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CABLE TELEVISION IN CANADA

A Working Paper Prepared For The

Economics Branch

by

John H.C. Braden

Statistical Information Services Division
Economics Branch
Department of Communications

March 1981

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CABLE TELEVISION IN CANADA

EXECUTIVE SUMMARY

1. Cable television has expanded dramatically in the last decade or so. In 1967, cable television was a relatively new industry and less than 23 percent of Canadian homes were passed by cable. By 1979 it was available to 77.0 percent, or to about 3/4 of all the households in Canada.

2. In terms of numbers of subscribers, in 1967 only some 516 thousand households subscribed to cable television. Five years later there were 1.7 million subscribers. By 1977 the number had grown to 314 million. Two years later (1979) there were approximately 4.1 million cable television subscribers in Canada.

3. In terms of the number of households, in areas where cable television was available, some 68.7 percent or about 2/3 of the households in 1979 subscribed, compared to 42.4 percent in 1967. In terms of all households, including those to which cable was not yet available, about half (52.9 percent) subscribed in 1979, up from 9.6 percent in 1967.

4. In 1967 cable television represented only 5.8 percent of total broadcasting revenues including CBC parliamentary grants. By 1979 this share had increased to 17.7 percent.

5. During the period 1967 to 1977, revenues and profits of the cable television industry showed exceptional growth. Total revenues increased from $22.1 million in 1967 to $232.9 in 1977, a growth of 954 percent. By 1979 they stood at $313.7 million an increase of 37 percent over 1977. In 1967 cable television profits before taxes were only $1.6 million. Ten years later in 1977 they had risen to $45.1 million, an increase of over 28 times their 1967 level; and by 1979 they had climbed to $49.6 million, a further increase of 10 percent over the level in 1977.

6. In comparison, private television revenues in the ten year period between 1967 and 1977 increased by 242 percent, from $95.2 million to $331.0 million. In 1979 private television revenues were increased by $141.5 million to $472.5 million, an increase of 43 percent over 1977. In relative terms, cable television revenues in the ten year period between 1967 and 1977 grew at a much faster clip. In 1967 cable television revenues were about 23 percent of the revenues of private television. By 1977 they were 86 percent. In the next two years between 1977 and 1979, cable television revenues declined in relative terms from 86 percent of private television revenues in 1977 to 66 percent in 1979.

...2

7. During the period 1967 to 1977, private radio revenues increased 205 percent from $88.8 million to $271.8 million an increase of 206 percent compared with over a 2700 percent increase for cable television. In the two years between 1977 and 1979, private radio increased by 31 percent from $271.8 million to $356.2 million. This compares with a growth of 37 percent for cable television.

8. In 1967, the next fixed assets of the cable television industry were $34.1 million. By 1977 they had increased to $269.8 million, an increase of some 691 percent. Profit before taxes as a percent of net fixed assets increased from 4.7 percent in 1967 to 16.7 percent in 1977, a relative increase of some 255 percent in ten years, per dollar invested.

9. Most of the concentration of cable television is in the larger cities close to the US border, particularly in Ontario and British Columbia, where most people can receive more US stations off-air than elsewhere. Whereas it was essentially an urban phenomenon in the early years of this decade, cable is now being extended to rural population centres of 1000 residents and less.

10. Cable television has been a major factor in increasing the number of television stations available to Canadians, particularly US channels. Whereas in 1967 only about 57 percent of the people in English-speaking Canada had access to one or more of the three US commercial networks, by 1977 about 62 percent had access to four US channels. In Quebec, the increase in US options is quite remarkable. Whereas in 1967 only 29 percent of the population had access to one US channel, by 1977 some 49 percent could access one US channel and some 36 percent could access three or more channels.

11. In English-speaking Canada the share of viewing time that US stations represents of total viewing time has increased from 17.7 percent in 1967 to 23.4 percent in 1977, an increase of 6.7 percent in absolute terms. In Quebec it is almost identical. The share by US stations, which stood at 3.8 percent in 1967, has increased 5 percent to 8.8 percent. Most of this increase is directly attributable to cable television.

12. The major increase in cable penetration over the past decade or so has been in areas where US stations were also available off air. The overall impact of cable on audience fragmentation was not therefore as great as generally believed. Among Canadian stations the biggest losers to the US were the CBC and Radio-Canada privately-owned affiliated stations.

13. The impact of cable television on audience fragmentation is felt most in markets where US stations are not available off-air. In future, cable penetration will be in areas where US stations are not generally available off-air Therefore the impact of cable television on audience fragmentation could be much more severe than has been the case so far.

...3

14. While in national terms the audience share in 1977 by US stations was about 29 percent in English speaking Canada, and almost 9 percent in Quebec, in terms of the amount of US and other foreign programming viewed, it is much more severe. In 1977, more than 70 percent of all the programming viewed by Canadian audiences in English-speaking Canada was of foreign origin. Efforts by the CRTC to increase the amount of Canadian programs watched by Canadians, through the imposition of new Canadian content regulations, has been severely hindered by the increased availability of US channels through cable television.

15. The fact that a large proportion of all Canadians have a wider choice of programming among Canadian stations is a very important factor, especially as it relates to the Broadcasting Act objectives of the predominance of programming using Canadian creative and other resources.

16. Prior to the 1969 Order in Council on foreign ownership, in 1968 some 55.8 percent of the total cable operating revenues ($30.7 million) were derived from cable television companies that were foreign-owned. As a result of the implementation of the Order in Council, there are now no cable television undertakings where foreign ownership exceeds 20 percent, or where there are foreign directors.

17. Since the extension of cable television service is approaching the economic limits, as measured by the percentage of homes to which it can be made available, the industry has diverted its energy and focus to the provision of new services with new technologies. The potential importance of this could be significant especially with respect to the traditional carriers' market.

CABLE TELEVISION IN CANADA

1. INTRODUCTION

Over the last ten years, there have been important developments in broadcasting in Canada on which the rapid expansion of cable television has had a profound impact. This paper provides a brief overview of the area in order to provide some perspective on these trends.

Because of the interrelated nature of the broadcasting industry, developments in one part can have an important effect on another. For instance, communications satellites are making it possible for CBC television to be extended into remote areas. Coaxial cable can carry visual and other information of all kinds including television - and cable television undertakings are already providing, in addition to broadcasting, some other services, a trend that is likely to prove irresistible.

2. HISTORICAL BACKGROUND

Television emerged for practical purposes in the late 1940's, and in the early 1950's the CBC was operating its own television stations in a few major cities. In 1958 the CBC was allowed to extend its national coverage by the use of affiliated private stations as it had done in radio broadcasting. By 1965, more than half of the private television stations were affiliated to the CBC networks and well over 90 percent of the population had access to this national service.

Community-antenna television (CATV) systems, commonly referred to as 'cable television' systems or undertakings, began to appear from about 1952; their original purpose was only to bring television signals to places that, for one reason or another, could not receive direct transmissions from any source at all. Within two or three years, however, a market for CATV developed in places already served by Canadian stations, partly because of improved quality, but more importantly because it gave access to stations in the United States that could not otherwise be received.

3. REGULATORY BACKGROUND

The Government of Canada had moved into the regulation of radiocommunications in 1905 and began to license radio stations in 1922 under the Radio Act. The Board of Governors of the CBC, from its inception, was the regulatory body for the private sector in addition to being responsible for the operations of the CBC itself. The Broadcasting Act of 1958 transferred the regulatory authority for the CBC and private sector from the Board of Governors of the CBC to the newly created Board of Broadcast Governors (BBG). The 1958 Act, however, made no provision for the regulation of CATV systems, although these required a federal radio license under the Radio Act because they made use of the radio frequency spectrum.

...2

But all of this changed in 1963, when the British Columbia Court of Appeal ruled that CATV systems were integrated undertakings, the component parts of which could not be separated, and that as they were subject to federal jurisdiction in their radiocommunication aspects, they were consequently subject to federal jurisdiction in all aspects (1). As a consequence of this, the Minister of Transport who was still responsible under the Radio Act for the issuance of all broadcasting licenses agreed, although he was not required to do so by the 1958 Broadcasting Act, to refer applications from CATV undertakings for radio licenses to the BBG for its observations. On April 1, 1968 a new Broadcasting Act was proclaimed which replaced the BBG with the CRTC, a rather larger body with more clearly defined and significant supervisory and regulatory powers and authority.

In addition to extending the authority of the federal regulatory body to include cable television systems, the Act introduced an entirely new feature: for the first time the right to issue broadcasting licenses was devolved by the Government to the CRTC. Accordingly, the CRTC was required by Section 15 of the Act to "regulate and supervise all aspects of the Canadian broadcasting system" with a view to implementing the policy laid down in the Act. This is the statutory framework that has governed the development of broadcasting in Canada, including CATV, during the past decade and more.

4. GENERAL TRENDS IN TELEVISION

By 1967, some 15 years after the inception of television, the national service had commendably extended its services to more than 96 percent of the people in Canada. But further expansion was hindered by the law of diminishing returns, and the next two percent added in the next decade was almost harder to achieve than what had already been done.

Coverage by other Canadian and US stations has been increased through the licensing of new Canadian stations, the increase in cable penetration, and the extension of the area covered by the use of higher power or the establishment of repeater stations.

Figures published by the CRTC show that in the nine provinces other than Quebec, more than 98 percent of the population in 1977 had English-language television coverage. It ranged from a low of 90 percent for Saskatchewan to a high of 100 percent for Ontario. Because the English-speaking population in Quebec is mainly in the Montreal area where the coverage of English-television is the highest, the coverage of English-language television in Quebec is much lower than for the rest of the country. If included in the national totals, it would have distorted the figures for the rest of the country. These figures are included in Table 1.

(1) British Columbia Court of Appeal: Public Utilities Commission vs Victoria Cablevision, (1965) 51 D.L.R. 2d 716.

TABLE 1

ENGLISH-LANGUAGE TELEVISION COVERAGE

% of Population - November 1967 and 1977

	CBC		Other Canadian		United States	
	1967	1977	1967	1977	1967	1977
Nfld.	87.00	98.00	82.97	94.09	0.00	0.62
PEI	93.00	95.00	2.60	95.00	0.00	31.23
NS	99.00	99.00	62.05	99.00	0.00	64.13
NB	99.00	99.00	2.53	92.96	16.76	66.09
Ont.	99.00	100.00	78.61	95.59	81.32	93.65
Man.	96.00	98.00	76.09	98.00	68.58	74.83
Sask.	89.00	90.00	33.42	90.00	2.51	3.87
Alta.	93.00	96.00	83.22	96.00	4.10	81.87
BC	92.00	96.00	71.50	96.00	80.41	92.86
Total	96.10	98.21	70.42	95.54	56.70	81.46
Québec	76.65	85.36	63.36	82.95	29.27	48.87

Source: Special Report on Broadcasting in Canada, 1968-1978, Vol. 1, CRTC

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TABLE 2

FRENCH-LANGUAGE TELEVISION COVERAGE

% of Population - November 1967 and 1977

	Radio-Canada		Radio-Québec		Other Canadian*	
	1967	1977	1967	1977	1967	1977
Nfld.	0.00	7.00				
PEI	20.00	22.00				
NS	9.57	63.00				
NB	60.85	86.00				
Ont.	16.83	88.00			7.79	9.68
Man.	70.00	75.00				
Sask.	0.00	28.00				
Alta.	0.00	66.00				
BC	0.00	53.00				
Total	16.66	72.83				
Québec	98.00	99.00	0.00	78.22	85.95	93.89

* In this table, "Other Canadian" refers to TVA stations.

Source: Special Report on Broadcasting in Canada, 1968-1978, Vol. 1, CRTC

Coverage by US stations shows the highest proportionate increase of all, and for this the rapid expansion of cable television systems is largely responsible. Cable penetration is, of course, strongest in the largest communities, and this together with their proximity to the US border accounts for the high figures in Ontario (94 percent), and British Columbia (93 percent). General statistics on coverage obscure the effects of the introduction of additional channels and also by the fact that as new channels become available, by cable television or by an increase in power, it sometimes duplicates programming already available from an existing channel. This access to a large number of channels does not necessarily afford a proportionately wider choice of programming, although it will offer a greater choice of times to view a particular program.

Table 2 shows the percentages of the population in each of the ten provinces covered by French-language television. In 1967, Quebec was nearly entirely covered by Radio Canada affiliated stations. The formulation of the TVA network (an association of a number of independent stations) together with the establishment of the educational Radio-Québec network with stations in Montreal, Quebec and Hull, are the two most notable developments in the province during the decade under review.

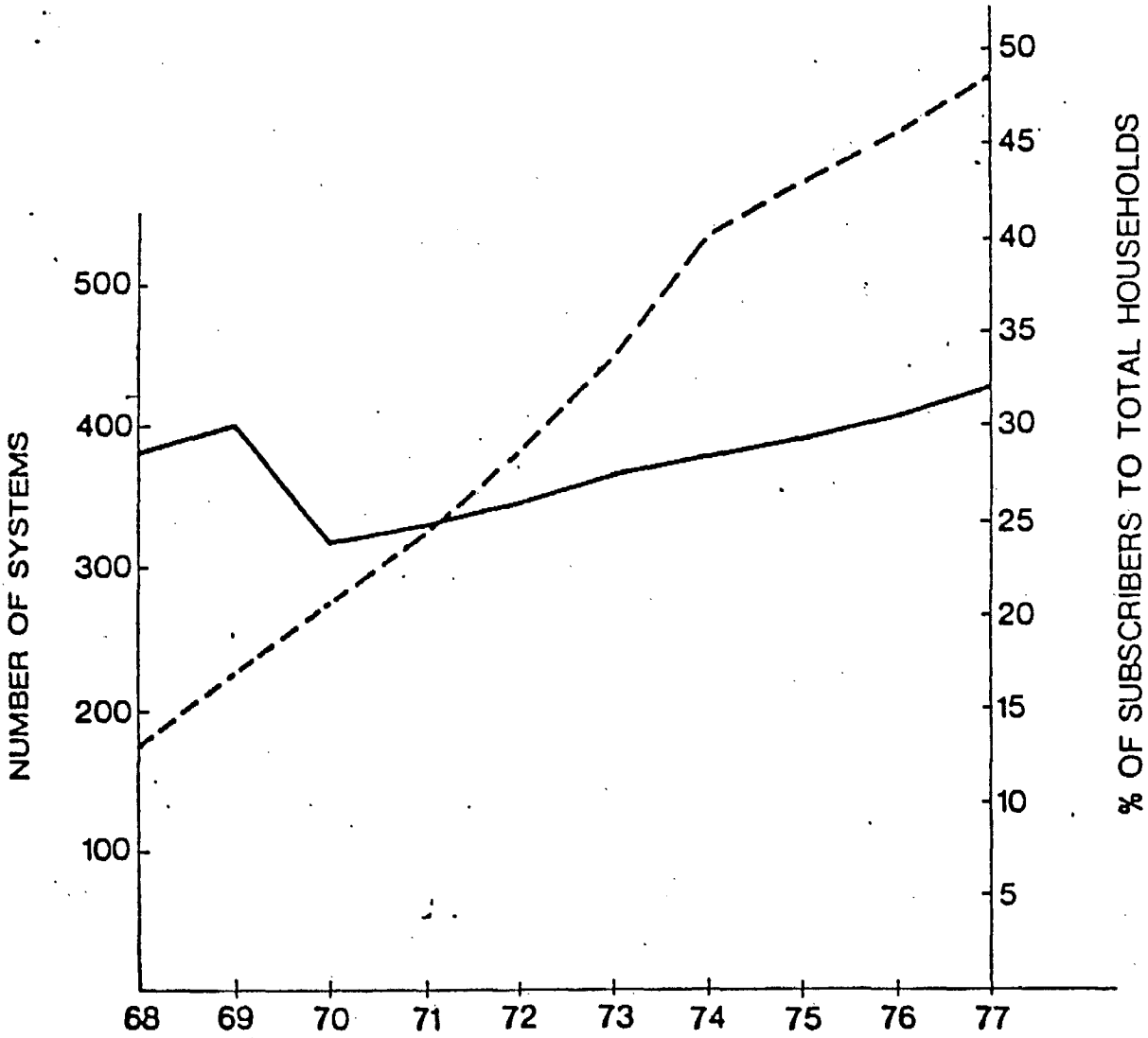
5. GENERAL TRENDS IN CABLE TELEVISION

In 1967, there were already 314 operating CATV undertakings in Canada. Ten years later the figure stood at 427. In terms of the number of subscribers, only about 10 percent of the households subscribed to cable television, but by 1977, the figure had grown to 47 percent. It is evident that the dramatic growth in cable penetration during the period was generated by the consolidation and expansion of existing systems and by attracting new subscribers rather than by the absolute growth in the number of systems. This point is illustrated graphically in Figure 1. During the subsequent two years, (1978 and 1979), cable television increased another 6 percent to about 53 percent of households. During the same time there has been an increase in the number of operating systems form 427 to 482, a 13 percent increase.

In 1967, about 23 percent of the households in Canada were in areas passed by cable. Ten years later in 1977 it had increased to around 69 percent. The corresponding figure for 1979 is 77 percent. Since 1970, cable companies have been busy extending their layouts of their cables. For the period 1970 to 1979, the percentage of households that were in areas licensed for cable has increased from about 50 percent to around 80 percent of Canadian households, a relative increase of some 61 percent. During the same time, the number of households passed by cable has increased from about 40 percent to 77 percent, a relative increase of 90 percent. Detailed information is contained in Tables 3 and 4.

CABLE TELEVISION 1968-1977

FIGURE I



——NUMBER OF SYSTEMS

----% OF SUBSCRIBERS TO TOTAL HOUSEHOLDS

TABLE 3

NUMBER OF CABLE TELEVISION COMPANIES, OPERATING SYSTEMS AND SUBSCRIBERS

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Total Companies	n/a	n/a	n/a	n/a	261	274	274	296	305	306	318	328	341
Operating Cable Systems	314	377	400	314	326	344	362	375	388	403	427	463	482
Subcribers	0.5	0.7	0.9	1.2	1.4	1.7	2.1	2.6	2.9	3.1	3.4	3.8	4.1

Source: Statistics Canada Catalogue 56-205, Annual.

TABLE 4

AVAILABILITY OF CABLE TELEVISION AND MARKET PENETRATION, 1967 TO 1979

	NUMBER OF HOUSEHOLDS			TOTAL	PERCENTAGE OF HOUSEHOLDS			PERCENTAGE PASSED BY
	IN CANADA	IN LICENSED AREA	PASSED BY CABLE	SUBSCRIBERS	IN LICENSED AREA	PASSED BY CABLE	SUBSCRIBERS	CABLE WHO SUBSCRIBED
	(1)	(2)	(2)	(2)				
1967	5,379,425	n/a	1,225,410	516,484	n/a	22.8	9.6	42.2
1968	5,538,769	n/a	1,606,552	710,076	n/a	29.0	12.8	44.2
1969	5,725,728	n/a	1,699,749	923,810	n/a	29.7	16.1	54.4
1970	5,894,298	2,985,599	2,392,022	1,164,187	50.7	40.6	19.7	48.7
1971	6,081,901	3,095,583	2,681,346	1,398,469	50.9	44.1	23.0	52.2
1972	6,276,726	3,711,649	3,317,147	1,689,335	59.1	52.8	26.9	50.9
1973	6,486,979	4,079,483	3,715,009	2,115,866	62.9	57.3	32.6	57.0
1974	6,685,875	4,365,580	4,044,559	2,560,787	65.3	60.5	38.3	63.3
1975	6,886,600	4,499,890	4,233,221	2,860,937	65.3	62.7	41.5	67.6
1976	7,093,700	4,985,304	4,706,402	3,143,315	70.3	66.3	44.3	66.8
1977	7,283,200	5,303,781	5,051,360	3,417,223	72.8	69.4	46.9	67.7
1978	7,490,700	5,866,366	5,535,559	3,775,633	78.3	73.9	50.4	68.2
1979	7,715,600	6,210,917	5,942,494	4,084,198	80.5	77.0	52.9	68.7

Sources: (1) Estimates of Households in Canada provided by Statistics Canada, Economics Statistics Field, Construction Division, Housing and Building Permits Sections. Estimates of number of private households in Canada excluding collective Dwellings and Mobile Homes, Calculated at Year End, Series under Revision.
(2) Statistics Canada Catalogue 56,205, Annual.

While over 50 percent of the households in Canada subscribe to cable, this total figure obscures some very wide regional differences. As can be seen from Table 5 on page 10, although Ontario has by far the largest number of cable subscribers with over double the number in either Quebec or British Columbia, in terms of percentage of households, British Columbia is far ahead. About 86 percent of all BC households subscribe to cable television. Ontario is next with about 63 percent. Newfoundland is the lowest coming in around 20 percent. The figure for Canada is about 53 or 54 percent, depending on the base of households used in the calculations.

The latest figures published by Statistics Canada show that for 1979 out of 7.7 million households in Canada, about 80 percent or some 6.2 million are in the licensed areas of operating cable television companies. About 5.9 million households, or some 77 percent, are in areas in which cable television is available, and about 4.1 million households, or approximately 53 percent, subscribe. Not surprisingly, the majority of cable television subscribers, about 3.3 million, are concentrated in Ontario (43 percent), Quebec (19 percent) and British Columbia (8 percent). These three provinces account for about 80 percent of all the cable television subscribers in Canada.

6. THE IMPACTS OF CABLE TELEVISION

6.1 IN TERMS OF ACCESSIBILITY TO TELEVISION

In English Canada, by 1977 about 98 percent of the population outside of Quebec could tune-in to CBC English-language television and about 96 percent to CTV. In Quebec, almost all English-speaking Quebecers could also watch English-language television, even though on a provincial basis only 85 percent of the population had access to CBC English-language television, and 83 percent to CTV. In terms of French-language coverage, by 1977 about 99 percent of Quebec would view CBC French-language television, and 94 percent TVA. Most of this could be tuned-in to off-air, so in very general terms neglecting such considerations as breadth of choice, quality, etc., CATV has had little impact in terms of accessibility to Canadian television.

In terms of US television, it has been a different story. Even before the rapid expansion of cable television, almost half of the population of Canada could receive signals direct from US television stations. By 1977 about 70 percent of the population could tune-in to one or more of the CBS, NBC, ABC and PBS commercial networks. This growth was entirely due to cable television.

TABLE 5

NUMBER OF HOUSEHOLDS SUBSCRIBING TO CABLE TELEVISION BY PROVINCE, 1979

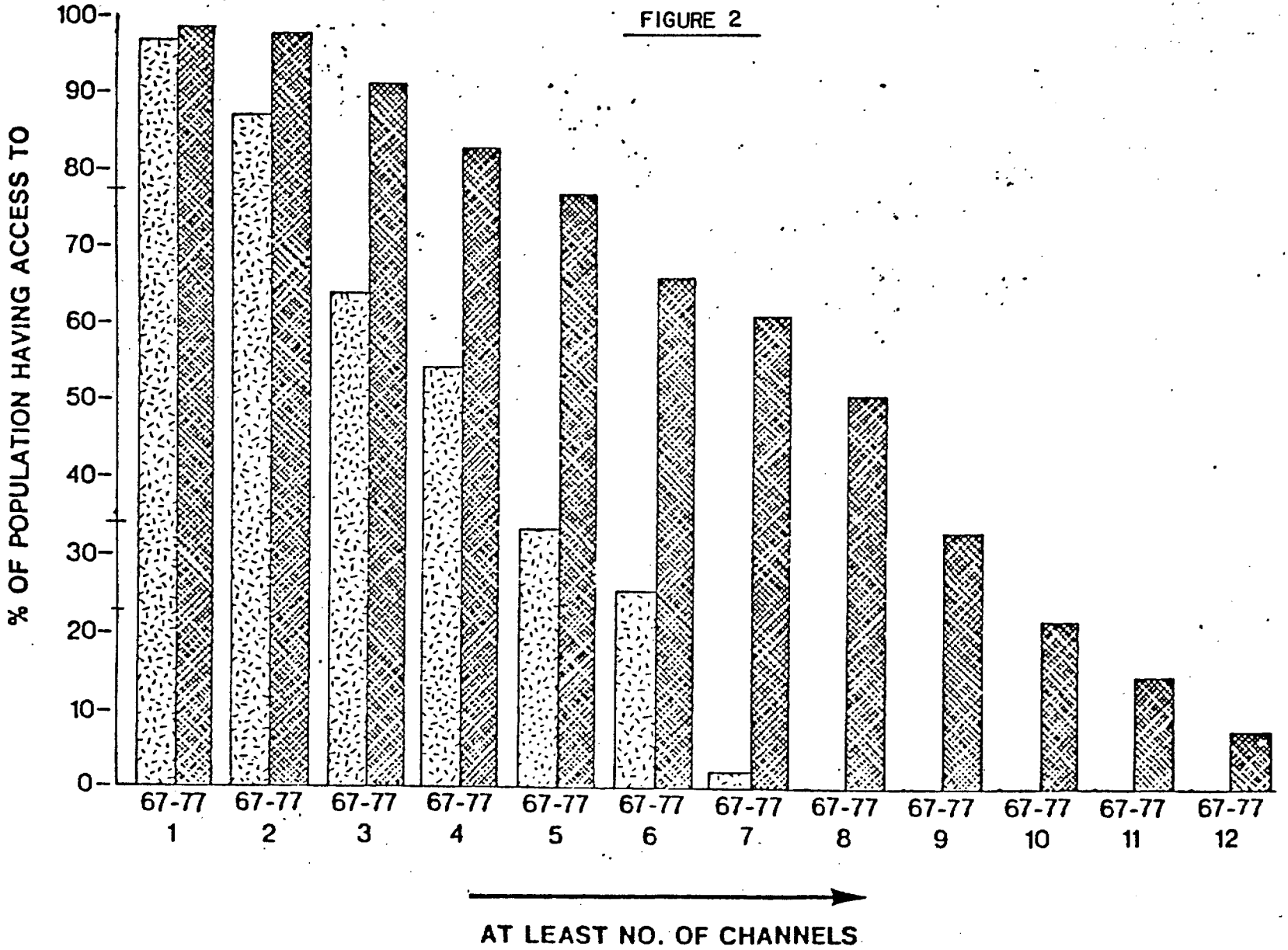
PROVINCE	SUBSCRIBERS	HOUSEHOLDS(1)	%	% SUBSCRIBERS DISTRIBUTION
NEWFOUNDLAND	27,540	140,000	19.7	0.7
PRINCE EDWARD ISLAND	11,522	34,000	33.9	0.3
NOVA SCOTIA	109,157	249,000	43.8	2.7
NEW BRUNSWICK	74,343	197,000	37.7	1.7
QUEBEC	775,492	2,011,000	38.6	19.0
ONTARIO	1,760,904	2,813,000	62.6	43.2
MANITOBA	188,042	335,000	56.1	4.6
SASKATCHEWAN	75,803	299,000	25.4	1.9
ALBERTA	329,037	622,000	52.9	8.1
BRITISH COLUMBIA	732,538	857,000	85.5	17.9
TOTAL	4,084,198	7,558,000	54.0	100.0

Statistics Canada Catalogue 56,205, Annual

Note:(1) The number of households are based on a May 1979 Labour Force Survey covering approximately 350,000 households. These figures differ from those shown on Table 4.

ACCESS TO CHANNELS
TOTAL CANADA

FIGURE 2



6.2 IN TERMS OF CHOICE

As can be seen pictorially in Figure 4, in terms of the number of television channels available to Canadian households, only about 1/3 of the Canadian population could access more than four television channels, and virtually no one could access eight or more. By 1977 the picture had changed dramatically. Almost eighty percent of the population by 1977 could access five or more channels and about 1/3 could access nine or more. Without cable television, this phenominal growth could not have been possible.

The growth in the number of channels available to Canadians was brought about by two factors. The first was the growth in popularity of CATV itself. Whereas in 1967 only about 10 percent of the population subscribed to it, by 1977 forty-seven percent of the population subcribed. The second factor was the growth in the number of channels carried by the CATV systems. By 1977 more than half (51.2 percent) of the cable television subscribers were able to receive more than 12 channels through the introduction of converter service. As of June 1978, Ontario had the highest percentage of cable subscribers to whom converter service was available (83 percent), followed by Quebec (69 percent) and British Columbia (17 percent). Converter service had not yet been introduced in other provinces. Whereas in 1967 it was non-existent, by 1977 more than 1/4 of the households in Canada had it available to them.

6.3 IN TERMS OF COVERAGE

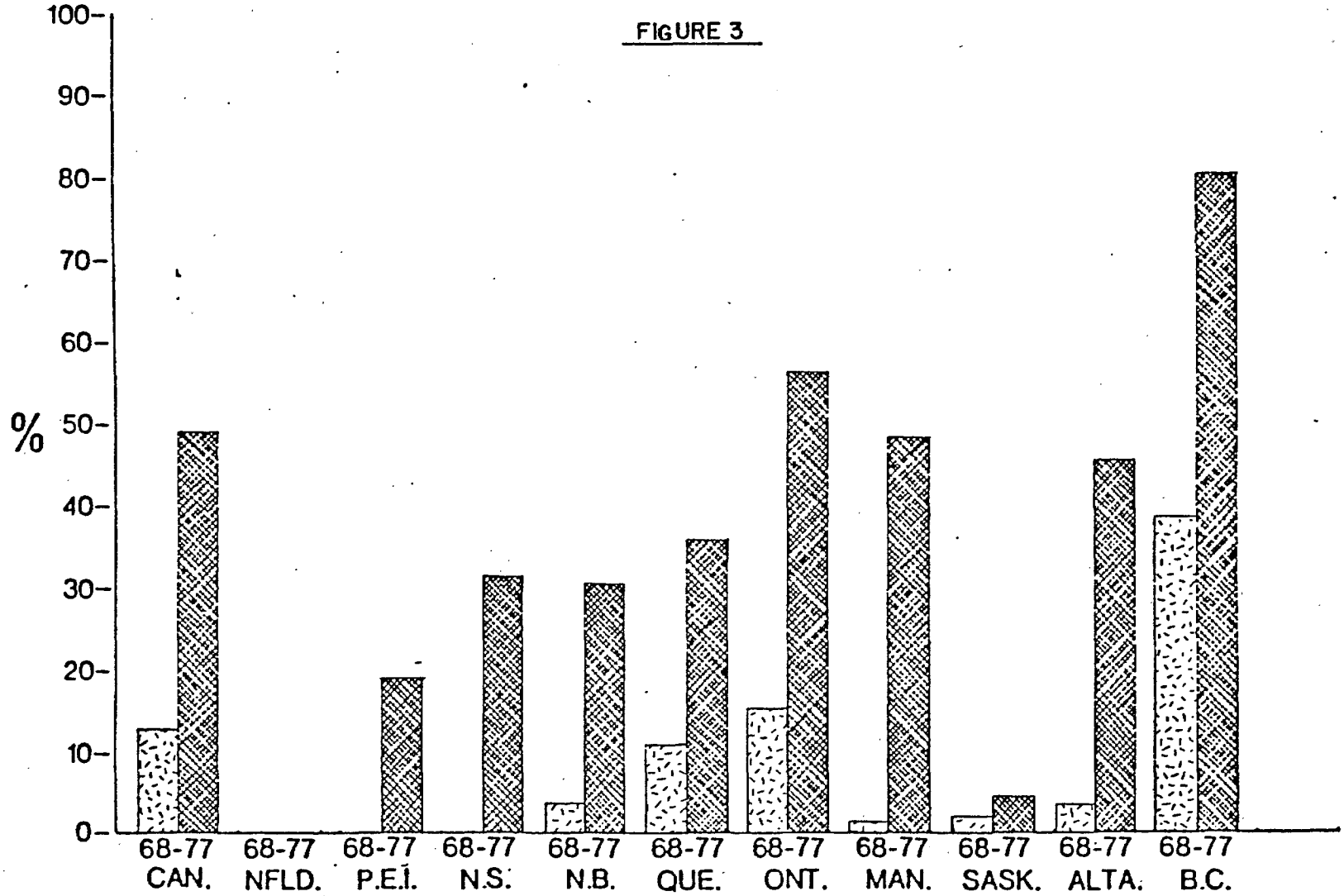
CATV has also been important in extending the coverage, or reach, of television stations into new markets, the implications of which will be discussed later.

As was mentioned earlier, while cable television has had relatively little effect on extending CBC to coverage to Canadians, as CBC television is available to most people off-air, nevertheless it has upgraded the quality of its reception in many areas and made it "available" to some, for instance in some downtown areas, where the quality of the signal was inadequate. CBC television is also being extended by cable into some areas where it cannot be received off-air, for instance into some communities in the north where the signal is being received via satellite and distributed via cable.

While CTV can also be received by most Canadians off-air, its reception by some cable subscribers has also been improved. In the province of Quebec, CTV has also been extended into areas where it was not available off-air. For instance CFCF has been extended by cable into the Quebec city area (Rimouski, Matanne, Mont Joli, etc.), into the Saguenay - Lac St. John area, and into the areas of Amaqui, Baie Comeau and Sept Isles.

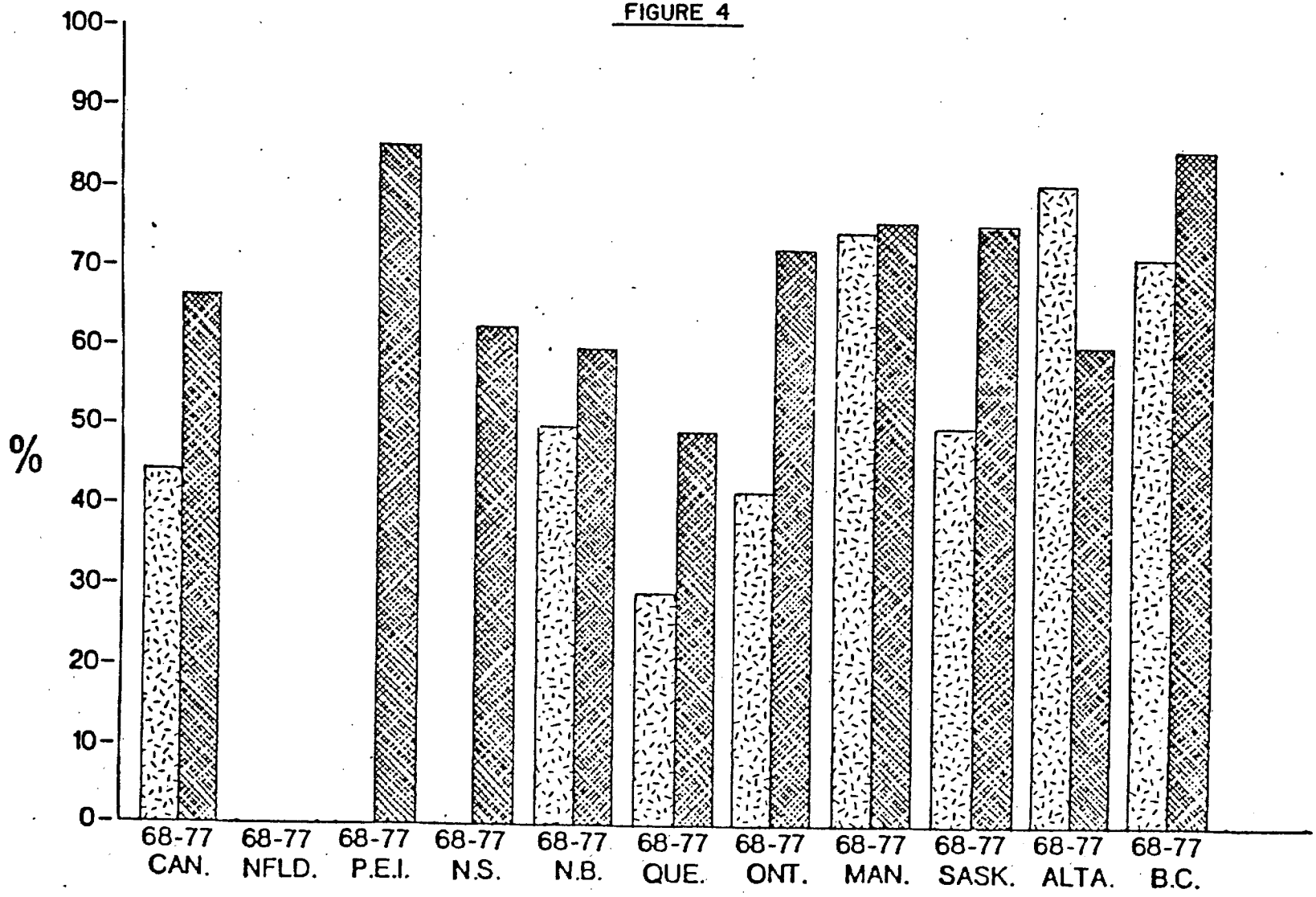
CABLE SUBSCRIBERS AS % OF TOTAL HOMES BY PROVINCE 1968-1977

FIGURE 3



CABLE SUBSCRIBERS AS % OF HOMES PASSED BY CABLE BY PROVINCE 1968-1977

FIGURE 4



Cable television has also been important in a number of other ways. In 1977 there were eight English-language independent stations licensed by the CRTC, six of which were available via VHF on channels 2 to 13, and two via UHF on channels 14 to 83 (1). Cable has put these stations more on an even basis with their competitors. First, for those who were denied access to such stations because they were not equipped wither with a proper aerial or did not have a TV set with UHF capability, cable television has now equipped them to view these channels. But perhaps more importantly it has put these channels in the range of the "dial" of channels 2 to 13, where the majority of other programs are, and where they can be viewed more easily. In addition, cable television has extended the natural coverage of these stations because of the improvement in signal which has been afforded by it. In some cases cable television has extended the coverage of stations outisde of their natural market. For instance CHCH television has been extended into London, and Global television into Sudbury, Timmins, and North Bay by cable; and Global would have been extended into the Montreal area market place except that the application by Maxville retransmitter to the CRTC was turned down. Another application is now before the CRTC to extend Global in the province of Quebec into Rouyn and Noranda.

TVO and Radio Québec, the two educational networks in Ontario and Québec both operate via repeaters in the UHF bands. Again cable television has made these networks more accessible because it puts them in the "normal" range of channels 2 to 13, where they are more likely to be watched, and it is also extending the reach of these networks into the north.

In so far as the US networks are concerned, cable television has had a major impact on extending their coverage throughout Canada. In the last ten years or so, from 1967 to 1977, coverage of the CBS, NBC and ABC networks has increased from around 40 to 45 percent to around 70 percent of the population, entirely because of the expansion of cable television.

6.4 IN TERMS OF THE NUMBER OF PROGRAMMING OPTIONS

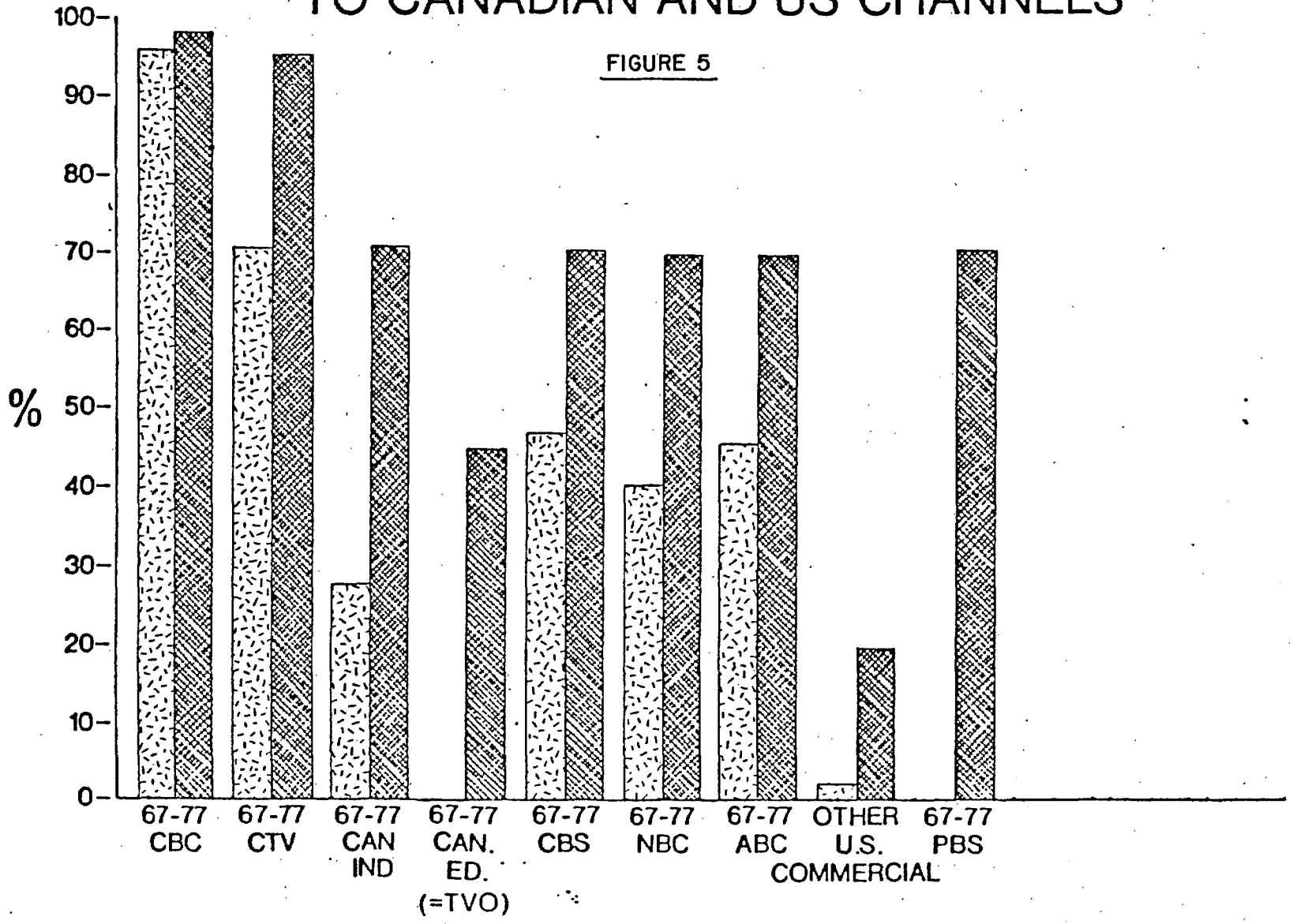
As was seen in Figure 4, cable television has had a noticeable impact on the number of channels that are accessible by Canadians. But the increase in the number of channels available in an area does not necessarily widen the choice of programming, since in many cases new channels added duplicate programs already available on existing channels. Nor should one place too much significance on the relative proportion of Canadian versus US channels available. Nonetheless, the diversity of both Canadian and US programming available to most Canadians is much wider than it was ten or more years ago, and to this cable television must be given a large portion of the credit.

(1) The list of VHF independent stations is: CHCH Hamilton; Global in Southern Ontario; CKND Winnipeg; CJOC Lethbridge; CITV Edmonton; and CFAC Calgary. The two UHF stations are CITY Toronto, and CKVU Vancouver.

ENGLISH LANGUAGE TELEVISION OPTIONS-CANADA (EXCLUDING QUEBEC)

% OF POPULATION HAVING ACCESS TO CANADIAN AND US CHANNELS

FIGURE 5



A better measure of the availability of programming options is the percentage of the population having access to one kind of programming or another. As can be seen from Figure 5, in 1977 about 98 percent of the population outside of Quebec could access the CBC English-language television network and about 96 percent could access the CTV television network. Seventy percent could view one or more of the Canadian independents and another 45 percent or so could watch TV Ontario (85 percent of the population of Ontario). About 70 percent of the population could watch any one of the CBS, NBC, ABC or PBS US networks via cable.

Here again the overall percentages obscure the true differences in options available between Canadian and US channels. Only in Ontario Manitoba, Alberta, and British Columbia are more than two Canadian stations available (excluding duplicate network programming), while Ontario alone among English-speaking provinces had access to a fourth source of programming, TV Ontario. The fact that a large proportion of English-speaking Canadians have a wider choice of programming among US than among Canadian stations is an important factor in audience patterns.

It is widely believed and often said that the advent of cable television has had the result of leading a large majority of Canadians to watch US rather than Canadian television. But this is not completely accurate. To start with Canada could always, and still can, watch US stations off-air, and many chose to do so even before cable television was available. For them the attraction of cable lies in the improved image that is received, and with a converter, the wider range of choice that is available. Microwave transmissions have, however, opened up large parts of Canada to penetration by US stations, a notable example being Edmonton, and as of 1977 more than twice as many Canadians were able to watch US stations, if they wished to, than could in the absence of cable. In many parts of the country, the range of choice has widened substantially.

Generally speaking the range of programming options in Quebec are much less than the equivalent in many other provinces where independent stations have been licensed and where they have more access to US stations. Cable television here too has contributed to some loss of market to the US stations and to the increase share of the market taken by the CTV network. An important trend to watch is the reduction in viewing time of French programming and the corresponding increase in English programming viewing. In 1967 about 80 percent of the viewing time was spent watching French-language television. By 1977 it had decreased to about 74 percent largely due to the popularity of cable television.

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6.5 IN TERMS OF VIEWING AUDIENCE SHARES

Although figures on the amount of time spent watching television can be obtained, for purposes of this discussion it can be regarded as a constant in the sense that the availability of new channels does not directly affect the total amount of viewing time. What happens, is that as new channels are added the other existing channels lose a share of the total audience. This is what is meant by audience fragmentation. Audience shares are measured for the full broadcasting day. Thus they differ from figures available on audience patterns which are based on the period six p.m. to midnight.

Table 6 shows the audience share (1967 and 1977) for each type of TV station for each province and for the whole country. In English-speaking Canada, the audience for English-language stations declined from 74.12 percent in 1967 to 69.53 percent in 1977, while that of the US stations rose from 24.28 to 29.19 percent. The share by CBC-owned and operated television stations declined over the ten year period from 13.18 percent in 1967 to 10.65 percent in 1977 (16.70 to 13.19 in English-speaking Canada and 5.69 to 4.19 percent in Quebec). Over the decade the privately-owned CBC - affiliated stations experienced the biggest loss in audience share from 20.96 percent in 1967 to 8.28 percent in 1977. In English Canada, they had the largest share of 30.12 percent in 1967; and by 1977, their audience share had been reduced to a mere 11.07 percent. Some of the stations, it should be noted, had become CBC-owned while others became independent or CTV-affiliated stations during this period.

While all this was taking place, CTV was able to increase its audience share from 18.93 percent in 1967 to 24.95 percent in 1977. One of the reasons for this was that the coverage of the population during that period rose from 68.37 in 1967 to 92.28 percent in 1977. As a result of an increase in the number of independent stations, their audience share increased from 23.58 to 30.23 percent in English Canada, and in Quebec their audience share increased from 9.03 to 11.49 percent.

Changes in audience share of various types of stations over the last decade cannot be directly related as such to the growth of cable television. In some cases subscribers use cable television for the technical improvements in quality of the various signals. However, cable television will result in audience fragmentation of it makes available some US or Canadian channels which are not available otherwise. This is in fact is what has taken place in many parts of the country over the last decade or so.

Several examples of particular cases have been studied by the CRTC over the last several years. It can generally be concluded that when, for instance, two US stations are imported by cable into a market which has two Canadian stations and no US stations are available off-air, the audience share of Canadian stations among cable subscribers typically drops from 100 percent to 60 percent. When three US stations are introduced in similar situations, the audience share for Canadian stations among cable subscribers drops to around 40 percent. This is contrary to the widely held belief that additional US stations will mainly cut into the audience of other US stations.

TAB 6

VIEWING AUDIENCE SHARE: 1967 - 1977
Shows the viewing audience share for each type of TV station
for each province and for all Canada
November 1967 - November 1977

		CBCO	CBCA	CTV	CAN IND	GLO-BAL	CAN ED	CBS	NBC	ABC	MULTI AFF	US IND	PBS	RCO	RCA	TVA	ENG CAN STNS	US STNS	FR STNS	TOTAL
Nfld.	1967	39.36	1.22	59.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	100.00
	1977	39.12	0.00	60.66	0.00	0.00	0.00	0.00	0.00	0.22	0.00	0.00	0.00	0.00	0.00	0.00	99.78	0.22	0.00	100.00
PEI	1967	0.00	98.85	0.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.41	0.00	0.00	99.59	0.00	0.41	100.00
	1977	35.30	9.03	46.16	0.00	0.00	0.00	0.00	6.08	3.43	0.00	0.00	0.00	0.00	0.00	0.00	90.49	9.51	0.00	100.00
NS	1967	29.91	39.97	29.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.00	99.85	0.00	0.15	100.00
	1977	26.48	1.92	55.92	0.00	0.00	0.00	0.00	6.65	8.31	0.00	0.00	0.73	0.00	0.00	0.00	84.31	15.69	0.00	100.00
NB	1967	0.00	76.68	0.47	0.00	0.00	0.00	0.27	0.20	0.08	4.31	0.00	0.04	1.88	16.07	0.00	77.15	4.90	17.94	100.00
	1977	0.26	28.25	41.12	0.00	0.00	0.00	5.04	5.02	6.42	0.00	0.00	0.25	1.05	12.58	0.00	69.63	16.74	13.63	100.00
Ont.	1967	14.18	21.07	19.63	7.57	0.00	0.00	12.74	9.91	9.82	3.18	0.28	0.00	1.05	0.26	0.31	62.45	35.93	1.62	100.00
	1977	9.51	10.80	22.23	9.51	9.51	1.24	10.13	9.61	11.40	0.51	3.01	1.14	0.99	0.00	0.43	62.79	35.79	1.42	100.00
Man.	1967	30.20	20.13	34.06	0.00	0.00	0.00	0.00	0.00	14.95	0.18	0.05	0.00	0.43	0.00	0.00	84.39	15.17	0.43	100.00
	1977	21.49	7.00	29.95	17.95	0.00	0.00	6.54	6.53	8.29	0.12	0.00	1.55	0.58	0.00	0.00	76.40	23.03	0.58	100.00
Sask.	1967	0.24	87.38	11.75	0.00	0.00	0.00	0.00	0.28	0.00	0.35	0.00	0.00	0.00	0.00	0.00	99.37	0.63	0.00	100.00
	1977	16.69	22.07	60.35	0.00	0.00	0.00	0.00	0.30	0.00	0.39	0.00	0.00	0.20	0.00	0.00	99.11	0.69	0.20	100.00
Alta.	1967	21.65	28.31	48.60	0.00	0.00	0.00	0.00	0.62	0.00	0.82	0.00	0.00	0.00	0.00	0.00	98.56	1.44	0.00	100.00
	1977	16.22	4.08	39.04	20.95	0.00	0.00	5.80	4.97	6.42	1.70	0.00	0.82	0.00	0.00	0.00	80.29	19.71	0.00	100.00
BC	1967	18.63	25.03	15.43	0.00	0.00	0.00	27.35	4.69	8.04	0.00	0.83	0.00	0.00	0.00	0.00	59.09	40.91	0.00	100.00
	1977	12.65	15.72	24.09	7.50	0.00	0.00	16.68	9.58	9.76	0.11	2.02	1.89	0.00	0.00	0.00	59.97	40.03	0.00	100.00
English Canada	1967	16.70	30.12	23.58	3.72	0.00	0.00	9.72	5.55	6.89	1.86	0.25	0.00	0.64	0.81	0.15	74.12	24.28	1.60	100.00
	1977	13.19	11.07	30.23	9.34	5.05	0.66	8.80	7.81	9.13	0.49	1.87	1.08	0.61	0.45	0.23	69.53	29.19	1.29	100.00
Québec	1967	5.69	1.42	9.03	0.00	0.00	0.00	1.81	0.00	0.78	1.19	0.00	0.00	19.36	22.43	38.28	16.14	3.79	80.07	100.00
	1977	4.19	1.17	11.49	0.00	0.00	0.94	3.36	2.84	2.45	0.00	0.00	0.20	20.47	14.00	38.89	16.85	8.84	74.30	100.00
Canada	1967	13.18	20.96	18.93	2.53	0.00	0.00	7.20	3.78	4.94	1.65	0.17	0.00	6.61	7.72	12.32	55.61	17.74	26.65	100.00
	1977	10.65	8.28	24.95	6.70	3.63	0.74	7.27	6.41	7.25	0.35	1.34	0.83	6.21	4.27	11.12	54.68	23.45	21.87	100.00

Furthermore, there is no evidence that importation of an additional fourth or fifth non-duplicative US channel will cause any less fragmentation to the Canadian channels than to other existing channels (1).

In summary, although no definitive figure can be provided on the impact of cable on audience fragmentation, the figures do provide some pretty clear insights into their likely magnitude. What could become an important issue in the future is the impact that cable may have on the economic viability of Canadian stations and the much more long-range implications for Canadian programming.

6.6 IN TERMS OF CANADIAN PROGRAMMING CONTENT

Much of the alarm and dispondency about the intrusion of American "culture" arises from the fact that in 1967 and 1976, more than 70 percent of all the programming viewed by Canadian audiences for English-language stations was of foriegn origin. Table 7 shows the percentage of viewing time separated for all English and French TV stations by program category and "country" of origin for 1967, 1972, and 1976. Figures on the distribution of viewing time and changes in what people watch are not included, although some interesting observations could be made based on other statistics which are available.

The statistical base on which the statistics are founded relate only to the viewing of all programs broadcast between six p.m. and midnight (referred to as prime time) by all television stations accessible in Canada, Canadian and foreign, whether off-air or by cable reception. The figures have been developed on the basis of BBM surveys covering the periods 30 October to 12 November 1967, and 8 to 21 November 1976. For purposes of simplification, programs have been assigned to only one category, when in fact they might fall somewhere in between two, (for example current affairs and information). The category "network" programs included some locally produced as well as those produced by the network itself, or procured from independent sources including films. As regards country of origin, for all practical purposes it may be assumed that other means the UK for English-language programming, but for French-language programs it cannot be assumed that other means only France.

The attractiveness of foreign entertainment programs is not really a matter of surprise considering the size and resources of the US, the costs involved to produce something "worthwhile", and the relative sizes of the markets over which the program costs can be recovered.

(1) CRTC Internal Document, "The Impact of the Satellite Distribution of American Television Stations on the Canadian Broadcasting System", Chapter 1, Audience Share Distribution Between Canadian and American Channels - A Statistical Model (December 1977).

TABLE 7

PERCENTAGE DISTRIBUTION OF VIEWING TIME

ENGLISH-LANGUAGE TV STATIONS

All English TV Stations

1967

Program Category	Origin of Program: Canadian	Foreign	Total
1. News	7.57	1.18	8.75
2. Current Affairs	4.88	0.32	5.20
3. Information	0.07	0.00	0.07
4. Sports	6.47	0.20	6.68
5. Entertainment	9.60	68.78	78.38
6. Other	0.48	0.44	0.92
Total	29.07	70.93	100.00

1972

Program Category	Origin of Program: Canadian	Foreign	Total
1. News	11.30	1.39	12.69
2. Current Affairs	3.41	0.03	3.44
3. Information	0.25	0.00	0.25
4. Sports	5.17	0.86	6.03
5. Entertainment	14.22	63.11	77.33
6. Other	0.06	0.20	0.26
Total	34.41	65.59	100.00

1976

Program Category	Origin of Program: Canadian	Foreign	Total
1. News	11.20	1.30	12.50
2. Current Affairs	4.30	0.20	4.50
3. Information	1.28	0.00	1.28
4. Sports	4.30	1.50	5.80
5. Entertainment	7.70	68.20	75.90
6. Other	0.10	0.00	0.10
Total	28.90	71.10	100.00

100% - viewing hrs. of all English-language TV stations.

FRENCH LANGUAGE TV STATIONS

All French TV Stations

1967

Program Category	Origin of Program: Canadian	Foreign	Total
1. News	10.70	0.00	10.70
2. Current Affairs	7.68	0.00	7.68
3. Information	0.53	0.00	0.53
4. Sports	6.70	0.00	6.70
5. Entertainment	32.21	39.05	71.26
6. Other	0.86	2.27	3.12
Total	58.69	41.31	100.00

1972

Program Category	Origin of Program: Canadian	Foreign	Total
1. News	13.39	0.00	13.39
2. Current Affairs	4.20	0.00	4.20
3. Information	0.00	0.00	0.00
4. Sports	6.29	0.00	6.29
5. Entertainment	42.46	33.65	76.11
6. Other	0.00	0.00	0.00
Total	66.35	33.65	100.00

1976

Program Category	Origin of Program: Canadian	Foreign	Total
1. News	10.06	0.00	10.06
2. Current Affairs	5.21	0.16	5.37
3. Information	1.66	0.00	1.66
4. Sports	15.18	0.00	15.18
5. Entertainment	32.67	35.06	67.72
6. Other	0.00	0.00	0.00
Total	64.78	35.22	100.00

100% - viewing hrs. of all French-language TV stations.

There is a practical limit to prime time Canadian-content requirements if Canadian broadcasters are to survive. As it stands, CRTC regulations require that the CBC owned and operated stations must have 60 percent Canadian content between six p.m. and midnight, and privately - owned stations 50 percent, calculated on an annual basis. Before 1970, the regulation required less Canadian content. All Canadian stations were required to have 55 percent Canadian programming over the day with 40 percent required between six p.m. and midnight. These rules had to be met each quarter of the year.

The intent of the CRTC regulations was to increase the amount of Canadian programming watched by Canadians. It is evident that the growth of cable television and the resultant increase in the audience share of US stations from 1967 to 1977, 21.65 to 25.12 percent in English-speaking Canada and 15.86 to 19.09 for Canada as a whole, has had a detrimental effect on these objectives. In spite of significantly more restrictive regulations with respect to the amount of foreign programming than can be shown on Canadian stations in prime time, over the ten years from 1967 to 1976 the percentage of viewing time spent by Canadians watching programs of Canadian origin on English TV has virtually remained unchanged at 29 percent.

But the negative impact that cable television has had on the amount of Canadian programming watched by Canadians is even more evident when one compares the 1972 figures with the 1977 figures. After changes in regulations were introduced in 1970 requiring a greater percentage of Canadian-produced programs to be shown in prime time, the viewing of programs of Canadian origin on English-language TV increased from 29 percent of all viewing time in 1967 terms to 34 percent by 1972, a five percent increase. This gain has been completely wiped out over the subsequent five years during which time the percentage of the population having access to US channels increased by almost 3½ percent in absolute terms. Although this increase in the availability of US channels is not the whole answer, it is evident that cable television has been a negative influence in this respect.

The most significant difference between English and French-speaking audiences in viewing patterns is the much higher share for Canadian programs on French-language stations. In 1967 it was 58.69 percent and by 1976 it had increased to 64.78 percent, (in spite of about a five percent increase in the share of the market by US stations as shown in Table 6 which is based on audience shares measured for the full broadcasting day and so are not comparable to the figures in Table 7 which are based on the period six p.m. to midnight only).

What is striking is the general level of the differences between the percentage of Canadian programming watched on English TV stations and French TV stations 28.90 versus 64.78 percent.

It is evident that Canadian French-language entertainment programs are much more popular than their English-language counterparts. This can be attributed to "language", to the cultural differences between English and French speaking peoples, to the lack of french foreign programming alternatives and more importantly, to the "quality" of the programming involved. In the smaller French-language market, even accepting the important difference in the competitive environment, the Canadian formats for French-language programming have proven to be enormously popular in peak viewing hours.

In summary, the spread of Cable television has likely had a significant detrimental effect on the amount of Canadian programming watched by Canadians in English Canada and could likely continue to do so unless there are significant changes in the formats and content of Canadian produced English programs shown. This is unlikely because of market characteristics and the economics of the situation. However if the new proposal by CBC before the CRTC to re-run their most popular programs, on a separate network on cable, in prime time is accepted, it would change this significantly, especially if more Canadian produced good quality programs are shown. This initiative, if accepted by the CRTC, could open up new avenues for the CBC to increase the nature of their Canadian produced programs, in order to appeal to a different cross-section of the Canadian viewing audience.

7. OWNERSHIP

By 1930, some 80 radio broadcasting licenses had been issued, and many of them were for stations controlled by foreign interests, some of them not American but British. Attempts to decrease the level of foreign ownership of broadcasting undertakings were made during the 1930's and 1940's but failed to achieve the desired objective. Accordingly, Section 14 of the 1958 Broadcasting Act which established the Board of Broadcast Governors established provisions for the Canadian ownership of all Broadcasting licensees. But there were certain loopholes in the Act which would not disqualify foreign owned companies in certain circumstances. Nevertheless a substantial elimination of foreign ownership had been achieved by 1968 at least as regards radio and television licences; cable television undertakings, however, did not then require a broadcasting license but only a radio license, and were not covered by Section 14 of the Broadcasting Act of 1958.

The 1958 Act transferred to the CRTC the authority to issue broadcasting licenses and empowered the Governor in Council to give directions to the CRTC respecting the classes of applicants to whom broadcasting licenses may not be issued or to whom amendments or renewals may not be granted. The purpose of this was to give the affected companies a reasonable time to put their affairs in order and to allow time in which to devise a form of direction that effectively closed all the loopholes that the former statutory provision had left open.

Complications arose, however, with regard to the cable television companies to which broadcasting licenses now had to be issued within a reasonable period prescribed in a transitional provision of the Act. What had been overlooked was this permission did not apply to the cable television companies because they did not have broadcasting licenses that could be amended or renewed. A fair amount of confusion ensued.

As a result divesting action had to be initiated on some 56 cable television companies many of which were foreign-owned to the extent of 50 percent or more. The Order in Council, then in force, reduced the permissable level of ownership to 20 percent. The cable television companies that were at least 50 percent foreign-owned had total operating revenues of over $9 million (16.5 percent) and total fixed assets of nearly $13 million (9.9 percent). Those that were at least 20 percent foreign owned had total operating revenues of $30.7 million (55.8 percent of the total for the industry) and total fixed assets of almost $61 million (46.5 percent).

It was on the divestiture in the cable television industry that the heaviest burden for the CRTC fell. The process went on apace and was largely completed by 1971 with divestiture by 54 out of 56 cable television companies. The levels of foreign ownership by cable television undertakings as of 1977 are as follows:

TABLE 8

LEVELS OF FOREIGN OWNERSHIP, 1977

LIABLE TELEVISION UNDERTAKINGS	TOTAL OPERATING REVENUE		TOTAL FIXED ASSETS	
	$ mill.	%	$ mill	%
0 to 10 percent	43.61	47.3	97.87	49.8
10 to 20 percent	48.52	52.7	98.64	50.2
	92.13	100.0	196.51	100.0

As a result of the Order in Council, there are now no broadcasting or cable television undertakings where foreign ownership exceeds 20 percent or where there are foreign directors. Thus the policy objective enunciated in the Broadcasting Act has been achieved.

8. FINANCIAL PERFORMANCE

In 1967, when cable television was still only in its infancy and less than ten percent of all of the households in Canada subscribed to it, cable television revenues comprised only 5.6 percent of the total of all of the broadcasting revenues generated in Canada (1). By 1972, cable television

(1) Broadcasting Revenues are the sum of all private radio and television revenues, cable television revenues and CBC revenues including parliamentary grants.

revenues had almost quadrupled their 1967 level from $22.1 million to $82.5 million, and their share of the total broadcasting industry revenues increased to 14 percent. Between 1972 and 1977, cable television revenues almost tripled, from $82.5 million to $229.6 million, and their share of total broadcasting industry revenues became a very significant 31.6 percent. Over the next two years cable television revenues increased another 14 percent to a 1979 level of $313.7 million but their share of all broadcasting industry revenues declined slightly to 31.0 percent. This performance is summarized in Table 9.

TABLE 9

RELATIONSHIP OF CABLE TELEVISION REVENUES TO TOTAL BROADCASTING INDUSTRY REVENUES

	$ Revenues (in millions)			
	1967	1972	1977	1979
Total Broadcasting Industry (1)	176.0	324.5	727.8	1,012.4
Cable Television Industry	22.1	82.5	229.6	313.7
% Cable	5.8	14.0	31.6	31.0

Sources: Statistics Canada Catalogues 56-204 and 56-205, Annual.

In terms of profits before income taxes, the cable television industry generated only $1.6 million in profit in 1967, equal to about seven percent of their revenues. However by 1972, profits had soared 950 percent to $16.8 million. Out of every dollar of revenue which was received in 1972, about twenty percent went into "profit". The industry maintained its heady pace in the next five years, and by 1977 profits before income taxes had increased another 2.68 times to $45.1 million. Expressed as a percent of revenues, profits before taxes continued at around the twenty percent level. However between 1977 and 1979, "profits" did not keep pace with the continued growth in revenues. Between 1977 and 1979, profits before income taxes increased about ten percent, while revenues increased about thirty-seven percent. Whereas profits before taxes expressed as a percent of revenues, was 19.6 percent in 1977, in 1979 this statistic had fallen to 15.8 percent. This discussion can be summarized in the following table.

(1) Broadcasting Revenues are the sum of all private radio and television revenues, cable television revenues and CBC revenues including parliamentary grants.

TABLE 10

A COMPARISON OF PROFIT BEFORE INCOME TAX AND REVENUES FOR THE CABLE TELEVISION INDUSTRY

$ (in millions)

	1967	1972	1977	1979
Profits Before Income Tax	1.6	16.8	45.1	49.6
Total Revenues	22.1	82.5	229.6	313.7
%	7.2	20.4	19.6	15.8

Source: Statistics Canada Catalogue 56-205, Annual.

While profits before income taxes did not keep pace with the growth in revenues between the period 1977 and 1979, they did not fare so badly when compared with the growth in subscribers. Another interesting comparison, then, is to compare the growth in profits with the growth in the number of subscribers. This is done in Table 11.

TABLE 11

THE RELATIONSHIP OF THE GROWTH IN CABLE TELEVISION PROFIT BEFORE INCOME TAXES WITH THE GROWTH (1) IN THE NUMBER OF SUBSCRIBERS

	1967	1972	1977	1979
Profit Before Taxes				
- In $ millions	1.6	16.8	45.1	49.6
- Growth Factor	-	10.50	2.68	1.10
Total Subscribers				
- In millions	0.516	1.689	3.417	4.084
- Growth Factor	-	3.27	2.02	1.20
Profit Per Subscriber				
- Value	3.10	9.95	13.20	12.14
- Growth Factor	-	3.21	1.33	0.92

Source: Statistics Canada Catalogue 56-205

(1) Growth is simply defined here as the ratio of the corresponding values for two "consecutive" years, either for a 5-year period or for a two year period (1977 to 1979).

TABLE 12

FOR THE CABLE TELEVISION INDUSTRY

COMPARISON OF NET PROFITS (AFTER INCOME TAXES) WITH THE VALUE OF SHAREHOLDERS EQUITY, NET FIXED ASSETS AND NET ASSETS

(In millions)	1967	1972	1977	1979
1. Net Profit After Income Taxes	0.5	9.2	24.5	25.1
2. Value of Shareholders Equity				
2.1 Common and Preferred	12.4	21.7	41.7	60.8
2.2 Including Retained Earnings	13.6	50.0	110.2	135.9
3. Net Profit as a Percent of:				
3.1 The Value of Common plus Preferred	4.2	42.4	58.8	41.3
3.2 Total Shareholders Equity	3.8	18.4	22.2	18.5
4. Asset Value (1)				
4.1 Net Fixed Assets	34.1	121.2	269.8	348.9
4.2 Total Depreciated Assets	54.1	182.4	431.8	537.2
5. Net Profit as a Percent of:				
5.1 Net Fixed Assets	1.5	7.6	9.1	7.2
5.2 Total Depreciated Assets	1.0	5.0	5.7	4.7

Source: Statistics Canada Catalogue 56-205

Note (1): Includes only the balance sheet items of cable television licensees with more than 1000 subscribers (with the exception of 1967). These licensees generated 98.95 percent of all cable television revenues in 1979 so that the exclusion of small cable television companies should have negligible affect on these figures.

In the five years between 1967 and 1972, the number of cable television subscribers grew by a factor of 3.27, or about 227 percent. In the same period, profits per subscriber increased by a factor of 3.21, another 221 percent increase. The combined result of these two effects was that profits before taxes increased by a factor of 10.50, a cumulative increase of 950 percent in five years.

Between the period 1972 and 1977, the number of cable television subscribers increased by a factor of 2.02, an increase of 102 percent, while profits (before income taxes) per subscribers increased by a factor of 1.33, equal to a 33 percent gain. The combined effect of this was that profits before taxes increased by a factor of 2.68 during the period 1972 and 1977, for a gain of some 168 percent.

Over the two years 1977 to 1979, profits before income taxes increased by about ten percent from $45.1 million to $49.6 million, while the number of cable television subscribers increased a little faster from 3.4 million to 4.1 million, an increase of about twenty percent. The result was a slight decline in the ratio of "gross" profits per subscriber.

Table 12 provides some additional insights into the growth in profits. This time profits, after deductions for income taxes, are compared to the growth in the book value of common plus preferred stock, and in the growth of total shareholders equity, (which includes retained earnings). It is also compared to the growth in net fixed assets and total net assets (assets minus depreciation). This table when used in conjunction with some of the previous tables provides some further perspective on the performance of this industry compared to other parts of the broadcasting industry.

In summary, there has been a tremendous growth in the cable television industry over the last ten or more years. From almost any point of view, the cable television industry is very profitable. In terms of 1979, the latest year for which data are available, the industry has grown to the point where total revenues represent about 31 percent of all the revenues generated in the industry even including CBC parliamentary grants which amounted to approximately $540 million, or 53.3 percent of all the revenues generated. It exceeds the size of the private radio sector ($356 million), is about 2/3 the size of the private television industry itself ($473 million), and brings in about 3 1/2 times as much operating revenue as the combination of CBC radio and television ($89.8 million), excluding parliamentary grants. About sixteen percent of every dollar that was received in 1979 went towards profit before the provision of taxes (eight percent after taxes). In almost the whole period 1967 to 1979, the growth in profits has exceeded the growth in subscribers, although it appears to be slowing down now as the system matures. When one examines 1979 profits after the effect of income taxes, profits are about 41 percent of the value of common and preferred equity, and some 18.5 percent of total shareholders equity (equal to $75.1

TABLE 13

SELECTED FINANCIAL INDICATORS FOR THE CANADIAN CABLE TELEVISION INDUSTRY

1967 to 1979

(In $ Millions)

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Operating Revenues	22.1	31.3	37.4	56.3	66.6	82.5	107.0	133.4	162.3	199.2	232.9	273.2	313.7
Departmental Expenses(1)	13.8	18.6	22.2	27.4	35.2	42.5	54.4	66.5	82.5	108.2	126.9	152.7	183.2
Operating Profit(2)	8.3	12.7	15.2	28.9	31.4	40.0	52.6	66.9	76.5	91.0	106.0	120.5	130.5
Interest & Depreciation	6.7	7.9	9.0	15.3	18.0	23.5	29.5	38.1	46.6	57.3	62.8	72.4	83.5
Net Operating Profit	1.6	4.8	6.2	13.6	13.4	16.5	23.0	28.8	29.9	33.8	43.2	48.1	47.0
Other Net Revenues (Losses)	0.0	0.1	(0.4)	(3.4)	(0.2)	0.3	(0.5)	(0.4)	1.4	2.3	1.9	4.7	2.7
Profit Before Income Taxes	1.6	4.9	5.8	10.2	13.2	16.8	22.5	28.4	31.3	36.0	45.1	52.7	49.6
Provision For Income Taxes(3)	1.0	3.1	3.4	5.2	6.6	7.6	10.1	14.0	15.3	17.5	20.6	24.8	24.5
Net Profit	0.5	1.8	2.3	5.1	6.6	9.2	12.4	14.4	16.0	18.5	24.5	27.9	25.1

Source: Statistics Canada Catalogue 56-205, Annual

Note: (1) Excludes interest, depreciation and other operating expenses.
(2) An alternative term for "operating profit" is "not revenues from operations". It is equal to operating revenues less departmental expenses.
(3) The 1979 provision for income taxes excludes systems under 1000 subscribers due to a change in reporting requirements. Therefore "net profit" is somewhat overstated.

TABLE 14

REVENUES EARNED BY THE TOTAL BROADCASTING INDUSTRY
BROKEN DOWN BY INDIVIDUAL SECTOR

Revenues in $ millions

	1967	1972	1977	1979
Private Radio	88.8	145.4	271.8	356.2
Private Television	95.2	132.1	331.0	472.5
CBC Operating Revenues	301.3	38.7	68.5	89.8
CBC Parliamentary Grants	145.7	192.4	396.8	539.9
Cable Television	22.1	82.5	229.6	313.7
Total Broadcasting Industry	382.0	591.1	1,297.6	1,772.2

Sources: Statistics Canada Catalogues
56-204 and 56-205, Annual.

TABLE 15

AVERAGE COST PER HOUSEHOLD BY SECTOR OF THE BROADCASTING INDUSTRY(1)

Annual Cost Per Household (Dollars)

	1967	1972	1977	1979
Private Radio	16.50	23.17	37.31	46.16
Private Television	16.12	21.04	45.45	61.24
CBC	32.31	51.70	99.93	131.21
Total Cost Per Household	64.93	95.91	182.69	238.61
Cable Television	42.86	48.82	67.19	76.82
Total Cost Per Cable Television Subscriber	107.79	144.73	249.88	315.43

Note (1): Costs refer to revenues generated by the industry. For the CBC, it includes parliamentary grants. For cable television, only subscriber households are included in the denominator of the ratio.

million). When compared with 1979 asset values, net profits after taxes in 1979 amounted to 7.2 percent of net fixed assets and 4.7 percent of total depreciated assets. Retained earnings, (equal to $75.1 million), were 21.5 percent of all depreciated fixed assets ($348.9 million) and 14.0 percent of total depreciated assets ($537.2 million).

Finally, selected financial indicators for 1967 through 1979 are included in Table 13 for further reference.

9. AN ECONOMIC COMPARISON OF CABLE TELEVISION WITH THE BROADCASTING SECTOR

From 1967 to 1977, the GNP rose about 210 percent. The performance of the Broadcasting industry during the same period rose 239 percent. Total revenues of the industry, including CBC parliamentary grants, increased from $382 million in 1967 to $1,298 million in 1977. During the same period, private television revenues rose from $88.8 million to $272.8 million, an increase of 207 percent. Private television revenues from 1967 to 1977 climbed from $95.2 million to $331.0 million, an increase of 248 percent, while CBC revenue requirements rose from $176 million in 1967 to $728 in 1977, a growth of 316 percent. Cable television revenues, primarily because this industry was in the early and steepest part of its growth curve, rose 938 percent over the same 10 year period. Further details are included in Table 14.

As can be seen from this table, the Broadcasting industry generated about $1.8 billion in revenues in 1979. About 31 percent, or $313.7 million was generated by cable television.

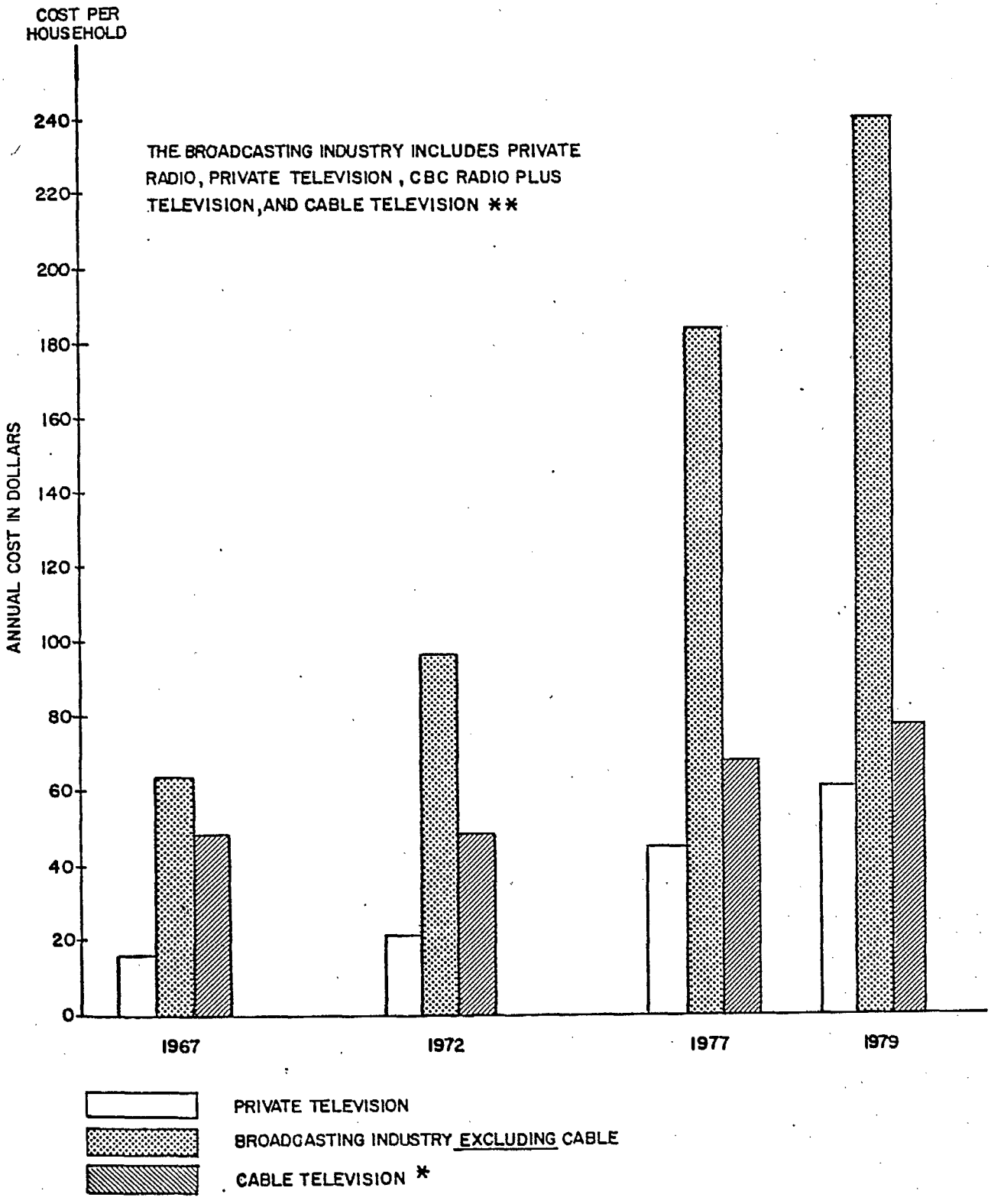
It is also illuminating to compare the costs of supporting the broadcasting system on a per household basis. Table 11 presents revenues per household for 1967, 1972, 1977 and 1979 by sector. The denominator of this ratio for the cable television sector includes only the households who were subscribers to this service.

Table 15 reveals that in 1967, it cost the average household without cable television $64.93, and for those with cable television $107.79. In 1977, the corresponding figures were $182.69 and $249.88. By 1979, the average cable television household was paying $315.43 on a combined basis. For approximately 50 percent of the households who did not subscribe to cable television in 1979, the cost per household was $238.61 of which $46.16 or 19.3 percent can be allocated to private radio, $61.24 or 25.7 percent to private television, and $131.21 or 55.0 percent to support the CBC.

While it is recognized that these calculations of household "costs" are somewhat fictional because the actual costs and benefits are more unevenly distributed, and the extent to which advertising revenue are passed on to consumers is often contentious, nevertheless they do provide some indication of the magnitude of costs.

FIGURE 6

'COST' PER HOUSEHOLD
CALCULATED BY DIVIDING REVENUES BY TOTAL HOUSEHOLDS *



* FOR CABLE TELEVISION, HOUSEHOLDS INCLUDES ONLY SUBSCRIBERS TO CABLE

** INDUSTRY REVENUES INCLUDES CBC PARLIAMENTARY GRANTS

Figure 6 depicts these "costs" (revenues) per household separately for private television, the broadcasting industry excluding cable television (private radio and television, plus CBC including parliamentary grants), and for cable television itself. This bar chart includes the years 1967, 1972, 1977 and 1979.

10. SERVICES AND TRENDS

Over the years, cable television has evolved from simply a carrier of television and radio programs, to that of a local broadcaster and packager, distributor and generator of information.

During the early part of the 1970's cable was busy expanding its plant and trying to keep up with demand. The industry was seen by the CRTC as simply a "carrier" and a threat to the existing off-air broadcasting system. Audience fragmentation became the big problem and broadcasters were at pains to demonstrate their discomfort. (In actual fact it did not generally retard the profitability of the off-air broadcasters except those in marginal markets).

During this period the hoped for transfer of funds to broadcasting from cable to assist Canadian production did not occur. The problem, as enunciated by the then Secretary of State, Gerard Pelletier, was that unless Canada quickly developed a programming production industry reflecting both purely Canadian and international cultures, it would simply have a technically sophisticated distribution system for imported programs.

By about the mid 1970's, having failed in its effort to get actual funds to move from the cable industry to the broadcasters to assist them in their role as Canadian program originators, the Commission turned to the cable industry for more programming initiatives. Over the next few years the cable industry generally accepted that community programming was a good valid service and began to develop a more aggressive attitude. Although the cable industry was not yet ready to develop special programming channels, the community channel evolved with growing strength. During this same period there was considerable opposition from ethnic groups concerning the Commission policy prohibiting on the use of closed-circuit cable radio channels.

By early 1976, pay-TV was seen as a potential solution to the difficulty of improving the Canadian content of the broadcasting system. One problem was how much Canada could afford to increase the importation of foreign programs in the interests of developing more revenue for domestic production. A further problem involved the question of who should operate, and control a pay-TV system - broadcasters, cable, independent producers, etc.

TABLE 16

CABLE TELEVISION PROGRAM ORIGINATION EXPENSES

1968 to 1979, in $ MILLIONS

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Program Expenses	n/a	n/a	0.7	1.3	2.5	3.4	4.6	6.2	10.2	13.5	16.4	20.4
% of Departmental Expenses	-	-	2.6	3.7	5.9	6.3	6.9	7.2	9.4	10.6	10.7	11.1
% of Revenues	-	-	1.2	2.0	3.0	3.2	3.4	3.8	5.1	5.8	6.0	6.5

COMPARISON WITH OTHER PARTS OF THE BROADCASTING SECTOR, 1979

	$ Millions	% of Departmental Expenses	% of Revenues
Cable Television	20.4	11.1	6.5
CBC	345.9	58.7	55.0*
Private Television	209.1	57.4	44.3
Private Radio	105.9	35.6	29.7
Total	660.9	46.1	37.3

*CBC Revenues Include Parliamentary Grants

The Canadian Cable industry renewed demands for the introduction of pay-television and on June 2, 1976 the Minister of Communications and the Chairman of the CRTC invited a reconsideration of such a service. But the issue was not resolved. In spite of its detailed proposals contained in "Report on pay-television", March 1978, the Commission concluded that it would be "premature and impossible to endorse the introduction of a national pay-television system at this time".

In March 1979, the Commission undertook another review of its cable policies by announcing "A Review of Certain Cable Television Programming Issues". The overall significance of this review was the CRTC's re-iteration of the Commission's long held view that cable could expand if and only if it did not cause undue damage to the off-air broadcasting system. However, the growing interest of the cable industry concerning programming could not be ignored, and the industry was allowed to continue to undertake the production and exhibition of "special interest programming which broadcasters have not undertaken or have declined to offer...". Arguments that cable licensees should not benefit from both subscriber revenue and commercial advertising were surfacing and the old principles of protection for off-air broadcasting were now under siege.

Of tremendous importance to the industry was the announcement on June 6, 1978 entitled "Non-Programming Services by Cable Licensees" in which the Commission said it was prepared to give consideration to applications by cable licensees for the use of their system to provide new communications services of a non-programming nature. On March 26, 1979 attached to the announcement "Non-Programming Services by Cable Television Licensees", the Commission approved a number of applications by several cable companies for non-programming services until or before the expiry of their licenses; or March 31, 1981, whichever came first. Since that time, several other applications for new services have been heard by the CRTC and approved, and others planned.

11. Issues

Over the years a number of issues have been dealt with by the CRTC and by other groups in various studies of the broadcasting industry[1].

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1 Three reports that have been produced which deal with the possible re-structuring of the industry are:

Report on Violence in the Communications Industry, "Alternative for Canadian Television", prepared by Stuart Griffin for the Ontario Royal Commission Report on Violence in the Communications Industry.

J.A. Ouimet, "Rationalizing Canadian Telecommunications", a paper prepared for Project Delta funded by DOC, GAMMA, 1978.

Clyne Committee Report, "Telecommunications and Canada", prepared for the Department of Communications.

The purpose of the section is to list a number of them. While the list is not exhaustive, it does contain some of the areas in which this Branch is doing some limited work, and others which it may choose to become more involved in the future. Two or three have been singled out because of their currency and importance.

The cable television industry is one industry in particular over which the provinces wish greater control. A number of such issues are treated more fully in Appendix 4 entitled "Federal/Provincial Cable Television Issues".

The issues that have been discussed widely at one time or another are:

- The policy of program exclusivity which protects the broadcasters against cable incursions into their market. (This was addressed by the Cline Committee. The majority of the committee members supported it, but some members disagreed feeling that the public would not accept the loss of US programs available via cable from US stations).

- The income tax amendment pertaining to Canadian advertising on US stations.

- Operation and method of program delivery, Canadian content rules, timing, control, etc. of Pay-TV.

- The Commission's policy disallowing the carriage on cable systems of distant Canadian stations imported via means, such as microwave, except on a limited and selected basis.

- The method and form of incentives to improve the availability of good quality Canadian programming, for example, some combination of promise of performance, taxation, and various financial incentives.

- Ownership. Various suggestions have been made at one time or another - for instance, it has been suggested that it would be more efficient and more productive if there were cross-ownership of off-air and cable facilities. (This idea has been rejected by the CRTC chiefly on the basis of a concern about monopoly control of broadcasting services. However the cross-ownership idea has been received more favourably recently. In this connection, it has also been suggested, primarily by some of the provinces and telephone companies, that cable and telephone plant should be integrated for efficiency).

- The policy permitting cable commercial deletion.

- The CRTC policy dealing with program duplication which gives preference to programs carried by local Canadian broadcasters and the regulatory requirements on simultaneous program substitution.

- The CRTC policy not to allow other services to be shared with the channel designated for community programming.

- The problem of clearly defined purposes and firm follow-through on rules and regulations by the CRTC. For instance, if stringent Canadian content rules are really the answer to program deficiencies, then presumably they should be supported and executed with firmness and conviction, but they are not).

- The CRTC's policy whereby cable television licensees are not allowed advertising on cable-originated channels including the community channel (even when this could strengthen the quality and availibility of Canadian programming).

- The form and structure of regulation and the possible need for fewer controls and more competition. The Broadcasting Act stipulates that cable television systems are broadcasting receiving undertakings and so are exempted from compliance with all the regulatory requirements of over-the-air broadcasting including compliance with Canadian content regulations. They are also exempted from the same statutory obligations as a carrier such as the prohibition against controlling or influencing the content of the messages it carries, and those requiring just and reasonable rates and prohibiting discrimination in respect to charges, services and facilities.

In the January 1979 publication called Cable, Canada's choice for the 80's, the Canadian Cable Television Association again indicated its interest in Pay-TV. In 1976, more than 100 members of CCTA, formed the Pay Television Network in the hope it would receive "both funding and an outlet for its product on Pay-TV" and indicated that it was prepared to invest major sums in the new service. It forecast as much as $30 million could be contributed to Canadian programming from this source alone within 5 years. Western Broadcasting, not unique among broadcasters, believes pay-TV should be controlled by broadcasters, not cable. J.R. Richards, President of Western Broadcasting, at the general meeting of the company, said that "unless it is the broadcasters of Canada who are licensed to provide pay-TV, there will be no way to ensure that a significant share of the earnings of pay-TV will find their way into Canadian program production".

Another issue that concerns the Cable Television industry is that with the advent of fibre optic technology, the telephone companies and some of the provinces are suggesting that there is now a technological or an economic imperative for integrating all telecommunications plant. The Chairman of Bell Canada, A Jean de Grandpré at the December 12 inaugural of a fibre optic test in Yorkville, Toronto even went so far as to state that Bell Canada had a "natural monopoly" to provide telephone service and widened this thought to include cable.

Thus the struggle goes on for a greater and greater piece of the pie.

A CHRONOLOGY OF MAJOR CRTC ANNOUNCEMENTS, HEARINGS AND POLICY STATEMENTS

February 1971

A public announcement on cable television was issued by the CRTC which set out a wide range of factors which the Commission planned to discuss at a public hearing in April of the same year. In this statement, the potential of cable to develop many kinds of incidental services besides the supply of television was also recognized by the Commission.

April 1971

The cable television policy public hearing as announced in February by the CRTC was held in Ottawa.

July 1971

The CRTC issued a formal policy statement on cable television entitled "Canadian Broadcasting: A Single System", Ottawa: CRTC, 16 July 1971.

February 1975

The CRTC made another public announcement in regards to cable television. It announced a public hearing to be held in June 1975, the purpose of which was to consider the development of cable regulations, and the establishment of new or revised policies concerning the community channel, cable radio services, converter service, and a supplementary program channel. In its introduction to its February 1975 public announcement, the Commission set out a number of specific objectives for cable television, and it included, in addition, a position paper on pay-television service.

June 1975

A hearing was held in Ottawa on June 9 in response to the public announcement of February 1975.

December 1975

The CRTC issued new cable policies in a publication entitled "Policies Respecting Broadcasting Receiving Undertakings (Cable Television)", December 1975, and new regulations in "Cable Television Regulations, SOR/75-665, 1976".

1976 and Early 1977

During this period, the cable industry started to develop a more aggresive attitude to the Commission's regulations and policies. The cable industry generally accepted that community programming was a valid service which also paid off in good community public relations. As well, cable operators were beginning to realize that programming expertise was the key to pay-TV and other revenue producing services.

June 1976

While the Commission had rejected the early introduction of pay television in 1975, by early 1976 events were to force a further re-examination of the issue. On 2 June 1976, the Minister of Communications and the Chairman of the CRTC issued statements involving the reconsideration of a Canadian pay-television service.

June 1976

A public hearing on pay-TV was held by the CRTC. This hearing aroused considerable interest especially because the Commission formally called for "submissions on the forms and function of an organization to assemble, produce, and acquire pay-television programming for distribution to licensed undertakings". The cable industry was quite vocal. First they were concerned about the possibility of the emergence of competitive, unlicensed, closed circuit pay-television in their franchise areas. Second, as the industry was faced with decreasing growth rates due to already high penetration levels and with unused capacity or existing systems, they saw pay-TV as the avenue for the introduction of additional revenue-producing services.

March 1978

After studing the various submissions to the hearing, the Commission formally issued its conclusions in "Report on Pay-Television", as a Recommendation to the Minister of Communications in March 1978.

June 6, 1978

The Commission made a public announcement on June 6, 1978 entitled "Non-Programming Services by Cable Licensees" in which it said that it was prepared to give consideration to applications by cable licensees for the use of their systems to provide new communication services of a non-programming nature. It also provided guidelines with respect to how applications for such services should address first, the priority of programming services, and second, the issue of cross-subsidization (to ensure that funds from programming services would not be used to cross-subsidize non-programming services). This was an "historic" announcement, and opened the way for cable-television to provide non-programming services such as alarm services, burglar alarm services, medical alarm services, teleshopping services, information retrieval services, etc.

November 21, 1978

The CRTC heard a number of applications by cable licensees for the provision of non-programming services. Basically the Commission stated that it did not want to regulate non-programming services as such, but because non-programming service had the potential to affect the program services side, it would have to consider the supervision of such applications.

March 26, 1979

There were two announcements by the CRTC which are of interest.

The first was the announcement "Non-Programming Services by Cable Television Licensees". This announcement referred back to the June 20, 1978 announcement in which the Commission said it was prepared to give consideration to applications by cable television licensees for the use of their systems to provide new communications services of a non-programming nature.

Attached to this announcement was a number of decisions namely: Ottawa Cablevision Ltd. of Ottawa; Jarmain Cablesystems in London; and Canadian Cablesystems of Kitchener. The Commission approved the applications for non-programming services until the expiry of their licenses, or March 31, 1981, whichever came first.

March 26, 1979

The second public announcement that was of interest was the March 26, 1979 announcement called "A Review of Certain Cable Television Programming Issues". It seemed that the Commission was again compelled to undertake a further review of its cable television policies as a result of "representatives from broadcasters, the general public, cable television licensees, and from the cable television industry". It is interesting to note that unlike earlier reviews of the cable policy in 1971 and 1975, the Commission did not issue a position paper or consider the issues in the context of a public hearing. Rather it issued a type of discussion paper in which it outlined a number of issues and provided its response as a basis for opening up public discussion on these issues. The large number of the issues that were raised also reflected the growing aggressiveness of the cable industry and its desire to obtain more concessions from the Commission.

March 10, 1981

On January 23, 1981, the Commission announced an agenda for a public hearing to be held in Toronto on March 10, 1981. At the same hearing, the Commission will specifically hear applications from the three above-mentioned cable system licensees for the renewal of their licenses. The Commission will take this opportunity to tie it into other considerations.

Characteristics of Cable Television

Cable television exhibits characteristics both of a broadcaster and a common carrier, yet it remains hybrid in nature. It is considered to have characteristics of a broadcaster because it is capable of originating and providing access to community, educational and special progamming. It is considered to have characteristics of a carrier because it generally redistributes services originated by others.

Cable television's dominant characteristic is its ability to redistribute broadcast signals and to provide a range of broadcast and other services. Cable television is not an over-the-air broadcasting transmitting operation and does not originate and transmit a schedule of acquired or produced broadcast programming to the general public. And its income derives essentially from subscriber fees rather than commercial advertising.

Although not a broadcaster, it is not a common carrier either. It is not subject to the same statutory obligations as a carrier such as the prohibition against controlling or influencing the content of the messages it carries. As a licensed broadcasting receiving undertaking it is legally responsible for the content of the messages it carries and is not bound by such statutory obligations as those requiring just and reasonable rates prohibiting undue discrimination in respect of its charges, services and facilities.

APPENDIX 3

Functions and Services

Cable television serves a number of special functions.

1. It extends the range of network programming available to Canadians, and improves the quality of its reception.

2. Because the marginal costs are low, it generally provides the most economical basis for distributing signals in built up areas due to the high cost of off-air transmitting equipment. In areas where it would not be economical for single cable systems, the cable industry has created microwave consortia (e.g. MKC Properties in Alberta and Chamcook in the Atlantic provinces) to extend signals to cable television subscribers across great distances.

3. Through its public access or community channels, it has become a local broadcaster, sometimes the only local broadcaster serving a community.

4. Cable television serves specialized audiences, carrying programs that traditional advertising supported broadcasters could not afford to provide. Examples are: uninterrupted coverage of the House of Commons and CRTC hearings, the provision of special childrens programming, and multicultural programming in various languages, etc.

5. It also provides alfa-numeric consumer information services including weather, time, flight information, television viewers guide, community bulletin board, comparison shopping and other information.

6. Cable now also provides a number of new programming services as a result of the CRTC announcement of June 6, 1978 on non-programming services. These services include various teletext trials [1] to provide information retrieval and inter-active television; interactive polling and teleshopping; security services (fire, burglary, etc.); and automatic utility reading.

Two New Services

(1) CBC-2 and Télé-2

One important development that the cable television industry may help to facilitate is the introduction of two new Canadian networks as proposed by the CBC. This would effectively double prime time available to the Corporation for the broadcasting of quality Canadian programs. This was announced by A.W. Johnson, President of the CBC in early December 1980, and a public hearing on CBC's proposal was held January 14-16, 1981.

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1 One example is the recent announcement by Time Inc. of New York, which appeared in the February 18, 1981 issue of the Globe and Mail. Time announced that it was introducing a new teletext service, on a trial basis, involving the distribution of a wide range of "printed information including the editorial content of Times" seven magazines, its Washington Star Newspaper, its Time-Life books, and services from other new organizations. The information would be distributed via satellite to a cable system owned by one of its subsidiaries. Time would also be participating in a similar trial in Toronto later this year.

CBC have applied to the CRTC to introduce the English-language CBC-2 and the French-language Télé-2 networks early in 1982. The second television channel, if approved, will provide non-commercial cable-delivered services seven days a week in the evening, when most Canadians watch television. The new network will showcase drama, documentaries, music and films from its intensive library of programs and re-broadcast some of the best specials and series from the main services during the season.

The new CBC networks will draw on the resources of independent producers, the National Film Board and other production organizations. Although the services will be predominantly Canadian in content and character, they will bring in the very best in television production from around the world.

The CBC has reached an agreement with Cable Satellite Network (CSN), a consortium which include many of Canada's largest cable companies, and is presently seeking co-operation from the entire cable industry to ensure the widest and most economical distribution of the services in the appropriate languages. The new networks will be carried on converter or on clear basic channels so that present services will not be affected. The cost of the new service could be in the neighbourhood of $30 million[2], but these costs will vary depending on what kind of programming is made available. As there would be no commercial advertising, these costs would have to be covered by parliamentary appropriations.

(ii) Citizen Band (GRS) on Cable

One innovation which was announced in the January 1981 issue of "Interaction Centre", a newsletter of the Cable Telecommunications Research Institute (CTRI), is a joint venture between Brockville Cable Telecommunications Inc. and CRTI in which they will be studying the feasibility of CB on cable, an extension of CB on air, in the hope of relieving congestion in the hopelessly crowded Citizen Band-GRS as it is known in Canada.

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2 This figure was stated verbally in a telephone conversation. It is not an accurate figure but was in rebuttal to some of the higher figures stated by Canadian Press. The outside figure is $50 million, but he doubted that it would go this high. It would depend largely on what format is finally adopted.

APPENDIX 4

Federal/Provincial Cable Television Related Issues

The following are some of the areas of concern to the provincial governments in their overall negotiations with the federal government, in which cable television plays a role. This list could be expanded, if incomplete, and should be supplemented as new provincial positions develop. If maintained, it could be useful input to the Branch and might help suggest and document some additional research which may be needed to support departmental positions and to complement the work of other and branches in this area.

Provincial Positions

1. At present, the CRTC requires that a cable licencee hold effective ownership and control of the key elements of cable television plant. This position has been disputed by provincially-owned telephone companies in Manitoba and Saskatchewan who are endeavouring to take over the total cable television hardware plant in their territory. Their position is echoed by the president of Bell Canada who has stated publicly that "while there may have been some technical justification for constructing separate telephone and cable television distribution facilities in the past, new technology is bound to remove any justification for separate facilities in the future".

   The cable industry's response is that they are not only a carrier, but also a broadcaster, and a packager, distributor and generator of information. Unlike a carrier, they have a definite interest in the content carried over the distribution system. From a technical side, they also argue that the cable network distributes information from a single point to a multiplicity of access points, whereas the telephone system is a complex switched network distributing information from a multiplicity of sources to another multiplicity of sources - and that the two functions are quite distinct.

2. There are major disagreements over fundamental issue such as the regulation of cable television and inter-provincial carriage. Manitoba, B.C. and Ontario have either taken or threatened actions challenging federal authority in areas such as conventional cable television and pay-TV. There have also been public indications that many provinces (e.g. Ontario, Nova Scotia, Alberta) will be moving to regulate a host of closed circuit cable services, including pay-TV as well as "non-broadcast" cable services. The provinces have also stated that they intend to establish an inter-provincial satellite linked network of provincial educational programming in which cable-television would play a part in its distribution (Vancouver announcement).

3. There is a high degree of provincial frustation over their lack of control over cable. A case in point is Alberta's unsuccessful attempt to have its closed-circuit educational service carried on a clear cable channel in Edmonton.

4. Provincial governments are in strong agreement that competition should be encouraged with respect to both the means of local delivery of pay-TV services, and the delivery of more than one pay-TV service on cable distribution systems without discrimination and at fair and equitable rates (Rec. 38). The provincial ministers reject the recommendation of the CRTC that a surcharge be levied on the rates paid for pay-TV services and that the proceeds be distributed to the program production industry.

5. The provinces, however, do agree with the objective of ensuring that benefits from the development of new programming services flow to Canadian program producers. The Provinces favour the creation of an industry structure in which incentives and market forces favour the program producers and do not confer undue advantage on program distributors (cable) or exhibitors.

6. On the on-going issue of Canadian content, the Provincial governments concur with the overall objective of supporting the introduction of new services which contribute to Canadian program production. In their view, approval for the introduction of new services should be given on the basis of the ability of these services to attract audiences to Canadian programming.

7. The communications industry has expressed concern over the uncertainties caused by the federal/provincial conflict, and is anxious that these not impede industry development. Broadcasters and cable operators have generally tended to support the federal role in most matters (as opposed to Bell Canada's publicly stated position with regard to the non-technical aspects of inter-provincial carriage).

8. The Honourable Francis Fox has stated that inasmuch as the matters of sharing powers in communications is still on the constitutional agenda for future discussion, the question of cable delegation of certain powers to the provinces could not be further pursued usefully by the Minister at this time.

9. In the current review of licensing policy, the possibility of no longer requiring alternative services proposal from common carriers when considering whether a new microwave system application should be licensed for the inter-city microwave of cable television, will undoubtedly elicit mixed provincial reactions.

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Braden, John H. C.
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