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## Specialty channels: Cancon is killing us

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*With their licences up for renewal, small independent channels are asking regulators to drop Canadian content spending requirement by as much as 30 per cent*

Some of Canada's smaller specialty channels want to cut the amount they spend on Canadian programming, arguing they are being driven out of business by federal rules that force them to spend millions of dollars on productions regardless of their channels' profitability.

The channels hope to convince the Canadian Radio-television and Telecommunications Commission they are sacrificing too large a share of their revenues each year on Canadian content, and that unless they can get some relief, they may not survive.

"A lot of people don't understand the burden of production expenditures," said Brad Danks, chief operating officer of OutTV. "It's significant because it's not coming out of profits — it's from our revenue."

The four channels — OutTV, Travel and Escape, One and iChannel — all hold Category A licences. That means they receive preferential treatment from distributors, who must offer them to their customers, often in bundles with other channels that are similarly themed. In exchange, the channels promised the CRTC when they were first awarded licences that they would dedicate 49 per cent of their revenue toward producing Canadian shows.

But they now say that's too high. Collectively, they spent \$7-million on Canadian content in 2012 while only posting \$380,000 in pretax profit. None actually hit its promised spending target last year. (They are allowed to miss, provided they make up the difference by the end of their licence terms.)

The spending promise was instrumental in securing their licences. If they had offered to spend less, it's unlikely they would have been granted preferential treatment on television packages and would have had to build their businesses without the marketing support of Canada's television distributors.

There has been a steady flow of channels over the last several years asking the CRTC for breaks, including lower expenditures on Canadian content and more flexibility on the type of programming they can show.

"This seems to be a traditional sporting activity in terms of Canada's regulatory process whether you are a large company or a small one," said Michael Hennessy, chief executive officer of the Canadian Media Production Association. "You make promises to get your licence, and as soon as you get it you start backing up."

With their licences up for renewal in the coming weeks, the independent channels have asked regulators to drop the requirement by as much as 30 per cent to give them a better chance at surviving in an increasingly corporate world they feel favours channels owned by the large distributors such as Rogers Communications Inc., Shaw Communications Inc. and BCE Inc.

Those companies pay a lower percentage of revenue toward Canadian production, but face different obligations that are meant to ensure they are funding the system at a level that is proportionate to their size.


The licence renewals will be considered during a two-week hearing that starts Tuesday, during which the CRTC will consider mandatory carriage applications from channels such as Sun News Network, Aboriginal Peoples Television Network and Starlight: The Canadian Film Channel.

The four independent channels aren't solely focused on changes to Canadian programming. They've revived a lobby group (along with APTN, Channel Zero, Ethnic Channels Group, TV5 Quebec and ZoomerMedia) called the Independent Broadcast Group in an effort to convince regulators and politicians that they have concerns about Canada's broadcast system that differ significantly from the country's larger, vertically integrated broadcasters.

"We need the regulatory regime to ensure there is a place for independent voices," said Monique Lafontaine, vice-president of regulatory and business affairs at ZoomerMedia Ltd.

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