Appendix

Economic Contribution of the Canadian Independent Broadcasting Sector

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Prepared for:

Independent Broadcast Group (IBG)/
Le groupe de diffuseurs indépendants (GDI)

Prepared by:

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About Nordicity

Nordicity (www.nordicity.com) is a leading international consulting firm providing private and public-sector clients with solutions for Economic Analysis, Strategy and Business, and Policy and Regulation across four priority sectors: arts, culture and heritage; digital and creative media; information and communication technologies (ICTs) and innovation; and, telecommunications and spectrum. With offices in Ottawa, Toronto, Vancouver and London (UK), Nordicity is ideally placed to assist our clients to succeed in the rapidly evolving global markets.

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Canadian Independent Broadcasting Sector: Key Statistics 2017

	Value of revenue/ production spending	Canadian employment (FTEs)		Canadian gross domestic product (GDP)	
		Direct	Total[1]	Direct	Total[1]
Television broadcasting[2]	**$752M**	**2,500**	**5,270**	**$279M**	**$531M**
Television production in Canada[3]	**$691M**	**5,590**	**14,180**	**$360M**	**$983M**
Distribution and merch. licensing[4]	**$146M**	**80**	**230**	**$34M**	**$47M**
Radio and audio services in Canada[5]	**$1.09B**	**5,320**	**8,610**	**$592M**	**$995M**
Other inter-national media operations[6]	**$45M**	**200**	**320**	**$29M**	**$39M**
Total	**$2.73B**	**13,690**	**28,610**	**$1.29B**	**$2.60B**

Source: Nordicity estimates based on data from CRTC, CMPA, Statistics Canada and public financial reports.

Notes:

1. Includes direct, indirect and induced economic impacts within Canada.
2. Includes revenue earned from conventional, discretionary and pay television broadcasting services in Canada.
3. Includes the total estimated value of production budgets associated with independent broadcasters' licensing of original Canadian television programming, other content production made by independent broadcasters' production arms and service production in Canada.
4. Includes revenue from the distribution of video content and earnings from characters licensing.
5. Equals the sum of revenue earned from commercial radio broadcasting and Stingray's non-TV revenue within Canada.
6. Includes other revenue earned outside of Canada from broadcasting, production, distribution, merchandise licensing and any other media businesses owned by Canadian independent broadcasters.

Executive summary

While Canada's large vertically integrated broadcasting ownership groups control over 80% of revenue in the Canadian broadcasting sector,[1] Canada's independent broadcasters have – in the face of this market dominance – demonstrated considerable entrepreneurialism and business innovation.

These independent broadcasters – i.e. those Canadian broadcasting companies not owned by one of the large vertically integrated ownership groups or CBC/Radio-Canada – have often been at the forefront of promoting diversity in the Canadian broadcasting sector and sustaining their business models through diversification, adoption of new technologies and platforms, and international expansion and business development.

In promoting diversity and business innovation within the Canadian broadcasting sector, Canada's independent broadcasters also generate an important economic contribution. Not only do their operations employ thousands of Canadians and generate millions of dollars of gross domestic product (GDP), but their affiliated production and distribution businesses stimulate further economic activity within the Canadian television production sector, while also helping to spearhead the development of their businesses around the world– which generate export earnings, and return financial and economic benefits to Canada.

With this is mind, the Independent Broadcast Group (IBG) / Le groupe de diffuseurs indépendants (GDI) commissioned Nordicity to prepare an analysis of the economic contribution of the Canadian independent broadcasting sector.

Today, many of Canada's independent broadcasters are no longer just operators of television programming services or radio stations. The largest companies also operate production and distribution arms that create and/or market their own content or content acquired from other creators. DHX Media Ltd ("DHX Media"), Blue Ant Media Inc. ("Blue Ant Media") and Remstar Group ("Remstar") all operate production arms. DHX Media, Blue Ant Media, Remstar and Channel Zero Inc. ("Channel Zero") are also active in the distribution of audiovisual content.

In 2017, Canada's independent broadcasters earned $752 million from their television operations – including conventional and discretionary television services. This represented 10.9% of the $6.9 billion in total revenue in Canada's broadcast programming segment in 2017.

Between 2013 and 2017, independent broadcasters' broadcasting revenue fell by 15%. This drop was much faster than the 5% decline in revenue experienced by the entire Canadian broadcasting sector during that period and meant that independent broadcasters' market share declined from 12.2% in 2013 to 10.9% in 2017.

[1] CRTC (2017), *Communications Monitoring Report 2017*, p. 94.

The $752 million in revenue earned by independent broadcasters translated into 5,270 FTEs of employment and $531 million in GDP for the Canadian economy. Of this total, 2,500 FTEs were employed directly at independent broadcasters, helping these companies generate $279 million in GDP.

The economic contribution of independent broadcasters' television operations is even larger when one takes into account the leverage they achieve through the commissioning of original Canadian television production. In 2017, independent broadcasters spent an estimated $91 million on original Canadian television production. This spending led to total production of $389 million, once other sources of financing joined the commissioned projects.

Added to the leverage of this commissioned production was the propriety content created by companies such as DHX Media and Blue Ant Media, as well their production-services activities. In total, we estimate that Canada's independent broadcasters and their affiliated production arms accounted for $691 million in audiovisual production in Canada in 2017.

This level of audiovisual production generated 14,180 FTEs of employment and $983 million in GDP. Of this total, direct employment (i.e. cast and crew on television projects) accounted for 5,590 FTEs; the direct GDP of this television production was $360 million.

As the largest distributor of audiovisual content among Canada's independent broadcasters, DHX Media earned an estimated $146 million in revenue from distribution and merchandise licensing activities in 2017. This element of DHX Media's operations generated 230 FTEs of employment and $47 million in GDP for the Canadian economy.

The size and economic contribution of independent broadcasters in the radio and audio-services market is even larger than that of the television market. In 2017, independent broadcasters, including Sirius XM Canada Inc. ("Sirius XM Canada") and Stingray Group Inc. ("Stingray"), earned $1.09 billion in revenue in Canada. Their Canadian radio and audio-services operations, in turn, generated 8,610 FTEs of employment and $995 million in GDP.

Several Canadian independent broadcasters also operate lines of business that do not fall within the television broadcasting, television production, audiovisual distribution, or radio and audio services sub-sector. Stingray, Blue Ant Media, Pelmorex Corp., OUTtv Network Inc. ("OUTtv") and Ethnic Channels Group Limited (ECG) all have significant media operations outside of Canada, for example.

Stingray's international operations, alone, earned $46 million in revenue in 2017, and generated an estimated 320 FTEs of employment and $39 million GDP.

In total, therefore, Canada's independent broadcasters generated 28,440 FTEs of employment and over $2.54 billion in GDP for the Canadian economy in 2017. This included direct employment of 13,690 FTEs and direct GDP of $1.29 billion. The balance of the contribution came from the indirect and induced impacts stimulated by independent broadcasters' economic activity.

1. Introduction

1.1 Background

1. Over the past two decades Canada's broadcasting sector has experienced significant consolidation – both horizontal and vertical. Today, four corporate ownership groups – Bell Canada ("Bell"), Shaw Communications Inc. / Corus Entertainment Inc. ("Shaw/Corus"), Rogers Communications Inc. ("Rogers") and Quebecor Media Inc. ("Quebecor"). – control the vast majority of revenue and subscribers within Canada's broadcasting sector. Indeed, according to the Canadian Radio-television and Telecommunications Commission (CRTC), these four ownership groups plus CBC/Radio-Canada account for 81% of total revenue in the Canadian broadcasting sector (including broadcasting programming services and broadcast distribution undertaking [BDU] services).[2]

2. These four commercial ownership groups not only control most of the television programming services in Canada, they are also vertically integrated – controlling assets from production through programming through broadcast distribution. But while these large vertically integrated broadcast ownership groups exercise significant economic control over the sector, it is Canada's **independent broadcasting companies** that have often led the way in terms of promoting diversity and business innovation within the Canadian broadcasting sector.

3. In promoting diversity and business innovation, Canada's independent broadcasters also make an important economic contribution. Not only do their operations employ thousands of Canadians and generate millions of dollars of gross domestic product (GDP), but their affiliated production and distribution arms stimulate further economic activity within the Canadian television production sector, while also helping to spearhead the development of their businesses around the world– thus generating exports, and returning financial and economic benefits to Canada.

4. With this is mind, the Independent Broadcast Group (IBG) / Le groupe de diffuseurs indépendants (GDI) commissioned Nordicity to prepare an analysis of the economic contribution of the Canadian independent broadcasting sector. The following report presents the results of this analysis.

1.2 Definition of independent broadcasting

5. In general, **independent broadcasters** or the **independent broadcasting sector** is defined as those Canadian broadcasting companies that are not affiliated with one of Canada's large vertically integrated broadcast ownership groups. These large vertically broadcast integrated groups control not only programming assets (i.e. conventional, discretionary or on-demand television services), but broadcast distribution undertaking (BDU) assets (i.e. cable-TV, DTH satellite or IPTV services).

[2] CRTC (2017), *Communications Monitoring Report 2017*, p. 94.

6. As of January 2019, there were four ownership groups that fulfilled this definition: Bell. Shaw/Corus, Rogers and Quebecor. Indeed, the CRTC has explicitly identified these four large vertically integrated companies and requires them to submit annual financial reports on a group basis.

7. A fifth company, Cogeco Media Inc. ("Cogeco"), is not explicitly identified by the CRTC as a vertically integrated ownership group. However, Cogeco does maintain a certain degree of vertical integration with its ownership of BDU, video-on-demand (VOD) and radio programming assets.

8. CBC/Radio-Canada is also a major player in Canada's broadcasting sector. In 2017, it recorded $943.9 million in revenue, including $674.2 million from its annual parliamentary appropriation. While CBC/Radio-Canada does not control BDU assets, its parliamentary appropriation and prominence within the programming sub-sector sets it apart. For the purposes of this analysis, therefore, CBC/Radio-Canada was excluded from the definition of the independent broadcasting sector, and thereby, included alongside the large vertically integrated ownership groups and Cogeco.

9. For the purposes of this analysis, we have also excluded all on-demand television services operated by BDUs (i.e. Canadian VOD and pay-per-view [PPV] services) from the definition of the independent broadcasting sector. In 2017, these services earned a total of $317 million in revenue.[3]

10. For the purposes of this analysis, therefore, Canada's independent broadcasting sector includes <u>all other</u> television and radio broadcasting companies. Among the companies operating within Canada's independent broadcasting sector are the members of IBG/GDI, including Aboriginal People's Television Network (APTN), Channel Zero Inc. ("Channel Zero"), OUTtv Network Inc. ("OUTtv"), ZoomerMedia Ltd. ("ZoomerMedia"), Allarco Entertainment 2008 Inc. ("Super Channel"), TV5 Québec Canada, Hollywood Suite Inc. ("Hollywood Suite"), Ethnic Channels Group Ltd (ECG), BBC Kids and Stingray Group Inc. ("Stingray").

11. In addition to IBG/GDI membership, Canada's independent broadcasting sector also includes DHX Media Inc. ("DHX Media"), Blue Ant Media, Remstar Group / Groupe VMedia ("Remstar"), Fairchild Television Ltd. ("Fairchild"), Jim Pattison Group, Pelmorex Corp. ("Pelmorex"), Accessible Media Inc. (AMI) and numerous other small locally owned television and radio stations.

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[3] In 2017, a total of 25 on-demand services (i.e. VOD or PPV services) reported financial data to the CRTC. Of these 25, 13 were owned by one of the vertically integrated broadcasting groups (i.e. Bell, Rogers, Shaw/Corus Quebecor); four were owned by another incumbent Canadian telecommunications carrier (i.e. TELUS, Saskatchewan Telecommunications, Northwestel). Of the remaining eight on-demand services, three were no longer in operation in 2017. The remaining five combined for only $4.5 million in revenue in 2017 out of total revenue of $317 million in the on-demand segment.

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1.3 Methodology

1.3.1 General approach and data sources

12. In general, the estimates of size and economic contribution of the independent broadcasting sector in Canada were arrived at using a *deduction* approach. Under this deduction approach, we compiled financial and employment data published by the CRTC for the four large vertically integrated broadcast ownership groups plus Cogeco and CBC/Radio-Canada. This financial data was used to estimate the aggregate financial and employment performance of these large vertically integrated broadcasters, Cogeco and CBC/Radio-Canada. We then deducted these aggregate estimates from the financial and employment statistics for the overall broadcasting sector in Canada published by the CRTC.

13. For the television sector, this deduction exercise was conducted separately for the conventional television, and discretionary and on-demand television sub-sectors. Separate calculations were also conducted for the radio broadcasting sub-sector.

14. In order to estimate the size and economic contribution of independent broadcasters' operations outside of the Canadian broadcasting sector, per se (e.g. television production, audiovisual distribution, international media operations), we compiled additional financial and employment data from the public financial reports for specific companies, including DHX Media, Stingray and Sirius XM Canada Inc. ("Sirius XM Canada").

15. Information from the CRTC's web site, Canadian media companies' public financial reports and trade journals were also used to research the ownership relationships within Canada's independent broadcasting sector and the various lines of business operated by Canadian independent broadcasting companies.

1.3.2 Survey

16. We also administered a short survey of independent broadcasting companies in November/December 2018, in order to collect additional detail related to broadcasters' spending on Canadian programming and their international operations. A total of 11 companies completed the survey, including most of the largest independent broadcasting companies, such as DHX Media, Blue Ant Media, APTN, ZoomerMedia, Stingray, OUTtv, TV5 Québec Canada, Groupe V Media, Allarco and BBC Kids.

17. To maintain the confidentiality of the survey data, only data from questions that were completed by three or more companies was used in the report. No attempt was made to extrapolate the survey results for non-responding companies.

1.3.3 Economic contribution analysis

18. To estimate the total economic contribution of the independent broadcasting sector, we prepared estimates of the **direct** and **spin-off impacts**.

19. The **direct impact** refers to the employment and GDP generated directly within the independent broadcasting companies and their affiliated operations. For example, the direct economic impact includes persons employed at independent broadcasters in either in-house production, sales and marketing, or administrative roles. It also includes the Canadian cast and crew employed on television productions commissioned by Canadian independent broadcasters.

20. The **spin-off impact** is the term used in this report to refer to the sum of the indirect and induced impacts.

    i. The **indirect impact** refers to the additional employment and GDP generated within Canadian industries that supply goods and services to Canadian broadcasters, content producers or distributors. In this regard, it includes equipment suppliers, lawyers and accountants, for example.

    ii. The **induced impact** refers to the additional employment and GDP generated within Canada on account of the re-spending of labour income of persons employed at both the direct and indirect-impact stages. This includes re-spending on food, fuel, entertainment and domestic travel, for example.

21. The sum of the direct and spin-off impacts is the **total economic contribution** or **total economic impact**.

22. Wherever possible, we estimated the economic contribution using existing methodologies and ratios used by Nordicity in other related reports (e.g. *Profile 2017*, published by the Canadian Media Producers Association ["CMPA Profile 2017"]). In fact, the CMPA Profile 2017 provided methodologies and economic ratios that we were able to use to convert our estimates of television broadcasting revenue, audiovisual distribution revenue and independent television production spending into estimates of employment, labour income and GDP.

23. Where existing methodologies and ratios were not available from other Nordicity reports – for example, in the case of radio and audio services – we used Nordicity's MyEIA Model™. This model is based on Statistics Canada's input-output tables and can be used to estimate the impact that specific types of spending have on employment, labour income and GDP in Canada.

1.4 Outline of study

24. The remainder of this report is divided into seven additional sections.

- Section 2, **Diversity and business innovation**, examines how Canada's independent broadcasters have harnessed their entrepreneurial roots to promote diversity and business innovation within Canada's broadcasting system.

- Section 3, **Independent television broadcasting**, provides an analysis of the size and economic contribution that Canada's independent television broadcasters make through their broadcasting operations in Canada.

- Section 4, **Independent broadcasters' Canadian television production**, analyzes how Canada's independent television broadcasters also generate an economic contribution through the television production that they directly commission and create through their affiliated production arms.

- Section 5, **Audiovisual distribution**, discusses and estimates how the audiovisual distribution arms of Canada's independent broadcasters also contribute to employment and GDP in Canada.

- Section 6, **Independent radio and audio services**, examines the size and economic contribution of independent broadcasters primarily engaged in radio and audio-services in Canada.

- Section 7, **Independent broadcasters' other lines of business**, examines the other Canadian and international media businesses in which Canadian independent broadcasters are also engaged.

- In Section 8 we provide a **Summary of key findings**.

2. Diversity and business innovation

25. In this section we examine the various companies that comprise Canada's independent broadcasting sector and how they have promoted diversity and business innovation within Canada's broadcasting sector.

2.1 Ownership

26. As noted in Section 1, four ownership groups along with CBC/Radio-Canada control 81% of revenue in the Canadian broadcasting sector.[4] This high level of concentration in ownership and decision-making contrasts with the less concentrated ownership among independent broadcasters.

27. Figure 1 presents many of the leading independent Canadian broadcasters that make up the "other 19%." Among these companies, some are still effectively controlled by individual entrepreneurs (e.g. SuperChannel and Charles Allard). Others remain privately-held by groups of Canadian broadcasting pioneers (e.g. Pelmorex) and some are publicly traded (e.g. DHX Media and Stingray).

Figure 1 Canada's leading independent broadcasting ownership groups and brands

Source: CRTC

28. Many independent broadcasters control a single television programming brand. In several cases, Canada's independent broadcasters have, through acquisitions or broadcasting licensing rounds, assembled portfolios of broadcasting services. Channel Zero, Pelmorex, ZoomerMedia, Remstar,

[4] CRTC (2017), *Communications Monitoring Report 2017*, p. 94.

DHX Media, Blue Ant Media, Hollywood Suite and FairchildTV each operate several television-programming services or brands.

2.2 Lines of business

29. While Canada's independent broadcasters do not control BDU assets, they have diversified vertically into various lines of business beyond television or radio broadcasting. Indeed, in the case of DHX Media and Channel Zero, the vertical diversification was in the reverse: these two companies' businesses were first focused on production and distribution of audiovisual content before diversifying downstream into the television programming sub-sector.

30. As of January 2019, **DHX Media** operated several television programming assets in Canada (i.e. Family, Family CHRGD, Family Junior and Télémagino), alongside significant television production, television distribution, merchandise licensing and brand management services. Its television production operations included the creation of its own animation and live-action children's television programming intellectual property (IP) for its own Canadian programming services and for a wide range of traditional and online programming services around the world. As part of its Canadian production operation, it also provided production services to create content for other IP holders.

Figure 2 Lines of business operated by leading Canadian independent broadcasting companies

	dhx media	BLUE ANT media	Remstar	STINGRAY	Pelmorex Corp		FairchildTV	Allarco/ Touch Canada	CHANNEL ZERO	TV5
Television broadcast	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Production	✓	✓	✓							✓
Distribution	✓	✓	✓						✓	
Merchandise and licensing	✓									
Radio and audio services				✓		✓	✓	✓		
Other media and non-media	✓	✓	✓	✓	✓					

Source: CRTC and public financial reports

31. **Blue Ant Media** operates a large portfolio of Canadian television programming services (i.e. A. Side, BBC Earth, LoveNature, Smithsonian Channel, HiFi, Travel & Escape, Cottage Life and Makeful), while also producing and distributing video and digital media content internationally. Additionally, Blue Ant Media owns and operates (i) production companies in Canada, Australia, New Zealand,

Singapore, London, Los Angeles; (ii) linear channels globally (Love Nature, Smithsonian Channel, ZooMoo, Arcade Cloud, Makeful, Blue Ant Entertainment, Blue Ant Extreme, Choice TV [New Zealand], HGTV New Zealand), (iii) a YouTube multi-channel network (Omnia Media), (iv) two print magazines (*Cottage Life* and *Australian Geographic*); (v) consumer trade shows (e.g. Cottage Life Show, Seasons Show, The Baby Show); and (vi) an international video and digital media content distribution division through its international distribution arm (Blue Ant International).

32. **Remstar** operates several conventional television stations in Quebec, as well as the specialty music channels, MusiquePlus and Max. Remstar Studios produces independent films and television programs, while Remstar Films operates as a distributor of its own and third-party audiovisual content.

33. **Stingray** operates a pay audio service in Canada as well as a portfolio of discretionary television services: Stingray Ambiance, Now 4K, Palmares ADISQ; and the Stingray-branded channels, HITS, Juicebox, Loud, Retro and Vibe. In October 2018, it also completed the purchase of Newcap Radio ("Newcap") radio broadcasting assets, further expanding its role within Canada's radio and audio-services sector.[5] In addition to its Canadian operations, Stingray also operates audio television channels and music streaming services for BDUs and mobile operators in 156 different countries, including the US, UK, Germany, Australia and Singapore.

34. In addition to operating the television services, Weather Network and MétéoMedia, **Pelmorex** also provides weather, environmental and public safety information content to a variety of digital platforms and operates Canada's National Alerting Aggregation and Dissemination (NAAD) System, which validates and distributes emergency alerts issued by authorized government agencies in Canada.

35. The **Jim Pattison Group** operates 45 radio stations and three conventional television stations in Western Canada.

36. **Fairchild** operates three discretionary television services devoted to ethnic-language content and four ethnic radio stations.

37. **Allarco Entertainment Inc.** and **Touch Canada Broadcasting Inc.** – both controlled by the Charles Allard– operate Super Channel and five radio stations in Western Canada.

[5] CRTC (2018), *Various radio and television broadcasting undertakings – Change in ownership and effective control*, Broadcasting Decision CRTC 2018-404.

38. **Channel Zero** operates conventional and discretionary television services in Canada, and also distributes short and documentary films internationally through its OUAT Media subsidiary.[6]

39. **TV5 Québec Canada** not only operates two discretionary television services in Canada (TV5 and Unis TV), but has coproduced content with TV5MONDE for international distribution on social media platforms.[7]

2.3 Diversity

40. One of the hallmarks of Canada's independent broadcasting companies has been the leadership they have often taken in terms of promoting diversity and inclusion within the Canadian broadcasting sector.

41. **APTN**, launched in 1999, is the world's first Aboriginal television broadcaster. In 2017, it aired an average of 55 hours per week or Aboriginal television programming and 21.5 hours of French-language programming.[8] It also plays an important role in ensuring that Canada's Aboriginal stories and talent reach audiences across Canada and around the world. In 2017, it commissioned over 306 hours of original Canadian content in English, French and 11 Aboriginal languages.[9] This commissioning included 31 television projects and 25 digital media projects.[10]

42. APTN's commitment to diversity is also reflected in its in-house operations. In 2017, 65% of its employees were Aboriginal and 51% were female.[11] This commitment has helped it to be recognised as one of Canada's 100 top employers five times.[12]

43. **TV5 Québec Canada**, established in 1988, operates two television services, TV5 and Unis TV. TV5 offers programming focused primarily on reflecting the international Francophonie, and Unis TV, launched in 2014, offers programming primarily focused on official language minority communities (OLMC) or created by producers from these communities in order to reflect the diversity of the Canadian Francophonie. Last year, TV5 Québec Canada invested more than $16.9 million in original Canadian programming representing 370 hours of original, first-run French-language content, $6.5 million of which was spent commissioning content from independent producers within OLMC.

44. **ECG**, is one of the world's largest ethnic broadcasters in terms of channels with over 100 television channels worldwide. In Canada, ECG operates or distributes over 80 discretionary television

[6] IBG/GDI (2016) "Canadian content in a Digital World: The Role of Independent Broadcasters as Content Creators and Providers," p. 5.
[7] Ibid.
[8] APTN (2017), *Communiqué 2017*, p. 15.
[9] Ibid., p. 7.
[10] Ibid.
[11] Ibid., p. 21.
[12] Ibid., p. 19.

services in 16 different languages. ECG's sister company, NexTV,was the first Internet-protocol TV (IPTV) BDU offering legal, third-language content in Canada and Nextologies offers IPTV-based transmission and digital master control services in Canada and in more than 100 different countries.

45. **Asian Television Network (ATN)** is Canada's largest provider of South Asian television services. It operates 54 different discretionary television services in Canada, which cover virtually every programming genre – from news to movies to sports.

46. **OUTtv** launched in 2001 as Pridevision, was the world's first and is Canada's only broadcaster that focuses on content relevant to the LGBTQ2 community and their allies. OUTtv also operates direct-to-consumer OTT platforms in Canada, Australia and New Zealand, and successfully operated a month-long "pop up" linear channel in South Africa last fall.

47. With a portfolio of three discretionary television services, investments in jazz and classical radio stations, and the *Zoomer* magazine, **ZoomerMedia** has essentially defined and created the "boomer-Zoomer" demographic. [13] At the core of its television offering is VisionTV – Canada's only multifaith service.[14]

48. **AMI**, established in 1989,[15] aims to empower and entertain blind and partially sighted Canadians, as well as creating media that represents the interests of disabled Canadians. By eliminating barriers to experiencing media, AMI serves the five-million-plus Canadians who are blind; deaf; vision-, hearing- or mobility-impaired; learning-disabled; or print-restricted.[16]

49. Among other things, AMI eliminates barriers to media by providing Described Video (DV), Integrated Described Video (IDV), Live Described Video and Captioning. It formats popular television series, films and children's programming for the visually or hearing impaired using DV or captioning.[17]

50. AMI is also an active commissioner of original Canadian programming. It commissions reality and lifestyle programs that focus on subjects such as employment, dating, cooking, physical activity, as well as programs that discuss the challenges and triumphs of people living with disabilities.[18] All of its original programming feature IDV and aims to convey an authentic experience of those who are living with disabilities.[19]

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[13] IBG/GDI (2016) "Canadian content in a Digital World: The Role of Independent Broadcasters as Content Creators and Providers," p. 5.
[14] Ibid.
[15] Humber College (2017), "Creating described video for broadcasting media."
[16] Ibid.
[17] Accessible Media Inc. (2019), "What is AMI-tv?"
[18] Accessible Media Inc. (2019), "Shows"
[19] Humber College (2017), "Creating described video for broadcasting media."

51. **DHX Media** is one of the world's leading producers of children's and youth programming. It also holds the largest library of children's programming outside of Hollywood.[20] Its operation of four family-oriented television services in Canada (i.e. Family, Family CHRGD, Family Junior and Télémagino) contributes to the diversity of domestic television-programming choices for children's and youth audiences in Canada.

2.4 Entrepreneurialism and business innovation

52. Entering underserved audience niches – let alone defining and creating one – can be a highly risky proposition that calls for a high level of entrepreneurialism and business innovation. In some cases, independent broadcasters did benefit from the support of the Canadian regulatory system; however, this support was, in many ways, designed to offset the high risk of entry and to contribute to important broadcasting policy goals.

53. Nevertheless, many of Canada independent broadcasters have not rested on the laurels of what until recently was a quasi-protected Canadian television market. Canada's Independent broadcasters have, in many cases been, at the forefront of harnessing new technologies and expanding in overseas market.

54. From a single television service in Canada, **OUTtv** has used global technology platforms such as Apple iTunes, Google Play, Roku and Amazon Prime to push its programming outside of Canada.[21] It has partnered with broadcasters in New Zealand and other countries to coproduce and then distribute content.[22] In 2016, it launched OUTtv-Go – a direct-to-consumer subscription video-on-demand (SVOD) platform designed to capture cord-cutting audiences.[23]

55. In 2011, **Stingray** acquired the Galaxie music service from CBC/Radio-Canada and turned it around.[24] Alongside that Canadian turnaround story, it has expanded its music services internationally and now earns approximately half its revenue outside of Canada. In Canada, Stingray has expanded into television with the launch of a portfolio of music and music-related discretionary television services. And in 2018, it completed its purchase of Newcap, thus entering Canada's conventional radio broadcasting industry.

56. **Channel Zero** is another independent broadcaster with a track record of turning around Canadian broadcasting assets. Through its acquisition of CHCH-TV Hamilton, it was instrumental in

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[20] DHX Media (2018), *Annual Information Form 2018*, p. 10.
[21] Regan Reid (2018), "Playback's 2018 Channel of the Year: OUTtv," *Playback*, December 12, 2018.
[22] Ibid.
[23] Ibid.
[24] IBG/GDI (2016) "Canadian content in a Digital World: The Role of Independent Broadcasters as Content Creators and Providers," p. 5.

preserving local news and information programming in a local market where media is often crowded out by nearby television stations in the Greater Toronto Area.

57. **APTN** is also looking beyond Canada's borders for expansion. At the time of writing, it was negotiating with three different US companies for carriage of its All Nations Network.[25] APTN has led the launch this past year of two new Indigenous radio stations in Ottawa and Toronto by First Peoples Radio under the ELMNT brand.

58. Launched in 2014, **AMI's** AMI-player was the first ever accessible online media player in North America.[26] The introduction of the service acknowledged Canadians with disabilities – like many other Canadians – are migrating away from traditional television and opting for SVOD services for the television programming. AMI-player was designed to be paired with assistive technologies and features many described video and captioning capabilities.[27]

59. **Pelmorex** has continually innovated to leverage the benefits of new technologies to deliver hyper-local weather information to Canadians. This began in 1994 when it developed and installed patented localization technology at more than 1,000 BDU head-ends to deliver custom, community-specific weather forecasts to BDU subscribers. It has followed by expanding its services to the web, mobile and tablet apps, and smart TV apps. Today, Pelmorex operates Canada's fourth-largest digital network across desktop and mobile, and is growing its reach on four continents, including the leading digital weather service in Spain.

60. **Blue Ant Media** operates television broadcasting and production companies in Canada and around the world, together with other digital distribution and branded trade shows (as discussed elsewhere in this report). In 2016, Blue Ant Media was one of the first companies to venture and invest in 4K production and distribution as part of its Love Nature business – producing more than 400 hours of 4K content, launching the Love Nature 4K SVOD service internationally, and distributing the Love Nature 4K linear channel in Canada and around the world.

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[25] APTN (2017), Communique 2017.
[26] Accessible Media Inc. (2019), "AMI-player."
[27] Ibid.

3. Independent television broadcasting

61. In this section, we provide estimates of the size and economic contribution that the independent television broadcasting sector makes through its broadcasting operations – i.e. the programming and transmission of television programs.

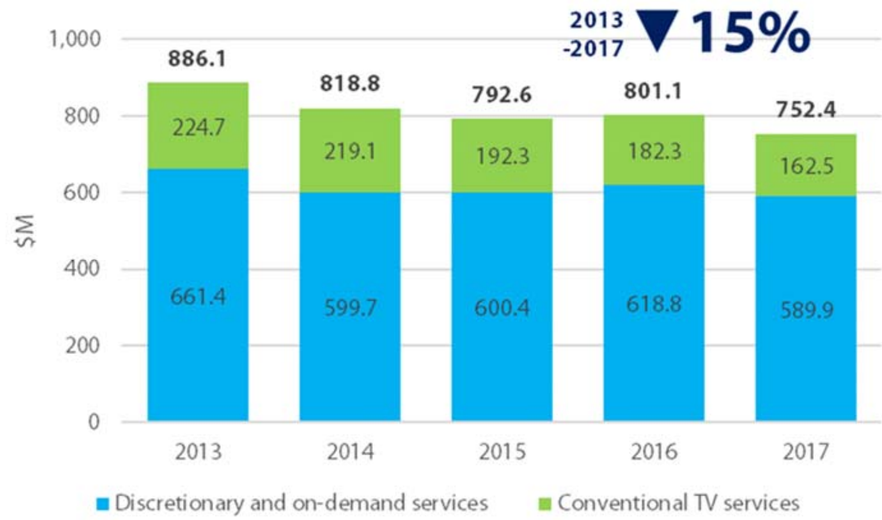
62. This impact is distinct the economic contribution associated with the Canadian television production that independent broadcasting sector commissions. That part of the sector's economic contribution is addressed in Section 4.

3.1 Revenue

63. Independent broadcasters earned an estimated $752.4 million in revenue from their broadcasting operations in Canada in 2017 (Figure 3). Of this total, discretionary services accounted for $589.9 million, or 78%; conventional television services accounted for $162.5 million, or 22%.

64. Between 2013 and 2017, independent broadcasters' Canadian broadcasting revenue decreased by a total of 15%, or an annual average decrease of 4%.

Figure 3 Independent broadcasters' revenue from broadcasting operations in Canada ($M)

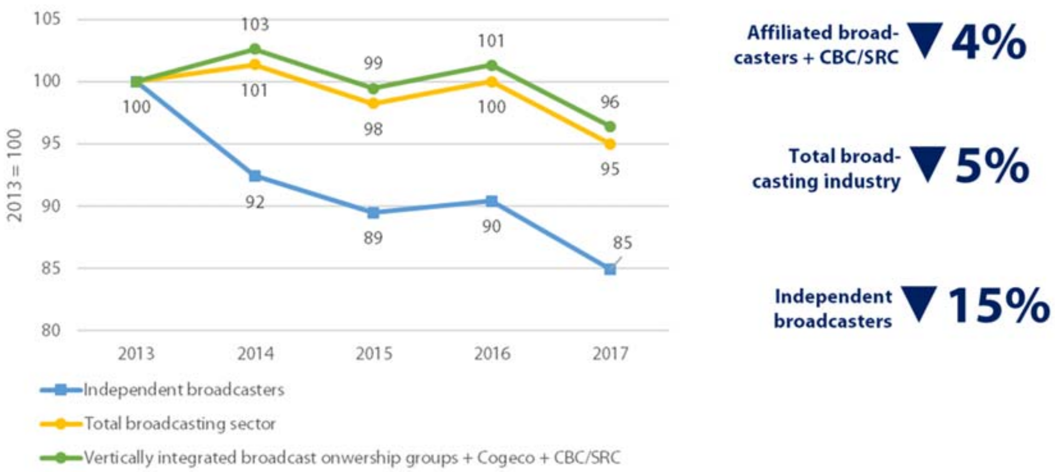


Source: Nordicity calculations based on data from CRTC

65. The decrease in broadcasting revenue among independent broadcasters outpaced that of the rest of the Canadian broadcasting sector. As noted above, independent broadcasters' television broadcasting revenue was down by 15% between 2013 and 2017. During this same five-year period, total revenue at the large vertically integrated broadcasters and CBC/Radio-Canada

decreased by only 4% (Figure 4). Across the entire Canadian broadcasting sector, total revenue was down by 5% during this five-year period.

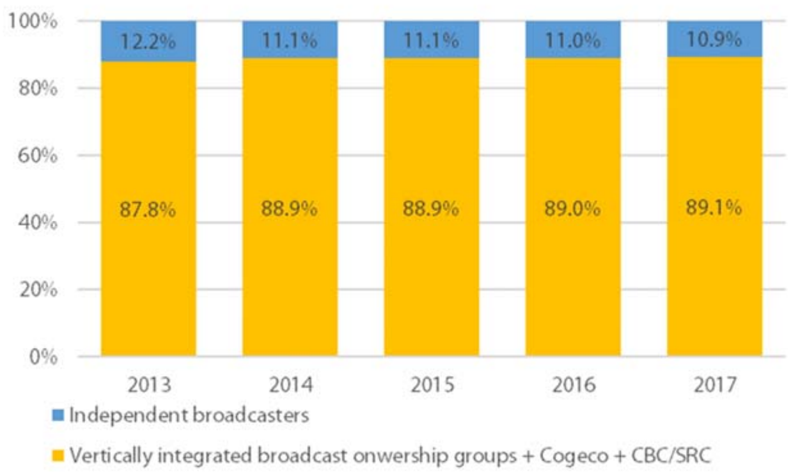
Figure 4 Index of revenue trends, independent broadcasters vs. total broadcasting sector (2013 = 100)



Source: Nordicity calculations based on data from CRTC

66. Because of the faster rate of revenue decline at independent broadcasters, their share of total revenue within the overall Canadian broadcasting sector also steadily declined from 12.2% in 2013 to 10.9% in 2017 (Figure 5).

Figure 5 Market share (based on revenue) within the Canadian broadcasting sector



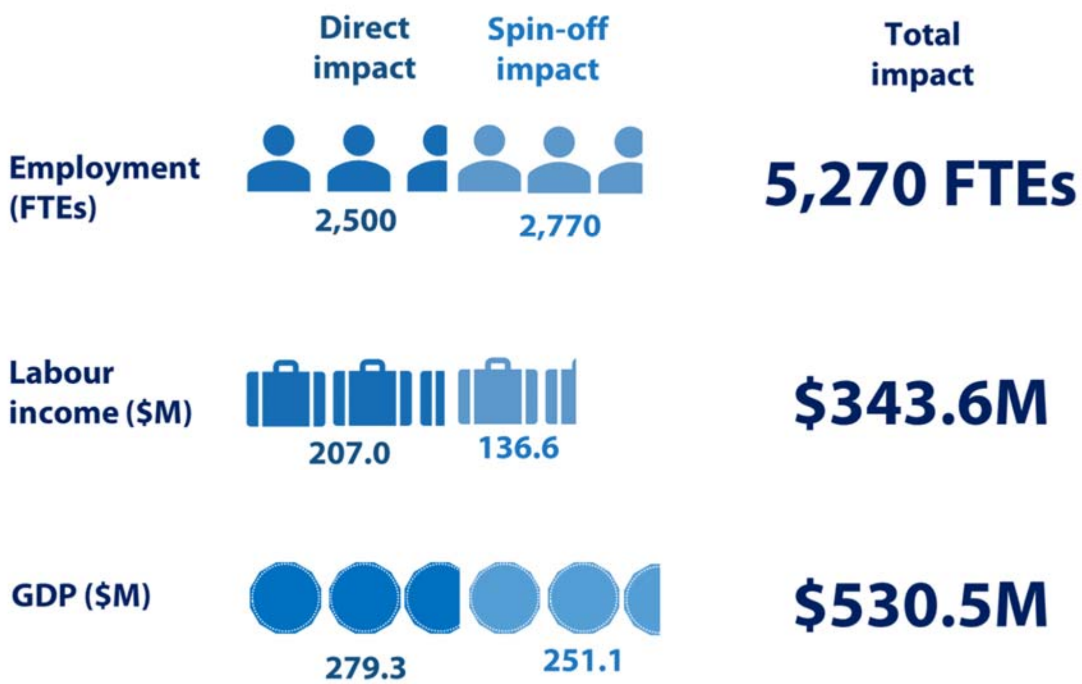
Source: Nordicity calculations based on data from CRTC

3.2 Economic contribution

67. Independent broadcasters' television broadcasting operations generated a total of 5,270 FTEs of employment in Canada in 2017, along with $343.6 million in labour income and $530.5 million in GDP (Figure 6). These estimates included the impact associated with broadcasters' programming, sales and marketing, and finance and administration operations, as well as their in-house production of news and other programming.

68. This total impact included a direct employment impact of 2,500 full-time equivalent workers (FTEs). This represents our estimate of the number people employed on a full-time-equivalent basis directly at independent broadcasters. These broadcaster employees earned an estimated $207.0 million in labour income. In aggregate, independent broadcasting companies, on their own, created $279.3 in economic value added (i.e. direct GDP impact).

Figure 6 Economic contribution of independent broadcasters' television broadcasting operations, 2017



Source: Nordicity estimates based on data from CRTC and CMPA Profile 2017.

4. Independent broadcasters' Canadian television production

69. In Section 3, we estimated the size and economic contribution of independent broadcasters' broadcasting operations, including the in-house television production (e.g. news programming) associated with these operations. Independent broadcasters also generate an economic impact through their commissioning of the production of original Canadian television programming – i.e. external production. Some independent broadcasters also operate affiliated production arms that produce television programs for other broadcasters and video platforms.

70. In this section, we analyze independent broadcasters' spending on television production – through commissioning and affiliated production arms – and estimate the economic contribution generated by this Canadian television production.

4.1 Canadian program expenditures (CPE)

71. During the 2017 broadcasting year, independent broadcasters spent an estimated $253.3 million on Canadian program expenditures (CPE). This CPE included all forms of production, including in-house production (e.g. news programming) and external production (i.e. commissioned original production and acquisitions of existing television programs and films).

72. Independent broadcasters' CPE represented 31.6% of the total revenue ($801 million) that they earned from their broadcasting operations in the previous year, 2016. This rate of CPE was slightly higher than the 30% minimum requirement that the CRTC has applied to large English-language broadcast ownership groups.[28]

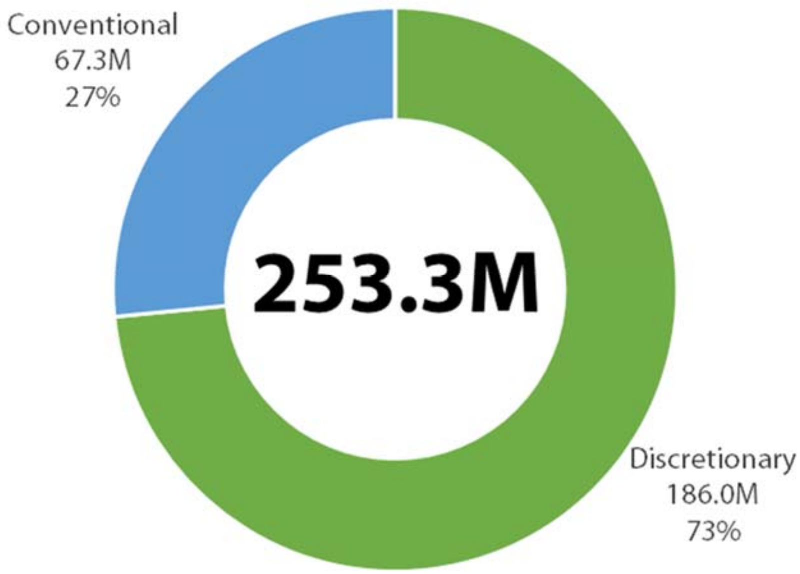
73. Out of this total CPE of $253.3 million, independent discretionary services accounted for $186.0 million, or 73%, while conventional broadcasters accounted for $67.3 million, or 27% (Figure 7).

74. From a genre perspective, over half of independent broadcasters' CPE in 2017 was in the news, and long-form documentary and other information genres. These program categories accounted for 57% of independent broadcasters' total CPE (Figure 8).

75. The fiction genre was third-largest in terms of CPE, with $44.6 million in 2017. It was followed by the human interest (8%), music/variety (5%), reality television (3%) and sports genres (3%).

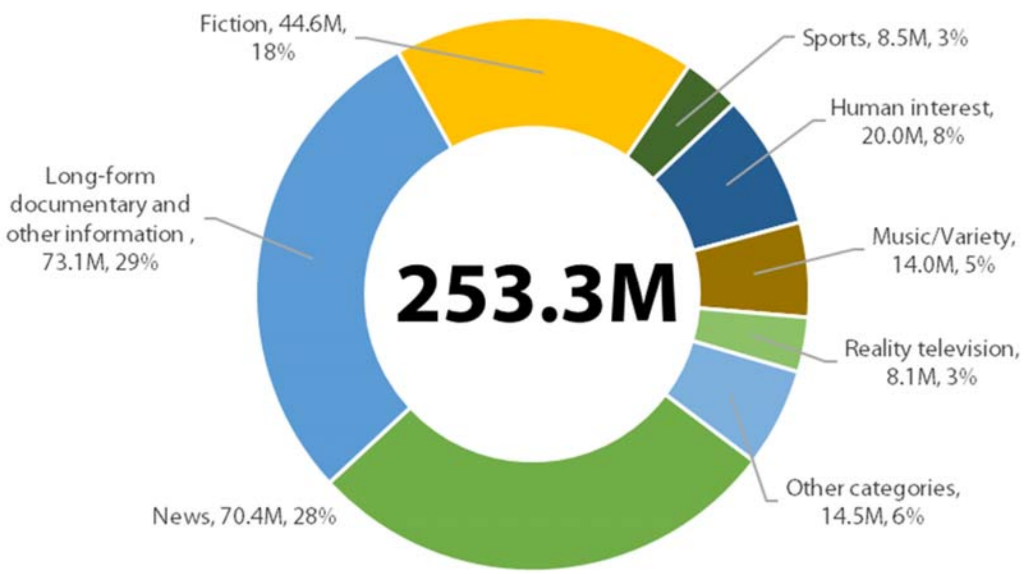
[28] CRTC (2017), *Rogers Media Inc. – Licence renewals for English-language television stations, services and network*, Broadcasting Decision CRTC 2017-151, May 15, 2017.

Figure 7 Independent broadcasters' CPE, by industry segment, 2017 ($M)



Source: Nordicity calculations based on data from CRTC

Figure 8 Independent broadcasters' CPE, by genre, 2017 ($M)



Source: Nordicity calculations based on data from CRTC

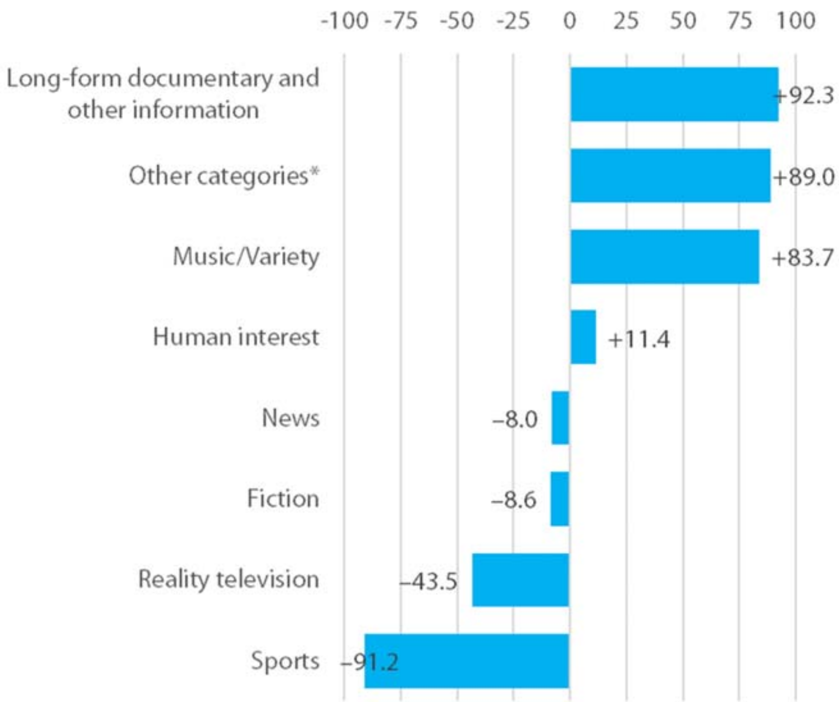
Box 1 Independent broadcasters' relative level of CPE

In the chart below, we compare the independent broadcasters' total spending on CPE by genre in 2017 to their overall share of broadcasting sector revenue (10.9%) in order to identify within which genres independent broadcasters are over- or under-weighted in terms of their CPE in certain genres.

The results in the chart indicate that independent broadcasters were over-weighted in terms of their spending on Canadian programming in the long-form documentary and other information, other program categories*, music/variety and human interest genres. In the long-form documentary and other information genre, independent broadcasters' CPE was 92.3% higher (i.e. nearly double) what would be predicted by their share of sector revenue.

Independent broadcasters were slightly under-weighted in terms of their CPE in the news and fiction genre, and significantly under-weighted in the reality television and sports categories. In fact, the sports category, independent broadcasters' CPE was 91.2% below (i.e. under one-tenth of) what would be predicted by their share of industry revenue.

Canadian independent broadcasters' CPE in relative to their share of broadcasting sector revenue, 2017



Source: Nordicity calculations based on data from CRTC.
* Includes awards shows, interstitials, public service announcements, infomercials, promotional programming and filler programming.

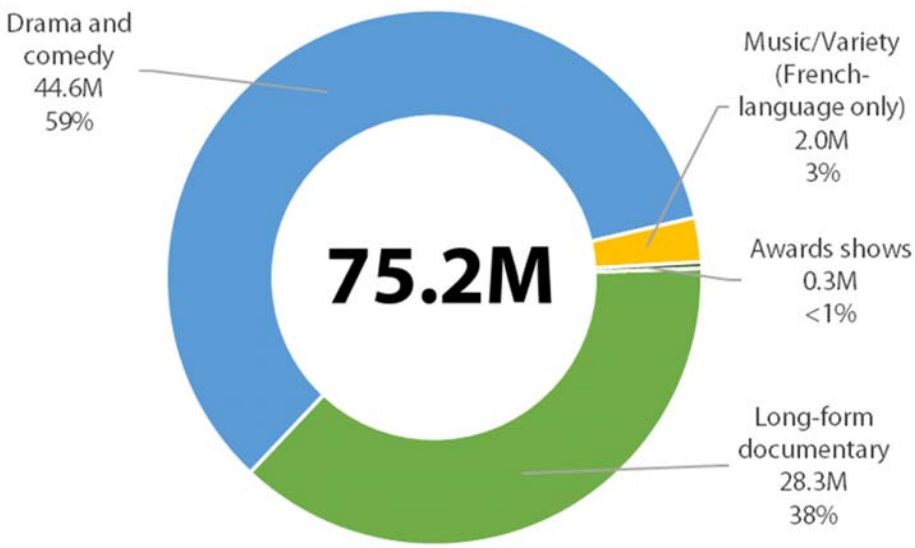
4.2 Programs of national interest

76. Programs of national interest (PNI) include television programs that fall within the CRTC program categories (2b) long-form documentary and (7) drama and comedy, as well as Canadian awards shows that celebrate Canadian creative talent. In the French-language market, it also includes categories (8 & 9) music and variety programming.

77. In 2017, independent broadcasters spent an estimated $75.2 million or 9.4% of their total broadcasting revenue from the previous year ($801 million in 2016) on PNI (Figure 9). This rate of PNI expenditure was well above the minimum requirements that the CRTC applied to the large English-language broadcast ownership groups in 2017.[29]

78. Out of this total spending on PNI, drama and comedy programming accounted for $44.6 million, or 59%; long-form documentary accounted for $28.3 million, or 38%; music and variety programming in the French-language market accounted for an estimated $2 million, or 3%; awards shows accounted for $300,000, or less than one per cent (Figure 9).

Figure 9 Independent broadcasters' PNI, by genre, 2017 ($M)



Source: Nordicity calculations based on data from CRTC and survey of independent broadcasters (2018)

[29] CRTC (2018), *Reconsideration of licence renewal decisions for the television services of large English-language private ownership groups*, Broadcasting Decision CRTC 2018-335, August 30, 2018.

4.3 Spending on Canadian news and information programming

79. Independent broadcasters spent a total of $143.5 million on news and information programming in 2017. This included spending on both in-house production and external production (i.e. commissioned and acquired programming) in the following CRTC program categories:

   - News (category 1)
   - Analysis/Interpretation (category 2a)
   - Long-form documentary (category 2b)
   - Other information (categories 3 to 5).

80. Out of this total spending, news programming accounted for 49%, with the other-information program categories accounting for the balance. Independent broadcasters' discretionary services accounted for 72% of the total spending, while their conventional services accounted for the other 28%. At a 28% share, the conventional segment's share was in line with its share of the independent broadcasting sector's CPE (27%), but higher than its share of revenue (22%).

Table 1 Independent broadcasters' expenditures on Canadian news and other information programming, 2017 ($M)

	Conven-tional	Discre-tionary	Total	*Share*
News	35.3	35.2	**70.4**	*49%*
Analysis/Interpretation, long-form documentary and other information programming	5.2	67.9	**73.1**	*51%*
Total	**40.5**	**103.0**	**143.5**	*100%*
Share	*28%*	*72%*	*100%*	

Source: Nordicity calculations based on data from CRTC

4.4 External production

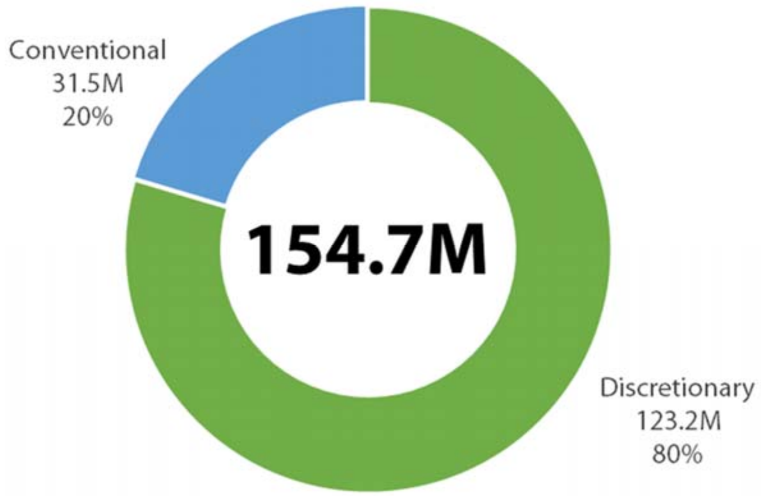
81. External production refers to independent broadcasters' total CPE less any spending on in-house production. In other words, it consists of independent broadcasters' acquisition or commissioning of programming from independent or affiliated producers.[30]

[30] In Broadcasting Decision CRTC 2018-228, the CRTC determined that DHX Media's production arm was an "affiliated producer" since DHX Media wholly owns both its production arm and its broadcasting licences (e.g. Family), and therefore, meets the CRTC's definition of an affiliated producer.

82. In 2017, independent broadcasters spent an estimated $154.7 million on external production (Figure 10). Out of this total, discretionary services accounted for 80%, while conventional services accounted for 20%.

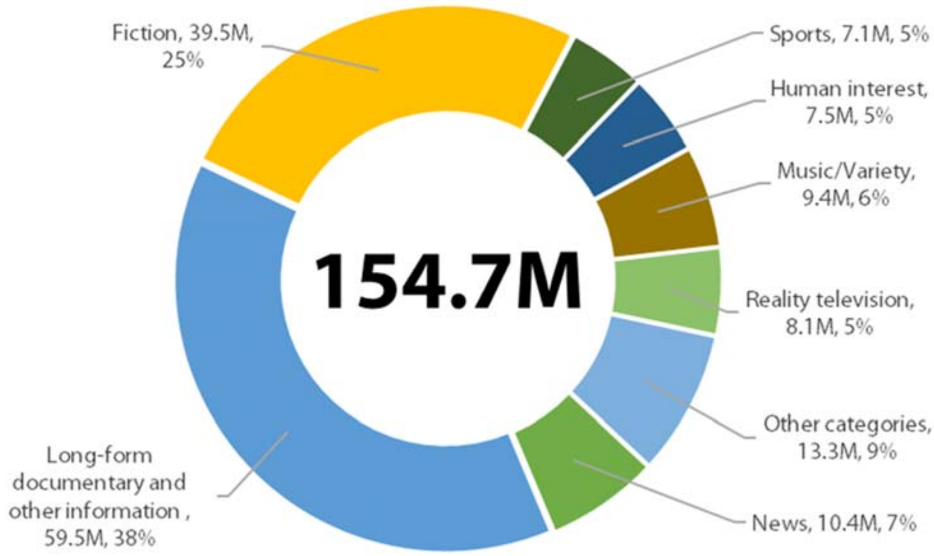
83. From a genre perspective, long-form documentary and other information programming, together, accounted for the largest single share of independent broadcasters' external production - $59.5 million, or 38% (Figure 11). The fiction genre (including animation and children's programming) accounted for $39.5 million, or 25% of external production. All other genres accounted for 9% or less of independent broadcasters' external production.

Figure 10 Independent broadcasters' spending on external Canadian production (i.e. independent + affiliated producers), by industry segment, 2017 ($M)



Source: Nordicity calculations based on data from CRTC

Figure 11 Independent broadcasters' spending on external Canadian production (i.e. independent + affiliated producers), by genre, 2017 ($M)



Source: Nordicity calculations based on data from CRTC

4.5 Original production

84. As with CPE and PNI, external production can include spending on both television programs commissioned by broadcasters (i.e. original production) and the acquisition of existing programs from distributors' content libraries (i.e. acquired programming).

85. The CRTC does not publish separate statistics for broadcasters' spending on original production, so we used a short survey of the largest independent broadcasters to derive an estimate of their spending on original production in 2017.

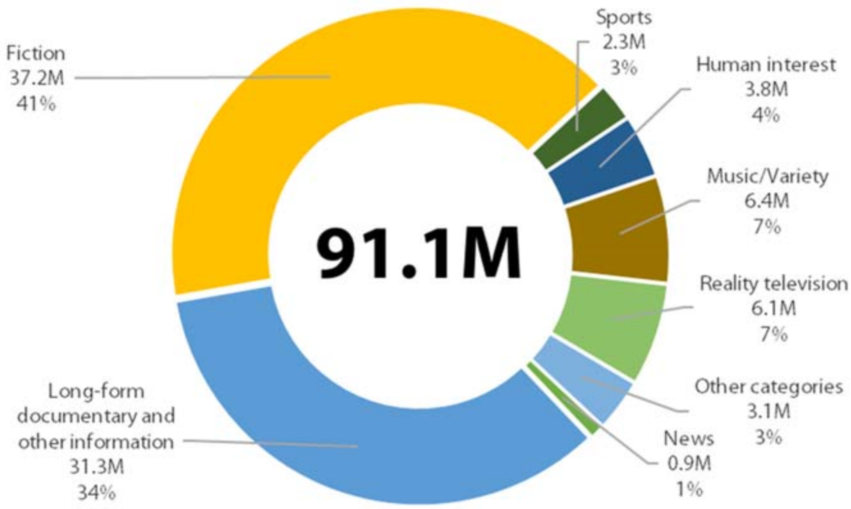
86. The results of this survey (found in Figure 12) indicate that out of total spending on external production of $154.7 million, an estimated $91.1 million was spent on original production.

87. Once again, the two largest genres of spending were (i) long-form documentary and other information, and (ii) fiction. However, in the case of original production, the fiction genre actually accounted for the largest single share.

88. In 2017, independent broadcasters spent an estimated $37.2 million on the original production of fiction programming. In other words, 83% of independent broadcasters' total CPE in the fiction genre ($44.6 million) was devoted to the commissioning of original production.

89. In the long-form documentary and other information genre, independent broadcasters spent $31.3 million on original production in 2017. This accounted for 43% of their total CPE ($73.1 million) in that genre in 2017.

Figure 12 Independent broadcasters' spending on original Canadian production (incl. independent + affiliated producers), by genre, 2016-17 ($M)



Source: Nordicity calculations based on data from CRTC and survey of independent broadcasters (2018).

4.6 Total production output

90. In the Canadian television production market, broadcasters only cover a portion of the total production budget with the fee associated with their commissioning licence. To complete their projects, Canadian producers must also secure financing from federal and provincial tax credits; Canadian distributors (with a view to monetizing the program in other territories or future Canadian release windows); foreign broadcasters and distributors; other private or public sources, such as brand sponsorships or independent production funds; and in some cases, the CMF. Under this production financing model, Canadian broadcasters' licence fees can generate significant financing leverage within the production sector, and thereby, have a significant multiplicative effect in terms of economic contribution.

91. In the Canadian market, the rate of financing leverage varies by genre. For example, in the fiction genre, where budgets are relatively high, and there is access to the Canada Media Fund (CMF), Canadian broadcasters will, on average, contribute 18% of total financing.[31] On the other hand, in the lifestyle and human interest genre, where budget levels are lower and there is no access to

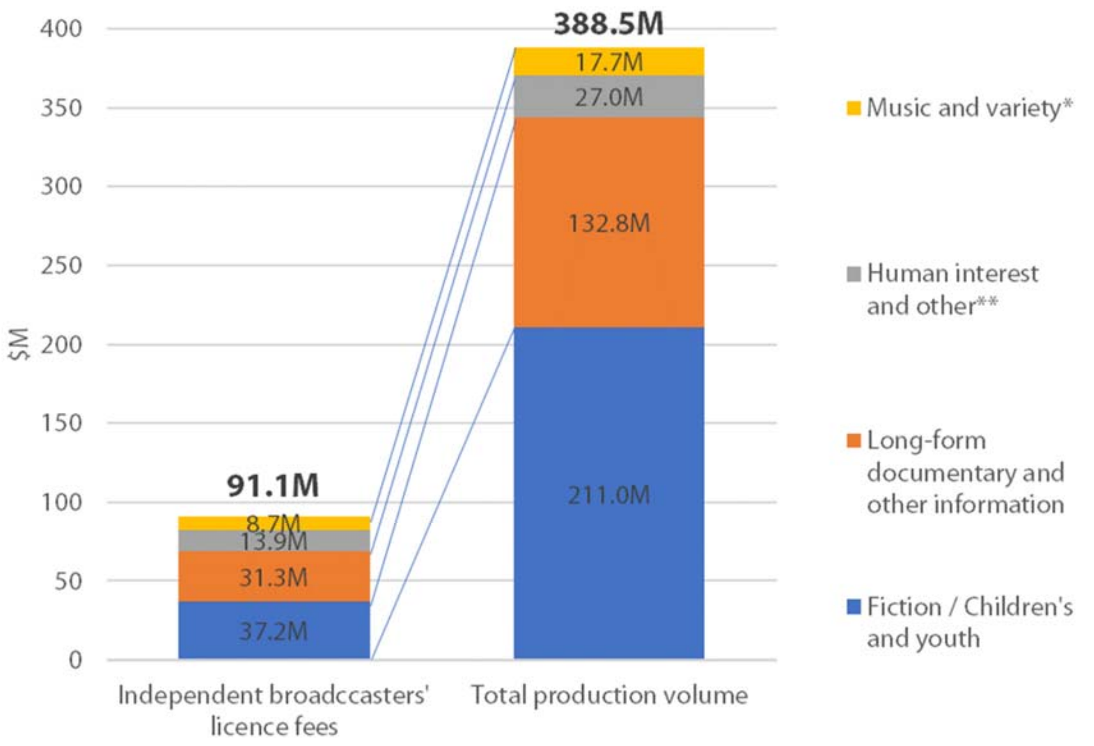
[31] CMPA et al. (2018), *Profile 2017: An Economic Report on the Screen-based Media Production Industry in Canada*, p. 52.

funding from the CMF, Canadian broadcasters will, on average, contribute approximately 50% of total financing.[32]

92. To estimate the financing leverage generated by independent broadcasters' licence fees – and thereby, the total value of the production output stimulated by them – we took into account the pattern of spending and different financing-leverage rates in the different genres.

93. Based on this approach, we estimate that the $91.1 million spent by independent broadcasters on original Canadian production in 2017 translated into $388.5 million in total Canadian production expenditures (Figure 13).

Figure 13 Total volume of original Canadian television production stimulated by independent broadcasters' licence fees (incl. independent + affiliated producers), 2017 ($M)



Source: Nordicity calculations based on data from CRTC and survey of independent broadcasters (2018)
* Includes a small amount of sports programming ($2.3M)
** Includes human interest, news, reality TV, games shows and other CRTC program categories.

[32] CMPA et al. (2018), *Profile 2017: An Economic Report on the Screen-based Media Production Industry in Canada*, p. 52.

94. The highest rate of leverage and largest volume of production was in the fiction / children's and youth genre. In that genre, $37.2 million in licence fees stimulated $211.0 million in production volume. In the documentary and other information genre, $31.3 million in licence fees stimulated $132.8 million in total production volume. In the human interest genre, total production volumes was an estimated $27 million in 2017. And in the music and variety genre, independent broadcasters stimulated a total volume of $17.7 million.

4.7 Affiliated production companies

95. Thus far, we have estimated the spending and overall production volume (i.e. total production budgets) associated with independent broadcasters' commissioning of original Canadian programming. As noted in Section 2, however, at least two independent broadcasters – DHX Media and Blue Ant Media – also operate affiliated production companies.

96. DHX Media's affiliated production company, DHX Studios, is, in fact, one of the Canada's largest production companies, and the country's largest within the children's and youth genre. According to *Playback*'s annual survey of the independent Canadian producers, DHX Media was second only to eOne in terms of the total value of its production output in 2017.[33]

97. According to *Playback*, Blue Ant Media was also among Canada's leading production companies in 2017 (it was ranked 28th), with $5.9 million in total production in 2017. [34]

98. Although *Playback* estimates that DHX Media's production in 2017 was worth $207.2 million, our own analysis of DHX Media's financial statements indicates that its total production volume, including the value of tax credits and other funding, was approximately $283 million in 2017. This represented the estimated value of the budgets for DHX Media's propriety content. To this, we have added the $59 million in revenue it earned from the provision production services to other IP holders in 2017.[35] In total, therefore, we estimate that DHX Media's total production volume in 2017 was equal to an estimated $342 million.

99. To avoid double-counting with our earlier estimates of original production, we have adjusted the totals for both DHX Media and Blue Ant Media, to take into account the portion of their broadcasting assets' spending that would be classified as affiliated production. For both companies, we assumed that 50% of external production would be directed to affiliated production companies.

100. The result of this exercise is presented in Table 2. In the case of Blue Ant Media, our estimate of affiliated production actually exceeded the total value of its production activity in 2017 (as per

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[33] Jordan Pinto (2018), "Indie List 2018: The Year in Review," *Playback*, June 4, 2018.
[34] Ibid.
[35] DHX Media Ltd. (2018), "Consolidated Financial Statements: June 30, 2018 and 2017", p. 44.

Playback) That being case, we simply applied a figure of zero for Blue Ant Media's additional *non-affiliated* production.

101. For DHX Media, our approach arrived at $39.3 million in estimated affiliated production. That amount was deducted from DHX Media's gross level of total production ($283.0 million) to arrive at an estimate of $243.7 million in net production. In other words, in addition to the original production stimulated by independent broadcasters' commissioning activity, their production arms (in this case, simply DHX Media) generated a further $243.7 million in propriety production (i.e. IP-owned production) spending in Canada in 2017.

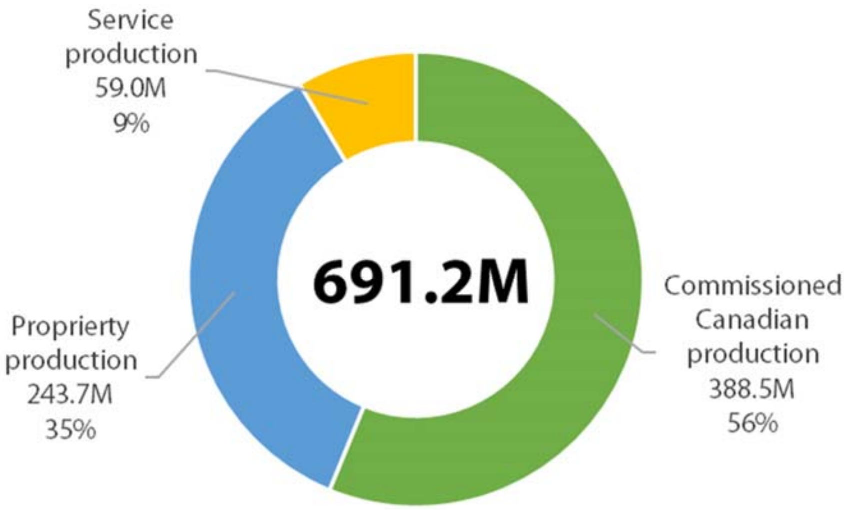
Table 2 Calculation of net value of production at affiliated production companies (excluding production commissioned by affiliated broadcasters), 2017 ($M)

	Line/ Formula	Blue Ant Media	DHX Media	Total
Propriety production	A	5.9	283.0	**288.9**
Spending on external production	B	6.1	13.7	**64.7**
Estimated spend on affiliated production	C = B x 50%	3.1	6.9	**10.0**
Leverage rate	D	2.7	5.7	**--**
Estimated value of affiliated production	E = C x D	8.4	39.3	**47.7**
Net value of production	**F = A – E**	**<0**	**243.7**	**243.7**

Source: Nordicity estimates based on data from CRTC, Playback and public financial reports.

102. When we add this $243.7 million in net *production-arm* production to our estimate of $388.5 million in commissioned original production and the $59 million in service production conducted by DHX Media, we arrive at an estimate of $691.2 million in total Canadian production associated with independent broadcasters in 2017 (Figure 14).

Figure 14 Total value of Canadian television production associated with independent broadcasters, 2017 ($M)

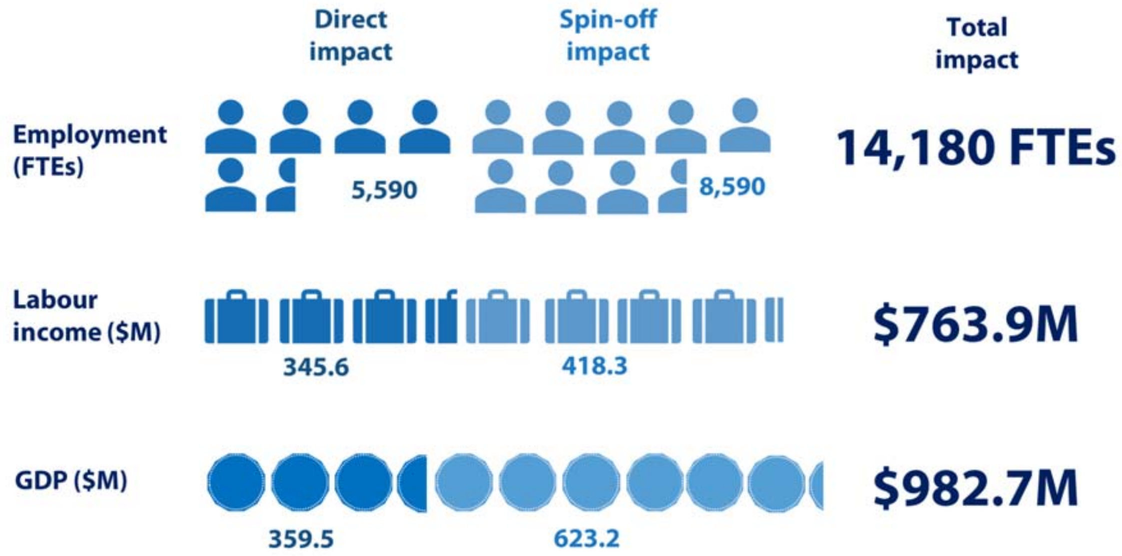


Source: Nordicity estimates based on data from CRTC, Playback and public financial reports.

4.8 Economic contribution

103. This level of television production ($691.2 million) generated 14,180 FTEs of employment, $763 million in labour income and $982.7 million in GDP for the Canadian economy in 2017 (Figure 15). This total impact included direct employment of 5,590 FTEs – i.e. employment in cast and crew positions on television productions –as well $345.6 million in labour income for these cast and crew, and $982.7 million in direct GDP for the Canadian economy.

Figure 15 Economic contribution of Canadian production associated with independent broadcasters, 2017



Source: Nordicity estimates based on data from CRTC, public financial reports, CMPA Profile 2017 and survey of independent broadcasters (2018).

5. Audiovisual distribution

104. As noted in Section 2, several Canadian independent broadcasters also operate distribution arms that license their own audiovisual content as well content they acquire from third parties. In this section, we estimate the size and economic contribution of this component of Canadian independent broadcasters' businesses.

5.1 Distribution revenue

105. Although our research indicates several Canadian independent broadcasters, including DHX Media, Blue Ant Media, Remstar and Channel Zero maintain distribution arms, the lack of public or survey data on these distribution arms means that our estimates are based exclusively on the public financial data available for DHX Media. This is not to downplay the activities of other independent broadcasters. For example, Blue Ant Media's international distribution catalogue contains more than 3,500 hours of premium content, including the largest 4K natural history library on the market. However, public data is not available for its financial performance, so the impact of its international distribution activities cannot be quantified for the purposes of this analysis.

106. DHX Media is one of the leading global distributors of children's television content. Its content library contains approximately 13,000 half hours of programming associated with approximately 500 different titles.[36] Indeed, DHX's content library represents the largest independent library (i.e. independent Hollywood studio) of children's content in the world.[37]

107. DHX Media's content library includes many of the world's most popular and recognizable children's programming titles, including *Peanuts*, *Teletubbies*, *Strawberry Shortcake*, *Caillou*, *Inspector Gadget*, and *Degrassi*.[38]

108. DHX Media's content distribution operation is complemented by its merchandise licensing operations. As part of this merchandise licensing, DHX Media collects royalties for the use of its IP and brands in toys, games, clothing, books and other consumer products.[39] It also earns commissions from third party brands that it manages in the merchandise licensing market.[40]

109. DHX Media's public financial reports indicate that it earned a total of $145.5 million from its distribution and merchandise licensing businesses in 2017 (Table 3). This included $100.4 million

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[36] DHX Media (2018), *Annual Information Form 2018*, p. 10.
[37] Ibid.
[38] Ibid.
[39] Ibid., p. 11.
[40] Ibid.

from the distribution of audiovisual content, $26.3 million from merchandise licensing activities and $18.8 million from third party brand representation.

Table 3 DHX Media distribution revenue, 2017

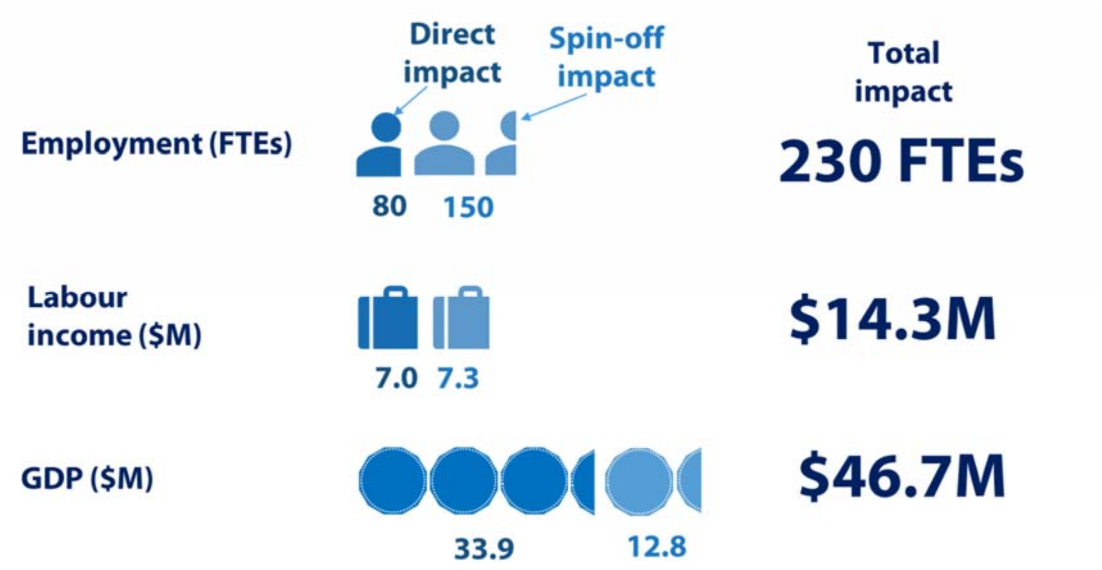
	Revenue ($M)
Distribution	100.4
Merchandising and licensing (and other sources of content revenue)	26.3
Third party brand representation	18.8
Total	**145.5**

Source: DHX Media Ltd. (2018), "Consolidated Financial Statements: June 30, 2018 and 2017", p. 44.

5.2 Economic contribution

110. The $145.5 million in distribution revenue earned by DHX Media in 2017 generated an estimated 230 FTEs of employment in Canada, including an estimated 80 FTEs directly at DHX Media. These revenues also generated $46.7 million in GDP in Canada, including $33.9 million in direct GDP.

Figure 16 Economic contribution of Canadian independent broadcasters' audiovisual distribution operations, 2017



Source: Nordicity estimates based on data from DHX Media and CMPA Profile 2017.

6. Independent radio and audio services

111. In addition to the television sector, Canadian independent broadcasters also play an important role in Canada's radio and audio-services sector. The radio sub-sector includes both AM and FM broadcasters; the audio-services sub-sector includes specialty audio programming services, pay audio programming services and satellite subscription radio services.

112. In the following section, we estimate the size and economic contribution of Canada's independent radio and audio-services sector.

6.1 Overview of sector

113. As of August 31, 2017, there were a total of 1,112 radio and audio services in operation in Canada. This total included: 726 AM or FM stations and network licences; 92 CBC/Radio-Canada stations and network licences; 283 non-commercial radio stations; seven specialty audio services (e.g. commercial/non-profit/regional/national); two satellite subscription radio services; and two pay audio services (Table 4).

Table 4 Number of radio and audio services in Canada

	Number of stations /licences /services	Major companies
AM and FM radio	726	BCE Rogers Corus Cogeco Newcap[1]
CBC/Radio-Canada AM/FM	92	CBC/Radio-Canada
Non-commercial radio	283	--
Specialty audio	7	Tamil Radio Apna Desi Radio (Classical/Hindi/Punjabi/Sport) Chutney Radio
Satellite subscription radio	2	Sirius Canada XM Canada
Pay audio	2	Stingray Group Inc. Kosiner Venture Capital Inc.
Total	**1,112**	

Source: CMR 2017, p. 113 and CRTC.gc.ca.
Notes:
1. On October 23, 2018, Stingray Digital Group Inc. completed a purchase of Newcap Radio.

6.2 Financial performance

114. During the 2017 broadcasting year, Canada's commercial radio sub-sector earned $1.52 billion in total revenue. Of this total, the vertically integrated broadcasting companies – BCE, Rogers, Shaw/Corus, and Cogeco – accounted for a combined $827.7 million. Independent broadcasting companies, including Newcap,[41] accounted for the balance of revenue, or $692.1 million.

115. As in the case of the television sector, CBC/Radio-Canada services are also not considered independent broadcasting services. Technically, the 283 non-commercial radio stations – including community and campus radio stations – are independent broadcasters; however, no published financial or economic data is available for these stations, so they have been excluded from our estimates of the independent radio and audio-services sector.

116. Within the three audio-services sub-sectors, all of the services are operated by independent broadcasting companies. However, financial data is only available for two of these companies – Sirius XM Canada and Stingray.

117. Sirius XM Canada is 33% owned by Sirius XM Radio Inc. (US), which is controlled by Liberty Media Inc. – a vertically integrated global media company with BDU and programming assets. However, since it has no BDU assets in Canada and only holds a minority stake in Sirius XM Canada, we have defined Sirius XM Canada as an independent audio services company. In 2016, Sirius XM Canada earned $341.3 million in revenue.[42] Its interim financial reports for 2017 indicate that its annual revenue in 2017 was likely to have been $353.9 million.[43]

118. Stingray is also an independent audio services company with no BDU assets in Canada. Stingray has operations inside and outside Canada. Its public financial statements indicate it earned a total of $56.1 million in revenue from its Canadian operations in 2017.[44] Excluding the $4.8 million revenue at its discretionary television service implies that Stingray earned an estimated $51.3 million from its Canadian pay audio services in 2016.

119. Adding the revenue earned by Sirius XM Canada and Stingray within Canada, brings the total estimated value of the Canadian radio and audio-services sector to $1.92 billion in 2017. Of this total, independent radio and audio services accounted for $1.09 billion (Figure 17).

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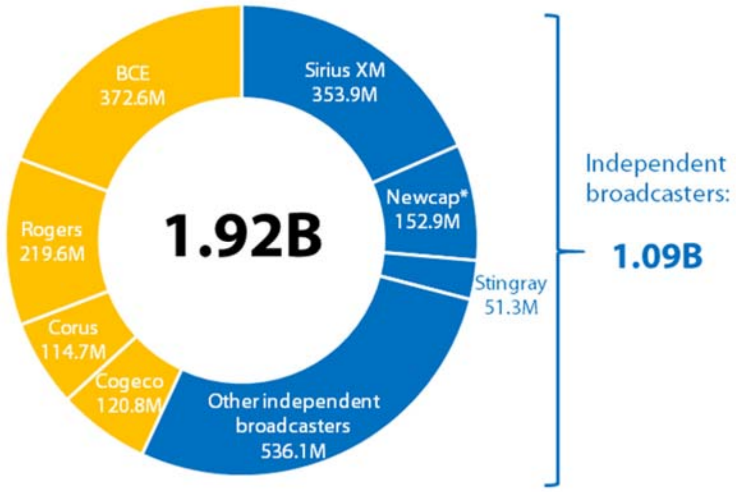
[41] On October 23, 2018, the CRTC approved Stingray Digital Group Inc.'s purchase of Newfoundland Capital Corporation Limited, including Newcap Inc. and all its broadcasting assets and licences. See Broadcasting Decision CRTC 2018-404.

[42] Sirius XM Canada Holdings Inc. (2017), "Management's Discussion and Analysis: For the fiscal year ended August 31, 2016," September 28, 2016, p. 10.

[43] Sirius XM Canada's financial results for the first six months of 2017 have been doubled to estimate the annual amounts for 2017. See Sirius XM Canada Holdings Inc. (2017), "Interim Condensed Consolidated Financial Statements," February 28, 2017, p. 4.

[44] Stingray Group Inc. (2018), *Annual Report 2018*, p. 31.

Figure 17 Revenue in the radio and audio services sector, 2017 ($)

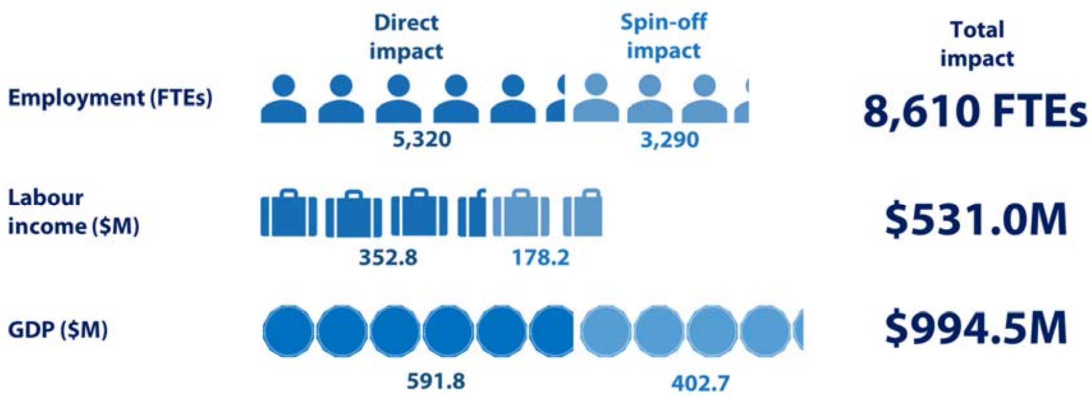


Source: Nordicity estimates based on data from CRTC and public financial reports.

6.3 Economic contribution

120. With revenue of $1.09 billion in 2017, Canada's independent radio and audio-services sector generated an estimated 8,610 FTEs of employment, along within $531.0 million in labour income and $994.5 million in GDP (Figure 18).

Figure 18 Economic contribution of independent radio and audio-services sector in Canada, 2017



Source: Nordicity estimates based on data from CRTC, Statistics Canada and public financial reports.

121. This total economic contribution included 5,320 direct FTEs employed directly at radio stations and audio-services companies earning an estimated $352.8 million in direct labour income. It also

included $591.8 million in direct GDP. The balance of the economic contribution was due to the spin-off impact (i.e. indirect and induced impacts) associated with the sector's purchases of supplies and services, and the re-spending of labour income within Canada.

7. Independent broadcasters' other lines of business

122. As noted in Section 2, several Canadian independent broadcasters also operate lines of business that do not fall within the sub-sectors already examined in this report (i.e. television broadcasting, television production in Canada, audiovisual distribution, and radio and audio services). In some cases, these other lines of business may include the international business initiatives that Canadian independent broadcasters may be engaged in. In this section, we review these other lines of business and estimate the contribution that they make to the Canadian economy.

7.1 Overview

123. In addition to its Canadian audio-services operations, **Stingray** also operates subscription music services in 1565 other countries, including the US, UK, Germany, Latin America, Singapore and Australia.[45] In 2017, these international operations generated $45.4 million in revenue for Stingray.[46]

124. Alongside its flagship television channels, The Weather Channel and MeteoMedia, **Pelmorex** also operates Canada's NAAD System, which validates and distributes emergency alerts issued by authorized government agencies in Canada. It also operates the leading digital weather service in Spain.

125. Canada's only LGBTQ television service, **OUTtv**, has not restricted itself to the Canadian market. It operates a VOD channel in New Zealand and has added online and mobile versions of its programming services to the Apple iTunes, Google Play, Amazon and Roku platforms in order to expand its international reach.[47]

126. **ECG**, based on Markham, Ontario, provides over 100 multicultural television channels around the world, including the US, Australia, the Middle East and North Africa. Its sister company, Nextologies, provides digital transmission and master control services on an international basis.

127. **Blue Ant Media** also operates production companies and distributes linear television services on a global basis, in addition to its global YouTube channel (as described elsewhere in this report).

7.2 Economic contribution

128. While it is clear that Canada's independent broadcasters operate lines of business not already captured elsewhere in this study, at the time of writing, financial data was only available for Stingray's international operations. For this reason, our estimates ae based exclusively on Stingray's

[45] Stingray Group Inc. (2018), *Annual Report 2018*, pp. 3 and 8.
[46] Ibid., p. 31.
[47] Regan Reid (2018), "Playback's 2018 Channel of the Year: OUTtv," *Playback*, December 12, 2018.

international operations, and therefore, only provide a *lower-bound* estimate of the economic contribution associated with the sector's other lines of business.

129. Since Stingray's international operations most resemble an audio-services business, its economic contribution was modelled in the same manner as the audio-services sub-sector was in Section 6.

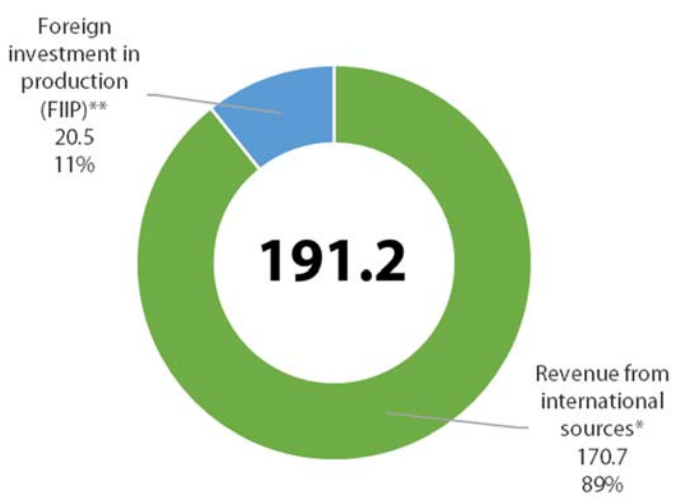
Box 2 Independent broadcasters' international earnings

Several of Canada's independent broadcasters have significant international operations. As noted elsewhere in this report. DHX Media, Stingray, Blue Ant Media, OUTtv, Channel Zero, Pelmorex and ECG all earn revenue from media operations located outside of Canada or by selling to overseas clients.

In addition, Canadian independent broadcasters indirectly help Canadian independent producers attract foreign investment into their television projects ("foreign investment in production [FIIP]"). This FIIP can come in the form of licence fees from foreign broadcasters that also have an interest in obtaining first-window rights in their territories for television programs commissioned by Canadian independent broadcasters. This FIIP can also come from Canadian distributors that see foreign sales potential in the original programming commissioned by independent broadcasters.

We estimate that, in 2017, the international receipts earned by Canadian independent broadcasters totalled $191.2 million. This total included $170.7 million in revenue from international sources and $20.5 million in FIIP.

Canadian independent broadcasters' international receipts, 2017 ($M)

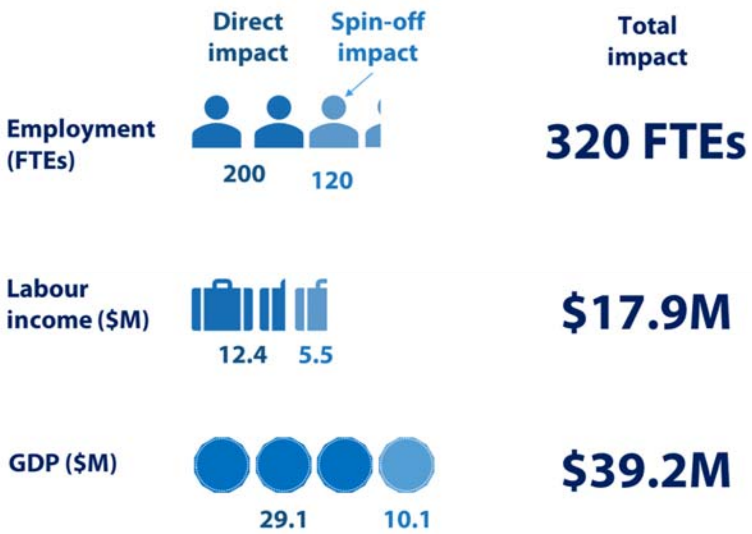


Source: Nordicity estimates based on data from CRTC, CMPA Profile 2017 and public financial reports.
* Includes revenue earned from locations and clients outside of Canada.
** Includes the estimated value of production financing from foreign sources (e.g. foreign broadcasters, distributors and SVOD platforms) and Canadian distributors (that will market territorial windows to Canadian television programs outside of Canada)

130. Based on data in its public financial reports, we estimate that Stingray's international operations accounted for 200 FTEs of the company's total employment (i.e. direct employment) in 2017, as well as $12.4 million in labour income (i.e. wages and benefits paid to those employees) and $29.1 million in GDP (i.e. Stingray's economic value added) (Figure 19).

131. After taking into account the spin-off impact (i.e. indirect and induced impacts) associated with Stingray's international operations, we estimate that its international operations – and thereby Canadian independent broadcasters' other lines of business – generated a total economic contribution of 320 FTEs of employment, $17.9 million in labour income and $39.2 million in GDP for the Canadian economy in 2017.

Figure 19 Economic contribution of independent broadcasters' other lines of business, 2017



Source: Nordicity estimates based on data from Statistics Canada and Stingray.

8. Summary of key findings

132. While Canada's large vertically integrated broadcast ownership groups control over 80% of revenue in the Canadian broadcasting sector,[48] Canada's independent broadcasters have – in the face of this market dominance – demonstrated considerable entrepreneurialism and business innovation.

133. These independent broadcasters – i.e. those Canadian broadcasting companies not owned by one of the large vertically integrated ownership groups, Cogeco or CBC/Radio-Canada – have often been at the forefront of promoting diversity in the Canadian broadcasting sector and sustaining their business models through diversification, adoption of new technologies and platforms, and international expansion and business development.

134. Today, many of Canada's independent broadcasters are no longer just operators of television programming services or radio stations. The largest companies also operate production and distribution arms that create and/or market their own content or content acquired from other creators. DHX Media, Blue Ant Media and Remstar all operate production arms. DHX Media, Blue Ant Media, Remstar and Channel Zero are also active in audiovisual distribution.

135. In 2017, Canada's independent broadcasters earned $752.4 million from their television operations – including conventional and discretionary services. This represented 10.9% of the $6.9 billion in total revenue in Canada's broadcast programming segment in 2017.

136. Between 2013 and 2017, independent broadcasters' broadcasting revenue fell by 15%. This drop was much faster than the 5% decline in revenue experienced by the entire Canadian broadcasting sector during that period and meant that independent broadcasters' market share declined from 12.2% in 2013 to 10.9% in 2017.

137. The $752.4 million in revenue earned by independent broadcasters translated into 5,270 FTEs of employment and $530.5 million in GDP for the Canadian economy. Of this total, 2,500 FTEs were employed directly at independent broadcasters, helping these companies generate $279.3 million in GDP.

138. The economic contribution of independent broadcasters' television operations is even larger when one takes into account the leverage they achieve through the commissioning of original Canadian television production. In 2017, independent broadcasters spent an estimated $91.1 million on original Canadian television production. This spending led to total production of $388.5 million, once other sources of financing joined the commissioned projects.

139. Added to the leverage of this commissioned production is the propriety content created by companies such as DHX Media and Blue Ant, as well their production-services activities. In total, we

[48] CRTC (2017), *Communications Monitoring Report 2017*, p. 94.

estimate that Canada’s independent broadcasters were associated with $691.2 million in screen production in Canada in 2017.

140. This level of screen production generated 14,180 FTEs or employment and $982.7 million in GDP. Of this total, direct employment (i.e. cast and crew) accounted for 5,590 FTEs and direct GDP was worth $359.5 million.

141. As the largest distributor of audiovisual content among Canada’s independent broadcasters, DHX Media earned an estimated $145.5 million in revenue from distribution and merchandise licensing activities in 2017. This element of DHX Media’s operations generated 230 FTEs of employment and $46.7 million in GDP for the Canadian economy.

142. The size and economic contribution of independent broadcasters in the radio and audio-services market is even larger than that of the television broadcasting market. In 2017, independent broadcasters, including Sirius XM Canada and Stingray, earned $1.09 billion in revenue in Canada. Their Canadian radio and audio-services operations, in turn, generated 8,610 FTEs of employment and $994.5 million in GDP.

143. Several Canadian independent broadcasters also operate lines of business that do not fall within the television broadcasting, television production, audiovisual distribution, or radio and audio services sub-sectors. Stingray, Blue Ant Media, Pelmorex, OUTtv and ECG all have significant media operations outside of Canada, for example.

144. Stingray’s international operations, alone, generated $45.5 million in revenue in 2017 and generated an estimated 320 FTEs of employment and $39.2 million GDP.

145. In total, therefore, Canada’s independent broadcasters generated 28,610 FTEs of employment and over $2.59 billion in GDP for the Canadian economy in 2017. This included direct employment of 13,690 FTEs and direct GDP of $1.29 billion. The balance of the contribution came from the indirect and induced stimulated by independent broadcasters’ economy activity.

Nordicity

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Glossary

Acquired programming	Refers to a television program that has already been filmed and aired at least once in Canada or elsewhere.
Broadcaster-affiliated producer/production	A Canadian production company carrying on business in Canada, with a Canadian business address, owned and controlled by Canadians, whose business is the production of film, videotape or live programs for distribution and, in which, a broadcasting licensee, or any company related to the broadcasting licensee owns, in aggregate a 30% or greater (voting) equity interest
Broadcast distribution undertaking (BDU)	Includes cable, direct-to-home satellite (DTH), multipoint distribution services (MDS) and Internet protocol TV (IPTV) services which allow Canadian households and businesses to access licensed television programming services, including conventional television, discretionary television services and on-demand television services, by subscribing to channel packages and certain à la carte services.
Canadian programing expenditures (CPE)	The total value of broadcasters spending on the Canadian television programs – either original or acquired existing programs.
Commissioned programming	A television program that a broadcaster has agreed to partially finance for original production, followed by first airing.
Conventional television / Conventional TV	Includes private and public broadcasters that maintain over-the-air (OTA) infrastructure to broadcast to households, although the vast majority of Canadian households now receive conventional television signals via cable or satellite television providers.
Discretionary services	Discretionary services are only available via cable or satellite television providers and typically provide sports, 24-hour news, movies, arts and other thematic programming. Discretionary television services earn revenue from a combination of subscription fees and advertising.
External production	Refers to broadcasters' CPE less the value of their spending ion in-house production. It includes television programs that broadcasters have been commissioned for original production or existing programs that they have acquired.
Full-time Equivalents (FTEs)	A measurement of employment that converts the number of part-time workers or any workers working less than a full work year into the equivalent number of full-time workers.
Gross domestic product (GDP)	Refers to the monetary value of the unduplicated value added generated by an industry or economy. The difference between the value of an industry's output and the value of the inputs it consumes from other industries.

In-house production	Refers to television programs made internally by conventional broadcasters or discretionary television series and largely consists of news or sports programming, but can also include production in other genres.
Labour income	Refers to the monetary value of wages, salaries and benefits paid to employees or freelance workers or paid on their behalf (e.g. health insurance premiums).
On-demand services	On-demand services permit consumers to watch specific films or television programs whenever they want, rather than at a scheduled time (i.e. linear television"). On-demand can be offered over BDU platforms (e.g. cable-TV or DTH satellite) or over the Internet.
Programs of national interest (PNI)	Includes television programs that fall within the CRTC program categories (2b) long-form documentary and (7) drama and comedy, as well as Canadian awards shows that celebrate Canadian creative talent. In the French-language market, it also includes categories (8 & 9) music and variety programming.
Spin-off impact	Refers to the sum of the indirect and induced economic impacts. The indirect impact includes the employment and GDP generated within industries that supply goods and services to the production industry. The induced impact includes the employment and GDP generated in consumer industries within the Canadian economy that benefit from the re-spending of wages earned by production sector cast and crew, and the workers employed in the supplier industries.
Subscription video-on-demand (SVOD)	Refers to television services such as GEM, CraveTV, Club illico, Netflix, Amazon or Hulu), whereby consumers pay a monthly subscription to access on-demand programming over the Internet.
Video-on-Demand (VOD)	Refers to a television service whereby consumers can pay a fee to choose what and when they want to watch specific films or television programs.