REDACTION

THE INDEPENDENT PRODUCTION INDUSTRY

with respect to

ENGLISH LANGUAGE PROGRAMS

FOR BROADCAST IN CANADA

A study commissioned by

The Department of Communications, Ottawa

Presented to:

The Canadian Broadcasting League
Halifax, August 11, 1976

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The actual study consists of three volumes including statistical data, tables, bibliography and glossary. Over one hundred and fifty broadcasters, producers, and other interested parties were directly contacted in personal interviews or by telephone or mail.

The University of Windsor investigators were Dr. Garth Jowett, Prof. James Linton, and myself from the Department of Communication Studies, and Dr. John Strick of the Department of Economics. Mrs. Doreen Truant assisted mightily in the research, tabulation of statistics, and stenography. Our thanks are expressed to the Federal Department of Communications for so ably supporting this study.

Hugh H. Edmunds

Principal Investigator

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A. INDEPENDENT PRODUCTION

Certain values have been attributed to independent production. They range from philosophical ones concerned with the defense of a free society which is encouraged by many voices having access to the public——voices not filtered through conventional institutions so that by a "free flow of information" an enlightened citizenry can make the wisest choice from a multitude of alternatives.

In a more pragmatic vein it has been claimed that the independent producer will bring forth new and fresh program ideas. Through his originality and efficiency learned from his struggle to survive and prosper, he will develop new methods of reaching audiences at reduced costs——and do so with a product which is more attuned to the needs and interests of the audience. In so doing, he will provide a platform for our otherwise unrecognized or unexploited talents and/or resources.

Finally, it is assumed that with a vigorous independent production industry in what is a very labour intensive business, a much greater scope of employment will be offered to Canadian craftsmen, technicians and performing talents. Such a situation would create greater opportunity for all and allow the best to rise more rapidly into public view, gaining international recognition and export dollars for Canadians.

Since the Radio Broadcasting Act of 1932, Canadians have perceived that they should have a voice in their own broadcasting for certain basic Canadian objectives. Primarily, these were to unite the country and to promote a Canadian identity. It is possibly a restatement of the obvious to point out that in a country of approximately one tenth the population of its powerful southern neighbour, Canada has had overwhelming problems of applying its limited resources to the extension of services throughout its huge expanse; meeting the demands for service and alternative service; and coincidently, attempting to fund programs in two languages, and compete in the open marketplace of the airwaves.

It is not explicitly stated in the Broadcast Act (1968) that independent production is specifically a part of our system or that independent production be guaranteed an entry into our airwaves. It is, however, somewhat implicit that many and diverse voices should be heard and that the widest range of creative and talented Canadians be given some share in reaching our audience. On many occasions the CRTC, almost as a statement of faith, has directed that independent Canadian production should be supported. Most notably the CRTC has directed the CTV network at times of its license renewals to specifically enter into arrangements with independent producers and to show considerable initiative in this area. In the setting up of the Global Television Net-work, one of the key objectives as noted above was to utilize the resources of the independent Canadian production industry. The CBC neither has been directed to or been given a mandate to purchase programming from independent sources.

One of the difficulties has been to arrive at an acceptable definition of "independent production." At the outset it may be assumed that independent implies a business or organization that does not hold a broadcasting license. An independent producer would therefore be someone who conceived of a program, raised the funds, and assembled the resources necessary to realize the program and profited from its sale to a licensee. Such a "pure" independent producer or production is a rarity in Canada. Such a breed is certainly on the endangered list.

In the United States, in the earliest days of television, most programs were independently produced and sold to the networks. This subsequently changed when the networks, for their own reasons, felt it to their advantage to produce their own programs. The situation has now changed to the extent that it is stated that 74 of the 75 network programs this year were independently produced. However, this independence of production is rather fictitious in the sense that at every step of the process the network vets the idea, shapes and formats the content, and funds each phase of the production process in order to realize exactly the program that they wish to air.

This study has attempted to analyze every program in the 75/76 broadcast year that in any way may be construed to be independent. This includes:

a) all non-network programs that are made by broadcasters in their own facilities but for distribution to other broadcasters,

b) all non-network programs made in broadcaster's studios, but which are partially or totally funded by outside sources,

c) all non-network programs made in facilities not owned specifically by a broadcaster but which are so closely related to the operation of a licensee that it is hard to call such production houses independent,

d) all those rare programs that are made completely detached from an organization which has broadcast holdings and are sold or given specifically to the broadcasters.

For purposes of this study, then, independent production has been categorized in terms of the degree of broadcaster influence or use of his facilities in the program production process. This study does not deal with French-language programming or programming made by and for the networks with no outside participation, or programs made by the CBC for regional exchange. It does, however, examine all the programs currently in distribution in Canada which have some degree of outside participation which are scheduled on the networks and all those programs that are produced by private stations or by independent producers that are carried on English language stations in non-network time.

B. THE MARKETPLACE FOR INDEPENDENT PRODUCTION

English Canada has two television networks: the CBC and CTV which can reach 90 per cent or better of the English speaking audience. Into this distribution pattern there have been introduced a number of independent television stations and the Global Television Network. It was felt that Global would represent a third force in Canadian English-language broadcasting and ideally would be a prime market for independent production. It was hoped that Global with its original coverage of Southwestern Ontario would include affiliates in the major Western cities. Except for Global's strong alliance with CKND-TV in Winnipeg, this has not happened. The independent stations in Calgary and Edmonton, CFAC-TV and CITV-TV respectively, either through ownership or representation are closely allied with CHCH-TV in Hamilton. The Vancouver independent station has expressed interest in some form of co-operation with Global but would appear to be following a very local approach similar to CITY in Toronto.

Unless the independent producer is capable of securing a full network release on either CBC or CTV he must put together an assortment of private stations of varying allegiances and affiliations. Although his program might be prime time on some of the independent stations, in the one-or-two station markets his program must be shown in non-network hours.

The potential market, then, for the independent producer consists of 67 television stations which represent 42 unduplicated markets. (No two stations in the same city would use the same program.) Also, the 67 stations studied are those stations that actually originate programming. For example, Global Television is listed as a network but in reality is a single station with a number of rebroadcasting transmitters to cover a wide geographical area and therefore is very similar to, for example, CBWT Winnipeg with its eleven rebroadcasting transmitters. For the most part, these rebroadcasting transmitters do not provide any local access nor do they cut in their own programs into the mother station's origination. Of the 42 potential markets the number of stations involved varies from one to six, e.g. Terrace, B.C. with one; Toronto with six.

All 42 markets are represented by the CBC television network with either an owned and operated CBC outlet or a private affiliate. Neither the CBC's owned and operated stations nor its private affiliate stations represent much of a market to the independent producer. The CBC network uses negligible quantities of truly independent production. The affiliated stations have little requirement for outside procurement since there is considerable excess programming created by the various owned and operated stations, which, although not of network quality, is distributed freely throughout the network to both owned and operated stations and the private affiliates. There are only five or six instances of the fifteen CBC owned and operated stations actually purchasing an independent production for use in their local time periods. The picture with respect to the private affiliates is somewhat better but still constitutes an insignificant market at present. Of the 25 remaining stations 18 are CTV affiliates, 1 is CKGN (Global Television); 1 ETV (TVO) and 5 independents (CHCH-TV Hamilton, CKND Winnipeg, CFAC-TV Calgary, CITV-TV Edmonton, CITY-TV Toronto).

The CTV stations jointly own the network and therefore share heavily in making the programming decisions for the network. Many of the CTV full affiliates are owned by companies which also own closely related production houses, for example: CFTO-TV Toronto and Glen-Warren Productions, both owned by Baton Broadcasting; CJOH-TV Ottawa and Carleton Productions Limited, both owned by Standard Broadcasting; CFCF-TV Montreal and Champlain Productions, both owned by Multiple Access. In many cases the production house is lodged in the same building as the television operation and uses the same facilities. The non-network programs produced by these production houses have been a part of this study although it is highly questionable to consider these programs as being "independent productions." There is evidence of pressure on the CTV affiliates not to use material produced by other broadcasters which might be considered similarly "independent." The use of true independent product by the CTV affiliate stations in non-network hours is somewhat greater than is the case with CBC affiliates.

Canadian programming for the CTV network consists of programs commissioned by the network which are produced by the member stations or programs produced by the stations and sold to the network. Independent production purchased and used by the network in 75/76 consisted of 6 hours of feature film and a 1/2 hour program called "Remarkable Rocket." Coproductions totalled 36 1/2 hours compared to 54 1/2 in 75/76 and 44 1/2 in 73/74. Global Television at the outset was a considerable market for independent production but as a consequence of its financial difficulties it has almost withdrawn from significant expenditures in this area.

The remaining independent stations showing some degree of consistency in their programming are: CHCH-TV Hamilton with its related production house, CHCH Productions Limited; CFAC-TV Calgary; and CITV-TV in Edmonton, which is related to a production house, Northwest Video Limited. And finally the ETV station, CICA-TV Toronto, which is significant to the independent producer.

It is obvious, then, that within this system short of a network sale the independent producer can make no coherent sale for general distribution.

C. THE ECONOMICS OF TELEVISION PRODUCTION

Without elaborating in this paper, much evidence went into the study demonstrating that the conventional advertiser-supported television industry is oligopolistic and vertically integrated and how this affects independent production. Suffice it to say that the very nature and structure of the broadcast industry is therefore totally constrained to preclude diversity of content, innovation, and the use of independent sources.

A number of economic approaches were studied. Tax incentive, depletion allowances, subsidies, loans, "anti-dumping" regulations, and quotas. Obviously the Canadian producer cannot compete with U.S. product imported and sold in Canada for a fraction of its initial cost of production. These figures are well known.

The fact that Canadian programs are less profitable than U.S. programs applies to all Canadian produced programs, whether they are produced by the networks or by independent producers. Given Canadian content requirements the important issue for Canadian independent producers is the cost and quality of their productions in comparison to network programs. Are they competitive with network productions? The evidence appears to indicate that independent producers can compete in cost with networks for certain types of programs. Nature programs such as "Wildlife Cinema" or "Audobon Wildlife Theatre" cost approximately $2,000 per minute to produce. TV information and documentary programs by both independents and the networks average approximately $500 per minute to produce.

Some independent producers argue that they can, in fact, produce more economically than networks. They complain that the cost accounting of "in-house" productions tends to understate the cost of these productions. Commented one producer: "If their staff and overheads were considered as direct monies [costs] private producers could underbid them 100% of the time."

Comparisons of costs of production by independent producers and networks are not only difficult but may also be misleading. The primary factor as far as independent producers are concerned is not their costs of production relative to that of the networks, but the price that the networks offer for their programs relative to the cost of producing the program or one of the same general type "in-house." Open competition between the two appears non-existent. The networks are oligopoly buyers who, when they purchase from independents, usually offer much less than the cost of production or, it would appear, the amount that it would cost them to produce a similar program.

In addition, frequently when the networks do approach outside producers, they do not openly tender contracts and therefore are not necessarily obtaining them at least cost. Many independents complained that they are not made aware of network proposals for outside productions and are not given the opportunity to compete for the contracts.

1. <u>Economic Determinants of Content</u>

A basic assumption of a free market, perfectly competitive system is consumer sovereignty; that is, that the consumer of goods and services is free to choose what he will purchase. In such a system, in the case of the television industry, it would be the viewer who determines the content of television programming. However, the television industry is not perfectly competitive. The networks constitute an oligopoly whose membership is limited by government regulations. In determining programs networks engage in oligopoly games in which diversity, costs, and uncertainty or risk are minimized. Networks will stay with those types of programs which have proved to be successful and make only marginal yearly changes.

Therefore, a major determinant of Canadian programming is U.S. programming, with the two countries constituting practically a common market for U.S. TV programming. Canadian networks are to a large degree constrained by what is shown by U.S. television and will not deviate significantly from that format or those program-types. American and Canadian viewer tastes and TV habits are very similar and for a Canadian station to deviate significantly will likely mean a loss of audience.

In Canada an added dimension to programming is the existence of the public CBC which is heavily financed by parliamentary appropriations rather than relying solely on advertising revenue. It could be expected, therefore, that the CBC would not necessarily be bound by the constraints of the private networks and more readily offer a greater diversity of programs and experiment with minority interest programs which conceivably could gain popularity. While this may be an element in CBC programming, it is nevertheless apparent that the CBC is also guided by the constraints or factors affecting programming in general. A quick survey of CTV and CBC prime time schedules, along with those of the major U.S. networks, reveals numerous "similar-type" programs. Examples have been cited by CTV where that network had scheduled a particular program, such as a wildlife-adventure, only to be quickly followed by a scheduling of a similar wildlife program by CBC in exactly the same time spot.

These program content determinants are most significant for the Canadian independent program production industry. The type of programs acceptable to the networks are largely pre-determined as are the prices they are prepared to pay. Yet, as outlined earlier, the independents cannot compete in cost with the prices that American programs are made available to Canadian networks. It would appear that it is only Canadian content legislation which prevents a network such as CTV from relying almost completely on American programs, except for such items as the news or sports. Without this legislation CBC would likely continue to bring some Canadian produced programs or risk losing its public financial support.

The economics of program production, the similarity of Canadian and American TV viewing habits, the availability of American programs to Canadian networks and stations, the proximity of American border TV stations and cable providing American signals to the Canadian market and fragmenting Canadian audiences, and the network tradition of producing its own programs, all act as constraints on independent production, and establish both content of independent productions and the time of their showing. In essence, independents are limited to such subjects as wildlife documentaries, educational or religious programs, or talk shows, all primarily for non-prime time showing.

Some independent producers have made attempts, with some success, to break into foreign markets other than the U.S., particularly Europe and Japan. Among the successful productions, some have been marketed in both Canada and abroad while others have been produced exclusively for the foreign market. In this latter area the content of the programs is very constrained, until recently, being limited primarily to information programs or documentaries and relatively few in number.

2. Size of the Independent Program Production Industry

The available statistics on various aspects of the independent program production industry, such as total costs, revenues, employment, are incomplete and consequently give at best only a partial picture of the size of the industry.

Two sources of data are employed in this section on the independent program production industry and the results are shown in Table 1. This table contains the data from the 1974 survey of motion picture production conducted by Statistics Canada. The Statistics Canada survey is designed to cover the "private industry" which excludes the government sector or production by television networks or stations. However, the data is not exclusively limited to program

TABLE 1

MOTION PICTURE AND VIDEO TAPE PRODUCTION

	T.V. Entertainment	Information or T.V. Documentary	Television Commercials	Education	Other
Number of Producers of English Films	18	34	50		12
Number of English Films	143	223	1,606		83
Total Number of Video Tape Producers	1	0	5	3	4
Total Number of Video Tape Productions	65	0	216	10	11
Total Running Time of Video Tape Productions (Minutes)	25	0	114	83	148

Paid Employees and Payroll	Motion Picture Production and Laboratory Operations	Video Tape Production
Number of paid employees, excluding freelancers, performers and musicians	1,273	3
Total salaries and wages paid to above employees during the business year, excluding freelancers, performers and musicians	$13,161,931	$15,750
Total salaries and wages paid freelancers, excluding performers and musicians	$ 4,246,906	$ 6,500
Gross Revenue		
Sale and Rental of television motion pictures	$18,313,900	
Sale and Rental of Video Tape programs	$ 346,500	

Source: Statistics Canada, 1974

production. Certain companies could be engaged primarily in laboratory operations processing film for others rather than in program production and would therefore not be considered program producers under the definition contained in this study.

The Statistics Canada total of about $18 1/2 million not only includes laboratory operations which probably account for half the total but it includes the production of commercials and some industrial and shorter length films, not really programs in the sense of selling them to broadcasters. It is almost impossible to give a dollar value of the industry within our definition of true independent production. $6,000,000 or less would be a good guess.

The number of producers in the industry shown in Table 1 is exaggerated in that a producer may be engaged in the production of more than one type of film. That is, he may be engaged in the production of TV entertainment film, information TV, and TV commercials and be counted each time.

Given the limitations and aggregations of the Statistics Canada survey, we attempted to develop an alternative set of data on independent program production by doing our own survey of the industry. A total of 837 questionnaires were distributed to "Producers," whose names were compiled from a variety of sources. Of these, 113 were returned for a response of 13.5 per cent. Of these, 39 or 35 per cent reported that they were currently producing film or tape programs for broadcast. Of the 74 producers who replied that they were not producing programs for broadcast, 25 or

35 per cent reported that they were producing commercials. Also, of this number, 46 per cent reported that, while not now producing broadcast programs, they would be interested in producing programs.

The survey, while producing valuable information for case studies and information on certain aspects of the industry was unable to produce meaningful data on the aggregate size of the independent program production industry in terms of total values (i.e. costs and revenues). However, using other approaches, e.g. estimates of actual monies paid by stations for programs, we arrived at some idea of the revenues English language broadcast sources spent on the "true" independent production industry.

3. Profitability

Incomplete statistics on the independent program production industry preclude an analysis or evaluation of the profitability of the industry as a whole. Case studies, however, do reveal some insight into the economic viability of the industry.

An examination of the average production costs and average revenues was made of a few selected programs for which data appeared reasonably reliable. The general observation was that unless a program is co-produced or is marketed in foreign countries it is highly likely to result in a loss to the independent producer. The following will serve as examples. The program, "Witness to Yesterday" (Look/Hear Productions) cost $12,000 per 26 minute episode. It was sold to Global TV for $7,100 per episode. Additional revenues, however, were obtained from sales to the U.S. and England. "Wildlife Cinema" (Keg Productions) cost $60,000 for a 30 minute episode. It was purchased by Global for $126,000 or less than $5,000 per episode. Only extensive foreign sales enabled Keg Productions to more or less break even on the production. On the other hand, two co-productions of Keg Productions and the CBC, namely "To The Wild Country" and "Adventures in Rainbow Country," cost Keg $15,000 to produce but returned $30,000. Here again these programs enjoyed successful foreign sales. The program "Flipside" (McKenna & Associates) was produced at a cost of $5,000 per 30 minute episode (for 13 episodes). It was sold to the CBC for $1,000 per episode and then was marketed abroad. "Swiss Family Robinson" (Astral Television Films) cost $65,000 per episode. It was sold to CTV for $390,000 or $15,000 per episode. It was also marketed in foreign countries and in total yielded an average of $50,000 per episode. "Journal" (Films Arts Ltd.) cost $5,000 per episode to produce. It was sold to the CBC and in foreign countries and averaged $7,000 in revenues per episode.

A more detailed example of revenues accruing is the cast of "Tan Kukul" (Artistic Productions Ltd.). One 26 minute episode cost $20,000 to produce. It was sold to CBC for $3,500 and to Spanish TV for $450. In addition, $1,000 was received from prints, and two shorts of 3 1/2 minutes were made from the film, one sold to CBC for $3,600 and the other to CBC (French) for $500. Total revenue from the film to date is $8,550 or, as the producer so aptly stated, "not a living yet."

"Cold August Wind" (WE Films), a 24 minute film, cost approximately $24,000 to produce. One of its markets was CBC (French) for $2,400 for seven years unlimited use. "The Latter People" (Atkinson-Film Arts), an educational program, was produced at a cost of $54,000 per episode. It was sold to a U.S. television station for $12,000 per episode and was also shown on cable in Canada. The "Diefenbaker" series (Bushnell Communications) cost $16,000 per episode for 7 episodes. It returned $5,000 per episode from CTV. "The Maverick Nun" (Grant Productions Ltd.) was a 26 minute episode produced at a cost of $16,000. It yielded $3,000 on two CBC runs in Toronto.

One of the largest and most truly independent producers is Nielsen-Ferns Ltd. and it is also one of the most successful. It has produced a number of programs for a variety of clients including the CBC and foreign television networks including co-productions with British, German, and Japanese producers. The programs are primarily TV information or documentary (95% of total revenue), along with some educational programs. The firm listed the average cost of a 30 minute TV information or documentary film at $18,000, with average revenues of $20,000; and the average cost of 30 minute educational programs at $1,250 with revenues of $1,500.

It is rather obvious from the foregoing that in most cases, independently produced programs do not make a profit from sales to Canadian networks or stations. These programs, if they can find a market in Canadian networks, are generally rented to the networks at only a fraction of the cost of production and must rely on subsequent sales, particularly in the foreign market, to cover the remaining costs and yield a profit.

In general, the TV broadcast market in Canada appears inadequate at the present to sustain an independent program production industry. The independents must pursue outside markets if they are to cover costs of production of TV films or programs. Of course, a number of these producers are also active in the more lucrative TV commercial market and returns in this area of production tend to subsidize the less profitable program productions and enable them "to survive."

4. Canadian Content Regulations

On the basis of our study, a number of facts have emerged which point to the present Canadian Content quota system as having been quite detrimental to the success of an independent industry. Without a Canadian content requirement, it is obvious that the private broadcasters would have had little inducement to create programs outside of the news and public affairs area. Yet, the requirements placed on the private broadcaster to produce Canadian content have led to such an investment in hardware and staff that virtually all Canadian production can be done in-house. With the development of broadcaster associated production houses, the independent producer is, in effect, a competitor. These broadcaster investments in plant and staff together with alliances through ownership, national representatives, or affiliations have made it nearly impossible for an independent producer to gain significant national distribution of his product. This is not to suggest that the Canadian content requirements are wrong, per se, but that they afford no climate for the growth of an independent production industry.

From all of our sources there seems to be a consensus that the Canadian content regulations have gone as far as they can go productively. Even among the independent producers there are few suggestions that the 50 or 60 per cent requirements should be raised. Possibly one of the best comments came to us in a letter from Mr. Pat Ferns, President of Nielsen-Ferns/Inter-Video Incorporated. He says,

> The problem independent production houses face is the problem of maintaining quality without sufficient volume in the Canadian market alone to enable us to retain staff on a continuous basis. In this respect the CRTC regulations imposing a 60 per cent quota without increasing the amount of money available for Canadian programming have had a deleterious effect. This, combined with the policy of Canadian networks to produce in-house, has made it difficult for independents to secure enough return from a Canadian sale to justify proceeding with the many productions that would achieve substantial international sales.

D. THE 1975-76 BROADCAST YEAR

Another attack on the problem was made by determining just what programs were in general distribution and syndication during the past year.

We hoped to arrive at some ideas of the quantities, origin, content, distribution and actual revenues spent by broadcasters on independent product.

A questionnaire was sent to all the 67 originating English language TV stations in Canada. With a better than 90 per cent response, we ascertained all the programs carried by these stations and shown in non-network time--programs for which they claimed Canadian content credit and were not local originations. After extensive cross checking, phone calls, study of listings and program guides, talks to distributors and producers, and reference to BBM's, we believe we have a very accurate and complete data base for the 75/76 program year. So that any realistic appraisal of the nature and worth of the industry could be made, it was necessary to go to these lengths. To this data base was added all the activities we could discover which were related to independent or co-production on the networks. Educational television was also separately assessed.

The data with respect to the non-network, non-educational programs forms a matrix of 96 programs categorized into 70 attributions for a total of 6,720 pieces of information.

1. Programs in Distribution

We believe the 96 programs studied to be the universe of syndicated or freely distributed Canadian programs, less CBC regional exchange programs. Table 2 presents all the programs currently in production attributed to "true" independent producers using non-broadcast related facilities.

It is not a very imposing presentation.

TABLE 2

1.	Total Number of Shows	96
2.	Total Number in Production	57
3.	Number of True Independent Producer in Production using any facilities	22

Independent Producers

a) Using Non-Broadcast Related Facilities In Production

Title	Content	Medium	No. of Episodes	No. of Stations
Church Today	Religious	VTR	26-52	6-10
Ed Allen Time	Soft Info	Film	Over 52	11 plus
Hisey House of Song	Religious	VTR	13-25	2-5
Horst Koehler	Soft Info	Film	26-52	6-10
Journal Int'l	Hard Info	Film	26-52	2-5
Peoples Church	Religious	VTR	26-52	2-5
War Years	Hard Info	Film	13-25	1

Only 7 programs appear to be independently produced completely detached from broadcaster involvement, although two of the religious programs may be using broadcaster facilities. We gave them the benefit of the doubt. Two of the film shows use foreign stock footage or outs and are edited and dubbed to VTR here. The other two film shows are usually shot on location elsewhere.

Of all these 22 programs attributed to true independent producers regardless of the facilities used; 9 are religious programs; 5 are "hard" information, i.e. political interviews, current affairs, news, history, etc.; 6 are "soft" information, i.e. exercise, cooking, horoscope, travel, etc.; and 2 are sports—both wrestling. Table 3 shows the remaining 15 programs. All are videotaped in various broadcaster's plants or production houses.

TABLE 3

	Title	Content	No. of Episodes	No. of Stations
b)	Facilities - Broadcaster - In Production			
	Going Places	Soft Info	26-52	6-10
	Niven Miller	Religious	26-52	6-10
	Agape	Religious	26-52	11 plus
	Superstars/Mat	Sports	26-52	6-10
	Family Finder	Soft Info	26-52	6-10
c)	Facilities - Broadcast Related CTV - In Production			
	Great Debate	Hard Info	26-52	2-5
	Homer James	Religious	26-52	2-5
	Take Kerr	Soft Info	Over 52	2-5
	Wrestling	Sports	13-25	6-10
	Masters Touch	Religious	26-52	2-5

Title	Content	No. of Episodes	No. of Stations
d) Facilities - Broadcast Related Non-CTV - In Production			
Circle Square	Religious	26-52	11 plus
Confrontation/ Under Attack	Hard Info	26-52	6-10
Crossroads	Religious	26-52	11 plus
Larry Solway	Hard Info	Over 52	6-10
Your Horoscope	Soft Info	Over 52	2-5

Of the 22 programs shown in Tables 2 and 3, 11 are supplied to the stations free or time is purchased on the station to run them. This means that only 50 per cent of them are actually purchased by stations.

The educational and network programs were examined as case studies. The CBC regional exchange programs were not examined since they are completely outside the criteria of this study except in respect to the manner in which they satisfy most of the CBC private affiliates' need for Canadian content.

2. Revenue from Broadcasters

Restricting ourselves to true independent production, we estimated the total money spent out-of-pocket by the broadcaster. The technique involved finding out the extent of distribution, number of hours per week, and time placement of the programs. A general rule is that a broadcaster pays the equivalent of the one time one minute commercial rate for a half hour program scheduled in that time period. Through the magic of arithmetic and by being very generous in in our estimates we suggest that last year

CTV Network spent	$ 225,000.00
CTV Affiliates spent	300,000.00
CBC Network spent	500,000.00
CBC O and O's spent	100,000.00
CBC Affiliates spent	100,000.00
Global Television Network spent	100,000.00
Independent Stations spent	300,000.00
	$1,625,000.00

To this may be added $1,000,000.00 from educational sources (a significant source of money to the independent producer) and we suggest that not much more than $2 1/2 million is spent in all areas of broadcasting for true independent product.

3. Distributors

Broadcasters who were newly attempting to produce and distribute their own product told us that the selling of a program is an art in itself. They felt a real lack of expertise in this area and had come to the conclusion that it took an outside professional to handle the job. An interesting development in Canada has been the emergence of a number of distributors who specialize in Canadian content, most of it from broadcast related sources. Most notable are:

a) Garth Olmstead in Vancouver who handles Champlain in the West, some CFAC and CITV product and some true independent product throughout the country;

b) Colm O'Shea Ltd. which basically represents CHCH material here and abroad;

c) Gordon Jones of Toronto—primarily CTV less Champlain;

d) Dana Murray of Toronto—Champlain in the East and some true independent production.

Most of these distributors felt optimistic about their livelihood. Some felt the CBC policy of regional exchange removed much of their potential market and some felt the stations were most unrealistic about costs.

4. Viewer and Advertiser Interest

The following comments from individual broadcasters concern advertiser and viewer interest.

> As is evident in the scheduling of Canadian programs listed above [station schedule], most are placed on Saturday-Sunday. Therefore the question of national selective sponsors is not a factor.

> Generally the quality is quite poor. The Canadian programs are almost impossible to sell to sponsors, and the cost to us is generally higher [than U.S. shows].

> Lately Canadian productions are becoming more saleable. Not much more, but more. It may be that I insist on placing some of them in prime time . . . and they have to be sold. (Too much of Canadian content is pure greed or garbage . . . game shows.) Local stations, regional, and nationally, broadcasters are still doing a lousy job presenting Cdn. talented artists.

> We have found the availability and content of Canadian [programs] fairly good. Our problem has come in sponsors (and viewers also) not accepting Canadian content programming as a good buy and a good viewer programme.

> Local and national advertisers certainly don't line-up to buy time in the above shows listed.

Our own analysis of the 96 syndicated programs showed their BBM ratings, for the most part, to be insufficient to measure or so small as to attract no sponsor interest.

5. Production Facilities

In the case of film production, the independent producer may turn to many excellent film laboratories, sound mixing facilities, freelance cinematographic and sound services. There is no question that the capability exists in Canada to produce professional film in all its technical aspects. The problem is to meet the direct costs and professional standards involved. No independent film can be made for broadcast in Canada which can pay its way without international distribution or other sources of revenue.

With respect to videotape production, all broadcast standard videotape facilities are owned by broadcasters or broadcast-related companies with the exception it seems of three production houses. These are Mobile Videotape and Advertel in Toronto, and Inter-Video in Montreal. There are a number of smaller concerns with some videotape capability but it is very questionable that any of these could mount a program of professional broadcast standard.

Advertel has been involved in a number of public affairs-type independent productions but is primarily concerned with videotape commercials. Inter-Video has merged with Nielsen-Ferns of Toronto. This represents the only integrated independent production organization in Canada.

Canada as a whole seems to be extraordinary well off in terms of a production capability with the necessary plant, equipment, and technical expertise. What is lacking, then, is the volume of money to upgrade the software that these facilities could produce.

E. WHAT THE PRODUCERS WANT

Our survey of independent producers revealed a number of major areas of concern and responses to various forms of assistance.

Interestingly enough, almost without exception, the producers who responded to our survey opposed subsidies and favoured instead loans, tax incentives, and other types of incentives and assistance. The following response will serve to illustrate the general mood among producers with regard to subsidies:

> "Subsidies are not the answer, for they result in the production of garbage."

One of the major complaints was the lack of interest (and therefore a market) by the CBC and CTV networks. By far, the CBC was the target of their wrath.

Our survey yielded a mixed reaction to the suggestion of quotas for independent programs. Although the majority of replies favoured quotas as one means of breaking the network tradition of "in-house" production, some of the producers recognized the potential difficulties with such a policy while a few rejected them outright with comments such as: "A healthy industry is not created by forcing junk down the throats of the public via quotas"; or "Quotas might put the garbage on the screen, but they will not make people watch the stuff."

More objectively, a number of problems with quotas do stand out. The first concerns the CTV and Global networks which are private networks with a number of private affiliates.

Current legislation stipulates the requirement for Canadian content on TV, but to extend this further and force these private networks to purchase part of their product or contract out rather than to produce it is a delicate matter for which no precedent appears to exist in any industry in Canada.

With the CBC it is a question of the manner in which public funds should be used—entirely by the public corporation in a producer role or shared by other producers in the purchase of their products. This question relates to the "make or buy" issue within government departments. The Glassco Commission examined CBC policy in videotape and film production and recommended more outside participation. However, the CBC has often been reluctant to share what might be called editorial control with an outside source. It is not hard to sympathize with CBC having to defend before the Standing Committee a program that they were almost obliged to run.

Some producers contended that broadcasters, the National Film Board, and government departments (federal and provincial) do not follow a policy of open tender in film production work but operate in a "very clique-like fashion." They argue that such practices and attitudes would likely continue if a system of quotas was instituted.

What the producers want can best be summarized as some fair and equitable opportunity to compete in the business of making programs. They suggest they need help but mostly in terms of some access to the marketplace and some realistic consideration of their costs.

F. CONCLUSIONS - IS THE INDUSTRY WORTH SUPPORTING?

The answer to this question to a large extent depends upon how we perceive our national priorities.

The independent production industry for broadcast cannot be isolated from an independent production industry which may be involved in industrial film, TV commercials, educational programs for non-broadcast use, and many other areas. It is part of an amorphous collection of producers, writers, performers, cinematographers, and technicians who come together in various groupings in order to carry out that art or craft called production. What we are really talking about is the great number of creative and talented Canadians w ho wish to have the means to communicate with their countrymen and to extend their reputations throughout the world. In dollar value the industry is not particularly significant in terms of the Gross National Product. Statistics Canada reports for 1974 a bit over $18 1/2 million spent on independent television production. We calculate rather optimistically that the broadcasters in the 1975-1976 program year spent $1,625,000 for the direct rental of independent product and that the educational sector probably purchased about $1,000,000 worth. In 1973 ACTRA members received 1 per cent of their total earnings from the independent production industry, or, in other words, $160,000 was spent by the industry on our professional actors, writers, singers, and dancers. This figure includes French language production.

On the other hand, this entire grouping of skilled

Canadians does represent a public resource which far outweighs its numbers. In spite of the restrictive immigration practices of our neighbour to the south, there still is a considerable drain of talent each year to the U.S. If there is one area of expertise which we lack most it is in the writing capability for either film or broadcast. The few writers we do develop seem to leave us shortly. The value of this pool of talent cannot be over-estimated in terms of its availability to our conventional broadcasting system. And without this reservoir of talent and expertise the conventional broadcast industry would have little to draw on for innovation and depth.

It is unlikely that a strengthened independent production industry would contribute much to the "more and diverse voices" deemed beneficial to the free flow of information in a democratic society. The news and public affairs fields are those most jealously guarded by the broadcaster and possibly rightly so. Within the existing economic structure of broadcasting it has been noted that the economic forces tend toward homogeneity and lack of diversity in content. Norman Lear, in his break-through with "Mary Hartman, Mary Hartman," will end his first half year with a loss of $1.2 million. By being "independent" he had to sell the program to individual stations in less than prime time. It is hard to imagine any Canadian independent producer being able to risk this kind of developmental and start-up production costs without some guarantee of recouping his outlay.

The opening up of the prime-time access hour in the United States was designed essentially to allow independent production of a more innovative and independent nature to enter into prime-time hours. The results have been disastrous. If to gain diversity of content or opinion is a major criterion on which to justify supporting independent production, then drastic revisions would have to be made in our broadcasting structure.

If a broader view is taken that the value of independent production lies in offering opportunities for new writing, new performers and new formats with a greater diversity of Canadian expression, then this is a distinct possibility but only if the economic climate can be improved. Many of our most able producers, directors and writers, even expatriate ones, would welcome the opportunity to work in this milieu.

A number of the more successful independent producers in this country have drawn our attention to the fact that a good Canadian program can also have good foreign market potential. They tell us that without the modest co-production arrangements they currently enjoy, many a distinguished series would never have gotten off the ground and would never have received the financial success and international acclaim it has. Few of these programs are applicable to commercial U.S. television but programs that are, such as the "Bobby Vinton Show" (Shiral in co-production with CTV) are valuable in our development. Most of the more successful producers are not interested in subsidy but simply sufficient access to the domestic market in order to provide the seed money to initiate their projects.

In the much more fluid organization of the independent industries, young and aggressive talent may propel themselves forward much more rapidly than in the more heavily structured broadcasting establishment. Whatever the situation, there will always be more hopefuls than places for them in the industry, however the situation right now is so unpromising that it probably lacks the minimal stability necessary to put forth sustained professional programs.

In conclusion, we feel that the industry is necessary and needs help. Any economic support to it will probably be self-liquidating in terms of employment opportunities provided and export dollars realized. The intangible dividends are unmeasurable but considerable. In our recommendations we note a number of specifics which would be beneficial to the industry, but it is our feeling that some rather drastic and possibly revolutionary policy directions need be taken since this industry and its problems are simply a small reflection of the much greater problem in Canadian broadcast programming generally.

G. RECOMMENDATIONS

1. Economic

a) Incentives for Investment

Efforts should be made to encourage financial investment in Canadian production. The tax system offers an avenue for investment incentives.

RECOMMENDATION 1 — THE CURRENT TAX PROVISION OF A 100 PER CENT WRITE-OFF OF CAPITAL COST TO AN INVESTOR FOR A "CERTIFIED FEATURE FILM" IN THE YEAR IN WHICH THE FILM IS MADE BE EXTENDED TO ALL CANADIAN FILM REGARDLESS OF THE RUNNING TIME OF THE FILM.

RECOMMENDATION 2 — AN ADDITIONAL INVESTMENT INCENTIVE BE INTRODUCED IN THE FORM OF (*i*) A TAX CREDIT WHICH WOULD PERMIT A CERTAIN PERCENTAGE OF THE COST OF THE INVESTMENT TO BE DEDUCTED FROM THE TAX LIABILITY ON INCOME OBTAINED FROM THE INVESTMENT, OR (*ii*) A SPECIAL DEPLETION ALLOWANCE REFLECTING THE DECLINING AND UNREPLACABLE VALUE OF A FILM OR TV PROGRAM PRODUCTION.

A depletion allowance would permit the investor to deduct from the proceeds of a film a certain percentage each year, which would reflect its declining value, to arrive at taxable income. Either the tax credit or the depletion allowance would encourage investors to invest in serious program productions which have a good potential for producing a return since the tax advantage could only be realized if the production does yield a return.

RECOMMENDATION 3 — *THE CURRENT DEDUCTIONS FOR TAX PURPOSES FOR INVESTMENTS IN FOREIGN FILMS AND VIDEOTAPE EITHER BE DISALLOWED OR GREATLY REDUCED TO CHANNEL CANADIAN INVESTMENT FUNDS FROM FOREIGN PRODUCTIONS TO CANADIAN PRODUCTIONS.*

Marketing Canadian independent program productions is another major problem of independent producers. Efforts should be made to encourage Canadian producers to look to the wider international market and be given incentives for foreign sales.

RECOMMENDATION 4 — *REVENUES EARNED FROM THE SALE OF CANADIAN PROGRAMS IN FOREIGN MARKETS BE TAX EXEMPT AND THAT A FOREIGN TAX CREDIT BE GRANTED FOR ANY TAXES PAID ON THESE REVENUES IN THE FOREIGN COUNTRY.*

b) Loans

The majority of independent program producers have rejected subsidies as a means of aiding the industry for a variety of reasons. They did, however, tend to favour loans from a government supported institution and we agree that this form of assistance has considerable merit as well as precedent in other government assisted industries.

RECOMMENDATION 5 — *THE FEDERAL GOVERNMENT ESTABLISH A GOVERNMENT LENDING AGENCY FOR THE FINANCING OF INDEPENDENT PROGRAM PRODUCERS THROUGH DIRECT LOANS AND THE GUARANTEEING OF LOANS.*

2. Policy and Regulations

Granted that the implementation of the economic recommendations above would be highly beneficial to the industry, there is still the major problem of getting the product to the airwaves.

a) The Canadian Broadcasting Corporation

We feel that the CBC has a legitimate need for greater funding specifically directed toward the improvement of Canadian programs.

RECOMMENDATION 6 *THAT ADDITIONAL PROGRAM MONIES SHOULD BE MADE AVAILABLE FROM THE PUBLIC TREASURY TO THE CBC FOR THE ENHANCEMENT OF CANADIAN PROGRAMS, AND THAT A LARGE PROPORTION OF THESE ADDITIONAL MONIES SHOULD BE SPECIFIED FOR THE PURCHASE OF INDEPENDENT PRODUCT.*

Although there will be a number of problems associated with this recommendation, we feel in general these could be w orked out to the advantage of the industry and the public. The CBC would be in the position to upgrade spending on a reduced number of programs and further large capital grants to the Corporation might be reduced.

b) The CTV Network

The CTV network is barely making a token contribution toward its avowed commitment toward independent production. Our study demonstrates that, if anything, its performance has been progressively less each year. Given the basic financial stability of the major CTV stations and related production houses:

RECOMMENDATION 7 *THE CRTC SHOULD ENSURE THAT THE CTV NETWORK LTD. CARRIES OUT ITS COMMITMENT TOWARD INDEPENDENT PRODUCTION.*

c) A Third Network - to provide national distribution among the independent broadcasters.

RECOMMENDATION 8 *THE CRTC SHOULD STUDY POSSIBILITIES OF ESTABLISHING A LIMITED NETWORK WHICH MAY OPERATE FOR ONLY A FEW PRIME TIME HOURS AND WHICH INCORPORATES BOTH THE RESOURCES OF GLOBAL AND CHCH HAMILTON TO INCLUDE A DISTRIBUTION SYSTEM THAT REACHES THE THIRD STATIONS IN WINNIPEG, CALGARY, EDMONTON AND VANCOUVER, AND WITH THE POSSIBLE EXTENSION TO THE MARITIMES.*

Some unusual arrangement would have to be worked out with respect to the two Toronto stations (Global and CHCH) but we are rather familiar in Canada with setting up unusual broadcasting structures. We see no great problem if these stations duplicated Canadian programs at different times.

d) The Prime Time Period -
The Canadian Content Hours

We noted the downward trend in viewing Canadian programs. In Canada as a whole for every hour of Canadian content viewed, three hours of U.S. programming is watched. In Toronto the ratio is one to four. Even more alarming is the trend for our younger Canadians to be watching an even greater proportion of U.S. content.

RECOMMENDATION 9 — A SPECIFIC PERIOD OF PRIME TIME TELEVISION BE SET ASIDE FOR EXCLUSIVE CANADIAN CONTENT. THIS WOULD SIMULTANEOUSLY APPLY TO ALL BROADCASTERS AND WOULD INCLUDE A PORTION OF LOCAL AS WELL AS NETWORK TIME.

EDMUNDS, HUGH H.
A STUDY OF THE INDEPENDENT PRODUCTION INDUSTRY WITH RESPECT TO ENGLISH-LANGUAGE PROGRAMS FOR BROADCAST IN CANADA.