



Broadcasting Information Bulletin CRTC 2009-686

Ottawa, 2 November 2009

Local Programming Improvement Fund

This information bulletin provides general information on the establishment and operation for the 2009-2010 broadcast year of the Local Programming Improvement Fund announced in Regulatory frameworks for broadcasting distribution undertakings and discretionary programming services – Regulatory policy, Broadcasting Public Notice CRTC 2008-100, 30 October 2008.¹

Introduction

1. In Broadcasting Public Notice 2008-100, the Commission set out details relating to the Local Programming Improvement Fund (LPIF), a new fund designed to improve the quality of local programming in non-metropolitan television markets across Canada. Broadcasting Regulatory Policy 2009-406 subsequently outlined the model for the allocation of LPIF funding, appropriate contribution levels by broadcasting distribution undertakings (BDUs) to the LPIF for the 2009-2010 broadcast year, eligibility criteria for LPIF funding, expenses eligible for LPIF funding and the administration of the LPIF. Finally, as announced in Broadcasting Regulatory Policy 2009-543, the Commission amended the *Broadcasting Distribution Regulations* to require certain BDU licensees to make contributions to the LPIF.

Administrative structure

2. *Regulations Amending the Broadcasting Distribution Regulations*, dated 19 August 2009, established the contribution rate to the LPIF at 1.5% of the prior broadcast year's gross revenues derived from the broadcasting activities of BDUs with more than 20,000 subscribers. This fund, less administrative costs, is allocated to eligible television stations that provide local programming. To facilitate the administration of the LPIF, a not-for-profit corporation has been established and a Fund Administrator engaged. The not-for-profit corporation will provide annual audited financial statements for the fund to the Commission, along with a report on how the monies have been used.
3. Commission staff will determine those BDUs that are required to contribute and those stations that are eligible to participate in the LPIF. Commission staff will also provide to the Fund Administrator, in confidence, the financial and statistical information with which to establish individual BDU contribution amounts and determine eligible station allocations.
4. For the broadcast year beginning 1 September 2009 and ending 31 August 2010, the

¹ Commissioner Michel Morin raised a number of objections relating to the Local Programming Improvement Fund. His dissenting opinion is attached to Broadcasting Public Notice 2008-100.

LPIF allocation formula is set out in paragraph 22 of Broadcasting Regulatory Policy 2009-406. In summary, the allocation formula is as follows:

- one third of the overall LPIF will be allocated equally to eligible stations across both francophone and anglophone markets;
 - the remaining two thirds of LPIF funding will be divided such that 30% is directed to francophone and 70% to anglophone markets; and
 - these amounts will be allocated on the basis of three-year historical average spending on local programming, with an allocation proportionate to the percentage of LPIF funding to all eligible stations within a linguistic market (i.e. the linguistic LPIF envelope divided by the sum of the three-year historical average spending on local programming multiplied by the individual station average three-year spending on local programming).
5. In Broadcasting Public Notice 2008-100, the Commission established an oversight panel to ensure that the fund is operated in a manner consistent with the Commission's objectives. This panel will assist Commission staff to resolve any issues that may result in any misunderstanding with the participants in the LPIF.

Eligibility criteria for TV stations

6. Broadcasting Public Notice 2008-100 specifies that to be eligible to receive allocations a station must, among other local programming, produce local news and must operate in a non-metropolitan market. Broadcasting Regulatory Policy 2009-406 defines local programming and further sets out the eligibility criteria. The Commission considers that only those expenses that are directly associated with the production of local programming should be considered eligible expenses. Broadcasting Regulatory Policy 2009-406 refers to Circular No. 426 to define "direct expenses."
7. Newly eligible stations will participate in the LPIF at a rate proportionate to their local programming expenditures for the previous broadcast year. In the second consecutive year of eligibility, these stations will participate based on their two-year historical spending average. In the third consecutive year of eligibility, the participation will be based on a three-year historical spending average as in the case of other participating stations.
8. Where a change of ownership in an eligible station occurs, participation in the LPIF will continue as per the rules set out above. The station will have the option to be treated as a newly eligible station or as a continuing station provided that all conditions of eligibility are maintained.
9. For the purposes of establishing station eligibility, Commission staff will use the financial and statistical information filed with the Commission in the annual returns and broadcast logs subject to review and verification by Commission staff. Commission staff will not accept retroactive adjustment or restatement of annual returns or broadcast logs in making this determination.

Criteria for contributing BDUs

10. As mentioned above, *Regulations Amending the Broadcasting Distribution Regulations* established the contribution rate to the LPIF at 1.5% of the prior broadcast year's gross revenues derived from the broadcasting activities of BDUs with more than 20,000 subscribers. The regulations specified that BDU licensees with less than 20,000 subscribers would not be required to contribute to the LPIF.
11. For the purposes of identifying contributing BDUs and their respective contributions, Commission staff will use the financial and statistical information filed with the Commission in the annual returns subject to review and verification by Commission staff.
12. The terms and conditions of the LPIF have been established based on the current structure and financial model of the Canadian broadcast industry. The Commission is currently deliberating issues affecting the broadcasting regulatory framework. Following the outcome of these deliberations or financial exigencies within the industry, the financial model of the LPIF may change in future years. The contemplation of any future changes will be subject to the *CRTC Rules of Procedure* and any consultation that may be considered necessary by the Commission.

Enquiries

13. Specific questions or concerns regarding the administration of the LPIF should be directed to the Fund Administrator:

Jason Howarth, CA
Vice-President
McCay, Duff & Company Management Ltd.
141 Laurier Ave. West, 6th Floor
Ottawa, ON K1P 5J3
Phone: 613-236-2367 ext. 229
Fax: 613-236-5041
14. Licensees of television stations with enquiries regarding their eligibility to participate in the LPIF should address these to the following:

Stephen Delaney
Director General - Industry and Market Analysis
Policy Development and Research Sector
Canadian Radio-television and Telecommunications Commission (CRTC)
Phone: 819-997-4677

Secretary General

Related documents

- *Amendments to the Broadcasting Distribution Regulations, the Television*

Broadcasting Regulations, 1987, *the Pay Television Regulations, 1990, and the Specialty Services Regulations, 1990 – Implementation of certain elements of the regulatory framework for broadcasting distribution undertakings and discretionary services, and changes to contributions to Canadian programming*, Broadcasting Regulatory Policy CRTC 2009-543, 31 August 2009

- *Policy determinations resulting from the 27 April 2009 public hearing*, Broadcasting Regulatory Policy CRTC 2009-406, 6 July 2009
- *Regulatory frameworks for broadcasting distribution undertakings and discretionary programming services – Regulatory policy*, Broadcasting Public Notice CRTC 2008-100, 30 October 2008
- *Guidelines respecting financial contributions by the licensees of broadcasting distribution undertakings to the creation and presentation of Canadian programming*, Circular No. 426, 22 December 1997

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