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Standing Committee on Finance: Pre-Budget 2020 Consultations

Submission of the
Canadian Association of Broadcasters

August 7, 2020

Radio/Television/Specialty and Pay • Radio/Télévision/Services de télévision spécialisée et payante
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Recommendation 1: Significantly expand the Government of Canada's $30 million advertising buy and business recovery partnership with local radio, TV and print media.

Recommendation 2: Extend, expand eligibility and quadruple emergency broadcaster funding with an additional $100 million to be disbursed before December 31, 2020.

Recommendation 3: Waive Part II CRTC licence fees otherwise due in December 2020.

Recommendation 4: Compensate all affected private TV broadcasters for Government mandated 600 MHz relocation.

The Canadian Association of Broadcasters (CAB) is the national voice of Canada's private broadcasters. The CAB represents the vast majority of Canadian programming services including over-the-air private radio and television stations, and discretionary services licensed to independently owned or vertically integrated (VI) stations.

Private broadcasters are trusted by Canadians as their primary source for local news in small, medium and large communities across our provinces and territories. We represent a diversity of editorial voices with crucial news and information programming in English, French, Indigenous and third languages. Together, our local and news programming contributes $15.3 billion to the Canadian economy.

Private Broadcast Stations	Canadian Markets Served[1]
94 TV	44
720 radio	250
286 discretionary services	Across regional and national audiences

Background on Recommendations

We recognize that the last few months have been challenging to those serving in government, to all businesses and organizations, and all Canadians. Through all of it, we are proud that private radio and television has been on air – non-stop – delivering critical public health information to Canadians at home despite advertising revenue evaporating overnight. We take our local service responsibility seriously and value the trust Canadians place in us as their primary source for local news.

The devastating declines in advertising revenues outlined below, combined with pre-pandemic economic impacts, have created an economic storm for Canadian storytellers and trusted news outlets. At the same time, TV viewing is up (with trust in TV news higher than ever), and radio has maintained 90% reach despite the loss of commuter drive time.[2] The recommendations outlined in this submission would help the Canadian media and broadcast ecosystem to recover from COVID-19, so that it might have a more sustainable future.

To further measure the impact and consequence of the economic devastation from COVID and the negative financial impacts of largely foreign internet-based media, the CAB commissioned a report

[1] CRTC Financial Summaries. All figures cited in report are CRTC or Stats Canada 2018, unless otherwise noted.
[2] Indeed, conventional TV news viewing is 119% 2+ and 139% A18-34 of last year, while specialty TV news viewing is 165% 2+ and a whopping and 357% A18-34 (Numeris PPM, Total Canada Mo-Su, Total Canada. Periods: Jan 6 to May 31, 2020 / Jan 7 to June 2, 2019). 19% of Canadians trust TV news *more* since the coronavirus pandemic, and far more Canadians cite TV as their primary news source compared to any other media (Ipsos, May 2020, per thinktv). (Radio source: Numeris PPM, April 2020, per Radio Connects.)

from well-reputed media economist, Ken Goldstein of Communications Management Inc. Mr. Goldstein's report (CMI Report) will be available at www.cab-acr.ca/ by mid-August.

The CMI Report details that without immediate and material new government support, Canada will see a wave of local private broadcaster closures that will deny many communities a daily local media voice, and significantly reduce the diversity of news choices and voices in almost every community in Canada.

The decline of local media has been documented, but to date, the majority of losses have been in print where the Government has focused support. The CMI Report notes without new measures, Canada can expect **two hundred radio station closures** (50 in the next four to six months, and then 100-150 more in the following six to 18 months) and **forty or more private local TV closures** (in the next 12-36 months). This would also mean further cuts to employment, including, sadly, local journalists and newsgathering.

Recommendation 1: Ensure a Swift Recovery of the Canadian Economy Buttressed by Local Canadian Broadcasting

Significantly expand the Government of Canada's $30 million advertising buy and business recovery partnership with local radio, TV and print media.

COVID's impact on private local broadcasters, almost entirely dependent on advertising revenue, has been devastating: Private television advertising revenue declined by almost 50% while private radio advertising declines averaged over 60% in April through June. Pacing for the remainder of the summer suggests revenue declines as high as 30-40% through August 2020, with significant ongoing declines through fall 2020 and 2021.

Month (2020)	Private Broadcast Station	Advertising Revenue Decline
March	TV	14.6%
	Radio	17.5%
April	TV	46.4%
	Radio	65.5%
May	TV	50.2%
	Radio	67.3%
June	TV	38.7%
	Radio	56.9%

Statistics Canada reported gross domestic product fell 11.6% in April with non-essential businesses shut for the full month following a 7.5% decline in March. But it is now time to get Canada's economy moving. Following provincial and federal safety guidelines, businesses across Canada are now safely reopening. Consumers need to be enticed back while keeping our families safe.

The CAB proposes a $300 million advertising campaign, similar to the large scale H1N1 campaign in 2010. Over the next eight to twelve months before a vaccine is identified, the Government could entice local economies to recover while continuing to communicate public education health and safety messaging. The CAB would work with appropriate parties to ensure equitable advertising split across markets and broadcast mediums.

Recommendation 2: Prevent the Closure of Local Canadian Broadcasters Through Targeted Industry Support

Extend, expand eligibility and quadruple emergency broadcaster funding with an additional $100 million to be disbursed before December 31, 2020.

The CAB acknowledges and thanks the Government for its support measures during this time of emergency; notably the Canada Emergency Wage Subsidy (CEWS) which provides material support to many broadcasters. However, private local broadcasters have been suffering an aggregate operating deficit of approximately $50 million a month, which has not been materially reduced by the targeted support measures announced for media, broadcasting, and arts and culture.[3]

Even with extension and revamping of CEWS, easing of COVID-19 restrictions, and the slow re-opening of the economy, it will take months for retail businesses to return to "normal", months more for advertising to return to the new lower "normal", and even more months for private broadcasters to see revenue come in.

We recognize that the Government has taken steps to issue targeted funding; however, the CAB calls for targeted funding for <u>both</u> independently owned and vertically integrated broadcasters that provide vital news and information programming. Some speculate that announced funding for *independent* broadcasters only[4] is because of the perception that VI telecommunications and broadcasting players 'make a lot of money' off telecommunications, including wireless services. This perception is flawed. Over the years, the CRTC adopted various safeguards on VIs to ensure they did not take "undue advantage" or confer an "undue disadvantage" based on any broadcast-broadcast and broadcast-telecom synergies; there has never been a policy presumption that VIs should subsidize unprofitable broadcast activities from other profitable lines of business.[5] Companies such as Cogeco, Bell, Rogers, Corus and Quebecor cannot continue to lose money on broadcasting assets indefinitely.

To help ensure all Canadian broadcasters stay on air, we ask for the Government to extend, expand eligibility and quadruple emergency broadcaster funding with an additional $100 million to be disbursed before December 31, 2020.

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[3] CMI Report. https://www.cab-acr.ca/

[4] https://www.canada.ca/en/canadian-heritage/news/2020/07/backgrounder-final-component-of-phase-2-of-the-covid-19-emergency-support-fund-for-culture-heritage-and-sport-organizations.html

[5] The real concern at the time was ownership of the broadcast "pipeline" (BDU) and broadcast content (discretionary services). This has been extended to ownership of telecom carriage (ISPs and wireless) and any content (including digital media).

Recommendation 3: Emergency Regulatory Relief

Waive Part II CRTC licence fees otherwise due in December 2020.

The CAB requests further targeted support from the federal government in the form of suspension of Part II broadcast license fees. This would provide an immediate measure of relief to the industry, and would be a natural and reasonable follow-up on the government's announcement of March 20, 2020, of Part I broadcast licence fees.

The value of the waiver of Part I broadcast licence fees to the entire broadcasting sector (radio, local television, discretionary and cable) was $30 million[6]. However, for private radio, alone, the value was $3 million and for private local TV, alone, $4 million.

A waiver of Part II broadcast license fees would amount to $115 million to the broadcasting sector or $20 million for local private TV and radio. While the fees are due in December, relief an early fall announcement of relief would avoid unnecessary accrual.

Recommendation 4: Implement Rapid Administrative Changes to Provide Immediate Relief to Broadcasters Critical to Local News and Journalism

Compensate all affected private TV broadcasters for Government mandated 600 MHz relocation.

The CAB has formally requested the reimbursement of Canadian over-the-air television broadcasters for their relocation costs associated with the 600 MHz transition.

The 600 MHz auction generated $3.47 billion in revenues for the federal Government, vastly exceeding expectations. The relocation process commenced in 2018 and is currently ongoing. Even though broadcaster relocation costs are solely due to government-mandated repurposing of the 600 MHz band for mobile broadband, and similar costs have been reimbursed in the US, the federal Government has thus far declined to reimburse affected Canadian local TV stations, without explanation.

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Reimbursement, estimated at less than $100 million at this time, would be both a fair and tangible way to provide support for all affected local private TV stations through the COVID-19 crisis and associated economic recovery. It is worth emphasizing that 600 MHz relocation expenses will be borne by over-the-air broadcasters, which deliver the vast majority of local television news programming. Thus, reimbursing broadcasters for these expenses, as the United States has done, would be directly beneficial to local news.

[6] https://www.canada.ca/en/canadian-heritage/news/2020/03/covid-19-the-government-of-canada-provides-relief-to-the-broadcasting-sector.html

Other Relief

For the Finance Committee's information, we also note the following.

On July 13, 2020, the CAB filed an application with the Canadian Radio-television and Telecommunications Commission (CRTC) for emergency relief from certain regulatory requirements for the broadcast year ending August 31, 2020. The purpose of the application is to allow broadcasters to enter the 2021 broadcast year without contingent liability for COVID induced regulatory shortfalls. At the time of submission, the CRTC was still reviewing CAB's application.

The CAB supports the introduction of measures to combat the "free ride" of global internet conglomerates in Canada, be it through amendment of section 19 of the Income Tax Act (internet advertising deductibility), Communications legislative review (regulated contribution), or Copyright (publishers right). We also believe that the journalism tax credit should be extended to private broadcasters and that existing television production tax credits expanded to include news. Given the lead times necessary to implement such legislative measures, however, we believe the recommended measures may be more appropriate for the 2021 budget.