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# A STUDY OF THE INDEPENDENT PRODUCTION INDUSTRY WITH RESPECT TO ENGLISH LANGUAGE PROGRAMS FOR BROADCAST IN CANADA

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A study of

# The Independent Production Industry

with respect to

ENGLISH LANGUAGE PROGRAMS

FOR BROADCAST IN CANADA

with

RECOMMENDATIONS FOR POLICY ACTION

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THE INDEPENDENT PRODUCTION INDUSTRY

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CHAPTER I

INDEPENDENT PRODUCTION AND THE

CANADIAN BROADCASTING SYSTEM

A. Introduction

On November 5, 1975 Mr. J. Allan Slaight, President of Global Television, when appearing before the CRTC with respect to Global's progress, wondered "if there really is an independent Canadian production industry?"[1] Mr. Slaight was referring to one of the original goals of the Global network, namely; "since independent production facilities exist, Global will decentralize its production, and utilize the independent production industry."[2] Now, four years later, sadder and wiser due to the many many millions of dollars lost, Mr. Slaight reviewed the unhappy history of Global's entry into the field of television and independent production in Canada. This study, then, shall concern itself with the question of whether independent production facilities exist and whether there "really is" an independent Canadian production industry.

Since the Radio Broadcasting Act of 1932[3] 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 distinct Canadian identity.[4] 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 which will compete in the open marketplace of the airwaves.

In reviewing the many accomplishments of both the private and the public industry it is remarkable that so much has been achieved. However, at this time, as will be pointed out in some detail within this report, there appears to be a very genuine crisis not with respect to the amount of broadcasting in Canada but to the extent to which our indigeneous programs are being viewed. Although this goes rather further than the topic of this study, it has been valuable to examine in some depth the entire acceptance of Canadian programs by Canadians, since independent Canadian production is the least developed part of our broadcasting system and therefore the problem will be reflected most heavily in this area.

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.[5] 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.[6] In the setting up of the Global Television Network, one of the key objectives as noted above was to utilize the resources of the independent Canadian production industry.[7] This report, then, will examine the current state of the industry and its impact on the Canadian broadcasting system.

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 profit from its sale to a licensee. Such a "pure" independent producer or production is a rarity in Canada. In fact, as this study will show, such a breed is certainly on the endangered list if not virtually extinct.

This study has attempted to analyze every program in the current broadcast year that in any way may be construed to be independent. This includes, a) all non-network[8] 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) and 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.

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 (Monaco, 1975).[9] 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. It is now almost unknown in the United States for a program to be presented in completed pilot form for possible adoption by the network. At this time, it does appear that there is a new trend developing in the United States and one worthy of some observation later in this study. This trend, as exemplified by Norman Lear and Mary Tyler Moore Productions, does indicate a greater control over content by the initiators of the program idea.[10]

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. Purposes and Objectives of Independent Programming

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.

This study, then, will examine these criteria in terms of what is actually the case and how well these ideal situations might be realized.

It would be well at the outset to point out that there are many factors inherent in the broadcasting system that weigh heavily against these ideals. It is the very nature of our broadcasting system that the licensee not only controls the means of distribution but must also own his own means of production.[11] In such a situation of vertical integration, the independent producer represents something akin to a competitor in selling his wares to another producer who controls the means of distribution.[12]

## C. Independent Programming and 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 has 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. Outside of the broadcasters' or broadcast-related production houses, there is virtually no significant independent videotape facility for the production of programs in Canada. To our knowledge there are only two or three such facilities and at least one is heavily committed to producing content for exclusive U.S. release. This is not to suggest that the Canadian content requirements were wrong, per se, but that they afford no climate for the growth of an independent production industry.

Just what constitutes a "Canadian" program is rather interesting. Any program produced in a broadcaster's studio and aired locally is automatically considered Canadian with some exceptions.[13]

In essence, then, a Canadian program is one that has entirely Canadian control, money, and talent.[14] The facilities and crew used have little bearing. The CRTC primarily looks at the financial sources and ultimate rights of ownership.[15]

D. Role of Independent Production - The Nature of the Industry

The "true" independent producer, by definition, operates outside of the system, a system that in many ways is hostile to his existence.[16] Essentially, broadcast production is distributed in two media, film or videotape. The production and post-production costs of film are such that no film program can be supported by the Canadian market alone. In the case of broadcast standard videotape, the broadcasters own virtually all the production facilities. No independent producer in Canada contemplates using film as a medium of distribution unless the program is designed for international sales. Although the use of film is declining as the international means of distribution, most widely distributed programs are still produced on film. As the technology for converting from one to another of the various international television engineering standards—for example, European (PAL) from North American (NTSC)—improves, the use of film will decline. Hollywood is moving more to the use of videotape every year.[17]

The independent producer, then, can go two ways, either international release, probably on film, or some videotape production requiring the minimum of cost. Oversimplifying to a large extent, the independent producer either elects to produce a half-hour film at approximately \$60,000 or more for international distribution or if the program is for exclusive Canadian distribution, he must confine himself to a videotape production costing no more than about \$3,000 per half-hour. There are exceptions but they are very few.

As will be outlined in detail in this study, the first major obstacle to the independent producer is his cost of production as opposed to those of a broadcaster. The independent producer must pay all the expenses to the various performers, writers, artists, plus the production houses whether he makes a videotape or film program. When he, in turn, wishes to sell the program to the broadcaster, the broadcaster relates the cost asked of him to his own out-of-pocket expense were he to make the program himself since he already has the production facilities as a part of his own day-to-day operating overhead.

The broadcaster looks at the offered program in the same light as he would any other program offered to him for possible exhibition. Since he can buy U.S. programs at a fraction of the cost the Canadian producer would have to ask in order to meet expenses, the broadcaster sees no reason to pay a "subsidy" to the independent producer—particularly for a product of questionable or unknown audience attractiveness. To some small extent, the broadcaster is compelled to pay attention to Canadian shows, since in buying his American programs he must meet his Canadian content requirement. It is possible that he might pay a slight premium for Canadian content, but this premium is only a fraction of the differential between his purchase price of U.S. programs and what his share would be of the total cost of a major Canadian program independently produced solely for the Canadian market.

More likely, the broadcaster would wish to upgrate his own Canadian content programming and the only way he sees of adding additional money to the budgets of these programs is to be in the marketplace himself, distributing to other Canadian television stations. Any money gained can be applied to upgrading the direct costs, since he had to cover the overhead in the first place. Therefore, in the case of programs designed primarily for Canadian use, there really is no market for independent production were it not for the existence of certain other factors.

a) The program is for a network that is willing to underwrite the costs of production probably using its own facilities to a large extent in order to enter into an agreement with an independent producer who has some special talent, contacts, or control through contractual arrangement over some performing artist or writer. In this case the producer probably makes nothing on the Canadian distribution but does receive the rights for further international use. The program, therefore, must have some general appeal and, like the U.S. situation in reverse, any foreign sale is "found" money since the costs of production have been paid for. In most cases, this producer usually has some well-established contacts within the network. He is either a former employee or has a lengthy record of work with the organization.

b) The producer has developed an idea that is especially interesting to an advertiser and having secured the advertiser's support, can barter ("contra") the program to the various stations. This means that the advertiser pays for the cost of the production of the program and has his message run free on the various stations. The stations have the opportunity to sell locally the remaining available commercial positions. In this case, the Canadian content program comes to the station partially presold or at least it receives the program free and has the opportunity of selling two or three one-minute spots into the program.

c) The producer has secured the rights to a foreign stock film library or an assemblage of film outs. These he recuts into a continuity (probably travel or wildlife), dubs to videotape and markets cheaply.

d) The producer is a religious organization which is desirous of getting its message across. In some cases the programs are sufficiently well done and free from money appeals, etc. that the stations will accept them free, but in most cases, the programs are paid religious time on the private stations and the producer recovers his costs by direct appeals to the audience for money.[18]

In studying the entire content in non-network time broadcast in English Canada, we find no examples of true independent production that do not fall into one of these four categories. We do detect, however, a growing vigour and strength in the work of the various broadcasting stations in generating their own Canadian content in sufficient quality to be distributed to other areas of the country.

In the area of programs designed for international release, there are some interesting findings. Usually some element of co-production with a broadcaster is involved. If U.S. release is desired, then almost invariably the content must appear to be U.S. in appearance. It has been suggested that these programs which often use U.S. headliners are made with these stars in order to generate a significant Canadian audience. This may be true, but it seems that it is more the case that the programs must have U.S. stars in order to secure U.S. distribution and that the fact of them being Americans is not that significant in terms of their attractiveness to the Canadian viewer.

It is when one examines the extent of programs distributed internationally, but not for U.S. consumption, that one begins to find patterns of distribution and content approaches which more nearly exemplify the ideals of independent production. Although may of these programs are not "true" independent productions, since they are produced by broadcasters or in broadcast-related facilities, they are becoming significant in terms of enhancing the reach of Canadian artists and providing dollars to our program industry. Up to now, few program series were sold into this international market although a great number of independent producers were selling isolated documentaries or program inserts. Now such countries as Ireland, South Africa, and Australia are becoming excellent prospects for our Canadian content programs. This will be dealt with in detail later in the report.

## E. The Canadian Broadcasting System

Essentially, English Canada has two television networks: the CBC and CTV. Either 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 CFRN-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. Chapter V deals with this aspect in detail.

The potential market, then, for the independent producer consists of 67 television stations which represent 42 unduplicated markets. It should be pointed out that no two stations in the same city would ever use the same program in the same broadcast year. Also, the 67 stations listed are only those stations that actually originate programming.[19] 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.[20] As will be seen, neither the CBC 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 independent production. The individual 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 Baten 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." As will be noted, there is considerable pressure on the CTV affiliates not to use material produced by other broadcasters that might be considered similarly "independent." The use of independent product by the CTV affiliate stations in non-network hours is somewhat greater than is the case with CBC affiliates.

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.[21] In any case, Global represents a single station with possible ties to the independent station in Winnipeg, CKND-TV.

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 (see Table I-1).

TABLE I-1

CANADIAN ENGLISH LANGUAGE TELEVISION STATIONS

| CBC Owned and Operated | | CBC Private Affiliates | | CTV Affiliates | | Independents | |
|---|---|---|---|---|---|---|---|
| Station | City | Station | City | Station | City | Station | City |
| CBCT | Charlottetown | CFCL | Timmins | CFCF-TV | Montreal | Global and Related | |
| CBET | Windsor | CFJC | Kamloops | CFCN-TV | Calgary | | |
| CBHT | Halifax | CFPL | London | CFQC-TV | Saskatoon | CKGN-TV | Toronto |
| CBIT | Sydney | CFTK | Terrace | CFRN-TV | Edmonton | plus satellites | |
| CBKRT | Regina | CHAT | Medicine Hat | CFTO-TV | Toronto | CKND-TV | Winnipeg |
| CBKST | Saskatoon | CHBC | Kelowna | CHAN-TV | Vancouver | | |
| CBLT | Toronto | CHEK | Victoria | CJCB-TV | Sydney | Hamilton Related | |
| CBMT | Montreal | CHEX | Peterboro | CJCH-TV | Halifax | | |
| CBNT | St. John's | CHNB | North Bay | CJOH-TV | Ottawa | CHCH-TV | Hamilton |
| CBOT | Ottawa | CHOV | Pembroke | CJON-TV | St. John's | CFAC-TV | Calgary |
| CBRT | Calgary | CJSH | St. John | CKCK-TV | Regina | CITV-TV | Edmonton |
| CBUT | Vancouver | CJDC | Dawson Creek | CKCO-TV | Kitchener | | |
| CBWT | Winnipeg | CJFB | Swift Current | CKCW-TV | Moncton | Independent | |
| CBXT | Edmonton | CJIC | Sault Ste. Marie | CKNY-TV | North Bay | | |
| CBYT | Corner Brook | | | CKSO-TV | Sudbury | CITY-TV | Toronto |
| | | CJOC | Lethbridge | CKY-TV | Winnipeg | | |
| | | CKBI | Prince Albert | | | Educational | |
| | | CKMI | Quebec | | | | |
| | | CKNC | Sudbury | Supplementary Affiliates | | CICA-TV | Toronto |
| | | CKNX | Wingham | | | plus satellites | |
| | | CKOS | Yorkton | | | | |
| | | CKPG | Prince Albert | CHFD-TV | Thunder Bay | | |
| | | CKPR | Thunder Bay | CICC-TV | Yorkton | | |
| | | CKRD | Red Deer | | | | |
| | | CKSA | Lloydminster | | | | |
| | | CKVR | Barrie | | | | |
| | | CKWS | Kingston | | | | |
| | | CKX | Brandon | | | | |

## F. The Role of This Study

This study is limited to English-language independent production for broadcast nationally or internationally. Primarily it deals with television production although some short reference will be made to radio production. This study does not include the entire large area of recorded music production for radio broadcast.

This study, subject to the foregoing, deals with the nature of the industry, its value in economic terms, and possible courses of action. It is difficult for the researchers to evaluate whether or not the industry is worth supporting without some very subjective views on what role the industry should play within the Canadian broadcasting system. Such criteria as "more and diverse voices," less stereotyped content, greater creative freedom, international recognition, retention of talent pools and "critical mass," employment of skilled personnel, export of finished product rather than the creative people, export market, etc. can only be evaluated within a larger sphere of national priorities. And it is within this context of national priorities that considerable thought has been given in this study to the overall impact of Canadian broadcasting in Canadian society and what we term the current "crisis" in Canadian broadcasting. The next chapter amplifies this concern at some length given the extent and seriousness of the "crisis" discovered in the course of this study.

The researchers feel that the most important criterion for examining the capabilities of an independent production industry is the contribution the industry might make to the solution of the overall programming problem in Canada. This is to say that in the current environment there appear to be few obvious solutions which offer much promise. Increasing the Canadian content requirements or denying Canadians access to American channels are approaches which appear neither realistic nor fruitful. Canadians must be offered programs that they would wish to watch. Has independent production something to offer?

## ENDNOTES

[1]Mr. Slaight, at the November 5, 1975 CRTC Hearing in Ottawa, reviewed the monies spent during the 74/75 broadcast year for independent production as follows:

a) "Braden Beat"

| | |
|---|---|
| Cost: | $17,000 (one hour) |
| Average Adult Audiences: | 82,800 (Sat. 7:00 p.m.)<br>44,000 (Sun. 11:00 p.m.) |
| Average CPM Adults: | $2.00 |
| Revenue (if sold out): | $4,032 |

b) "Witness to Yesterday"

| | |
|---|---|
| Cost: | $7,100 (30 min.) |
| Audience Est.: | 233,750 Adults |
| Mar. '74 Survey: | 104,600 Adults |

c) "World of Wicks"

| | Mar '74 | Nov '74 | Mar '75 |
|---|---|---|---|
| Adults | I.F.R.* | # | I.F.R.* |

Sept '74 - Aug '75

| | |
|---|---|
| Cost: | $136,000 |
| Revenue: | $ 9,469 |
| Loss: | $-126,531 |

d) "Wildlife Cinema"

| | Nov. '74 | Mar '75 |
|---|---|---|
| Adults: | I.F.R.* | # |

Sept '74 - Aug '75

| | |
|---|---|
| Cost: | $126,000 |
| Revenue: | $ 15,694 |
| Loss: | $-110,306 |

e) "My Country"

| | Mar '74 | Nov '74 | Mar '75 |
|---|---|---|---|
| Adults: | I.F.R.* | (Not scheduled) | I.F.R.* |

| | Sept '74 - Aug '75 |
|---|---|
| Cost: | $81,000 |
| Revenue: | $26,244 |
| Loss: | $-54,756 |

f) "Shh! Its The News"

| | Mar '74 | Nov '74 | Mar '75 |
|---|---|---|---|
| Adults: | 259,000 | I.F.R.* | 145,000 |

| | Sept '74 - Aug '75 |
|---|---|
| Cost: | $272,000 |
| Revenue: | $132,294 |
| Loss: | $-139,706 |

g) "The Great Debate"

| | Mar '74 | Nov '74 | Mar '75 |
|---|---|---|---|
| Adults: | 210,000 | I.F.R.* | I.F.R.* |
| Cost: | $263,560 | | |
| Revenue: | $213,594 | | |
| Loss: | $-49,966 | | |

h) Independent Canadian Productions

| | Sept '74 - Aug '75 |
|---|---|
| Cost: | $1,349,554 |
| Revenue: | $ 430,177 |
| Loss: | $ -919,377 |

*For every $1.00 in revenue from Global's independent productions, the company spent $3.14.

*means audience "insufficient for reporting"

[2]In September, 1971 when making application for a licence the previous directors of Global Communications Ltd. had promised;

a) "(1) Because service priorities are different, Global will invest substantially less of its resources in bricks and mortor."

b) "(2) Since independent production facilities exist, Global will decentralize its production, and utilize the independent production industry."

(Emphasis added)

[3]The Canadian Radio Broadcasting Act, S.C. 22-23, 1932 has little to say about the "purposes" of broadcasting in Canada. Essentially it set up the Canadian Radio Broadcasting Company to "control" radio in Canada, but the Act did result from the growing sense of nationalism and the fear of U.S. domination of the airwaves.

[4]The above mentioned Act did not carry out a recommendation contained in the Aird Report (Canada, 1929) which provided that the provinces individually and collectively controlled the content of broadcasting. Through the work of Alan Plaunt and Graham Spry in the Canadian Broadcasting League and after judicial tests which proved the Federal Government to have exclusive jurisdiction over broadcasting, the idea of provincial control of content was dropped. More recently the idea of geographic representation has been expressed in terms of "regions," "regional representation," and "regions reflected to regions." In the opinion of Plaunt and Spry the national system was at stake and radio was the strongest force to bind the nation together. Therefore provincial control of content would lead to a "balkanization" of the country. Broadcasting needed a strong unified federal voice.

[5]The Broadcasting Act, R.S.C. 1970, C.B-11 states:

> Sec. 3(d) the programming provided by the Canadian broadcasting system should be varied and comprehensive and should provide reasonable, balanced opportunity for the expression of differing views on matters of public concern, and the programming provided by each broadcaster should be of high standard, using predominantly Canadian creative and other resources. (emphasis added)

Although there is no direction to the broadcaster to use outside producers, it is hard to see how the full generality of this policy would not call for their contribution.

[6]In the CRTC Public Announcement dated Jan. 22, 1973 granting CTV licence renewal for a further three years the Commission stated quite explicitly:

The Commission remains convinced that independent production sources can make valuable contributions to the Canadian broadcasting system. It considers that the system would be substantially stronger if there were a variety of creative contributors and that, given the necessary opportunities and encouragement, an exciting production milieu can exist outside the station organizations. The Canadian networks have a responsibility to help make this possible. Consequently, the Commission expects the Network to enable its Management to commit a reasonable proportion of its programming budgets to independent production sources, other than the stations. It will review with the Network the extent of its expenditures outside the CTV system each season.

It is worth noting that the Commission refers to the Canadian networks as having a responsibility toward independent production.

[7]Global went on the air Jan. 6, 1974. Within weeks it was in financial trouble. On Apr. 10, 1974 the Commission heard Mr. Slaight appearing on behalf of I.W.C. Communications and Global Ventures Western Ltd., ask for transfer of ownership to his group. At that time he stated:

> We are naturally committed to maintaining the Canadian content requirement, and as an outsider, viewing Global since early January, I was staggered at the high standard of creativity and production and performance demonstrated by Global when it launched 25 new Canadian shows at one time.
>
> I believe this Commission will agree that Global's Canadian programs to date have truly demonstrated that they safeguard, enrich, and strengthen the cultural, political, social, and economic fabric of Canada, and especially this region of Ontario. We will continue that concept. Not only is it in the Broadcasting Act, but Global believes in it, and so do we.
>
> (from CRTC Transcript, emphasis added).

By November 5, 1975 as Mr. Slaight explained to the Commission, "I still strongly believe in that concept." However, he pointed out why they felt they couldn't "continue" it. A year and a half before Mr. Slaight had felt the problem with Global lay in effective marketing of time. Now it appeared that the expense and appeal of original independently produced programming was at fault. At least it may be concluded that when the program money was available an independent production industry of sorts was there to convert it into programs.

In asking if an independent Canadian production industry exists, Mr. Slaight answered himself with:

> If you carefully examine the many Canadian shows contracted by Global's original management, you will note that the high majority came from either companies associated with major broadcasting groups, or from large personal corporations.

And later he said concerning expenses:

> The grim, bottom line at this particular stage in Global's evolution is that these programmes have cost too much for the audience they produced. If we were to return to the level of expenditure we inherited . . . there is no doubt we would be forced to close the doors at Global. (From CRTC Transcript)

[8]Non-network programs refers to programs distributed for airing outside of those time periods reserved for network purposes. We have also excluded those programs generated by the networks for exclusive use of the affiliates (e.g. CBC "Metronet," CTV "Saturday Morning Kidstuff," "Fantastica").

[9]James Monaco,"U.S. TV - The Great Spin-Off," <u>Sight and Sound</u>, Vol. 45, No. 1, Winter 75/76, p. 25. Monaco is referring to prime time network programs—less the news, news specials, and sports. This refers to continuing programs throughout the season. He is probably slightly in error, but not far wrong.

[10]"Mary Hartman, Mary Hartman" has shown that Norman Lear (T.A.T. Communications Ltd.) can produce a program without network assistance and successfully sell it to individual stations. Although, therefore excluded from network prime time, it has shown powerful audience-getting appeal and has been freed from the expurgating by Broadcast Standards bureaus of the networks.

Norman Lear, appearing April 27, 1976 in U.S. District Court concerning his dispute over the "family hour," stated that:

> He said Wood [former CBS-TV President Robert D. Wood] told him [on April 25, 1975] that of the 24 All in the Family episodes shown the previous season, two would be rejected and 20 or 21 others would require alterations under the forthcoming family viewing policy. 'When Wood realized I <u>wouldn't change the nature of the show</u>, he went on to <u>assure me I'd like Monday</u>,' Lear said." (Globe & Mail, April 29, 1976) (emphasis added)

[11]The application for a licence and our whole approach to broadcasting (radio, TV, cable) implies that the broadcaster

must own his own hardware. A different approach may be noted in England where program contractors supply programming for airing over transmitters owned by the State. This has many advantages insofar as the program contractors can be more readily changed for poor performance since their capital investment is much less.

[12]Further to the above Bruce Owen in "Economics and Freedom of Expression" Ballinger, 1975, states on page 15:

> It is only in the broadcast, newspaper, and motion picture industries that economics of scale, licensing, or other conditions give rise to individual firms with discretionary power to control content. We shall return to this point again and again, since the elimination of vertical integration is often the key to policy changes that might enhance freedom of expression.

It is obvious that the independent producer must therefore enter a marketplace which would give first priority to its own product.

[13]It was noted that CKLW-TV Windsor (now CBET) had logged a program produced in their own studios (which would have met the pre-1972 Canadian requirement) as local Canadian but the Commission advised them to desist since the money and talent were U.S. and the program was essentially directed to a Detroit audience. In a sense the Commission is developing a case law approach, building up a series of decisions from the testing of specific cases. Although it is not necessary, most programs are submitted to the CRTC in order to qualify for a S.R. (special recognition) or C. (Canadian) number. By no means does the CRTC receive a formal application for all independent productions nor does it think this entirely necessary. If it is curious about a title appearing on a station log they will look into it. In order to categorize just what a "Canadian" program is, we have followed the CRTC's definitions.

[14]Until 1972 there had been a fairly specific definition of a "Canadian program" in Section 6 particularly in terms of content produced within a licensee's facilities. It now appears that there is no specific regulatory definition other than the catch-all "The Commission may deem any program or series of programs . . . to be a Canadian program or series of programs." [Sec. 6A(5)]. This is really directed toward co-productions or joint ventures involving foreign elements (whether financial, talent, facilities) in the production of a program or series of programs which are to be seen in Canada. The programs are evaluated in accordance with the Form CRTC-100B(E) as prescribed by CRTC ANNOUNCEMENT, May 16, 1972 <u>Programs Produced Under Co-production or Joint Venture Arrangements</u> (Appendix A). On this form a Canadian program

means "a program produced, financed, and controlled entirely by Canadians." If the applicant meets this requirement having disclosed all the necessary information a "C" number is awarded. If parts of the arrangement involve foreign principals, financing, or talent and meets with approval, a "S.R." number is assigned. These numbers are entered into the logs at the transmitting stations for credit toward their quota of Canadian content in the year. The necessity of acquiring a "C" is then more a matter of assuring the program purchaser that the program is "bona fide" Canadian. A program made in Canada or made elsewhere by Canadians, but not for release in Canada, is still of some interest to this study although it is not applicable of this procedure.

[15]This study can do no better than follow their criteria except to include consideration of the "industry" which does derive considerable revenue from rentals and provides employment for craftsmen and technicians although not engaged in "Canadian" programs. As for using the "S.R." and "C" numbers for direct data gathering this seemed unreliable, or more probably, not feasible, since these documents are confidential.

[16]If he can make programs better and/or cheaper than those of the existing institutions, his work is an implied criticism of the existing system. In reality there is very little possibility for this situation arising.

[17]In part a British influence reflected in Norman Lear's work "live on tape in front of a studio audience."

[18]In effect this departs from the advertiser supported economics to a different base where the consumer "pays." Last year TV Guide claimed this was a $100,000,000 a year industry in the U.S.

[19]Table I-1 shows these stations. There are a few stations not listed that introduce minimal local content into their operation and although separate stations, they are not significant for purposes of this study. (see page 19)

[20]This is simply a reflection of the policy that in any centre of population the "national broadcasting service" (CBC) must be present. If the market can support more stations then additional service may be approved.

[21]Chapter V, A, 5 examined the current state of independent programming on Global. The reasons are documented above in endnotes 1, 2, and 7.

## CHAPTER II

## BROADCAST CONTENT IN ENGLISH CANADA

### A. Effects of Broadcasting as a Mass Medium

#### 1. Broadcasting in National Development

It has always been necessary to reaffirm the importance that broadcasting plays in the development of a unique Canadian identity, although many have tried with little success to define what precisely this "unique identity" may be.[1] The recent "rising wave" of nationalism in Canada indicates that the people of Canada have an increasing desire to establish, once and for all, that Canadians are a separate people, with our own culture and values—different from either Britain which theoretically controls our political future, and different from the United States which largely determines our cultural present. This point was clearly established as Canadian government policy in the White Paper on Broadcasting (Canada, 1966) which noted: "The determination to develop and maintain a national system of radio and television is an essential part of the continuing resolve for Canadian identity and Canadian unity." Furthermore, as Professor Frank Peers (1969) has noted in his history of Canadian broadcasting:

> Nationalist sentiment had achieved Canadian ownership and control of stations and networks, full coverage for the scattered population of an immense territory, and the use of broadcasting to foster national objectives.

> The aims had been national survival, whether in English or in French Canada or in Canada as a whole; a Canadian sense of identity; national unity; increased understanding between regions and language groups; cultural development; and the serving of Canadian economic interests.

This increasing awareness of the necessity to create and maintain a Canadian identity has placed great pressures on the Canadian broadcasting system. While the private broadcasting system has also been called upon to play its part, especially on the local level, the public system (the CBC) is being asked to bear the brunt of this difficult task. As this study will show in some detail, there is now serious doubt that we can continue to take for granted the Canadian broadcasting system's role as a "social bond." Recent major innovations in broadcasting technology, such as CATV, have caused fundamental alterations in audience programme preferences which threatens the existence of the entire system itself— while satellite television threatens to be even more potent in its impact (The Canada Consulting Group, 1972; Nordenstreng and Schiller, 1976) and its present development in Canada cannot be seen as contributing to the goals of Canadian broadcasting (Milavsky, 1972).

## 2. The Free Flow of Information and Canadian Identity

Professor Frederick Elkin (1975) has noted:

> Just by virtue of being a nation, with its own citizenship, territory, government, flag and other symbols, we inevitably have some national identity as Canadians. Yet, in Canada, we do not take a strong sense of national identity for granted. Historically, Canadian identity

was not forged in revolution and has never been held up as an overriding ideal.

Further, Elkin notes that our accepted media ideology tends to operate against the development of a distinctive Canadian culture and identity. The veneration of the concept of the free press and freedom of speech as extolled in the writings of John Milton and John Stuart Mill, have lead to an unquestioned acceptable of the right of all citizens to a "free flow of information." Thus it is a generally agreed upon principle that citizens should be free to express their opinions and broadcasters free to broadcast, and that government should not restrict the flow of ideas. Thus we find ourselves in the rather ironic position of ideologically encouraging the very flow of messages which threatens the very foundations of our culture.

The democratic principles on which our nation is founded suggests that citizens should be free to weigh the information we receive and to make sensible and proper decisions about the nature of the content. As Professor Elkin notes: "The producers of popular, non-intellectual films and television shows . . . argue that they are merely 'giving the people what they want' and if the mass of people choose the sensational and uncritical, that is their right." Nevertheless, it is becoming more and more difficult to justify the adherence to such political ideals, and in the face of the obvious threat to the viability of a truly Canadian broadcasting system, many people are now suggesting that we cannot afford such ideological luxuries. To put it clearly, the concept of "free flow of information" is not conducive to the furtherance of an indigeneous Canadian culture.

A realization of such a need to reassess the concept of "free flow of information" has been increasing among the "underdeveloped" nations of the world as the cultural products of "a few powerful, market-dominated economies" (basically the U.S.) have come to dominate their fledgling broadcasting systems (Schiller, 1974; Nordenstreng and Schiller, 1976). A "free flow of information" via the exchange of television programs has in fact begun to approach a "one-way flow" from the U.S. to the rest of the world (Varis, 1974), and threatens to parallel the monopolization that the U.S. enjoys in international film trade (Guback, 1974).

The scope of the problem is illustrated by a number of studies: de Cardona (1975) describes how the commercialization of television in Colombia has led to the indirect control of the medium by national and multinational firms who use it for their economic gain with little or no concern for national values; Lent (1975) documents the heavy dependence of television (and other media) in the Commonwealth Caribbean on U.S. —and to a lesser extent British—programs or program formats, concluding that "a nation should not be tempted by the paraphernalia of modernity until it is sure there are elements in the society capable of keeping them indigenous and free"; Arnove (1975) points out the difficulties that "developing" nations face as they introduce educational television when "the existence of the technology and the preferences of foreign donors determine the policy; or the technology becomes an instrument in the hands of the dominant groups in a society to impose their view of development on the less powerful, who may constitute the majority"; and Hurley (1975) warns that unless Latin American countries "mount an effective 'counter-programming' strategy to offset the growing influence of foreign, largely commercially-sponsored, broadcast materials . . . [as a system of satellite broadcasting is introduced] . . . the future will be characterized by a form of communications colonialism for countries such as Chile which boast of political sovereignty but which, electronically speaking, are semi-sovereign."

Some may argue that it is inappropriate to compare the situation of the media in Canada (as a developed nation) to that of media in underdeveloped countries. This would be the reverse of Golding's (1974) argument against theories of the role of media in national development in underdeveloped areas which "extrapolate findings about the media in advanced countries to circumstances elsewhere which they perceive as mere embryonic microcosms of western capitalism." There is probably some validity in such reservations. The Canadian broadcasting system has been in existence for as many years as the U.S. one, and the production capability of Canadian broadcasters is as sophisticated as the American's—although we operate on a smaller scale. Equally, the culture which the U.S. programs present to English-Canadian audiences is nowhere near as "foreign" to them as it is to peasants in an underdeveloped country. The magnitude of possible changes in values, beliefs, attitudes and behaviours is certainly not as great then. Nevertheless, if one assumes that Canadians are or should be somehow fundamentally different from Americans, the phenomenon of a highly susceptible Canadian population being exposed to massive amounts of highly seductive presentations of American values should be one that is terribly frightening.

As Kiefl (1973) demonstrates, Canadians' balanced beliefs about Americans make us susceptible to attitude change about the U.S. and this fact, combined with cable's importance as a vehicle for attitude change, makes the accessibility of U.S. television program (off-air as well as via cable) an impediment to the strengthening or creation of a Canadian identity and hastens the cultural absorption of Canada by the U.S. As the Committee on Youth (1971) puts it most strongly: "The media situation in Canada is nothing less than a subliminal psychic invasion, which constitutes a foreign infiltration in many ways much more effective than any type of imperialism practiced before the rise of the electronic mass media."

In light of situations similar to Canada's (vis-a-vis the U.S.) Kiefl (1973) observes that if a sophisticated broadcasting system (by which he means one capable of interpreting national character and identity) has not been established, "the invasion potential of new communications' technologies are a real danger. Without a conscious effort a country could import or be the victim of unwanted spillover and change its national character." Part of the problem here, of course, is that the spillover in the Canadian case is not unwanted by the Canadian public, as the sections on viewership of and preferences for U.S. programs will make evident.

A concern with the flow of cultural materials from the U.S. is by no means a new manifestation of Canadian nationalist sentiment, for the crucial role of broadcasting has long been acknowledged and commented upon by a succession of government Committees and Royal Commissions.[2] The Aird Commission (Royal Commission on Radio Broadcasting, 1929) noted:

> We believe that broadcasting should be considered of such importance in promoting the unity of the nation that a subsidy by the Dominion Government should be regarded as an essential aid . . .

The Massey Commission (Royal Commission on National Development in the Arts, Letters and Sciences, 1951) reported:

> The national system . . . has contributed powerfully . . . to a sense of Canadian unity . . . it does much to promote a knowledge and understanding of Canada as a whole and of every Canadian region and aids in the development of a truly Canadian cultural life.

The Report of the Royal Commission on Broadcasting (1957) also made its views known:

> . . . as a nation, we cannot accept in these powerful and persuasive media, the natural and complete flow of another nation's culture with danger to our national identity.

The Fowler Commission (Committee on Broadcasting, 1965), noted that in the end broadcasting was but a technological device, controlled by the state:

> There is no point in asking where a national broadcasting system is going. It will go only where it is pushed by conscious and articulate public policy, or where it drifts if there is no policy. The State is inescapably involved in the creation of a broadcasting system, and should accept responsibility for the powerful agency it has created, so as to ensure that broadcasting serves the people with distinction; for the ultimate test of a society may well be the quality of the artistic and intellectual life it creates and supports.
>
> . . . The State should not restrict its participation in broadcasting to the essential grant of frequencies and channels, but should control, supervise, and encourage an excellent performance in the use that broadcasters make of the public assets they have been granted.

Lastly, the Davey Commission (Special Senate Committee, 1970a) noted:

> . . . what is at stake is not only the vigor of our democracy. It also involves the survival of our nationhood. A nation is a collection of people who share common images of themselves . . . it is the media—together with education and the arts—that can make it grow. Poets and teachers and artists, yes, but journalists too. It is their perceptions which help us define who and what we are.

And to indicate that these various assertions have had some basis in fact, Kiefl (1973) concludes that his research "has revealed that the decisions of the CRTC and the government bodies before them to stem the American tide have been based on a correct premise."

### 3. The Function of Communication in the National System

In recent years it has become more and more obvious to social scientists, and others who are examining the function of communications systems, that these systems are inextricably connected to the growth and development of a sense of "national community." As the noted communications scholar Wilbur Schramm (1963) has pointed out:

> At any moment in the history of society the function of communication is to do whatever of this [i.e. handling the cognitive business of society] is required by society.
> Thus the structure of social communication reflects the structure and development of society . . . The ownership of communication facilities, the purposeful use of communication, the controls upon communication—these reflect the political development and philosophy of society. The content of communication at any given time reflects the value pattern of society.

Thus it is impossible to separate the function of communication from that of the society as a whole. Conversely, society has come to depend upon communication as an indispensible part of its continued existence. It is for this reason that the role played by communication systems, and the entertainment mass media in particular, should be subjected to intense scrutiny.

The mass media have demonstrated a unique, and somewhat dangerous, capacity for bypassing the normal and traditional socializing influences in society (such as the home, the school, and the church) to make direct contact with individuals. Throughout the twentieth century it has become increasingly apparent that the mass media must be considered as a vital, if not seminal, source for many of the collective images held by members of any society. The concept of "media socialization" is now a widely accepted one, and social scientists are now attempting to measure the degree and nature of such media influence (e.g. Roberts, 1973). The key point is that the mass media are now acknowledged to be potent forces in modern society,[3] and this has lead to an increasing demand for more stringent control over media content.

In particular television has been singled out as a major disseminator of "ideas," and as such, subjected to numerous research studies (e.g. Halloran, 1970). While the results of these differ in degree of influence found, there is no doubt that <u>television is one of the most significant social and cultural influences in our lives today</u>. It is for this reason, if no other, that we should be vitally concerned not only with the economic viability of an indigeneous Canadian broadcasting system, but also with the quality and quantity of the messages conveyed by this medium. Despite Charles Lynch's (1975) views to the contrary, TV is extremely vital to the Canadian "national equation." Obviously, if the content of Canadian television is largely antithetical to the type of Canadian culture we would like to see develop, then this too becomes a factor in the decisions which government must make regarding the future of Canadian broadcasting.

In the long run, then, if the people of Canada are genuine in their expression for the development of a true "Canadian identity," they must be prepared to recognize that continuous exposure to the highly potent messages and images of what is essentially a foreign culture, constitutes a serious threat to their aims. It is also recognized that because of both geographic and technological factors it is highly unlikely that the bulk of the Canadian population can be denied a right to receive television programs from across the border. Nevertheless, if the quotes set down at the beginning of this section are to be meaningful and their philosophy implemented as national policy, then an all-out effort must be made to create an indigeneous broadcasting system that gives credence to Canadian ideals, values and culture.

B. Canadian Viewing Habits[4]

1. Some Characteristics

According to recent Nielsen figures, the average daily viewing per household in Canada is five hours and 56 minutes (TvB, 1975); BBM figures for March 1974 indicate an average weekly viewing per person of 23 hours and 52 minutes (TvB, 1975); and a recent, specially commissioned CBC study indicates an average daily viewing per adult of about four hours (CBC, 1974). Television viewing still seems to be an increasingly time-consuming activity for Canadians: the BBM figure for average weekly viewing per person increased from 22 hours and 12 minutes in November 1971 (CBC, 1973) to 23 hours and 52 minutes in March 1974 (TvB, 1975)—a 7.5 per cent increase.

The CBC (1973) has examined audience flow through the day, relating that flow to crucial demographic variables. Some points appear critical for illuminating the status of Canadian programming—particularly the independent variety—and will be highlighted in this brief summary.

Most generally, while viewing trends on individual weekdays are highly consistent, weekdays and weekends show considerable differences. "About the same numbers of people watch television each day of the week but substantially more time is spent watching on Saturdays and Sundays than on weekdays, and the shape of the audience flow curves on weekdays, Saturdays and Sundays are quite different." The time differences are accounted for by "kid-vid" in the morning and early afternoon periods on the weekend, and heavier adult viewing in the afternoons and in the 6:00 to 9:00 pm period on Sunday evenings. As for the flow curves for adults and teenagers, Saturday is distinguished by heavy viewing beyond the normal weekday peak (to 10:00 pm), while Sunday exhibits an earlier peak viewing time (about 7:00-9:00 pm rather than 8:00 to 9:30 pm).

More important than the specifics of the study is the general principle that it attempts to establish about viewing habits as they relate to the structural variables of the broadcasting system in Canada. This "principle" is summarized in the following:

> what these various audience flow patterns do suggest is that, in general, potential adult audiences for evening television vary considerably between peak and off-peak hours and that (even recognising the complexities of competitive scheduling) prime-time programs that are regularly scheduled in post-peak hours will generally draw smaller audiences than they would if scheduled at peak times. This obviously has implications for the types of program that it may be felt should or should not be favoured . . . as new programs become available, they each obtain a share of the total audience at any particular time but usually without changing significantly the size of that audience or the shape of the viewing curve throughout the day.

The implications of this principle are fairly wide-reaching. For the independent producer it means that even if his program ideas can run the gauntlet of the broadcast production/distribution/exhibition system and actually be realized as programs, the tendency for broadcasters to slot such fare in off-peak hours (and even in what one might call off/off-peak hours) dictates that the audience for independent productions will be small.

## 2. Viewership and Attitudes Toward U.S. Programs

The availability and attractiveness of U.S. media to Canadians is a long standing phenomenon. With the arrival of television, this tendency toward U.S. media was further fortified in the border areas by the earlier implementation of television in the U.S. than in Canada. Those areas not close enough to the American border to pick up U.S. signals over-the-air were soon able to view imported American fare on their local Canadian station. With the advent of cable and its increasing penetration, the overall availability of U.S. signals to Canadian audiences has increased astronomically.

The question of the popularity of U.S. television programs is quite consequential to the Canadian broadcasting system, then, as a result of: its availability directly over-the-air, via direct broadcast on Canadian stations, and via cable; the role that drawing audience has in broadcast economics; and the role that broadcasting has been seen to play in the creation and preservation of national identity.

It should be observed that there is an important distinction to be made between the popularity or attraction of U.S. "programs" (or shows) and of U.S. "TV" (or channels or stations). While U.S. TV is more popular than Canadian TV, U.S. programs (shows) are even more popular than Canadian programs.

The data on viewership and attitudes toward U.S. and Canadian TV is rather impressive. The findings of the Special Senate Committee on Mass Media (1970) showed a greater preference for U.S. TV and programs. This finding was supported by a report by The Canada Consulting Group (1972) to the CRTC, an extensive CBC (1974) study of the issue, and a recent Canadian Institute of Public Opinion (1975) poll.

"In the CBC-CTV common coverage area, over the 1972-73 fall-winter season, American-produced programs (most of them scheduled during peak viewing hours) occupied just 29 per cent of the 7:30-11:00 pm period in the CBC English-language full network schedule, but accounted for 39 per cent of all network viewing" (CBC, 1974). This is in addition to the fact that U.S. border stations received a 25 per cent share of total English-language viewing in November 1971 (CBC, 1973) and in 1973 (cited in CBC, 1974). The viewership of U.S. programs by Canadian viewers appears to be a very substantial proportion of overall television viewing in Canada—being cited as 45 per cent of all Canadian viewing in 1972 (Canada Consulting Group, 1972) and "guesstimated" at over 66 per cent in 1976 by CBC President Johnson (1976).

Reasons given for preferring U.S. and Canadian programs are varied. These reasons seem to coincide somewhat with the satisfactions that people derive from television generally and the single largest category is "more entertaining/varied." The CBC (1974) pursued the comparison of U.S. and Canadian programs on a number of specific characteristics and noted: "American programs, it is felt, are better acted, more entertaining, more varied in the subjects they cover, and more violent. Canadian programs, on the other hand, are preferred for letting you know what's going on in the world, and for their greater realism."

Even more interesting is the fact that Canadian viewers perceive U.S.-Canadian "co-productions made in Toronto by Canadian companies for showing in Canada and the U.S. . . . as American, not Canadian programs." As the CBC study notes, in this regard: "Whatever the benefits of these co-productions for the development of Canadian talent, they are certainly not doing anything to develop a Canadian image or identity."

Finally, the same CBC study reports that of the 75 per cent of respondents who were aware that CBC imported programs from the U.S., 50 per cent felt the present proportion was about right, 24 per cent felt they should import fewer programs and 20 per cent felt they should import more programs. While the danger of generalizing from these attitudes about the CBC to attitudes toward the entire national broadcasting system should be borne in mind, it does appear as if Canadian television viewers are more satisfied than dissatisfied with present programming arrangements.

3. The Impact of Cable

Studies have suggested that the economic position of conventional broadcasters, in light of increasing cable penetration, is extremely complex. The variables which need to be considered are: the station's network affiliation; the number and types of television stations available off-the-air within the station's coverage area; the number and types of channels that are available via cable; and the percentage penetration of the cable system(s) in the station's coverage area (Babe, 1975a). While adding to the complexity of the situation involved, Babe nonetheless forsees "a substantial, permanent decline in television advertising in Canada" when U.S. television obtains something like a 30-40 per cent share of Canadian viewing time. Similar but less bold and specific conclusions are reached by Woods, Gordon & Co. (1975) in their study of the impact of cable in five representative markets. They found that cable did reduce the audience share of established local stations, but that the financial impact of this loss had been largely offset by the growth of population in the markets and the general acceptance by advertisers of substantially increased advertising rates.

If the effects of cable are somewhat murky with regard to their impact on the economics of the Canadian broadcasting system, <u>the impact on viewing of Canadian stations is crystal clear—Cable has meant an increase of viewing of U.S. stations at the expense of Canadian stations.</u>[5] Even the CRTC (1975) recognizes the problem: "By the Commission's own estimates, there has been a loss of 6% in the viewing hours of [one would assume, all] Canadian stations." Their basic concern in this matter is the fact that such audience losses mean losses of revenue for improving domestic programming.

The contention that cable will have a minimal impact on the viewership of Canadian television in the future appears fallacious. In fact, it has already had a deleterious but latent effect by planting the seeds of destruction for Canadian programming. Cable has greatly increased the availability of U.S. signals to younger Canadians whose viewing habits have been and are being influenced (formed?) by massive exposures to U.S. programming. Moreover, the fact that advertisers are becoming more interested in reaching the 18-49 age group, rather than generating as large an overall audience as possible (Fletcher, 1971), may mean that this inclination for U.S. programs has already made its impact felt in the dynamics of the Canadian broadcasting system's economics. Be that as it may, as cable spreads to those presently uncabled areas of the country, it would appear that the trend established herein cannot help but reach the logical end of negligible, if not non-existent, viewing of indigeneous Canadian television programs. In light of what has been said above about the importance of broadcasting as a force is fostering national identity and in light of Kiefl's (1973) finding that cable viewing makes people more susceptible to U.S. culture—especially those fifty years of age and under—such a development does not auger well for Canada as a culturally distinct nation.

## ENDNOTES

[1]Kiefl (1973) indicates why the problem of establishing "national identity" has been a difficult one for those interested in studying national attitudes—and why his approach is more fruitful: "The study of national attitudes is not very developed and probably for a very basic reason. National identity or belonging to a national group does not demand much outward expression of involvement—being pro- or anti-American does not require action of any specific nature. It is, therefore, thought to be difficult to measure such dormant attitudes. However, according to the functional approach [of which this study employs the value-expressive or identification function and the resolution of conflicting beliefs that precedes attitude change], in this instance, this is the reason that a study of attitude can be made and why attitude change comes about."

[2]For a useful and concise presentation of this continuing concern see Weiss (1974).

[3]While it is generally agreed that the media have little ability to change values, attitudes, beliefs and behaviour—especially by "one-shot" approaches—there is considerable evidence that the cumulative impact of media are most powerful in reinforcing existing values, etc. and in creating ones where none previously existed (Klapper, 1960; Halloran, 1971). These facts hold considerable importance for the Canadian situation, given our massive exposures to U.S. programs, the susceptibility of Canadians to U.S. cultural materials (Kiefl, 1973) and the hold which American television has over Canadian youth as elaborated below.

[4]For a detailed account of Canadian viewing habits, see Appendix G.

[5]See Appendix G for results of some recent studies on the impact of cable on TV viewing.

CHAPTER III

ECONOMIC REALITIES OF BROADCAST PRODUCTION

## A. Some General Economic Principles

The objective of TV networks and stations is not to produce programs but to produce audiences. These are sold to advertisers who seek mass audiences. The basic economic principle in production of maximizing output (size of audience in this case) for a given input or cost, or minimizing cost of producing a given level of output applies to TV programming, although with some qualifications.

The advertiser is interested in more than just the size of the audience; he is also interested in the characteristics or "demographics" of the audience (age, sex, income, etc.). The objective is to reach and maximize that segment of the audience which may have an interest in his product or in which an interest may be stimulated.

Another basic economic principle applied to TV programming is the competition of TV networks and stations for audiences. The television industry, with its relatively few networks, can be generally classified as an oligopoly—an industry in which there are only a few large producers. Oligopoly is further characterized by similarity of products and rivalry between producers in the sense that actions by one will result in reactions by others. The producers are furthermore aware that any action taken by one will produce reactions by his competitors. If producer "A" markets a new, differentiated product and it is successful in the market, producers "B" and "C" will imitate "A" by producing similar products in an attempt to maintain their shares of the market. Producer "A" will therefore find that his increased share may only be temporary. In addition to fear of retaliation, uncertainty of consumer responses to a highly different product is also a factor in the oligopoly industry. Large increases in inputs (costs) to vastly change the character or quality of the product are generally avoided because of this fear of retaliation and uncertainty (i.e. annual changes in automobile styles are usually marginal).

These principles are used to explain to a degree why the various television networks will frequently carry programs of the same general type in the same TV viewing hours or periods.

TV networks or stations, as is the case of any producer, operate under a cost constraint in that there is generally a fixed level of aggregate advertising revenue (for which television must compete with other communications media). It is generally assumed that the long-run objective is to maximize profits; that is, the difference between advertising revenue and cost. Obviously, the larger the audience that a TV program can attract, the more revenue it can generate from advertisers. The TV station will therefore attempt to obtain the maximum audience for any given cost. TV networks have a general knowledge of the size of the potential audience during the various viewing periods of the day and engage in rating their own and their rivals' program audiences.[1] In its programming, a network or station will offer that type of program which will attract the largest audience given the cost constraint. Consequently, certain types of programs are presented in certain time periods, and certain types are presented frequently (i.e. light entertainment), while others (i.e. ballet and opera) are rarely shown. A network or station will offer the same type of program as other networks if it is shown that its share of the audience is larger with this type of program than it would be if a different type of program, with approximately the same cost, were chosen. Successful programs will be imitated by rival networks and furthermore, each network itself will produce duplicates or "spin-offs" of a successful program type. The result is very little diversity. And networks will avoid large increases in costs or levels of inputs to try to improve quality and thereby attempt to increase their share of the audience because any large increase in the share of one will likely only be temporary as rivals will make corresponding adjustments. Large increases in inputs by all networks may increase the total audience in a given time period, but the increase in the share of each network may be small relative to the cost increase and therefore uneconomical. There is more likely to be small marginal input increases or seasonal changes in program content by each network as each tries to keep even with its competitors or tries to keep slightly ahead.[2]

Another feature of TV economics is that TV programs represent primarily fixed costs and the marginal cost of reaching additional viewers is negligible or zero. Once the program is aired, the cost of presenting it does not increase with market size. That is, the cost of the program is independent of the number of people who watch it. Market size is therefore crucial as costs per viewer or per thousand viewers varies inversely with the size of the audience.

If the foregoing principles are accepted, they have considerable relevance for the independent program production industry in Canada in that they establish the constraints under which the industry operates.

## B. Independent Production and Canadian Programming

### 1. Market Factors

The oligopoly nature of Canadian television is obvious with only two major networks, one relatively small network, and several independent stations. The domestic outlets in which the independent producer can market his product are therefore limited. In addition, the independent faces stiff competition from network productions in Canada (and networks have traditionally been inclined to produce their own programs)[3] and from foreign productions, particularly U.S. productions. The market or audience size in Canada is only one-tenth the size of the U.S. with the result that program costs per thousand viewers is considerably higher. This places the Canadian producer at a distinct competitive disadvantage in relation to his U.S. counterpart. The Canadian producer is not only placed at a disadvantage in marketing his product in Canada, but the cost and other factors have made it practically impossible to compete in the U.S. market. Productions which have been sold outside Canada generally have been in markets other than the U.S.

The cost constraint is therefore a major factor in Canadian television programming. Canadian TV networks and stations rely heavily on foreign productions, particularly from the U.S., which can be obtained at only a fraction of the cost of Canadian productions.[4] As shown in Tables III-1 and III-2, certain U.S. productions, particularly situation-comedies such as "All In The Family," "Rhoda," "Chico and The Man,"

TABLE III-1

CBC NETWORK PRIME TIME SCHEDULE (Winter 1975)

| | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|---|---|---|---|---|---|---|---|
| 7:00 | Local | Local | Local | Local | Local | Local | Beachcombers* $24,000 65,000 -41,000 |
| 7:30 | Local | Black Beauty $24,000 2,000 +22,000 | Time Machine* $24,000 15,000 +9,000 | House of Pride* $24,000 30,000 -6,000 | Howie Meeker* Mr. Chips $24,000 20,000 +4,000 | Maude $24,000 2,000 +22,000 | Irish Rovers* $24,000 15,000 +9,000 |
| 8:00 | Mary Tyler Moore $24,000 2,000 +22,000 | Happy Days $24,000 2,000 +22,000 | Nature of Things* This Land $24,000 15,000 +9,000 | Carol Burnett $48,000 4,000 +44,000 | All in the Family $24,000 2,000 +22,000 | Hockey Night in Canada* The Pallisors | The Waltons $48,000 4,000 +44,000 |
| 8:30 | This is the Law* $24,000 8,500 +15,500 | Police Story* $48,000 4,000 +44,000 | Musicamera* $48,000 40,000 +8,000 | | Mash $24,000 2,000 +22,000 | | |
| 9:00 | Cannon $48,000 4,000 +44,000 | | | Stompin Tom's Canada* $24,000 15,000 +9,000 | Tommy Hunter* $48,000 30,000 +18,000 | | Sam Adams Collaborators* Anthology Drama Performance $ 48,000 120,000 -72,000 |
| 9:30 | | Front Page Challenge* $24,000 8,500 +15,500 | Third * Testament/ Specials $48,000 40,000 +8,000 | Chico and the Man $24,000 2,000 +22,000 | | | |
| 10:00 | Naked Mind* Middle Age Old Timers $ 9,500 15,000 -5,500 | Up Canada* $ 9,500 15,000 -5,500 | | Adrienne* at Large $ 9,500 15,000 -5,500 | Rhoda $24,000 2,000 +22,000 | | Market Place Documentary* $ 9,500 15,000 -5,500 |
| 10:30 | People of Our Time/ Man Alive* $ 8,500 15,000 -6,500 | News-magazine* $ 8,500 15,000 -6,500 | First Person Singular/ Pacific Canada* $ 8,500 20,000 -11,500 | Some Honorable Members* $ 8,500 15,000 -6,500 | Man about the House/ Gallery $20,500 2,000 +18,500 | | Ombudsman* $ 8,500 15,000 -6,500 |

Source: CRTC Document     *Canadian productions     Revenue - Costs = Margin per program

TABLE III-2

CTV NETWORK PRIME TIME SCHEDULE (Winter 1975)

| | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday | Sunday |
|---|---|---|---|---|---|---|---|
| 7:00 | Ian Tyson* $16,000 15,000 +1,000 | Headline Hunters* $16,000 8,500 +7,500 | That's My Mama $23,000 2,000 +21,000 | Funny Farm* $16,000 15,000 +1,000 | Swiss Family Robinson* $16,000 65,000 -49,000 | Emergency $46,000 4,000 +42,000 | Born Free $46,000 4,000 +42,000 |
| 7:30 | $6,000,000 Man $46,000 4,000 +42,000 | Tuesday Night Movie $79,000 6,000 +73,000 | Local | Excuse My French* $16,000 30,000 -14,000 | The Rookies $46,000 4,000 +42,000 | | |
| 8:00 | | | Hockey* Movies | Kung Fu $46,000 4,000 +42,000 | | Academy Performance $92,000 12,500 +79,500 | Kojak $46,000 4,000 +42,000 |
| 8:30 | Streets of San Francisco $46,000 4,000 +42,000 | | | | Adam 12 $23,000 2,000 +21,000 | | |
| 9:00 | | Marcus Welby $46,000 4,000 +42,000 | | Police Surgeon* $16,000 65,000 -49,000 | Friday Mystery Movie $92,000 8,000 +84,000 | | Medical Centre $46,000 4,000 +42,000 |
| 9:30 | Pig'n Whistle* $16,000 15,000 +1,000 | | | Maclear* $16,000 15,000 +1,000 | | | |
| 10:00 | Ironside $46,000 4,000 +42,000 | Harry O $46,000 4,000 +42,000 | | Nakia $46,000 4,000 +42,000 | | Local | W5* $32,000 30,000 +2,000 |
| 10:30 | | | Banjo Parlour* $16,000 15,000 +1,000 | | | Local | |

Source: CRTC Document *Canadian Productions Revenue - Costs = Margin per program

TABLE III-3

CTV TELEVISION NETWORK LTD.

NETWORK SALES TIME PROGRAMS - 1974/75 SEASON (EXCLUDING SPECIALS)

| | St. Hshlds. Per Avg. Hr. (000's) | CPM Using 52 Time 30/30 Rate | Yearly Program Costs ($000) | % of Total Program Costs | Bookings As Of Aug. 31, 1975 ($000) | % Of Total Bookings | Net ($000) |
|---|---|---|---|---|---|---|---|
| CANADIAN PRIME | | | | | | | |
| Excuse My French | 610 | 5.46 | $ 780.0 | 6.8 | $ 574.3 | 2.4 | (205.7) |
| Funny Farm | 715 | 4.67 | 494.0 | 4.3 | 531.8 | 2.2 | 37.8 |
| Headline Hunters | 620 | 5.37 | 218.4 | 1.9 | 598.2 | 2.5 | 379.8 |
| Maclear | 803 | 4.15 | 513.0 | 4.5 | 598.4 | 2.5 | 85.4 |
| Pig'n Whistle | 734 | 4.54 | 431.6 | 3.8 | 598.3 | 2.5 | 166.7 |
| Police Surgeon | 830 | 4.01 | 520.0 | 4.5 | 591.0 | 2.5 | 71.0 |
| Swiss Family Robinson | 784 | 4.25 | 390.0 | 3.4 | 586.8 | 2.5 | 196.8 |
| Ian Tyson | 652 | 5.11 | 463.5 | 4.1 | 602.3 | 2.5 | 138.8 |
| W-5 | 487 | 6.84 | 1,050.1 | 9.2 | 843.4 | 3.6 | (206.7) |
| | | | $ 4,860.6 | 42.5 | $ 5,524.5 | 23.2 | 663.9 |
| FOREIGN PRIME | | | | | | | |
| Emergency | 879 | 5.43 | $ 192.4 | 1.7 | $ 1,641.1 | 6.9 | 1,448.7 |
| Harry-O/Tony Orlando/Cher | 1,003 | 4.76 | 216.2 | 1.9 | 1,665.6 | 7.0 | 1,449.4 |
| Ironside/Archer/Sweeney | 805 | 5.93 | 184.5 | 1.6 | 1,715.2 | 7.2 | 1,530.7 |
| Kojak | 1,055 | 4.52 | 212.0 | 1.9 | 1,760.9 | 7.4 | 1,548.9 |
| Mystery Movie | 827 | 5.77 | 378.0 | 3.3 | 3,291.7 | 13.8 | 2,913.7 |
| Marcus Welby | 754 | 6.33 | 231.4 | 2.0 | 1,650.5 | 7.0 | 1,419.1 |
| | | | $ 1,414.5 | 12.4 | $11,725.0 | 49.3 | 10,310.5 |
| OFF PRIME | | | | | | | |
| News | 460 | 4.70 | $ 2,151.5 | 18.8 | $ 1,740.3 | 7.3 | (411.2) |
| Canada A.M. | | | 1,177.4 | 10.3 | 371.5 | 1.5 | (805.9) |
| Untamed World | 456 | 3.75 | 260.0 | 2.3 | 313.4 | 1.3 | 53.4 |
| Wide World of Sports | 378 | 4.52 | 255.4 | 2.2 | 750.8 | 3.2 | 495.4 |
| Daytime | 563 | 1.60 | 1,192.8 | 10.4 | 2,640.9 | 11.1 | 1,448.1 |
| | | | $ 5,037.1 | 44.0 | $ 5,816.9 | 24.4 | 779.8 |
| Backgrounder | | | $ 122.3 | 1.1 | $ 728.3 | 3.1 | 606.0 |
| | | | $11,434.5 | 100.0 | $23,794.7 | 100.0 | 12,360.2 |

Source: CTV Television Network presentation at the CRTC Hearings, Ottawa, Nov. 4, 1975.

can be obtained for $2,000 for a one-half hour episode. Movies can be obtained for $8,000, and action/adventure and drama programs such as "The Streets of San Francisco," "Medical Centre," "Marcus Welby," and "Kojak" can be purchased for $4,000 for each one hour episode. In comparison, Canadian productions are very expensive. Samples of action/adventure or drama programs are "Police Surgeon"—$65,000 and "Swiss Family Robinson"—$65,000. The cost of such productions is approximately $2,000 per minute. Musical variety programs and documentaries are less costly to produce (approximately $500 per minute) but still cost considerably more than U.S. productions. Examples are: "Irish Rovers"—$15,000; "Pig'n Whistle"—$15,000; "Ombudsman"—$15,000; "W5"—$30,000; "Newsmagazine"—$15,000.

In addition to being less costly to Canadian networks, U.S. programs are generally viewed by a larger Canadian audience (as shown above and noted also in Table III-3), and produce considerably more gross revenue per half hour or one hour program. As shown in Table III-3, of CTV's showings in prime time for the 1974-75 season, Canadian productions accounted for approximately 42.5 per cent of total program costs but yielded only 23 per cent of revenue while U.S. productions accounted for 12.8 per cent of total costs but constituted 49 per cent of total revenues in prime time. Revenue comparisons are also shown in Tables III-1 and III-2. Examples of revenue produced by U.S. action/adventure productions are: "Cannon"—$48,000; "Police Story"—$48,000; "Streets of San Francisco"—$46,000 (per one hour episode). In contrast, Canadian produced action/adventure programs of a similar type such as "Police Surgeon" produced $16,000 for a half-hour episode. A comparison of muscial varieties is more favourable to Canadian productions. For example, a one hour "Carol Burnett" program brought $48,000 in revenue. Canadian productions, such as "Tommy Hunter," "Irish Rovers," "Stompin Tom's Canada" yielded an equivalent amount per minute. However, "Carol Burnett" cost the CBC network only $4,000 in comparison to $30,000 for the Canadian counterparts ($15,000 for a half-hour program). In terms of net revenue, the showing of U.S. productions by Canadian networks are considerably more profitable than Canadian productions.

The CTV and Global Television presentation at the recent CRTC hearings illustrated the problem with Canadian productions. Of the programs used as examples by Global and illustrated in Table III-4, not one showed a profit for the network. Such statistics were presented by Global and CTV to support their argument that, in the words of the president of CTV, "domestic programmes are not self-sustaining" and that "without relatively economic foreign sources of programming to generate surplus revenue, we couldn't sustain our present level of Canadian production."[5]

The costs of producing television programs in Canada in comparison to the prices Canadian networks pay for U.S. productions, and the audiences and revenues generated by the two, prompted one Canadian producer to comment, "Competition with a U.S. product is pure baloney."

TABLE III-4

GLOBAL TELEVISION NETWORK

FINANCIAL STATEMENT ON INDEPENDENT CANADIAN PRODUCTIONS 1974-75 SEASON

| Program | Season or Showing | Audience | Cost $ | Revenue $ | Net $ |
|---|---|---|---|---|---|
| Braden Beat | One hour | 82,800 | 17,000 | 4,032 | |
| Witness to Yesterday | 30 minutes | 104,600 (Mar/74) | 7,100 | -- | |
| World of Wicks | Sept/74-Aug/75 | -- | 136,000 | 9,469 | (126,531) |
| Wildlife Cinema | Sept/74-Aug/75 | -- | 126,000 | 15,694 | (110,306) |
| My Country | Sept/74-Aug/75 | -- | 81,000 | 26,244 | (54,756) |
| Shh! It's The News | Sept/74-Aug/75 | 145,000 (Mar/75) | 272,000 | 132,294 | (139,706) |
| The Great Debate | -- | -- | 263,560 | 213,594 | (49,966) |
| Total Independent Canadian Productions | Sept/74-Aug/75 | -- | 1,349,554 | 430,177 | (919,377) |

Source: Global Television Network presentation at the CRTC Hearing, Ottawa, November 5, 1975

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. Entertainment 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."[6]

Comparisons of costs of producing by independent producers and networks is 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[7] 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.

2. Content Determinants

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 television industry, it is the viewer who determines the content of television programming. However, as explained earlier, the television industry is not perfectly competitive. The networks constitute an oligopoly whose membership is limited by government regulations.[8] 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.

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.[9]

The 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.[10] Without this legislation CBC would likely continue to bring some Canadian produced programs or risk losing its public financial support.

CRTC regulations currently restrict non-Canadian programming to 40% of broadcast time between the hours of 6:00 am and midnight. This also applies to a public network or station for the hours of 6:00 pm and midnight, while a private network or station is restricted to 50% non-Canadian programming for the hours 6:00 pm to midnight.[11]

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, talk shows, or musicals, all primarily for non-prime time showing. In prime time, even the Canadian networks make little attempt to compete for audiences with American stations in the production of action/adventure programs of the "Cannon," "Kojak" nature. The non-Canadian time permitted is filled with American produced programs made available at $2,000 to $4,000 per episode. The Canadian portion of broadcast time is filled with news programs, musicals, documentaries, or panel discussion programs.

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. However, there are some newer trends in this area which will be discussed with specific examples later in the study.

### 3. 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 III-5. 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 production as defined elsewhere in this study as it also covers laboratory operations. 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. In the Statistics Canada survey, motion picture production companies are defined as establishments primarily engaged in the production of motion picture film (either full length or shorts), commercials, or other films such as newsreels, news-clips, etc. Production refers to originals and/or versions of a motion picture film and implies responsibility for the production from original casting and shooting until the film is test printed. The "production" includes such activities as script writing, setting, direction, shooting, sound recording, film development and editing. Excluded are service companies which provide specialized services such as translating, dubbing, and recording.

The number of producers in the industry shown in Table III-5 is exaggerated in that a producer may be engaged in the production of more than one type of film. That is, he may be

TABLE III-5

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: Statistica Canada, 1974

engaged in the production of TV entertainment film, information TV, and TV commercials. Furthermore, as stated earlier, a company may be engaged primarily in laboratory operations and still be considered as a program producer. The Statistics Canada Survey has shown that of gross revenue of all private motion picture production (including theatrical films as well as television) approximately one-half accrues from printing and laboratory operations.

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," the number of which was compiled from a number 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.[12]

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 have arrived at some idea of the revenues from Canadian sources accruing to the "true" independent production industry. Chapter V deals in detail with this analysis of the money actually paid by stations and networks in our examination of the marketplace.

4. Profitability of the Independent Program Production Industry

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" (Film 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 case 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 3½ 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 truly independent producers is Ferns-Nielsen 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.

Is 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 sold 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, 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."

## ENDNOTES

[1]In spite of claims that the merits of a particular program placed in any reasonably opportune time period will generate its own dimensions of audience the evidence strongly suggests that there is a definite curve of potential audience through the various time periods. This assumption has been established in the preceding chapter with particular reference to "CBC Profile of Viewing Day."

[2]A number of economic theories, models, and game theories have been utilized and adopted in an attempt to explain TV programming patterns. Steiner, Wiles, McGowan, Levin, Owen, etc. have developed models based primarily on Hotelling's theory of spatial competition, Cournot's model of duopoly, and various oligopoly theories. Most of these models show that TV networks or stations, competing for audiences, engage in program imitation and duplication. The theory of games, a set of tools for analyzing situations of conflict between parties, has also been employed to explain behaviour where direct communication or collusion between rivals is difficult. For a summary of some of these models, see B. M. Owen _et al._, _Television Economics_ (Toronto: Heath and Co., 1974).

The results predicted by these theories have generally been found in a study of network (ABC, NBC, CBS) programming in the U.S. during the period 1953-74. The study showed that network programming has been relatively stable (in terms of content shifts from season to season) and the trend in the 1970's has been to greater stability. There has also been declining diversity in programming with more and more programming time being devoted to fewer and fewer program types (i.e. in 1973, three types of programs—action/adventure, movies, and general drama—absorbed 81 per cent of prime time). The study also found a trend towards steadily increasing homogeneity of programs between networks, as well as a strong correlation between profits and homogeneity. See J. L. Dominick and M. C. Pearce, "Trends in Network Prime-Time Programming," 1953-74, _Journal of Communication_, Vol. 26, No. 1, Winter, 1976, pp. 70-80.

[3]As endnoted in Chapter I, the U.S. networks heavily utilize "independent" producers but exercise rigorous control over the funding and content.

[4]This may be construed as "dumping," i.e. selling a product in a foreign market for less than is asked for it at home. We deal with this in Chapter VI.

[5]This is from a transcript of the November 4, 1976 CRTC Public Hearing in Ottawa at which time Mr. Murray Chercover was seeking licence renewal for the CTV network. The merits of this argument are examined later.

[6]Costs of production are in two categories—indirect costs and direct costs. Within a production house, e.g. a CBC production centre, the budget for a program would total all these requirements provided within the house such as technical crew, studios, staff artists, staff producer and assistants, staging, make-up, etc. as indirect costs at whatever the cost accounting figures determined were the appropriate charges. Those "out-of-pocket" expenses such as performing talent, film stock, travel expenses constitute direct costs. For the "true" independent producer, virtually all costs are direct costs unless he himself owns his own production facilities. For the broadcaster the cost of program procurement from an outside source, whether it is a U.S. syndicator or a Canadian independent producer, is a direct cost. In times of financial austerity or in an effort to maximize profits, the most easily controllable expenses for a broadcaster are the direct costs. He always has an overhead but as good business practice seeks to minimize any outside expenditure. A related example is his willingness to enter into a "contra" deal where the program is supplied free. Again, the broadcaster tends to regard a program acquisition by him in terms of just what the direct costs to him would be in creating a similar product.

[7]This point is ampliphied later in this chapter in terms of the profitability of independent production in Canada. See Chapter II, B, 4.

[8]See (Babe, 1975) also the symbiosis of regulator and regulatee is much observed phenomena.

[9]This "head-on" programming strategy was remarked on by CTV at the November 4, 1975 Public Hearing. With the emergence of third stations programming strategies have changed. At least "head-on" Canadian content limited the many viewers to choosing a Canadian program.

[10]Some studies have shown that where Canadian and American networks have shown similar types of programs, the American produced program is rated higher by the Canadian audience than the Canadian program. See Vernone M. Sparkes, "The Canadian Television Audience: A Study of Viewing Preferences and Audiences," May 1975, Syracuse University, Syracuse, N.Y.

[11]Robert Babe (Babe, 1975) contends that CTV "prime time" programming (7 pm - 11 pm) is only 29 per cent Canadian. The CBC when appearing before the CRTC for licence renewal February 18, 1974 were in much difficulty to explain why the crucial 8 pm to 9 pm period was almost 100 per cent U.S. content.

[12]Although only 113 replies were received, this sample represented practically all the significant producers in the

industry today. The opinions expressed and some of the extensive data provided gave the researchers considerable insight into the problems of the industry. In a qualitative sense the response was excellent. Seventy-three or 65 per cent of these respondents indicated either they were producing for broadcast or desirous of doing so.

## CHAPTER IV

## CURRENT STATE OF INDEPENDENT PRODUCTION

### A. Categories and Quantities

For purposes of definition we decided that "independent" meant a person or business other than one holding a broadcast licence. We also decided that the production houses related to a broadcaster through common ownership or other close affinity did not constitute an "independent" source of programs. We did, however, include all programs originating from this latter source in our study if their programs were in syndication, i.e. not on network and available for purchase by any station.

"Canadian" has been defined earlier in Chapter I and a "program" is defined as longer than one minute and distributed for use in more than one market. Programs of a purely local nature are not considered, but if a program is designed for wider distribution although exhibited on a single station it has been included in this study.

A questionnaire was sent to all the 66 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. Table IV-1 shows the coding required of each program.

TABLE IV-1

PROGRAM DATA

TITLE:

1. Medium of Recording

   A. VTR
   B. Film
   C. Film to VTR

2. Distributor

   A. Astral-Telefilm
   B. Bruce Raymond
   C. Colm O'Shea
   D. Crossroads
   E. Dana Murray
   F. Garth Olmstead
   G. Gordon Jones
   H. Northwest Video
   I. Ralph Ellis
   J. Screen Gems
   K. Telegenic

   Y. No distributor
   Z. Distributors of one program only

3. Age of Program

   A. In production
   B. Not in production
   C. Over ten years old

4. Facilities used for Production

   A. Broadcaster
   B. Broadcast-Related CTV
   C. Broadcast-Related Non-CTV
   D. Non-Broadcast Related

5. Distribution - Types of Station

   A. CBC Owned & Operated
   B. CBC Affiliates
   C. CTV
   D. Independent
   E. Educational

6. <u>Number of stations - Extent of Distribution</u>

   A. 1 station
   B. 2-5
   C. 6-10
   D. 11-plus

7. <u>Marketing - Where Sold</u>

   A. Canada only
   B. Canada & U.S.
   C. U.S.
   D. International

8. <u>Content</u>

   A. Information (hard) & documentary
   B. Informational (soft), games, wildlife, travel
   C. Sports - outdoor
   D. Religious
   E. Childrens
   F. Dramatic or Dramatization
   G. Music & Variety
   H. Arts, Letters & Science
   I. Educational

9. <u>Conditions of Sale</u>

   A. Free to Station
   B. Purchased by Station
   C. Contra
   D. Station paid to run

10. <u>Number of Episodes</u>

   A. Less than 13
   B. 13-25
   C. 26-52
   D. More than 52

11. <u>Length of Program</u>

   A. 60 mins.
   B. 30 mins.
   C. 5 mins.

12. <u>Costs of Production</u>

   A. Less than $3,000/half-hour
   B. $3,000 - $10,000
   C. $10,000 - $20,000
   D. $20,000 - $50,000
   E. More than $50,000/half-hour

13. Category of Producer

A. "True" Independent Producer
B. Co-producer with Broadcaster
C. Broadcaster produced using station facilities
D. Broadcaster-related production house (non-CTV)
E. Broadcaster-related production house (CTV)

14. Average Viewership

A. Insufficient for reporting
B. 1-5 per cent of TV homes
C. 6-20 per cent of TV homes
D. Over 20 per cent of TV homes

B. Content and Case Histories

We believe the 96 programs studied to be the universe of syndicated or freely distributed Canadian programs, less CBC regional exchange programs. Table IV-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 IV-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 the 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 IV-3 shows the remaining 15 programs. All are videotaped in various broadcasters plants or production houses.

The educational and network programs were examined as case studies (see Appendix F). 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. These are some comments made by private broadcasters:

> As a CBC-TV Affiliate, we can take advantage of any number of "available" Canadian program series for local use in times under our own control. On a weekly basis, from September 1975 to end of December 1975, we scheduled seven half-hour programs and one quarter-hour program. We are currently scheduling one 90-minute program, eight half-hour programs and one quarter-hour program, on a weekly basis.

As far as Canadian programs on our CBC affiliated station, at present time we are not purchasing any. We do carry a number of U.S. syndicated programs, however, we also carry a great many hours of CBC Canadian programming. As a matter of fact, we pretty well take all that is available to us.

TABLE IV-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 |
| 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 |

C. Marketing and Distribution

> It is difficult to purchase Canadian programs especially when there are not enough Canadian shows available for them to be purchased on a competitive basis. It is also extremely difficult to purchase suitable 'prime time' Canadian programs. Content and quality relegates non-network Canadian shows to fringe time periods.
>
> The availability, quality, content are certainly improving at almost an alarming rate, which is certainly appreciated by T.V. stations across the country. The price is also $5-10 per episode higher.
>
> (emphasis added for irony)

These comments came to us from broadcasters. They sharply indicate the buyer's viewpoint. Programs are rented, not "bought."

In our talks with broadcasters who were newly attempting to produce and distribute their own product, we were told 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. Such people are known as distributors. For years distributors have visited the stations on behalf of their U.S. clients and sold U.S. programs (which didn't make network) to individual stations. An interesting development in Canada has been the emergence of a number of distributors who specialize in Canadian content. Albeit most of it from broadcast related sources. Most noteable 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 and 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 (see Appendix D).

Of the 22 programs shown in Tables IV-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.

## D. Viewer and Advertiser Interest

We have already noted the viewing patterns with respect to Canadian content in prime time network hours. Advertiser interest reflects the tastes of the audience but to gain access to prime time in Canada the advertiser is usually expected to assume the same burden of Canadian content as does the broadcaster.

The following comments from individual broadcasters are in respect to the syndicated Canadian content:

> 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 (see Appendix D).

## CHAPTER V

## FACTORS AFFECTING INDEPENDENT PRODUCERS

### A. Canada as a Marketplace

#### 1. General

The implications of the relatively small Canadian market (in terms of audience size relative to that of the U.S.) for Canadian program production were examined earlier. It was also mentioned that in addition to the small Canadian market, the independent producers faced a major obstacle in the form of competition not only from U.S. productions but also from Canadian network "in-house" production. In fact, the major complaint of independent producers was insufficient access to air-time on Canadian television networks and stations due to lack of interest in outside productions and concentration on "in-house" productions.

A number of production firms who were involved in producing commercials or other non-broadcast material stated that they would be interested in producing TV programs. The major obstacle, however, was revenue potential resulting from the lack of a big enough market in Canada.

The following is a sample of some of the comments received on Canada as a marketplace and the attitude of the networks to independent productions:

> 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. Very few time slots are available on CBC and CTV for programs produced by independent producers.

> The biggest problem has been 'broadcasters disinterest.' Unless you are famous they won't even talk to you.

> . . . existing facilities CBC-CTV-OECA not interested in anyone's ideas but their own. We waste time and money making representations they ignore.

> When broadcasters are approached with our ideas the standard reply is, 'Your idea is not the type of program we would normally buy' and six months later you find something similar running on the networks.

> On our files we have idea outlines that have been submitted to CBC, CTV, and Global, most of which never even received the courtesy of a reply. We have <u>never</u> submitted a proposal to a U.S. broadcaster of any size that did not at least elicit a response.

Another interesting comment draws attention to the promotional problem in marketing Canadian shows.

> Establish a Canadian magazine-like TV Guide. The U.S. TV Guide magazine has an extremely high circulation, takes considerable amount of advertising revenue out of Canada, and is promoting only U.S. productions, U.S. performers, U.S. TV information. In the program listings Canadian content programs are discriminated [sic] compared to the synopsis of U.S. shows.

The statistical evidence bears out the complaints of the independent producers of the networks' preferences for "in-house" production. An examination of the prime time schedules of the CBC and CTV networks for the winter of 1975 shows not one Canadian program which was not produced by the networks or by networks using the facilities of affiliate stations, although two, "Police Surgeon" and "Swiss Family Robinson" were co-productions with independents.

In 1973-74 the CBC incurred operating expenses of $246.7 million of which 6% or approximately $15 million was spent on "film rights or commissioned productions." The amount spent on English TV programming (network time periods and local station time periods - CBC produced) was $85.1 million. In other words, of approximately $100 million spent for TV programming, $15 million was paid for outside productions, including foreign programs.[1]

An associated complaint of independent producers was the lack of a system of open-tender for the few productions that networks do contract out to the independents. As one producer stated: "Broadcasters do not tender their programs or film projects so most of the time you just don't hear about them . . . Most of these projects are done by a handful of freelancers who have a contract with a broadcaster or some arrangement." Complained another: "unless you are, or work for one of the chosen few production companies, Canadian TV is not the least bit interested." And added a third: "It would be nice to see at least a 'tendering' system put into effect. In this way more small production houses would at least be aware of what is happening. As it happens now this area is considered almost a closed shop. Despite what broadcasters say, they do operate in very 'clique'-like fashion."

In addition to competition from the "in-house" production of networks, film makers and television program producers face competition from government agencies such as the National Film Board and OECA. "There is presently too much competition for the private film industry from tax-supported endeavours . . ." complained one producer. Another producer contended that "NFB monopoly of Federal government department film projects is a major discouragement" and that "private producers should be free to negotiate directly with government departments and should not have to answer to the NFB."

2. The Canadian Broadcasting Corporation

To date we have not received a report from the CBC concerning the extent of their purchases from independent producers for this current broadcast year. In the past they have been involved in a number of co-productions such as "The Third Testament" and "The National Dream" but in the current broadcast year to the best of our knowledge, they are only involved in one program series that might be classified as an independent production. This is "Celebrity Cooks" produced by Bruce Raymond (Raymond-Taffner Productions) in the studios of CJOH-TV (Carleton Productions) in Ottawa. We do not know the financial arrangement with the CBC but assume that they pay for the costs of the production and that the producer makes his profit through having international or subsequent syndication rights to the program.

There seems to be no specific direction or mandate for the CBC to deal directly with outside producers. They do deal with an immense number of freelancers and various non-staff members of the various performing unions. They have an annual dollar commitment with A.F. of M. and do recognize a role in supporting talent, cultural organizations and writers, but not in terms of relinquishing the control over the production of the content and the purchase of pre-packaged goods.[2]

In both radio and television the extent of the CBC's use of the freelancer who is really an independent business person is significant and does provide a further impetus for skilled and talented people to remain in the country practicing their professions.

Of late the CBC has moved to engaging their TV producers on exclusive contract for services which would imply that the producers were independent (non-staff) of the Corporation. In theory this should provide the Corporation with the kind of individual who is more dynamic and creative while retaining the flexibility to dispense with his services on relatively short notice. In practice, however, the insecurity of tenure may lead to a slave-ish obedience to existing stereotypes. Those producers initiating unconventional or imaginative new approaches often generate frictions within a bureaucracy which prefers internal smoothness.

We have no total dollar figure that the Corporation spends on non-staff personnel but in terms of the total monies spent in Canada on our creative resources it is a significant amount. Our questioning of independent producers revealed that the CBC was the main target of their wrath. The following are some fairly typical comments made to us:

Generally CBC wants to do its own thing or employ outside directors or cameramen, not outside film companies like us. CTV and Global have very little money. While in the past we have made a few series for CBC (none for the others) - not for a long time now.

A quota for independent production by companies would be very helpful, especially with CBC.

. . . we have initiated so many ideas and proposals to the CBC and others that we are just wasting our time we feel. No results. Never does a network approach us re a possible contract.

Two of the last films we produced for the CBC were 'telescope' programs. We were paid something like $7,000 each for two half-hour shows at a time when it probably cost the Corporation $50,000 for a half-hour. So the trick is to make a film that looks like $50,000 while saving enough out of $7,000 to live on . . .
. . . to sell those 2 'telescope' programs we initiated 36 story ideas over a period of 18 months before CBC said 'maybe'!

The CBC does not pay realistic prices. They get around us by giving a contract for 2 plays (rental). We feel we should sell the rights for Canada for at least their in shop [indirect] costs.

Although our Manitoba Film Producers Association is still trying hard to convince the CBC to consider outside production so far, no luck.

The major obstacle is the CBC's inability to recognize that independent producers can product quality programming.

. . . [documentary] which was snapped up by the CBC. They made glowing statements about the originality of the production, the quality of the technical aspects, etc. etc. When the time for paying for it came . . . we were offered and accepted $3,000.00 for a three year lease of the film.
. . . wilted any enthusiasm to invest in the production of any other projects without some form of committment by CBC.

The CBC has on the whole been good to us. TVO is hopeless. It seems to be staffed for the most part with ignorant, defensive amateurs.

In total the CBC committment to outside Canadian production has been spotty and hardly significant. Unless a co-production arrangement is involved the few examples of independent program acquisition are on a lease basis which only returns to the producer a fraction of his costs. If anything the trend seems to be toward less rather than more outside involvements. One interesting item is their participation in "Punchline" (Bruce Raymond Ltd.)——a new project not yet aired. Raymond has shot two pilots for which the CBC paid all the production costs and reimbursed Raymond his development costs. If the project proceeds Raymond will receive a production fee and eventually when the CBC is through with the series, he can attempt to market the series for subsequent use in Canada, the U.S., and worldwide.

It is most difficult to arrive at an estimate of the CBC's dollar committment to outside producers. In most cases (co-productions) the Corporation pays the costs of production so that the outside value is what the producer can realize from his rights in other markets. The "Galloping Gourmet" had a revenue of $4,000,000 in the U.S. alone. Realistically, the actual dollars paid to outside producers in direct monies probably does not exceed $500,000 a year.

3. The Canadian Television Network - CTV

The CTV network has been most co-operative and has supplied us with all the information we requested. As noted before, the CTV network has been enjoined to make extensive use of independent production. The picture they presented at their recent license renewal hearings is very bleak.

For the current program year out of a total of about 1,200 hours[3] of original programming for the network (not counting repeats) 6½ hours were devoted to the work of independent producers or 0.54 per cent. This is a drop from 15 hours the previous season and nine hours of original programming the previous season. The 6½ hours are comprised of one half hour entitled "Remarkable Rocket" and six hours of Canadian features which would indicate that the entire original independent production purchased for the 1975-76 program year by CTV was essentially three or four Canadian feature films. If one pro-rates the cost of the 12 Canadian feature films purchased by CTV into one-third usage for the current broadcast year ($610,000 divided by 3), and add the cost of the single half hour episode, we can arrive at a figure of approximately $225,000 spent on independent production by the CTV network for 1975-76. It is possibly gratuitous to note that three of the twelve feature films were produced by Agincourt Productions Ltd. This use of Canadian features in Canadian broadcasting is, however, commendable.

In the category of CTV direct co-productions with independent producers a total of 30 hours of original content was produced. This is a drop from 39½ hours the previous season and 35½ hours the season prior. In all, independent and direct co-productions with independent producers represents 3.0 per cent of the CTV's current network program schedule (See Table V-1). The remaining hours on the CTV network are produced either by the network using station facilities or by the stations using their facilities and producing for the network. In the latter case a number of the programs involve a certain element of co-production.

With reference to the attached tables (Tables V-1, 2, 3) and the CTV Network's interest in independent programming, Mr. Chercover's brief at the November 4, 1975 hearings into CTV Television Network license renewal states:

> The Commission expressed concern for diversification of sources of Canadian entertainment programming. The appended [Tables V-1, 2, 3] analysis of program by source shows a favourable picture of this diversification. However, it would be a serious mistake for the Commission to over-emphasize this objective. Any attempt to establish this as a policy or quota could only promote mediocrity. Programs should be chosen which are the best available to serve the needs of the audience. (Emphasis added)

Several other relevant points should be noted with respect to these tables. a) The majority of network content originates from the CFTO studios in Toronto, approximately 60 per cent. b) The downward trend in the amount of both independent productions and CTV direct co-productions. c) That of the programs sold by the stations to the network, CFTO has by far the greatest number of hours with CFCF and CHAN showing one or two series each. d) The remaining stations sell either nothing or one or two hours a year to the network. e) The network commissions programs from the stations with a rather better geographical representation, but these are mostly

TABLE V-1

CANADIAN PROGRAM PRODUCTION

INDEPENDENT PRODUCERS
AND
CTV DIRECT COPRODUCTIONS

| | PROGRAM | 1973/74 HOURS ORIGINAL EPISODES | 1973/74 HOURS REPEAT EPISODES | 1973/74 TOTAL HOURS | 1974/75 HOURS ORIGINAL EPISODES | 1974/75 HOURS REPEAT EPISODES | 1974/75 TOTAL HOURS | 1975/76 HOURS ORIGINAL EPISODES | 1975/76 HOURS REPEAT EPISODES | 1975/76 TOTAL HOURS |
|---|---|---|---|---|---|---|---|---|---|---|
| INDEPENDENT PRODUCERS | CHALLENGING SEA | 0 | 5½ | | - | - | | - | - | |
| | COUNTERPOINT | 0 | 1 | | - | - | | - | - | |
| | SELFISH GIANT | ½ | ½ | | ½ | ½ | | - | - | |
| | LITTLE MERMAID | ½ | 0 | | ½ | ½ | | 0 | ½ | |
| | HAPPY PRINCE | - | - | | ½ | ½ | | 0 | ½ | |
| | LEGEND OF THE CHRISTMAS MESSENGER | - | - | | ½ | ½ | | 0 | ½ | |
| | REMARKABLE ROCKET | - | - | | - | - | | ½ | - | |
| | PAPERBACK VIGILANTE | - | - | | 1 | 0 | | - | 1 | |
| | CANADIAN FEATURES- (Titles Attached) | 8 | 0 | | 12 | 0 | | 6 | 6 | |
| | TOTALS: | 9 | 7 | 16 | 15 | 2 | 17 | 6½ | 8½ | 15 |
| CTV DIRECT COPRODUCTIONS WITH INDEPENDENT PRODUCERS | UNTAMED WORLD *(Peter Backhaus Telefilms/ Filmhouse (MPC)) | 6½ | 18 | | 12½ | 10½ | | 7 | 19 | |
| | POLICE SURGEON *(Colgate Ltd.) | 13 | 12½ | | 13 | 13 | | - | - | |
| | TARGET THE IMPOSSIBLE *(Hobel-Leiterman) | 13 | 13 | | - | - | | - | - | |
| | SWISS FAMILY ROBINSON *(Fremantle of Canada & Trident (Yorkshire) TV) | - | - | | 13 | 12½ | | - | - | |
| | GEORGE *(Telepool, and Winters Rosen Productions) | - | 5½ | | - | - | | - | - | |
| | PRIMITIVE MAN *(Via La Monde Productions & Radio Canada) | 3 | 0 | | 0 | 3 | | - | - | |
| | THE RED BARON *(Polytel International) | - | - | | 1 | 0 | | 0 | 1 | |
| | TOWARDS TOMORROW *(Hobel-Leiterman) | - | - | | 0 | 3½ | | - | - | |
| | OLYMPIC SPECIALS *(Cappy Productions) | - | - | | - | - | | 11 | 0 | |
| | BOBBY VINTON *(Shiral) | - | - | | - | - | | 12 | 12 | |
| | TOTAL: | 35½ | 49 | 84½ | 39½ | 42½ | 82 | 30 | 32 | 62 |
| | COMBINED TOTALS: | 44½ | 56 | 100½ | 54½ | 44½ | 99 | 36½ | 40½ | 77 |

*( ) Coproducers

TABLE V-2

NETWORK CANADIAN PROGRAM PRODUCTION

| PROGRAM | 1973/74 HOURS ORIGINAL EPISODES | 1973/74 HOURS REPEAT EPISODES | 1973/74 TOTAL HOURS | 1974/75 HOURS ORIGINAL EPISODES | 1974/75 HOURS REPEAT EPISODES | 1974/75 TOTAL HOURS | 1975/76 HOURS ORIGINAL EPISODES | 1975/76 HOURS REPEAT EPISODES | 1975/76 TOTAL HOURS |
|---|---|---|---|---|---|---|---|---|---|
| UNIVERSITY OF THE AIR | 95 | 35 | | 82½ | 47½ | | 47½ | 82½ | |
| WIDE WORLD OF SPORTS | 37½ | 0 | | 39 | 0 | | 37 | 0 | |
| QUESTION PERIOD | 24½ | 0 | | 25½ | 0 | | 26 | 0 | |
| SPECIALS: | | | | | | | | | |
| RUSSIAN GERMAN WAR | 3 | 0 | | 0 | 3 | | - | - | |
| INQUIRY | 2 | 3 | | 4 | 0 | | 4 | 0 | |
| HUMAN JOURNEY | 2 | 2 | | 2 | 1 | | 2 | 2 | |
| WINDOW ON THE WORLD | 1 | 2 | | 3 | 3 | | 2 | 1 | |
| CANADA: FIVE PORTRAITS | 5 | 0 | | 0 | 5 | | - | - | |
| HERITAGE | - | - | | 4 | 2 | | 2 | 1 | |
| MACLEAR | - | - | | 10 | 10 | | 10 | 10 | |
| TRANS CANADA HIGHWAY | - | - | | - | - | | 1 | 0 | |
| OLYMPICS: | | | | | | | | | |
| WINTER GAMES | - | - | | - | - | | 54 | 0 | |
| SUMMER GAMES | - | - | | - | - | | 25½ | 0 | |
| TOTALS: | 170 | 42 | 212 | 170 | 71½ | 241½ | 211 | 96½ | 307½ |

TABLE V-3

CANADIAN PROGRAM PRODUCTION
USING STATION FACILITIES

| | SOURCE | PROGRAM | 1973/74 HOURS ORIGINAL EPISODES | 1973/74 HOURS REPEAT EPISODES | 1973/74 TOTAL HOURS | 1974/75 HOURS ORIGINAL EPISODES | 1974/75 HOURS REPEAT EPISODES | 1974/75 TOTAL HOURS | 1975/76 HOURS ORIGINAL EPISODES | 1975/76 HOURS REPEAT EPISODES | 1975/76 TOTAL HOURS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CFTO TORONTO | ** | EYE BET | 65 | 65 | | - | - | | - | - | |
| | ** | PIG AND WHISTLE | 16 | 8½ | | 16 | 8½ | | 13 | 13 | |
| | ** | HEADLINE HUNTERS +(Muir Nicholson) | 18 | 7½ | | 18 | 7 | | 18 | 8 | |
| | ** | IAN TYSON | 15 | 10½ | | 15 | 9½ | | - | - | |
| | ** | SPORTS BEAT | 14 | 0 | | - | - | | 26 | 0 | |
| | * | UNIVERSITY OF THE AIR | 10 | 7½ | | 10 | 5 | | 5 | 12½ | |
| | ** | WATERVILLE GANG | 8½ | 17 | | 0 | 16½ | | 0 | 13 | |
| | ** | SHAKE ROCK & ROLL | 6 | 2 | | - | - | | - | - | |
| | ** | ROQ | 6 | 1½ | | - | - | | - | - | |
| | ** | STARLOST +(20th Century Fox TV) | 16 | 16 | | - | - | | - | - | |
| | ** | DEFINITION +(Muir Nicholson) | - | - | | 65 | 65 | | 65 | 65 | |
| | ** | SING A SONG | - | - | | 4½ | 4½ | | - | - | |
| | ** | MISS CANADA PAGEANT | 1½ | 0 | | 1½ | 0 | | 1½ | 0 | |
| | ** | FUNNY FARM | - | - | | 12½ | 11½ | | 8 | 5 | |
| | ** | MISS TEEN CANADA PAGEANT | 1½ | 0 | | 1½ | 0 | | 1½ | 0 | |
| | ** | HUDSON BROS. +(Shiral) | - | - | | 8 | 17½ | | - | - | |
| | ** | THE TROUBLE WITH TRACY +(CBS Enterprises) | - | - | | - | - | | 0 | 130 | |
| | ** | GRAND OLD COUNTRY | - | - | | - | - | | 13 | 11½ | |
| | * | CANADA A.M. | 385½ | 0 | | 363 | 0 | | 376½ | 0 | |
| | * | GREY CUP PARADE | 1½ | 0 | | - | - | | - | - | |
| | * | W5 | 33 | 0 | | 31 | 0 | | 33 | 0 | |
| | * | NEWS AND BACKGROUNDER | 121½ | 0 | | 121 | 0 | | 121 | 0 | |
| | ** | BOBBY VINTON +(Shiral) | - | - | | - | - | | 12 | 12 | |
| | * | SANTA CLAUS PARADE | 1 | 0 | | 1 | 0 | | 1 | 0 | |
| | | | 720 | 135½ | 855½ | 668 | 145 | 813 | 694½ | 270 | 964½ |
| CKY WINNIPEG | ** | LOVE IN A COLD CLIMATE | - | - | | 1 | 0 | | - | - | |
| | ** | CANADIAN ALL-STAR SONG PARADE | - | - | | 1 | 0 | | - | - | |
| | ** | THE MAGIC TRUMPET | - | - | | - | - | | 1 | 0 | |
| | * | UNIVERSITY OF THE AIR | 12½ | 0 | | 10 | 5 | | 7½ | 7½ | |
| | | | 12½ | 0 | 12½ | 12 | 5 | 17 | 8½ | 7½ | 16 |
| CJOH OTTAWA | * | QUESTION PERIOD | 24½ | 0 | | 25½ | 0 | | 26 | 0 | |
| | * | UNIVERSITY OF THE AIR | 15 | 5 | | 10 | 15 | | 5 | 20 | |
| | ** | ANYTHING YOU CAN DO +(Don Reid Productions) | 70 | 60 | | - | - | | - | - | |
| | ** | KRESKIN | 13 | 7 | | - | - | | - | - | |
| | ** | HE KNOWS, SHE KNOWS +(Randy Markowitz) | - | - | | 65 | 65 | | - | - | |
| | * | CANADA A.M. | - | - | | 7½ | 0 | | 6 | 0 | |
| | | | 122½ | 72 | 194½ | 108 | 80 | 188 | 37 | 20 | 57 |
| CFRN EDMONTON | * | CANADA A.M. | - | - | | 4½ | 0 | | - | - | |
| | * | UNIVERSITY OF THE AIR | 12½ | 7½ | | 12½ | 7½ | | 12½ | 15 | |
| | | | 12½ | 7½ | 20 | 17 | 7½ | 24½ | 12½ | 15 | 27½ |

...4 Continued

TABLE V-3 (continued)

| | SOURCE | PROGRAM | 1973/74 HOURS ORIGINAL EPISODES | 1973/74 HOURS REPEAT EPISODES | 1973/74 TOTAL HOURS | 1974/75 HOURS ORIGINAL EPISODES | 1974/75 HOURS REPEAT EPISODES | 1974/75 TOTAL HOURS | 1975/76 HOURS ORIGINAL EPISODES | 1975/76 HOURS REPEAT EPISODES | 1975/76 TOTAL HOURS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CFCN CALGARY | * | UNIVERSITY OF THE AIR | 7½ | 2½ | | 5 | 2½ | | 2½ | 2½ | |
| | * | CANADA A.M. | - | - | | 3 | 0 | | - | - | |
| | * | GREY CUP PARADE | - | - | | - | - | | 1½ | 0 | |
| | ** | CALGARY PHILHARMONIC SPECIAL | - | - | | 1 | 0 | | 1 | 0 | |
| | | | 7½ | 2½ | 10 | 9 | 2½ | 11½ | 5 | 2½ | 7½ |
| BCTV VANCOUVER | ** | YOGA | 70 | 60 | | 65 | 65 | | 65 | 65 | |
| | ** | WHAT'S THE GOOD WORD +(Robert Aaron Productions) | 80 | 50 | | 79½ | 50 | | 65 | 65 | |
| | ** | STORY THEATRE +(Winters Rosen) | - | - | | 0 | 25 | | - | - | |
| | ** | BANJO PARLOR | 6 | 2 | | 8 | 6½ | | - | - | |
| | ** | OOM PA PA | - | - | | 6 | 2½ | | - | - | |
| | * | UNIVERSITY OF THE AIR | 2½ | 0 | | 5 | 5 | | 0 | 5 | |
| | ** | OSCAR PETERSON | 4 | 2 | | - | - | | - | - | |
| | ** | OSCAR PETERSON SPECIAL | - | - | | 1 | 0 | | - | - | |
| | ** | ROLF HARRIS | - | - | | - | - | | 8 | 5 | |
| | * | CANADA A.M. | 4½ | 0 | | 3 | 0 | | - | - | |
| | * | GREY CUP PARADE | - | - | | 2 | 0 | | - | - | |
| | | | 167 | 114 | 281 | 169½ | 154 | 323½ | 138 | 140 | 278 |
| CFCF MONTREAL | ** | BEAT THE CLOCK +(Goodson Todman Productions) | 80 | 50 | | - | - | | - | - | |
| | ** | PUPPET PEOPLE | 13 | 13 | | - | - | | - | - | |
| | ** | PAY CARDS +(Muir Nicholson) | 65 | 65 | | 65 | 65 | | - | - | |
| | ** | FANTASTICA +(Screen Gems) | 8½ | 17 | | 8½ | 8½ | | 0 | 13 | |
| | ** | IT'S YOUR MOVE +(Art Baer/Ben Joelson Productions) | - | - | | 65 | 65 | | 65 | 65 | |
| | ** | JOHN ALLAN CAMERON | - | - | | 6 | 2½ | | 13 | 11 | |
| | ** | EXCUSE MY FRENCH | - | - | | 12½ | 11½ | | 12 | 12½ | |
| | * | UNIVERSITY OF THE AIR | 7½ | 2½ | | 7½ | 5 | | 5 | 7½ | |
| | ** | CELEBRITY DOMINOES (STRIP) +(Muir Nicholson) | - | - | | - | - | | 65 | 65 | |
| | ** | CELEBRITY DOMINOES (PRIME) +(Muir Nicholson) | - | - | | - | - | | 13 | 13 | |
| | ** | KIDSTUFF | - | - | | - | - | | 17 | 34 | |
| | * | CANADA A.M. | - | - | | 7½ | 0 | | - | - | |
| | | | 174 | 147½ | 321½ | 172 | 157½ | 329½ | 190 | 221 | 411 |
| CKCO KITCHENER | * | UNIVERSITY OF THE AIR | 7½ | 0 | | 5 | 2½ | | 5 | 7½ | |
| | ** | ROMPER ROOM +(Romper Room Enterprises) | 97½ | 32½ | | 97½ | 32½ | | 75 | 55 | |
| | | | 105 | 32½ | 137½ | 102½ | 35 | 137½ | 80 | 62½ | 142½ |
| CKCW MONCTON | * | UNIVERSITY OF THE AIR | 2½ | 2½ | | 2½ | 0 | | 0 | 2½ | |
| | | | 2½ | 2½ | 5 | 2½ | 0 | 2½ | 0 | 2½ | 2½ |
| CKCK REGINA | * | UNIVERSITY OF THE AIR | 2½ | 0 | | 2½ | 0 | | - | - | |
| | | | 2½ | 0 | 2½ | 2½ | 0 | 2½ | - | - | - |

...5 Continued

TABLE V-3 (continued)

| | SOURCE | PROGRAM | 1973/74 HOURS ORIGINAL EPISODES | 1973/74 HOURS REPEAT EPISODES | 1973/74 TOTAL HOURS | 1974/75 HOURS ORIGINAL EPISODES | 1974/75 HOURS REPEAT EPISODES | 1974/75 TOTAL HOURS | 1975/76 HOURS ORIGINAL EPISODES | 1975/76 HOURS REPEAT EPISODES | 1975/76 TOTAL HOURS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CJON ST. JOHN'S | * | UNIVERSITY OF THE AIR | 2½ | 2½ | | 2½ | 0 | | 2½ | 0 | |
| | * | CANADA A.M. | - | - | | 1½ | 0 | | - | - | |
| | | | 2½ | 2½ | 5 | 4 | 0 | 4 | 2½ | 0 | 2½ |
| CJCH HALIFAX | * | UNIVERSITY OF THE AIR | 5 | 0 | | 2½ | 0 | | - | - | |
| | * | CANADA A.M. | - | - | | - | - | | 7½ | 0 | |
| | | | 5 | 0 | 5 | 2½ | 0 | 2½ | 7½ | 0 | 7½ |
| CFQC SASKATOON | * | UNIVERSITY OF THE AIR | 2½ | 0 | | 2½ | 0 | | - | - | |
| | | | 2½ | 0 | 2½ | 2½ | 0 | 2½ | - | - | - |
| CJCB SYDNEY | * | UNIVERSITY OF THE AIR | 2½ | 2½ | | 2½ | 0 | | - | - | |
| | | | 2½ | 2½ | 5 | 2½ | 0 | 2½ | - | - | - |
| CKSO SUDBURY | * | UNIVERSITY OF THE AIR | 2½ | 2½ | | 2½ | 0 | | 2½ | 2½ | |
| | | | 2½ | 2½ | 5 | 2½ | 0 | 2½ | 2½ | 2½ | 5 |
| | | TOTAL HOURS: | | | 1862½ | | | 1863½ | | | 1921½ |

\+ ( ) COPRODUCERS
* PRODUCED BY CTV USING STATIONS FACILITIES
** PRODUCED BY STATIONS FOR THE NETWORK

1. CANADIAN FOOTBALL LEAGUE AND NATIONAL HOCKEY LEAGUE NOT INCLUDED.
2. INDIVIDUAL STATIONS' INPUT INTO SPORTS BEAT AND CANADA A.M. NOT INCLUDED. ALL STATIONS CONTRIBUTED TO SPORTS BEAT IN 1973/74 EXCEPT SUDBURY. ALL STATIONS CONTRIBUTED TO CANADA A.M. SEE SEPARATE ANALYSIS.
3. GEORGE AND TARGET THE IMPOSSIBLE NOT CREDITED TO CO-PRODUCING STATIONS. (THIS FOLLOWS 1973/74 PATTERN)

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"University of the Air" and "Canada A.M." inserts.

Some of the member stations are unhappy about their contributions vis-a-vis the network and one of the case histories to follow (see Appendix F, Annex 3) points out the difficulties of generating a program for the network as experienced by one of the affiliates.

Program decisions for the CTV Network are made in the late Spring of each year for the following September. At this time the affiliates assemble and screen the various pilot programs produced from within the organization. To my knowledge, no independent producer has ever screened a pilot film at this stage of the decision making process. The explanation is probably rather simple: no one can afford to make a pilot program of network calibre on speculation in Canada. What the independent producers tell us is that by and large they have a very unreceptive audience for their proposals. Again, the explanation may be rather simple: the Network simply cannot afford the direct costs involved unless it is entering into some co-production arrangement in which the co-producer recovers the balance of his costs through international or U.S. distribution.

These were some of the comments made with respect to CTV by independent producers who we queried:

> As a sideline to our other efforts we have worked on 3 ideas for TV recently, one dealing with the economy, one on money, one on religion. In each case we developed our ideas to 4 or more hours of broadcasting, spending something more than 100 hours developing each of the 3 projects. In a one hour meeting with CTV we were not even asked what our subjects were. CTV has no interest in outside produced programming.

> Our major market, CTV Network, has now closed its doors to independent producers and buys only from its stations or their subsidiaries - Glen Warren (CFTO), Champlain (CFCF), CJOH, B.C.-TV.

It must be realized that advertisers wishing access to network prime time in Canada must deal with either the CBC or CTV. In so doing, they are usually under some pressure to support Canadian programs in order to find availabilities in the top rated American programs. In the case of CTV, the actual Canadian vehicle carrying the advertiser spots will probably be developed in close consultation with the advertiser, and in all likelihood be produced in a related production facility, e.g. Glen Warren, Champlain, etc. and it follows that the commercials may also be produced by the production house. It is possible to imagine that in this cozy arrangement accounting practices can reflect most favourably or unfavourably on whatever area is felt significant. The independent producers do claim that a "closed shop" situation exists in which it is virtually impossible for them to gain access. It is conceivable that the CTV production houses can be quite profitable due to inflated program costs charged against the network. Conversely, member stations could have their profits augmented if their network rebates are a bit excessive or if the costs of distribution are heavily subsidized. In view of the structure of CTV, its affiliates and the related production houses, the actual profit or loss of the network is really just an accounting figure. If the network shows a loss as it regularly does, this then must be made good by the full affiliates. A more realistic way of assessing the strength of the network in terms of its ability to finance Canadian programming would be to study the profits of the holding companies, the stations, and the production houses.[4]

It is also the contention of CTV that their ability to buy American programs cheaply is really the source of the "subsidy" to cover the cost of those Canadian programs which exceed the amount of revenue recovered (as noted in Chapter III on economic considerations). Although this is to a large extent true, it must be observed that the entire revenue of the station is much greater than the revenue derived from the programs carried in its network hours. Even in network time a considerable portion of a station's revenue is derived from the station breaks between programs (in some cases more than the revenue of that realized from the adjacent program). Local and national selective buying constitute the major proportion of each station's revenue. Admittedly, this all reflects back on the overall viewing strength of the station (which unfortunately is primarily due to the American programs carried). However, it is stretching it a bit to claim that the American programs shown in network hours are the sole source of revenue to cover off the costs of the Canadian programs carried in the network time. All this is to say that the economic status of CTV itself is no true reflection of the overall financial viability of the organizations involved. There is no question that the financial community looks favourably at the various holding companies which own both the broadcasting licence and the production house. We did attempt to estimate the actual production costs of some of the CTV shows for comparison with their figures and found that the costs charged by the stations to the network to be fairly realistic.

Finally, in his remarks to the CRTC in the above mentioned hearing, Mr. Chercover said, "The Commission expressed its conviction that independent production sources can make a positive contribution. Exhibit 7 [the attached tables] indicates our continued support of independent producers. Over the period 73/74 to present, these activities represent a dollar commitment of $15,508,000."

In spite of this statement we cannot come up with more than the $225,000 spent directly with pure independent producers in the current broadcast year. The figure of fifteen and a half million dollars over the last three program years can certainly be true but it is <u>the dollar commitment to all those activities</u> involving independent producers or co-producers. Since most of the co-production was in-house work it follows that the independent producers received for themselves a fraction of this amount.

4. Affiliates' Local Time

a) CBC Owned and Operated Stations

Although not affiliates, we have dealt with the CBC owned and operated stations in this category with respect to their "local" time period over which they have programming discretion. Representatives of these stations together with representatives of the private affiliates of the CBC meet from time to time to coordinate programming matters. Occasionally outside product is screened but generally they meet to make decisions with respect to regional exchange programs. Regional exchange programs are those programs produced by the owned and operated stations in their own facilities. Either these programs did not meet network quality standards or were generally not applicable to network scheduling. They are, however, available to all member stations of the CBC network and in many cases constitute 7 to 8 hours of the local programming per week of the private affiliate stations. It is our understanding that it is even possible for the private affiliates to sell commercial time into some of these programs without even an assessment by the Corporation. In a sense this parallels the procedure within the CTV with respect to their supplementary affiliate stations.

Of the 15 CBC owned and operated stations; a) CBET Windsor carries one hour of independent programming consisting of "Family Finder" a half hour public service program supplied free and produced in CFTO's studio in Toronto and "Crossroads" a half hour religious program supplied free. b) Five O & O's are carrying "Any Woman Can" which is a contra program. c) Two stations carry "Wonders of the Wild" d) Two stations carry "The Larry Solway Show." e) "The Littlest Hobo" and "Last of the Mohicans" are carried on two stations. Both of these are very ancient. f) Three stations refused to reply.

Although the prices paid by the stations to the distributors for the programs are confidential and in this case a contra program is very much involved, it is possible to estimate that somewhat less than $100,000 a year is spent by the CBC O & O stations on independently produced Canadian programs.[5] This estimate is based on the market size of the stations involved, the general prevailing rates for programs slotted into the time periods applicable, and does make allowance for the implied payment with respect to the contra program.

b) CBC Private Affiliates

The 27 private affiliate stations of the CBC network were queried. Almost all of them replied. For the most part, these stations need to utilize very little syndicated Canadian product. With access to the CBC regional exchange programs and their local programming they are quite capable of meeting all their Canadian content needs. Our survey shows that 44 different program titles were found on the schedules of these 27 stations. Fifteen of these programs were produced by other broadcasters. Twenty-nine were produced by independent or quasi-independent producers. Of the 29 programs, 11 were programs the station was either paid to run, received free, or was programming on a contra basis. The 18 independent productions that these stations purchased included 10 out of production and 8 still being currently produced. Further analysis revealed that the CBC private affiliate stations used about three-quarters of an hour a week of independent Canadian product. Using the same estimating techniques as outlined in Footnote 5 in this chapter, we arrived at an estimate of not more than $100,000 annually being spent by the CBC affiliate stations on independent Canadian product. This figure does not include the production revenues that would have been received from the religious broadcasts or the implied monetary value involved in the various contra deals. It therefore does not represent a dollar value figure in terms of the independent production industry but does represent the dollars that the broadcasters in this category are willing to pay for independent product.

c) CTV Affiliate Stations

The 18 stations affiliated in the CTV Network were queried. The response was excellent. Within the locally programmed time periods of these stations, 69 program titles are represented. Of these, 38 of the programs are produced by broadcasters or broadcast-related producers. Of the remaining 31 independent productions, 13 are now out of production but still being distributed. Of the 31 programs, 11 are run by the stations either as paid religious vehicles or as contra programs. The remaining 20 are purchased by the stations. It would appear that of these 20 programs only three are currently in production which use non-broadcaster facilities for their production. These are the "Horst Koehler Show" and "Journal International" produced in Vancouver and "Ed Allen Time." Two more programs which occasionally use broadcaster facilities are the "Larry Solway Show" and "Confrontation" both produced independently by Screen Gems.

Again, it is a difficult matter to estimate the direct monies paid by the CTV affiliate stations to independent producers for programming in their local time. We suspect the figure to be somewhere in the order of $300,000.

5. Global Television Network

Global has retrenched drastically from its first programming year 74/75 in which they spent close to a million and a half dollars in independent and co-productions. Very few of their original ambitious productions are to be found on the current schedule. Of the original shows "The Canadians" is used intermittently and "Wildlife Cinema" still appears. They carry such independent productions as the "Ed Allen Show,""Going Places" and "Gospel Singing Time." Outside of their news their most successful Canadian production is "Wintario" seen alternate Thursday nights. This program is done either as a co-production or is supplied to them using their own facilities by the Ontario Lottery Foundation.

In reviewing the rather extensive list of Canadian programs carried by Global, many are programs supplied free. Our best guess is that in the current broadcast year, Global Television Network expends no more than $100,000 for current independent production.

6. Independent Stations

The five Canadian independent stations, CITY-TV Toronto, CHCH-TV Hamilton, CKND-TV Winnipeg, CFRN-TV Edmonton and CFAC-TV Calgary, certainly demonstrate the highest utilization of independent Canadian product throughout their program schedules. Since they have no network affiliations, they are obliged to locally program all their time periods including prime time. The best test then of the independent Canadian product is its success when aired in other than the usual fringe periods that it is ordinarily scheduled. A certain consistency exists in the schedules of Hamilton, Edmonton and Calgary in which a considerable amount of CHCH Productions Ltd. programs appear. Other than that there is no consistent pattern in these three stations. CKND-TV Winnipeg, although carrying many of the Hamilton related programs found on the previous mentioned three stations, does carry four half-hour public affairs programs each week emanating from the Global Network. CITY-TV which is in the same market as Global and CHCH reflects almost none of the programs on these other stations. In fact, CITY-TV uses very little independent production. It reports "Lively Woman" and "Bonnie Pruden," two wrestling programs, and two rather dated cartoon packages. In conjunction with Simcom Limited, it produces "City Lights" for distribution which is carried by a few other Canadian stations.

Generally these independent stations would be paying higher prices for their Canadian independent productions since they are scheduling them in more advantageous time periods. After removing the broadcaster-related programs and the contra deals, we arrive at a possible expenditure of $300,000.

7. Educational Broadcasting

It is in the area of educational television that the independent producers have found considerable success. This is changing somewhat since both TVO and ACCESS have acquired extensive facilities and have set up their own studios and film capabilities. Feelings have been particularly bitter in Alberta where up until recently ACCESS was purchasing considerable product from the independent producers. Representations have been made by the producers to have their original market restored.

Initially the position of the educational broadcasters has been to create programs rather than simply rent the exhibition rights to a program for a given number of occasions over a specified length of time. In the past they have been quite accustomed to paying the full cost of a program and the relationship with the independent producers has been harmonious. As the various educational communications authorities acquire more hardware and become more sophisticated, they are realizing the immense costs involved in programming large blocks of time daily. They are moving further away from purchasing outright from an independent producer and are entering into co-production arrangements within the various authorities or with outside producers.

When entering into co-production agreements, these educational broadcasters are most interested in the rights to unlimited use of the program and its conversion to other delivery systems. The rights to foreign or out of province sale may be retained by the co-producer. A number of important programs have been put together by independent producers acting as packagers to bring the various elements together in a series which may be produced multi-nationally and distributed worldwide. The CRTC is quite tolerant in providing full Canadian content recognition to many series in the educational sphere although half the episodes may be produced in a foreign country. Curiously, all programming actually broadcast by an educational television outlet is considered Canadian content regardless of its origin. In the case of the Alberta television stations which transmit two hours a day of ACCESS programs in time paid for by ACCESS, they are in a position to claim 100 per cent Canadian content even though some of the material supplied to them via the educational authority may be U.S. in origin.

In a number of provinces, provincial schools broadcasts departments commission production of film or videotape programs for release over the CBC. Invariably the videotape programs are made with CBC facilities, however, a considerable number of film programs are made each year. These films are sold out-right by the independent producers to the departments of education. A willingness to pay $20-30,000 per half-hour is not unheard of. In total air time these programs constitute a very small fraction of the broadcasting picture, but they do represent reasonably large dollar payments to the producers.

At the last Council of Provincial Ministers of Education it was stated that $50 million is being spent in Canada on various forms of educational broadcasting and audio visual aids.

B. Foreign Markets

There is convincing evidence that under the existing conditions outlined earlier the Canadian market is inadequate to sustain an independent Canadian television program production industry. Producers, therefore, must look to the foreign market and vigorously pursue sales in this market. Of the approximately 40 producers in our survey who are producing films or tape programs for broadcast, 32 or 80 per cent were producing for both the Canadian and foreign markets. Some of these producers were involved in co-productions with foreign production firms, both in the U.S. and in Europe and Japan. While some related that in their experience the U.S. market was the most difficult of all to gain entrance, others indicated that good Canadian products could be sold in the U.S. Referring to Canadian and foreign outlets, one producer in fact related that he expected "to succeed more quickly with our foreign clients than with the domestic since there is a greater availability of both budget and imagination with foreigners." Even more revealing was the following statement by a producer: "We have no chance at making a sale at CBC or CTV, some chance at independents in Canada, but we list over 50 sales in the U.S. and network sales in England."

Some producers related that the foreign market has considerably greater potential than currently utilized but the problem with Canadian producers was their "inability to market effectively internationally through lack of market expertise in Canada." All recognized the importance of foreign markets and as one stated: "A sale in the U.S. is worth five in Canada and is the only easy way to subsidize a truly Canadian production capability."

The importance of foreign markets was made obvious in the earlier section of the study dealing with the profitability of the independent program production industry where it was shown that, in most cases, sales in the domestic market were inadequate to cover costs of production.

An interesting recent trend has been the distribution of videotape TV programs to markets other than the U.S. CHCH-TV Hamilton, although a broadcaster and therefore not a true independent producer, has secured sales in Ireland, Wales, and South Africa and is seriously pursuing Australia.

It would now appear that an independent producer must choose between tailoring the program either for standard U.S. commercial distribution or for an international market which would only include PBS in the United States. It is this second market which seems to be growing rapidly and offers a great deal of promise since the kinds of programs which often are most saleable are those programs which contribute most to our broadcasting goals. A number of independent producers have also pointed out that although they may be paid relatively highly for general syndication in the U.S., by the time the U.S. distributor has taken his fee, the actual dollar return is not particularly attractive. They have found the international market more lucrative.

C. Investors

"Investment [in films and TV programs] is no more difficult than in any other business, you simply have to satisfy investors that they will realize a return." So stated one independent program producer. But one of the main differences between motion film production and most other business ventures is the exceptionally risky nature of the former in which no test can be made of consumer reaction to the specific product and returns are very uncertain.

Small independent producers require financial backing, but generally because they are small and operate in a high risk industry, this backing is frequently difficult to obtain. As one producer put it, the major obstacle he encountered was the "reluctance of Canadian investors to accept risks associated with Canadian production." Said another: "Canadians are timid beyond belief."

Good quality productions generally require considerable input. The investor must also be prepared to be patient as there is a considerable lag between the initial financial layout and the beginning of returns. This time lag, and the uncertainty of future returns, appear to be a major drawback in attracting potential backers. These backers also appear to have reservations about large layouts for productions and they frequently "think 'small budget' rather than 'best product'."

Some financial backing has been forthcoming from banks and other lending institutions but generally only after a contract has been signed between the producer and his client so that a market for the production has been pre-determined. However, the position that many producers face, and this appears to be common practice, is to try to make a television sale on completion of the picture. The uncertainty in such a situation usually precludes financial backing by financial institutions.

D. Tax Treatment

The Income Tax Act provides for a 100 per cent write-off of the capital cost of an investment in a Canadian feature film of not less than 75 minutes running time. This write-off may be applied to income other than proceeds of the sale or showing of the film and is permitted in the year in which the film is made. For films of shorter duration, the write-off is 60 per cent each year using the diminishing balance method of depreciation. For videotape or a film that is a television commercial, the 100 per cent write-off applies. If a motion picture film, regardless of its length, is converted to videotape, the 100 per cent write-off applies.

The 60 per cent investor's write-off on film also applies to foreign motion picture films, while the 100 per cent write-off on videotape also applies to investment in foreign videotape. These deductions allow Canadian investors tax concessions on non-Canadian productions.

Interpretation Bulletin IT-164, issued by Revenue Canada, attempts to clarify the tax treatment of investment in film. According to the Bulletin, the capital cost of the film which the investor can write off in this manner is "only that cost which has been laid out or in fact put at risk by the investor, either through investment of cash or borrowed funds unconditionally repayable whatever the fortunes of the film in question may be."[6] The following is cited as an example: assume that the film has a budgeted cost of $500,000 of which $180,000 is obtained through loans by other parties involved in producing, exhibiting and distributing the film; $200,000 is obtained as a grant from the Canadian Film Development Corporation; and $120,000 is a cash investment by the investor. The investor may be an individual or a limited partnership or a syndicate, who, for his investment, obtains part ownership or rights to the film upon its completion. The investment or capital cost eligible for the 100 per cent write-off is the $120,000 put up by the investor. The amount invested by the CFDC or the other parties through loans is not put at risk by the private investor and therefore cannot be included as part of his capital cost. If the film recovers its cost, no tax has been avoided, although it has been deferred.

In order to qualify for the write-off of the investment, certain conditions must be met and Revenue Canada examines claims very carefully to ensure that these conditions have in fact been satisfied. If the film is in excess of 75 minutes it qualifies for the 100 per cent write-off only if it is a certified Canadian feature film. Essentially, this means that a minimum of 75 per cent of remuneration paid plus 75 per cent of costs incurred for processing and final preparation must go to Canadians. Secondly, in order to qualify for a write-off of the investment (whether it be 60 per cent or 100 per cent), the investor or film or videotape producer must show that an effort has been made to market or distribute the film or videotape. Unless Revenue Canada is assured that such an effort has been made, even though the efforts may prove fruitless, the write-off will be disallowed. Thirdly, only that amount which has been put at risk by the investor is deductible. For example, if it is a leveraged investment by which the investor undertakes to invest $20,000 in the purchase or production of a film but only puts up $5,000 in cash with the balance in the form of a non-guaranteed note or to be paid from revenue from the distribution of the film, only the $5,000 is deemed to have been put at risk and is deductible. Attempts by investors to artificially reduce tax liability or to make money on the tax is frowned on by Revenue Canada.[7] The Income Tax Act is clear in this respect. Section 245 of the Act states that "no deduction may be made . . . that, if allowed, would unduly or artificially reduce the income. . . ."[8]

Fourthly, the investor must acquire part ownership of the film in the form of acquiring a percentage of all rights to the film.

The 100 per cent write-off was introduced as an incentive to invest in film production. There has been, however, some confusion and abuse on the part of tax planners and investors in the interpretation of this tax law and as a result, Revenue Canada examines such investments very carefully to determine whether the investment was in fact made for the purpose of gaining income or was just a vehicle for tax avoidance. Some tax lawyers have expressed concern that the alleged lack of clarity of the tax regulations will cause investors to shy away from investing in film and not respond to the intended incentive. This concern, however, does not appear to be justified. Revenue Canada has indicated that if an investor or group of investors are uncertain as to how tax officials will treat a contract which they intend to arrange with a producer, they are free to consult with Revenue Canada prior to signing the contract and obtain an opinion on it.

Other features of tax legislation which might be mentioned include the tax treatment of film production companies and television networks and stations. A producer who is in the business of producing motion picture films or videotape and purchases assets such as buildings, movie cameras, etc. writes these assets off in accordance with the various depreciation rates established for different classes of assets in the Income Tax Act.[8] A TV station which purchases a film generally buys the rights to show the film and writes the purchase off as an ordinary business expense.

Another feature of the Income Tax Act which applies to motion picture film is the withholding tax. According to the Act, a tax of 10 per cent must be withheld when a resident of Canada pays or credits a non-resident with a payment for a right in or the use of; a) motion picture films or b) films or video tape for use in connection with television that have been or are to be used or reproduced in Canada. This tax, however, is not likely to have an effect on prices of foreign films purchased for use in Canada as tax treaties between countries generally permit credits for foreign taxes paid. In other words, the U.S. seller of the film is unlikely to inflate his price to cover the withholding tax if he can deduct this tax from his U.S. tax payable on the income from the film.

E. Unions and Talent

The major unions involved in Canada's program production are National Association of Broadcast Employees and Technicians (NABET); Canadian Union of Public Employees (CUPE); Canadian Wire Service Guild (CWSG); Association of Canadian Radio and Television Artists (ACTRA); American Federation of Musicians (A.F. of M.); and International Alliance of Theatrical and Stage Employees (IATSE). These unions enter into collective bargaining with the various employers which may either be broadcasters, broadcasting companies, networks, producers, etc. All of them are craft unions with the exception of CUPE which represents the former IATSE and ARTEC jurisdictions within the CBC. In the case of ACTRA and A. F. of M. the union members are not staff employees but their conditions of work are governed by contracts entered into by the various employers.

Both ACTRA and A.F. of M. usually require that any independent producer observe their applicable schedule of fees and through their contracts with CBC and CTV they can generally require the networks not to purchase programs from a contractor who has not met their requirements.

In the case of staff unions, particularly NABET, there is some concern about an issue known as "contracting-out." This refers to work done which would normally be within the jurisdiction of the union which the employer has done outside of the business concern. Their fear is that their members may be deprived of work or that services might be supplied to the employer at less than the established rates. The issue of contracting-out is treated somewhat differently from contract to contract within NABET. While some contracts do not allow for any contracting-out, others will allow it under specific conditions, or for specific purposes such as installation of equipment, etc. This does not, however, prohibit an employer from purchasing a completed package from an independent producer. The problem arises when an employer under contract produces a show and attempts to contract-out all, or part of, the production. In the case of the CBC contract there is provision that under certain conditions it may contract-out production work when their own facilities and staff cannot handle the work load. This applies particularly when the CBC has developed the program concept and simply wishes an outside production organization to make the program. There is no restraint on the CBC or CTV for that matter in buying or leading a program of their liking produced by an independent producer.

There is no real problem here unless the independent producer in order to pare his costs to the minimum resorts to unusual practices with respect to the engaging of his technical services. Since most of the videotape production equipment is owned by broadcasters and operated by NABET technicians the independent producer who rents these facilities has no problem. In the case of film production other considerations and unions are involved.

Another problem area is that of a "complete buy out." This refers to the producer having secured from the performing unions (ACTRA and A.F. of M.) an agreement that gives the producer unlimited use over an unlimited time with an unlimited geographical distribution. Primarily these unions negotiate with the networks agreements which permit the network the first exposure of the program and for a fractional additional step up fee a repeat performance within 400 days of the first showing. At the expiration of this time further runs or syndication of the program may be negotiated according to contract. These additional fees are usually referred to as residuals. We have heard few complaints from independent producers concerning their contractual arrangements with the performing unions. Possibly because so little independent production actually involves payments to talent and the independent producers who are using talent are well aware of the conditions involved. The area in which buy out seemed most important was in educational broadcasting. We received very strong comments from the various educational communication authorities about this problem. They are most anxious to secure unlimited use over a long period of time not only for on-air purposes but for cassette delivery on a library basis to the various schools. Having to renegotiate every 400 days and/or pay residuals becomes something of a nightmare.

The most ambitious independent productions involving musicians are coming from Edmonton through Northwest Video Limited, a subsidiary of Allarco Developments (CITV-TV). Sixty members of the Edmonton Symphony have been engaged in the production of each episode in the ITV "Concert" Series and

15 have been used as back-up in the "Back Home" program. Both of these programs are dealt with in the case histories (see Appendix F, Annexures 4 and 5).

The Association of Canadian Television and Radio Artists which has jurisdiction over actors, writers, singers, dancers, non-staff announcers, hosts, puppeteers, cartoonists, i.e. virtually all performing talent other than musicians, has been criticized of late for taking a rather narrow xenophobic attitude toward the use of their membership by the Canadian broadcasters.[9] There is no suggestion however that they have impeded an independent producer engaging foreign headliners as long as their other conditions are met.

ACTRA has supplied us with some illuminating figures concerning the amounts of money spent on their members during 1973 as shown in Table V-4.

Although these are 1973 figures, there is no reason to believe that in real dollars the situation for ACTRA members has improved. The amount of money expended by independent TV producers or approximately 1 per cent of the total represents $35.00 per year per ACTRA member realized in the independent production industry.

We received one criticism from an independent producer as follows: "The Actors Union shows no understanding of the problems of feature film making in Canada (because they earn so little money from it). Also, they prohibit any TV sale of a feature film to Canada alone, by charging residuals out of all proportion to the market, usually exceeding the sale itself."

TABLE V-4

MONEY SPENT ON ACTRA MEMBERS

1973

| Engager | 1973 | % |
|---|---|---|
| CBC Network | $ 8,171,061 | 50.2 |
| CBC Co-Producers | 147,976 | .91 |
| CTV Network | 52,108 | .32 |
| CTV Co-Producers | 179,221 | 1.10 |
| CTV Affiliate Stations | 901,220 | 5.5 |
| Independent TV Producers | 167,601 | 1.05 |
| Private TV Stations | 89,807 | .55 |
| Commercials | 4,812,759 | 29.6 |
| National Film Board | 267,304 | 1.6 |
| Films | 1,171,498 | 7.2 |
| Ontario Educational Communications Authority | 279,610 | 1.7 |
| CITY TV (Toronto) | 35,784 | .22 |
| Total | $16,275,949 | 100.00% |

F. 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 as has been amply demonstrated in the foregoing is that in order to meet the direct costs and professional standards involved, no film can be made in Canada which can pay its way without some further international distribution.

With respect to videotape production, all broadcast standard videotape facilities are owned by broadcasters or broadcast-related companies with the exception 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 broadcast standard.

Mobile Videotape Limited is involved in production exclusively for the U.S. market. They have produced 16 episodes of "Rolling Funk," a "Soul Train" on roller skates, using Detroit talent, taped in Toronto, for distribution throughout the U.S. Currently, they are negotiating to do a tennis interview show in Palm Springs for Colgate-Palmolive. 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 real integrated independent production organization in Canada. Nielsen-Ferns have been much involved with supplying independent or co-production for both CBC and CTV as well as extensive international marketing. Curiously, Inter-Video Inc. (with studio facilities in Montreal) is much involved in servicing clients throughout eastern Canada and the north-eastern United States. Whereas, Nielsen-Ferns are very much involved in film production and seem to be well on their way in pre-production of a major dramatic series (possibly the largest motion picture project ever undertaken by an independent Canadian production company).

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

G. Cable and Pay TV

At present these areas have no great significance to independent producers in Canada. There are occasional examples of an independent producer creating a program that is distributed via cable. Usually this is a program that has been contracted for by a client, either an ethnic group or industrial manufacturer, and the producer gains distribution for the program by supplying it free to the cable systems for showing on their community access channel.

In a sense all the programming of the community channel is independent since the cable operator rarely originates his own programming but allows outsiders access to the equipment and the channel. The very basis of this approach has been to spend no money. It is very similar to the early days of private television in Canada when the local station operators felt that they were doing their communities a service by allowing people to appear on the air and that to pay for talent was almost unthinkable. Outside of a few imaginative programs, the content and impact of community access programming has been virtually negligible. Efforts to upgrade the programming by having the cable operators reapportion revenue to this area have so far been relatively unproductive. Although there is some controversy about the profitability of the cable systems, study of their annual reports and their methods of depreciation supports the belief that they are immensely profitable. A simple comparison with cable systems in the U.S. charging equivalent per month subscription rates but operating with saturation levels far below the Canadian experience indicates that our operators must be doing excessively well.

Pay TV has as yet not been authorized in Canada. In the U.S., virtually all Pay TV is on a pay-per-channel basis. That is, for an additional subscription (approximately $7 a month) the subscriber receives an additional channel of feature films and possibly sports by means of a descrambler/converter. There is only one known pay-per-view Pay TV set-up in the U.S. Of interest is the recent contract negotiated by Home Box Office Incorporated of New York (Time-Life Incorporated) with ICAP, which represents most of the independent creative film makers in the U.S. This is one of the first signs of unusual and different programming being introduced into general broadcast content.

It is not the scope of this study to go into depth in these areas, but it must be pointed out that Pay TV does represent a different economic base for the creation of programs than the more conventional advertiser supported practice of the private industry. Pay TV, if introduced into Canada carefully, could be highly advantageous to the independent production industry and could represent the kind of seed money which would permit the mounting of much more elaborate and marketable programs with an eye for foreign sales. It would be rather tragic if the same approach of vertical integration were permitted to happen in this area as it has in other areas of broadcasting. This leads to the virtual exclusion of independent production.

ENDNOTES

[1]Canadian Radio-Television Commission, Annual Report, 1973-74.

[2]In 1973 of the $16 million spent on ACTRA members in Canada, 50 per cent of this came from the CBC and less than 7 per cent from CTV and its stations (see Table V-4).

[3]We have used the figure 1,200 hours for CTV 75/76 original production because the tables as provided by CTV at the November 4, 1975 Hearing are not mutually exclusive. The total would be 1,425 1/2 hours but by reducing all possible duplications we still arrive at a usage of only 0.54 per cent of true independent product. It is also difficult to rationalize co-productions, but using CTV's definition of "direct" co-productions, the number of original hours this season (35 1/2) represents no more than 3 per cent of the total original production on the network.

[4]There are many indications of the high profitability of the large broadcasting firms in Canada. One interesting article appeared in the Thursday, February 5 Globe and Mail, page B6 entitled, "Broadcasting Shares Rated Undervalued by Timothy Pritchard,"

> The broadcasting industry should continue to enjoy rising sales and profits, and the shares of most publically owned broadcasters are currently undervalued, in the opinion of Nesbitt, Thompson and Company Limited, a Montreal based investment dealer. Profits for 7 publically owned broadcasting companies are expected to climb 11 per cent this year on a 12 per cent increase in revenue. 'This compares favourably with the performance of other industries,' the study says.
>
> The most attractive investments are said to be Batten Broadcasting Incorporated and CHUM Limited of Toronto. At $8 Batten trades for about 10 times the profit estimate of 78¢ a share for the year ending August 31, 1976 . . . the estimates represents a 13 per cent profit increase over fiscal 1975 for Batten.
>
> . . . the industry enjoys a favourable regulatory climate. Competition is minimized because broadcast licenses are granted 'solely on the basis of providing a different service than currently exists in a given market. . . . The regulatory environment permits high rates of return on investment,' says the study. Many of the public broadcasters have had returns on equity in excess of 20 per cent in the last decade. Current returns are slightly lower in the 15-20% range.

> 'The CRTC in the past has never sought to regulate rates in the broadcasting industry despite these high rates of return, and despite operating margins in excess of 40 per cent at a number of larger radio and television stations. Consequently, we look for long term revenue growth of approximately 12 per cent per annum.'"

On March 10, the Globe and Mail reported on page B8,

> Mr. Moody [Standard Broadcast Sales Company Ltd.] told the annual meeting of Standard Broadcasting Corporation Ltd. of Toronto that the sales company's new television sales operation, which handles sales for CJOH-TV in Ottawa, operated by Bushnell Communications Ltd., another subsidiary, had in the first six months of its operation passed the national sales billed in the preceding 12 months.

Without going further it is obvious that the financial community views the major stations as better than average investment prospects.

[5] At this time our methods of estimating the station payment for programs purchased from independent producers is a bit intuitive. These figures are among the most confidential in the industry but from our various talks with stations and distributors we have been able to glean a pretty representative idea of the various costs involved. The best rule of thumb is that a program will be sold in a market for close to the applicable one time split one minute commercial rate for the applicable time period, i.e. the one minute spot rate for the time period in which the program is to be scheduled. Our method, then was to average the distribution of the programs and roughly analyze their time placements and the values of the various markets in which they played. Although this is somewhat rudimentary it is certainly infinitely superior to any other method available to us.

[6] Department of National Revenue and Taxation, Interpretation Bulletin IT-164, June 5, 1974.

[7] An example of this is the following: an investor who is in the 50 per cent marginal tax bracket invests $20,000 in a film. He puts out $5,000 in cash, with the balance in the form of a non-guaranteed note which may never be paid. If he writes off $20,000 as the investment, he saves $10,000 in tax and makes $5,000 on the venture.

[8] Canada, Statutes of Canada.

[9] See Globe and Mail, March 17, 1976, page 16. "ACTRA Bars New York Actress from CBC," by Blake Kirby.

CHAPTER VI

# CONCLUSIONS

## A. Areas of Possible Support - Economic

### 1. Tax Incentives for Independent Canadian Broadcasting Program Production

Most independent producers of Canadian motion picture films and television programs are relatively small operations which frequently rent production facilities and have difficulty obtaining the capital required for production. They, therefore must seek outside financial backing either from banks, other financial institutions, or private individuals or groups of individuals generally organized as a limited partnership. This outside backing appears important for many small independent producers and as a method of promoting Canadian production every effort should be made to encourage outside financial investment.

The current tax incentive for motion picture investment consists of a write-off of 100 per cent of the capital cost to the investor for a Canadian "certified feature film" in the year in which the film is made. This is a film of not less than 75 minutes running time. Films of shorter length qualify for a 60 per cent write-off. Videotape, on the other hand, qualifies for the 100 per cent write-off. As mentioned earlier, however, if a motion picture film is converted to videotape, the 100 per cent write-off applies.

A policy change which should be considered is the extension of the 100 per cent write-off provision to all film regardless of the length. Since this tax concession can be applied in practice to all film by simply converting the film to videotape (at relatively low cost), there seems little logic in not extending the write-off and saving the producer the inconvenience of converting and the production could remain as film. In our survey approximately one-third of the respondents replied to the question of extending the 100 per cent write-off to films of shorter length and for the most part the response was affirmative; that for one or other reasons the extension would be of assistance. One responded that "pilots could be easily mounted and financed." Another replied: "It would assist us in acquiring business backing for various educational and television short series we have developed." And a third pleaded, "Please get us 100% tax write-off on shorts real soon. It would certainly stimulate investment around here."

Tax concessions or incentives are frequently favoured over direct subsidies or grants for, applied for a particular industry, they are non-discriminatory among firms in that industry and do not carry the "hand-out" stigma generally associated with subsidies.

A 100 per cent write-off in one year can be considered as a relatively strong incentive but could be made more attractive if supplemented with other tax concessions. Some possible supplements that could be explored are outlined in the following pages. These are incentives which can be applied to Canadian film or television program producers who own the facilities and have the resources for film production and to those who invest in film and television program production as financial backers. It may not be feasible, however, to limit such tax concessions to independent producers and those who invest in independent production as such a policy could be viewed as discriminatory.

a) Special Investment Allowances

This consists of a special deduction for capital cost in addition to the general depreciation write-off that is provided. For example, a special allowance of 50 per cent would permit an investor to deduct not only 100 per cent of the capital cost in the first year from other income, but an additional 50 per cent thereby increasing the write-off to 150 per cent of the investment in the year in which the film is made.[1]

One of the problems of providing for such a large write-off is that investors may be tempted to invest in any form of film or program regardless of its potential for success, simply for the purpose of avoiding income tax. Tax regulations would have to be very clear on the form of investment that would qualify for the 150 per cent write-off.

b) Investment Tax Credit

A tax credit would permit a certain percentage of the cost of the investment to be deducted from the tax liability on income obtained from the investment. This form of incentive would encourage investors to invest in serious film productions which have good potential for producing a return. For investments which produce a return in the year in which the investment is made or the film produced, and where taxes on the return are sufficient to permit the credit to be offset, the investment credit is similar to a cash grant and reduces the cost of the investment.

The following will serve as an example: An investment of $100,000 is made in a film which returns an income to the investor of $30,000 in the first year. If the taxpayer's marginal rate of tax is 50 per cent, the tax on the return will be $15,000. Assuming an investment tax credit of 10 per cent, an amount of $10,000 (10 per cent X $100,000) can be subtracted from the tax producing tax payable equal to $5,000.

c) Special Percentage Depletion Allowance Applied to Films

Films become less valuable over time as returns on investment in film decline with each round of showing. A motion picture film could be viewed as a type of exhaustible asset in the sense that it cannot be duplicated or replaced. In other words, no productive capital asset is created by the investment which could be used for repeating production, nor can the asset be replaced, as in the case of, for example, a steel plant, an automobile factory, etc. Consequently, a special depletion allowance might be justified to reflect the declining and unreplacable value of the film. Depletion differs from depreciation in that the asset subject to depletion cannot be replaced. (Depletion has generally been reserved for the extractive industries where a mine or an oil field cannot be replaced in the sense that a factory or a machine can.)

A depletion allowance would permit the investor to deduct from the proceeds of the film a certain percentage each year, which would reflect its declining value, to arrive at taxable income. Consider the following example: assume that the film returns \$100,000 in the first round showing or first year, \$60,000 in a repeat showing or second year, and \$20,000 in the third year. If a depletion allowance of 33 1/3 per cent was permitted, the investor could deduct \$33,333 in the first year from the film proceeds, leaving a taxable income of \$66,666. Similarly in the second year, taxable income would be reduced to 33½---\$60,000 or \$40,000. Again, as in the case of the tax credit, this type of incentive, in addition to the current 100 per cent write-off of capital cost, could serve to encourage investors to invest in film productions with reasonable potential for producing a return.

In addition to the above incentives, another possible policy consideration might be to disallow current deductions for investments in foreign films and videotape. The current 60 per cent write-off applies to the purchase of foreign films or to investments in movies made outside of Canada, while the 100 per cent write-off of investments in videotape applies to foreign videotape productions as well. Closing this avenue for tax relief might conceivably cause investors interested in films to turn to Canadian productions. It could perhaps be argued that this would be in keeping with Federal policy of moving against the write-off of advertising expenses spent on border TV stations or in foreign magazines as means of promoting the Canadian communications media.

In an attempt to encourage foreign sales and encourage Canadian producers to look to the wider international market rather than concentrate on the small domestic market a possible incentive would be to permit all revenues from international sales to go tax free. The revenues earned in foreign markets would, of course, be subjected to a withholding tax by the foreign government. These foreign earned revenues can, however, be made completely tax free if they were not taxed in Canada and if the Canadian government permitted a foreign tax credit by which the foreign taxes paid would be deducted from taxes paid on revenue earned in Canada.

2. Tariffs and Anti-Dumping Legislation

It does not appear that tariff policies offer much practical scope for the promotion of the Canadian independent broadcasting program production industry. While the existing tariffs on films and tape as illustrated in the adjoining tariff schedule for the most part provide little protection for the Canadian industry from foreign competition in the Canadian market, it is questionable whether a policy of protection would be desirable or of any significant benefit to the Canadian industry. As shown elsewhere in this study, the cost differential to Canadian outlets between Canadian produced programs and American produced programs is very large. Consequently, very high tariffs would be required to equate prices of the two productions to the Canadian television networks. However, it is questionable whether Canadian networks would turn to Canadian productions even if American productions were made equivalent in cost as such factors as quality, audience, and sponsors would have to be taken into consideration. A high tariff could conceivably have adverse effects on the Canadian industry to the extent that currently low-priced foreign programs used by networks subsidize the purchase of high-cost Canadian programs. A higher price for the foreign program would make it more difficult for Canadian television networks to purchase high-cost, high-quality Canadian programs and could force them to turn to poorer quality programs in order to meet Canadian content regulations and still remain solvent. It would appear, therefore, that a good case could be made for keeping the price paid for foreign programs as low as possible and provide some protection to the Canadian industry through Canadian content regulations.

Similar considerations should be taken into account in response to the contention that American exportation of films constitutes dumping and that the Anti-Dumping Act should be invoked to terminate this practice. Whether the U.S. exportation of film constitutes dumping may be a difficult issue to resolve. For example, while CTV may be able to obtain an

TABLE VI-1

TARIFF SCHEDULE FOR FILMS AND TAPE

| | Tariff Item | Tariff (Most Favoured Nation) |
|---|---|---|
| | Magnetic recording tape, n.o.p., manufactured from synthetic resins or cellulose plastics: | |
| 65810-1 | Unrecorded | 10% |
| 65811-1 | Recorded | 20% |
| | From November 19, 1974 to June 30, 1976 | |
| 65815-1 | Motion picture films, negative or positive, with or without sound; still picture films, negative or positive; video tape recordings; sound recordings in tape, disc or wire form; all the foregoing being news features or recordings of current events | Free |
| 65820-1 | Motion picture films, 16 millimetres or more in width, video tape recordings and sound recordings in tape form, not including filmed or video taped television commercials or sound recordings of such commercials, for use exclusively in the dubbing of sound-tracks of motion picture films or video tape recordings, provided the original films, video tape recordings or sound recordings are re-exported within six months from the date of importation, under such regulations as the Minister may prescribe | Free |
| | Cinematograph or moving picture films, positives, n.o.p.: | |
| 65705-1 | One and one-eighth of an inch in width and over - per linear foot (35 mm) | 1 1/2 cts. |
| 65706-1 | Under one and one-eighth of an inch in width - per linear foot (8 and 16 mm) | 1 1/2 cts. |
| | In no case shall the duty exceed | 20% |

| Tariff Item | | Tariff |
|---|---|---|
| 65800-1 | Motion picture film, of 16 millimetre width and over, and video tape, not including filmed or video taped television commercials, when imported by recognized processors of motion picture film or video tape having duly equipped laboratories for processing motion picture film or video tape in Canada, for the sole purpose of having reproductions made therefrom, and if the original film or video tape is re-exported within six months from the date of importation, under such regulations as the Minister may prescribe - per linear foot | Free |
| 65805-1 | Filmed or video taped television commercials | 20% |

Source: Revenue Canada, Tariff Regulations, Schedule "A".

American film or program cheaper than NBC or other major U.S. networks, the cost to CTV on the basis of cost per viewer may not be much different from that of a major U.S. network due to the much smaller audience or market that CTV commands. Furthermore, even if dumping was shown to exist, it is questionable, as explained above, whether the imposition of higher costs to Canadian networks for American productions would be beneficial to the Canadian independent program production industry.

3. Subsidies

Governments have frequently resorted to the payment of subsidies to a variety of industries for a variety of different reasons. Thus, in Canada there exist rail subsidies designed to keep down freight rates, shipbuilding subsidies designed to assist the Canadian shipbuilding industry, subsidies for low-cost housing, and a number of subsidies on agricultural products designed to either stabilize prices or farm income. Frequently subsidies or grants are given for a service or industry to keep prices down and enable the industry to remain competitive, or to sustain an industry which, though it may be uneconomic from a profit-making standpoint, is considered desirable or essential to the public interest or welfare.

The Canadian government has assisted the arts in Canada through subsidies or grants, particularly via the Canada Council. In addition, the Canadian Film Development Corporation was established in 1967 for the purpose of fostering and promoting the development of a feature film industry in Canada. An initial fund of $10 million was provided for this purpose. The fund was to be used for loans to Canadian film producers and for investments in Canadian film productions. Conditions that had to be met to qualify for assistance included: copyright held in Canada, a valid distribution contract, and financial contribution from the distributors.

While subsidies have been used to try to promote film production, as with any industry there are a number of limitations in the use of subsidies. Subsidies discriminate among producers. There are difficulties in determining the "worthiness" or quality of a particular proposed film production. Given the limited funds made available, some receive subsidies, others do not, but to provide funds for all would result in inefficiencies and, as one producer put it, "a potential rip-off may result where incompetent firms vie for capital." Furthermore, a subsidy may assist a producer in the production of one film, but without continuing subsidies for his productions he may not be able to survive.

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 exerpts from some of the responses 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."

> "The difficulty with government subsidy, frankly, is that those firms that need it least get the subsidy; therefore, many small but most capable and creative firms lose out."

> "Please, please cut out all government subsidies - they are not even going to the companies that could put it [sic] to good use."

> "Let the novice work his way up the ladder instead of becoming an overnight Cecil B. Demille while being subsidized by public funds."

> "Government support is too eagerly given to the uninitiated who are learning their craft in an unreal environment with no sense of the real economy in which they want to work."

In general, while subsidies as they are currently applied, could be continued, they should not be viewed by the government as a significant policy tool for assisting and promoting the independent program production industry.

4. Loans

While the majority of the producers in our survey rejected subsidies as a means of assisting Canadian independent producers or promoting the industry, a large number did suggest the creation of a more favourable climate for obtaining loans for production purposes. Suggestions ranged from "changing banking laws to allow negatives as collateral" and "contracts which can be discounted at a bank," to the establishment of a government supported institution for the financing of independent producers functioning as program contractors to the CBC and other networks. The institution would be a lending institution not one distributing subsidies. This suggestion would appear to have certain merit and could function along lines similar to the Canadian Film Development Corporation except, unlike

CFDC, it would be engaged exclusively in making loans, as well as guaranteeing loans, for programs made for broadcast by independent producers. Loans could be made under a devised formula related to production costs and be made repayable without qualification or repayable if the production achieves a certain level of profitability. It could function similarly to the industrial incentive program currently administered by the Department of Regional Economic Expansion.

5. Increased Commercial Time Allowance in Independent Programs

It was shown earlier that it is only the exceptional Canadian produced program which yields a profit for the network; that these programs do not generate sufficient audiences and therefore advertising revenue, relative to their costs, to produce a profit. An obvious solution would therefore be to attempt to generate additional revenues by permitting more advertising time on Canadian produced programs. With such increased time, it is argued, a sponsor may be prepared to pay more for the program and/or additional sponsors could be brought in.

One of the major difficulties with such a proposal is that it may be self-defeating. More advertising time for certain programs produces an element of diversity between these programs and others with less advertising time. The diversity is not of the nature that it would attract more viewers. On the contrary, these programs are likely to lose audiences because of the larger amount of time devoted to advertising and a smaller audience will cause a sponsor to reduce the amount he is prepared to pay to sponsor the program or attract fewer sponsors.

In any case the commercial time allowed in Canada exceeds that of the U.S. when applied to a sponsored program (12 minutes as opposed to 8 minutes in a hour-long program) and is probably at a saturation point. Conversely to cut back (as has been suggested by some independent producers) the amount of advertising in U.S. programs would only reduce the potential revenue of our broadcasters and make these programs more attractive to the viewer. Some problems also arise with standard program lengths and number of availabilities when these programs are distributed internationally.

## B. Areas of Possible Support - Policy and Regulations

### 1. Quotas and Canadian Content Requirements

#### a. Quotas for Independent Production

One of the major complaints of independent producers as explained earlier is the lack of interest (and therefore market), in their productions by the CBC and CTV. The networks prefer their own or "in-house" productions. One method of countering this "in-house" production tendency would be to establish a quota for independent productions. In other words, it would be specified that of the total programs or episodes aired during the week a certain percentage must be programs which have been produced by independent producers. This would ensure the independents of a greater domestic market. It could be argued that competition among independents for this portion of the domestic market could lead to good quality, independently produced programs.

Our survey of independent producers 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. It could be argued that, as with any private sector industry in Canada (other than foreign-owned or controlled), whether it chooses to produce its own product for distribution or acquire it from other domestic sources should be its own choice. 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. The CBC, on the other hand, is a public network largely supported by public funds. Here 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 which was a subject of scrutiny by the Royal Commission on Government Organization in 1962. In fact, the Royal Commission examined CBC policy in videotape and film production and recommended more outside participation.[2] Given that the CBC spent $208.7 million in the production and distribution of programs (TV and Radio) in 1974-75, even if a small percentage increase of this program budget was diverted to outside production, it could add significantly to the volume of the independent program production industry, which in 1974 had gross revenue from sales and rentals of TV motion pictures and videotape programs of $18,660,400.[3] The diversion could take the form of quotas for independent programs shown on the CBC. Alternatively or conjunctly it could take the form of co-productions with independent producers and the CBC. In any event, the CBC should be encouraged, if not forced, to increase outside content in its programming either by purchasing or contracting out a larger proportion of its programs from independent producers or by participating more actively in co-productions with independents. One producer suggested a quota of 30 per cent of program budgets on Canadian networks to be devoted to Canadian independent programs.

In addition to quotas on the CBC network, film production work that is required by government could be farmed out to a much greater degree than it is and should be done by open tender. This includes work for the National Film Board and government departments and agencies, both federal and provincial.

A second potential difficulty with quotas that is sometimes voiced is that they lead to diminished quality and/or higher costs in programming. The assumption here, of course, is that the network or station had originally preferred its own productions because of their superior quality and/or lower costs relative to the outside production. This assumption is not necessarily valid, or if valid under present conditions, the establishment of quotas could change these conditions as independents, competing for such an established market, strive for both efficiency and quality in program production.

A third difficulty with quotas which was mentioned by some producers in our survey is that they could lead to a "closed-shop" in that certain production houses may receive all the contracts for productions to the detriment of the development of the independent program production industry as a whole. 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" and argue that such practices and attitudes would likely continue if a system of quotas was instituted. While this may be a potential danger, it can only be hoped that quotas would be sufficiently large that the CBC, for example, would find open tender and competition economical.

Finally, the CBC has often been reluctant to share what might be called editorial control with an outside source. In the documentary area they have aired programs which were the creations of independent producers but this has not happened in the areas of public affairs and news analysis. It is not hard to sympathize with CBC having to defend before the Standing Committee[4] a program that they were almost obliged to run.[5]

b) Canadian Content Requirements

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. With respect to independent production it has been noted that the regulations possibly had an injurious effect since they have strongly directed broadcasting toward vertical integration with the ownership of large plants by the various broadcasters. Even Global which proclaimed itself not to be hardware intensive, has (with some further additions) a very large-scale production facility. 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.

Since the proliferation of more Canadian stations with their U.S. programs and the growing access to U.S. channels on cable, the percentage of Canadian content on Canadian broadcast outlets is certainly not indicative of the amount of Canadian programs that will be watched. A huge increase in Canadian content requirement might only gather a very modest increase in the viewing of Canadian programs to the further detriment of the Canadian broadcaster.

There is, however, one area worthy of considerable attention. This is the so-called prime time hours of 6 pm to midnight to which the regulations are applicable. A number of independent producers and the Association of Canadian Radio and Television Artists have remarked strongly that the hours from 7 to 11, or more narrowly 8 to 10, contain very high rates of U.S. content. There is considerable merit in considering a prime time period as being a 100 per cent Canadian content slot. Although this would involve head-on Canadian programming by the various Canadian broadcasting outlets, it would firmly involve them in being competitive in the quality of their Canadian productions. The major obstacle would be the cable access to U.S. channels. This is not an insurmountable problem if a major reorganization in our policy toward cable is forthcoming. Although such a reorganization is beyond the scope of this study, we can anticipate mechanisms whereby a significant period in prime time viewing could be devoted to purely Canadian programs. It would be a rather drastic action but in view of Chapter II we would appear to be faced with making some major changes in our present broadcasting policy. In this context the independent producer might be given a role. This topic is dealt with further in our recommendations to follow.

2. Interdepartmental Co-Operation

In its July 16, 1971 policy statement on cable television entitled "Canadian Broadcasting - A Single System" the CRTC invited the help of many other federal agencies in solving the Canadian programming problem.

But in order to ensure that the Canadian broadcasting

> system will develop to its fullest potential, a total solution must be found.
>
> The Canadian broadcasting system does not have the necessary resources to be expected to develop and support a production industry on its own. Existing sources of revenue which come chiefly from advertising, are not sufficient to provide the entire support of the total system as it is presently constituted and never have been since its inception. Furthermore, broadcasting should not be called upon to be the sole contributor to this development. This is a problem that affects, and should be of paramount concern to all Canadians; it is truly a Canadian problem.
>
> If a total solution is to be formulated, it must recognize that all sectors of government and industry must be co-ordinated so as to establish a meaningful Canadian program production industry. (CRTC 1971, page 38)

And two pages later the policy statement states: "The Canadian Radio-Television Commission, the Canadian Broadcasting Corporation, the National Film Board, the Canadian Film Development Corporation, Canada Council, and other federal agencies should all be concerned." The truth of these comments is even more apparent now five years later than at the time of their writing.

Some recent developments would indicate an improvement in interdepartmental co-operation. The possible amendments to the Canadian Film Development Corporation Act allowing it to lend money on a sustaining basis to production houses and to finance shorter length film could no doubt be beneficial to both broadcasting and the independent producers,[6] although we are about to suggest other mechanisms.

Over the years the NFB has become more realistic about the prices that they can charge broadcasters for content. At one time, broadcasters regarded the showing of NFB programs as a favour to the Board. Conversely, the NFB felt that they should be receiving at least equal the rentals paid for American product. We did note that one television station which is known for its sharp program buying tactics has entered into a contract with NFB for 4,000 minutes a year of product. This amounts to about one hour and a quarter per week.

A number of independent producers indicated that they had at some time received Canada Council funds in order to produce short length films, mostly concerned with nature, which were later used in broadcasting.

As yet there is no comprehensive direction in addressing the problems of Canadian programming. There sometimes appears to be a dichotomy in which the Department of Communications conceives broadcasting to be a facet of the overall telecommunications problem in this country; whereas, the Department of the Secretary of State may look upon broadcasting as a component of the overall cultural problem.[7] All of this is further confused by Federal-Provincial power struggles over the right to determine the quality of our citizens' lives. Meanwhile, the single best channel for communicating our identity and culture to each other is in some sad disarray. It is probable that piecemeal solutions will no longer suffice.

3. Creation of Additional Networks

As outlined earlier, one of the constraints under which independent producers operate is the apparent limited market for their productions in existing Canadian networks. It has been suggested that a possible solution of this problem is the creation of additional networks in Canada which would offer outlets for independent productions. However, this does not appear to be a viable solution. Additional networks in Canada are more likely to increase the fragmentation of domestic audiences and reduce the advertising revenue currently available for the existing networks. The result would be that networks would find it even more difficult to finance the purchase of quality Canadian productions, and turn to lower quality, lower cost Canadian programs to meet Canadian content requirements.

It would appear that possibly the alternative of reducing or rationalizing the number of networks would be beneficial. One of the problems lies in getting national distribution which also entails a good placement in Toronto. With that market split five ways and in the absence of a coherent pattern of affiliates to a third network, wide distribution can only be secured on an ad hoc basis. In many ways the proliferation of stations has simply reduced the production values that may be placed in Canadian programs and increased the opportunities to view U.S. content. If the Global-Hamilton situation could be resolved, then there would be a good basis for a strong third network.

## C. Is The Industry Worth Supporting?

As pointed out in Chapter I the answer to this question to a large extent depends upon how we perceive our national priorities.

The independent production industry for broadcast cannot actually be separated out from an independent production industry , per se, 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 group of producers, writers, performers, cinematographers, and technicians who come together in various groupings in order to carry out that craft called production. What we are really talking about then is the great mass of creative and talented Canadians who 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 $18½ million spent on independent television production. We calculate rather optimistically that the broadcasters in 1975-1976 program year spent $1,625,000 in 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. 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 the 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 breakthrough with "Mary Hartman, Mary Hartman," will end his first half year with a loss of $1.2 million on this program. This is because he had to sell the untried program so cheaply to the individual stations themselves. It is hard to imagine any Canadian independent producer being able to risk the 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 socially worthwhile nature to enter into prime-time hours. The results have been disastrous. If diversity of opinion were to be the sole criterion on which the value of supporting independent production were to be evaluated, then unless drastic revisions were made in our broadcasting system, we would be inclined to say that the industry would not be worth supporting.

If a broader view were 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 very 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 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 lacks a 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 that follow, we note a number of specifics which would be beneficial to the industry, but it is our feeling that some rather drastic and possibly revoluntary 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.

## ENDNOTES

[1]This policy was used by the Federal government in the early 1960's in an attempt to stimulate investment and expenditures on scientific research for industrial purposes. Several other internal studies have taken place recently to which we do not have access.

[2]Canada, The Royal Commission on Government Organization, Vol. 2 (Ottawa: Queen's Printer, 1962), pp. 346-347. (The Glassco Commission)

[3]Statistics Canada says $18,660,400 was spent in 1974 on independent television production. Our analysis of direct monies paid by broadcasters to independent producers totals as follows: CBC $500,000, CTV $225,000, CBC Owned & Operated Stations $100,000, CBC Private Affiliates $100,000, CTV Affiliates $300,000, Global Television $100,000, Independents $300,000. This comes to a total of $1,625,000.

If from educational sources another $1 million was spent on independent production, we are still a long way from the Statistics Canada figure. Our figures are based on revenues going to "true" independent producers for the most part. They may be somewhat exaggerated. We have not included in our figures the large number of programs which are supplied to the stations free, and therefore have been paid for by a religious organization or by an advertiser. The Statistics Canada figure includes both French and English language programming and would have to be revised downward for this study. Whatever way you slice it, in terms of a half billion dollar industry, the share going to independent production is very small.

[4]The Parliamentary Standing Committee on Broadcasting, Film and Assistance to the Arts.

[5]On April 12, 1976, Mr. A. W. Johnson, President of the CBC, gave a talk to the Canadian Club in Toronto entitled "The CBC and Canadianism." He not only underlined the "crisis" of Canadian program viewership he offered a strategy for the CBC to win back audience. His third main tactic was that CBC-TV should acquire a "distinctiveness" as has CBC Radio. We take this to mean a certain consistency of professionalism, a certain excellence, a certain similarity of ambience associated with the programs. This would preclude the introduction of the kind of true independent production envisaged in this study. It is also possibly a dangerous tactic in trying to out-Hollywood Hollywood for unless the CBC did succeed in achieving a particular quality which meets general viewer acceptance, they will fall prey to the viewer's strongest channel choice determinant—the least objectionable ambience. We feel he is correct about CBC radio having a distinctiveness.

We think it would be advisable to study the radio tuning habits of young Canadians before generalizing this approach to television. Quite often the complaint about Canadian programs is that they appear distinctly "Canadian" which is synonymous with lacklustre, cheap, and apologetic. Ideally, Mr. Johnson is right. Translated into policy within a bureaucracy it may prove stifling to innovative content ideas.

[6]It has been claimed that the saving of Canada's feature film industry could be done through extensive use of these films on Canadian television. In the last two years the use of Canadian features have increased greatly. However, we might point out that theatrical film and film for TV are not the same thing. A "movie for television" is really a TV program. In the U.S. these cheaply made (by feature standards) movies are rarely released theatrically in North America, although they are later sold for theatres in the third world. The story construction, production values, techniques, etc. are not synonymous with "made for theatre" movies. Conversely, many large budget motion pictures do not draw as well on television as those designed for the medium. This is particularly true of the spectacle or "event" type film. A rose may be a rose but a theatre is not television. We are simply suggesting caution in this area and a reservation about the CFDC entering the shorter length film and film for TV areas without any prior expertise. It is possibly another case of concentration on the technology (film) and confusing this with both the medium and the message.

[7]Curiously, in this dichotomy the D.O.C. seems more focussed on the program and its being "Canadian," whereas the Department of the Secretary of State seems to lean toward the utilization of Canadian talent and craftsmanship without too much concern whether the content of the product has "Canadian" values, e.g. CRTC policies contrasted with those of CFDC.

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