

Filed Electronically

July 13, 2020
Mr. Claude Doucet
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2



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Dear Mr. Doucet:

Re: Broadcasting Notice of Consultation CRTC 2019-379-3 – Licence renewals for the Canadian Broadcasting Corporations English-language audio-visual services (2019-0282-5). Additional information added to the public record.

A. Introduction

1. This is the intervention of the Directors Guild of Canada (the DGC”) with respect to the renewal of the broadcasting licences for CBC’s English- and French-language audiovisual programming services. The DGC wishes to appear at the January 2021 public hearing to elaborate on the comments made in this intervention and previous one as well as to respond to replies made and oral submissions by the Canadian Broadcasting Corporation (hereinafter, the Canadian Broadcasting Corporation is referred to as the “CBC” or the “public broadcaster”).
2. The DGC is a national labour organization that represents key creative and logistical personnel in the film, television and digital media industries. It was created in 1962 as an association of Canada’s film and television directors. Today, it has approximately 5,000 members drawn from 47 different craft and occupational categories covering all areas of direction, production, editing and design of screen-based programming in Canada.
3. The DGC’s comments in this intervention are limited to new financial information on digital revenues and expenses provided by CBC. DGC’s comments in this intervention are equally applicable to CBC’s English- and French-language services.

B. A fragmented picture of CBC's digital media activities

4. The DGC appreciates having access to new financial data about CBC digital services as many interveners have been calling for more transparency in the course of this proceeding. However, the new aggregate financial summary provided by CBC on June 12, 2020 is an incomplete view of digital services and raises more questions than it provides answers, ignoring interveners' calls for more specific information.
5. This new but limited disclosure leaves interveners to interpret the aggregated data, notwithstanding the goal set by the Commission in its request for information was to clarify the Corporation digital media activities and ensure sufficient information was publicly available, and remove the remaining grey areas in this proceeding.
6. Indeed, this new June 12 data set does not make a distinction between French and English-language services or between audio, audiovisual services and alphanumeric websites revenues, nor does it present content expenses by audiovisual digital service.
7. The aggregation of various types of expenses merges programming, non-programming, Canadian and non-Canadian programming together under "digital expenses". In doing so, CBC limits the opportunity for a more detailed examination by interveners. For example, audio and audiovisual services are each subject to distinct CRTC regulation, making their amalgamation irrelevant for this proceeding.
8. In addition, although the financial figures provided by the CBC are consistent with the financial projections filed as part of the record of the licence renewal application, they "do not reflect any changes that may result from the impact on revenue and expenses of the Covid-19 pandemic¹" as stated by CBC in the public financials summary sheet filed on June 12.
9. Given the profound disruption the pandemic has created in the audiovisual sector and based on the fact that CBC admits that this has resulted in an impact on revenue, the DGC believes that CBC should be required to publish new detailed financial forecasts and projections to update the financial projections already filed this proceeding. With a production shutdown, coupled with plummeting ad revenues, we can reasonably assume that CBC content expenses have been revised.
10. Finally, despite the fact that 2022-2023 is the last year the CRTC requested forecasting to be submitted, the CBC is asking for a 5-year licence renewal, with a term ending in

¹ DM#3876591 – Reponse-Response – 12 June 2020 – Aggregate Financial Summary (Aggregate Financial Summary dated June 12, 2020) and DM#3849736 – Reponse-Response – 6 May 2020 – CBC Reply to CRTC Request to information.

2025-26. Consequently, it would reasonable to expect CBC to provide financial projections for the entirety of its proposed licence term.

C. *The necessity of comprehensive reporting for digital media services*

11. CBC is indubitably one of the key players in the Canadian broadcasting ecosystem. As other broadcasters, CBC must comply with specific CRTC requirements but also also has a specific mandate under the Broadcasting Act and receives a \$1.2 billion annual parliamentary appropriation. This unique status under the Act and the funding it receives from Canadians requires CBC to be exemplary in its public filings. More than any other broadcaster, it should be setting the example by leading the way in digital media reporting.
12. Therefore, the DGC wonders what competitive harm could be caused by releasing CBC's disaggregated English and French revenues (including parliamentary appropriation) as well as separating content expenditures for audio and audio-visual digital services.
13. It appears that among the reasons why CBC continues to refuse to disclose more data on its digital revenues, or provide additional explanations, is because it considers that digital media platforms are still operating under the Digital Media Exemption Order (DMEO)². While the DMEO has not been modified yet by the Commission and digital platforms face fewer reporting requirements than their conventional counterparts, we find CBC's decision to file only partial data to be disingenuous given its unique status as Canada's public broadcaster and a crown corporation.

D. *A financial summary difficult to interpret without proper contextualization*

14. The DGC finds that the new data provided by CBC is not contextualized and limits the opportunity for interveners to provide comments. What's more, this financial summary for all CBC/Radio Canada services is disconnected from CBC's initial proposed cross-platform strategy presented in this proceeding.
15. This issue is exacerbated by the fact that CBC's full strategic plan document has never been made public despite interveners calling the Commission to release it, nor has the CBC provided further documentation related to these financials or plans for its digital services.
16. Considering the data provided by CBC thus far, it only adds to our concerns that CBC's proposed cross-platform approach is based on exhibition hours. Treating conventional and digital platforms the same is problematic in view of CBC's current financial

² Broadcasting Order CRTC 2012-409, Exemption order for digital media broadcasting undertakings.

projections. CBC initially proposed a cross-platform exhibition requirement for PNI and children's programming but did not provide any historical data with regards to exhibition hours for these categories on its digital platforms. As stated in our previous intervention, this demonstrates from our perspective that applying exhibition hours to digital platforms as proposed by CBC would not be achievable.

17. For instance, the absence of Canadian content expenses, budgets, or audience numbers for CBC Gem and TOU.TV in the June 12 financials and the aggregation of audio and audiovisual services with alphanumeric websites makes it impossible to come to any conclusion about CBC's programming strategy.
18. As CBC provided an aggregate financial summary, and because CBC Gem was only launched in 2018, the historical data only goes back to 2018-2019. However, TOU.TV has been operating for a longer period of time. Having access to its operating expenses and syndication and production revenue would have been useful as a comparison point. For this reason, CBC Gem and TOU.TV should be reported separately.

E. Canadian programming expenditures on digital media services

19. During the 2019 *Call for comments on the Commission's policy on Canadian programming expenditures*³, the Commission collected data related to broadcasters' revenue by "service type" and published aggregate data on digital revenues and expenditures associated with 19 private broadcasters' digital media services. While this information remained confidential, we propose that it should be released now within the context of this licence renewal.
20. In the course of the current proceeding, the CBC reported total digital Canadian content-related expenses and total Canadian content-related expenses for audio visual only. The June financial summary shows that for 2021-2022, the total Canadian content expenses for audiovisual services would be approximately half of CBC Gem and ICI TOU.TV operating expenses for the year, which seems to be excessively low.
21. As explained in our February 20 submission, we are concerned that CBC's partial financial summary prevents us from understanding CBC's actual programming strategy for its audiovisual digital media services, which may ultimately result in reduced expenditures on programs of national interest (PNI). CBC Gem and TOU.TV operating expense increases do not provide sufficient information regarding budgets and content expenditures. It is simply not possible to fully understand the growth of the digital media industry if we do not have access to disaggregated revenues from two different language markets.

³ Broadcasting Notice of Consultation CRTC 2019-91, Call for comments on the Commission's policy on Canadian programming expenditures.

22. The financial summary also references a subscription revenue increase, while the syndication and production revenues for digital services are stagnating over the two years projections. CBC Gem and ICI TOU.TV also present rising operating expenses from \$47 million in 2019-2020 to \$63 in 2022-23. Aside from inflation, and without explanation, it is difficult to understand what would justify this increase.
23. The overall lack of clarity for reporting on CBC digital media services demonstrates the need for regulatory oversight encompassing CBC's traditional television and digital audiovisual activities. In this context, as we have previously stated, a group expenditure approach for CBC is the most appropriate solution for the way forward. However, this doesn't mean that requirements for minimum exhibition hours should be removed for CBC's conventional television.
24. Canadian programming expenditure (CPE) requirements remain the most effective regulatory tool for the Commission to ensure the creation and presentation of original, high-quality Canadian programming. The CPE is more adaptable to the digital media broadcasting environment than exhibition hours because it can be applied flexibly across all services, whether linear or digital.

F. Conclusion

25. The new financial information provided by the CBC does not change comments the DGC made in its submission earlier this year. As the hearing date has been set for January 11, 2021, the DGC believes the next six months present an opportunity to request complementary and more detailed information that will help complete the missing elements in this proceeding, particularly as they relate to digital content expenditures.
26. Moreover, the CBC's lack of transparency in reporting, especially the lack of data with regard to CBC's digital programming activities and the absence of a full strategic plan remain crucial issues in this proceeding. Therefore, the DGC respectfully asks the Commission to place in the public record, in advance of the upcoming hearing, the following information:
 - a. CBC's full strategic plan;
 - b. Detailed financials on its digital audiovisual activities, by service, program genres and French- and English-language markets. CBC should also make a distinction between general content expenses and Canadian content expenses, as well as between audio and audiovisual expenses;
27. The DGC respectfully submits that the Commission should also require CBC to file the following financial numbers before the the January 2021 hearing to better understand CBC's digital activities:

- i. Full and updated financial projections for the entire five-year licence term expected to end in 2025, including all past financial projections filed for conventional television, discretionary services and digital media services.

28. CBC currently has fewer regulatory requirements than private broadcasters both for conventional and digital platforms. For this new licence term, by way of a new exemption order, the DGC recommends that the CRTC revise its approach on the regulation and reporting of CBC's digital expenses including setting a condition of licence for CBC to report on financial data from each of its digital audiovisual platforms, by genre and including reports on original programming. This will help to understand the Canadian programming expenditures and programs of national interest related expenses.

29. The DGC appreciates the opportunity to provide additional comments in this important proceeding, which is of critical importance at a turning point for the Canadian broadcasting landscape.

All of which is respectfully submitted.

Directors Guild of Canada



Dave Forget

National Executive Director

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