



# “Environmental Scan”

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**TO:**                **Board of Directors**

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**MEETING:**      November 26, 2013 (90 minutes)

**FROM:**           Steven Guiton, Vice-President Technology  
and Chief Regulatory Officer

**PURPOSE:**      • This discussion document provides an expansive review  
of the industry in which we operate

• It is intended to solicit background material for a  
discussion of Beyond 2015, CBC/Radio-Canada’s long-  
term planning process

**DATE:**            As of November 14, 2013

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# 2013 MEDIA ENVIRONMENT

Presented to the Board of Directors  
November 26, 2013  
Montreal, Quebec



# Introduction

- **CBC/Radio-Canada is updating its long-term strategic plan**
- **This presentation provides Board members with:**
  - **A high-level overview of how the Canadian broadcasting industry operates**
  - **CBC/Radio-Canada's role within it, and**
  - **Some of the key challenges we and the industry face**

# Agenda

<b>1. Introduction</b>	<b>2</b>
<b>2. Public Policy Framework</b>	<b>3</b>
<b>3. Snapshot of CBC/Radio-Canada</b>	<b>19</b>
<b>4. Surrounded by Titans</b>	<b>28</b>
<b>5. Industry Revenue Shifts</b>	<b>37</b>
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# What Is the Purpose of Public Policy in Broadcasting?

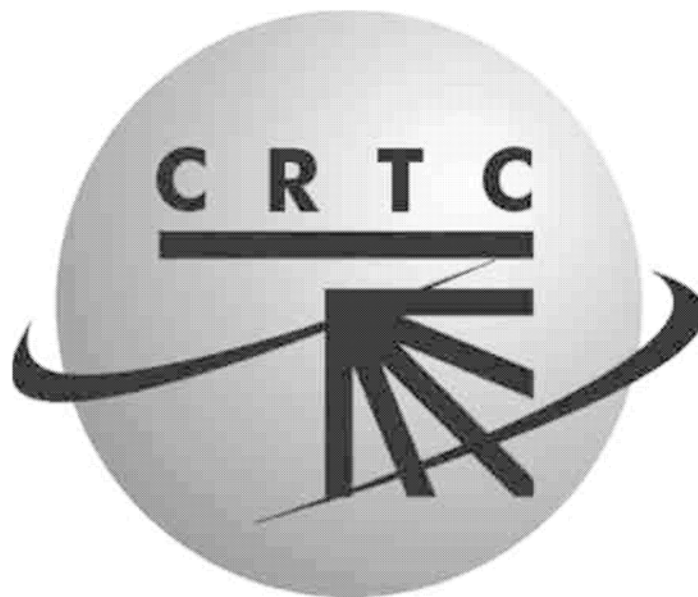
**Government intervention** underlies virtually all broadcasting policies and is typically based on one of three assumptions:

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

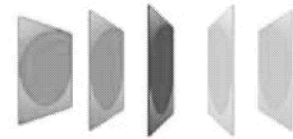


# Tool #1: Public Broadcasting

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



**BBC**



france télévisions



ABC



**Rai**



rtve

**RTÉ**

प्रसार भारती  
PRASAR BHARATI  
Broadcasting Corporation of India



arte

ابوظبي الأولى



**ARD** ①



**EARTU**  
اتحاد الإذاعة والتلفزيون المصري



iba  
רשות השידור

sverigesradio



## CBC/Radio-Canada's Mandate in the *Act* is Very Broad

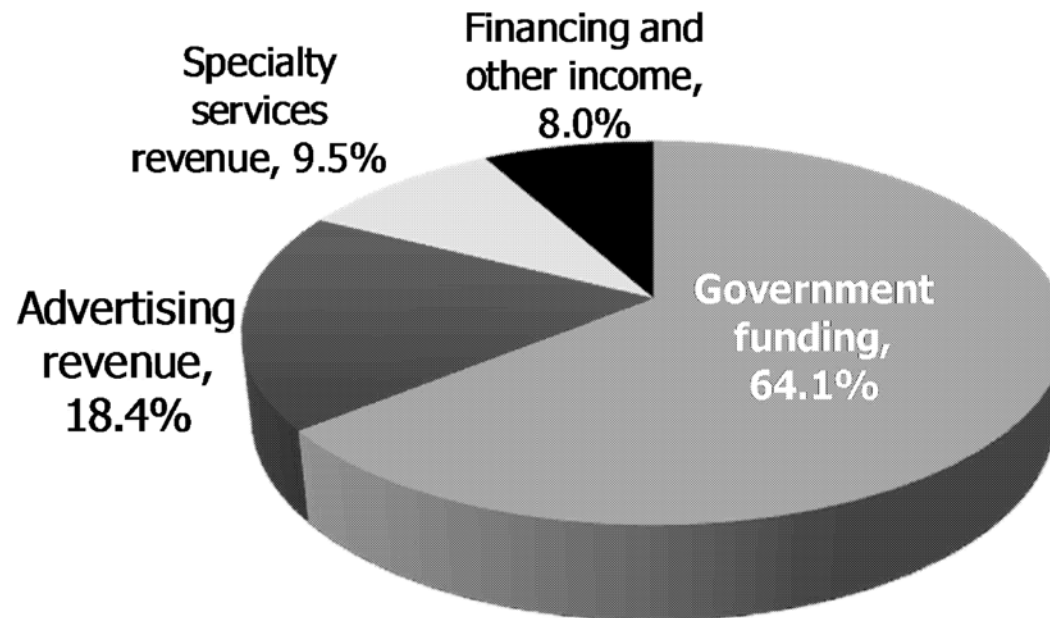
3. (1) (l) the **Canadian Broadcasting Corporation**, as the national public broadcaster, should provide **radio and television services** incorporating a wide range of programming that **informs, enlightens and entertains;**
- (m) the **programming provided** by the Corporation should
- (i) be predominantly 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 on Public Funding

## CBC/Radio-Canada's Revenue and Sources of Funds (\$1,800.9 Million)



Source: CBC/Radio-Canada Annual Report 2012–2013

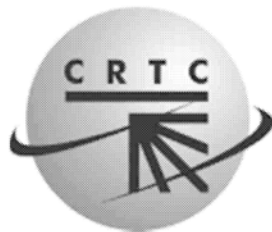
## ... as do the Privates

<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>
	<i>CRTC Licensing Policies</i>	
<i>Revenue Protections</i>	<i>Advertising Rules Sec. 19.1 of the Income Tax Act</i>	<i>\$91 - 130 million<sup>(1)</sup></i>
	<i>Simultaneous Substitution</i>	<i>\$182 - 204 million<sup>(1)</sup></i>
<i>Expenditure Relief</i>	<i>Production Tax Credits</i>	<i>\$520 million<sup>(1)</sup></i>
	<i>Canada Media Fund (CMF)</i>	<i>\$180 million<sup>(2)</sup></i>
	<i>Local Program Improvement Fund (LPIF)</i>	<i>\$65 million<sup>(3)</sup></i>
<b>TOTAL</b>		<b>\$1.0 - \$1.1 billion</b>

Source: (1) Nordicity 2011 estimates; (2) CMF Performance Envelopes 2011-12; and (3) CRTC 2011-12 (Note: LPIF is discontinued as of August 31, 2014)

## Tool #2: Regulation

- Apart from direct investment, **regulation** is another method to enact policy
- Other countries also have regulatory bodies that manage the contribution of the private sector and enforce the public interest
- Regulation can take the form of a **regulatory bargain**, where the private sector is provided value (e.g. radio spectrum, genre protection, guaranteed carriage) and must fulfil obligations in return
- In the absence of a regulatory bargain, regulation can be used to enforce behaviour deemed to be in the **public interest** (e.g. competition, prices, high standards)



**Ofcom**  
OFFICE OF COMMUNICATIONS

(UK)

**CSA**  
CONSEIL SUPÉRIEUR DE L'AUDIOVISUEL  
RÉPUBLIQUE FRANÇAISE

**acma**

(Australia)

## The CRTC's Role and Authority

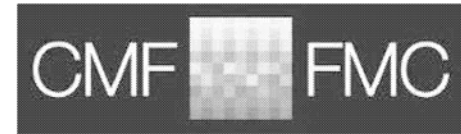
- The CRTC is an independent government agency that **supervises all aspects** of Canadian broadcasting, **including CBC/Radio-Canada**
- **Promoting access to Canadian content** is one of the key underlying principles of the CRTC's objectives
- The **CRTC's powers and jurisdiction are set out in the *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

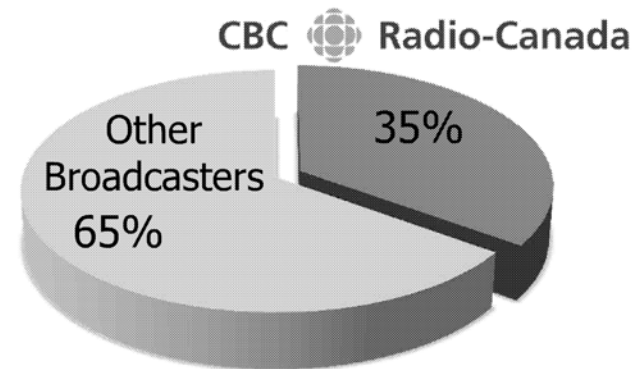
- The regulatory environment has **evolved considerably** over the past few decades
- The **current environment** can be characterized as follows:
  - 1) Regulatory intervention is becoming **increasingly selective**
  - 2) Going forward, CRTC will be required to play a greater role in **adjudicating disputes** between broadcasters and TV distributors
  - 3) New platforms are emerging and further **fragmenting audiences**
  - 4) The CRTC has **exempted from regulation** undertakings that provide broadcasting services delivered and accessed over the **internet**
  - 5) **Conventional TV** has been at the centre of broadcasting policy, but it is under financial distress

## The Canada Media Fund (CMF) is Also an Important Public Policy Tool

- The CMF has been around in various forms since 1998
- CBC/Radio-Canada indirectly benefits from approximately \$90 million in CMF allocations annually
  - Our share is tied closely to our audience performance
- The CMF is essential to delivering our prime time schedules



### CMF Performance Envelope Funding Allocations 2013-14





## Broadcasting Policy Is Ripe for a Rethink



*"So it's time to ask: do the assumptions that lie beneath our current regulatory policies still hold true?"*

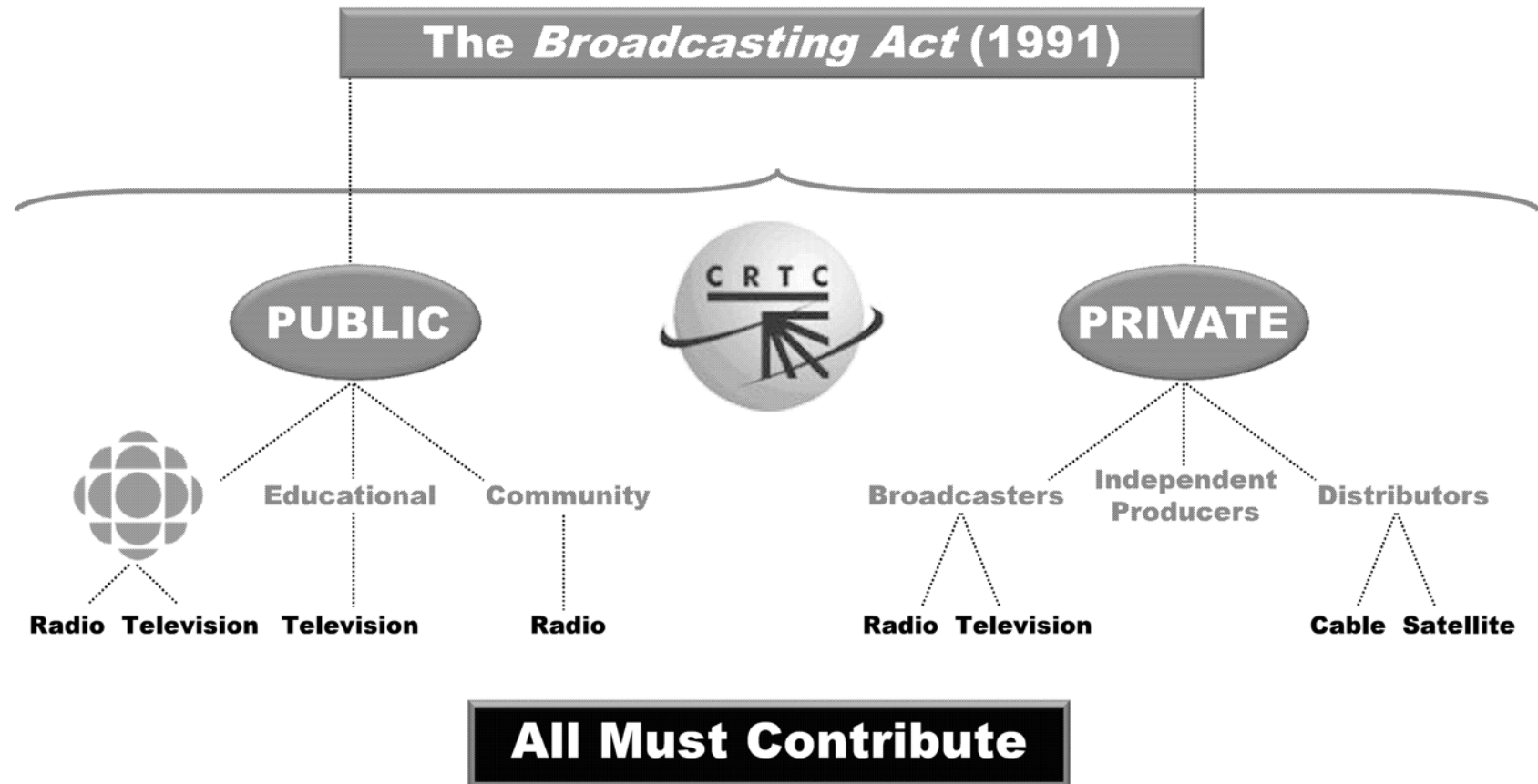
Jean-Pierre Blais, Chair, CRTC,  
June 12, 2013



*"We should have a pick-and-pay model when it comes to television channels."*

James Moore, Industry Minister,  
October 13, 2013

# The Big Picture: Public Policy is Weaved Throughout the Canadian Broadcasting Industry



## Key Takeaways

- **A vital 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 of the private sector (**CRTC**)
- Both CBC/Radio-Canada and the private sector are expected to contribute to the **fulfillment of the *Act***
- The **digital age is challenging current regulatory tools**

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# CBC/Radio-Canada Reaches Canadians in Many Ways

## TV



## Radio



## Digital & Other Services



# We Serve Canadians from Coast, to Coast, to Coast



# CBC/Radio-Canada Contributes Positively to the Industry and the Canadian Economy

**Deloitte.**

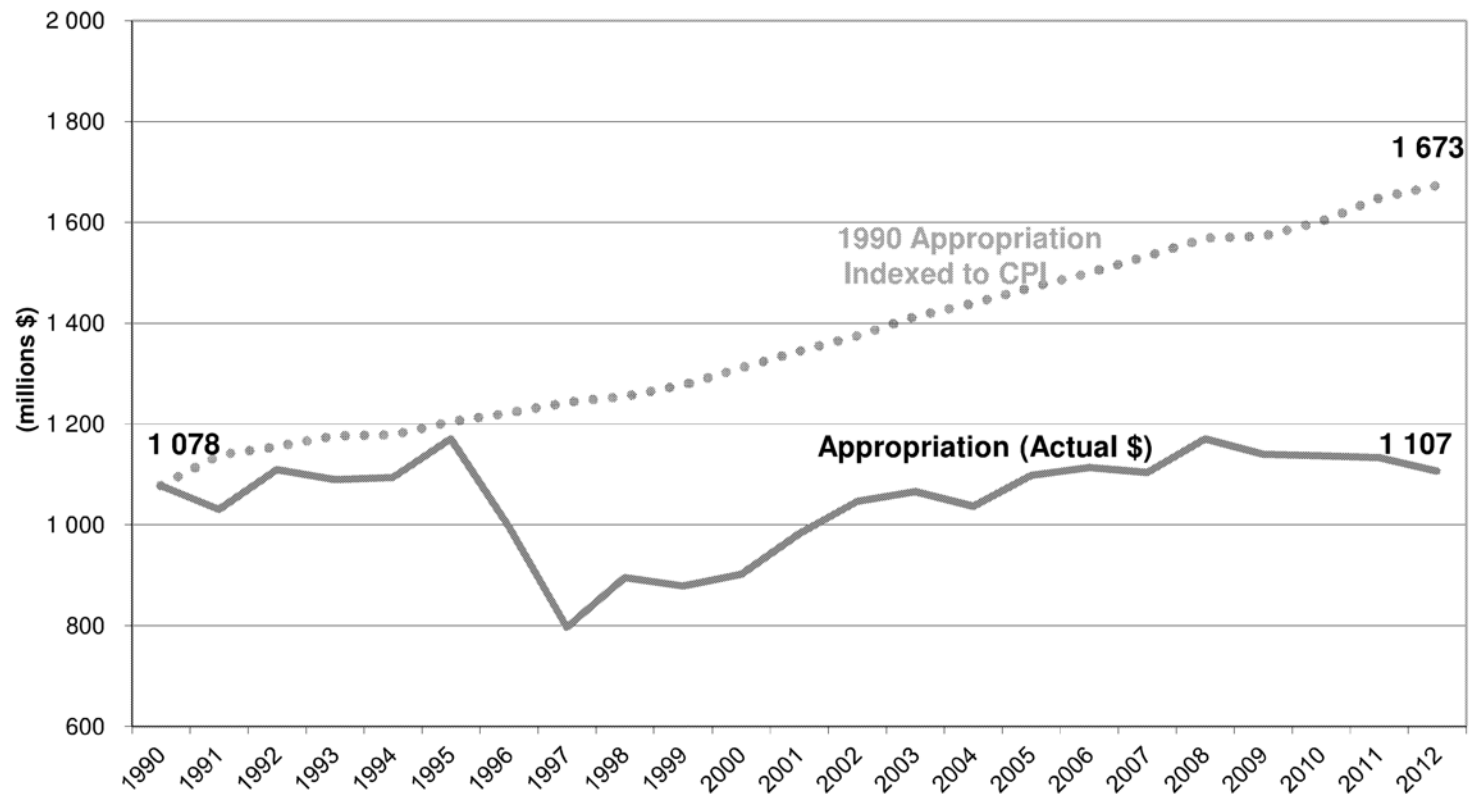
CBC/Radio-Canada has a **substantial positive impact on the economy** — well above its spending power

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
- Commissions led to **\$1.12 billion in independent production** in 2010. It helps improve competitiveness and provide opportunities for exports in the independent production sector
- It implements **new technologies** which are later adopted by other broadcasters and the wider creative sector

# CBC/Radio-Canada Has Been Doing More with Less

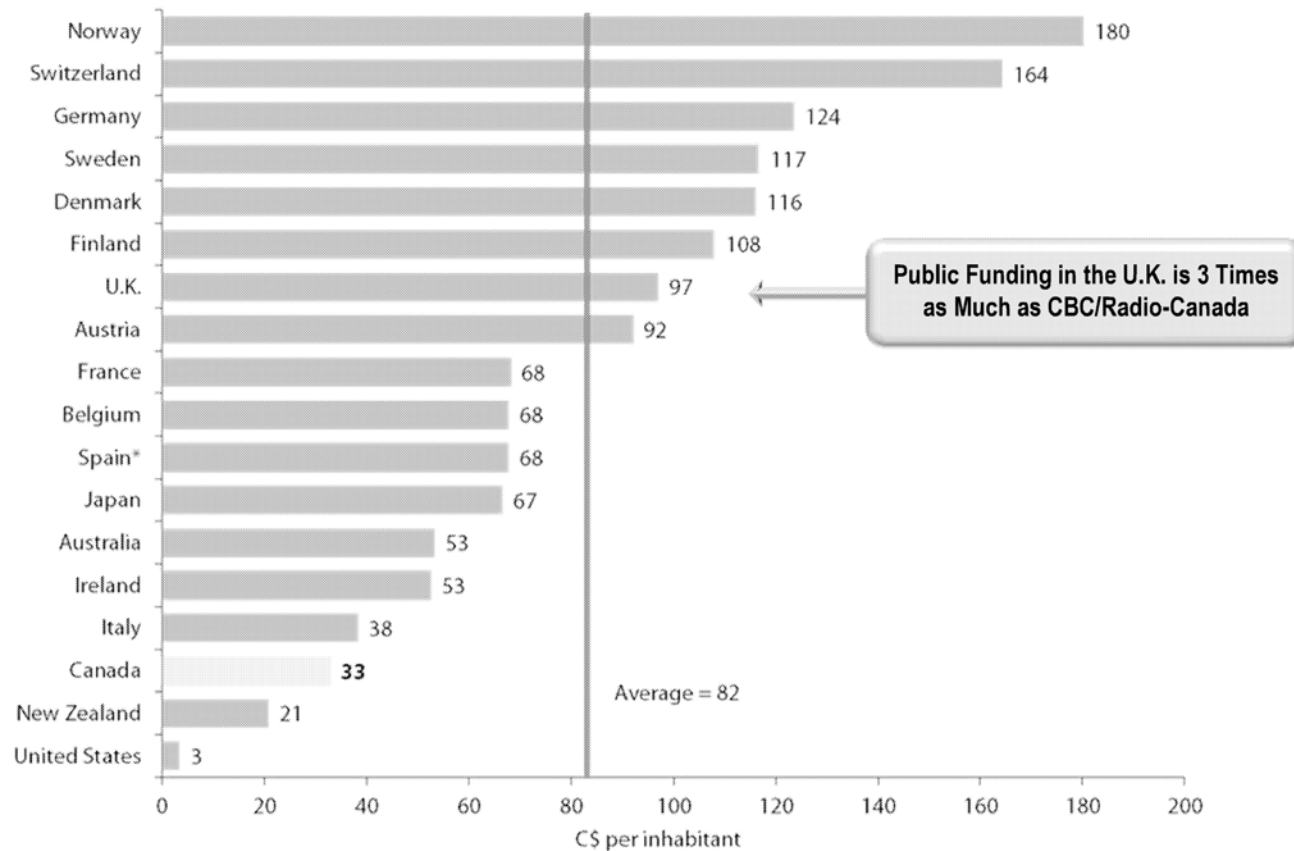
**CBC/Radio-Canada's Parliamentary Appropriation Indexed to Growth of the Consumer Price Index (CPI)**





# CBC/Radio-Canada's Funding Is Among the Lowest in the World

## Per Capita Public Funding for Public Broadcasters

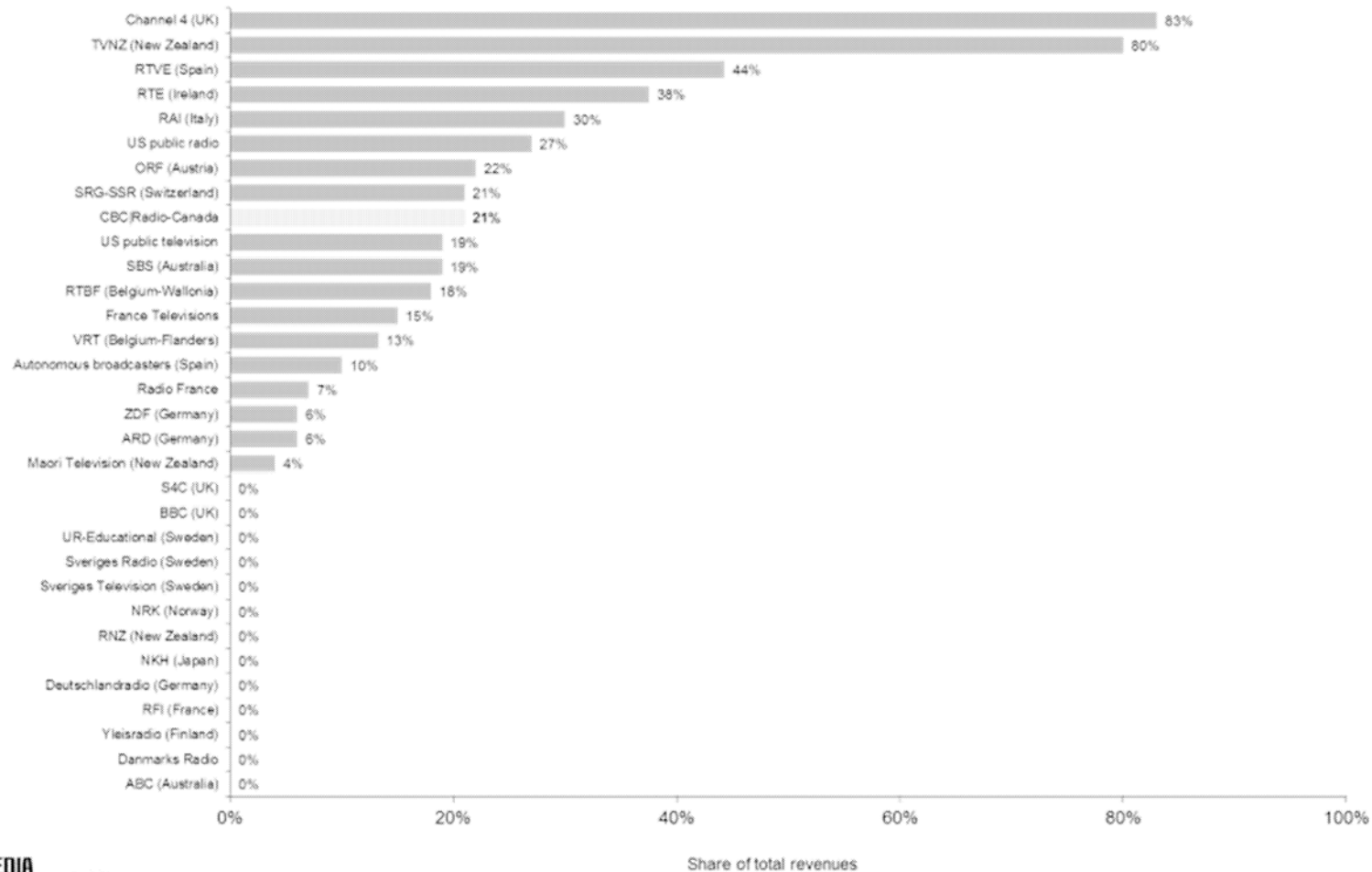


Source: Nordicity, "Analysis of Government Support for Public Broadcasting and Other Culture in Canada" (October 2013)

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

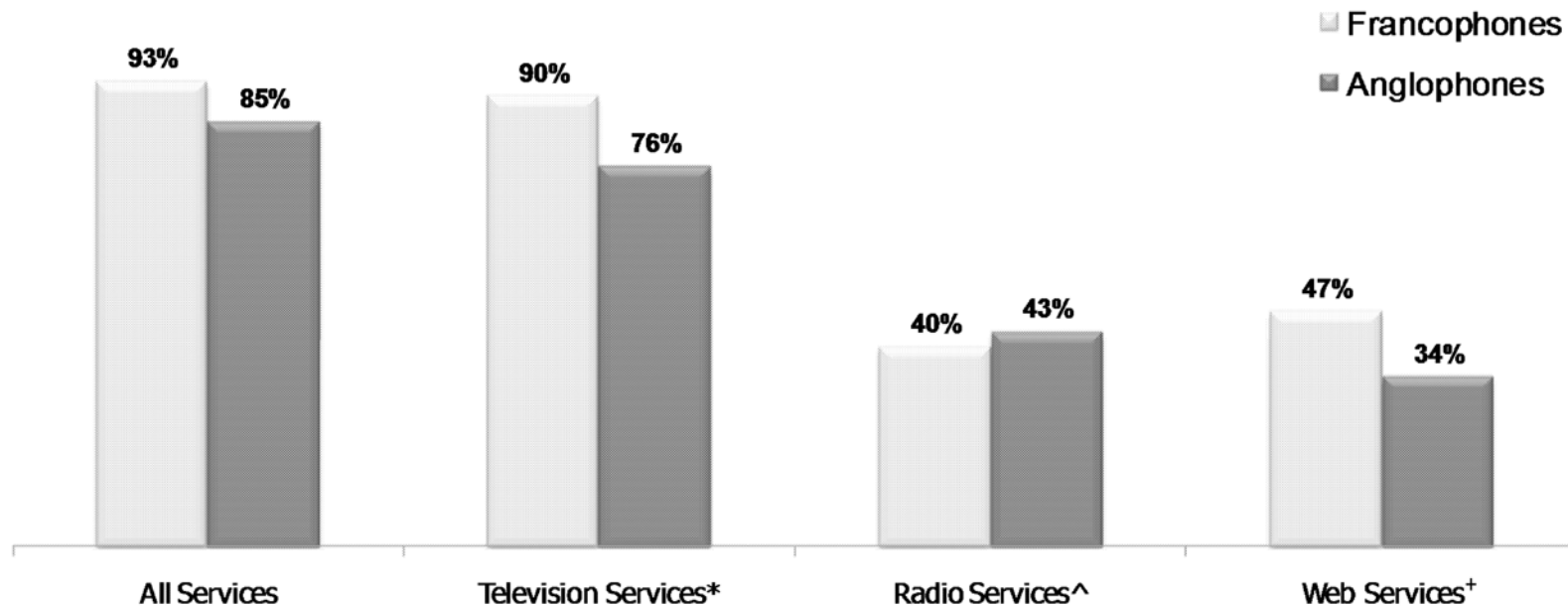
# Like Most Public Broadcasters, CBC/Radio-Canada Relies on Advertising

Advertising and sponsorship revenues by individual public broadcaster, 2011



# We Reach Virtually All Canadians. TV Is Still the Most Common Means. Radio and Online Are Significant

Unduplicated Monthly Reach  
Francophones & Anglophones



\* Television Services include: CBC TV, CBC News Network, documentary, ICI Radio-Canada Télé, RDI, ARTV & Explora

^ Radio Services include: CBC Radio One, CBC Radio 2, ICI Première & Espace musique

+ Web Services: CBC.ca, music.cbc.ca, Radio-Canada.ca, Espace.mu & Tou.tv

Source: Mission Metrics Survey 2012-2013, TNS Canadian Facts (n = 4,800 Canadians 18+ – 2,400 Anglophones & 2,400 Francophones).

## Key Takeaways

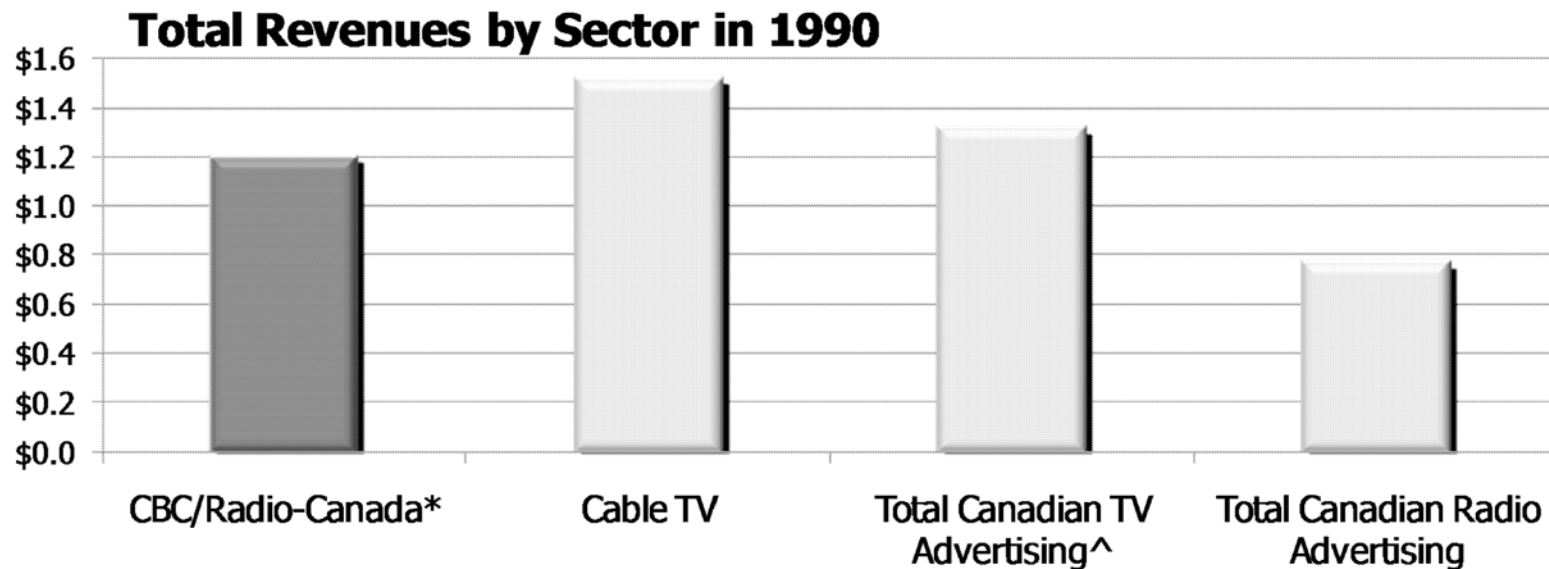
- CBC/Radio-Canada has a **broad mandate and modest funding** by many measures
- CBC/Radio-Canada has well over **100 stations** (88 radio, and 27 TV) and an **expansive offering of services on new platforms**
- CBC/Radio-Canada serves **Canadians in regions** across Canada
- CBC/Radio-Canada contributes positively to **support the industry and the economy**
- **TV is still the way we reach most Canadians**

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# A Generation Ago, CBC/Radio-Canada Was a Giant in the Broadcasting Industry

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



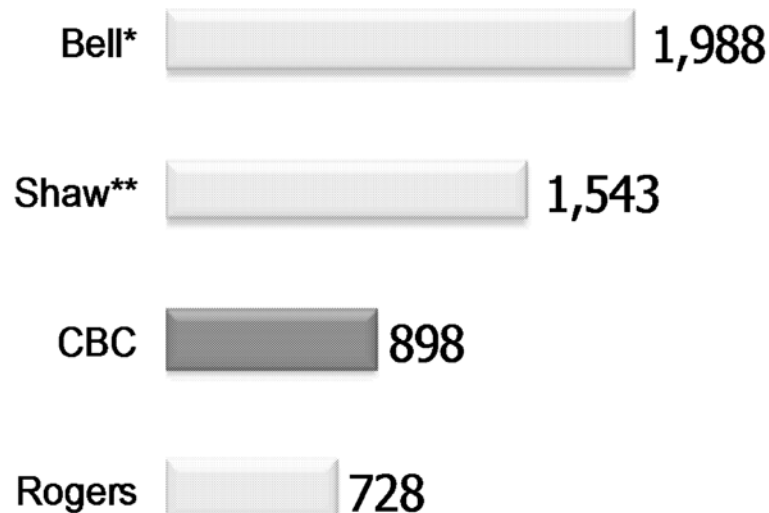
Source: CBC/Radio-Canada Annual Report

\* Total revenues and funding

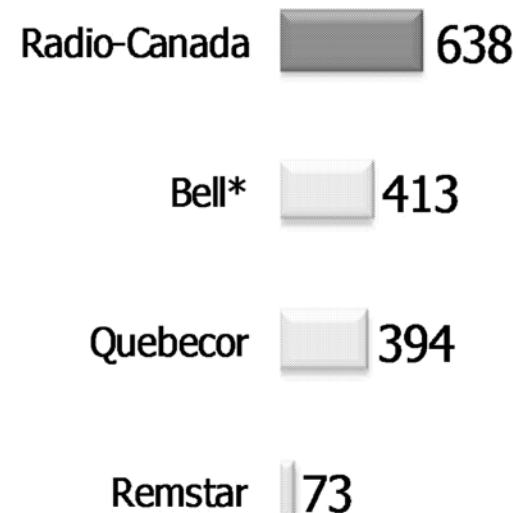
^ Net of CBC/Radio-Canada's TV advertising

# Today, CBC Is Half the Size of its Competitors. Radio-Canada Continues To Be the largest in its Market.

## English TV Industry Revenue In \$ Millions



## French TV Industry Revenue In \$ Millions

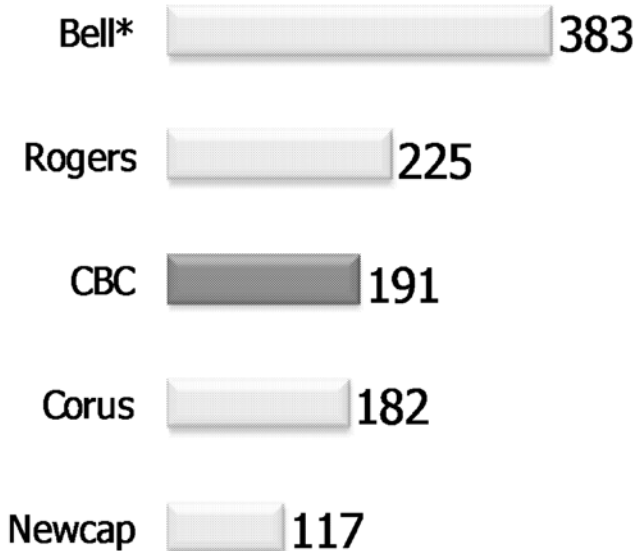


Source: CRTC 2012

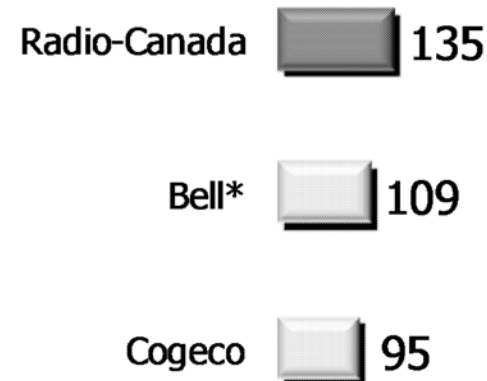
\* Bell includes all Astral revenues in 2012 \*\* Shaw includes all Corus revenues in 2012

# In Radio Broadcasting, Radio-Canada is the Largest. CBC Is a Strong Third

### English Radio Industry Revenue In \$ Millions



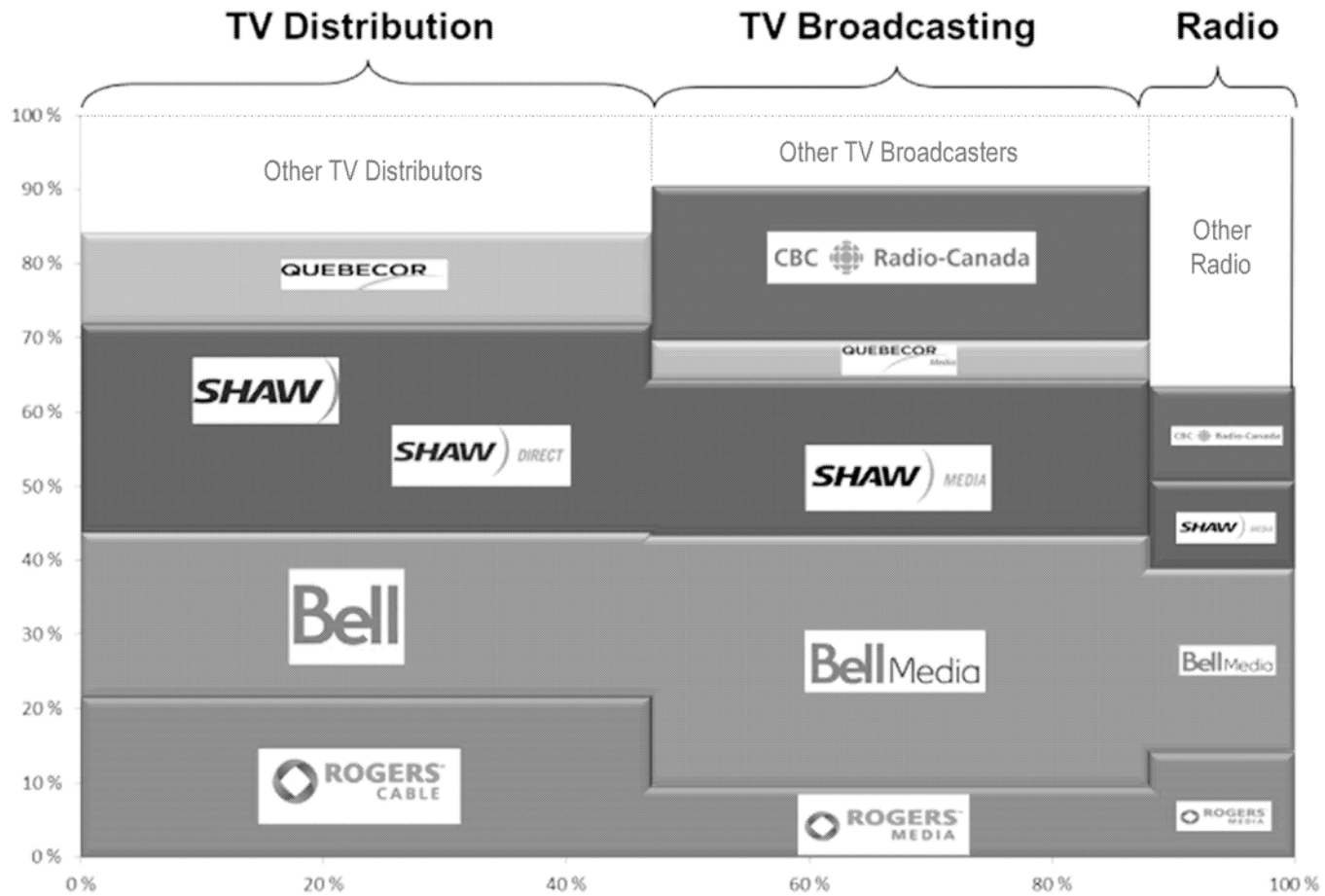
### French Radio Industry Revenue In \$ Millions



Source: CRTC 2012  
\* Bell includes all Astral radio revenues for 2012

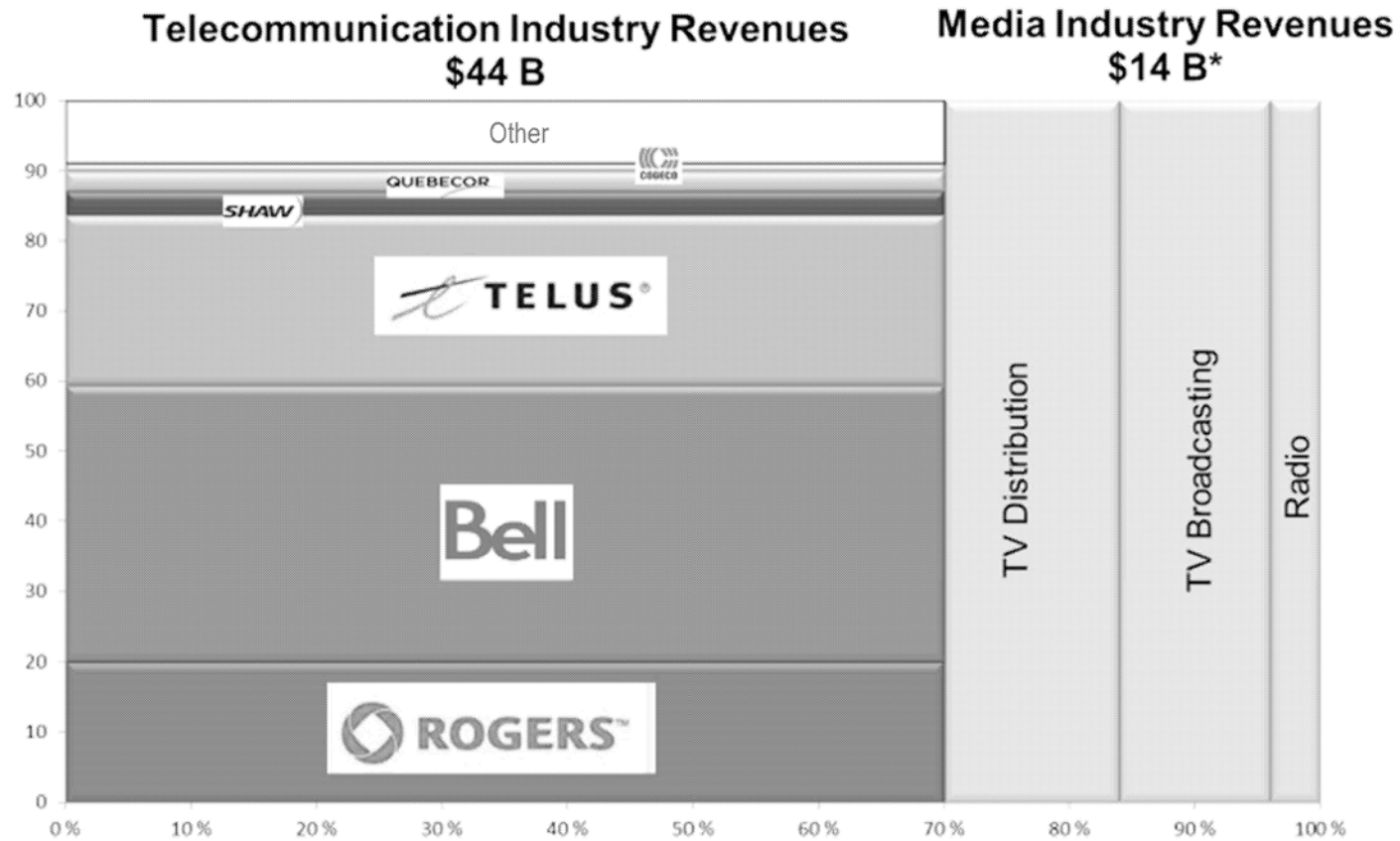


# However, Broadcasters Have Largely Been Acquired by Much Larger TV Distributors



Source: CRTC 2012  
 \* Bell includes all Astral Revenues for 2012.

# ... Who also Happen to Be Part of Telecom Giants

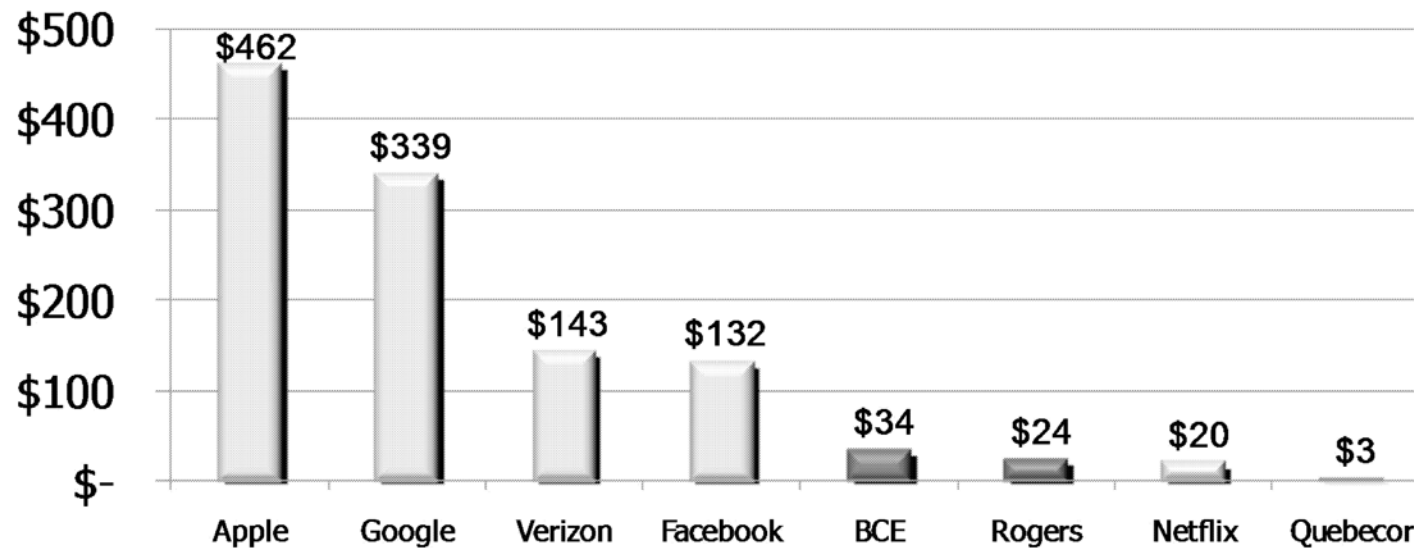


Source: CRTC 2012 and Company Reports

\* Net of \$3B in affiliate payments that TV distributors pay TV broadcasters (i.e. specialty/pay TV wholesale subscribers fees)

# The Internet Opens Up Our Border to New, Bigger Competitors

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



Source: Marketwatch.com, October 21, 2013

# ... Many of Whom Are Trying to Change the Business



However, Apple, Google and Netflix have also proven to be partners

## Key Takeaways

- A generation ago, CBC/Radio-Canada was a **giant** in the broadcasting industry
- Today, Radio-Canada still has the **most financial resources for TV and radio broadcasting in the French market.** CBC TV is the **third largest in the English market**
- However, private broadcasting assets are largely **integrated into companies in the much larger distribution/telecommunication industries**
- In addition, the internet has opened Canada's borders to **global competitors** (and **potential partners**)

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# There Are Three Principle Sources of Revenues in the Broadcasting Industry

## 1. Advertising

Helping advertisers reach consumers

## 2. Subscription

Helping consumers fulfill their demands

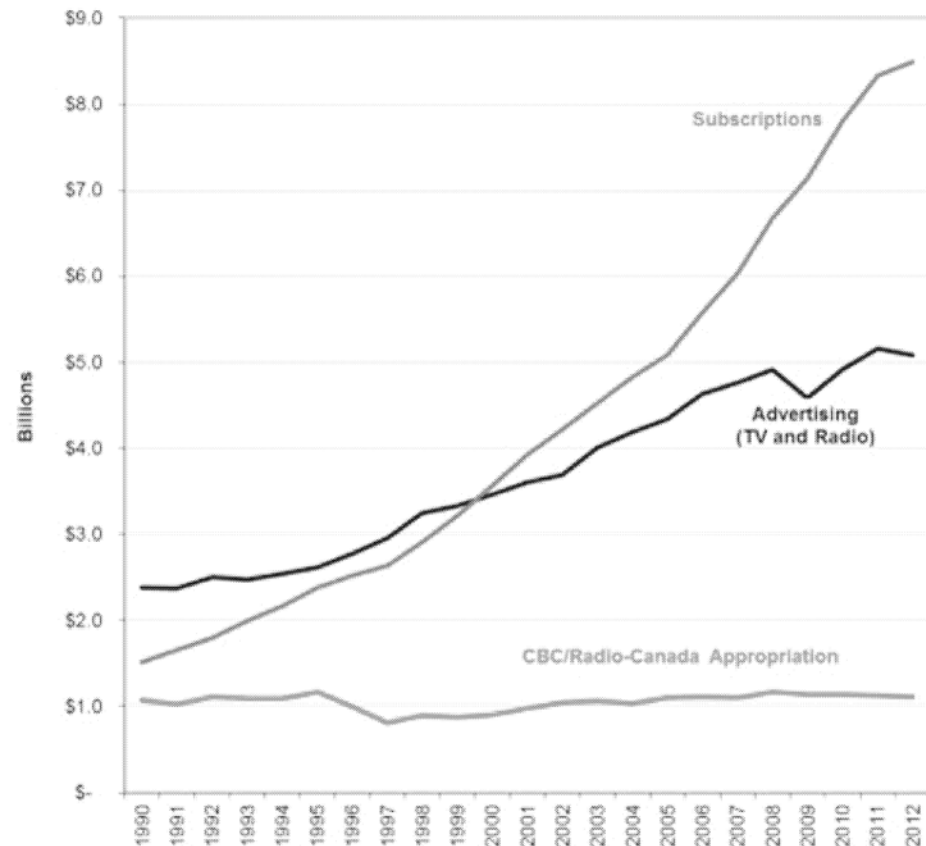
## 3. Public Funding

Helping achieve public policy goals

# Massive Shifts in Revenues Have Reshaped the Industry

- A generation ago, **subscriptions** were small. Now they are the **driving revenue source** in the industry
- **Advertising** has been **growing**, but recent years has **experienced instability**
- **Public funding** has been relatively **flat in comparison**

Canadian Broadcasting Industry Revenues



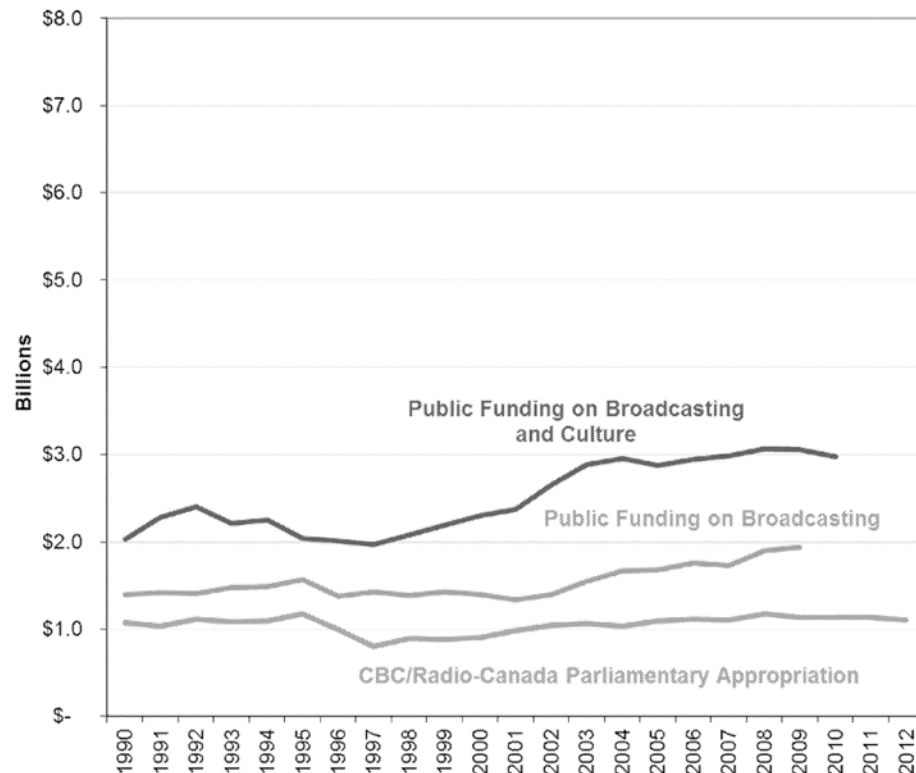
Sources: Statistics Canada, CRTC and CBC/Radio-Canada Research and Analysis estimates



# Parliamentary Appropriations Make Up a Significant Part of Federal Public Funding on Broadcasting

- CBC/Radio-Canada's **parliamentary appropriation** is about the same as it was 20 years ago **in nominal dollars**

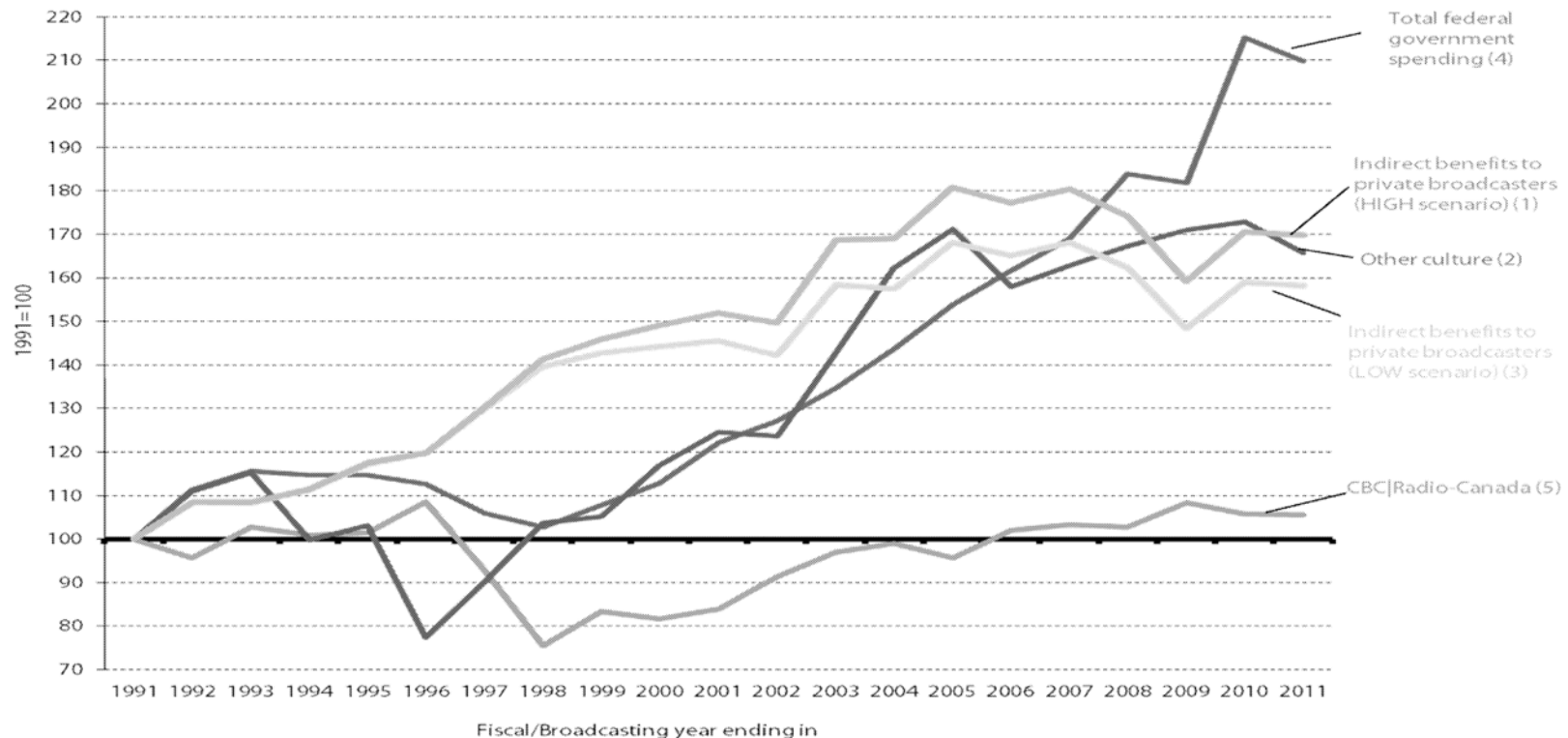
Canadian Broadcasting Industry Revenues:  
Public Funding



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

# CBC/Radio-Canada Trails Other Public Priorities

## Federal government expenditures and economic support of culture, 1991 = 100



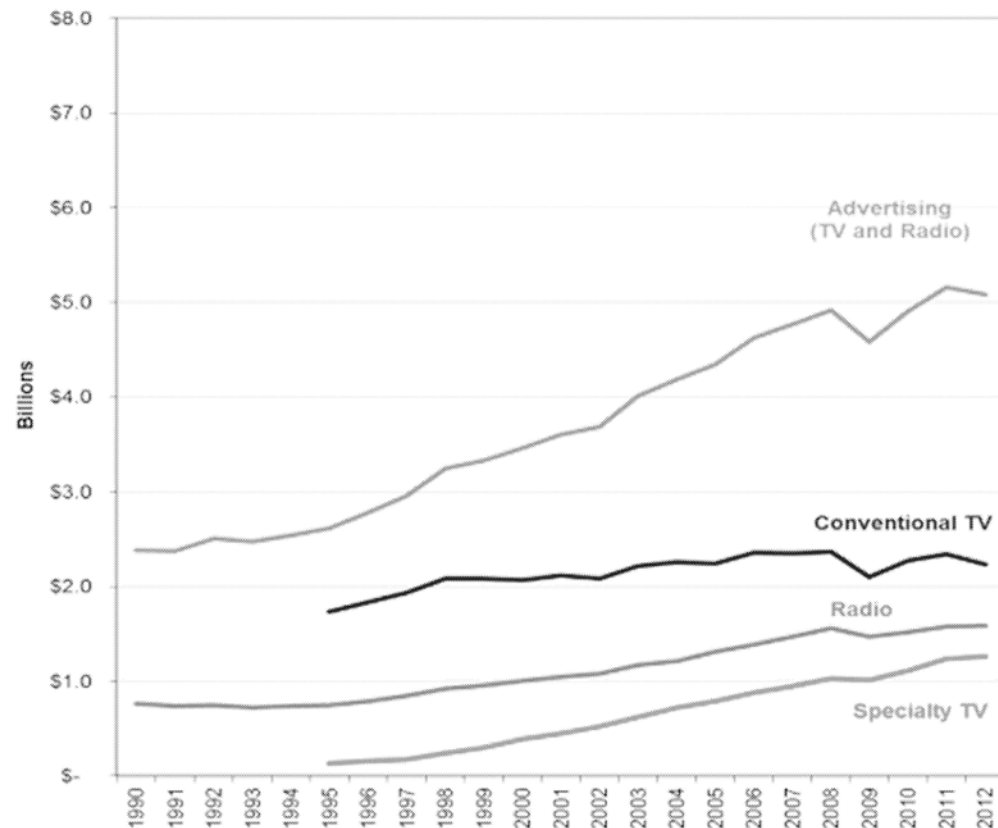
Source: Nordicity calculations based on data from Statistics Canada, CANSIM, matrix 325-0002; Public Accounts for Canada; CRTC; Donner and Lazar; and CBC/Radio-Canada.

- (1) Indirect benefits to private broadcasters (HIGH scenario) are the sums of estimates for simultaneous substitution and section 19.1.
- (2) Other culture includes all federal government expenditures on culture and broadcasting, excluding payments to CBC/Radio-Canada.
- (3) Indirect benefits to private broadcasters (LOW scenario) are the sums of estimates for simultaneous substitution and section 19.1.
- (4) Total federal government spending includes all spending except for national defence and debt payments.
- (5) CBC/Radio-Canada includes annual parliamentary appropriation and estimate of indirect benefit of section 19.1.

# Broadcast Advertising Has Been Struggling Since the Recession in 2008

- **Specialty TV** advertising is the fastest growing broadcast category
- **Conventional TV** advertising has not fully recovered since the recession
- **Radio** advertising continues to grow slowly

Canadian Broadcasting Industry Revenues: Advertising

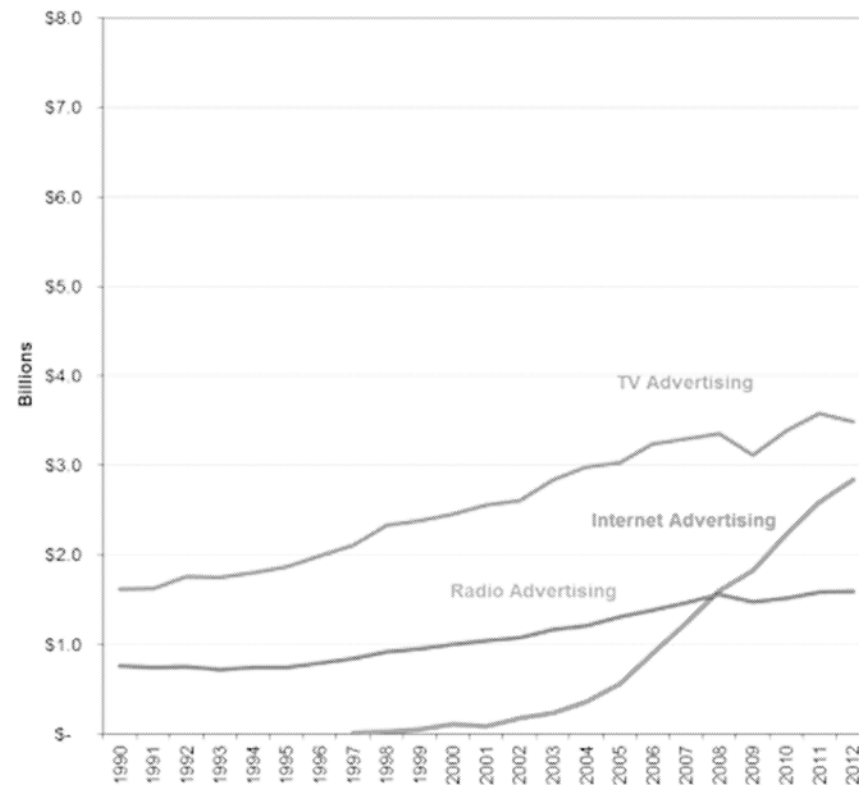


Source: Statistics Canada, CRTC

# The Level of Internet Advertising Revenue Has Surpassed Radio and Is Approaching TV

- All sorts of **non-media time** spent on the Internet, like communication (e.g. facebook) and research time (e.g. Google) **can be measured and sold to advertisers**

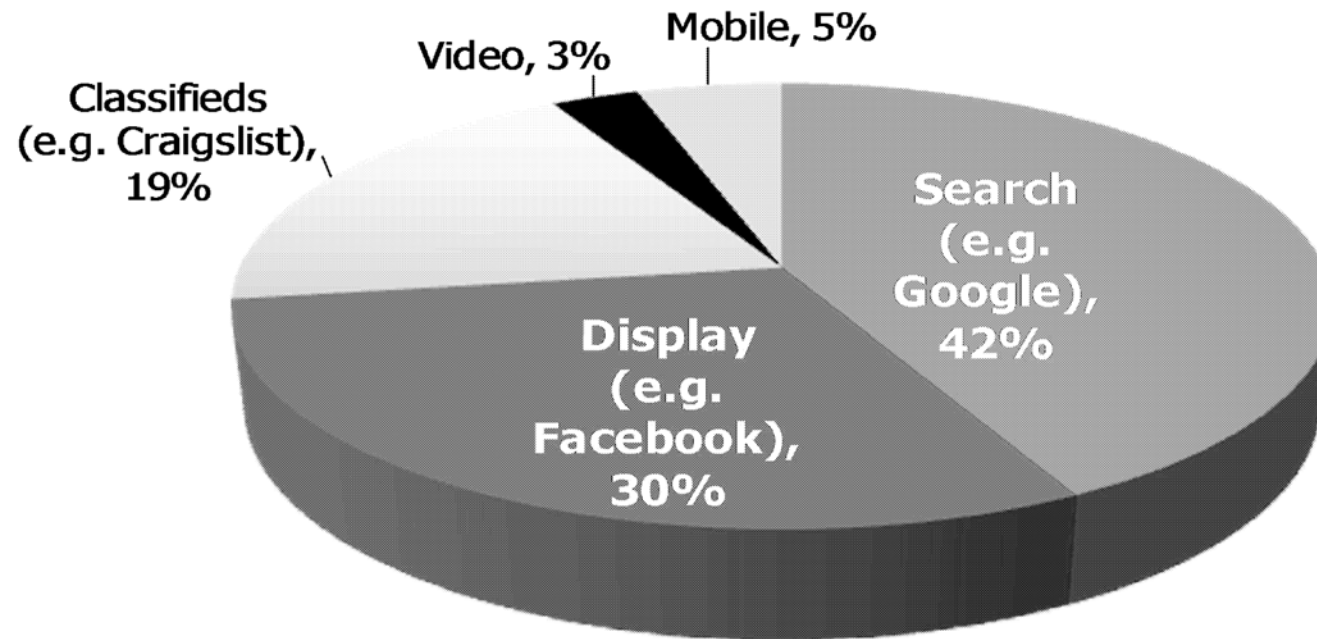
**Canadian Industry Revenues:  
Broadcast and Internet Advertising**



Sources: Statistics Canada and Internet Advertising Bureau

# Most Internet Advertising is Driven Foremost by Software Companies

## Internet Advertising Revenue by Category

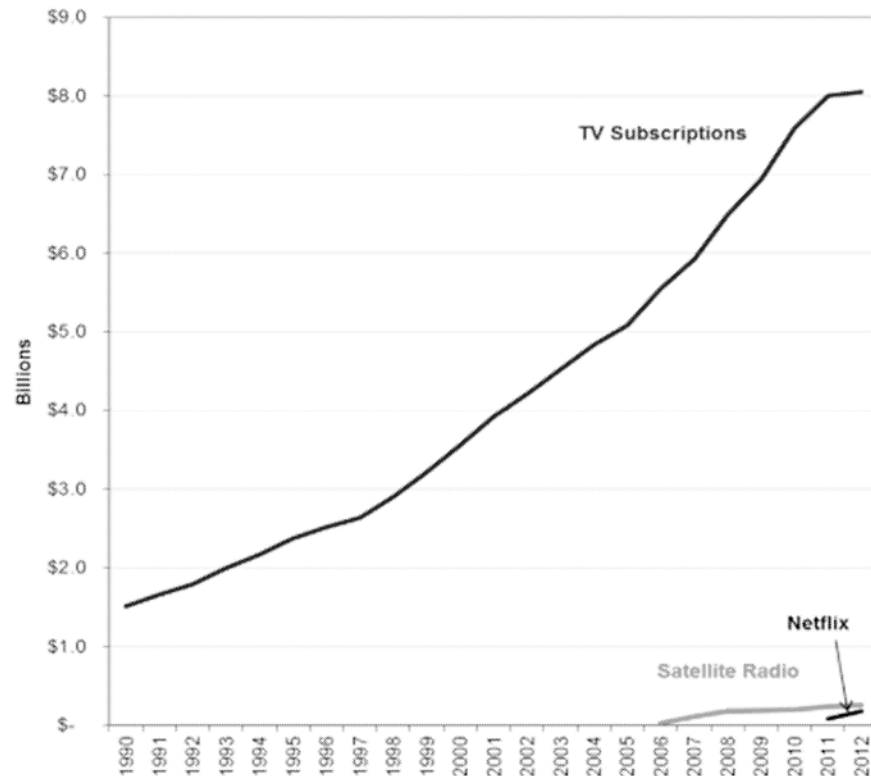


Sources: Internet Advertising Bureau (September 2013)

# Consumers Demand More Choice and Convenience and They Have Been Paying for It

- **Traditional TV subscriptions (e.g. cable TV)** still capture the lion's share of dollars, but growth slowed recently for the first time ever
- **Netflix** has quickly emerged on the scene, but is smaller than perceived
- Canadians can also subscribe to audio services via **satellite radio**

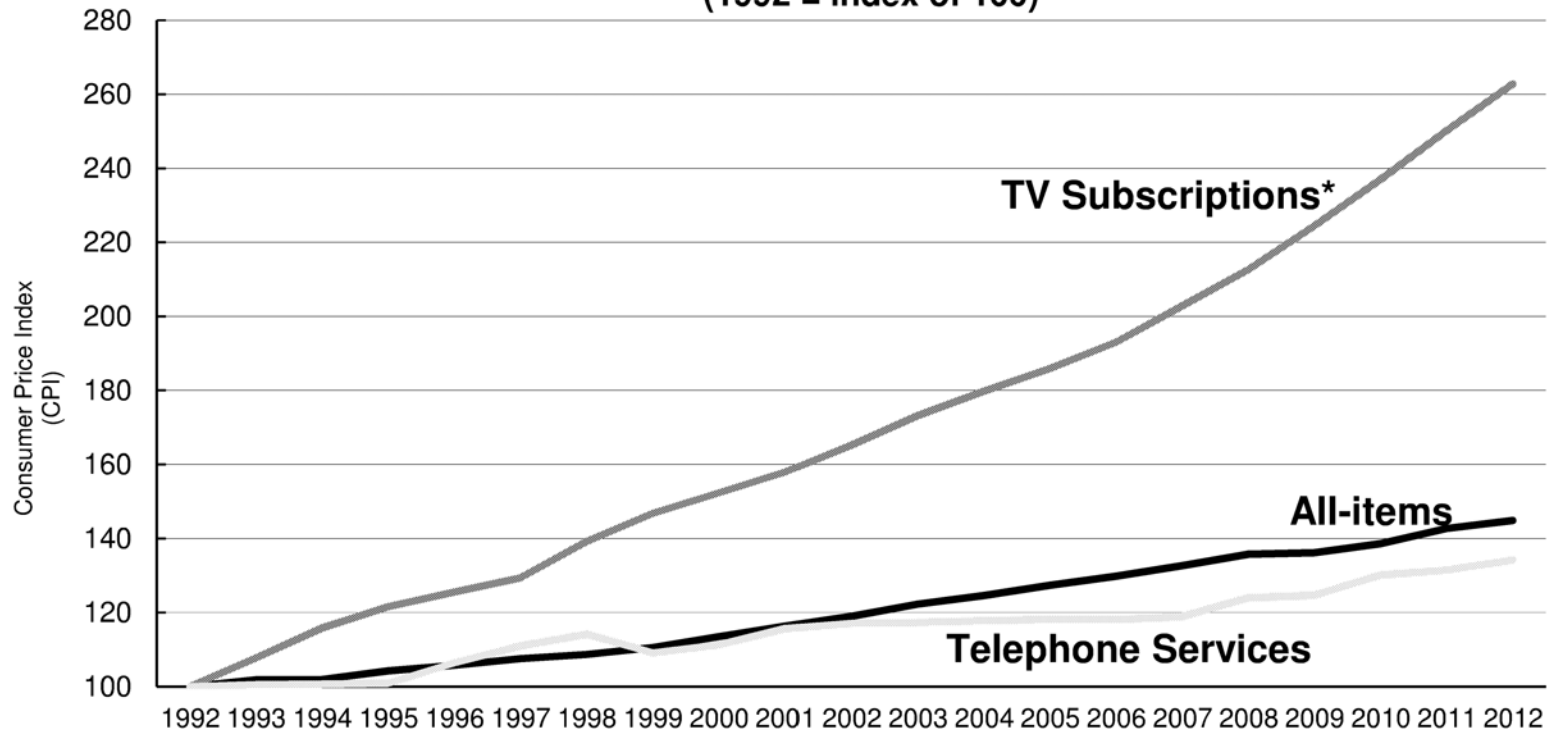
Canadian Broadcasting Industry Revenues: Subscriptions



Sources: Statistics Canada, PwC (Satellite Radio) and CBC Research and Analysis

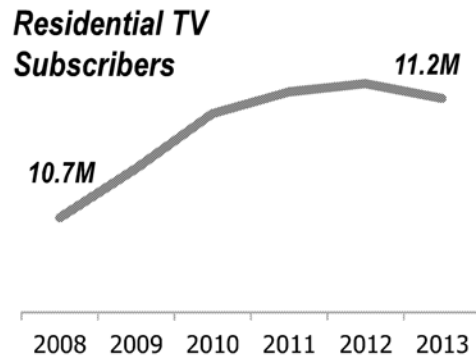
# TV Distribution Price Increases Far Outstrip Cost of Living Price Increases

**Inflation Rate as Measured by the Consumer Price Index  
(1992 = index of 100)**



\* Category includes Cable, DTH and other TV subscription services  
Source: Statistics Canada (Table 326-0021)

# Pressure Is Building on the TV Subscription Business Model



**TV subscribers have slowed since 2010**, but now they are showing their first signs of decline. Competition from free/low cost online TV is suspected to be the reason.

**+0.6%**

*TV subscriber revenue growth 2012 vs 2011*

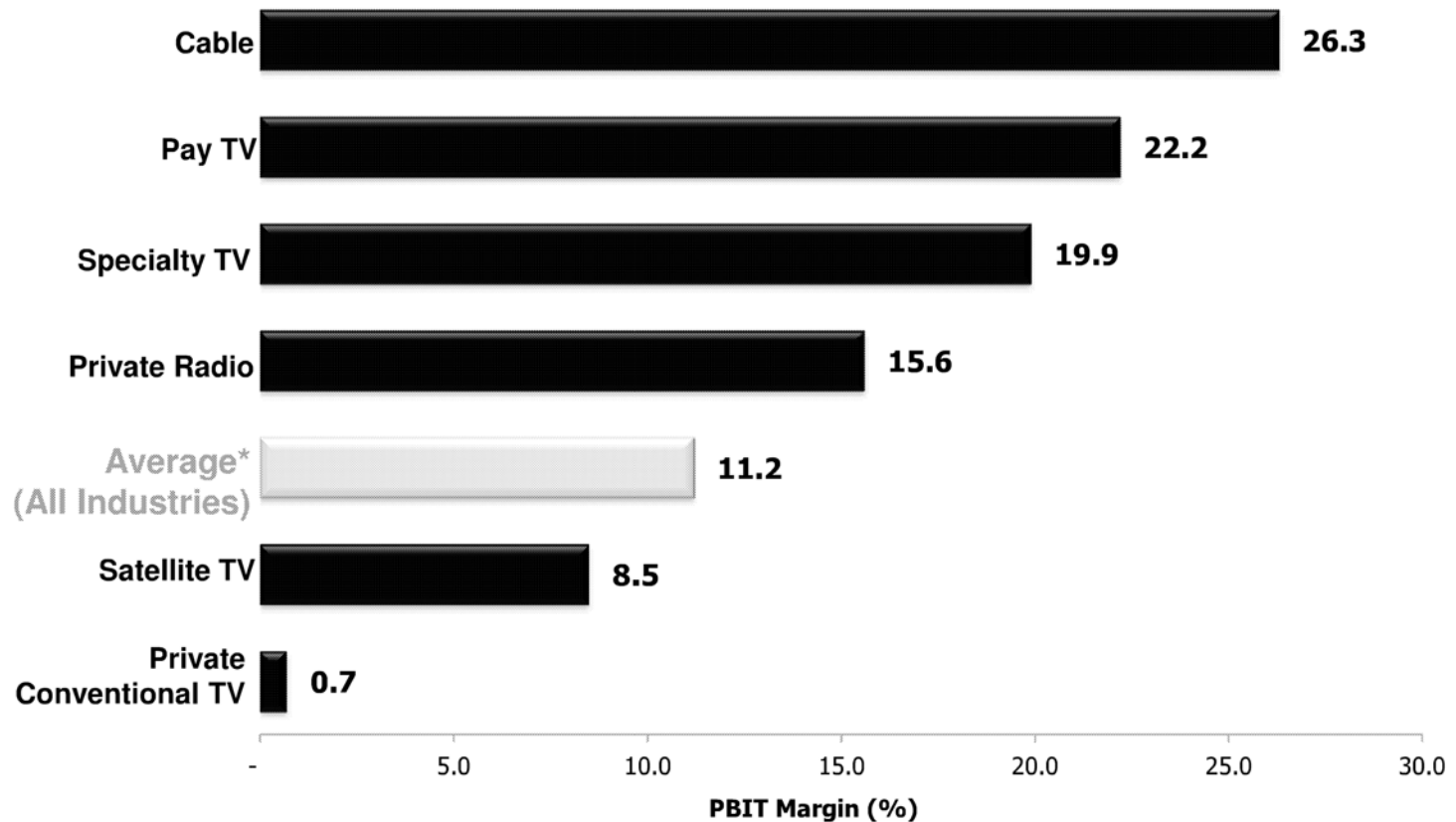
**TV subscription revenue was virtually flat for the first time ever**, due to a combination of subscriber slow-down and increased competition from telcos (e.g. Bell Fibe TV, Telus Optik TV)

Source: MediaSTATS (subs), CRTC (sub revenue)



# Conventional TV Is the Least Profitable Broadcasting Sector

## Profit Margin of Select Industries (2012)

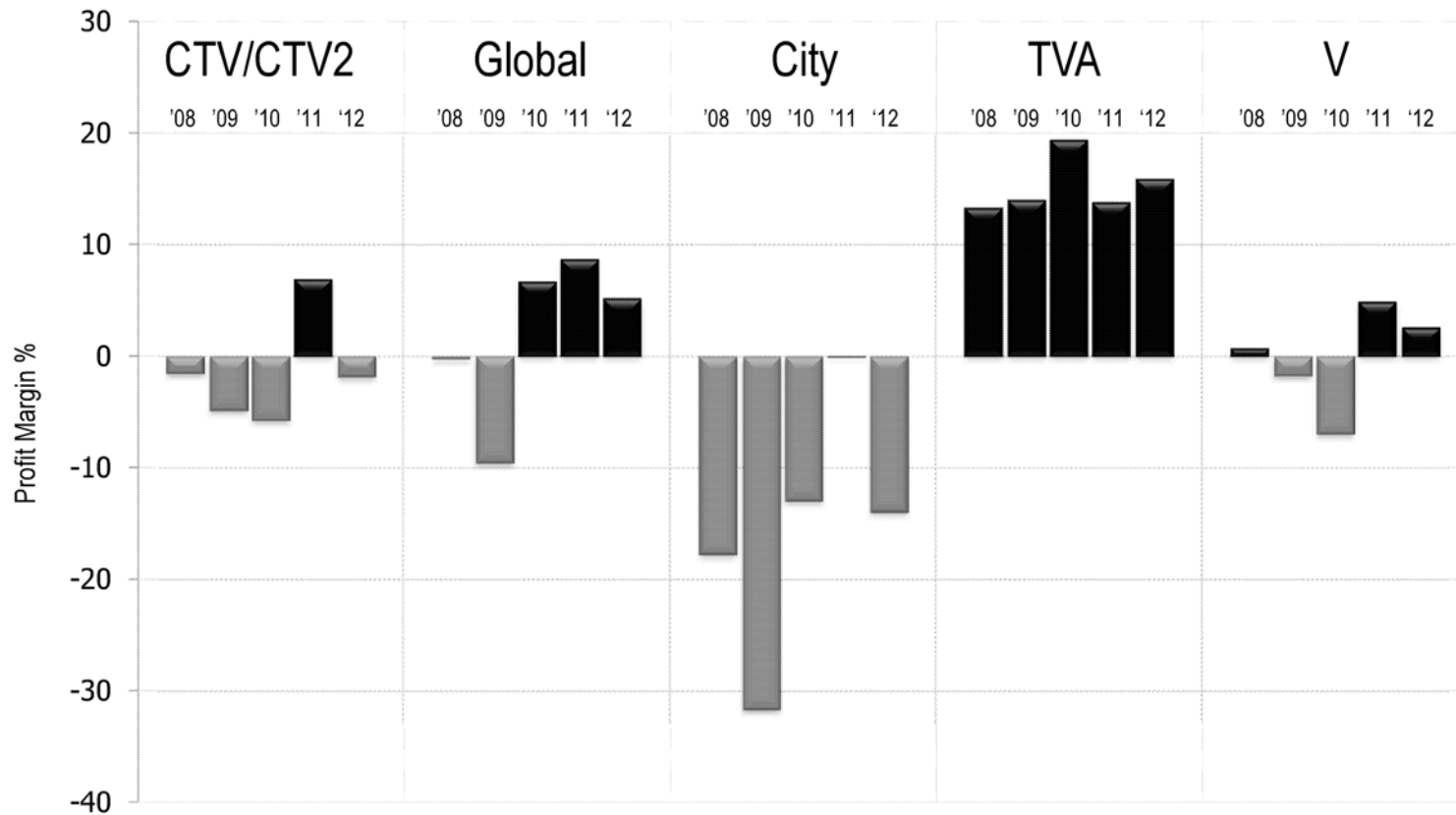


Sources: Statscan and CRTC TV, Radio and BDU summaries 2012

\* Based on Third Quarter 2012 (Statscan Quarterly Financial Statistics for Enterprises Cat. no. 61-0008-x)

# ... Some Conventional TV Broadcasters Have Held Up Better than Others

**Profit Margin (PBIT %) of Major Private Conventional Television Ownership Groups 2008-2012**



Source: CRTC, Aggregate Returns

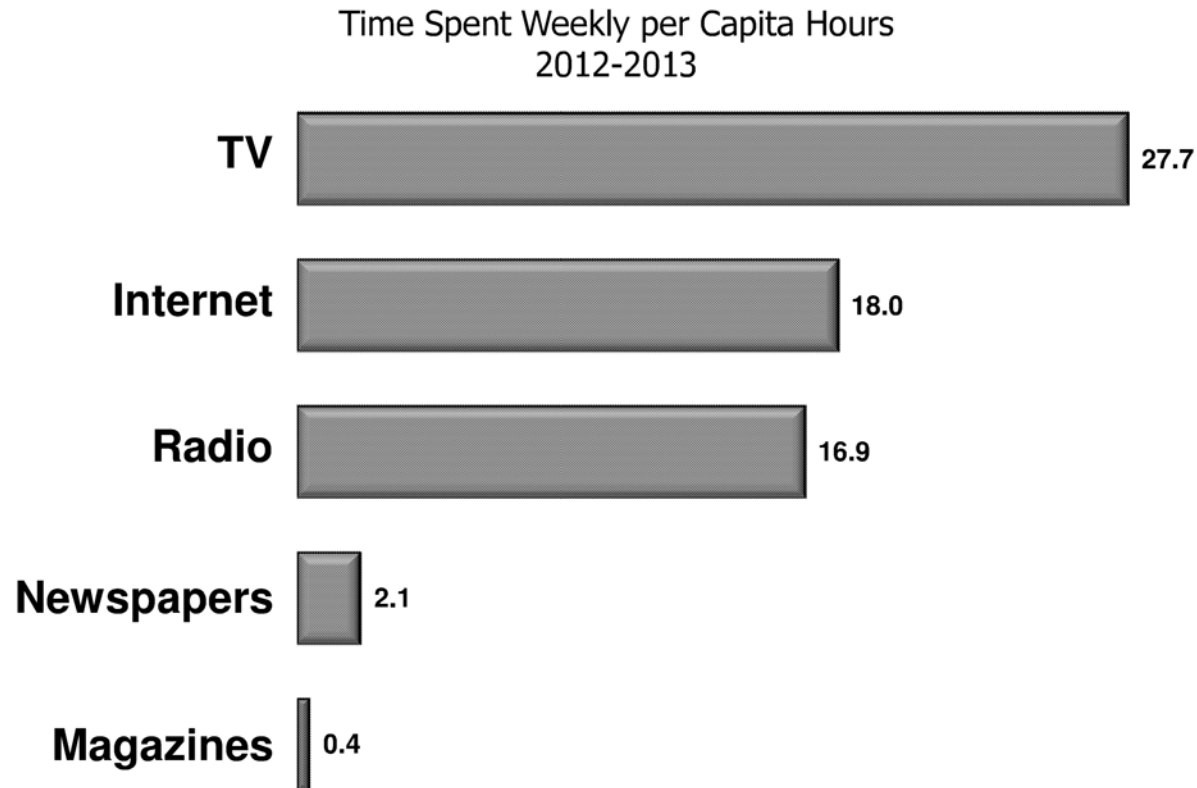
## Key Takeaways

- A generation ago, **advertising was the largest source** of revenue in the broadcasting industry and **public funding was significant**
- Today, **subscription revenue is by far the largest** source but **pressure on the model has emerged**
- As time spent on the Internet grows, **advertisers are allocating spending on-line** and software companies dominate
- Conventional TV's business model is **under pressure**
- **Public broadcasting trails other public priorities**

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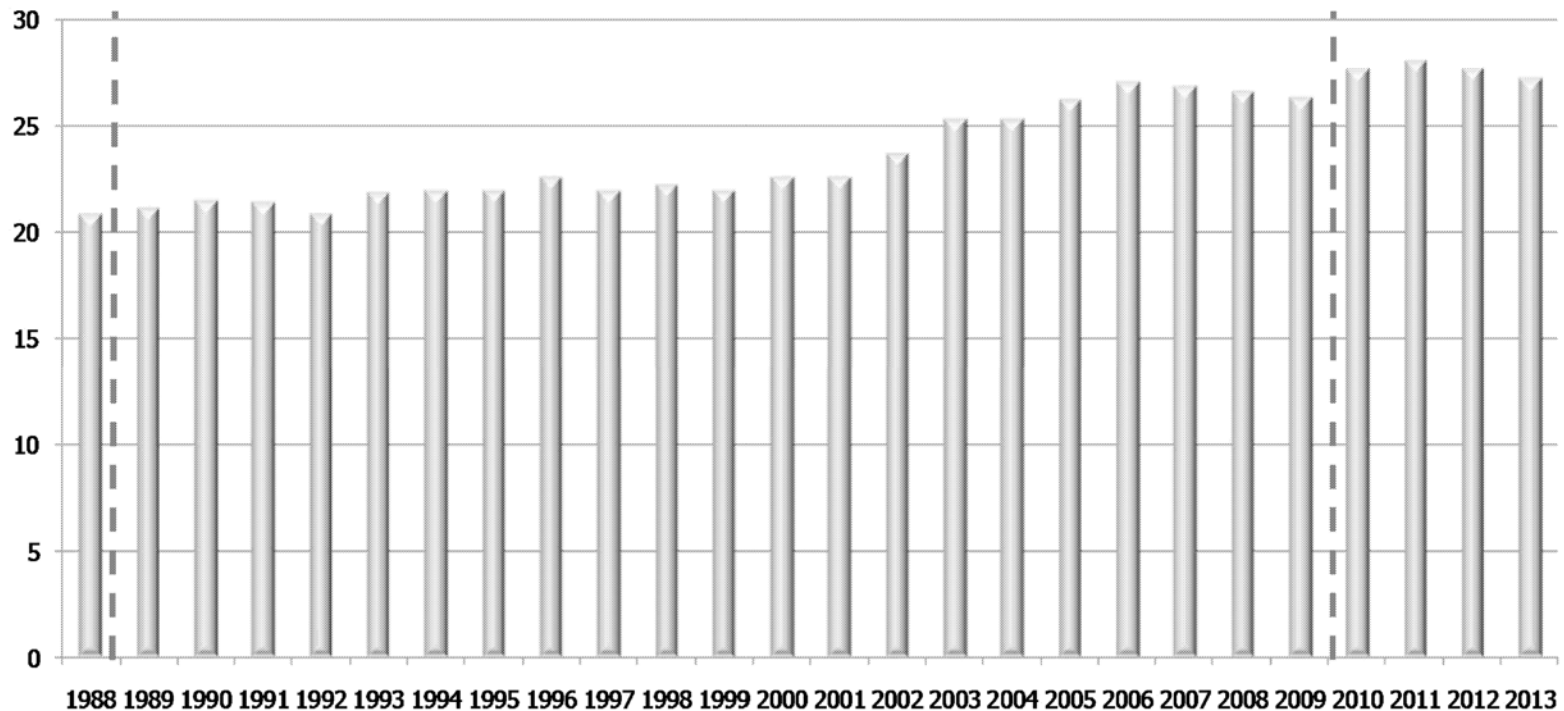
# Research Shows that Television Is by Far the Most Used Media



Sources: BBM Analytics, RTS (Fall/Spring), Canada, 18+ [Internet, Newspapers, Magazine]; BBM, Broadcast Year, Canada, 2+ [Television]; BBM, Fall diary, Canada, 12+ & BBM PPM Canadian 2+ [Radio]

# Canadians Are Watching as Much TV as Ever, Even Without Including Online TV

**TV Viewing Per Capita, 1988 to 2013,**  
All Persons 2+, Hours/Week

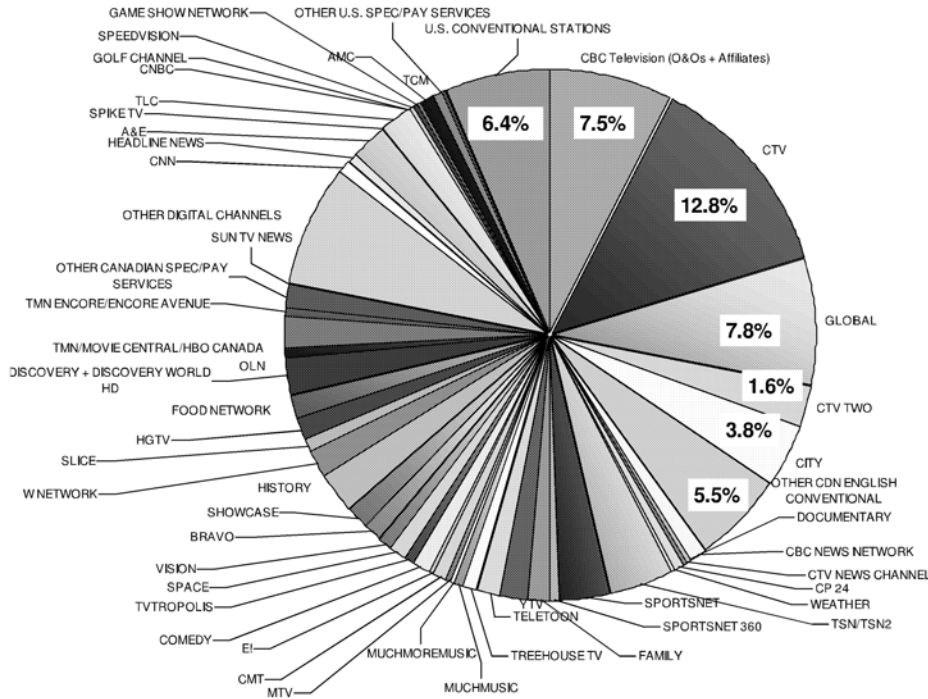


Source: CBC/Radio-Canada Research and Analysis (BBM Nielsen, BBM)

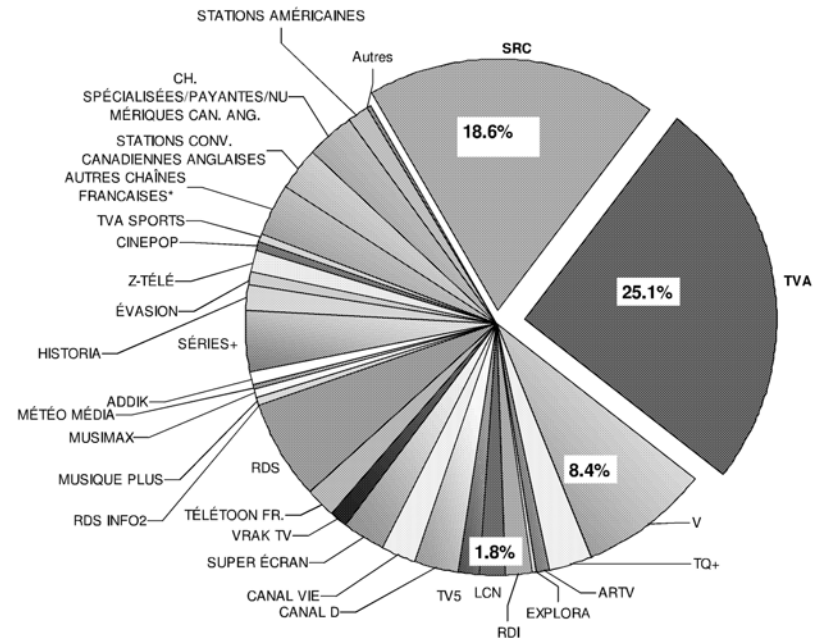
Note: The lines indicate methodological changes

# The Audience in Canada Is Highly Fragmented...

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



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

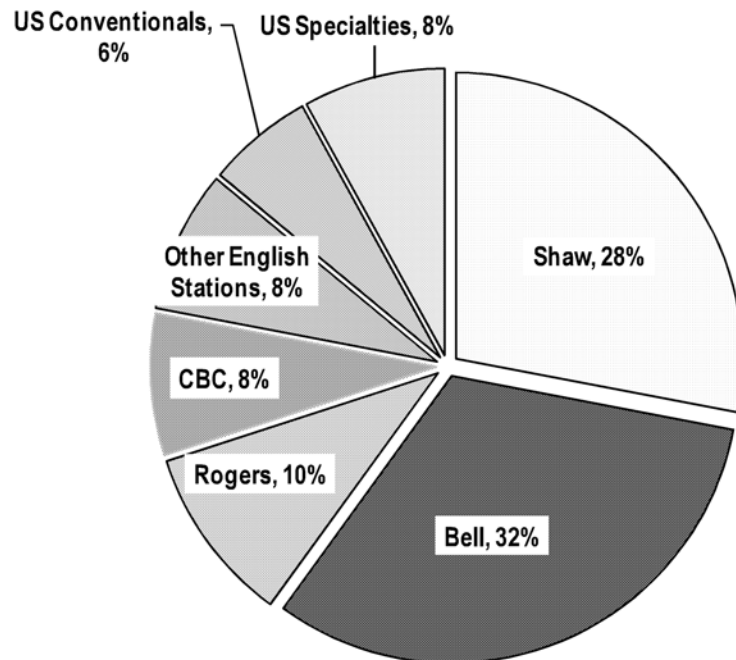


\*Includes TFO and other Cable French Stations

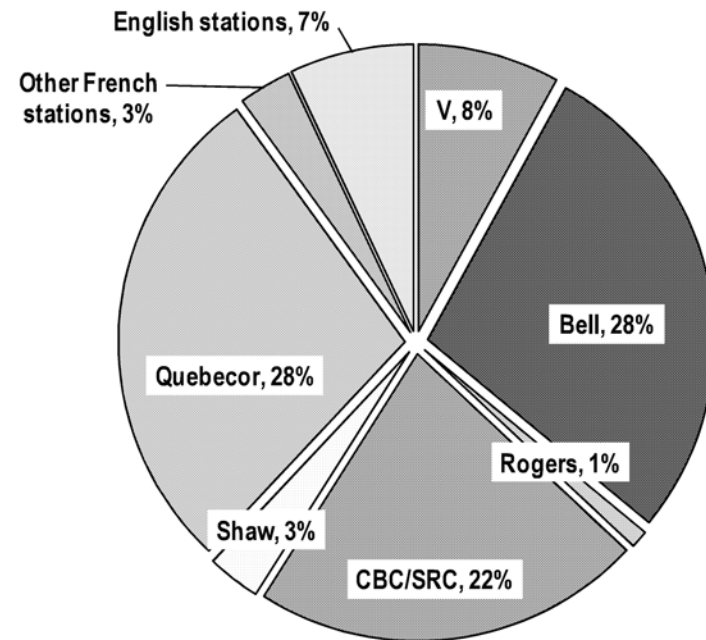
Source: CBC/Radio-Canada Research and Analysis (BBM – PPM, 2+, Broadcast Year 2012-2013)

# But Ownership of TV Services Is Concentrated

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



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



Note: In June 2013, the CRTC approved the acquisition of Astral by Bell Media.

Bell includes viewing to Astral stations.

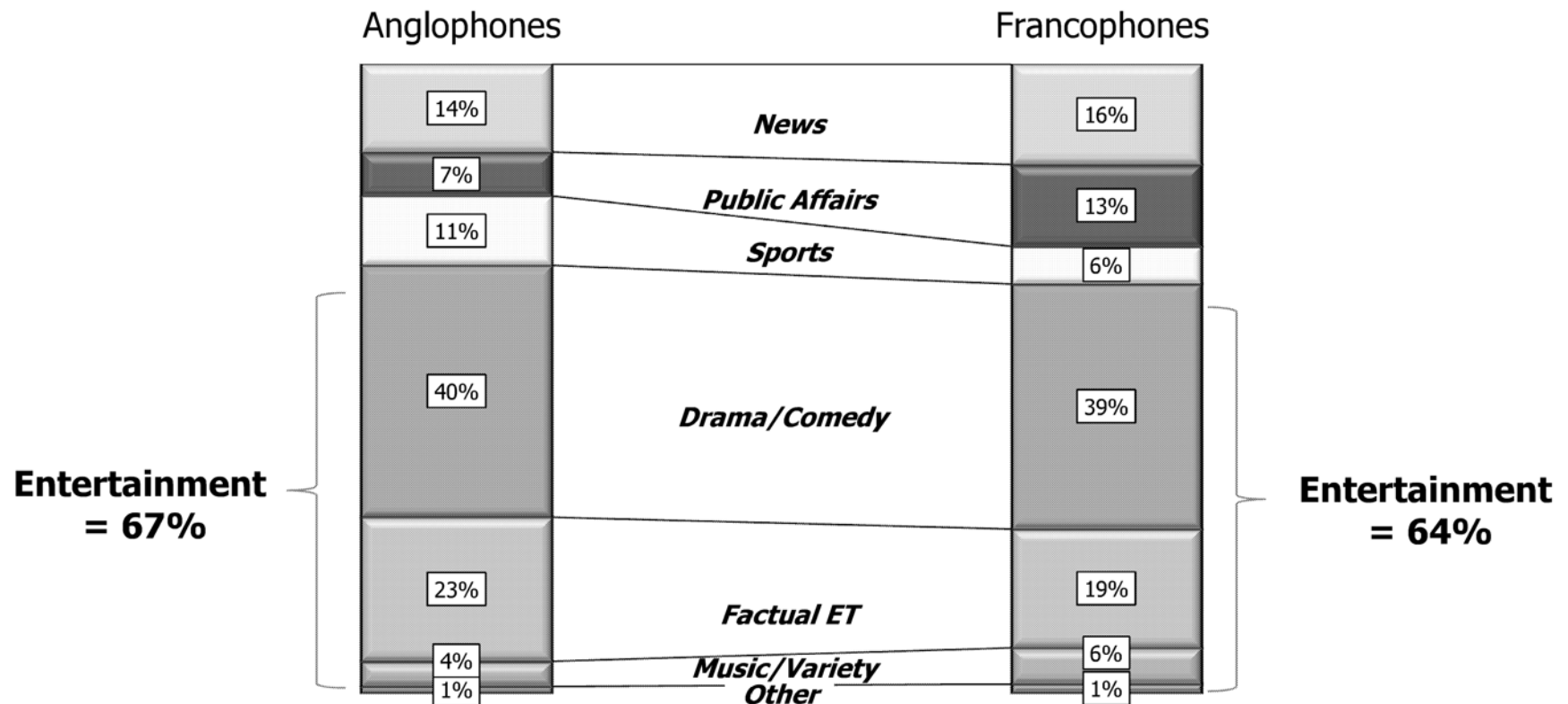
Shaw includes viewing to Corus stations

Source: CBC/Radio-Canada Research and Analysis (BBM – PPM, 2+, Broadcast Year 2012-2013)



# Most Canadians Watch TV to be Entertained

## Distribution Of Viewing Hours To Television by Genre 2012-13



Note: There are many popular public affair shows on french television e.g. Découverte, Denis Lévesque Enquête, J.E., La Factice, La semaine verte, Salut Bonjour, L'Épicerie, etc.

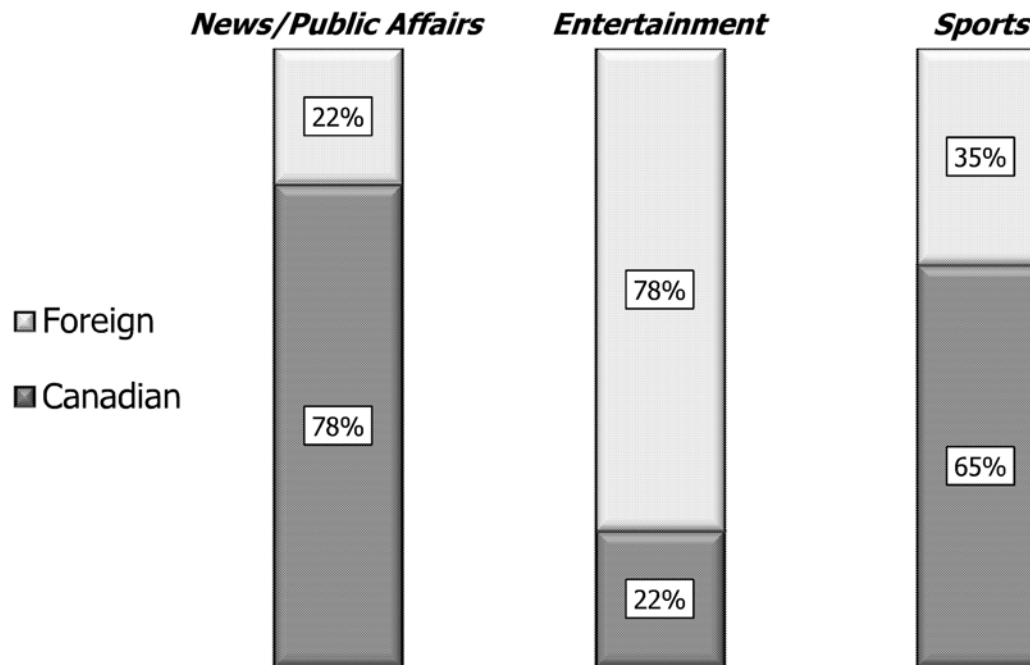
The "other" category relates mainly to Kids programming.

Source: CBC/Radio-Canada Research and Strategic Analysis, Canada minus Qc Franco & Qc Franco 2+, Viewing to Total TV (BBM - PPM (BBM)

56

# English Canadians Prefer Foreign Entertainment Content

Distribution Of Viewing by Country of Origin  
Canada minus Qc Franco, 2+  
2012-13



Source: CBC/Radio-Canada Research and Strategic Analysis, Canada minus Qc Franco 2+, Viewing to Total TV (BBM - PPM (BBM)

# Which Is Unique in the World

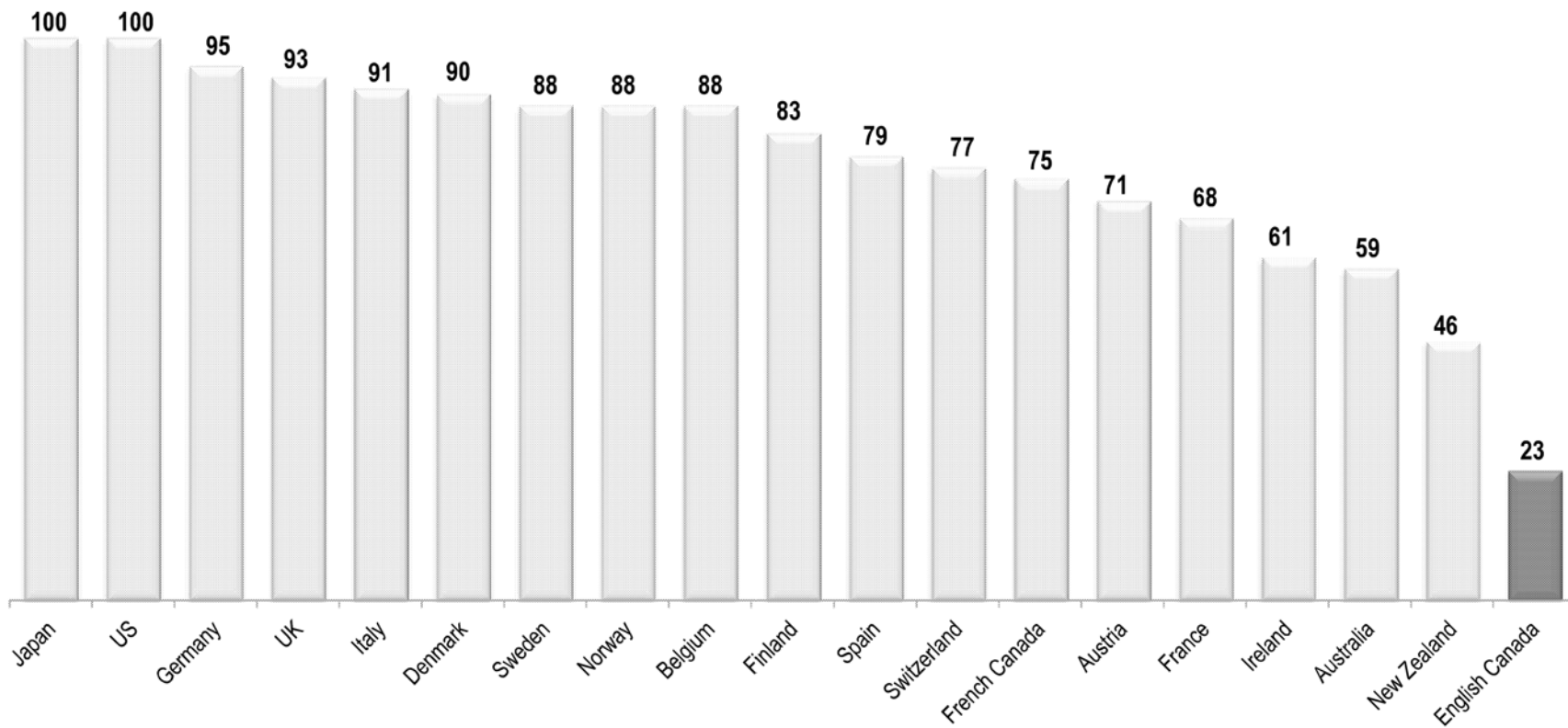
English Canada is the only country in the world where the top 10 programs are dominated by foreign titles

Belarus is an Exception...  
They love Russian programming



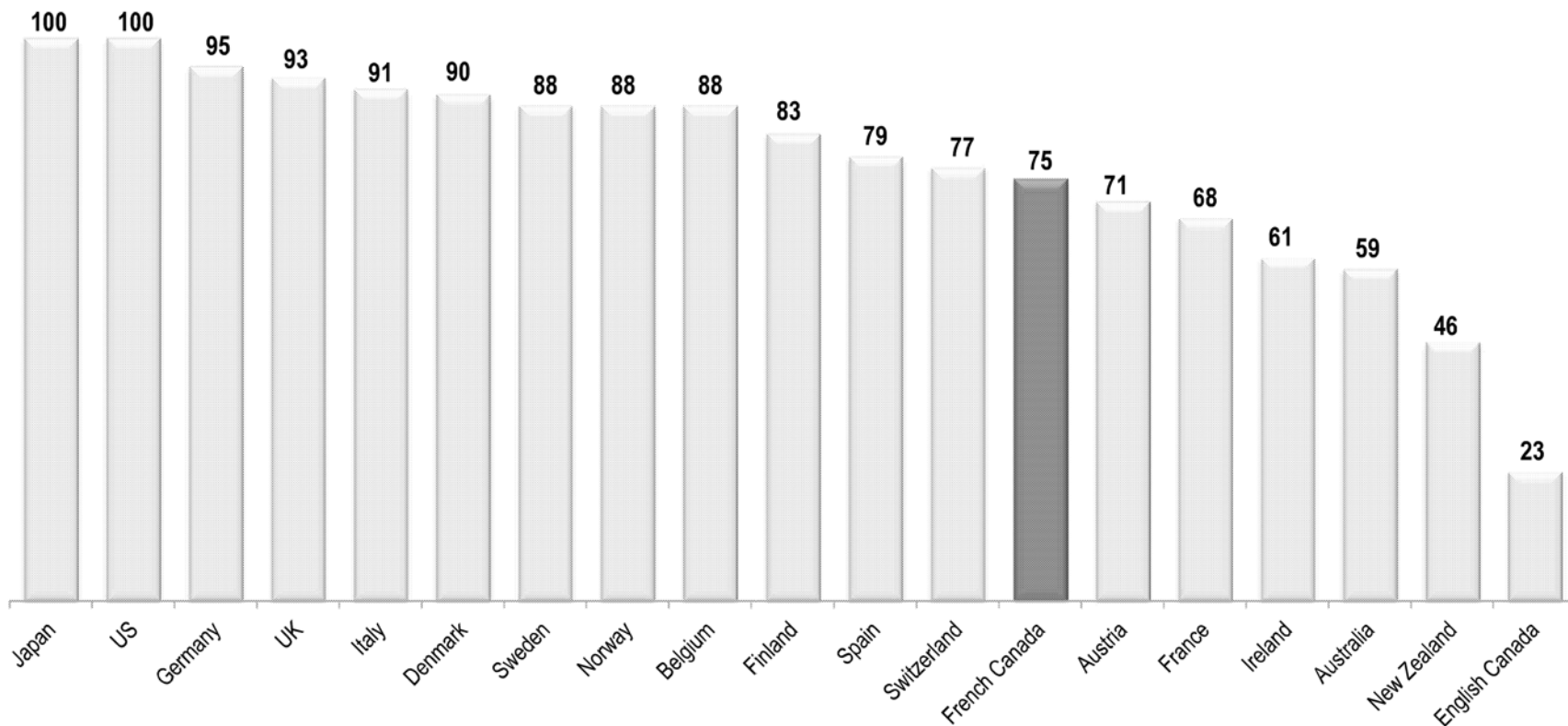
# ... and Runs Deep

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



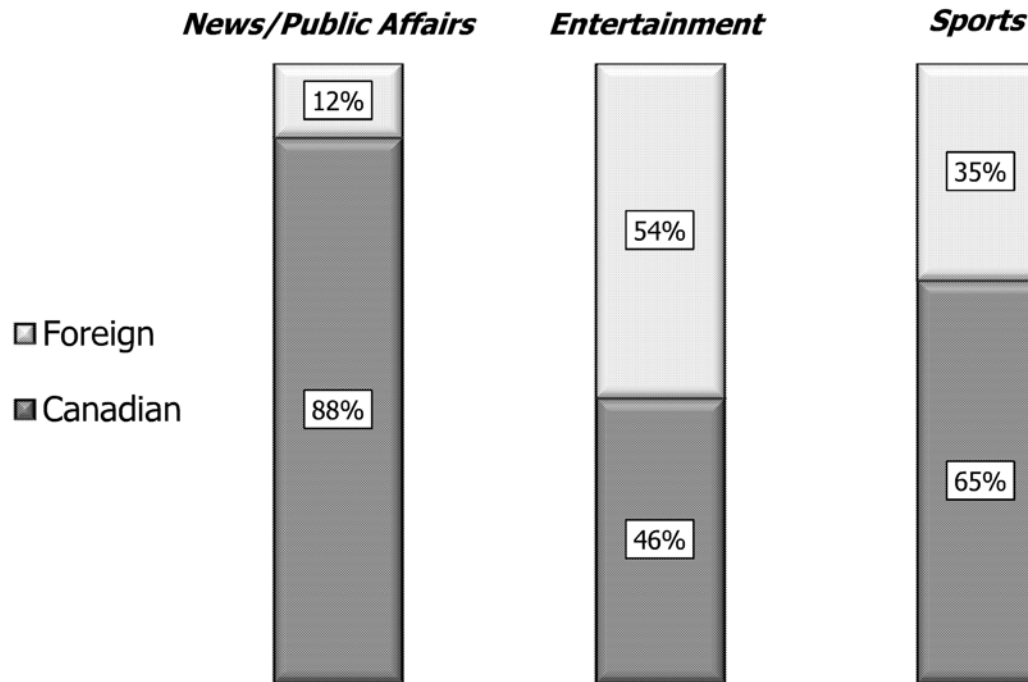
# Conversely, French Canadians Overwhelmingly Prefer Their Own Programs

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



# However, Francophones also Watch a Significant Amount of Foreign Entertainment

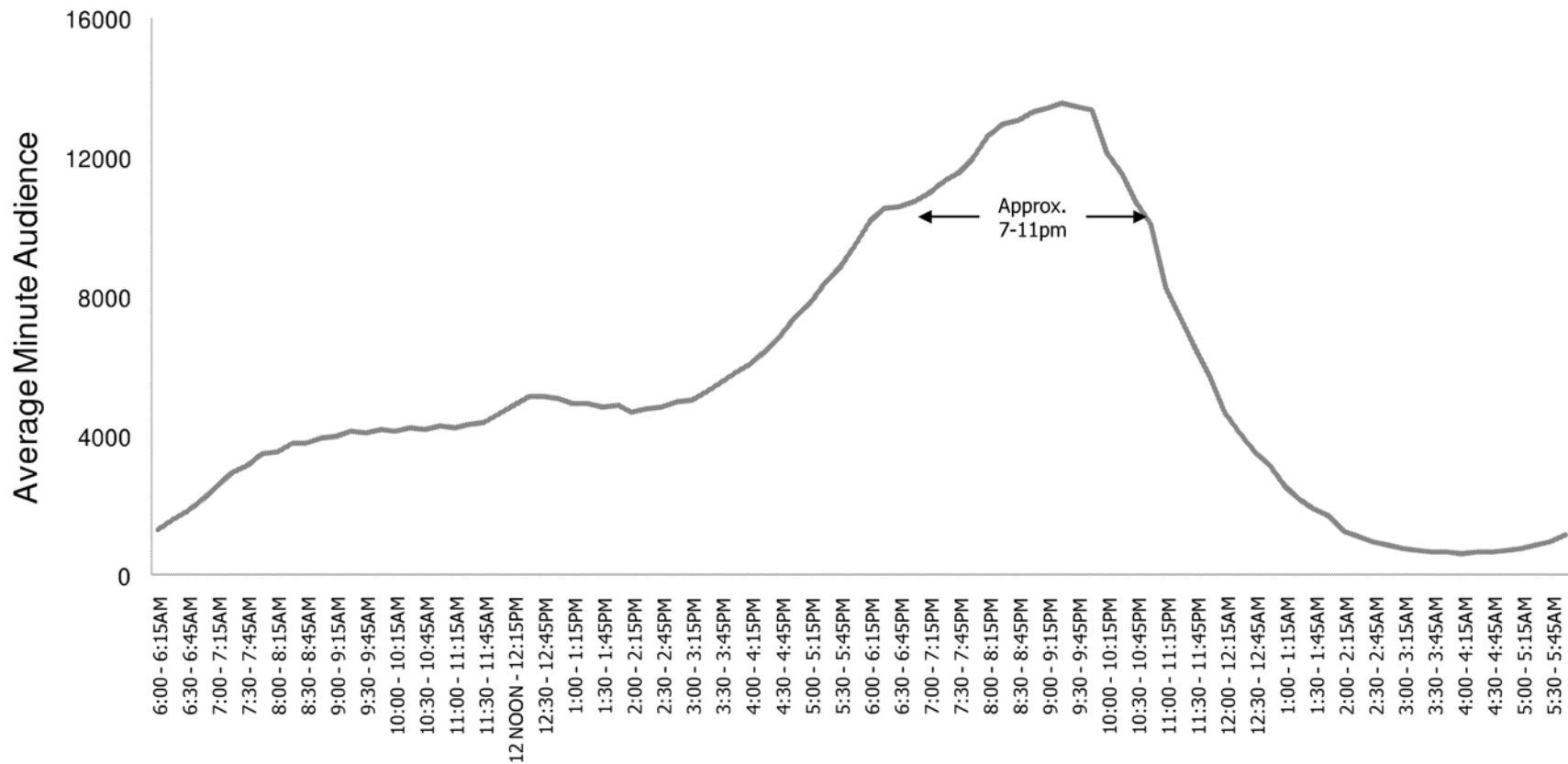
Distribution Of Viewing by Country of Origin  
Qc Franco 2+  
2012-13



Source: CBC/Radio-Canada Research and Strategic Analysis, Québec Franco 2+, Viewing to Total TV (BBM - PPM)

# Prime Time Still Matters: TV Viewing Is Concentrated in the Evening – Between 7 pm and 11 pm

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



Source: CBC/Radio-Canada, Research and Analysis, BBM – PPM, 2+, Broadcast Year 2012-2013

# Some Canadians Are Moving from Channels to Non-linear

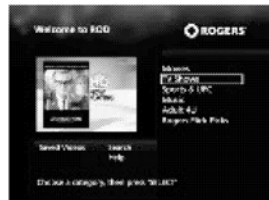
## *Penetration or Reach of Select Non-Linear Video Technologies*

PVR



42%

Cable VOD



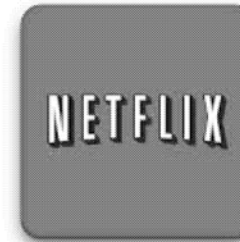
11%

All Internet TV



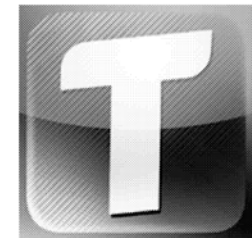
38%

Netflix



25%

Tou.tv



30%

Source: MTM (Spring 2013), Canadians 18+ accept Netflix and Tou.tv which are Anglophones and Francophones, respectively  
Notes: Penetration (PVR, Netflix), Past Month reach (VOD, Internet TV, Tou.tv)



# We Can See the Shift Happening: About 10% of TV Viewing Is Now Non-linear



## Limited Channel Choices

**4%** of all TV viewing is directly from off-air TV transmitters.\*



## Multichannel Choices

**85%** of all TV viewing is from a multichannel TV platform, principally cable or satellite TV.\*



## Non-Linear Choices

**6%** of all TV viewing is playback from a playback device (e.g. PVR, VCR)\*

**5%** of TV viewing is from the Internet, including Netflix^

Source: CBC/Radio-Canada estimates (BBM, MTM)

\* BBM: All Persons 18+, Total Canada, Total TV, 24/7, March and April 2013

^ MTM: All Persons 18+, Total Canada, Spring 2013, Total Time Spent viewing TV on the Internet, including Netflix

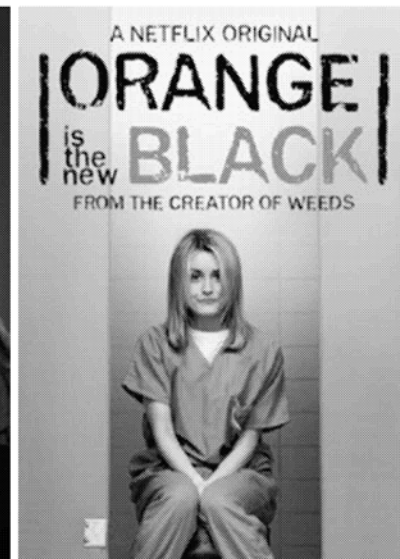
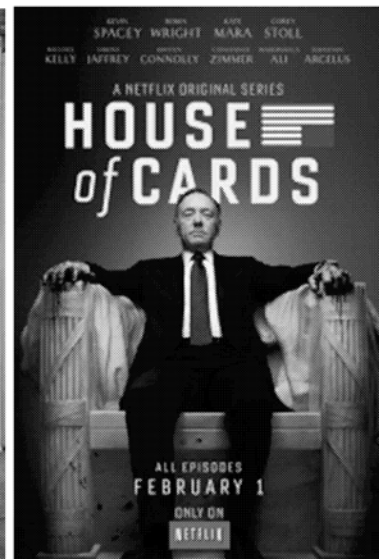
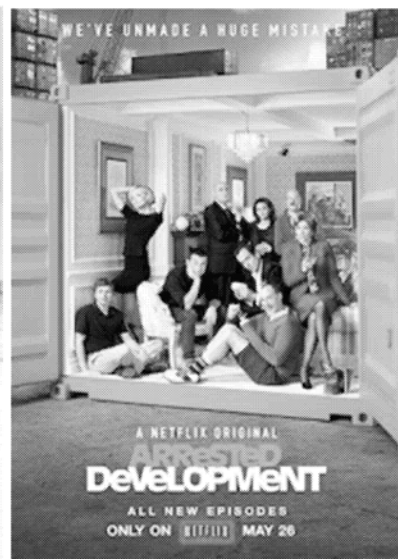
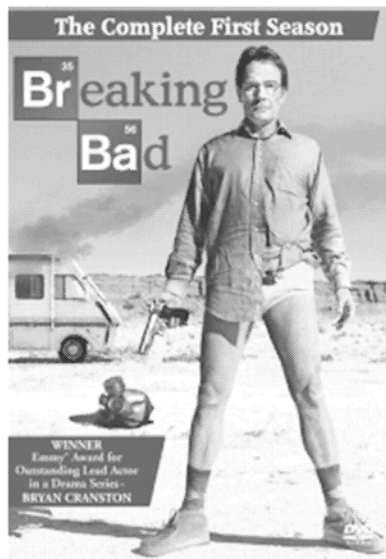
# Netflix Has Clearly Demonstrated Consumer Demand for Non-linear, and Multi-screen TV

**One-quarter of Anglophone Canadians** have adopted Netflix in less than three years, and they spend an average of **6 hours a week** viewing it

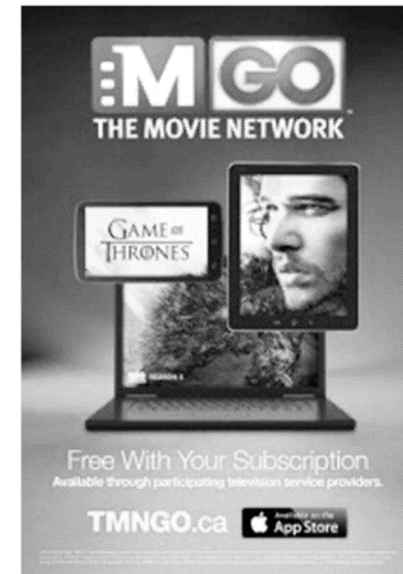


## ... and the Demand for Binge Viewing of Back Catalogues of TV Series

Netflix has **multiple seasons of TV shows** and releases **new seasons of its original content in their entirety** (ie. all episodes released at the same time)

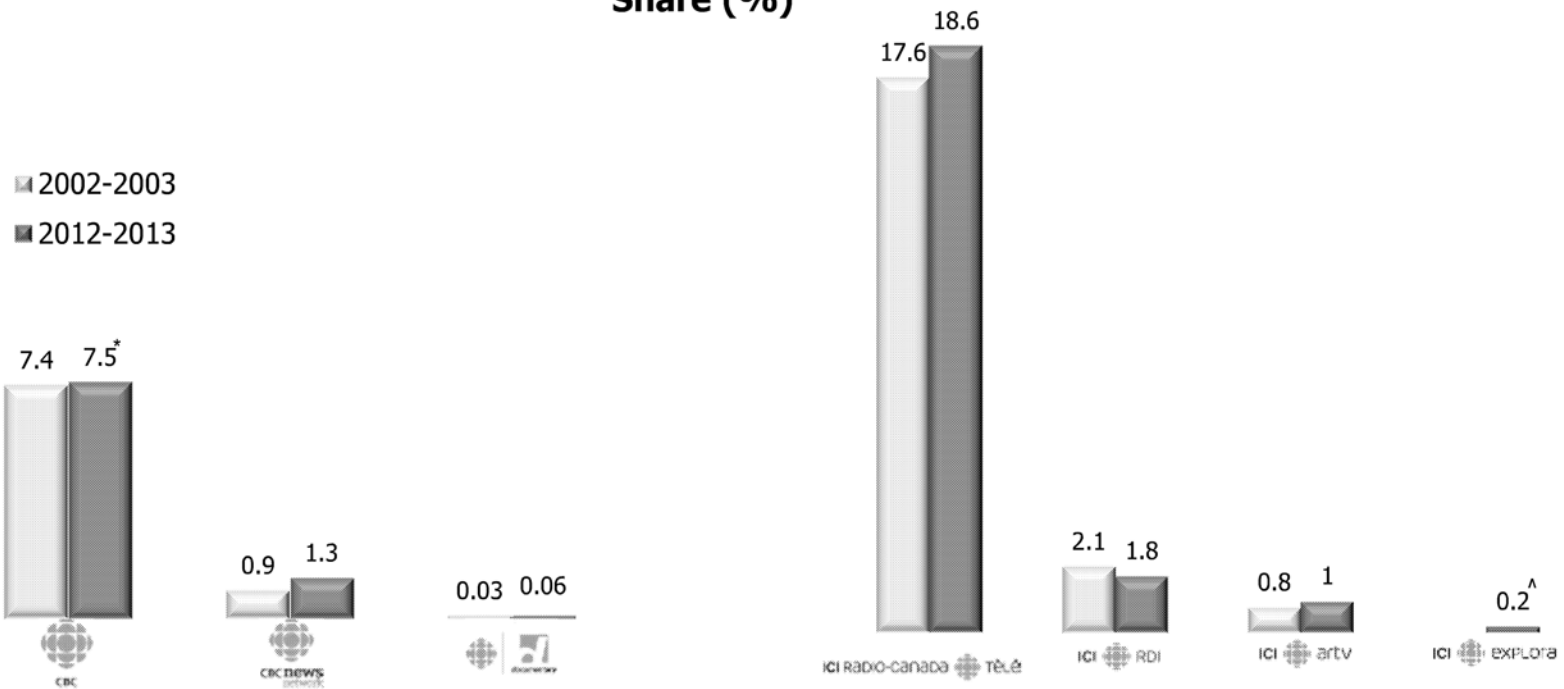


# Broadcasters and Distributors Are Also Trying to Meet these New Consumer Demands



# Our Television Services Have Continued to Perform Strongly

## Performance of Our English and French Television Networks in Prime Time Share (%)



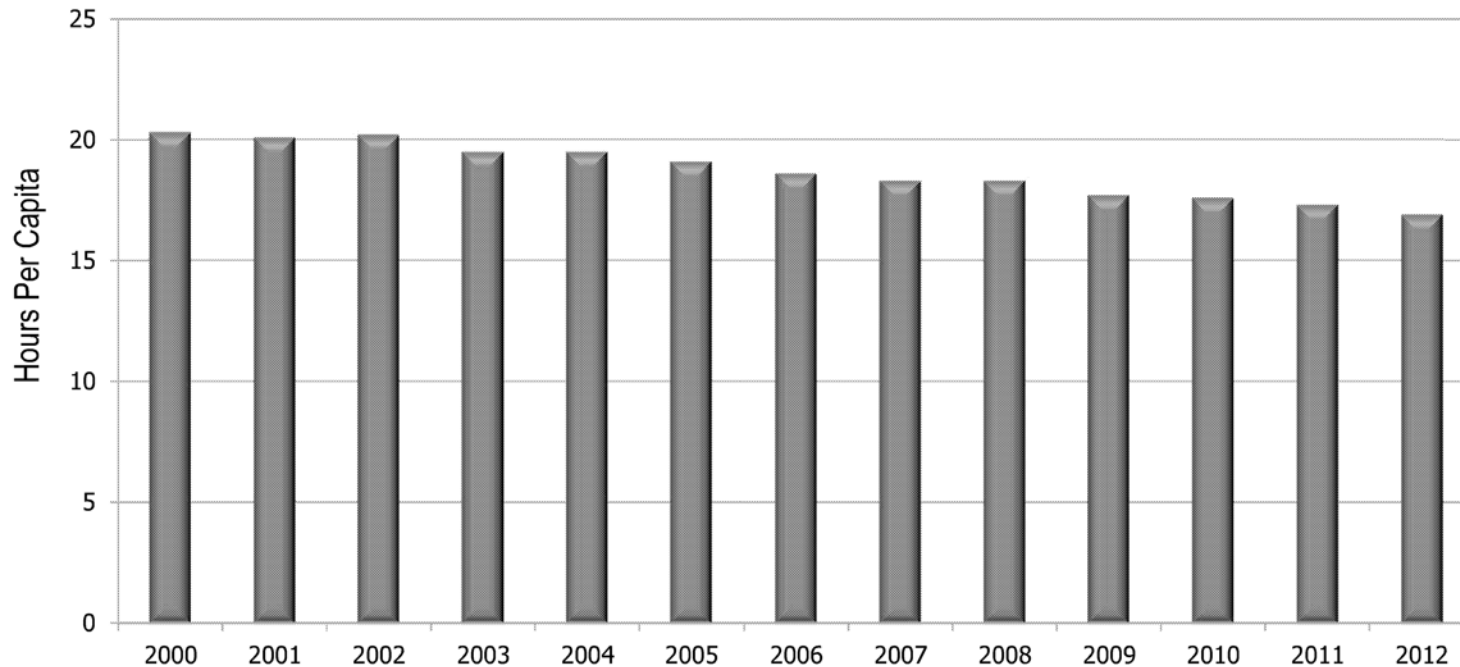
Note: \* CBC TV's share was lower than expected in 2012-2013 due to the NHL lock-out (e.g. Regular season for 2012-2013 = CBC TV's share = 6.8% vs Target = 8.1%)

^ Explora was launched March 28, 2012.

Source: BBM Canada, Canada 2+ (Total Canada/Québec Franco)

# AM/FM Radio Listening Is Facing a Gradual Decline in Usage

**AM/FM Radio Listening Per Capita, 2000 to 2012,**  
All Persons 2+, Hours/Week



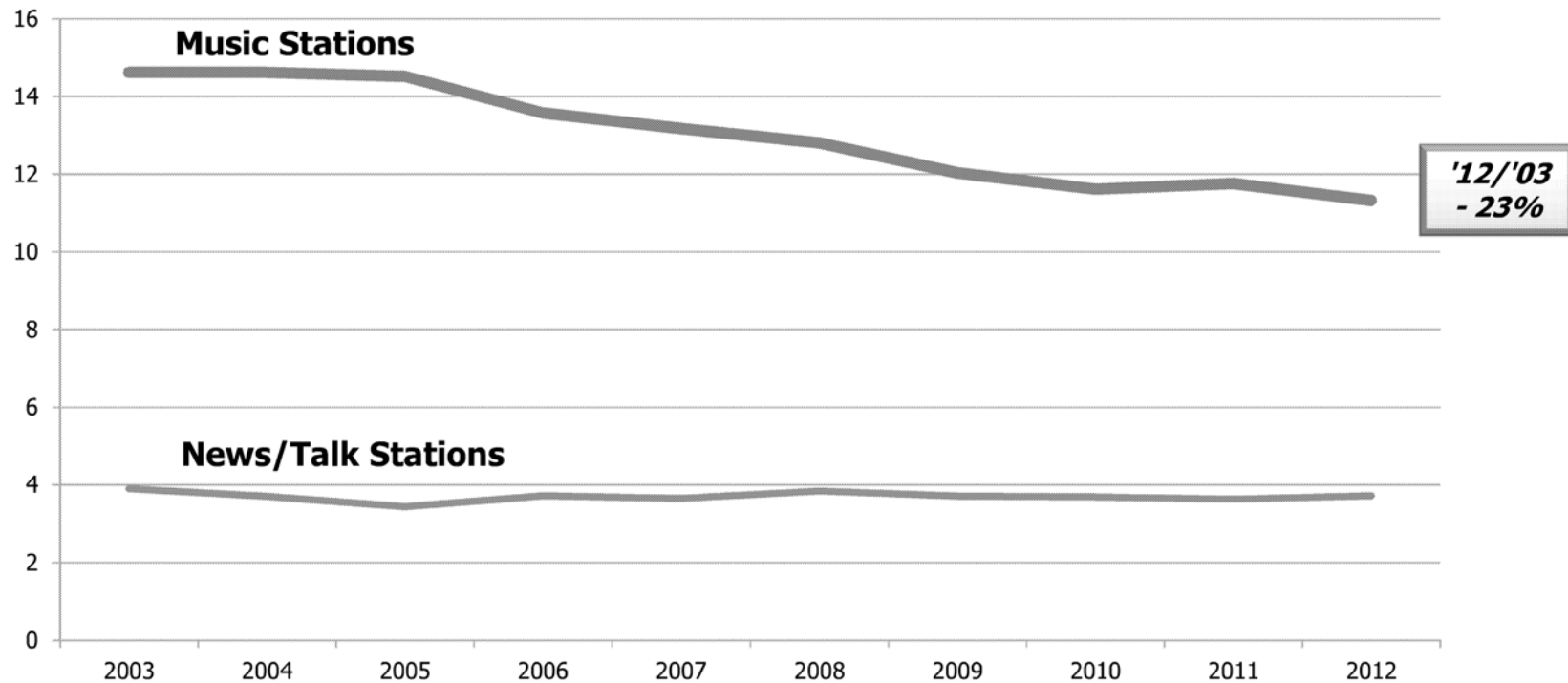
Source: BBM (Fall Diary)

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

# ... Principally Because Music Listening Is Moving Away from Radio ...

## Time Spent Listening to AM/FM Radio by Format, 2003-2012

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



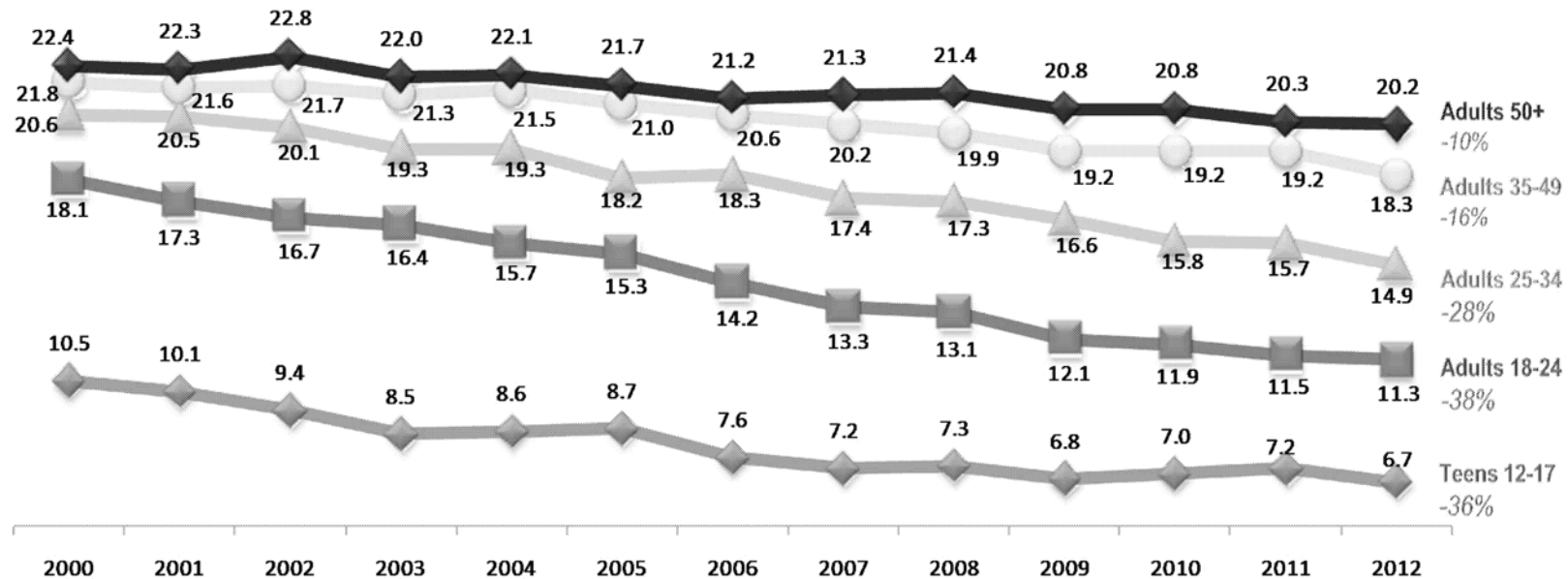
Source: BBM (Fall Diary)

\* This chart should be used to only to illustrate the longitudinal trend of radio use, since BBM's diary is consumer recall research. It significantly overestimates radio use as measure electronically and passively by BBM's 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: BBM (Fall Diary)

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

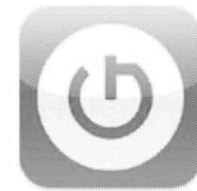


# The Diversity of Choices for Music Consumers – Both Legal and Illegal – Is Enormous

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

FORRESTER

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

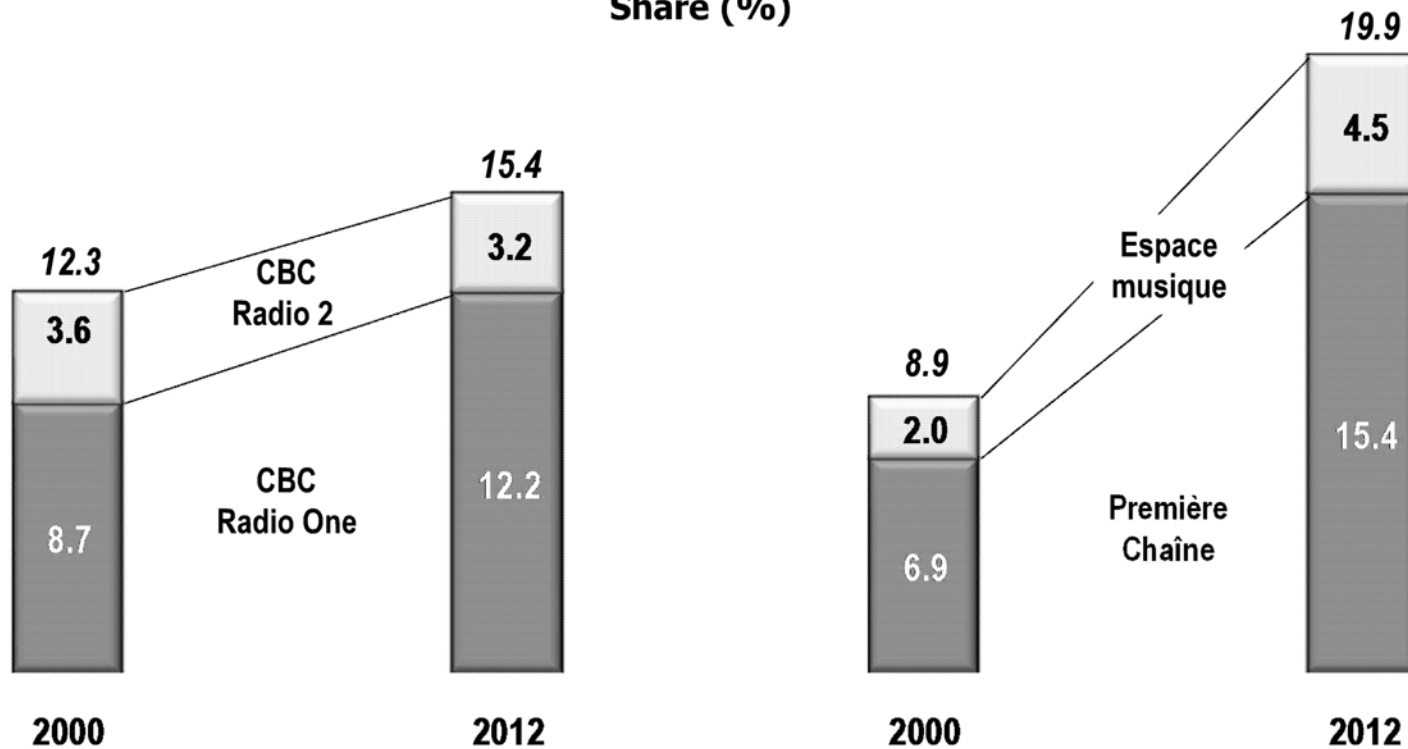


Grooveshark



# While Tuning to Conventional Radio Has Declined, Audiences to Our Services Are at Record Highs

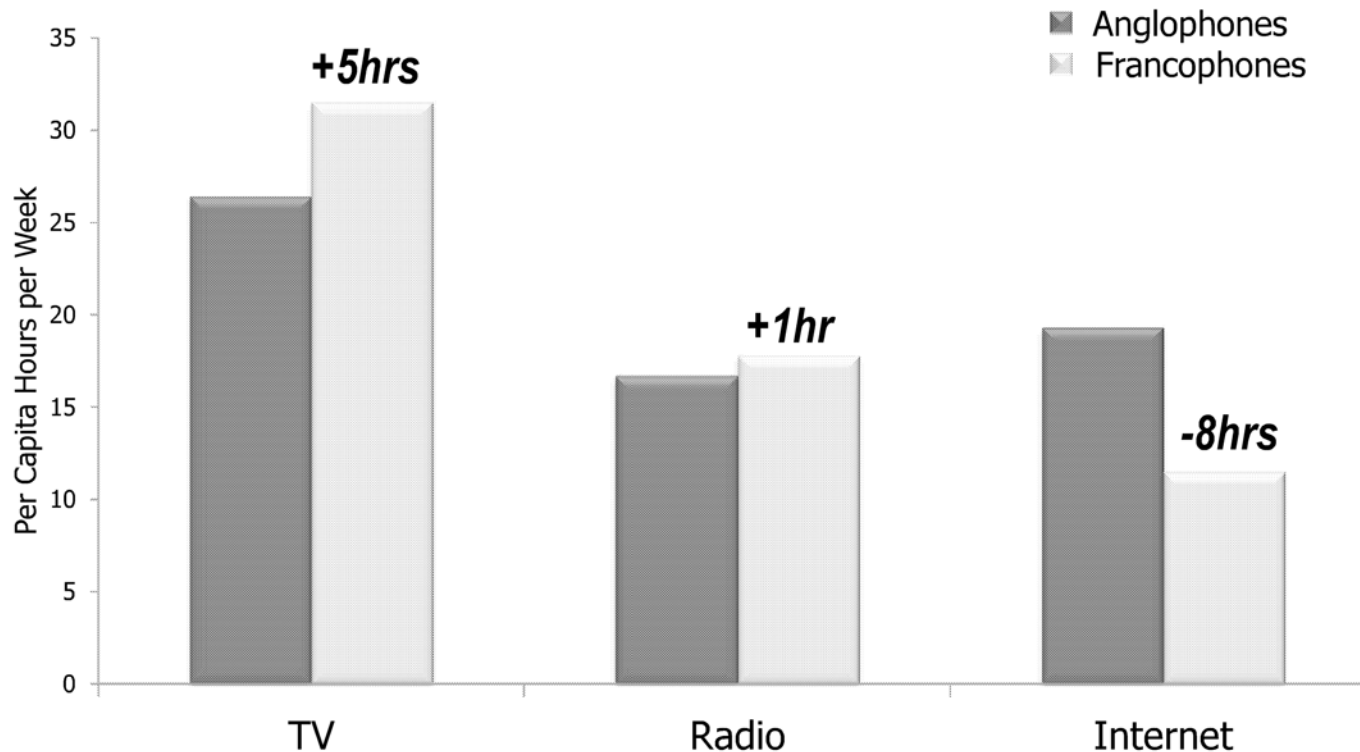
Performance of Our English and French Radio Networks  
Share (%)



Source: CBC/Radio-Canada Research and Analysis, BBM Canada (Diary – Fall 2000 & 2012)

# French Canadians Use Traditional Media More than English Canadians

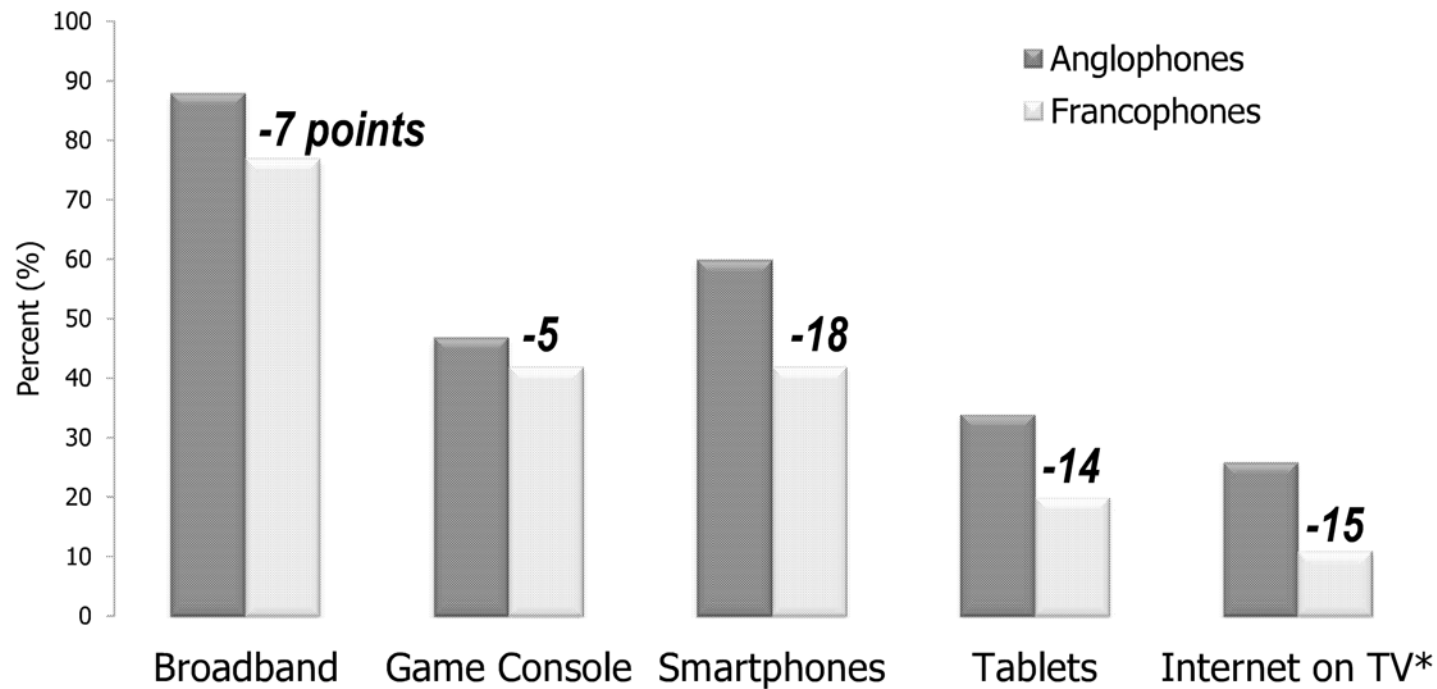
Time Spent with TV, Radio and the Internet in Canada by Language  
Weekly Per Capita Listening Hours



Source: TV (BBM, BY 2012/13); Radio (BBM Fall 2012 Diary), Internet (MTM, Spring 2013)

## ... and Tend to Adopt Technology at a Slower Rate

Penetration (%) of Select Technologies in Canada by Language  
Persons 18+



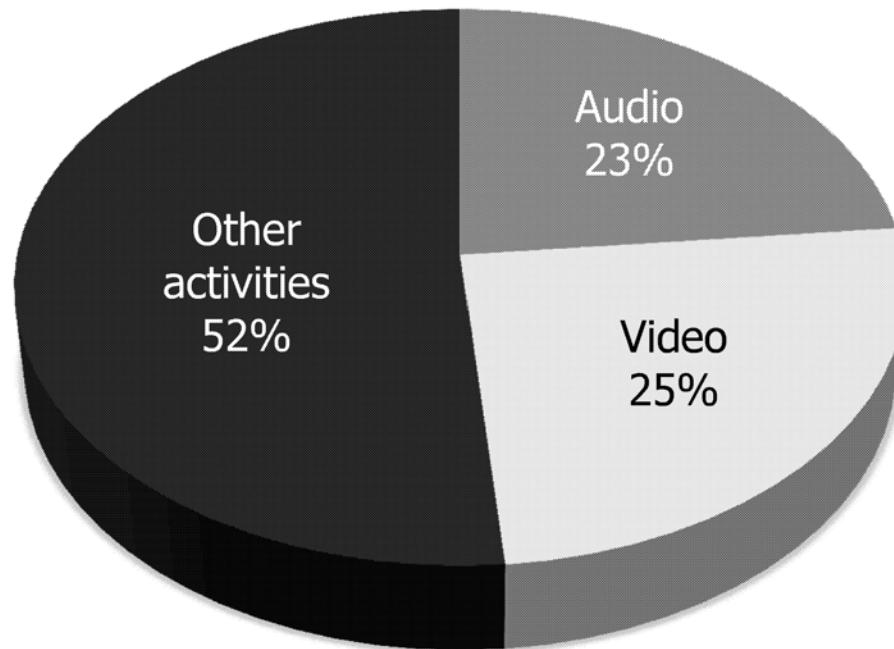
Source: MTM, Spring 2013

\* Accessed the Internet on a TV set in the past month

# Audio and Video Now Make Up a Significant Portion of Time Spent on the Internet

## Share of Time Spent on the Internet by Activity

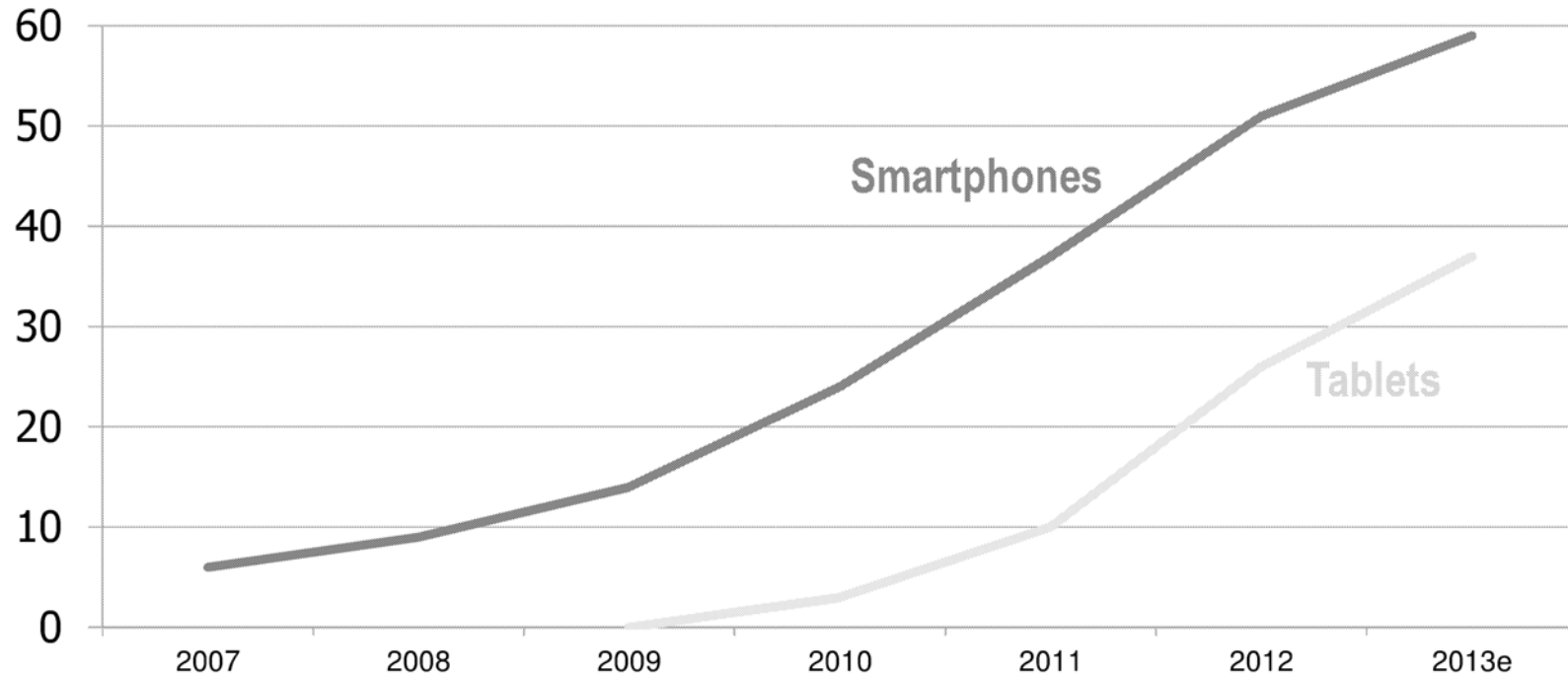
Canadians 18+



# The Speed of Adoption of Mobile Devices to Access the Internet Is Astonishing

## Consumers adopted smartphone and tablets rapidly

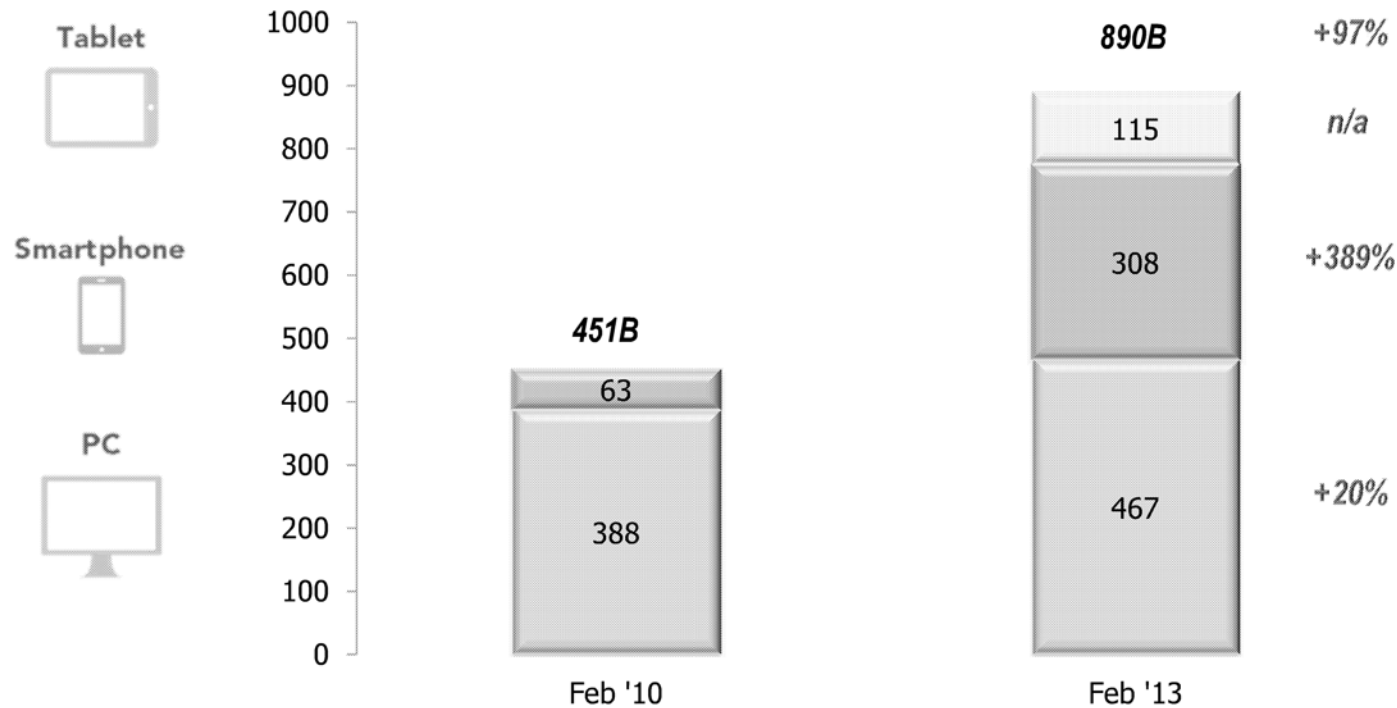
*Penetration of Smartphones and Tablets in Canada, Canadians 18+*



Source: MTM

# It Is Estimated that Smartphones and Tablets Have Doubled the Time Americans Spend Online

**Total Internet Usage in the US by Platform in Minutes (Billions)**

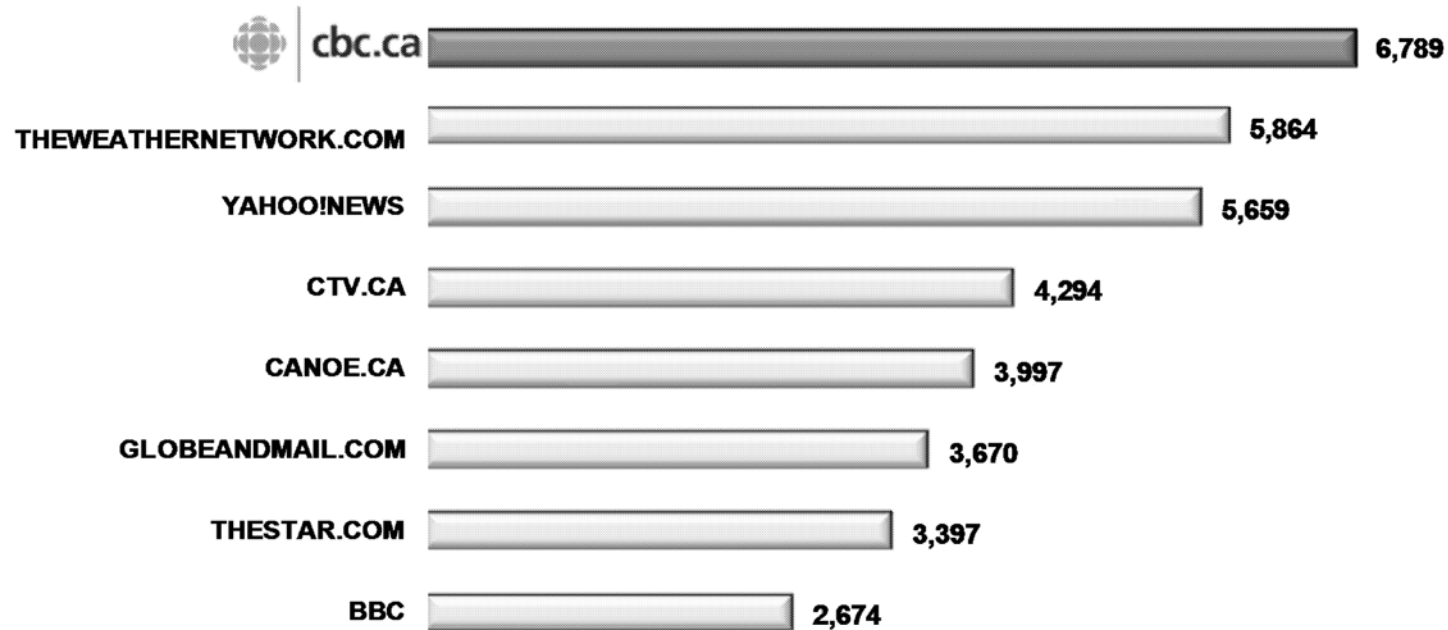


Source: comScore, "Screen Jumping", Summer 2013

\* Canadian figures not available from comScore. However, nearly 40% of CBC.ca's traffic is now from a smartphone or tablet.

# CBC.ca: Leader in News and Information online

**Average Monthly Unique Visitors to News and Information Web Sites  
Total Canada 2+, All Locations  
September 2012 to August 13 (000's)**

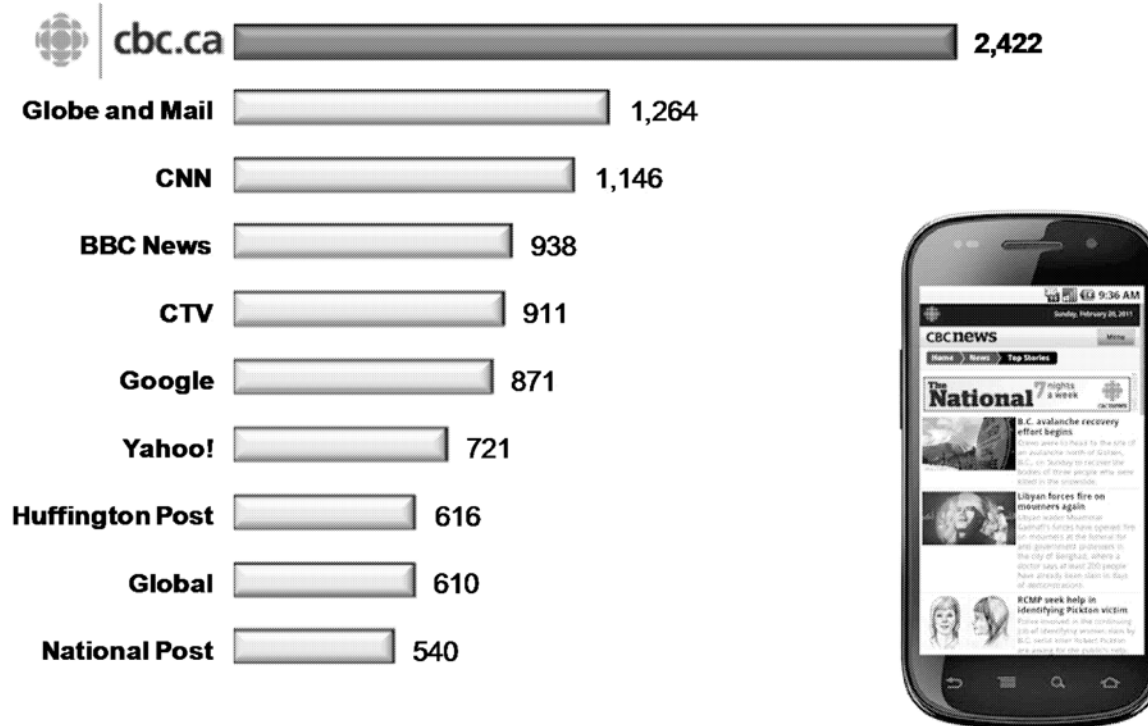


Source: CBC/Radio-Canada Research and Analysis, comScore



# ... and CBC.ca Is the Leader in 'Headline News' Websites Accessed via Smartphones

The Most Popular Headline News Brands websites on Smartphones  
Smartphone Users 13+\*  
Q2<sup>1</sup> 2013(000's)



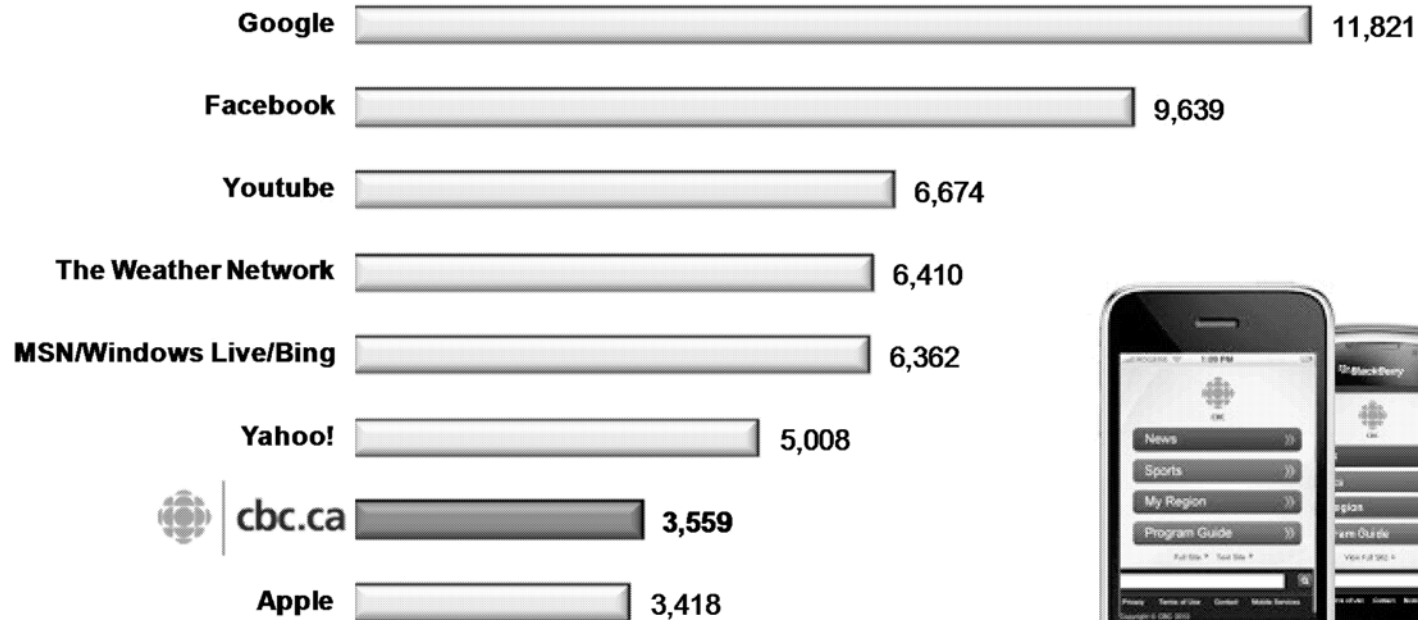
<sup>1</sup>April to June 2013

\* Access using apps or websites

Source: CBC/Radio-Canada Research and Analysis, comScore Mobilens Q2 2013

# In Fact, CBC.ca Is Among the Most Visited Websites Via Smartphones

## Most visited Websites on Smartphones Smartphone Users 13+\* Q2<sup>1</sup> 2013(000's)



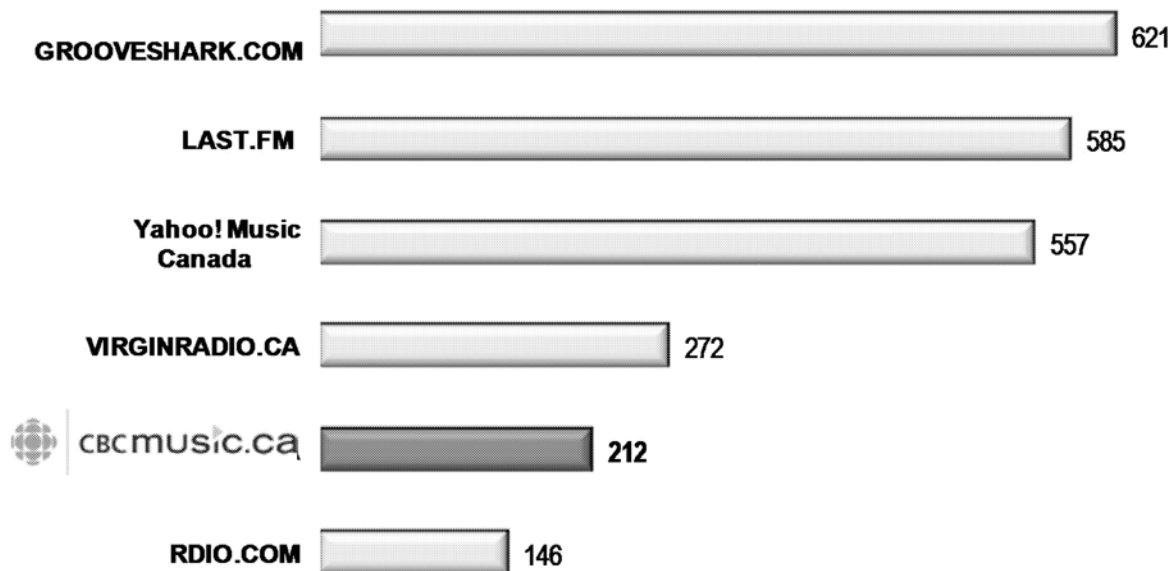
<sup>1</sup>April to June 2013

\* Access using apps or websites

Source: CBC/Radio-Canada Research and Analysis, comScore Mobilens Q2 2013

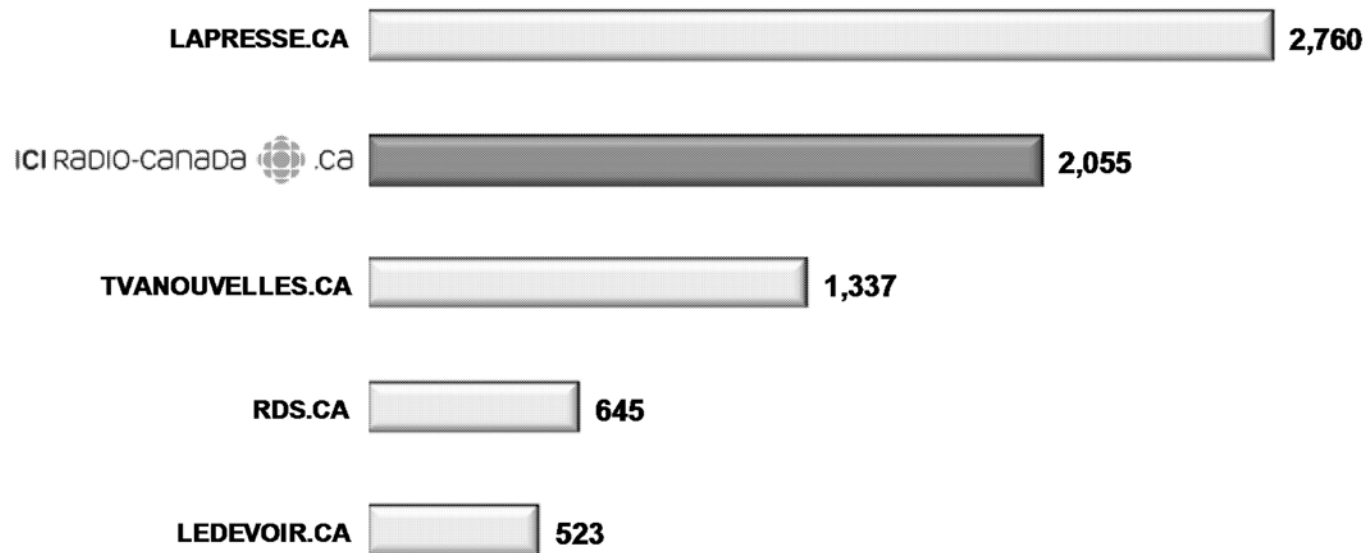
# Music.CBC.ca Is Making Its Place Among Big Music Players

**Average Monthly Unique Visitors  
Total Canada 2+, All Locations  
September 2012 to August 2013 (000's)**



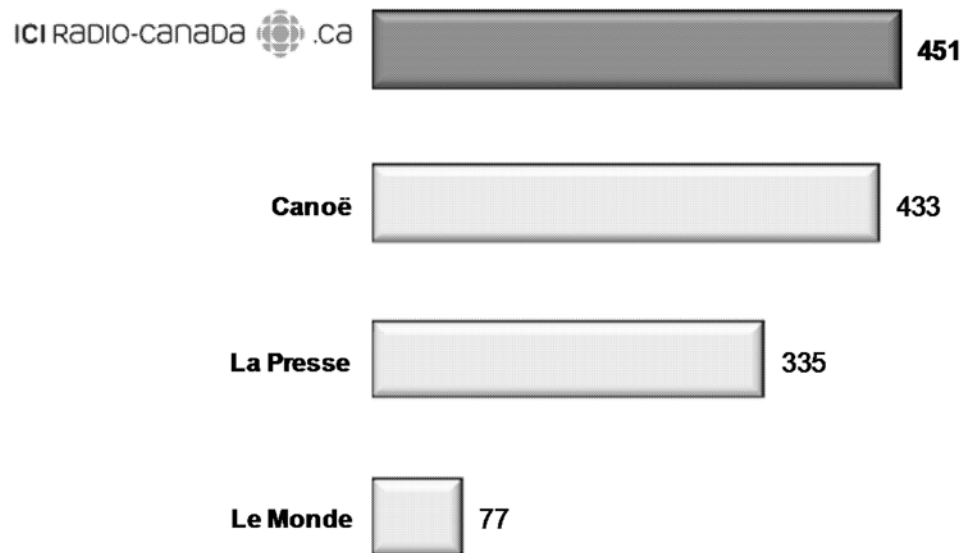
# Radio-Canada.ca Is Also a Leader in News and Information

**Average Monthly Unique Visitors to News and Information Web Sites  
Total Canada 2+, All Locations  
September 2012 to August 2013 (000's)**



# Radio-Canada.ca Is the Leader of Francophones 'Headline News' Websites Accessed via Smartphones

**The Most Popular Headline News Brands Smartphone Users  
Smartphone Users 13+ \*  
Q2<sup>1</sup> 2013 (000's)**



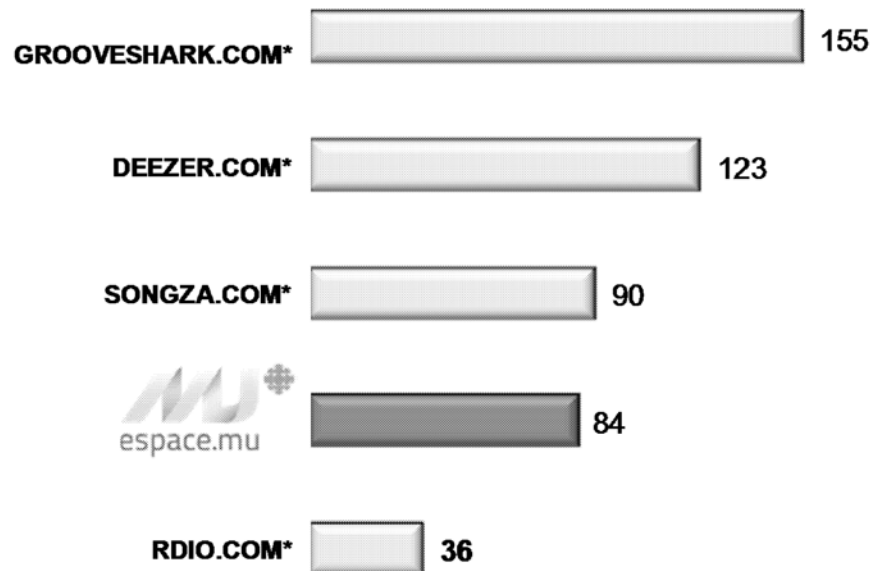
<sup>1</sup>April to June 2013

\* Access using apps or websites

Source: CBC/Radio-Canada Research and Analysis, comScore Mobilens Q2 2013

# Espace.mu Is Performing Well Against Giant Competitors

**Average Monthly Unique Visitors  
Total Canada 2+, All Locations  
January 2012 to August 2013 (000's)**

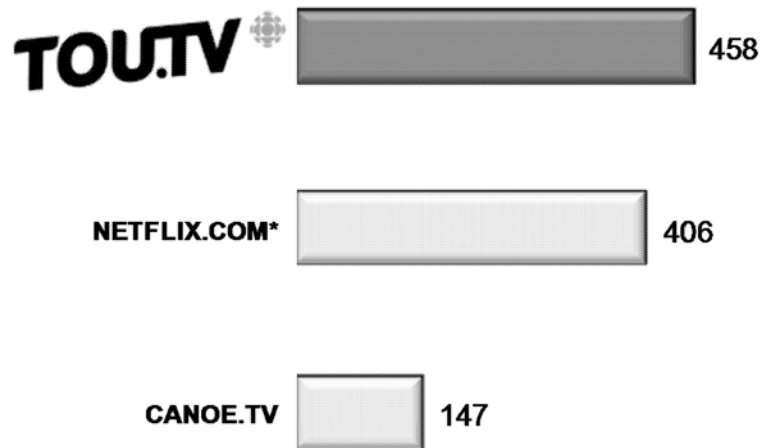


\* Based on French-language Canadians rather than the total universe

Source: CBC/Radio-Canada Research and Analysis, comScore

# Tou.TV Is Among The Top Visited TV Video Websites

**Average Monthly Unique Visitors  
Total Canada 2+, All Locations  
September 2012 to August 2013 (000's)**



\* Based on French-language Canadians rather than the total universe

Source: CBC/Radio-Canada Research and Analysis, comScore

## Key Takeaways

- Traditional broadcast **radio and TV are still dominant**
- However, consumers are adopting devices and services that give them **more control** over when they access content
- **Francophones tend to use traditional media more** than Anglophones and adopt new technology at a slower pace
- **CBC/Radio-Canada is performing well** in the traditional and in the digital world



# Agenda

<b>1. Introduction</b>	<b>2</b>
<b>2. Public Policy Framework</b>	<b>3</b>
<b>3. Snapshot of CBC/Radio-Canada</b>	<b>19</b>
<b>4. Surrounded by Titans</b>	<b>28</b>
<b>5. Industry Revenue Shifts</b>	<b>37</b>
<b>6. Audience Behaviour</b>	<b>51</b>
<b>7. Key Questions</b>	<b>88</b>
<b>Appendix – Audience Measurement</b>	<b>90</b>

# Key Questions

- 1. The broadcasting environment is ripe for a rethink.**  
*Where will CBC/Radio-Canada fit in?*
- 2. CBC/Radio-Canada used to be a big player.**  
*How can CBC/Radio-Canada continue to have an impact?*
- 3. The industry is highly concentrated and global players are at the doorstep.**  
*Who should CBC/Radio-Canada partner with?*
- 4. Industry revenue sources are shifting.**  
*What revenue mix is best for CBC/Radio-Canada?*
- 5. Consumers are embracing digital.**  
*At what pace should CBC/Radio-Canada's services embrace digital?*

# Agenda

<b>1. Introduction</b>	<b>2</b>
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# Audience Data Is Important

## **1. Audience data provides a measure of the usage and relevance of programming services**

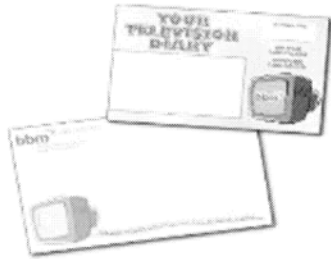
- Audiences to radio and TV programs, stations and networks
- Traffic to websites/apps

## **2. It is the currency on which air time is sold**

- The ability to generate advertising revenue is dependent on data

**All Broadcasters Rely on Audience Data**

# Media Measurement in Canada is Evolving



## Diaries: The original method

- Still used to measure TV and radio **outside the major centres**



## TV Meters: Introduced in 1989

- Connected to every TV in a panelist's home
- Improves accuracy for the **specialty TV** era

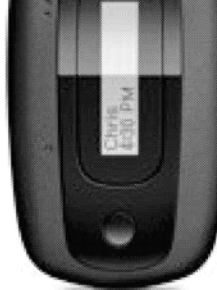


## Internet measurement: Mid 1990's

- Internal (e.g. CBC's website)
- Demographic and competitor information via an online panel (e.g. **comScore**)
- Measuring multi-screen is key challenge

## Media Measurement in Canada is Evolving

### Personal Portable Measurement (PPM):

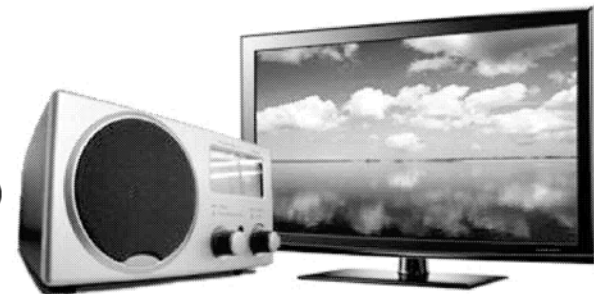
- PPM measures any media inserted with inaudible codes, both in and out-of-home
  - It has the capability to distinguish live from playback viewing (up to 7 days)
  - It has been phased in since 2004
- 
- **TV:** 5 major markets measured, plus national and regional
  - **Radio:** 5 major markets measured. No regional/national
  - **New Markets:** Montreal Anglo in the works for next broadcast year. Additional PPM markets on the horizon (e.g. Quebec City, Ottawa/Gatineau)

# Canada Is a World Leader in Media Measurement



Canada's broadcasting industry measurement service is attaining goals that are the envy of the world

- Canada is the only market in the world where TV and radio are measured in the same panel
- BBM produced the first cross-media TV+Radio database this year



- BBM will start a commercial grade test of non-linear video measurement across platforms (i.e. cable VOD, online and mobile) in December
- Commercial deployment of non-linear measurement could be implemented as soon as the next broadcast year

# 2013 MEDIA ENVIRONMENT

Presented to the Board of Directors  
November 26, 2013  
Montreal, Quebec

