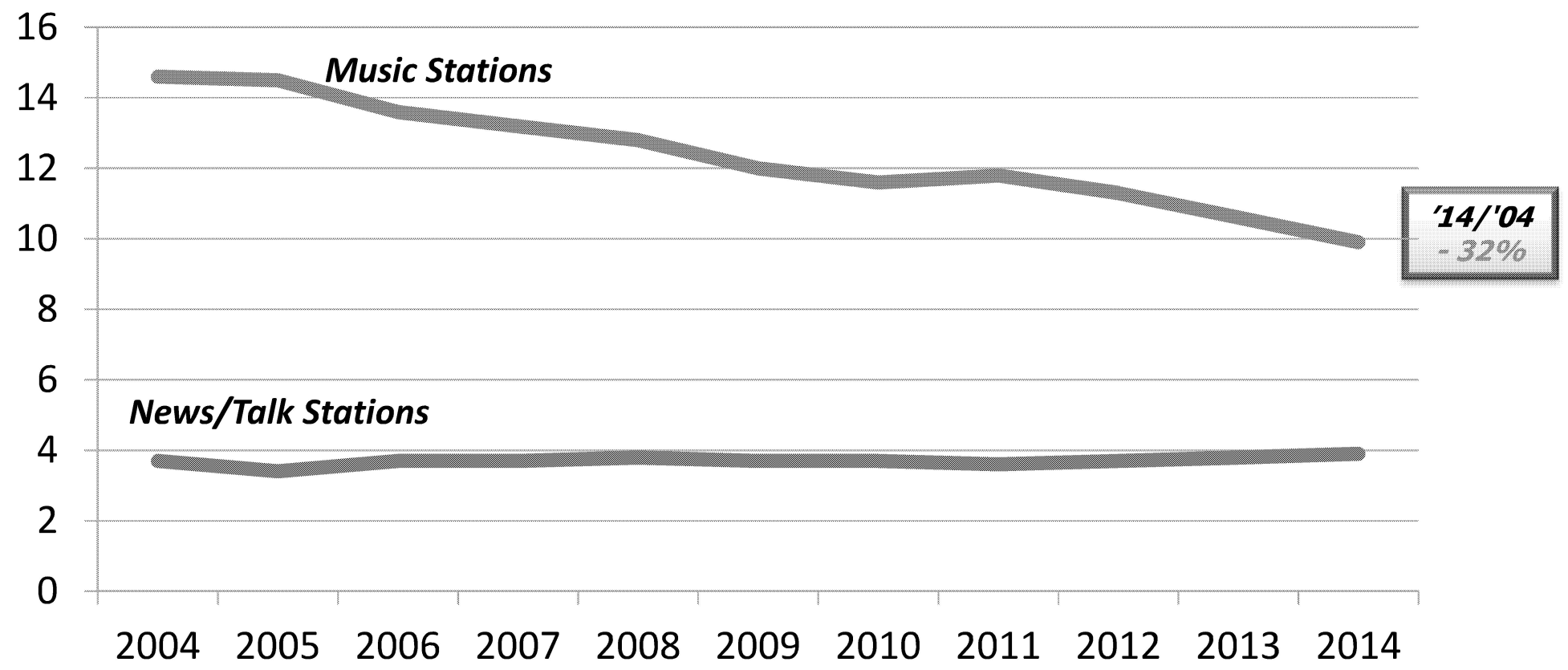




# ... PRINCIPALLY BECAUSE MUSIC LISTENING IS MOVING AWAY FROM RADIO ...

## Time Spent Listening to AM/FM Radio by Format, 2004-2014

Weekly Per Capita Listening Hours, All Day, All Persons 12+



Source: Numeris (BBM Canada) (Fall Diary)

\* This chart should be used only to illustrate the longitudinal trend of radio use, since Numeris' diary is consumer recall research. It significantly overestimates radio use as measure electronically and passively by Numeris' PPM.

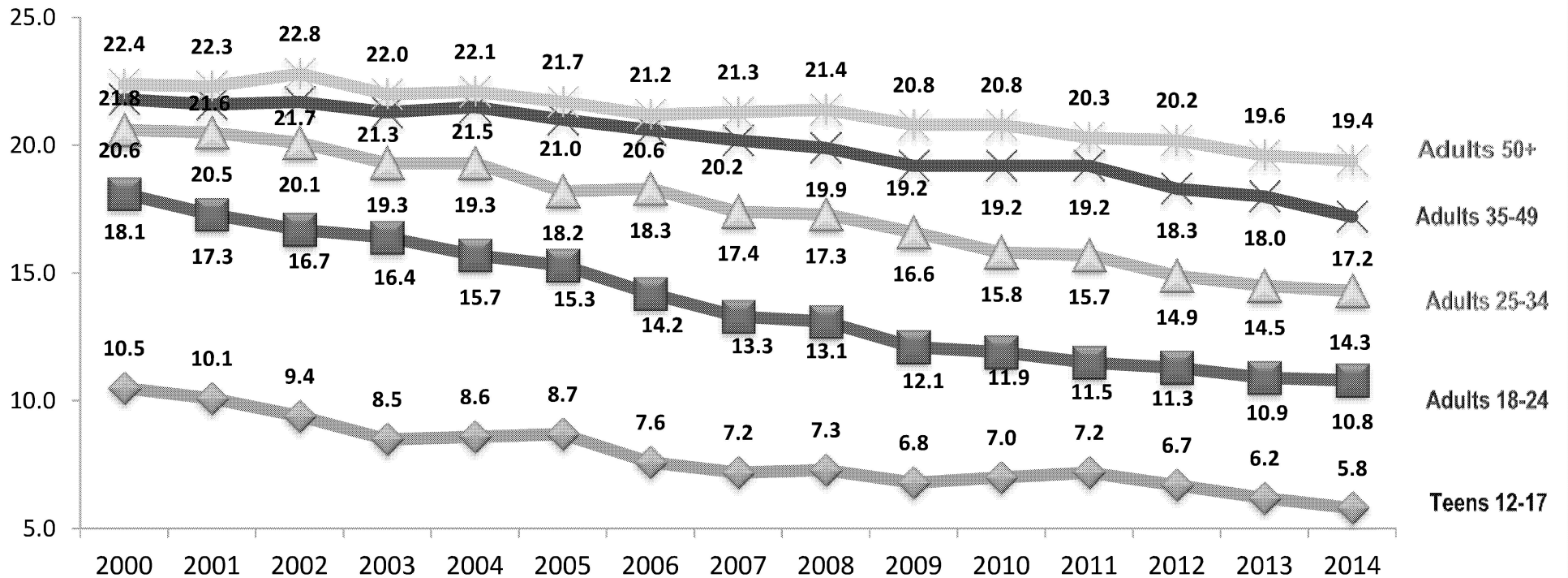


# ... PARTICULARLY BY YOUNGER CANADIANS

## Average Weekly Per Capita Hours Tuned by Age Group

Monday to Sunday, 5 am to 1 am

Total Canada 12 +



Source: Numeris (BBM Canada) (Diary – Fall 2000 to Fall 2014)

\* This chart should be used only to illustrate the longitudinal trend of radio use, since Numeris' diary is consumer recall research.

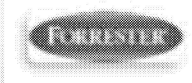
It significantly overestimates radio use as measure electronically and passively by Numeris' PPM.



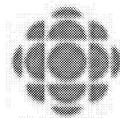
# THE DIVERSITY OF CHOICES FOR MUSIC CONSUMERS – BOTH LEGAL AND ILLEGAL – IS ENORMOUS

***"Consumers are  
paralyzed by choice"***

***Anthony Mullen from  
on the state of the music  
streaming business***



**Spotify®**



**CBC MUSIC**

**rdio**

**You Tube**

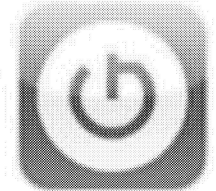
**Slacker  
RADIO**

**Apple MUSIC**

**iTunes Radio**

**ICI  musique**

**AccuRadio**



**Songza**



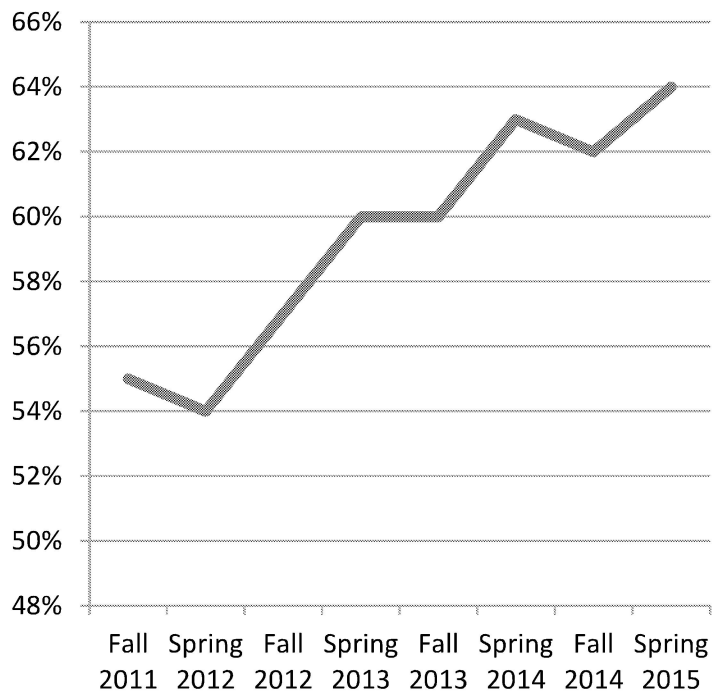
**Google music**



# CANADIANS ARE LISTENING TO A VARIETY OF SOURCES OF AUDIO

## Listening online is growing ...

### Internet audio listeners\*



Source: MTM/OTM  
\* Past month listeners

## ... and is substantial.

### Time Spent Streaming Online Audio+\* Canadian Audio Streamers 18+ *Hours/Typical Week*



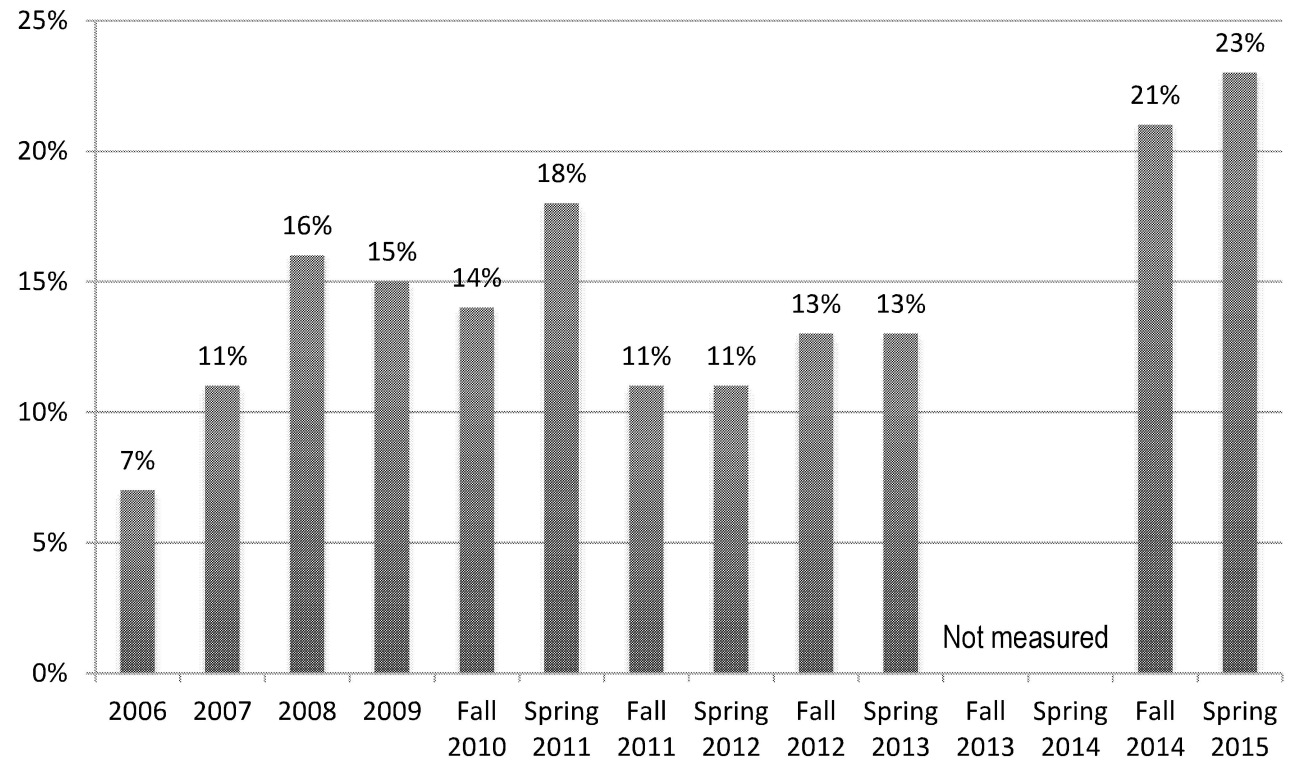
Source: MTM/OTM, Fall 2014  
\* Past month listeners  
+ Online questionnaire



# THERE ARE SIGNS THAT PODCASTING IS MAKING A COMEBACK

- Many credit Podcasts such as *Serial*, *This American Life*, and *Ted Radio Hour* with this recent rise in interest

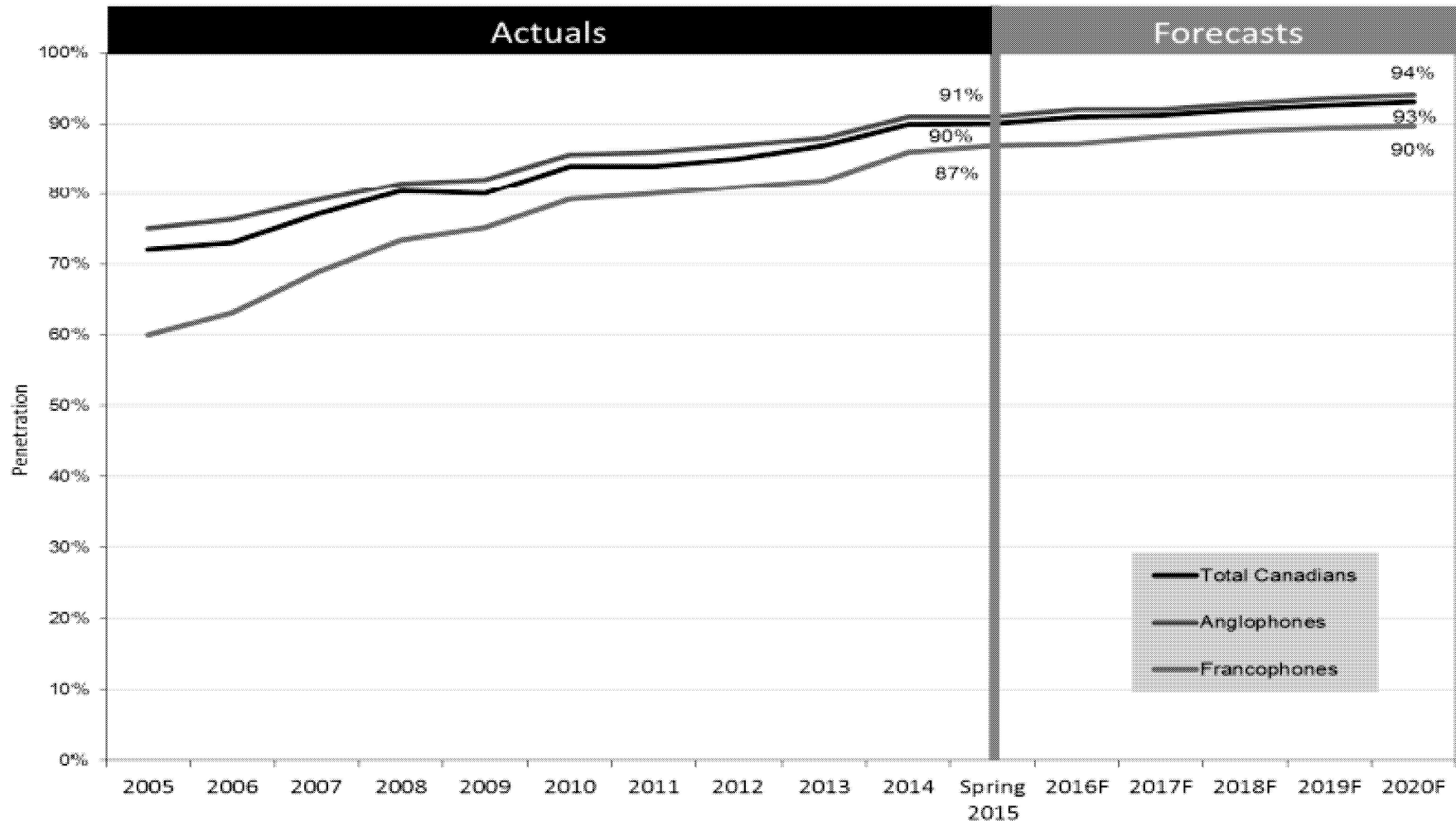
**Listened to a Podcast in the Past Month**  
Canadians 18+





# CANADIANS HAVE LARGELY ADOPTED THE INTERNET AT HOME...

## Internet at Home Connections



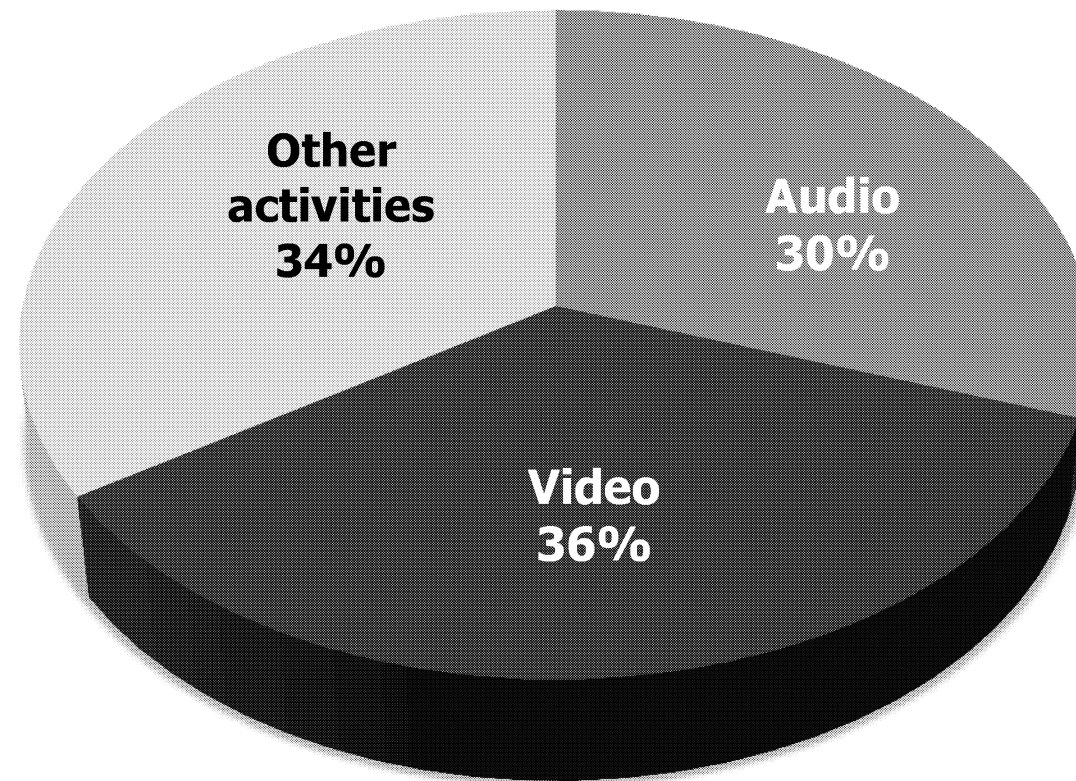
Sources: CBC/Radio-Canada estimates (MTM/OTM)



## ... FOR MANY TYPES OF MEDIA AND NON-MEDIA ACTIVITIES

### Share of Time Spent on the Internet by Activity

Canadians 18+

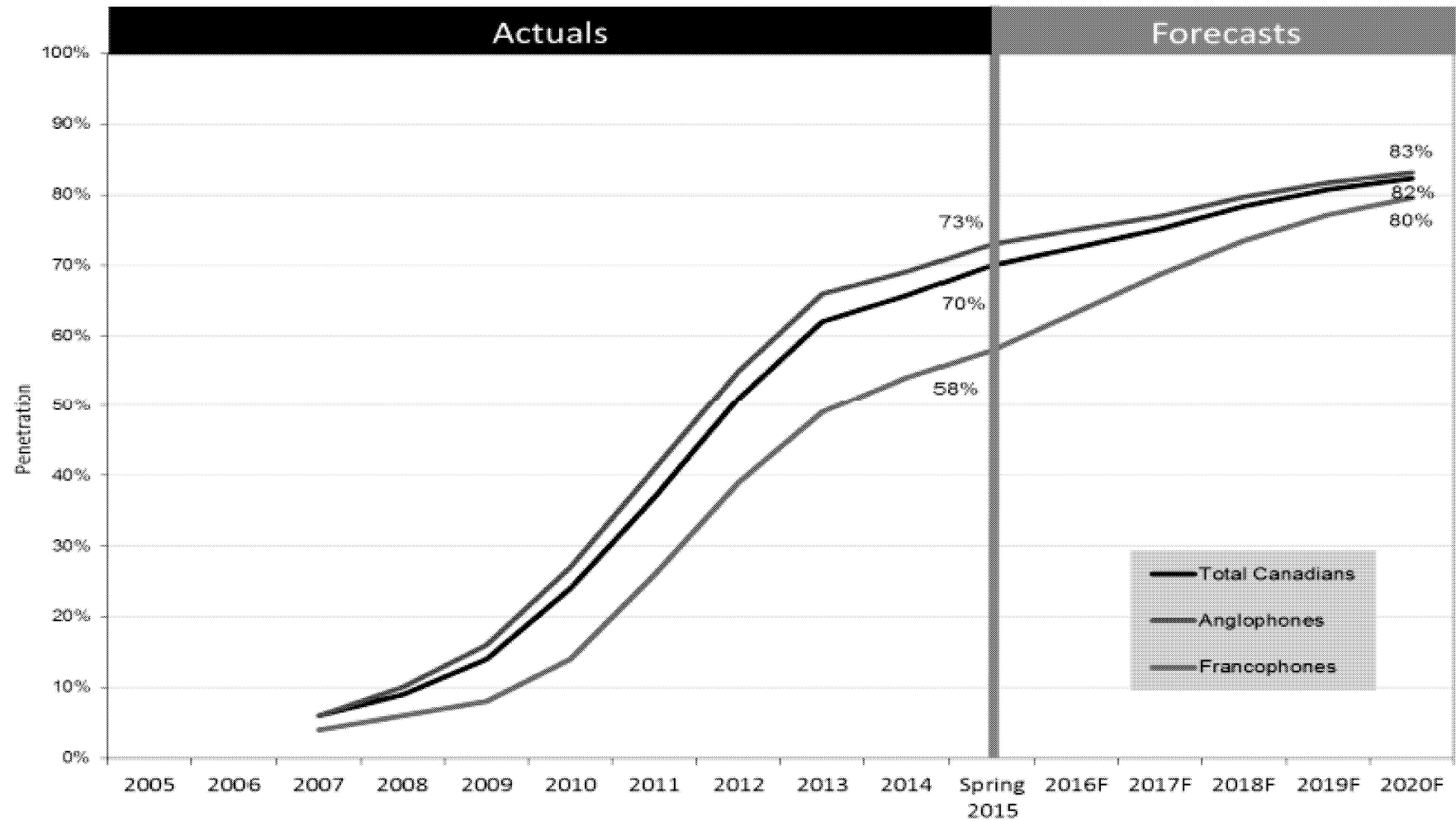


Source: Media Technology Monitor (MTM), Spring 2015



# CANADIANS ARE RAPIDLY ADOPTING MOBILE DEVICES, LIKE SMARTPHONES...

## Smartphones



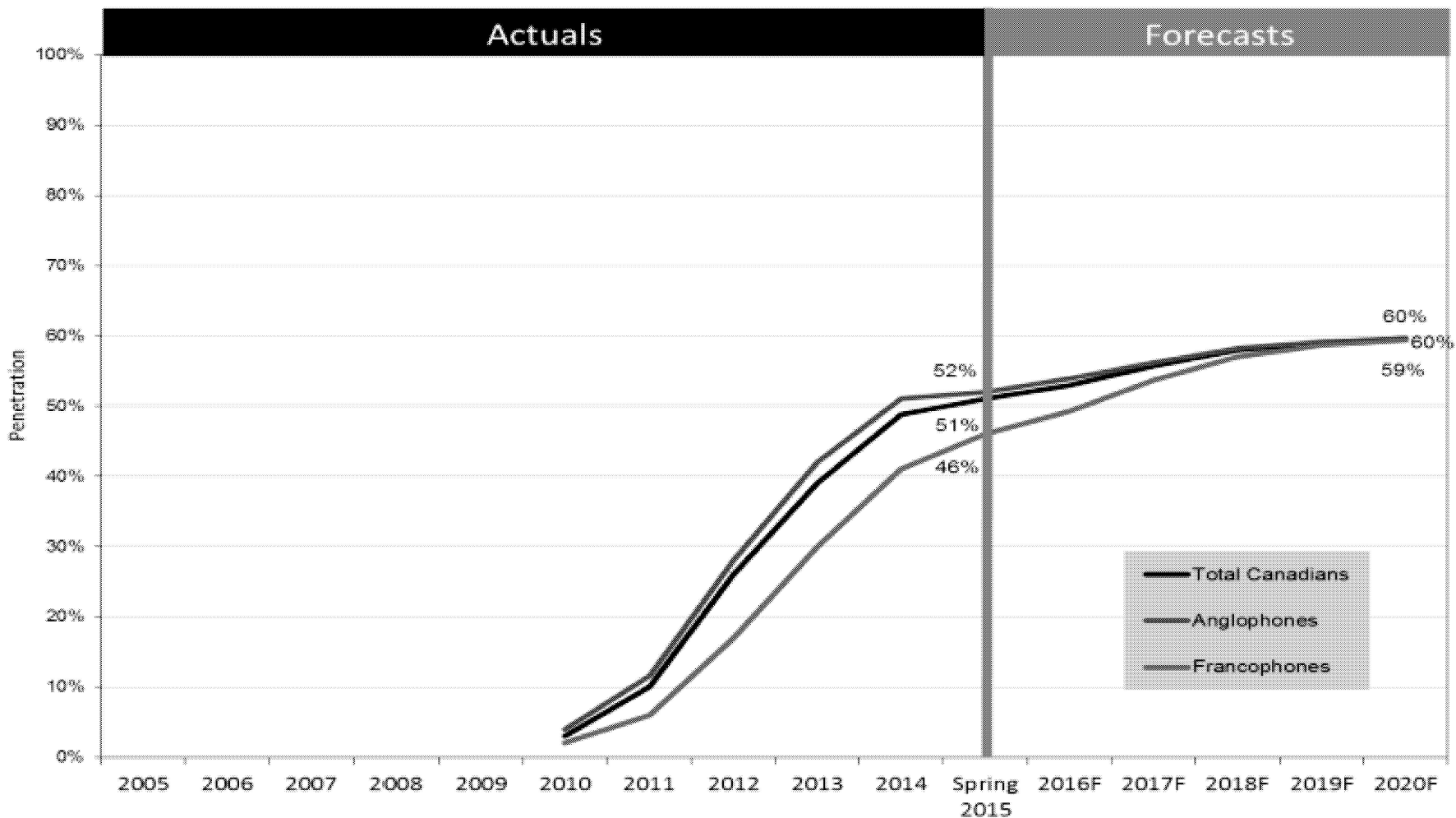
Sources: MTM/OTM (Fall except Spring used for 2015) and CBC/Radio-Canada estimates





# ... AND TABLETS

## Tablets

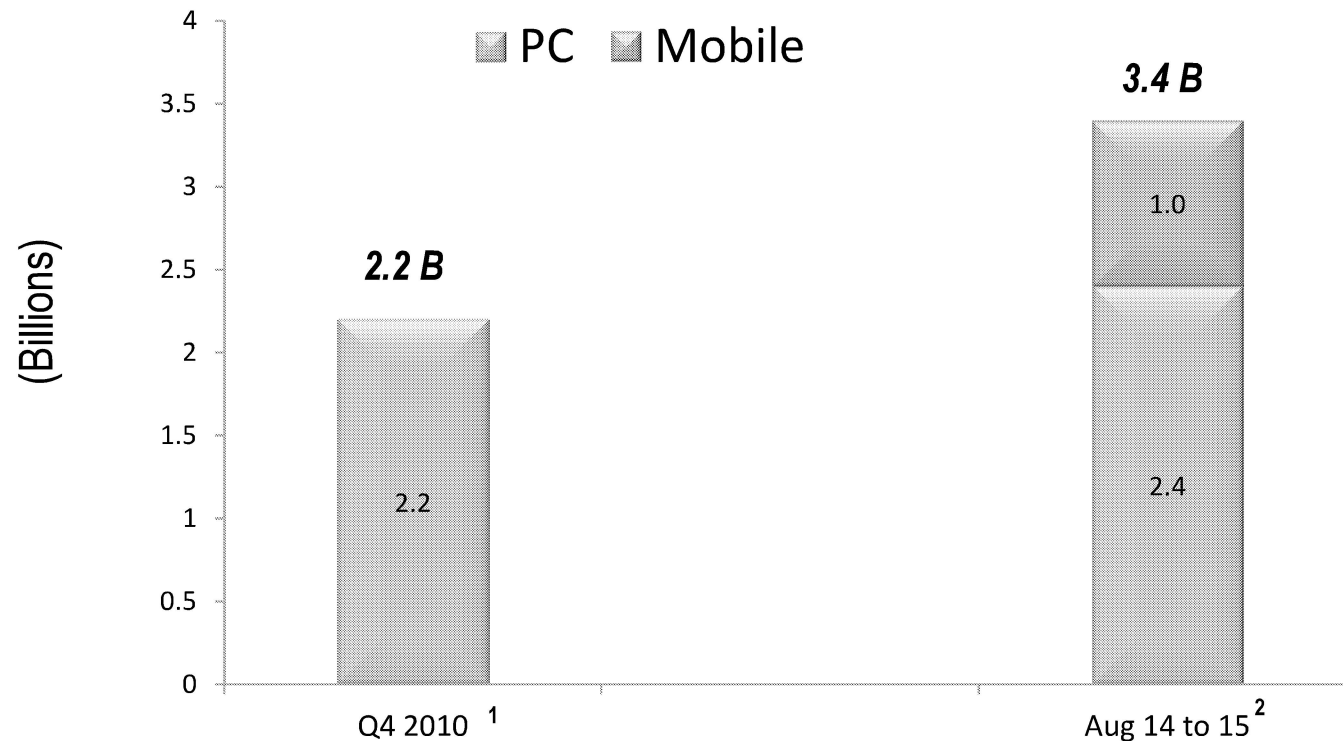


Sources: CBC/Radio-Canada estimates (MTM/OTM)



# AND THIS IS CHANGING THE DISTRIBUTION OF INTERNET TRAFFIC

### Total Visits by Platform



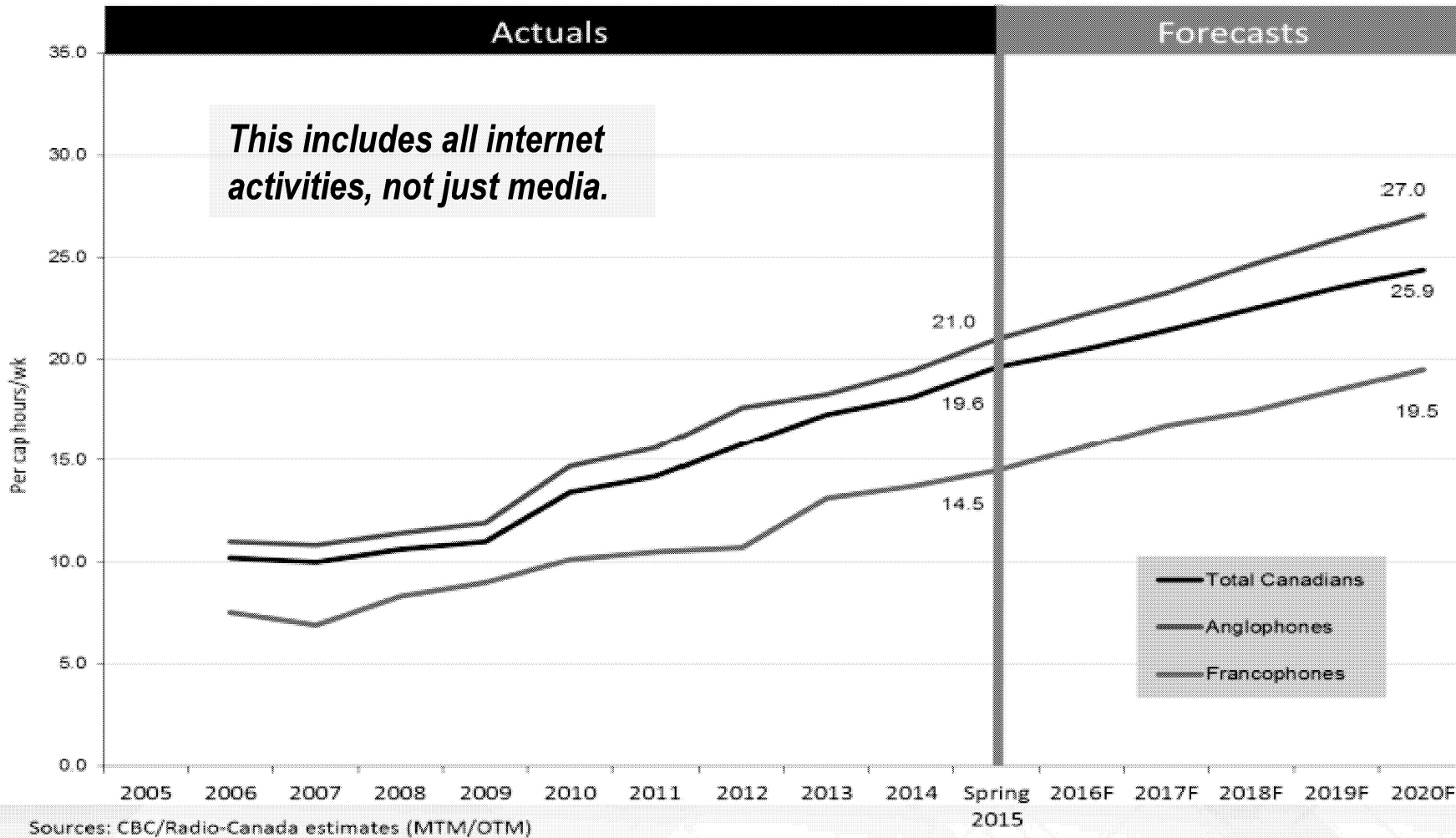
Note: comScore just launched its Multi-Platform service which measures usage from smartphones and tablets. Please note that mobile measurement is currently underestimated since not all websites and mobile applications have been tagged.

Source: comScore, <sup>1</sup>Media Metrix, All Locations, Persons: 15+, 3 Mo. Avg Q4 2010  
<sup>2</sup>Multi-Platform, Persons 15+, 12 Mo. Avg, Aug 2014 – Aug 2015



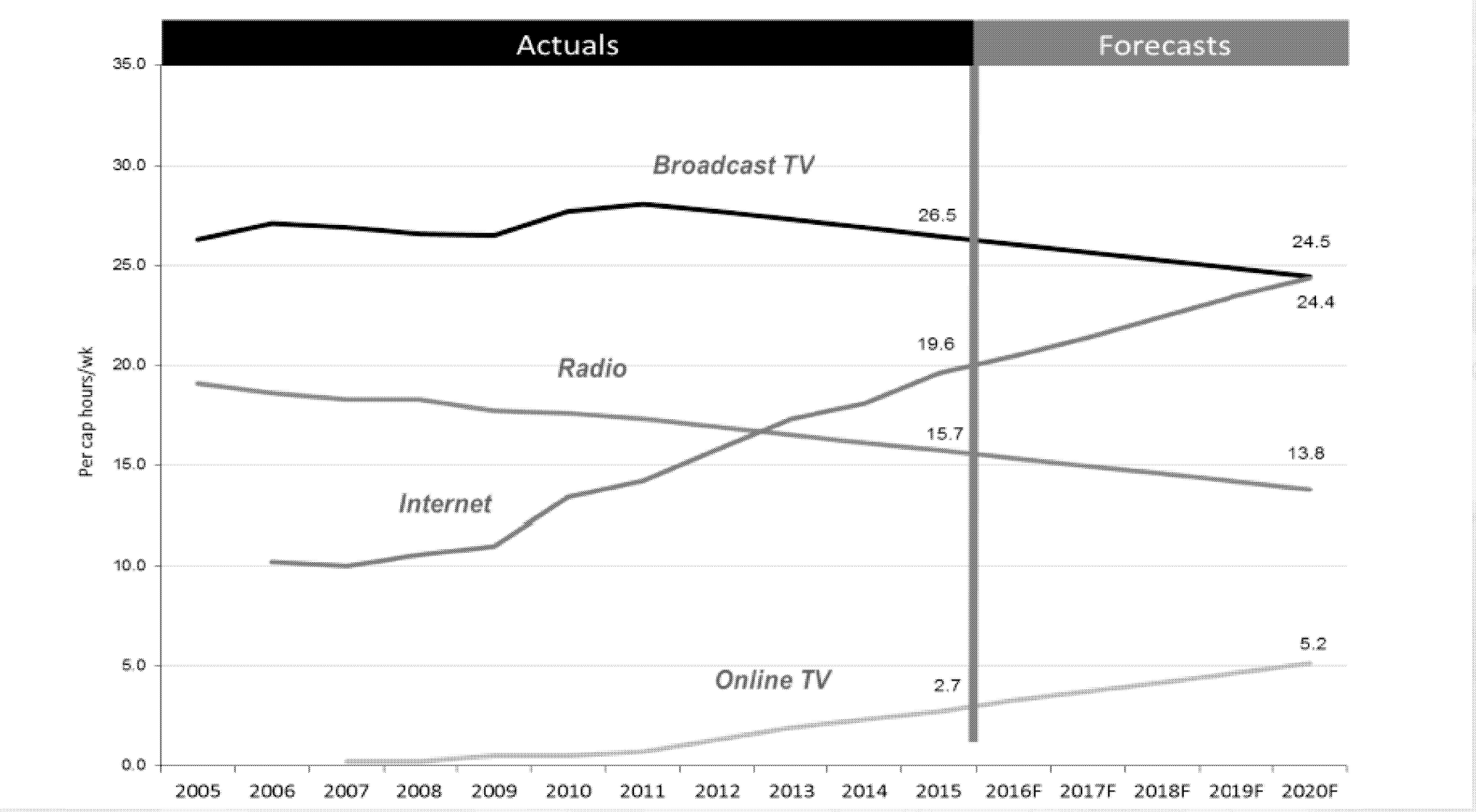
# WE EXPECT INTERNET TIME SPENT TO CONTINUE TO GROW AT ITS CURRENT PACE

## Internet Usage Per Capita Hours/Week





# TV AND RADIO WILL REMAIN SIGNIFICANT, BUT WILL DECLINE. GROWTH IS ONLINE.



Sources: CBC/Radio-Canada Research and Analysis, BBM Nielsen, Numeris (BBM Canada)



## KEY TAKEAWAYS

- Traditional broadcast **radio and TV are still dominant**, but their **influence is waning**
- Audiences **behaviours are changing**
  - More **notably in the English market**
  - **Francophones tend to use traditional media more** than Anglophones
- However, consumers are adopting devices and services that give them **more control over when** they access content **and which screen**
- Canadians will **spend more time with Internet**