



Economic Impact of CBC/Radio-Canada in 2013.

A Report for CBC/Radio-Canada

16 June 2014

Private and Confidential

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Important Notice from Deloitte LLP

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The Draft Report is provided exclusively for CBC/Radio-Canada's use under the terms of the Contract. No party is entitled to rely on the Draft Report for any purpose and we accept no responsibility or liability or duty of care to any party whatsoever in respect of the contents of this Draft Report.

As set out in the Contract, the scope of our work has been limited by the time, information and explanations made available to us. The information contained in the Draft Report has been obtained from CBC/Radio-Canada and third party sources that are clearly referenced in the appropriate sections of the Draft Report. Deloitte has neither sought to corroborate this information nor to review its overall reasonableness. Further, any results from the analysis contained in the Draft Report are reliant on the information available at the time of writing the Draft Report and should not be relied upon in subsequent periods.

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Executive Summary

In 2011, CBC/Radio-Canada commissioned a report that measured the impact of CBC/Radio-Canada on the Canadian economy in broadcasting year ended August 31, 2010. CBC/Radio-Canada has commissioned a follow-up study in order to estimate the impact of CBC/Radio-Canada on the Canadian economy in broadcasting year 2013. This report demonstrates the continued economic significance of CBC/Radio-Canada's activities by estimating the core economic value that CBC/Radio-Canada adds to the Canadian economy through its own activities and through the ripple effects of its expenditure throughout its supply chain.

This report presents estimates of the contribution of CBC/Radio-Canada to the Canadian economy. These estimates have been produced by the model of CBC/Radio-Canada's economic impact, previously prepared by Deloitte, employing a standard assessment methodology with data collected and prepared by CBC/Radio-Canada. Deloitte has performed high-level checks of this data and confirmed that it is consistent with public domain sources and, where applicable, with the data used in the model and report previously prepared by Deloitte which assessed CBC/Radio-Canada's economic impact as of 2010. This report does not comment on the performance of CBC/Radio-Canada against its mandate, nor does it attempt to value the cultural and societal contributions that CBC/Radio-Canada's mandate and activities generate.

Key Findings

CBC/Radio-Canada remains an important contributor to the Canadian economy, and particularly to the Canadian media industry. The estimated contribution of CBC/Radio-Canada to the Canadian economy, or gross value added ('GVA'), in 2013 was \$3.56 billion, arising from an expenditure of \$1.69 billion, with a spend-weighted multiplier of 2.11. The public service mandate of CBC/Radio-Canada is reflected in its focus on original Canadian content in English and in French, as well as in its regional presence. Through its spend across the country, CBC/Radio-Canada has a positive impact in every province and territory. CBC/Radio-Canada spends significantly more than all the other private broadcasters combined on Canadian programming, which further underlines CBC/Radio-Canada's unique contribution.

CBC/Radio-Canada's GVA has reduced somewhat compared to the 2011 study, where it was estimated that CBC/Radio-Canada produced an economic impact of \$3.66 billion, arising from an expenditure of \$1.72 billion, with a spend-weighted multiplier of 2.13. The slight decline in CBC/Radio-Canada's economic contribution is driven primarily by an overall reduction in CBC/Radio-Canada's expenditures compared to 2010.

CBC/Radio-Canada's reduced expenditure results principally from the Federal government's austerity policies, which led to a decrease in CBC/Radio-Canada's government funding by \$62 million between 2010 and 2013. Television and Specialty Services expenditure and GVA have increased, while Radio expenditure and GVA has somewhat declined from 2010 to 2013.

CBC/Radio-Canada's net additional contribution to the economy, or net value added ('**Overall NVA**'), is estimated to be \$1.1 billion. This is calculated by first estimating the GVA of CBC/Radio-Canada in a hypothetical 'counterfactual' scenario in which it does not have a public remit and is

commercially funded ('Narrow NVA'). Then, the economic impact on other broadcasters and media in this counterfactual case is calculated. Finally, the economic benefit that would be achieved through alternative spending by the government of the CBC/Radio-Canada funding is calculated. These impacts are subtracted from the GVA to calculate the 'Overall NVA'. Based on this analysis, it was found that the government funding of \$1.1 billion in 2013 not only contributed to CBC/Radio-Canada's GVA of \$3.56 billion, but the positive impact of government funds through CBC/Radio-Canada exceeds the value that would be generated by an alternative use of the funding.

Overall, CBC/Radio-Canada's NVA declined relative to 2010. This decrease in NVA is largely due to changes in the Canadian broadcasting market, primarily the increase in total market advertising revenue, the increase in private broadcasters' market shares on average, and the decrease in private broadcasters' spend on imported French language Television content, as well as decreased government funding to CBC/Radio-Canada. These changes lead to a decrease in CBC/Radio-Canada's factual GVA and an increase in the hypothetical commercially funded CBC/Radio-Canada's GVA, thus decreasing CBC/Radio-Canada's estimated Narrow NVA by \$374 million relative to 2010; this decrease is partly offset by the higher economic impact of other commercial broadcasters and other media with a publicly funded CBC/Radio-Canada and the lower value of the alternative use of government funding to CBC/Radio-Canada, between 2010 and 2013, resulting in a decline in Overall NVA by \$149 million.

1 Introduction

This report was commissioned by CBC/Radio-Canada to estimate CBC/Radio-Canada's value added in the Canadian economy, for the broadcasting year 2013.

The report is based on the 2011 Deloitte study undertaken for CBC/Radio-Canada ('the 2011 report'¹) which estimates the economic impact of CBC/Radio-Canada in broadcasting year 2010.

CBC/Radio-Canada's public service mandate compels and empowers CBC/Radio-Canada to have a focus on high quality original Canadian content in English and in French, and leads to a wide social reach and strong regional presence across Canadian provinces and territories. CBC/Radio-Canada's principal television services comprise the two main television channels CBC/Radio-Canada Television (in English) and Television de Radio-Canada (in French), and CBC/Radio-Canada's five specialty television channels. CBC/Radio-Canada's radio services are arguably even better recognised for their public service aspects, including the main English and French talk and music radio services. Associated with the Television and Radio services, CBC/Radio-Canada also provides online content through its main media websites CBC.ca (in English) and Radio-Canada.ca (in French), as well as its dedicated content streaming site tou.tv (in French) and various web radio services.

Through its services and activities, CBC/Radio-Canada has an economic impact directly arising from its spend on its people, suppliers and services, as well as more widely through additional effects in the creative sector and in the wider economy.

This economic impact is estimated through analysis of CBC/Radio-Canada's expenditure and supply chain and through economic multipliers, which capture the ripple effects of CBC/Radio-Canada's spend throughout the economy.

The present study uses the same methodological framework of the 2011 report. As such, only a high-level description of the methodology is provided here. The detailed method can be consulted in the 2011 report.

GVA estimation

CBC/Radio-Canada's gross value added (GVA) captures the economic impact in the Canadian economy generated by CBC/Radio-Canada's operations. Following standard economic impact analysis techniques, CBC/Radio-Canada's GVA comprises:

- CBC/Radio-Canada's **direct value added**, defined as the value of its total sales, less its expenditure on goods and services purchased from other firms.
- The **indirect impact** on the GVA of firms in CBC/Radio-Canada's supply chain, whereby these firms add value to the goods and services purchased by CBC/Radio-Canada and in

¹ Deloitte (2011): 'The Economic Impact of CBC/Radio-Canada', available at http://www.cbc-radio-canada.ca/_files/cbrc/documents/latest-studies/deloitte-economic-impact-en.pdf

their further transactions with other firms in the entire supply chain throughout the economy; and

- The **induced impacts** on the wider economy as a result of the expenditure of employees of all affected firms in the economy.

In order to capture direct, indirect and induced effects, the analysis uses 'Type II' output multipliers sourced from Statistics Canada², which are applied to CBC/Radio-Canada's expenditures across Television, Radio and Specialty Services, following the approach used in the previous report and discussed in Appendix B. The analysis of CBC/Radio-Canada's economic impacts by service allows differences between supply chains, including different degrees of leakage outside Canada, to be captured. These differences are reflected in the multiplier values for each service.

NVA estimation

The net value added (NVA) of CBC/Radio-Canada captures the impact of CBC/Radio-Canada on the Canadian economy, net of the impact that CBC/Radio-Canada would have if it was commercially funded and without a public service remit ('the counterfactual' scenario). CBC/Radio-Canada's NVA is estimated by considering:

- CBC/Radio-Canada's 'Narrow NVA', which represents the difference between CBC/Radio-Canada's GVA in 2013 and the GVA of a hypothetical commercially funded CBC/Radio-Canada in the counterfactual scenario in the same year;
- CBC/Radio-Canada's 'Overall NVA', which represents the aggregate of CBC/Radio-Canada's 'Narrow NVA', the net impacts of changes in the broadcasting and other media markets, and the impact that would be generated through an alternative use of CBC/Radio-Canada's government funding.

As in the 2011 report, the counterfactual commercially funded CBC/Radio-Canada would:

- be smaller in scale;
- spend a smaller share of its total expenditure in Canada and a greater share abroad;
- concentrate its expenditure on fewer regions.

² The multipliers used are the most recent available from Statistics Canada. They relate to 2009, and hence differ from the multipliers used in the previous model, which were for 2006, and are available at <http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=15-201-XWE&lang=eng>.

1.1 Report structure

This report is structured as follows:

- Section 2 discusses changes in CBC/Radio-Canada's expenditure between the 2010 broadcasting year and the 2013 broadcasting year;
- Section 3 discusses the changes in CBC/Radio-Canada's GVA between the 2010 broadcasting year and the 2013 broadcasting year, which are driven by changes in its expenditure; and
- Section 4 discusses CBC/Radio-Canada's net value added ('NVA') in 2013, and how it has changed in relation to 2010, due to changes in the broadcasting market overall as well as CBC/Radio-Canada's expenditure.

2 CBC/Radio-Canada Expenditure

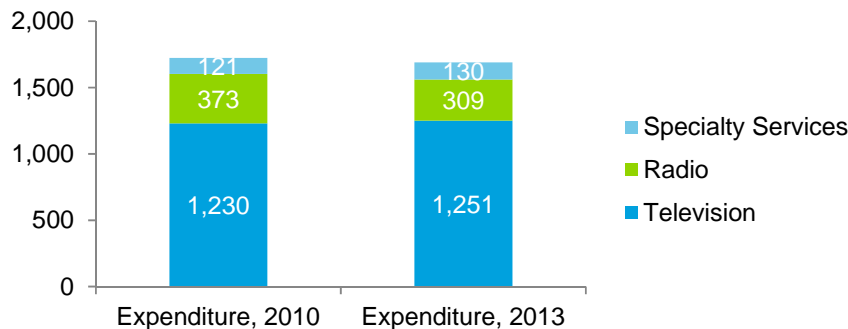
CBC/Radio-Canada's expenditures drive its GVA and NVA. This section provides an overview of key CBC/Radio-Canada expenditures in 2013, and how they have changed in relation to 2010. All expenditure data was collected from CBC/Radio-Canada based on its 2013 operations.

2.1 Total direct and supply-chain spend

CBC/Radio-Canada's total expenditure in 2013 was \$1.72 billion, 3% lower than 2010. Government austerity measures impacted CBC/Radio-Canada's subsidies which in turn led to a decrease in expenditure across the board. Additionally, significant changes in operations and the industry since 2010 impacted performance and resulted in reallocations within sectors and regions. Such changes included the phasing out of analogue transmission in favour of digital, the implementation of IFRS, the industry trend towards rebroadcasting of existing inventory, as well as the implementation of CBC/Radio-Canada's 2015 strategic plan.

After excluding expenditure outside Canada, the operating expenditure used for the purposes of the GVA estimation was \$1.69 billion, a 2% decrease from 2010³. Figure 1 below displays CBC/Radio-Canada's expenditure profile distribution between Television (74% of total expenditures), Radio (18%) and Specialty Services (8%).

Figure 1: Total expenditure share by service type in \$m (Canada only)



Source: CBC/Radio-Canada, Deloitte analysis

CBC/Radio-Canada's total expenditure was incurred primarily on programming activities, transmission, sales and promotion, administrative expenses and amortisation⁴. A substantial

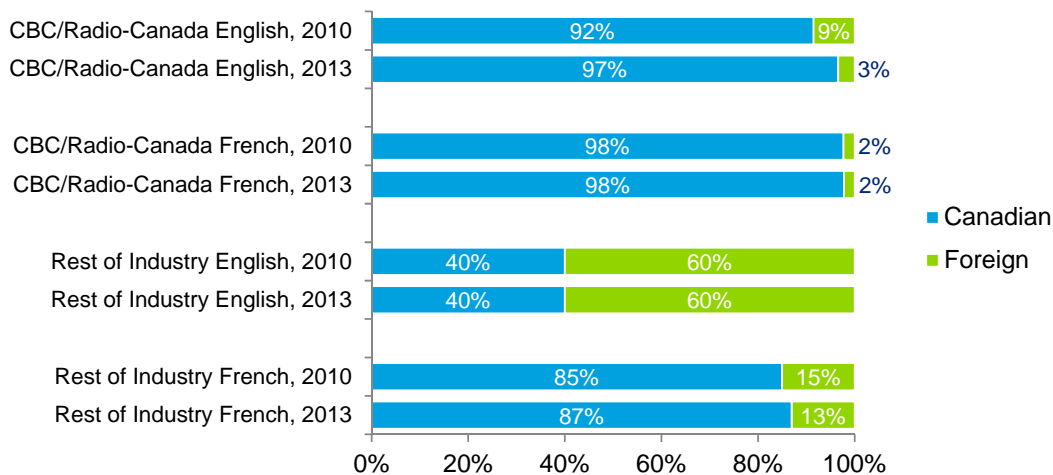
³ CBC/Radio-Canada 2010, 2013 Canadian Radio-television and Telecommunications Commission (CRTC) filings.

⁴ Though amortisation is a periodic allocation and not an "incurred expense" in the year, it was included in the GVA computation to take into account capital costs incurred by CBC/Radio-Canada which also benefits the economy. Including an allocation rather than actual expenditure allows a smoothing of the effect of capital expenditure over a number of years.

percentage of this total expenditure, about 66%⁵, is spent on programming and production related expenditure across all three of CBC/Radio-Canada’s main services.

CBC/Radio-Canada’s programming spend is largely concentrated on local Canadian content and production. The proportion spent by CBC/Radio-Canada on foreign programming accounts for a minimal 3% of total programming expenditure, and has decreased since 2010. This is in contrast to the rest of the broadcasting industry where foreign programming outlay tends to be a significant portion of the overall programming expenditure. On average the major private television broadcasters in Canada spend 60% (English) and 15% (French) of their programming budget on foreign programming.

Figure2: CBC/Radio-Canada’s and other conventional broadcasters Canadian / foreign programming expenditure profile 2010 and 2013



Source: CBC/Radio-Canada, Deloitte analysis

This substantial difference in foreign versus Canadian programming expenditure in comparison with the rest of the industry emphasizes the importance of CBC/Radio-Canada in supporting the Canadian media industry⁶, and in creating economic value in Canada. CBC/Radio-Canada also spends significantly more than all the other conventional broadcasters combined on Canadian programming⁷, which further underlines CBC/Radio-Canada’s unique position.

⁵ Analysis of data provided by CBC/Radio-Canada.

⁶ Spend on Canadian programming by the other conventional broadcasters in 2010 may be higher than usual due to the Vancouver Winter Olympic Games. This data may therefore underestimate the difference between CBC/Radio-Canada and private broadcasters.

⁷ CBC/Radio-Canada, including from Financial Results and Comparison of Conventional Television Competitors 2010 Update prepared by CBC/Radio-Canada

2.1.1 CBC/Radio-Canada's number of full time employees

In 2013, CBC/Radio-Canada employed 9,044 full time equivalent employees ("FTEs"), 5% fewer than 2010. The majority of FTEs were employed in Television, with Specialty Services having the least number of FTEs due to its relatively smaller operational size.

2.1.2 CBC/Radio-Canada Regional Expenditure

In line with its remit to reflect the regions of Canada, CBC/Radio-Canada spends across all ten provinces and three territories of the country. Table 1 following shows a regional breakdown of CBC/Radio-Canada expenditure.

Where regional spend has increased, it is mainly due to reallocation of expenses between 2010 and 2013 to the regions in which the majority of the shows are recorded and qualify for the Local Programming Improvement Fund (LPIF). The LPIF was created to support local programming in non-metropolitan markets. This is particularly noticeable in Newfoundland where expenditure increased by 26% due to the reallocation of expenditure in 2011 relating to the popular show *Republic of Doyle*, which is filmed in Newfoundland.

Table 1: CBC/Radio-Canada expenditure by province / territory

\$m			
Province / Territory	2010	2013	%
Newfoundland	24	31	26%
Nova Scotia	42	38	-10%
Prince Edward Island	10	8	-14%
New Brunswick	42	35	-17%
Quebec	656	644	-1%
Ontario	731	732	0%
Manitoba	38	35	-10%
Saskatchewan	28	24	-15%
Alberta	60	58	-5%
British Columbia	67	63	-7%
Yukon ⁸	3	3	-20%
North West Territories	17	15	-11%
Nunavut	5	4	-27%
Total	1,724	1,690	-2%

Source: CBC/Radio-Canada, Deloitte analysis

⁸ 20% decrease in Yukon Expenditure is not observable due to rounding. Expenditure figures rounded to 1 decimal place are 2010: \$3.2 million, 2013:\$2.5 million

2.2 Television and Radio expenditure

CBC/Radio-Canada Television and Radio expenditure in 2013 was \$1.56 billion, 3% lower than 2010. CBC/Radio-Canada Television expenditure in 2013 was \$1.25 billion, 2% higher than 2010⁹, whereas CBC/Radio-Canada Radio expenditure decreased 17% to \$309 million in 2013. Total Radio expenditure is 17% lower in 2013 than 2010 as a result of cost reallocations in 2011 where more corporate costs were allocated to Television than to Radio compared with the past.

In terms of language split, expenditure for English language services were broadly unchanged at \$902 million while expenditure for French language services decreased 6% to \$658 million. CBC/Radio-Canada supports the operations of 27 Television stations¹⁰ and 81 Radio stations¹¹.

The small overall net decrease in Television and Radio expenditure is principally from the Federal government's austerity policies. As a result, Administrative, general, professional and amortization expenses decreased 11% to \$296 million since 2010. Expenditure on Programming, whether commissioned from independent producers, acquired or made in-house, accounts for 63% of CBC/Radio-Canada's total Television and Radio expenditure and increased a modest 1% to \$1,014 million. Table 2 following shows the breakdown of CBC/Radio-Canada's Television and Radio expenditure.

Table 2: Expenditure of Television and Radio by language and category of expenditure

\$m	English			French			Total		
	2010	2013	%	2010	2013	%	2010	2013	%
Programming	584	583	0%	423	431	2%	1007	1014	1%
Technical	71	65	-8%	66	64	-3%	138	129	-7%
Sales & promotion	79	77	-3%	46	43	-7%	125	120	-4%
Administrative, general, professional and amortization expenses	170	176	4%	163	121	-26%	333	296	-11%
Total	905	902	0%	699	658	-6%	1603	1560	-3%

Source: CBC/Radio-Canada

⁹ This is the figure adopted in the value add estimation, it excludes non-Canadian expenditure of \$24 million in 2013, \$49 million in 2010.

¹⁰ The 2010 Deloitte Report cites CBC/Radio-Canada as operating 29 television stations. Two of those 29 stations (Saskatoon, SK and Sydney, NS) were licensed by the CRTC as originating stations but did not originate any programming. Pursuant to CRTC Decision 2013-263, CBC/Radio-Canada's Licence Renewal Decision, the Commission renewed the Corporation's conventional television licences in markets where it originates programming, i.e. 27 television stations.

¹¹ The Corporation is licenced by the CRTC to operate 87 radio stations. Some of those stations operate as re-transmitters and do not incur costs related to the creation of original programming. In 2010, the Corporation had 82 stations reporting costs related to the creation of original programming. In 2013, the number of stations was 81.

Although high profile, the loss of the Hockey Night in Canada contract in post 2013-2014 broadcast years has no impact on 2013 expenditure as outlined in Appendix A. The data in this report, therefore, does not reflect any impact from the loss of hockey broadcasting. Additionally, the future impact on overall advertising due to the loss of the halo effect of hockey viewership is yet to be determined.

2.2.1 Local Programming Improvement Fund (LPIF) ¹²

In 2008, during the recession, conventional television stations¹³ operating in non-metropolitan markets went through a difficult financial period. The CRTC created the LPIF to support local programming by these stations and in 2013, 20 CBC/Radio-Canada stations received \$35 million in funding (2010: 19 stations, \$34 million).

Given the recovery in the advertising sector and the successful transition to digital television, the CRTC was satisfied that the LPIF had fulfilled its purpose and decided to phase it out over two years to terminate funding by August 31, 2014. The CRTC stated that it would ensure that viewers in non-metropolitan markets continue to receive local programming and is confident given the improved economic situation and resulting advertising revenues that stations will maintain the same quality of programming.

CBC/Radio-Canada saw conventional advertising rebound in 2009/2010. However, in 2013 it had started to decline again. As a result of the loss of the LPIF, CBC/Radio-Canada is adjusting its strategy for non-news regional programming and has made reductions in network programming in order to protect regional news. Table 3 displays the amount of funding CBC/Radio-Canada has received through the LPIF in recent years.

Table 3: CBC/Radio-Canada LPIF Funding

Broadcast Year (Sep 1 to Aug 31):	LPIF Funding, \$m
2010	\$34
2011	\$41
2012	\$47
2013	\$35
2014 (estimate)	\$15

Source: CBC/Radio-Canada

¹² http://www.crtc.gc.ca/eng/info_sht/tv13.htm

¹³ SRC, CBC/Radio-Canada, TVA, V (formerly TQS), CTV, Global, Shaw (formerly Canwest) and approximately 20 independent stations

2.3 Specialty Services expenditure

CBC/Radio-Canada incurred \$134 million¹⁴ in running Specialty Services, an increase of 9% from 2010. In relation to total CBC/Radio-Canada expenditure, Specialty Services accounted for 8% of total spend. Programming and production accounted for 84% of Specialty Services expenditure, with the outstanding 16% distributed between transmission, sales & promotion and administrative expenses, in similar proportions to 2010.

CBC/Radio-Canada Specialty Services budget is commercially funded and independent of CBC/Radio-Canada's public funding.

Table 4: Expenditure of Specialty Services by category of expenditure

\$m	Total		
	2010	2013	%
Province / Territory			
Programming	101	108	8%
Transmission	7	6	-10%
Sales & promotion	9	9	4%
Admin & general expenses ¹⁵	4	6	56%
Total¹⁶	121	130	8%

Source: Deloitte analysis of CBC/Radio-Canada

The 8% increase in Specialty Services expenditure was driven by an increase in Quebec expenditure of \$18.9 million or 49%, which compensated for lower expenditures in most of the other regions, excluding Ontario and British Columbia. Two French language specialty channels – ARTV and Explora – contributed to the increase in Quebec expenditure. In 2010, CBC/Radio-Canada was not a majority owner of ARTV, whereas in 2013 it was and ARTV spent an additional \$17.1 million. Explora was established in February 2011 and spent \$5.3 million.

¹⁴ Includes \$3.6m of expenditure on non Canadian programming

¹⁵ Admin and general expenses include amortisation.

¹⁶ Canadian expenditure only

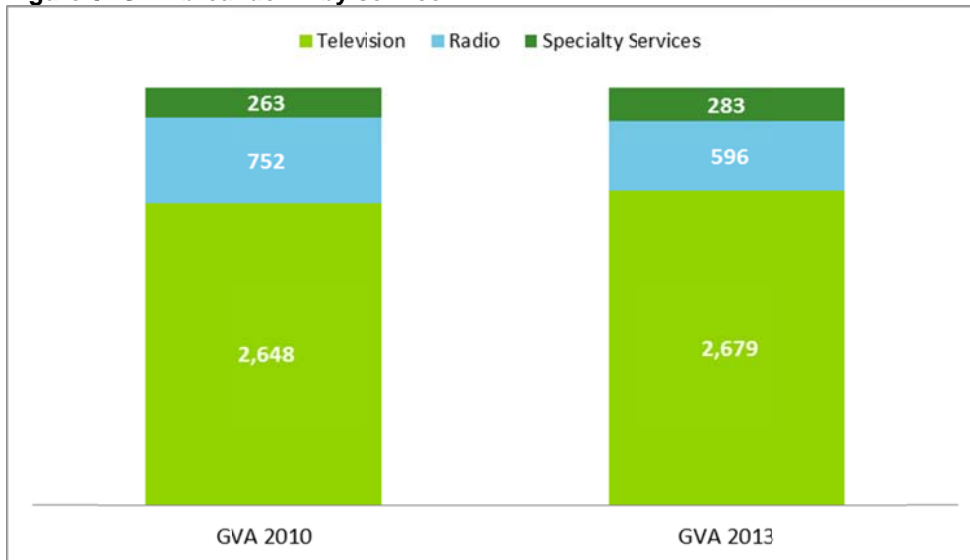
3 CBC/Radio-Canada Gross Value Added

The estimated GVA of CBC/Radio-Canada for the broadcasting year 2013 is \$3.56 billion, which arises from CBC/Radio-Canada's operating expenditure of \$1.69 billion. In comparison, in 2010, it was estimated that CBC/Radio-Canada's operating expenditure of \$1.72 billion sustained a GVA of \$3.66 billion.¹⁷

The impact of the government's reduced financial support for CBC/Radio-Canada is felt in the organisation's lower economic impact in 2013. CBC/Radio-Canada's GVA decreased by 3% between 2010 and 2013. The decrease in operating expenditure reduces GVA by 2%, while the updated multipliers, which capture the ripple effects of CBC/Radio-Canada's expenditure across the economy, cause a further 1% decrease¹⁸.

Of CBC/Radio-Canada's total GVA in 2013, \$2.68 billion arose from Television (74% of total GVA), \$596 million from Radio (18% of total GVA) and \$283 million from Specialty Services (8% of total GVA)¹⁹. The change in the breakdown of this contribution by service between 2010 and 2013 is illustrated below.

Figure 3: GVA breakdown by service



Source: Deloitte analysis of CBC/Radio-Canada

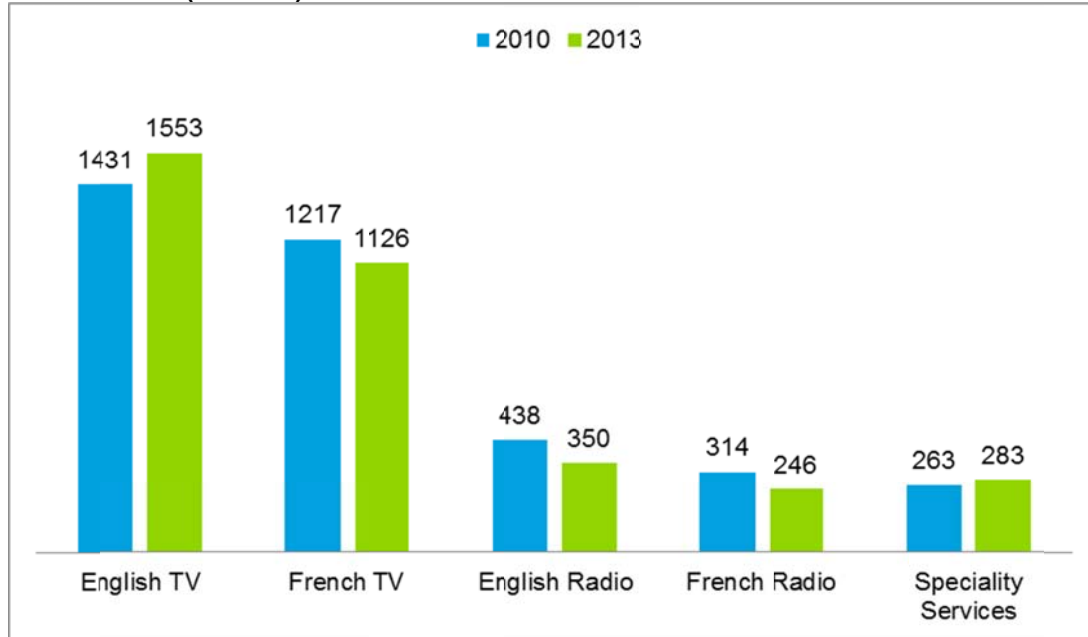
¹⁷ This data excludes non-Canadian expenditure of \$24 million in 2013, \$49 million in 2010

¹⁸ The multipliers applied in 2013 are calculated from the 2009 Statistics Canada series. They are not directly comparable to the 2006 Statistics Canada multipliers used in the 2011 report. This is because Statistics Canada has updated the Input-Output tables from which multipliers are calculated, introducing new concepts and classifications. The multipliers used in the 2010 and 2013 GVA estimates are presented in this report to show the drivers of GVA changes between both years.

¹⁹ GVA by province is reported in Appendix B.

Across languages of broadcast, while the contribution of English Television to CBC/Radio-Canada's total GVA has increased, the contribution from French Television and Radio, and from English Radio, has decreased, as shown in the figure below.

Figure 4: Distribution of CBC/Radio-Canada GVA into service and language of broadcast 2010 and 2013 (million \$)



Source: Deloitte analysis of CBC/Radio-Canada

3.1 Programming

Programming expenses are by far the biggest contributor to the total GVA of all three CBC/Radio-Canada services (Television, Radio and Specialty Services), and overall, programming expenditure has declined since 2010. Between 2010 and 2013, GVA associated with programming increased from \$1.73 billion to \$1.77 billion for Television services, and from \$224 million to \$240 million for Specialty Services. On the other hand, GVA contributed by Radio programming expenditure decreased from \$464 million in 2010 to \$430 million in 2013.

3.2 Television GVA

The contribution of CBC/Radio-Canada's Television activities rose from \$2.65 billion in 2010, when it accounted for over 71% of total GVA, to \$2.68 billion in 2013, accounting for 74% of total GVA. The increase in CBC/Radio-Canada's Television GVA estimate reflects the increase in CBC/Radio-Canada's Television expenditure, with Television alone accounting for 74% of CBC/Radio-Canada expenditure in 2013, as described in Section 2.

English and French Television GVA were estimated at \$1.55 billion and \$1.13 billion respectively. English Television GVA increased between 2013 and 2010 due to higher English Television

programming expenditure and higher multipliers. French Television GVA decreased due to reduced expenditure and lower multipliers²⁰.

Table 5 below shows the breakdown of Television expenditure, GVA and multipliers for both the English and the French language service. GVA is estimated by category of spend and region, applying relevant multipliers, as shown in Appendix B. The different expenditure pattern in the two language services results in different average multipliers.²¹

Table 5: Expenditure, multiplier, and GVA of Television

	English		French		Total Television	
	2010	2013	2010	2013	2010	2013
Expenditure (\$m)	683	720	547	531	1,230	1,251
Multiplier	2.10	2.16	2.23	2.12	2.15	2.14
GVA (\$'m)	1,431	1,553	1,217	1,126	2,648	2,679

Source: Deloitte analysis, CBC/Radio-Canada data. Note: The multipliers reported in this table are spend-weighted average multipliers across categories of spend and regions.

3.3 Radio GVA

Radio GVA was \$596 million in 2013, arising from CBC/Radio-Canada's expenditure of \$309 million. This is a 21% decrease in GVA compared to 2010 and reflects cuts to CBC/Radio-Canada's Radio expenditure in 2013 of \$65 million relative to 2010, compounded by a slight decrease in the relevant multipliers²². Radio expenditure was 17% lower in 2013 than in 2010 as a result of cost reallocations since 2011, which resulted in more corporate costs being allocated to Television than to Radio compared to previous years.

CBC/Radio-Canada's English Radio services contribute a larger share of GVA than French Radio services. The GVA of English Radio services is \$350 million, compared to the GVA of \$246 million of French Radio. In line with expenditure, programming contributes the largest share of Radio GVA.

As with the Television service, the different spend-weighted multipliers reflect the different expenditure patterns in French Radio and English Radio. Expenditure, GVA, and spend-weighted multipliers for English and French radio are shown in the Table 6 following.

²⁰ English Television spend-weighted multiplier increased by 6%, while the spend-weighted multiplier for French Television decreased by 5%.

²¹ Differences in the average multipliers across services and languages reflect differences in the linkages in the respective sectoral and regional supply chains.

²² The spend-weighted multiplier for English radio decreased by 3% from 2011 to 2013, while the French Radio's one decreased by over 7%.

Table 6: Expenditure, multiplier, and GVA of Radio

	English		French		Total Radio	
	2010	2013	2010	2013	2010	2013
Expenditure (\$m)	222	182	152	127	373	309
Multiplier	1.98	1.93	2.07	1.93	2.02	1.93
GVA (\$'m)	438	350	314	246	752	596

Source: Deloitte analysis, CBC/Radio-Canada data. Note: The multipliers reported in this table are spend-weighted average multipliers across categories of spend and regions.

3.4 Specialty Services GVA

Specialty Services account for 8% of CBC/Radio-Canada's total GVA, with a GVA of \$283 million in 2013 arising from \$130 million in expenditure. Both these values constitute an increase from 2010, when Specialty Services expenditure was \$121 million and generated a GVA of \$263 million.

Specialty Services are funded through subscriptions, and their income has grown since 2010 due to the addition of the French language services as outlined in Section 2.3. The overall increase in Specialty Services GVA between 2010 and 2013 arises from increased expenditure, as multipliers for Specialty Services are largely the same.

Table 7: Expenditure, multiplier and GVA of Specialty Services

	Total Specialty Services	
	2010	2013
Expenditure (\$m)	121	130
Multiplier	2.17	2.18
GVA (\$'m)	263	283

Source: Deloitte analysis, CBC/Radio-Canada data. Note: The multipliers reported in this table are spend-weighted average multipliers across categories of spend and regions.

4 CBC/Radio-Canada Net Value Added

In order to estimate the net economic impact of CBC/Radio-Canada, the current government-funded model ('factual') is compared to a hypothetical alternative scenario in which CBC/Radio-Canada is commercially funded and without a public remit ('counterfactual').

The primary assumption of the counterfactual is that a commercially funded CBC/Radio-Canada would act in a profit-maximising fashion, facing the same constraints as private broadcasters. This is because, despite currently having incentives to maximise its advertising revenues, the factual CBC/Radio-Canada is limited by its public service mandate and ethos. A fully commercially funded CBC/Radio-Canada, freed of these constraints, would shift to commercially-motivated decisions regarding, for example, its programming content, the minutes of advertising played on its channels, or the source of programming (e.g. domestic versus imported). The absence of government funding has a significant effect on the size of the counterfactual CBC/Radio-Canada.

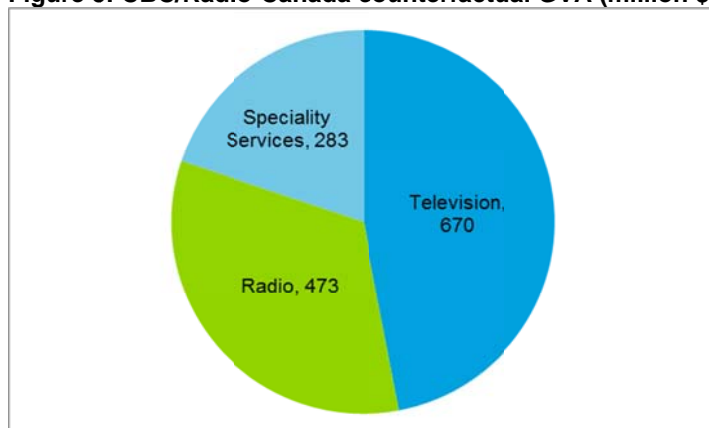
The methodology used to calculate the Net Value Added (NVA) of CBC/Radio-Canada follows that detailed in the 2011 report and uses the same types of assumptions on the size, activities, and geographical spread of the counterfactual CBC/Radio-Canada, as these assumptions continue to be appropriate; the value of these assumptions have been updated to reflect the current state of the broadcasting market. Assumptions used in this report are discussed further in Appendix C. This section details the two types of NVA analysed, described in section 1: Narrow NVA and Overall NVA.

4.1 Narrow NVA

CBC/Radio-Canada's 'Narrow' NVA is defined as the difference between the factual CBC/Radio-Canada GVA and the counterfactual CBC/Radio-Canada GVA.

The GVA of the counterfactual CBC/Radio-Canada is estimated to be \$1.43 billion, with Television accounting for 47% of the GVA, Radio for 33% and Specialty Services for 20%. The breakdown is shown in the figure below.

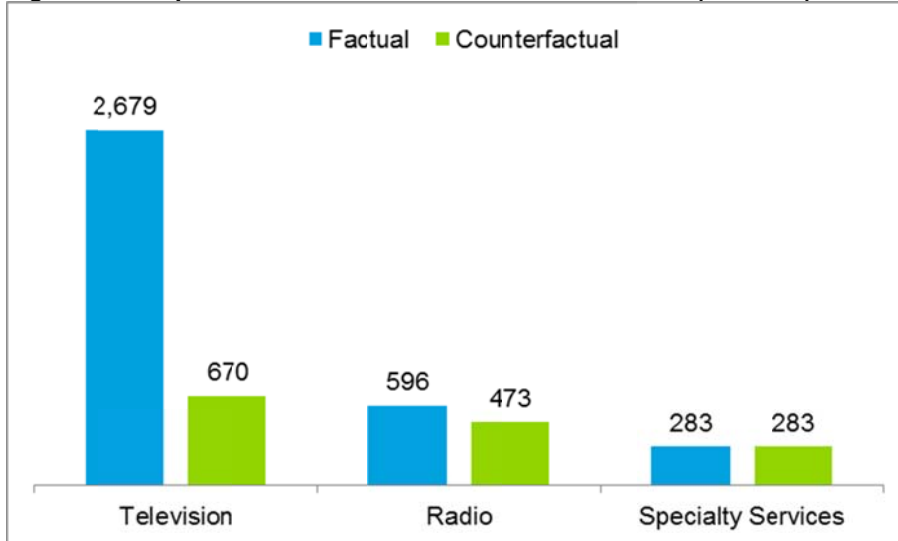
Figure 5: CBC/Radio-Canada counterfactual GVA (million \$)



Source: Deloitte analysis of CBC/Radio-Canada

In comparison to the factual scenario, the commercially funded counterfactual CBC/Radio-Canada produces a lower economic impact, measured by GVA, for Television and Radio services, due to the smaller scale of funding available to it. The drop in CBC/Radio-Canada's size is largest in the Television sector.

Figure 6: Comparison of Factual and Counterfactual GVA (million \$)



Source: Deloitte analysis

In the counterfactual, CBC/Radio-Canada's foreign content will match that of private broadcasters. Currently, amongst private broadcasters in Canada, approximately 60% of English programming and 13% of French programming is imported content, as described in Section 2. Under a commercially funded model, the counterfactual CBC/Radio-Canada would therefore increase its imported Television content, leading to a reduction in economic benefit for the Canadian economy. However, private broadcasters' share of French programming that is imported has decreased relative to 2010, increasing counterfactual GVA somewhat compared to 2010.

The Radio service produces a counterfactual GVA of \$473 million arising from \$243 million in expenditure in the counterfactual. Radio counterfactual GVA is higher in 2013 than in 2010 due primarily to CBC/Radio-Canada's higher counterfactual commercial Radio market share, which increases the counterfactual CBC/Radio-Canada's Radio Net Advertising Revenue ('NAR')²³ by 21%.

Specialty Services generate a GVA of \$283 million (the same value as in the factual) due to the assumption that revenue from Specialty Services is already optimised in the factual.

A commercially financed CBC/Radio-Canada would result in decreases in GVA in all provinces relative to the factual GVA due to its smaller scale, with Ontario and Quebec showing the greatest decreases in economic impact, as they account for a greater share of total spend.

²³ The main source of revenue of the counterfactual CBC/Radio-Canada is advertising. As such, changes in the size of total market NAR affects the size of the counterfactual CBC/Radio-Canada and in turn its GVA.

Table 8: Comparison of provincial GVA - Factual and counterfactual (million \$)

Province	Factual GVA	Counterfactual GVA	Narrow NVA
Newfoundland	61	31	30
Nova Scotia	89	44	45
Prince Edward Island	16	8	8
New Brunswick	78	21	57
Quebec	1,335	425	909
Ontario	1,556	725	832
Manitoba	75	32	44
Saskatchewan	52	21	31
Alberta	117	50	67
British Columbia	141	70	71
Yukon	5	0	5
North West Territories	30	0	30
Nunavut	1	0	1
Total	3,558	1,427	2,131

Source: Deloitte analysis

CBC/Radio-Canada's 'Narrow' NVA is estimated to be \$2.1 billion. With counterfactual GVA significantly higher than in 2010, and factual GVA somewhat lower in 2013, CBC/Radio-Canada's NVA is \$374 million less than in 2010. This is primarily due to three factors²⁴:

- Higher Television NAR in Canada in 2013, and accordingly higher CBC/Radio-Canada's Television NAR in the counterfactual, which results in a decrease in CBC/Radio-Canada NVA by 5% relative to 2010;
- The higher Radio market share of the counterfactual CBC/Radio-Canada, which increases the counterfactual CBC/Radio-Canada's Radio NAR by 21%, leading to a higher CBC/Radio-Canada counterfactual Radio GVA, and a lower CBC/Radio-Canada's NVA of 3%; and
- The lower level of imports of French Television programming in the counterfactual CBC/Radio-Canada compared to 2010, as private broadcasters have decreased their share of imported French Television content during the period. This leads to an increase in CBC/Radio-Canada's domestic spend in the counterfactual, and decreases its NVA.

4.2 Overall NVA

After calculating the 'Narrow NVA' of CBC/Radio-Canada, the analysis of CBC/Radio-Canada's net economic impact was expanded by considering the economic impact of an alternative use of the public funding that CBC/Radio-Canada currently receives, as well as the economic impact of the counterfactual CBC/Radio-Canada on the wider media sector in Canada, to calculate an 'Overall

²⁴ Percentage changes relative to 2010 from each driver are calculated by holding all other values in 2010 (e.g. other assumptions, expenditure, and multipliers) constant.

NVA'. The 'Overall NVA' estimates the incremental benefit to the Canadian economy of having a publicly funded CBC/Radio-Canada as opposed to a commercially funded one, by estimating the net changes in the Canadian broadcasting and other media markets from the factual to the counterfactual scenarios, and by factoring in the value added of an alternative use by the Canadian government of the CBC/Radio-Canada's funds.

4.2.1 Other media and other commercial broadcasters' counterfactual GVA

In order to estimate the impact of a commercially funded CBC/Radio-Canada in the media and broadcasting sectors, the change in GVA for private commercial broadcasters and other media was estimated.

The table below shows the NAR and GVA of all commercial broadcasters, excluding the counterfactual CBC/Radio-Canada ('other commercial broadcasters') and other media in Canada in the counterfactual. A privately owned CBC/Radio-Canada would increase competition in the advertising market, reducing other commercial broadcasters' and other media NAR. Because of the crowding out effect of the counterfactual CBC/Radio-Canada, the GVA of both other commercial broadcasters in the market and other media is lower in the counterfactual than in the factual case with a publicly funded CBC/Radio-Canada. The estimated GVA of other commercial broadcasters in the counterfactual is \$348 million lower than the factual GVA, while for other media, the estimated counterfactual GVA is \$273 million lower.

Table 9: GVA from the NAR of other commercial broadcasters and other media (million\$)

\$ m	Factual		Counterfactual		Net GVA
	NAR	GVA	NAR	GVA	
Other commercial broadcasters	4,716	7,167	4,496	6,819	348
Other media	11,711	22,139	11,567	21,865	273

Source: Deloitte analysis

4.2.2 GVA of the alternative use of government funding

In order to capture the impact of a commercially funded CBC/Radio-Canada on the Canadian economy in its entirety, the value added of the alternative use of government funding to CBC/Radio-Canada is estimated to derive the 'Overall NVA' of CBC/Radio-Canada. This value added of the alternative use of the government funding is estimated to be \$1.65 billion. Federal funding of CBC/Radio-Canada includes both operating funding and capital/working capital funding. The federal operating funding that is not allocated to CBC/Radio-Canada in the counterfactual is assumed to be spent by the Canadian government according to its expenditure profile, which can be found in the Appendix C. Capital funding and working capital funding are assumed to be used by the government to repay debt. This assumption is motivated by the structure of the Canadian accounts and the magnitude of debt and borrowing by the government in the fiscal year of the analysis.

Not all of the federal government expenditure items go towards a productive use in the Canadian economy. About 15% of the expenditure goes towards 'foreign affairs and international assistance' and 'debt charges'. Foreign affairs and international assistance would typically be directed on spend outside the Canadian economy. It is therefore classified as leakage from the economy for GVA analysis. Debt payments also do not enter the economic impact and multiplier framework of analysis, as they do not directly generate any production. The GVA analysis considers production in a specific year, and not a fluctuation in assets and liabilities. They are for example not included in Statistics Canada output multiplier estimates²⁵.

4.2.3 Overall NVA

In order to capture CBC/Radio-Canada's wider economic impact, the GVA is adjusted to calculate the Overall NVA by:

- subtracting the GVA that would be produced by the counterfactual CBC/Radio-Canada (the difference between the factual and counterfactual CBC/Radio-Canada GVAs is referred to as 'Narrow NVA', which amounts to \$2.1 billion);
- adding the value added of private broadcasters and other media that results from CBC/Radio-Canada being publicly funded instead of commercially funded (\$348 million and \$273 million respectively); and
- subtracting the value added of the alternative use of CBC/Radio-Canada's government funding (\$1.65 billion).

Table 10 following summarises the steps in the estimation of CBC/Radio-Canada's Overall NVA.

²⁵ This is not to say that debt charges paid have no economic effects. Government debt levels, repayments and interest charges affect the money supply, interest rates, aggregate savings and level of investment in the economy. These have dynamic effects in future periods that are outside of the framework of analysis here.

Table 10: CBC/Radio-Canada NVA (million \$)

Components of economic impact	Total 2010	Total 2013	GVA 2013			Impact on NVA between 2010 and 2013 Total*
			TV	Radio	Specialty Services	
CBC/Radio-Canada factual GVA	3,663	3,558	2,679	596	283	-106
CBC/Radio-Canada counterfactual GVA	(1,158)	(1,427)	(670)	(473)	(283)	-269
CBC/Radio-Canada Narrow NVA	2,505	2,131	2,009	122	0	-374
Net impact on other commercial broadcasters	293	348				+56
Net impact on online and other media	246	273				+27
Alternative use of government funding in the counterfactual GVA	(1,791)	(1,648)				+143
Overall NVA	1,253	1,105				-149

Source: Deloitte analysis, CBC/Radio-Canada data. *Due to rounding, values may not add up to the difference between the 'Total 2010' and 'Total 2013' column

The Overall NVA of CBC/Radio-Canada in 2013 is \$1.1 billion. This represents a \$149 million or a 12% decrease compared to the Overall NVA in 2010, primarily due to CBC/Radio-Canada's Narrow NVA decreasing by \$374 million, or 15% relative to 2010. The decrease in CBC/Radio-Canada's factual GVA and increase in its counterfactual GVA both result in a reduction of Narrow NVA (and subsequently Overall NVA) between 2010 and 2013. However, in the counterfactual, the increased crowding out of other commercial broadcasters and of online and other media by CBC/Radio-Canada as well as the reduced economic impact of the alternative use of government funding act to increase CBC/Radio-Canada's NVA between 2010 and 2013, thus contributing to a higher Overall NVA (all else equal) and somewhat offsetting the decline in Narrow NVA between 2010 and 2013. A variety of factors have driven the change in Overall NVA but the most notable are²⁶:

- **Changes in the broadcasting market:** The Television and Radio advertising market in Canada in 2013 is larger than it was in 2010. This increases the amount of advertising funding that is assumed to be available to both CBC/Radio-Canada and to other broadcasters in the counterfactual. Additionally, CBC/Radio-Canada's counterfactual Radio market share has increased since 2010, and its counterfactual imports have decreased (in line with patterns observed among private broadcasters). As a result of these drivers, the counterfactual CBC/Radio-Canada's GVA is higher in 2013 than in 2010, which reduces Narrow NVA. The increased crowding out caused by CBC/Radio-Canada's increased counterfactual Radio market share and increased advertising revenue in the counterfactual

²⁶ Multipliers between 2010 and 2013 have also changed.

between 2010 and 2013 offsets some of the decrease in CBC/Radio-Canada's Narrow NVA.

- **Decreased government funding:** Decreased parliamentary funding contributes to CBC/Radio-Canada's lower expenditure in 2013 and therefore to its reduced factual GVA compared to 2010; this reduces CBC/Radio-Canada's Narrow NVA and Overall NVA. It also leads to a decrease in the GVA of the alternative use of government funding in the counterfactual, contributing to an increase in CBC/Radio-Canada's Overall NVA (all else equal) and offsetting some of the reduction in CBC/Radio-Canada's Narrow NVA.

Appendix A National Hockey League

A.1 Hockey Night in Canada

The loss of Hockey Night in Canada had no impact on 2013, the year of analysis. Going forward, Hockey Night in Canada will remain on CBC/Radio-Canada Television for the next four years, following securing the English-language rights to games in a sub-licensing agreement with Rogers Communications. CBC/Radio-Canada expects the agreement to have little effect on net expenditure since they will no longer earn advertising revenue on NHL games nor will they pay for the rights to air NHL games. CBC/Radio-Canada will bear the cost of producing games for the next 4 years, however, this is generally regarded as less costly than producing an equivalent program of similar viewership to hockey. The future impact on overall advertising due to the loss of the halo effect of hockey viewership is yet to be determined.

A.2 National Hockey League Lockout – 2012/2013 Season

The impact of the NHL Lockout was a decrease in CBC/Radio-Canada revenues of \$40m, a decrease of production costs of \$3m, net of the revenue and costs associated with the replacement shows, and a decrease in the NHL rights paid of \$23m as a result of few games played. NHL rights are weighted more heavily towards the playoffs and therefore CBC/Radio-Canada paid a disproportionate share of royalties compared to the actual number of games played.

Appendix B GVA

B.1 GVA methodology

This report follows the same methodology used and explained in the 2011 report to calculate the GVA. The approach adopted consists of:

- Identifying CBC/Radio-Canada's Television, Radio, and Specialty Services expenditures. Distinguishing between these three services allows taking into account how differences in the structure of their respective supply chains, level of expenditure leakage, and distribution of activities among regions affect CBC/Radio-Canada's economic impact.
- Applying appropriate industry multipliers produced by Statistics Canada to CBC/Radio-Canada's expenditure categories, to calculate the direct and 'ripple' effects of CBC/Radio-Canada expenditure on the Canadian economy. Differences in multipliers across industries and provinces reflect differences in the supply-chain linkages between each industry and the broader economy.

B.1.1 Multipliers – estimating GVA impacts

The combined GVA impact of the direct value added and second-round indirect and induced effects through the economy is measured by applying multipliers to expenditure. For instance, an overall multiplier of 1.7 would imply that \$100 million of CBC/Radio-Canada expenditure results in a total GVA impact of \$170 million across the economy.

Type II Output multipliers were calculated using Statistics Canada data and methodology for year 2009 (the most recent multipliers available at the time of writing this report).²⁷ These multipliers capture the direct, indirect and induced effects of CBC/Radio-Canada on the economy.

To calculate multipliers, the approach explained in Section 4.2 of the 2011 report was used. Appropriate multipliers were applied to CBC/Radio-Canada's expenditure categories in the factual and counterfactual scenarios, and to the Canadian government's expenditure categories in the counterfactual scenario, as shown respectively in Tables 11 and Table 12 below.

²⁷ Input-output data from Statistics Canada is available at <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=1401>

Table 11: CBC/Radio-Canada Expenditure and corresponding Statistics Canada Industry

CBC/Radio-Canada Expenditure Category	Statistics Canada Type II Multiplier
Programming and Production	Radio and Television Broadcasting
Transmission	Telecommunications
Sales and Promotion	Advertising and Related Services
Administration and General	Other Administrative and Support Services
Professional Services	Other Professional and Technical Services
Amortization	Non-residential Building Construction / Software Publishers

Source: Deloitte analysis

Table 12: Type II Output multipliers used for government expenditure

Public Expenditure Category	Multiplier
Hospitals	2.0
Government Residential Care Facilities	2.0
Universities	1.8
Government Elementary and Secondary Schools	1.9
Government Community Colleges and C.E.G.E.P.s	2.0
Other Government Education Services	2.1
Other Municipal Government Services	2.0
Other Provincial and Territorial Government Services	2.3
Other Federal Government Services including Defence	2.0

Source: Deloitte analysis based on Statistics Canada data

Following Statistics Canada's guidance, Type II multipliers were calculated using the 'direct' and 'total' effects, as in the 2011 report. Where direct effects were unavailable, they were assumed to be 1.0 following consultation with Statistics Canada. Provincial multipliers for all provinces and territories were calculated, including Yukon, North Western Territories and Nunavut. In the 2011 report, the multipliers for these regions were unavailable, and those for Prince Edward Island were used as a proxy. This change allows for a more precise estimation of CBC/Radio-Canada impacts on those provinces. As a result of this change, in some cases (e.g. for software amortisation in the North West Territories and Nunavut), the multiplier is 0, meaning that all expenditure in the provinces in these categories results in impacts outside of the province (whether internationally or in another Canadian province).

The multipliers obtained are shown in the tables below. As in the previous study, radio multipliers were assumed to be 90% of Television multipliers.

Table 13: Type II Output multipliers used for Television expenditures

	Programming	Transmission	Sales and Promotion	Admin and General	Professional Services	Amortisation (Building)	Amortisation (Software)
Newfoundland	2.0	1.7	2.2	2.1	2.3	2.2	2.0
Nova Scotia	2.6	1.6	2.1	2.1	2.2	2.3	2.0
Prince Edward Island	1.9	1.6	2.2	2.1	2.2	2.1	2.0
New Brunswick	2.5	1.7	2.2	2.0	2.2	2.2	2.0
Quebec	2.2	1.9	2.1	2.1	2.2	2.2	1.9
Ontario	2.2	1.8	2.1	2.0	2.1	2.0	1.9
Manitoba	2.4	1.6	2.1	2.1	1.9	2.2	2.0
Saskatchewan	2.3	1.7	2.0	2.1	2.1	2.0	2.0
Alberta	2.1	1.5	2.1	2.1	2.2	2.1	1.9
British Columbia	2.5	1.6	2.2	2.1	2.4	2.1	2.0
Yukon	2.5	1.9	2.0	2.0	2.1	2.1	1.9
North West Territories	2.2	1.6	2.2	2.0	2.1	2.2	0.0
Nunavut	0.0	1.5	2.1	1.9	2.0	2.1	0.0
Canada	2.3	2.5	2.8	2.3	2.5	2.8	2.3

Source: Deloitte analysis based on Statistics Canada data

Table 14: Type II Output multipliers used for Radio expenditures

	Programming	Transmission	Sales and Promotion	Admin and General	Professional Services	Amortisation (Building)	Amortisation (Software)
Newfoundland	1.8	1.5	2.0	1.9	2.0	2.0	1.8
Nova Scotia	2.3	1.5	1.9	1.9	2.0	2.1	1.8
Prince Edward Island	1.7	1.4	1.9	1.9	2.0	1.9	1.8
New Brunswick	2.2	1.5	2.0	1.8	2.0	2.0	1.8
Quebec	1.9	1.7	1.9	1.9	2.0	1.9	1.7
Ontario	2.0	1.6	1.9	1.8	1.9	1.8	1.7
Manitoba	2.1	1.4	1.9	1.8	1.7	2.0	1.8
Saskatchewan	2.1	1.5	1.8	1.9	1.9	1.8	1.8
Alberta	1.9	1.4	1.9	1.9	2.0	1.9	1.7
British Columbia	2.2	1.4	2.0	1.9	2.1	1.9	1.8
Yukon	2.2	1.8	1.8	1.8	1.9	1.9	1.7
North West Territories	2.0	1.5	2.0	1.8	1.9	1.9	0.0
Nunavut	0.0	1.4	1.9	1.8	1.8	1.9	0.0
Canada	2.1	2.2	2.5	2.1	2.2	2.5	2.1

Source: Deloitte analysis based on Statistics Canada data

The multipliers calculated from the 2009 Statistics Canada series are not directly comparable to the 2006 multipliers used in the 2011 report. This is because Statistics Canada updated the Input-Output tables from which multipliers are calculated, introducing new concepts and classifications.

As a result, the multipliers derived from the revised Input-Output tables are not directly comparable to those calculated with the previous Statistics Canada methodology²⁸.

A sensitivity test was performed to evaluate the impact of the updated multipliers on the results. As mentioned in Section 3, factual GVA decreased by 1% when the updated multipliers were applied to CBC/Radio-Canada's expenditures, compared to GVA using the multipliers applied in the 2011 report.

B.1.2 Regional analysis of GVA in 2013

CBC/Radio-Canada's impact in Canada encompasses all regions of the country. Table 15 shows a breakdown of CBC/Radio-Canada expenditure and associated Canada wide GVA by region²⁹.

Provincial GVA depends on the expenditure in that province, but also on the multiplier specific to that province. Hence, all other things equal, a province with less leakage of spending outside it and hence with a higher multiplier would have a higher GVA.

²⁸ Information on the changes in the Input-Output tables can be found in Statistics Canada's 'Modernization of the Input-Output tables', published in April 2013 and available on: http://www23.statcan.gc.ca/imdb-bmdi/document/1401_D12_T9_V1-eng.pdf. According to Statistics Canada, methodological changes affected the treatment of inter-provincial payments of taxes on products, while conceptual revisions affected categorisation of expenses. Classification changes impacted the number of services and goods present in the tables, with the first increasing and the latter decreasing, as well as a redefinition of the content of the fictive commodities and industries. According to 'Modernization of the Input Output tables' (Statistics Canada, 2013): 'the IO accounts have established fictive industries as a routing mechanism. A number of goods and services originating in different industries, whose use is related to a common activity and for which there is limited statistical information on consumption, are grouped into fictive industries'.

²⁹ The multipliers used for this calculation are inter-provincial, therefore they capture the 'Canada wide' impact of CBC/Radio-Canada's spend. The 'Canada wide' impact takes into account all leakages and injections among provinces, so that a leakage from one province to the other is captured in the province where the expenditure occurs (i.e., where the expenditure is 'injected').

Table 15: CBC/Radio-Canada Expenditure and Canada wide GVA by province/territory

\$m	Expenditure		GVA	
	2010	2013	2010	2013
Newfoundland	25	31	51	61
Nova Scotia	42	38	94	89
Prince Edward Island	10	8	20	16
New Brunswick	42	35	93	78
Quebec	654	644	1,434	1,335
Ontario	731	732	1,510	1,556
Manitoba	39	35	80	75
Saskatchewan	29	24	63	52
Alberta	61	58	130	117
British Columbia	68	63	150	141
Yukon	3	3	6	5
North West Territories	17	15	35	30
Nunavut	5	4	10	1
Total	1,724	1,690	3,674	3,558

Source: Deloitte analysis, CBC/Radio-Canada data

The GVA produced as a result of CBC/Radio-Canada's expenditure in Newfoundland increased by 21% compared to 2010. The increase, which is partially driven by a 26% expenditure increase in the province, is the highest amongst all provinces.

Appendix C Counterfactual methodology

C.1.1 Counterfactual CBC/Radio-Canada assumptions

The counterfactual scenario is built through a set of assumptions, which help define the specificities of the hypothetical scenario. As the Canadian broadcasting market has not changed significantly since 2010, the types of counterfactual assumptions used in the 2011 report continue to be appropriate. However, the values of those assumptions have changed since 2010. Hence, the assumptions underpinning and shaping the counterfactual and their motivations can be found in the 2011 report, in section 5.2.1 to 5.2.4, while the changes in the values are discussed in this appendix, and are as follows:

- Overseas programming spend leakage in the French services is 13% in 2013, two percentage points lower than in 2010, while the English services programming spend leakage is stable at 60%.³⁰ This reflects the increase in spending in Canada by French private broadcasters.
- The counterfactual CBC/Radio-Canada Radio listening share is calculated as the average listening share of the biggest private broadcasters in the market. As private broadcasters' average listening share has increased since 2010, the difference between the factual and the counterfactual CBC/Radio-Canada listening share has diminished from 2% to 0.6%.
- The introduction of large scale advertising in the operations of the counterfactual CBC/Radio-Canada Radio results in an increase in the available advertising minutes in the Radio market in the counterfactual with respect to the factual. The measure by which the commercially funded CBC/Radio-Canada affects the Radio advertising market depends on the CBC/Radio-Canada counterfactual listening share, which increased since 2010. Hence, in 2013 the total minutes of radio advertising in the market in the counterfactual increased by 15% with respect to the factual scenarios, while in 2010 the increase was 11%. This increase, in turn, impacts the size of the overall Radio NAR in the counterfactual. As in 2010, it is assumed that the average price of advertising would respond less than proportionally to the increase in the supply of advertising minutes, so the overall Radio NAR increases by roughly half the increase in the minutes. Given that the increase in minutes in the market is 15%, the Radio NAR in the counterfactual increases by roughly 7% in relation to the factual scenario, while in 2010 the increase was 6%.
- The English/French split in the counterfactual CBC/Radio-Canada expenditure depends on the relative viewing hours between the two languages of service and the share of NAR corresponding to each language. Changes in these splits in both the Radio and Television markets resulted in higher share of expenditure in the English service with respect to 2010 in both. For Television, the share of expenditure in English content in the counterfactual went from 75% in 2010 to 77% in 2013, while for Radio it increased from 84% to 85%.

³⁰ Data based on aggregate returns of private Television players for Broadcasting year 2012. Calculations exclude CBC/Radio-Canada.

C.1.2 Alternative use of government funding

It is assumed that in the counterfactual the government funding currently received by CBC/Radio-Canada is spent in the same proportion as the current government expenditure profile, shown in the table below.

Table 16: Canadian government expenditure profile

Expenditure categories	Percentage of spend
General government services	4%
Protection of persons and property	12%
Transportation and communications	1%
Health	11%
Social services	30%
Education	2%
Resource conservation and industrial development	4%
Environment	1%
Recreation and culture	2%
Labour, employment and immigration	1%
Housing	1%
Foreign affairs and international assistance	3%
Regional planning and development	1%
Research establishments	2%
General purpose transfers	12%
Debt charges	12%
Total	100%

Source: Statistics Canada