



Confédération des syndicats nationaux

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Study to examine the challenges faced by the Canadian Broadcasting Corporation in
relation to the changing environment of broadcasting and communications

Challenges facing CBC/Radio-Canada:
funding commensurate with its mandate

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Foreword

The Confédération des syndicats nationaux (CSN) is a trade union organization with nearly 2,000 member unions that, together, represent over 325,000 working women and men who are organized on a sectoral or occupational basis into eight federations, and on a regional basis into 13 central councils.

Introduction

Both internationally and here in Canada, the communications industry has undergone profound changes over the last decade. Shaped by what many call the digital revolution, these changes have led to the disappearance of barriers that existed between the various sectors (television, radio, written press).

Whether to be informed or entertained, people no longer rely solely on traditional broadcasters, which are often local or national. They can now access the same content from a television, computer, cell phone or tablet, and can even access different content from a multitude of countries.

Our public broadcaster, CBC/Radio-Canada, is quite aware of this reality. In order to be able to pursue its mandate, the organization must adapt to changes that force it to continuously adapt. However, this adaptation should not be at the expense of content quality. That said, the federal government's current policies, which are based on regulations to promote a free-market model, have been progressively cutting the Crown corporation's funding. If the government continues to impose budget cuts, which inevitably impact service delivery and programming, there is a risk that it will hinder CBC/ Radio-Canada's mandate. This is especially worrisome because our main trading partner, the United States, is the largest exporter of cultural content.

The Crown corporation is faced with many challenges, including:

- adequate funding of the CBC/Radio-Canada by the federal government;
- ensuring regional representation;
- being effective, transparent and free of political interference; and
- ensuring quality content in terms of both culture and information, despite the growing number of platforms.

At the root of CBC/Radio-Canada's mandate

The reality of broadcasting in Canada has changed significantly since the Royal Commission on Radio Broadcasting (the Aird Commission), which released its findings in 1929. The Commission painted a fairly grim picture of the radio industry and found, among other things, the lack of stations in sparsely populated areas, the proliferation of programs from the United States, and the fact that growing reliance on advertising revenues to generate profits would have a bearing on the quality of programming. In response to the issues raised, the Aird Commission recommended the creation of a national radio broadcasting company. A few years later, the Canadian Radio Broadcasting Commission (CRBC) was born. It was the regulator of the public and private sectors and a broadcaster. In 1936 it became the Canadian Broadcasting Corporation (CBC) (CBC/Radio-Canada). In 1958, a regulatory body known as the Board of Broadcast Governors (BBG) was established. Ten years later, in 1968, the Canadian Radio-television and Telecommunications Commission (CRTC) replaced the BBG. Much has been accomplished since 1929, yet the issue that led to the creation of a national network of radio broadcasting is still topical, given recent developments in the broadcasting sector and the context in which Canadian society continues to evolve.

The mandate of the CBC/Radio-Canada: its contribution to Canada's democracy and socio-economic structure

The public broadcaster's mandate is clearly defined in subsection 3(m) of the *Broadcasting Act*. The Canadian Broadcasting Corporation should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains. The programming provided by the Corporation 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 French;
- contribute to 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.

The mandate set out in the Act introduced the Canadian content requirement for CBC/Radio-Canada programming. The Crown corporation has remained the main provider of Canadian content. This programming requirement reflects our social reality as well as the reality of all of Canada's regional and cultural diversity. The significant audience share captured by television, radio and the new media reflects the national and regional influence of CBC/Radio-Canada¹. By ensuring this strong presence of Canadian expression in programming, which aims to reflect the country's

¹ In 2013–2014, the radio platform, which includes ICI Radio-Canada Première and ICI Musique, had a combined audience share of 21.5%. That year, ICI Radio-Canada Télé also exceeded its share target, capturing a 20.6% primetime audience share, while the specialty channel market had a 5.0% combined share. Source: Radio-Canada, *2013–2014 Results—French Services*, <http://www.cbc.radio-canada.ca/site/annual-reports/2013-2014/operational-indicators-french-services.html>.

diversity, to kindle discussion and to encourage artistic creativity, the public broadcaster is helping to forge a Canadian identity.

As the leader in public information, CBC/Radio-Canada has, for a long time, contributed to the vitality of Canadian democracy. In order debate to be possible, there must first be relevant and objective information. To illustrate this point, one need only remember the key role that CBC/Radio-Canada's investigative reporters played in uncovering the corruption and collusion scandals that rocked Quebec society and led to the establishment of the Charbonneau Commission. CBC/Radio-Canada must have the means to investigate and to delve further in its analyses of current events. This ability is what distinguishes CBC/Radio-Canada from most private broadcasters and allows it to be a driving force in Canadian democracy.

The Crown corporation is also an important asset for culture and for the growth of cultural exports. A 2011 study by Deloitte & Touche concluded that, by supporting jobs and companies across the country, CBC/Radio-Canada has a significant positive economic impact. Using 2010 as a reference, the study revealed that every dollar spent by CBC/Radio-Canada generates more than \$3 in revenue for the economy. The analysis also mentions that the public broadcaster's regional and local activities contribute to local economies and support creative clusters. CBC/Radio-Canada's commitment to French-language services contributes significantly to the creative sector in Montreal (Deloitte & Touche, 2011).

Without a doubt, the information outlined above corroborates the notion that CBC/Radio-Canada plays a role in strengthening Canada's cultural, political, social and economic structure. Thus, if there is indeed spending, the public cost of funding CBC/Radio-Canada's mandate is a profitable investment for Canada.

Adequate federal government funding for CBC/Radio-Canada

Given the crucial role CBC/Radio-Canada plays in the day-to-day reality of Canadians, both in terms of promoting Canadian culture and identity and in terms of its contribution to the country's democratic and economic life, the federal government should provide more funding for the public broadcaster. Unfortunately, as the facts indicate, the opposite is happening.

In fact, for nearly two decades, the Crown corporation has continued to face significant budget cuts that have forced it to make difficult decisions with respect to its services to the public. The cuts began with the Liberal Party. In 1996, the Liberal government cut 31% of the parliamentary appropriations to the CBC/Radio-Canada. These appropriations decreased from \$1.1 billion to \$806 million. (Groupe Nordicité ltée, 2006). The Conservative Party's coming into power did nothing to improve the public broadcaster's financial situation; on the contrary, it made it worse.

In its 2013 decision regarding the renewal of the public broadcaster's French- and English-language licences, the Canadian Radio-television and Telecommunications Commission (CRTC) acknowledged that CBC/Radio-Canada was facing significant financial pressures (CRTC, 2013). This came on the heels of the \$115-million reduction of its parliamentary appropriations over three years announced in the 2012 Flaherty budget. The CRTC's decision to gradually eliminate the Local Programming Improvement Fund (LPIF) was another hard blow for the Crown corporation; the decision represented a loss of more than \$40 million annually that the Corporation drew to

improve service for viewers in 20 different markets across Canada.² The most recent cuts of \$100 million over five years announced in June 2014 will result not only in major changes to programming, but also in the loss of more than 3,600 jobs since 2008.

At the same time, successive cuts in government funding for the Crown corporation have also resulted in a reduction in services to the public. In recent years, we have witnessed the closure of Radio-Canada international (RCI), which was replaced by a website with depleted content. The French-language network's Audience Services was cancelled, even though it received some 140,000 messages from the public each year. There has been a significant decrease in the number of original public radio and television productions. The sports service was ravaged and the news service was watered down.³ The Crown corporation is increasingly relying on private-sector subcontractors for production.

Structurally, the public broadcaster is dealing with a difficult financial situation in an increasingly competitive environment. To stand out, CBC/Radio-Canada must find ways to take advantage of the quality of its content and uniqueness. This reality, along with underfunding, has proven to be harmful on several fronts. It jeopardizes national production, has an impact on the quality of the work of Canadian artists, and threatens the diversity of voices and therefore democracy. Clearly, if nothing is done, this situation will undermine the Crown corporation's mandate as set out in the Act. A 2011 study by Nordicité revealed that, of the 18 countries surveyed, Canada ranked 16th in terms of per capita government spending on public broadcasting. The study states:

“[TRANSLATION] With per capita spending of C\$34, Canada ranked ahead of only New Zealand and the United States. Funding for Canada's public broadcaster did not even reach 60% of the \$87 average for the 18 countries surveyed. In fact, Canada's investment was one-fifth of the amount invested by Norway, the top-ranking country, whose public broadcaster, NRK, received the equivalent of \$164 per capita in 2009.”

Today, per capita government spending is only \$29. Increased funding for CBC/Radio-Canada is essential and is not, as some would suggest, preferential treatment that results in unfair competition. In fact, in Canada there is no free-market model that will support a truly Canadian broadcasting industry.⁴ Thus, we believe it is essential to increase per capita funding to a minimum of \$40 in order to save our public broadcaster. That amount is realistic and vital to the survival of CBC/Radio-Canada.⁵ Moreover, multi-year (3 to 5 years), stable funding is needed to ensure that the budget is not subject to market fluctuations or the whim of the political party in power.

Problems associated with public underfunding of CBC/Radio-Canada

As mentioned earlier, public underfunding of CBC/Radio-Canada creates several problems. First, it forces the Crown corporation to turn to the private sector, primarily through advertising, to make up the shortfall. Second, the public broadcaster is forced to reduce its services to the public and to

² CBC/Radio-Canada. *CBC/Radio-Canada astonished by the CRTC's decision to eliminate the Local Programming Improvement Fund*, July 18, 2012, <http://www.cbc.radio-canada.ca/en/media-centre/2012/07/18/>.

³ The Friends of Canadian Broadcasting website, <http://www.friends.ca/News> provides comprehensive information on all the cuts to CBC/Radio-Canada funding since 2009.

⁴ According to Hubert T. Lacroix, Canada private broadcasters receive a total of about \$900 million a year in public subsidies and direct and indirect benefits. Source: [speech](#) delivered at the 27th Annual Conference of the Commonwealth Broadcasting Association.

⁵ See the *Amis de Radio-Canada* campaign at <http://amisderadiocanada.com/>.

subcontract some of its production. As a result, the proportion of self-generated revenues from sources, including advertising revenue, now represents 41% of the public broadcaster's budget.⁶

This shift to advertising as a result of the ongoing decline in government funding of CBC/Radio-Canada affects not only programming but also program quality. Having become very sensitive to audience ratings, there is a growing tendency for the Crown corporation to act like a private broadcaster. The decline in government funding is fueling CBC/Radio-Canada's search for advertising revenue and increasing competition in this market. Because the advertising base is shared among several competitors, the arrival of a new player such as CBC/Radio-Canada reduces the revenue margins of private broadcasters. As a result, there will be greater incentive to use American productions, which cost less.⁷

Ultimately, the public broadcaster, being in perpetual competition with private broadcasters when it comes to advertising, will no longer be able to assert its distinctiveness, and this will jeopardize its very existence. The quest for advertising revenues will alienate the Crown corporation from its primary mandate, which is to support Canadian culture and identity. Moreover, it will adversely affect the contribution of private broadcasters to national cultural production. In short, it will create a situation that is damaging to Canadian society as a whole.

From another viewpoint, this quest for advertising revenues will limit the public broadcaster's ability to produce quality information that reflects pluralism and diversity of opinions, elements that are essential to democratic life and civic engagement. This will, in turn, directly impact journalistic content, which will be further subject to the dictates of the market. While it is true that there is a proliferation of information nowadays, this does not necessarily translate into access to quality information. As several studies have shown, the advertising market is losing interest in socioeconomic information; that is, information of public interest. This type of information, which is useful in fueling discussions within a society, is costly with no guarantee of profitability (Payette, 2010). When journalism is subjected to market pressures, through audience ratings, it tends to focus on presenting "something new" rather than on analysis, on comparing itself to its competition rather than on innovating or, simply put, on delivering "infotainment". Obviously, one cannot expect this public-interest information to be of interest to local private broadcasters, much less to international media giants. Generally speaking, those media tend to focus on news that is sensational, alarming or entertaining, rather than on news that is important.⁸

If CBC/Radio-Canada is to continue delivering quality content to the public and supporting Canadian identity and culture, its funding cannot be dependent on unstable advertising revenues that are highly sensitive to economic activity.

Regional representation threatened

One of the CBC/Radio-Canada's mandates is to reflect Canada and its regions while serving the special needs of those regions. Thus, in 1938, Canadian Broadcasting French (CBF) began broadcasting *Le réveil rural*, an economic news program for rural inhabitants. In the decades that followed, CBC/Radio-Canada developed a vast network of radio and television stations across

⁶ Calculation based on figures from the CBC/Radio-Canada's *Annual Report 2013-2014*.

⁷ American productions are sold on the Canadian market at prices that bear little reflection on their actual cost. American producers have already recovered their production costs on the U.S. market before distributing their shows on the international market.

⁸ Based on a study conducted by the Centre d'études sur les médias, March 2010.

Canada. This new infrastructure quickly made it possible to provide television service to the majority of Canadians. Major technological advances subsequently enabled the Crown corporation to begin shortwave radio broadcasting to the High Arctic. Since that time, CBC/Radio-Canada has continued to expand its presence in all Canadian regions and communities.

CBC/Radio-Canada's regional presence is vital for certain communities. For example, CBC North delivers essential and unique programming to the diverse communities that make up Canada's vast North. This programming includes radio and television programming in eight Aboriginal languages. In terms of radio service, CBC Radio One and Première chaîne provide audiences with a combination of local, national and international news and public affairs programming. These services have a strong focus on regional issues and cover a vast geographic area. The Crown corporation's presence also ensures that the public has access to French-language services across Canada. In fact, CBC/Radio-Canada's presence in the various Canadian regions and provinces serves as a hub for broadcasting quality information and for providing economic and cultural stimuli. Furthermore, CBC/Radio-Canada's presence forces competing networks to provide a minimum level of service outside the major centres.

Nonetheless, there are obviously inequalities in media coverage across the country. The 1990s marked the end of CBC/Radio-Canada's strong regional presence. In 1990, following major budget cuts, CBC/Radio-Canada closed 11 regional stations. Between the early 1990s and 2009, the reduction in regional and local programming created problems: some communities no longer had adequate media coverage and others lacked resources. According to the 2003 report entitled *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*,⁹ the Crown corporation's reduction in local programming was particularly hard on minority francophone communities outside Quebec.

While funding from the Local Programming Improvement Fund (LPIF) made it possible for CBC/Radio-Canada to begin investing again in the development of local programming,¹⁰ thus more effectively delivering on that part of its mandate, the phasing out of the LPIF has negated the achievements realized in recent years and the future of regional news is now in jeopardy.

CBC/Radio-Canada is now broadcasting on several platforms, including web television, podcasts and online coverage. The advent of new media could allow the Crown corporation to expand its regional presence and to broadcast more regional programming to all of Canada. But again, this project calls for adequate federal funding and greater penetration of new technologies in Canadian households in order to reach as many people as possible.

CBC/Radio-Canada still has a presence today, albeit uneven, across the entire country. The public broadcaster is still the main broadcaster of information and culture. If it is to continue to reflect Canada's regional diversity, it is essential for CBC/Radio-Canada to have funding that is commensurate with its mandate.

⁹ Report of the Standing Committee on Canadian Heritage. *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*. Ottawa, House of Commons, June 2003.

¹⁰ Examples of services made possible include: comprehensive local service to Saskatoon (2012), CBC News: Windsor at 6 early evening newscast expanded to 90 minutes (2013), return of local CBC radio programming in Kelowna (2014).

Effective and transparent governance that is free of political interference

According to the legislation, CBC/Radio-Canada belongs to Canadians; it does not belong to the government or to business interests.

The public broadcaster's day-to-day operation is ensured by a team of senior managers supported by an army of managers. As stated in the *White Paper on the Future of the CBC/Radio-Canada*,¹¹ the Crown corporation is stuck with an ever-growing administrative structure where each CEO tends to develop his own strategic plan and policies. As we saw with rebranding of the Canadian broadcasters platforms, large sums of money can be spent with no real consultation or accountability. Given this context, we feel it is important to clarify certain guidelines and to consult citizens/owners more frequently. In fact, management should be questioned regarding its cumbersome structure and its role in achieving CBC/Radio-Canada's mandate. This examination should be based on performance indicators that go far beyond the short-sighted issue of audience ratings, the number of clicks and cryptic financial reports.

The CBC/Radio-Canada's board of directors is an opaque body of partisan appointments made by the Governor in Council. The same is true of the appointment of the president. We believe that the composition of the Crown corporation's board of directors should be representative of all segments of society and all political affiliations. Furthermore, the deliberations and decisions of the board of directors should be available to the public.

Political interference in the appointment of members of the board of directors has become pervasive at CBC/Radio-Canada. As far as the mandate to inform and to be representative of all Canadians, the Crown corporation must maintain an arm's-length relationship from the government in power. Whether via funding of the broadcaster's activities, the appointment of its directors or Treasury Board's newly acquired right to interfere in collective bargaining,¹² the government is not respecting the division of powers that is vital to the exercise of healthy democracy.

To ensure that the Crown corporation's independence is preserved, we believe the rules governing the appointment CBC/Radio-Canada's president should be reviewed. Inspiration can be drawn from models implemented elsewhere (see White Paper). For example, the rules could be similar to those that apply to the appointment of the auditor general, which requires the approval of two-thirds of the members of the House of Commons. The appointment of the members of the boards of directors could be on recommendation of an all-party parliamentary committee.

CBC/Radio-Canada is facing a number of financial, technological and organizational challenges. Consequently, it is important for the corporation's management to adapt and to be transparent to Canadian society and the public broadcaster's real owners—Canadians.

¹¹ CSN. [White Paper on the Future of the CBC/Radio-Canada. At the core of quality public service](#), Tous amis de Radio-Canada, April 2014.

¹² Division 17 of Bill C-60 now gives Treasury Board the authority to direct a Crown corporation to have its negotiating mandate approved by the Treasury Board, to be present during private negotiation sessions and to fix the terms and conditions of employment of certain non-unionized employees. The latter opens the door to political pressure from the Treasury Board on the management of these corporations.

Conclusion

The main reasons identified by the Aird Commission in 1929 to justify the creation of a Canadian public broadcaster still apply today. The media industry is undergoing major changes marked by the disappearance of barriers between platforms. This has led to increased competition on a globalized market that is primarily dominated by American media giants that are very present in Canada and very active in the production and distribution of content. Information of public interest, which is vital to civic engagement and democracy, is becoming rare in a context where the advertising market, which has little interest in that type of information, is greatly influencing media programming. Although this environment may, at first glance, appear to undermine the Crown corporation's mandate, it is also opening the door to new opportunities for a country such as ours to promote its culture and identity around the world.

The goal is not to create a new Crown corporation in the field of broadcasting but, rather, to consolidate the position we already hold. To achieve this goal will require better funding for our public broadcaster. Given ever-increasing production costs, CBC/Radio-Canada needs additional resources in order to be able to maintain its contribution to Canada's cultural, political, social and economic structure. As many Western countries have demonstrated by way of the government funding they allocate to their public broadcaster, it seems somewhat unrealistic for Canada to expect market forces to support the Canadian culture and identity, considering that our neighbour, the United States, is one of the world's biggest producers of cultural content.

Thus, contrary to the trend in previous years, the federal government must do an about-face in terms of its policy for CBC/Radio-Canada. It must more effectively regulate the broadcasting and communications sectors, and better support the public broadcaster's mandate through increased, more stable funding. This is crucial. The future of our cultures, our identities and our democracy, our cultural exports and the image we want to project on the international scene depend on it.