Current and Projected Trends in the Economic Structure and Performance of the Private Broadcasting Industry in Canada

ARMSTRONG CONSULTING

NOVEMBER 30 2018

Executive Summary

This study examines current and expected trends in the economic structure and performance of the private television, radio and broadcasting distribution industries in Canada and in so doing, highlights the capacity of these industries to continue to make a significant contribution to the production and distribution of Canadian content. As part of this analysis, the study identifies critical changes which have had a transforming effect on the broadcast environment, facilitating the introduction of new services, disrupting established market structures and changing consumer behavior.

The study is based on publicly available data on the economic structure and performance of the private broadcasting and distribution industries over a ten year period, 2008 to 2017, and on projections for the future from broadcast groups and third party sources. The study concludes that these industries reached an inflection point midway through the period and that the downward trend in economic performance that was particularly evident in the latter years of the period will continue in the future, with obvious implications for the capacity of these industries to contribute to Canadian content.

This study identifies five critical changes in the broadcast environment:

- the rapid and increasing penetration of high speed broadband Internet access which will likely continue based on consumer demand and government policy;
- a fundamental restructuring of the advertising market which will see digital media taking the majority of ad expenditures by 2019 and an increasing share likely thereafter;
- the rapid and increasing penetration of a growing number of Internet-delivered video and audio services, most of which are foreign, and the resulting significant changes in consumption patterns with these services accounting for an increasingly larger share of time spent with media, especially among younger people;
- the materially significant economic impact of video piracy; and
- the emergence of a new and rapidly growing group of media consumers who are completely disconnected from the traditional broadcasting system, who obtain media content exclusively via the Internet from OTT and other Internet-based services and who now account for 14% of English Canadians and 13% of the population as a whole.

The study concludes that if the intent of the current policy and legislative review is to support the production, creation and distribution of Canadian content at current and greater levels, then that review should: i) recognize that the economic performance of the traditional private broadcasting industry has reached an inflection point and is now on a downward trend; ii) expand the current legislative and policy framework to explicitly take into account the rapid emergence of new market structures, new consumer behaviours, and new services and their capacity to contribute to Canadian content; and iii) eliminate any policy and regulatory barriers that may inhibit the ability of traditional broadcasters to use their established resources and expertise to compete in the new broadcasting environment.

A. Background

On June 5 2018, the Minister of Canadian Heritage and the Minister of Innovation, Science and Economic Development established the Broadcasting and Telecommunications Legislative Review Panel ("the panel") to review federal legislation governing the policy and regulatory framework for broadcasting and telecommunications services in Canada.

With respect to broadcasting, the panel has a mandate to consider how the policy objectives of the *Broadcasting Act* might be amended to take into account changes in technology and the implications of those changes for: i) the production and distribution of Canadian content including the provision of trusted and accurate news and information; and ii) the efficacy of traditional policy and regulatory mechanisms and the extent to which these established mechanisms may need to be adapted or replaced by new and more effective mechanisms.[1]

On September 24 2018, the panel released a document inviting comments from interested parties and organizations on the issues related to its mandate, with a focus on four themes: a) reducing barriers to access by all Canadians to advanced telecommunications networks; b) supporting the creation, production and discoverability of Canadian content; c) improving the rights of the digital consumer; and d) renewing the institutional framework for the communications sector.[2]

In the document, the panel introduced its discussion of theme b) relating to Canadian content by taking note of the impact of digital disruption on the Canadian communications industry.

"Digital disruption has had a significant effect on creators, culture and content in both English and French communications markets. The economics of creation, distribution, consumption and pricing have all been affected. The shifting market dynamics are likely to be a permanent aspect of the landscape."

B. Objectives of the Study

The consultant has been asked to examine current and expected trends in the economic structure and performance of the private television, broadcasting distribution (BDU) and private radio industries in Canada, with a particular focus on the capacity of those industries to continue to make a significant contribution to the production and distribution of Canadian content, including the provision of trusted and accurate news and information. In so doing, the consultant was asked to identify and describe the critical changes in the broadcasting environment that are driving these trends.

To that end, based on publicly available data, this study:

[1] https://www.ic.gc.ca/eic/site/110.nsf/eng/00001.html
[2] http://www.ic.gc.ca/eic/site/110.nsf/eng/00003.html

i) tracks the economic structure and performance of the Canadian private television (conventional and specialty), BDU and private radio industries over the past ten years, including revenues, profits and contribution to Canadian programming;

ii) sets out relevant indicators of future trends;

iii) identifies and quantifies the critical changes in the broadcast environment which have had, and will continue to have a significant impact on the economic structure and performance of the private broadcasting industry; and

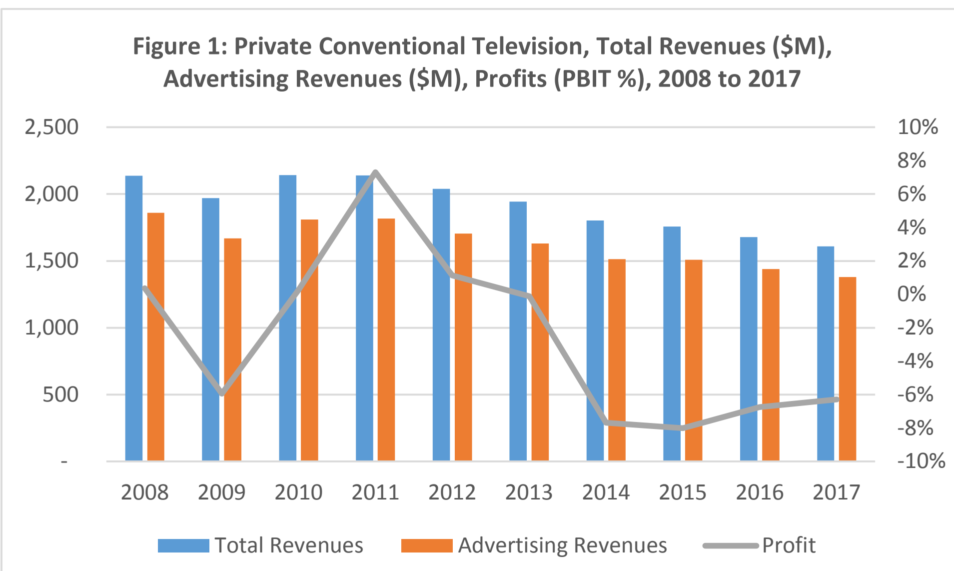
iv) provides a summary and conclusions.

C. The Economic Structure and Performance of the Canadian Private Broadcasting Industry

This section of the study tracks the actual and expected economic structure and performance of the private television (conventional and specialty), BDU and private radio industries over the period 2008 to 2017 and into the near future.

i) <u>private conventional television</u>

Figure 1 sets out the revenues and profits (PBIT %) of the Canadian private conventional television industry over the period 2008 to 2017.



Source: CRTC, Conventional Television, Statistical and Financial Summaries.[3]

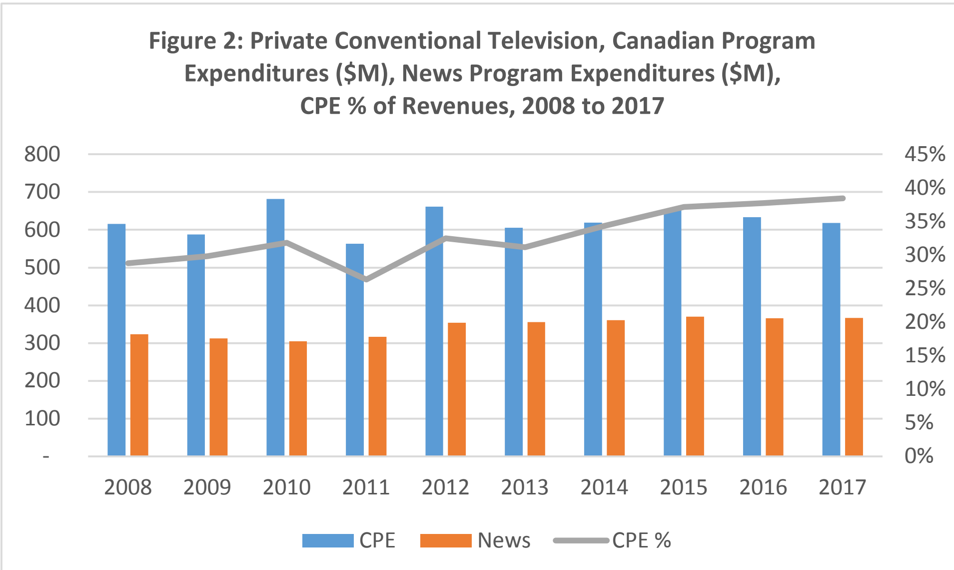
As this figure shows, private conventional television revenues which consist almost entirely of advertising revenues[4] have trended strongly downwards over the period, as has profitability.

[3] See Table 1 in the appendix to this study for the detailed data on which this figure is based.

[4] Revenues to private conventional television stations other than local and national advertising revenues accounted for 14% of total revenues in 2017 and included revenues from network payments, infomercials, syndication and

Total revenues decreased at a compound annual growth rate (CAGR) of -3.1% over the period as a whole, decreasing at a faster rate at a CAGR of -4.6% over the last five years of the period (2013 to 2017). Private conventional television operated at a loss in six of the past ten years, with a negative PBIT in each of last five years.

Figure 2 sets out expenditures on total Canadian programming (CPE) and Canadian news programming by private conventional television and CPE as a percent of total revenues.



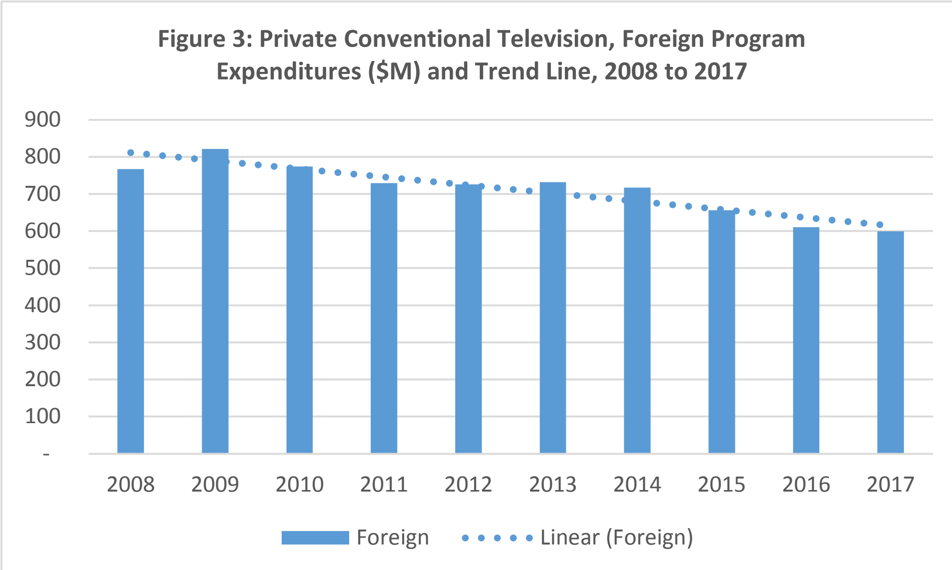
Source: CRTC, Conventional Television, Statistical and Financial Summaries.[5]

Notwithstanding the material decrease in revenues and on-going losses, Canadian programming expenditures by private conventional television remained relatively constant over the period, averaging over $620M each year. As a consequence, CPE as a percent of total revenues increased by almost ten points, from 28.8% in 2008 to 38.4% in 2017. Expenditures on Canadian news programming increased significantly in 2012 following the introduction of the Local Programming Improvement Fund, and have remained at this higher level in subsequent years, averaging over $360M each year over the last five years.

In contrast, expenditures on foreign programming declined, decreasing at a CAGR of -2.7% over the period as a whole and more rapidly over the past five years at a CAGR of -4.9%.

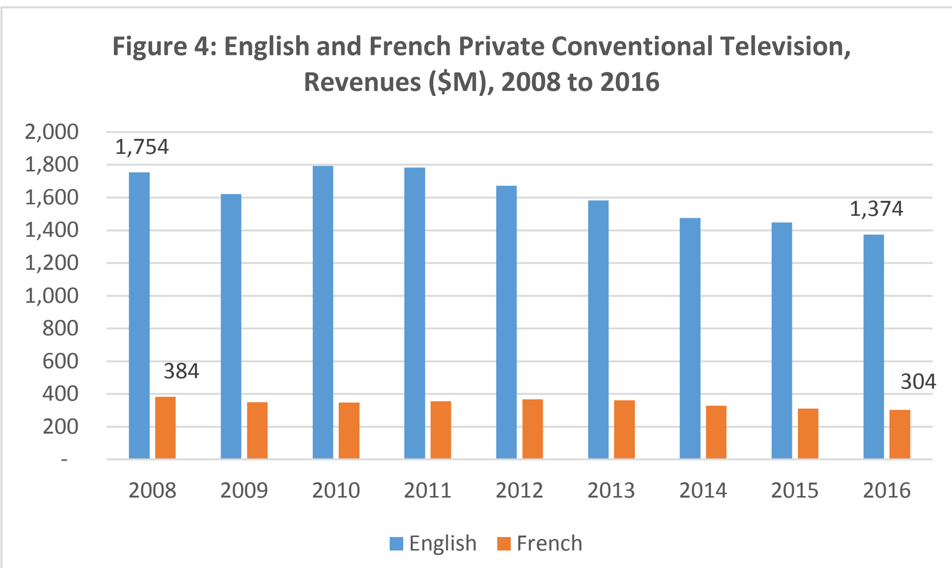
production, the Small Market Local Programming Fund and other revenues. For the years 2010 to 2014, other revenues also included payments from the Local Programming Improvement Fund.

[5] See Table 1 in the appendix to this study.



Source: CRTC, Conventional Television, Statistical and Financial Summaries.[6]

Figure 4 sets out total revenues for English and French private conventional television for the years for which these data are available.[7]



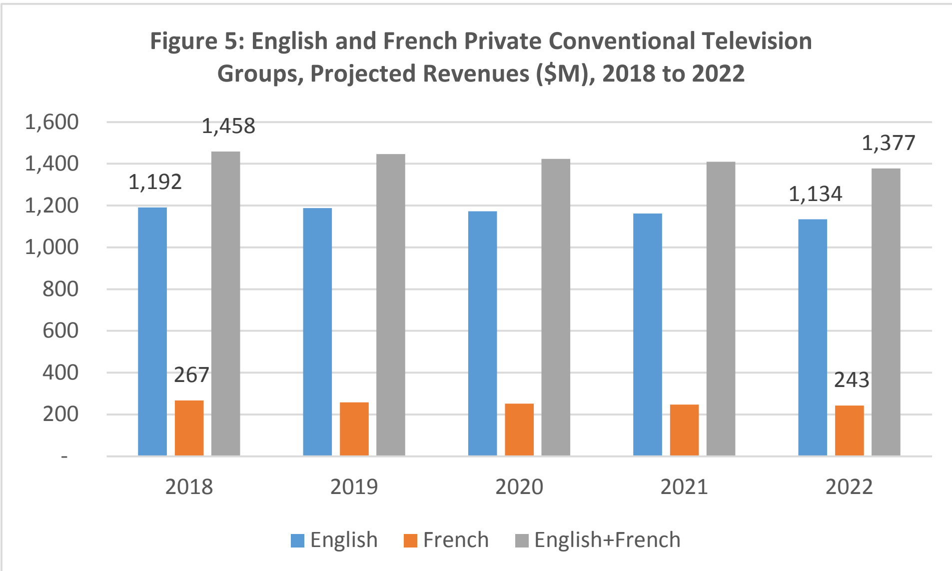
Source: CRTC, Communications Monitoring Reports.[8]

Revenues to English and French private conventional television decreased at comparable rates over the period 2008 to 2016, at CAGRs of – 3.0% and -2.9% respectively. Over the last four years

[6] See Table 1 in the appendix to this study.
[7] Revenue data for English and French private conventional television separately for 2017 are not currently available.
[8] See Table 2 in the appendix to this study.

of the period (2013 to 2016), revenues to French private conventional decreased at a faster rate than did revenues for English private conventional, at CAGRs respectively of -5.6% and -4.6%.

Figure 5 sets out the projected revenues for the period 2018 to 2022 for the English and French private conventional television stations that are subject to group licensing, including the Citytv, CTV, CTV Two, Global, TVA and V television stations.



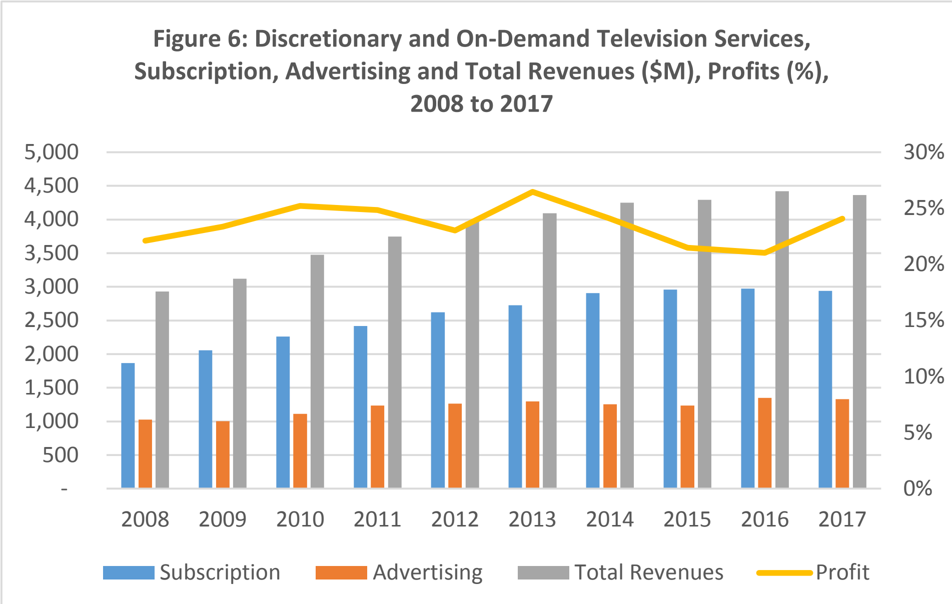
Source: CRTC, English and French Television Group Licence Renewal Applications, Reconsideration, 2017.[9]

As this figure shows, the major private television groups expect that the revenues accruing to their conventional television stations will continue to decrease over the period 2018 to 2022. Revenues for the English private conventional television stations are expected to decrease at a CAGR of -1.2%, for French private conventional television stations at a CAGR of -2.2% and for the English and French stations combined at a CAGR of -1.4%.

ii) <u>discretionary and on-demand television services</u>

Figure 6 sets out subscription, advertising and total revenues and profits (PBIT %) for Canadian discretionary and on-demand television services (specialty, pay, pay-per-view and video-on-demand) over the period 2008 to 2017.

[9] See Table 3 in the appendix to this study.



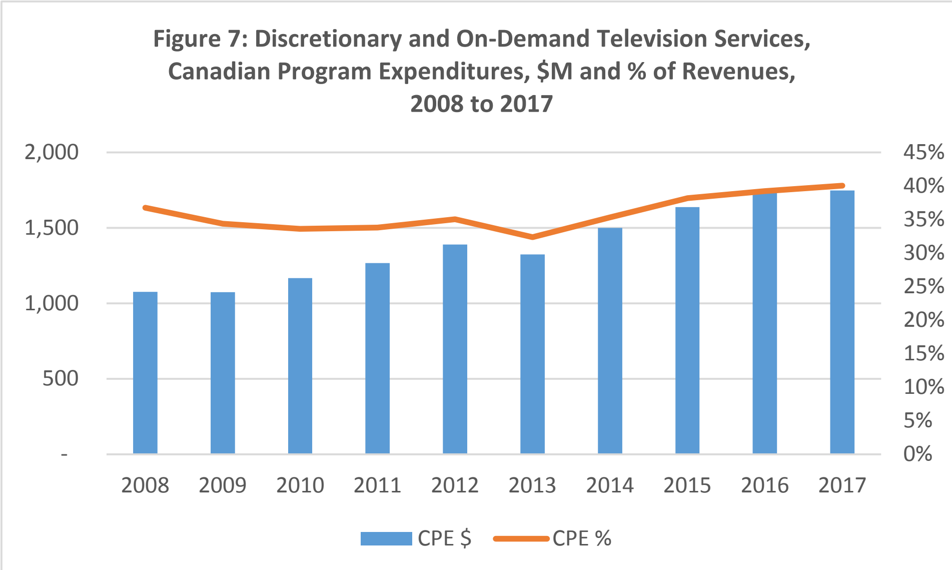
Source: CRTC, Discretionary and On-Demand Services, Statistical and Financial Summaries.[10]

Total revenues increased significantly over the period based on a CAGR of 4.5%, driven by strong growth in subscription revenues at a CAGR of 5.2%. However, growth slowed in the latter part of the period, with total revenues and subscription revenues growing at CAGRs of only 1.6% and 1.9% respectively over the period 2013 to 2017. Advertising revenues increased more slowly, at a CAGR of 2.9% over the period as a whole and were close to flat over the period 2013 to 2017 increasing at a CAGR of only 0.6%. Both subscription and advertising revenues decreased in 2017 compared to 2016.

Profitability increased somewhat over the period from 22.1% to 24.1%, averaging 23.6% over the period as a whole but for the last four years has been well below the high of 26.5% achieved in 2013.

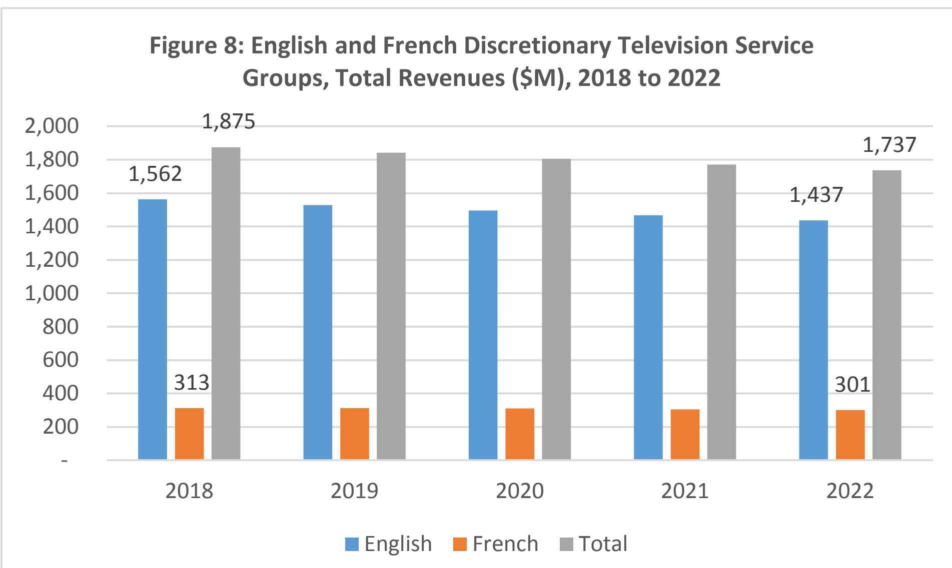
Figure 7 sets out Canadian program expenditures by discretionary and on-demand television services in absolute dollars and as a percent of total revenues over the period 2008 to 2017. Total CPE expenditures increased significantly over the period based on a CAGR of 5.5% over the period as a whole and 7.2% over the last five years. However, absolute expenditures levelled off in 2017. CPE as a percent of revenues trended slightly upward over the period a whole, from 36.7% in 2008 to 40% in 2017 with a strong upward trend since 2014.

[10] See Table 4 in the appendix to this study.



Source: CRTC, Discretionary and On-Demand Services, Statistical and Financial Summaries.[11]

The major English and French private television broadcasters expect that the revenues accruing to their discretionary television groups[12] will decrease consistently over the period 2018 to 2022, with revenues to English services decreasing at a CAGR of -1.9% and revenues to French services decreasing at a CAGR of -1.0%.

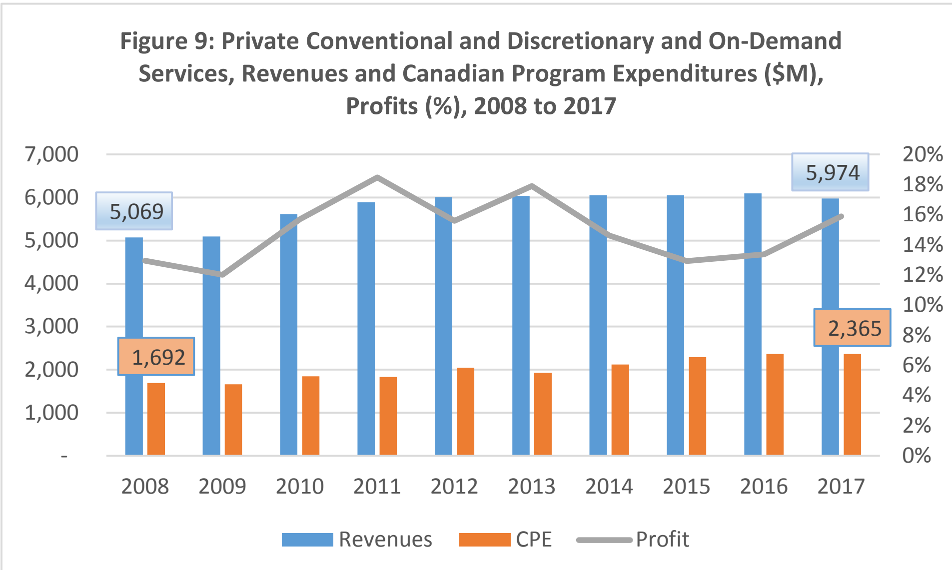


Source: CRTC, English and French Television Group Licence Renewal Applications, Reconsideration, 2017.[13]

[11] See Table 4 in the appendix to this study.
[12] The discretionary television groups do not include Category C news and sports services or on-demand services.
[13] See Table 5 in the appendix to this study.

iii) conventional + discretionary and on-demand television services

Figure 9 sets out the revenues, Canadian program expenditures and profits of the combined private conventional and discretionary and on-demand television services over the period 2008 to 2017.



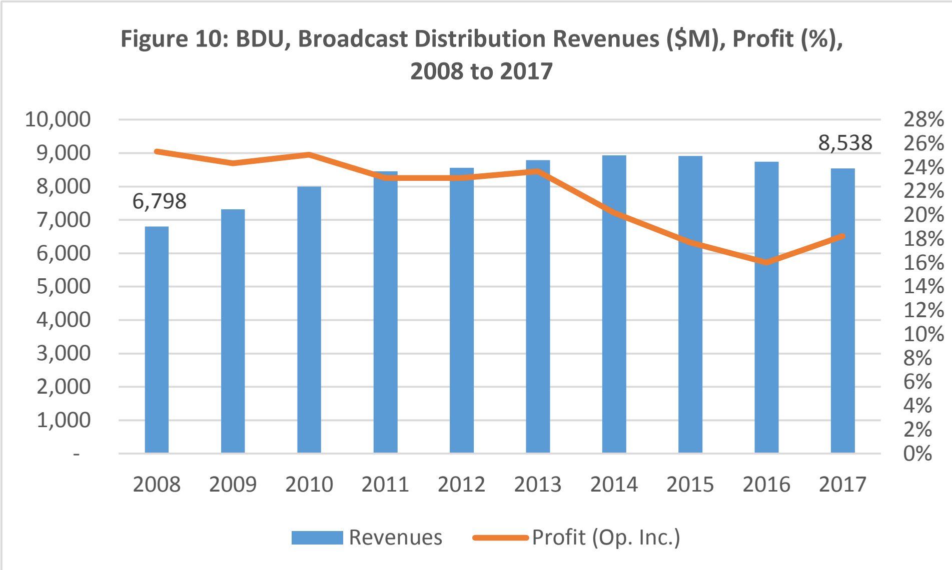
Source: CRTC, Conventional Television, Discretionary and On-Demand Services, Statistical and Financial Summaries.[14]

As this figure shows, total revenues increased over the period 2008 to 2012, but have been close to flat since then. Revenues increased at a CAGR of just 1.8% over the period as a whole, decreasing at a CAGR of -0.3% since 2013. CPE increased at a CAGR of 3.8% over the period as a whole, but has been close to flat since 2015. Profitability peaked in 2011 at 18.5% (PBIT) and after a marked decrease in 2014 and 2015 currently stands at 15.9%.

iv) BDU – Distribution of Basic and Non-Basic Broadcast Services

Figure 10 sets out total revenues and profits (operating income %) over the period 2008 to 2017 from the distribution of basic and non-basic broadcasting services by broadcasting distribution undertakings (BDUs) including cable, Internet Protocol Television (IPTV) and direct-to-home (DTH) services.

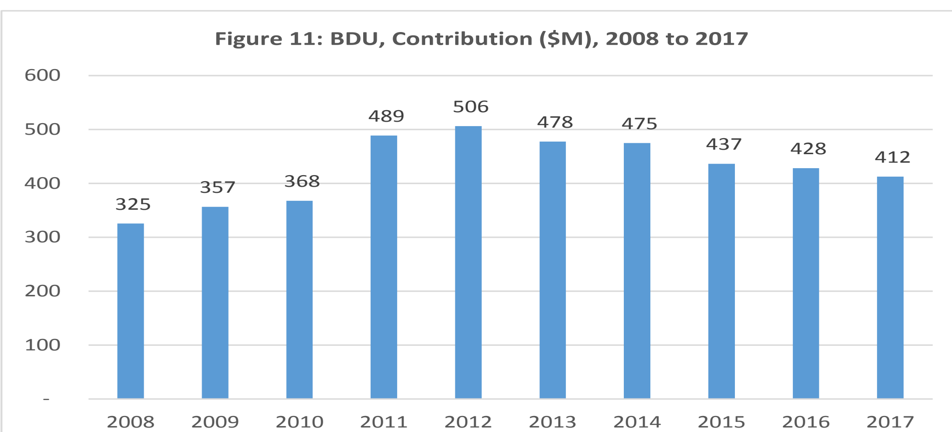
[14] See Table 6 in the appendix to this study.



Source: CRTC, Broadcasting Distribution, Cable, Internet Protocol Television (IPTV) and Direct-to-Home (DTH), Statistical and Financial Summaries.[15]

Total BDU revenues from the distribution of programming services increased over the period at a CAGR of 2.6%, but have decreased consistently since 2015 with a CAGR of -0.7% over the period 2013 to 2017. Profitability[16] has trended downward from 25.3% in 2008 to 18.3% in 2017.

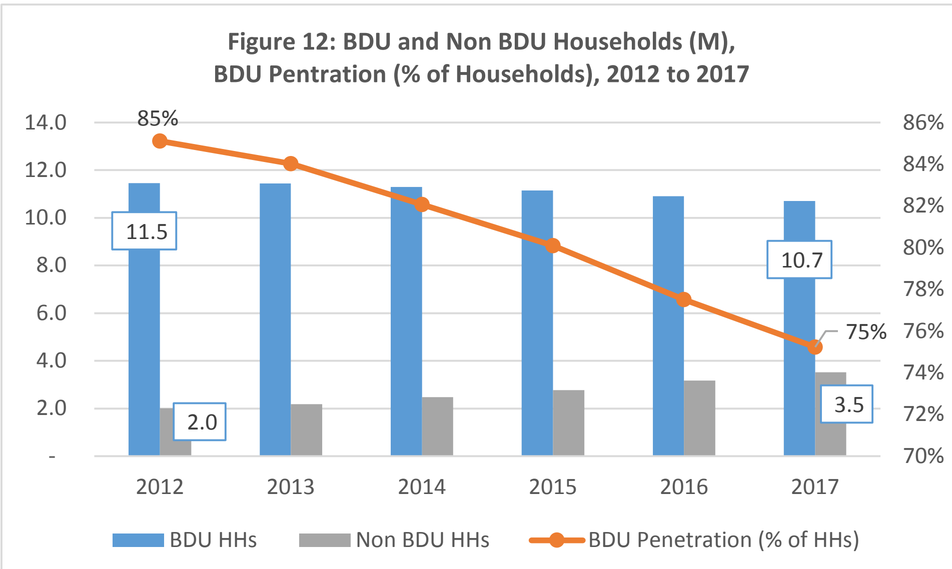
BDUs are required by regulation to contribute 5% of their revenues from the distribution of broadcasting services to Canadian programming. As Figure 11 shows, while contributions increased over the period as a whole from $325M in 2008 to $412M in 2017, total contributions have tracked downward since 2013.



Source: CRTC, Broadcasting Distribution, Statistical and Financial Summaries.[17]

[15] See Table 7 in the appendix to this study.
[16] CRTC data for BDUs report profitability only at the operating income line.
[17] See Table 7 in the appendix to this study.

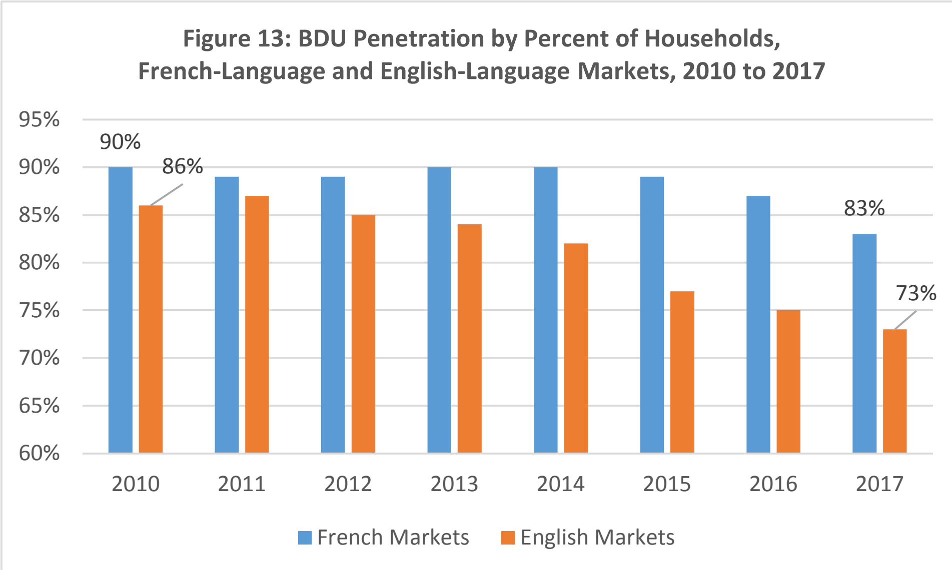
Figure 12 sets out the number of BDU households and non BDU households in Canada over the period 2012 to 2017 and the penetration of BDU services as a percent of total households.[18] As this figure shows, the number of BDU households decreased over the period from 11.5M to 10.7M, while the number of non BDU households increased substantially from 2.0M to 3.5M. The number of non BDU households includes both those households that chose to end their BDU subscriptions (cord cutters) and those newly formed households that chose not to subscribe (cord nevers). As a result, the penetration rate decreased dramatically, from 85% in 2012 to 75% in 2016.



Source: Statistics Canada, Census Profile 2011 and 2016, Canada, Private dwellings occupied by usual residents. CRTC, Broadcasting Procedural Letter May 11 2018. CRTC, Broadcasting Distribution, Statistical and Financial Summaries, 2013 - 2017.[19]

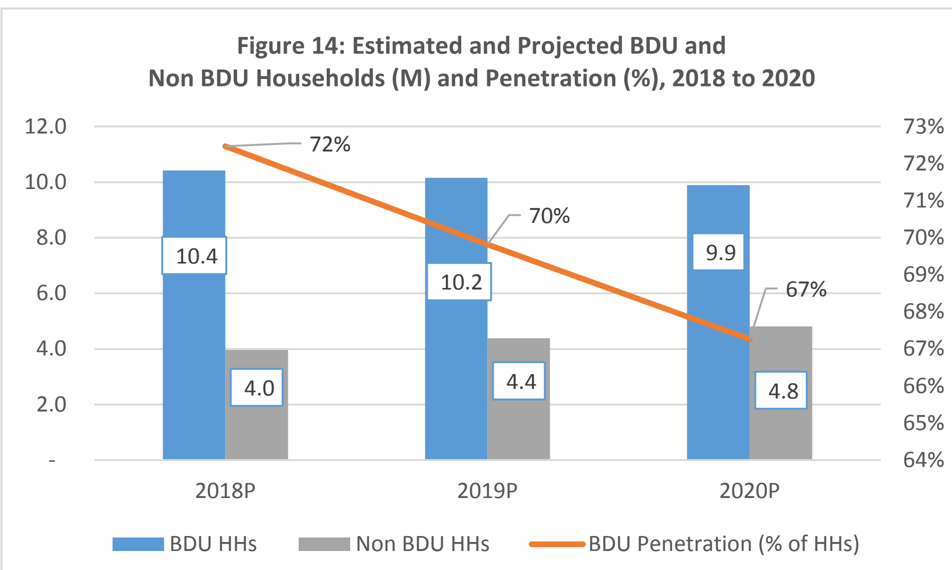
Figure 13 sets out the BDU penetration rate in English-language and French-language markets over the period 2010 to 2017. As this figure shows, the rate of decrease has been much steeper in English-language markets, with penetration falling from 86% in 2010 to 73% in 2017 compared to a decrease from 90% to 83% in French-language markets.

[18] This figure is based on the corrected BDU subscriber data released by the CRTC in Broadcasting Procedural Letter May 11 2018 and in Broadcasting Distribution Statistical and Financial Summaries 2013 – 2017. These data are available only for the period 2012 to 2017. Data for the period 2012 to 2014 do not include subscribers to BDUs operating only exempt systems with fewer than 2,000 subscribers and as such, the total number of BDU subscribers may be slightly understated in those years.
[19] See Table 8 in the appendix to this study.



Source: MTM cited in CRTC, Future of Programming Distribution in Canada, Market Insights.[20]

The number of BDU households is projected to decrease at a CAGR of -2.6% over the period 2018 to 2020, decreasing to 9.9M in 2020 with a penetration rate of 67%. The number of non BDU households is projected to increase at a CAGR of 10.2% reaching 4.8M in 2020.

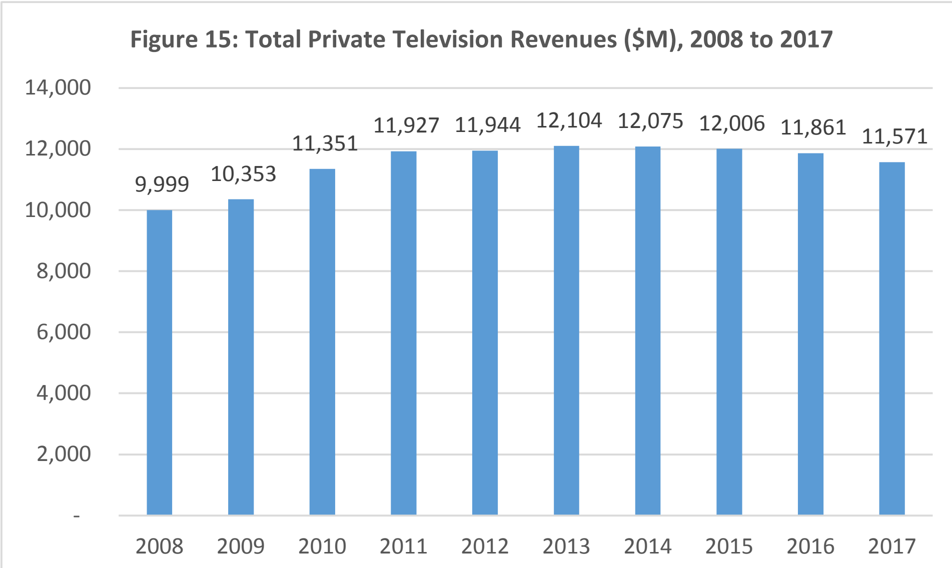


Source: CRTC, Broadcasting Distribution, Statistical and Financial Summaries, 2013 - 2017. The Convergence Research Group, Battle for the North American (US/Canada) Couch Potato: OTT, TV, Online, April 2018. Armstrong Consulting.[21]

[20] See Table 9 in the appendix to this study.
[21] See Table 10 in the appendix to this study.

v) Total Television

Figure 15 sets out total private television revenues (private conventional television, discretionary and on-demand television services and BDU) over the period 2008 to 2017.



Source: CRTC, Conventional Television, Discretionary and On-Demand Services, Broadcasting Distribution, Cable, Internet Protocol Television (IPTV) and Direct-to-Home (DTH), Statistical and Financial Summaries.[22]

Notes:

1. For the analysis in Figure 15, BDU affiliation payments to Canadian discretionary television services were removed from BDU revenues to avoid double counting.

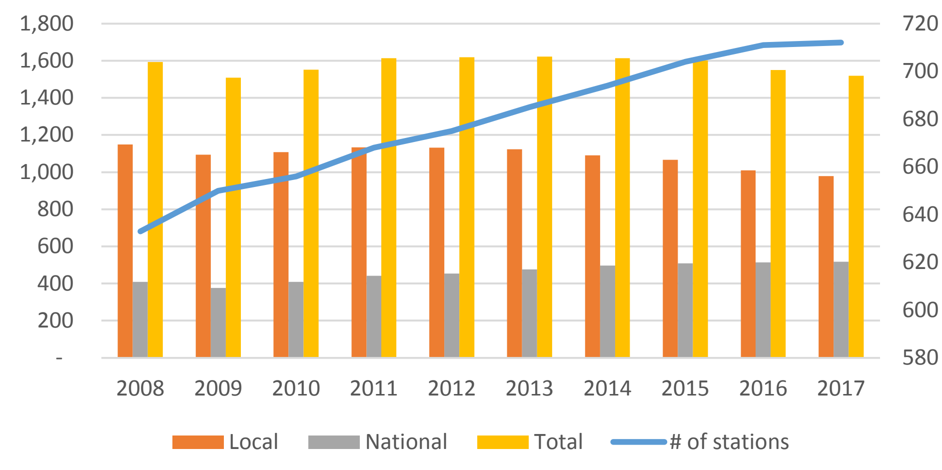
As this figure shows, total television revenues increased moderately over the period as a whole, but peaked in 2013 and have decreased thereafter, most notably in 2016 and 2017. These revenues increased over the period at a CAGR of just 1.6% and decreased at a CAGR of -1.1% over the last five years (2013 to 2017).

vi) Private Radio

Figure 16 sets out the number of private radio stations in Canada over the period 2008 to 2017 and the local and national advertising revenues and total revenues generated by these radio stations.

[22] See Table 11 in the appendix to this study.

Figure 16: Private Radio, Local and National Advertising Revenues, Total Revenues ($M), Number of Stations, 2008 to 2017

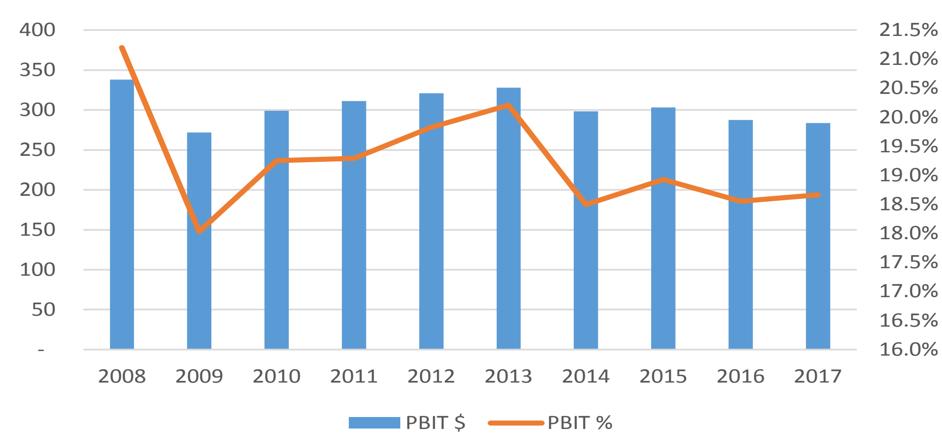


Source: CRTC, Radio, Statistical and Financial Summaries.[23]

The number of private radio stations increased consistently each year over the period from 633 to 712, with the rate of growth flattening at the end of the period. Total revenues decreased somewhat based on a CAGR of -0.5%, driven by a downward trend in local advertising revenues at a CAGR of -1.8% which was only partially offset by an upward trend in national advertising revenues at a CAGR of 2.6%. Total revenues decreased at a faster rate over the past five years (2013 to 2017) at a CAGR of -1.6%.

Profitability both in absolute terms and as a percent revenues varied considerably over the period but overall, has trended downward. PBIT of 21.2% in 2008 decreased to 18.7% in 2017.

Figure 17: Private Radio, Profit ($M/% of revenues), 2008 to 2017

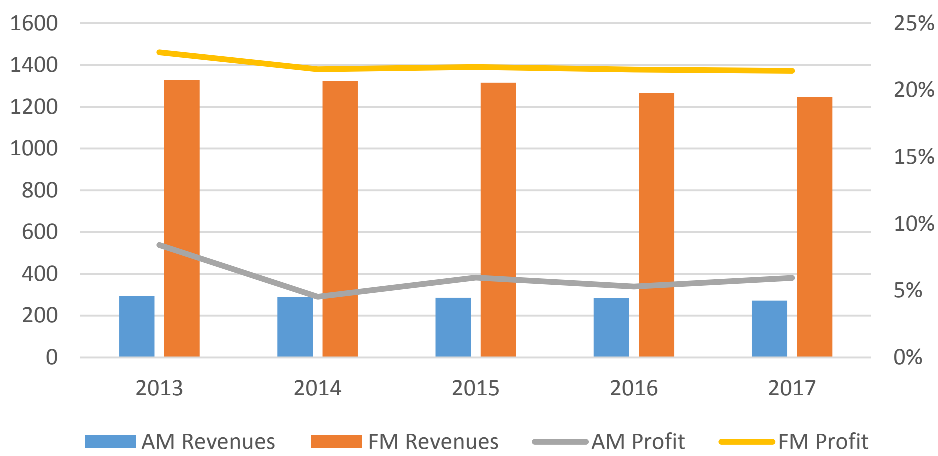


Source: CRTC, Radio, Statistical and Financial Summaries.[24]

[23] See Table 12 in the appendix to this study.
[24] See Table 12 in the appendix to this study.

FM radio stations are considerably more profitable than AM stations, at PBITs respectively of 21.4% and 6.0% in 2017. However, both have seen a downward trend overall in their revenues and profit levels over the last five years.

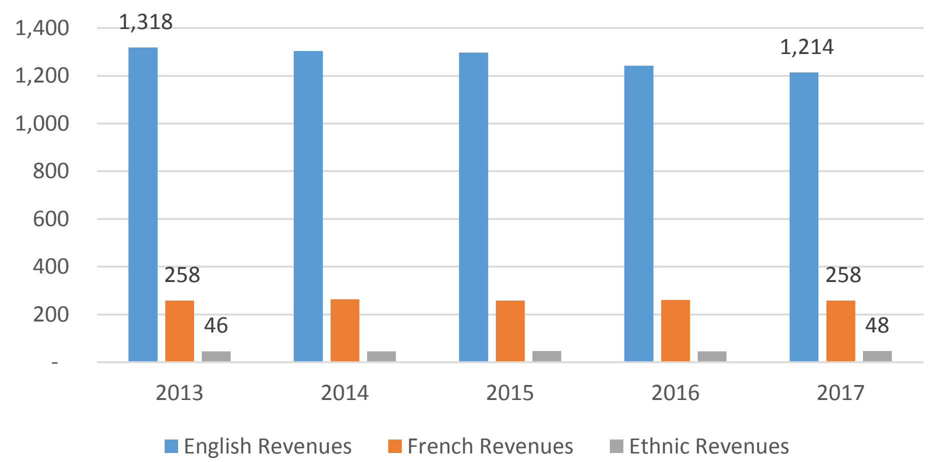
Figure 18: Private AM and FM Radio, Revenues ($M) and Profit (%), 2013 to 2017



Source: CRTC, Radio, Statistical and Financial Summaries.[25]

The downward trend in private radio revenues is being driven by English-language radio. English-language radio revenues decreased at a CAGR of -2.0% over the past five years, compared to French-language and ethnic radio revenues which were flat or close to flat respectively.

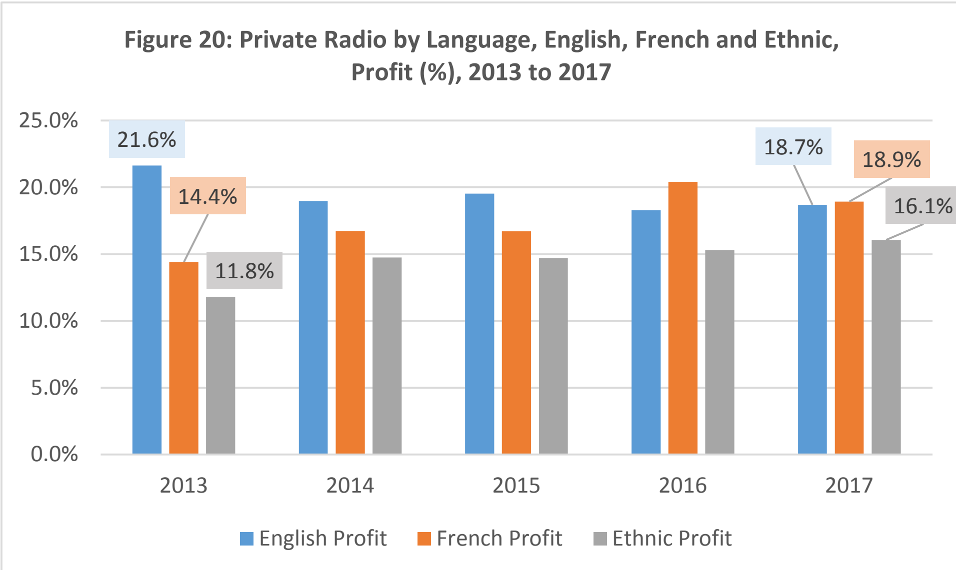
Figure 19: Private Radio by Language, English, French and Ethnic, Total Revenues ($M), 2013 to 2017



Source: CRTC, Radio, Statistical and Financial Summaries.[26]

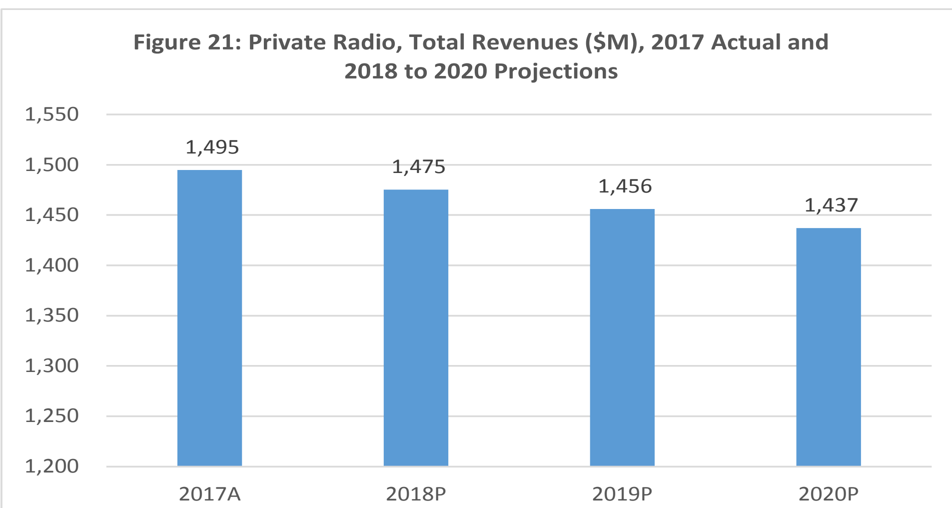
[25] See Table 13 in the appendix to this study.
[26] See Table 14 in the appendix to this study.

Similarly, the downward trend in private radio profits is being driven by English-language radio. English-language radio profitability decreased from 21.6% in 2013 to 18.7% in 2017, compared to French-language and ethnic radio revenues which saw their profitability increase respectively from 14.4% to 18.9% and from 11.8% to 16.1%.



Source: CRTC, Radio, Statistical and Financial Summaries.[27]

Private radio revenues are projected to continue to decrease a CAGR of -1.3% over the next three years.

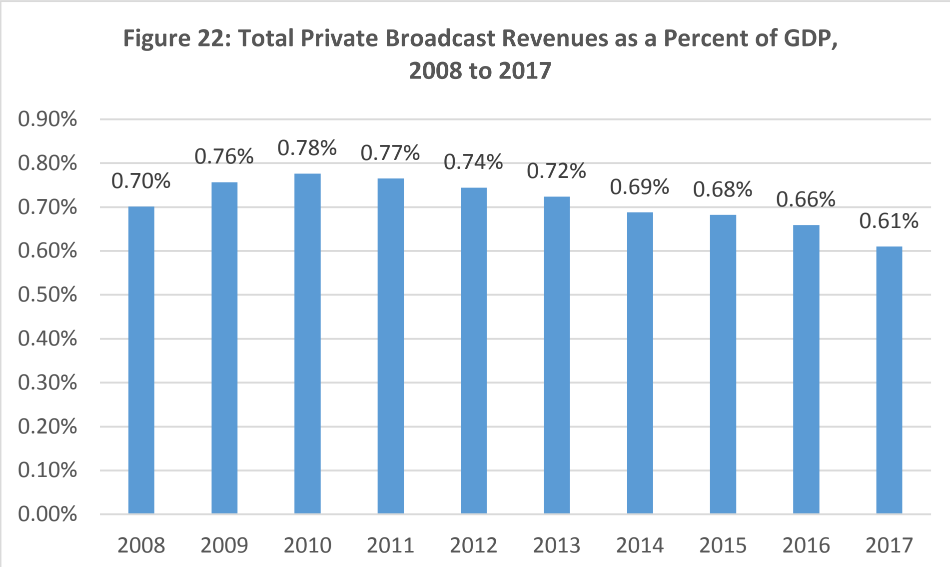


Source: CRTC, Radio, Statistical and Financial Summaries. J. Lloyd, "Zenith upgrades its 2018 ad spend projections", Media in Canada, March 26 2018. Dentsu Aegis Network, "Canadian advertising spending expected to grow by 2.3% in 2018, highest year growth than any other market", CNW, June 14 2018.[28]

[27] See Table 14 in the appendix to this study.
[28] See Table 15 in the appendix to this study.

vii) Total Private Broadcasting

Figure 22 sets out total private broadcast revenues (conventional television, specialty and on-demand, BDU and private radio) as a percent of total Canadian GDP.



Source: CRTC, Conventional Television, Discretionary and On-Demand Services, Broadcasting Distribution, Cable, Internet Protocol Television (IPTV) and Direct-to-Home (DTH), Radio, Statistical and Financial Summaries. Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial annual at current prices. TD Economics, Provincial Economic Forecast, September 18 2018.[29]

As this figure shows, private broadcast revenues increased as a percent of Canadian GDP in the early part of the period but has decreased overall, falling consistently since 2012. Over the period as a whole, Canadian GDP increased at more than twice the rate of growth of total private broadcast revenues, at a CAGR of 2.9% compared to 1.4%.

D. Critical Changes in the Broadcast Environment

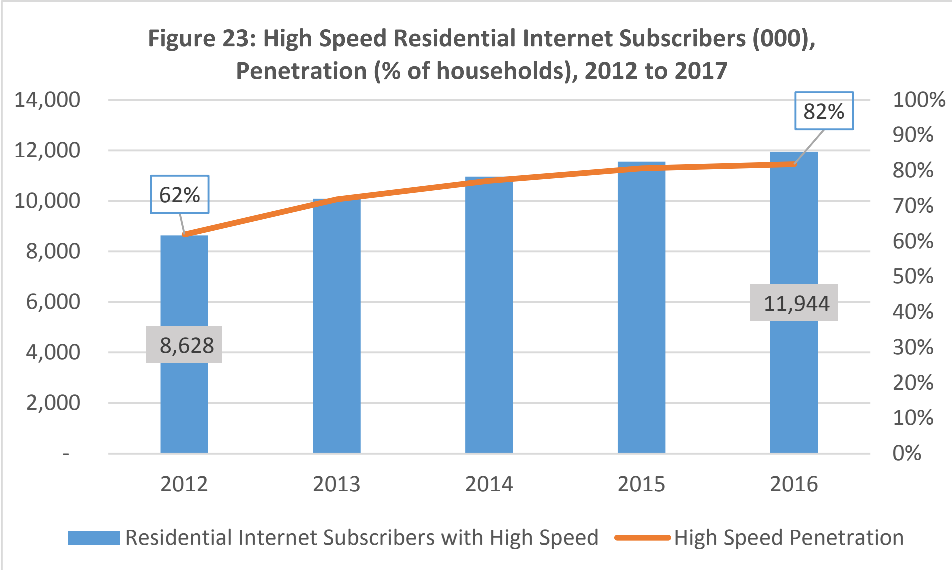
Digital technology in general and the Internet in particular have had a transforming effect on the broadcast environment, facilitating the introduction of new services, disrupting established market structures and changing consumer behavior.

This transforming effect is reflected in five critical changes:

i) Access to High Speed Broadband Internet

In 2016, 82% of Canadian households subscribed to a high speed broadband Internet service capable of delivering a high quality HD video signal along with a host of other services, compared to just 62% in 2012.

[29] See Table 16 in the appendix to this study.



Source: CRTC, Communications Monitoring Report, 2017.[30]

Notes:

1. For the analysis in Figure 23, a high speed broadband Internet service capable of delivering a high quality HD video signal is defined as a service offering a download speed of 5.0 Mbps or greater, as per CRTC, Communications Monitoring Report, 2017, Table 5.3.13.

In 2016 more Canadian households subscribed to a high speed Internet service (11.9M) than to a BDU service (11.1M).

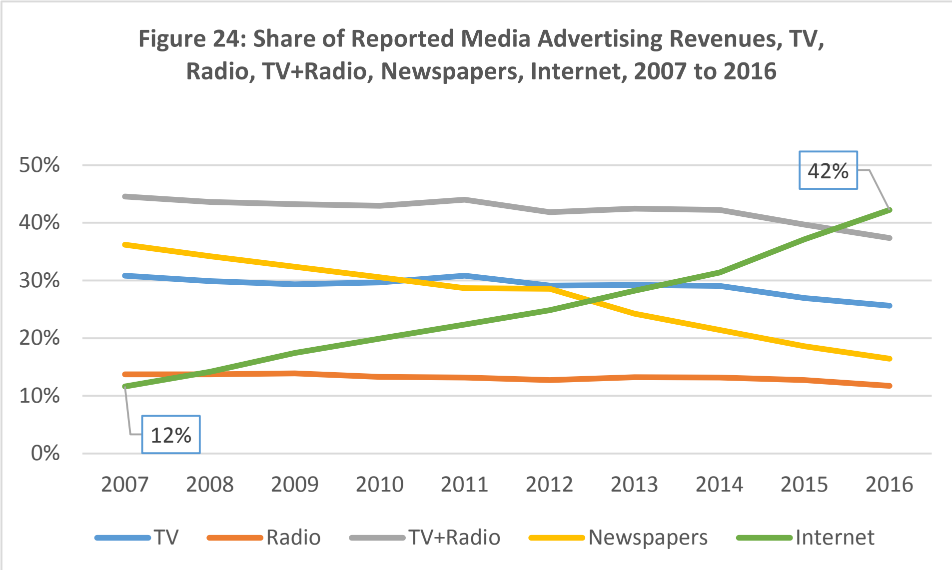
As a result, most Canadian households now have access to alternative Internet-delivered sources of video, audio and information, many of which are non-Canadian.

ii) Fundamental Restructuring of the Advertising Market

Over the ten period 2007 to 2016, digital media increased their share of the reported media advertising market from 11.6% to 42.2%, and are predicted to reach 52% by 2019.[31] Newspapers bore the brunt of the share shift, with their share decreasing from 36.2% to 16.4%, but both television and radio also experienced share losses, from 30.8% to 25.6% for television and from 13.7% to 11.7% for radio. The share of advertising revenues for television and radio combined decreased from 44.5% to 37.3%. Meanwhile, the advertising market was growing only very slowly at about the rate of inflation with a CAGR of 2.2%.

[30] See Table 17 in the appendix to this study.

[31] eMarketer, cited in C. Phillips, "Ad spending in Canada to reach $11.52 billion in 2018: report", Media in Canada, May 8 2018.



Source: thinkTV, Net Advertising Volume.[32]

Notes:

1. Online advertising revenues for television and newspapers as reported by thinkTV are included in the totals for each of these sectors and in the advertising revenues for the Internet sector, but are counted only once in the total for all media. If the online revenues for television ($135M) and for newspapers ($276M) in 2016 are removed from the Internet total, the share of reported advertising revenues that accrued to non-television, non-newspaper digital media in 2016 was 39.1%.

Internet advertising revenues exceeded those of radio in 2008, newspapers in 2013, television in 2014 and television and radio combined in 2016.

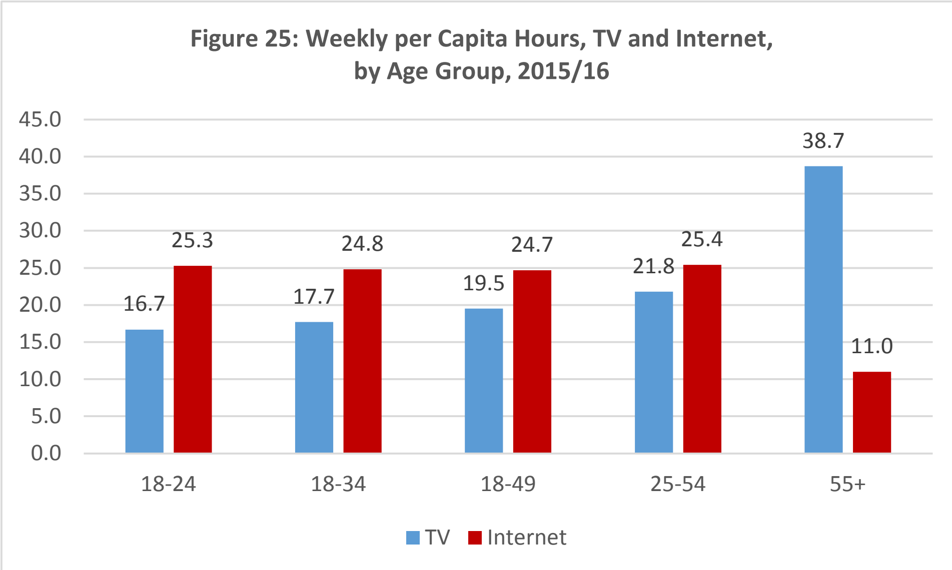
These data help to explain the slowdown in television and radio revenues and have significant implications for the future as ad-based digital media further consolidate their position.

iii) <u>Internet-delivered Video and Audio Services</u>

The advent of Internet-delivered video and audio services has resulted in a major shift in media consumption patterns and revenues.

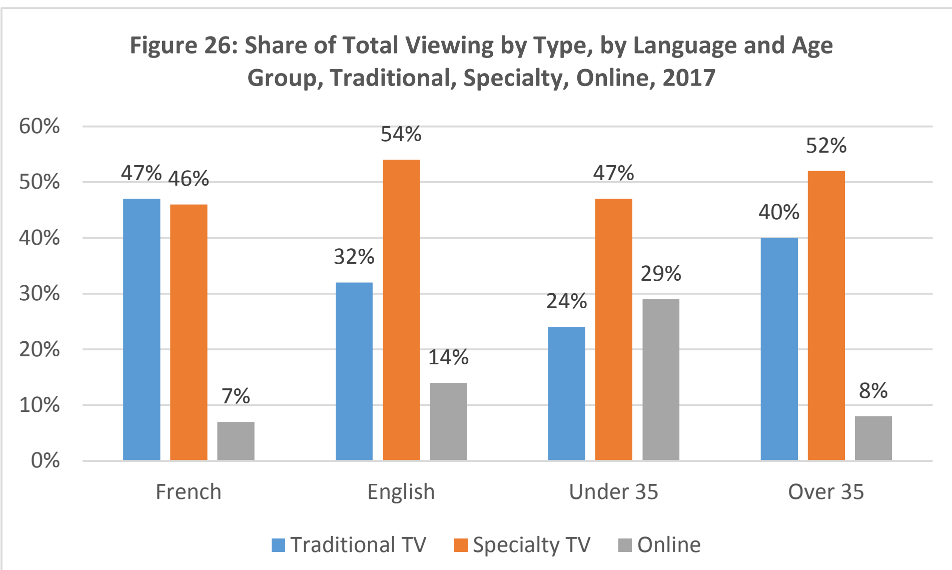
As is set out in Figure 25, Canadians under the age of 55 and especially Canadians 34 and under now spend considerably more time each week on the Internet than they do watching television.

[32] See Table 18 in the appendix to this study.



Source: thinkTV, Reach & Time Spent: Major Media Comparison – Canada 2015-2016 Broadcast Year.[33]

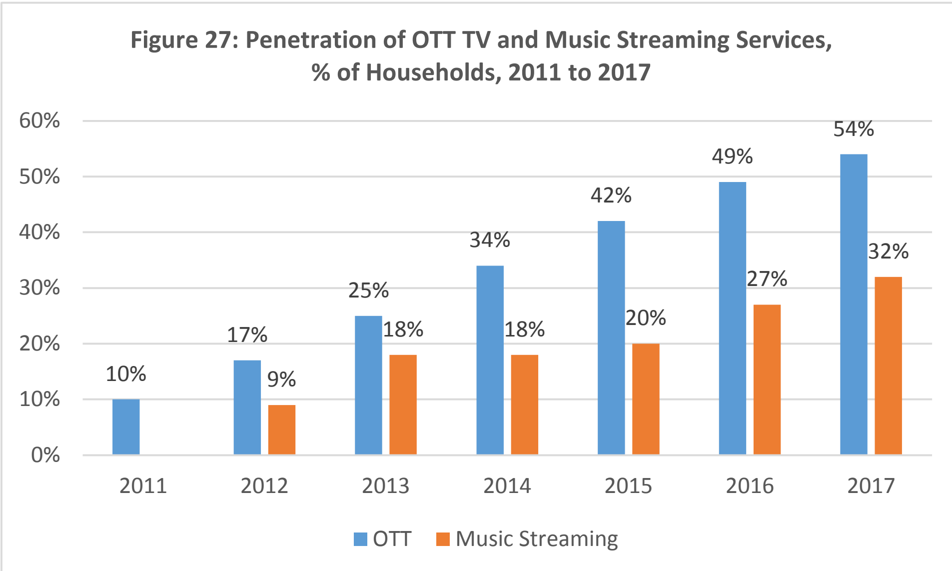
As Figure 26 shows, online viewing now accounts for a substantial share of total viewing, accounting for 14% of all viewing by English Canadians and less so at 7% for French Canadians. Among Canadians under 35, online viewing now accounts for almost one third (29%) of all viewing, exceeding the share of viewing devoted to traditional television.



Source: CRTC Estimates (Numeris, MTM) cited in Future Programming Distribution in Canada, Market Insights.[34]

[33] See Table 19 in the appendix to this study.
[34] See Table 20 in the appendix to this study.

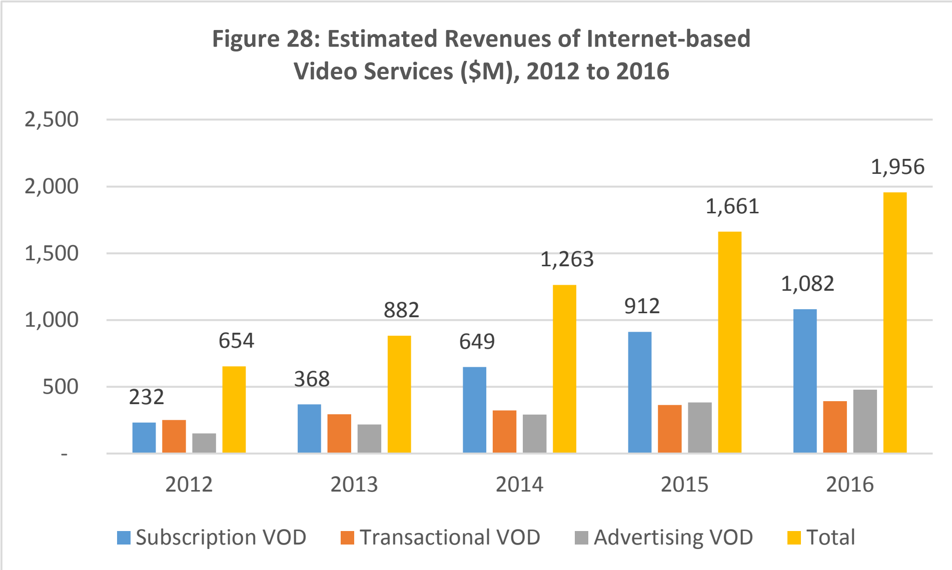
Consistent with these trends, the penetration of Internet-delivered video and audio services has increased rapidly over the past few years, with OTT video services now in over half (54%) of Canadian households and streamed music services now in almost one third (32%).



Source: MTM cited in CRTC, Future Programming Distribution in Canada, Market Insights.[35]

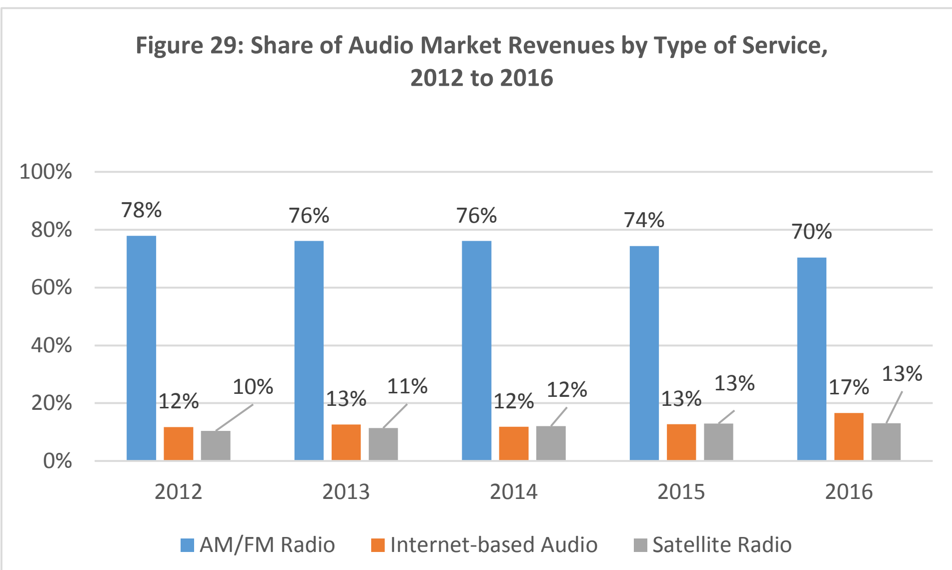
In 2016, the estimated revenues of Internet-based video services in Canada totaled almost $2B, considerably greater than the total revenues for all private conventional television. The revenues for subscription VOD services alone (which includes such services as Netflix and Crave TV) are estimated to have totaled almost $1.1B, of which 71% ($766M) accrued to Netflix.[36] Other foreign subscription services available in Canada now include Amazon Video, CBS All Access and Britbox, with more such services likely to be available in the near future.

[35] See Table 21 in the appendix to this study.
[36] CRTC, Communications Monitoring Report 2017, p. 146.



Source: CRTC, Communications Monitoring Report 2017.[37]

Over the same period, traditional AM and FM radio services saw their share of audio market revenues decrease from 78% to 70%. Traditional radio lost revenue share to Internet-based audio services, whose share increased from 12% to 17%, and to a lesser extent to satellite radio, which saw its share increase from 10% to 13%.



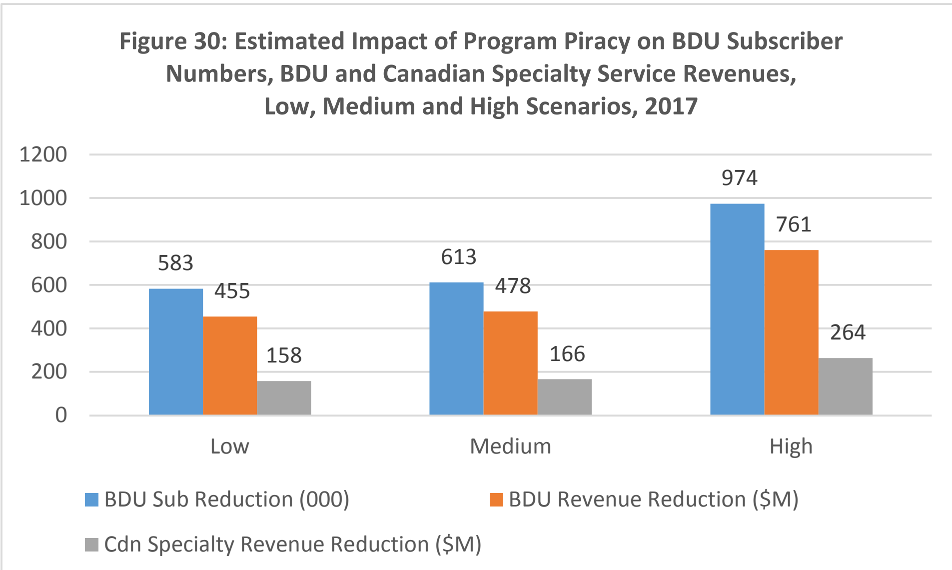
Source: CRTC Estimates (CRTC data collection, Sirius XM, OVUM, MTM) cited in CRTC, Future Programming Distribution in Canada, The Competitive Landscape.[38]

[37] See Table 22 in the appendix to this study.
[38] See Table 23 in the appendix to this study.

iv) Video Piracy

New technology and services make it easier for consumers to engage in video piracy, obtaining program content for which they would otherwise have to pay a fee to a legal distributor.

As is set out in Figure 30, in 2017 video piracy is conservatively estimated to have reduced the number of BDU subscribers by 583K to 974K, thereby reducing BDU revenues by $455M to $761M and affiliation payments to Canadian specialty television programming services in the range of $158M to $264M.



Source: Armstrong Consulting, The Economic Impact of TV Program Piracy in Canada, May 2018.[39]

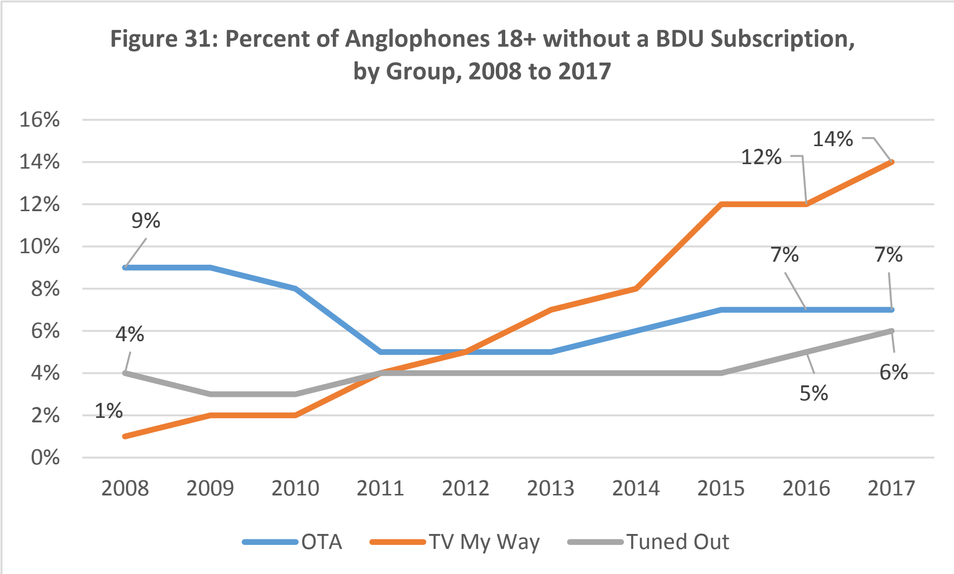
These data help to explain the decreasing penetration of legal BDU services and highlight both the financial consequences and the implications for the production of Canadian programming.

v) The Emergence of a New Type of Media Consumer

New technology and new services make it possible for some consumers to completely abandon the established broadcasting system while still gaining extensive access to media content.

These consumers, described in the industry literature as "TV My Way", do not have a BDU subscription and do not receive television signals over-the-air but instead, obtain their media content exclusively via the Internet from OTT and other Internet-based services. They can be distinguished from other non-BDU consumers who receive television signals over-the-air ("OTA") or who do not receive video by any means ("Tuned Out").

[39] See Table 24 in the appendix to this study.



Source: MTM, TV My Way – Analysis of the Anglophone Market, March 27 2018, p.7. cited with permission in Armstrong Consulting, The Economic Impact of TV Program Piracy in Canada, May 2018.[40]

TV My Way consumers accounted for just 1% of the 18+ Anglophone population in 2008, increasing rapidly to 14% in 2017.

The incidence of people 18+ classified as "TV My Way" is somewhat lower among Francophones at 9%, with the result that across the country as a whole 13% of Canadians 18+ can be said to receive television content exclusively via the Internet.[41]

The emergence of this new class of media consumer and the rapid growth of this class over the past ten years highlights the challenge faced by traditional broadcast media.

E. Conclusions

As the data in this study have shown, the economic performance of the private broadcasting industry in Canada reached an inflection point turning downwards about midway through the ten year period 2008 to 2017. The available evidence suggests that this downward trend is likely to continue.

Revenues:

- Total private broadcast revenues (private conventional television, discretionary and on-demand television, BDU and private radio) have been decreasing consistently as a percent of Canadian GDP since 2012. Canadian GDP increased at more than twice the rate of growth of private broadcast revenues over the period 2008 to 2017.

[40] See Table 25 in the appendix to this study.
[41] MTM, TV My Way, March 27 2018, p.10. cited with permission in Armstrong Consulting, The Economic Impact of TV Program Piracy in Canada, May 2018.

- Total private television revenues (private conventional television, discretionary and on-demand television and BDU) have been decreasing since 2014, with only one sub-sector of the private television industry (discretionary and on-demand) registering positive growth over the past five years at a CAGR of only 1.6%, compared to negative growth for private conventional television and BDUs at CAGRs respectively of -4.6% and -0.7%.
- The number of BDU subscribers which is a key baseline determinant of BDU revenues has decreased absolutely in recent years as has the penetration rate, which fell from almost 85% in 2012 to 75% in 2017.
- Private radio revenues have decreased every year since 2014, resulting in a moderate decrease over the period as a whole at a CAGR of -0.5%, decreasing at a faster rate over the past five years at a CAGR of -1.6%. This decrease over the past five years was driven by English-language radio, while revenues to French-language and ethnic radio remained roughly constant.
- Projections by the major broadcast groups and third party experts foresee continuing downward pressure on revenues, the number of BDU subscribers and the BDU penetration rate.

Profits:

- The profitability of private television broadcast services (private conventional television, discretionary and on-demand television services) increased somewhat over the period as a whole, but peaked in 2011 both absolutely and as a percent of revenues and has generally been decreasing since then. Private conventional television has operated at a loss in six of the past ten years and in each of the last five years. The profitability of discretionary and on-demand services has been trending downwards since the peak in 2013, with the exception of 2017 when profitability increased somewhat both absolutely and as a percent of revenues. However, since revenues actually decreased in 2017 compared to 2016, this suggests that the uptick in profitability was driven by cost reductions which may not be replicable in future years.
- BDU profits from the distribution of programming services decreased both absolutely and as a percent of revenues over the period, with operating income decreasing by seven points from 25.3% to 18.3%. BDU profits peaked absolutely in 2013 and have generally been on a downward trend since then, with the exception of 2017 when profitability increased somewhat both absolutely and as a percent of revenues. However, since revenues actually decreased in 2017 compared to 2016, this suggests that the uptick in profitability was driven by cost reductions which may not be replicable in future years.
- The profitability of private radio decreased both absolutely and as a percent of revenues over the period, with PBIT decreasing from 21.2% in 2008 to 18.7% in 2017. This downward trend over the past five years was driven by the decreasing profitability of English-language private radio.

CPE:

- Notwithstanding downward pressures on revenues and profitability, Canadian program expenditures by private television broadcast services (private conventional television, discretionary and on-demand television services) increased substantially over the period from $1.7B in 2008 to $2.4B in 2017. CPE as a percent of revenues increased from 33.4% to 39.6%. However, the absolute amount of these expenditures has flattened in recent years, suggesting that these expenditures will begin to decrease in the future in line with decreasing revenues and as is provided for by current CRTC rules for broadcast groups.
- Private conventional television broadcasters made significant adjustments to their program expenditure strategies over the period, increasing their expenditures on news programming and decreasing their expenditures on foreign programming.
- BDU contributions have been decreasing since 2013.

This study has highlighted five critical changes in the broadcast environment which together disrupted established market structures, changed consumer behavior, brought the private broadcasting industry to its inflection point and which the available evidence suggests will continue to place strong downward pressure on the economic performance of the private broadcasting industry and its capacity to contribute to the production and distribution of Canadian content.

These changes include:

- the rapid and increasing penetration of high speed broadband Internet access which is likely to continue based on consumer demand and government policy;
- a fundamental restructuring of the advertising market which will see digital media taking the majority of ad expenditures by 2019 and an increasing share likely thereafter;
- the rapid and increasing penetration of a growing number of Internet-delivered video and audio services, most of which are foreign, and the resulting significant changes in consumption patterns with these services accounting for an increasingly larger share of time spent with media, especially among younger people;
- the materially significant economic impact of video piracy; and
- the emergence of a new and rapidly growing group of media consumers who are completely disconnected from the traditional broadcasting system, who obtain media content exclusively via the Internet from OTT and other Internet-based services and who now account for 14% of English Canadians and 13% of the population as a whole.

In light of all of this, it seems clear that if the intent of the current policy and legislative review is to support the production, creation and distribution of Canadian content at current and greater levels, then that review should:

- recognize that the economic performance of the traditional private broadcasting industry has reached its inflection point and is now on a downward trend;

- expand the current legislative and policy framework to explicitly take into account the rapid emergence of new market structures, new consumer behaviours, and new services and their capacity to contribute to Canadian content; and
- eliminate any policy and regulatory barriers that may inhibit the ability of traditional broadcasters to use their established resources and expertise to compete in the new broadcasting environment.

Appendix: Data Tables

Table 1: Private Conventional Television, Revenues, Profit, Canadian, News and Foreign Program Expenses, 2008 to 2017, $M												
											CAGR	CAGR
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-17	2013-17
Revenues:	Local	387	348	350	353	355	351	334	330	315	293	-3.1%	-4.4%
	National	1,472	1,321	1,460	1,464	1,351	1,279	1,180	1,178	1,125	1,088	-3.3%	-4.0%
	LPIF	-	-	66	65	64	40	22	-	-	-		
	Total	2,138	1,971	2,142	2,139	2,038	1,944	1,804	1,757	1,678	1,608	-3.1%	-4.6%
PBIT:	$	8	(117)	6	156	23	(2)	(139)	(141)	(113)	(101)		
	%	0.4%	-5.9%	0.3%	7.3%	1.1%	-0.1%	-7.7%	-8.0%	-6.7%	-6.3%		
CPE:	$	616	588	682	563	662	605	619	653	633	618	0.0%	0.5%
	% rev	28.8%	29.8%	31.8%	26.3%	32.5%	31.1%	34.3%	37.2%	37.7%	38.4%		
News:	$	323	312	304	317	354	355	361	370	366	367	1.4%	0.8%
	% rev	15.1%	15.8%	14.2%	14.8%	17.4%	18.3%	20.0%	21.0%	21.8%	22.8%		
Foreign:	$	767	821	774	729	726	732	717	656	610	599	-2.7%	-4.9%
	% rev	35.9%	41.7%	36.1%	34.1%	35.6%	37.6%	39.8%	37.3%	36.4%	37.2%		

Source: CRTC, Conventional Television, Statistical and Financial Summaries.

Table 2: English and French Private Conventional Television, Advertising and Total Revenues, 2008 to 2016, $M											
										CAGR	CAGR
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2008-16	2013-16
English:	Advertising	1,679	1,520	1,659	1,655	1,540	1,468	1,369	1,366	1,300	-3.1%	-4.0%
	Total	1,754	1,621	1,794	1,784	1,672	1,583	1,475	1,447	1,374	-3.0%	-4.6%
French:	Advertising	322	286	280	289	291	290	273	260	253	-3.0%	-4.4%
	Total	384	350	348	356	367	361	329	310	304	-2.9%	-5.6%
Total:	Advertising	2,001	1,806	1,939	1,944	1,831	1,758	1,642	1,626	1,553	-3.1%	-4.0%
	Total	2,138	1,971	2,142	2,140	2,039	1,944	1,804	1,757	1,678	-3.0%	-4.8%

Source: CRTC, Communications Monitoring Reports.

Table 3: English and French Private Conventional Television Groups, Total Revenues, 2017 to 2022, $M						
	2018	2019	2020	2021	2022	CAGR
English:	1,192	1,189	1,172	1,162	1,134	-1.2%
French:	267	258	252	248	243	-2.2%
Total:	1,458	1,447	1,424	1,409	1,377	-1.4%

Source: CRTC, English and French Television Group Licence Renewal Applications, Reconsideration, 2017.

Table 4: Discretionary Television, Revenues, Profit, Canadian Program Expenses, 2008 to 2017, $M													
												CAGR	CAGR
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-17	2013-17
# of Services:		189	186	201	214	230	230	230	228	307	292		
Revenues:	Subscription	1,868	2,058	2,261	2,419	2,623	2,725	2,907	2,960	2,975	2,940	5.2%	1.9%
	Advertising	1,027	1,002	1,114	1,234	1,264	1,297	1,254	1,235	1,348	1,329	2.9%	0.6%
	Total	2,931	3,121	3,475	3,748	3,968	4,091	4,249	4,290	4,418	4,365	4.5%	1.6%
PBIT:	$	648	729	876	931	913	1,082	1,023	922	929	1,050		
	%	22.1%	23.3%	25.2%	24.8%	23.0%	26.5%	24.1%	21.5%	21.0%	24.1%		
CPE:	$	1,076	1,073	1,167	1,266	1,389	1,323	1,500	1,636	1,732	1,747	5.5%	7.2%
	% rev	36.7%	34.4%	33.6%	33.8%	35.0%	32.3%	35.3%	38.1%	39.2%	40.0%		

Source: CRTC, Discretionary and On-Demand Services, Statistical and Financial Summaries.

Table 5: Discretionary Television Groups, Total Revenues, 2017 to 2022, $M							
	2017	2018	2019	2020	2021	2022	CAGR
English:	1,584	1,562	1,528	1,496	1,467	1,437	-1.9%
French:	316	313	313	310	305	301	-1.0%
Total:	1,900	1,875	1,841	1,806	1,772	1,737	-1.8%

Source: CRTC, English and French Television Group Licence Renewal Applications, Reconsideration, 2017.

Table 6: Private Conventional and Discretionary Television, Revenues, Profit, Canadian Program Expenses, 2008 to 2017, $M													
												CAGR	CAGR
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-17	2013-17
Revenues:	Subscription	1,868	2,058	2,261	2,419	2,623	2,725	2,907	2,960	2,975	2,940	5.2%	1.9%
	Advertising	2,887	2,671	2,924	3,051	2,969	2,927	2,768	2,743	2,787	2,709	-0.7%	-1.9%
	Total	5,069	5,092	5,616	5,887	6,006	6,035	6,053	6,047	6,096	5,974	1.8%	-0.3%
PBIT:	$	656	612	882	1,088	936	1,080	884	781	815	949		
	%	12.9%	12.0%	15.7%	18.5%	15.6%	17.9%	14.6%	12.9%	13.4%	15.9%		
CPE:	$	1,692	1,661	1,849	1,829	2,051	1,929	2,119	2,289	2,366	2,365	3.8%	5.2%
	% rev	33.4%	32.6%	32.9%	31.1%	34.1%	32.0%	35.0%	37.9%	38.8%	39.6%		

Source: CRTC, Conventional Television, Discretionary and On-Demand Services, Statistical and Financial Summaries.

Table 7: BDU, Revenues, Profit, Contribution, 2008 to 2017, $M													
												CAGR	CAGR
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-17	2013-17
Revenues:	Subscription	6,491	6,937	7,593	8,005	8,062	8,289	8,035	8,015	7,798	7,530	1.7%	-2.4%
	Total	6,798	7,318	7,995	8,459	8,561	8,794	8,930	8,919	8,740	8,538	2.6%	-0.7%
Op. Profit:	$	1,722	1,781	2,005	1,954	1,979	2,081	1,804	1,580	1,401	1,558		
	%	25.3%	24.3%	25.1%	23.1%	23.1%	23.7%	20.2%	17.7%	16.0%	18.3%		
Contribution:	$	325	357	368	489	506	478	475	437	428	412	2.7%	-3.6%

Source: CRTC, Broadcasting Distribution, Statistical and Financial Summaries.

Table 8: Total Households, BDU Subscribers and Non-BDU Households, Canada, 2012 to 2017, 000s

	2012	2013	2014	2015	2016	2017	CAGR 2012-17
Total HH Canada	13,467	13,615	13,765	13,916	14,072	14,227	1.1%
Total BDU Subscribers	11,461	11,440	11,296	11,147	10,907	10,703	-1.4%
% of Total HH	85.1%	84.0%	82.1%	80.1%	77.5%	75.2%	
change +/-	64	-21	-144	-149	-239	-205	
Non BDU HH	2,006	2,175	2,469	2,770	3,165	3,524	11.9%
% of Total HH	14.9%	16.0%	17.9%	19.9%	22.5%	24.8%	

Source: Statistics Canada, Census Profile 2011 and 2016, Canada, Private dwellings occupied by usual residents. CRTC, Broadcasting Procedural Letter May 11 2018. CRTC, Broadcasting Distribution, Statistical and Financial Summaries, 2013 - 2017.

Table 9: BDU Penetration by English and French-Language Markets

	2010	2011	2012	2013	2014	2015	2016	2017
English-Language Markets	86%	87%	85%	84%	82%	77%	75%	73%
French-Language Markets	90%	89%	89%	90%	90%	89%	87%	83%

Source: MTM cited in CRTC, Future of Programming Distribution in Canada, Market Insights.

Table 10: Total Households, BDU Subscribers and Non-BDU Households, Canada, 2017 to 2020, 000s

	2018P	2019P	2020P	CAGR
Total HH Canada	14,383	14,542	14,702	1.1%
Total BDU Subscribers	10,424	10,153	9,889	-2.6%
% of Total HH	72.5%	69.8%	67.3%	
change +/-	-278	-271	-264	
Non BDU HH	3,959	4,388	4,812	10.2%
% of Total HH	27.5%	30.2%	32.7%	

Source: CRTC, Broadcasting Distribution, Statistical and Financial Summaries, 2013 - 2017. The Convergence Research Group, Battle for the North American (US/Canada) Couch Potato: OTT, TV, Online, April 2018. Armstrong Consulting.

Table 11: Private Conventional Television, Discretionary Television Services and BDU Revenues, 2008 to 2017, $M

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR 2008-17	CAGR 2013-17
PTV	2,138	1,971	2,142	2,139	2,038	1,944	1,804	1,757	1,678	1,608	-3.1%	-4.6%
Disc	2,931	3,121	3,475	3,748	3,968	4,091	4,249	4,290	4,418	4,365	4.5%	1.6%
BDU	4,930	5,261	5,734	6,040	5,938	6,069	6,023	5,959	5,765	5,597	1.4%	-2.0%
Total	9,999	10,353	11,351	11,927	11,944	12,104	12,075	12,006	11,861	11,571	1.6%	-1.1%

Source: CRTC, Conventional Television, Discretionary and On-Demand Services, Broadcasting Distribution, Cable, Internet Protocol Television (IPTV) and Direct-to-Home (DTH), Statistical and Financial Summaries.

Notes:

1. BDU affiliation payments to Canadian specialty services were removed from total BDU revenues for the analysis in Table 11 to avoid double counting.

Table 12: Private Radio, Revenues and Profit, 2008 to 2017, $M

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR 2008-17	CAGR 2013-17
# of Stns:		633	650	656	668	675	685	694	704	711	712		
Revenues:	Local	1,149	1,094	1,108	1,134	1,131	1,123	1,091	1,067	1,010	978	-1.8%	-3.4%
	National	408	376	409	442	454	476	497	509	515	517	2.6%	2.1%
	Total	1,594	1,508	1,552	1,614	1,618	1,623	1,613	1,602	1,550	1,520	-0.5%	-1.6%
	rev/stn	2.5	2.3	2.4	2.4	2.4	2.4	2.3	2.3	2.2	2.1	-1.8%	-2.6%
PBIT:	$	338	272	299	311	321	328	298	303	288	284		
	%	21.2%	18.0%	19.3%	19.3%	19.8%	20.2%	18.5%	18.9%	18.6%	18.7%		

Source: CRTC, Radio, Statistical and Financial Summaries.

Table 13: Private Radio, by AM/FM, Revenues and Profit, 2013 to 2017, $M							
							CAGR
		2013	2014	2015	2016	2017	2013-17
AM:	# of Stns:	129	126	124	124	121	
	Revenues:	295	290	286	284	273	-1.9%
	rev/stn	2.3	2.3	2.3	2.3	2.3	-0.3%
	PBIT $:	25	13	17	15	16	
	PBIT %:	8.4%	4.5%	6.0%	5.3%	6.0%	
FM:	# of Stns:	556	568	580	587	591	
	Revenues:	1,328	1,323	1,316	1,265	1,247	-1.6%
	rev/stn	2.4	2.3	2.3	2.2	2.1	-3.1%
	PBIT $:	303	285	286	272	267	
	PBIT %:	22.8%	21.6%	21.7%	21.5%	21.4%	
TOTAL:	# of Stns:	685	694	704	711	712	
	Revenues:	1,623	1,613	1,602	1,550	1,520	-1.6%
	rev/stn	2.4	2.3	2.3	2.2	2.1	-2.6%
	PBIT $:	328	298	303	288	284	
	PBIT %:	20.2%	18.5%	18.9%	18.6%	18.7%	

Source: CRTC, Radio, Statistical and Financial Summaries.

Table 14: Private Radio, by Language, Revenues and Profit, 2013 to 2017, $M							
							CAGR
		2013	2014	2015	2016	2017	2013-17
ENGLISH:	# of Stns:	563	574	583	589	589	
	Revenues:	1,318	1,304	1,297	1,242	1,214	-2.0%
	rev/stn	2.3	2.3	2.2	2.1	2.1	-3.1%
	PBIT $:	285	248	253	227	227	
	PBIT %:	21.6%	19.0%	19.5%	18.3%	18.7%	
FRENCH:	# of Stns:	97	96	98	98	98	
	Revenues:	258	264	258	261	258	0.0%
	rev/stn	2.7	2.7	2.6	2.7	2.6	-0.2%
	PBIT $:	37	44	43	53	49	
	PBIT %:	14.4%	16.7%	16.7%	20.4%	18.9%	
ETHNIC:	# of Stns:	25	24	23	24	25	
	Revenues:	46	46	47	46	48	0.7%
	rev/stn	1.8	1.9	2.0	1.9	1.9	0.7%
	PBIT $:	5	7	7	7	8	
	PBIT %:	11.8%	14.8%	14.7%	15.3%	16.1%	
TOTAL:	# of Stns:	685	694	704	711	712	
	Revenues:	1,623	1,613	1,602	1,550	1,520	-1.6%
	rev/stn	2.4	2.3	2.3	2.2	2.1	-2.6%
	PBIT $:	328	298	303	288	284	
	PBIT %:	20.2%	18.5%	18.9%	18.6%	18.7%	

Source: CRTC, Radio, Statistical and Financial Summaries.

Table 15: Private Radio, Advertising Revenues, 2008 to 2020, $M										
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
1,558	1,470	1,517	1,576	1,585	1,600	1,588	1,576	1,525	1,495	-0.5%
	-5.7%	3.2%	3.9%	0.6%	0.9%	-0.7%	-0.8%	-3.2%	-2.0%	
			2018	2019	2020	CAGR				
Zenith:			1,480	1,465	1,450	-1.0%				
			-1.0%	-1.0%	-1.0%					
Dentsu Aegis Network:			1,463	1,447		-1.6%				
			-2.1%	-1.1%						
Average:			1475	1456	1437	-1.3%				
			-1.3%	-1.3%	-1.3%					

Source: CRTC, Radio, Statistical and Financial Summaries. J. Lloyd, "Zenith upgrades its 2018 ad spend projections", Media in Canada, March 26 2018. Dentsu Aegis Network, "Canadian advertising spending expected to grow by 2.3% in 2018, highest year growth than any other market", CNW, June 14 2018.

Table 16: Broadcast Revenue (Private Conventional Television, Discretionary Television Services, BDU and Private Radio) as a percent of GDP, $M, 2008 to 2017										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
Broadcast Revenues	11,593	11,861	12,903	13,541	13,562	13,727	13,689	13,608	13,411	13,091	1.4%
	y/y	2.3%	8.8%	4.9%	0.2%	1.2%	-0.3%	-0.6%	-1.4%	-2.4%	
GDP	1,652,923	1,567,365	1,662,130	1,769,921	1,822,808	1,897,531	1,990,163	1,994,911	2,035,506	2,145,423	2.9%
	y/y	-5.2%	6.0%	6.5%	3.0%	4.1%	4.9%	0.2%	2.0%	5.4%	
%	0.70%	0.76%	0.78%	0.77%	0.74%	0.72%	0.69%	0.68%	0.66%	0.61%	

Source: CRTC, Conventional Television, Discretionary and On-Demand Services, Broadcasting Distribution, Radio, Statistical and Financial Summaries. Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial annual at current prices. TD Economics, Provincial Economic Forecast, September 18 2018.

Table 17: Number of Residential Internet Subscribers (000) and percent with 5 Mbps or greater download speed, 2012 to 2016					
	2012	2013	2014	2015	2016
HHs	13,924	14,045	14,203	14,327	14,596
Residential Internet Subscribers:	10,991	11,251	11,630	12,019	12,301
% of HHs with Internet	79%	80%	82%	84%	84%
HHs with 5 Mbps/+ download speed	8,628	10,092	10,955	11,550	11,944
% with 5 Mbps/+ download speed	79%	90%	94%	96%	97%
% of HHs with 5 Mbps/+ download speed	62%	72%	77%	81%	82%
dial up	2.9%	2.7%	1.9%	1.0%	0.7%
1.5 to 4	18.2%	7.3%	3.7%	2.9%	2.1%
5 to 9	41.3%	32.8%	26.9%	23.4%	19.9%
10 to 15	10.1%	25.6%	25.6%	24.1%	22.4%
16 to 49	23.5%	26.3%	31.9%	29.4%	28.6%
50+	3.6%	5.0%	9.8%	19.2%	26.2%
Total	99.6%	99.7%	99.8%	100.0%	99.9%
5+	78.5%	89.7%	94.2%	96.1%	97.1%

Source: CRTC, Communications Monitoring Report, 2017.

Notes:

1. For the analysis in Table 17, a high speed broadband Internet service capable of delivering a high quality HD video signal is defined as a service offering a download speed of 5.0 Mbps or greater, as per CRTC, Communications Monitoring Report, 2017, Table 5.3.13.

Table 18: Reported Media Net Advertising Revenues, Actual and Projected, 2007 to 2016, $M

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR
TV	3,299	3,393	3,104	3,391	3,682	3,614	3,537	3,511	3,345	3,327	0.1%
	30.8%	29.9%	29.3%	29.7%	30.8%	29.1%	29.2%	29.1%	27.0%	25.6%	
Radio	1,468	1,558	1,470	1,517	1,576	1,585	1,600	1,589	1,576	1,525	0.4%
	13.7%	13.7%	13.9%	13.3%	13.2%	12.8%	13.2%	13.2%	12.7%	11.7%	
Newspaper	3,875	3,880	3,429	3,491	3,427	3,550	2,936	2,590	2,305	2,133	-6.4%
	36.2%	34.2%	32.4%	30.5%	28.7%	28.6%	24.3%	21.4%	18.6%	16.4%	
Internet	1,243	1,609	1,845	2,279	2,674	3,085	3,418	3,793	4,604	5,485	17.9%
	11.6%	14.2%	17.4%	19.9%	22.4%	24.8%	28.2%	31.4%	37.1%	42.2%	
General Magazines	548	626	533	519	496	497	486	470	434	363	-4.5%
	5.1%	5.5%	5.0%	4.5%	4.2%	4.0%	4.0%	3.9%	3.5%	2.8%	
Out-of-Home	422	463	416	482	484	486	514	521	542	569	3.4%
	3.9%	4.1%	3.9%	4.2%	4.1%	3.9%	4.2%	4.3%	4.4%	4.4%	
Total	10,705	11,348	10,584	11,433	11,944	12,418	12,106	12,077	12,399	12,992	2.2%

Source: thinkTV, Net Advertising Volume.

Notes:

1. Online advertising revenues for television and newspapers as reported by thinkTV are included in the totals for each of these sectors and in the advertising revenues for the Internet sector, but are counted only once in the total for all media. If the online revenues for television ($135M) and for newspapers ($276M) in 2016 are removed from the Internet total, the share of reported advertising revenues that accrued to non-television, non-newspaper digital media in 2016 was 39.1%.

Table 19: Weekly per Capita Hours, TV and Internet, 2015/16

	18-24	18-34	18-49	25-54	55+
TV	16.7	17.7	19.5	21.8	38.7
Internet	25.3	24.8	24.7	25.4	11.0

Source: thinkTV, Reach & Time Spent: Major Media Comparison – Canada 2015-2016 Broadcast Year.

Table 20: Share of Total Viewing, 2017				
	French	English	Under 35	Over 35
Traditional TV	47%	32%	24%	40%
Specialty TV	46%	54%	47%	52%
Online	7%	14%	29%	8%

Source: CRTC Estimates (Numeris, MTM) cited in Future Programming Distribution in Canada, Market Insights.

Table 21: Penetration of Online Video and Audio Services, 2011 to 2017							
	2011	2012	2013	2014	2015	2016	2017
OTT	10%	17%	25%	34%	42%	49%	54%
Music Streaming		9%	18%	18%	20%	27%	32%

Source: MTM cited in CRTC, Future Programming Distribution in Canada, Market Insights.

Table 22: Estimated Revenues of Internet-based Video Services, 2012 to 2016, $M						
	2012	2013	2014	2015	2016	CAGR
Subscription VOD	232	368	649	912	1,082	47.0%
Transactional VOD	253	294	323	365	394	11.7%
Advertising VOD	151	219	292	384	480	33.6%
Total	654	882	1,263	1,661	1,956	31.5%

Source: CRTC, Communications Monitoring Report 2017.

Table 23: Share of Total Audio Market Revenues by Type of Service, 2012 to 2016					
	2012	2013	2014	2015	2016
AM/FM Radio	78%	76%	76%	74%	70%
Satellite Radio	10%	11%	12%	13%	13%
Online Radio	0%	1%	1%	2%	8%
Transactional Online Audio	11%	12%	11%	10%	9%

Source: CRTC Estimates (CRTC data collection, Sirius XM, OVUM, MTM) cited in CRTC, Future Programming Distribution in Canada, The Competitive Landscape.

Table 24: Estimated Impact of Television Program Piracy on BDU Revenues, Contribution and Affiliation Payments to Canadian Television Services, 2017			
	Estimate 1	Estimate 2	Estimate 3
Total Households 000s	14,761	14,761	14,761
BDU Subscriber Reduction % of HHs	6.6%	3.95%	4.15%
BDU Subscriber Reduction 000s	974	583	613
Revenues per BDU Subcriber $/Month	65.08	65.08	65.08
BDU Revenue Reduction $000s/Year	760,824	455,342	478,397
Contribution Reduction $000s/Year	38,041	22,767	23,920
Cdn Aff Payment Reduction $000s/Year	264,294	158,176	166,185

Source: Armstrong Consulting, The Economic Impact of TV Program Piracy in Canada, May 2018.

Table 26: Anglophones 18+, Non-BDU by type, 2008 to 2017										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
OTA	9%	9%	8%	5%	5%	5%	6%	7%	7%	7%
TV My Way	1%	2%	2%	4%	5%	7%	8%	12%	12%	14%
Tuned Out	4%	3%	3%	4%	4%	4%	4%	4%	5%	6%
Total Non-BDU	14%	14%	13%	13%	14%	16%	18%	23%	24%	27%

Source: MTM, TV My Way – Analysis of the Anglophone Market, March 27 2018, p.7. cited with permission in Armstrong Consulting, The Economic Impact of TV Program Piracy in Canada, May 2018.