“ENVIRONMENTAL SCAN”

TO:	**Board of Directors**
MEETING:	November 19, 2014
FROM:	Steven Guiton, Vice-President Technology and Chief Regulatory Officer
PURPOSE:	This document provides an expansive review of the industry in which we operate. It is developed regularly to support CBC/Radio-Canada’s planning activities to inform the Board. The material is updated every year.
DATE:	As of October 22, 2014

2014 MEDIA ENVIRONMENT

Information for the Board of Directors

November 19, 2014

Montreal, Quebec

INTRODUCTION

- **This document provides Board members with:**
  - **A high-level overview of how the Canadian broadcasting industry operates,**
  - **CBC/Radio-Canada's role within it,**
  - **Some of the key challenges we and the industry face, and**
  - **An update on some important developments in the last year.**

KEY UPDATES FROM THE SCAN SINCE LAST YEAR

- Consumer TV choice and digital opportunities are the two key pressures driving regulatory change in Canada. However, changes will not likely include subscription revenues or a new local news fund for conventional TV (p. 13 and 15).
- Online TV will be one of, if not the most important, future TV platforms (p. 18). Regulated broadcasters will need to try their hands online (p. 72).
- There has been a slight but noticeable drop of TV viewing in the English Market, which has corresponded with growth in online TV viewing (p. 56). Subscriber levels continue to see modest erosion (p. 49).

KEY UPDATES FROM THE SCAN SINCE LAST YEAR

... continued

- Internet advertising revenues have surpassed TV (p. 45), and mobile has grown its share to 12% (p. 46).
- Mobile is now being measured by comScore and it is a strong source of growth in usage (p. 83).
- Google launches Chromecast, a $39 solution to stream video to the most important screen (your TV set) from your mobile device (Smartphone or Tablet) (p. 71).
- Spotify, the global leader in Internet radio, finally launches into Canada and adds to a very competitive market (p. 78).

AGENDA

WHAT IS THE PURPOSE OF PUBLIC POLICY IN BROADCASTING?

Broadcasting policy is typically based on one of three assumptions:

1. The economics of **distribution** are challenging in a country the size of Canada (e.g. off-air coverage, universal broadband).

2. The economics of **original content** creation in Canada are challenging in comparison to acquiring content from a larger market (e.g. US vs. Canadian, National vs. Local).

3. Broadcasting is an effective way to inform and enlighten society and **high quality** content would be underrepresented (e.g. public affairs, drama/comedy, kids, performing arts).

THE HIGH IMPORTANCE PLACED UPON BROADCASTING IS CLEARLY EVIDENT IN THE *BROADCASTING ACT*

- The ***Broadcasting Act*** was passed into law in 1991 and is still in force today
- The *Act* explicitly states that broadcasting "provides, **through its programming**, a public service essential to the maintenance and enhancement of **national identity and cultural sovereignty**." (Paragraph 3.(1)(b))
- Given that important role, broadcasting in Canada should "serve to safeguard, enrich and strengthen **the cultural, political, social and economic fabric of Canada**." (Paragraph 3.(1)(d)(i))
- All broadcasting activities are covered under the *Act*

THE *ACT* ESTABLISHES TWO PRIMARY POLICY TOOLS

TOOL #1: PUBLIC BROADCASTING

- Countries all around the world have created public broadcasters to promote public policy

CBC/RADIO-CANADA'S MANDATE IN THE *ACT* IS VERY BROAD

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

(m) the **programming provided** by the Corporation should

(i) be predominantly and distinctively **Canadian**,

(ii) reflect Canada and its regions to national and regional audiences, while serving the **special needs of those regions**,

(iii) actively contribute to the flow and exchange of **cultural expression**,

CBC/RADIO-CANADA'S MANDATE IN THE *ACT* IS VERY BROAD

(iv) **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**,

(v) strive to be of **equivalent quality** in English and in French,

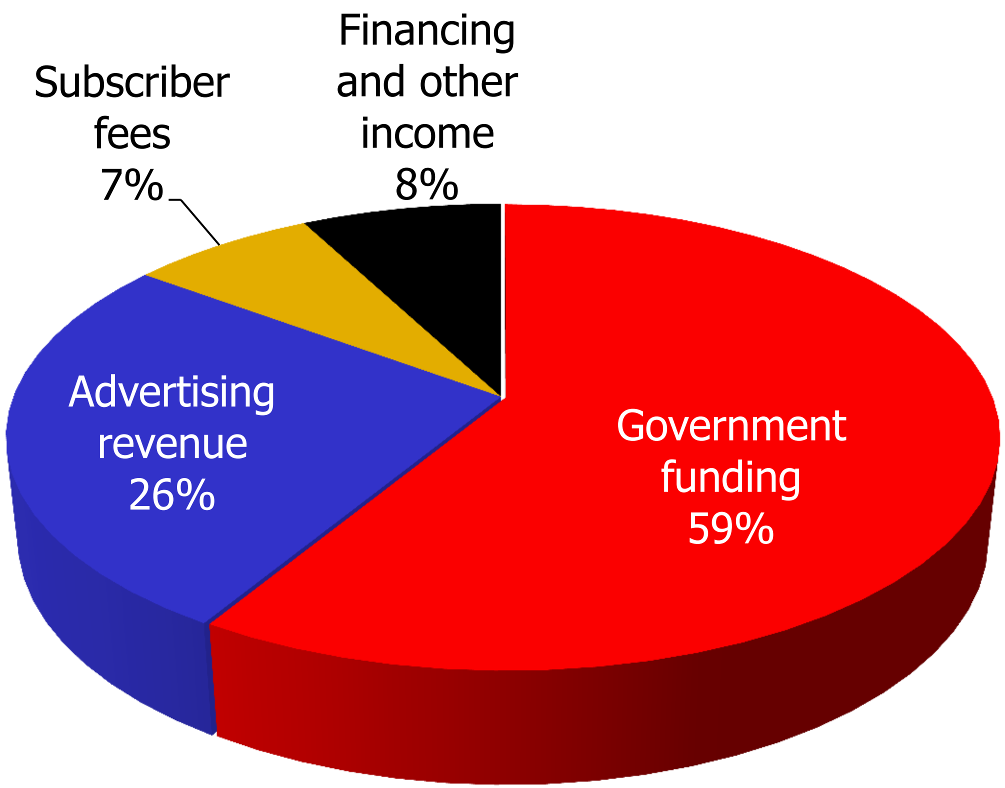
(vi) contribute to shared **national consciousness and identity**,

(vii) **be made available** throughout Canada **by the most appropriate and efficient means** and as resources become available for the purpose, and

(viii) reflect the **multicultural and multiracial** nature of Canada;

CBC/RADIO-CANADA RELIES HEAVILY ON PUBLIC FUNDING

CBC/Radio-Canada's Revenue and Sources of Funds ($1,858.8 Million)



Source: CBC/Radio-Canada Annual Report 2013–2014

… AS DO THE PRIVATES

Category	Type of Public Support	Value to Private Broadcasters
Market Entry Restrictions	Foreign Ownership Restrictions	PRICELESS
	CRTC Licensing Policies	
Revenue Protections	Advertising Rules Sec. 19.1 of the Income Tax Act	$91 - 130 million (1)
	Simultaneous Substitution	$242 - 262 million (2)
Expenditure Relief	Production Tax Credits	$520 million (1)
	Canada Media Fund (CMF)	$177 million (3)
	TOTAL	**$1.0 - $1.1 billion**

NEW Local Programming Improvement Fund (LPIF) has been eliminated.

Source: (1) Nordicity 2011 estimates; (2) Armstrong Consulting 2014; and (3) CMF Performance Envelopes 2014-15

TOOL #2: THE CRTC

- The CRTC is an independent government agency that **supervises all aspects** of Canadian broadcasting, **including CBC/Radio-Canada.**
- **Promoting access to Canadian content** is one of the key underlying principles of the CRTC's objectives.
- The **CRTC's powers and jurisdiction are set out in the *Broadcasting Act***, and the CRTC is guided by the policy objectives set out in it.
- The CRTC is required to **regulate** the broadcasting system **in a flexible manner** that, among other things, recognizes our **two official languages**, takes into account **regional concerns**, and is **adaptable to technological developments.**

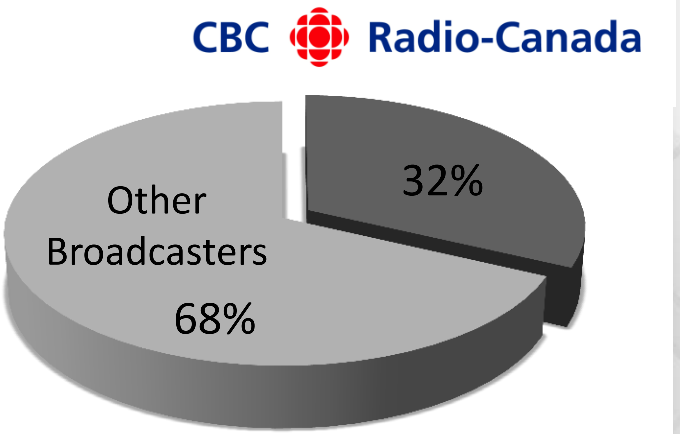
A CHANGING REGULATORY ENVIRONMENT

- The **current environment** can be characterized as follows:
  1) Regulatory intervention is becoming **increasingly selective**
  2) Going forward, CRTC will be required to play a greater role in **adjudicating disputes** between broadcasters and TV distributors
  3) New platforms are emerging and further **fragmenting audiences**
  4) NEW Over the last 15 years, the CRTC has **exempted from regulation** undertakings that provide broadcasting services delivered and accessed over the **Internet**. This issue will soon be re-visited in the CRTC's Talk TV decision.
  5) NEW **Conventional TV** has been at the centre of broadcasting policy, but it is under financial distress. The introduction of subscriber revenues or new local news fund seems unlikely.
  6) NEW Significant emphasis has been placed on **increasing consumer choice** in subscription TV (e.g. pick and pay)

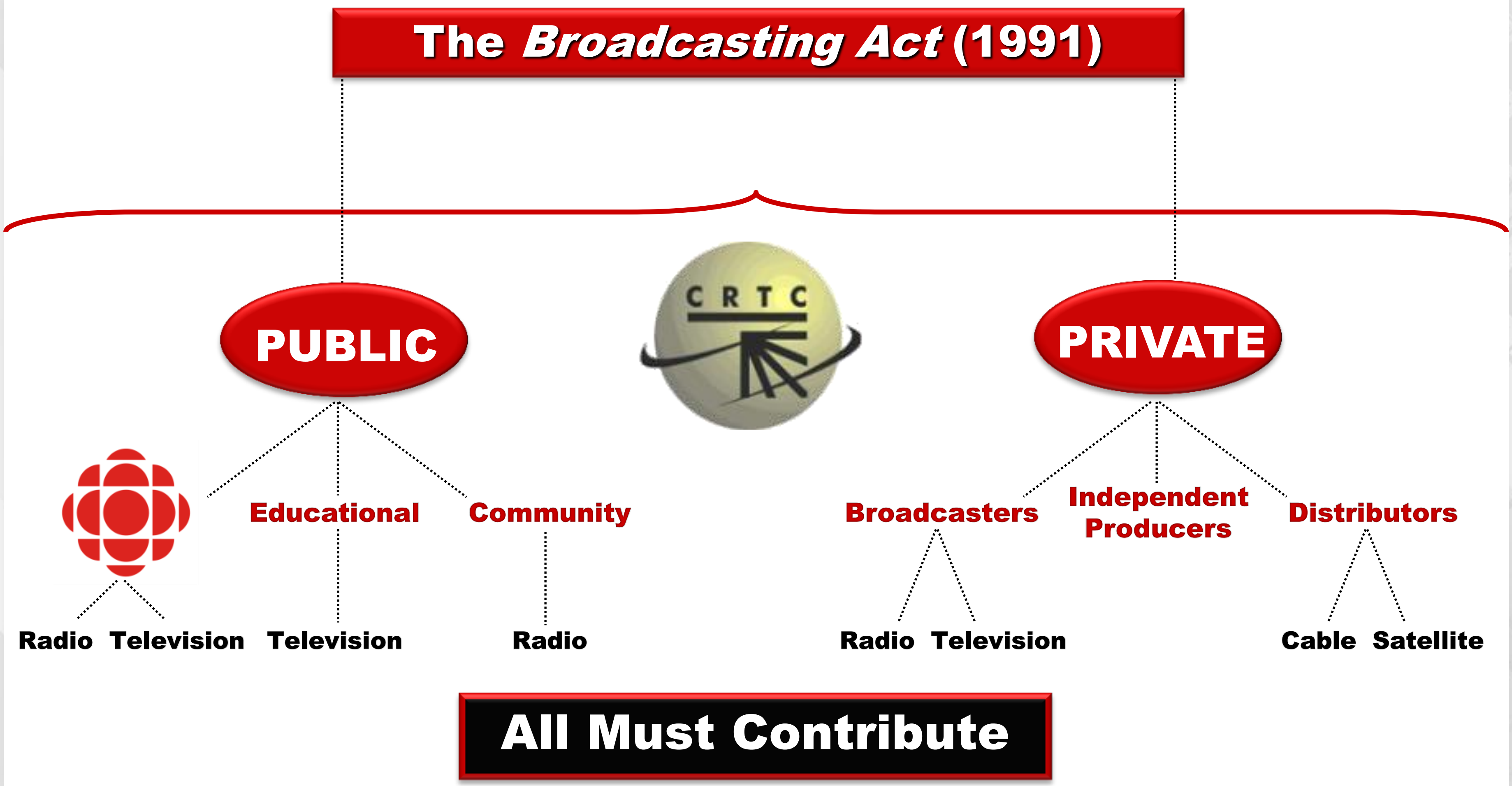
THE CANADA MEDIA FUND (CMF) IS ALSO AN IMPORTANT PUBLIC POLICY TOOL

- The CMF has been around in various forms since 1998
- CBC/Radio-Canada indirectly benefits from about $85 million in CMF allocations annually
  - Our share is tied closely to our audience performance
- The CMF is essential to delivering our prime time schedules

CMF Performance Envelope Funding Allocations 2014-15



THE BIG PICTURE: PUBLIC POLICY IS AN IMPORTANT COMPONENT OF THE BROADCASTING INDUSTRY



… BUT DEFINING AND PROMOTING PUBLIC POLICY IS BECOMING CHALLENGING

NEW

Broadcasting policy must increasingly put consumers first, rather than simply promoting Cancon.

The Internet represents the future of television, yet **the notion of the CRTC regulating the Internet is toxic.**

The Regulatory Approach Must Change

KEY TAKEAWAYS

- **The broadcasting system is deemed essential** for the well being of our culture, society, economy and democracy.

- Like other countries, the Government utilizes **two key tools** to fulfill its objectives: public broadcasting (**CBC/Radio-Canada**) and regulation (**CRTC**).

- Both CBC/Radio-Canada and the private sector are expected to contribute to the **fulfillment of the *Act*.**

- **A greater** focus on consumers and the opportunities created by Internet offers are putting **pressure on current regulation tools.**

AGENDA

CBC/RADIO-CANADA REACHES CANADIANS IN MANY WAYS

TV

CBC
CBC news network
ICI RADIO-CANADA TÉLÉ
ICI artv
CBC Radio-Canada
CBC News Express / RDI Express
documentary
ICI RDI
ICI explora
TV5MONDE

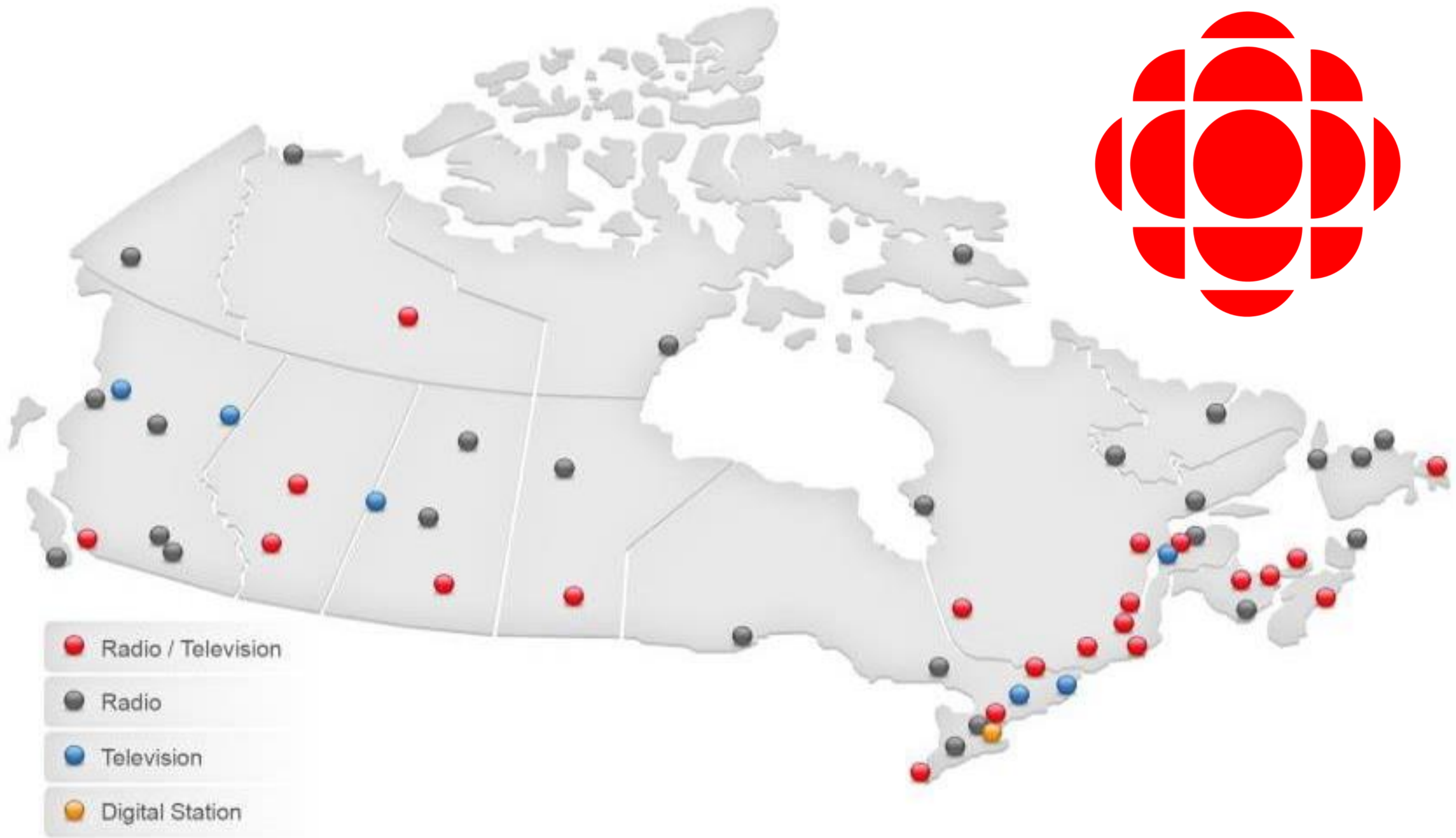
Radio

CBC radio one
ICI RADIO-CANADA première
SiriusXM SATELLITE RADIO
CBC radio 2
ICI musique Franco country
CBC radio3
ICI musique
ICI musique chansons
CBC music sonica

Digital & Other Services

cbc.ca
ICI RADIO-CANADA .ca
YOUR OLYMPIC NETWORK
VOTRE DIFFUSEUR OLYMPIQUE
boutique
boutiqueradio-canada.ca
cbcnews.ca
ICI TOU.TV
kids'CBC
CBC north
shop
cbcshop.ca
cbcsports.ca
ICI musique
curio.ca
cbcbooks.ca
cbcmusic.ca
RCI RADIO CANADA INTERNATIONAL
mobiles

WE SERVE CANADIANS FROM COAST, TO COAST, TO COAST



CBC/RADIO-CANADA CONTRIBUTES POSITIVELY TO THE INDUSTRY AND THE CANADIAN ECONOMY

Deloitte. CBC/Radio-Canada has a **substantial positive impact on the economy** — well above its spending power

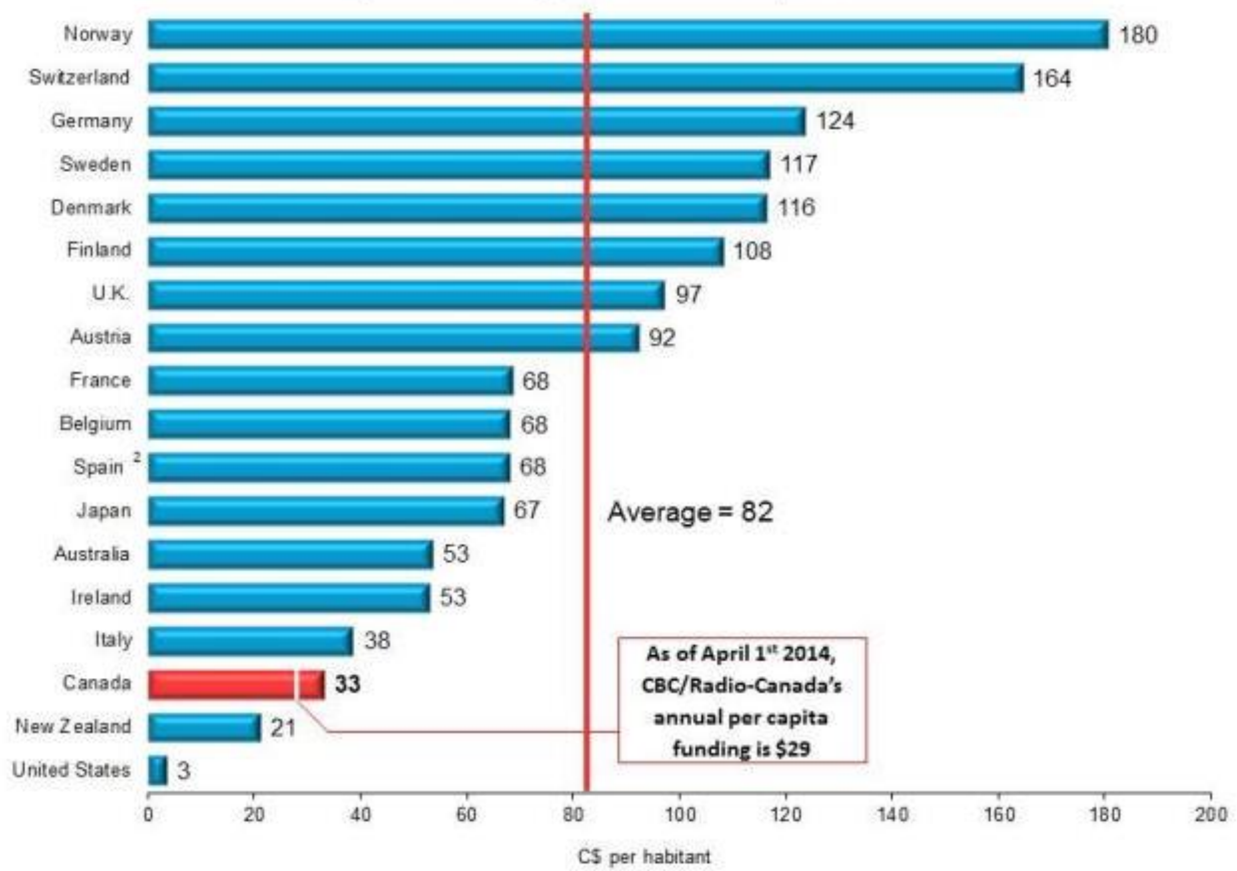
Among the measureable benefits identified were:

- **For every dollar** we receive from Canadians, **we generate almost $4.00** for the Canadian economy
- Its **regional and local** activities contribute to local economies and creative clusters in many Canadian cities
- It creates depth in the **production sector** by commissioning a wide range of genres
- **Expenditure on programming**, whether commissioned from independent producers, acquired or made in-house, accounts for 63% of CBC/Radio-Canada's total expenditure ($1,014 million in 2013)
- It implements **new technologies** which are later adopted by other broadcasters and the wider creative sector

Source: Deloitte (2013) The Economic Impact of CBC/Radio-Canada

CBC/RADIO-CANADA'S FUNDING IS AMONG THE LOWEST IN THE WORLD

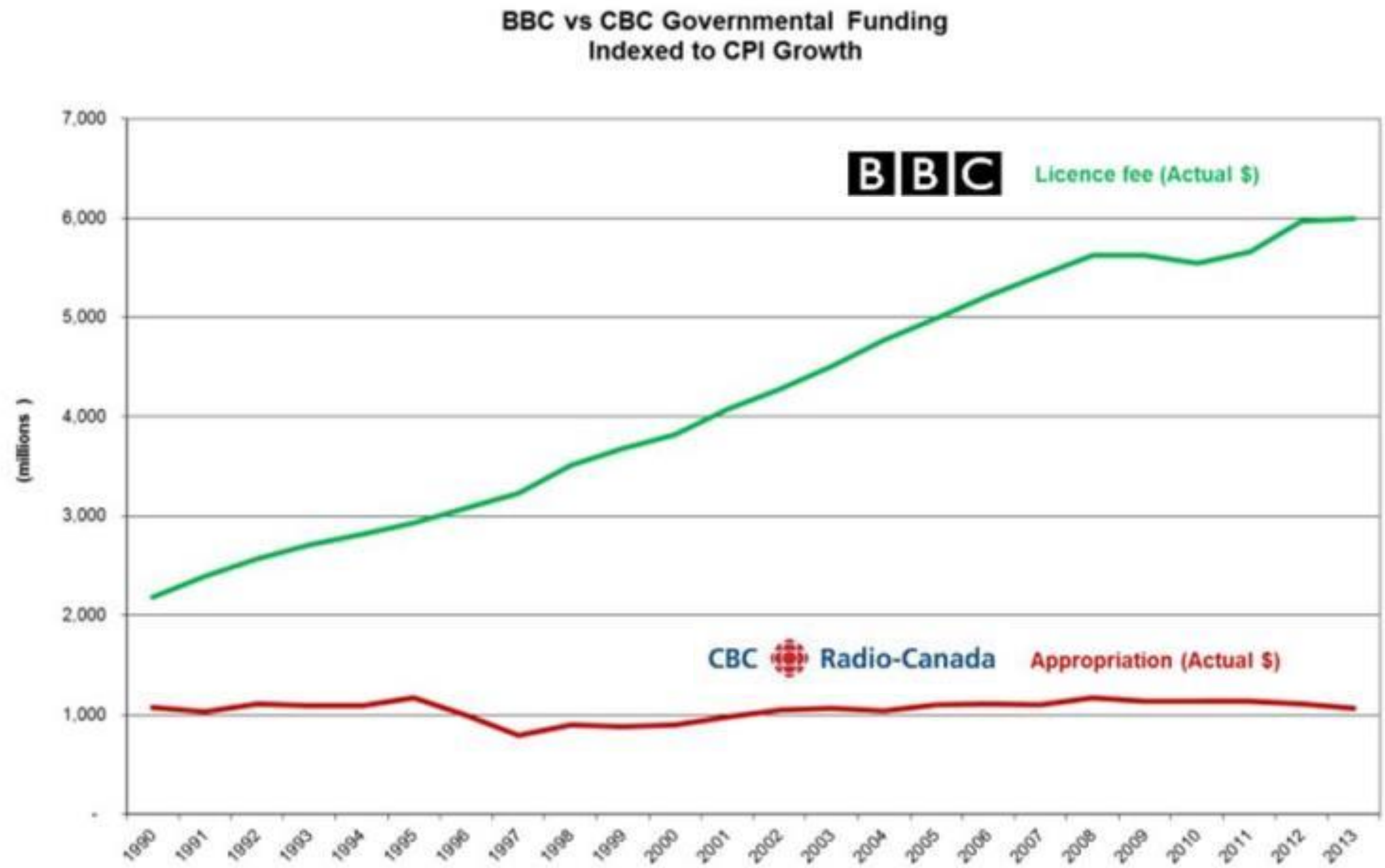
Per Capita Public Funding for Public Broadcasters - 2011



Source: Nordicity, "Analysis of Government Support for Public Broadcasting and Other Culture in Canada" (October 2013)
2. Figures for Spain include an estimate for the public broadcasters of the autonomous regions.

… AND NOT KEEPING PACE WITH OTHER PUBLIC BROADCASTERS SUCH AS BBC

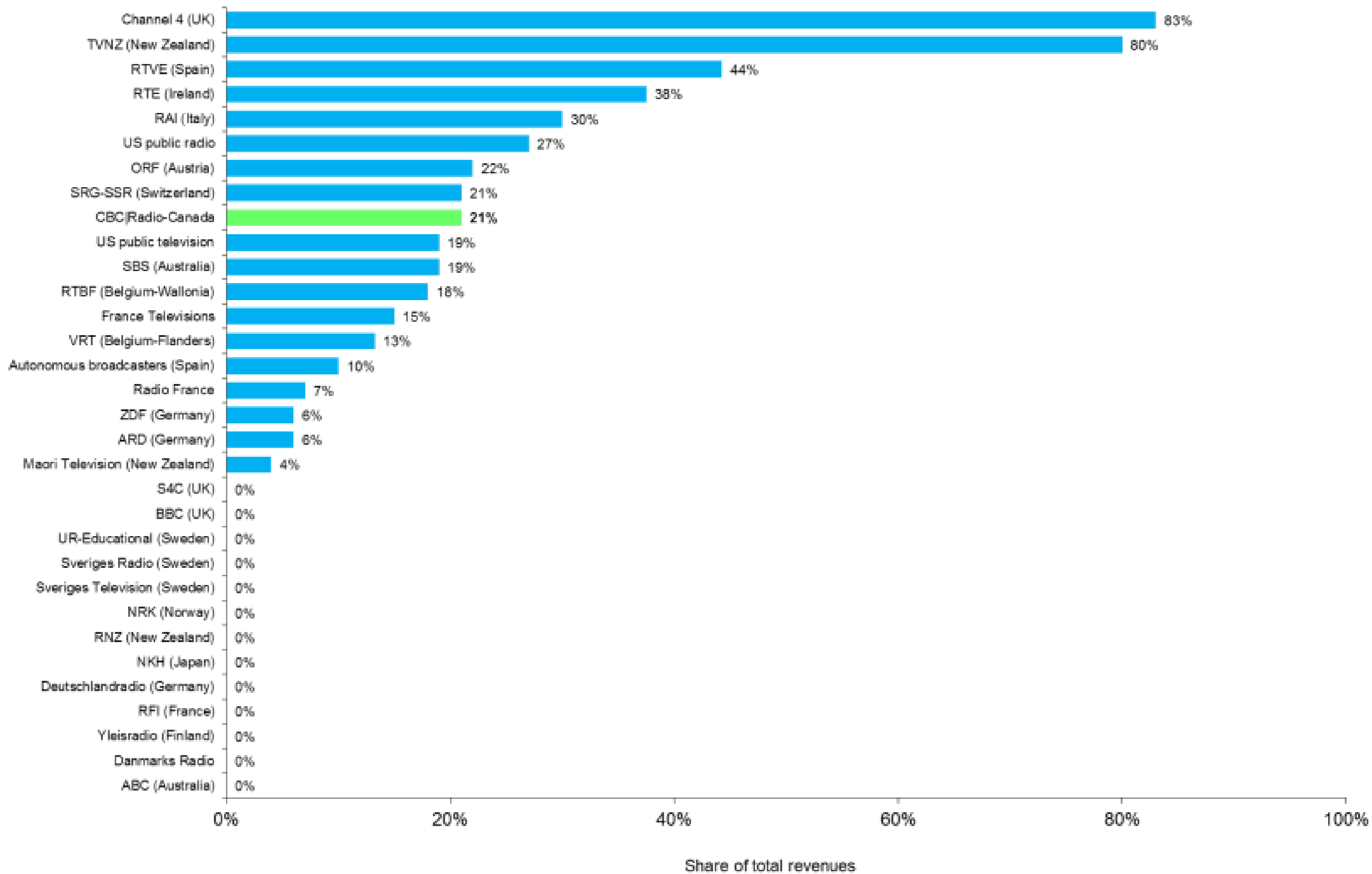
NEW



Source: BBC and CBC/Radio-Canada Annual Reports
* Uses 2013 exchange rate of 1 CDN = 1.6 Pounds for all years.

LIKE MOST PUBLIC BROADCASTERS, CBC/RADIO-CANADA RELIES ON ADVERTISING

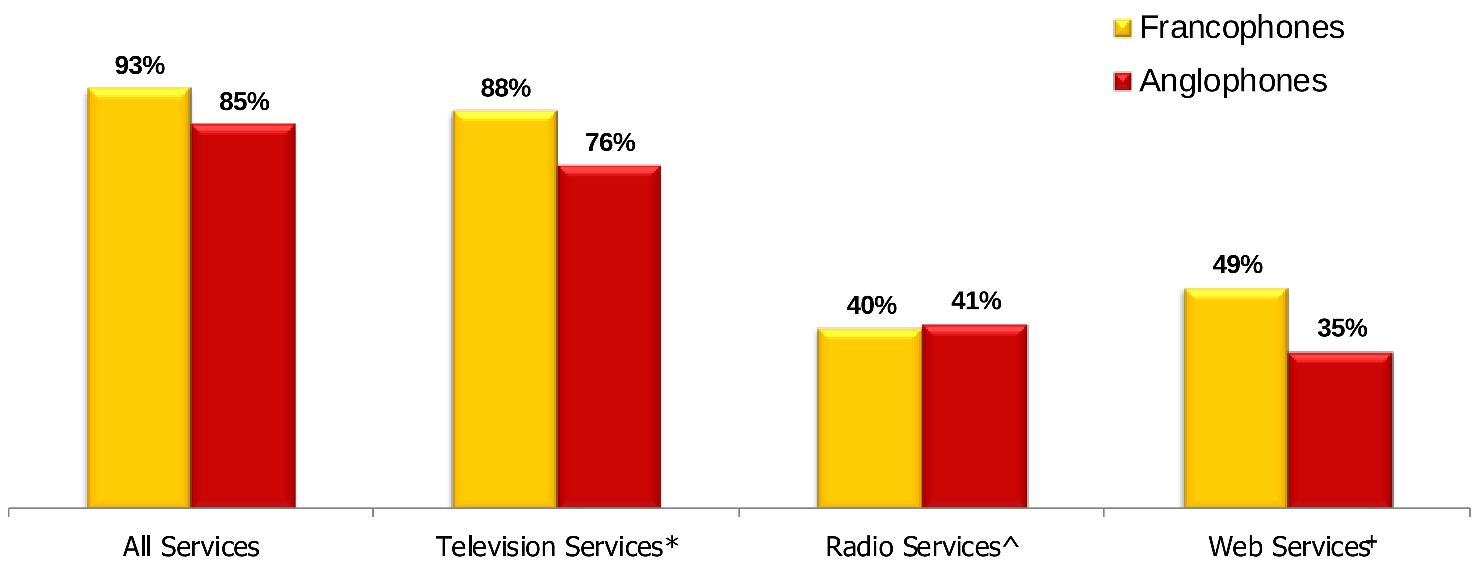
Advertising and sponsorship revenues by individual public broadcaster, 2011



Source: Nordicity, "Analysis of Government Support for Public Broadcasting and Other Culture in Canada" (October 2013)

WE REACH VIRTUALLY ALL CANADIANS. TV IS STILL THE MOST COMMON MEANS. RADIO AND ONLINE ARE SIGNIFICANT

Unduplicated Monthly Reach
Francophones and Anglophones



* Television Services include: CBC TV, CBC News Network, *documentary*, ICI Radio-Canada Télé, ICI RDI, ICI ARTV and ICI EXPLORA.
^ Radio Services include: CBC Radio One, CBC Radio 2, ICI Radio-Canada Première and ICI Musique.
\+ Web Services: CBC.ca, music.cbc.ca, ICI Radio-Canada.ca, ICI Musique.ca and ICI Tou.tv.
Source: Mission Metrics Survey 2013-2014, TNS Canadian Facts (n = 4,800 Canadians 18+ – 2,400 Anglophones and 2,400 Francophones).

THERE IS STRONG PUBLIC SUPPORT FOR CBC/RADIO-CANADA

NEW

64% of Canadians have a **very favourable**[1] opinion of CBC/Radio-Canada.

71% of Canadians **strongly agree**[1] that there is a clear need and role for CBC into the future.

Source: Mission Metrics survey 2013-14

1. Scored 8, 9 or 10 on a 10-point scale. 6-10/10 is 83% favourable and 84% agree.

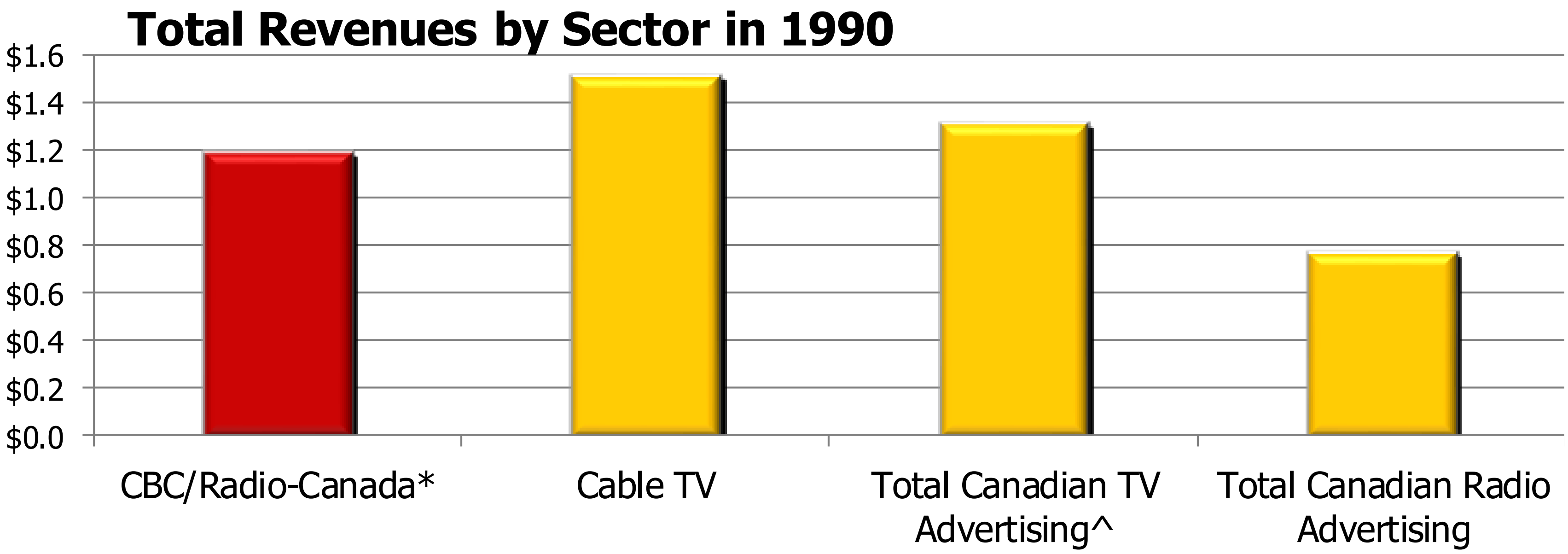
KEY TAKEAWAYS

- CBC/Radio-Canada has a **broad mandate and modest funding** by many measures
- CBC/Radio-Canada has well over **100 stations** (88 radio, and 27 TV) and an **expanding offering of services on new platforms and in all regions**
- CBC/Radio-Canada contributes positively to **support the industry and the economy**
- **TV** is still the largest way we reach Canadians
- Canadians **strongly support** CBC/Radio-Canada

AGENDA

A GENERATION AGO, CBC/RADIO-CANADA WAS A LARGE PLAYER IN THE BROADCASTING INDUSTRY

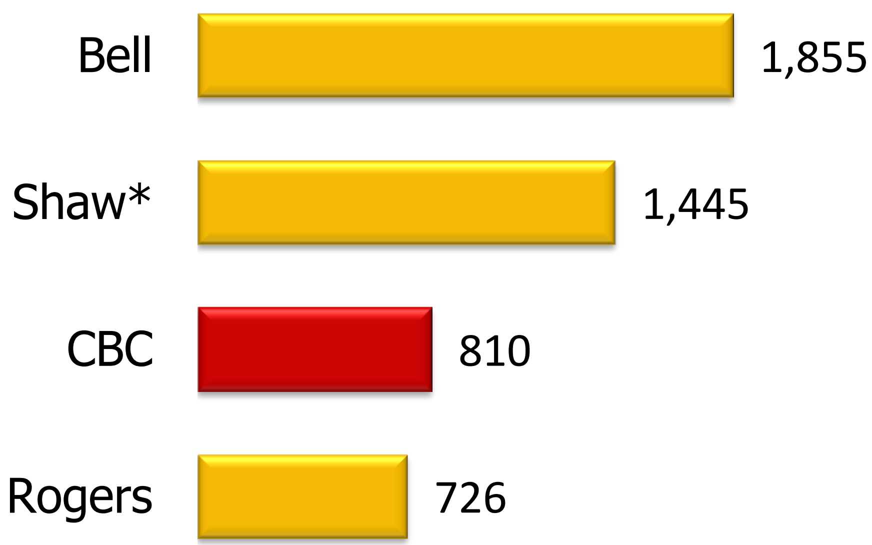
CBC/Radio-Canada's financial resources were comparable to entire industry sectors, like TV, radio and cable



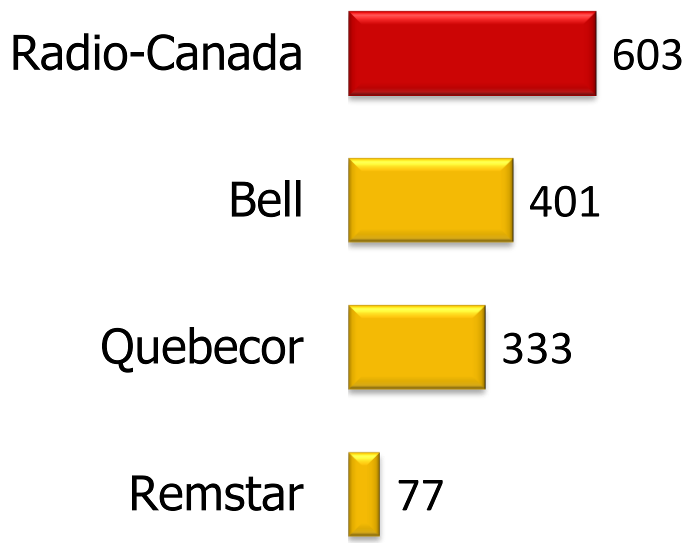
Source: CBC/Radio-Canada Annual Report
* Total revenues and funding.
^ Net of CBC/Radio-Canada's TV advertising.

TODAY, CBC IS ABOUT HALF THE SIZE OF THE INDUSTRY LEADERS. RADIO-CANADA CONTINUES TO BE THE LARGEST IN ITS MARKET.

English TV Industry Revenue In $ Millions



French TV Industry Revenue In $ Millions

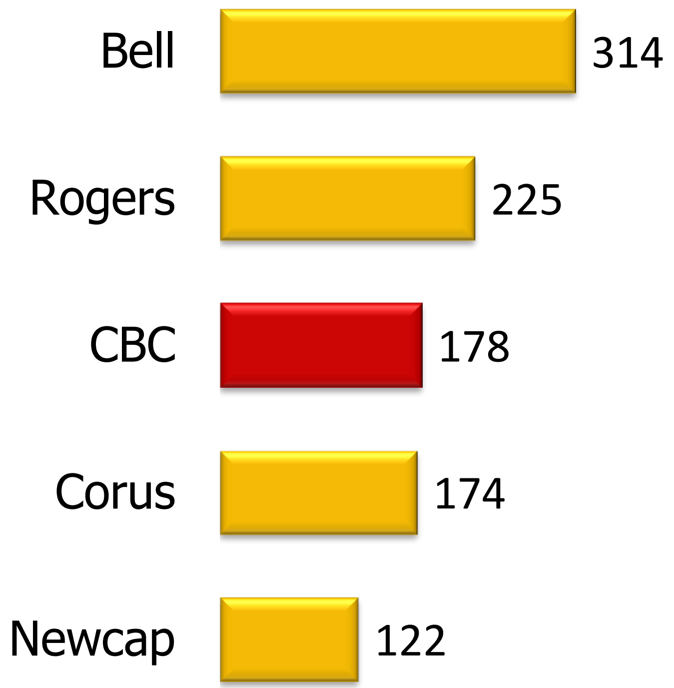


Source: CRTC 2013 Aggregate Returns and Financial summaries

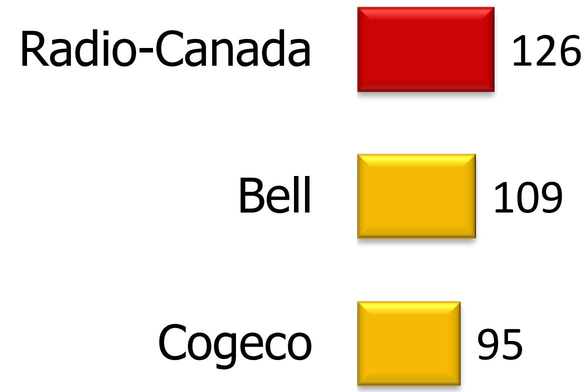
- Includes Corus

IN THE RADIO MARKET, RADIO-CANADA IS THE LARGEST. CBC IS RANKED THIRD.

English Radio Industry Revenue In $ Millions

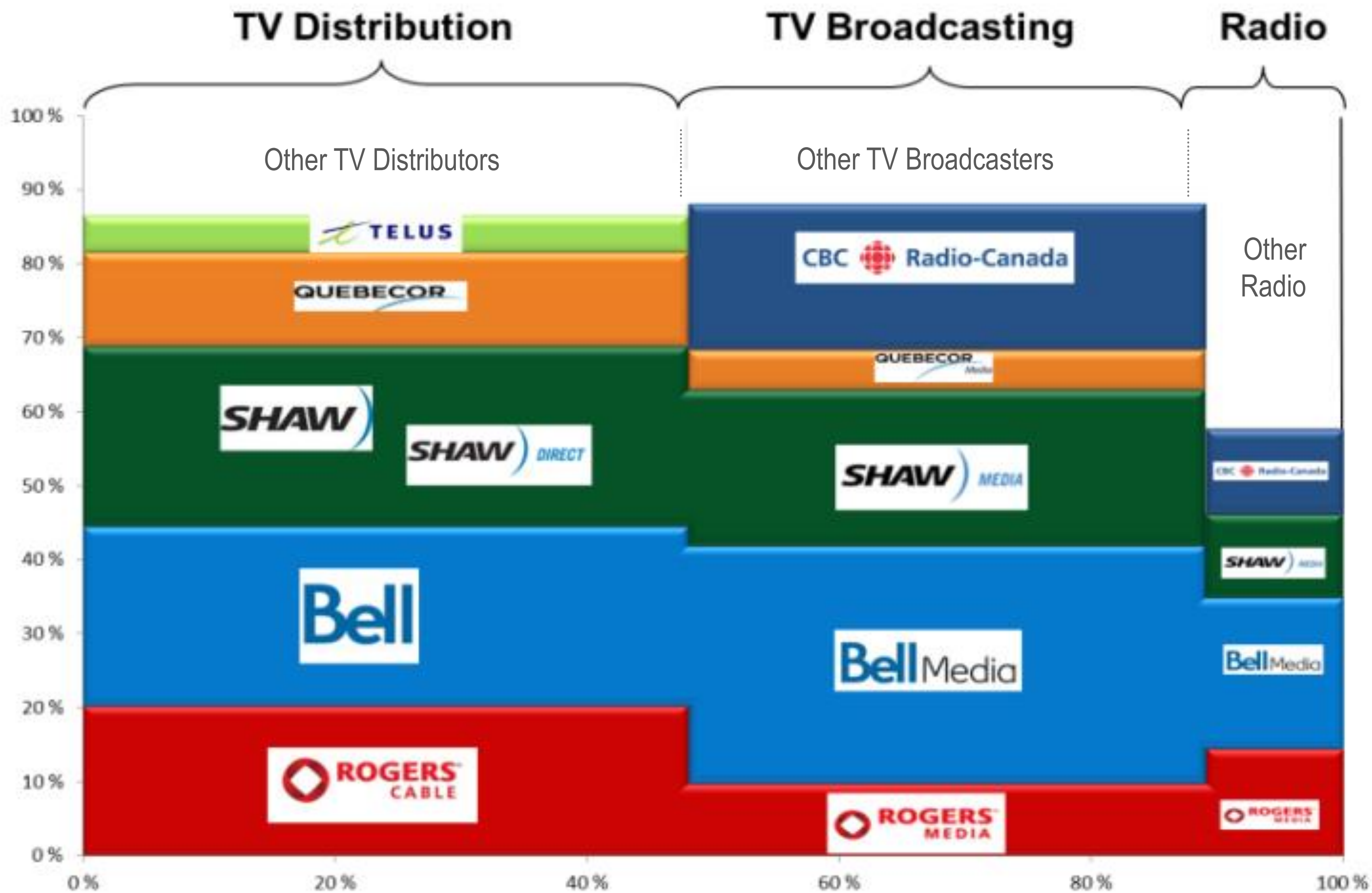


French Radio Industry Revenue In $ Millions



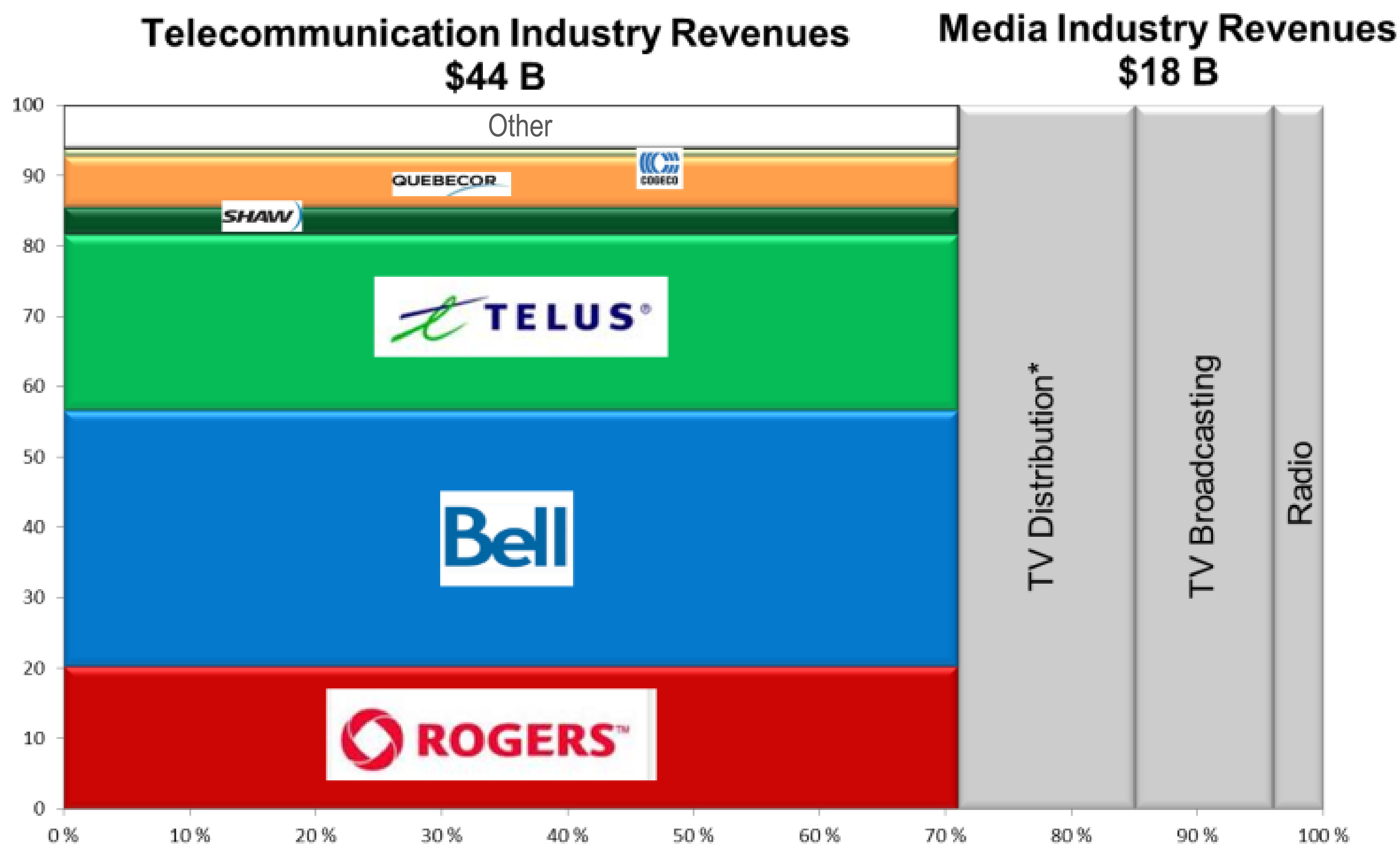
Source: CRTC 2013 Aggregate Returns

HOWEVER, BROADCASTERS HAVE LARGELY BEEN ACQUIRED BY MUCH LARGER TV DISTRIBUTORS



Source: CRTC 2013

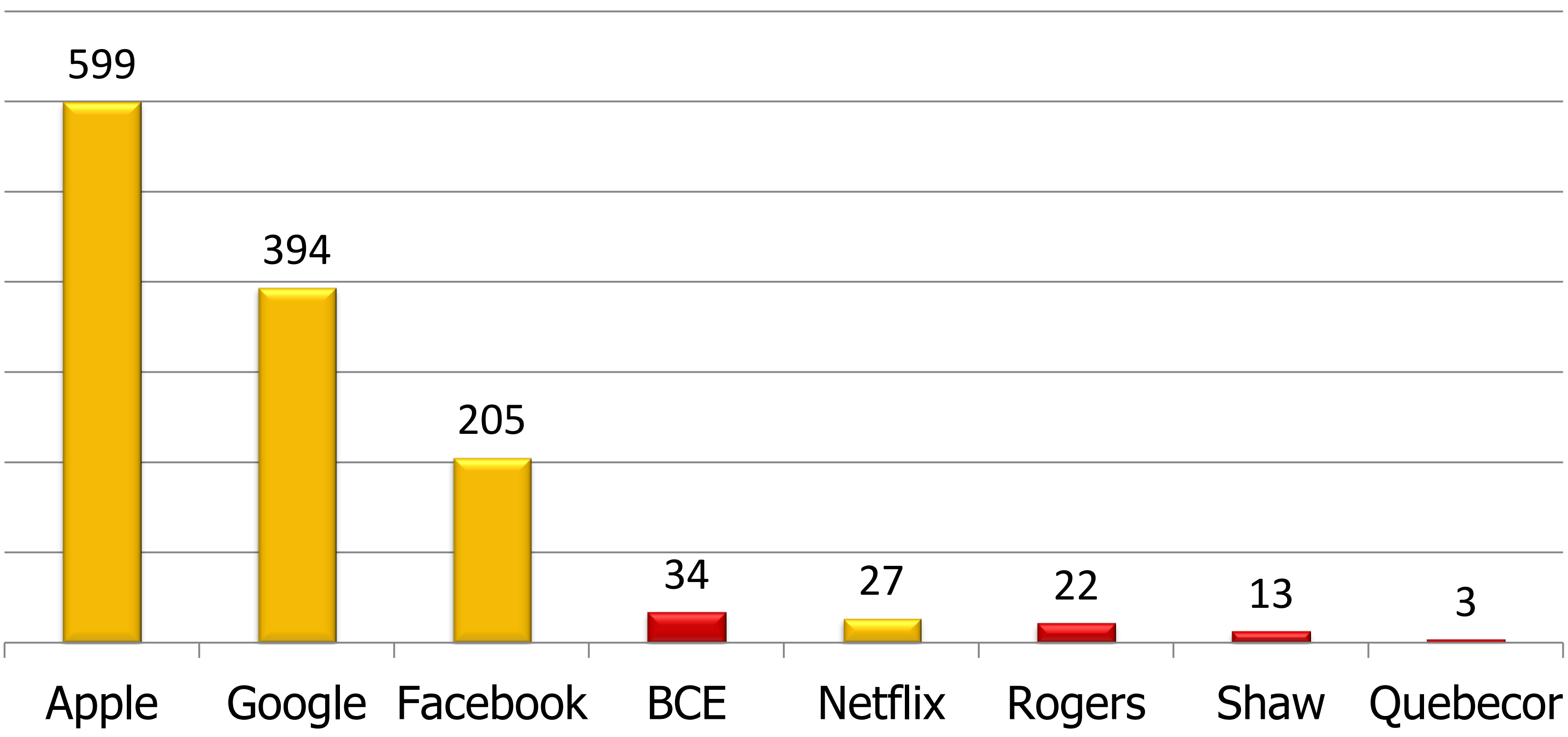
… WHO OFTEN ARE ALSO TELECOM GIANTS



Source: CRTC 2013 and Company Reports
* Net of $3B in affiliate payments that TV distributors pay TV broadcasters (i.e. specialty/pay TV wholesale subscribers fees).

THE INTERNET OPENS UP OUR BORDER TO NEW, BIGGER COMPETITORS

Market Capitalization of Select Companies, Foreign and Domestic (in Billions)



Source: Marketwatch.com, Accessed: September 30, 2014

… MANY OF WHOM ARE TRYING TO CHANGE THE BUSINESS

iTunes Radio

Google play

Google news

However, Apple, Google and Netflix have also proven to be partners.

KEY TAKEAWAYS

- A generation ago, CBC/Radio-Canada was a **large player** in the broadcasting industry.
- Today, Radio-Canada still has the **most financial resources for TV and radio broadcasting in the French market**. CBC TV is the **third largest in the English market.**
- Private broadcasting assets are now largely **integrated into larger distribution/telecommunication industries.**
- In addition, the Internet has opened Canada's borders to **global competitors** (and **potential partners**).

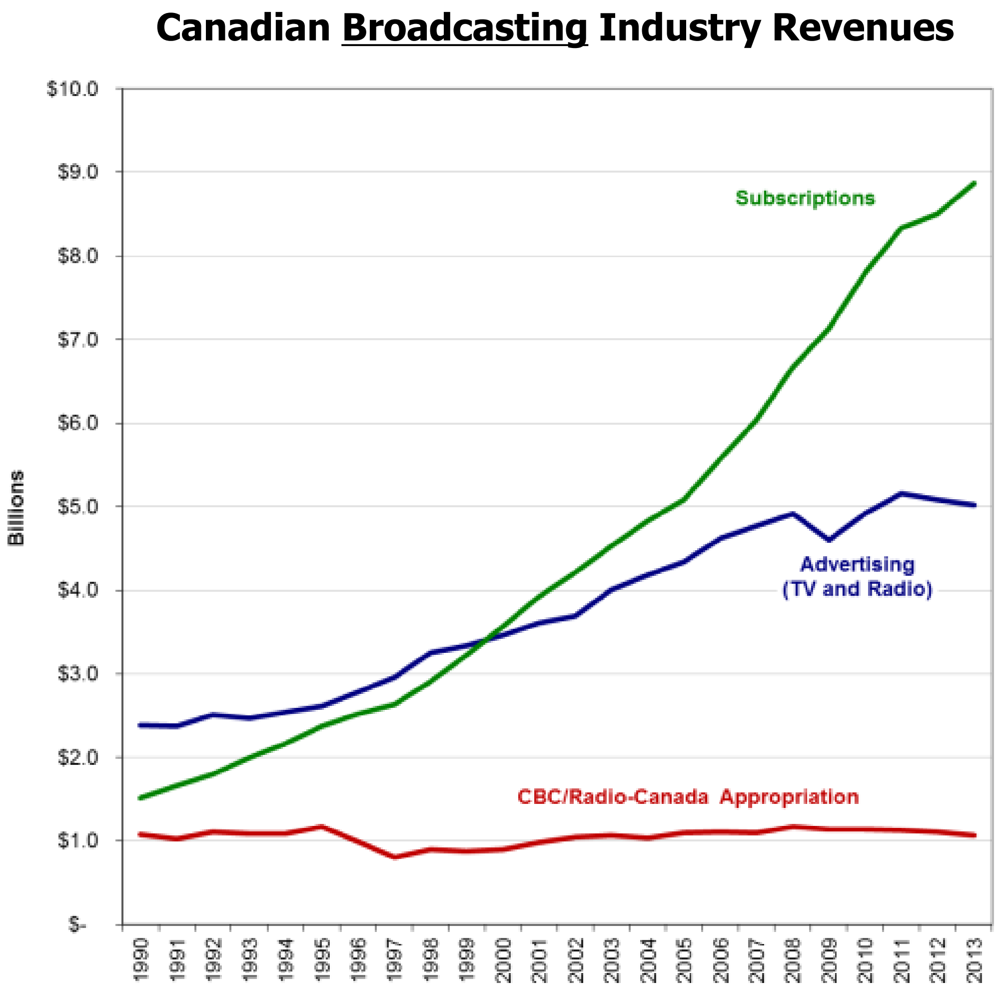
AGENDA

THERE ARE THREE PRINCIPLE SOURCES OF REVENUES IN THE BROADCASTING INDUSTRY

1. Advertising	Helping advertisers reach consumers
2. Subscription	Helping consumers fulfill their demands
3. Public Funding	Helping achieve public policy goals

MASSIVE SHIFTS IN REVENUES HAVE RESHAPED THE INDUSTRY

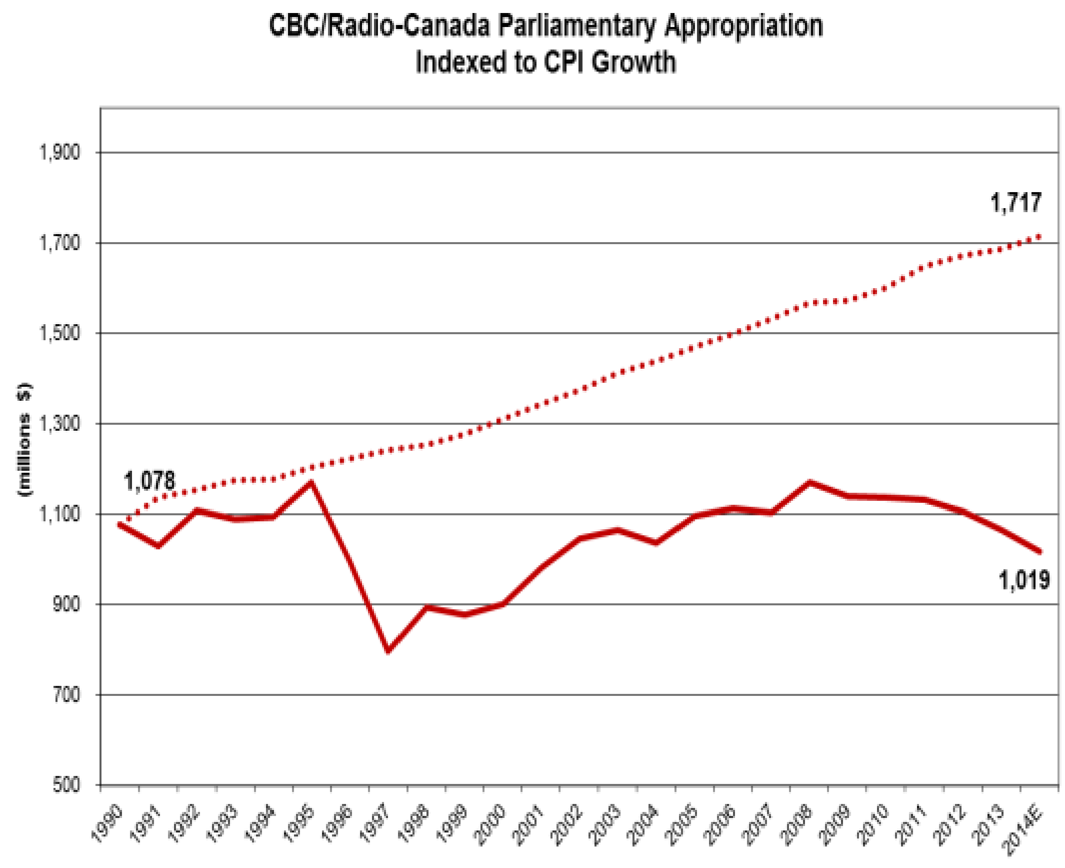
- A generation ago, **subscriptions** were small. Now they are the **driving revenue source** in the industry
- **Advertising** has been **growing**, but has **experienced instability** in recent years
- **Public funding** has been relatively **flat in comparison**



Sources: Statistics Canada, CRTC and CBC/Radio-Canada Research and Analysis estimates

PUBLIC FUNDING TO BROADCASTING HAS BEEN STAGNANT FOR MANY YEARS

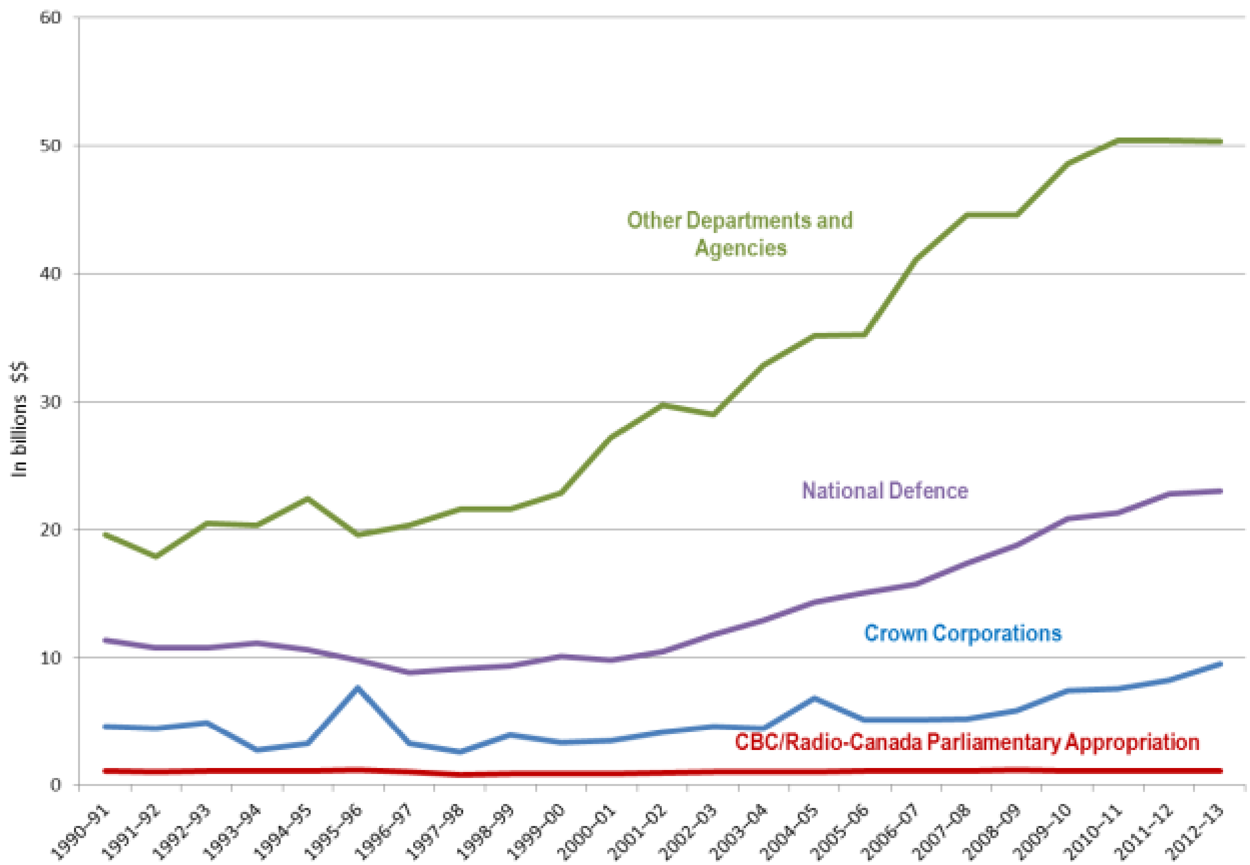
- CBC/Radio-Canada's real **parliamentary appropriation** is about the same as it was 20 years ago



Sources: Statistics Canada, Nordicity and CBC/Radio-Canada Annual Reports

CBC/RADIO-CANADA TRAILS OTHER PUBLIC SPENDING PRIORITIES OF THE GOVERNMENT

Federal Government Expenditures*

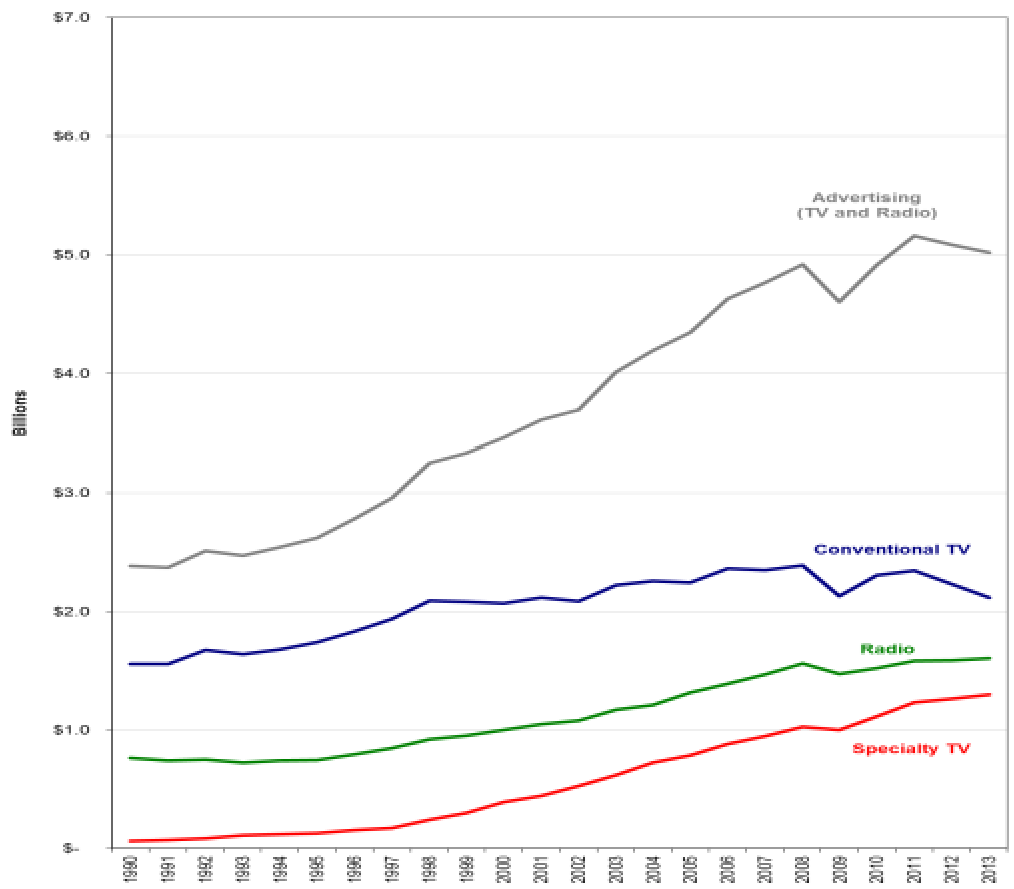


Source: Department of Finance Canada
* Excludes transfer payments and public debt changes

MEANWHILE, BROADCAST ADVERTISING HAS BEEN STRUGGLING SINCE THE RECESSION IN 2008

- **Specialty TV** advertising is the fastest growing broadcast category
- **Conventional TV** advertising has been struggling since the recession and is now experiencing declines
- **Radio** advertising continues to grow slowly

Canadian Broadcasting Industry Revenues: Advertising

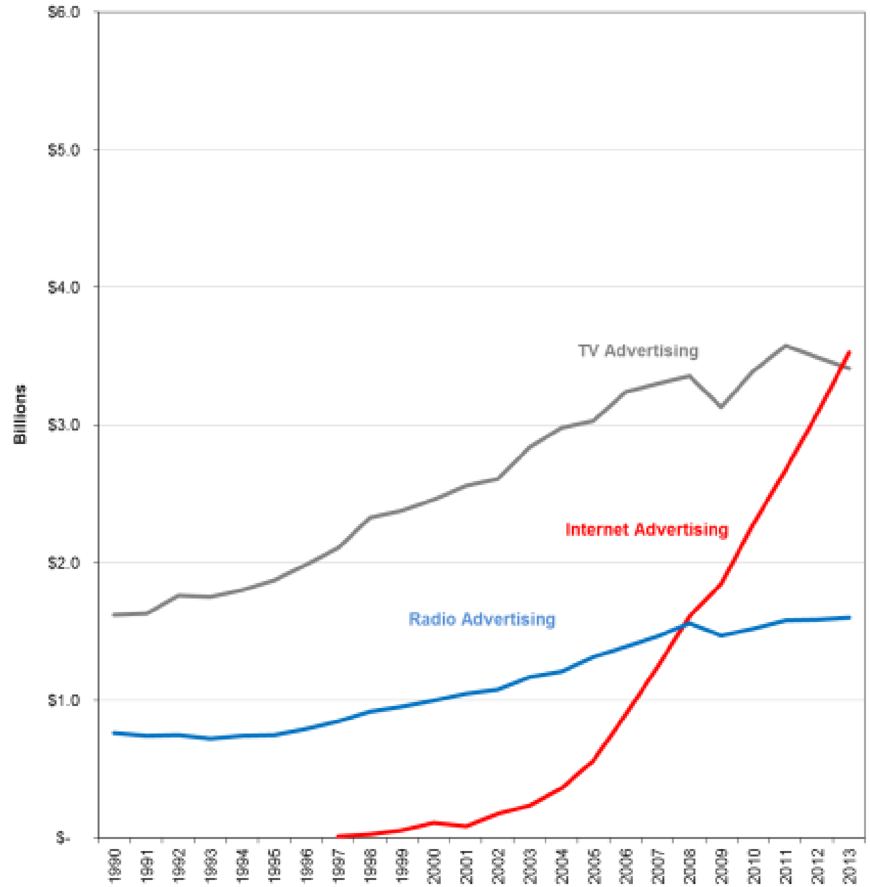


Source: Statistics Canada, CRTC

INTERNET ADVERTISING REVENUE HAS NOW SURPASSED TV (CONVENTIONAL AND SPECIALTY COMBINED)

- All sorts of **non-media time** spent on the Internet, like communication (e.g. Facebook) and research time (e.g. Google) **can be measured and sold to advertisers**

Canadian Industry Revenues: Broadcast and Internet Advertising

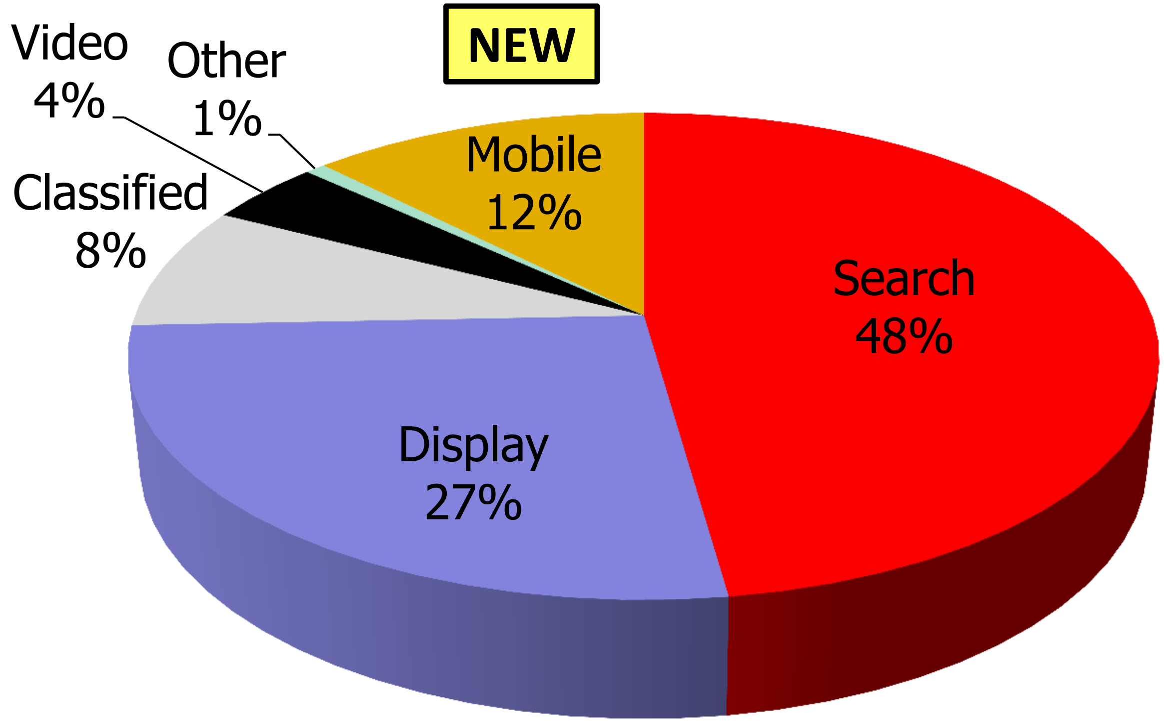


NEW

Sources: Statistics Canada and Internet Advertising Bureau

INTERNET ADVERTISING IS DRIVEN FOREMOST BY SOFTWARE COMPANIES

Internet Advertising Revenue by Category

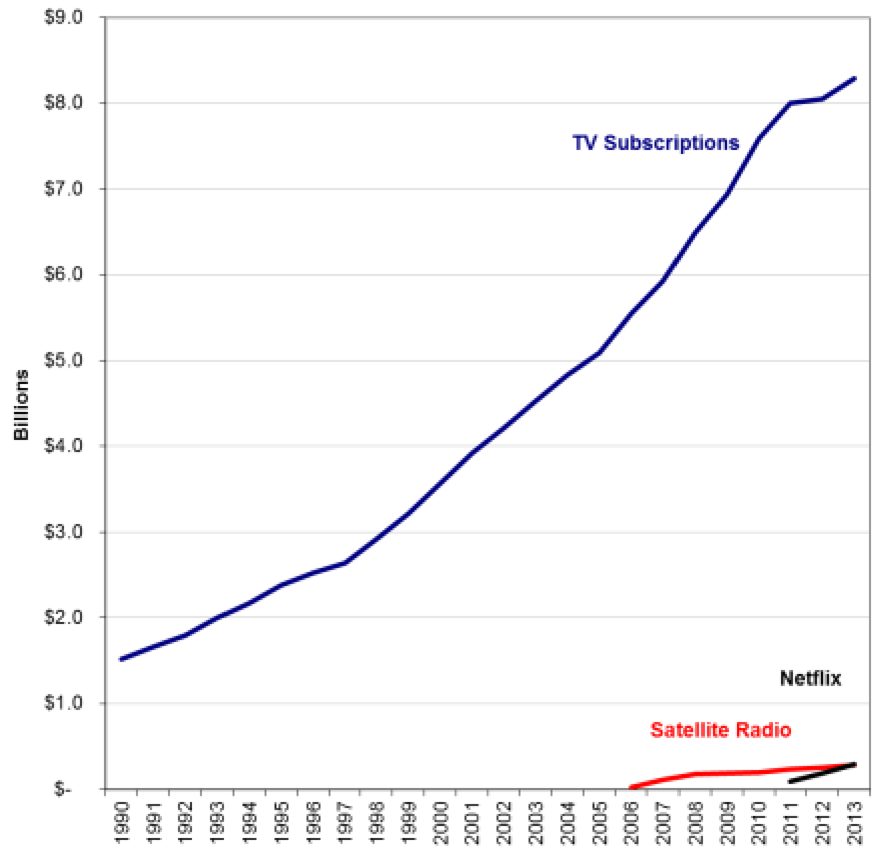


Source: Internet Advertising Bureau (September 2014)

CONSUMERS DEMAND MORE CHOICE AND CONVENIENCE AND THEY HAVE BEEN PAYING FOR IT

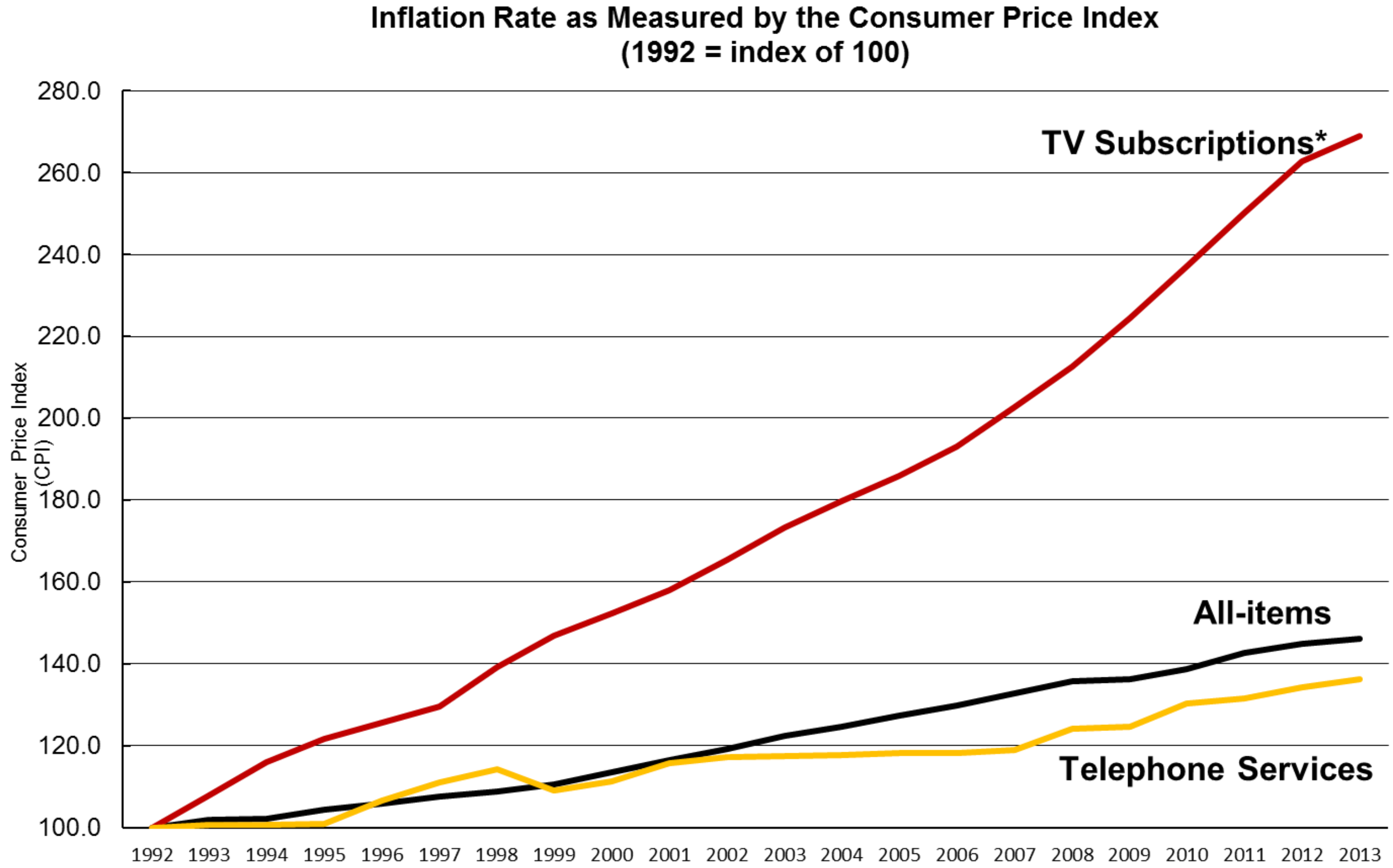
- **Traditional TV subscriptions (e.g. cable TV)** still capture the lion's share of dollars, but growth slowed recently for the first time ever
- **Netflix** has quickly emerged on the scene
- Canadians can also subscribe to audio services via **satellite radio**

Canadian Broadcasting Industry Revenues: Subscriptions



Sources: Statistics Canada, PwC (Satellite Radio) and CBC Research and Analysis

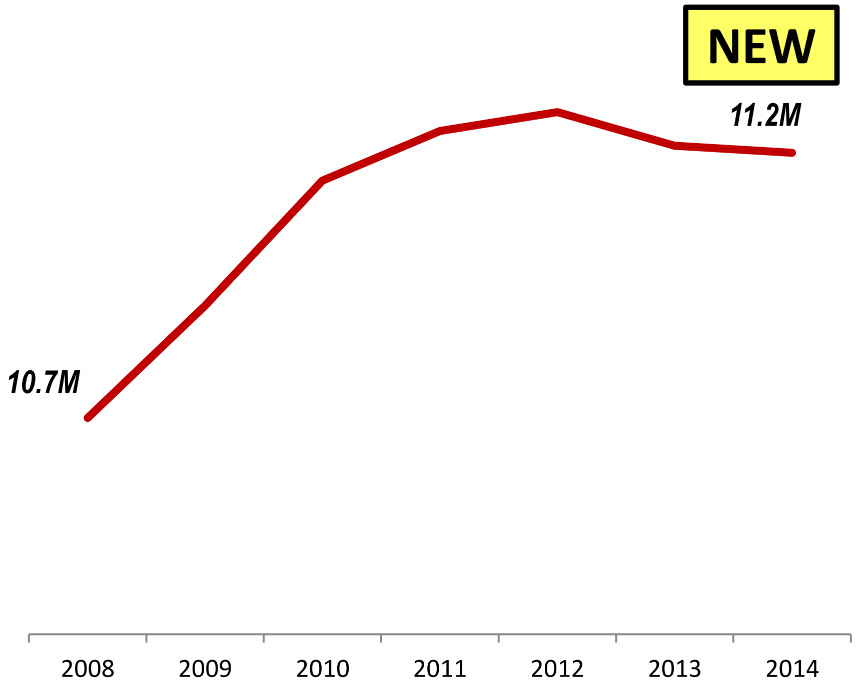
TV DISTRIBUTION PRICE INCREASES FAR OUTSTRIP COST OF LIVING PRICE INCREASES



* Category includes Cable, DTH and other TV subscription services
Source: Statistics Canada (Table 326-0021)

PRESSURE IS BUILDING ON THE TV SUBSCRIPTION BUSINESS MODEL

Residential TV Subscribers

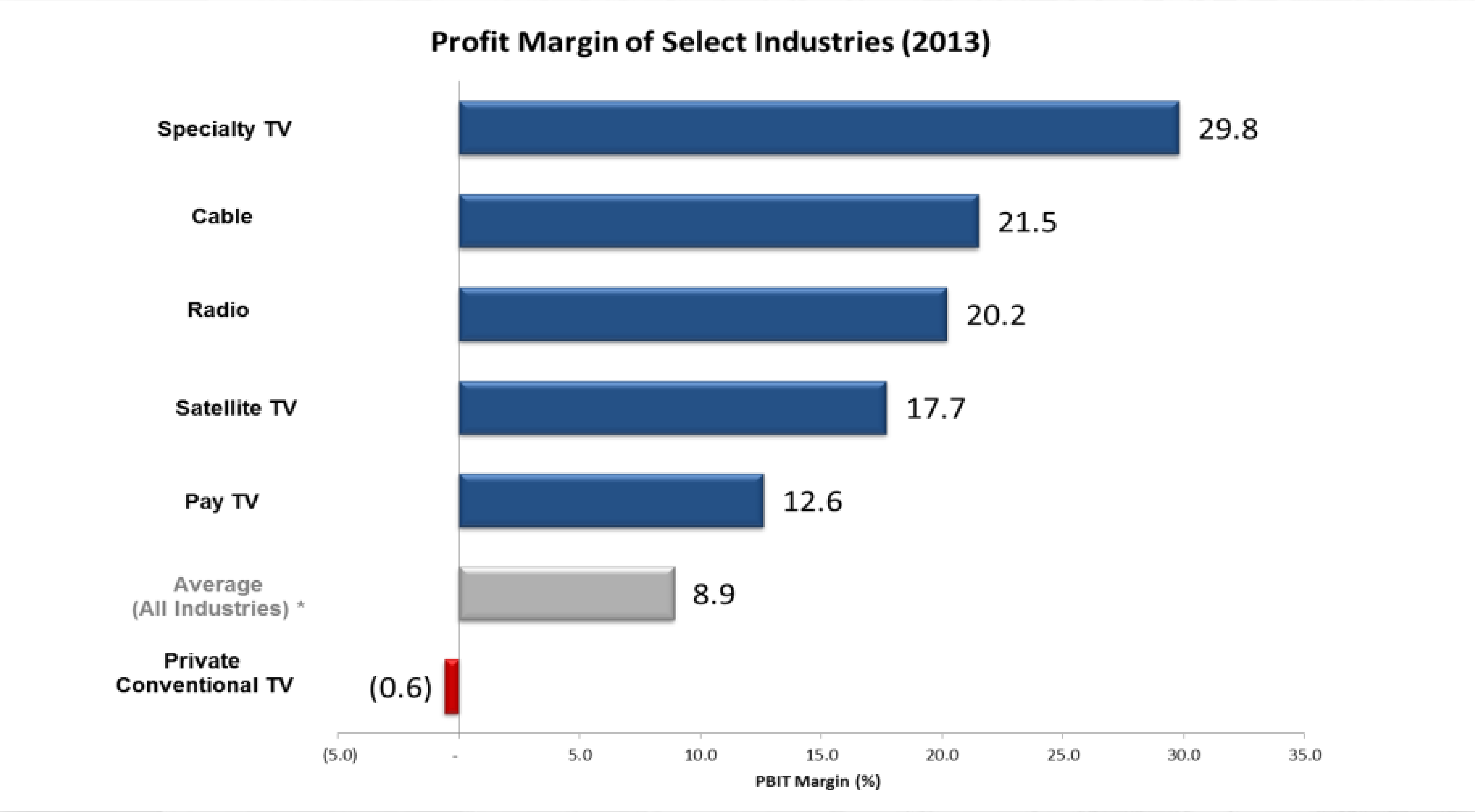


Source: MediaSTATS

TV subscribers have slowed since 2010, but now they are showing their first signs of decline.

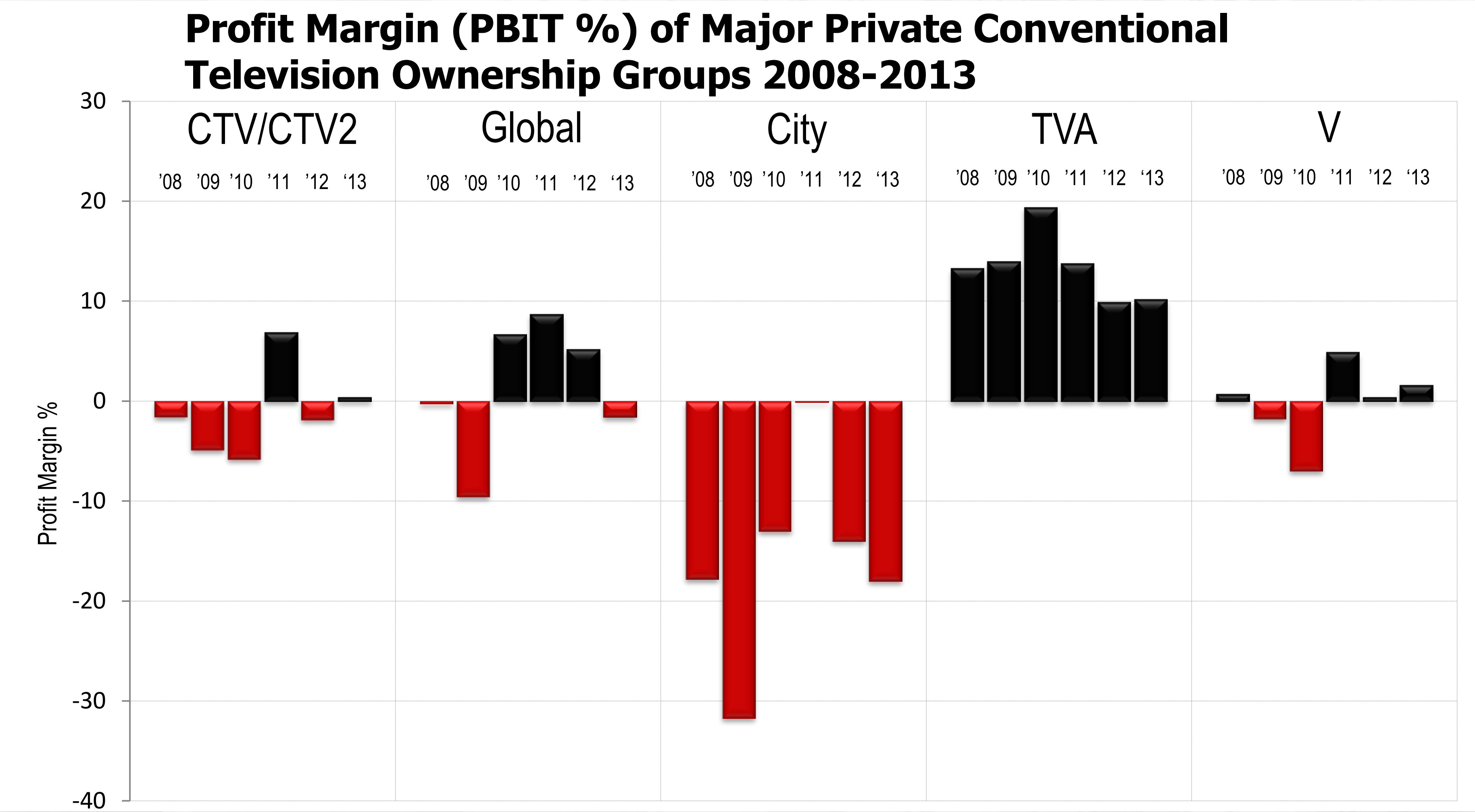
Competition from free/low cost online TV is suspected to be the reason.

CONVENTIONAL TV IS BY FAR THE LEAST PROFITABLE IN THE BROADCASTING SECTOR



Sources: Statscan and CRTC
* Based on Third Quarter 2013 (Statscan Quarterly Financial Statistics for Enterprises Cat. no. 61-0008-x)

… SOME CONVENTIONAL TV BROADCASTERS HAVE HELD UP BETTER THAN OTHERS



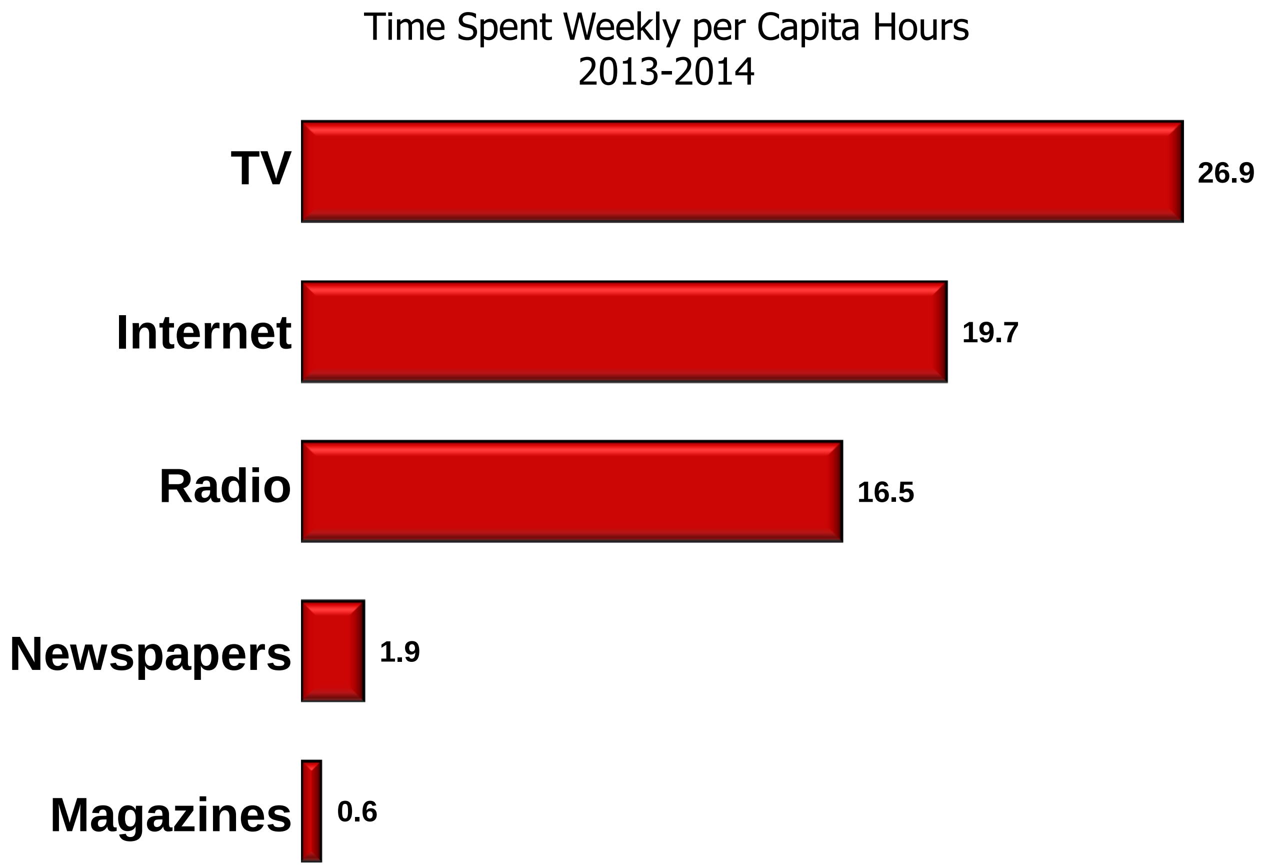
Source: CRTC, Aggregate Returns

KEY TAKEAWAYS

- A generation ago, **advertising was the largest source** of revenue in the broadcasting industry and **public funding was significant**
- Today, **subscription revenue is by far the largest** source but **pressure on the model is emerging**
- As time spent on the Internet grows, **advertisers are increasing their spending on-line** where software companies dominate
- Conventional TV's business model is **under pressure**
- **Public broadcasting trails other public priorities**

AGENDA

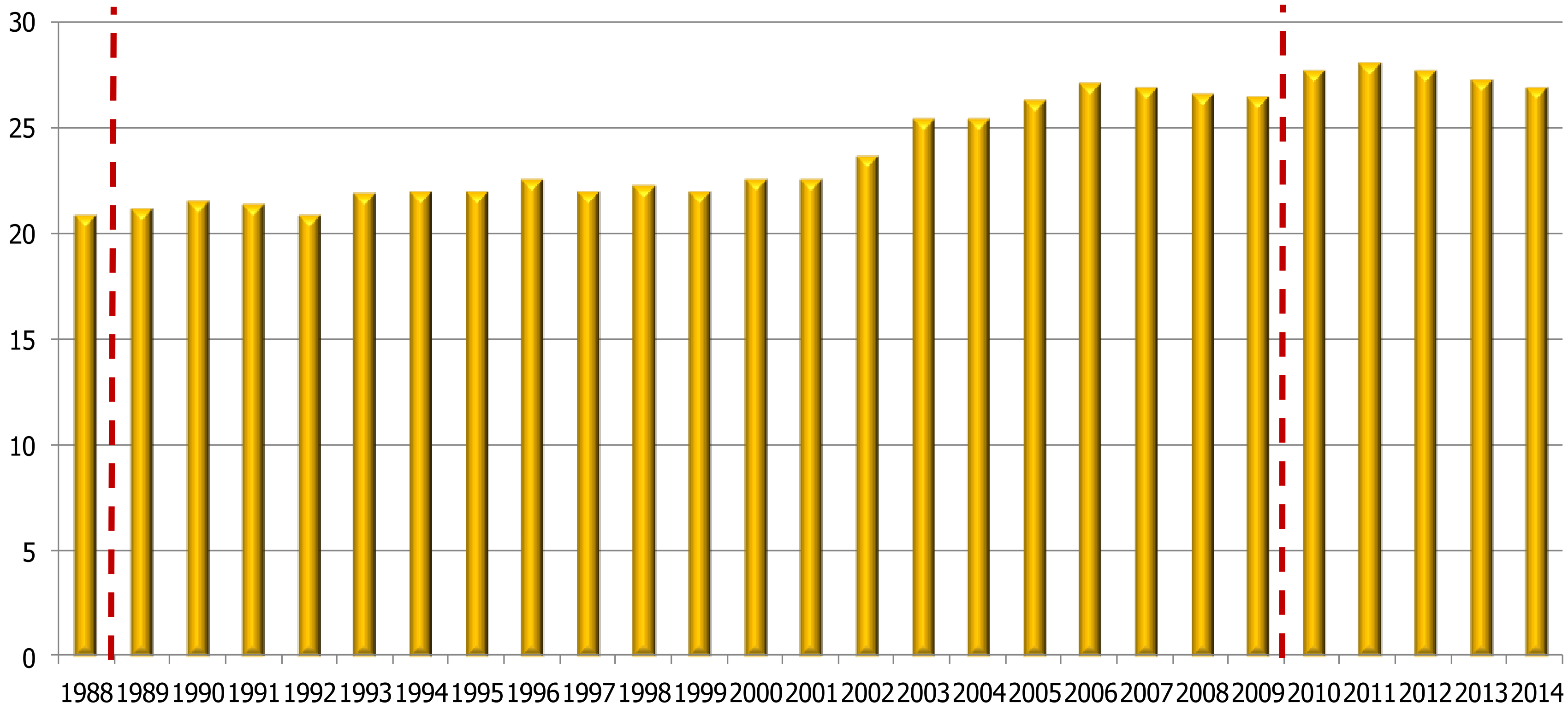
RESEARCH SHOWS THAT TELEVISION IS BY FAR THE MOST USED MEDIA



Sources: BBM Analytics, RTS (Fall 2013), Canada, 18+ [Internet, Newspapers, Magazine];
Numeris (BBM Canada), Broadcast Year 2013-2014, Canada, 2+ [Television];
Numeris (BBM Canada), Fall 2013, Canada,12+ [Radio]

TELEVISION REMAINS STRONG, DESPITE A SLIGHT DROP IN RECENT YEARS

TV Viewing Per Capita, 1988 to 2014
All Persons 2+, Hours/Week

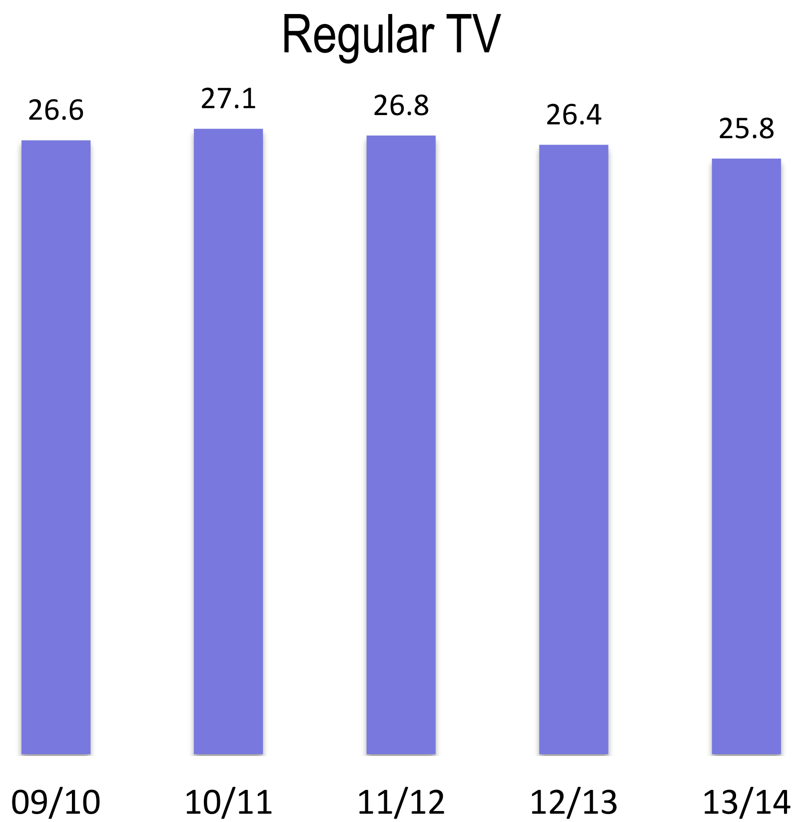


Source: CBC/Radio-Canada Research and Analysis, Broadcast Year 2013-2014 (BBM Nielsen, Numeris (BBM Canada))
Note: The lines indicate methodological changes.

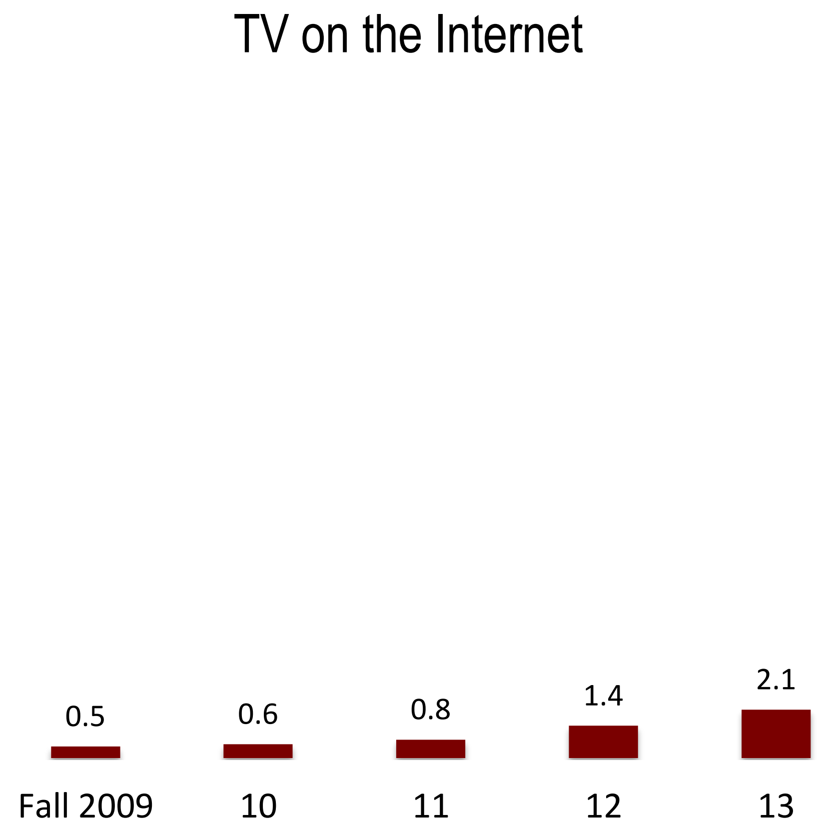
… AND THIS IS PARTICULARLY TRUE IN THE ENGLISH MARKET WHERE ONLINE TV HAS INCREASED

NEW

Per Capita Viewing Hours in the English Market



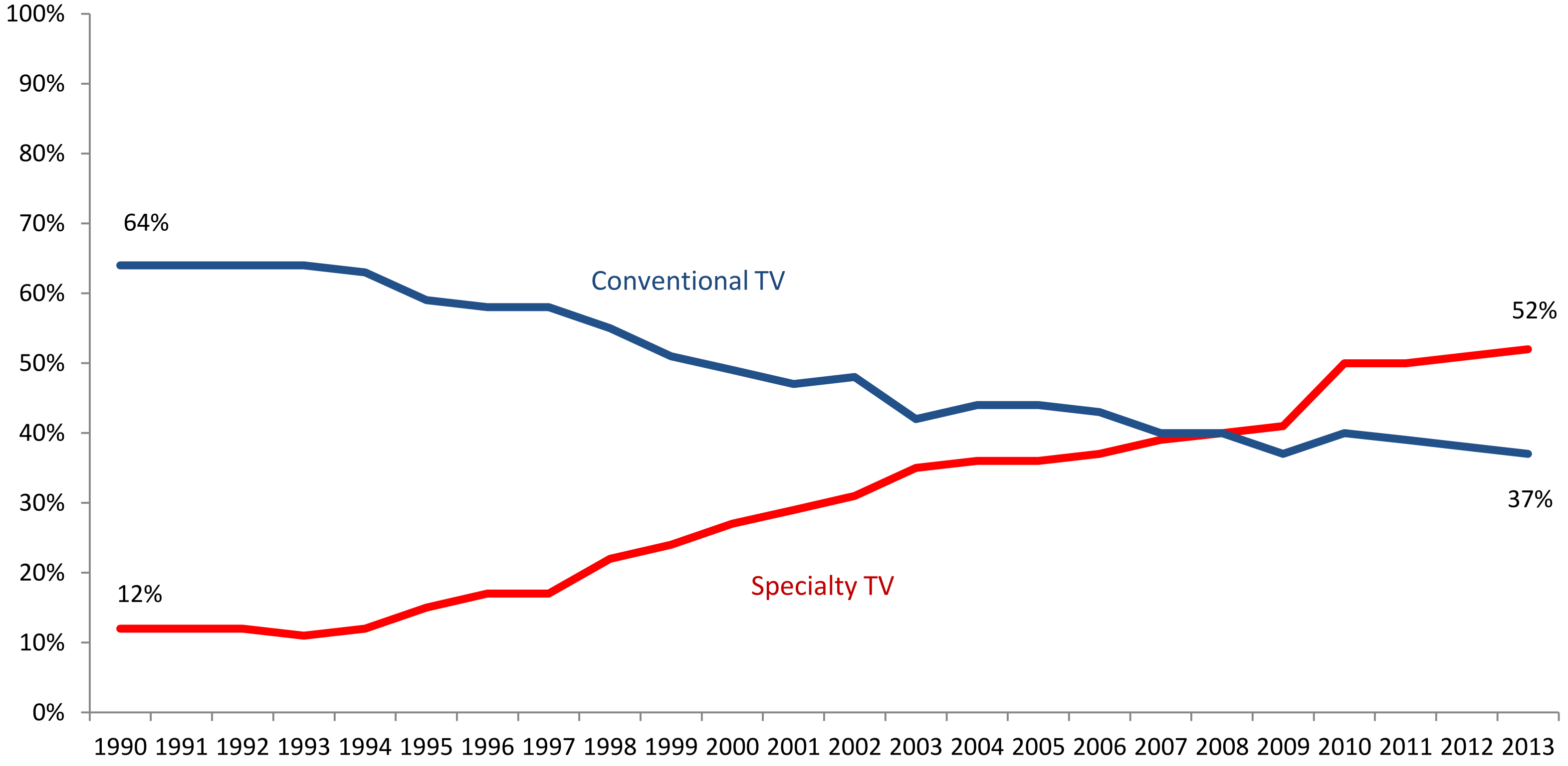
Source: Numeris (formerly BBM Canada), Anglophone Canadians aged 2+



Source: MTM, Anglophone Canadians aged 18+

VIEWING IS SHIFTING FROM CONVENTIONAL TO SPECIALTY TV …

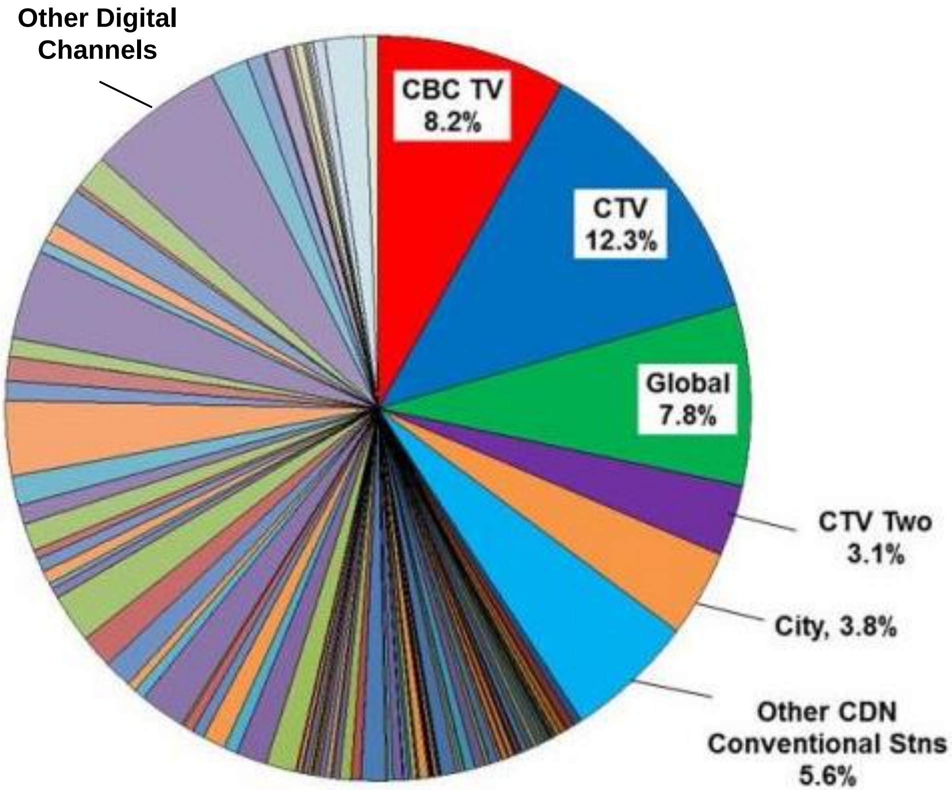
1990-2013
Canadians aged 25 to 54



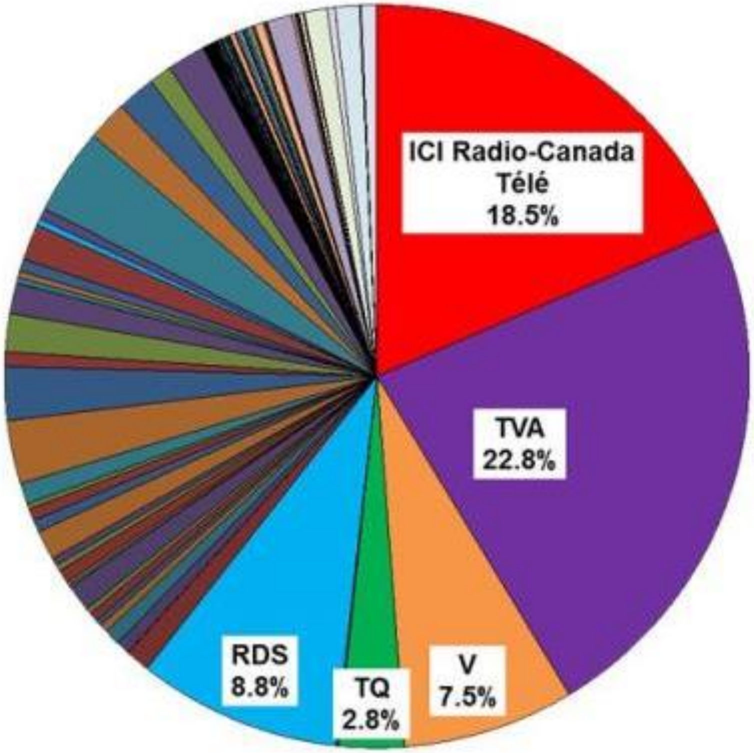
Source: Numeris (BBM Canada)

WHICH HAS RESULTED IN AUDIENCE FRAGMENTATION

Share of Viewing to English TV by Channel
Total Canada, Prime Time (7pm-11pm)
%



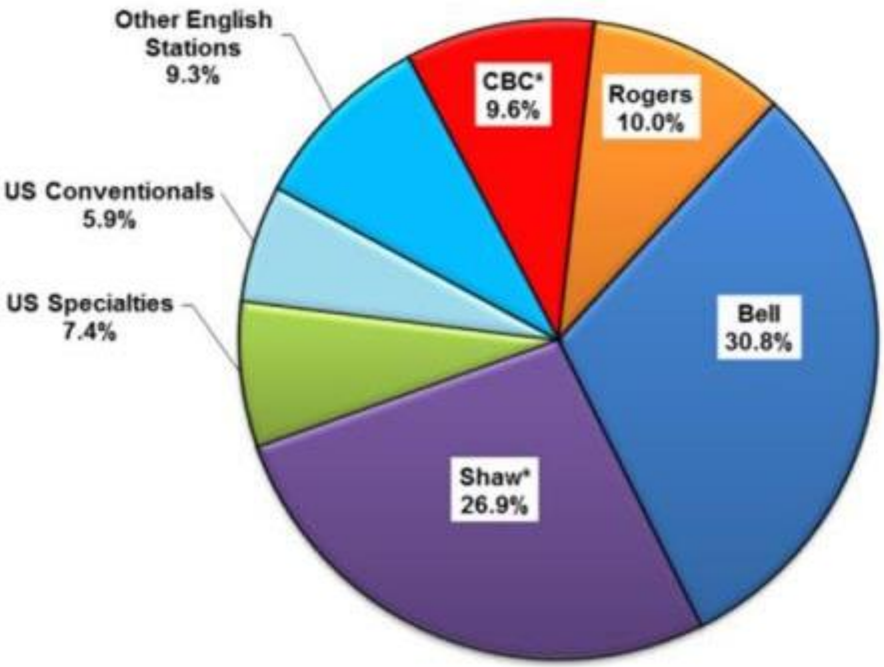
Share of Viewing to Quebec Franco by Channel
Total TV, Prime Time (7pm-11pm)
%



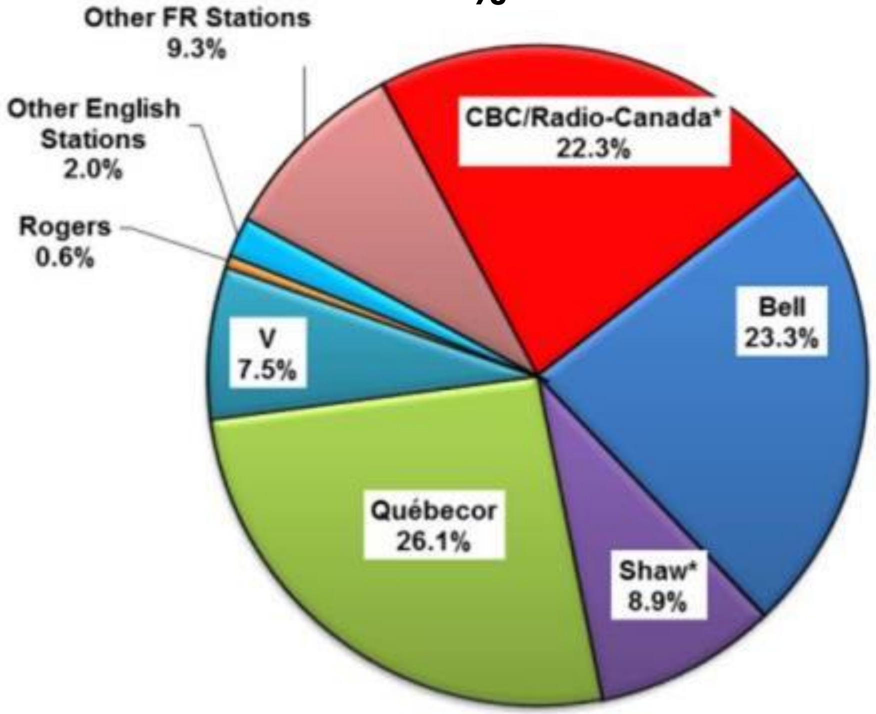
Source: CBC/Radio-Canada Research and Analysis, Numeris (BBM Canada), 2+, Broadcast Year 2013-2014 excluding Olympic weeks (PPM)

HOWEVER, OWNERSHIP OF TV SERVICES IS CONCENTRATED

Share of Viewing to English TV
Total Canada, Prime Time (7pm-11pm)
%



Share of Viewing to Quebec Franco
Total TV, Prime Time (7pm-11pm)
%

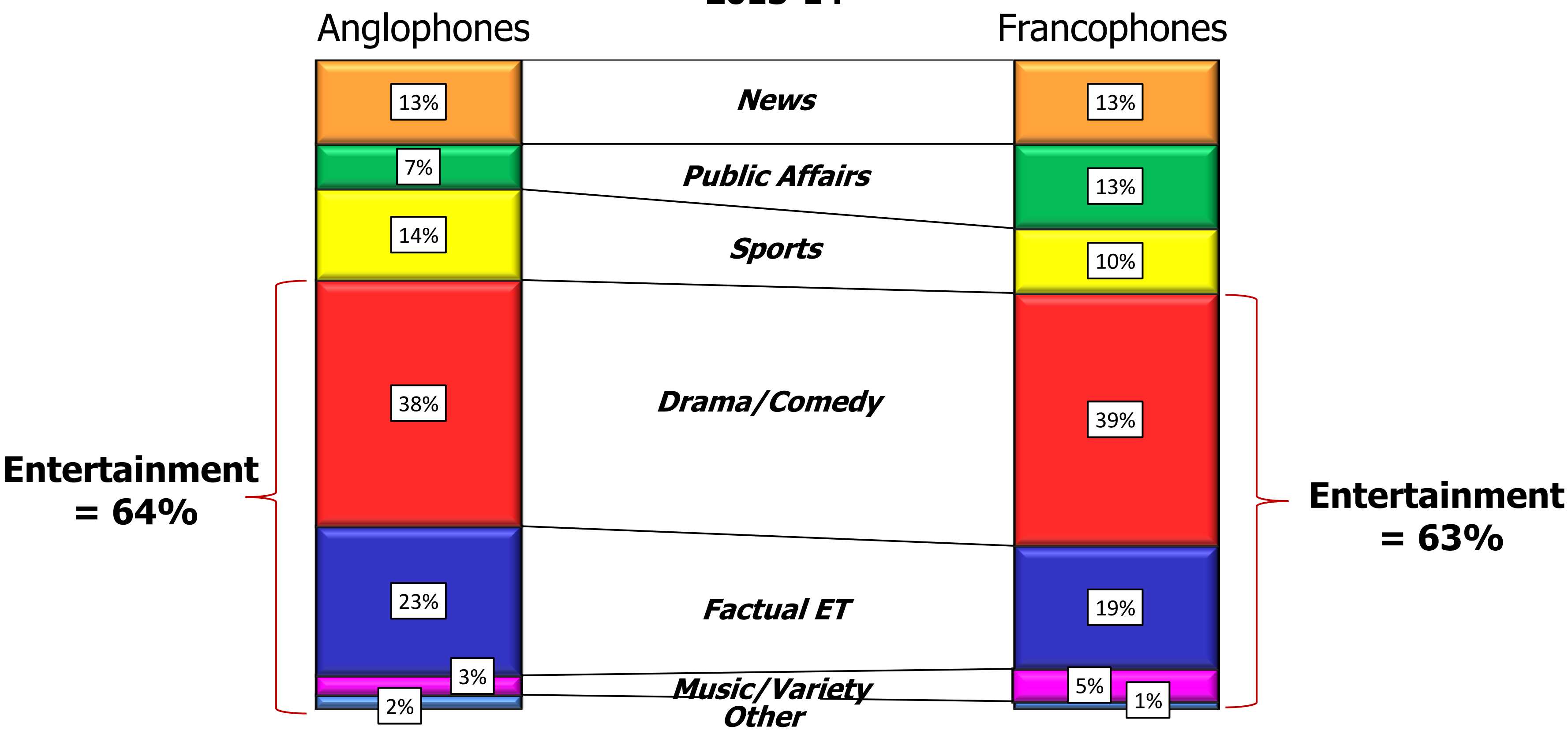


Notes: CBC (English TV) includes CBC TV, CBC News Network and *documentary*. Shaw includes viewing to Corus stations. Ownership as of August 31, 2014. CBC/Radio-Canada (Quebec Franco) includes ICI Radio-Canada Télé, ICI RDI, ICI ARTV, ICI EXPLORA, CBC TV, CBC News Network and *documentary.*

Source: CBC/Radio-Canada Research and Analysis, Numeris (BBM Canada), 2+, Broadcast Year 2013-2014 excluding Olympic weeks (PPM).

MOST CANADIANS WATCH TV TO BE ENTERTAINED

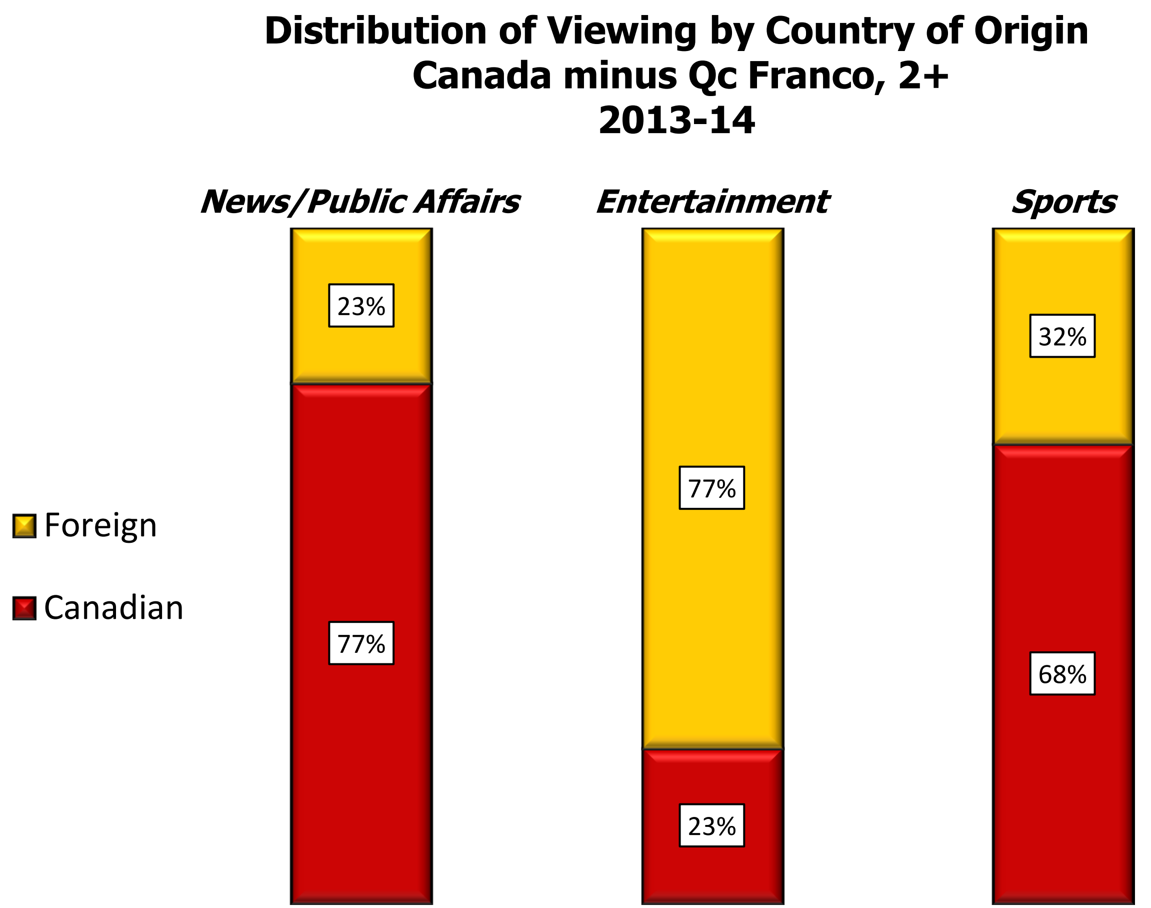
Distribution Of Viewing Hours To Television by Genre 2013-14



Note: There are many popular public affairs shows on French television e.g., *Découverte*, *Denis Lévesque*, *Enquête*, *J.E.*, *La Facture*, *La semaine verte*, *Salut Bonjour*, *L'Épicerie*, etc.
The "other" category relates mainly to Kids programming.

Source: CBC/Radio-Canada Research and Analysis, Canada minus Qc Franco 2+ and Qc Franco 2+, Viewing to Total TV, Broadcast Year 2013-2014. Excludes Olympic weeks. Numeris (BBM Canada) (PPM).

ENGLISH CANADIANS PREFER FOREIGN ENTERTAINMENT CONTENT

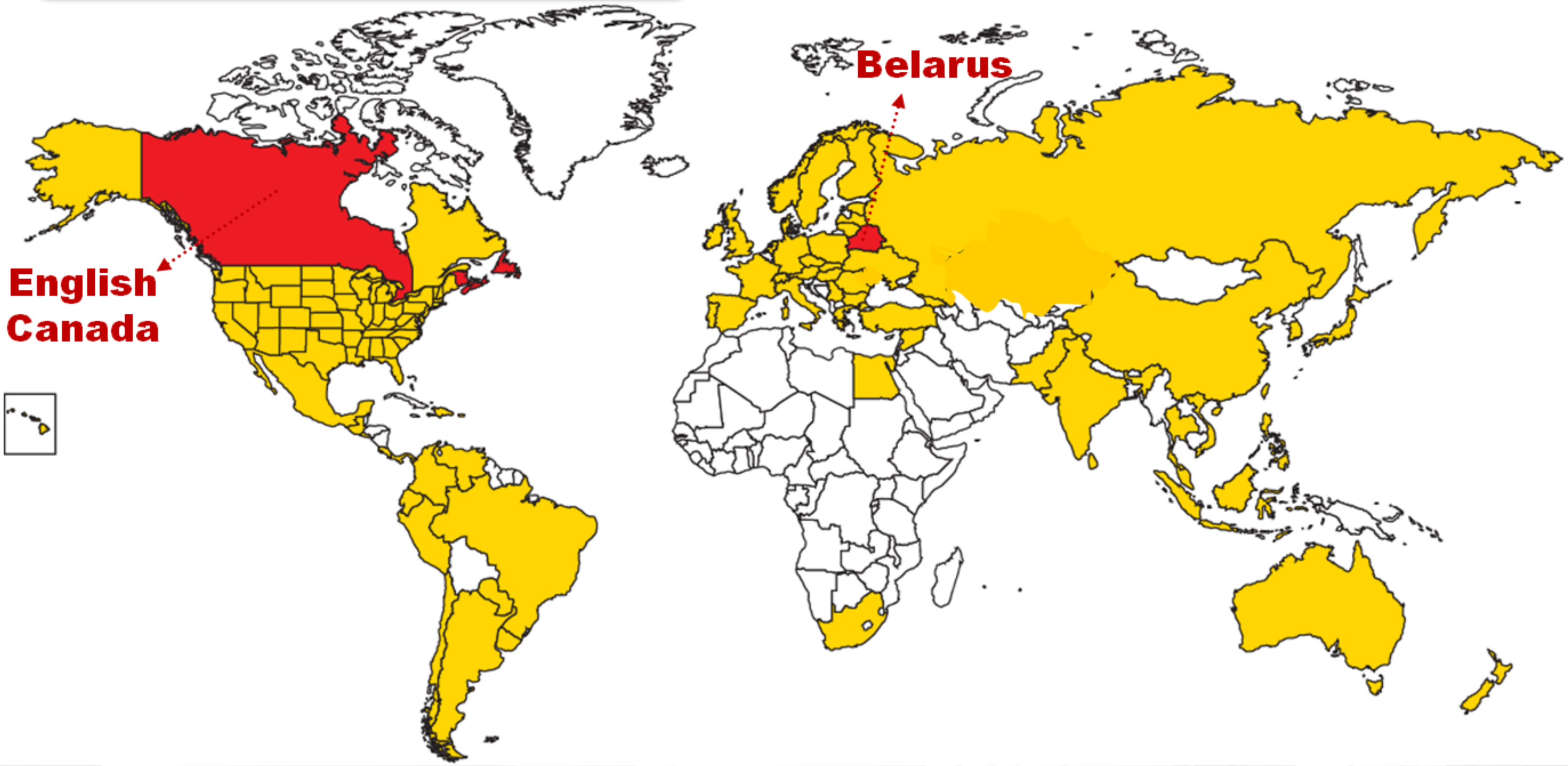


Source: CBC/Radio-Canada Research and Analysis, Canada minus Qc Franco 2+, Viewing to Total TV, Broadcast Year 2013-2014. Excludes Olympic weeks. Numeris (BBM Canada) (PPM).

WHICH IS UNIQUE IN THE WORLD

English Canada is the only country in the world where the top 10 programs are dominated by foreign titles.

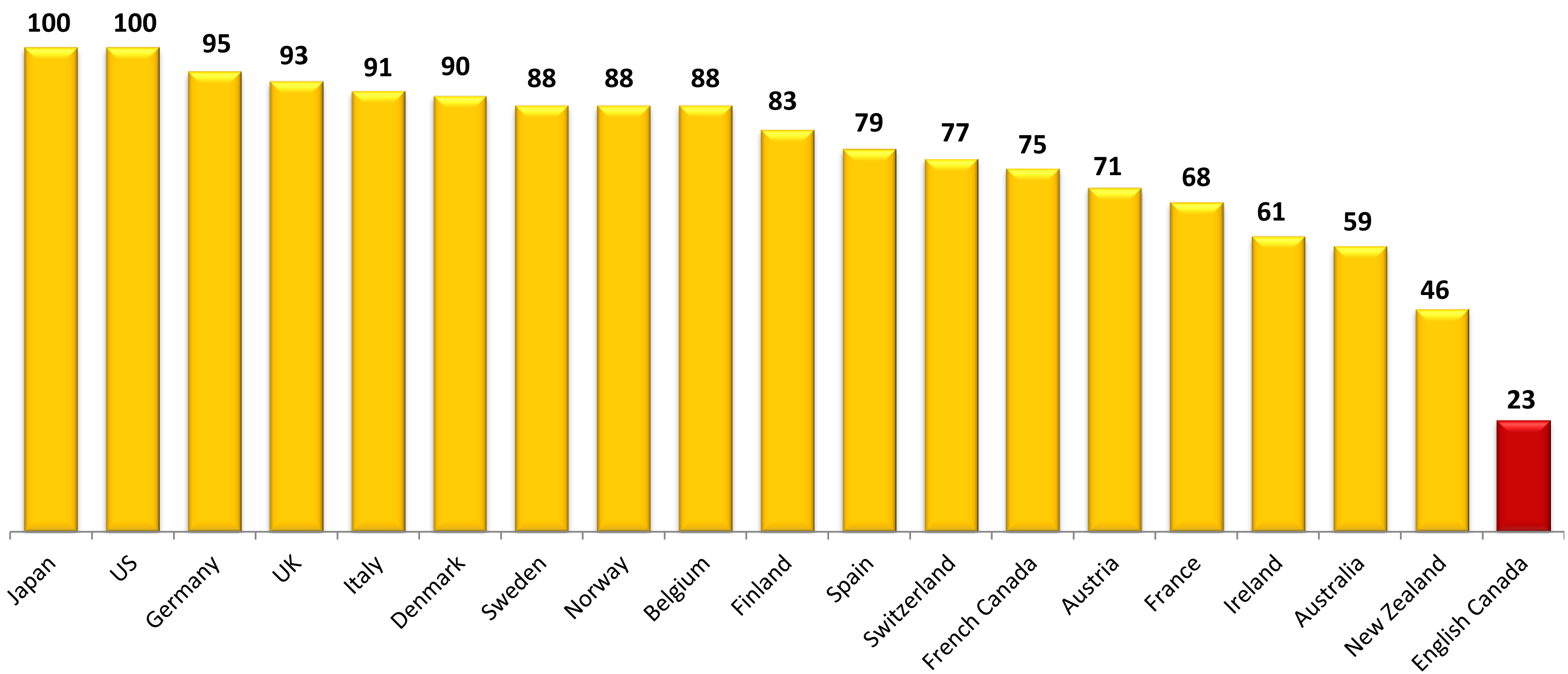
Belarus is an Exception...
They love Russian programming.



Source: Eurodata, *One TV Year In The World*, 2012 Issue

… AND RUNS DEEP

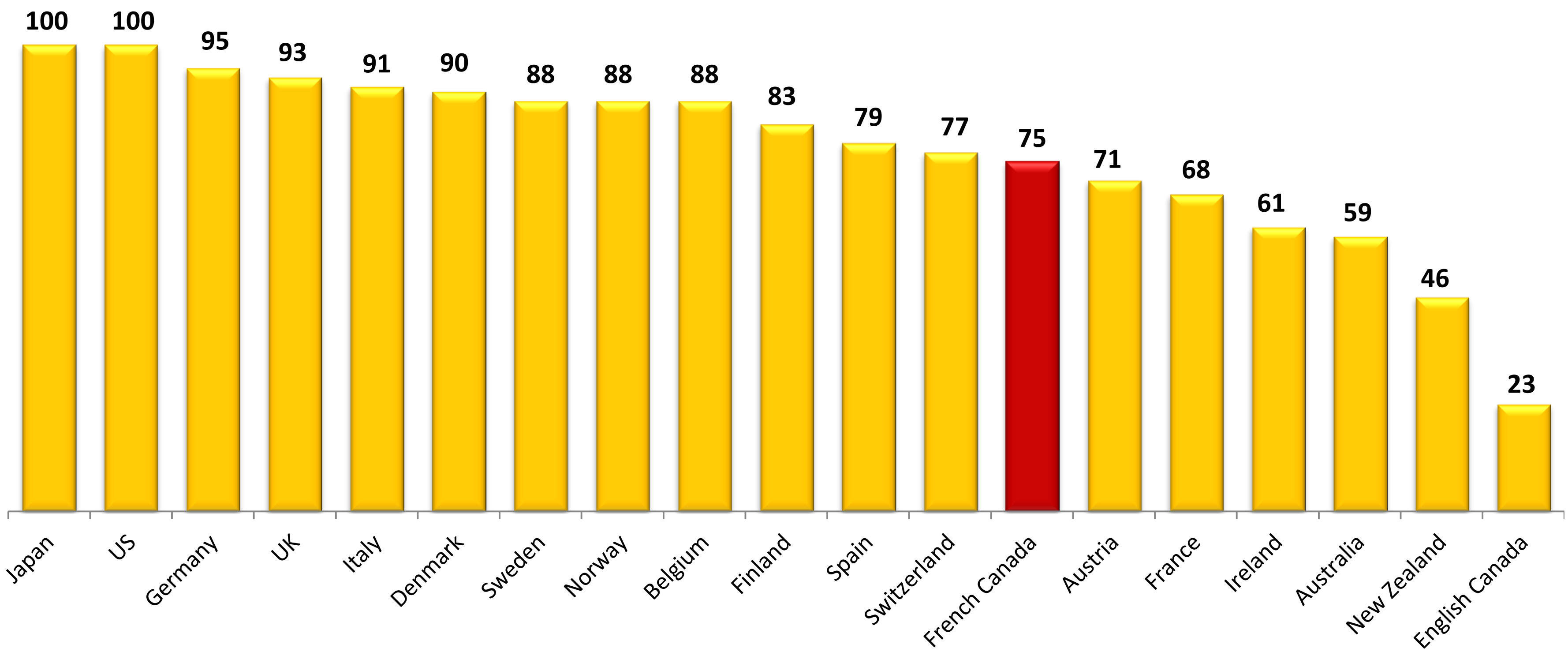
Number of Domestic Programs in the Top 100 Programs Viewed by Country



Source: Eurodata, *Top 100 Programs* (Non-News, Non-Sports), 2012

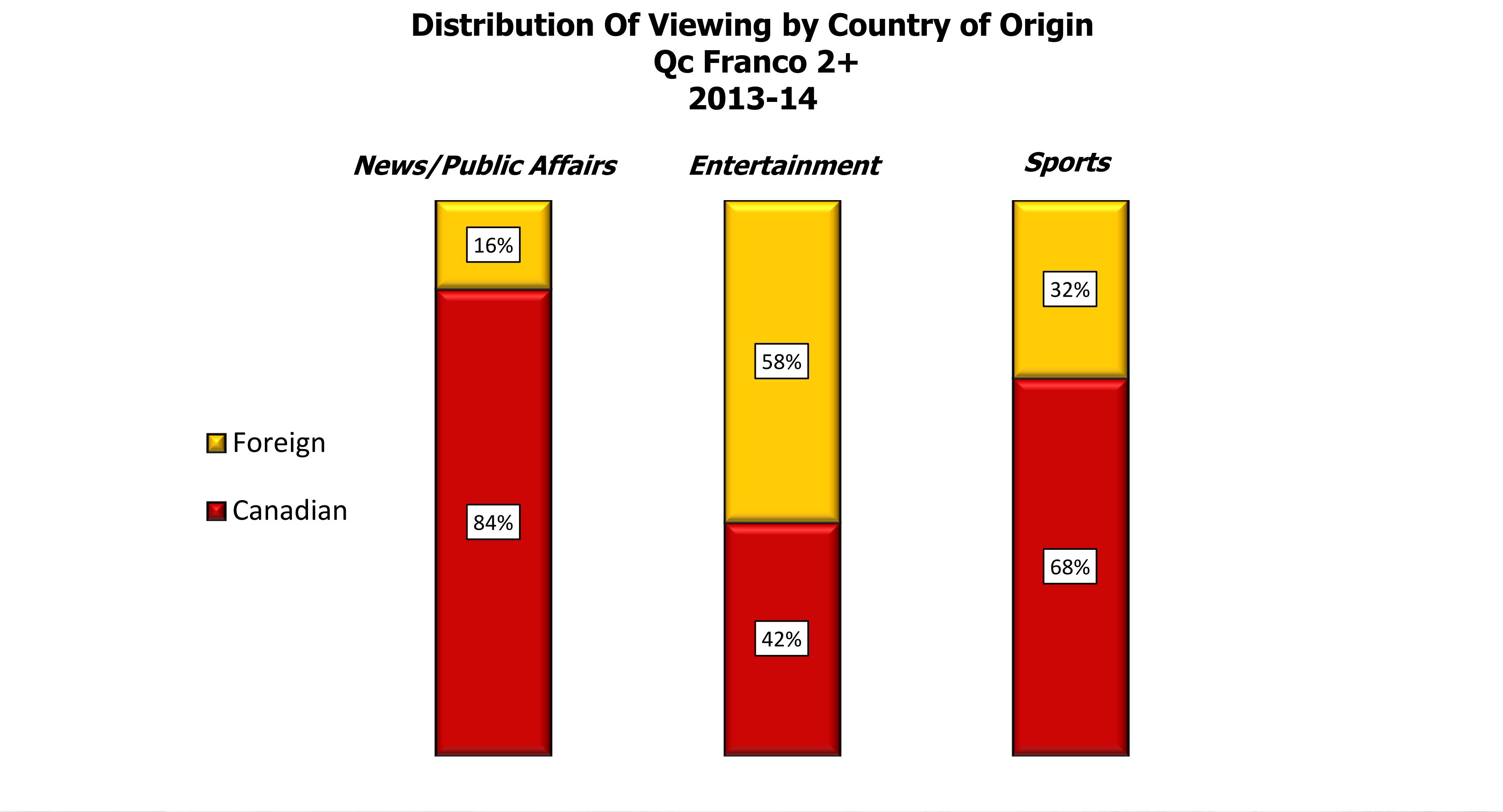
CONVERSELY, FRENCH CANADIANS OVERWHELMINGLY PREFER THEIR OWN PROGRAMS

Number of Domestic Programs in the Top 100 Programs Viewed by Country



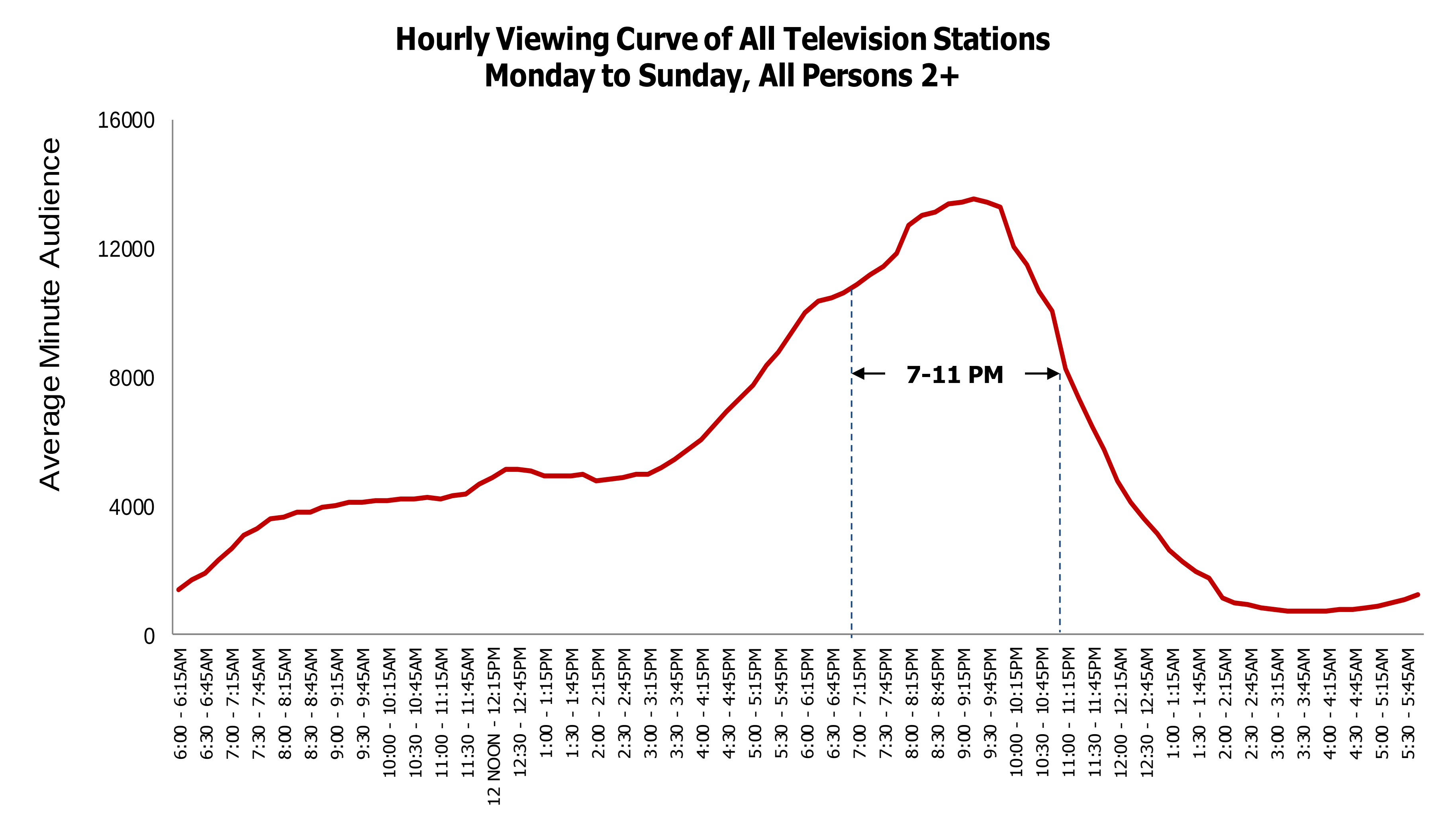
Source: Eurodata, *Top 100 Programs* (Non-news, non-sports), 2012 Issue

HOWEVER, FRANCOPHONES ALSO WATCH A SIGNIFICANT AMOUNT OF FOREIGN ENTERTAINMENT



Source: CBC/Radio-Canada Research and Analysis, Qc Franco 2+, Viewing to Total TV, Broadcast Year 2013-2014. Excludes Olympic weeks. Numeris (BBM Canada) (PPM).

PRIME TIME STILL MATTERS: TV VIEWING IS CONCENTRATED IN THE EVENING – BETWEEN 7 PM AND 11 PM



Source: CBC/Radio-Canada, Research and Analysis, Broadcast Year 2013-2014, excluding Olympic weeks (Numeris (BBM Canada))

2014 MEDIA ENVIRONMENT

SOME CANADIANS ARE MOVING FROM CHANNELS TO NON-LINEAR

Penetration or Reach of Select Non-Linear Video Technologies

PVR	Cable VOD	All Internet TV	Netflix	ICI Tou.tv
			NETFLIX	
45%	18%	43%	28%	26%

Source: MTM , Canadians 18+ accept Netflix and ICI Tou.tv which are Anglophones and Francophones, respectively
Notes: Penetration (PVR, Netflix), Past Month reach (VOD, Internet TV, ICI Tou.tv)

WE CAN SEE THE SHIFT HAPPENING: ABOUT 10% OF TV VIEWING IS NOW NON-LINEAR

Limited Channel Choices

4% of all TV viewing is directly from off-air TV transmitters.*

Multichannel Choices

84% of all TV viewing is from a multichannel TV platform, principally cable or satellite TV.*

Non-Linear Choices

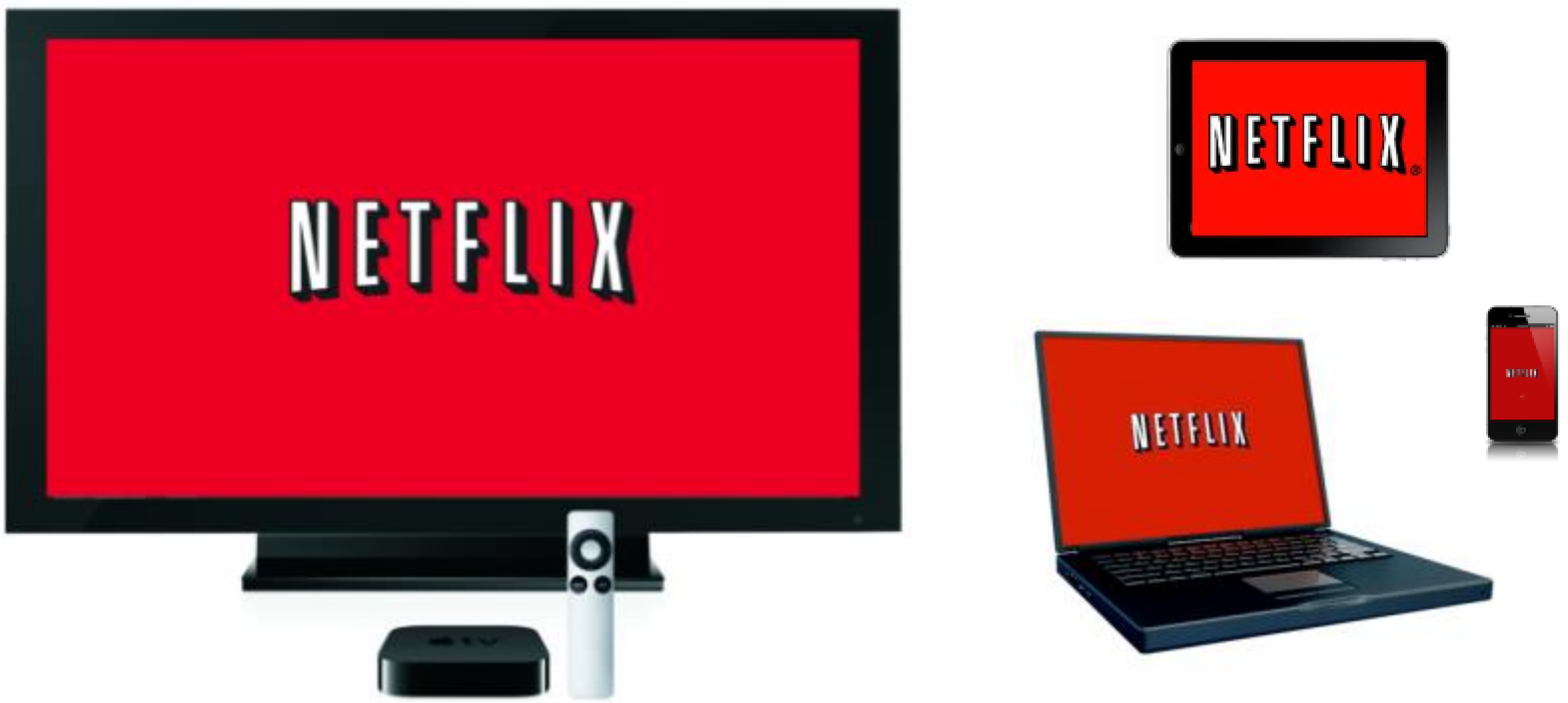
7% of all TV viewing is playback from a playback device (e.g. PVR, VCR).*

5% of TV viewing is from the Internet, including Netflix.^

Source: CBC/Radio-Canada estimates (Numeris (BBM Canada), MTM)
* Numeris (BBM Canada): All Persons 18+, Total Canada, Total TV, 24/7, October 7-December 1, 2013
^ MTM: All Persons 18+, Total Canada, Fall 2013, Total Time Spent viewing TV on the Internet, including Netflix

NETFLIX HAS CLEARLY DEMONSTRATED CONSUMER DEMAND FOR NON-LINEAR, AND MULTI-SCREEN TV

One-third of Anglophone Canadians have adopted Netflix in only three years. Regular viewers* spend an average of **8 hours a week** watching Netflix.

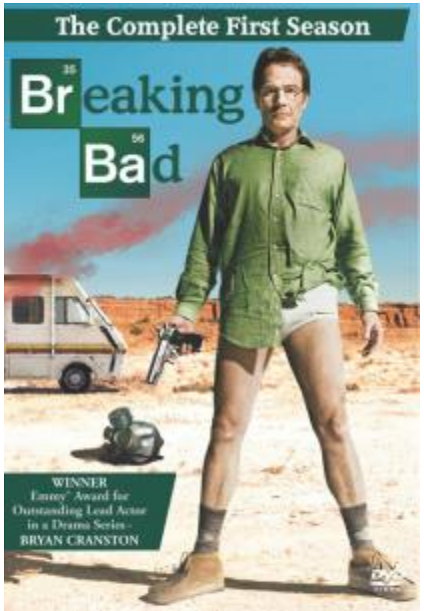


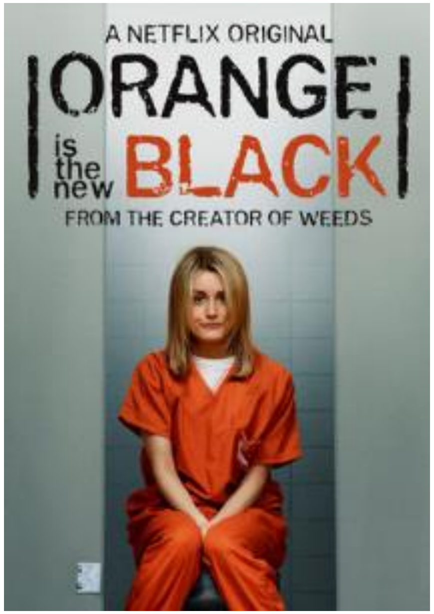
Source: MTM (Spring 2014)
* Weekly viewers of Netflix.

… AND THE DEMAND FOR BINGE VIEWING OF BACK CATALOGUES OF TV SERIES

Netflix has **multiple seasons of TV shows** and releases new seasons of its original content in their entirety (i.e., all episodes released at the same time).

Nearly Half of Canadians are now **Binge Viewing**[1]





1. On all platforms, not just Netflix (Source: MTM, Fall 2013).

GOOGLE INTRODUCES AN INEXPENSIVE BUT INNOVATIVE NEW TV REMOTE: YOUR PHONE

NEW

Insert Chromecast into an HDMI input on your TV. Find what you want to watch on your smartphone or tablet, then send it to your TV with the press of one button.

$39

BROADCASTERS AND DISTRIBUTORS ARE ALSO TRYING TO MEET THESE NEW CONSUMER DEMANDS

ROGERS on demand online

ICI TOU.TV

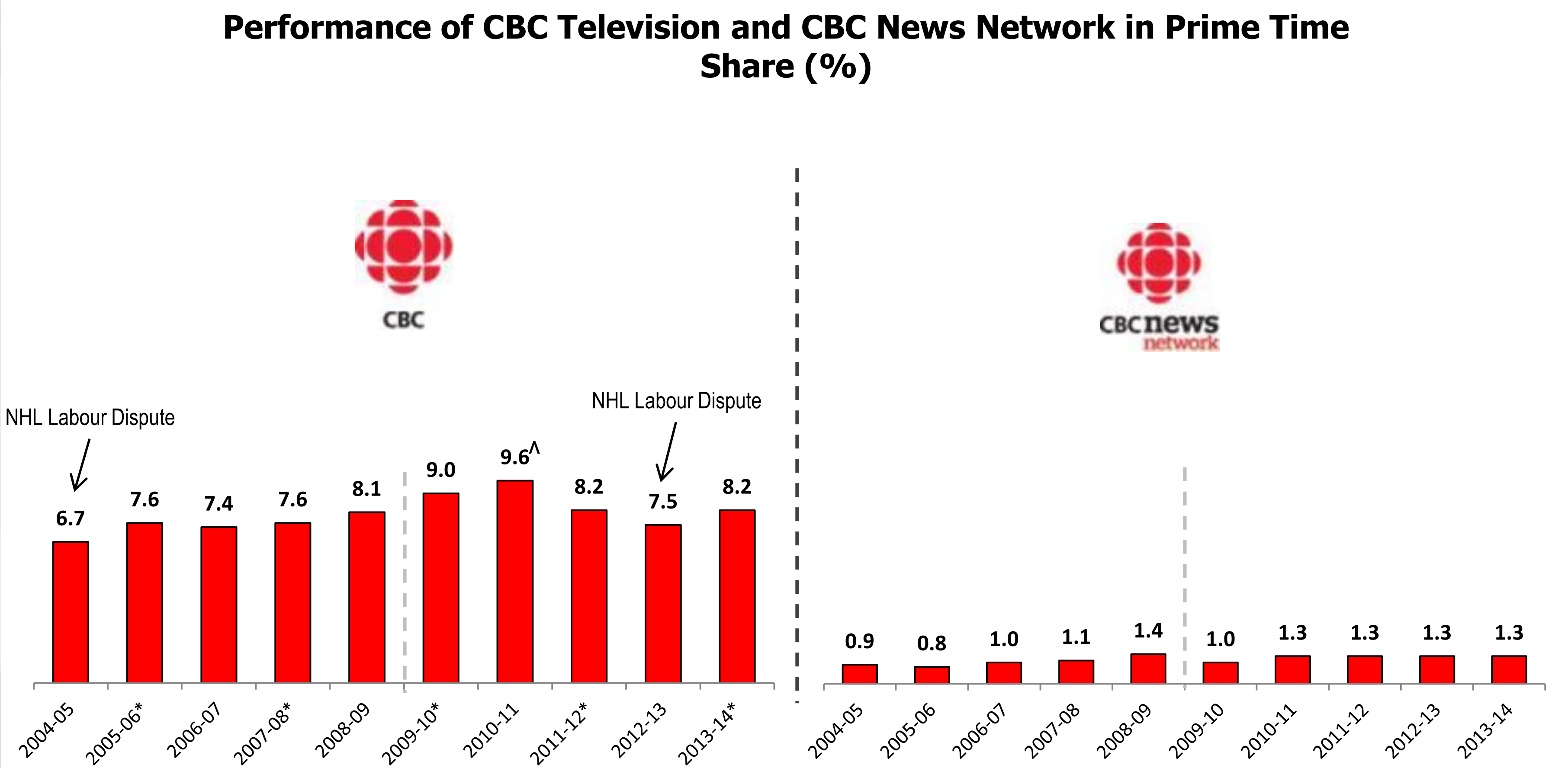
CBC player

NEW

shomi

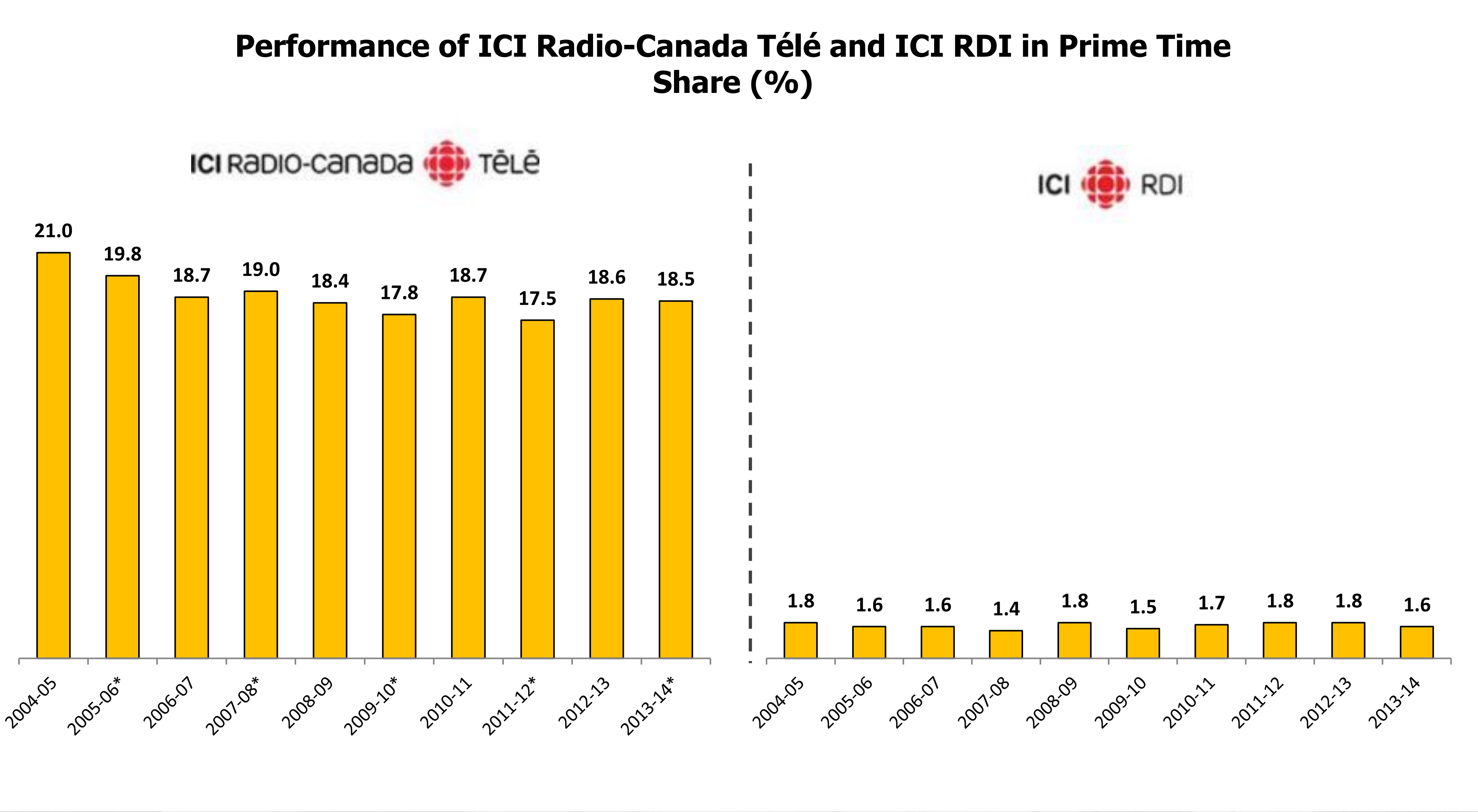
CLUB ILLICO $9.99 /MONTH*

OUR ENGLISH TELEVISION SERVICES HAVE PERFORMED WELL IN THIS COMPETITIVE ENVIRONMENT …



^ Vancouver Canucks appearance in the Stanley Cup Finals.
Note: The lines indicate methodological changes.
Source: Numeris (BBM Canada), Broadcast Year 2004-2005 to 2013-2014 (Total EN TV - Total Canada 2+) (PPM).
* Excluding Olympic weeks.

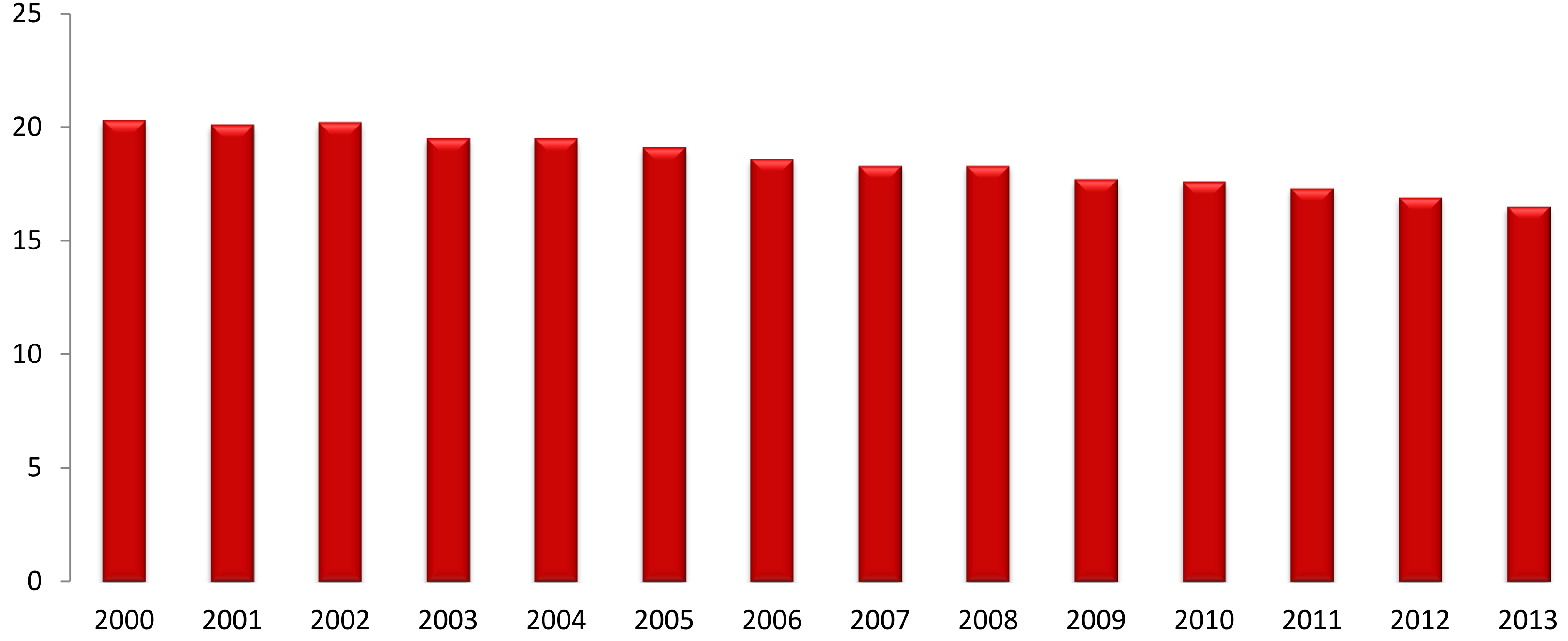
… AS HAVE OUR FRENCH TELEVISION SERVICES



Source: Numeris (BBM Canada), Broadcast Year 2004-2005 to 2013-2014 (Total TV – Québec Franco 2+) (PPM).
* Excluding Olympic weeks.

AM/FM RADIO LISTENING IS FACING A GRADUAL DECLINE IN USAGE

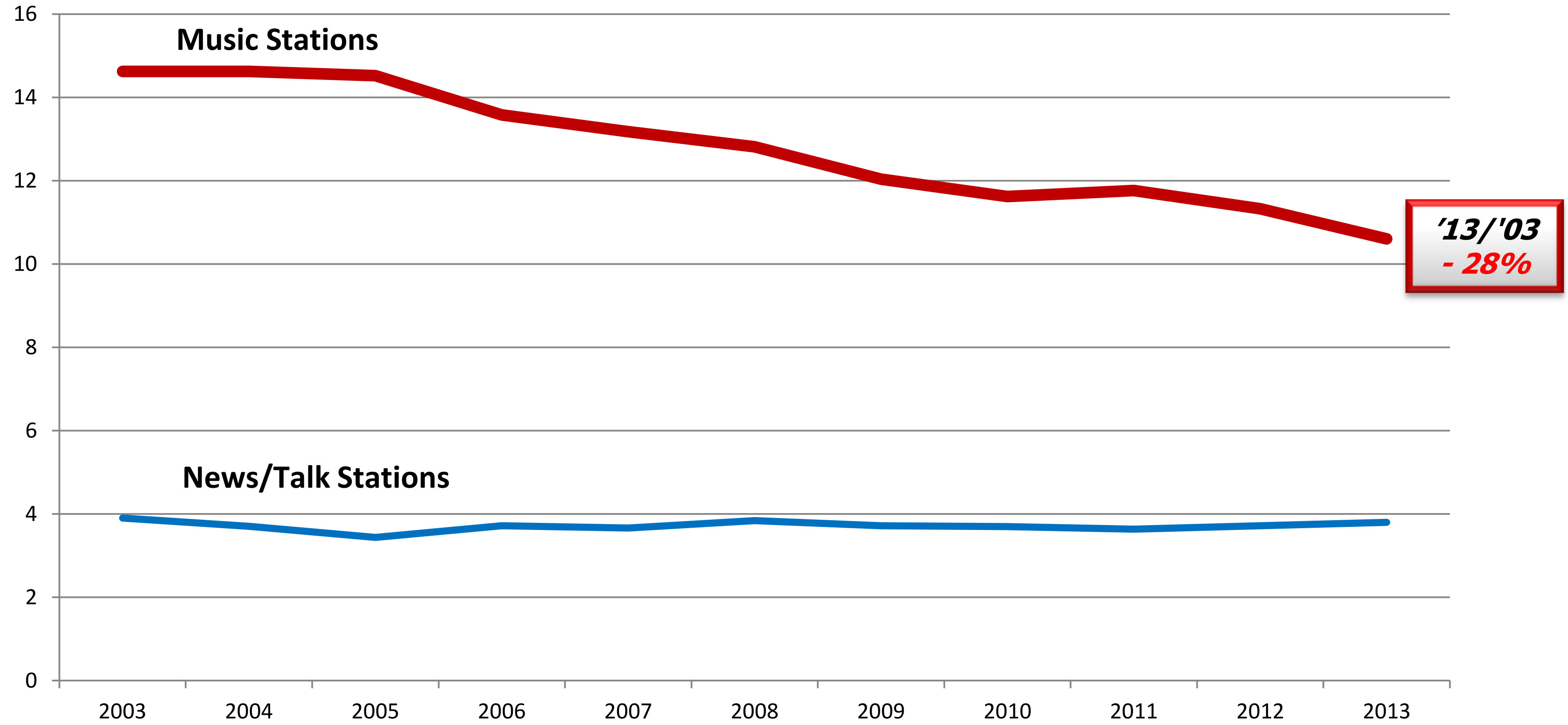
AM/FM Radio Listening Per Capita, 2000 to 2013,
Total Canada 2+, Hours/Week Per Capita



Source: Numeris (BBM Canada) (Fall Diary)
* This chart should be used only to illustrate the longitudinal trend of radio use, since Numeris' diary is consumer recall research. It significantly overestimates radio use as measured electronically and passively by Numeris' PPM.

… PRINCIPALLY BECAUSE MUSIC LISTENING IS MOVING AWAY FROM RADIO …

Time Spent Listening to AM/FM Radio by Format, 2003-2013
Weekly Per Capita Listening Hours, All Day, All Persons 12+



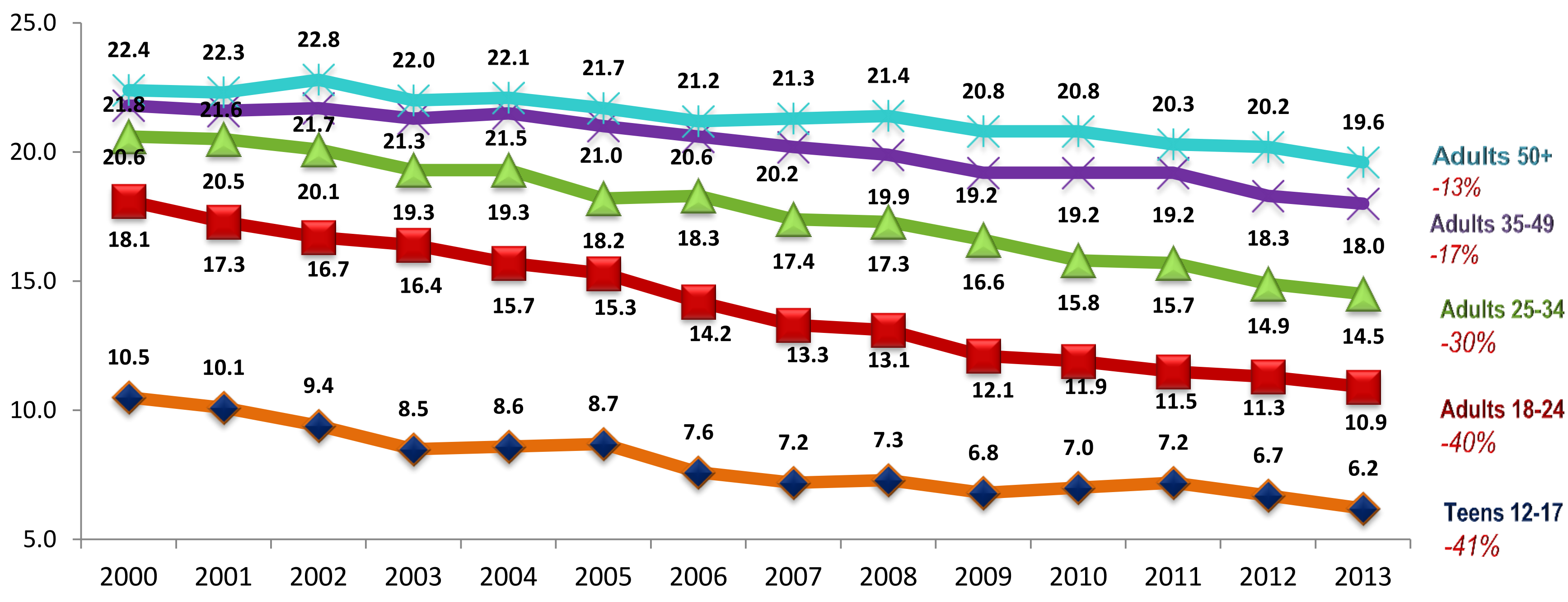
Source: Numeris (BBM Canada) (Fall Diary)
* This chart should be used only to illustrate the longitudinal trend of radio use, since Numeris' diary is consumer recall research. It significantly overestimates radio use as measure electronically and passively by Numeris' PPM.

… PARTICULARLY BY YOUNGER CANADIANS

Average Weekly Per Capita Hours Tuned by Age Group

Monday to Sunday, 5 am to 1 am

Total Canada 12 +



Source: Numeris (BBM Canada) (Diary – Fall 2000 to Fall 2013)

* This chart should be used only to illustrate the longitudinal trend of radio use, since Numeris' diary is consumer recall research. It significantly overestimates radio use as measure electronically and passively by Numeris' PPM.

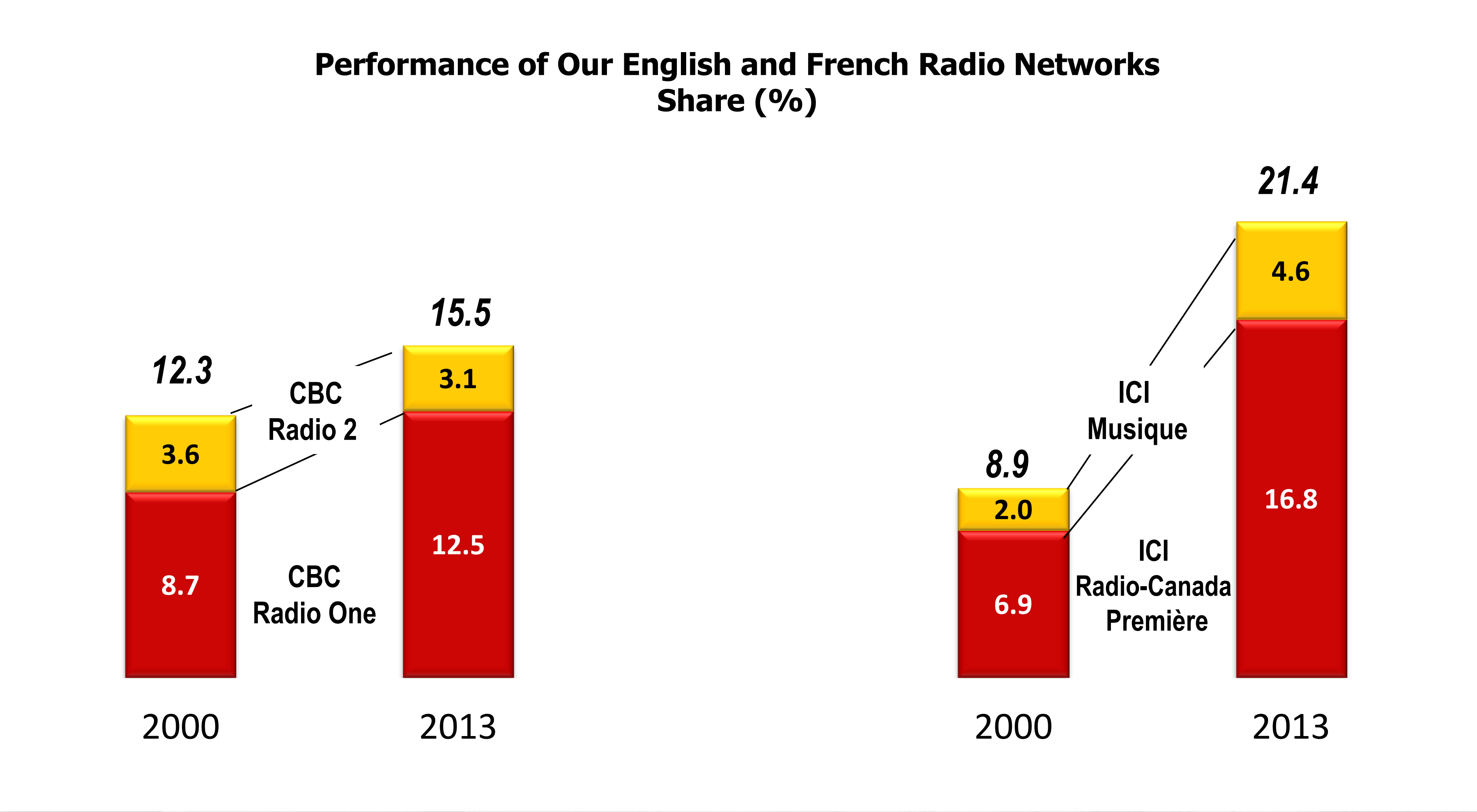
THE DIVERSITY OF CHOICES FOR MUSIC CONSUMERS – BOTH LEGAL AND ILLEGAL – IS ENORMOUS

"Consumers are paralyzed by choice"

Anthony Mullen from** FORRESTER **on the state of the music streaming business

NEW

WHILE TUNING TO CONVENTIONAL RADIO HAS DECLINED, AUDIENCES TO OUR SERVICES ARE AT RECORD HIGHS

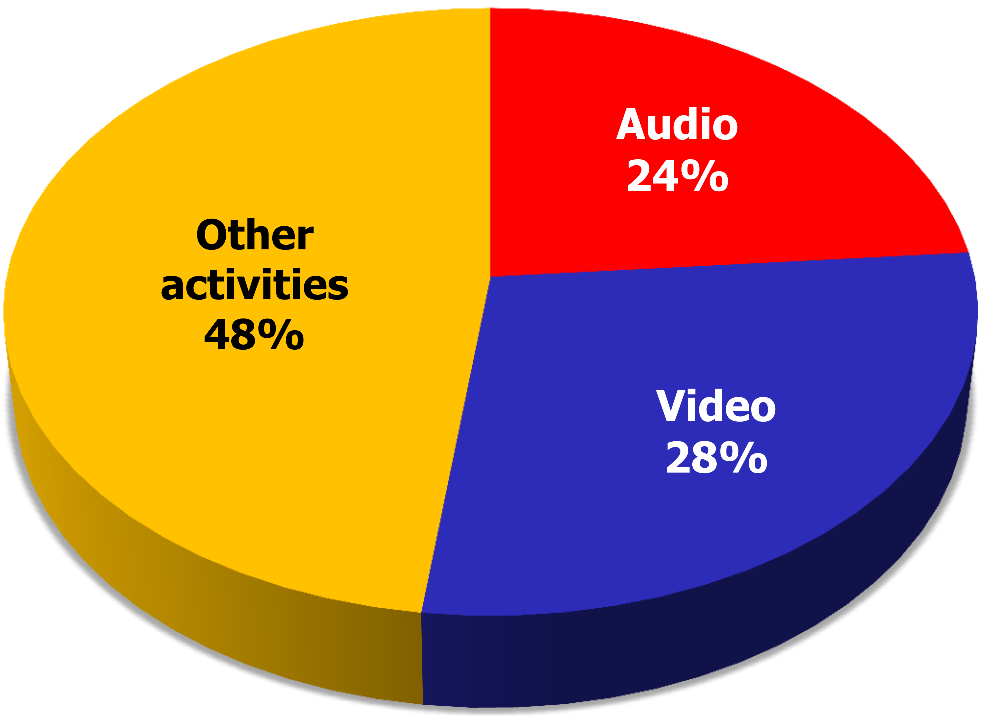


Note: May not add up to the total due to roundings.
Source: CBC/Radio-Canada Research and Analysis, Numeris (BBM Canada) (Diary – Fall 2000 and Fall 2013)

AUDIO AND VIDEO NOW MAKE UP A SIGNIFICANT PORTION OF TIME SPENT ON THE INTERNET

Share of Time Spent on the Internet by Activity

Canadians 18+

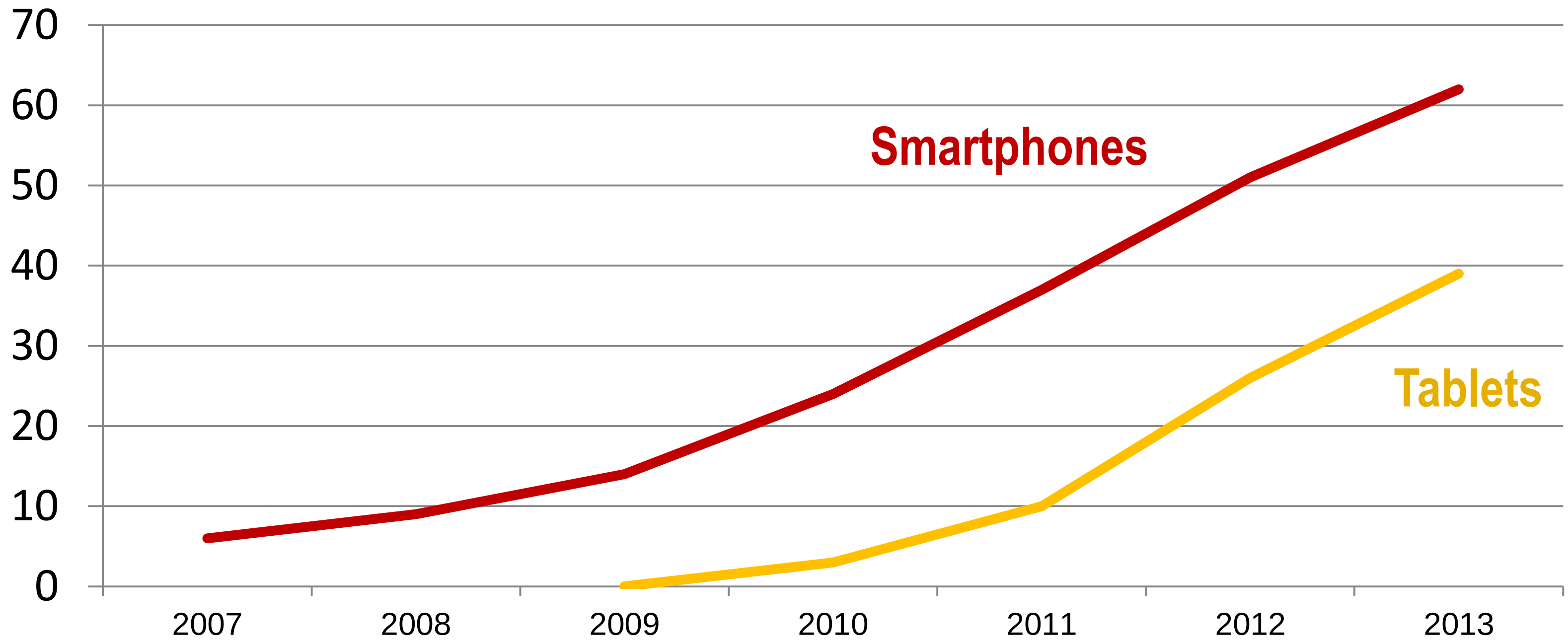


Source: MTM, Spring 2014

THE SPEED OF ADOPTION OF MOBILE DEVICES TO ACCESS THE INTERNET IS ASTONISHING

Consumers adopted smartphones and tablets rapidly

Penetration of Smartphones and Tablets in Canada, Canadians 18+

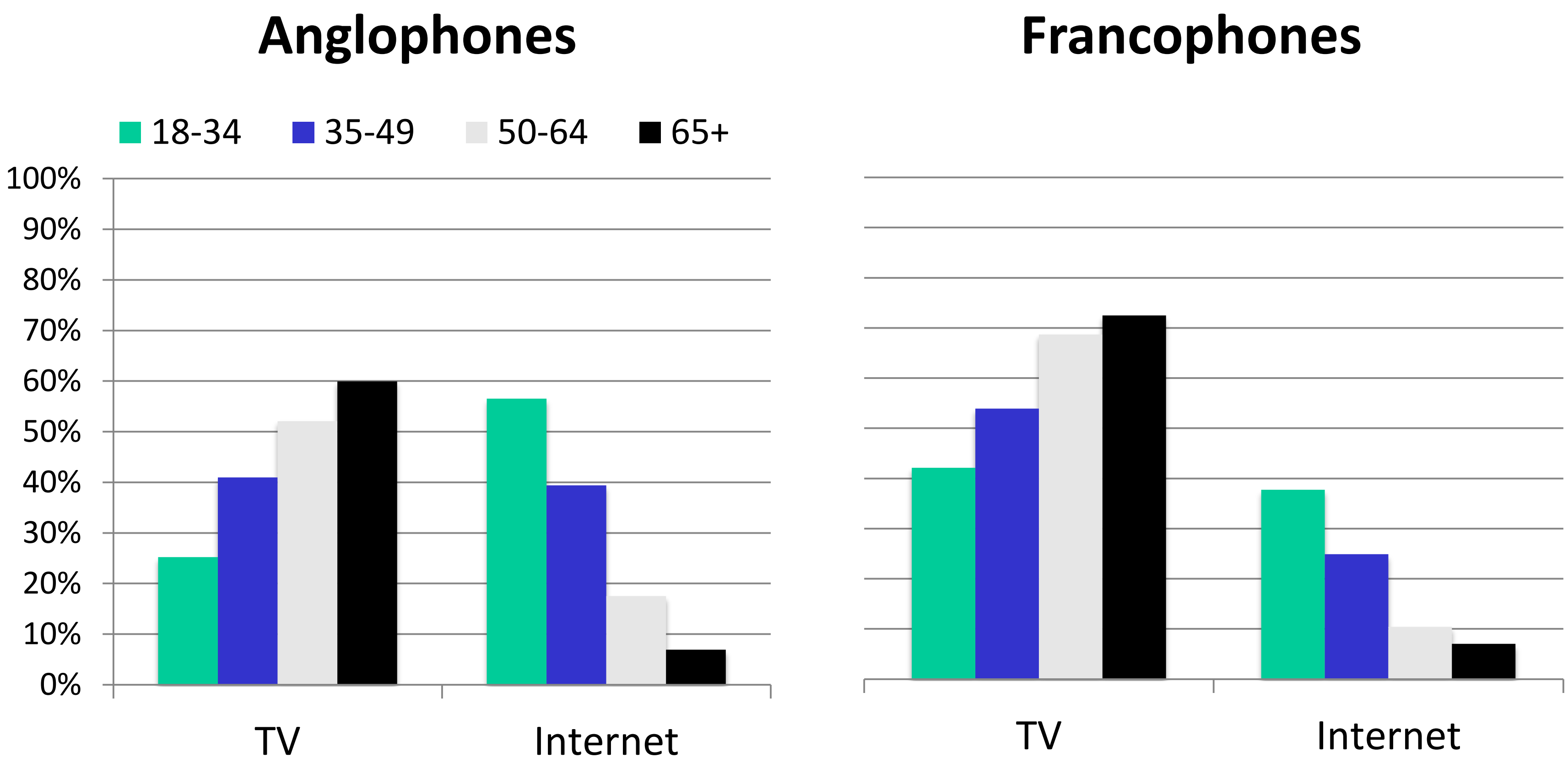


Source: MTM

THE INTERNET IS IMPACTING THE WAY WE CONSUME NEWS

NEW

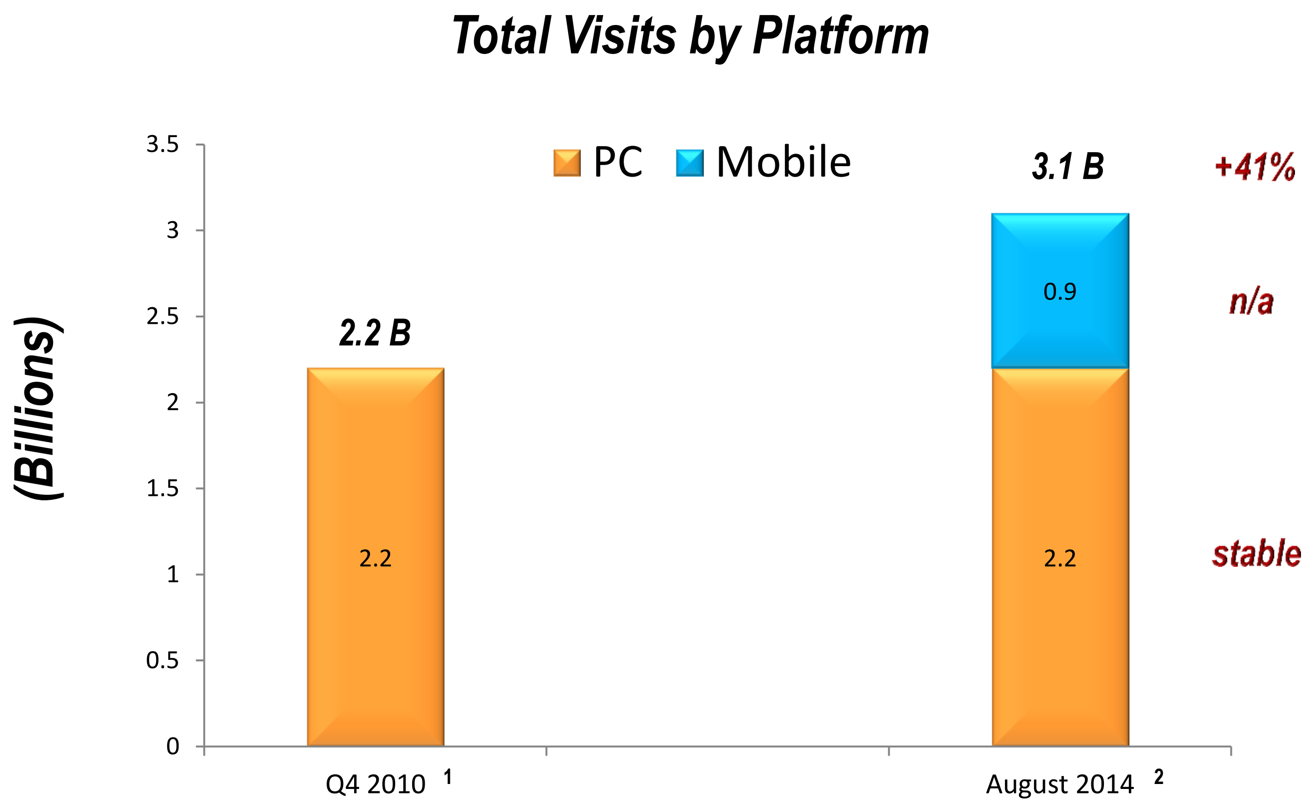
Primary Platform for News by Age



Source: MTM, Spring 2014

NOW THAT INTERNET USAGE ON A MOBILE IS MEASURED, INTERNET TRAFFIC HAS INCREASED BY 41%

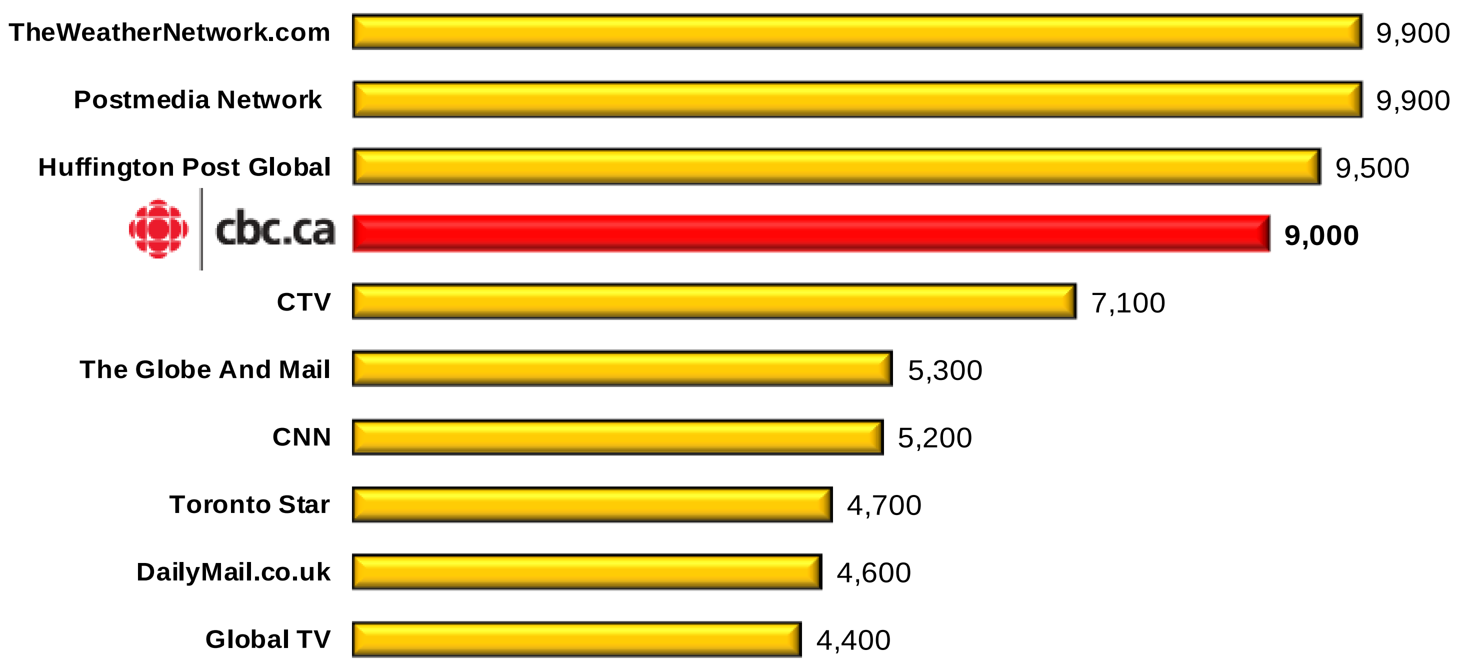
NEW



Note: comScore just launched its Multi-Platform service which measures usage from smartphones and tablets.
Please note that mobile measurement is currently underestimated since not all websites and mobile applications have been tagged.
Source: comScore, [1]Media Metrix, All Locations, Persons: 15+, 3 Mo. Avg Q4 2010
[2]Mutli-platform, August 2014, Persons 15+

CBC.CA IS A LEADER AMONG NEWS AND INFORMATION DIGITAL PROPERTIES

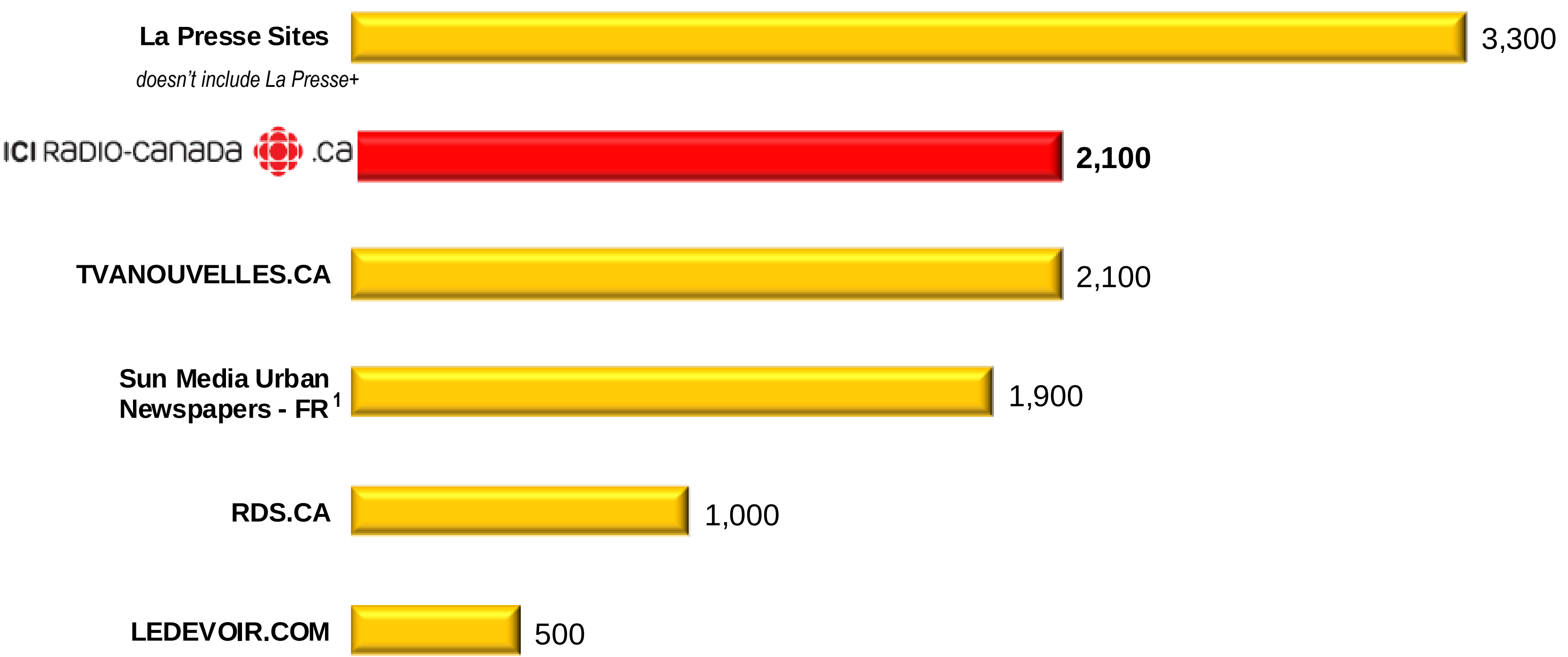
Total Unique Visitors/Viewers to Media and News and Information Digital Properties
Total Canada 2+, PC and Mobile
August 2014 (000's)



Note: comScore just launched its Multi-Platform service which measures usage from smartphones and tablets.
Please note that mobile measurement is currently underestimated since not all websites and mobile applications have been tagged.
Source: CBC/Radio-Canada Research and Analysis, comScore (Multi-Platform)

RADIO-CANADA.CA IS ALSO A LEADER AMONG FRANCOPHONE NEWS AND INFORMATION DIGITAL PROPERTIES

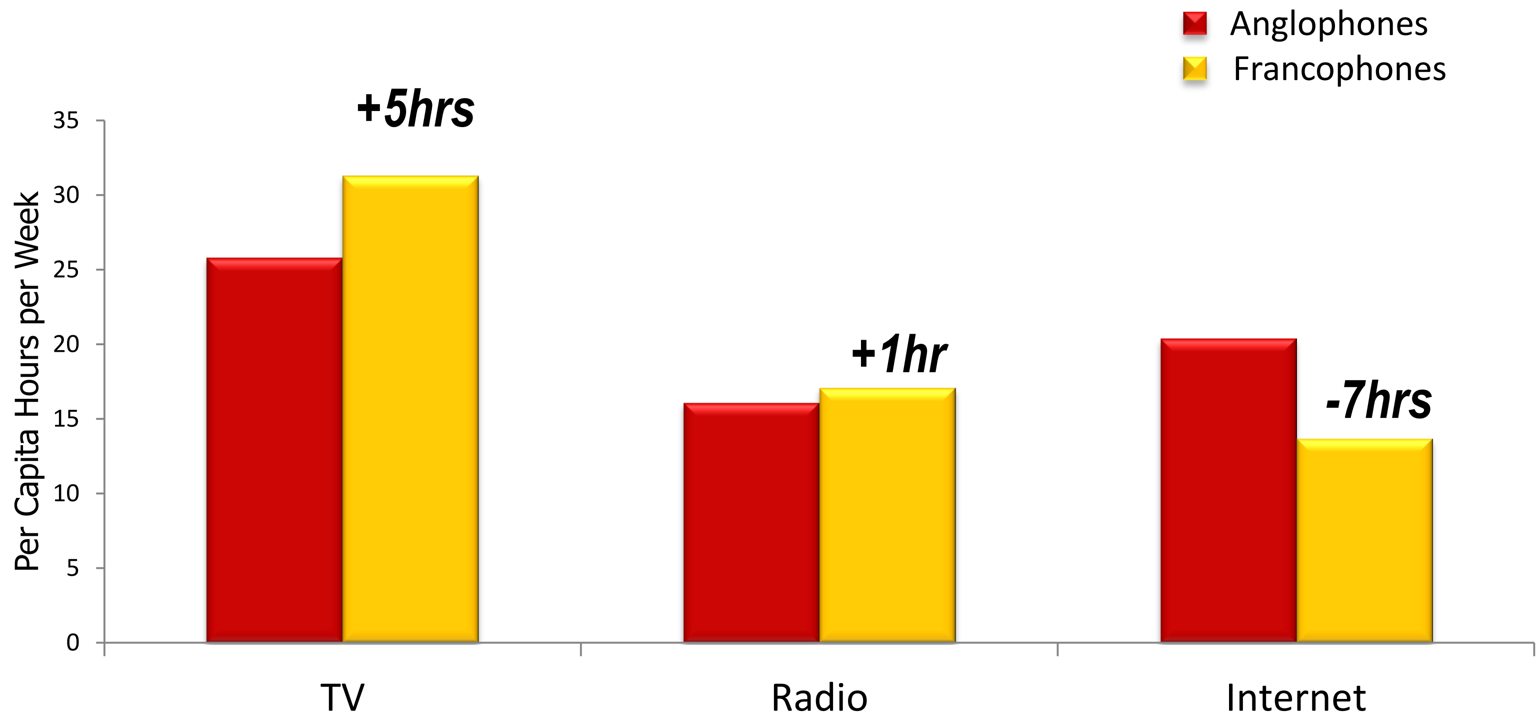
Total Unique Visitors/Viewers to Media and News and Information Digital Properties
Total Canada 2+, PC and Mobile
August 2014 (000's)



Note: comScore just launched its Multi-Platform service which measures usage from smartphones and tablets.
Please note that mobile measurement is currently underestimated since not all websites and mobile applications have been tagged.
Source: CBC/Radio-Canada Research and Analysis, comScore (Multi-platform)
[1] Includes Journal de Montréal, Journal de Québec and 24 Heures Montréal.

FRENCH CANADIANS USE TRADITIONAL MEDIA MORE THAN ENGLISH CANADIANS

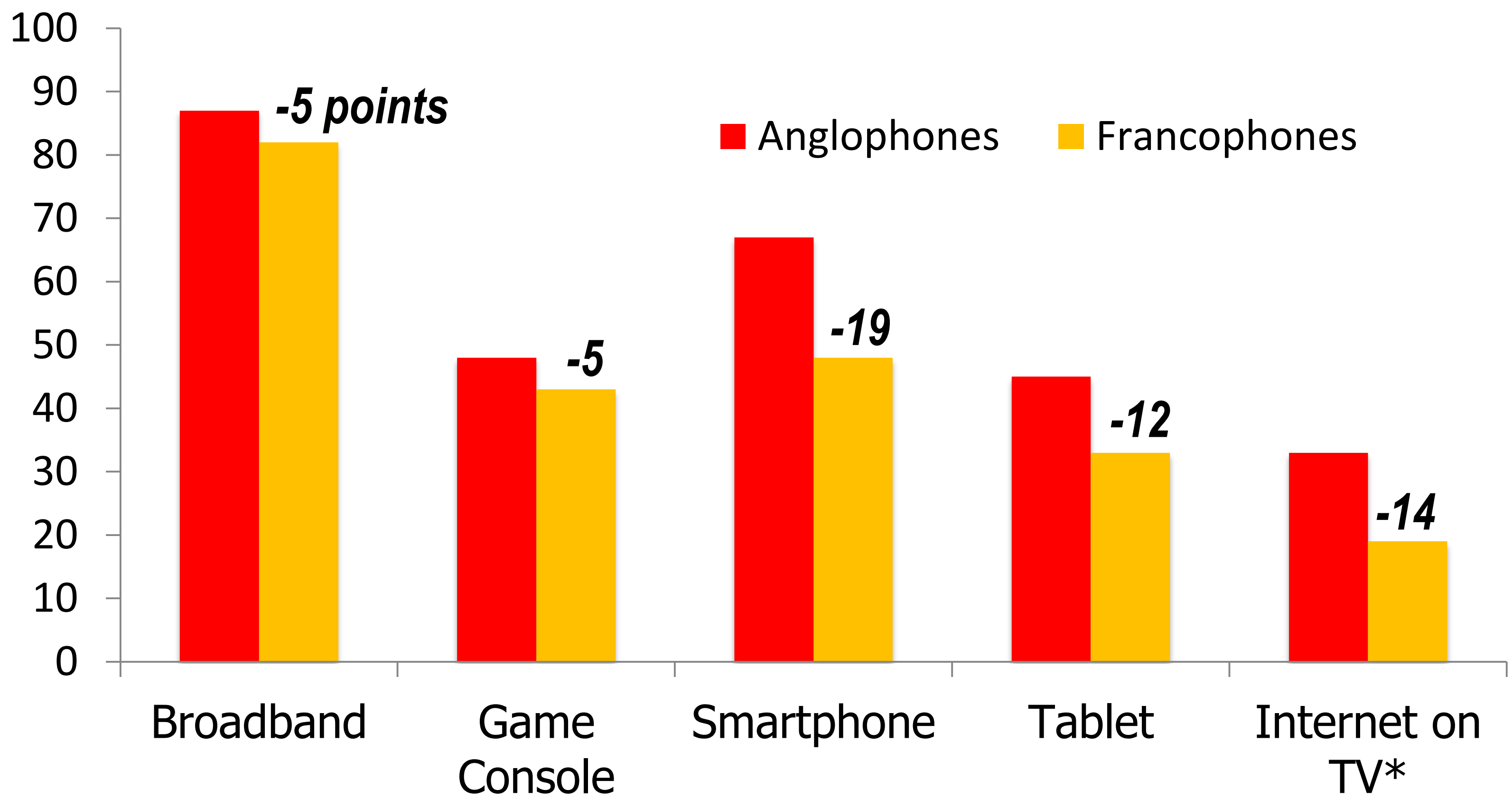
Time Spent with TV, Radio and the Internet in Canada by Language
Weekly Per Capita Listening Hours



Source: TV (Numeris (BBM Canada)), Broadcast Year 2013-14); Radio (Numeris (BBM Canada) Fall 2013 Diary), Internet (MTM, Spring 2014)

… AND TEND TO ADOPT TECHNOLOGY AT A SLOWER RATE

Penetration (%) of Select Technologies in Canada by Language
Persons 18+



Source: MTM, Spring 2014
* Accessed the Internet on a TV set in the past month.

KEY TAKEAWAYS

- Traditional broadcast **radio and TV are still dominant.**
- However, consumers are adopting devices and services that give them **more control over when** they access content **and which screen.**
- **Francophones tend to use traditional media more** than Anglophones and adopt new technology at a slower pace.
- **CBC/Radio-Canada has performed well** in the traditional and in the digital world.

2014 MEDIA ENVIRONMENT

Information for the Board of Directors

November 19, 2014

Montreal, Quebec