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INITIATIVES FOR THE RADIO AND SOUND RECORDING
INDUSTRIES

DISCUSSION PAPER

July 15, 1985 (revised on July 17)

Ce document est également disponible en français

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DISCUSSION PAPER

Initiatives for the Radio and Sound Recording Industries

Introduction

In 1979, the Clark Progressive Conservative government recognized the importance of leisure time entertainment -- especially recorded music -- to all Canadians, both in cultural and economic terms, and gave a commitment to develop appropriate policies which took account of this importance.

Later, work began on the development of specific policy initiatives on radio and sound recording. Consultations were held with various individuals and companies in the radio broadcasting and sound recording industries, with individual artists, craftspeople and technicians, and with various associations and unions associated with these industries. An industrial Task Force, composed of representatives of the radio and sound recording industries, technicians' associations and artists and composers organizations, was formed and met a number of times to identify various difficulties facing these industries and to discuss possible solutions. From this process, a number of measures have been developed which are designed to build on private endeavours and to strengthen these two important economic and cultural industries.

There are long term public policy and social questions facing radio broadcasting which are beyond the scope of the initiatives which will be proposed in this paper. To examine these issues within the larger context of the overall broadcasting system, the Minister of Communications has appointed a Task Force to conduct a fundamental review of broadcasting policy and to make recommendations regarding the priorities for federal radio policy and resources, including appropriate mechanisms, whether public or private, regulatory or fiscal, to satisfy Canadian needs. Part

of the mandate requests the independent Task Force undertaking this review to:

"take full account of the challenges and opportunities in the increasingly competitive broadcasting environment presented by ongoing technological developments."

The Task Force is to make its recommendations early in 1986, and the Minister of Communications will then prepare a White Paper to table in Parliament and to ultimately amend the Broadcasting Act to reflect today's reality and tomorrow's objectives for Canada's broadcasting system until the end of the century.

However, it is clear that a number of technological developments are occurring now, and that Canada must take immediate action to harness these developments for its own aims, within the framework of the existing Broadcasting Act and the current policies. If there is a lesson to be learned from past technological developments, it is that if the environment is not suitable for Canadian entrepreneurs to exploit these opportunities, there are others who will do so from outside of our borders. The initiatives outlined below recognize this reality, and propose specific short term measures which will strengthen the radio and sound recording industries so that they will actively contribute to the long-term development of Canadian economic and cultural goals in the years to come.

With the publication of this discussion paper, the various proposed measures are outlined in some detail. Before discussion by cabinet and becoming final and firm governmental initiatives, they are presented here for debate and input.

The economic and social importance of radio and sound recording

Radio broadcasting touches virtually every Canadian, and is an important activity in their lives. Most Canadians listen to radio every day -- for about three hours each day -- and radio broadcasting is an important source of information and entertainment, both from its programming and from its advertising. Indeed, Canadian devote 40% of their leisure time to media -- both broadcast and print -- and radio is second only to television in the number of hours devoted to each medium each week.

Canadians are served by more than 600 program originating radio stations, both AM and FM. Of these, about sixty are owned and operated by the Canadian Broadcasting Corporation; the remainder are privately owned and operated. AM stations outnumber FM stations about three to one; English-language stations outnumber French-language stations by about four to one.

Private licensed radio broadcasters employ about 10,000 Canadians and represent about \$490 million in operating revenues and about \$120 million in net assets. Radio advertising accounts for about 10 percent of all media advertising. Total radio advertising has grown from about \$50 million in 1961 to \$479 million in 1983, representing an annual growth rate of just under eleven percent.

Financially, radio has experienced some difficult times. Between 1960 and 1983, the number of private radio stations nearly tripled while radio's share of total Canadian advertising expenditures remained more or less constant. Costs have increased faster than revenues, and as a result profits for the industry have declined generally in recent years (from 1979 to 1983 profits before taxes fell 46%). Profitability is difficult: in 1983, two out of every five radio companies showed a pre-tax loss, with most of the losses occurring in the smaller markets.

Major stations dominate the listeners as well. The top thirty English-language stations capture more than forty percent of the national

English-language audience; the top thirty French-language stations capture nearly eighty percent of the national French-language audience. Therefore, the remaining hundreds of radio stations divide the small market which is left.

The most significant development of recent years has been the dramatic growth of FM radio. This has come largely at the expense of AM radio; the audience tuned to FM stations has grown by about ten percent annually since 1973 while AM radio has experienced about a two percent per annum decline during the same period.

As with other forms of broadcasting, radio stations are subject to regulation, supervision and licensing by the Canadian Radio-television and Telecommunications Commission (CRTC). The Broadcasting Act (1968) requires that the programming provided by each broadcaster be "of high quality, using predominantly Canadian and other resources." Licensees are required to make detailed promises of performance to the Commission, and the CRTC has chosen to implement the Broadcasting Act by introducing specific Canadian content regulations which are applicable to all AM and FM radio broadcasters. Thirty percent of all music broadcast on AM radio between 6 a.m. and midnight must qualify as "Canadian". The CRTC defines a Canadian recording as: 1) one which is performed on an instrument, with music composed by a Canadian and lyrics written by a Canadian; or 2) a performance of an instrumental piece composed by a Canadian; or 3) one meeting two of the four following requirements: i) Canadian performer; ii) Canadian composer; iii) Canadian lyricist; or iv) live performance wholly recorded in Canada, or wholly performed and broadcast live in Canada. For FM stations, the criteria recognize that certain classes of music may not be available in sufficient quantity to attain 30% Canadian content, so the percentage is set for each licensee based on the type of music it proposes to play, and ranges from 7% for classical music FM stations to 30% for popular music FM stations.

The attainment of Canadian content requirements is directly tied to the availability of sufficient quantities of Canadian recordings, in that virtually all radio stations use recorded music as the programming material for the vast majority of their schedules. Recently the opportunities for

the broadcast of Canadian musical talent has been endangered by the decline in the production of Canadian sound recordings, causing some over-exposure of existing Canadian recordings and creating some negative reaction to both Canadian artists as well as to the radio stations.

In 1983 less than a sixth of all sound recordings produced in Canada were Canadian; 2% were French-language productions. Increasing costs have led to a 22% reduction in five years in the number of Canadian-content recordings released; French-language Canadian content recordings dropped by 54% in the same period.

The playing of sound recordings on Canadian radio stations is a direct and important part of the marketing strategy of the sound recording industry. The sound recording activity in Canada generates retail sales of over \$600 million annually, and directly drives an economy of close to \$1 billion inclusive of live concert performance, manufacturing, music publishing, recording studio, packaging and associated merchandising revenues. Indirectly, recorded music can be attributed to be supporting an additional \$1 billion economy which includes radio broadcast revenues, home and professional audio equipment sales and rentals related to popular music.

Over the past decade there has been a strong growth in the number of Canadian record labels, from being almost non-existent in 1970 to over 130 in 1981. Even so, the present industry structure is dominated by a few very large multinational corporations which earn the majority of revenues from the marketplace and provide the bulk of distribution capability for all firms in Canada. The reliance on such a small number of companies makes the independent sector vulnerable to sudden changes in corporate policy or fortunes (e.g. a sudden plant closing or a decision not to distribute another's products). While acknowledging the important role multinational corporations play in both the domestic and international markets, one must recognize that the future of the Canadian production industry lies in the hands of the Canadian-owned independent labels for the simple reason that these companies are largely dependent on their success with Canadian recording artists to remain in business.

It is evident that there has been a continuous weakening in the financial health of Canadian record companies over the past five years despite an increased share in market revenues. Although international trends indicate that it should be a growth sector, many Canadian record companies remain on the brink of bankruptcy; 47 percent showed losses after taxes in 1983. Inflation and increased production and marketing costs, combined with the high risk involved in obtaining revenue returns from each sound recording produced, demand that Canadian companies find new strategies and access to resources to succeed.

Excluding performing artists, musicians, composers and lyricists, there are between 11,000 and 15,000 persons directly employed in the producing, marketing and selling of records in Canada. The related areas of live concerts, merchandising and equipment sales and rentals employ another 4,000 to 5,000 Canadians. Obviously, the employment factor is significant in this industry and takes on an added dimension when one considers that employment in the record music business is largely youth-oriented.

Of course, the important role of making available Canadian recorded music to Canadians is culturally important as well. Listening to recorded music -- whether it be from personally owned discs or via radio transmission -- is the second most popular cultural leisure pursuit in Canada. Recorded music is one of the most accessible media through which Canada's artists directly contribute to this country's evolving identity. And recorded music is the most important cultural medium for Canada's youth; sixty percent of purchasers of recordings and tapes in Canada are under the age of 25, while teenagers as a group listen to music programming on radio for about one-fifth of their waking hours.

Radio and sound recordings, then, are not only important economically to Canada, but are also essential for the diffusion of Canadian culture. Both media bring musical culture into the home and extend its active presence in social life. The pervasive use of recorded music throughout Canada brings together people separated by language or distance and encourages Canadians to seek live performances of opera, ballet, symphonic or popular music, thereby swelling the support and employment of the Canadian artistic community.

Challenges and Opportunities

The rapid growth of new technologies in the area of communications during the past decade is well known and has had disruptive, although generally positive, effects on many important industries worldwide. Unlike other industries, however, radio, with its stagnant economic performance and uncertain financial footing, has been less well equipped to seize upon the opportunities of the present and the future.

For radio, technological opportunities have two basic shapes. Firstly, the distribution of audio programming is potentially less costly than previously and there are more distribution vehicles available than ever before. Secondly, the potential quality of audio programming has improved greatly as digital recording and transmission technology and AM stereo, to cite just a few examples, have become more common. As a result, expanded opportunities in audio programming services have become possible.

These include the development of regional radio networks, nation-wide satellite-to-cable audio programming services (perhaps catering to very particular musical tastes or to special interests), "pay radio" services analogous to subscription-based television services, and new specialized information services.

In the United States, radio has already undergone considerable adaptation. The distribution of audio signals by satellite is one such example. Because audio programming signals require only a very small part of a satellite transponder's capacity, such distribution is inexpensive compared to terrestrial means of transmission. As a result, small private radio networks exploiting the distribution economies of satellites have grown at an impressive rate in the United States, doubling annually for the last three years. In the U.S.A., radio networks now range from the large established networks (such as Mutual Radio, NBC, CBS, ABC, RKO, and National Public Radio) to very small, so-called "state radio networks" that serve clusters of small communities and often specialize in programming of specialized appeal.

Another technological advance affecting radio broadcasting is the use of subcarriers of a radio broadcaster's AM or FM signals to carry entirely separate information or programming. The CRTC has recently adopted a permissive approach to SCMO (Subsidiary Communications Multiplex Operation), the process used in FM broadcasting. On May 17, 1984, it announced a policy that thenceforth FM broadcasters could develop SCMO's commercial potential with no restriction as to type of service or whether advertising supported or subscription supported. At the end of 1986, the Commission will review the success of this approach.

AM stereo represents another significant technological development. A number of AM licensees are presently transmitting experimentally in AM stereo, and the Department of Communications is participating in these trials so that technical assessments may be made. AM stereo's strength lies in its relatively interference-free signal in urban areas and in car radios, and could well lead to a reduction in the comparative audio superiority of FM transmissions. This, in turn, could lead to a re-birth in the popularity of AM as a medium of broadcast music, and an erosion of the present distinction between AM and FM licensees.

The recorded music industry is also experiencing new challenges as a result of the restructuring of the market caused by new technological developments and shifting consumer trends. For the past five years audio tapes have been eroding the album pressing's share of the market to the point where tape sales now exceed album sales. Additionally, new competing products such as compact discs (CD) are expected to diminish the traditional sound recording share of the market. As the Canadian recording industry's manufacturing sector is overbuilt for the pressing of records, and as compact disc and tape sales increase, Canadian jobs and trade are in danger of being displaced. Given that North American sales of compact discs are expected to reach \$1 billion by 1988, Canadian companies need to adapt to the challenge through restructuring and thus ensuring that they are able to share in this growing market.

Music video is another recent technology which is receiving great market acceptance and which represents a major opportunity to strengthen and inject new capital not only into the sound recording industry, but also into Canada's film and video infrastructure. Music videos are now an accepted marketing tool for popular music and, in fact, are essential to the success of recording artists wishing to maintain their national or international status. While sales of music videos are projected to achieve North American sales of \$1.25 billion by 1988, until such time as the music video retail/rental market matures and returns adequate remuneration directly back to producers, record companies will have to carry the substantial added costs of producing music videos themselves. Few Canadian record production companies are in a position to absorb such costs.

These technologies are mentioned here as examples of the kind of developments which are occurring, not as a check list of government-approved areas of activities. The central point surely is that Canadian companies must be able to experiment with new, promising technologies. Certainly some new ideas will not prove profitable, and will fall by the wayside; but the environment must exist which encourages Canadian broadcasters and sound recording companies to enter new areas of endeavour, and provide new and different services. Otherwise, these companies will be bypassed as other, foreign companies develop the technology, the products and the services. Canadian companies will then be faced with the choice of being shut out of the market, or playing the very expensive game of catch-up for a small share of the pie.

A music industry task force recently identified its priority concerns for the future. The four issues deemed to have the greatest impact on the industry's potential growth were:

- . costs of promotion and marketing
- . access to debt and equity capital
- . government attitude toward the industry
- . radio music programming

Others included:

- human resources
- cost and potential of music videos
- research and statistical data

Similarly, the association representing private radio in Canada, the Canadian Association of Broadcasters (CAB) recently identified its priority concerns for the future. The issues included:

- availability of Canadian music
- growing listener demand for quality
- audience desire for local content
- trained personnel, especially technical and managerial
- reality of smaller profit margins

Given this dynamic background, there are a number of areas where federal support for private sector initiative in broadcasting and sound recording may now be appropriate.

Proposed Initiatives

i) Satellite Networking

While radio has been traditionally a locally-oriented service, networks can cover markets at least regional in scale and may attract additional classes of advertising, representing important additional revenue for the industry. Private radio networks have a number of potential benefits: high quality, high budget programs could be available to stations in medium and small markets which might not otherwise be able to afford them; network programming could complement rather than compete with local programming; and small markets listeners could receive a more equitable range of radio services that would otherwise be available. All these benefits could strengthen the small marginal stations.

As noted, the transmission of a television signal requires an entire satellite transponder channel. Audio signals, however, require only a portion of the transponder. When used for video, a transponder may also carry seven audio transmissions. The sub-lease or resale of unused audio capacity to licensed radio broadcasters could encourage the development of networking, program syndication, and other potentially profitable uses of the new technologies.

There is scope for streamlining the current process of sub-leasing excess satellite capacity between broadcasting undertakings. The prior approval of Telesat Canada for such agreements could be dispensed with, while safeguarding Telesat's legitimate concerns regarding technical specifications. In addition, Telesat could be encouraged to offer its own subcarrier capacity directly to radio broadcasters and program distributors at competitive prices. The Chairman of the CRTC would be consulted concerning the implementation of these initiatives.

ii) Temporary Radio Networks

The present CRTC process of licencing each and every temporary radio network is considered by many to be overly cumbersome and time-consuming as well as an impediment to programming innovation. At present, the issuance of a temporary licence requires the normal sixty-day gazetting period before any decision may be made; given the time from the initial submission to the final decision, ninety to one-hundred and twenty days is not unusual. As the CRTC is responsible for the regulation and licensing of the Canadian broadcasting system, it would be consulted to attempt to find methods to streamline this regulatory process.

iii) Stimulate sound recording and radio program production

Sound recordings are essential to the popularization, diffusion and preservation of Canadian culture. Recorded music, particularly if broadcast, reaches many times more listeners than live performances. But

the supply of Canadian popular Canadian content programming needed to support Canada's radio broadcasting system is diminishing.

In some fields of music, the number of Canadian content recordings released has declined to a critical level. Between 1978 and 1983, for example, there was a 20% decline in the number of Canadian content releases. In Québec, the problem is more severe with a 50% decline since 1978 in Canadian French-language production. Without an adequate supply of Canadian recordings, it is foreign music and foreign culture which will be most accessible to Canadians.

The radio and sound recording industries have recognized this problem and in 1982 some of their members formed a joint association called FACTOR, the Foundation to Assist Canadian Talent on Records. They created a fund which, to date, has approved support for 128 sound recording projects with a budget of \$804,000. As of April 1985, FACTOR amalgamated with the Canadian Talent Library (CTL) in order to create a more focused and financially stable production fund. FACTOR/CTL, as it is now called, will have a budget of approximately \$1 million in the present financial year.

At the moment, FACTOR/CTL assists mostly the production of English-language sound recordings. There is no equivalent organization operating to support French-language recordings, nor is there an organization which provides support to the production of radio programs. However, representatives from the radio broadcasting industry and the sound recording industry have expressed interest in increasing both the number of investors participating in FACTOR/CTL and in expanding participation to include the financing of French-language sound recordings and other types of radio programming.

Such private sector initiatives are commendable, and with mechanisms in place to include support for French-language sound recording production and for other radio programming, it would be appropriate for the government to contribute its support to such initiatives.

It is envisaged that sufficient federal funds would be directed towards sound recording projects to assist in the production of about 150-175 English and French-language sound recordings per year. This, in turn, could substantially increase the quality and quantity of recordings available to broadcasters and could create significant opportunities for Canadian artists.

In addition, a further investment of federal funds is contemplated to be directed towards the development of radio programming which would complement existing radio production. This support could be concentrated on developing new formats and content made possible, or worth experimenting with, as a result of the new technologies, and could include syndication, live concerts, and specials. As discussed in the following point, such experimentation could be further enhanced with regulatory incentives, perhaps through the development of Canadian content credit for non-musical programming. The international saleability of the programs could also be an important factor in obtaining such assistance.

Guidelines governing the use of these proposed contributions could be established and reviewed regularly to maintain responsiveness to the changing environment. As a point of departure, however, the guidelines could recognize the existing private-sector activity and seek ways of leveraging the federal contribution to assure the maximum possible production of radio programming and sound recordings. In addition, recognizing the significant needs of the French-language market, the guidelines could reserve a significant amount of the fund for French-language programming.

iv) Radio Regulations and Policies

In proposing various initiatives to encourage the increased exposure of Canadian talent on radio and the production of Canadian recordings, the continued commitment to minimum levels of Canadian content on radios, as well as existing requirements for a high level of French vocal selections of French-language stations is unquestioned.

At present, only musical selections are subject to Canadian content regulations -- the development of integrated programs is discouraged by the current recorded music approach. Other forms of Canadian content programming could be assisted by appropriate regulatory incentives, perhaps by extending some form of Canadian content recognition. The CRTC could be encouraged to develop such mechanisms.

In addition, there could be a re-examination of all existing regulations and policies with a view to greater simplicity and flexibility. This would encourage radio broadcasters to innovate while, at the same time, ensure that the essential existing objectives for the broadcasting system continue to be fulfilled.

v) Sound Recording Industry Development

Lack of adequate debt and equity financing is a major problem for Canada's record production sector. Financial institutions are reluctant to offer assistance because the business is high risk and most Canadian companies lack needed equity or corporate maturity. A sound recording, as with most cultural products, is of unknown value until marketed and is not accepted as collateral. Companies are, therefore, precluded from developing their long-term viability and strengths.

It is envisaged, therefore, to establish a fund to provide assistance in meeting the financing needs of the Canadian sound recording industry, particularly production companies. The fund could be accessible through federal and provincial financial institutions.

This fund would multiply into substantial amounts of new capital, debt financing, or equity financing each year. It is estimated that fifteen to twenty record production companies could be financially matured with the assistance of this fund. The experience could establish an added benefit; major financial institutions and investors would, with the help of the fund, obtain first hand experience with Canada's growing production and programming industries which could lead to long-term relationships.

vi) Tax Instruments

From time to time, it is pointed out that radio, the sound recording and the music video production industries have no investment tax incentives in place for their high risk industries. As with most other forms of business endeavours, these industries' viability depends on attracting and retaining private investment. Comments and views are sought concerning the appropriateness of tax instruments similar to the Share Purchase Tax Credit and the Capital Cost Allowance for these industries.

vii) Specialized Music

There exists a specific need to augment Canadian classical, jazz, experimental, and folk music recordings. The market in Canada for this type of music is only about nine percent of sales and, thus, it is particularly difficult for composers and musicians of these specialized forms of music to find companies willing or able to finance and produce recordings. Access to distribution systems for recordings in these categories is equally a problem.

To redress this situation, an annual contribution could be made available to Canadian recording companies to encourage the creation and distribution of classical and other specialized recordings produced in Canada. The proper mechanism for such a contribution would need to be determined through consultation with the industry.

viii) International Co-productions

Success in export markets will only enhance Canadian audio products. International distribution, therefore, must be a focus of policies to encourage the audio programming industry.

Exploratory discussions have already taken place with officials in France to develop co-production agreements directed towards radio

programming. It is envisioned that these programs would be co-produced or co-financed by parties in both countries, and would enjoy treatment in either country no less favoured than that accorded domestic works. In the case of broadcasting, a co-produced music work would receive Canadian content credit. It is possible that, over time, treaties could be concluded with many of the same countries with whom we now have television or motion picture treaties.

ix) International Marketing Support

It is also evident that an increased market share for Canadian recordings will be enhanced by international exposure for our performing artists. Foreign success can boost sales ten to fifteen times the level normally achievable in Canada. But accessing foreign markets can be very expensive.

While co-production treaties may be of assistance in gaining foreign exposure via radio, recording artists are usually required to tour a foreign territory a number of times before their records enjoy substantial sales and air play. Canadian record companies are usually under-financed for this level of promotional activity. Government support, through loans or guarantees, could assist Canadian record companies to promote Canadian recording artists abroad.

In addition, programs which currently exist in the federal government for the marketing of Canadian products abroad, such as the Program for Export Market Development (PEMD), are not designed for the cultural industries. Their use is also limited by the fact that PEMD, for example, is set up only to assist a product to "get in the door" and does not allow repeated support. There is a need to ensure that the criteria for these types of programs recognize the special economic and cultural characteristics of industries such as sound recording, and allow increased and sustained assistance for the development of foreign markets.

x) Music Videos

The production of music videos has created a rapidly emerging new cultural industry which is playing an increasingly important part in the international sound recording industry's promotional and marketing strategies. The production of a music video is now considered by many to be vital if our artists hope to reach a large domestic and international market. Indeed, the production of a music video is now accepted by the industry as essential to the success of a recorded popular musical selection.

The production of a music video, however, is an added marketing and promotion cost which few Canadian record production companies are in a position to absorb. Until such time as the music video retail/rental market matures and returns adequate remuneration directly back to the producers, the sale of sound recordings is the only way the added costs of producing music videos can be recouped.

The sound recording industry and some broadcasters have recognized these difficulties and have formed VideoFACT, a foundation to assist Canadian talent in the production of music videos in Canada. Administered by the Canadian Independent Record Production Association (CIRPA), VideoFACT has supported the production of twenty music videos since its formation in the summer of 1984.

Again, such private initiatives are commendable, and federal assistance to Canadian record companies could provide the additional needed assistance in this interim period. With the average cost of a music video between \$30,000 and \$60,000, a federal contribution could be expected to assist in the production of about fifty music videos each year, thereby providing an important boost to the publicity accorded Canadian recording artists.

As with assistance for sound recording production, guidelines governing the use of this proposed contribution could be established and reviewed regularly to maintain responsiveness to the changing environment. Again, as a point of departure, the guidelines could recognize the existing private-sector activity and seek ways of leveraging the federal contribution to assure the maximum possible production of music videos. In addition, recognizing the significant needs of the French-language market, the guidelines could reserve a significant amount of the fund for French-language production.

xi) Under-served Audiences

Notwithstanding the excellent breadth of radio programming offered by Canada's broadcasting system, there remain constituencies within Canada who are not sufficiently served by radio.

Three groups within Canadian society have been identified which should have greater access to the radio broadcasting system: the print-handicapped, native peoples, and Canadians of ethnic origin.

Radio may be particularly suited to address the special needs of of print-handicapped people who are vastly underserved. In its report Obstacles, the Special House of Commons Committee on the Disabled and the Handicapped stated:

"Radio reading services offer great benefits to persons whose disability prevents them from reading. These are special programs which provide in-depth reading of newspapers, periodicals, and best seller books. The programs are a simple, effective means for disabled persons to receive up-to-date information about life in their communities. At this time, these services are not readily available in Canada."

In Canada, only one English-language service, based in Oakville, Ontario, is operational. In the U.S., there are 99 such local services as well as one satellite service providing network programming. Satellite distribution of portions of a Canadian service which are of national interest could encourage the development of more local services, and aid in bringing important information to the print-handicapped population. The existing radio reading service in Oakville has already reached an agreement with Canadian Satellite Communications, Inc. (CANCOM) for national carriage using an audio subcarrier on one of its satellite transponders, at no cost for the satellite transmission. No French-language service is currently available.

The additional funding required to build on the existing private initiative and make it available nationally is relatively small. A similar amount could be made available to assist a privately-supported French-language operation, provided that such a service developed within two years. Funding could continue for a five year period and its success assessed, in part, based on the number of local reading services established using the national service (about eight hours of daily programming) as a component.

Referring to initiatives to support native peoples programming, there are presently two existing federal programs which offer some level of support: the Native Communications Program (NCP) which was established in 1974, and the Northern Native Broadcast Access Program (NNBAP) which was established in 1983 under the Northern Broadcasting Policy. Although the NNBAP provides funds for radio and television production by native societies in the North, neither program addresses the broadcasting needs of southern native communities.

The performance of these programs is presently being reviewed, and the need to ensure consideration of the differing broadcast needs of native communities throughout Canada is being considered by the Secretary of State and the Minister of Communications as part of these reviews. Specific

support for native peoples programming does not, therefore, form part of the initiatives outlined within this discussion paper. However, it is recognized that radio, as an important source of local information and programming, should serve native audiences within its purview. This issue is included in a current review of native broadcasting in the North being carried out by the CRTC.

Multilingual and multicultural radio services are important to a considerable number of Canadians as well. About ten percent of the population claims a mother tongue other than English, French, or one of the native Canadian languages. A much larger number (33%) are from other heritages, even though their first language may be English or French. In contrast, less than one percent of all radio broadcast hours are devoted to multilingual programming. The CRTC has recently held a public hearing to determine how existing CRTC regulations may be revised to promote more effective service to ethnic groups, and has announced an ethnic broadcasting policy (CRTC 85-139).

The CRTC has proposed in the policy to study the creation of a Canadian ethnic musical talent bank. Ethnic broadcasters have difficulty meeting CRTC Canadian content requirements because few ethnic music recordings are produced by Canadian artists. The Commission's Consultative Committee on ethnic broadcasting will be addressing issues regarding the concept of an ethnic talent bank, its scope and practicability and the contributions that should be expected of broadcasters.

xii) Community Radio Services

Since the late 1960's, local community associations and organizations have requested ways and means to present locally-produced radio productions to their communities. One response was the licensing of radio stations to community organizations. At the present time, there are 23 such stations -- 21 of them in Québec.

In addition, CRTC policies require FM licensees to reserve a small amount of time each week for community participation, thereby assuring community access to local privately-owned broadcasting facilities.

However, in many small communities there is no private broadcaster, nor is there a community operated station, and the only local transmitter is the rebroadcasting transmitter owned by the CBC. Apart from some locations in the north, the CBC has generally not permitted local access to these rebroadcasting transmitters.

A number of community groups in such locations have consistently pointed out their desire to have access to such CBC rebroadcasting transmitters, and have requested the CBC to amend its policies. Such groups point out that relevant local programming is as important as the reception of the national service, and the views of all interested parties are solicited as to the appropriateness of this mechanism for achieving this goal.

xiii) Competitiveness of the Sound Recording and Radio

Broadcasting Industries

Case studies have revealed that many Canadian-owned sound recording companies have weak financial management, poor understanding of the requirements to attract funding from lending institutions, and inadequate business plans.

The issue of skills upgrading is therefore crucial, especially at a time of major opportunities for industrial development. Comments and views are sought concerning the appropriateness of extending to the Canadian sound recording Industry and to radio broadcasters skills upgrading assistance and financial and business management training through existing programs of the Department of Employment of Immigration and the Interfirm Comparison Program of the Department of Regional Industrial Expansion.

xiv) Custom Duties and Tariffs

Live concert performances are an important marketing and promotion activity for Canadian artists. Canadian musicians who tour internationally are subject to tariff and custom duties on foreign-sourced transportation and equipment when returning to play concert dates in Canada.

Most concert tour equipment is only available from American sources in the scale and specification required for international tours. Foreign artists touring in Canada are exempt from these duties, placing Canadian artists at a disadvantage in their own country. As these tariffs can be quite large, several Canadian artists have chosen to cancel tour dates in Canada.

The result is less exposure for Canadian talent and a resulting increase in the exposure and revenue for foreign artists in Canada.

It is proposed that an exemption in these circumstances should be granted from custom duties and tariffs on transportation vehicles and sound and lighting equipment leased or rented from a foreign source.

xv) Service Organizations

There are presently no on-going government programs to support Canadian service organizations in the sound recording industry or in the broadcasting industry.

Much of the sound recording industry's research and development is carried out by the parent companies of multinationals. In order to represent themselves more effectively, organizations have been established in Canada which allow a collective pooling of resources to enable the Canadian-owned sector to respond to major issues and changing market demands. Notable examples are the Canadian Independent Record Production Association (CIRPA), l'Association du disque et de l'industrie du spectacle

québécois (ADISQ), the Canadian Academy of Recording Arts and Sciences, the Canadian Songwriters' Association, La Société professionnelle des auteurs et des compositeurs du Québec, the Canadian Music Centre, and the CIRPA/ADISQ Foundation. In broadcasting, groups such as the Canadian Broadcasting League have, in the past, been a forum of public expression of important cultural and social issues concerning broadcasting.

While these organizations have been very active in providing support to their respective industries, they have been hampered by lack of financing. It is proposed that a federal contribution be made available annually to assist organizations' activities which support the development of a Canadian presence in their industries as well as for associated research activities. This would provide Canadian companies and artists with essential market and technological information to permit them to better respond to emerging opportunities.

Conclusion

While the recently announced fundamental review of broadcasting will examine the role of radio in the broadcasting system, these specific initiatives which address immediate problems would provide immediate support. Other matters affecting sound recording are outside of the mandate of that review. Canadian sound recordings are in a state of decline, which is leading to difficulties for Canadian radio broadcasters who must maintain the required Canadian musical content and develop and market Canadian artists. Technology is providing new opportunities for both industries to provide greater choice of artistic endeavours to Canadians. However, time is imperative.

As we have learned so often in the past, these opportunities must be seized upon immediately; otherwise, they could be lost forever as foreign broadcasters and foreign record companies fill the void by developing such products and services within Canada.

