



PRIVATE RADIO

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# The Future May Not Be What You Think!

Glenn O'Farrell

President and CEO

Canadian Association of Broadcasters

Speech to Canadian Club of Toronto

Wednesday, March 1, 2006

Royal York Hotel



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*CAB President & CEO, Glenn O'Farrell, Speech*

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**Introduction:**

Thank you for that warm introduction. It's always great to be back in Toronto. It's been just over 4 years, since I moved to Ottawa and I gotta tell you - by the end of February, I like Toronto's version of winter a whole lot better. For a guy who was brought up in Quebec, I never thought I would come to the point where I would publicly admit - I really do miss Toronto: this is a great city. In fact, it was exactly 80 years ago that the Canadian Association of Broadcasters was formed here in Toronto.

Back then - in 1926 - the Canadian broadcast industry was radio, and the dominant issue was copyright fees paid for music played on the air. And here we are 80 years later and copyright is still one of our top priorities. As we say in French, "Plus ça change, plus c'est pareil."

A lot has changed in our industry since the inaugural meeting of the CAB held at the King Edward Hotel. We now have over 600 radio, television, specialty and pay members. However, the central role of broadcasting has remained the same - reaching out to audiences - in big city markets and small communities - providing Canadian context for the best media content from home and around the world.

Broadcasting is an on-going dialogue with the audience but broadcasting also stimulates dialogue within the audience itself. We do it all the time. Particularly in today's society of extremely sophisticated audiences, broadcasting provokes and promotes debate. In fact, the industry finds itself at the centre of debate a fair bit - and that's no surprise - radio and tv are daily points of reference in our everyday lives.

In this role, broadcasting plays a similar function to that of the Canadian Club, which is celebrating its 109th anniversary this year. For over a century, the Canadian Club has been a leading forum for public discourse in this country. We salute the directors of the Canadian Club here today for maintaining your commitment to the cause of public debate and congratulate you for the many, many tribunes you have hosted.

Today, the Canadian Association of Broadcasters represents one of the most dynamic economic and cultural sectors in Canada. The dynamics lie not in the pipes and wires - which God knows are very exciting (!) - but with the people and programming.

The Canadian private broadcasting system, a \$5 billion industry, reaches all Canadians with a variety of programs not only in English and French, but in many languages, including several aboriginal languages. And today I am here to talk about the oldest and some might argue the most resilient broadcasting technology, and that's radio.

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And why the focus on radio today? Because many members of the Canadian radio and sound recording industry are here in Toronto for one of Canada's premiere music events – Canada Music Week.

Our members devote countless hours and resources to bringing Canadian music artists to prominence, at home and on the international stage.

The Junos celebrate the achievements of our music stars. CMW, now in its 24<sup>th</sup> year, focuses not just on the artists, but also on the entrepreneurs, new technologies and broadcast trends that comprise our diverse music scene.

Not only will CMW delegates be taking over the Royal York with sessions, speeches and galas, but Canadian music talent will be taking over Toronto in coming days.

Before I get too far into my speech today, I would like to thank today's sponsors for their generous support – the law firm of McMillan Binch Mendelsohn, and the Thornly Fallis Group, a leading public relations consulting firm in Toronto and Ottawa. As you all know, we are nowhere without sponsors – thank you.

***“The Future May Not Be What You Think!”***

So, here you are at the Canadian Club on a Wednesday afternoon about to hear a speech entitled, “The Future May Not Be What You Think.”

The Future. Hmmm. Experience teaches us that the future is unpredictable. It is often surprising, and it is rarely what we expect it to be. Who among us is a fortune teller? Let's take a step back.

If you were a member of the federal Liberal Party, then this is not the future that you envisioned just a few months ago. Then again, the same may be true, if you were a member of the federal Conservative party. Now, if you're a member of the Bloc Québécois or the NDP, chances are that you may have a future in fortune telling.

What about when Bev Oda was producing television programs for TVO back in 1973, I'm not sure she ever dreamt that her future would lead her to become the Minister of Canadian Heritage. But here she is, taking the helm of our cultural policies under the new Conservative Government. A big task, but one that I know she has already embraced with energy and aplomb.

Of course, none of us know for certain what life will bring. Often we assume one outcome or result, only to be surprised when the opposite comes true.

The recent Olympics in Torino are a perfect example of life's unpredictable nature. We were hoping and predicting a record number of medals – but who pegged the number at 24? And how about Cindy Klassen, who wrote a new page of Canadian Olympic history by bringing home 5 medals – one in every discipline she entered? The greatest Canadian Olympian. Wow!! Then there is the screeching story of gold in men's curling – 4 twenty something year olds and the old guy who happened to be a 2 time world champion. And last but certainly

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not least, the Canadian women's hockey team who saved our souls and national identity by one outstanding performance after another all the way to the gold medal.

The point is that many of our expectations are shaped by reality and competitive pressures. The only thing we can count on for certainty in life is change. In addition to death and taxes, of course.

Now, you may have come here expecting a speech that would rhyme off statistics about the CAB, and its radio, television, specialty and pay service broadcasters.

You may have thought that as the president of the national association representing the private broadcast industry I would list all the challenges that our industry faces as we plough through the first decade of the new millennium.

You might have assumed that I would give you a razzle-dazzle recitation of new delivery platforms - Internet radio, digital radio, satellite radio, cell phone radio, iPods, file sharing and Internet music services - new technologies that are challenging our members' business models.

Well this is not the case. That reminds me of the story of the fellow in my home town who used to love giving directions to wayward travelers. Whenever asked where such a place was, he would stop and ponder the question - for effect - and then go on to a long-form version of multiple directions of where the place wasn't.

But I won't - I'll tell you where it's at here today in Toronto. It's with the passion of music that you can feel all around us - Canada Music Week. I would like to take this opportunity to bring you back to the heart and soul of our industry. I want to take you behind the scenes and paint a picture of what broadcasting is really about.

At its heart, broadcasting is an industry that is made up of people and programming. Radio personalities the audience follow everyday, and Program and Music Directors who choose the music that gets played on Canadian commercial radio stations with professional finesse.

Keeping the play list fresh and compelling is a feat that requires constant adjustment to the mix of songs that go to air. Sure they rely on objective research, and audience feedback, but they also rely on their own instinctive "feel" for the music their listeners tune in on their favourite station.

Kent Newson, Majic 100 Ottawa Program Director said it best: "It's very zen-like. You gotta really be in touch with the makeup of your audience in your city."

The key, giving the audience what matters.....to them.

Actually, Kent was telling us that he stumbled across Juno nominee Kathleen Edwards long before she signed with a major label, through the owners of a local Planet Cafe. The owners were big music fans and someone they knew had just recorded a CD, who else but Kathleen Edwards. Kent added a track of her first recording to his playlist and listeners' reaction is now history.

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Probably the best way to illustrate the passion that lies behind the technology is to focus on just exactly what is at the heart of radio. It's the people and the environment which is the local radio station.

Today, many radio companies have more than one station in a market. So you could be walking down the hall of your city's "radio station" and in one control room will be country music, further down you'll find the AM Oldies station, across the hall from that will be the Adult Contemporary station, and just as you turn the corner, you'll meet the coolest person on the planet, who works at the Alternative Rap station - All in the same building. Why? Giving the audience what matters..... to them.

Now, there is a perception that we don't listen to radio the way we used to. There are rumours that people today prefer to be their own programmers. Portable devices such as iPods and next generation cell phones allow people to download content from the Internet and listen to music and watch TV whenever they want - On the bus, on the street, inconspicuously at the back of the room at your sister-in-law's birthday party?

Many media pundits have gazed into their crystal ball and predicted the future, or, more bluntly, the death of our industry, saying that "traditional" radio and TV have been put out to pasture by blogs, pod-casts and wireless networks. And let's not forget commercial-free satellite radio. The 500 channel universe is no longer a cliché, say our critics. It is a reality.

Not to mention the fact that technologies that allow people to watch TV on a cell phone and download music from the Internet represent an unregulated, parallel system of competing content that operates without cultural or social policy requirements. Many are asking the question: how can regulated broadcasts hope to compete?

Well, I believe it was Mark Twain -- or was it Shania Twain -- who first said, "Reports of my death have been greatly exaggerated." In any event, the saying is a good one and appropriate to our industry.

The truth is that Canada's radio industry is healthy. According to Statistics Canada, Canadians spend an average of 18 hours a week listening to the radio -- the equivalent of a part-time job. And teenagers spend nine hours a week listening to radio -- nearly as much time as your son or daughter spend doing homework!

Yes, it's true that our industry is cyclical, and we are at the peak of a cycle that has experienced many peaks and valleys throughout its history and radio will need to be healthy to compete with a plethora of unregulated audio platforms.

But the news from consumers is encouraging. Eighty-three (83) per cent of Canadians recently surveyed by Decima Research said they are satisfied with the overall programming provided by the commercial radio stations they listen to. That's an impressive figure in any industry.

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***Radio's Role in Canada:***

So what is behind these trends? What explains the stubborn loyalty of Canada's radio listeners? Why haven't they abandoned us despite all the fancy new gadgets?

I would argue that it's because private radio is vital to Canadians. It's vital everyday. Think about it. Private radio provides local news and information that people depend on.

Private Radio tells people if traffic is heavy on their ride to and from work and if their local hockey team won the big game. It tells kids if buses have been canceled because of snow and which concerts are coming to town. It even tells you when new model cars are on the lot or the local Pizza-Pizza has a new combo on sale.

While Mardi Gras is doing its best to kick-start an economic comeback and a spiritual revival in New Orleans this week, it was only a few months ago that the only way available to that city's Mayor to reach victims of hurricane Katrina was radio. And during the Ontario blackout a few years ago, radio was the only link for the public in the affected areas to find out what was going on in their community.

Sitting here today, these examples may seem remote, but they are tangible and powerful reminders of radio's vital importance. And in our every day lives, radio is a vital reference point that we take for granted.

In the recent Decima survey, 78 per cent of commercial radio listeners said they tuned in to get news and information. And, a further, 73 per cent of Canadians rated the commercial radio stations they listen to as "excellent" or "good" in terms of the local news and information they provide.

Radio is truly a local medium. And despite market fragmentation, local content still has tremendous and vital appeal. Canadian content still has a place. In fact, I would argue that local content provided by private radio is now more important than ever.

I am sure Paul Larche who is here today will tell you that his stations in Kitchener-Waterloo and Midland contribute more to his community than simply paying business taxes. His radio stations help define those communities and the people who live in them. It is private radio that will help preserve our sense of community as we become inundated with content from far off places.

Let's be frank. American talk radio and the world music scene also have appeal to listeners. But where are Canadians going to get the news and information that matters most? The answer is from local radio.

Canadians agree. In fact, 84 per cent of people surveyed recently by Decima said that it is important that all communities have access to strong commercial radio stations.

And radio goes beyond its role as a news and entertainment outlet. Private radio also contributes to the social fabric of their communities. Last year, private radio stations in Canada contributed an amount estimated by the Canadian Broadcast Sales at \$238 million to charitable initiatives. Initial results of our own members' survey support this claim

These include initiatives such as the Children Hospital Foundation in Winnipeg; the victims of the Badger floods which devastated the town and forced the relocation of 900 families; the Saskatoon City Hospital Foundation Breast Health Center; the 3<sup>rd</sup> Annual Health Care Heroes Million Dollar Radiothon for 11 Midwestern Ontario Hospital Foundations; the Montreal fund raiser in support of The Weekend To End Breast Cancer; or the Cranbrook radio station that raised \$150,000 for cancer research in a single day as part of the Canadian Cancer Societies Relay For Life.

And of course, radio also plays a key role in promoting and developing Canadian artists. Canada's private radio played a key role in the success of launching acts such as Nickelback and Sam Roberts. Having their songs played on local radio helped these artists attract an audience. Today, new Canadian music stars such as The Arcade Fire and Matt Mays are also benefiting from the support of private radio.

Can you imagine if you were Aaron Lines, the country singer from Fort McMurry, Alberta who had a number one record on his local radio station, KYX-98, while he was still in high school?

Aaron Lines has just been nominated for a Juno Award for Country Recording of The Year for his latest album, "Waitin on The Wonderful." This is the reality for many of Canada's up-and-coming stars – which is why a fund created by Canadian private radio - Radio Starmaker Fund - provides travel grants to individuals and bands to get them to the host city of the Junos and participate in the celebrations. We look forward to seeing Mr. Lines in Halifax next month.

The success of Aaron Lines is just one example of what radio does in local communities all across Canada. Radio broadcasters contribute millions of dollars to non-profit partnerships that develop and promote Canadian music content.

I am speaking of organizations such as RadioStarmaker Fund / Fonds Radiostar and FACTOR / MUSICACTION. Since 1998, private radio stations have contributed over \$150 million to the development of Canadian music talent.

Initial results of the CAB members' survey show that, solely based on 60% response level so far, radio broadcasters have voluntarily contributed over \$31 million in 2005 to Canadian talent development, and this is over and above their regulatory requirements.

#### ***New Technologies and the Future:***

Research shows that Canadians are world leaders in using broadband Internet. And they use the Internet for media-related purposes, including listening to radio, downloading music, and watching the news.

With the advent of technologies such as iPods and satellite radio, people today have more choices and variety in their radio listening than ever before.

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But radio owners and operators don't see these new advances only as a threat, they also see them as opportunities. They know that to remain vital and strong, radio must keep pace with the new competitive landscape.

Change is inevitable. Often change is incremental and measured. It occurs at a comfortable pace. But, as many parliamentarians in Ottawa might tell you, change can also occur suddenly. It can jolt us awake and make us take notice. The changes occurring in the broadcast industry are happening quickly. And they certainly have grabbed our members' attention.

Radio broadcasters are streaming on-line, they are podcasting and blogging to remain relevant and meet the needs of their audiences. Many broadcasters are capitalizing on these opportunities and have their podcasting program available for their listeners to download, anytime, anywhere. It's radio on demand.

And why not? Online advertising in this country rose 43% last year to \$519 million, according to the Interactive Advertising Bureau of Canada. Research shows that more than 100 million users consume on-line digital media products each month in North America. In 2005, 4.8 million people downloaded a podcast.

Make no mistake, Canadian broadcasting is already changing, and broadcasters will drive their own future. What will remain the same is the commitment and passion broadcasters have for what they do – serving their audience.

***Conclusion:***

So what does the future hold? No one can be absolutely sure. But if history is our guide, commercial radio, the first generation of electronic mass media, will continue to succeed by adapting to marketplace realities driven by new technologies. Maintaining currency with audiences in this explosive new environment will require high-octane content and marketing wizardry to distinguish local radio choices on the rapidly expanding menu of new and unregulated content offerings available to consumers.

In fact, an upcoming CRTC radio policy proceeding will focus on the impact of new technologies - raising serious questions relating to how government regulates the sector. The CRTC hearing scheduled to be held in May is designed to review the policy framework for commercial radio. The central point of that regulatory debate will be in search of a balancing point, as opposed to creating a tipping point for regulated radio stations who now operate in a wide-open field of consumer friendly, unregulated content competitors.

So in the end.....“The Future May Not Be What You Think!” .....or Not.

Thank you.

