



30 January 2015

Senator Dennis Dawson
Chair
Standing Senate Committee on Transport and Communication
Senate of Canada
Ottawa, Ontario
K1A 0A4

Dear Chair,

On behalf of the Board of Directors, I would like to thank the Committee for its interest in CBC/Radio-Canada and for the opportunity to meet with Senators to discuss some of the challenges facing the public broadcaster in the changing broadcast environment.

During our December 10th meeting, some Senators requested additional details about the Corporation's operations. I would like to provide them to you now. I would also like to take this opportunity to clarify some common misconceptions which came up during our meeting, about television audiences and the performance of the public broadcaster, which I believe are important to correct.

Audiences

Some have taken the view that, CBC Television, when compared to Radio-Canada Television and other broadcasters, performs poorly because it does not attract larger numbers of viewers. That view is incorrect and based on a misunderstanding of the fragmented broadcast environment. In French Canada, where audiences overwhelmingly prefer French programming, the television audience is divided primarily among three broadcasters. In English Canada the audience is splintered among hundreds of channels. The attached chart, "Audience fragmentation" gives you an idea of the reality of attracting audiences in today's environment.

Some have suggested that audience measurement is the primary, if not the only, measure of a broadcaster's success. That is certainly true in the case of private broadcasters. Their business model depends on generating profit for shareholders by securing advertising revenue for large audiences between the ages of 15 and 35. That age group represents the *consumers* that advertisers will pay the most in order to reach. The public broadcaster has a different mandate; to offer a wide range of Canadian programming that "informs, enlightens, and entertains" its *citizens*. That doesn't mean that

every program it offers should have wide appeal; some programs aim to serve a small but crucial viewing audience.

With the exception of CBC Television, the only choices available to English Canadians are overwhelmingly the heavily promoted, popular American programs. The attached “Programming Schedules” charts show you the mix between Canadian and foreign programming in the 2015 Winter television season.

Even with all of those American programs, in the last full broadcast year, 2013-14, CTV Television had an average prime time audience share of 12.3%, and Global had a 7.8% share¹. CBC television - with its prime time schedule almost entirely Canadian - had an audience share of 8.2%². That is not only consistent with its mandate to showcase Canadian programs, but it demonstrates that many Canadians do indeed enjoy these programs.

It is also important not to confuse market *share* (the average percentage of viewers tune to a particular program at a particular time), with *reach* (the total number of viewers who watch a network). CBC Television’s reach is 89%; that is 89% of all Canadians watched CBC Television on a monthly basis in 2013-14.

Of course, CBC/Radio-Canada also strives to also attract large audiences with high quality Canadian programs. For example, this past month CBC Television began airing the six-part miniseries, *The Book of Negroes*, the adaptation of the Lawrence Hill historical novel about slaves escaping to freedom in Canada. This is exactly the kind of story CBC is mandated to tell; a Canadian story about this country’s history. The program is also an audience success, attracting 1.7 million Canadians in its first airing – a tremendous response. Earlier this month, the debut of CBC Television’s new comedy, *Schitt’s Creek*, attracted 1.35 million Canadians, another incredible success.

But success is never guaranteed. Last season, CBC presented a new Canadian drama, *Strange Empire*. While critics praised the story and its Canadian production³, the audience levels were disappointing⁴. If audience measure was all that mattered, CBC television could purchase and simulcast the same (cheaper) American programs that English private networks do. That would call into question why the public broadcaster exists. Simply, CBC exists because it offers what no other broadcaster does – a wide range of Canadian programming that informs, enlightens and entertains, and is offered in prime time, when most Canadians are watching television.

¹ Numeris (BBM Canada), Full broadcast year 2013-2014 (Total EN TV - Total Canada 2+) (PPM). *Excluding Olympic weeks.

² For the most recent week of January 12-18, CTV Television had an average prime time audience share of 12.9%, Global had 8.2%, and CBC had 8.5% (Numeris BBM Canada).

³ John Doyle, *The Globe and Mail*: A “remarkable drama, one that is the most substantial, serious and thrilling thing since Chris Haddock’s *Intelligence* arrived on CBC a few years ago.”

<http://www.theglobeandmail.com/arts/television/john-doyle-strange-empire---a-remarkable-rugged-western-drama/article20918020/>

⁴ Average 302,000

Transparency

With respect to transparency, several senators have now publicly suggested that the British Broadcasting Corporation (BBC) is much more transparent than CBC/Radio-Canada. As you are likely aware, the BBC receives £3.726B⁵ (\$6.014B CAD or \$97 per person) each year from Britons in the form of a license fee. It does not compete with other broadcasters for commercial advertising. In addition, in Canada, the *Privacy Act* prevents the disclosure of specific salaries of individuals. In some cases our transparency is actually greater than that of the BBC. If you compare salary disclosure for on-air talent for example, the BBC salary ranges⁶ are considerably broader (£250K-£750K, a \$930K CDN range) than the \$50K ranges reported by CBC/Radio-Canada⁷.

Now, I would like to address the requests for additional details about our operations.

Travel

Senator Plett asked whether it was “reasonable” for the President of CBC/Radio-Canada, who is based in Montreal, to travel to Ottawa and Toronto. He asked, “how often would the President and CEO be required to travel to Toronto and Ottawa?”, and whether this had been approved by the Board. He also asked if there were “any other CBC employees who would travel maybe to Vancouver or Washington to do their work, living somewhere else.”

The 2007 Notice of Vacancy for the President and CEO, published in the *Canada Gazette*, specifies the requirements of travel for the position: “The President and CEO will be called to travel to several locations across Canada and more particularly to Toronto and Montreal on a regular basis, where the Corporation also has offices. The President and CEO has the option of residing in Ottawa, Toronto or Montreal.”⁸

As you know, CBC/Radio-Canada has locations in every region of the country. While technology has certainly allowed us to reduce the amount of travel required of employees of the Corporation, it has not eliminated it.

The President of CBC/Radio-Canada works primarily in Montreal where he conducts business through teleconference and videoconference calls. In the last full fiscal year 2013-14, the President travelled for business to Ottawa 9 times and to Toronto 18 times. Another year, it could be the reverse. Senior management are regularly required to travel in performance of their duties. Our regional directors also manage locations over a large area which requires frequent travel. Our Senior Managing Director for English Services in Winnipeg, for example, is responsible for our facilities across Saskatchewan, Manitoba and the North.

⁵ BBC 2013-14 Annual Report http://downloads.bbc.co.uk/annualreport/pdf/2013-14/bbc_annualreport_201314_bbcexecutive_managingourfinances.pdf

⁶ <http://www.bbc.co.uk/annualreport/2014/executive/how-we-run-the-bbc/diversity>

⁷ <http://www.cbc.radio-canada.ca/files/cbcrc/documents/proactive-disclosure/business-documents/table-on-air-en.pdf>

⁸ *Canada Gazette*, Vol. 141, n30 July 28, 2007 p.2129.

Senator Batters asked for a number of details about a *specific* case: the departure of former CBC Radio host Jian Ghomeshi. For a company to reveal personal information about the departure of any employee would be a violation of the *Privacy Act*. However, in his statement of claim for his lawsuit against CBC, Mr. Ghomeshi stated that CBC terminated his employment for cause. Mr. Ghomeshi subsequently withdrew his lawsuit and is required to pay the Corporation's court costs.

Retirees

Senator MacDonald asked if there were people who had retired from CBC/Radio-Canada, and are collecting their pensions, but who have been "rehired on contract". Our current workforce is 8,030 (Full time equivalents) of whom there are currently 30 who are retirees performing short-term contract work. Those contracts are managed in accordance with the Corporation's human resources policy. That policy specifies that employees who have received severance may be re-hired to perform short term assignments 12 months following their departure. Former employees receiving pensions but who end up working more than six months will have their pension benefits reassessed. Employees who have received severance payment under a voluntary incentive program cannot be re-hired.

Ombudsmen

With respect to our ombudsmen, Senator Plett said he found it "strange" that the ombudsmen did not interview him in the course of investigating his complaint about *The National*, and said the ombudsman told him "she would interview the journalist". What the CBC Ombudsman told the Committee on September 30th was that she often does not *need* to interview the complainant who has filed a written complaint:

Generally speaking because their complaint is very clear, and I don't feel I need more information. I will almost always speak to the journalist because they are accountable, so I have to ask a series of questions⁹

Senator Plett also asked for a copy of the terms of reference for the Corporation's ombudsmen which are approved by the Board. A copy of that document is attached. It is also posted on the public websites of the ombudsmen.¹⁰

Real Estate

Senator Plett asked how much money the Corporation will save annually with its real estate strategy to reduce space. Forecast savings from this strategy are between \$20M and \$30M annually by 2020.

The Corporation's Board of Directors approved the Real Estate Strategic Plan in May 2011. It aims to reduce operational costs and maximize proceeds from the real estate portfolio, including increasing leasing revenues. The Corporation's new Strategic Plan 2020, *A Space for us all*, released in June 2014, supports the same principles and targets an overall reduction of the Corporation's real estate portfolio

⁹ Evidence, September 30, 2014

¹⁰ <http://www.ombudsman.cbc.radio-canada.ca/en/about/mandate/>

by 2,000,000 square feet by 2020, from the previous target of 800,000 square feet. By reducing its real estate footprint, the Corporation will be able to invest more of its resources on content and programs.

Spending on Canadian Content

Finally, Senator Greene asked if Canadians “would achieve more bang for their buck if the money that was spent by Parliament on the CBC....could be better spent by providing it to content providers through the Canada Media Fund or through Telefilm”? He also asked how much of the Corporation’s annual parliamentary appropriation is spent on “Canadian content providers for stories”.

While it is not possible to separate the parliamentary appropriation spent on Canadian programming from the Corporation’s total budget, I can tell you that in the most recent full broadcast year (2013), CBC/Radio-Canada spent a total of \$1.024 billion on Canadian programming (radio and television). Of that, \$700.8M was spent on Canadian content for conventional television, an amount greater than for all of the private conventional broadcasters combined¹¹.

As to the question of “bang for the buck”, CBC/Radio-Canada is, in fact, the most effective way of investing in Canadian programming that Canadians will be able to access, because Canadian programming is its priority. The Corporation broadcasts across the country, and fills its prime time schedule with Canadian content which means that those programs are available to all Canadians at a time when most Canadians are watching television.

A 2013 Deloitte study on the economic impact of CBC/Radio-Canada found the public investment in CBC/Radio-Canada creates a wide range of benefits not available elsewhere. It is worth looking at the entire study¹², but the highlights include:

- CBC/Radio-Canada invests significantly more on Canadian programming than all of the other private broadcasters combined.
- For every dollar CBC/Radio-Canada receives in appropriation, it generates almost four dollars for the Canadian economy.
- CBC/Radio-Canada’s regional and local activities contribute to local economies and creative clusters in cities across Canada.
- CBC/Radio-Canada supports a stronger, broader Canadian independent production sector by commissioning a wide range of genres of programming.
- The Corporation is a leader in taking advantage of new technologies, which are later adopted by other broadcasters and the wider creative sector.

¹¹ The total investment on Canadian programming by private conventional broadcasters was \$605M. CRTC Communications Monitoring Report 2014

<http://www.crtc.gc.ca/eng/publications/reports/PolicyMonitoring/2014/cmr4.htm#s4-2e>.

¹² <http://www.cbc.radio-canada.ca/files/cbcrcc/documents/latest-studies/cbcradio-canada-economic-impact-deloitte-2013.pdf>

CBC/Radio-Canada Pension Plan

Senator Unger asked a number of questions about the health of the CBC/Radio-Canada pension plan, particularly around the issue of pension solvency. A more accurate measurement of the health of the plan is its going concern funded position which is currently at 119% (Approximately \$1.19 in assets for every dollar of pension plan obligations). I believe the attached letter from the CEO of the CBC Pension Plan will reassure Senators further of the sound management and strong condition of the plan.

I hope this addresses the Committee's outstanding questions on the challenges facing CBC/Radio-Canada. As we did last year, I would like to share with you an updated version of our "environmental scan", prepared by CBC/Radio-Canada and presented to our Board of Directors in November. This will provide you with a valuable overview of the current broadcasting environment, CBC/Radio-Canada's role in it, and some of the ongoing challenges facing the industry, particularly the weak conventional television market, the growth of non-linear services like Netflix, and the shift of advertising spending from television to the Internet.

As I said in my remarks to the Committee, the current broadcasting system can no longer sustain the creation and distribution of the Canadian content Canadians expect. I believe the corporation's strategic plan, *A space for us all*, is the appropriate response to these challenges. If Canadians want more from their public broadcaster, then investing in public broadcasting needs to be made a priority.

I look forward to reading the Committee's final report.

Sincerely,



Remi Racine
Chair
CBC/Radio-Canada

c.c Daniel Charbonneau, Committee Clerk

Encl. Audience Fragmentation
Television Programming Schedules
Terms of Reference, CBC/Radio-Canada Ombudsmen
Letter from CEO, CBC/Radio-Canada Pension Plan
Media Environment, Nov 2014 Presentation to Board of Directors