

Harnessing Change Financial Model of the Canadian Television Sector

Prepared for:

**Canadian Radio-television and
Telecommunications Commission**

Nordicity

September 30, 2022



ISBN: 978-0-660-47454-0
Cat. No.: BC92-125/2-2023E-PDF

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1 Introduction

1.1 Background

1. Television production is an incredibly risky business. Around the world, the producers of television programming must invest considerable sums of money upfront to develop and film television pilots or even entire television series before they will know if audiences will watch the programming in large enough numbers to earn revenue to offset the costs to create that programming. Even in the world's largest television market, the United States (US), numerous television programs are cancelled each year because they fail to attract large enough audiences.
2. This high risk is managed to some degree through the use of pilots or other audience testing. However, in many respects, diversification through 'scale' has become essential to any business model in the television production industry. For decades, this need for scale diversification favoured television producers in large markets such as the US. Today, scale diversification is going global. Subscription video-on-demand (SVOD) services such as Netflix, Amazon Prime Video and Disney+ can amortize their programming investments across a global subscriber base, and thereby, presumably absorb even more risk than services focused on the US market alone.
3. As a relatively small market compared to the US and some western European countries, Canada's television production sector has, for decades, faced the challenge of achieving internal economic viability. This challenge has been exacerbated by the fact that Canada's domestic market is further fragmented into two even smaller distinct language markets – English and French – and by the fact that US programming competes directly with Canadian programming in weekly broadcast schedules – something that no other English-speaking country in the world faces.
4. Section 3 of the Canada's *Broadcasting Act* promulgates the creation of Canadian programming as a policy objective. Given this policy objective, the Canadian Radio-television and Telecommunications Commission (CRTC) and federal government have, since the introduction of television broadcasting, implemented a variety of demand- and supply-side interventions to promote the creation the Canadian television content in both official languages. Bill C-11, the *Online Streaming Act*, will expand these policy objectives to also promote television content that reflects Indigenous communities in Canada, and Canadians from racialized and diverse ethnocultural backgrounds, whilst making the broadcasting system accessible for persons with disabilities.
5. On the demand side, the CRTC maintains exhibition quotas as well as minimum requirements for Canadian programming expenditures (CPE) for certain licensed broadcasters.
6. These demand-side interventions are complemented by a variety of supply-side interventions that, among other things, inject or redirect financial resources into the creation of Canadian programming or the operation of the national public broadcaster, CBC/Radio-Canada. These supply-side interventions include:
 - CBC/Radio-Canada annual parliamentary appropriation

- Federal and provincial tax credits and production subsidies
 - Canada Media Fund (CMF) funding
 - CRTC-Certified Independent Production Funds
 - Small Market Local Production Fund
 - Independent Local News Fund
7. These supply-side interventions are primarily designed to subsidize the costs of creating Canadian television programming in an environment where the domestic market lacks the scale to generate enough revenue to offset the costs of creating this programming.
 8. The Canadian broadcasting system is characterized by a third category of intervention, which, can, in theory, also contribute to the funding of Canadian programming. This is the foreign programming cross-subsidy system. Under this cross-subsidy system, Canadian broadcasters license US programming for broadcast in Canada. The relative popularity of this programming, particularly in the English-language market, means that Canadian broadcasters are able to earn financial surpluses on this programming. The CPE requirements applicable to large Canadian broadcasters mean that a portion of these financial surpluses on foreign programming may also be diverted to supporting any financial shortfalls that Canadian broadcasters experience when they air Canadian and meet their CPE requirements.
 9. The underlying basis for this cross-subsidy system is linked to the fact that the financial surpluses earned on foreign programming are in part due to market protections that the CRTC and federal government have extended to Canadian broadcasters, namely simultaneous substitution and section 19.1 of the *Income Tax Act*.
 10. Simultaneous substitution means that Canadian television broadcasters can substitute their signal for American television signals in cases where they are televising a licensed version of the same television program. This means that the Canadian broadcaster can capture the entire advertising revenue potential of that licensed television program, regardless of whether Canadian households view it on a Canadian or American television signal.
 11. Section 19.1 of the *Income Tax Act* prevents Canadian companies from deducting their expenditures on advertising from their taxable income if that advertising is placed on foreign television signals. This gives Canadian companies an extra incentive to advertise on Canadian television broadcasters, and thereby, deduct those advertising expenditures from their taxable income, thus reducing their income tax bill.

1.2 About the mandate

12. In order to quantify and better understand the financial flows and economics that underpin this system of interventions and cross-subsidies within the Canadian audiovisual sector, the CRTC commissioned Nordicity to develop a **Financial Model of Canadian Audiovisual Sector**.
13. The original version of this model was developed by Nordicity in 2018 and used, in part, for the analysis published by the CRTC in *Harnessing Change: The Future of Programming*

Distribution in Canada (Harnessing change). That original version of the model analyzed the financial flows and economics within the Canadian audiovisual sector in 2006, 2016 and 2017.

14. In 2021, the CRTC commissioned Nordicity to prepare an update to the Harnessing Change Audiovisual Sector Model. As part of this update, the model was extended to include 2018, 2019, 2020 and 2021.
15. The following report presents the updated Harnessing Change Audiovisual Sector Model, describes its development, its results and key findings, and the implications for Canadian future policy development within the Canadian audiovisual sector.

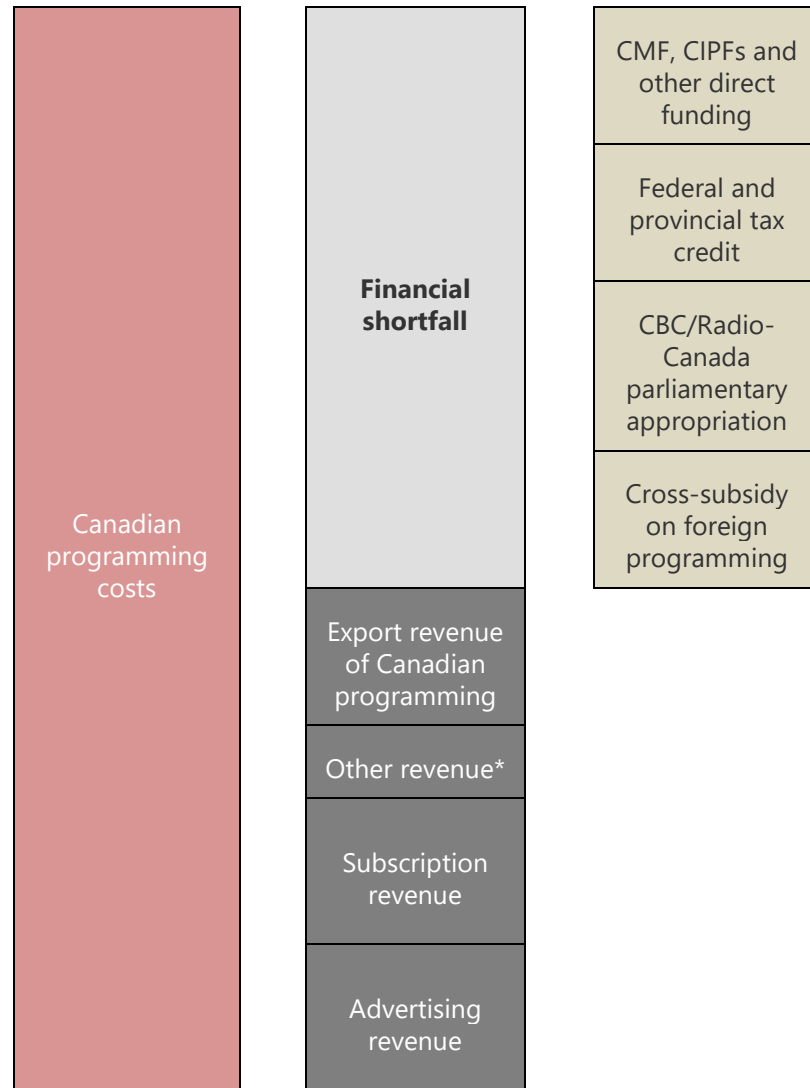
1.3 Outline of report

16. **Section 2** provides an overview of the structure of the Harnessing Change Audiovisual Sector Model. In **Section 3**, we discuss the costs and financing of Canadian television production and how this is incorporated into the model. In **Section 4**, we analyze the revenues within the Canadian broadcasting sector and how they are incorporated into the model. In **Section 5**, we discuss the other types of revenue earned by Canadian content, namely the foreign financing and sales generated by Canadian television content, which offsets the need for domestic financing or revenue to cover its production cost. **Section 6** summarizes the model results. **Section 7** is an appendix that offers a comparison to the 2018 model and discusses updates that have been made to the model. **Section 8** is also an appendix with a technical outline of the model.

2 Overview of model

17. Figure 1 provides an overview of the Harnessing Change Audiovisual Sector Model. The annual total cost of producing Canadian television content was compared to the various revenue sources that could be attributed to that programming. Portions of Canadian broadcasters' advertising, subscription and other revenue were allocated to Canadian programming based on that particular programming's audience and subscriber shares.
18. The revenue earned by Canadian programming from export sales, principally through foreign pre-sale financing was then added to the revenue side off the ledger. The cross-subsidy earned by Canadian broadcasters on the exhibition of foreign programming was also included, in so far as it could be used to partially offset Canadian broadcasters' programming costs. Once these revenue sources are summed up, the difference between the cost and revenue sides of the ledger represents the financial shortfall generated by Canadian programming. **This financial shortfall would have to be met with funding from federal and provincial tax credits, the CMF, CBC/Radio-Canada's parliamentary appropriation, certified independent production funds (CIPFs) and other non-market sources.**
19. Note that while the overall Canadian broadcasting system may display a financial shortfall, when the model is used to analyse individual language markets and genres, some types of Canadian programming actually display financial surpluses (e.g. English-language sports programming). These financial surpluses are akin to the surplus earned on foreign programming and help to offset total Canadian programming costs within the system, thereby, narrowing the overall size of the financial shortfall.

Figure 1 Overview of Harnessing Change Audiovisual Sector Model



- Cost of producing original Canadian TV content
- Commercial sources of revenue to finance
- Financial shortfall
- Non-commercial (i.e. public or regulated) sources of financing

Note: diagram not to scale in relation to monetary amounts
 * Excludes CBC/Radio-Canada’s parliamentary appropriation; see non-market

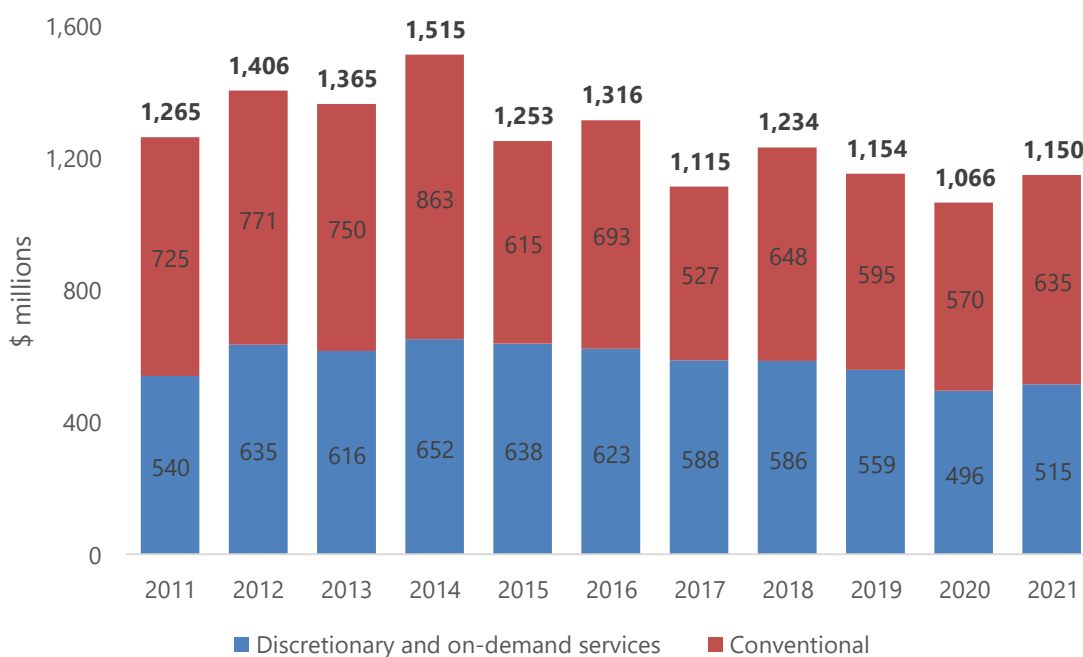
3 Costs and financing of Canadian television production

20. The following section analyzes the costs of Canadian television production and the sources of financing to fund those costs, including financing from Canadian broadcasters.

3.1 In-house production

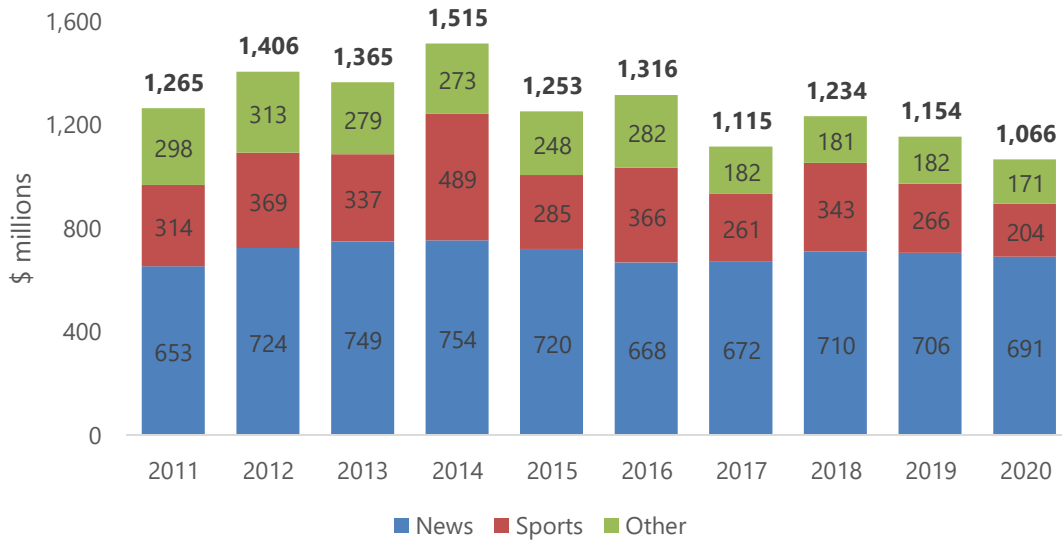
21. In-house production includes the news, sports, current affairs and other programming produced by broadcasters within their own studio facilities. During the 2020 broadcast year, Canadian broadcasters spent an estimated \$1,066 million on in-house production (Figure 2). The majority of this in-house production spending was devoted to news (\$691 million) in 2020, followed by sports (\$204 million) and other genres (\$171 million) (Figure 3). In 2021, Canadian broadcasters' in-house production is estimated to have risen to \$1,150 million.

Figure 2 In-house production expenditures (\$M)



Source: Estimates based on data from CRTC

Figure 3 In-house production expenditures by genre (\$M)



Source: Estimates based on data from CRTC

3.2 External production

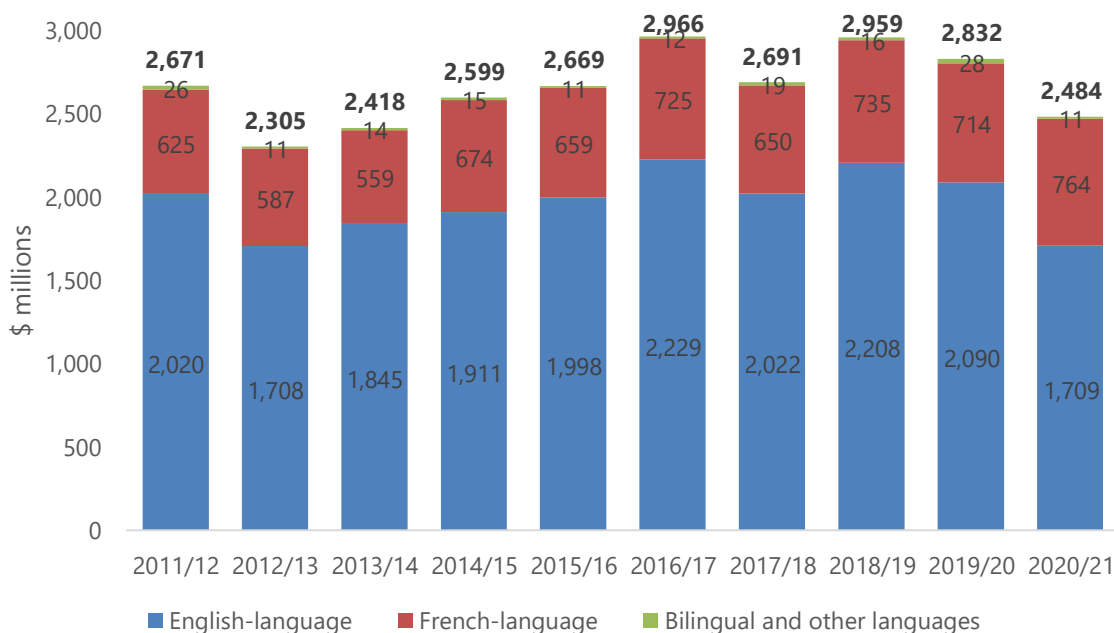
22. External production includes Canadian television programs produced by Canadian independent production companies and production companies affiliated with Canadian broadcasting ownership groups.

3.2.1 Costs of production

23. The estimates of the costs of Canadian television production were sourced from *Profile 2021*, published by the Canadian Media Producers Association (CMPA), Department of Canadian Heritage, Telefilm Canada and the Association québécoise de la production médiatique (AQPM). These estimates themselves were based on data from for the Canadian Film or Video Production Tax Credit (CPTC) provided by the Canadian Audio-Visual Certification Office (CAVCO) and other information available from the CRTC and CMF.

24. A total of \$2,484 million was spent on Canadian external television production during the 2020/21 fiscal year (April 1, 2020 to March 31, 2021) (Figure 4). This included \$1,709 million in English-language content, \$764 million in French-language content and \$11 million in bilingual and other (non-official) languages.

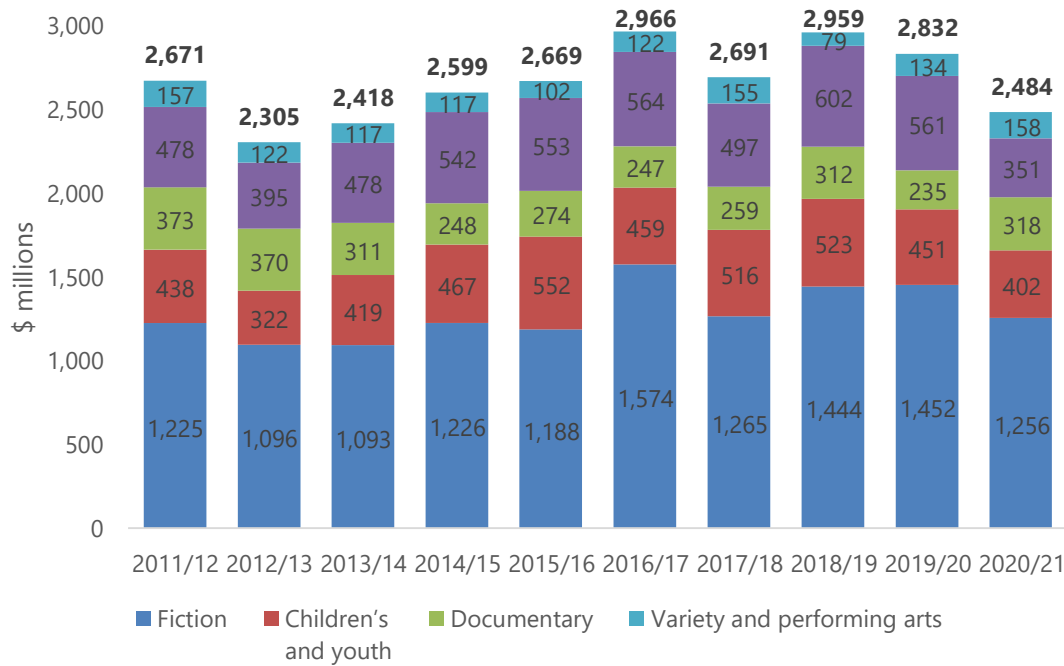
Figure 4 Total cost of Canadian (external) television production, by language (\$M)



Source: CMPA Profile 2021

25. When viewed in terms of genre, the vast majority of expenditures on Canadian content were concentrated in the fiction genre (\$1,256 million), followed by the children's and youth (\$402 million), lifestyle and human interest (\$351 million), documentary (\$318 million), and variety and performing arts (VAPA) (\$158 million) genres (Figure 5). In the fiscal years immediately leading up to the Covid-19 pandemic, however, the lifestyle and human interest genre was often the second largest (after the fiction genre) in terms of the annual cost of production.

Figure 5 Total cost of Canadian (external) television production, by genre (\$M)

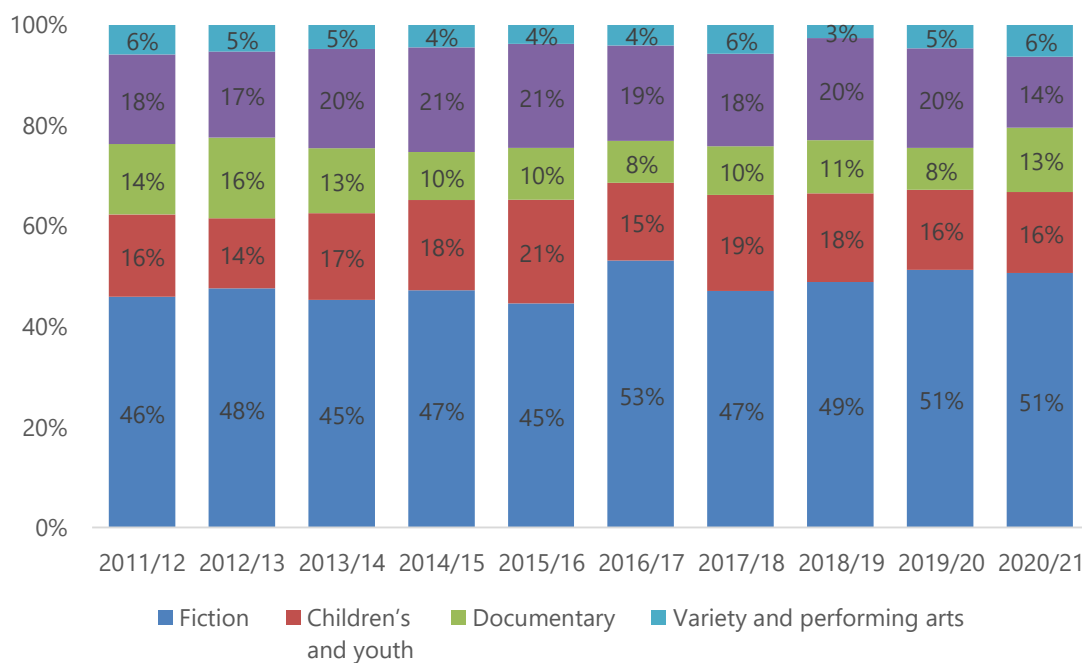


Source: CMPA Profile 2021

* Includes magazine programming and a small amount of programming that was previously allocated to the educational/instructional genre

26. Over the long-term, the fiction genre has increased its share of total expenditures on Canadian external content. Between 2011/12 and 2020/21, it rose from 46% to 51% (Figure 6). This increase has largely come at the expense of the documentary genre, which saw its share of total expenditures drop from 14% to 8% in 2019/20, before climbing back to 13% in 2020/21.

Figure 6 Share of total cost of Canadian (external) television production, by genre



Source: CMPA *Profile 2021*

* Includes magazine programming and a small amount of programming that was previously allocated to the educational/instructional genre

27. Table 1 details the breakdown of Canadian programming costs by genre and language.

Table 1 Cost of Canadian (external) television programming, by genre and language (\$M)

	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17	'17/18	'18/19	'19/20	'20/21
Fiction										
English-language*	1,035	901	909	1,003	988	1,314	1,071	1,183	1,201	1,015
French-language	190	195	184	223	200	260	194	261	252	240
Total	1,225	1,096	1,093	1,226	1,188	1,574	1,265	1,444	1,452	1,256
Children's and youth										
English-language*	341	249	354	389	468	368	409	409	361	294
French-language	97	74	65	78	84	90	106	114	89	109
Total	438	322	419	467	552	459	516	523	451	402
Documentary										
English-language*	289	281	238	162	195	175	207	256	169	221
French-language	84	89	73	85	79	72	52	55	65	97
Total	373	370	311	248	274	247	259	312	235	318
Lifestyle and human interest**										
English-language*	305	246	327	333	329	326	277	340	332	149
French-language	173	149	151	209	224	238	220	262	230	202
Total	478	395	478	542	553	564	497	602	561	351
Variety and performing arts										
English-language*	76	42	32	37	29	58	76	36	55	41
French-language	80	81	85	79	73	64	79	42	78	116
Total	157	122	117	117	102	122	155	79	134	158

Source: CMPA Profile 2021

Note: Some totals may not sum due to rounding. Data includes an estimate of CRTC-certified television production.

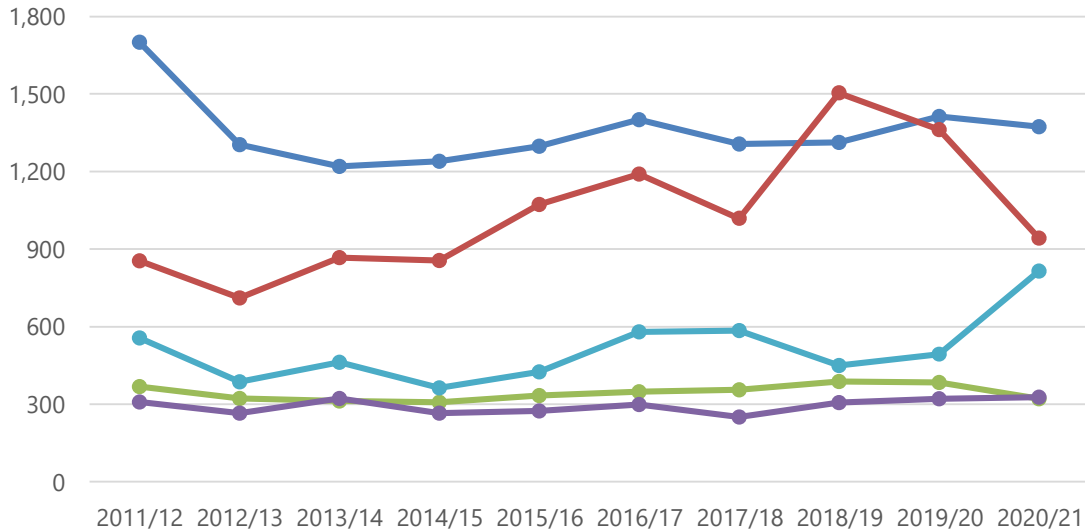
* Includes data for projects produced in bilingual format and non-official languages, which comprised less than one percent of the total volume of English-language television production between 2010/11 and 2019/20 and which cannot be reported on separately due to confidentiality issues arising from low production volume.

** Includes magazine programming and a small amount of programming that was previously allocated to the educational/instructional genre

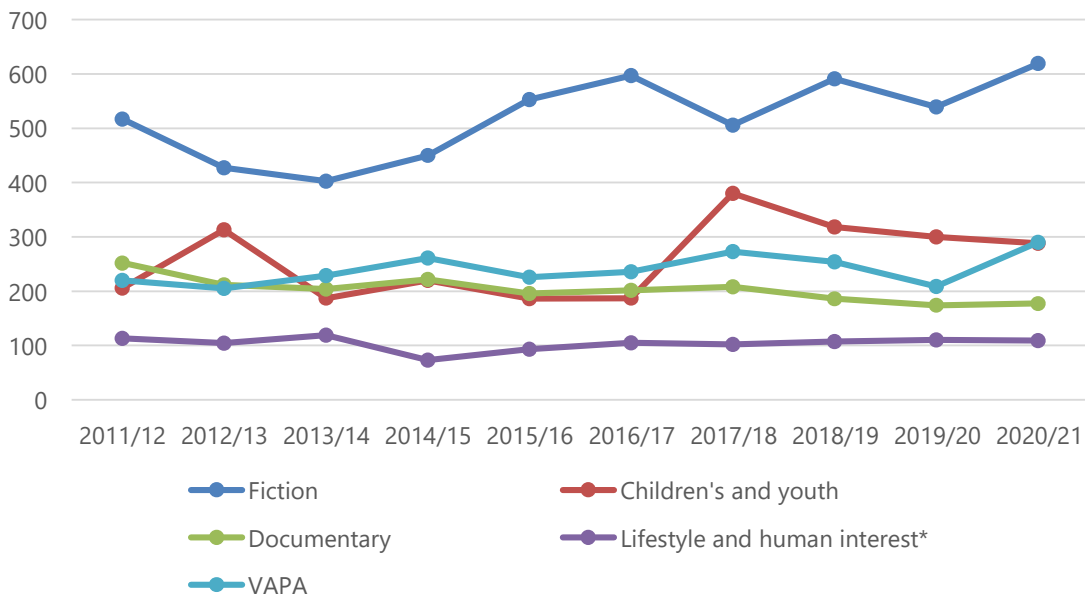
28. These trends in costs have been driven by changing levels of output (i.e. the number of hours or projects), but also by changes in average budgets. Figure 7a presents the trends in average hourly budgets by genre in English-language television production between 2011/12 and 202/21. Figure 7b presents the trends in French-language television production.

Figure 7 Average hourly budgets (\$000s per hour)

a. English-language production



b. French-language production



Source: CMPA Profile 2021

Note: Some totals may not sum due to rounding. Data includes an estimate of CRTC-certified television production.

* Includes magazine programming and a small amount of programming that was previously allocated to the educational/instructional genre

3.2.2 Financing

29. The costs of producing Canadian television content are funded from a wide range of private and public sources. What's more, the composition of the financing varies significantly between language markets and by genre. French-language production draws a much larger percentage of its total financing from Canadian broadcasters than English-language production (49% vs. 15% in 2020/21) (Table 2 and Table 3). English-language production, meanwhile draws more of its financing from foreign sources (21% vs. <1%).

Table 2 Financing of English-language television production

	'16/17		'17/18		'18/19		'19/20		'20/21	
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	%
Private broadcaster licence fees	272	12%	235	12%	234	11%	247	12%	116	7%
Public broadcaster licence fees	159	7%	161	8%	155	7%	141	7%	146	8%
Federal tax credit	232	10%	210	10%	222	10%	213	10%	174	10%
Provincial tax credits	402	18%	401	20%	444	20%	410	19%	347	20%
Canadian distributors	442	20%	293	14%	369	17%	323	15%	310	18%
Foreign	373	17%	425	21%	389	17%	421	20%	354	21%
CMF	185	8%	177	9%	178	8%	188	9%	188	11%
Other public**	64	3%	58	3%	103	5%	83	4%	36	2%
Other private***	113	5%	81	4%	131	6%	92	4%	50	3%
Total	2,241	100%	2,041	100%	2,224	100%	2,118	100%	1,720	100%

Source: Estimates based on data collected from CAVCO

Table 3 Financing of French-language television production

	'16/17		'17/18		'18/19		'19/20		'20/21	
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	%
Private broadcaster licence fees	183	25%	140	22%	166	23%	164	23%	165	22%
Public broadcaster licence fees	161	22%	184	28%	188	26%	195	27%	209	27%
Federal tax credit	81	11%	75	12%	84	11%	82	11%	87	11%
Provincial tax credits	115	16%	99	15%	115	16%	109	15%	124	16%
Canadian distributors	4	1%	5	1%	6	1%	4	1%	6	1%
Foreign	2	<1%	5	1%	2	<1%	2	<1%	5	1%
CMF	93	13%	83	13%	84	11%	88	12%	92	12%
Other public**	44	6%	10	1%	34	5%	19	3%	25	3%
Other private***	41	6%	49	8%	57	8%	50	7%	50	7%
Total	725	100%	650	100%	735	100%	714	100%	764	100%

Source: Estimates based on data collected from CAVCO

Table 4 Financing of Canadian television production, all languages

	'16/17		'17/18		'18/19		'19/20		'20/21	
	\$M	%	\$M	%	\$M	%	\$M	%	\$M	%
Private broadcaster licence fees	453	15%	374	14%	398	13%	409	14%	279	11%
Public broadcaster licence fees	318	11%	344	13%	342	12%	334	12%	354	14%
Federal tax credit	313	11%	285	11%	305	10%	294	10%	261	11%
Provincial tax credits	517	17%	500	19%	560	19%	520	18%	472	19%
Canadian distributors	448	15%	301	11%	377	13%	330	12%	315	13%
Foreign	378	13%	431	16%	392	13%	426	15%	361	15%

CMF	278	9%	260	10%	262	9%	276	10%	281	11%
Other public**	107	4%	67	2%	136	5%	102	4%	62	2%
Other private***	154	5%	129	5%	188	6%	142	5%	99	4%
Total	2,966	100%	2,691	100%	2,959	100%	2,832	100%	2,484	100%

Source: Estimates based on data collected from CAVCO

30. When viewed in terms of genres, the lifestyle and human interest genre draws most of its financing from Canadian broadcasters, which is probably a reflection of its relatively lower hourly cost and its appeal to domestic audiences (Table 5). Fiction, and children’s and youth programming relies more on foreign financing, which reflects its higher hourly budgets, and thereby, the need to find a wider audience upon which to amortize production costs. The documentary genre relies upon funding from the CMF more than other genres.

Table 5 Financing of Canadian television production by genre and language, 2020/21

	Fiction		Children's and youth		Documentary		Lifestyle and human interest		VAPA	
	EN	FR	EN	FR	EN	FR	EN	FR	EN	FR
Private broadcaster licence fees	2%	15%	1%	5%	10%	31%	44%	37%	5%	17%
Public broadcaster licence fees	10%	25%	2%	35%	7%	14%	6%	27%	33%	34%
Federal tax credit	11%	11%	9%	10%	9%	11%	11%	12%	11%	11%
Provincial tax credits	20%	18%	23%	19%	19%	16%	17%	14%	15%	15%
Canadian distributors	19%	2%	21%	1%	18%	1%	7%	<1%	2%	<1%
Foreign	23%	0%	31%	4%	13%	0%	<1%	<1%	0%	0%
CMF	11%	18%	8%	13%	19%	21%	0%	0%	25%	13%
Other public**	1%	5%	2%	3%	2%	1%	8%	2%	8%	4%
Other private***	2%	7%	3%	10%	3%	4%	7%	7%	1%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Estimates based on data collected from CAVCO

3.3 Modelling programming costs

31. Data from the CRTC financial summaries, CAVCO and *Profile 2021* was used to estimate programming costs within the Canadian audiovisual sector in 2006 and 2016 to 2021. Estimates were prepared for each language market and separately for private broadcasters and CBC/Radio-Canada. Table 6 and Table 7 present the results of this analysis for 2018 to 2021 for the English-language and French-language markets, respectively. The data combines the amounts for private broadcasters and CBC/Radio-Canada.¹
32. The CRTC financial summaries also permit one to isolate the amount spent by Canadian broadcasters on non-Canadian programming. These figures can be found in the ‘Non-Canadian’ column in the tables, but has not been broken out by genre in the same way that Canadian programming costs can. That being said, the CRTC Financial Summaries indicate that Canadian broadcasters’ spending on non-Canadian programming was concentrated in the drama and comedy programming category (40%); sports programming accounted for 16%.
33. The Canadian and non-Canadian programming costs estimates found in Table 6 were compared to estimates of the broadcasting sector revenue that could be reasonably attributed to the exhibition of the content in each category. The derivation of these estimates are discussed in Section 4.

¹ Detailed breakdowns of these programming costs for private broadcasters and CBC/Radio-Canada can be found in the Excel version of the model.

Table 6 Programming costs, English-language market, private and public broadcasters (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
2018									
In-house production	502.8	757.4	4.5	0.0	5.2	58.4	1,328.3	0	1,328.3
External production	0.0	0.0	1,071.0	409.0	76.0	557.0	2,113.0	0	2,113.0
Other licensing costs	0.0	0.0	0.0	0.0	0.0	0.0	-	1,359	1,359.3
Estimated total programming costs	502.8	757.4	1,075.5	409.0	81.2	615.4	3,441.3	1,359	4,800.6
2019									
In-house production	504.4	707.0	5.2	0.0	5.3	70.4	1,292.4	0.0	1,292.4
External production	0.0	0.0	1,183.0	409.0	36.0	533.0	2,161.0	0.0	2,161.0
Other licensing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,312.7	1,312.7
Estimated total programming costs	504.4	707.0	1,188.2	409.0	41.3	603.4	3,453.4	1,312.7	4,766.1
2020									
In-house production	495.0	631.5	3.4	0.0	4.5	83.9	1,218.2	0.0	1,218.2
External production	0.0	0.0	1,201.0	361.0	55.0	501.0	2,118.0	0.0	2,118.0
Other licensing costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,281.7	1,281.7
Estimated total programming costs	495.0	631.5	1,204.4	361.0	59.5	584.9	3,336.2	1,281.7	4,617.9
2021									
In-house production	399.2	570.7	2.2	0.0	3.1	64.1	1,039.3	0	1,039.3
External production	0	0	450	80	4.1	271.9	805.8	0	805.8
Other licensing costs	0	0	0	0	0.0	0.0	-	1,078.7	1,078.7
Estimated total	399.2	570.7	452.1	79.9	7.1	335.9	1,845.1	1,078.7	2,923.8

programming costs									
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Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

Table 7 Programming costs, French-language market, private and public broadcasters (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
2018									
In-house production	204.6	212.9	4.8	0.0	4.8	55.2	482.3	0	482.3
External production	0.0	0.0	194.0	106.0	79.0	446.0	825.0	0	825.0
Other licensing costs	0.0	0.0	0.0	0.0	0.0	0.0	-	171.9	171.9
Estimated total programming costs	204.6	212.9	198.8	106.0	83.8	501.2	1,307.3	171.9	1,479.2
2019									
In-house production	201.3	198.7	4.2	0.0	4.7	62.2	471.2	0	471.2
External production	0.0	0.0	261.0	114.0	42.0	275.0	692.0	0	692.0
Other licensing costs	0.0	0.0	0.0	0.0	0.0	0.0	-	172.9	172.9
Estimated total programming costs	201.3	198.7	265.2	114.0	46.7	337.2	1,163.2	172.9	1,336.1
2020									
In-house production	196.2	177.3	2.6	0.0	3.8	56.7	436.6	0	436.6
External production	0.0	0.0	252.0	89.0	78.0	295.0	714.0	0	714.0
Other licensing costs	0.0	0.0	0.0	0.0	0.0	0.0	-	172.5	172.5
Estimated total programming costs	196.2	177.3	254.6	89.0	81.8	351.7	1,150.6	172.5	1,323.1
2021									
In-house production	99.5	120.5	2.1	0	0.3	15.8	238.3	0	238.3
External production	0	0	102.1	18.0	36.3	181.9	338.3	0	338.3
Other licensing costs	0	0	0	0	0.0	0.0	-	134.5	134.5
Estimated total	99.5	120.5	104.2	18.0	36.6	197.7	576.6	134.5	711.1

programming costs									
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Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

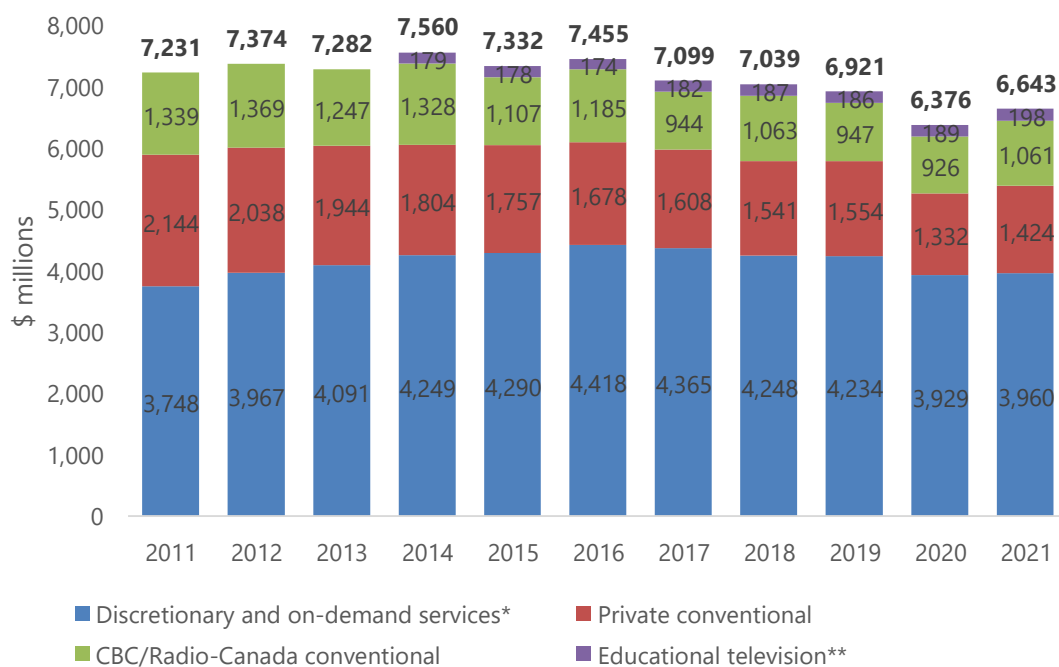
4 Canadian television broadcasting sector revenue

34. The following section provides background on relevant revenue trends in the Canadian broadcasting sector and outlines how estimates of revenue attributable to Canadian and non-Canadian programming were derived in for the Harnessing Change financial model.

4.1 Market trends

35. After peaking at \$7.56 billion in 2014, total revenue in the Canadian broadcasting sector has been on a downward trajectory (Figure 8). In 2020, total revenue dropped to a 10-year low of \$6.37 billion and was over 15% lower than its 2014 peak. All of the segments of the Canadian broadcasting sector (except education television) have been in decline since 2014. However, the steepest decline has been in the private conventional television segment, which has relied almost exclusively on advertising sales to generate its revenue. Private conventional television segment revenue fell by over 25% between 2014 and 2020.
36. Revenue in the Canadian broadcasting sector partially recovered in 2021 – increasing by 4.0% to \$6.64 billion.

Figure 8 Total revenue in the Canadian broadcasting sector (\$M)



Source: CRTC.

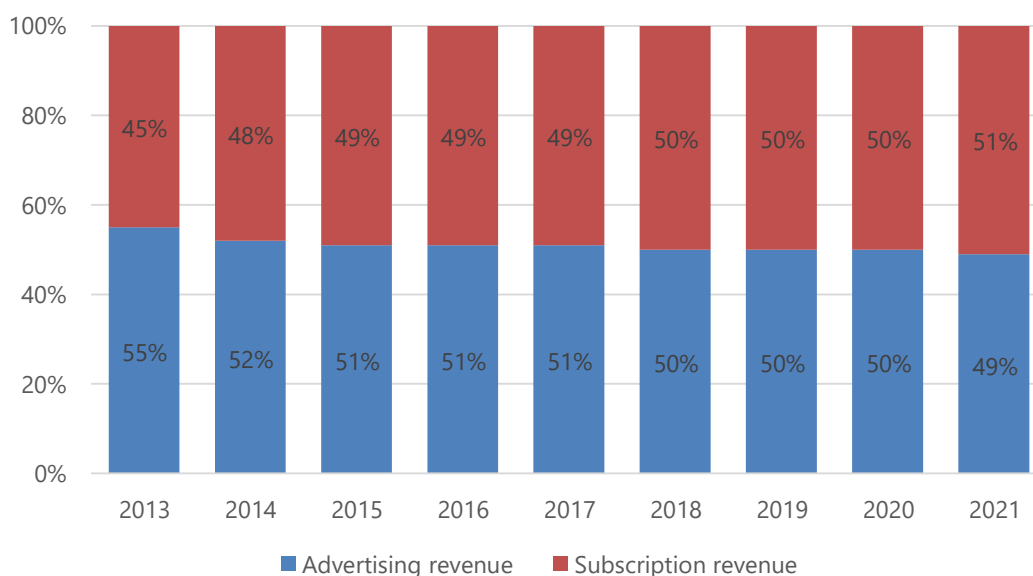
Note: Some totals may not sum due to rounding.

* Includes revenue earned by discretionary services owned by CBC/Radio-Canada.

** Data for educational television services only available at the beginning in 2014.

37. Indeed, according to the CRTC, private broadcasters operating in the conventional and discretionary services segments saw their share of revenue from advertising sales drop between 2013 and 2021, from 55% to 49% (Figure 9).

Figure 9 Share of private conventional and discretionary services revenue, by type



Source: CRTC

4.2 Programming revenue estimates

38. The estimates of Canadian programming revenue were derived by essentially estimating what portion of total broadcasting sector revenue could be reasonably attributed to Canadian programming.
39. To allocate the advertising revenue earned within the sector, we used audience share data at the language and genre level for each broadcasting segment – i.e. private conventional, CBC/SRC conventional and discretionary services. In general, for example, if a particular genre accounted for 10% of total audiences and Canadian programming held a 33% audience share in that genre then 3.3% (i.e. 33% x 10%) of total advertising revenue was assigned to the Canadian programming in that genre.
40. To allocate discretionary services' subscription revenue, a slightly different approach was adopted. Service-by-service data for discretionary services' subscription revenue was allocated by genre and then between Canadian and non-Canadian programming in order to estimate the portion of total subscription revenue earned within the discretionary and on-demand segment that could be attributed to Canadian programming in each genre.
41. The genre percentages for each service were assigned manually by Nordicity based on a review of each service's genre focus. These genre percentages were used to allocate the total subscription revenue earned by each service.

42. The genre-by-genre revenue for each service were summed to arrive at subtotals for English-language CBC/Radio-Canada services, private English-language services, French-language CBC/Radio-Canada services and private French-language services. These totals were then allocated between Canadian programming based on the overall Canadian audience share of each genre in the discretionary segment (by language market). The Canadian content audience shares by genre (excluding children's) were sourced from audience data supplied by CRTC. The children's audience share for Canadian content was sourced from an audience analysis conducted by the CMF.
43. Since broadcasters also face non-programming costs to deliver Canadian programming, an adjustment was applied to the estimates of gross revenue, advertising or subscriber revenue, in order to arrive at estimates of net revenue – that is, advertising or subscriber revenue less overhead costs.
44. Data from CRTC conventional financial summaries was used to derive an adjustment factor that could be applied to total advertising revenue earned by conventional services to estimate the non-programming operating costs incurred by those services.
45. Similarly, data from CRTC discretionary financial summaries was used to derive an adjustment factor that could be applied to total revenue earned by discretionary and on-demand services to estimate the non-programming operating costs incurred by those services. This particular calculation was intended to add broadcasters' overhead to the system-wide costs.
46. The results of this revenue estimation and attribution process are detailed in Table 8 (2018), Table 9 (2019) and Table 10 (2020). Once the revenue attributable to Canadian programming was estimated, it was deducted from total revenue to arrive at estimate of the advertising and subscription revenue that could be reasonably attributed to non-Canadian programming.

Table 8 Programming revenue, private and public broadcasters, 2018 (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
English									
Gross conventional ad revenue from Canadian windows	304.2	425.1	-17.5 [†]	-2.1 [†]	-0.3 [†]	3.3	712.7	675.3	1,388.0
Net ad revenue	236.2	330.1	-13.6 [†]	-1.6 [†]	-0.2 [†]	2.6	553.4	524.4	1,077.8
Canadian specialty sub revenues	170.4	665.0	117.2	80.1	34.0	170.6	1,237.3	1173.0	2,410.3
Canadian specialty ad revenue	90.1	284.2	29.0	17.4	26.7	89.8	537.1	555.9	1,093.0
Subtotal specialty revenue	260.4	949.2	146.2	97.5	60.7	260.4	1,774.4	1729.0	3,503.3
Net specialty revenues	219.6	870.2	123.3	82.2	51.2	219.5	1,566.0	1388.2	2,954.1
Total revenues	455.8	1200.3	109.6	80.6	51.0	222.1	2,119.4	1912.5	4,032.0
French									
Gross conventional ad revenue from Canadian windows	74.3	11.8	37.7	3.3	7.2	130.0	264.4	128.6	393.0
Net ad revenue	52.2	8.3	26.5	2.3	5.1	91.3	185.7	90.3	276.0
Canadian specialty sub revenues	59.0	108.1	33.6	19.2	8.4	49.0	277.2	271.9	549.1
Canadian specialty ad revenue	25.5	44.0	8.6	3.1	3.5	22.1	106.8	81.3	188.0
Subtotal specialty revenue	84.5	152.0	42.1	22.3	12.0	71.1	383.9	353.2	737.2
Net specialty revenues	71.2	132.9	35.5	18.8	10.1	59.9	328.5	293.1	621.6
Total revenues	123.4	141.3	62.0	21.1	15.2	151.3	514.2	383.4	897.6

Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

† Certain genres of television programming display negative ad revenue. This negative ad revenue is linked to CBC programming that is subsidized by CBC's annual parliamentary appropriation revenue or cross-subsidized by ad revenue earned on sports programming.

Table 9 Programming revenue, private and public broadcasters, 2019 (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
English									
Gross conventional ad revenue from Canadian windows	333.8	68.0	33.1	5.3	0.3	154.9	595.4	774.6	1,370.0
Net ad revenue	261.4	53.3	25.9	4.2	0.2	121.4	466.4	606.7	1,073.1
Canadian specialty sub revenues	167.4	664.6	141.9	76.7	26.5	177.2	1,254.3	1,136.8	2,391.1
Canadian specialty ad revenue	97.3	312.8	39.3	18.4	22.0	99.1	589.0	547.6	1,136.6
Subtotal specialty revenue	264.7	977.4	181.2	95.1	48.5	276.4	1,843.3	1,684.4	3,527.7
Net specialty revenues	226.7	893.0	155.1	81.5	41.5	236.6	1,634.4	1,386.3	3,020.7
Total revenues	488.1	946.2	181.0	85.6	41.8	358.0	2,100.8	1,993.1	4,093.8
French									
Gross conventional ad revenue from Canadian windows	74.3	0.8	43.7	4.1	7.9	127.0	257.8	114.2	372.0
Net ad revenue	50.2	0.5	29.6	2.7	5.3	85.9	174.2	77.2	251.4
Canadian specialty sub revenues	58.6	112.8	35.2	18.8	7.9	48.8	282.1	260.7	542.8
Canadian specialty ad revenue	25.5	40.6	8.0	2.9	2.4	21.0	100.4	74.4	174.8
Subtotal specialty revenue	84.1	153.4	43.2	21.7	10.3	69.9	382.5	335.1	717.6
Net specialty revenues	72.0	133.9	37.0	18.6	8.8	59.8	330.1	284.4	614.5
Total revenues	122.2	134.5	66.6	21.3	14.1	145.7	504.4	361.6	866.0

Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

Table 10 Programming revenue, private and public broadcasters, 2020 (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
English									
Gross conventional ad revenue from Canadian windows	355.7	20.4	15.3	1.7	0.5	44.7	438.3	839.7	1,278.0
Net ad revenue	267.2	15.3	11.5	1.3	0.3	33.6	329.2	630.8	960.1
Canadian specialty sub revenues	153.9	645.2	138.5	64.1	15.2	140.6	1,157.4	1,171.0	2,328.4
Canadian specialty ad revenue	87.3	198.6	36.1	14.0	17.7	89.2	442.9	490.7	933.6
Subtotal specialty revenue	241.2	843.7	174.6	78.1	32.9	229.8	1,600.4	1,661.7	3,262.0
Net specialty revenues	207.8	754.7	150.4	67.3	28.4	198.0	1,406.5	1,403.9	2,810.4
Total revenues	475.0	770.0	161.9	68.6	28.7	231.6	1,735.8	2,034.7	3,770.5
French									
Gross conventional ad revenue from Canadian windows	74.6	0.8	38.9	4.1	7.0	120.4	245.9	87.1	333.0
Net ad revenue	51.6	0.6	26.9	2.9	4.8	83.2	169.9	60.2	230.1
Canadian specialty sub revenues	57.2	112.7	39.8	11.8	5.7	49.4	276.5	244.1	520.6
Canadian specialty ad revenue	25.6	49.9	15.7	3.3	2.7	35.6	132.8	23.0	155.9
Subtotal specialty revenue	82.7	162.6	55.5	15.0	8.4	85.1	409.3	267.1	676.4
Net specialty revenues	71.3	141.4	47.8	13.0	7.3	73.3	353.9	228.8	582.8
Total revenues	122.8	142.0	74.7	15.8	12.1	156.5	523.9	289.0	812.9

Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

Table 11 Programming revenue, private and public broadcasters, 2021 (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
English									
Gross conventional ad revenue from Canadian windows	317.0	35.7	4.3	0.5	0.0	28.7	386.2	823.5	1,209.7
Net ad revenue	245.1	27.6	3.3	0.4	0.0	22.2	298.7	636.8	935.5
Canadian specialty sub revenues	146.0	572.0	93.3	58.7	9.7	128.7	1,008.4	1,200.3	2,208.7
Canadian specialty ad revenue	94.9	179.9	36.6	11.6	12.3	95.2	430.6	650.1	1,080.7
Subtotal specialty revenue	241.0	751.9	129.9	70.3	22.0	223.9	1,439.0	1,850.4	3,289.4
Net specialty revenues	207.8	685.9	112.0	60.6	19.0	193.0	1,278.3	1,557.6	2,835.9
Total revenues	452.9	713.5	115.3	61.0	19.0	215.3	1,577.0	2,194.4	3,771.4
French									
Gross conventional ad revenue from Canadian windows	68.1	10.8	38.5	3.4	5.6	105.3	231.8	75.0	306.8
Net ad revenue	46.1	7.3	26.1	2.3	3.8	71.4	157.1	50.8	207.9
Canadian specialty sub revenues	54.8	99.5	29.4	10.6	5.9	44.0	244.2	257.1	501.3
Canadian specialty ad revenue	28.5	64.5	16.8	2.9	3.4	34.8	150.9	32.7	183.6
Subtotal specialty revenue	83.3	164.0	46.1	13.6	9.4	78.8	395.1	289.8	684.9
Net specialty revenues	71.8	143.5	39.8	11.7	8.1	67.9	342.8	247.7	590.5
Total revenues	117.9	150.9	65.9	14.0	11.9	139.3	499.9	298.5	798.4

Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

5 Other content revenue

47. In Section 4, we examined the revenue within the Canadian broadcasting system that could be attributed to Canadian programming and thereby deemed to offset the costs of that programming. The financing data in Section 3, however, indicated that Canadian television programming also earns revenue outside of Canada, which goes towards offsetting the costs of creating that programming, even though a large part of those costs are not in fact borne by Canadian broadcasters.² These foreign revenues largely consist of the foreign pre-sale financing (i.e. **export value**), but also includes **secondary sales** revenue, i.e. the distribution revenue generated by content after its premiere. As noted in Section 3.2.2, this foreign revenue is particularly significant for English-language content, and for the fiction, and children's and youth genres most notably.

5.1 Export Value

48. Export value refers to the value of foreign pre-sale financing of Canadian television production. Data from CAVCO for the foreign pre-sale financing of television production on a language and genre basis is multiplied by production volume levels to estimate the annual dollar amount of export value on a language and genre basis. The genre-by-genre split in overall production volume attributable to private broadcasters and CBC/Radio-Canada is used to allocate the genre-by-genre estimates of export value to the private broadcasting segment and CBC/Radio-Canada.

5.2 Secondary Sales

49. Secondary sales include revenue earned by Canadian distributors and producers from the licensing of programming in other geographic or temporal windows. These secondary sales revenues are typically earned outside of Canada, since Canadian broadcasters often already hold the exhibition rights to Canadian programming within Canada on a multi-year basis.
50. Data from the CMF, CAVCO and Statistics Canada was used to derive estimates of the potential annual level of secondary sales earned by Canadian programming on a genre-by-genre basis. The genre-by-genre distribution of export value (i.e. the value of foreign pre-sale financing of Canadian programming) was used to allocate the overall level of secondary (distribution) sales of Canadian programming reported by Statistics Canada.
51. The genre-by-genre split in overall production volume attributable to private broadcasters and CBC/Radio-Canada was used to further allocate the genre-by-genre estimates of secondary sales to the private broadcasting segment and CBC/Radio-Canada.
52. Investment recovery rates refer to the ratio of secondary sales revenue to value of production supported by CMF. The investment recovery rates are multiplied by the annual level of production volume in each genre to derive an estimate of secondary sales; however, these estimates of secondary sales are not used within the model.

² Canadian broadcasters' broadcast licence fees typically only cover a portion of the cost of creating Canadian. This portion varies by genre and language market.

5.3 Summary

53. Table 12 and Table 13 summarize the modelling estimates of foreign revenue for English-language and French-language markets, respectively.

Table 12 Foreign revenue of Canadian television content, English-language market, private and public broadcasters (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
2018									
Export value (value of foreign pre-sales)	0.0	0.0	489.4	176.2	4.3	131.7	801.7	0	801.7
Secondary sales	0.0	0.0	175.0	63.0	1.5	47.1	286.7	0	286.7
Total foreign revenues	0	0	664.5	239.2	5.9	178.8	1,088.4	0	1,088.4
2019									
Export value (value of foreign pre-sales)	0.0	0.0	485.9	177.5	1.2	111.6	776.1	0	776.1
Secondary sales	0.0	0.0	154.6	56.5	0.4	35.5	247.0	0	247.0
Total foreign revenues	0	0	640.5	233.9	1.6	147.1	1,023.2	0	1,023.2
2020									
Export value (value of foreign pre-sales)	0.0	0.0	443.0	139.0	3.6	90.0	675.6	0	675.6
Secondary sales	0.0	0.0	150.3	47.2	1.2	30.5	229.2	0	229.2
Total foreign revenues	0	0	593.3	186.2	4.8	120.5	904.8	0	904.8
2021									
Export value (value of foreign pre-sales)	0.0	0.0	419.9	151.7	0.8	78.4	650.9	0	650.9
Secondary sales	0.0	0.0	147.2	53.2	0.3	27.5	228.2	0	228.2
Total foreign revenues	0	0	567.1	204.9	1.1	105.9	879.1	0	879.1

Source: Nordicity estimates based on data from CAVCO, CRTC and CMF

Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

Table 13 Foreign revenue of Canadian television content, French-language market, private and public broadcasters (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
2018									
Export value (value of foreign pre-sales)	0.0	0.0	2.5	1.5	0.1	0.7	4.7	0	4.7
Secondary sales	0.0	0.0	0.9	0.5	0.0	0.2	1.7	0	1.7
Total foreign revenues	0	0	3.4	2.0	0.1	0.9	6.4	0	6.4
2019									
Export value (value of foreign pre-sales)	0.0	0.0	2.5	7.1	0.4	2.5	12.5	0	12.5
Secondary sales	0.0	0.0	0.8	2.2	0.1	0.8	4.0	0	4.0
Total foreign revenues	0	0	3.3	9.3	0.5	3.3	16.4	0	16.4
2020									
Export value (value of foreign pre-sales)	0.0	0.0	3.1	2.7	0.1	2.5	8.3	0	8.3
Secondary sales	0.0	0.0	1.0	0.9	0.0	0.8	2.8	0	2.8
Total foreign revenues	0	0	4.1	3.6	0.1	3.3	11.1	0	11.1
2021									
Export value (value of foreign pre-sales)	0.0	0.0	3.8	5.3	0.5	1.1	10.8	0	10.8
Secondary sales	0.0	0.0	1.3	1.9	0.2	0.4	3.8	0	3.8
Total foreign revenues	0	0	5.1	7.1	0.7	1.5	14.5	0	14.5

Source: Nordicity estimates based on data from CAVCO, CRTC and CMF

Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

6 Model results

54. The following section summarizes the key results of the model in terms of the financial surpluses and shortfalls displayed for Canadian and non-Canadian programming.

6.1 Financial surplus/(shortfall) on television programming in Canada

55. Table 14 and Table 15 bring together the estimates of total revenue earned by television programming aired by Canadian broadcasters – both Canadian and non-Canadian – and compares it to the revenue earned by that programming.
56. Within the English-language market, the results indicate that, in 2018, news programming generated a financial shortfall of \$47 million, while sports programming generated a surplus of \$442.9 million. Across all genres, Canadian programming generated a financial shortfall of \$223.5 million.
57. Non-Canadian programming, meanwhile, earned total revenue of \$1,912.5 million, compared to a cost of \$1,359.3 million. In other words, non-Canadian programming generated a financial surplus of \$553.3 million. That financial surplus more than offset the shortfall of \$223.5 million on Canadian programming, resulting in an overall financial surplus of \$329.8 million for the Canadian broadcasting system in 2018.
58. This overall surplus was \$326.1 million in 2019, before dropping to \$130 million in 2020 due to lower revenue earned within the system. In 2021, however, the overall surplus jumped to \$600.6 million. Although revenues had not fully recovered in 2021, Canadian programming costs were approximately 12% lower than in 2020.
59. In the French-language market, all genres displayed a financial shortfall in 2018. The overall financial shortfall across all genres summed to \$621.7 million. That financial shortfall was partially offset by financial surplus of \$211.5 million in non-Canadian programming. As a result, the French-language market displayed an overall financial shortfall of \$410.2 million in 2018.
60. This overall shortfall was \$454.4 million in 2019 and \$499.5 million in 2020. In 2021, the financial shortfall in the French-language market narrowed to \$38.7 million. This was consistent with the significant improvement in the surplus observed in the English-language market. Even though revenue in the French-language market had not completely recovered in 2021, costs of programming dropped by half in 2021, thereby narrowing the overall financial shortfall.

Table 14 Financial surplus/(shortfall) on Canadian and non-Canadian programming, English-language market (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
2018									
Total revenue	455.8	1200.3	109.6	80.6	51.0	222.1	2,119.4	1,912.5	4,032.0
Estimated programming costs	502.8	757.4	1105.5	417.0	84.2	564.4	3,431.3	1,359.3	4,790.6
Canadian broadcast surplus/(shortfall)	(47.0)	442.9	(995.8)	(336.4)	(33.2)	(342.3)	(1,311.8)	553.3	(758.6)
Total foreign revenues	0	0	664.5	239.2	5.9	178.8	1,088.4	0	1,088.4
Overall surplus/(shortfall)	(47.0)	442.9	(331.4)	(97.2)	(27.4)	(163.5)	(223.5)	553.3	329.8
2019									
Total revenue	488.1	946.2	181.0	85.6	41.8	358.0	2,100.8	1,993.1	4,093.8
Estimated programming costs	504.4	707.0	1,188.2	409.0	41.3	603.4	3,453.4	1,312.7	4,766.1
Canadian broadcast surplus/(shortfall)	(16.3)	239.2	(1,007.2)	(323.4)	0.4	(245.4)	(1,352.7)	680.4	(672.3)
Total foreign revenues	0	0	628.7	220.7	1.1	147.9	998.4	0	998.4
Overall surplus/(shortfall)	(16.3)	239.2	(378.5)	(102.7)	1.5	(97.6)	(354.3)	680.4	326.1
2020									
Total revenue	475.0	770.0	161.9	68.6	28.7	231.6	1,735.8	2,034.7	3,770.5
Estimated programming costs	495.0	631.5	1,204.4	361.0	59.5	584.9	3,336.2	1,281.7	4,617.9
Canadian broadcast surplus/(shortfall)	(20.0)	138.5	(1,042.5)	(292.4)	(30.7)	(353.3)	(1,600.5)	753.0	(847.4)
Total foreign revenues	0	0	612.6	221.6	4.9	138.3	977.4	0	977.4
Overall surplus/(shortfall)	(20.0)	138.5	(429.9)	(70.8)	(25.9)	(215.0)	(623.1)	753.0	130.0
2021									
Total revenue	452.9	713.5	115.3	61.0	19.0	215.3	1,577.0	2,194.4	3,771.4
Estimated programming costs	508.2	631.5	1,018.0	294.0	44.2	454.8	2,950.7	1,099.2	4,049.9
Canadian broadcast surplus/(shortfall)	(55.3)	82.0	(902.7)	(233.0)	(25.3)	(239.5)	(1,373.7)	1,095.2	(278.4)

Total foreign revenues	0	0	567.1	204.9	1.1	105.9	879.1	0	879.1
Overall surplus/(shortfall)	(55.3)	82.0	(335.6)	(28.0)	(24.2)	(133.6)	(494.6)	1,095.2	600.6

Table 15 Financial surplus/(shortfall) on Canadian and non-Canadian programming, French-language market (\$M)

	News	Sports	Fiction	Children's	Variety	Other*	Canadian total	Non-Canadian	TOTAL (All programming)
2018									
Total revenue	123.4	141.3	62.0	21.1	15.2	151.3	514.2	383.4	897.6
Estimated programming costs	204.6	212.9	202.8	104.0	85.8	332.2	1,142.3	171.9	1,314.2
Canadian broadcast surplus/(shortfall)	(81.2)	(71.6)	(140.8)	(82.9)	(70.6)	(181.0)	(628.1)	211.5	(416.6)
Total foreign revenues	0	0	3.4	2.0	0.1	0.9	6.4	0	6.4
Overall surplus/(shortfall)	(81.2)	(71.6)	(137.4)	(80.9)	(70.5)	(180.0)	(621.7)	211.5	(410.2)
2019									
Total revenue	122.2	134.5	66.6	21.3	14.1	145.7	504.4	361.6	866.0
Estimated programming costs	201.3	198.7	265.2	114.0	46.7	337.2	1,163.2	172.9	1,336.1
Canadian broadcast surplus/(shortfall)	(79.1)	(64.2)	(198.7)	(92.7)	(32.6)	(191.5)	(658.8)	188.7	(470.1)
Total foreign revenues	0	0	3.3	8.8	0.5	3.1	15.7	0	15.7
Overall surplus/(shortfall)	(79.1)	(64.2)	(195.4)	(83.8)	(32.1)	(188.5)	(643.1)	188.7	(454.4)
2020									
Total revenue	122.8	142.0	74.7	15.8	12.1	156.5	523.9	289.0	812.9
Estimated programming costs	196.2	177.3	254.6	89.0	81.8	351.7	1,150.6	172.5	1,323.1
Canadian broadcast surplus/(shortfall)	(73.4)	(35.4)	(179.9)	(73.2)	(69.7)	(195.2)	(626.7)	116.5	(510.2)
Total foreign revenues	0	0	3.9	3.2	0.1	3.4	10.7	0	10.7
Overall surplus/(shortfall)	(73.4)	(35.4)	(176.0)	(70.0)	(69.5)	(191.8)	(616.0)	116.5	(499.5)
2021									
Total revenue	62.7	143.7	49.3	12.6	5.3	110.1	383.7	283.9	667.6
Estimated programming costs	99.5	120.5	104.2	18.0	36.6	197.7	576.6	134.5	711.1

Canadian broadcast surplus/(shortfall)	(36.9)	23.2	(54.9)	(5.4)	(31.3)	(87.6)	(192.9)	149.4	(43.5)
Total foreign revenues	0	0	2.2	1.2	0.4	1.0	4.8	0	4.8
Overall surplus/(shortfall)	(36.9)	23.2	(52.7)	(4.3)	(30.9)	(86.6)	(188.1)	149.4	(38.7)

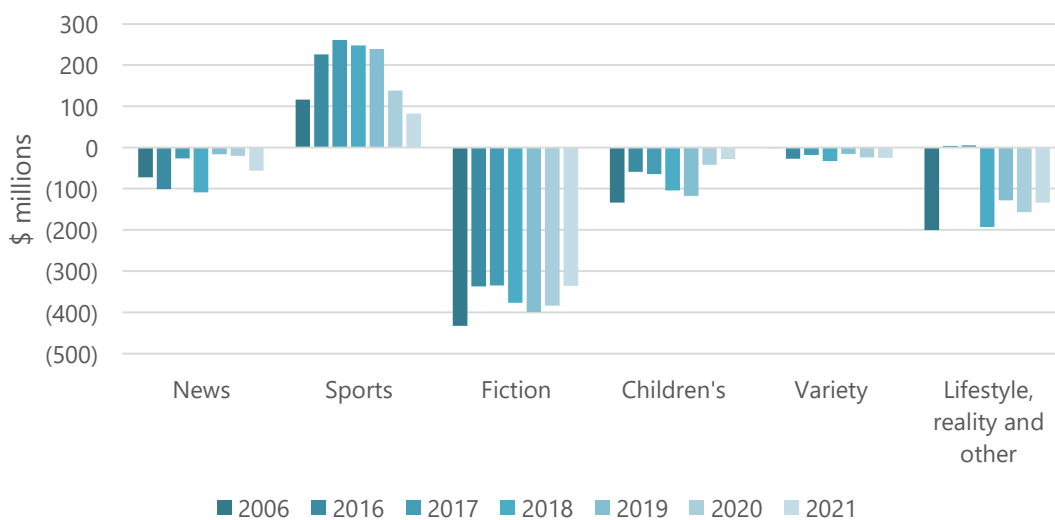
Source: Nordicity estimates based on data from CAVCO, CRTC and CBC/Radio-Canada

* Includes documentary, other information, magazine, human interest and games program categories

6.2 Summary by genre

61. In the English-language market, the news, fiction, children's and VAPA genres all displayed consistent year-to-year financial shortfalls on Canadian content (Figure 10). The largest shortfalls were in the fiction genre, where the high costs of production and relatively low audience share led to annual financial shortfalls of \$300 million to \$400 million.
62. The only genre that generated a consistent financial surplus was the sports genre, where program revenue often exceeded program costs by \$100 million and by over of \$400 million in 2018.
63. In general, other programming genres also displayed financial shortfalls, although in 2016 and 2017, they did post a small surplus of \$4 million to \$5 million.

Figure 10 Financial surplus/(shortfall) on Canadian content in aggregate by genre, English-language market (\$M)



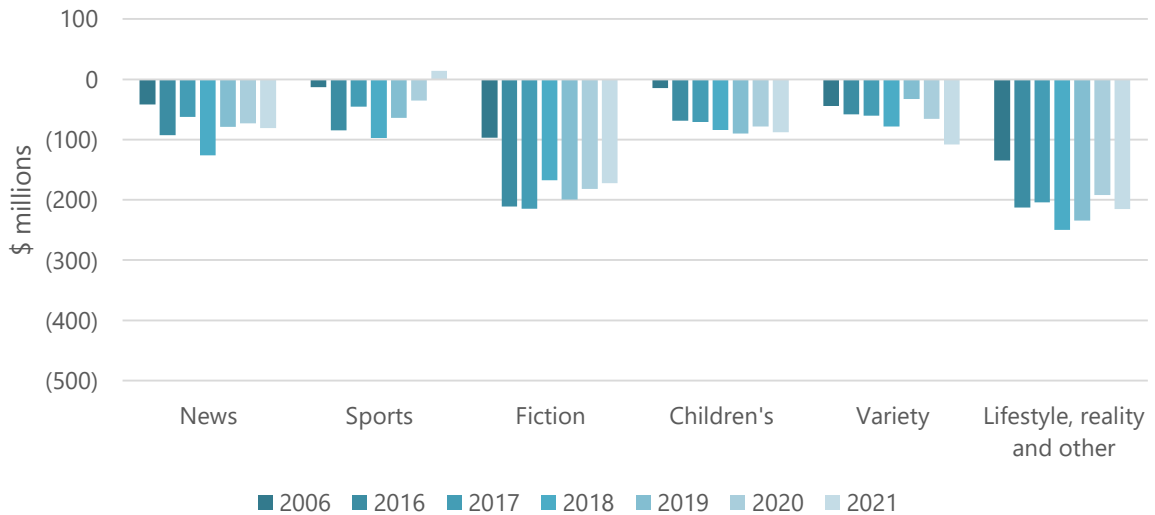
	2006	2016	2017	2018	2019	2020	2021
News	(72)	(101)	(26)	(47)	(16)	(20)	(55)
Sports	117	226	261	443	239	139	82
Fiction	(433)	(337)	(335)	(331)	(399)	(383)	(336)

Children's	(134)	(59)	(64)	(97)	(117)	(41)	(28)
Variety	(2)	(27)	(17)	(27)	(15)	(24)	(24)
Lifestyle, reality and other	(201)	4	5	(164)	(128)	(157)	(134)

Source: Nordicity estimates based on data from CRTC, CAVCO, CMF and Statistics Canada

64. In the French-language market, all types of programming displayed financial shortfalls on a consistent basis (Figure 11). The largest shortfalls were in the fiction genre, where annual losses were in the \$200 million range. Other genres also displayed financial shortfalls of approximately \$200 million.

Figure 11 Financial surplus/(shortfall) on Canadian content in aggregate by genre, French-language market (\$M)



	2006	2016	2017	2018	2019	2020	2021
News	(42)	(93)	(62)	(81)	(79)	(73)	(81)
Sports	(13)	(85)	(46)	(72)	(64)	(35)	14
Fiction	(97)	(211)	(214)	(137)	(199)	(182)	(172)
Children's	(15)	(69)	(71)	(81)	(90)	(79)	(88)
Variety	(45)	(58)	(60)	(71)	(33)	(66)	(108)
Lifestyle, reality and other	(135)	(213)	(204)	(180)	(234)	(192)	(215)

Source: Nordicity estimates based on data from CRTC, CAVCO, CMF and Statistics Canada

65. Unlike the English-language market, in the French-language market, sports programming actually generated year-over-year financial shortfalls. This particular result is counterintuitive, given the widely held view that sports programming has historically offered Canadian broadcasters ample opportunity to generate financial surpluses. Similar to the English-language market, in the French-language market, the vast majority of sports programming is aired on discretionary services. Indeed, three discretionary services – RDS, RDS Info and TVA Sports – account for the vast majority of sports programming and audiences in Canada’s French-language market.
66. In fact, according to the CRTC Financial Summaries, between 2016 and 2020, these three discretionary sports services actually combined for a negative profit before interest and taxes (PBIT) in each broadcast year (Table 16). So while RDS does generate a positive PBIT, this is offset by the negative PBITs at RDS Info and TVA Sports.

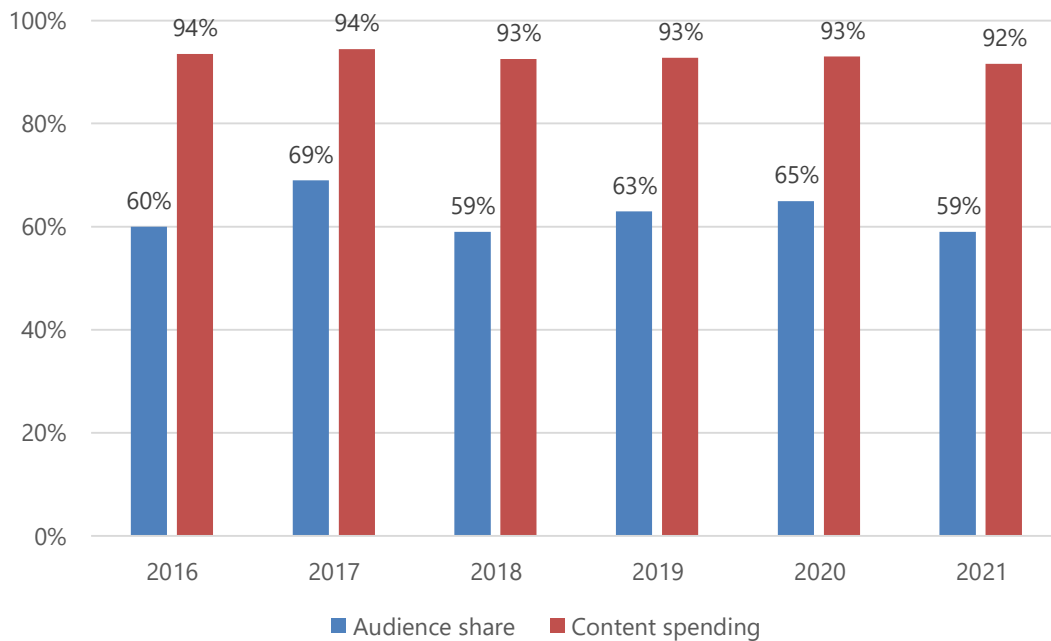
Table 16 Profit before interest and taxes (PBIT) at French-language discretionary sports services

	2016	2017	2018	2019	2020	2021
RDS	27.8	26.8	14.8	(0.2)	8.8	
RDS Info	(5.3)	(5.0)	(5.7)	(5.6)	(6.2)	
TVA Sports	(33.8)	(21.5)	(21.8)	(17.0)	(10.0)	
Total	(12.3)	(0.2)	(13.8)	(22.8)	(7.8)	

Source: CRTC

67. The negative PBITs observed at French-language discretionary sports services are still a fraction of the financial shortfalls estimated by the Harnessing Change Financial Model. The financial shortfalls displayed by the model essentially reflect the difference between the content spending and audience share for Canadian sports programming. While spending on Canadian sports programming accounted for over 90% of total content spending by French-language discretionary services, it only captured approximately 60% of audience share (Figure 12).
68. Even though Canadian sports programming's audience share was only approximately two-thirds of its cost to discretionary sports services, it is likely that Canadian sports programming, namely National Hockey League (NHL) games, can command higher ad rates than non-Canadian sports programming in Canada's French-language market. If that is indeed the case, then the actual financial shortfall on Canadian sports programming would be much narrower than indicated by the financial and possibly even non-existent.

Figure 12 Canadian sports programming share of audiences and content spending, French-language discretionary services

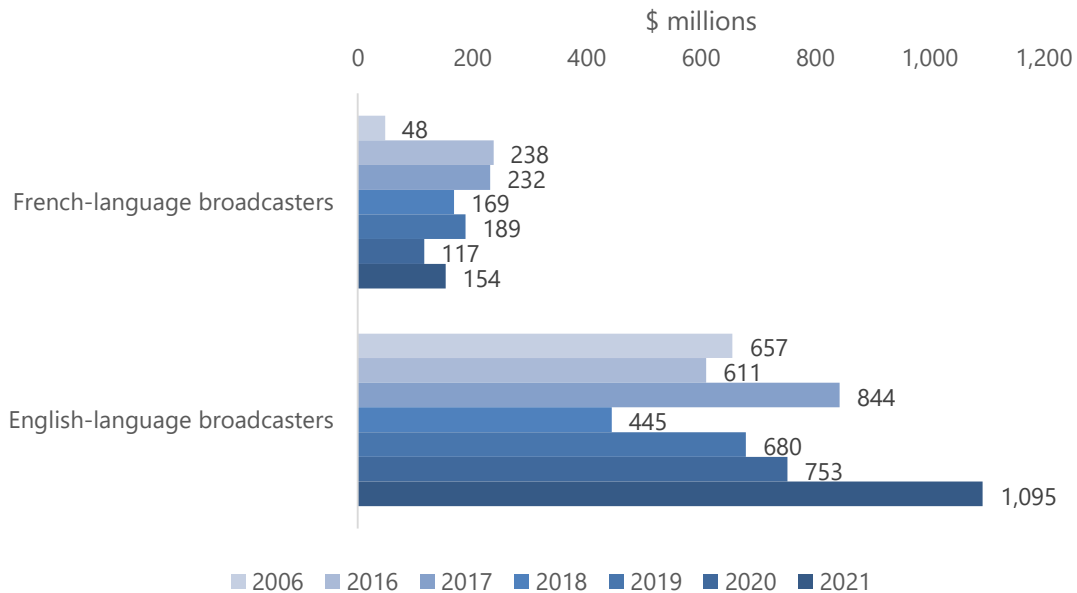


Source: Nordicity estimates based on data from CRTC and Numeris

6.3 Summary of financial surplus on non-Canadian programming

69. The Harnessing Change Financial Model indicates that non-Canadian programming generates significant surpluses in both the English-language and French-language markets (Figure 13). These surpluses, in part, help to offset the shortfalls on Canadian programming by helping ensure that Canadian broadcasters have sufficient financial resources to meet their CPE requirements. In this way, the financial surpluses on non-Canadian programming help the Canadian broadcasting system remain financially viable while meeting its policy objectives.
70. In the French-language market, the annual surpluses on non-Canadian programming ranged from \$48 million (2006) to \$238 million (2016). In the English-language market, the surpluses ranged from \$553 million (2018) to as much as \$1.1 billion (2021). Indeed, higher audience shares for non-Canadian programming combined with lower programming costs for non-Canadian programming meant that the annual surplus doubled between 2018 and 2021.

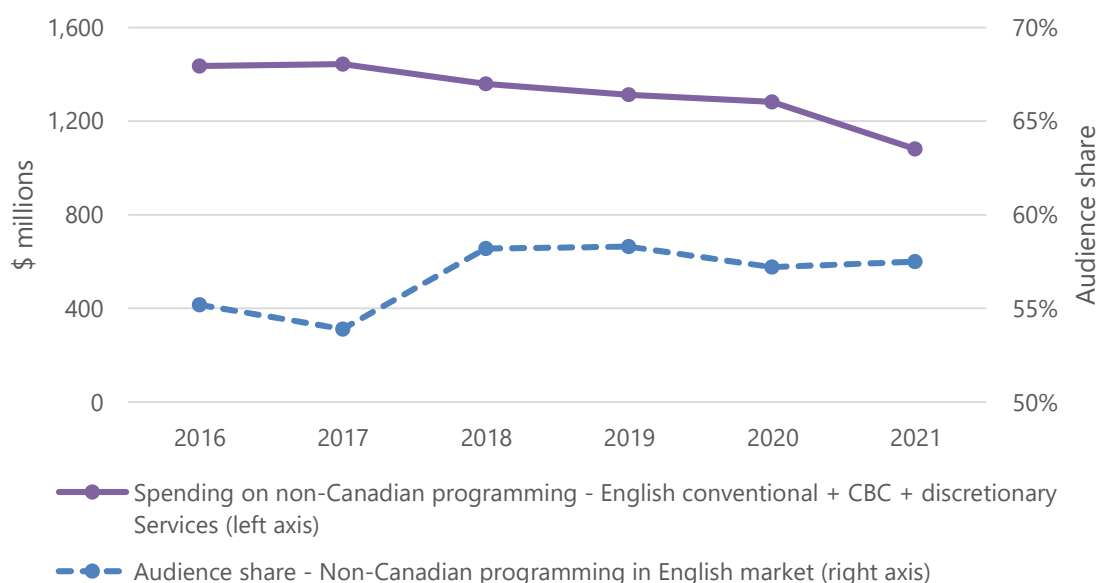
Figure 13 Canadian broadcasters' financial surplus on non-Canadian programming (\$M)



Source: Nordicity analysis based on data from CAVCO, CRTC, CBC/Radio-Canada and CMF

71. Between 2016 and 2021, English-language Canadian broadcasters' spending on non-Canadian programming declined from \$1,436 million to \$1,081 million – a drop of approximately 25% (Figure 14). Meanwhile, Anglophone audiences' viewing of non-Canadian programming experienced a step-wise increase in 2018. In 2017 and 2018, non-Canadian programming's share of audiences in the English-language market was 54% to 55%. In 2018, it rose to 58% and subsequently stayed in the range of 57% to 58%, thereafter. The combination of this increase in audience share and decrease in content spending led to the widening of the value of the financial surplus on non-Canadian programming.

Figure 14 Non-Canadian programming in the English-language market, content spending and audience share



Source: CRTC and Numeris

6.4 Sources of subsidy for Canadian production

72. As noted in Sections 6.1 and 6.2, most types of Canadian programming, particularly the original production of scripted and non-scripted Canadian programming yields financial shortfalls for the Canadian broadcasting sector in both language markets. And while, as noted in Section 6.3, Canadian broadcasters can access financial surpluses on non-Canadian programming to offset the limited advertising revenue earned by Canadian programming in some cases, the financial surpluses on that non-Canadian programming are not available to Canadian producers to create original Canadian programming in the first instance. Instead, the CRTC and federal government have introduced a range of public subsidy programs to meet the financial shortfall associated with producing Canadian content.
73. These subsidy programs include the CBC parliamentary appropriation, CMF, CPTC, CIPFs and the Independent Local News Fund. These federal-level subsidy programs are supplemented by provincial tax credits for Canadian television production.
74. In the English-language market, public subsidies for Canadian television content totalled an estimated \$1.16 billion in 2021 (Table 17). The largest sources of subsidy were the CBC parliamentary appropriation (\$411 million), followed by the CMF Broadcaster Performance Envelope (BPE) funding (\$188 million) and the estimated level of CPTC (\$174 million). Certified independent production funds contributed an estimated \$27 million to English-language television production and the Independent Local News Fund contributed an estimated \$16 million. In total, therefore, federal-level subsidies for Canadian television production in the English-language market summed to \$816 million in 2021. Provincial tax credits added \$347 million in subsidy, bringing the total level of subsidy to \$1.16 billion.

Table 17 Public subsidies for Canadian television content, English-language market (\$M)

	2018	2019	2020	2021
CBC parliamentary appropriation	415	371	369	411
CMF BPE	177	178	188	188
CPTC	210	222	213	174
Certified independent production funds*	30	29	28	27
Independent Local News Fund*	18	17	17	16
Federal subtotal	850	818	815	816
Provincial tax credits	401	444	410	347
Grand total	1,251	1,262	1,225	1,163

Source: CMPA Profile 2021 and CRTC

* Estimated share of total Canada amounts reported by CRTC

75. In the French-language market, public subsidies for Canadian television content totalled an estimated \$653 million in 2021 (Table 18). The largest sources of subsidy were the Radio-Canada parliamentary appropriation (\$332 million), followed by the CMF BPE funding (\$92 million) and the estimated level of CPTC (\$87 million). certified independent production funds contributed an estimated \$14 million to French-language television production and the Independent Local News Fund contributed an estimated \$4 million. In total, therefore, federal-level subsidies for Canadian television production in the French-language market summed to \$529 million in 2021. Provincial tax credits added \$124 million in subsidy, bringing the total level of subsidy to \$653 million.

Table 18 Public subsidies for Canadian television content, French-language market (\$M)

	2018	2019	2020	2021
Radio-Canada parliamentary appropriation	327	315	311	332
CMF BPE	83	84	88	92
CPTC	75	84	82	87
Certified independent production funds*	16	16	15	14
Independent Local News Fund*	4	4	4	4
Federal subtotal	505	502	500	529
Provincial tax credits	99	115	109	124
Grand total	604	617	609	653

Source: CMPA Profile 2021 and CRTC

* Estimated share of total Canada amounts reported by CRTC

76. In both language markets, these subsidies are necessary to close the gap between the costs of producing original television content (see Section 3.2.1) and the financing obtained from Canadian broadcasters and foreign sources. Furthermore, the parliamentary appropriation for CBC/Radio-Canada covers the financial shortfall that that broadcaster experiences because the advertising revenue it earns does not cover its overall operating costs, including its expenditures on original Canadian programming.

7 Conclusions

77. The Harnessing Change Financial Model clearly demonstrates that, outside of sports programming in the English-language market, all genres of Canadian television programming are unable to earn enough commercial revenues to cover their total costs of production. The largest financial shortfalls are experienced in English-language fiction programming; however, French-language fiction, and lifestyle and reality programming also consistently display financial shortfalls.
78. The Canadian broadcasting system and production sector relies upon a variety of subsidies and cross-subsidies to offset those financial shortfalls. Firstly, Canadian broadcasters earn significant financial surpluses on their non-Canadian programming for which audience levels and associated advertising revenue far exceed the programming licensing costs. This financial surplus generates a cross-subsidy that Canadian broadcasters can use to meet their CPE, but also to invest in new technology or their other business lines, or even, in the case of private Canadian broadcasters, return to their shareholders.
79. In the English-language market, the financial surplus available for this cross-subsidy activity reached over \$1.2 billion (Figure 13). A combination of lower licensing costs for non-Canadian television programming and growing audience share contributed to the growth in the size of this cross-subsidy in the English-language market recent years (Figure 14).
80. However, in the long-term, the value of this cross-subsidy could very likely fall. Even with significant television audiences for non-Canadian programming on Canadian broadcasters, each year, a larger share of ad spending in Canada is flowing to the Internet and other digital platforms. This will ultimately mean that even a high audience share of the broadcast platform will yield a less advertising revenue than that same share does today.
81. Furthermore, Canadian audiences are migrating away from predominantly ad-supported television platforms to predominantly subscription-driven platforms. This migration will eventually show up in audience and ad-revenue figures, particularly, for non-Canadian programming, which itself, could increasingly migrate to subscription video-on-demand (SVOD) platforms such as Netflix and Amazon Prime Video. These content and audience migration trends will invariably erode the value of the cross-subsidy on non-Canadian programming, unless the licensing costs of that programming falls faster.
82. As the value of this cross-subsidy diminishes, it will become increasingly difficult for the Canadian broadcasters to meet their CPE requirements and pay licence fees for original Canadian television programming. This cross-subsidy is just the first line in the Canadian broadcasting system's layers of financial support for the creation of Canadian programming.
83. Canadian broadcasters, of course, only cover a portion of the costs of creating Canadian television content, so the cross-subsidy available to them can only be deployed to cover a portion of the overall cost of creating Canadian television programming. As noted in Section 3.2.2, Canadian broadcasters only accounted for 15% of the total financing of English-language Canadian television production in 2020-21 (see Table 2) and 49% of French-language television production (Table 3). Across both language markets,

Canadian broadcasters account for approximately 25% of total production financing (Table 4).

84. To help meet the total costs of production beyond Canadian broadcasters' licence fees, Canadian producers must raise financing from domestic commercial sources and foreign commercial sources. The former typically accounts for 4%-6% of total financing for Canadian television production (Table 4). The latter, which, accounts for 25%-30% has already been accounted for within the Harnessing Change Financial Model in the form of export value.
85. This still leaves a production cost shortfall of 40%-45% which has to be closed with financing from the various federal and provincial funding programs available to Canadian producers. These federal and provincial subsidy programs provided an estimate \$1.8 billion in financing to the Canadian production industry and broadcasting system in 2021 (Table 17 and Table 18). Of this \$1.8 billion, \$743 million, or 41% of total, is devoted to supporting the operations of CBC/Radio-Canada. This includes the public broadcaster's ability to pay licence fees for Canadian. Unlike private Canadian broadcasters, CBC/Radio-Canada does not have access to a cross-subsidy on non-Canadian programming, which it can tap into to fund its licence fees for Canadian programming.
86. The balance of the federal and provincial subsidies – i.e. just under \$1.1 billion in 2021 – goes directly into the Canadian production industry to cover the production financing shortfall. Many of these funding sources are beyond the direct control of the federal government and CRTC. For example, provincial tax credits, which were worth an estimated \$471 million, or 44% of amount flowing directly to production, are under the control of provincial governments.
87. The CMF accounted for \$280 million of the \$1.1 billion available to Canadian producers in 2021. However, even though it has been supplemented by the federal government in recent years, if revenues at Canada's broadcasting distribution undertakings (BDUs) continues to decline, its long-term financial sustainability as an important source of production subsidy will be eroded.
88. The preceding analysis demonstrates that the financial shortfall on Canadian television programming is significant and broad-based across genres and language markets. Without a sustainable source of or subsidy or cross-subsidy, the ability of Canadian broadcasters to commission original Canadian programming and of Canadian producers to finance the costs of production beyond Canadian broadcasters' licence fees will be threatened.

8 Appendix A: Comparison to 2018 model results

89. Several modifications have been made to the Harnessing Change Financial Model since 2018 in order to improve the accuracy of its estimates of financial surpluses (shortfalls). In particular:
- An Adjusting Entry has been incorporated into the model, so that the results of service-by-service analysis of discretionary services' revenue is consistent with the overall levels of revenue as reported in the financial summaries for discretionary services. The inclusion of this Adjusting Entry had a significant effect on the estimation of the financial surpluses associated with foreign programming and Canadian sports programming.
 - Corrections have been made to application of the audience data for the 2015-16 and 2016-17 broadcast year.
90. The effects of these modifications are detailed in the tables below.

Table 19 Canadian broadcasters' financial surplus on foreign programming in Canada (\$M)

	2006		2016		2017	
	Old	New	Old	New	Old	New
English-language market	692	657	870	611	836	844
French-language market	59	48	194	238	212	232

Source: Nordicity analysis based on data from CAVCO, CRTC, CBC/Radio-Canada and CMF

Table 20 Financial surplus/(shortfall) on Canadian content in aggregate by genre, English-language market (\$M)

	2006		2016		2017	
	Old	New	Old	New	Old	New
News	(71)	(72)	(152)	(101)	(162)	(26)
Sports	(48)	117	56	226	65	261
Fiction	(375)	(433)	(273)	(337)	(312)	(335)
Children's	(126)	(134)	(161)	(59)	(59)	(64)
Variety	4.0	(2)	18	(27)	(27)	(17)
Lifestyle, reality and other	(143)	(201)	(1)	4	62	5

Source: Nordicity analysis based on data from CAVCO, CRTC, CBC/Radio-Canada and CMF

Table 21 Financial surplus/(shortfall) on Canadian content in aggregate by genre, French-language market (\$M)

	2006		2016		2017	
	Old	New	Old	New	Old	New
News	(60)	(42)	(106)	(93)	(107)	(62)
Sports	(15)	(13)	(41)	(85)	(62)	(46)
Fiction	(92)	(97)	(125)	(211)	(201)	(214)
Children's	(14)	(15)	(51)	(69)	(64)	(71)
Variety	(43)	(45)	(83)	(58)	(57)	(60)
Lifestyle, reality and other	(121)	(135)	(154)	(213)	(213)	(204)

Source: Nordicity analysis based on data from CAVCO, CRTC, CBC/Radio-Canada and CMF

9 Appendix B: Technical outline of financial model

91. The following section provides a technical description of the methodology and calculations used to develop the Harnessing Changes Financial Model. The technical description is organized in terms of the worksheets found in the Excel model.
92. Descriptions are only provided for worksheets that form part of the model for estimating the annual financial surpluses (shortfalls) on Canadian and foreign programming within the Canadian broadcasting system. Other worksheets within the Excel model that formed part of the module for tracing financial flows within the broadcasting system and forecasting future surpluses (shortfalls) have not been updated and have been excluded from this technical outline.

9.1 Model results worksheets

9.1.1 Surplus-Shortfall Charts

93. Collates the modelling results from the 'Economic Surplus TOTAL' worksheet (see below) for charts.

9.1.2 Economic Surplus TOTAL

94. Sums the detailed calculations of the financial surplus (deficit) generated by Canadian programming exhibited by CBC/Radio-Canada (see 'Economic Surplus CBC' below) and Canadian private broadcasters (see 'Economic Surplus Privates' below) on genre basis in each language market.
95. Also sums the estimates of the surplus earned by CBC/Radio-Canada and Canadian private broadcasters from the exhibition of foreign programming.
96. Gross conventional ad revenue from Canadian windows: Ad revenue earned by conventional broadcasters.
97. Net ad revenue: Applies 'Net Ad Adjustment' to remove broadcasters' overhead and derive an estimate of net ad revenue.
98. Canadian specialty sub revenues: Estimates of subscription revenue attributable to Canadian programming in each genre (see 'Subscription_revenue').
99. Canadian specialty ad revenue: Estimates of advertising revenue earned by discretionary services and attributable to Canadian programming in each genre (see 'Specialty_Ad_Revenue').
100. Subtotal specialty revenue: Sums Canadian specialty sub revenues and Canadian specialty ad revenue.
101. Net specialty revenues: Applies 'Net sub Adjustment' to remove discretionary services' overhead costs (other than programming costs) and derive an estimate of net revenue for discretionary services that can be compared to programming costs within the broadcasting system.

- 102. Total revenues: Sums Net ad revenue and Net specialty revenue.
- 103. In-House Production: Estimates of Canadian broadcasters' total spending on in-house production (eg. news and sports). Includes rights payments for Canadian sports programming.
- 104. Independent production: Total volume of Canadian production by genre (see 'Production Costs').
- 105. Other licensing costs: Not used.
- 106. Estimated programming costs: Sum of in-house production and independent production. The total annual cost of creating programming within the Canadian broadcasting system.
- 107. Canadian Broadcast Surplus/(Shortfall): Equal to 'total revenue' minus 'estimated programming costs'.
- 108. Export value (value of foreign pre-sales): Estimates of the pre-sale foreign financing of Canadian programming, which offsets the costs to the Canadian broadcasting system.
- 109. Foreign after-market sales: Estimates of the revenue earned from secondary window sales of Canadian programming, which offset the costs to the Canadian broadcasting system.
- 110. Total foreign revenues: Sum of 'export value' and 'secondary sales'.
- 111. Overall Surplus/(Shortfall): Equal to the sum of 'Canadian broadcast surplus/(shortfall) and 'total foreign revenues'. Provides an estimate of the overall financial surplus (shortfall) that different types of programming – Canadian and foreign – generate for the Canadian broadcasting system.

9.1.3 Economic Surplus CBC

- 112. Provides a detailed breakdown of the calculation of the financial surplus (deficit) generated by Canadian programming exhibited by CBC/Radio-Canada on genre basis in each language market.
- 113. Also provides an estimate of the surplus earned by CBC/Radio-Canada from the exhibition of foreign programming.

9.1.4 Economic Surplus Privates

- 114. Provides a detailed breakdown of the calculation of the financial surplus (deficit) generated by Canadian programming exhibited by private broadcaster on genre basis in each language market.
- 115. Also provides an estimate of the surplus earned by Canadian private broadcasters from the exhibition of foreign programming.

9.2 Model data and calculations worksheets

9.2.1 Production Costs

- 116. Production volume data by language and genre supplied by CAVCO.
- 117. Data from CAVCO for the breakdown of licence fees by language and genre is used to allocate the total volume figures in terms of private broadcasters (conventional and discretionary) and CBC/Radio-Canada (conventional and discretionary).
- 118. The resulting calculations of production volume by language, genre and private vs. CBC/Radio-Canada form key piece of the broadcasting systems overall cost to create Canadian programming, since it includes not only broadcasters' contribution to the financing of production, but all other financing sources as well.
- 119. Foreign financing of Canadian is removed from the Canadian broadcasting system's cost at a later stage (see 'Export Value' below).

9.2.2 CRTC Production Stats

- 120. Programming and production expenses data from the CRTC financial summaries is used to estimate broadcasters' total spending on in-house production and rights for Canadian sports programming.
- 121. Most data from 'Station production (incl coop)' entries within CRTC financial summaries. For News and Sports, data from Network Origination also included.
- 122. Data for specific CBC/Radio-Canada discretionary services is deducted from the discretionary (i.e. "specialty") totals to isolate in-house spending and Canadian sports rights attributable to private discretionary services.
- 123. All data sourced from CRTC financial summaries.

9.2.3 In House Production

- 124. Collates data on in-house production spending from 'CRTC_Production_Stats' so that it can feed directly into the 'Economic Surplus CBC' and 'Economic Surplus Privates' worksheets.

9.2.4 Ad revenues

- 125. Data from the CRTC financial summaries is used to derive estimates of the total ad revenue earned within the Canadian broadcasting system.
- 126. Audience shares for each language market, genre and broadcasting segment (i.e. CBC/Radio-Canada, private conventional and discretionary and on-demand ("specialty")) is then used too allocate this total ad revenue genre.
- 127. See 'Audience_shares_English' and Audience_shares_French' (below) for description of audience-share data.

9.2.5 Audience shares English

- 128. Audience viewing data supplied by CRTC is used to derive the viewing shares for Canadian programming in different genres and in each broadcasting segment (i.e. CBC/Radio-Canada, private conventional and discretionary and on-demand ("specialty")) within the English market.

129. Audience data supplied by CRTC originally sourced from Numeris.

9.2.6 Audience share French

130. Audience viewing data supplied by CRTC is used to derive the viewing shares for Canadian programming in different genres and in each broadcasting segment (i.e. CBC/Radio-Canada, private conventional and discretionary and on-demand ("specialty")) within the French market.

131. Audience data supplied by CRTC originally sourced from Numeris.

9.2.7 Subscription revenue

132. Service-by-service data for discretionary services' subscription revenue is allocated by genre and then between Canadian and non-Canadian programming in order to estimate the portion of total subscription revenue earned within the discretionary and on-demand segment that can be attributed to Canadian programming in each genre.

133. The genre percentages for each service were assigned manually by Nordicity based on a review of each service's genre focus. These genre percentages were used to allocate the total subscription revenue earned by each service.

134. The genre-by-genre revenue for each service were summed to arrive at subtotals for English CBC/Radio-Canada services, private English services, French CBC/Radio-Canada services and private French services.

135. The Canadian content audience shares by genre (excluding children's) are sourced from audience data supplied by CRTC. The children's audience share for Canadian content was sourced from the audience analysis conducted by the CMF.

9.2.8 Specialty Ad Revenue

136. Service-by-service data for discretionary services' ad revenue is allocated by genre and then between Canadian and non-Canadian programming in order to estimate the portion of total ad revenue earned within the discretionary and on-demand segment that can be attributed to Canadian programming in each genre.

137. The genre percentages for each service were assigned manually by Nordicity based on a review of each service's genre focus. These genre percentages were used to allocate the total ad revenue earned by each service.

138. The genre-by-genre revenue for each service were summed to arrive at subtotals for English CBC/Radio-Canada services, private English services, French CBC/Radio-Canada services and private French services.

139. The Canadian content audience shares by genre (excluding children's) are sourced from audience data supplied by CRTC. The children's audience share for Canadian content was sourced from the audience analysis conducted by the CMF.

9.2.9 Ads – Audience vs. Financials

140. Not used in model

141. Provides a comparison of the allocation of ad revenue in the discretionary segment based strictly on audience share – and thereby not taking into cost-per-thousand (CPM) premiums (discounts) for different genres – and based on the service-by-service analysis found in ‘Specialty_Ad-Revenue’.

9.2.10 Export Value

142. Export value refers to the value of foreign pre-sale financing of Canadian TV production.
143. Data from CAVCO for the foreign pre-sale financing of TV production on a language and genre basis is multiplied by production volume levels to estimate the annual dollar amount of export value on a language and genre basis.
144. The genre-by-genre split in overall production volume attributable to private broadcasters and CBC/Radio-Canada is used to allocate the genre-by-genre estimates of export value to the private broadcasting segment and CBC/Radio-Canada.

9.2.11 Secondary Sales

145. Secondary sales include revenue earned by Canadian distributors and producers from the licensing of programming in other geographic or temporal windows. These secondary sales revenues are typically earned outside of Canada since Canadian broadcasters often already hold the exhibition rights to Canadian programming within Canada on a multi-year basis.
146. Data from the CMF, CAVCO and Statistics Canada is used to derive estimates of the potential annual level of secondary sales earned by Canadian programming on a genre-by-genre basis.
147. The genre-by-genre distribution of export value (i.e. the value of foreign pre-sale financing of Canadian programming) is used to allocate the overall level of distribution sales of Canadian programming reported by Statistics Canada.
148. The genre-by-genre split in overall production volume attributable to private broadcasters and CBC/Radio-Canada is used to further allocate the genre-by-genre estimates of secondary sales to the private broadcasting segment and CBC/Radio-Canada.
149. Investment recovery rates refer to the ratio of secondary sales revenue to value of production supported by CMF. The investment recovery rates are multiplied by the annual level of production volume in each genre to derive an estimate of after-market sales; however, these estimates of after-market sales are not used within the model.

9.2.12 Net Ad Adjustment

150. Uses data from CRTC conventional financial summaries to derive an adjustment factor that can be applied to total revenue earned by conventional services to estimate the non-programming operating costs incurred by those services.
151. Conventional services’ programming expenditures are accounted for elsewhere in the model on a system-wide basis. This particular calculation is intended to add broadcasters’ overhead to the system-wide costs.

152. All data sourced from CRTC financial summaries.

9.2.13 Net sub Adjustment

153. Uses data from CRTC discretionary financial summaries to derive an adjustment factor that can be applied to total revenue earned by discretionary and on-demand services to estimate the non-programming operating costs incurred by those services.

154. Discretionary and on-demand services' programming expenditures are accounted for elsewhere in the model on a system-wide basis. This particular calculation is intended to add broadcasters' overhead to the system-wide costs.

155. All data sourced from CRTC financial summaries.

9.2.14 Non-Canadian Spend

156. Uses data from the published programming and production expenses statistics to estimate the level of spending on foreign programming within the conventional broadcasting segment.

157. For private conventional television, programming and production expenses statistics for Quebec are used to approximate foreign-programming spending in the French-language market.

158. Data from CBC/Radio-Canada's annual returns are added to statistics for private conventional television services.

159. All data sourced from CRTC financial summaries and CBC/Radio-Canada annual returns.

9.2.15 Kids Services

160. Details revenue data for discretionary services focused on children's and youth audiences.

161. Generates a language-market breakdown of Teletoon's revenue data

9.2.16 CPM Analysis

162. No longer integrated into model calculations

163. Uses audience data for genre-specific discretionary services to derive estimates of CPM premiums (discounts) for sports programming and other genres

9.2.17 SMI CPMs

164. Calculates the CPM premium (discount) for sports programming and other genres based on a review of advertising unit cost data provided by SMI. The average unit cost in each genre is compared to the overall unit cost across all programming to derive the CPM premium (discount).

165. Only premiums (discounts) that are above 1.25 (below 0.75) are kept for the analysis. Premiums (discounts) within this +/- 25% band are not significantly different from 1.00 to be kept within the analysis.

9.2.18 Discretionary revenue

166. Uses financial data for all discretionary services (by language market) and specific CBC/Radio-Canada discretionary services to calculate the levels of revenue attributable to private discretionary services in the English+Ethnic and French markets.
167. All data sourced from CRTC summary and individual financial summaries.

9.2.19 Discretionary foreign

168. Deducts discretionary services' spending on Canadian programming from their total programming and production expenditures to estimate spending on foreign programming in the discretionary and on-demand segment.
169. Specific spending for CBC/Radio-Canada discretionary services is removed from calculations in order to estimate foreign-programming spending by private discretionary services on their own.
170. All data sourced from CRTC summary and individual financial summaries.

9.2.20 Adjusting entries

171. Within the model, a variance exists between the total revenue reported in the financial summaries for discretionary services and the sum revenue arrived at based on the service-by-service analysis found in 'Subscription_revenue' and 'Specialty_Ad_revenue'. The precise source of these variances is unclear.
172. The adjusting entry allocates this variance across the different genres of programming based on each genre's overall share of revenue as calculated on the 'Subscription_revenue' and 'Specialty_Ad_revenue' worksheets.
173. End

