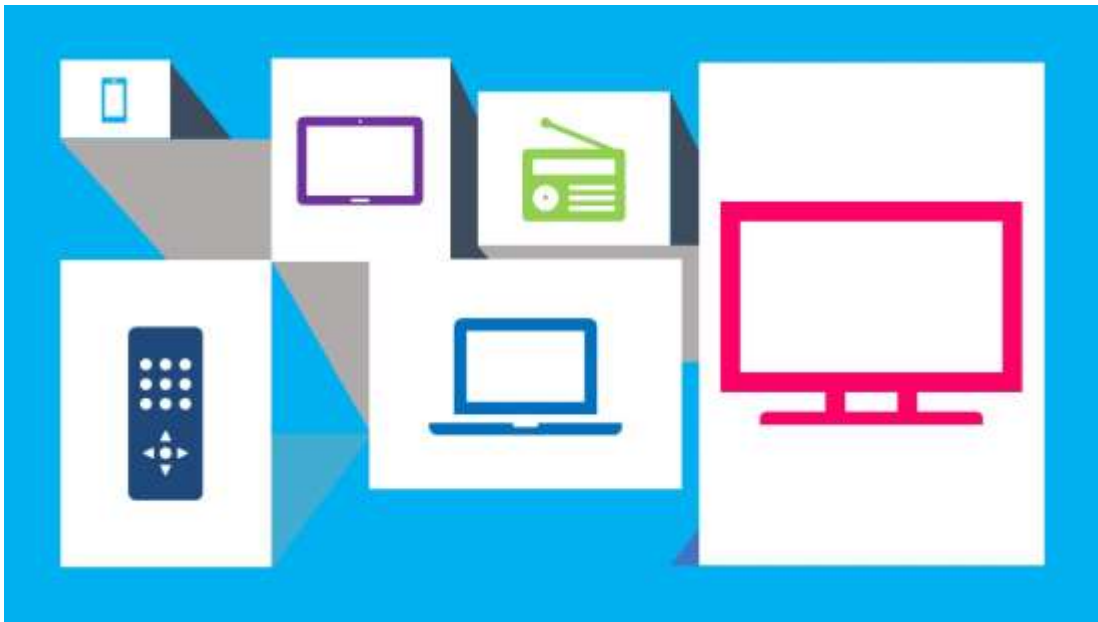


# The Case for Advertising on CBC/Radio-Canada



Prepared by  
Nordicity

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### About Nordicity

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

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## Executive summary

From its founding in 1936, CBC/Radio-Canada has earned revenue from the sale of advertising airtime on its television services. Up until 1976 (and for a brief period in the 2000s), it also earned advertising revenue on some of its radio services.

**The sale of advertising should not be viewed as simply a source of revenue for Canada’s national public broadcaster.** In fact, the sale of advertising by CBC/Radio-Canada can also yield wider public policy benefits.

Public policy benefits of advertising revenue at CBC/Radio Canada			
<p>I. CBC/Radio-Canada has more MONEY</p> <p><i>Provides CBC/Radio-Canada with additional financial resources to deliver its mandate</i></p>	<p>II. CBC/Radio-Canada has more NON-PUBLIC MONEY</p> <p><i>Moderates CBC/Radio-Canada’s reliance on public funding thereby diversifying its revenue mix</i></p>	<p>III. CBC/Radio-Canada has more ADVERTISING MONEY</p> <p><i>Affords CBC/Radio-Canada the financial flexibility needed to adapt its revenue models and remain sustainable</i></p>	<p>IV. The entire Canadian broadcasting system retains more ADVERTISING MONEY</p> <p><i>Allows the entire Canadian broadcasting system to maximize the benefits from access to the advertising market</i></p>

### I. CBC/Radio-Canada has more money to work with (under a scenario where the federal government does not replace any lost revenue with additional public funding)

As Canada’s only national public broadcaster, CBC/Radio-Canada plays an extremely important role in achieving the goals of Canadian broadcasting policy. CBC/Radio-Canada’s operations are broad and deep, covering all of Canada, and broadcasting in two official languages and in **indigenous languages to inform and entertain audiences across Canada’s large geography.**

To deliver on this broad mandate requires significant financial resources. However, when compared to public broadcasters in peer countries, CBC/Radio-Canada has one of the lowest levels of per-capita public funding. In 2022, CBC/Radio-Canada’s parliamentary appropriation was equal to \$32 per capita. Canada was ranked 17<sup>th</sup> out of 20 western countries in terms of per-capita public funding for public broadcasting. And at \$32 per capita, was well below Australia (\$48) and most western European countries, where funding was well above \$60 and even over \$100. It is out of necessity, therefore, that CBC/Radio-Canada has to pursue a diversified revenue model that includes the sale of advertising.

It is vital to the Canadian television production ecosystem that CBC/Radio-Canada has the ability to commission and license Canadian programming. According to statistics published by the Canadian Media Producers Association (CMPA) in *Profile 2023*, Canadian public broadcasters (principally CBC/Radio-Canada) invested, by way of broadcast licence fees, an estimated \$427 million in the creation of original Canadian television programming in 2022/23. Indeed, CBC/Radio-Canada (and provincial education broadcasters) accounted for 42% of total Canadian broadcaster spending on original Canadian television programming, even though they only accounted 20% of total industry revenue.

CBC/Radio-Canada also plays a more prominent role in supporting Canada's independent production community, when compared to Canada's private broadcasters. During the 2023 broadcast year (Sep. 1, 2022 to Aug. 31, 2023), it spent an estimated \$325 million on the commissioning or acquisition of independent Canadian television programming, or 52% of its \$619 million in total Canadian programming expenditures (CPE). Private Canadian broadcasters did spend more (\$556 million), but this represented only 24% of their total CPE.

## II. CBC/Radio-Canada has more non-public money, and therefore, is less reliant on public funding, which can be subject to political and fiscal cycles

CBC/Radio-Canada is by no means the only public broadcaster in the world that generates revenue from the sale of advertising. Looking across 20 OECD countries, 25 of 38 public broadcasters funded their operations, in part, with advertising and sponsorship revenue in 2022.

On the surface, public funding may seem like a stable source of revenue for a broadcaster, however, the historical record for CBC/Radio-Canada demonstrates that the real value of its parliamentary appropriation has been eroded by inflation over the past decades. In 2023, the real (inflation-adjusted) value of CBC/Radio-Canada's parliamentary appropriation was 37% smaller than it was in 1991.

The system of annual parliamentary appropriation through which CBC/Radio-Canada receives its public funding means that it cannot avoid the risks of the political and fiscal cycles. The political cycle means that CBC/Radio-Canada's revenue is at risk during periods when the political party in power might look less favourably upon public broadcasting as an institution. The fiscal cycle means that changing economic and fiscal conditions, and changing public policy priorities could introduce uncertainty into CBC/Radio-Canada's level of public funding, regardless of the party in power. Diversification away from public funding and into commercial revenue sources is both a viable and necessary option for CBC/Radio-Canada to mitigate these risks.

## III. CBC/Radio-Canada has more advertising money, which gives it the financial flexibility needed to adapt its revenue models and remain sustainable

It is only with financial flexibility that CBC/Radio-Canada can continue to test and refine its revenue models within the rapidly changing television landscape. In fact, financial flexibility and the ability to change and adapt its revenue models affords CBC/Radio-Canada the capacity to remain sustainable.

Without the flexibility to sell advertising, the public broadcaster would not have the capacity to innovate its content distribution services and its engagement with audiences, which ultimately brings benefits to large sections of those Canadian audiences and the overall Canadian broadcasting system.

There is no disputing that digital advertising now dominates the media market globally and in Canada. Since 2016, digital media (i.e. Internet, online TV, online newspapers) has accounted for more ad spending in Canada than all other media platforms combined, according to statistics published by thinkTV.ca.<sup>1</sup> And its share is expected to continue to grow. Still, traditional television

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<sup>1</sup> ThinkTV (2024) "[Advertising revenue by media 2022](#)," *thinktv.ca*, 21 May 2024.

viewing in Canada has remained resilient, even in the face of Internet-based television and other **digital media competing for ad spend**. The global subscription video on demand (SVOD) services' recent pivot towards offering ad-supported options and the rapid growth of free ad-supported subscription television (FAST) services only reinforces the fact that advertising is going to remain an essential aspect of television revenue models – traditional and digital – for the foreseeable future. For CBC/Radio-Canada to remain relevant in the television landscape, it needs access to this revenue stream.

#### IV. The entire Canadian broadcasting system retains more advertising money, thus allowing it to maximize its access to the advertising market and the benefits that flow from that access

Maintaining advertising on CBC/Radio-Canada also helps to stave off the leakage of Canadian ad spending to non-Canadian digital media platforms such as Google, YouTube, Facebook, X and Instagram. The following analysis indicates that the redistribution of CBC/Radio-Canada's advertising revenue to other media platforms would likely result in 70% of that redistributed ad spending (\$258.7 million) flowing to non-Canadian digital media platforms.

With Canadian television ad spending flowing away from Canadian companies and to other Canadian media platforms necessarily means that there will be a significant reduction in CPE within the Canadian broadcasting system. Not only would money be lost from the Canadian broadcasting system, but the ad spending that does get redistributed from CBC/Radio-Canada to private Canadian broadcasters would be subject to a lower rate of investment in CPE in the English-language market. Overall, the elimination of advertising on CBC/Radio-Canada would result in a \$204.9 million annual drop in CPE.

Given the financing leverage of different genres of television production, CBC/Radio-Canada's net contribution of \$204.9 million in licensing fees to independent producers (a portion of its overall annual CPE of \$619 million in broadcasting year 2023)<sup>2</sup> actually translates into a net decrease of \$498.2 million in total television production (i.e. the sum of the total production budgets) or approximately 11% of the Canadian television production market.

Advertising on CBC/Radio-Canada supports 4,120 FTEs of employment and \$358.5 million in gross domestic product (GDP) for the Canadian economy, including direct, indirect and induced impacts. With the increasing prominence of Internet-based advertising, only 30% of CBC/Radio-Canada's redistributed advertising revenue would stay within Canada's media sector; and only 12% would actually be redistributed to other Canadian television services. An estimated 70% of CBC/Radio-Canada's redistributed advertising revenue would ultimately be diverted out of the Canadian economy, thereby, resulting in employment and GDP losses in Canada's independent production sector, the Canadian media sector and the wider Canadian economy.

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<sup>2</sup> Estimated from statistics filed with the CRTC. Includes CBC/Radio-Canada's total CPE spending on original independent production, acquisitions of Canadian programming and in-house production (e.g. news and sports programming).

## 1. Introduction

### 1.1 Context

From its founding in 1936, CBC/Radio-Canada has earned revenue from the sales of advertising airtime on its television services. Up until 1976 (and for a brief period in the 2000s), it also earned advertising revenue on some of its radio services.

Currently, CBC/Radio-Canada principally earns commercial revenue from two sources: (i) subscription fees for discretionary television services and the subscription versions of its video on demand (VOD) platforms, ICITou.TV and CBC Gem; and (ii) the sale of advertising airtime on conventional and discretionary television services, on its free ad-supported television (FAST) versions ICITou.TV and CBC Gem, and its web content.

In January 2019, CBC/Radio-Canada made a publicly disclosed submission to the Legislative Review panel entitled, [Our Culture, Our Democracy: Canada in the Digital World](#). In that submission, it argued for continuation of its control over commercial revenue generation. In the rapid evolution of delivery platforms and business model within the television industry, CBC/Radio-Canada maintained that it would best serve its mandate if it controlled when and how it would develop its commercial revenue sources.

In May 2023, the Heritage Minister at the time, Pablo Rodriguez, announced that the government would be conducting a review of CBC/Radio-Canada's mandate.<sup>3</sup> The Liberal government's commitment to review and update CBC/Radio-Canada's mandate was reiterated by current Heritage Minister, Pascal St-Onge, in December 2023.<sup>4</sup> The Liberal government would like CBC/Radio-Canada's updated mandate in place before the next federal election, due before October 2025.

Among other things, this mandate review will consider how CBC/Radio-Canada should be funded over the next decade and in the longer term. The following independent study is intended to provide evidence to feed into this mandate review.

### 1.2 About this study

In 2011, Nordicity prepared an independent study that assessed the public policy importance of advertising on CBC/Radio-Canada. That study, entitled [Why Advertising on CBC/Radio-Canada is Good Public Policy](#), concluded that the elimination of advertising on CBC/Radio-Canada, without any replacement by the federal government, would have a devastating effect on the public broadcaster's ability to fulfill its mandate. Nordicity's 2011 study also found that while Canadian private broadcasters would experience some benefit in terms of redirected ad spending, there would be significant negative implications for Canadian programming, independent Canadian production and the Canadian economy.

In December 2019, Nordicity prepared an updated version of that study, *The Case for Advertising on CBC/Radio-Canada*. Despite the changes in Canada's television landscape in the intervening eight years, that study found that advertising had remained relatively robust – much like the advertising market for radio and outdoor media, but in contrast to the experience of print media –

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<sup>3</sup> Djuric, M (2023), "[Minister says he's reviewing CBC's mandate with eye to making it less reliant on ads](#)," CBC.ca, May 29, 2023.

<sup>4</sup> Canadian Press (2023) "[Heritage minister says she'd like CBC's mandate updated to include strong online presence, fill info gaps](#)," CBC.ca, December 29, 2023.

even as digital platforms' market share continued to grow. Indeed, Canada's incumbent broadcasters such as CBC/Radio-Canada had, by 2019, established footholds in the digital platform space with internet-based video-on-demand (VOD) services of their own.

With this background in mind, CBC/Radio-Canada commissioned Nordicity to prepare another update to its 2019 study. Among other things, the 2024 edition of *The Case for Advertising on CBC/Radio-Canada* revisits many of the arguments and evidence put forward in the 2019 study, through the lens of a constantly evolving television market landscape – and one that has been permanently reshaped by the proliferation and growth of the global subscription VOD (SVOD) players since 2019.

In particular, this updated study draws upon domestic and international evidence to demonstrate how CBC/Radio-Canada's **ability to earn revenue from advertising and program sponsorship is integral to its ability to fulfil its mandate to *inform, enlighten and entertain all Canadians***.

To complete this study, Nordicity conducted desk research of the advertising, broadcasting and television production markets in Canada and other countries belonging to the Organization for Economic Cooperation and Development (OECD). As a check on our assumptions regarding CBC/Radio-Canada's **business and programming practices**, Nordicity also conducted short interviews with senior executives at CBC/Radio-Canada.

The study also includes economic modelling of the impact of eliminating advertising on CBC/Radio-Canada services, in order to further demonstrate how such a scenario would not only have an impact on CBC/Radio-Canada's **ability to meet its mandate, but also on the entire Canadian broadcasting system's ability to meet the policy objectives embodied in the *Online Streaming Act, Broadcasting Act***, and on the Canadian economy.

While Nordicity did confer directly with CBC/Radio-Canada in the preparation of this new study, the conclusions contained within it represent the independent judgement of Nordicity.

### 1.3 Overview of the analysis

In this study, Nordicity has approached the analysis of the public policy benefits of advertising revenue at CBC/Radio-Canada by considering how it means that:

- I. CBC/Radio-Canada has more money to work with – under a scenario where the federal government does not replace any lost advertising revenue with additional public funding.
- II. CBC/Radio-Canada has more non-public money, and therefore, is less reliant on public funding, which can be subject to political and fiscal cycles.
- III. CBC/Radio-Canada has more advertising money, which gives it the financial flexibility needed to adapt its revenue models and maintain its financial sustainability.
- IV. The entire Canadian broadcasting system retains more advertising money, thus allowing it to maximize the benefits from access to the advertising market.

Figure 1 Overview of analysis



### 1.4 Outline of the study

In Section 2, we present the background to this study, including an examination of the changing television market landscape. Section 3 explores how the additional financial resources provided by advertising revenue enable CBC/Radio-Canada to fulfill its public broadcasting mandate.

CBC/Radio-Canada could obtain additional financial resources through additional public funding – specifically in a scenario where the federal government offsets any loss of advertising revenue with a higher parliamentary appropriation. Section 4 discusses the public policy benefits of moderating CBC/Radio-Canada's dependence on public funding – a common practice among public broadcasters around the world.

In Section 5, we examine how CBC/Radio-Canada's specific access to advertising revenue, itself, generates public policy benefits for the public broadcaster. And in Section 6 we examine the benefits derived by the entire Canadian broadcasting system, production community and Canadian economy, on account of advertising on CBC/Radio-Canada.

In Section 7, we summarize the key conclusions of our analysis.

## 2. Background

### 2.1 Previous studies and policy papers

In 2011, Nordicity prepared a similar study for CBC/Radio-Canada, [Why Advertising on CBC/Radio-Canada is Good Public Policy](#). That study examined the public policy reasons for CBC/Radio-Canada to continue to earn advertising revenue. It include research and modelling of the impact of CBC/Radio-Canada withdrawing from television advertising, The findings demonstrated the negative impact the withdrawing from advertising would have on the Canadian broadcasting system, Canadian independent producers and the Canadian economy.

More recently, in 2015, CBC/Radio-Canada published its own policy paper, [A Creative Canada: Strengthening Canadian Culture in a Digital World](#), in which it recommended, among other things, that it remove advertising from all its services in exchange for \$318 million in compensation from the federal government – for both the lost advertising revenue and the additional programming costs associated with filling the freed-up airtime.<sup>5</sup> At that time, it was becoming clear that advertising on both discretionary and conventional television services was facing increasing competition from digital advertising. Partly for that reason, it was the position of CBC/Radio-Canada, at that time, that locking in additional funding from the federal government would provide it with more financial stability.<sup>6</sup>

In its submission to the Legislative Review Panel in January 2019, CBC/Radio-Canada indicated that it no longer considered that replacing its advertising revenue with government funding was a viable option. In fact, CBC/Radio-Canada centred its future strategy around independence in revenue-generation strategies. In a world of ongoing disruption and change in the communications and media environment, CBC/Radio-Canada maintained that it needed control over how it structured its revenue-producing activities – whether online or broadcasting advertising or subscription revenues.

Given this position, CBC/Radio-Canada determined that it should re-examine the implications of eliminating television advertising from all its services. That led to the publication in December 2019, of the Nordicity study, *The Case for Advertising on CBC/Radio-Canada*. The following study provides an update to the research and analysis in that 2019 study.

### 2.2 The television landscape

As is well known, the television landscape – both in Canada and globally – has changed dramatically over the past decade, with many of the trends accelerating since 2020. Most notably, the profile of video content consumption has continued its trend towards *online* and *on-demand* viewing, and away from linear TV viewing. This trend continues to have significant repercussions for linear broadcasting, disrupting existing revenue streams and creating opportunities for new revenue models.

In the US, daily engagement with digital media (i.e. any online activity) spiked at the beginning of the Covid-19 pandemic in 2020 and has continued to grow while daily engagement with traditional media (including linear TV, cinema, radio, print and outdoor media) has continued to steadily decline (Figure 2a). In July 2023, eMarketer forecast that average daily engagement with

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<sup>5</sup> CBC/Radio-Canada (2016), [A Creative Canada: Strengthening Canadian Culture in a Digital World](#), pp. 5 and 31.

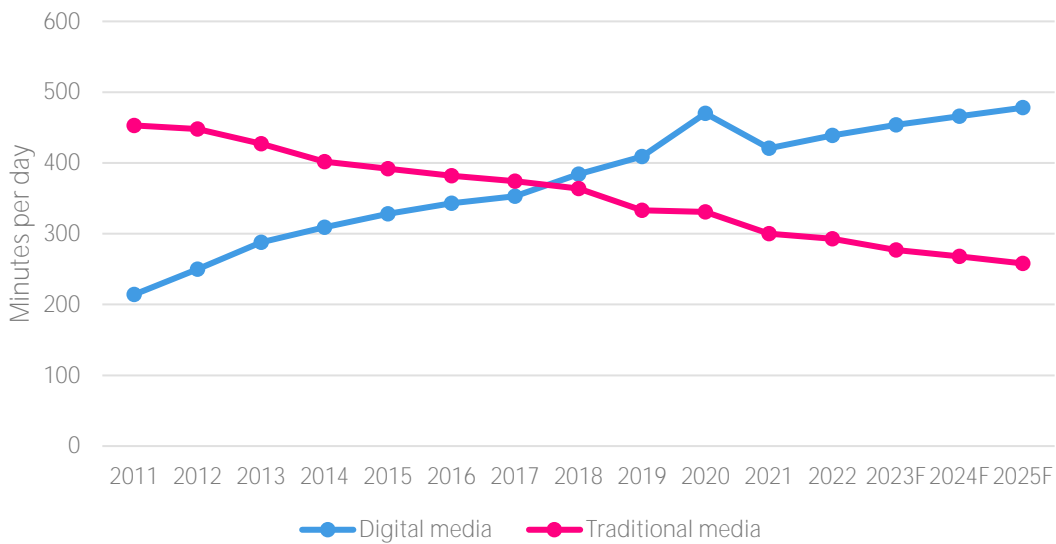
<sup>6</sup> CBC/Radio-Canada (2016), p. 29.

digital media would reach 454 minutes per adult in 2023; engagement with traditional media including linear TV would decline to 277 minutes in that year.

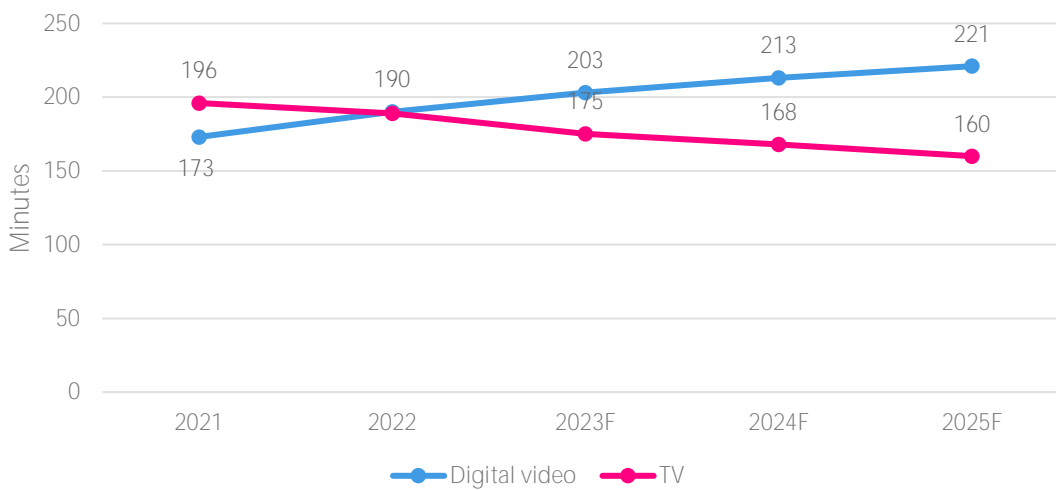
Looking more specifically at daily engagement with video media, eMarketer found that average daily engagement of digital video (i.e. all online video including social networks) and TV (i.e. live and recorded TV viewing) crossed over in 2022 at 190 minutes (Figure 2b). From 2023 onwards, eMarketer forecasts that daily engagement with digital video will continue to grow as TV engagement declines.

Figure 2 Average daily number of minutes spent on media, US

a. Digital media vs. traditional media



b. Digital media vs. TV, US

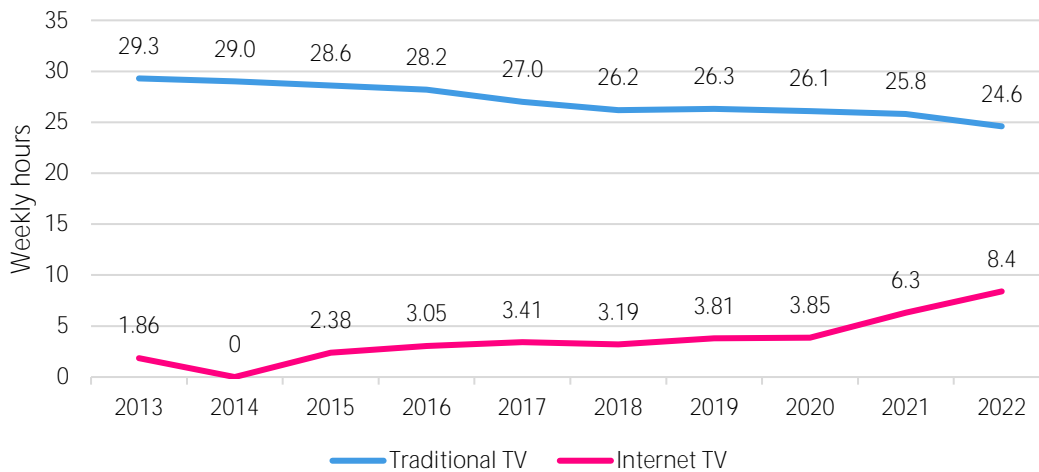


Source: eMarketer (July 2023)  
F – Forecast

Notwithstanding the trends and forecasts for media engagement in the US, statistics for Canada suggest that traditional TV viewing remains relatively resilient, even as internet TV use has grown. Between 2019 and 2022, Canadians' Internet TV viewing grew from 3.8 hours per week to 8.4 hours per week – an increase of over 120% (Figure 3). Meanwhile, traditional TV viewing declined from 26.3 hours per week to 24.6 hours per week – a 6% decline.

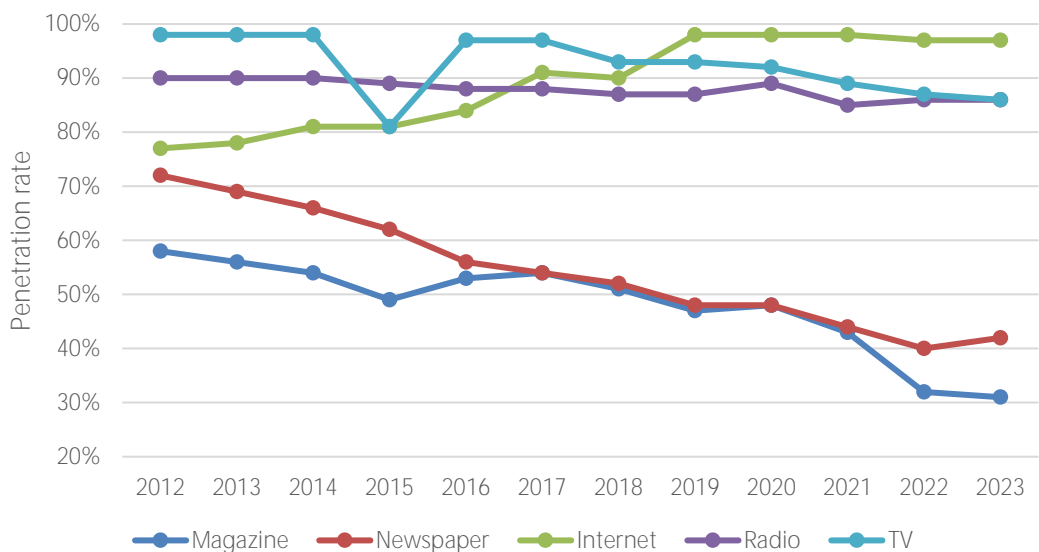
In terms of average weekly reach, just under 90% of Canadians watch television each week. This is comparable to radio and close to the near-universal use of the Internet (Figure 4).

Figure 3 Average weekly viewing hours of traditional TV and Internet TV watched, Canada



Source: CTRC

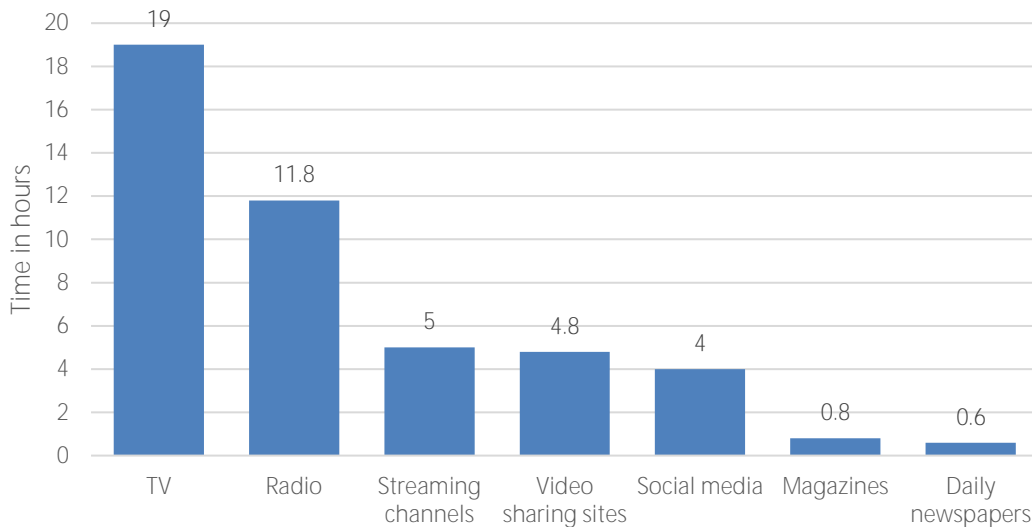
Figure 4 Weekly reach of selected media in Canada



Source: comScore; IAB Canada; Numeris and Vividata

In terms of total hours spent engaged with media, television watching is still, by far, the leading media in Canada. In 2023, Canadian adults watched 19 hours of television on average per week (Figure 5). This was significantly more than the time spent on streaming channels (5 hours), video-sharing (4.8 hours) and social media (4 hours).

Figure 5 Weekly hours spent per capita with selected media, Canadian adults, 2023



Source: Thinktv; Various sources (Numeris, PHD Canada)

Another major development in broadcasting since Nordicity's 2019 study is the proliferation of streaming services in Canada and globally, which accelerated during the COVID-19 pandemic. More recently, streaming services have introduced ad-supported video on-demand (AVOD) subscription models. In addition, there has been growth in free ad supported streaming television (FAST) services.

CBC/Radio-Canada has, of course, participated in this evolution through streaming services Tou.TV (launched in 2010) and Gem (launched in 2018), which operate with both paid subscription and ad-supported subscription models. In addition, CBC/Radio-Canada has launched various FAST channels.

Netflix and other streaming services have been earning significant subscription revenues from the Canadian market. In 2022, SVOD services earned over \$3 billion in the Canadian market (Figure 8). They are also capturing important viewing share, especially among younger viewers. Canadians aged 16 to 54 years in both language markets report spending more time on streaming services than on linear TV; however, even the 16 to 25-year-old age group still reports watching over 90 minutes of linear TV (both language markets).<sup>7</sup>

GWI data on audience-reported behaviour in 2023, places Netflix as the top-used streaming service and YouTube the second most used service across all age categories and both language groups, except for Anglophones aged 16 to 24 years, where YouTube was slightly ahead of Netflix.

CBC/Radio-Canada's streaming services made the top ten most used services across most age categories in both language markets. CBC Gem was a close 11th among Anglophones 25 to 34

<sup>7</sup> GWI (2023)

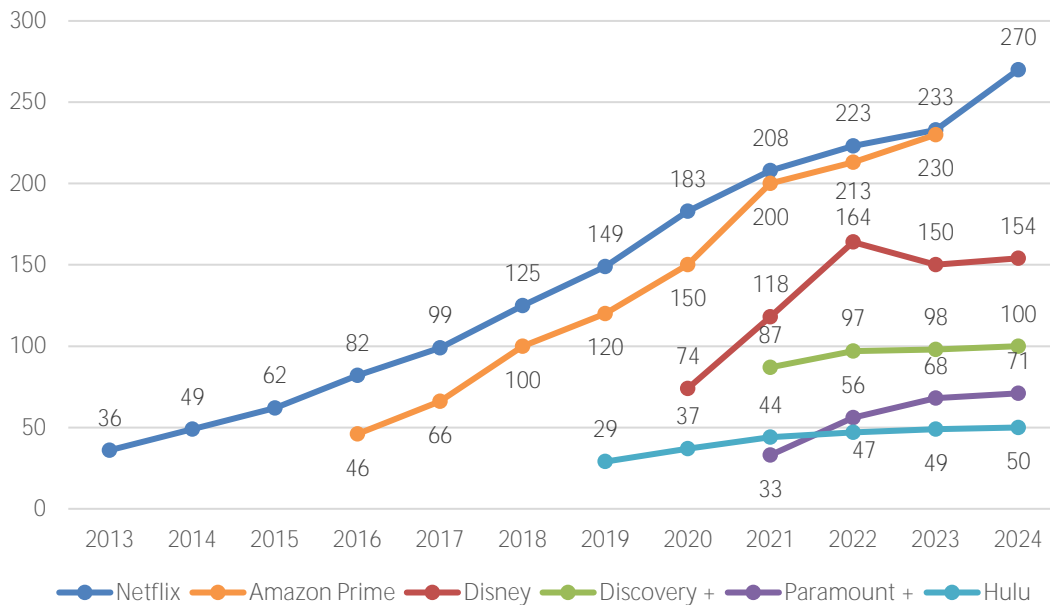
years old, and firmly part of the top streaming services for 35- to 64-year-olds. Tou.tv was in the top ten across all age categories in the Francophone market and, interestingly, Francophones aged 55 to 64 years old included CBC Gem in their top 10 streaming services.

Adoption of streaming services has occurred in tandem with a slow but steady decline in linear TV viewing, growing interest in user generated content (UGC) primarily via YouTube, a preference to manage when and where content is viewed, and the incremental integration of data science into the world of media (e.g. algorithms, audience insights). The rise of streaming services has been a **central theme since the introduction of Netflix’s online SVOD service in 2007** and its rapid take up during the early stages of the pandemic.

With a presence in over 190 countries, Netflix now counts more than 270 million paid accounts (Figure 6).<sup>8</sup> A portion of these Netflix accounts now include the optional lower priced ad-supported subscription tier introduced in 2022.

Netflix is followed by Amazon Prime Video, which reportedly had over 200 million subscribers in early 2024 (Figure 6).<sup>9</sup> It introduced ads to its basic subscription in Canada in January 2024, requiring clients seeking an ad-free subscription to opt out, or rather up, to a higher priced tier. Other streamers are also moving to offer tiered subscriptions. The introduction of ad-based **subscription tiers, combined with Netflix and other streamers’ crackdown on shared subscriptions** signals a shift in focus from market growth to profit and return on investment.

Figure 6 SVOD subscriptions, worldwide



Note: Yearly subscribers reported as of Q1.  
Source: Nordicity research

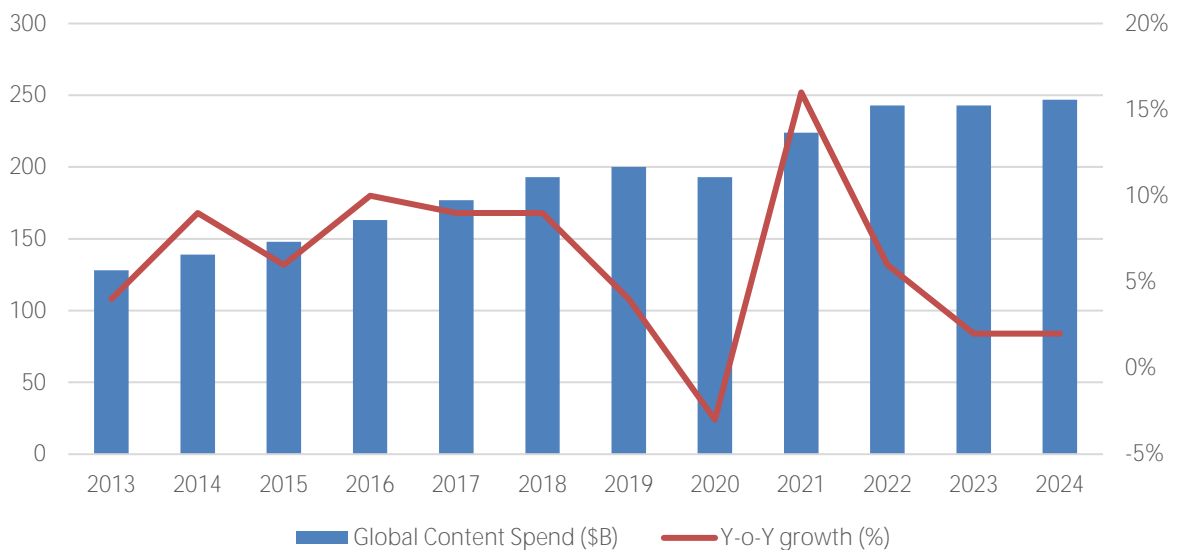
<sup>8</sup> Netflix (2019), “[Company Profile](#).”

<sup>9</sup> Spangler, T. (2024) “[Prime Video Now Reaches More Than 200 Million Monthly Viewers, TV Ads ‘Off to a Strong Start,’ Amazon CEO Says](#).” *Variety*. 11 April 2024.

Disney+ had over 150 million subscribers worldwide as of 2024 and Discovery+ (which includes HBOmax) had over 100 million subscribers (Figure 6).

Rising interest rates, overall inflation, the resulting higher cost of production, along with investors looking for a return on their contributions has streamers, tech giants, and broadcasters, continuing to build market share, but with a tighter rein to ensure revenue is tied to that growth. The drive to profit includes cost-cutting measures such as restructuring;<sup>10</sup> show cancellations and shorter seasons,<sup>11</sup> along with shared licensing and bundling deals.<sup>12</sup> Streamers have also entered the ‘appointment viewing’ market of linear television, investing in sports, live-streamed events, and timed release of tentpole productions.<sup>13</sup> The focus on profitability is anticipated to result in slowed total global spend on content production (Figure 7).

Figure 7 Total global spending on audiovisual content (USD \$B)



Note: Ampere Analysis in The Digital Media Universe: measuring the Revenues, the Audiences, and the Future Prospects presented at DM@X 2024

With access to a large and growing market share that skews younger, along with the individualized data collected through each subscription, streamers are well positioned to draw advertising sales to ad-supported subscription tiers and FAST channels. CBC/Radio-Canada, while it holds a much smaller market share, is similarly positioned to provide advertisers with access to Canadian audiences through multiple platforms: linear TV, FAST channels, and ad-supported and/or paid subscription streaming models.

<sup>10</sup> [Media Companies Have Slashed Over 20,000 Jobs In 2023 \(forbes.com\)](https://www.forbes.com)

<sup>11</sup> ["Why streaming services are dumping shows left and right" \(VOX, June 29, 2023\)](https://www.vox.com) ["Seven-Year Cancellation Itch: Why 'Good Doctor', 'Station 19' & Other Broadcast Series Are Ending After 7 Seasons" \(Deadline, January 15, 2024\)](https://www.deadline.com)

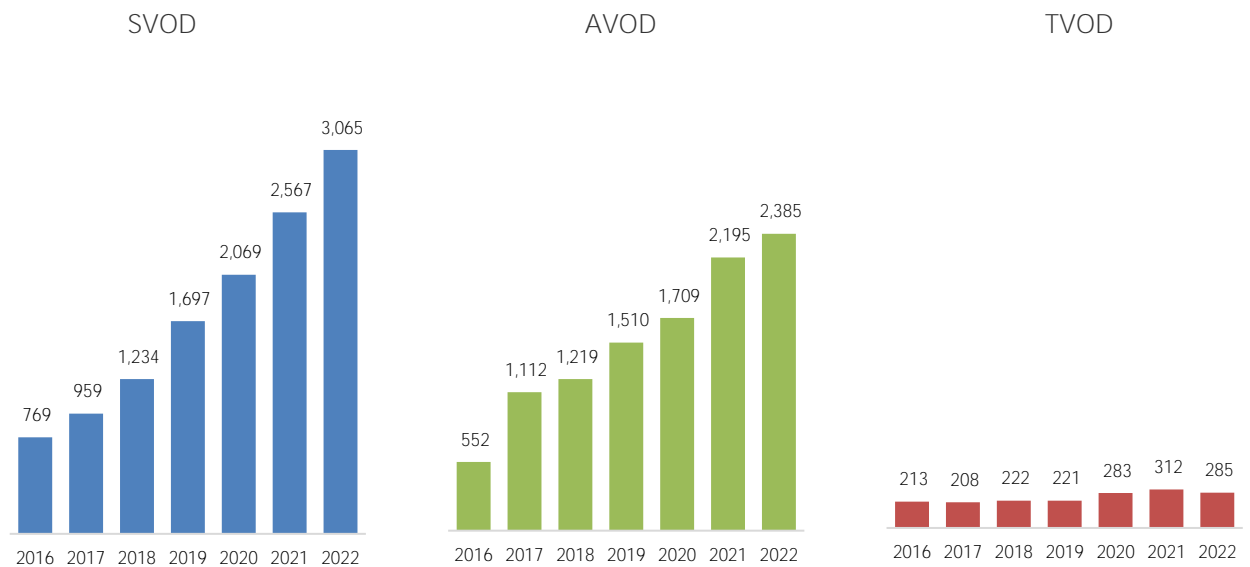
<sup>12</sup> ["Verizon To Offer a Netflix & Max with Ads Streaming Bundle For \\$10 A Month" \(Deadline, December 4, 2023\)](https://www.deadline.com); ["Disney and Warner Bros. Discovery to Launch Disney+, Hulu, Max Streaming Bundle" \(Variety, May 8, 2024\)](https://www.variety.com)

<sup>13</sup> ["The Binge Model is Losing Out to Week-to-Week Streaming Releases for Sustaining Longer Interest | Charts" \(The Wrap, October 27, 2023\)](https://www.thewrap.com), [Streaming services profitability | Deloitte Insights](https://www.deloitte.com)

Figure 8 illustrates the growing footprint of online video services in Canada.

- SVOD revenue is booming – increasing by about 300% between 2016 and 2022. This growth has been underpinned by the growing availability of platforms. In addition to the **leading global platforms and broadcasters' own SVOD services, Canadians can now** subscribe to a variety of other platforms, including Shudder (horror and sci-fi), The Criterion Channel (auteur content), Acorn TV (British shows), Sundance Now (indie films) and Dazn (sport events). Netflix accounted for 49% of total SVOD revenues in Canada in 2022.
- AVOD is used by platforms such as YouTube, Facebook, other social media platforms and other online video. The latter is driving growth (+332% since 2016). YouTube accounted for 54% of AVOD revenues in Canada in 2022.
- Transactional Video on Demand (TVOD) – i.e. digital rental or download – has grown at a significantly slower rate over the past seven years (+34%), seeing fluctuation over the period, peaking in 2021. iTunes accounted for 44% of TVOD revenues in Canada in 2022.

Figure 8 Internet-based video services estimated revenues in Canada, by business model (\$M)



Source: CRTC, Communications Market Report Open Data 2022

Two questions remain: how much of this revenue will be captured by Canadian-owned companies (which contribute to the production of Canadian-owned productions); and will the *Online Streaming Act* result in international streamers contributing more to the production of Canadian content.

The *Online Streaming Act* represents a major re-organization of how audiovisual content distribution is regulated in Canada, the new regulations are anticipated to result in international streamers as well as conventional broadcast undertakings contributing to the production of Canadian content. On June 4, 2024, the CRTC announced that foreign streamers with Canadian revenue exceeding \$25 million would be required to remit a base contribution of 5% of their Canadian revenue to creation of Canadian content, with specified portions of the total

contribution ring-fenced for indigenous and minority-language production. This base contribution will raise \$200 million annually for Canadian content production.

### 2.3 Global media advertising trends

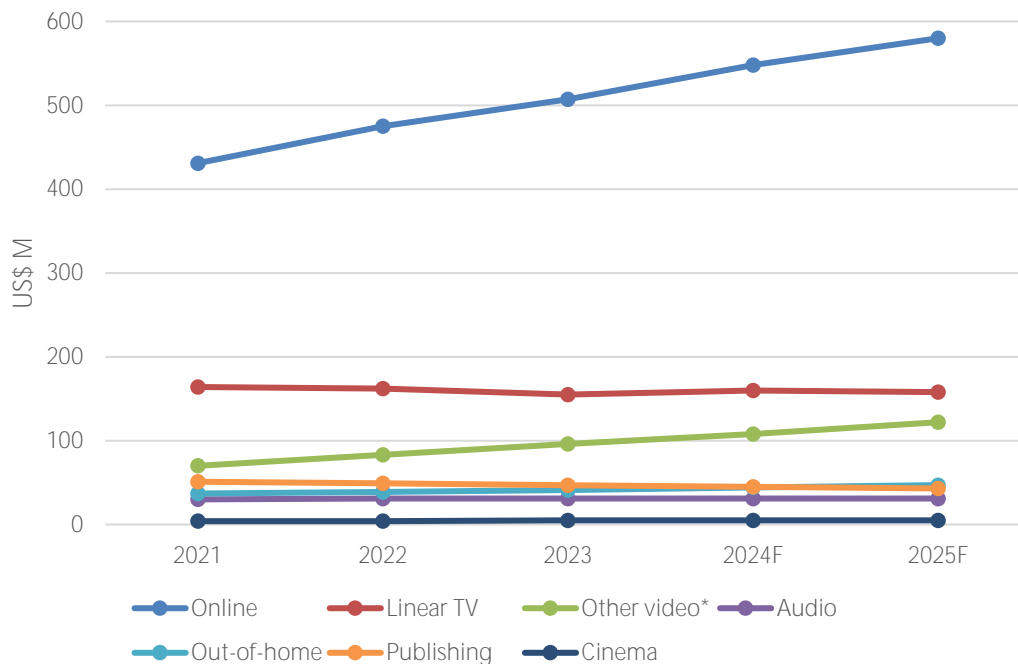
The global advertising environment has seen the striking advance of online advertising: from a minority medium in 2006, Internet has become the leading advertising platform – outperforming television in 2016 in terms of total volume. Online advertising is now worth more than all other media combined, even excluding online video.<sup>14</sup>

Figure 9 illustrates how online advertising has overtaken global ad market and will continue to grow. Linear TV is the second largest recipient of ad revenue, however, it is in gradually decline. Other video platforms – including AVOD, FAST and connected TV – however, are growing their share of the global ad market. Indeed, if the trend reflected in Figure 9 continues, then these online video platforms will soon exceed linear TV in terms of annual ad revenue.

Audio, publishing, out-of-home and cinema advertising will remain relatively small and display limited if any growth in the next couple of years.

The dominance of online advertising, other video, and other digital media is further reflected in Figure 10. Digital ad spending is forecast to continue to grow both in monetary terms and also as a percentage of total ad spending.

Figure 9 Advertising spending by medium, worldwide (US\$ M)

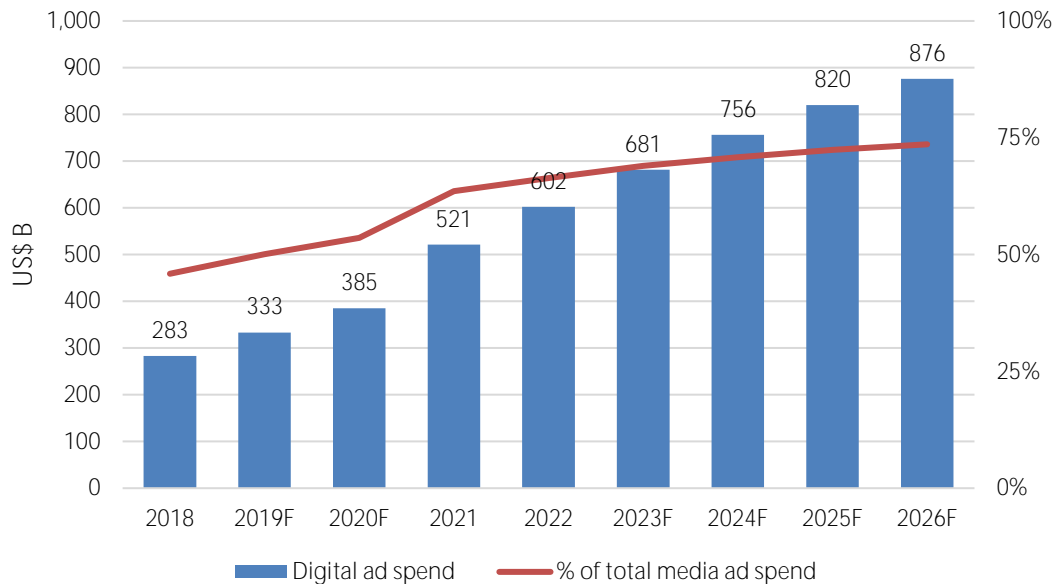


Source: Zenith  
F – Forecast

\* Includes ad-supported SVOD, BVOD, AVOD, FAST and connected TV.

<sup>14</sup> Zenith (2023) Advertising Expenditure Forecasts June 2023, p. 13.

Figure 10 Projected worldwide digital ad spending (US\$ B)



Source: eMarketer  
F – Forecast

## 2.4 Television advertising trends in Canada

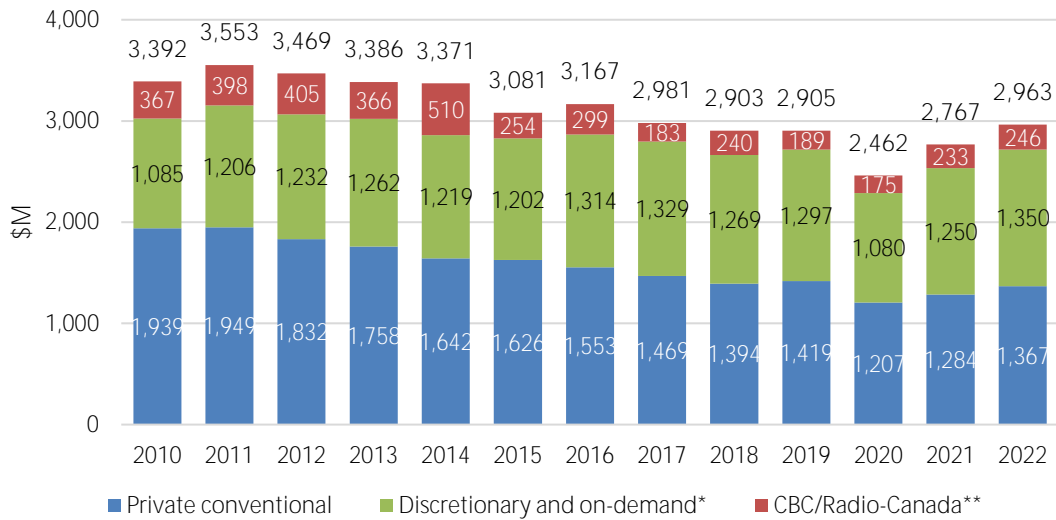
The annual volume of television advertising has been declining modestly in recent years, while advertising spend on digital platforms has continued to rise. BDU revenues and subscribers continue to decline, private conventional broadcasters are faced with hard choices as revenue declines and operating and production costs continue to rise due to inflation, high interest rates, and rising costs across all areas of activity. As illustrated earlier, audiences across all age groups are still engaging with linear TV; so not unlike radio and outdoor options, advertising sales on linear TV have remained relatively resilient as advertising spending on digital platforms increases.

Advertising revenue in the Canadian television sector peaked at over \$3.5 billion in 2011 (Figure 11). Since then, it declined modestly until seeing a sharp drop off in 2020, before recovering to nearly \$3 billion as of 2022.

In 2018, **CBC/Radio-Canada's advertising revenue rose due to its carriage of the 2018 PyeongChang Winter Olympics**. However, lower advertising revenue in both the conventional, and discretionary and on-demand tiers meant that the **Canadian broadcasting industry's** total television advertising revenue declined by 2.6% to just over \$2.9 billion during the 2018 broadcasting year (September 1, 2017 to August 31, 2018). The total television revenue held steady in the 2018-2019 year; but **CBC/Radio-Canada's revenue declined** to the pre-PyeongChang level.

While the total television advertising revenue declined by about half a billion dollars during the COVID-19 pandemic, all tiers have recovered strongly by 2022 with CBC/Radio-Canada just above the \$240 million garnered due to the 2018 Olympics. This increased revenue is likely related to carriage of the Tokyo Olympics in 2021 (originally scheduled for 2020 and postponed to 2021), 2022 Winter Olympics in Beijing, and the 2022 Commonwealth Games.

Figure 11 Television advertising revenue in Canada



Source: CRTC and Nordicity estimates

E - Estimate

\* Includes CBC/Radio-Canada discretionary services

\*\* Excludes CBC/Radio-Canada discretionary services

### 3. CBC/Radio-Canada has more money

First and foremost, the advertising revenue earned by CBC/Radio-Canada provides it with important additional financial resources to deliver its mandate – assuming that the federal government was not intent on replacing any eliminated advertising revenue on a dollar-for-dollar basis. In this section, we review CBC/Radio-Canada’s **public broadcasting mandate and the role of advertising revenue** within its revenue model.

#### 3.1 CBC/Radio-Canada’s Mandate

As Canada’s **only national public broadcaster**, CBC/Radio-Canada plays an important role in achieving the goals of Canadian broadcasting policy. CBC/Radio-Canada’s **specific public broadcasting mandate is defined in Canada’s Broadcasting Act**.

*3 (1) (l) the Canadian Broadcasting Corporation, as a national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains*

The *Broadcasting Act* also states that CBC/Radio-Canada’s **programming should:**

- Be predominantly and distinctively Canadian;
- Reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions;
- Actively contribute to the flow and exchange of cultural expression;
- 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;
- Strive to be of equivalent quality in English and in French;
- Contribute to a shared national consciousness and identity;
- Be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose; and
- Reflect the multicultural and multiracial nature of Canada.

CBC/Radio-Canada delivers this mandate in a variety of ways over television, radio and digital platforms.

- It operates 27 local television stations, 88 radio stations and one digital-only station and has presence in every single province and territory across Canada.
- It operates two national television networks (English and French), five discretionary television services and four Canada-wide radio networks.
- Maintains numerous foreign news bureaus including in Washington, New York, Los Angeles, London, Taipei, Mumbai and Istanbul.
- It is the only national broadcaster in Canada offering content in English, French and eight Indigenous languages: Cree, Dehcho Dene Yatı, **Deñe Sıłıñé** (Chipewyan), **Gwich’in**, **Inuktitut**, **Inuvialuktun**, **Sahtu Got’ine Godi and Thıcho** (Tlicho). On RCInet.ca, it provides news content in English, French, Spanish, Arabic, Mandarin, Punjabi and Tagalog for international audiences.

CBC/Radio-Canada's operations are broad and deep covering all of Canada and broadcasting in two official languages and eight indigenous language to inform audiences across Canada's large geography. In fact, historically, CBC/Radio-Canada has maintained a service that reaches every part of Canada, including areas where it is not feasible for private broadcasters.

### 3.2 Advertising is a significant revenue stream for CBC/Radio-Canada

Like all public broadcasters, CBC/Radio-Canada needs significant financial resources to deliver on its mandate and achieve its myriad public policy objectives. In 2021/22, for example, CBC/Radio-Canada's operating costs totalled over \$2 billion – in part because of the carriage of both the Tokyo 2020 Summer Olympics and Beijing 2022 Summer Olympics. In 2022/23, however, CBC/Radio-Canada's operating expenses reverted to \$1.9 billion. All told, CBC/Radio-Canada requires just under \$2 billion, annually, to deliver its public broadcasting mandate and services.

Among western countries, however, CBC/Radio-Canada receives one of the lowest levels of public subsidy per capita in order to meet its costs of services. In 2022 – as in previous years – Canada and CBC/Radio-Canada ranked 17<sup>th</sup> out of 20 western countries in terms of the annual level of public subsidy. In 2022 (the most recent year for which data is available for all 20 comparison countries) CBC/Radio-Canada's parliamentary appropriation was equivalent to only \$32 per capita. Only public broadcasters in Portugal, New Zealand and the United States (US) received less in per capita public funding than CBC/Radio-Canada.

The limited amount of public funding for CBC/Radio-Canada in comparison to its peer countries has meant that it has had to look to self-generated revenue sources to maintain its revenue base. Advertising has been the most significant of these self-generated revenues sources.

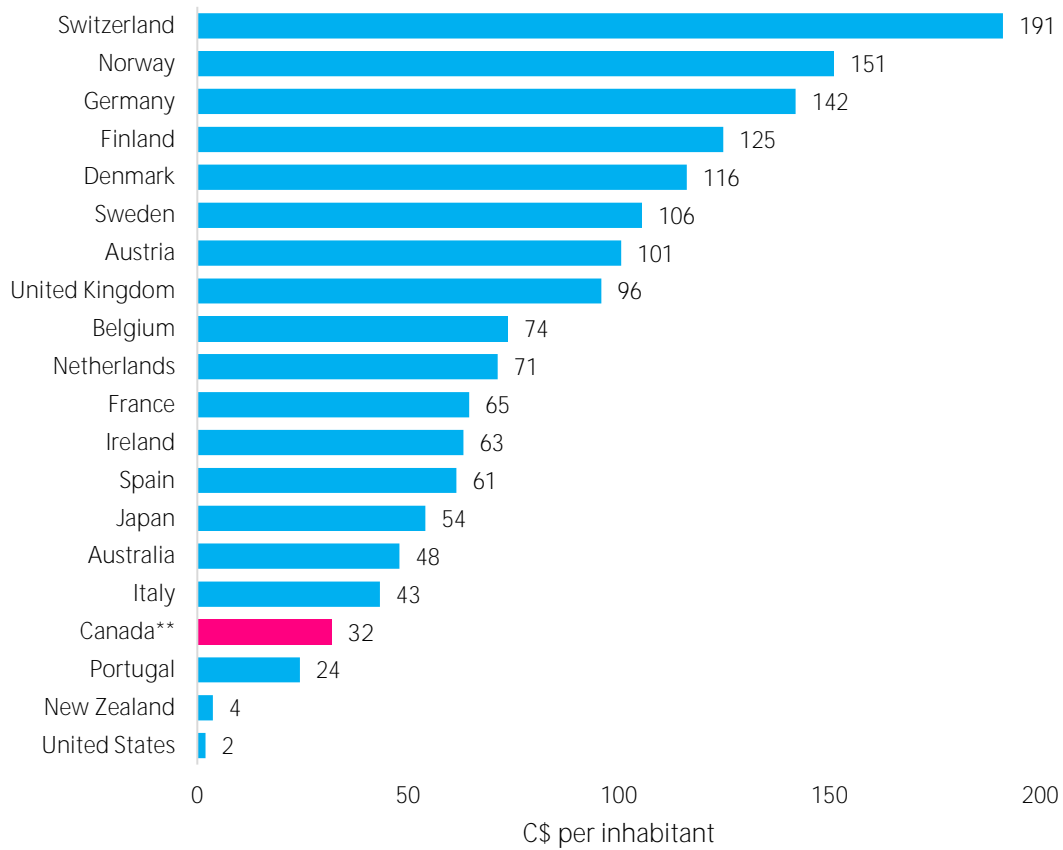
During the 2022 broadcasting year, ("BY2022"), CBC/Radio-Canada had total revenue of just over \$1.85 billion (Figure 13).

- Just over two-thirds of CBC/Radio-Canada's total revenue in BY2022 came from its parliamentary appropriation of over \$1.2 billion.
- Advertising was CBC/Radio-Canada's second largest source of revenue. Across all of its platforms and services – including digital platforms – CBC/Radio-Canada earned \$367 million from sales of advertising, or 20% of its total revenue.
- CBC/Radio-Canada also earned revenue from subscriber fees for its discretionary television services, and financing and other income sources.<sup>15</sup> However, these sources only accounted for a combined 12% of total revenue in BY2022.

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<sup>15</sup> Other income includes income activities such as the rental of real estate assets, content sales, leasing of space at transmission sites and host broadcasting of sports.

Figure 12 Per capita public funding for public broadcasters, 2022\*



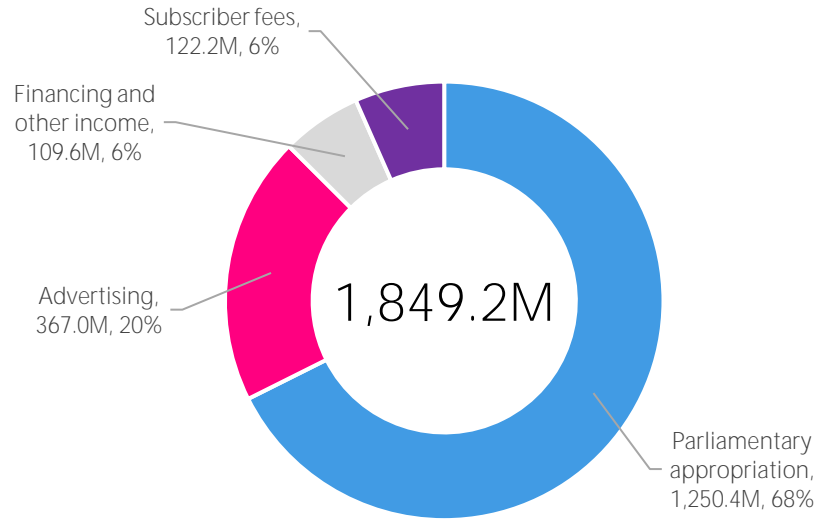
Source: Nordicity analysis of annual reports of public broadcasters.

Notes:

\*Excludes any commercial revenue earned by public broadcasters; PSBs in certain countries may have received temporary increases in public funding during their fiscal 2021/22, to mitigate the effects of the Covid-19 pandemic.

\*\* Excludes provincial educational broadcasters

Figure 13 CBC/Radio-Canada revenue, by source, BY2022



Source: Nordicity estimates based on data from CBC/Radio-Canada Annual Returns to CRTC and CBC/Radio-Canada Annual Report 2021-22

Out of CBC/Radio-Canada's total advertising revenue of \$367 million earned during BY2022 (Table 1),

- \$246.1 million was earned on its conventional television services,
- \$35.2 million on its discretionary television services, and
- \$85.7 million on its digital platforms, including CBC.ca, ici.radio-canada.ca and ICI.TOU.tv.

CBC/Radio-Canada's **English**-language services accounted for an estimated \$204.3 million, or 55% of its total advertising revenue in BY2022. Its French-language services accounted for an estimated \$162.6 million in advertising revenue or 44% of the total in BY2022.

Table 1 CBC/Radio-Canada advertising revenue, BY2022

	English-language	French-language	Total
Conventional television	127.5	118.6	246.1
Discretionary television	20.3	14.9	35.2
Radio	0	0	0
Digital platforms	56.6	29.1	85.7
<b>Total</b>	<b>204.3</b>	<b>162.6</b>	<b>367.0</b>

Source: Nordicity estimates based on data from CBC/Radio-Canada Annual Returns to CRTC and CBC/Radio-Canada Annual Report 2021-22

Note: CBC/Radio-Canada advertising revenue was unusually high during the 2022 broadcasting year due the televising of both the 2020 Tokyo Summer Olympics and the 2022 Beijing Winter Olympics.

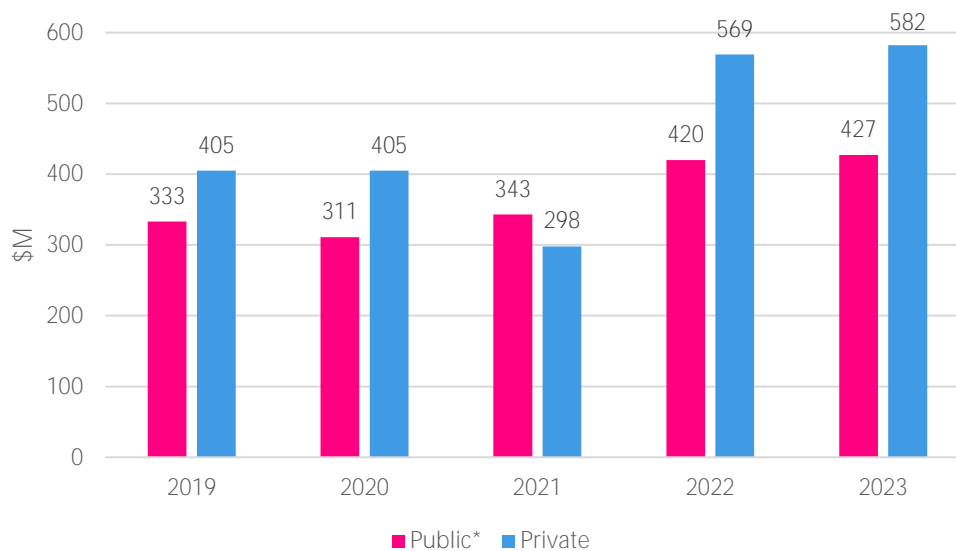
### 3.3 Supporting the creation of independent Canadian programming

The additional financial resources from advertising revenue help CBC/Radio-Canada to maintain its position as a leading supporter of independent Canadian programming among Canadian broadcasters.

According to statistics published by the Canadian Media Producers Association (CMPA) in *Profile 2023*, Canadian public broadcasters, namely CBC/Radio-Canada, invested – by way of broadcast licence fees – an estimated \$427 million in the creation of original Canadian television programming in 2022/23 (Figure 14). And while the absolute dollar value of CBC/Radio-Canada’s investment was 27% less than the \$582 million invested by private Canadian broadcasters, it was much higher when viewed in terms of CBC/Radio-Canada market share within Canadian television broadcasting sector.

Public broadcasters accounted for 42% of the total licence fees for Canadian television content in 2022/23, with private broadcasters accounting for the other 58% (Figure 15). However, private broadcasters’ 58% share of content investment significantly under-performs their 80% share of sector revenue in 2022; whereas public broadcasters’ 42% share of content investment was more than double their 20% share of sector revenue. Furthermore, it is important to keep in mind that the relatively higher spending by private broadcasters in 2022 and 2023 partly reflected their own temporary over-spending to catch-up on their under-spending in 2020 and 2021 due to Covid-19.<sup>16</sup>

Figure 14 **Annual value of Canadian broadcasters’ licence fees for original Canadian television programming**

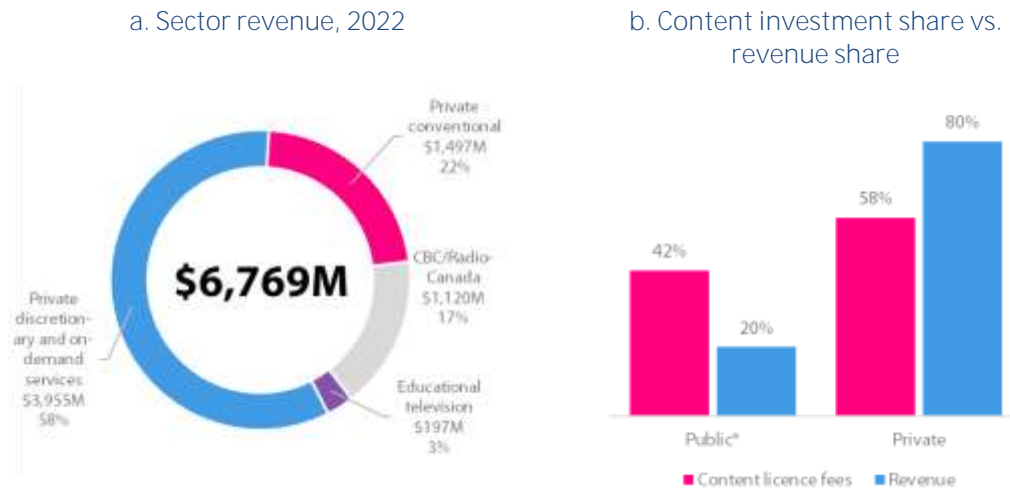


Source: CMPA Profile 2023

\* Includes CBC/Radio-Canada and provincial educational broadcasters

<sup>16</sup> CRTC (2021a) “Broadcasting Decision CRTC 2021-274: Regulatory relief for private Canadian broadcasters in the context of the COVID-19 pandemic,” August 12, 2021.

Figure 15 **Canadian broadcasters' share of licence fees for original Canadian television programming**

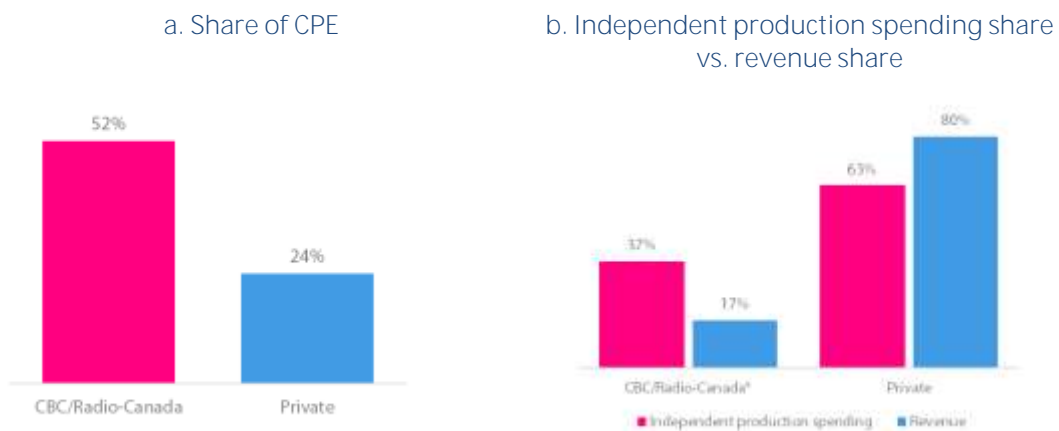


Source: CMPA Profile 2023 and CRTC

\* Total 'public' revenue used to calculate revenue share includes CBC/Radio-Canada parliamentary appropriation and provincial government funding of educational television broadcasters.

CBC/Radio-Canada partners with the independent production sector in Canada to create high quality scripted and unscripted television programming aimed at all types of audiences and demographic groups. In 2023, CBC/Radio-Canada invested an estimated \$325 million in independent Canadian television production, or 52% of its total CPE of \$619 million. In contrast, private Canadian broadcasters allocated only 24% of their CPE to independent production.

Figure 16 **Canadian broadcasters' spending on Canadian independent production**



Source: Nordicity estimates based on data from CRTC

\* Total CBC/Radio-Canada revenue used to calculate revenue share includes parliamentary appropriation.

CBC/Radio-Canada is thereby a relatively more important beacon of demand for quality original programming than it has been in the past. However, if CBC/Radio-Canada did not have access to the additional revenue associated with advertising sales, it would not have enough financing to commission high-quality original productions at the same rate as it does today.

Furthermore, if CBC/Radio-Canada had to significantly lower its licence fees for original production that could reduce the leverage it has to make major programming deals with Netflix and other SVODs.

A strong CBC can be a partner to a strong independent production sector, to make marquee Canadian programming. But it needs to maintain or even grow its current level of revenue to stay in the game as a player.

### **CBC/Radio-Canada's prominent role within the Canadian television programming commissioning market helps prevent private broadcasters from exercising excessive market power over independent producers**

Any scaling back of CBC/Radio-Canada's expenditures on independent production would not only reduce the absolute levels of CPE within the Canadian broadcasting system, but also put downward pressure on average licence fees for new programming. A diminished role for CBC/Radio-Canada necessarily means that private broadcasters have more opportunities to exercise oligopsony power within the Canadian original television programming market. The likely outcome would be lower licence fees for Canadian television programming, and therefore, lower budgets. That would affect production values and programming quality. It could also significantly diminish the opportunities for producers in the regions, as well as producers of drama, documentaries and variety programming.

Having CBC/Radio-Canada as a prominent player within the Canadian television programming commissioning market gives Canadian independent producers an opportunity to work with a program commissioner that is not exclusively focused on commercial objectives. This helps to promote genre and programming diversity within Canadian television. Unlike commercial broadcasters, CBC/Radio-Canada can make room within its schedule for culturally important television content (e.g. documentaries).

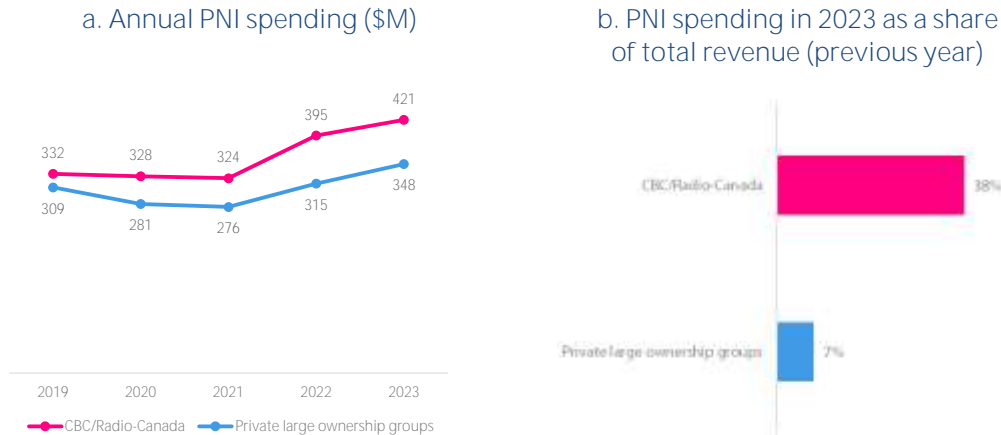
Indeed, over the past five years (BY2019 to BY2023), CBC/Radio-Canada's spending on programs of national interest (PNI)<sup>17</sup> exceeded that of Canada's large private ownership groups<sup>18</sup> on absolute dollar basis and even more so when viewed as a share of total revenue. In 2023, CBC/Radio-Canada invested a record \$421 million in PNI; private large ownership groups invested \$348 million, on a combined basis (Figure 17). CBC/Radio-Canada's PNI investment was equal to 38% of its (previous year) revenue. For private large ownership groups, the share of revenue was only 7%.

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<sup>17</sup> PNI includes long-form documentary; drama; music, dance, and variety (French programming only); and awards shows (English programming only).

<sup>18</sup> Large private ownership groups includes Bell Media Inc., Rogers Communications Inc., Corus Entertainment Inc. and Quebecor Media Inc.

Figure 17 **Canadian broadcasters' spending on programs of national interest (PNI)\***



Source: Nordicity estimates based on data from CRTC

\* Includes long-form documentary; drama; music, dance, and variety (French programming only); and awards shows (English programming only)

With access to additional advertising revenue, CBC/Radio-Canada is not as compelled to always approach its commissioning as a cost-minimisation exercise. Such an exercise would mean that CBC/Radio-Canada would have a strong incentive to shift out of higher-cost genres such as drama and comedy and into lower-cost genres such as factual or lifestyle programming.

In Section 6, we quantify the impact that the elimination of advertising on CBC/Radio-Canada would have on CPE and on the independent production of Canadian television programming. As part of that analysis, we investigate how Canadian private broadcasters are unlikely to completely offset the declines in independent Canadian production that would accompany the elimination of advertising on CBC/Radio-Canada.

### 3.4 Ensures that CBC/Radio-Canada can continue to provide a trusted news source

A healthy democracy requires a financially sustainable and diverse news media ecosystem that can offer citizens and all residents access to a wide range of viewpoints and debate on important issues at national, provincial, regional, local and community levels.

CBC/Radio-Canada has always been one of the most trusted, if not *the* most trusted news source in the country – at a national, regional and local level. Three-quarters of Canadians agree that CBC/Radio-Canada is a trusted source of news<sup>19</sup> and highly informative about what is happening in other parts of Canada.<sup>20</sup> Indeed, as recently as 2022, it ranked as the second most trusted media brand in Canada (second to the Weather Network).<sup>21</sup>

Despite financial constraints, CBC/Radio-Canada has kept investing in news and current affairs. During BY2023, CBC/Radio-Canada invested \$238 million in the delivery of news and current affairs (CRTC program category 2a) across its conventional and discretionary television services, including

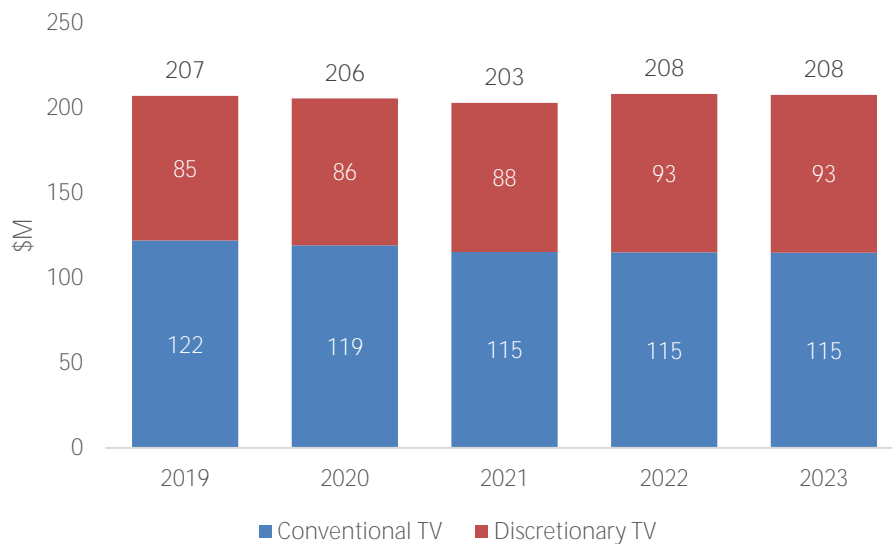
<sup>19</sup> Léger (2022) Mandate and Vision Perception Survey. Fall 2022.

<sup>20</sup> Léger (2023) Mandate and Vision Perception Survey 2022-23.

<sup>21</sup> Gustavson School of Business (2022) [Gustavson Brand Trust Index](#).

\$208 million in news programming. Over the past five years, CBC/Radio-Canada has maintained its annual investment in news programming, although with the costs of news gathering and broadcasting increasing quickly, it will likely need more resources going forward to maintain its leadership in news.

Figure 18 CBC/Radio-Canada investment in news programming (\$M)



Source: CRTC

CBC/Radio-Canada continues to be leader in the protection and promotion of local news media in Canada, which has come under particular strain due to the rise of digital news platforms. Through the [local news directory](#) – developed in collaboration with 11 media associations and organizations across Canada – CBC/Radio-Canada gives Canadians quick access to online sources of news and information in their local communities.

The proliferation of digital media has not only challenged the economic viability local journalism, but continues to provide a platform for misinformation and inaccurate news reports. The rapid growth of artificial intelligence (AI) only increases the importance of credible news sources. It is more important than ever that public service news providers such as CBC/Radio-Canada can maintain their roles as a trusted news sources.

CBC/Radio-Canada trustworthiness among audiences and citizens is recognized internationally:<sup>22</sup>

- It operates the first two Canadian media organizations (CBC News and Radio-Canada Info) to be certified by the [Journalism Trust Initiative](#), operated by Reporters Without Borders.
- It was Part of the [Trusted News Initiative](#), launched by BBC in 2019 to combat the spread of misinformation;
- It was key contributor to [Project Origin](#), an online watermarking technology aimed at revealing journalistic content that has been manipulated
- It was a partner in [Trust Project](#), an international consortium of news organizations promoting standards of transparency, accuracy, inclusion and fairness in journalism.
- It is part of [Décrypteurs](#), which is a member of the Poynter international Fact-Checking Network, with the objective of combating disinformation.

In order to maintain **this leadership and trustworthiness within Canada’s news media market**, CBC/Radio-Canada needs to maximize its access to revenue sources, including ad revenue.

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<sup>22</sup> CBC/Radio-Canada (2023) [How your public broadcaster builds trust in the news you need.](#)

Box 1 PBS

**How the America’s public broadcaster survives with limited public funding**

Without the ability to sell advertising, CBC/Radio-Canada may start to resemble the Public Broadcasting System (PBS) in the US. However, the fact is that PBS has offset its lack of advertising to a large degree by attracting significant amounts of philanthropic funding – a revenue model that could not be duplicated to the same scale in Canada or most other western countries.

Furthermore, PBS’s lack of advertising revenue has led to greater exposure to political whim with regards to its funding from the US federal government.

PBS differs from most public broadcasters around the world in that its operating model is more akin to a franchise model than a single, central public broadcasting organization. Indeed, while there is a centrally operated PBS (supported directly by the PBS Foundation), much of PBS’s programming and fundraising activity occurs at the station level. A significant portion of the funding for both PBS as a whole and its individual stations stems from the Corporation for Public Broadcasting (CPB), which in turn is funded via a congressional appropriation request two years in advance.<sup>23</sup> However, the 2024 House Bill eliminated the two-year advanced appropriations for the CPB.

More specifically, the following table illustrates the revenue streams (typically) available to individual PBS stations and to the system as a whole.

Sources of PBS revenue

PBS	PBS member stations:
<ul style="list-style-type: none"> <li>- Member assessments (fees paid by member stations for access to programming and non-programming services)</li> <li>- CPB System Support (6% of appropriation)</li> <li>- Sales of on-demand videos and physical media</li> <li>- Cash donations (corporate and personal)</li> <li>- Royalties (e.g., from satellite providers)</li> </ul>	<ul style="list-style-type: none"> <li>- CPB Public TV Station and Programming Grants (66.7% of appropriation)</li> <li>- Cash donations (corporate and personal)</li> </ul>

The largest share of funding at both levels stems from personal and corporate donations. Indeed, roughly 15% of funding for PBS (the system) and 66% of funding for individual member stations stems from personal donations and corporate underwriting.<sup>24</sup> While this proportion differs for particular member stations, it is generally true that the financial viability of PBS rests on the ability of people, companies and foundations to voluntarily provide support. Furthermore, there is some evidence that increases to charitable giving (by individuals) is asymmetrically influenced by market upturns.<sup>25</sup> This charitable revenue can also fluctuate depending on the economic environment: for instance, the total private contributions reached a 6-year low point in 2022. As such, the most significant portion of PBS’s revenue is dependent on factors outside of its control.

<sup>23</sup> The advance request was intended to (i) insulate CPB from politically motivated interference with programming; (ii) allow public media stations to use this commitment of federal dollars to leverage critical investments from state and local governments, universities, businesses, foundations and, their viewers and listeners; and (iii) provide adequate lead time for the production of major programming.

<sup>24</sup> Corporation for Public Broadcasting (2023), [Public Broadcasting Revenue, Fiscal Year 2022](#)

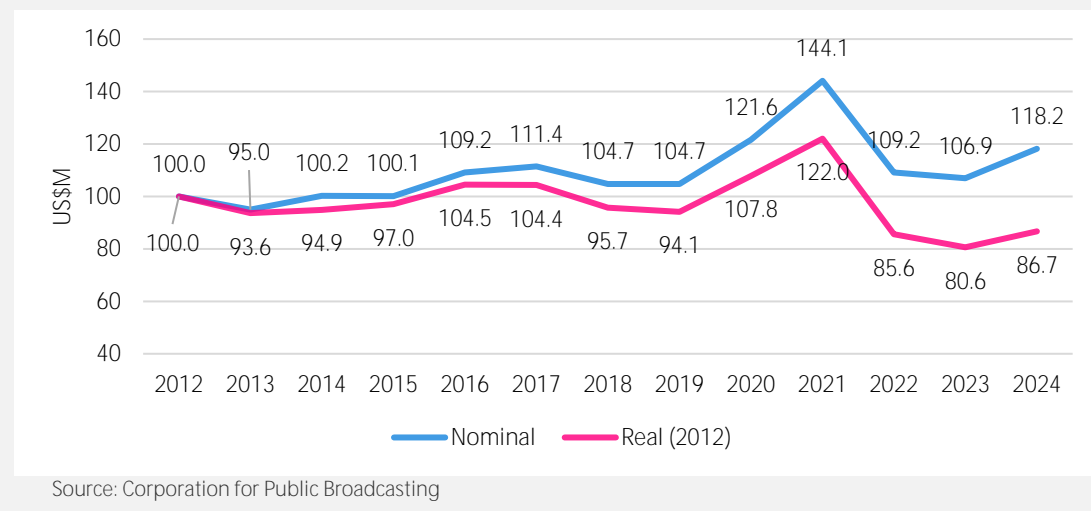
<sup>25</sup> See, for example, John A. List and Yana Peysakhovich, (2011), “Charitable donations are more responsive to stock market booms than busts,” *Economic Letters*, vol. 110, issue 2, February 2011, pp 166-169.

In comparing the PBS model to public broadcasting models elsewhere in the world, it is important to recall that charitable donations in the US account for a significantly larger portion of gross domestic product (GDP) than anywhere else in the world. For example, in 2022 charitable giving in the US accounted for 1.97% of GDP<sup>26</sup>, whereas they accounted for only 0.60% of GDP in Canada in 2021<sup>27</sup>. As such, it is not reasonable to expect that any deduction in revenue by a public broadcaster in Canada could be countered by an increased focus on donations and underwriting.

In addition to donations, the PBS model is also reliant to a large degree on public funding, and so presents several risks, including:

- The inability to index revenue to inflation (as would be the case with market-driven revenue streams). Accordingly, despite the recent increase in the *nominal* congressional appropriation (from \$475M in 2023 to \$525M in 2024), it is actually receiving significantly less funding in *real* dollars when compared to the 2012 budget (as illustrated below).
- The reliance on corporate and personal donations ties the existence of PBS to the ongoing generosity of those entities – and to the overall economic vitality of the US.
- The reliance on congressional funding exposes PBS (and its member stations) to political whims. For example, the previous US federal administration proposed to eliminate federal funding for (all) public media.<sup>28</sup> In July 2023, the Republican-led US House Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies recommended to completely end funding the CPB by 2026 in the FY 2024 appropriations bill.<sup>29</sup>

CPB congressional appropriations, nominal vs. real dollars



<sup>26</sup> Indiana University Indianapolis (2023), [Giving USA: Total U.S. charitable giving declined in 2022 to \\$499.33 billion following two years of record generosity](#)

<sup>27</sup> Canada Helps (2024), [The Giving Report 2024](#), p.10.

<sup>28</sup> US Government (2019), [A Budget for a Better America: Promises Kept. Taxpayers First: Major Savings and Reforms](#), p. 93.

<sup>29</sup> Public Media Alliance (2023), ["Dark day" as US public media faces funding axe](#)

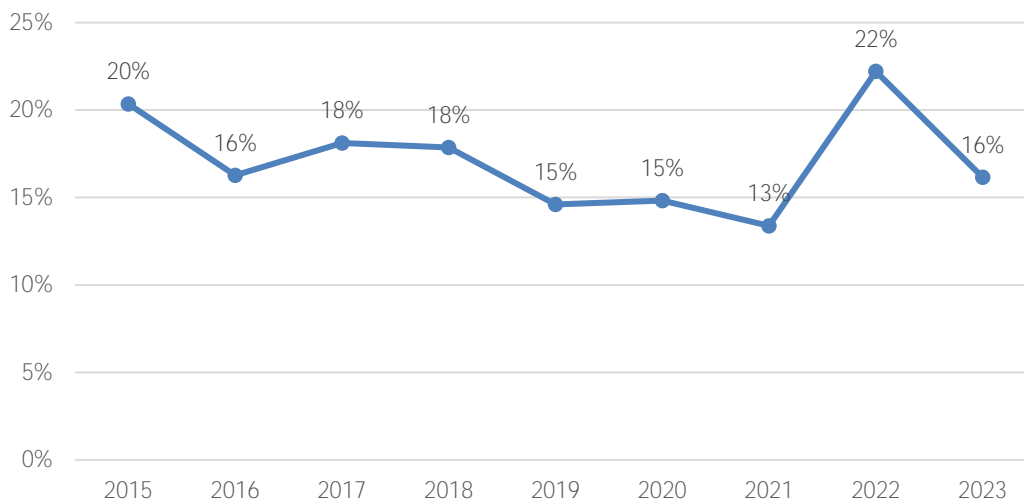
## 4. CBC/Radio-Canada has more non-public money

Operating without access to advertising revenue, of course, does not necessarily mean that CBC/Radio-Canada would have to operate with reduced financial resources. The federal government could offset any loss in advertising revenue experienced CBC/Radio-Canada (\$289 million in FY 2023) with additional public subsidy – most likely through a higher level of parliamentary appropriation.

Not all dollars are created equal, however. For a public broadcaster, the source of any revenue can be just as important as the magnitude of that revenue. Indeed, numerous public broadcasters around the world have embraced the benefits of revenue diversification and pursued mixed revenue models that combine public subsidy with commercial sources.

In 2022, 22% of CBC/Radio-Canada's total revenue was earned from advertising and sponsorship (Figure 19). This 22% share, however, was significantly higher than normal for CBC/Radio-Canada due to the fact that the both the 2020 Tokyo Summer Olympics and 2022 Beijing Winter Olympics fell within the 2021-22 fiscal year. In fact, since Hockey Night in Canada left CBC/Radio-Canada in 2015, ad revenue has accounted for an average of 17% of total revenue. In 2023, it accounted for 16%.

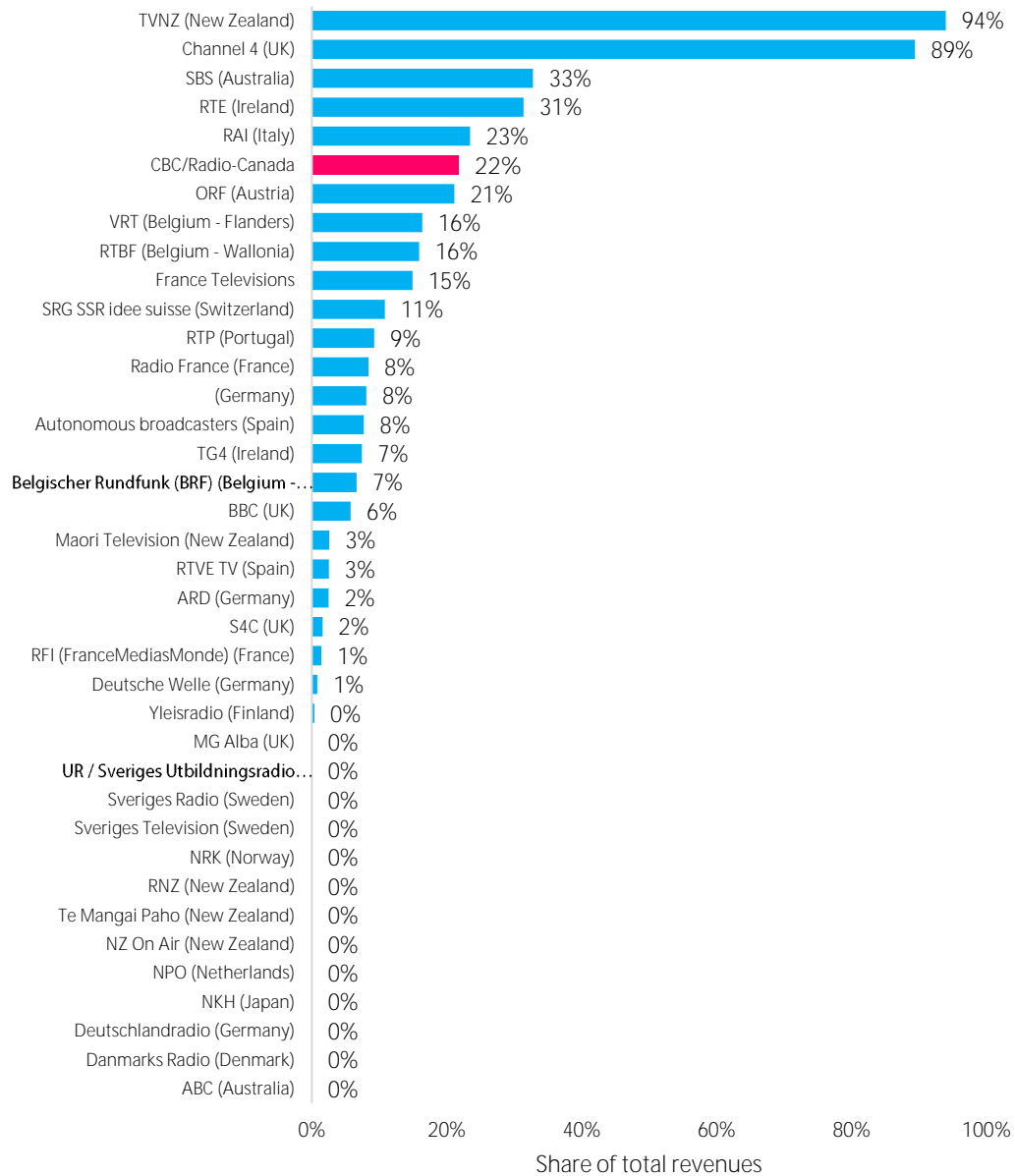
Figure 19 CBC/Radio-Canada advertising revenue as a share of total revenue



Source: CBC/Radio-Canada

Across 20 OECD countries, most public broadcasters earn some amount of revenue from advertising and sponsorship. In 2022, 25 of 38 public broadcasters (across 20 OECD countries) funded their operations in part with advertising and sponsorship revenue (Figure 20). CBC/Radio-Canada was among those 25 public broadcasters.

Figure 20 Share of revenue earned from advertising and sponsorship, 2022



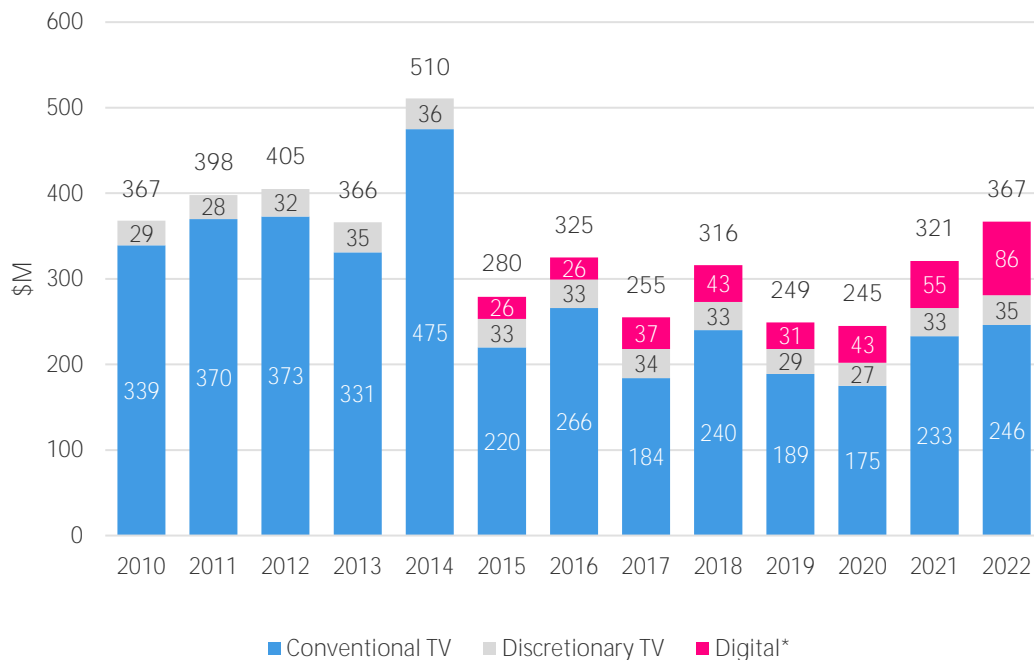
Source: Nordicity calculations based on data collected from annual reports of public broadcasters

There is no denying that television advertising revenue can fluctuate from year-to-year. In fact, CBC/Radio-Canada's own television advertising revenue has been going up and down since 2013 (Figure 21). For the most part, the CBC/Radio-Canada's year-to-year fluctuations in advertising revenue have been heavily influenced by sports.

- First, there was a major decline in 2015, following the loss of rights to Hockey Night in Canada.
- There was a spike in 2022 due to the carriage of both the Tokyo Summer Olympics and Beijing Winter Olympics falling within the 2021-22 fiscal year.
- From 2015 onwards, CBC/Radio-Canada's annual pattern in advertising revenue has been determined by whether it was a year in which it was televising either the Winter or Summer Olympics. (e.g. 2016 and 2018 vs. 2017 and 2019). Thus, the major swings are dependent in large part by programming decisions by CBC/Radio-Canada, particularly regarding the acquisition of sports rights for the Olympics, FIFA World Cup or other major sporting events.

So, while CBC/Radio-Canada's advertising revenue does fluctuate from the year-to-year, the nature and timing of these fluctuations are relatively known to its management.

Figure 21 CBC/Radio-Canada advertising revenue, by platform



Source: CBC/Radio-Canada

\* Not separately reported prior to 2015.

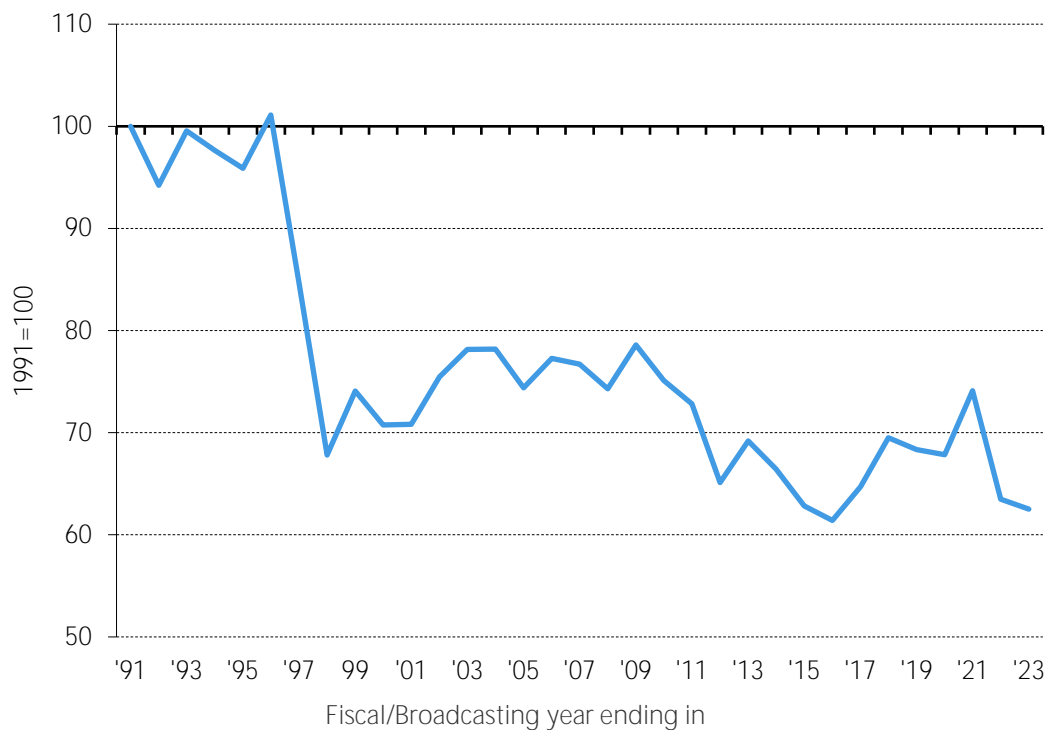
Replacing advertising revenue with public subsidy introduces an entirely different set of financial uncertainties for CBC/Radio-Canada. A parliamentary appropriation that is set annually without the framework of a long-term agreement is highly susceptible to annual adjustment – particularly when an existing or new government changes its priorities. Furthermore, public subsidy can be very prone to *real-value erosion*, whereby the nominal level of the subsidy is fixed by government, thereby, permitting inflation to erode the real value of that subsidy over time.

While the Trudeau Government has increased the public subsidy for CBC/Radio-Canada in recent years, in the two decades leading up to that point, CBC/Radio-Canada's experience was very much one of downward adjustments and real-value erosion. In fact, between 1991 and 2023, the real value of CBC/Radio-Canada's parliamentary appropriation fell by 37% (Figure 22).

Because of this history it would be rational for CBC/Radio-Canada to see genuine financial risk with a revenue model that increased its reliance on public subsidy by approximately 25%. This would increase the public-funding share of CBC/Radio-Canada's total revenue base to nearly 90%, leaving subscription revenue; and income from other sources such as real estate rentals, content sales, and leasing of transmission space accounted for the other 10%.

Commercial revenue sources are not without their risk. In fact, advertising revenue can be very sensitive to the business cycle and can even fall more sharply than GDP during recessions. However, over the long-term, the nominal value of commercial revenues are more likely to keep up with inflation. In that regard, commercial revenue such as advertising can be very effective in mitigating the effects of inflation on government funding while also offering a hedge against any arbitrary downward adjustments in funding by future governments.

Figure 22 Real dollar value of CBC/Radio-Canada's parliamentary appropriation (1991=100)



Source: Nordicity calculations based on data from CBC/Radio-Canada and Statistics Canada

Annual parliamentary appropriation means that there is a perennial lack of certainty in the way CBC/Radio-Canada is publicly funded. No government has ever guaranteed longer term budget stability. Therefore, even if more financial resources are made available to CBC/Radio-Canada to compensate for part of or all a loss of advertising revenue, there is still a risk for CBC/Radio-Canada to be totally beholden to the Minister of Finance on an annual basis. That risk is mitigated to some extent by having the ability to generate commercial revenue independent of the government source of funding. At the present time, airtime advertising revenue forms the largest portion of CBC/Radio-Canada's **commercial revenue** and will likely continue to be very much part of its commercial revenue mix for the foreseeable future.

### Box 2 France Télévisions Removing advertising from the public broadcaster will not necessarily alter its programming

The elimination of primetime advertising on France Télévisions in 2009 appears to have had little effect on its programming mix. The experience of France Télévisions also illustrates the fragility of some public policy mechanisms (e.g. levies), particularly where they run contrary to the interests of well-resourced business interests (e.g. telecoms operators and private broadcasters).

In 2008, French President, Nicolas Sarkozy, announced that France Télévisions would begin the process of eliminating advertising on its television services. By January of 2009, advertising had **been eliminated during evening primetime hours. Sarkozy's plan was to gradually eliminate** advertising on France Télévisions based on the principle that "...scrapping advertising would free state television to be more creative and public service-minded."<sup>30</sup>

To fill the funding gap – **an estimated €450 million annually** – the French government introduced two industry levies. First, it imposed a 0.9% levy on the annual revenues of telecom operators, **with a view to generating €380 million, annually. Following lobbying** by telecom sector, however, the levy-base was scaled back to the point where it yielded €250 million. **In 2016, the rate was increased to 1.3%, thereby, increasing the annual proceeds from the levy to €300 million.** However, the share of this amount redistributed to France Télévisions was gradually reduced to the point where the public broadcaster now receives a minimal part of the proceeds generated by this levy.

The second measure introduced by the French government was a 3% levy on private **broadcasters' advertising revenue. This levy was intended to generate €80 million in annual** proceeds. Private broadcasters made the case for a decrease in the levy rate: from 3.00% to 0.75% and then to 0.50%. In 2017, the levy-base was limited to advertising revenue directly earned by the private broadcasters (i.e. not through an advertising network). As a result, the levy yielded **only €6 million before being completely withdrawn** in 2019.

Ultimately, the gap in revenue from the removal of advertising in primetime had to be offset by **an increase in the annual household television licence fee. It was increased from €118 per year in 2009 to €139 in 2019.**

In 2022, the French Government put an end to this licence fee as part of a set of measures to alleviate the cost of living. However, the fee supported 89% of the total funding for French public media. A temporary solution has been found through the VAT to ensure that the public broadcaster continues to receive the same amount of public support. In the meantime, several

<sup>30</sup> Angelique Chrisafis (2009), "[France bans adverts on state TV during primetime](#)," *The Guardian*, January 6, 2009.

options are explored, including a possible return of advertising during primetime hours and an increase effort to license content internationally. Without a definitive solution to fund public media, some raised concerns of a threat to the independence of the public broadcaster (i.e., a budget under control of the Finance Ministry).

That being said, the 2024 budget sent a strong signal with a 6% increase of the attribution to public media, reaching for the first time **€4 billion, including €2.57 billion** for France Télévisions. This increased aims to reflect the rising production costs and inflation.<sup>31</sup>

The removal of advertising in primetime was said to encourage France Télévisions to take more risks in programming, to showcase the arts and culture and to foster social debates. In reality, however, the removal of advertising did not significantly impact **France Télévisions's** programming schedule.

France Télévisions has always carried out a mission of diversifying its audience, of promoting local creativity and of investigating the European identity: the partial ban on advertising neither changed nor facilitated that mission. France Télévisions remains the first supporter of audiovisual **creation in France, with more than €440 million invested in TV and digital content and €65 million** invested in feature films in 2023. In the past ten years, France Télévisions has invested massively in digital content and infrastructure with products like CultureBox, a platform dedicated to music and performing arts, Slash, for digital-first content, and Okoo, a platform for the audience aged 4 to 14.

In terms of ratings, the removal of advertising during primetime coincided with the continued **erosion of France Télévisions's audience share; however, it is not possible to attribute this** reduction in audience solely to the partial advertising ban, as the television landscape in France has changed dramatically in the past two decades. In 2023, France **Télévisions's five channels** captured the largest audience share with a total 31.5%, while the leading private group TF1 **accounted for 26.9% of the market, indicating that the public broadcaster's programming remains** significantly attractive to the audience.

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<sup>31</sup> Gouvernement de la République française (2024) [Projet annuel de performances: Compte de concours financiers PROGRAMME 841 France Télévisions](#), P. 23.

## 5. CBC/Radio-Canada has more advertising money

Finally, and perhaps most importantly, permitting advertising on CBC/Radio-Canada allows the public broadcaster to tap into the advertising market however it evolves. This participation in advertising comes with a host of direct and indirect benefits to CBC/Radio-Canada, to the entire Canadian broadcasting system and the overall Canadian economy.

### 5.1 Revenue model flexibility

In 2019, CBC/Radio-Canada argued that it was only through financial flexibility and the ability to change and adapt its revenue models that it could stay on a path to financial sustainability.<sup>32</sup>

The public policy benefits of this flexibility are very clear already when one considers the unique approach that CBC/Radio-Canada has taken in the design of the pricing structure for its VOD services. By being able to offer Canadians the choice of either a SVOD or FAST option, the public broadcaster has been able to widen the appeal and uptake of Gem and Ici Tou.TV more than if it had simply followed an SVOD model. Indeed, CBC/Radio-Canada's **flexible** approach foreshadowed the direction of the wider global SVOD market, which subsequently embraced flexible and mixed pricing model.

In fact, in the case of Gem, the FAST version has proven to be more popular with Canadians. Without the flexibility to sell advertising, the public broadcaster and the broadcasting system itself **would not have been able to conduct this 'experiment'** long before other SVODs and discover the strong appeal that the FAST model has among Canadians. Not diversifying into an enormously popular distribution platform would have handicapped CBC/Radio-Canada's **mandate to be** relevant to Canadians – however they chose to consume their broadcast services.

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<sup>32</sup> CBC/Radio-Canada (2019), [Our Culture, Our Democracy: Canada in the Digital World](#), p. 21.

Box 3 BBC (UK)  
 Maintaining global leadership in public broadcasting  
 while tapping into commercial revenue streams

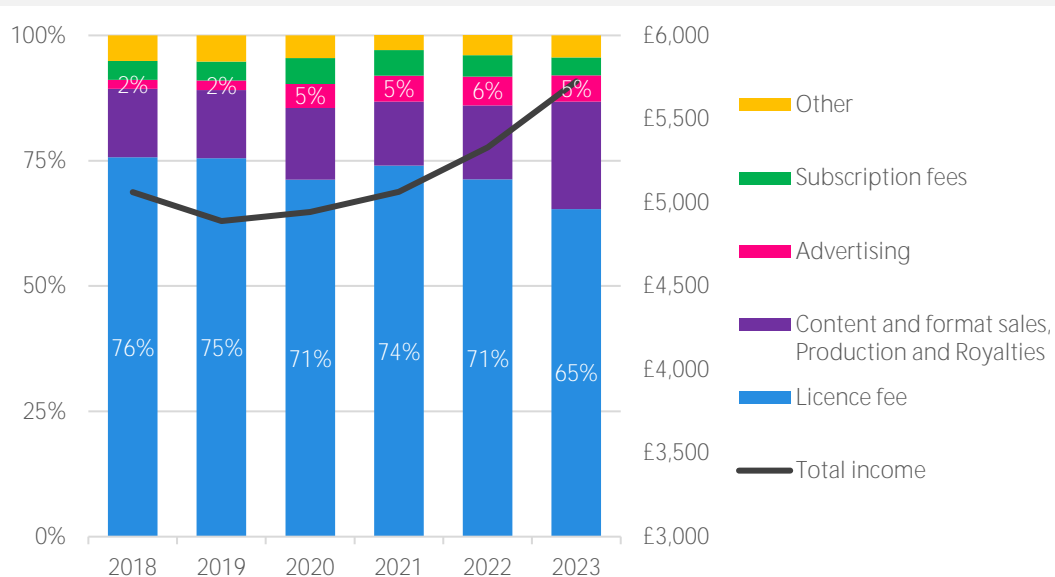
The BBC is the largest public broadcaster in the world and is globally regarded for the quality of its programming and journalism. Although most of its operations are funded by the proceeds from **the UK's household television licence fee, BBC has, for many years adopted a policy of earning advertising and other types of commercial revenue, wherever its regulations permitted it to do so. In fact, BBC's international services that do carry advertising have outperformed its other commercial services in terms of revenue growth since 2011.**

**Like PBS, the BBC's domestic services do not feature advertising.** That said, some elements of its Commercial Arm do generate revenue from advertising. For example, advertising is present on **BBC World News and BBC's web site but is only visible to users based outside the UK.**

BBC Group is now comprised of three entities, the PSB Group and two commercial subsidiaries, BBC Studios (for the production and distribution business) and BBC Studioworks (for studios and post-productions services).

The following chart illustrates that BBC advertising and content operations are driving increasing income. **Advertising now accounts for 5% of the group's annual income while the Studios Group's activities generate 21% of the total.** BBC has managed to compensate stagnating/decreasing licence fees (£3,830 in 2018 against £3,740 in 2023) with other sources of revenue while reinforcing its international influence through critically and publicly acclaimed original content.

BBC Group Revenue Mix, 2018-2023



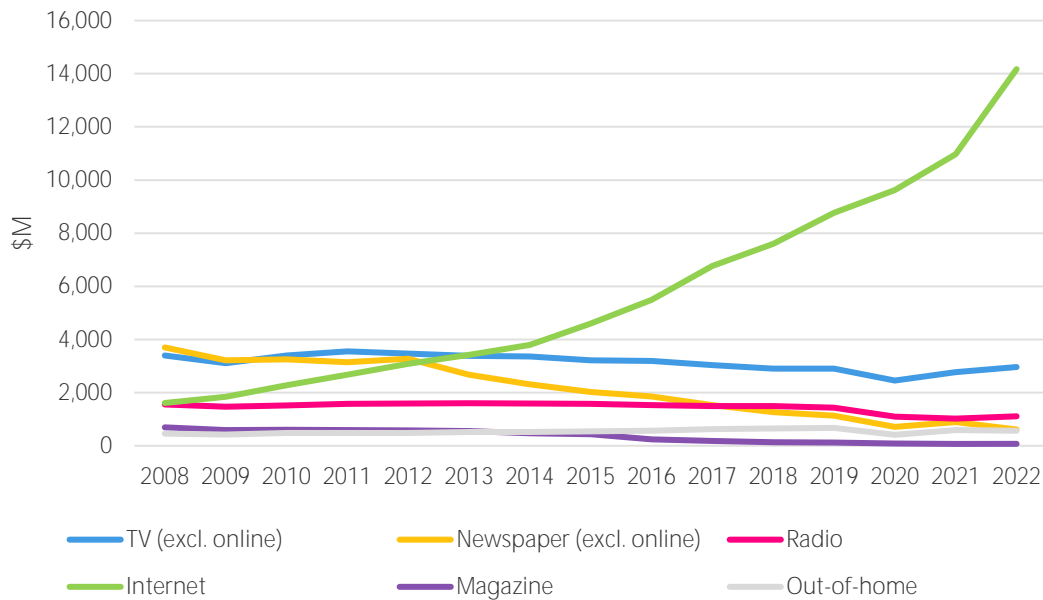
Source: BBC Annual Report and Accounts

## 5.2 The video advertising market is resilient

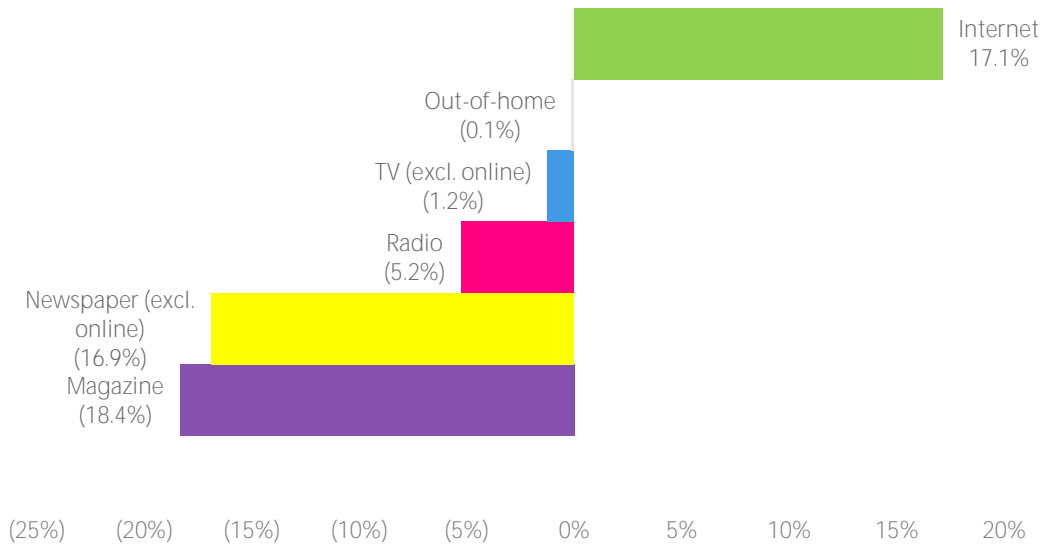
Within Canada’s media market, the growth of digital advertising has been both rapid (CAGR 2016-2022 of 17.1%) and dominant since 2013. Television advertising revenue (excluding online advertising), meanwhile, has slowly decreased since 2011, at a CAGR of negative 1.2%. Online television advertising revenue (e.g., broadcaster’s AVOD platforms) helped alleviate this downward trend, but only modestly: overall, television advertising revenue displayed a CAGR of negative 0.3% between 2016 and 2022, if online revenue is included. Nevertheless, even with the rise of digital and mobile platforms, television advertising has remained relatively resilient compared to print media, where advertising revenue fell by 67% between 2016 and 2022.

Figure 23 Annual advertising spending in Canada, by medium

a. Annual advertising spending (\$M)



b. CAGR 2016-2022 (%)



Source: thinktv.ca

Indeed, while much of the focus in recent years has been on how an increasing share of ad spend has migrated to the Internet – and is expected to continue to do so – a deeper look at the trends indicates that it is in fact video content that is helping to drive this migration.

Zenith defines the video advertising market as including not only linear TV and broadcaster video-on-demand (BVOD), but also FAST, ads on SVOD, AVOD and connected TV; whereas online advertising includes traditional search (e.g. Google), retail search (e.g. Amazon, social media and other online).<sup>33</sup> Globally, Zenith forecasts that video advertising will grow by 4.5% in 2025 to just under US\$280 billion – or 28% of total global ad spend.<sup>34</sup> While this is slightly slower than the 5.8% growth forecast for online advertising, it suggests that the video advertising market remains resilient.<sup>35</sup>

According to Zenith, with such a significant market share (28%) and healthy growth, “Online and video will continue to dominate the advertising space.”<sup>36</sup> Even as linear TV advertising declines, the continued growth of FAST and AVOD are expected to offset those declines.<sup>37</sup>

For the Canadian market in particular, PwC forecasts that the growth of video internet advertising will outpace all other forms of internet advertising, including display, paid search, classified, mobile and wired-based internet advertising.<sup>38</sup>

<sup>33</sup> Zenith (2023) *Advertising Expenditure Forecasts*, p. 13.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

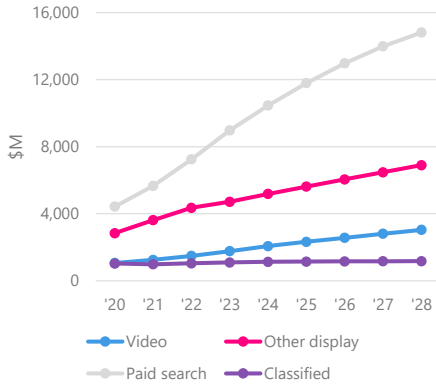
<sup>36</sup> Zenith (2023), p. 9.

<sup>37</sup> Ibid.

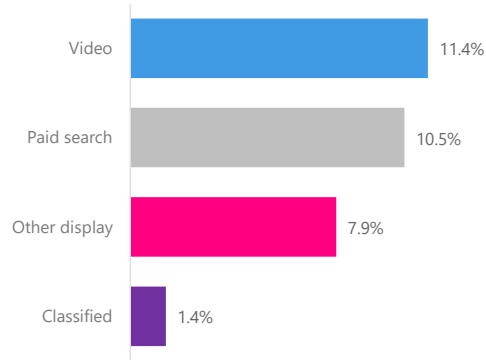
<sup>38</sup> PwC (2023) *Entertainment & Media Outlook 2023*.

Figure 24 Forecast of Internet advertising revenue in Canada, 2023 - 2028

a. Annual levels (\$M)



b. CAGR 2023 – 2028

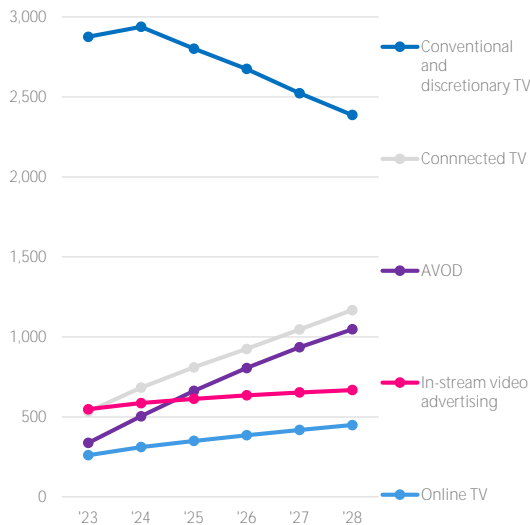


Source: PwC Entertainment & Media Outlook 2024-2028

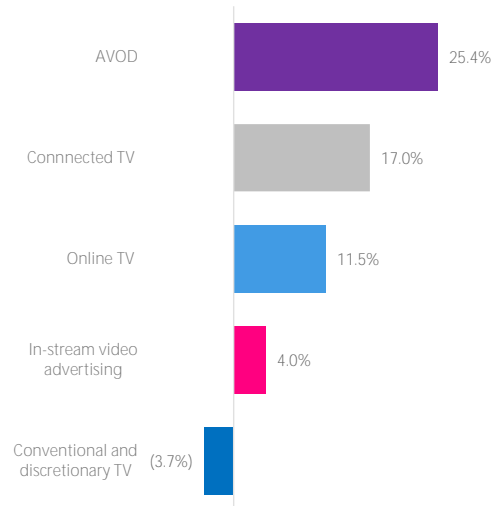
Looking beyond Internet advertising, PwC forecasts that **while advertising in Canada's linear TV** market is expected to continue to decline, AVOD, connected TV and in-stream video advertising will ensure that television programming and other video content remain attractive destinations for ad spending in Canada.

Figure 25 Television and video advertising revenue in Canada, 2023 - 2028

a. Annual levels (\$M)



b. CAGR 2023 - 2028



Source: PwC Entertainment & Media Outlook 2024-2028

The resiliency of video advertising would seem to indicate that the CBC/Radio-Canada will have an important market to leverage over the coming years – whether it is traditional linear TV, its FAST

platform or the variety of online content delivery platform that it uses now or in the future to reach Canadian audiences.

### 5.3 Resurgence of ad-supported video platforms

Not only has television advertising held up well in the face of competition from the Internet and the proliferation of SVOD services during the pandemic, but by many accounts, it is poised for a resurgence.

There is little dispute that the 2010s and the early years of the pandemic were marked by audiences discovery of the benefits of an **'all you can eat' SVOD experience**. However, as the SVOD market fragmented during the pandemic, it became increasingly clear to many households that the stacking of multiple SVOD services was financially unsustainable.

As subscriber growth slowed and even reversed for some SVODs following the pandemic, ad-supported business models re-emerged. Netflix and other SVODs introduced ad-supported versions of their VOD offerings. Indeed, growth in streamer businesses in mature saturated markets such as the US, Canada and western Europe is now reliant on the take-up of ad-supported options. In September 2023, 30% of Netflix new subscribers opted for its ad-supported version.

Alongside, streamers adoption of ad-supported platforms has been the rapid growth of FAST, particularly in the US. Here again, audiences have shown a desire to minimize their monthly costs by not only tolerating ads, but also relinquishing the curation of their programming choices – something they had more control of on SVODs. FAST is the modern version of linear TV, but with a degree of personalization that linear TV could not offer.

The introduction of new TV platforms – whether cable TV, pay-TV or more recently SVOD – has often been heralded as the swan song for ad-supported TV. However, in each case, ad-supported distribution of audiovisual content has re-asserted itself. We are seeing this play out again with AVOD and FAST. The fact is that the replication of television content distribution model without ads is financially prohibitive for households and programming suppliers.

This adds to the resilience of the ad-supported video model and further underlines the importance of CBC/Radio-Canada maintaining its access to ad market. Without such access, it will be unable to benefit from the revenue-model innovation that is currently – and constantly – underway when it comes to ad-supported video.

The rise of FAST is a hallmark of audience's continued desire for a personalized long-form media experience – not unlike what they enjoy on social media platforms with short-form user-generated content. According to PwC and IAB, the global advertising market is in the midst of another rapid transformation.<sup>39</sup> Five years ago, TV set top boxes in households presented an opportunity for broadcast distribution undertakings (BDUs) in Canada to one day introduce addressable and even personalized ads to television viewers.

Today, Internet advertising has ushered in an era of addressable and personalized ads en masse across consumers' digital devices. Online video has done the same. Looking to the future, as a larger share of video programming is delivered over Internet infrastructure, the efficiency offered by addressable, personalized and privacy-compliant advertising will only increase. Indeed, generative AI is likely to only help in optimizing this experience for consumer brands, media platforms and audiences.

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<sup>39</sup> PwC, IAB (2024) PWC / IAB Internet Advertising Revenue Report, p. 9.

CBC/Radio-Canada and its audiences can benefit from having exposure to the continued innovation within the advertising market, especially if this innovation reveals the value of CBC/Radio-Canada's **different audiences and allows** it to realize a market premium for offering efficient to these audiences – whether niche or en masse.

#### 5.4 Avoids the costs and distortions in running-length triggered by an ad-free schedule

The loss of ads on CBC/Radio-Canada would not only mean that it would lose an important revenue stream accounting for nearly 20 cents of every dollar it earns, but it also means that it would be faced with the additional costs of filling on-air ad time. On average, 12 minutes of every hour on Canadian television is devoted to advertising. So, during an 18-hour television day, that amounts to 3 hours and 36 minutes. Across the year, it amounts to 1,314 hours of airtime that would have to be filled with content.

According to an internal analysis conducted by CBC/Radio-Canada in 2016, the cost of filling its ad airtime would be in the range of \$105 million, with \$67 million on its English-language services and \$39 million on its French-language services. Taking account of general inflation alone suggests that the total annual cost has risen to at least \$130 million in 2024 currency.

From a public policy perspective, therefore, the removal of advertising further erodes the value-for-money for the government, since every dollar of advertising revenue that the government would have to replace would have to be accompanied by an additional 35 cents to cover the costs of creating programming to fill the vacant airtime.

The move from a 48-minute to a 60-minute television hour may also create distortions for Canadian independent producers working with CBC/Radio-Canada, although this may be less of an issue than in the past. Independent producers would have to version their programs for 30- or 60-minute slots, thereby, making it difficult for them to market the programs to ad-based American networks, although the proliferation of SVOD services means that there would be ample commercial outlets that could readily accommodate this programming with longer running lengths. Nevertheless, it is preferable for Canadian independent producers to maintain the option of marketing their programming to commercial linear platforms, rather than stifle the export of Canadian television programs in even a minor way. Any such stifling of export potential, even minor, would have negative public policy implications because it hamper the sustainability of Canadian producers.

## 6. The Canadian broadcasting system retains advertising revenue

Finally, permitting advertising on CBC/Radio-Canada will mean that the entire Canadian broadcasting is maximizing its access to the advertising market, and thereby, its revenue base. Preserving this revenue base also generates a host of benefits for the Canadian production sector and overall Canadian economy.

### 6.1 Prevents the leakage of Canadian ad spending to foreign digital platforms

#### 6.1.1 Overview

CBC/Radio-Canada earned a total of \$367 million from advertising across all its platforms in 2022. Of that total, \$204.3 million was earned on English-language services and \$162.6 million on French-language services.

In the following subsection, we present the results of our analysis of how the elimination of advertising on CBC/Radio-Canada would necessarily result in the redistribution of that ad spending to other media platforms, and importantly, the leakage of Canadian ad spending to foreign digital platforms.

A description of the approach used for this modelling, including the key assumptions can be found in Appendix A.

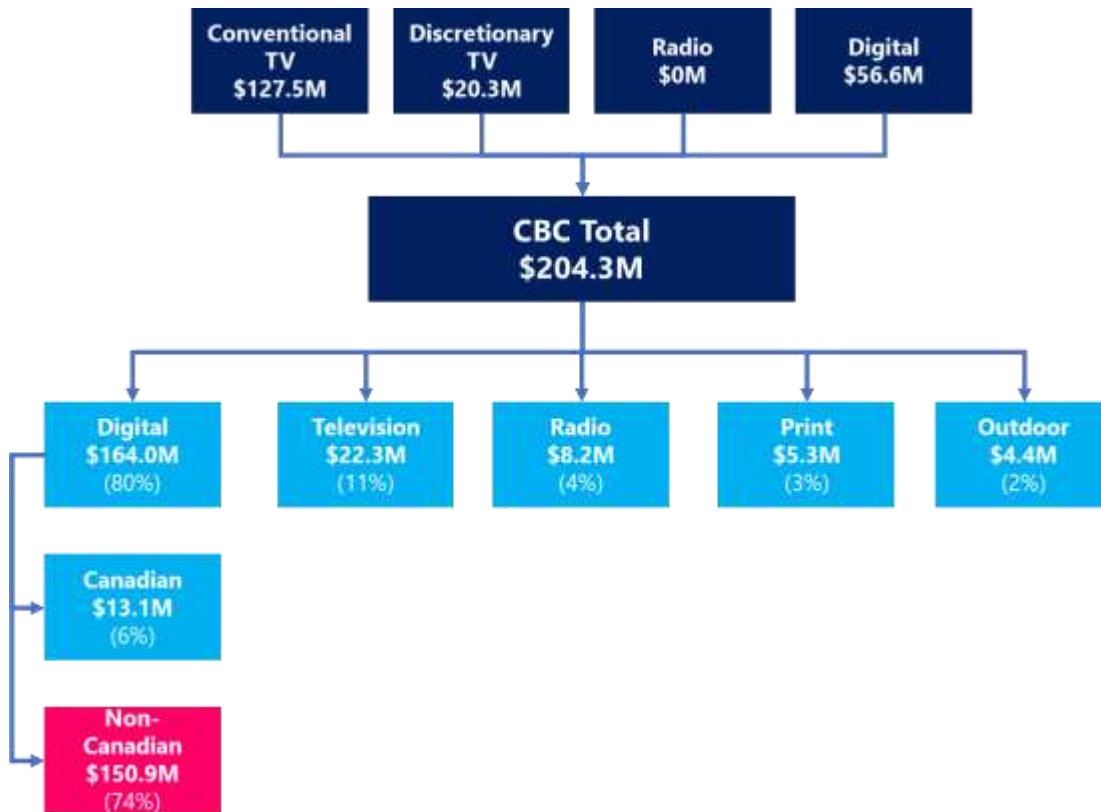
#### 6.1.2 English-language market

In the English-language market, digital platforms would be the biggest beneficiary of the elimination of advertising on CBC. **Not only would CBC's own \$56.6 million** in digital platform advertising flow to digital platforms, but so would much of the \$147.8 million in television **advertising on CBC's conventional** and discretionary television platforms (Figure 26). We estimate that \$164.0 million, or almost 80% of the total advertising on CBC/Radio-Canada's English-language services (\$204.3 million), would likely to be redistributed to digital platforms – Canadian and non-Canadian.

Out of that \$147.8 million in television advertising released from CBC under this scenario, private Canadian television broadcasters would likely capture only \$22.3 million, or 15% of the total (11% of the overall total inclusive of digital platform advertising). **The balance of CBC's television** advertising revenue would be diverted to other Canadian media platforms, including radio (\$8.2 million), print media (\$5.3 million) and outdoor media (\$4.4 million), in accordance with these platforms' **existing market shares in Canada's** local and national advertising markets.

The net leakage from the Canadian media sector would, therefore, be \$150.9 million. The rate of leakage is a function of the portion of CBC's advertising revenue redistributed to digital platforms, and the fact that non-Canadian advertisers held a 92% market share in the Canadian digital market in 2022, according to IAB Canada. Overall, then, for every dollar of advertising revenue removed from CBC/Radio-Canada's English-language service, 74 cents is expected to leak from the Canadian economy.

Figure 26 Redistribution of CBC advertising revenue, English-language market, 2022



Source: Nordicity estimates based on data from CBC/Radio-Canada, CRTC, and IAB Canada  
 Figures in parentheses are percentages of CBC Total

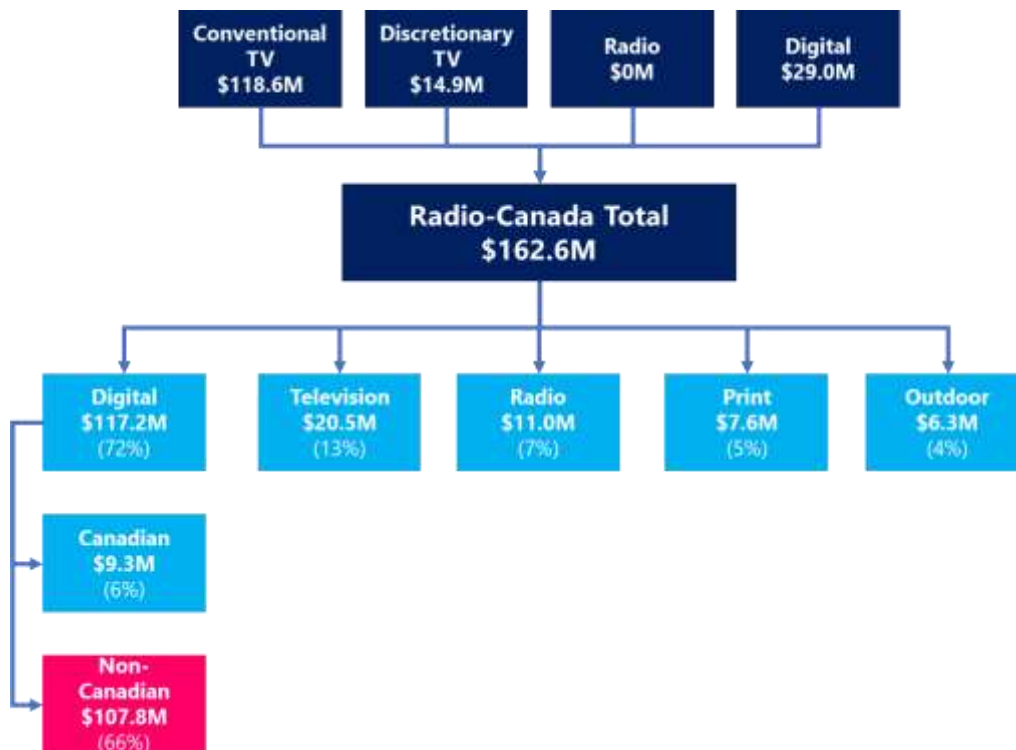
### 6.1.3 French-language market

The pattern of redistribution is expected to be similar in the French-language market, with a few exceptions.

1. A slightly higher share of Radio-Canada's advertising revenue is expected to be redistributed to radio, print and outdoor media advertising in Quebec, with a slightly lower share going to digital platforms. An estimated 72%, or \$117.2 million of Radio-Canada's total advertising revenue of \$162.6 million is expected to migrate to digital platforms.
2. An estimated 13%, or \$20.5 million, of the total released advertising revenue is expected to migrate to other television broadcasters in Canada. Ad inventory on Quebec's private broadcasters is very constrained. So, while part of the released revenue flowing to private Canadian television is likely to find its way to conventional television services, much of it is also likely to migrate to French-language discretionary television services and even to the English-language television market.
3. The slightly higher share of local television advertising revenue on Radio-Canada also means that the more locally focused media platforms (i.e. radio, print, outdoor) would capture a larger share of the released advertising revenue.

As with the English-language market, the market share of non-Canadian advertisers means that as much as 92% of the ad spending migrating to digital platforms is likely to leak from the Canadian media sector and economy, altogether. Our modelling indicates that a total of \$107.8 million in Canadian media spending is likely to leak, as a result of the release of advertising revenue from Radio-Canada (Figure 27). This implies that for every dollar of advertising revenue removed from CBC/Radio-Canada's French-language services, 66 cents is likely to leak from the Canadian economy.

Figure 27 Redistribution of Radio-Canada's advertising revenue, French-language market, 2022



Source: Nordicity estimates based on data from CBC/Radio-Canada, CRTC, and IAB Canada  
 Figures in parentheses are percentages of CBC Total

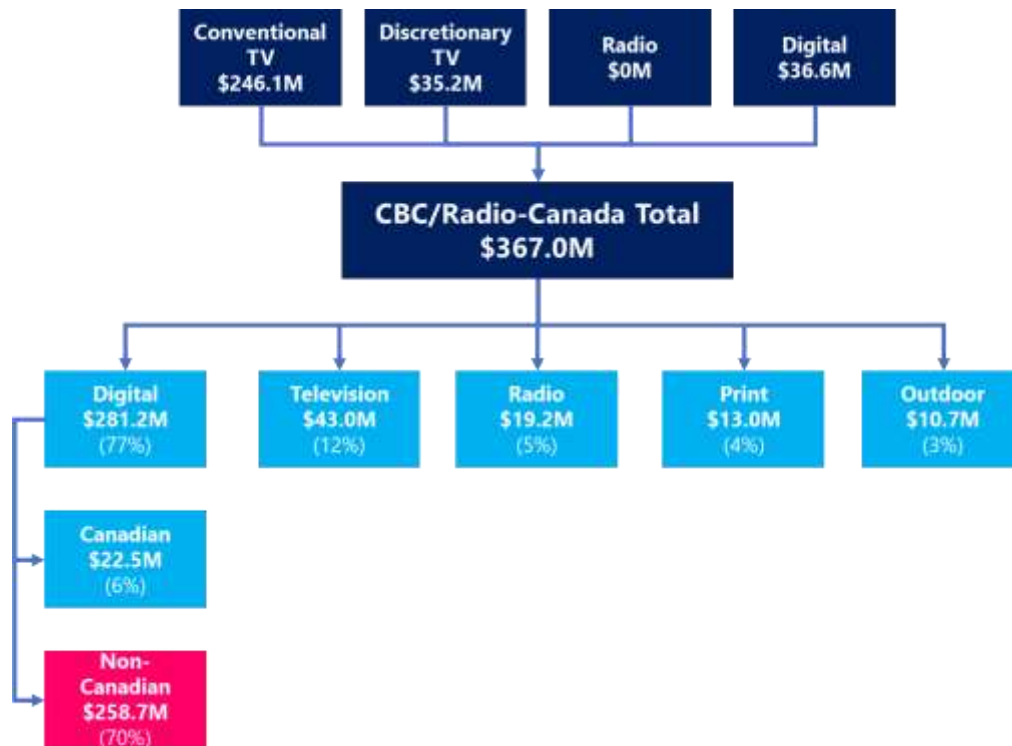
### 6.1.4 Total impact

All told, our analysis indicates that digital platforms are likely to capture (77%) of the revenue that would be released by the elimination of advertising on CBC/Radio-Canada. This translates into \$281.2 million in advertising revenue and would include the \$36.6 million in advertising revenue earned by CBC/Radio-Canada on its own digital platforms (Figure 28).

Given that, according to IAB Canada, non-Canadian advertisers account for 92% of total Internet advertising spending in Canada, this migration of the majority of revenue means that over two-thirds of the total advertising revenue that would be released from CBC/Radio-Canada would leak from the Canadian media sector and economy. Out of the \$367 million in advertising revenue that would be released from CBC/Radio-Canada, \$258.7 million, or 70%, would be expected to leak from the Canadian media sector and economy.

Canadian private television broadcasters are expected to capture \$43.0 million, or 12%, of the total released advertising revenue. Other advertising media are also expected to capture portions of the released advertising revenue, although their respective shares would be under 10%.

Figure 28 Redistribution of CBC/Radio-Canada's advertising revenue, both language markets, 2022



Source: Nordicity estimates based on data from CBC/Radio-Canada, CRTC, and IAB Canada  
 Figures in parentheses are percentages of CBC Total

## 6.2 Impact on CPE and the Canadian broadcasting system

The elimination of advertising on CBC/Radio-Canada does not simply mean that the released advertising revenue will migrate to Canadian private television broadcasters. In the previous subsection, we saw how the elimination of advertising on CBC/Radio-Canada would result in a redistribution of that advertising revenue across all other media platforms in Canada, particularly digital platforms.

We also saw how this reallocation would lead directly to the leakage of media spending from the Canadian economy, since 92% of Internet advertising in Canada is sold by non-Canadian advertisers, such as Google and Facebook.

The migration of CBC/Radio-Canada's advertising revenue to other advertising media and to private Canadian broadcasters would also have significant implications for the Canadian broadcasting system.

The outmigration of the ad spending means that there will be a net drop in the total revenue within the Canadian broadcasting industry. The broadcasting industry – including CBC/Radio-Canada and the private broadcasters – will have fewer financial resources with which to create, commission and acquire television programming – on either an in-house, affiliated or independent basis.

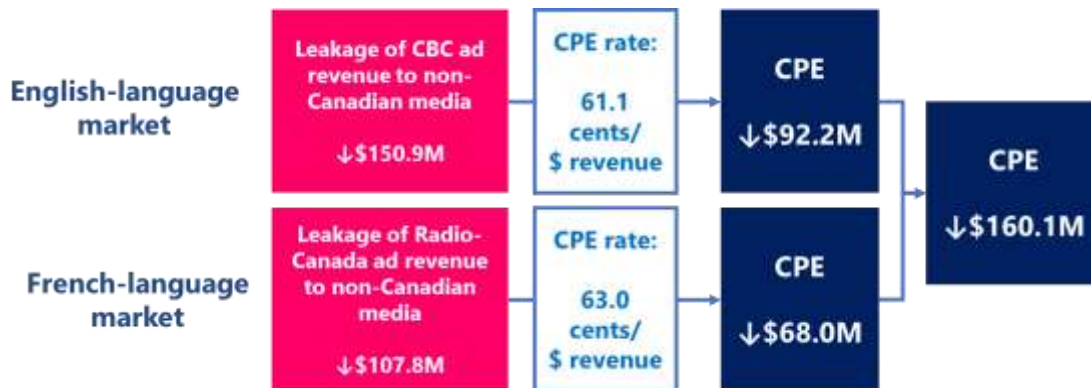
### 6.2.1 CPE impact of leakage

As noted in Section 6.1, the loss of advertising revenue at CBC/Radio-Canada would likely result in the leakage from the Canadian media sector of \$150.9 million in the English-language market and \$107.8 million in the French-language market. The total leakage would be \$258.7 million.

In 2022, CBC/Radio-Canada devoted 61.1 cents of each dollar of its revenue in the English-language market (including its parliamentary appropriation) to CPE. This implies that the leakage of \$150.9 million in the English-language market would result in a \$92.2 million drop in CPE (Figure 29). In the French-language market, the projected leakage of \$107.8 million in ad spending from the Canadian media sector would result in a \$68.0 million drop in CPE.

In total, the leakage of ad spending from the Canadian media sector (\$258.7 million) would likely result in a decrease of \$160.1 million in CPE within the Canadian broadcasting system.

Figure 29 Impact of leakage on CPE, 2022



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

### 6.2.2 Impact of the ‘CPE gap’ in the Canadian broadcasting system

Whatever the private broadcasters do with their windfall, the Canadian broadcasting system would likely be affected by what may be called the ‘CPE gap’. Currently, the ownership groups that **control private broadcasters in Canada’s English-language market** must spend a minimum annual share of their total revenue (from the previous year) on CPE. For the largest commercial broadcasters, the share is 30%. In other words, for every dollar of revenue, private Canadian broadcasters must spend 30 cents on the creation, commissioning or acquisition of Canadian programming. Statistics published by the Canadian Radio-television and Telecommunications Commission (CRTC), however, indicate that private broadcasters in the English-language market actually spent 41.4% of their total revenue on CPE in 2022.

**Although private broadcasters’ actual rate of CPE is higher than the mandatory minimum, it is still lower than the rate of investment in CPE by CBC/Radio-Canada.** In 2022, CBC/Radio-Canada’s English-language services invested 61.1% of their total revenue in CPE. In other words, CBC/Radio-Canada’s level of investment in CPE in the English-language market was 19.7 percentage points higher than the rate of private Canadian television broadcasters. In effect, there was essentially a CPE gap of 19.7 cents per dollar in the English-language market. That is, for every dollar of advertising revenue transferred from CBC/Radio-Canada to English-language Canadian private broadcasters, 19.7 cents of CPE would be lost.

In the French-language market, in contrast, there is virtually no CPE gap. Across conventional and discretionary television services, private television broadcasters devoted 63.9% of their revenue to CPE in 2022. CBC/Radio-Canada’s conventional and discretionary French-language services devoted 63.0% of their revenue to CPE. So, in fact, because of the relatively high CPE of French language discretionary services, in relation to their revenue, for every dollar of advertising revenue transferred from CBC/Radio-Canada to private Canadian television broadcasters in the French language market, CPE would decrease by 0.9 cents.

Still, the migration of advertising revenue out of the Canadian television broadcasting industry and into other media necessarily means that CPE will even drop in the French-language market. This is because the transfer of advertising revenue is not going to be one-for-one. In fact, only 13% of Radio-Canada’s lost advertising revenue would migrate to private broadcasters. And if, as expected, some of the revenue that is kept within the television broadcasting industry moves

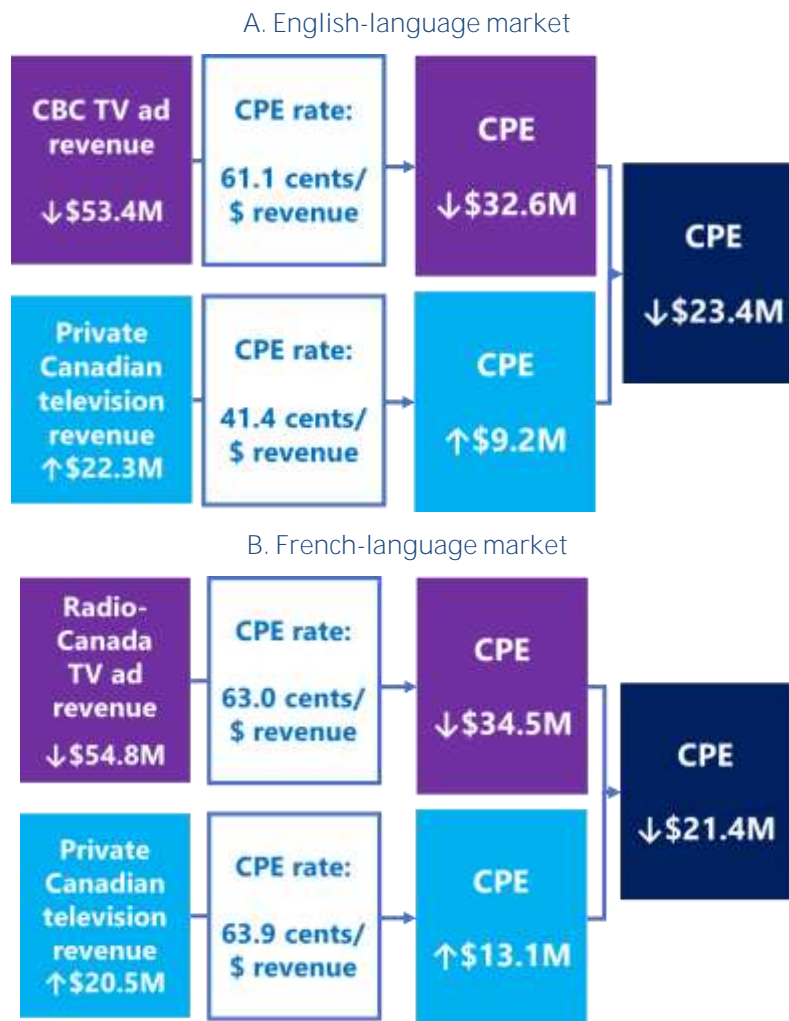
westward into the English-language market, then it will be subject to the CPE gap in that language market.

Out of the total loss of \$204.3 million in advertising revenue on CBC/Radio-Canada's English-language services, \$150.9 million is projected to leak from the Canadian media sector, leaving \$53.4 million to be redistributed within the Canadian media sector (Figure 30).

Out of the total loss of \$162.6 million in advertising revenue on CBC/Radio-Canada's French-language services, \$107.8 million is projected to leak from the Canadian media sector, leaving \$54.8 million to be redistributed within the Canadian media sector.

In the English-language market, the CPE gap means that the redistributed ad spending would translate into a \$23.4 million decrease in CPE. In the French-language market, the redistribution of advertising revenue would translate into a \$21.4 million decrease in CPE. In total, therefore, the redistribution of ad spending from CBC/Radio-Canada to private broadcasters and other media in Canada would result in a \$44.8 million decrease in annual CPE.

Figure 30 Impact of elimination of advertising on CBC/Radio-Canada on CPE, 2022



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

### 6.2.3 Total decrease in CPE

Summing the decreases in CPE due to leakage from Canadian media sector and redistribution of advertising revenue within the Canadian sector would result in an overall net decrease in CPE of \$204.9 million (Table 2). This includes a net decrease of \$115.6 million in the English-language market and \$89.4 million in the French-language market.

Table 2 Summary of net change in CPE

	English-language market	French-language market	Total
Impact of leakage from Canadian media sector	(92.2)	(68.0)	(160.1)
Impact of redistribution within Canadian media sector	(23.4)	(21.4)	(44.8)
Total	(115.6)	(89.4)	(204.9)

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

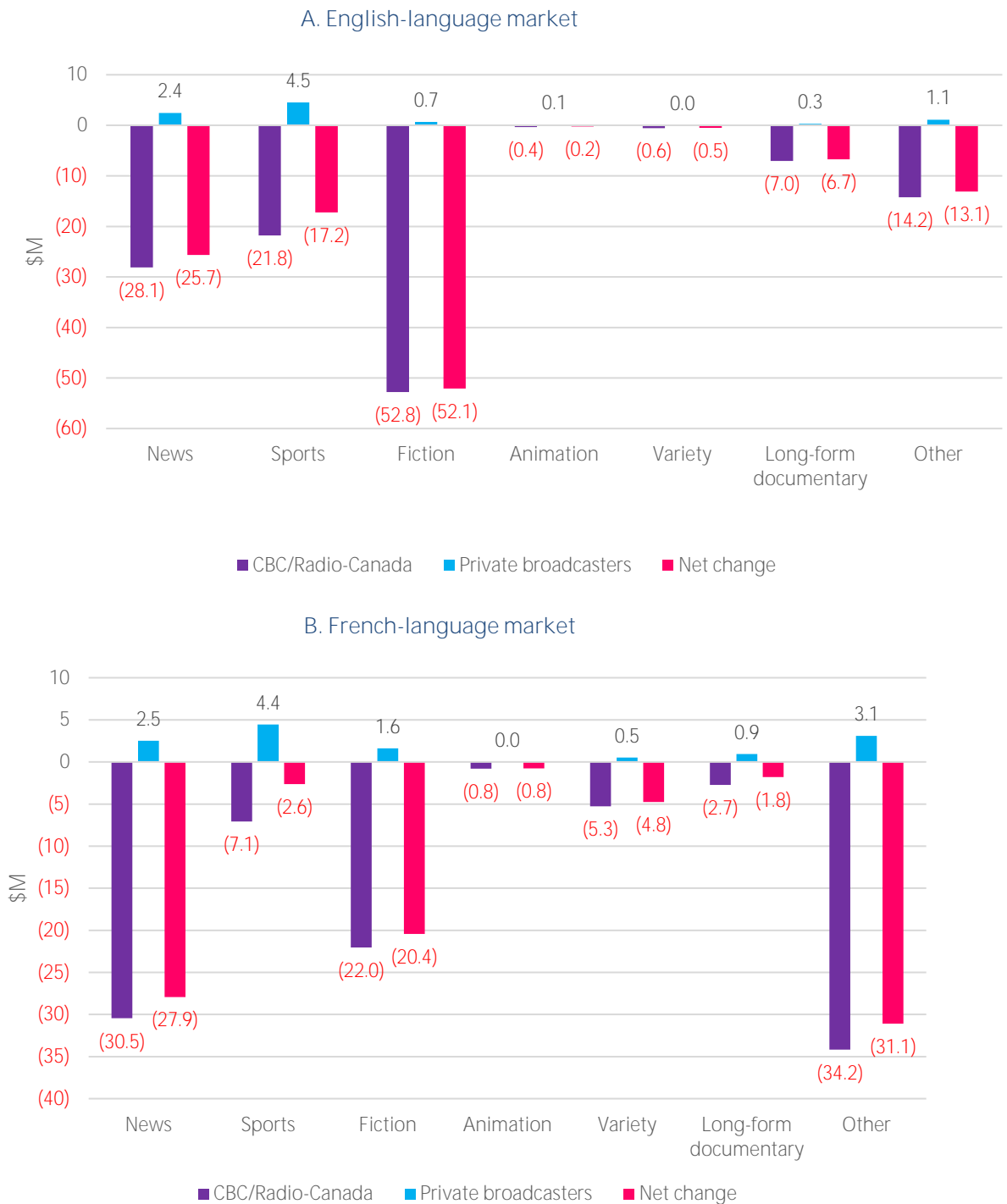
### 6.2.4 Net change in CPE by genre

In the following section, we present a static analysis of how the net decrease in CPE would likely be distributed across different genres. The analysis is static in the sense that the impact on each genre is based on its pre-existing share of CPE at both CBC/Radio-Canada and the private broadcasters. No allowance has been made for the possibility that either CBC/Radio-Canada or the private broadcasters may alter their profile of CPE in response to significant variations in revenues due to the impact of CBC/Radio-Canada ceasing advertising.

Based on this static approach, the decrease in CPE in the English-language market is likely to be concentrated in the news, sports and fiction genres, although the long-form documentary genre would also experience a significant decline (Figure 31).

In the French-language market, the drop in CPE is likely to be concentrated in the news, fiction and variety genres, although other genres (such as other information and reality programming genres) would also experience a significant decline in CPE.

Figure 31 Net impact on CPE by genre



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

### 6.3 Impact on total volume of Canadian television production

CPE reflects the amounts spent by broadcasters on production. In certain genres of programming, this CPE consists of broadcast licence fees paid to independent producers to commission original programming. In the English-language market, these licence fees typically account for 18% to 19% of the total production budget, in 2022-23, the share was 19%. Independent producers obtain additional project financing from the Canada Media Fund (CMF), international pre-sales, tax credits and other sources to cover the other 81%.

In the French-language market, licence fees typically account for approximately 51% of total project financing. In 2022-23, they accounted for 50%.

**Independent producers' use of third-party financing means that Canadian broadcasters' licence fees can have a significant leverage effect.** In the case of the English-language market, each dollar spent by a Canadian broadcaster helps attract another four to six dollars of financing, and thereby, yields a production volume five to six times the value of the licence fee (Table 3). In the French-language market, each dollar spent by a Canadian broadcaster helps attract another dollar of financing, and thereby, yields a production volume that is twice the value of the licence fee paid by Canadian public and private television broadcasters.

Table 3 Financing of Canadian television production (\$M)

	English-language <sup>1</sup>			French-language		
	2020-21	2021-22	2022-23	2020-21	2021-22	2022-23
Public and private Canadian television broadcast licence fees	299	471	487	347	523	526
Federal tax credit	176	250	274	79	118	118
Provincial tax credits	336	539	556	114	160	165
Canadian distributors	306	308	431	4	7	9
Foreign	334	476	451	0	10	2
Canada Media Fund	188	195	197	92	93	93
Other public**	25	70	101	51	89	68
Other private***	34	143	131	49	67	71
<b>Total</b>	<b>1,698</b>	<b>2,452</b>	<b>2,628</b>	<b>736</b>	<b>1,066</b>	<b>1,052</b>
<i>Amount of other financing per dollar of financing from public and private Canadian television broadcaster licence fees<sup>2</sup></i>	5.67	5.21	5.40	2.12	2.04	2.00

Source: CMPA, Profile 2023

Notes:

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

1. Includes data for projects produced in bilingual format and non-official languages, which cannot be reported on separately due to confidentiality issues arising from low production volume.

2. 'Other financing' Includes all forms of production financing except public and private Canadian television broadcast licence fees

In this subsection, we combine the estimates in the net change in spending by genre in the previous subsection with the observed financing structures and rates of financial leverage in each genre in each language market. Combining these two datasets allows us to estimate the impact of the elimination of advertising on CBC/Radio-Canada would have on the total volume (i.e. dollar value of budgets) of Canadian television production. As part of this calculation, we take into

account that spending on the production of news and sports programming largely consists of in-house production where there is no financing leverage.

As detailed in Table 4, the elimination of advertising on CBC/Radio-Canada is likely to result in a \$486.1 million reduction in the total volume of English-language television production. This decrease would consist largely of a \$373.5 million decrease in fiction production, a \$42.9 million decrease in the production of news and sports programming, and a \$41.6 million reduction in the production of long-form documentaries.

In the French-language market, the elimination of advertising on CBC/Radio-Canada would likely be followed by a \$141.1 million decrease in the volume of Canadian television production. Approximately two-thirds of this decrease is likely to be concentrated in the fiction, and lifestyle and human-interest genres.

In total, the elimination of advertising on CBC/Radio-Canada would be followed by a \$627.2 million decrease in the volume of Canadian television production across all language markets. This is equivalent to a 13.6% decrease in the total volume of Canadian television production – including both independent and broadcaster in-house production – during the 2021/22 fiscal year (\$4.6 billion). Almost 70% of the total decrease would be in the fiction genre.

Table 4 Impact on total volume of Canadian television production (\$M)

	News/ Sports	Fiction	Children's and youth	Docu- mentary	Lifestyle and human interest	Vari- ety	Total
English-language							
Net change in CPE	(42.9)	(52.1)	(0.2)	(6.7)	(13.1)	(0.5)	(115.6)
Financial leverage rate	1.0	7.2	9.7	6.2	1.9	2.0	--
Net change in volume of Canadian TV production	(42.9)	(373.5)	(2.2)	(41.6)	(24.9)	(1.0)	(486.1)
French-language							
Net change in CPE	(30.5)	(20.4)	(0.8)	(1.8)	(31.1)	(4.8)	(89.4)
Financial leverage rate	1.0	2.4	2.6	2.2	1.5	1.9	--
Net change in volume of Canadian TV production	(30.5)	(48.1)	(2.0)	(4.0)	(47.4)	(9.0)	(141.1)
All languages							
Grand total change in production volume	(73.4)	(421.6)	(4.2)	(45.6)	(72.3)	(10.0)	(627.2)

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

## 6.4 Impact on Canadian economy

The elimination of advertising on CBC/Radio-Canada will also have negative impacts on the Canadian economy.

First, as noted in Section 6.2, the elimination of advertising on CBC/Radio-Canada is likely to lead to the leakage of ad spending to foreign-controlled digital platforms and web sites. As this spending is diverted from CBC/Radio-Canada to foreign companies, there is a loss of revenue and employment at CBC/Radio-Canada – and by virtue of that, within the Canadian broadcasting system – and at the various companies that supply goods and services to CBC/Radio-Canada.

The diversion of revenue from CBC/Radio-Canada to foreign-controlled digital platforms and web sites also means that there is less money within the Canadian broadcasting system to spend on licence fees for the production of original Canadian programming.

As discussed in Section 6.3, these broadcast licence fees help Canadian producers attract financing from a variety of sources – both domestic and foreign. Most of the domestic financing sources – such as the CMF and federal and provincial tax credits – will ultimately be recirculated into other television production projects or government spending. However, the same is not necessarily the case for the foreign financing of Canadian television production.

When foreign broadcasters and distributors invest in the production of Canadian television programs the effect is equivalent to the export of Canadian production services and represents a net addition to the Canadian economy. The foreign financing of Canadian television programs, therefore, increases employment and income in Canada, which would not have otherwise occurred. This higher income also generates GDP.

So, from the economic impact perspective, when Canadian television production is curtailed because of the leakage of advertising revenue to foreign-controlled digital platforms and web sites, the net decrease in production volume consists of the drop in broadcast licence fees (i.e. CPE) and the associated drop in foreign and distributor financing for that production.

The lower levels of revenue at CBC/Radio-Canada, and the loss of production financing and activity, in turn, lead to lower levels of employment and GDP in Canada.

Second, as noted in Section 6.2, even when CBC/Radio-Canada's advertising revenue stays within Canada and is diverted to private Canadian broadcasters, the CPE gap means that there is a fall in the volume of Canadian television production.

Once again, the domestic financing that would have flowed into that production – e.g. CMF, **independent production funds' financing**, and federal and provincial tax credits – will be recirculated into other television production projects, other government spending or elsewhere in the Canadian media sector. The financing that would have come from foreign sources, however, would likely be lost from the Canadian economy.

So even when ad spending is transferred from CBC/Radio-Canada to private broadcasters, the CPE gap means that the total volume of Canadian television production falls and any foreign financing that that production would have attracted. The net result is a decrease in employment, income and GDP in Canada.

### 6.4.1 Impact of leakage on Canadian television production

As noted in Section 6.2, in the English-language market, leakage accounted for 80% of the decrease in CPE, and thereby, a 80% decrease in associated production volume. In the French-language market, the share was 76%.

Across both language markets, the leakage of advertising revenue would affect \$498.2 million in production volume (Table 5). The loss of financing would include the value of the CPE and the decrease in foreign financing of Canadian production. Altogether, the loss of these production-financing monies from the Canadian production sector would sum to \$249.5 million.

This loss of \$249.5 million in foreign production financing – which cannot be replaced by domestic sources – would result in a loss of 3,390 full-time equivalent jobs (FTEs) and \$286.6 million in GDP. Approximately three-quarters of these losses are likely to be concentrated in the English-language market, where Canadian television projects attract more foreign financing.

Table 5 Economic impact of decrease in volume of Canadian television production, 2022

	English-language market	French-language market	Total
Net change in volume of Canadian television production (\$M)	(387.6)	(110.5)	(498.2)
Net change in foreign financing of Canadian television production (\$M)	(184.8)	(64.7)	(249.5)
Employment (FTEs)			
Direct	(1,330)	(460)	(1,790)
Spin-off	(1,190)	(410)	(1,600)
Total	(2,520)	(870)	(3,390)
GDP (\$M)			
Direct	(109.0)	(38.2)	(147.2)
Spin-off	(103.3)	(36.2)	(139.5)
Total	(212.3)	(74.3)	(286.6)

Source: Nordicity estimates based on data from CMPA Profile 2023, CBC/Radio-Canada, CRTC, Statistics Canada and IAB Canada

#### 6.4.2 Other impacts of leakage from the Canadian media sector

As noted in Section 6.2, for each dollar of advertising revenue removed from CBC/Radio-Canada, CPE drops by 61.1 cents in the English-language market and 63.0 in the French-language market. The economic impact of this lost CPE was already taken into account in the previous subsection. The remaining 38.9 cents in the English-language market and 37 cents in the French-language market would also be lost to the Canadian economy, in so far as media spending leaks from the Canadian sector.

In the English-language market, this means that an additional \$58.7 million (38.9% x \$150.9 million) in spending would be lost from the Canadian economy (Table 6). In the French-language, the additional economic loss would be \$39.9 million (37% x \$107.8 million).

Since this portion of the loss of media spending is largely from the *non-production* side of CBC/Radio-Canada's **broadcasting and digital operations, economic ratios reflecting that side of the operations** were used to estimate the economic impact. These economic ratios are also drawn from *CMPA Profile 2023*.

This other leakage of spending from the Canadian media sector would eliminate 270 FTEs and \$34.7 million in GDP from the Canadian economy.

Table 6 Economic impact of decrease in *non-production* television broadcasting operations

	English-language market	French-language market	Total
Gross leakage from Canadian media sector	(150.9)	(107.8)	(258.7)
Broadcasting operations spending ratio (excluding spending on CPE)	0.389	0.370	--
Net leakage from Canadian media sector (excluding spending on CPE)	(58.7)	(39.9)	(98.6)
Employment (FTEs)			
Direct	(40)	(30)	(70)
Spin-off	(120)	(80)	(200)
Total	(160)	(110)	(270)
GDP (\$M)			
Direct	(10.7)	(7.3)	(18.0)
Spin-off	(9.9)	(6.8)	(16.7)
Total	(20.7)	(14.0)	(34.7)

Source: Nordicity estimates based on data from CMPA Profile 2023, CBC/Radio-Canada, CRTC, and IAB Canada

Note: Some totals may not sum due to rounding.

### 6.4.3 Impact of redistributed ad spending

As noted in Section 6.2, even the redistribution of ad spending will result in a decrease in CPE and Canadian production volume. This will account for 20% of the impact on Canadian production in the English-language market. In the French-language market, it will account for 24% of the impact.

Across both language markets, the redistribution of advertising revenue would affect \$116.2 million in production volume. In this case, the loss of financing would be confined to the decrease in foreign financing of Canadian production, since the CPE would be redistributed as spending within the Canadian economy. The loss of these foreign financing monies from the Canadian production sector would be an estimated \$32.4 million.

This loss of \$32.4 million in financing – which cannot be replaced by domestic sources – would result in a loss of 460 FTEs and \$37.2 million in GDP. Most of this negative economic impact is likely to be concentrated in the English-language market, where Canadian television projects attract more foreign financing.

Table 7 Economic impact of decrease in volume of Canadian television production. 2023

	English-language market	French-language market	Total
Net change in volume of Canadian television production	(89.8)	(26.5)	(116.2)
Net change in foreign financing of Canadian television production	(32.2)	(0.2)	(32.4)
Employment (FTEs)			
Direct	(230)	(10)	(240)
Spin-off	(210)	(10)	(220)
Total	(440)	(20)	(460)
GDP (\$M)			
Direct	(19.0)	(0.1)	(19.1)
Spin-off	(18.0)	(0.1)	(18.1)
Total	(37.0)	(0.2)	(37.2)

Source: Nordicity estimates based on data from CMPA Profile 2023, CBC/Radio-Canada, CRTC and IAB Canada

#### 6.4.4 Total economic impact

The combination of the negative economic impact associated with the leakage of ad spending from the Canadian media sector and the loss of foreign production financing associated with redistributed ad spending would combine to eliminate 4,120 FTEs of employment and \$358.5 million in annual GDP from the Canadian economy.

Table 8 Total economic impact of removal of advertising from CBC/Radio-Canada

	English-language market	French-language market	Total
Employment (FTEs)			
Direct	(1,600)	(500)	(2,100)
Spin-off	(1,520)	(500)	(2,020)
Total	(3,120)	(1,000)	(4,120)
GDP (\$M)			
Direct	(138.7)	(45.5)	(184.3)
Spin-off	(131.2)	(43.0)	(174.3)
Total	(270.0)	(88.6)	(358.5)

Source: Nordicity estimates based on data from CMPA Profile 2023, CBC/Radio-Canada, CRTC, and IAB Canada

Note: Some totals may not sum due to rounding.

## 7. Conclusions

While the advertising revenue earned from linear television – in Canada and globally – continue to decline, the wider market for ad-supported video content remains resilient. Indeed, many of the leading global subscription-based video platforms are integrating ad-supported models into their offering. CBC/Radio-Canada's parliamentary appropriation is essential to its ability to pursue its public service objectives. However, the financial flexibility provided by its own hybrid revenue model – including government funding, advertising and subscription fees – allows it to reach even larger audiences than it would have had it relied on single revenue model – either voluntarily or because of government restrictions.

From a business and operational standpoint, therefore, it is clear that it is important for both CBC/Radio-Canada and the wider Canadian audiovisual sector that it continues to pursue a strategy that incorporates financial flexibility.

### The public policy benefits of advertising on CBC/Radio-Canada

In general, our research found that the sale of advertising by CBC/Radio-Canada yields public policy benefits because doing so means that:

- I. CBC/Radio-Canada has more money to work with – under a scenario where the federal government does not replace any lost advertising revenue with additional public funding.
- II. CBC/Radio-Canada has more non-public money, and therefore, is less reliant on public funding, which can be subject to political and fiscal cycles.
- III. CBC/Radio-Canada has more advertising money, which gives it the financial flexibility needed to adapt its revenue models and maintain its financial sustainability.
- IV. The entire Canadian broadcasting system retains more advertising money, thus allowing it to maximize the benefits from access to the advertising market.

### I. CBC/Radio-Canada has more money to work with (under a scenario where the federal government does not replace any lost revenue with additional public funding)

As Canada's only national public broadcaster, CBC/Radio-Canada plays an extremely important role in achieving the goals of Canadian broadcasting policy. CBC/Radio-Canada's operations are broad and deep, covering all of Canada, and broadcasting in two official languages and in **indigenous languages to inform and entertain audiences across Canada's large geography.**

To deliver on this broad mandate requires significant financial resources. However, when compared to public broadcasters in peer countries, CBC/Radio-Canada has one of the lowest levels of per-capita public funding. In 2022, CBC/Radio-Canada's parliamentary appropriation was equal to \$32 per capita. Canada was ranked 17<sup>th</sup> out of 20 western countries in terms of per-capita public funding for public broadcasting. And at \$32 per capita, was well below Australia (\$48) and most western European countries, where funding was well above \$60 and even over \$100.

CBC/Radio-Canada's relatively low ranking in terms of public funding is all the more surprising given that it has to maintain two distinct language networks – something that public service broadcasters (PSBs) in Switzerland (\$192) and Belgium (\$74) face. It is out of necessity, therefore,

that CBC/Radio-Canada has to pursue a diversified revenue model that includes the sale of advertising.

It is vital to the Canadian television production ecosystem that CBC/Radio-Canada has the ability to commission and license Canadian programming. According to statistics published by the Canadian Media Producers Association (CMPA) in *Profile 2023*, Canadian public broadcasters (principally CBC/Radio-Canada) invested, by way of broadcast licence fees, an estimated \$427 million in the creation of original Canadian television programming in 2022/23. Indeed, CBC/Radio-Canada (and provincial education broadcasters) accounted for 42% of total Canadian broadcaster spending on original Canadian television programming, even though they only accounted 20% of total industry revenue.

**CBC/Radio-Canada also plays a more prominent role in supporting Canada's independent production community, when compared to Canada's private broadcasters.** During the 2023 broadcast year (Sep. 1, 2022 to Aug. 31, 2023), it spent an estimated \$325 million on the commissioning or acquisition of independent Canadian television programming, or 52% of its \$619 million in total CPE. Private Canadian broadcasters did spend more (\$556 million), but this represented only 24% of their total CPE.

## II. CBC/Radio-Canada has more non-public money, and therefore, is less reliant on public funding, which can be subject to political and fiscal cycles

CBC/Radio-Canada is by no means the only public broadcaster in the world that generates revenue from the sale of advertising. Looking across 20 OECD countries, 24 of 38 public broadcasters funded their operations, in part, with advertising and sponsorship revenue in 2021.

On the surface, public funding may seem like a stable source of revenue for a broadcaster, however, the historical record for CBC/Radio-Canada demonstrates that the real value of its parliamentary appropriation has been eroded by inflation over the past decades. In 2023, the real (inflation-adjusted) value of **CBC/Radio-Canada's parliamentary appropriation was 37% smaller** than it was in 1991.

The system of annual parliamentary appropriation through which CBC/Radio-Canada receives its public funding means that it cannot avoid the risks of the political and fiscal cycles. The political cycle means that **CBC/Radio-Canada's revenue is at risk during** periods when the political party in power might look less favourably upon public broadcasting as an institution. The fiscal cycle means that changing economic and fiscal conditions, and changing public policy priorities could introduce uncertainty into **CBC/Radio-Canada's level of public funding, regardless of the party in power.** Diversification away from public funding and into commercial revenue sources is both a viable and necessary option for CBC/Radio-Canada to mitigate these risks.

## III. CBC/Radio-Canada has more advertising money, which gives it the financial flexibility needed to adapt its revenue models and remain financially sustainable

It is only with financial flexibility that CBC/Radio-Canada can continue to test and refine its revenue models within the rapidly changing television landscape. In fact, financial flexibility and the ability to change and adapt its revenue models affords CBC/Radio-Canada the capacity to remain sustainable.

Without the flexibility to sell advertising, the public broadcaster would not have the capacity to innovate its content distribution services and its engagement with audiences, which ultimately brings benefits to large sections of those Canadian audiences and the overall Canadian broadcasting system.

There is no disputing that digital advertising now dominates the media market globally and in Canada. Since 2018, digital media has accounted for more ad spending in Canada than all other media platforms combined. And its share is expected to continue to grow. Still, traditional television viewing in Canada has remained resilient, even in the face of Internet-based television **and other digital media competing for ad spend. The global SVOD services' recent pivot towards** more ad supported and FAST options only reinforces the fact that advertising is going to remain an essential aspect of television revenue models – traditional and digital – for the foreseeable future. For CBC/Radio-Canada to remain relevant in the television landscape, it needs access to the this revenue stream.

#### IV. The entire Canadian broadcasting system retains more advertising money, thus allowing it to maximize its access to the advertising market and the benefits that flow from that access

Maintaining advertising on CBC/Radio-Canada also helps to stave off the leakage of Canadian ad spending to non-Canadian digital media platforms such as Google, YouTube, Facebook, X and Instagram. The following analysis indicates that the redistribution of CBC/Radio-Canada's advertising revenue to other media platforms would likely result in 70% of that redistributed ad spending (\$258.7 million) flowing to non-Canadian digital media platforms.

With Canadian television ad spending flowing away from Canadian companies and to other Canadian media platforms necessarily means that there will be a significant reduction in CPE within the Canadian broadcasting system. Not only would money be lost from the Canadian broadcasting system, but the ad spending that does get redistributed from CBC/Radio-Canada to private Canadian broadcasters would be subject to a lower rate of investment in CPE in the English-language market. Overall, the elimination of advertising on CBC/Radio-Canada would result in a \$204.9 million annual drop in CPE.

Given the financing leverage of different genres of television production, CBC/Radio-Canada's net contribution of \$204.9 million in licensing fees to independent producers (a portion of its overall annual CPE of \$619 million in broadcasting year 2023)<sup>40</sup> actually translates into a net decrease of \$498.2 million in total television production (i.e. the sum of the total production budgets) or approximately 11% of the Canadian television production market.

Advertising on CBC/Radio-Canada supports 4,120 FTEs of employment and \$358.5 million in gross domestic product (GDP) for the Canadian economy, including direct, indirect and induced impacts. With the increasing prominence of Internet-based advertising, only 30% of CBC/Radio-Canada's redistributed advertising revenue would stay within Canada's media sector; and only 12% would actually be redistributed to other Canadian television services. An estimated 70% of CBC/Radio-Canada's redistributed advertising revenue would ultimately be diverted out of

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<sup>40</sup> Estimated from statistics filed with the CRTC. Includes CBC/Radio-Canada's total CPE includes spending on original independent production, acquisitions of Canadian programming and in-house production (e.g. news and sports programming).



the Canadian economy, **thereby, resulting in employment and GDP losses in Canada's** independent production sector, the Canadian media sector and the wider Canadian economy.

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## List of abbreviations

AVOD	Ad-supported video-on-demand
BBC	British Broadcasting Corporation
CAGR	Compound annual growth rate
CMF	Canada Media Fund
CMPA	Canadian Media Producers Association
CPE	Canadian programming expenditures
CPB	Corporation for Public Broadcasting
CRTC	Canadian Radio-television and Telecommunications Commission
CTV	Connected TV
FAST	Free ad-supported streaming TV
FTE	Full-time equivalent
GDP	Gross domestic product
IPTV	Internet protocol television
KPI	Key performance indicator
OECD	Organization for Economic Cooperation and Development
PBS	Public Broadcasting Service (US)
PSB	Public service broadcaster
SVOD	Subscription video-on-demand
TVOD	Transactional video-on-demand
UK	United Kingdom
US	United States

## Appendix A: Economic analysis key assumptions

The first step in assessing the impact of eliminating advertising on CBC/Radio-Canada's platforms was to forecast how Canadian advertisers would divert this spending to other media platforms. To develop this redistribution forecast, Nordicity used a combination of statistics published for the Canadian media sector as well as interviews with CBC/Radio-Canada executives.

With regards to the redistribution of CBC/Radio-Canada's advertising revenue, Nordicity's 2011 Study drew upon the insights and opinions of media buying agencies. The main conclusion was that, in the English-language market, the vast majority of the ad spending would migrate to other conventional and discretionary television services in Canada. A small portion of the ad spending would migrate to the Internet. An even smaller share of diverted ad spending would migrate to US border stations.

For the French-language market, the main conclusion was that, due to lack of alternative inventory in the conventional television market, most of the released ad spending would migrate to discretionary television services and other media platforms. A small percentage would migrate to the Internet.

As noted elsewhere, the dynamics of the Canadian advertising and media market have changed dramatically since 2011. Nordicity's updated research indicates that, in contrast to the 2011 study, **in today's environment, the majority of any television ad spending released from CBC/Radio-Canada would, in fact, migrate to digital platforms.**

To model the redistribution of CBC/Radio-Canada's advertising revenue in both language markets, Nordicity separately examined each of CBC/Radio-Canada's ad-based platforms in the following manner:

1. All of the advertising revenue earned on CBC/Radio-Canada's digital platforms was assumed to migrate directly to other digital outlets.
2. Advertising on discretionary television services is national; therefore, all of this advertising revenue was assumed to migrate to the two most important national media platforms – television and digital. The modelling assumed no migration to radio, print or outdoor media – all of which are largely locally focused advertising media. The split between television and digital was based on these two media platforms' relative share of total ad spend in Canada in 2022. Different market shares were used for the English- and French-language television markets; however, a blended 'all languages' share of 8% was used for digital platforms.<sup>41</sup>
3. For CBC/Radio-Canada's conventional television advertising revenue, Nordicity first categorized the advertising revenue as local or national. The national advertising revenue – which accounted for the vast majority of advertising revenue in each language market – was allocated to each of the two main national advertising platforms – television and digital. Local advertising revenue was allocated across advertising media in proportion to their market share in 2022. Separate market shares were used for the two language markets.
4. To further allocate digital advertising revenue between Canadian and non-Canadian ad sellers, we obtained data on the market share held by non-Canadian Internet sites and

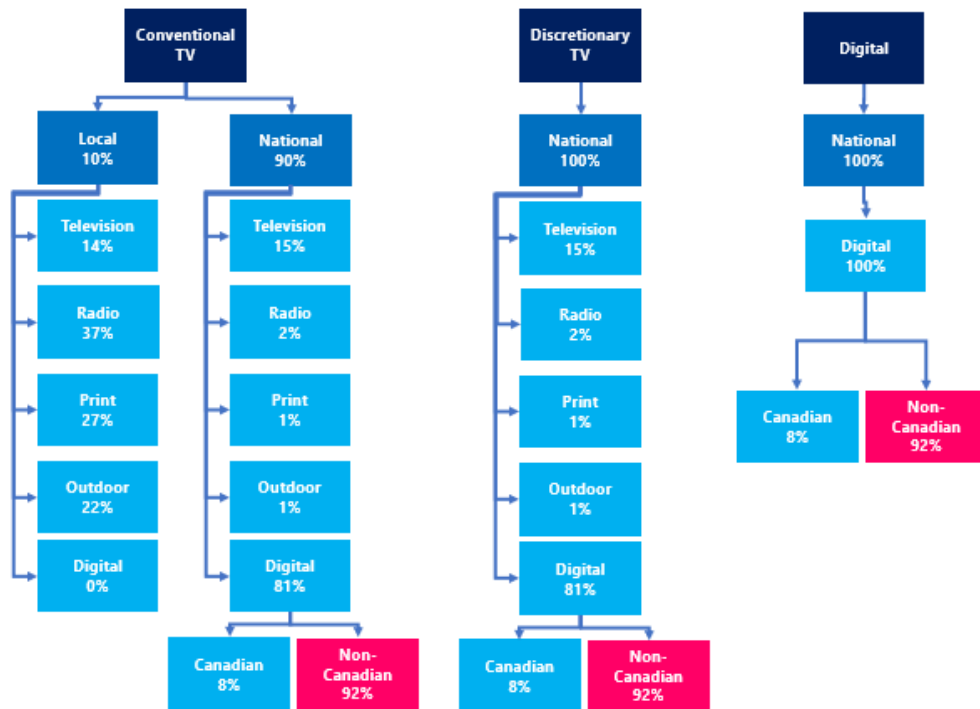
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<sup>41</sup> The digital media platform market share was sourced from IAB Canada (2023), which only published a blended 'all languages' market share and no language-market breakdown.

digital platforms in 2022 from IAB Canada. This indicated that non-Canadian sites held at least a 76% share of the total digital advertising market in 2022.<sup>42</sup>

The results of this research and redistribution-model development are summarised in Figures A -1 and A - 2, below.

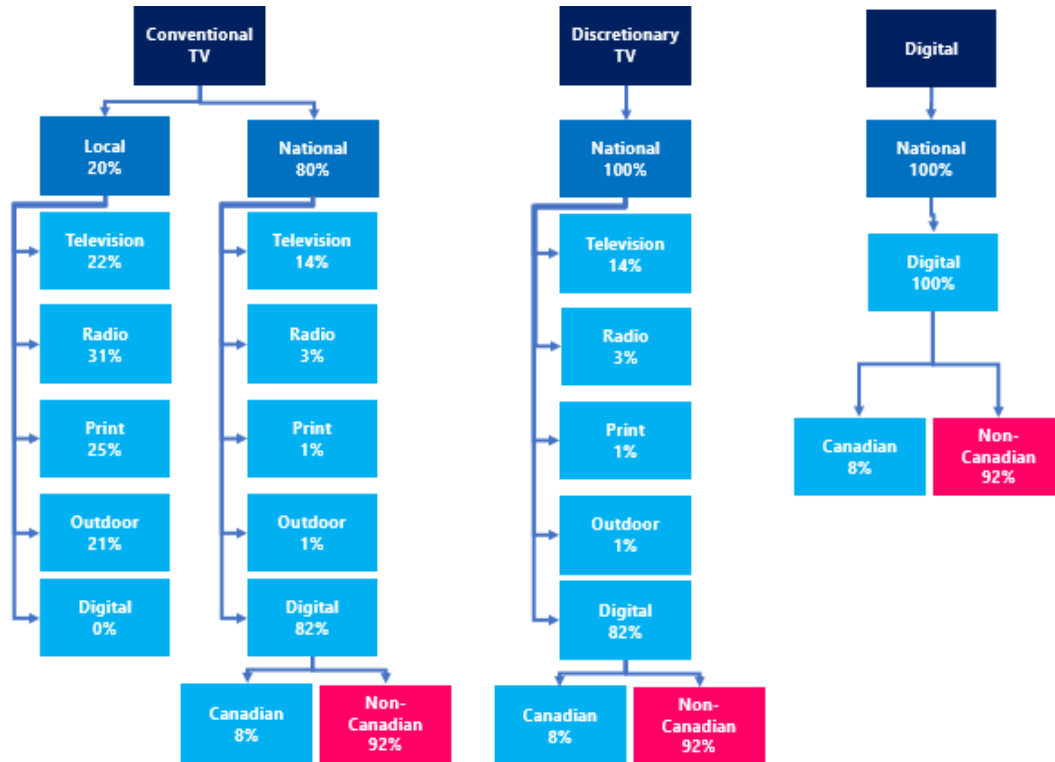
Figure A - 1 Advertising revenue redistribution model, English-language market



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

<sup>42</sup> The market share (76%) for non-Canadian services was based only on the non-Canadian sites/platforms within the top 20 digital advertising sellers in Canada. In so far as non-Canadian sites appear outside the top 20, the market share used in this model (76%) will actually understate the true market share of non-Canadian sites/platforms.

Figure A - 2 Advertising revenue redistribution model, French-language market



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

## Nordicity

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