Broadcasting Notice of Consultation CRTC 2009-113-1

Additional reference: 2009-113

Ottawa, 17 March 2009

Licence renewals for private conventional television stations

Additional documents placed on the record of the proceeding – Proposed allocation formula for the Local Programming Improvement Fund (LPIF)

In Broadcasting Public Notice 2008-100, the Commission established the Local Programming Improvement Fund (LPIF) to improve the quality of local programming provided by conventional television stations serving non-metropolitan markets of less than one million people. The use of LPIF funding is to be incremental to current local programming expenditures, with the current base level of local programming expenditures calculated by averaging a station’s expenditures for the past three broadcast years.

In Broadcasting Public Notice 2008-100, the Commission asked the Canadian Association of Broadcasters (CAB) to provide for Commission approval a detailed plan for the administration of the LPIF, including a recommendation as to who should administer the fund. The Commission has now received the CAB proposal and a follow-up letter of clarification. Both documents have been placed on the public record of the licence renewal proceeding for private conventional television stations. Parties are invited to refer to them in preparing their submissions for this proceeding, which must be filed no later than **30 March 2009**.

In Broadcasting Notice of Consultation 2009-70, the Commission reduced the scope of the conventional television licence renewal hearing to four key issues, one of which is the terms of administration and delivery of the LPIF, including the method of establishing the base-level expenditures for the purpose of determining incrementality.

In that notice, the Commission also asked parties whether the LPIF incrementality criteria or the approach to determining the base levels for incrementality should be revised in light of the severity of the current economic downturn.

Proposed allocation formula for the LPIF

The Commission notes that while the CAB proposal recommends that a simple, objective allocation formula be adopted for the LPIF, it did not provide specific details as to what that formula should be. In the interest of focusing the discussion of this issue, **the following formula is presented for consideration by interested parties**.

In view of the current global fiscal crisis, it may be appropriate to modify the requirement for incremental spending and allocate funding on the basis of a "floating average" of local programming expenditures for the previous three years. The objective would be to create an incentive to maintain or increase local programming expenditures while being responsive to current business requirements for reduced spending in an environment of uncertain revenues.

The amount of LPIF funding allocated to each television station would be determined using the following proposed formula:

1. Each station applying for funding submits its local programming expenditures for the previous three years to the Fund administrator, which calculates the three-year average local programming expenditures for the English- and French-language markets.

2. The total available LPIF funds for the English- and French-language markets are divided by the total of all stations' three-year average local programming expenditures to determine the "improvement percentage" for each market.

3. Each station's three-year average expenditure is then multiplied by the applicable "improvement percentage" to determine the dollar value of its LPIF allocation.

The following is an example to demonstrate how such a formula would be applied:

Step 1: Calculation of three-year average local programming expenditures

	2006	**2007**	**2008**	**3-year average**
Station A	$1,400,000	$1,500,000	$1,550,000	$1,483,333
Station B	$456,000	$459,000	$457,000	$457,333
Station C	$2,100,000	$2,000,000	$2,100,000	$2,066,667
Station D	$756,000	$850,000	$852,000	$819,333
Station E	$1,100,000	$1,200,000	$1,210,000	$1,170,000
			Sum of 3-year averages	**$5,996,666**

Step 2: Determination of the improvement percentage

Total Available Funds	$1,500,000
Sum of 3-year averages	$5,996,666
Improvement percentage (total funds / sum of averages)	25%

Step 3: Determination of LPIF allocations

3-year average expenditures X improvement percentage = fund allocation				
Station A:	$1,483,333	X	25%	$371,039
Station B:	$457,333	X	25%	$114,397
Station C:	$2,066,667	X	25%	$516,954
Station D:	$819,333	X	25%	$204,947
Station E:	$1,170,000	X	25%	$292,663
				$1,500,000

Questions

1. Would the proposed formula be in keeping with the objective set out above and with the objectives set out for the LPIF in Broadcasting Public Notice 2008-100?

2. What revisions or additional measures may be necessary to improve the effectiveness of the proposed allocation formula? For example, should the average local programming expenditures be based on a different timeframe, such as one or two years?

3. Is there another allocation formula that would be more effective in achieving the above-noted objective and the objectives set out for the LPIF in Broadcasting Public Notice 2008-100?

Secretary General

Related documents

- *Scope of licence renewal hearings for private conventional television stations*, Broadcasting Notice of Consultation CRTC 2009-70, 13 February 2009

- *Regulatory frameworks for broadcasting distribution undertakings and discretionary programming services* – Regulatory policy, Broadcasting Public Notice CRTC 2008-100, 30 October 2008

This document is available in alternative format upon request and may also be examined in PDF format or in HTML at the following Internet site: http://www.crtc.gc.ca.