



# Ontario Association of Broadcasters Pre-Budget Submission to the Standing Committee on Finance

August 7, 2020



## Recommendations

- 1) That the Government extend the Canada Emergency Wage Subsidy past the current December end date to the end of fiscal year 2020-21 to support Canadian businesses who are still suffering the economic fallout from the COVID-19 pandemic.
- 2) That the Government, in its plan to adapt the Canada Emergency Wage Subsidy, only reduce the subsidy to levels found in Period 8,
- 3) That the Government update the Directive on the Management of Communications to not favour any media channel when communicating with the Canadian public.

## Introduction

The Ontario Association of Broadcasters (OAB) values the work of the Standing Committee on Finance in holding pre-Budget consultations in advance of the 2021 Budget. Over the past several months, the COVID-19 pandemic has taken its toll on local communities and the economy. While the federal government has acted to keep Canadians safe and provide economic support to citizens and businesses in need, there is no doubt that many have and continue to suffer financial hardship as a result of the coronavirus. Ontario's independent broadcasters are no different, having the dual pressures of significant revenue declines while understanding that our communities needed us to provide them with the news and information they needed. As the country remains vigilant to the threat of a second wave and a slow recovery begins, the OAB has policy proposals that it believes will help restart the economy and bolster the radio broadcasting industry.

## Radio Broadcasting in Canada

Local radio stations are an important public resource in communities across Ontario. Reaching approximately 80% of the Canadian population, private radio broadcasts are often the only local media capable of providing immediate messaging in times of crisis. With the increasing number of newspaper shutdowns, radio stations are also frequently the only source of local news.

As an essential service, as mandated by the Federal and Provincial governments, radio stations must remain open to disseminate important information about the evolving pandemic. Unlike non-essential businesses, private radio stations must continue operations staff, news departments and ensure programming integrity incurring operational costs that a closed business in this crisis would not.

Radio is an integral part of the fabric of our communities. Private sector radio stations employ over 6,000 Canadians engaged in the production and delivery of unique Canadian Content. With the closures many local newspapers have faced in communities across the country, local radio stations have become the only source for local news content in many areas.

## The Impact of the COVID-19 Pandemic on Local Radio

Like many other industries, the COVID-19 pandemic has had a devastating impact on both our members and other independent, locally owned radio stations across Canada. Advertising on mainstream local media is predominantly from consumer facing retail businesses. The challenges confronting Canada's retail sector from COVID-19 are now, understandably, resulting in a considerable volume of advertising cancellations on private radio and television stations.

As a result, in the month of April, Ontario radio broadcasters saw their revenues decline on average by 70%. In Ontario alone, projected losses to radio based on a survey of OAB members and calculations of

prior monthly revenues stands at \$34M between April and June 2020. Many stations will be unable to continue operations if they are not able to find new sources of revenue, putting hundreds of jobs in communities across the province at risk.

For their part, stations have maintained on-air content, even though they are losing money. They have provided extensive coverage of COVID-19, acting as community resources during the emergency. But stations continue to face headwinds during the initial recovery period over the summer. Revenues have begun to trend upwards but are still substantially below operating costs. Independent broadcasters in Ontario project continued losses into 2021. Many are looking at innovative ways to attract revenue back to their airwaves as the recovery process begins, such as providing advertising grants designed to help local businesses recover faster, leading to future sales opportunities.

## **Canada Emergency Wage Subsidy**

In the immediate emergency response period, the Canada Emergency Wage Subsidy (CEWS) has been extremely helpful for radio broadcasters. While not covering all of their losses, it has served to keep staff employed and continuing to produce high-quality newscasts and content. With 53% of expenditures in radio related to salary, the CEWS has been the lifeline independent radio broadcasters needed. Looking forward, the OAB is pleased to see the CEWS extended beyond the end of August but continues to have concerns with the plan to phase the subsidy out immediately after the holiday season. Most radio stations are still reporting revenue declines on the order of 50% and, even after the support of CEWS, many stations continue to lose money. The impact of ending the subsidy in December will be compounded by a slowdown in the first quarter of the year due to the end of the holiday season. We believe many other industries, such as retail, will experience the same drop-off at this time. Extending the subsidy until the end of the government's fiscal year 2020-21 would ensure that radio broadcasters and other industries that traditionally have their slowest months at the beginning of the year are able to bridge the gap.

As well, the current wind-down of the CEWS is done in one-month periods. Period 9, the last period in the wind-down, sees a dramatic reduction in the wage subsidy from 65% to 45% for businesses experiences revenue losses of 50% or more. This reduction is twice as large as any other period-to-period reduction and will lower the threshold of the subsidy to a level where businesses must consider reductions in staffing in order to survive. This will harm the fragile economic recovery in multiple sectors. Halting the reductions in Period 8 would be both fiscally prudent for the government and continue to stimulate the economy at a level sufficient to ensure jobs are retained instead of lost.

## **Digital Advertising's Impact on the Radio Broadcasting Industry**

The radio broadcasting industry is primarily sustained through the sale of advertising on its airwaves. In the last decade, these advertising revenues have been negatively impacted by several factors in the

digital economy. Non-Canadian streaming services, which contain little to no Canadian content have eroded listening levels to Canadian radio and directly target Canadian advertisers. Other digital services such as Google and Facebook target vital ad revenues that once came to Canadian radio by selling advertising to all sectors, right down to small market retailers. As a result to a pivot online for advertising, Canadian radio revenues have dropped by 12% between 2014 and 2018.

While this trend is damaging to radio broadcasters, it is compounded by federal government policy in its own advertising practices. In May 2016, the Treasury Board Secretariat adopted the Directive on the Management of Communications which outlined that the government should communicate and advertise “Using digital media and platforms as the primary means to connect and interact with the public while continuing to use multiple communications channels to meet the diverse information needs of the public”. Since then, ad revenues across different media channels have dropped while digital advertising has increased dramatically. Radio now makes up 2.6% of the overall media buy mix for the federal government through its official media buyer. This is dramatically lower than average private sector media buy mixes and has a host of implications, including whether the government is reaching the widest possible cross-section of Canadians in its advertising of government services and supports. The OAB believes that the government needs a clear-eyed re-evaluation of the efficacy of digital advertising and that the directive should be updated to remove any preference for a given communications channel. The OAB recommends the government review the best practices of media buying from the private sector, where marketing and advertising need to show value and a positive ROI to inform its own media buys.

	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019
Digital	\$13,895,287.72	\$10,324,095.32	\$16,769,518.99	\$18,153,526.27	\$22,927,080.87
Out of Home	\$2,037,746.15	\$886,686.97	\$1,928,330.35	\$4,177,134.48	\$2,818,896.12
Print	\$4,253,851.31	\$2,131,466.43	\$2,938,610.49	\$570,196.21	\$2,921,078.09
Radio	\$2,663,807.10	\$1,636,430.16	\$2,618,111.43	\$391,915.90	\$799,671.39
Television	\$27,118,066.17	\$15,290,362.59	\$6,377,971.77	\$4,470,941.73	\$13,575,701.30

*Table on federal government media buys through the official agency of record for April 1, 2018 to March 31, 2019. Annual Report on Government of Canada Advertising Activities. Retrieved from <https://www.tpsgc-pwgsc.gc.ca/pub-adv/rapports-reports/documents/rapport-annuel-annual-report-2018-2019-eng.pdf>*



## **About the Ontario Association of Broadcasters**

The Ontario Association of Broadcasters (OAB) is the voice of Broadcasting in the Province of Ontario. Our members include over 125 radio and TV stations from Windsor to Cornwall, from Thunder Bay to Fort Erie. Dating back to 1950, the majority of OAB members are independent broadcasters operating in small and medium sized Ontario communities.