BOOMERS LOVE TRADITIONAL TV, BUT OTT PENETRATION IS STRONG: STUDY

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CRTC Monitoring Report: Broadcasting Sector

Canada's telecom watchdog has released its annual Communications Monitoring Report that tracks the listening and viewing habits of Canadians, and reports on trends and revenues for radio, TV and television service providers. Below is an edited version of the chapter largely focussing on the radio sector. The regulator's methodology for reporting dollar totals is not intuitive so I have crunched the numbers in the Fast Facts summary and below this I let the commission explain the details in their own words. For complete texts, a hyperlink to the broadcasting summary report is embedded in the headline, and the complete report can be viewed here.

Fast Facts

- Total broadcasting revenues (TV, radio, VOD, BDUs et al) declined 0.5%, to $17.9B in 2016.

- Private radio revenues declined 20%, to $1.8B (which differs widely from earlier figures reported by StatsCan)

- While the numbers fluctuate depending on region, format and language, commercial radio achieved an 18.1% profitability margin.

- Broadcasting revenues represented 26.8% of all Canadian communications revenues.

- The top radio revenue entities were BCE with 26%, Rogers with 14% and Newcap with 10%.

- Over the past 5 years, the average listening hours has decreased by at least 2 hours across all age groups.

- Commercial radio has the highest tuning at 75%; CBC ranks 2nd with 16%, audio services and community/campus follow with 2%.

- 26 percent of Canadians listen to podcasts; up from 22 percent in 2015

- By format radio tuning shares, CBC leads, followed by Today's Country, AC, Hot AC, and News/Talk.

- In the 2015-2016 broadcast year, commercial radio operators contributed 3 cents per revenue dollar to support Canadian Content Development (CCD). Collectively, they provided nearly $47M to the development of Canadian content. On average, the fund has decreased 3.9% annually over the past 5 years.

The Story

In 2016, revenues reported by the overall Canadian broadcasting sector generated $17.85B, a 0.5% decrease relative to 2015 revenues, which totalled $17.95B.

Broadcasting revenues represented 26.8% of all Canadian communications revenues. From 2012 to 2016, overall broadcasting revenues decreased by 0.14%.

Total television revenues increased by 1.7% from 2015 to 2016. The discretionary and on-demand sector was the primary source of the growth, with reported revenues of $4.4B and a PBIT margin of 21.0% in 2016, representing a 2.9% or $126M increase from 2015 to 2016.

CBC conventional television also contributed to television revenue growth from 2015 to 2016, reporting revenues totalling $1,185M in 2016, a 7.0% or $78M increase over 2015 (due to increased funding).

While the profitability of the private conventional television sector improved slightly, revenues decreased 4.5% over the same period, totalling $1.7B in 2016.

Discretionary and on-demand services rely primarily on subscriber revenues while conventional broadcasters depended mostly on advertising revenues. In 2016, approximately 92% of private broadcasters' revenues and 31% of discretionary and on-demand services' revenues came from advertising revenues.

In 2016, the top 5 companies accounted for 81% of total broadcasting revenues, generating $14.5B for themselves. The remaining entities reported combined revenues of $3.4B, or 19% of total broadcasting revenues.

Companies operating in all broadcasting segments (i.e. radio, conventional television, discretionary and on-demand TV and BDU) generated approximately 64% of total Canadian broadcasting revenues in 2016. In comparison, companies operating in only one market sector generated 5% of total Canadian broadcasting revenues. The remaining 31% of revenues were reported by firms operating in two or three market sectors.

Canada's five largest commercial radio broadcasters reported 59% of the sector's total revenues in 2016.

In 2016, private commercial radio stations reported $1,551M in revenues and a profitability margin of 18.6%. Commercial radio is profitable overall. However, this can vary significantly depending on the region, language and format.

There are 711 private commercial radio stations in Canada. They operate in hundreds of different markets and account for over 75% of all radio stations in operation in Canada.

From 2012 to 2016, commercial radio stations reported an average annual revenue decrease of approximately -1.1. Over the same period, revenues reported by AM radio stations dropped from $306M to $284M. FM stations reported an annual revenue decrease of 0.9% over the same five-year period.

Over 75% of Canada's 1100 private commercial radio stations are located in Ontario, Quebec, Alberta or British Columbia.

The Canadian Broadcasting Corporation/Société Radio-Canada (CBC/SRC), Canada's public broadcaster, operates 67 English- and French-language radio stations across Canada. Revenues for CBC/SRC's radio unit have steadily declined from $326M in 2012 to $291M in 2016.

Community, campus and Aboriginal radio stations play an essential role in the communities they serve and in the broadcasting sector as a whole. These radio stations numbered 180 and reported $58M in revenues. In 2016, the Commission issued 15 new licences, 11 of which were to non-commercial entities.

Country and contemporary music formats continue to garner the most significant national listener share. The popularity of these genres on Canadian radio has been steadily increasing over the last few years.

Canadians are increasingly using a range of audio content services in addition to over-the-air radio. According to Media Technology Monitor (MTM), 22% of Canadians (18+) stream AM/FM radio online and 55% of Canadians (18+) stream music videos on YouTube, consistent with last year's findings. National satellite subscribership is unchanged over the past three years, as MTM again estimates 16% of Canadians (18+) subscribe to satellite radio.

Revenues

In 2016, the 711 commercial radio stations in operation generated total revenues of $1,551M, down 3.2% from 2015. There were 7 additional FM services in operation in 2016, bringing the total number of FM station to 587. They reported combined total revenues of $1,267M. Revenues for FM services have decreased on average by 0.9% each year since 2012.

By contrast, the number of AM radio stations has decreased by 5 since 2012, for a total of 124 in 2016. AM struggled relative to FM stations over this period: revenues dropped 1.8% per year on average since 2012, to $284.4M in 2016.

A total of 24 radio services were offering third-language programming in 2016, half of them on the AM band and the other half on the FM band. These services generated a combined $46.3M in revenue in 2016, down 0.7% from 2015. Total revenues for ethnic radio services have recorded an average growth rate of 0.5% per year, those for French 0.3% per year, while English-language services have declined by an average rate of 1.4% per year, over the 2012 and 2016 period.

The CBC operates 14 AM and 53 FM radio stations across Canada. These services' total revenues have declined from $326M in 2012 to $277M in 2015. From 2015 to 2016, reported revenues increased 5.1% to reach $291M. The majority of this increase is attributable to an increase in Parliamentary Appropriation.

2016 marked the 3rd year of eligibility for the CBC to generate national advertising revenues on ICI Musique and Radio 2. A total of $1.1M in advertising revenue was generated, down 22.6% from 2015. Nonetheless, advertising revenues remain a modest source of income for the CBC's radio services – it accounted for 0.4% of the broadcaster's total radio revenues in 2016.

The number of radio stations operated by the CBC declined by 13 between 2014 and 2015 to 69.

In the 2015-2016 broadcast year, commercial radio operators contributed 3 cents per revenue dollar, for a total of $47M, to support Canadian Content Development (CCD). On average, the fund has decreased 3.9% annually over the past 5 years. Approximately 50.7% of the funds were a direct result of the conditions of the licence issued to new radio stations and tangible benefits paid following a change in ownership or control of radio stations; the other half was generated through licence renewals.

The six largest television broadcasters accounted for 90% of the sector's total industry revenues in 2016. In the determination of the top 6 companies, Shaw and Corus counted as one entity.