



Proceeding on the Canadian Television Fund Task Force Report

Notice of Public Hearing 2007-15

Presentation by
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Good afternoon Madame Chair, Monsieur Vice-Chair, Commissioner Morin, and Commission staff. My name is Glenn O'Farrell and I am the President and CEO of the Canadian Association of Broadcasters. I am here today with Pierre-Louis Smith, Vice-President, Policy & Chief Regulatory Officer of the CAB.

The CAB is pleased to participate at this hearing which is dedicated to helping the CTF find new and better ways to ensure that it meets its goals of increasing viewing to Canadian television. The work of the CRTC Task Force was instrumental in identifying the key issues for today's discussion. The Commission's determination will be of significant importance to public and private broadcasters; to distributors who support funding quality content; for independent producers committed to quality Canadian programming and most importantly to Canadian viewers.

Madame Chair and Commissioners, the success of our television broadcasting system is a result of private initiative and investment along with public policy support.

While we are not here to repeat the history of the creation of the Cable Production Fund, we believe most would recall that the inception of the Fund was a seminal moment – where contributors agreed to assist the supply and viewing to Canadian programming.

Private broadcasters remain the primary funders of Canadian programming, investing over \$ 6 billion in Canadian programming since 2001. In 2005-06 private television broadcasters invested \$1.5 billion in Canadian programming including news, drama, comedy, sports and public affairs content. Private broadcasters command the largest market share in viewing to Canadian television programming services. In 2006-07 private broadcasters received 83% audience share to drama and long form documentary programming.

Year over year, these billion dollar investments in programming, have been only partially supported with funding from the public private partnership of the CTF.

The reality is that demand has always outpaced supply.

For the CTF to move forward and for the Canadian broadcasting system to continue to provide and, indeed expand the amount of high quality Canadian programs in all genres of programming, **we are recommending that the Canadian Television Funding vehicle be segregated to provide two streams: a private funding stream and a public funding stream that include accountability measures to ensure that the limited resources are directed to where they can have maximum impact.**

Funding in a Diverse Programming Marketplace

Commissioners, you have recently concluded the Public Hearing related to Diversity of Voices. Throughout the hearing, many intervenors pointed to the

incredible diversity in programming. The depth of format diversity in the regulated component of the Canadian television marketplace is without parallel. In the Toronto market alone, over the course of the past decade, there has been a greater than 200 % increase in the number of television services available to viewers, from 80 in 1996 to more than 260 today.

Since the establishment of the Cable Production Fund in the mid-1990s, we have seen the arrival of new OTA stations in almost all of the major English language markets, the licensing of the 1996 class of analog specialty services consisting of 49 services, the licensing in 1999 of 4 additional French language services and since 2001 the addition of digital specialty services (some 87 of which provided financial reports in 2006), as well as new pay, pay per view and VOD services. Moreover, we have also seen increases in the number of foreign services authorized for distribution in Canada totaling today 174 services. The net effect is Canadians have access to more Canadian and foreign services than ever before. BDUs are earning larger revenues than ever before, meanwhile available funding has lagged behind that growth.

Canadians are sophisticated content consumers and expect the best from Canadian and foreign programming. With the high levels of financial investment in foreign production, aimed at a market 10 times our size - Canadian productions must have similar production values to compete with foreign programming and retain audiences. In fact, last year in the US, half a billion dollars was invested in pilot projects alone.

The ironic dilemma is that broadcasters have to provide at least equal or better production values in programming to compete in this diverse programming

environment. And all this, while viewing share is increasingly fragmented by more content choice. And that content choice continues to expand with the online media choices before consumers.

In this universe, broadcasters need to be able to reaggregate the audience to maximize viewing of high quality Canadian programming. For that to happen they need to exhibit their added value Canadian content on multiple platforms. Yet, the way the system works currently discourages broadcasters from exhibiting programming supported through the CTF. This, in our view, needs to change. The CTF and all stakeholders must recognize that broadcasters must have the possibility to invest and control programming rights if we want to increase viewing to high end Canadian programming.

In French-speaking Canada, as you know, the problem is different. Although subject to international competition, most of the competition is not in the French language. French-language broadcasters know how to strike a chord with their audiences – to use just one example, Canadian programming holds all top 10 places in Québec. But they face problems unique to them:

- # By way of situating the issue, the Canadian marketplace is the equivalent of California; the French language market is equivalent to San Francisco with a population of approximately 6 million people. Nonetheless, French language broadcasters have successfully built a broadcasting system for this relatively small market which is no more than a US metropolitan area in the US.

- #The cost of advertising per thousand is well below that of the English-language market. These despite the success of french language Canadian programming and its ability to attract audiences.
- #This is also despite the strong competition for viewers, for revenues and for CTF funding from the public broadcasters.

Currently SRC is guaranteed its share of the CBC envelope and now the educational broadcasters are requesting that 15% of the Fund be reserved for them. This would mean in Quebec that over half of the Fund would be reserved for public broadcasters – we consider that to be disproportionate compared to their combined viewing share.

We do not believe that public broadcasters should have access to the private sector funding stream as they have fundamentally different mandates – nor should they be allowed to compete for access to audience driven envelopes. We would note that CBC/SRC receives a guaranteed 37% portion of the overall fund without regard for the performance of their programming.

Moving Forward

- 1.#We fully support the recommendation of the CRTC Task Force that the Commission enact a regulation requiring BDUs to send their contributions on a monthly basis.
- 2.#We need to encourage additional revenue streams into the Fund such as VOD.

3.#We need to deal with the inequity in the funding system. Private broadcasters, who are mandated to deliver on different metrics should be supported by private funds; public, not-for-profit, and Aboriginal broadcasters should be supported by public funding.

The CAB considers that the main factor that has hindered the proper functioning of the French language component of the Canadian Television Fund is the profound inequity that exists in the system. Over the past years, public broadcasters have captured more than half of the fund's total French-language resources.

As an example, CBC/Radio-Canada attracted only 13% of the 88 millions average weekly viewing hours to Canadian programming. If we focus only on the French-language market, we note that the total viewing to French-language programming is less than 20%.

Public broadcasters should also be accountable, assuming responsibility for their programming choices and reporting on the attainment of the public policy goals.

Public and not-for-profit broadcasters operate under different mandates and conditions from those of private broadcasters. Consequently, it is neither logical nor fair to set out common objectives and parameters for accessing the CTF's resources for these two types of broadcasters. That is why we recommend establishing two streams of funding.

We believe the paramount focus of the private sector stream should be maximizing audiences to Canadian programs in our regulated system. This focus means that the private sector stream should operate under a number of principles:

- # Funds would be allocated to broadcaster envelopes which have worked and should remain, with the major criterion being audience success taking into account the differences between certain genres and different types of broadcasters.
- # As the Task Force proposed, the programs would have to meet 8 of 10 points.
- # Again as the Task Force proposed, the programs would only meet one other criterion – that they reflect Canadian experiences.
- # Wherever possible, funding by way of equity participation would be prioritized.
- # Financing for script and concept development would come from the broadcaster envelopes.

Had this model been in place in 2006-07, the Public and not-for-profit stream would have received 44% or \$120 million of the available funds while private broadcasters would have received 56% or \$150.6 million of the CTF funds.

An allotment of that nature would be very beneficial for public and not-for-profit broadcasters, as they would be given a share of the CTF's basic

financing, more than adequate additional contributions and greater than their audience share according to all available indicators.

Conclusion

We do not think that the Fund should be used to regulate television – that is the mandate that the government has appropriately given to the CRTC.

We welcomed the report of the Commission's Task Force – it signalled a new orientation for the Canadian Television Fund – one that ensured ongoing and stable funding to finance quality Canadian programs with a new market-oriented focus. We congratulate the Task Force on bringing a fresh approach to the program funding debate. We have made a few modest suggestions to bring even more accountability and efficiency to the Fund's operations.