

Appendix “A”

Context for Corus’ Submission

1. The Panel is tasked with revisiting the core principles of Canada’s broadcasting policy and its legislative framework. This is an important and timely initiative. In fact, it is long overdue.
2. The global media services industry is undergoing unprecedented transformation. In the past, audiences seeking audiovisual programming content depended almost exclusively on a domestic cable and satellite distribution system through which broadcasters delivered programming on a linear schedule, and from which foreign services could be excluded.
3. In Canada, private sector broadcasters and distributors generated healthy and sustainable profits from their protected access to Canadian audiences in that closed system. Canadian governments benefited as well, remitting a portion of the private sector profits to finance the Canadian creative sector, and leveraging their powers to require broadcasting licence-holders to support Canadian content in other ways.
4. This model has thus proven to be both a successful business strategy and an effective policy delivery vehicle. Regarding the latter, this policy approach has enabled a relatively small Canadian market to build and sustain a home-grown content ecosystem that entertains, informs and employs thousands of Canadians, and generates billions of dollars in taxable revenues.
5. Corus is proud to have contributed to this success. For example, we have helped build a genuine Canadian ‘star system.’ Television personalities like Jonathan and Drew Scott, Mike Holmes, Missy Peregrin, Scott McGillivray, Tatiana Maslany, Roger Mooking and Chuck Hughes have used Canadian broadcast platforms to achieve fame in the United States and around the world. And, we produce thousands of hours of local, regional and national news every year across our television, radio and digital platforms. The in-depth newsgathering capability and journalistic rigour we bring are more vital than ever in an era of rising ‘fake news.’

6. However, the business model underlying these contributions has been turned on its head. The Panel captured the situation well in its call for comments document:

Digital disruption has had a significant effect on creators, culture and content in both English and French communications markets. The economics of creation, distribution, consumption and pricing have all been affected. The shifting market dynamics are likely to be a permanent aspect of the landscape.³⁴

The Panel correctly added: “Canadians [are] shift[ing] viewing to online streaming services that directly compete with regulated Canadian broadcasters.”³⁵ In short, the Canadian broadcasting system is no longer closed, but part of a global market for audiovisual media services and services. Canadians are no longer limited to linear television and radio to access programming. They can now access it ‘over-the-top’, on demand, legally and illegally, from foreign and domestic sources online. Data suggests they will seek even more content online in the years to come.³⁶

7. We have spoken about the impact of these trends on our industry, and Corus specifically, in multiple forums in recent years.³⁷ We will therefore not focus upon them at length here, but simply reiterate the following:

- **The changing dynamics are posing significant challenges to our business.** Corus’ aggregate group television revenues, for example, declined from \$1,338 million in 2012-2013 to \$1,183 million in 2015-2016 on a same service basis (excluding the addition of the Disney services), representing a decline of approximately 12 percent or \$155 million. Our 2017 CRTC returns show this trend continuing as total aggregate

³⁴ <https://www.ic.gc.ca/eic/site/110.nsf/eng/00003.html>

³⁵ Broadcasting and Telecommunications Legislative Review Panel, *Responding to the New Environment: A Call for Comments*, September 24, 2018

³⁶ The CRTC’s 2017 Communications Monitoring Report unequivocally demonstrates, “Canadians’ appetite for data and high speed connections continues to grow.” For example, in 2016, over 25 million Canadians had subscriptions to mobile broadband services compared to 14.3 million in 2012, and over the last five years, Canadians’ monthly data consumption data increased, on average, by approximately 40 percent per year.

³⁷ See Corus Submission in Canadian Content in a Digital World, November 2016; Corus Submission in Broadcasting Consultation 2017-359; and Corus Submission in Broadcasting Consultation 2017-359-2

group revenues decreased a further four percent or \$54 million with advertising revenue remaining challenged.

- **We have less financial power to respond to industry challenges.** Unlike others in the industry, Corus is a pure-play media and content company without a related, profitable wireless or cable business to offset broadcasting revenue losses. In this way, Corus represents a ‘canary in the coal mine’ of sorts for the entire Canadian broadcasting industry. A decline in our share price of approximately 70% over the last year speaks to the challenges that Canadian broadcasters face.
 - **Corus is working to optimize its core business and invest in the future.** Among other things, we are attempting to mitigate declines in audiences and revenues through scale and innovation, pursuing new revenue streams and partnerships, all in order to deliver greater value to customers, subscribers and viewers. Additionally, we have built as much scale as current rules allow in the Canadian market through the acquisition of Shaw Media in 2016.
 - **It is essential for us to monetize our investments in Canadian content.** We were once able to subsidize relatively expensive acquisition and production of Canadian content with profits derived from cheaper and more abundant foreign (primarily US) program rights. However, these rights have steadily become more expensive and less abundant, making the old model of subsidizing Canadian content untenable. We must be able to realize greater profits on our investments in Canadian content. Owning more of the rights to Canadian content will create an important new source of revenue.
8. The shift to on-demand content consumption and the rise of Internet media have been building for years, but Corus is witnessing declines in viewership, advertising revenue, and subscriber numbers of greater magnitude and at a faster pace than anyone anticipated. In recent months, we have made reference to a ‘tipping point’ in the industry. By that we mean the critical point in an evolving situation that leads to an irreversible erosion of the broadcast business model. There are signs

that the tipping point for the Canadian broadcasting sector is approaching.

9. Corus is making substantial investments to evolve our business model and have seen early signs of success. We believe that Canadian media companies can survive and thrive in a global media market, however, to do that we must have far greater control over our own destiny than current rules allow. Public policy changes to support Canadian-based, globally focused media companies, along the lines we have discussed in this submission, are urgently needed.
10. We acknowledge that it is neither the responsibility of the Panel nor the Government to support the interests of a private sector entity like Corus. However, we believe our interests and the public interest are closely aligned. In its Terms of Reference for the Panel, the Department of Canadian Heritage explained:

In contributing to the creation of and access to Canadian content, broadcasters play a key role in the Government's vision for a Creative Canada. Without a viable and healthy broadcasting sector, the continued success of Canadian creators, independent producers, and the content they produce is at risk.³⁸

As the Government rightly notes, a successful Canadian broadcasting industry is crucial to the Canadian content ecosystem and must remain so going forward.

11. It is worth reflecting upon the notion of a Canadian content ecosystem and its importance. We believe it relates to the dual cultural and industrial policy objectives that underlie Canadian broadcasting policy. By 'cultural' we mean policies designed to promote cultural diversity and expression in a range of art forms and creative activities. By 'industrial' we mean policies designed to support specific domestic industries with direct funding or other incentives, with a view to promoting jobs, economic growth and exports. Canada's broadcasting policy has always pursued both aims.

³⁸ Innovation, Science and Economic Development Canada, Broadcasting and Telecommunications Legislative Review: Terms of Reference, page 10.

12. After multiple consultations and policy reviews in the creative sector over the last decade, there remains broad stakeholder consensus that Canadian content continues to serve an important cultural function, and public institutions should continue to support it. Additionally, the Government continues to demonstrate clear interest in jobs and growth in the creative sector. For example, Minister of Canadian Heritage, Pablo Rodriguez recently tweeted:

Pablo Rodriguez @Rodriguez_Pab Nov 2

I had a great time meeting with @IATSECANADA members and actor @CavanaghTom on the @CW_TheFlash set yesterday. Our govt will continue to work hand in hand with the #arts sector to create good jobs #CreativeCanada³⁹

Corus believes that Canada's broadcasting policy should continue to pursue both cultural and industrial policy objectives.

13. The Panel should thus focus on how to strike the most effective balance between cultural and industrial policy objectives going forward. Corus believes the key to striking this balance must be to intensify its focus on content quality and its exportability to global markets. Put another way: public policy should increasingly reinforce the objective that Canadian programs be made with a view to export or, for programs designed for domestic audiences only (like news and information programming), made up to international standards.
14. Ultimately, an internationally competitive sector will require successful media companies of scale and a rich pipeline of Canadian creative talent, working hand in hand. It will also require a broader range of actors to contribute to the system.

³⁹ Twitter Account of Hon. Pablo Rodriguez, M.P., P.C., November 2, 2018

15. The notion of an internationally competitive Canadian creative sector is not controversial subject in the industry. Governments and agencies of government have taken important steps to promote quality and exports in recent years,⁴⁰ and most industry stakeholders speak favourably of selling Canadian content abroad.⁴¹ What is needed is a broader and more intensive focus on these objectives across all of our legislative and policy frameworks. Presently, they compete with many other broadcasting policy objectives, and are often subordinated to other concerns.

⁴⁰ In Creative Canada, the government launched the first-ever creative export strategy. Additionally, CMF has taken some important steps in recent years to promote export activity in the creative sector, including launching the Export Assistance Program Pilot Partnership (in collaboration with Quebecor) the Export Pilot Program and the Versioning Program.

⁴¹ Corus is a founding member of the Canadian Association of Content Exporters along with 9 Story Media Group, Blue Ant Media, Cineflix Media, DHX Media, Distribution 360, Muse Entertainment, Incendo Productions, Entertainment One (eOne) and its Quebec subsidiary Les Films Séville