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CBC/Radio-Canada: Overview and Key Issues

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CBC/Radio-Canada: Overview and Key Issues
(Background Paper)

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CONTENTS

1	INTRODUCTION.....	1
2	MANDATE AND SERVICES.....	1
2.1	The Corporation's Legislative Mandate	1
2.2	The Corporation's Services Profile	2
2.3	The Corporation's Licence Renewal.....	3
3	GOVERNANCE	4
3.1	The 2012 Examination by the Office of the Auditor General	4
4	REVENUE SOURCES	5
5	CURRENT SITUATION.....	8
6	CONCLUSION	10

CBC/RADIO-CANADA: OVERVIEW AND KEY ISSUES

1 INTRODUCTION

CBC/Radio-Canada (the Corporation) has played a unique role as Canada's national public broadcaster for more than 75 years. Whether by television, radio or Internet, CBC/Radio-Canada is available nearly everywhere across Canada. It is one of the few federal institutions that reach thousands of households across the country daily, a significant presence for a federal institution. However, the Corporation is also the subject of heated debate. Its supporters praise its commitment to Canadian content, while its critics say it presents unfair competition for private broadcasters.

The purpose of this paper is not to resolve this debate, but rather to provide an overview of the various facets of CBC/Radio-Canada's operations. First, it looks at the Corporation's mandate and the services it offers, as well as the licences for radio and television services that were renewed by the Canadian Radio-television and Telecommunications Commission (CRTC) in May 2013. Then, it examines the Corporation's governance and the Office of the Auditor General of Canada's most recent special examination report, published in February 2013. Next, it provides a general overview of the Corporation's revenue sources since 2009-2010. Finally, it presents a general discussion of the role of CBC/Radio-Canada in a Canadian broadcasting system undergoing extensive change, as well as a review of the financial challenges facing the Corporation.

2 MANDATE AND SERVICES

2.1 THE CORPORATION'S LEGISLATIVE MANDATE

Public service broadcasting is halfway between state-run broadcasting, which is controlled by the governing political power, and commercial broadcasting, which is profit oriented. It is not easy to give a clear and definitive definition of "public service broadcasting," because there are many different models around the world.

The definition used here is one proposed by UNESCO. It is based on four key principles: accessibility, varied programming, independent ideas, and distinction from commercial broadcasting:

Neither commercial nor State-controlled, public broadcasting's only *raison d'être* is public service. It is the public's broadcasting organization; it speaks to everyone as a citizen. Public broadcasters encourage access to and participation in public life. They develop knowledge, broaden horizons and enable people to better understand themselves by better understanding the world and others.

Public broadcasting is defined as a meeting place where all citizens are welcome and considered equals. It is an information and education tool, accessible to all and meant for all, whatever their social or economic status. Its mandate is not restricted to information and cultural development - public broadcasting must also appeal to the imagination, and entertain. But it does so with a concern for quality that distinguishes it from commercial broadcasting.¹

The principles of accessibility, variety and distinctiveness are found in CBC/Radio-Canada's legislative mandate, outlined in sections 3(1)(l) and 3(1)(m) of the *Broadcasting Act*.

- (l) the Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains;
- (m) the programming provided by the Corporation should
 - (i) be predominantly and distinctively Canadian,
 - (ii) reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions,
 - (iii) actively contribute to the flow and exchange of cultural expression,
 - (iv) be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities,
 - (v) strive to be of equivalent quality in English and in French,
 - (vi) contribute to shared national consciousness and identity,
 - (vii) be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose, and
 - (viii) reflect the multicultural and multiracial nature of Canada.²

The principle of independence is outlined in section 35(2) of the Act.

2.2 THE CORPORATION'S SERVICES PROFILE

CBC/Radio-Canada fulfills its mandate by providing a range of radio, television, Internet, satellite, mobile and digital services. It delivers its programming in English, French and eight Aboriginal languages, as well as in five languages (including English and French) through its international programming. Here is a list of the services it offers:

- Eight radio services in English and French: CBC Radio One, CBC Radio 2, CBC Radio 3, CBC Music Sonica, ICI Radio-Canada Première, ICI Musique, ICI Musique Chansons and ICI Musique Franco Country.

- Two general-interest television networks, CBC Television and ICI Radio-Canada Télé, broadcast over the air, by cable and by satellite.
- Two 24-hour cable news networks, CBC News Network and ICI RDI, which focus on broadcasting news and information.
- CBC North, a regional radio and television service in the North that broadcasts in English, French and eight Aboriginal languages.
- An international radio service (Radio Canada International) that broadcasts Canadian information and culture programs in five languages via the Internet.
- Internet services in English and French: CBC.ca, ICI Radio-Canada.ca, CBCNews.ca, CBCSports.ca, ICI Musique, ICI Tou.tv, CBC Music, CBCBooks.ca, Curio.ca and Kids' CBC.
- Specialty services, owned in whole or in part by CBC/Radio-Canada: *documentary*, ICI ARTV, TV5MONDE and ICI Explora.
- The bilingual news and information services CBC News Express and RDI Express, available at five Canadian airports.
- The official broadcasts of the Rio de Janeiro 2016 Summer Olympic Games, PyeongChang 2018 Winter Olympic Games, Tokyo Summer 2020 Olympic Games, 2022 Beijing Winter Olympic Games and 2024 Summer Olympic Games.³

2.3 THE CORPORATION'S LICENCE RENEWAL

In addition to meeting the requirements laid out in its legislative mandate, CBC/Radio-Canada must respect the CRTC's licence and regulations conditions. On 28 May 2013, the CRTC announced the licence conditions for CBC/Radio-Canada's various services for the period from 1 September 2013 to 31 August 2018.⁴

Over that five-year period, the Corporation's stations must broadcast at least seven hours per week of programs of national interest⁵ on prime-time French-language television and at least nine hours of this type of programming on prime-time English-language television.

As regards local and regional services, the CRTC requires that French-language television stations in the Vancouver, Edmonton, Regina, Winnipeg, Toronto, Ottawa and Moncton markets broadcast at least five hours of local programming a week. English-language television stations must broadcast at least 14 hours of local programming per week in metropolitan markets, and at least seven hours per week in non-metropolitan markets.⁶

The Commission also requires that English-language television stations broadcast one Canadian feature film each month.⁷ It recognized that the French-language television services already provide sufficient support for Canadian feature films.⁸

As for specialty television services, the CRTC requires that CBC/Radio-Canada continue with mandatory distribution, on the digital basic service, of RDI in minority francophone communities in English-language markets and of CBC News Network in minority anglophone communities in French-language markets.⁹

In addition, the CRTC approved in part the Corporation's request to introduce paid national advertising on CBC Radio 2 and Espace musique. This authorization is for a period of three years.¹⁰

The CRTC also asked to review the nomination criteria and the grounds for termination of an ombudsman's contract in order to ensure the ombudsman's independence.¹¹

3 GOVERNANCE

Governance refers to the organizational structure and practices that an organization puts in place to monitor its management to ensure that it can fulfill its mandate effectively and achieve its objectives.

Under section 36(2) of the *Broadcasting Act*, members of CBC/Radio-Canada's board of directors are appointed by the Governor in Council. The Board "is responsible for the management of the businesses, activities and other affairs of the Corporation."¹² It consists of 12 directors, including the chairperson and the president and CEO of the Corporation.

CBC/Radio-Canada is accountable to Parliament for its activities through the minister of Canadian Heritage. Every year, the minister tables in Parliament a report on the Corporation's activities.

3.1 THE 2012 EXAMINATION BY THE OFFICE OF THE AUDITOR GENERAL

On 14 February 2013, the Office of the Auditor General of Canada (OAG) submitted its *Canadian Broadcasting Corporation: Special Examination Report - 2013* to CBC/Radio-Canada's Board of Directors. Under the *Financial Administration Act*,¹³ federal Crown corporations must undergo a special examination every 10 years. The goal of the special examination was to determine whether systems and practices in place provide the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently and its operations are carried out effectively.

The OAG concluded that there were "no significant deficiencies in the Canadian Broadcasting Corporation's systems and practices."¹⁴ It also made a number of more specific comments on the operation of the Corporation:

- CBC/Radio-Canada has an effective governance framework that meets the expectations of best practices for Board stewardship, shareholder relations, and communication with the public.
- The Corporation has clearly defined its strategic direction.
- A performance measurement framework is in place, although there are no human resources management measures included in the framework.
- The Corporation has taken government priorities into account while remaining an arm's-length organization.
- A number of weaknesses were noted in the Corporation's systems and practices for human resources that could impede its ability to attract, recruit, develop and retain employees. For example, competency profiles do not exist for most occupational groups.
- The Corporation has in place an information technology security policy aimed at controlling and protecting its IT assets and maintaining data integrity and confidentiality.¹⁵

4 REVENUE SOURCES

CBC/Radio-Canada is one of the largest federal Crown corporations. As the national public broadcaster, it plays a unique role in Canada's broadcasting system. It has 27 television stations and 88 radio stations across the country. It has 9 foreign bureaus. In March 2015, CBC/Radio-Canada had 6,659 permanent full-time employees, 158 temporary full-time employees and 623 contractors.¹⁶

CBC/Radio-Canada draws most of its revenue from three sources:

- parliamentary appropriations;
- advertising revenue; and
- subscriptions to its specialty services.

For the fiscal year ending 31 March 2015, CBC/Radio-Canada's total revenue was \$1.64 billion, which represents a decrease of 12% (or \$222.5 million) compared with fiscal year 2013-2014 (see Table 1).

Table 1 - CBC/Radio-Canada Revenues, 2009-2010 to 2014-2015
((\$thousands and% of total revenues)

Sources of Revenue	2009-2010	%	2010-2011	%	2011-2012	%	2012-2013	%	2013-2014	%	2014-2015	%
Parliamentary appropriations for operating expenditures	957,587	56	971,581	53	968,047	52	967,284	54	975,618	53	929,284	57
Additional non-recurring funding for program initiatives	60,000	4	60,000	3	60,000	3	32,200	2	-	-	-	-
Parliamentary appropriations for capital assets and amortization	121,086	7	131,760	7	130,270	7	151,366	8	111,280	6	102,812	6
Parliamentary appropriations for working capital	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0	4,000	0
Advertising revenues	309,234	18	367,700	20	375,725	20	330,410	18	491,189 ^a	26	333,420	20
Specialty services revenues	148,635	9	158,108	9	167,754	9	170,991	9	133,277	7	132,814	8
Other revenues: Real estate rentals, program and asset sales, Local Programming Improvement Fund, Canada Media Fund, etc.	108,845	6	136,529	7	145,485	8	145,290	8	143,364	8	133,901	8
Total revenues	1,709,387	100	1,829,678	100	1,851,281	100	1,800,915	100	1,858,728	100	1,636,231	100

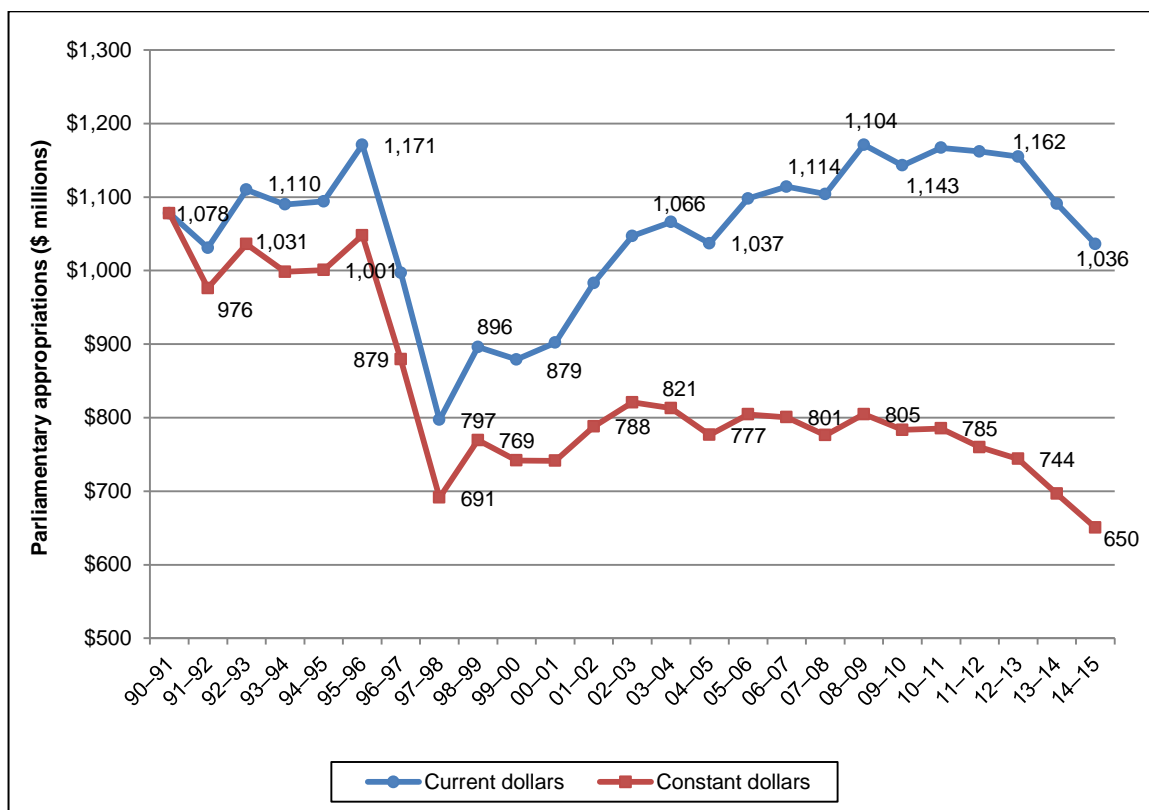
Note: a. Starting in 2013-2014, the "Advertising revenues" entry includes revenues from advertising broadcast on the Corporation's specialty services. Comparisons of amounts in this category from previous years therefore have limitations.

Source: Table prepared by the author using data obtained from CBC/Radio-Canada annual reports.

The appropriations approved by Parliament each year represent the largest source of the Corporation's revenue. In 2014-2015, parliamentary appropriations for operating activities, fixed assets and working capital requirements amounted to \$1.04 billion, or 57% of the Corporation's total budget.

Figure 1 shows the change in parliamentary appropriations provided to the Corporation in current and constant dollars since 1990. Since 1995-1996, parliamentary appropriations in current dollars have decreased from \$1,171 million to \$1,036 million, a 12% reduction. In constant dollars, this decline is even more significant, amounting to a 38% reduction.

Figure 1 - Change in CBC/Radio-Canada Parliamentary Appropriations, in Current and Constant Dollars, 1990-2015 (1990 = 100)



Note: Parliamentary appropriations are provided for operating expenditures, working capital and the amortization of deferred capital funding.

Source: Figure prepared by the author using data obtained from CBC/Radio-Canada annual reports (corresponding years).

Advertising revenues represented the second-largest source of the Corporation's revenue in 2014-2015 at \$333.4 million, or 20% of the Corporation's total budget (see Table 1). The higher advertising revenues in 2013-2014 were largely attributable to the airing of advertisements during coverage of the Sochi Winter Olympic Games in February 2014.¹⁷

Subscriptions to specialty services generated \$132.8 million in 2014-2015, or 8% of the Corporation's total budget.

The "other revenues" category, which represents some 8% of the Corporation's total budget, includes revenue from the leasing of space and services, program sales, program sponsorship, retransmission rights and the sale of goods. This category also includes a roughly \$30-million contribution from the Local Programming Improvement Fund (LPIF).¹⁸ This category also takes into account funding granted under the Canada Media Fund (CMF) for Canadian programming by independent producers who sell broadcasting rights to the Corporation.¹⁹ In 2013-2014, CBC/Radio-Canada received, under the CMF, approximately \$90 million in allocations for performance.²⁰

5 CURRENT SITUATION

The Canadian broadcasting industry has changed a great deal since the mid-1980s. First, there has been a trend toward vertical integration in the communications industry. Second, pay and specialty television services, pay-per-view television services, video-on-demand services and the popularity of over-the-top services (e.g., Netflix) are changing audiovisual consumption habits. Finally, the Corporation is facing financial challenges on the revenue side.

For a number of years now, the Canadian communications industry has been moving toward vertical integration,²¹ where one media company controls both programming services and terrestrial or satellite distribution services. BCE, Québecor Media, Rogers Communications and Shaw Communications have all become vertically integrated by acquiring various media holdings, which gives them an advantage in the control of media content. Together with Telus Communications, these companies accounted for 84% of Canada's total broadcasting and telecommunications revenues in 2014.²²

Unlike these companies, CBC/Radio-Canada does not control a terrestrial or satellite distribution platform, which poses a challenge when it comes to accessibility of the content it offers to Canadians. Vertical integration has also affected the acquisition process for programming from independent producers, as the CRTC acknowledged during the Corporation's licence renewal hearings:

[T]he CBC's situation is different from that of private broadcasters, particularly those that are part of vertically integrated entities, which have both broadcasting and distribution arms. This structure gives them considerably more market power, and therefore more leverage in negotiations than that of the CBC.²³

Given the scope of these changes, what is CBC/Radio-Canada's role? During the licence renewal process for the Corporation's services, many Canadians emphasized the "central role" the Corporation plays in "showcasing and supporting Canadian culture."²⁴

For example, data collected by the CRTC confirm that CBC/Radio-Canada's conventional television services play a primary role in promoting Canadian content, at least from the perspective of Canadian programming expenditures. Table 2 shows that, in 2013 and 2014, CBC/Radio-Canada spent a little over a quarter of the total amount that had been devoted to Canadian programming.

**Table 2 - Canadian Television Programming Expenditures by Type of Service
(\$ millions and % of total, 2013 and 2014)**

Type of Service	2013	%	2014	%
Specialty and pay services	1,306	48	1,470	49
<i>CBC/Radio-Canada (conventional)</i>	<i>701</i>	<i>26</i>	<i>790</i>	<i>27</i>
Conventional private television	605	22	619	21
Other public and not-for-profit conventional television services	75	3	73	2
Pay-per-view and video-on-demand services	17	1	20	1
Expenditures - Canadian programming (\$millions and % of total)	2,704	100	2,972	100

Sources: Canadian Radio-television and Telecommunications Commission, [Communications Monitoring Report](#), October 2014, p. 98; and Canadian Radio-television and Telecommunications Commission, [Communications Monitoring Report](#), October 2015, p. 105.

However, conventional television is not the only way Canadians can consume their preferred audiovisual content. In its most recent *Communications Monitoring Report*, the CRTC reported that conventional television viewing is “continuing to drop.”²⁵ By contrast, Internet television viewing continues to increase. The CRTC found that Canadians aged 18 and older “watched 7 hours of Internet TV on a weekly basis, compared to 5.1 hours in 2013 and 1.5 hours in 2008.”²⁶

For CBC/Radio-Canada, this reality means that it must continue to serve Canadians who are adopting digital platforms without abandoning those who use conventional services. In response to the changes, the Corporation plans to make “a significant shift to mobile and digital platforms in terms of resources, audiences and revenues” by 2020.²⁷ Its goal is to have “18 million Canadians, one out of two,” using its digital services each month.²⁸

However, implementing its strategic plan is a challenge in the current financial context. In the 2012 federal budget, the government decided to reduce CBC/Radio-Canada's parliamentary appropriations by \$115 million over three years, through to 2014-2015.²⁹ This reduction included the elimination of the \$60-million amount the Corporation had received since 2001 to invest in Canadian programming.

On 10 April 2014, CBC/Radio-Canada announced an additional round of budget cuts of \$130 million for the 2014-2015 and 2015-2016 fiscal years. The Corporation explained that the decision was the result of lower-than-expected advertising revenues and the loss of the rights to broadcast hockey games in Canada.³⁰

The Corporation also argued that it faced additional cost pressures of some \$72 million owing to increases in its fixed costs, such as rent and property taxes (\$42 million), and the salary funding freezes for fiscal years 2014-2015 and 2015-2016 (\$30 million).³¹

Furthermore, the elimination of the LPIF in August 2014 and a reduction in the allocation under the CMF lowered the Corporation's revenues in 2014-2015.

In all, CBC/Radio-Canada reported that it had “absorbed \$390 million in reductions and reallocations” since 2009.³²

To help address the situation, the Standing Senate Committee on Transport and Communications recommended in a recent report that CBC/Radio-Canada “explore alternative funding models and additional ways to generate revenue to minimize the Corporation's dependence on government appropriations.”³³

6 CONCLUSION

The communications industry in Canada is facing tremendous upheaval in this era of technological change. Consumers have many choices to meet their information and entertainment needs. When CBC/Radio-Canada's licences were renewed in 2013, the CRTC highlighted the Corporation's unique role as a national public broadcaster within the public domain. In the years ahead, CBC/Radio-Canada will have to continue to demonstrate to those who support it financially - Canadians - that it is still a relevant and essential part of Canada's cultural landscape.

NOTES

1. United Nations Educational, Scientific and Cultural Organization [UNESCO], [Public Service Broadcasting: A Best Practices Sourcebook](#), 2005, p. 14.
2. [Broadcasting Act](#), S.C. 1991, c. 11, ss. 3(1)(l) and 3(1)(m).
3. See CBC/Radio-Canada, [Our services](#).
4. Canadian Radio-television and Telecommunications Commission [CRTC], "[CRTC renews licences of the Canadian Broadcasting Corporation's English- and French-language television and radio services for five years](#)," News release, Ottawa, 28 May 2013.
5. Programs of national interest, according to the definition given by the CRTC, include dramas and comedies, feature documentaries, and Canadian award shows that celebrate Canadian creative content.
6. CRTC, "[Canadian Broadcasting Corporation – Licence renewals](#)," *Broadcasting Decision CRTC 2013-263 and Broadcasting Orders CRTC 2013-264 and 2013-265*, Ottawa, 28 May 2013, para. 102.
7. *Ibid.*, para. 154.
8. *Ibid.*, para. 150.
9. *Ibid.*, para. 164.
10. *Ibid.*, para. 241.
11. *Ibid.*, paras. 345–346.
12. *Broadcasting Act*, s. 39.
13. [Financial Administration Act](#), R.S.C. 1985, c. F-11, s. 138.
14. Office of the Auditor General of Canada, [Canadian Broadcasting Corporation: Special Examination Report – 2013](#), 2013, p. 2.
15. *Ibid.*, pp. 2–3.
16. CBC/Radio-Canada, [Annual Report 2014–2015](#), p. 23.
17. *Ibid.*, p. 55.
18. CRTC, "[Review of the Local Programming Improvement Fund](#)," *Broadcasting Regulatory Policy CRTC 2012-385*, 18 July 2012.
19. In 2014–2015, the Canada Media Fund was funded jointly by the Government of Canada (\$134.1 million) and cable and satellite distribution companies (\$228 million). See Canada Media Fund, [2013–2014 Annual Report](#).

20. This is an average calculated using figures provided by Stéphane Cardin, Vice-President, Industry and Public Affairs, during the CMF's appearance before the [Standing Senate Committee on Transport and Communications](#) on 24 September 2014.
21. This is the definition given by the CRTC in the "[Regulatory framework relating to vertical integration](#)," *Broadcasting Regulatory Policy CRTC 2011-601*, 21 September 2011:

Vertical integration refers to the ownership or control by one entity of both programming services, such as conventional television stations, or pay and specialty services, as well as distribution services, such as cable systems or direct-to-home (DTH) satellite services. Vertical integration also includes ownership or control by one entity of both programming undertakings and production companies.
22. CRTC, [Communications Monitoring Report](#), October 2015, Figure 3.0.2, p. 32.
23. CRTC (2013), *Canadian Broadcasting Corporation – Licence renewals*, para. 331.
24. *Ibid.*, para. 5.
25. CRTC (2015), [Communications Monitoring Report](#), p. 2
26. *Ibid.*
27. CBC/Radio-Canada, [A Space for Us All](#), p. 13.
28. *Ibid.*, p. 2.
29. Department of Finance Canada, [Jobs, Growth and Long-Term Prosperity – Economic Action Plan 2012](#), p. 269.
30. CBC/Radio-Canada, "[CBC/Radio-Canada looks to the future as it makes tough choices to balance its budget](#)," News release, 10 April 2014.
31. CBC/Radio-Canada, "[How we got here](#)," *Budget 2014–2015*.
32. *Ibid.*
33. Senate, Standing Committee on Transport and Communications, [Time for Change: The CBC/Radio-Canada in the Twenty-first Century](#), July 2015, Recommendation 15, p. 49.