

Call for Comments on the Scope of a  
Future Proceeding on Canadian  
Broadcasting in New Media

Broadcasting Notice of Public Hearing CRTC 2008-44

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Comments of CBC/Radio-Canada

11 July 2008

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## **Executive Summary**

CBC/Radio-Canada welcomes the Commission's upcoming proceeding on New Media. As a leader in the evolution of broadcasting in Canada, the Corporation is meeting the changing needs and preferences of Canadians via its 29 services, including traditional television and radio, the Internet, satellite radio, podcasting, cellphones and PDAs. We are pleased to provide our initial input on the issues and questions identified by the Commission in Broadcasting Public Notice CRTC 2008-44.

As a preliminary matter, CBC/Radio-Canada believes that it is imperative to correct several assumptions on new media reached by the Commission that are neither supported by the available data nor by any analysis.

In this submission, CBC/Radio-Canada provides clear evidence that:

- i. New media broadcasting content is not displacing traditional TV and radio;  
and
- ii. New media is not a significant revenue source for broadcasters.

CBC/Radio-Canada's initial filing is intended to ensure that any new policies are founded on a thorough understanding of the entire Canadian broadcasting system, how these elements relate to each other, as well as take into account consumption patterns and trends. Ultimately, the most effective way of promoting Canadian content across all platforms, including new media, is to ensure the system supports the continued contribution of traditional media, particularly conventional television broadcasters.

## I Introduction

1 In Broadcasting Public Notice CRTC 2008-44, (PN 2008-44), the Commission is seeking input on the issues and questions requiring examination in its upcoming New Media proceeding.

2 CBC/Radio-Canada is pleased to provide its initial input on these matters. Increasingly, meeting the changing needs of Canadians requires developing and delivering content whenever and however Canadians want it. CBC/Radio-Canada reaches more Canadians in more ways than ever before and continues to invest in new technologies and services. Our 29 services include traditional television and radio, the Internet, satellite radio, podcasting, cellphones and PDAs. As the Commission knows, CBC/Radio-Canada is very active in the new media environment, and our websites are among the leading news and media websites in Canada. In this regard, CBC/Radio-Canada has a number of suggestions for questions the CRTC should consider in this proceeding.

3 However, before presenting these suggestions, CBC/Radio-Canada believes it is imperative to address several assumptions on new media reached by the Commission that are neither supported by the available data nor by any analysis.

4 In its Public Notice, the Commission noted that “Internet television, mobisodes, and podcasts now share mainstream awareness in Canadian society”<sup>1</sup> and that “Canadian Internet users are spending more time online, while traditional broadcasting is experiencing little growth overall and a demonstrated decline among younger viewers”<sup>2</sup>. The Commission appears to be assuming a direct correlation between any decline in usage of traditional broadcasting and an increase in usage of new media.

5 These assumptions, which the Commission seems to have derived from its Report, “*Perspectives on Canadian Broadcasting in New Media*”, if not clarified, could potentially lead to serious misconceptions regarding the nature and future of broadcasting on the Internet.

6 Specifically, parties reviewing “*Perspectives on Canadian Broadcasting in New Media*” could be led to draw the following incorrect conclusions:

- i) Broadcasting content consumed via new media is reducing the consumption of traditional broadcast media;
- ii) New media represents a significant new revenue opportunity for Canadian broadcasters.

7 In order to ensure that the Commission’s new media policy is founded on a thorough and correct understanding of the broadcasting system, these misconceptions should be addressed and corrected by the Commission in the next stage of this proceeding.

8 At the same time, it is imperative that the cornerstone contribution of traditional broadcast media, particularly conventional television broadcasters, in providing Canadian content across all platforms be recognised and understood:

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<sup>1</sup> Broadcasting Public Notice CRTC 2008-44 at paragraph 19.

<sup>2</sup> Ibid, paragraph 21.

the most effective way of promoting Canadian content on new media is to ensure the system supports the continued contribution of these media.

## II Correcting Possible Misunderstandings from the Commission's "*Perspectives*" Report

### i) New Media Broadcasting Content is not Displacing Traditional TV and Radio

9 There appears to be an assumption in some industry literature that broadcasting content found on new media is reducing the consumption of traditional radio and television. According to this assumption, traditional TV and radio use is displaced as Internet use increases. This assumption is also in evidence in several sections of the CRTC's report, "*Perspectives on Canadian Broadcasting in New Media*". For example:

There are trends that see online media consumption increasing, while traditional broadcasting consumption has declined in the past several years.<sup>3</sup>

...For both audio and video, those reporting at least some usage of streaming and downloaded music, video, and podcasts ("streamers/downloaders") had a lower mean reported consumption on traditional broadcasting platforms.<sup>4</sup>

...Respondents were asked explicitly about the impact of their Internet use on their television and radio consumption...  
...A significant number reported that their television and local broadcast radio consumption has decreased.<sup>5</sup>

10 This broad assumption is false, and empirical data refute this hypothesis. Specifically, over the last decade per capita hours of Internet use have increased to 10 hours per week while total weekly hours of usage of TV and radio, together, have remained stable.

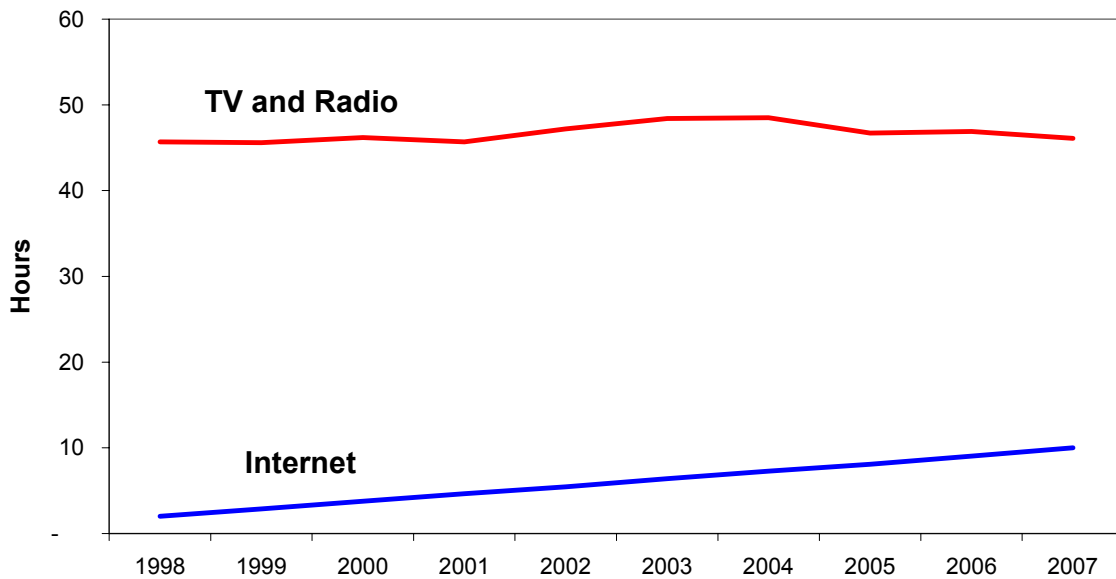
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<sup>3</sup> CRTC (May 2008) "*Perspectives on Canadian Broadcasting in New Media*." Paragraph 64.

<sup>4</sup> CRTC (May 2008) "*Perspectives on Canadian Broadcasting in New Media*." Paragraph 65.

<sup>5</sup> CRTC (May 2008) "*Perspectives on Canadian Broadcasting in New Media*." Paragraph 66

**Weekly Per Capita Hours of Television Viewing, Radio Listening and Internet Use, All Persons 18+, 1998-2007**



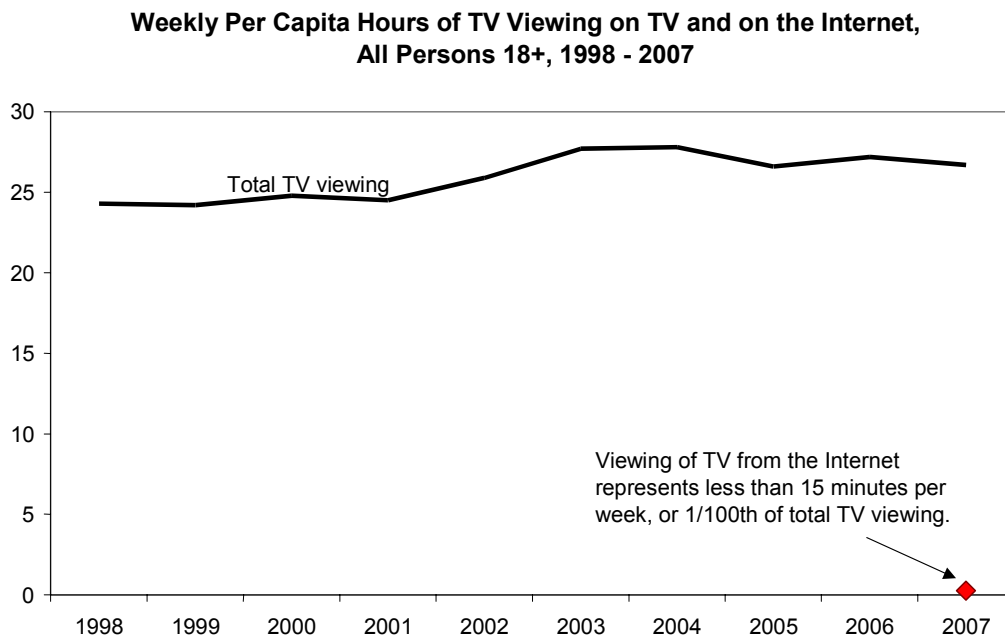
Source: CBC/Research and Strategic Analysis estimates based on BBM Neilsen Media Research (TV), BBM Fall Surveys (Radio) and MTM (Internet)

11 How are such results possible if the consumption of broadcast content on the Internet is displacing television and radio usage?

12 The answer is clearly that for the average Canadian, broadcasting content found on the Internet is not a replacement or a substitute for traditional media. Internet usage is replacing some activities in Canadians' lives – but not their usage of television and radio. This is confirmed by examining how people actually spend their time on the Internet.

13 Canadians use the Internet primarily as a communications and research tool. E-mailing, instant messaging and social networking are Internet activities that serve to replace other more traditional activities, such as physically meeting or talking on the phone. Googling for information and researching consumer products are Internet activities that serve to replace the time formerly spent browsing in stores, or researching printed material.

14 These are the types of activities that are driving Canadians to spend time using the Internet. They are not activities that are substitutable with TV and radio usage: these activities are completely different than the time spent with traditional media. Indeed, as shown below, viewing to TV content on the Internet represents less than 1% of the total time spent viewing television for the average Canadian. This Canadian reality has been confirmed as a broad phenomenon by a recent American study<sup>6</sup> by Nielsen, based on their national TV and Internet panels.



Source: BBM Nielsen Media Research (TV), MTM (TV from the Internet)

15 It is important to recognise that underlying the current environment is a shift towards personalisation and control, and not a major shift towards new ways of consuming broadcasting. Consumers want what they want, when they want it and where they want it (i.e. personalization). Some Canadians are using the Internet to personalize their TV and radio experiences, but it is not the only way to do this. Canadians are also adopting video-on-demand (VOD), personal video

<sup>6</sup> Nielsen, "Nielsen's Three Screen Report: Television, Internet and Mobile Usage in the US", May 2008.

recorders (PVRs) and DVD Recorders. On the audio side, consumers are also adopting MP3 players and using satellite radio. All of these platforms enable a far greater degree of personalization of video and audio content than was formerly the case, but they are not symptomatic of a broad displacement of TV and radio broadcasting by broadcasting content found on new media.

16 The onslaught of amateur video on the Internet has contributed to this misperception that the Internet either already is or will eventually be a substitute for traditional media, in particular entertainment programming. This is not the case.

17 The Internet simply provides people with another tool to personalize their consumption of video and audio content: broadcasting content found on the Internet does not provide a replacement or substitute for traditional broadcast media, particularly entertainment programming.

18 Virtually all of the professional video content that is being consumed on the Internet continues to originate from traditional media. Conventional television broadcasters, in particular, continue to have a cornerstone role in creating original Canadian television content for all media platforms.

## ii) New Media is not a Significant Revenue Opportunity for Broadcasters

19 There is another persistent assumption in industry literature, also reflected in the *Perspectives* Report that traditional media companies could grow their advertising revenues if only they took the initiative to tap into the booming Internet advertising market by creating broadcast content for the Internet:

Content providers can exploit the interactivity of new platforms to strengthen loyalty to programs and artists and to build upon the capabilities of new platforms to deliver more granular audience data that

can generate higher advertising revenues through targeting.<sup>7</sup>

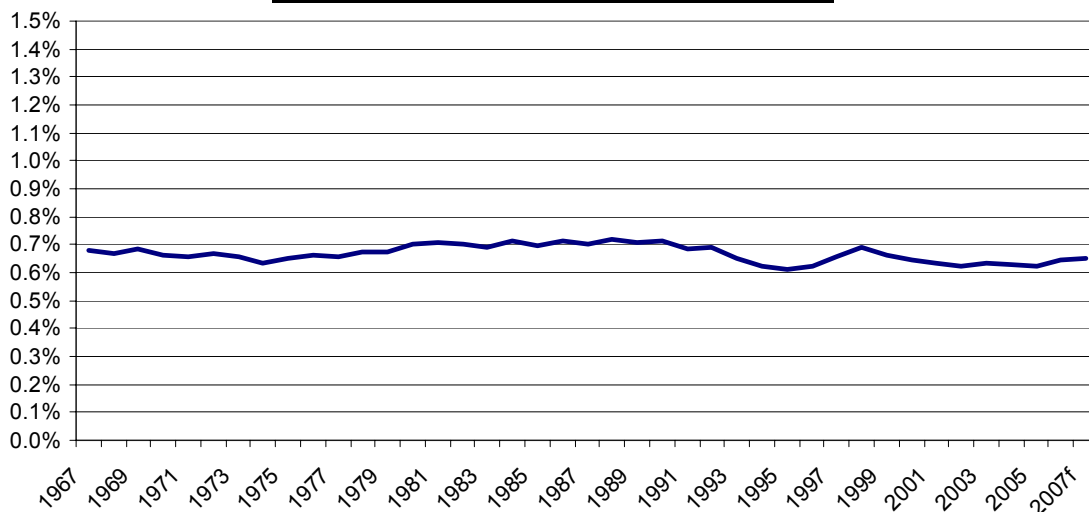
The emergence of new platforms has created potential new revenue streams for broadcasting entities.<sup>8</sup>

New media broadcasting will become an increasingly important destination for advertising dollars as consumer usage grows.<sup>9</sup>

20 Again, these assumptions are incorrect.

21 First, advertising is part of the marketing function of the economy – it grows as the economy does. As the following chart shows, despite numerous significant changes in the number of advertising vehicles, including specialty television, and the growth of the Internet, the level of advertising in the economy continues to be constant.

**Advertising is Constant in the Economy:**  
**Advertising as a percentage of GDP, 1967-2007**



Sources: Advertising - TVB (Major media and Internet advertising 1967-2006), TD Newcrest (2007 estimate); and GDP\* - Statistics Canada (Table 380-0017)

\* Expenditure based GDP at market prices

<sup>7</sup> CRTC (May 2008) "Perspectives on Canadian Broadcasting in New Media." Paragraph 124.

<sup>8</sup> CRTC (May 2008) "Perspectives on Canadian Broadcasting in New Media." Paragraph 127.

<sup>9</sup> CRTC (May 2008) "Perspectives on Canadian Broadcasting in New Media." Paragraph 145.

22 Rapid and significant growth in Internet advertising therefore simply dilutes advertising to all other outlets, including billboards, newspapers, and traditional broadcast media.

23 The amount of this dilution is significant. E-marketer's most recent Internet advertising forecast sees Internet advertising growing to over \$3 billion in Canada by 2011, excluding any small amount of on-line video advertising revenue that may be generated. This growth, and the resulting dilution effect on other advertising outlets, is a significant part of the cause of decline in conventional broadcasters' advertising revenues: Overall, the conventional television industry's advertising revenues declined by 0.3% last year<sup>10</sup>.

24 Second, Internet advertising formats simply do not mesh well with linear content.

25 Internet advertising in Canada is dominated by three formats: display (e.g. banner), search and classifieds. These are advertising formats ideal to capturing the attention of consumers while they're doing what they do most using the Internet: communicating and researching.

26 Google searches, Canada411 listings, click-throughs on display ads; these are all interactive formats that help consumers self identify their intentions to advertisers. Importantly, this is the opposite approach employed by linear broadcasting where the goal is to capture and hold consumer attention with entertainment and information, while peppering the content with short (typically 30 second) advertisements.

27 By diluting traditional advertising revenues but not providing any

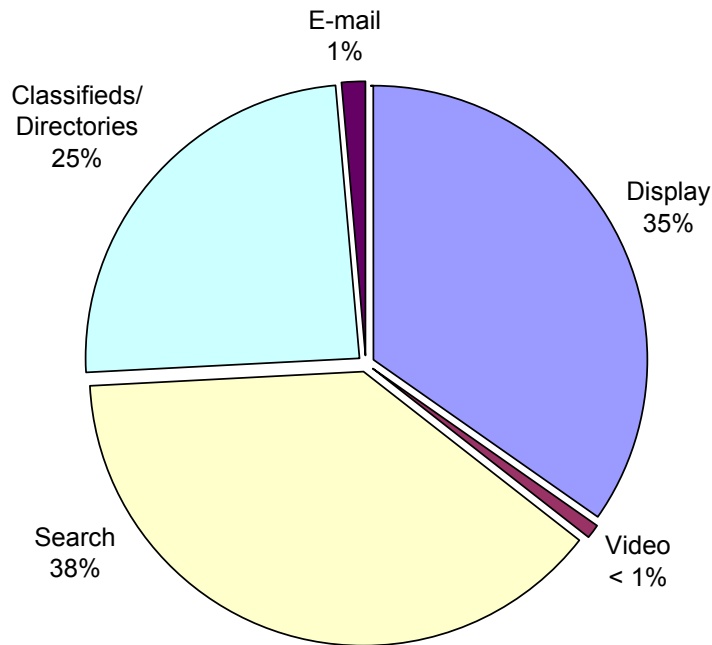
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<sup>10</sup> Statistics Canada, "Television Broadcasting Industries (2007)", Catalogue no. 56-207-X.

significant advertising revenue opportunities, Internet advertising currently represents a risk to traditional media rather than an opportunity. Indeed, the Convergence Group estimates that advertising dilution will cause conventional TV broadcasters' total advertising revenue to continue to decline over the next 3 years, despite the inclusion of any advertising revenue generated from on-line TV.<sup>11</sup>

28 As shown in the following graphic, based on the most recent 2007 advertising revenue results for the Internet space, advertising revenues associated with Internet video content represents less than 1% of all Internet advertising.

**Share of Canadian Internet Advertising Revenue by Advertising Format (\$1.24bn in 2007)**



Source: IAB Canada

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<sup>11</sup> Convergence Consulting Group (April 2008) "North American Couch Potato."

### III Framing the Debate

29 In order to ensure that the Commission's assessment of new media takes into account the important role played by traditional media, and therefore establishes the correct link between traditional and new media, CBC/Radio-Canada suggests that the Commission add the following questions to those it is proposing in Public Notice CRTC 2008-44:

- What is driving people to new media broadcasting content? How much content is new in new media broadcasting?
- Are the costs of VOD, and PVRs, as well as the ease of obtaining pirated programming, the reason that some Canadians turn to the Internet to obtain content?
- How are traditional media companies adapting to new media? How are they meeting consumer demand for content across multiple platforms?
- What is the state of Canadian content on the Internet? How available is it? How well represented is it? What are the barriers to making it available?
- Are there practices that affect the distribution of and access to Canadian new media broadcasting? Is net neutrality an issue at this point in time?
- What measures need to be considered to ensure fair and effective access to distribution by companies and new media providers that are not integrated with major ISPs?
- Does the CRTC have the regulatory powers necessary to deal with all of these access issues?
- Does new media content need to be supported or can it be supported through the marketplace alone?