BROADCASTING for CANADIANS

BROADCASTING

FOR

CANADIANS

PRESENTATION TO THE HON. FLORA MACDONALD
JUNE 11-12, 1987

The challenge to the government, now as in the past, is to find the best way to ensure that Canadians have, and will continue to have, a choice of relevant, high-quality Canadian programming.

PRESENTATION TO THE MINISTER, THURSDAY-FRIDAY, JUNE 11-12, 1987

A BROADCASTING SYSTEM FOR CANADIANS

Thursday A.M. Section

Section

I. INTRODUCTION

1. Purpose of Presentation

2. Scope of Presentation

PURPOSE OF PRESENTATION

Promote discussion on the key question:

What is the future of broadcasting in Canada

and government's role in ensuring this future ?

* The broadcasting system is recognized as one of the key vehicles for achieving national communications and cultural objectives.

* It is also recognized that the present Broadcasting Act is outdated and not in synch with the social and cultural fabric of Canada, nor with the rapid advancement in technology.

* Failure to address these problems will result in increased tensions between the regulatory agency and government, confused policy objectives for the public and private sectors and a broadcasting system which falls increasingly short of its potential to serve Canada.

4

SCOPE OF PRESENTATION

This presentation contains five parts:

....a brief introduction

....an overview of television services, with five case studies

....a brief history of past and present government involvement in broadcasting

....an explanation of the need for a fundamental policy review and a discussion of the major themes and issues in developing a new policy

....and a concluding session on where to go next

* This first session is essentially a backgrounder, to set the stage for more indepth discussions on broadcasting policy options. The focus is almost exclusively on television.

* The 1968 Broadcasting Act dealt with the pressing issues of that era, which were largely driven by the problem of the distribution of broadcasting signals.

* Our present concerns are with the questions of programming, and more specifically how to provide Canadians with more and better Canadian programming, without limiting their choices for viewing foreign programming.

II. OVERVIEW OF TELEVISION SERVICES (ADMAC)

1. What services do people get ?
2. How do they get them ?
3. Case Studies (Kingston, Vancouver, Athabasca, Montreal, St. Félicien)
4. Programming (Availability and Viewing)
5. Economics of Production
6. Industry Economics and Structure

OVERVIEW OF THE BROADCASTING SYSTEM

One Broadcasting System

comprised of

*** a public sector** *** a private sector**

each with complementary, but differing mandates

* As we move through this overview, I think it important to remember that the Canadian broadcasting system is in law a single system, with two parts -- a public sector, and a private sector.

* The objectives of the present Broadcasting Act recognize that all players in the system should present programming of a high standard, using predominantly Canadian resources.

* It further establishes and mandates a public broadcaster -- the Canadian Broadcasting Corporation -- which is charged with bringing a full range of programming to all Canadians.

* The Act does not specify particular objectives for the private sector.

* Cable is covered by the Act (broadcast receiving undertaking) but no role or objectives are assigned to it.

II. OVERVIEW OF TELEVISION

1. What services do people get?

WHAT SERVICES DO PEOPLE GET?

Over-the-Air Television

Stations:	31 CBC owned stations (18 English, 13 French) 83 originating private stations (69 English, 14 French) 1 Community Television Station (St. Jerome, Quebec) over 1300 rebroadcasting transmitters
Networks:	CBC English and French CTV (English); TVA (French, Quebec only) Global Television (English, Southern Ontario only) Quatre Saisons (French, Quebec only) TV Ontario (provincial English-language educational) Radio-Québec (provincial French-language educational)

* The CBC operates 31 television stations -- 18 in English and 13 in French

* Private broadcasters operate 83 stations which originate programming -- 69 in English and 14 in French.

* Associated with these stations are additional rebroadcasting transmitters which further extend the service to Canadians.

* About 99% of all English-speaking Canadians can receive the CBC English Television Service and the CTV Television Network Service.

* About 99% of all French-speaking Canadians can receive the CBC French Television Service. About 85% of all French-speaking Canadians can receive the TVA Television Service.

* There is one over the air community tv station in St. Jerome, Quebec.

* Community channels provided by cable operators are available to about 99% of cable tv subscribers nationwide. In addition, there are 39 community television societies in Quebec providing additional community programming via cable (30 funded by the Quebec government).

* There are but three national television networks -- CBC English and French, which achieve national coverage through a combination of stations owned by the CBC and by affiliation arrangements with private stations; and CTV, affiliated with private stations exclusively.

* TVA and Quatre Saisons reach most of Quebec using affiliates.

WHAT SERVICES DO PEOPLE GET?

Pay Television Services
in descending order of number of subscribers

Canadian Services		American Services (5 channels max.)	
MuchMusic/MusiquePlus	1,060,000	The Nashville Network	523,000
The Sports Network	1,039,000	Cable News Network (CNN)	492,000
First Choice*Superchannel	672,000	Arts and Entertainment Net.	475,000
Super Ecran	147,000	CNN Headline News	295,000
Telelatino	121,000	The Financial News Network	196,000
Cathay	11,000	The Country Music Channel	156,000
Chinavision	N/A	The Learning Channel	157,000

* Canadian discretionary services arrived in 1983 with the movie channels. The music channel and the sports channel arrived a year later, along with the American services.

* These services are non-regulated as to price; therefore, pricing schemes and packages will differ from one cable company to the next.

* The CRTC licenses the Canadian services, and permits the carriage of non-competitive, U.S. services. The availability of up to five U.S. services is linked to a subscriber also taking at least one Canadian service.

* The national services are distributed by satellite to cable operators. Most signals are now scrambled, to prevent individual reception without paying a subscription fee. Some of the Canadian and American services are available to individuals who own satellite receiving equipment.

WHAT SERVICES DO PEOPLE GET?

Other Satellite to Cable Television Services
(Not scrambled)

CBC House of Commons Channel (one in English, one in French)
The Atlantic Satellite Network (commercial broadcaster for Maritimes)
TVFQ-99 (Quebec and New Brunswick)
TVJQ (Children's cable Channel in Quebec only)
TVO Française (provincial French service in Ontario only)
ACCESS Alberta (provincial broadcaster in Alberta)
The Knowledge Network (provincial service from B.C.)

* Cable companies and individual satellite dish owners may receive any of the above services from Canadian satellites.

* Some services may be restricted to certain provinces, or to the Eastern or Western part of the country due to the particular satellite employed.

* None of the above services are scrambled.

WHAT SERVICES DO PEOPLE GET?

Other Satellite Television Services (Scrambled)

CANCOM Service:

Canadian Services	American Services
BCTV, Vancouver (CTV)	ABC Detroit (plus Seattle soon)
CITV, Edmonton (Indep.)	CBS Detroit
CHCH, Hamilton (Indep.)	NBC Detroit (plus Seattle soon)
CFTM, Montreal (TVA)	PBS Detroit

Plus nine commercial and two native radio stations

* CANCOM distributes other people's broadcasting signals to areas which would otherwise not receive them.

* CANCOM is essentially a wholesaler, marketing its signals to distributors which then sell them to individual subscribers. However, CANCOM is also able to market to individual dish owners.

* Most people who receive the CANCOM signals obtain them from a local cable system, or from scrambled over-the-air transmitters which operate in much the same way as a cable company.

* Using CANCOM signals, it is now possible to profitably serve areas of population as low as 100 -- a previously uneconomic size

* CANCOM currently provides service to 1.25 million households.

* CANCOM program offerings include only one Francophone signal and this is not meeting the need for French-language signals in remote areas of Quebec and in other isolated Francophone communities throughout Canada.

II. OVERVIEW OF TELEVISION SERVICES

2. How do people get these services?

HOW DO THEY GET THESE SERVICES?

* **6 in 10 Canadians get their television services from a cable television company**
* **that means that 4 in 10 Canadians receive their television using some sort of antenna**
* **cable television is able to provide more programming services that a person with an antenna can receive**

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* Cable television is the preferred method of receiving television in Canadian homes. About 5.6 million Canadian homes receive their television programming using cable.
* Cable usually offers a superior signal to that which may be obtained using individual outdoor antenna. Indeed, many of the signals may not be receivable at all by an individual, because cable will be importing them from some distant reception point.
* Cable also has the ability to distribute additional services, such as "pay" television services (for an additional fee), and non-programming services (such as home shopping services).
* As well, most cable systems operate a community channel where local groups may have access to television broadcasting facilities for the community.
* Let's explore in greater detail the various ways Canadians may receive tv programming into their homes.

METHODS OF RECEIVING TV SIGNALS

1. Over the-air with indoor antenna ("rabbit ears") or outdoor antenna

2. Cable Television

3. Directly via Satellite

* There are three ways by which television signals can be received in the home...

OVER-THE-AIR RECEPTION

[DIAGRAM I]

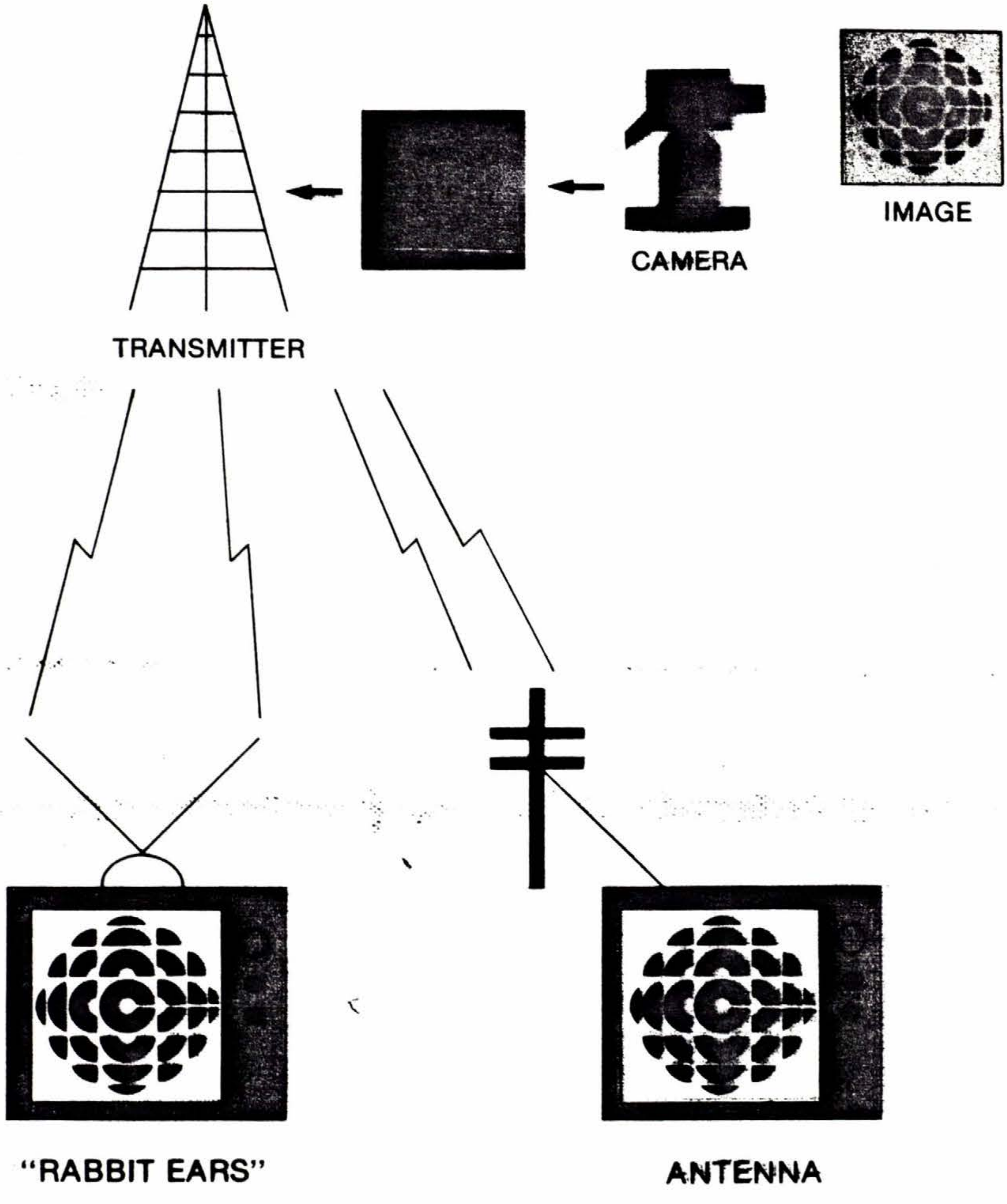
* A TV set which is not hooked up to cable can receive only those signals available over-the-air by "rabbit ears" mounted on the TV or by outdoor antenna.

* These signals normally come from within or nearby the community.

* In 1968, approximately 87% of Canadian television viewers received their signals this way.

* Now, only about 38% of Canadians rely on over-the-air reception.

OVER-THE-AIR RECEPTION



CABLE TV RECEPTION

[DIAGRAM II]

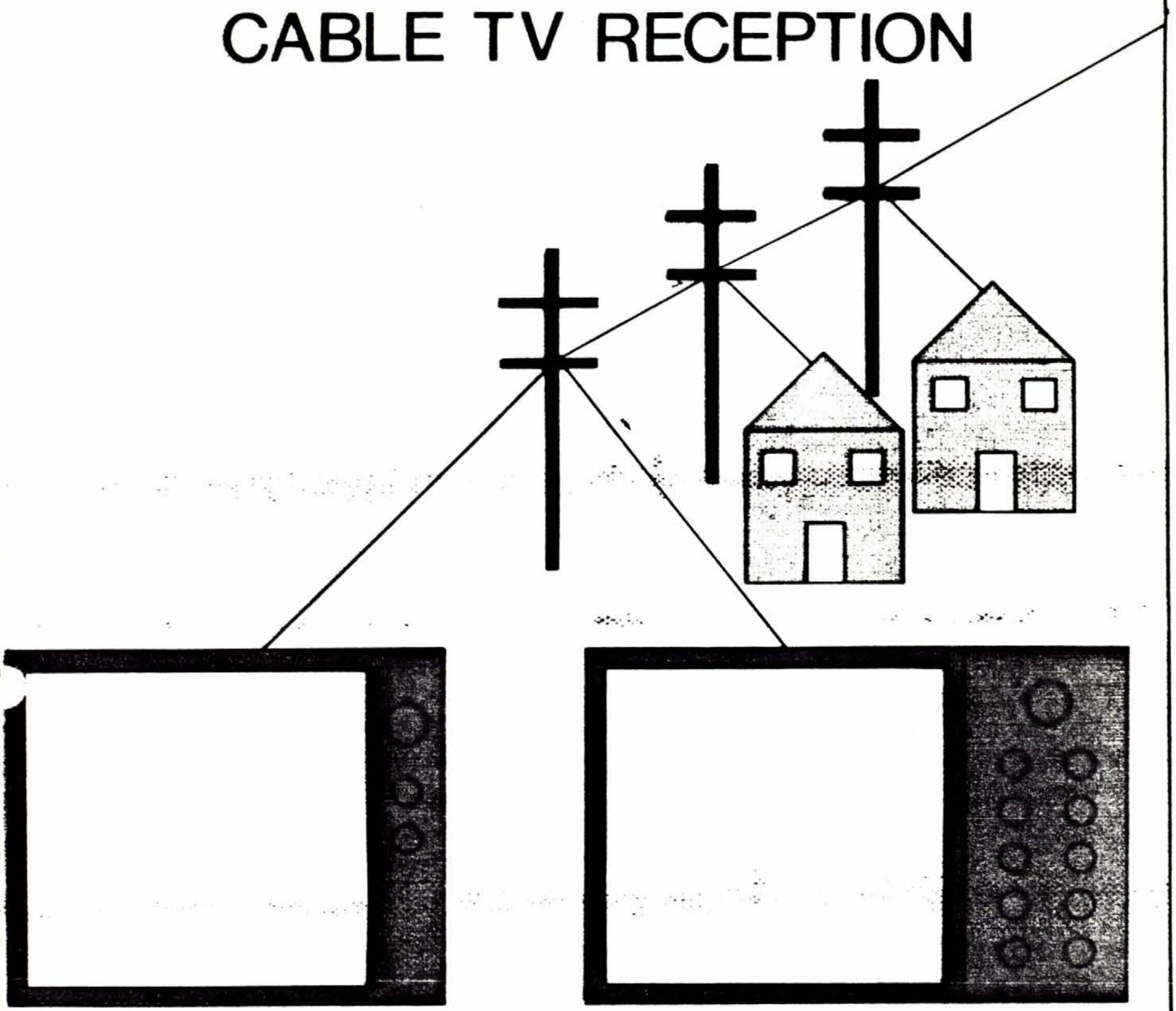
* Today, most Canadians--62%--receive television signals by cable, which is available to 80% of Canadian households.

* Cable provides subscribers with a greater number of signals than is usually receivable over-the-air.

* Cable television signals can be received with or without a converter. Without a converter, the cable subscriber can receive only cable channels 2-13.

* However, with a converter--which is built in to most new TV sets--the number of receivable signals is increased, to a maximum of 60. Thus, a converter multiplies the number of signals a television set can receive.

CABLE TV RECEPTION



NO CONVERTER

ONLY CABLE CHANNELS 2-13
ARE RECEIVABLE

CONVERTER

FROM 14 - 60 CABLE CHANNELS
RECEIVABLE

FOUR MAIN ELEMENTS IN THE CABLE TELEVISION PROCESS

A. Source of Signals--how the cable system acquires signals

B. Signal Processing--preparing the signals for distribution by cable

C. Distribution

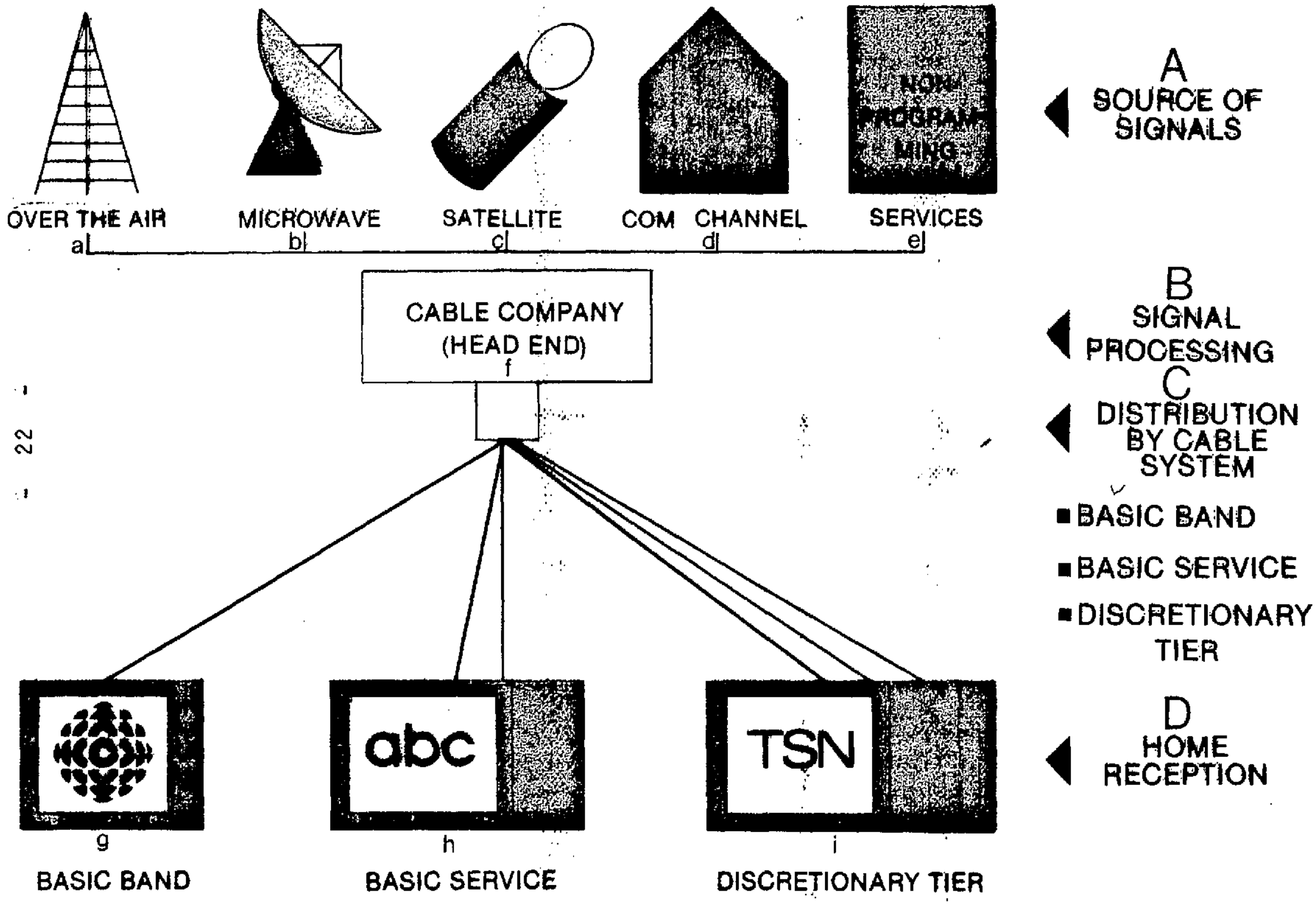
D. Home Reception

* Cable television systems receive radio and television signals from many sources and redistribute these signals to households by means of a cable capable of carrying up to 60 different signals simultaneously.

* In addition to broadcasting signals, cable systems also distribute non-broadcast signals, generally termed non-programming services.

* There are four main elements in the cable television process...

CABLE TELEVISION PROCESS



SOURCE OF SIGNALS REDISTRIBUTED BY CABLE SYSTEMS

[DIAGRAM III]

[Figure (a) - (f)]

* Broadcasting signals are received by the cable system in three ways:

* [a] Local and regional signals are received over-the-air by conventional television antenna

* More distant signals are received either by [b] microwave or by [c] satellite.

* Many cable systems also provide a [d] community programming channel and a number of [e] non-programming services.

* These signals are received at the head end [figure (f)] where their quality is enhanced, and are then distributed to subscribing households.

DISTRIBUTION OF SIGNALS BY THE CABLE SYSTEM

[DIAGRAM III]

[Figure numbers (1) - (3)]

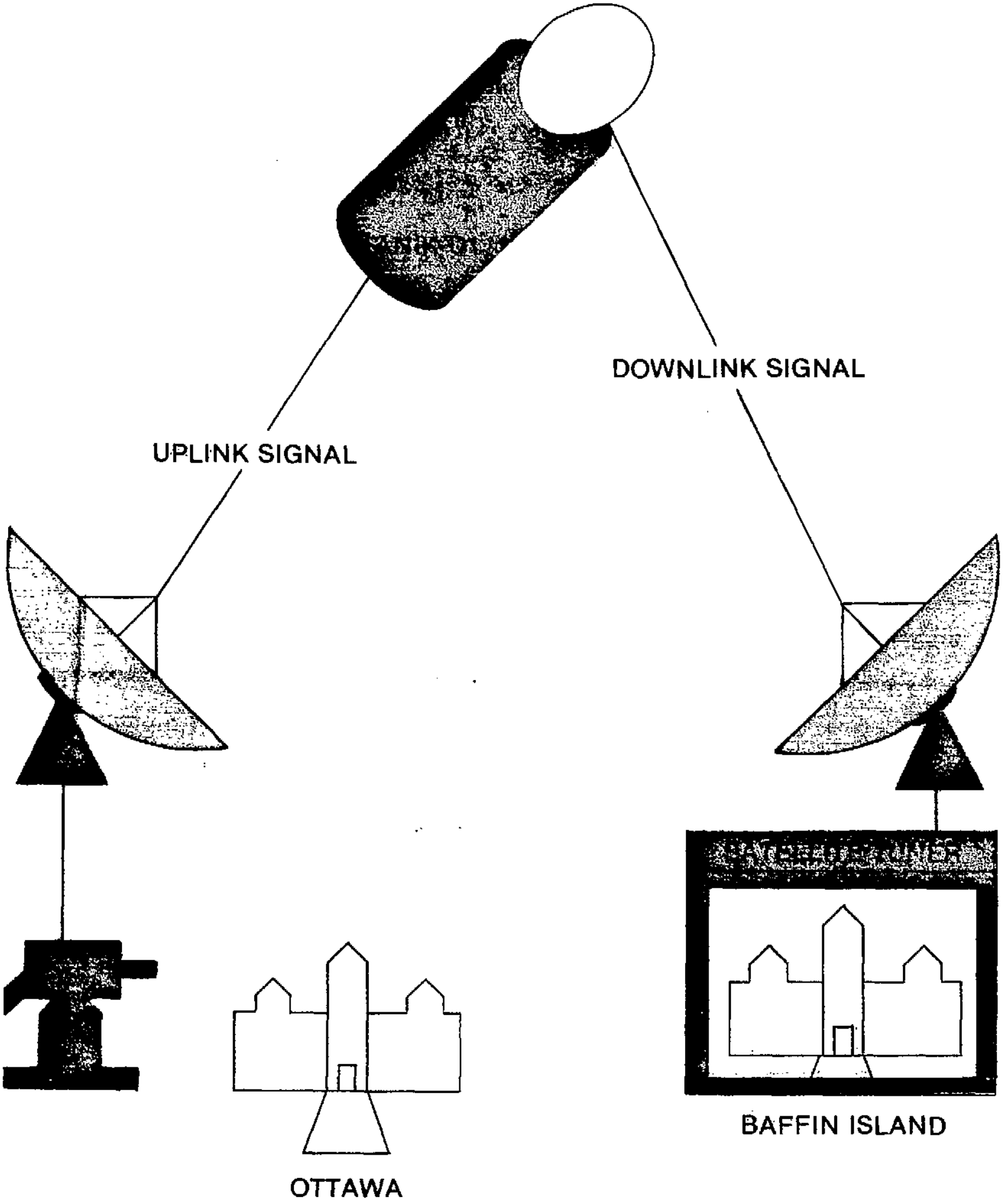
* A cable system distributes three separate groupings or packages of television stations: [1] the basic band, [2] the basic service, and [3] the discretionary tier(s).

* [1] The basic band consists of all stations distributed by the cable system along cable channels 2-13. One of these channels is usually assigned to the community channel.

* [2] The basic service consists of the basic band plus additional signals distributed by cable systems along cable channels 14 and above. A converter is required to receive these signals and so these additional services are often collectively referred to as "converter basic" services. The basic band signals and additional converter signals are all included in a single basic subscription fee, which currently averages about $10.00 per month in Canada.

* [3] The discretionary tier consists of signals for which the cable subscriber must pay extra and are therefore, scrambled. Thus, a decoder is required to receive signals on the discretionary tier. It is rented from the cable company.

SATELLITE RECEPTION



RECEIVING SIGNALS DIRECTLY VIA SATELLITE

[DIAGRAM IV]

* Canadians who live in areas where there is no cable television service and where over-the-air reception is limited, have begun using satellite dishes to receive television services which use satellites to distribute their signals. It is estimated by the Satellite Communications Association of Canada, an association of satellite dish dealers and owners, that there are some 200,000 Canadians who own a satellite dish.

* Some of these services are scrambled and individuals must obtain authorization from the service provider to descramble their signals, which usually includes payment of a fee.

* Other services, for example the House of Commons Channel which is distributed by the CBC to cable companies, are not scrambled and can be received by individual dish owners.

* Canadian Satellite Communications--CANCOM--which brings four Canadian and four American television stations to small cable systems in remote communities via satellite, also sells its service directly to approximately 3,000 individuals.

II. OVERVIEW OF TELEVISION SERVICES

3. Case Studies

A number of different sized communities from different parts of the country have been chosen as case studies to illustrate how individual Canadians actually receive television services in their homes.

CASE STUDIES

The diversity of the broadcasting business is explored, by examining how it operates in five communities:

....Kingston, Ontario a medium size English language centre

....Vancouver, British Columbia a large English language centre

....Athabasca, Alberta a small CANCOM serviced centre

....Montreal, Quebec a large Francophone centre

....St.Felicien, Quebec a small Francophone centre

* This case study approach describes how the broadcasting system builds in technical complexity and expands the range of viewer choice.

* In 1968, most viewers received their television signals free over-the-air or with a roof top antenna. Only 500,000 households subscribed to cable.

* By 1985 there were over five and a half million cable subscribers, which means that 75% of those who could, chose and paid for this means of receiving television.

* Now, 78% of Canadians have access to more than 20 channels.

NOTE

The overhead transparencies for each community are a series of overlays.

e.g. illustration of over the air reception

overlay adds on basic cable

overlay adds on convertor

overlay adds on discretionary

At the end the overhead shows the whole array of services for someone who takes every thing on cable

CASE STUDY -- KINGSTON, ONTARIO

KINGSTON

OVER THE AIR

				CBC CKWS 11 KING	CTV CJOH 13 OTT	GLOBAL CIII 2 TOR					

ANTENNA

				CBC CBOT 4 OTT	NBC WSTM 3 SYR	CBS WWNY 7 WAT	ABC WIXT 9 SYR	PBS WNPE 16 WAT			

KINGSTON -- OVER-THE-AIR RECEPTION WITH "RABBIT EARS"

[Kingston Over-the-Air Slide]

* The Kingston viewer who has TV-mounted rabbit ears only--and this might include the financially struggling Queen's student in residence--is able to receive three television stations, all Canadian.

KINGSTON -- OVER-THE-AIR RECEPTION WITH OUTDOOR ANTENNA

[Kingston Over-the-Air Slide, with outdoor antenna overlay]

* With an outdoor antenna, the Kingston viewer can receive an additional Canadian station as well as four American stations.

* Thus, in Kingston, a total of eight television stations are receivable over-the-air.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

KINGSTON CABLE NET, KINGSTON, ONT.

BASIC BAND

2	3	4	5	6	7	8	9	10	11	12	13
TVO CICA 19 TOR	GLOBAL	CBC CBOT 4 OTT	NBC WSTM 3 SYR	CTV CJOH 13 OTT	CBS WWNY 7 WAT	SRC CBLFT 25 TOR	ABC WIXT 9 SYR	CBC CKWS 11 KING	BARKER CHAN NY	PBS WNPE 16 WAT	COMM CHAN
◇	○	○	○	○	○	○	○	○	▲	○	▲

DISCRETIONARY TIER (DECODER)

[illegible]	[illegible]	16	[illegible]	18	19	20	[illegible]	[illegible]	[illegible]	[illegible]	25
[illegible] PLUS	MUCH MUSIC	COUNTRY MUSIC US	NASH US	TELE LATINO	A&E US	HEADLINE NEWS	CNN US	[illegible] US	[illegible] LIST	TSN	FIRST CHOICE
◇	◇	◇	◇	▲	◇	◇	◇	◇	◇	◇	◇

BASIC SERVICE (CONVERTER)

26	27	28	29	30	31	32	33	34	35	36	
STOCK LIST	BROAD CAST NEWS	WEATHER	ADS	REAL ESTATE		CBS WTVH 5 SYR	ABC WVTR 20 UTICA WVTR	TVO FRAN-CAISE	ONT LEG	CBC HOUSE OF COMMONS	
▲	▲	▲	▲	▲		○	○	◇	◇	◇	

○ OVER THE AIR ■ MICROWAVES ◇ SATELLITE ▲ CABLE

KINGSTON -- CABLE TELEVISION SERVICE: BASIC BAND

[Kingston Cable Slide]

* Cable Service is provided in Kingston by Kingston Cablenet. It--and eight other cable systems across Canada--is owned by Cablenet Limited of Toronto, itself a wholly-owned subsidiary of Agra Industries Limited of Saskatoon.

* Of Kingston households passed by cable, 92% actually do subscribe. As this slide illustrates, Kingston Cablenet provides on the basic band, for $8.20 per month, all English language Canadian network services, with the CBC available from two sources, and all four U.S. networks, including PBS.

* Basic band also includes four signals not otherwise available to the antenna-owner. These are: the French-language CBC service; the Ontario educational service, TV Ontario; and, two cable-originated channels--the community channel and the "Cable Showcase" channel, which is a summary of some of the programming and non-programming services available on cable that day.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

**KINGSTON -- CABLE TELEVISION SERVICE:
BASIC SERVICE (CONVERTER)**

[Kingston Cable Slide--with converter service overlay]

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* For the same price, those subscribers with a converter can also receive: the House of Commons channel; the Ontario Legislature channel; the TV Ontario French-language service, La Chaîne Française; two additional U.S. stations; and, five non-programming channels.

* Among the non-programming services are two advertising services, a general classified ad service, and a more specific service for real estate and automobiles. These services are permitted and are unregulated in accordance with the new cable regulations promulgated last August.

* Therefore, whereas the Kingston resident with a regular outdoor antenna can receive eight television stations, the cable subscriber, with a converter, can receive an additional 14 channels.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

KINGSTON -- CABLE TELEVISION SERVICE:
DISCRETIONARY TIER (DECODER)

[Kingston Cable Slide--<u>with discretionary tier service overlay</u>]

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* Another eleven discretionary services are available to subscribers for just an additional $1.75 per month. Kingston Cablenet is one of a few Canadian cable systems which offer a large number of discretionary services in a single, low-priced package, although the package does not include The Sports Network or the premium pay-TV movie service, First Choice. The eleven services are available only in this package; they are available no other way.

* This is called negative option marketing of discretionary services. If the subscriber does not wish to receive these services, he or she must inform Kingston Cablenet, which will block distribution of them to the household. Otherwise, Kingston Cablenet automatically distributes these services in unscrambled form and bills subscribers accordingly. Approximately 75% of cable subscribers in Kingston take these services.

* The Sports Network is available for an additional $6.75 per month, and another 3% of subscribers take TSN with the other eleven services. Everything Kingston Cablenet offers--that is, the basic band signals, plus the converter signals, plus all the discretionary services including TSN and the English language movie channel, First Choice, are available for $25.95 per month, and a further 14% of Kingston Cablenet's subscribers choose this package. First Choice and TSN are not available on their own.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

CASE STUDY -- VANCOUVER, B.C.

VANCOUVER

OVER THE AIR

				CBC CBUT 2 VAN	CTV CHAN 8 VAN	IND CKVU 10 VAN	SRC CBUFT 26 VAN				

ANTENNA

			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			

VANCOUVER -- OVER-THE-AIR RECEPTION WITH "RABBIT EARS"

[Vancouver Over-the-Air Slide]

* The Vancouver viewer who has TV-mounted rabbit ears only is able to receive three Canadian television stations, all originating in Vancouver.

VANCOUVER -- OVER-THE-AIR RECEPTION WITH OUTDOOR ANTENNA

[Vancouver Over-the-Air Slide, <u>with outdoor antenna overlay</u>]

* With an outdoor antenna, the Vancouver viewer can receive two additional Canadian stations, and an independent U.S. station located in Bellingham, Washington, which exists solely because of the Vancouver audience.

* Thus, in Vancouver, a total of six television stations are receivable over-the-air.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

ROGERS CABLE TV, VANCOUVER, B.C.

BASIC BAND

2	3	4	5	6	7	8	9	10	11	12	13
KNE ◇	CBC CBUT 2 VAN ○ ▲	COMM CHAN ▲	NBC KING 5 STL ○ ■	CTV CHEK 6 VIC ○	SRC CBUFT 26 VAN ○	CBS KIRO 7 STL ○ ■	PBS KCTS 9 STL ○ ■	ABC KOMO 4 STL ○ ■	CTV CHAN 8 VAN ○	IND KVOS 12 WASH ○	IND CKVU 10 VAN ○

BASIC SERVICE (CONVERTER)

14	15	16	17	18	19	20	21	22	23	24	25
CABLE MAG ▲	CBS KIRO 7 STL ○ ■	NEWS CABLE ◇	KCPQ 13 WASH ■	KNE ◇	STOCK LIST ▲	IND KSTW 11 TAC ○ ■	FNN US ◇	A&E US ◇	CATHAY ▲	SUPER CHAN ◇	CABLE MAG ▲

DISCRETIONARY TIER (DECODER)

26	27	28	29	30	31	32	33	34	35	36	
TSN ◇	MUCH MUSIC ◇	NASH US ◇	NEWS US ◇	CNN US ◇	AAD ▲	CHINA VISION ▲					

○ OVER THE AIR ■ MICROWAVES ◇ SATELLITE ▲ CABLE

**VANCOUVER -- CABLE TELEVISION SERVICE:
BASIC BAND**

[Vancouver Cable Slide]

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* The metropolitan Vancouver area is served by eight individual cable systems. Rogers Cablevision Limited, which serves the central Vancouver area, is the largest, with a 58% share of all cable subscribers in greater Vancouver.

* The basic monthly subscription is $10.35. On the Rogers basic band, there are five Canadian television stations available, including CTV from both Vancouver and Victoria. There is also the B.C. satellite-to-cable educational channel, the Knowledge Network, and the cable company's community channel.

* In addition, five U.S. stations are provided on the basic band.

* Four of the U.S. stations, the B.C. Knowledge Network, and, of course, the community channel can only be received with cable, so that the basic band provides twice as many signals--12--as are available over-the-air in Vancouver.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

VANCOUVER -- CABLE TELEVISION SERVICE: BASIC SERVICE (CONVERTER)

[Vancouver Cable Slide--with converter service overlay]

* In addition, those subscribers with a converter can also receive, for the same price: the House of Commons Channel and the Broadcast News text cable service when Parliament is not sitting; two additional, independent, stations from the U.S.; and, a number of non-programming services.

* Rogers also duplicates some basic band signals on the converter service because their signal quality is impaired on the basic band.

* Thus, the cable subscriber with a converter has access to eight more services than the subscriber who does not have a converter.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

VANCOUVER CABLE TELEVISION SERVICE: DISCRETIONARY TIER (DECODER)

[Vancouver Cable Slide--with discretionary tier service overlay]

* In addition, for those subscribers with a decoder, ten discretionary services are available, five Canadian and five American. Rogers Cable TV Vancouver provides all these services, including the western Canada pay-TV movie service, Superchannel, in a single package for $20.95 per month. Without Superchannel, the same package is available for $10.95 per month.

* Two of the discretionary services, Cathay and Chinavision, are ethnic services. Cathay is licensed by the CRTC as a multicultural regional service, but broadcasts almost solely Chinese programming and in a sense, competes for subscribers with Chinavision which is a national Chinese-language discretionary service. The monthly subscription rate for these specialty services is high: $21.95 per month for Cathay and $20.00 per month for Chinavision. About 8,500 Rogers subscribers subscribe to Cathay, while Chinavision, which Rogers just began carrying on May 1 of this year, has already garnered 2,200 subscribers.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are also depicted on the corresponding transparency slide.]

CASE STUDY -- ATHABASCA, ALBERTA

NORTHERN CABLEVISION LIMITED
ATHABASCA, ALBERTA

OVER THE AIR

				CTV CFRN 3 EDM	CBC CBXT 5 EDM	IND CITV 13 EDM					

BASIC BAND

2	3	4	5	6	7	8	9	10	11	12	13
IND CITV 13 EDM ○	CTV CFRN 3 EDM ○	CTV CHAN 8 VAN ◇	CBC CBXT 5 EDM ○	SUPER CHAN [illegible]	COMM CHAN CANCOM ▲		CHCH 11 HAMTL CANCOM ◇	ABC WXYZ 7 DET ◇	SRC CBXFT 5 EDM ◇	[illegible] ◇	ACCESS ALTA ◇

DISCRETIONARY TIER (DECODER)

14	15	16	17	18	19	20	21				
		[illegible] ◇	[illegible] ◇				[illegible] US ◇				

○ OVER THE AIR ■ MICROWAVES ◇ SATELLITE ▲ CABLE

ATHABASCA, ALBERTA -- OVER-THE-AIR RECEPTION

[Athabasca Over-the-Air Slide]

* Athabasca is a small community almost right in the middle of Alberta, approximately 90 miles due north of Edmonton.

* In Athabasca, whether the TV viewer has rabbit ears or an outdoor antenna, there are only three television stations available over-the-air. These stations are the CTV and CBC from Edmonton, as well as the Edmonton independent station, CITV.

* [Station call letters, frequency, network affiliation, cable channel number and location of station are provided on the transparency slide. For cable, non-programming and discretionary services are aslo depicted on the corresponding transparency slide.]

ATHABASCA, ALBERTA -- CABLE TELEVISION SERVICE

[Athabasca Over-the-Air Slide, with cable overlay]

* Northern Cablevision Limited provides cable service to 591 subscribers in Athabasca for a basic rate of $17.00 per month.

* On the basic band, as well as the three Canadian stations which are available over-the-air, two additional Canadian stations and one American station are available. These three stations are delivered to the cable system by Canadian Satellite Communications or CANCOM, a private company which distributes Canadian and U.S. television stations to cable companies in remote and underserved communities, such as Athabasca.

* In addition, the basic band carries: the CBC French-language station from Edmonton; the Alberta educational channel, ACCESS Alberta; and, the cable system's community channel.

* As well, unlike urban cable systems which have a different set of regulations to follow, Northern Cablevision Limited provides the Canadian specialty music service, MuchMusic, on the basic band for no additional fee. Urban systems are required to provide MuchMusic only as a discretionary service.

* Thus, in Athabasca, the cable subscriber can receive more than three times the number of services than the antenna-owner can receive. For an extra charge, the cable viewer also has access to two Canadian and two American discretionary services. You will note, by the way, that there are no converter channels provided in addition to the basic band signals. This is because of the remote location of the town, its small population, the size of the Athabasca system, and its limited channel capacity.

CASE STUDY -- MONTRÉAL (QUÉBEC)

MONTREAL

OVER THE AIR

			SRC CBFT 2 MTL	TQS CJFP MTL	TVA CFTM 10 MTL	R.Q. CIVM 17 MTL	CBC CBMT 6 MTL	CTV CFCF 12 MTL			

ANTENNA

			SRC CKSH 9 SHERB	TVA CHLT 7 SHERB	PBS WEKT 33 VER	CBS WCAX 3 BURL	NBC WPTZ 5 PLAT	ABC WVNY 22 BURL			

MONTRÉAL (QUÉBEC) -- OVER-THE-AIR RECEPTION
with "rabbit ears"

[Montréal Over-the-Air Slide]

* 4 French-language Canadian services (SRC, TQS, TVA, R.-Q.)
* 2 English-language Canadian services (CBC and CTV)
* In Montréal, a total of six televisions stations are receivable with "rabbit ears"

MONTRÉAL (QUÉBEC) -- OVER-THE-AIR RECEPTION
with an outdoor antenna only

[Montréal with an outdoor antenna]

* With an outdoor antenna, the viewer can receive in addition:

  2 French-language Canadian services (SRC and TVA from Sherbrooke)

  4 American services (PBS, CBS, NBC and ABC)

* Thus, in Montréal, a total of 12 stations are receivable over-the-air (outdoor antenna)

VIDEOTRON, MONTREAL

BASIC BAND

2	3	4	5	6	7	8	9	10	11	12	13
METEO	CBS WCAX 3 BURL	SRC CBFT MTL	TQS CJFP MTL	TELE ACHAT	TVA CFTM 10 MTL	RQ CIVM 17 MTL	CANAL COMM	TELE GUIDE	CTV CFCF 12 MTL	ANN ILLUS	CBC CBMT 6 MTL
◇	○	○	○	◇	○	○	▲	▲	○	▲	○

BASIC SERVICE (CONVERTER)

14	15	16	17	18	19	20	21	22	23	24	25
PBS WETQ 33 VER	SRC CKSH 9 SHER	NBC WPTZ 5 PLAT	TELE-IMMEUBLE	ECRAN SABLIER	INFO-VISION TELE-VOY ASS NAT	TVA CHLT 7 SHERB	CTV CJOH 8 OTT	ABC WVNY 22 BURL	CFTU-TV MTL	LES ETHNIES	TVSQ
○	○	○	▲	▲	◇	○	○	○	◇	▲	▲

DISCRETIONARY TIER (DECODER)

26	27	28	29	30	31	32	33	34	35	36	
TVJQ	TVO CICO 24	TELE-GUICHET OFFRE D'EMPLOI	ABC WMTV 8 BURL	TVFQ 99	HORO-SCOPE BOURSE COMMUNES	SUPER ECRAN	FIRST CHOICE	TSN	CNN	MUS PLUS	
▲	○	▲	○	◇	▲◇	◇	◇	◇	◇	◇	

○ OVER THE AIR ■ MICROWAVES ◇ SATELLITE ▲ CABLE

- 54 -

MONTRÉAL - VIDÉOTRON
BASIC BAND

DIAGRAM

* Cable Services are provided in Montréal by Vidéotron and CF Cable

* Vidéotron provides on the basic band:

  4 French-language Canadian services

  2 English-language Canadian services

  1 American service

  4 Non-programming services

  1 Community channel

* $13.66 monthly and $40.00 for installation

MONTRÉAL - VIDÉOTRON
BASIC SERVICE

DIAGRAM

* Those subscribers with a converter can also receive:

2 French-language Canadian services

2 English-language Canadian services

4 American services

9 Non-programming services

6 Specialty services (Assemblée nationale, CFTU-TV, TVSQ, TVJQ, TVFQ 99, House of Commons)

1 Community channel

MONTRÉAL - VIDÉOTRON
DISCRETIONARY TIER

DIAGRAM

* 2 French-language Canadian services
* 3 English-language Canadian service
* 1 American service
* Fees:
  1: Super Écran, TSN,
     MuchMusic, MusiquePlus (same channel):
     $15.95

  2: First Choice, TSN,
     MuchMusic, MusiquePlus:
     $15.95

  3: 1 or 2, + $1.00 = CNN

  4: CNN, MuchMusic,
     MusiquePlus, TSN: $6.95

  5: Full (-CNN)= $27.90

  6: Full (+CNN)= $28.90

CASE STUDY -- ST-FÉLICIEN (QUÉBEC)

ST. FÉLICIEN, QUEBEC

OVER THE AIR

				SRC CKRS 12 JON	TQS [illegible] CHI	TVA CJPM CHI	RQ CIVV 8 CHI				

BASIC BAND

2	3	4	5	6	7	8	9	10	11	12	13
COMM ▲	CBC CKRS 12 JON ○	NBC WPTZ 5 PLATT ■	TVFQ 99 ◇	TVA CJPM CHI ○	CFRS CHI ○	SRC CBFT 2 MTL ◇	ABC WVNY BURL ■	TVJQ MUS PLUS ◇	RQ CIVV 8 CHI ○	CBC CBMT 6 MTL ◇	CTV CFCF 12 MTL ■

DISCRETIONARY TIER (DECODER)

14	15	16	17	18	19	20	21				
				SUPER ECRAN ◇	MUCH MUSIC ◇		TSN ◇				

○ OVER THE AIR ■ MICROWAVES ◇ SATELLITE ▲ CABLE

ST-FÉLICIEN (QUÉBEC) -- OVER-THE-AIR RECEPTION with "rabbit ears"

[St-Félicien Over-the-Air Slide]

* (approximately 150 M. north of Québec City)
* 4 French-language Canadian services (SRC, TQS, TVA, R.-Q.)

* In St-Félicien, a total of 4 television stations are receivable with "rabbit ears"

ST-FÉLICIEN - GAGNON
BASIC BAND

DIAGRAM

* Cable Service is provided in St-Félicien by Gagnon T.V. Ltée.(a locally owned firm)

* $12.00 monthly, $30.00 installation

* Gagnon provides on the basic band:

    5 French-language Canadian services

    2 English-language Canadian services

    2 American services

    3 Specialty services (TVFQ 99, (TVJQ, MusiquePlus, on the same channel))

    1 Community channel

ST-FÉLICIEN - GAGNON
DISCRETIONARY TIER

DIAGRAM

* 1 French-language Canadian service
* 2 English-language Canadian services
* Super Écran, MuchMusic and TSN for $15.95

II. OVERVIEW OF TELEVISION SERVICES

4. Program (Availability and Viewing

The preceeding has shown what services are received and how they are received.

The following focuses on the programs which make up those services and on the viewing habits of Canadians.

PROGRAMMING — AVAILABILITY

EVENING VIEWING GUIDE
ENGLISH LANGUAGE TELEVISION

	CBC	CTV	GLOBAL (Independent)	TVO (Educational)	ABC	NBC	CBS	PBS
7:00	FACTS OF LIFE (NBC)	ENTERTAINMENT TONIGHT (SYND)	WHEEL OF FORTUNE (SYND)	DEAR AUNT AGNES (TVO)	GIMME A BREAK (SYND)	M*A*S*H (SYND)	WHEEL OF FORTUNE (SYND)	NIGHTLY BUSINESS REPORT
7:30	GOLDEN GIRLS (NBC)	LORNE GREENE'S NEW WILDERNESS (CTV)	JACKPOT (GLOBAL)	MAGIC SHADOWS (TVO)	TAXI (SYND)	$100,000 PYRAMID (SYND)	JEOPARDY! (SYND)	DOCTOR WHO (U.K.)
8:00	FIFTH ESTATE (CBC)	MATLOCK (NBC)	WHO'S THE BOSS (ABC)	NATIONAL GEOGRAPHIC SPECIAL	WHO'S THE BOSS	MATLOCK	SPIES	NOVA
8:30			GROWING PAINS (ABC)		GROWING PAINS			
9:00	SEEING THINGS (CBC)	MOONLIGHTING (ABC)	HILL STREET BLUES (NBC)	HEART OF THE HIGH COUNTRY (U.K.)	MOONLIGHTING	HILL STREET BLUES	MISS U.S.A. PAGEANT	FRONTLINE
9:30								
10:00	THE NATIONAL THE JOURNAL (CBC)	JACK AND MIKE (ABC)	ST. ELSEWHERE (NBC)	ACADEMY ON CANADIAN LITERATURE (TVO)	JACK AND MIKE	NBC NEWS SPECIAL		IN THE FACE OF TERRORISM
10:30				À VOUS LA FRANCE! (FRANCE)				

PROGRAMMING AVAILABILITY AND VIEWING

Insert chart of English Schedule
one-night's viewing choices

* all this choice of channels obviously provides a great deal of programming from which the average Canadian may choose

* in most parts of English-speaking Canada, programming choices on a typical night would look much like this.

* not that while there are an equal number of Canadian and American services available, the programming choices are predominantly foreign. This is because Canadian schedules include foreign material, while the American schedules are almost exclusively non-Canadian

PROGRAMMING — AVAILABILITY

EVENING VIEWING GUIDE
FRENCH LANGUAGE TELEVISION

	RC	RQ	TQS	TVA
19h00	L'agent fait le bonheur	Téléservice (18h30)	A communiquer (18h30)	Peau de banane
19h30	Poivre et sel	Questions d'argent	Les ennuis de Marie	L'or du temps
20h00	DES DAMES DE COEUR	L'univers de...six peintres actuels	AU COEUR DE L'ADVERSITE (2e)	Le destin d'une femme
20h30				
21h00	Le Parc des braves	Télédocuments/Les sorciers de la vie...		Dynastie
21h30	Décibels			
22h00	Nouvelles	Nova	Patrouille de nuit	Ad Lib
22h30	Le point (22h25)			

PROGRAMMING AVAILABILITY AND VIEWING

Insert chart of French Schedule
one-night's viewing choices

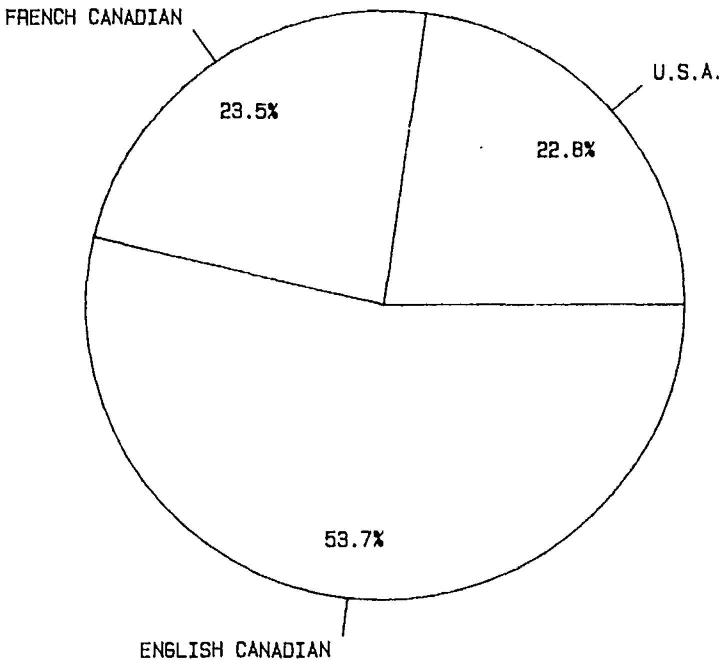
* in most parts of Quebec, the French-language programming choices on a typical night would look much like this.

* while there is considerably more Canadian programming than on the English schedule, one should remember that bilingual Canadians would also have access to most of the English language schedule as well.

PROGRAMMING -- AVAILABILITY AND VIEWING

SHARE OF VIEWING - 1986

TO TV STATIONS RECEIVED IN CANADA



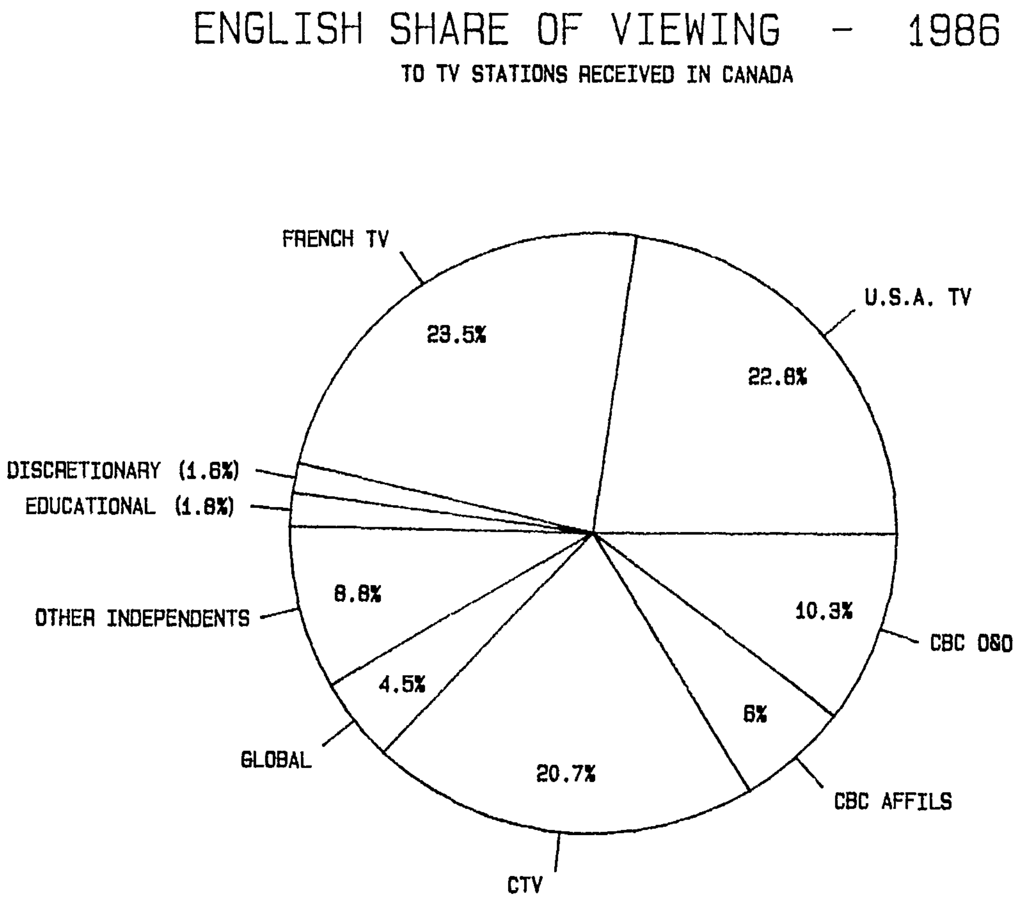
* In 1986, Canadian stations received 77% of all viewing in Canada.

* Stations broadcasting in English accounted for nearly 54% of all viewing.

* Stations broadcasting in French accounted for nearly 24% of viewing.

* American stations account for about 22% of all viewing in Canada.

PROGRAMMING -- AVAILABILITY AND VIEWING



* How does this viewing break down?

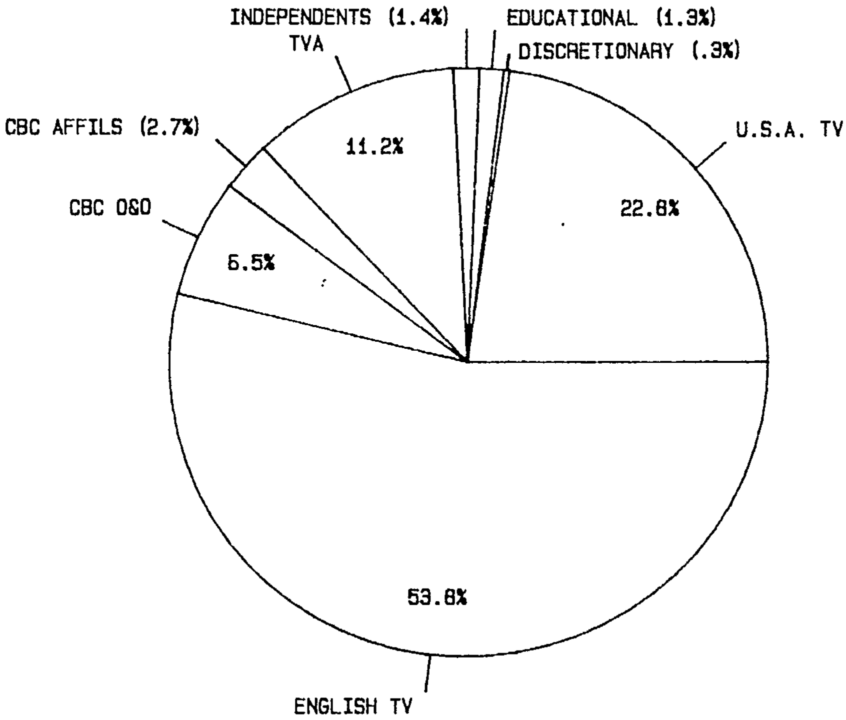
* In 1986, the private CTV network had the largest audience in of the English language Canadian stations, with about 22% of the total viewing in Canada, followed by the CBC at 18%.

* English-language independent stations were next (14%), followed by provincial services and pay television services, with just under 2% of the viewing each.

PROGRAMMING -- AVAILABILITY AND VIEWING

FRENCH SHARE OF VIEWING - 1986

TO TV STATIONS RECEIVED IN CANADA



* In 1986, the private TVA network had the largest audience of the French language Canadian stations, followed by Radio-Canada with about 9% Most of the independent station figure comes from Quatre Saisons, which had just commenced operation.

PROGRAMMING AVAILABILITY AND VIEWING

Hours viewed per week

* **The average Canadian watches 24.2 hours of tv a week**
  [Anglophones = 23.3 hours/week]
  [Francophones = 26.9 hours/week]

* **During the evening hours of 7-11 pm, the average Canadian watches 10.9 hours of tv each week.**
  [Anglophones = 10.6 hours/week]
  [Francophones = 11.9 hours/week]

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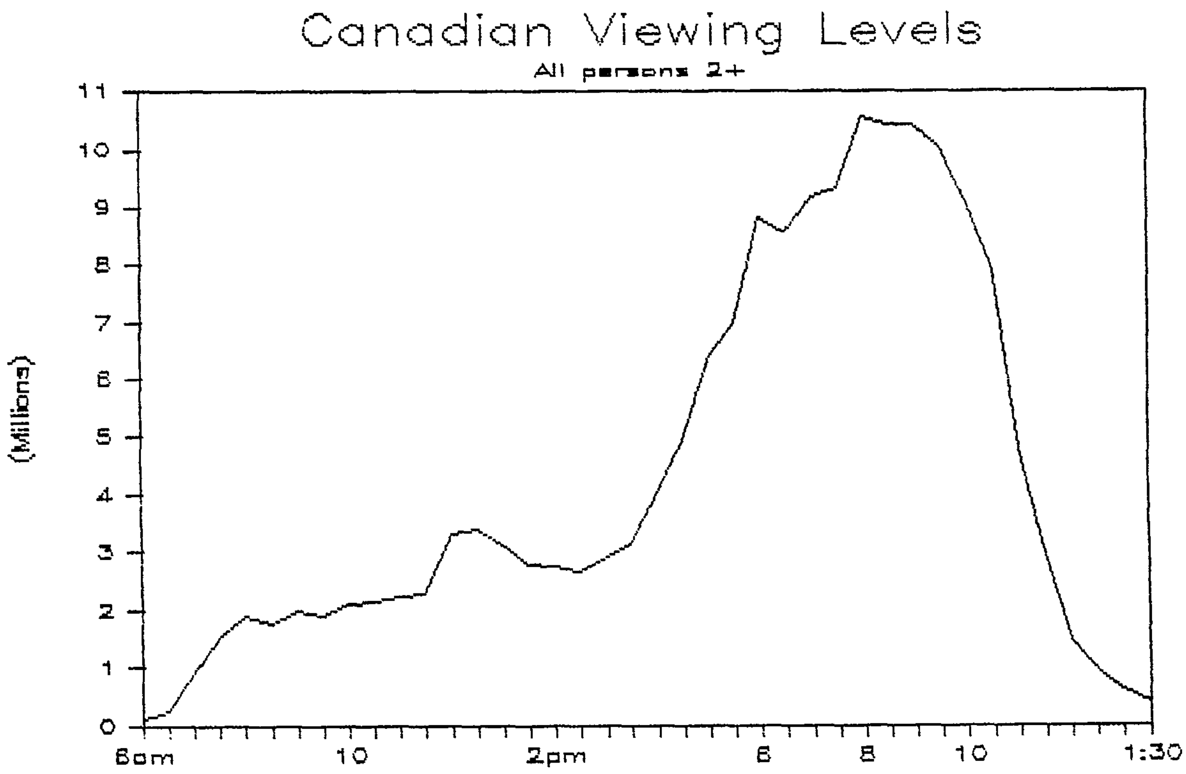
* The above statistics are a pointed reminder of the importance of television in the lives of the average Canadian.

* [These statistics are based upon the official language most often spoken in the home of each respondent.]

PROGRAMMING -- AVAILABILITY AND VIEWING



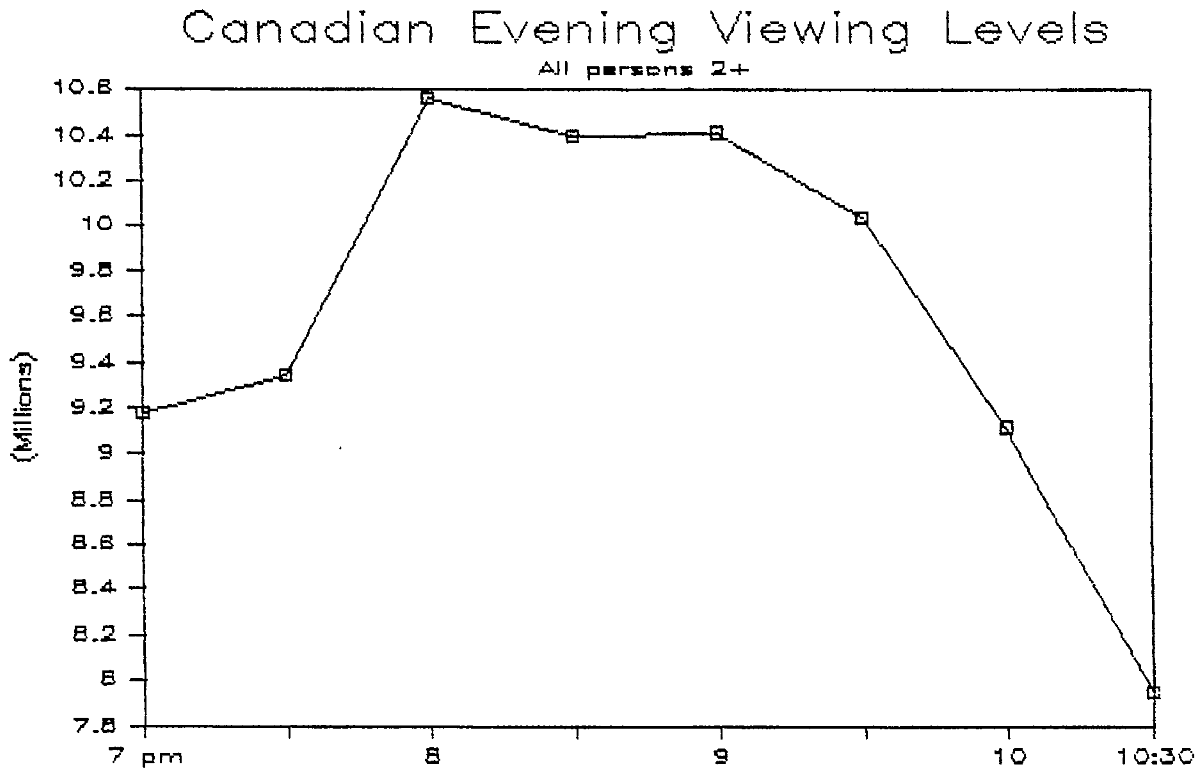
* Canadians spend more them with television than they do with any other leisure-time activity.

* During the typical day, the number of Canadians watching television ranges from a hundred thousand or less in the early morning and late evening, to nearly <u>11 million during the evening period.</u>

* This pattern in not unique to Canada. Every other western country has the same curve with audiences rising slowly throughout the day, and being at the maximum from just after the dinner hour until bedtime.

* Let's look at this evening time period in more detail ...

PROGRAMMING -- AVAILABILITY AND VIEWING



* In the evening hours of between 7 p.m. and 11 p.m., there are at least 8 million Canadians watching television at any time -- almost one in three.

* For most of this period, there are substantially more watching tv.

* In every half hour between 7 p.m. and 10:30 p.m., at least 9 million Canadians watch tv. And in the 4 half hours between 8 p.m. and 10 p.m., at least 10 million tune in.

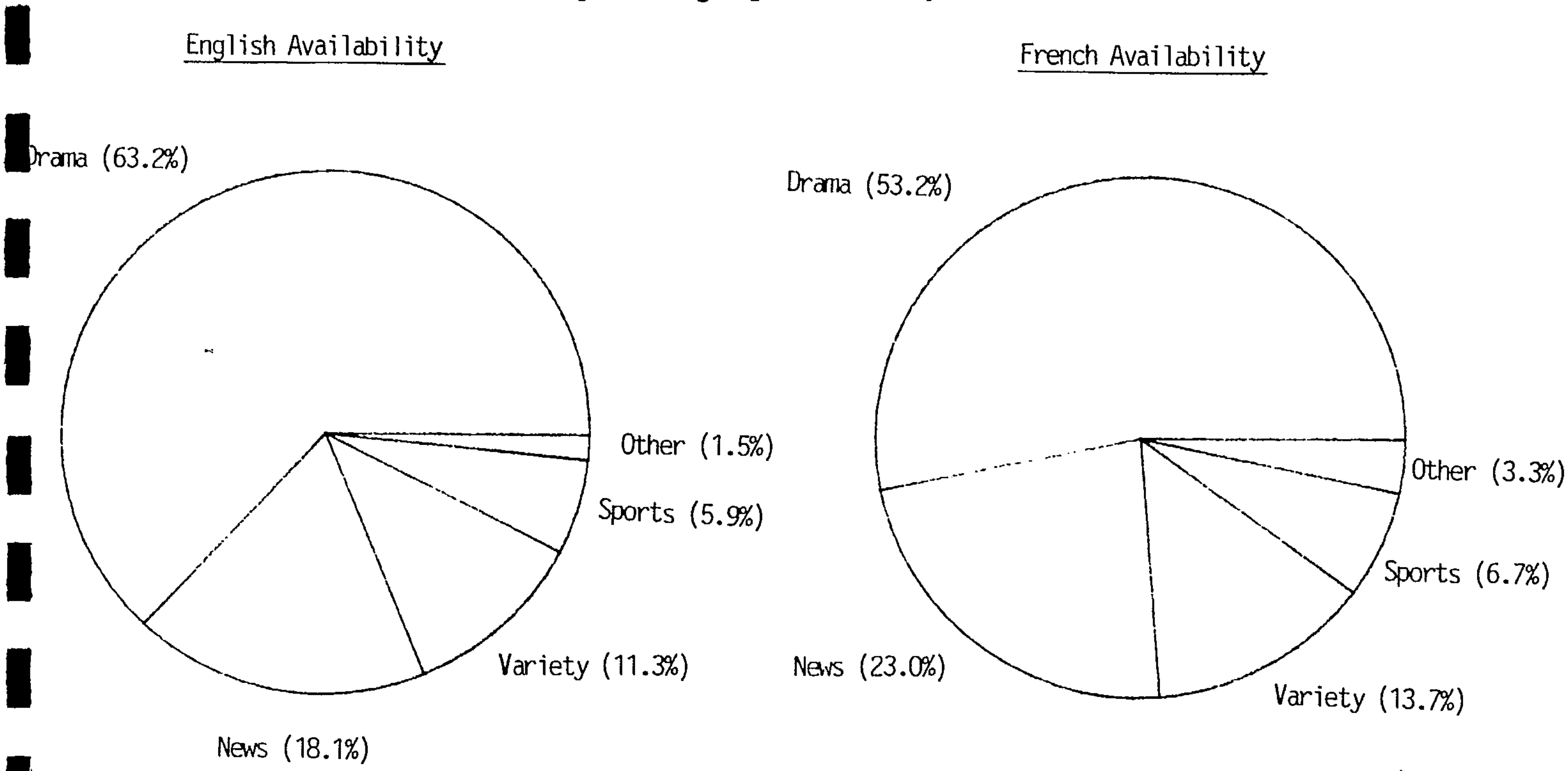
* This viewing level is sustatined **every night** throughout the autumn, winter, and spring. As summer approaches, viewing declines by about 25%-30% in July and August. But the curve remains the same -- maximum viewers in the evening.

* There are no significant viewing patterns one province to another, English to French, or one western country to another.

* Obviously, 7-11 pm is the critical time period; advertising rates are highest in this time period. Therefore, the rest of this presentation will focus on this 7 to 11 p.m. viewing period.

PROGRAMMING AVAILABILITY AND VIEWING

1986 AVAILABILITY OF PROGRAMMING
by category 7 - 11 p.m.



* The vast majority of this programming in English is universally available across the country -- that is, it is not unique or targetted to any particular region of the country.

* In English or in French, drama is the programming category most available. Drama accounts for 63.2% of all available programming in English, and 55.3% of all available programming in French.

* By drama, we include comedies, action, mysteries, suspense -- virtually anything with a plot, a single theme and a script.

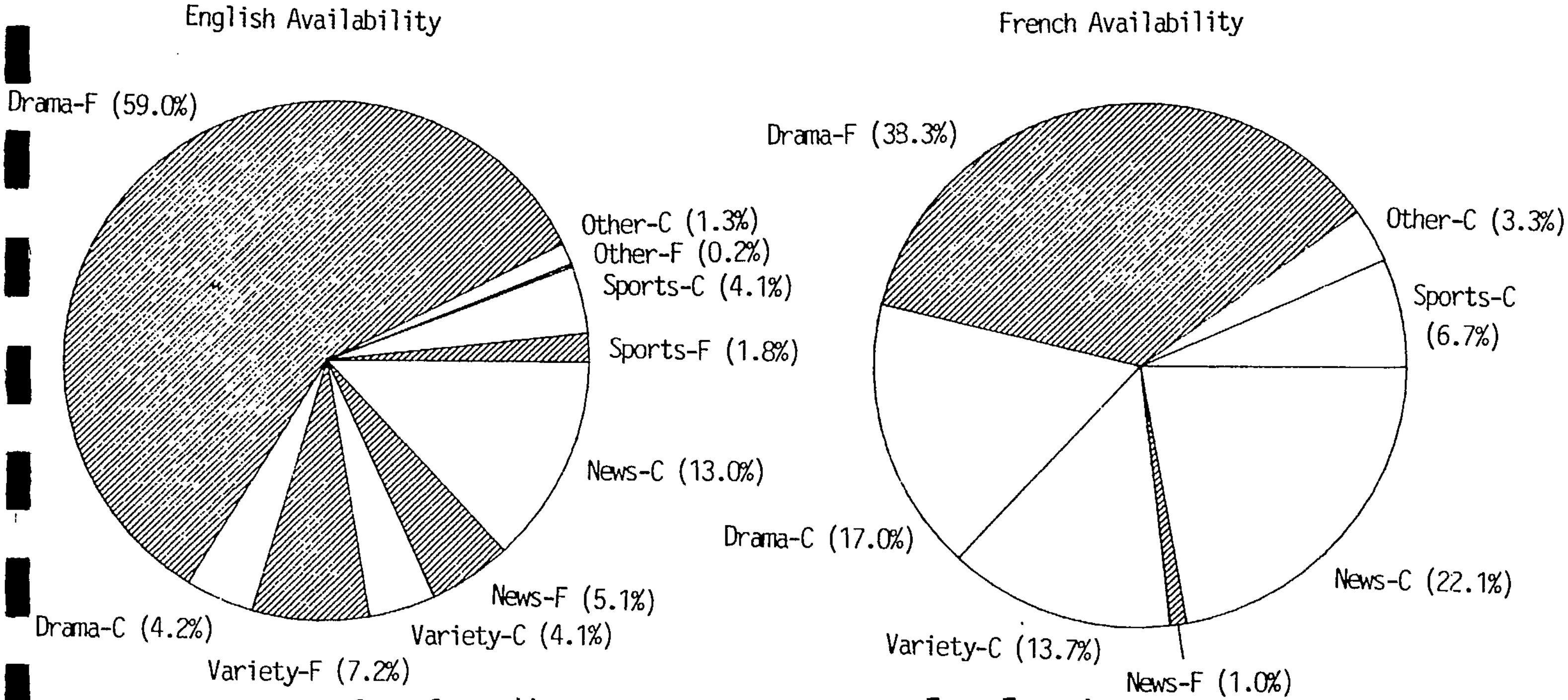
* Variety differs in that it may contain a number of scripted, but unrelated pieces within a single show. Most music programs, with comedy skits, interviews, etc., fall into category.

* News includes traditional newscasts, current affairs interviews, public affairs reporting and documentaries.

* Others includes religious programming, formal educational programs and unknown categories.

PROGRAMMING AVAILABILITY AND VIEWING

1986 AVAILABILITY OF PROGRAMMING
by category and country of production
7 - 11 p.m.



C = Canadian F = Foreign

* The previous chart shows that in these evening hours, Canadians overwhelming choose to watch drama. By drama, we mean comedies, action-adventure, mysteries -- most anything which has a plot and which is scripted.

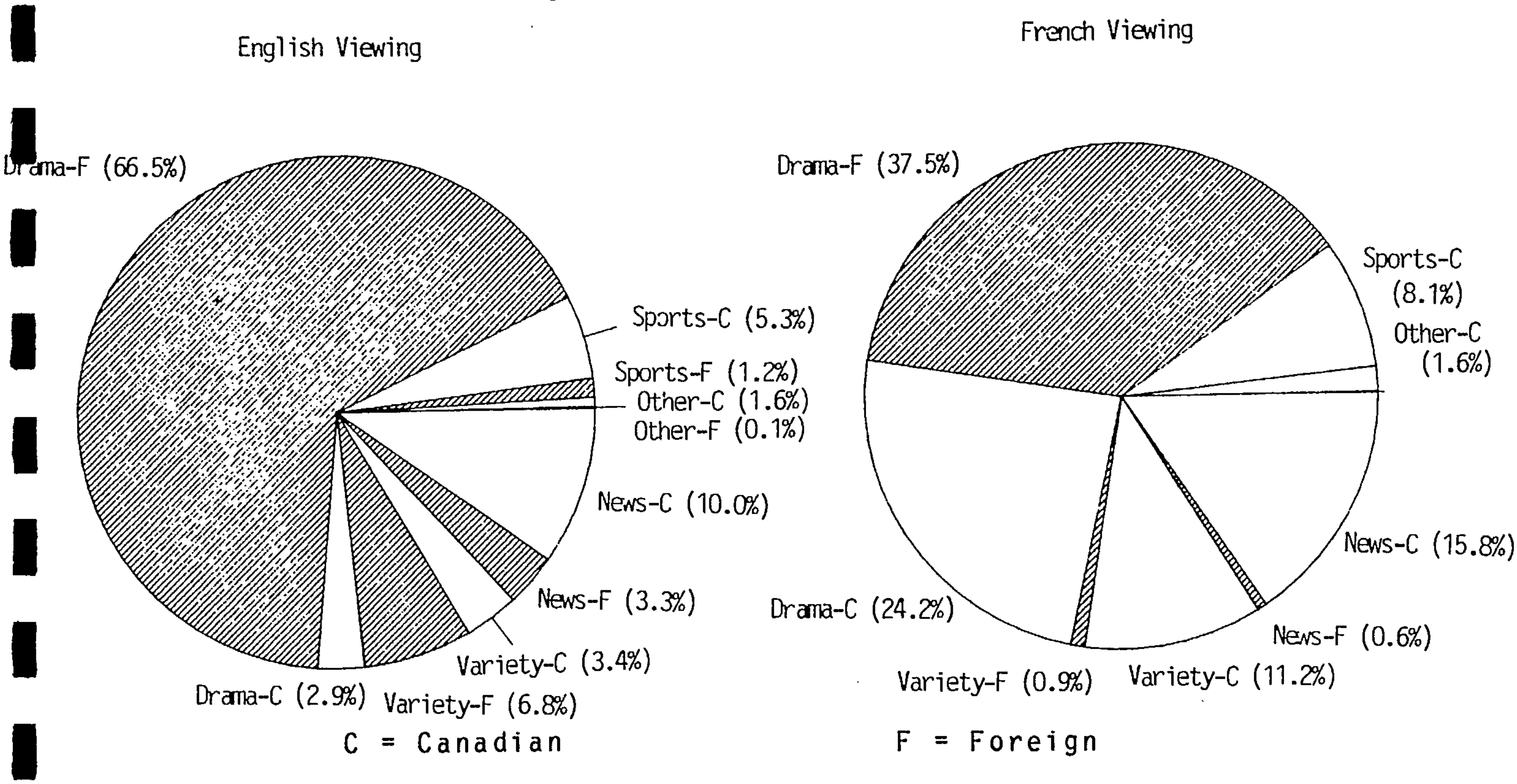
* Let's now look at that same breakdown, this time by adding where the production was produced.

* In English or in French, the majority of the available drama is foreign, although most of it is watched on Canadian stations. The English inbalance is much greater than the French, with just 4% of all dramatic programming available being Canadian. [French has 17% available].

* This, of course, reflects that fact that the vast majority of Canadians can receive 4 American stations as well.

PROGRAMMING AVAILABILITY AND VIEWING

1986 VIEWING OF PROGRAMMING
by category and country of production



* The previous charts described only what is available -- what the average anglophone and francophone has available from which to make a selection. What do they actually choose to watch?

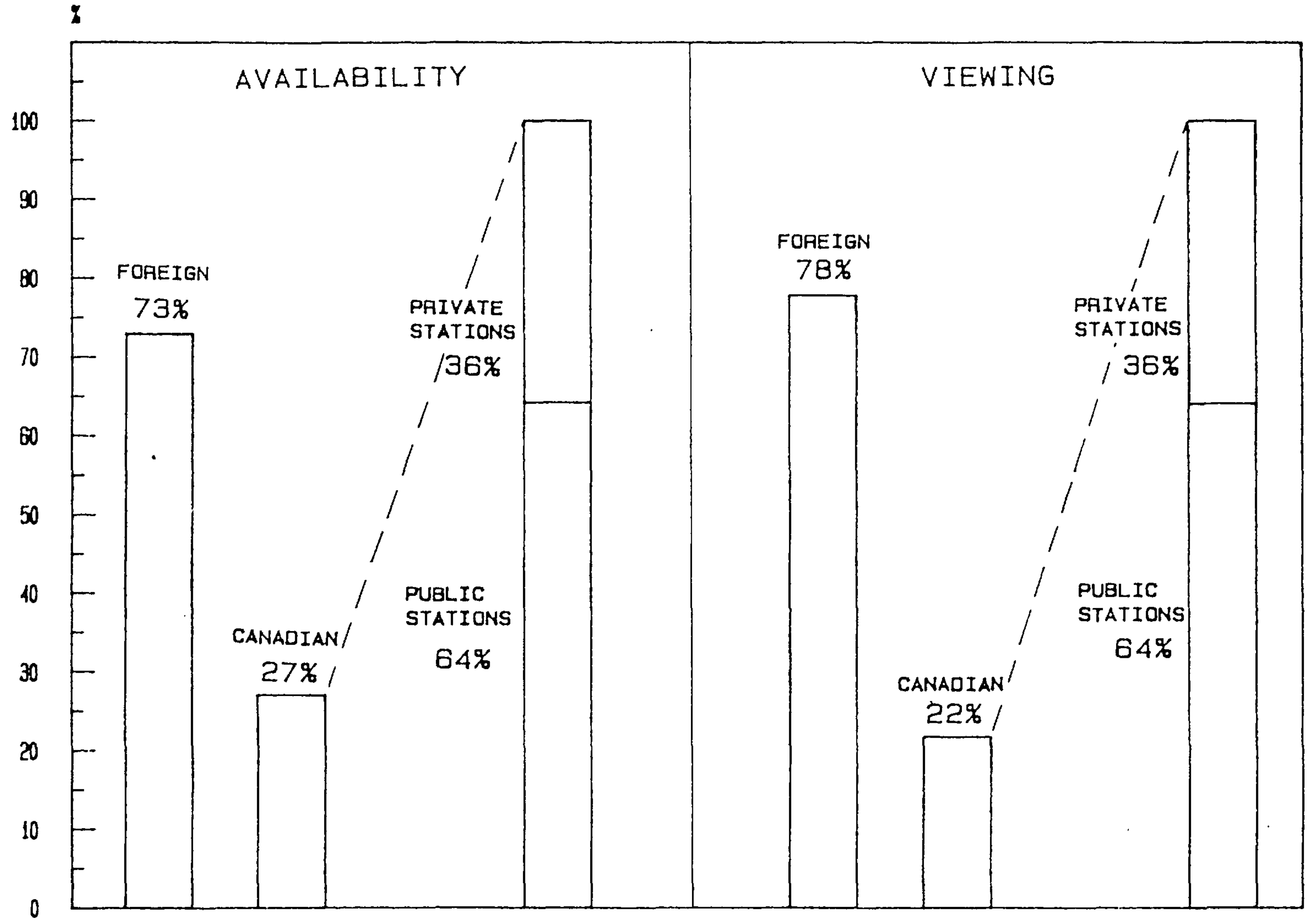
* Not surprising, the vast majority of the viewing is to dramatic programs. The percentage of viewing to drama, in fact, exceeds the percentage of hours devoted to it.

* The viewing by Anglophones to drama is almost 70% of all evening viewing; Francophones just over 60% of all viewing.

* Again, the vast majority of Anglophone viewing is to American drama, with just 3% of all evening viewing going to Canadian-produced dramatic programs. On the French side, Francophones spent 25% of their time viewing French drama.

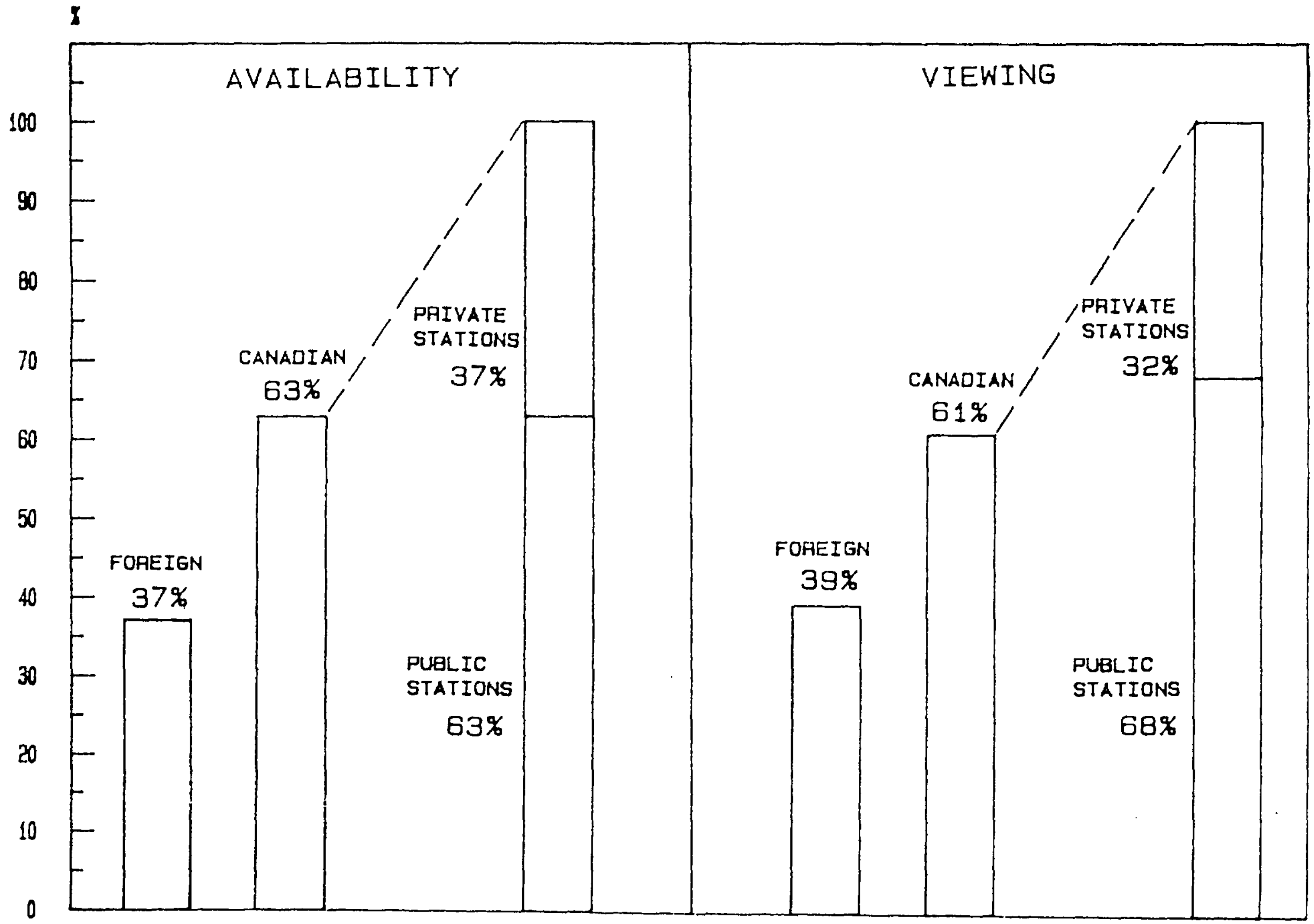
ENGLISH AVAILABILITY/VIEWING

7 - 11 PM (1986)

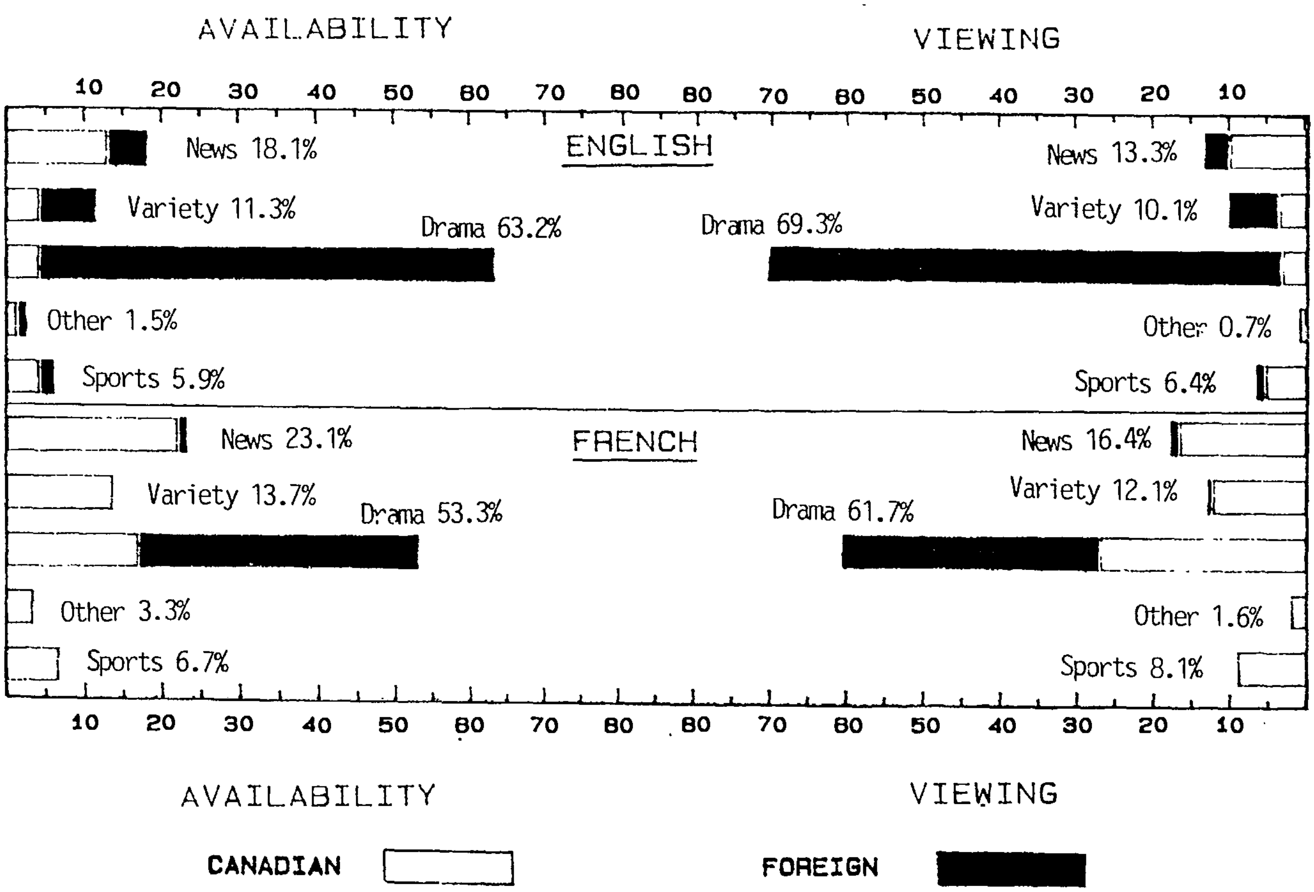


FRENCH AVAILABILITY/VIEWING

7 - 11 PM (1986)



PROGRAMMING AVAILABILITY AND VIEWING



* To sum up, here is the availability of programming and the viewing of programming side by side.

* Note that during the evening hours, drama predominates, both in availability and viewing.

* Foreign drama forms the majority of both viewing and availability; the English-language system has a greater imbalance.

Canadians rely heavily upon American television programming for their entertainment, and especially their drama, responding to high production values and costs and world-calibre fare.

Drama is the most costly and speculative item, being much cheaper to acquire than to make. The canadian drama crisis is both cause and effect - not enough is made because costly - not enough is viewed because not enough is made.

Which brings us to the issue of the increasing costs of production and the economics of broadcasting:

II. OVERVIEW OF TELEVISION SERVICES

5. Economics of Production

Preponderance of foreign programming, particularly prime time drama is evident from the foregoing. The following deals with the economic factors which contribute to the problem

THE ECONOMICS OF PRODUCTION

Why are Canadian produced programs

available

in some categories

but are not available in others?

* All the previous data suggest that if competitive Canadian programming is available, Canadians will watch it.

* Why, then, is Canadian production so lacking in the programming category which Canadians prefer -- drama?

* The answer is the economics of production

THE ECONOMICS OF PRODUCTION

Production of a Canadian Drama -- French

Le temps d'une paix

Cost of production for one episode .... $300,000 (1 hour)

Cost to Radio-Canada (In-House production). $300,000

---

* For the next few minutes, we'll examine in some detail three real programming situations facing Canadian broadcasters.

* The first -- Le Temps d'une Paix -- is a French-language drama, shot on video tape by Radio-Canada. It is done entirely within the CBC, using staff director, producers and technical crew, and hiring free-lance.

* Le temps d'une paix -- a drama (têléroman) seen on Radio-Canada -- is the most expensive French-language weekly program in Canada and the most popular Canadian drama series in Canada -- French or English networks. (as many as 3,021,000 viewers).

* Budgeted at $300,000 per hour, Radio-Canada incurs the entire $300,000 production costs.

* Naturally, if Radio-Canada is successful in selling the production abroad, its cost per episode will be somewhat offset.

THE ECONOMICS OF PRODUCTION

Production of a Canadian Drama -- French

Le temps d'une paix

	Hour
Cost to Radio-Canada (In-House production)	**$300,000**
Maximum advertising revenue per episode	**$140,000**
Minimum loss in producing this téléroman	**$160,000**

* It should be noted that the previous figures apply to a single broadcast of each episode.

* The $300,000 production costs must be recovered through the sale of advertising.

* The commercial minutes available in the hour, if all sold at the maximum rate, would raise about $140,000.

* Then, programs like Le temps d'une paix are not a money-making venture, with a shortfall of about $160,000/hour.

* Transmission costs, overhead, salaries, and promotion would all need to be provided for.

* Of course, since Le temps d'une paix is the most popular program in French, its presence in the schedule affects the advertising rates which Radio-Canada may charge for the programs adjacent or near it, it delivers audience to these other programs as well.

* The circumstances are obviously different for each production. Next we'll look at an English drama, done by an independent producer, and sold to a private network.

THE ECONOMICS OF PRODUCTION

Production of a Canadian Drama -- English

The Campbells

Cost of production for one episode	**$400,000 (1/2 hour)**
Cost to CTV ...(licensing fee).............	**80,000**
Producer must raise elsewhere	**$320,000/episode**

* The next example is that of an independently-produced, English-language Canadian drama, which is then licensed to a Canadian network. The costs are quite different from in-house production.

* The Campbells -- a program seen on the CTV network -- is very typical of the costs of producing a Canadian drama today.

* Budgeted at $400,000 per half hour episode (or $800,000 an hour), CTV pays $80,000 as a licence fee to present this production.

* This leaves $320,000 for each episode -- or $7 million for one year's production -- which the private producer must raise from investors.

* The Broadcast Program Development Fund, administered by Telefilm, may invest in this type of production. In the case of The Campbells, it invests $140,000 an episode. This leaves the producer to raise $180,000 an episode -- or $4 million for a year's production -- in the marketplace.

THE ECONOMICS OF PRODUCTION

Production of a Canadian Drama -- English

The Campbells

	Half Hour	Hour
Cost to CTV Network (licensing fee)....	**$ 80,000**	**$160,000**
Maximum Advertising Revenue per episode (2 plays)	**104,000**	**208,000**
Maximum revenue after acquisition	**24,000**	**48,000**
Less transmission costs, salaries	**12,500**	**25,000**
Maximum revenue before ad discounts	**11,500**	**23,000**

* The $80,000 licence fee [equivalent to $160,000/hour] must be recovered through the sale of advertising.

* The commercial minutes available in the two half hours -- the original broadcast in the winter and the summer repeat -- if all sold at the maximum rate, would raise about $104,000. For an hour, $208,000.

* The network will have to pay transmission costs, overhead and salaries -- estimated to be about $25,000 for two hour plays. As well, the network needs to generate <u>all</u> advertising and publicity to promote the program.

* Then, programs like The Campbells have an excess of potential revenue over acquisition costs of $48,000 hour ($24,000/half hour). Subtract the transmission costs, overhead and salaries, and the maximum excess drops to $23,000.

* Since commercial minutes are rarely bought at the maximum rate -- volume discounts of up to 25% are always available -- the program ends up in a break even or a slight loss position.

* Any shortfall in revenue would need to be made up from other programming -- usually American programming. Let's look at the economics of purchasing American drama.

THE ECONOMICS OF PRODUCTION

Purchase an American Drama

Dallas

	English	French
Cost of production for one episode .... $1,960,000 (1 hour)		
Cost to Canadian broadcasters to buy....	**$62,000**	**$13,000**

Producer covers 85% of costs in domestic market (U.S.A)

* Unlike a Canadian English-language drama, which only recovered 20% of its production costs in licence fees, the American production covers 85% of its costs in the United States. Therefore, any foreign sales help offset this shortfall.

* It should be noted that Dallas commands the highest licensing fee that any foreign program commands ... English and French.

* What are the financial implications for the Canadian broadcaster in presenting this programming?

THE ECONOMICS OF PRODUCTION

Purchase an American Drama

Dallas

	English	French
Cost to Canadian broadcasters to buy....	**$62,000**	**$13,000**
Maximum advertising revenue	**252,000**	**68,000**
Maximum profit possible	**$190,000**	**$55,000**

* The $62,000 licensing fee which CBC pays must be covered through the sale of advertising. Likewise, the $13,000 which Radio-Canada pays.

* Again using the maximum published rate, if these programs were sold out on the English and the French networks, the Corporation would receive $252,000 and $68,000 in commercial revenue respectively.

* Therefore, before delivery costs, overhead, salaries, etc., the excess of revenue over the cost of purchasing is nearly $250,000. Of course, this would undoubtedly be offset by volume discounts to the advertising rates and other transmission expenditures.

* Nevertheless, the profitability of purchasing foreign produced drama is clear.

* It should also be noted that the U.S. programs come with a great deal of free promotion; i.e., promotion done for the U.S. market which overflows to Canadian newspapers, magazines, television, etc.

THE ECONOMICS OF PRODUCTION

In-house versus Independent Production

* the vast majority of program expenditures relate to the in-house production of programming by each station.

	CBC+Stations	Private Stations and Networks
In-house/local programs	$569,976,000	$255,785,000
Purchased programs:		
Canadian		$ 35,485,837 (19%)
Foreign		$150,596,163 (81%)
TOTAL	$51,100,000	$186,082,000 (100%)

* These figures give the total programming costs for all of Canada -- English and French. They include the networks, their affiliated stations, and independent stations. The figures also include owned and operated stations of the CBC.

* It is not possible to give a global breakdown of these figures by English and French, in that the CBC and its stations only report the detail for the Corporation, and not by each network or language.

* The French-language private broadcasters and network spend $31,900,000 for in-house, local productions; $15,517,000 for acquisitions.

* The English-language private broadcasters and networks spend $224,000,000 for local or in-house network production; $170,600,000 for acquisitions.

* Overall, about $151 million (81%) of private broadcasters' acquisition budgets is for foreign programs while the remaining $35 million (19%) goes to Canadian programming.

* Given these realities of programming in Canada, it is probably appropriate to quickly review the Economics and Structure of the Television industry before proceeding further.

II. OVERVIEW OF TELEVISION SERVICES

6. Industry Economics and Structure

We've looked at program economics. The following deal with the economics and structure of the broadcasting industry which bears these costs.

INDUSTRY ECONOMICS AND STRUCTURE

Sources of Television Revenue

*** advertising**

*** taxpayers**

*** subscriptions**

* It is worthwhile to remember that there are but three sources of revenue for a television broadcaster: advertising revenue -- from the sale of commercials; money from the taxpayers; and direct subscriptions from the subscriber/viewer

INDUSTRY ECONOMICS AND STRUCTURE

*** Commercial Broadcasters are in the business of selling audiences to advertisers**

=+=

*** for private broadcasters, advertising represents about 80% of revenues**

=+=

*** Reliance on advertising directly affects programming**

---

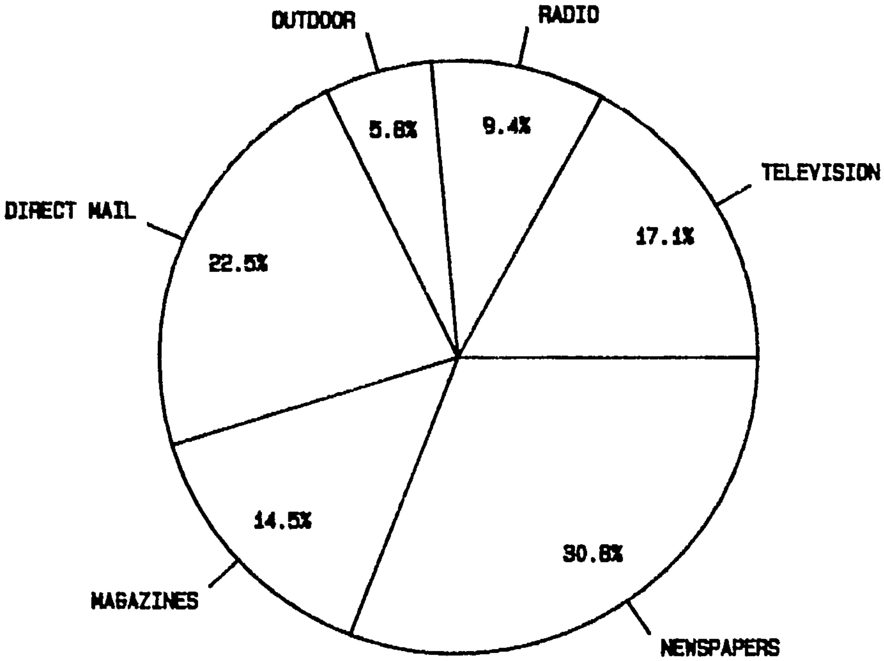
* private television stations rely almost exclusively on advertising revenue. They sell their audiences to advertisers. Programming is merely the medium by which they garner their audiences.

* public broadcasters also may sell audiences to advertisers.

* broadcasters which receive subscription revenue may or may not sell audiences to advertisers (e.g., TSN does, First Choice does not).

* Drive for large audiences leads to "lowest common denominator" programming

MEDIA ADVERTISING EXPENDITURES (1985)
Total: $6.117 Billion



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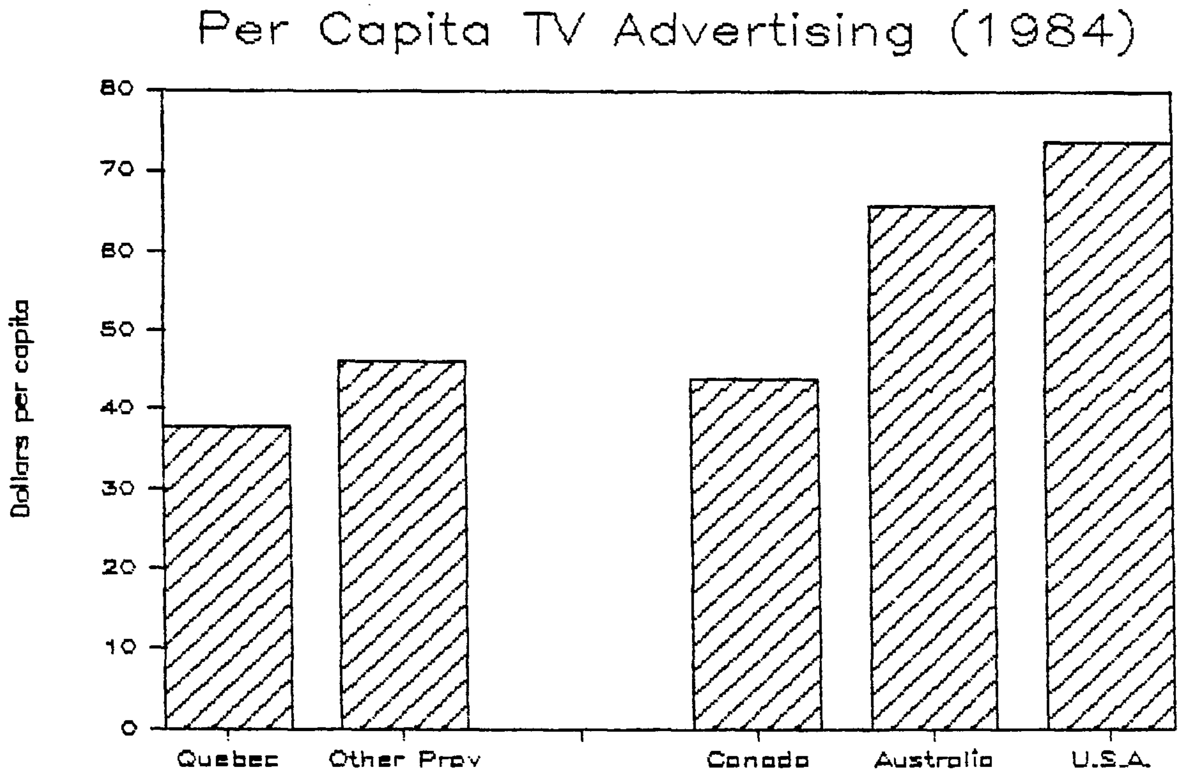
* For those television stations which rely on advertising revenue, it should be remembered that, to an advertiser, tv is just one of a number of places where money may be placed.

* Advertising generates well over $6 billion across the various Canadian mass media

* Television earns about 17% -- or $1.1 billion -- of total advertising revenues

* Overall, broadcasting's share of advertising revenues has been declining in recent years



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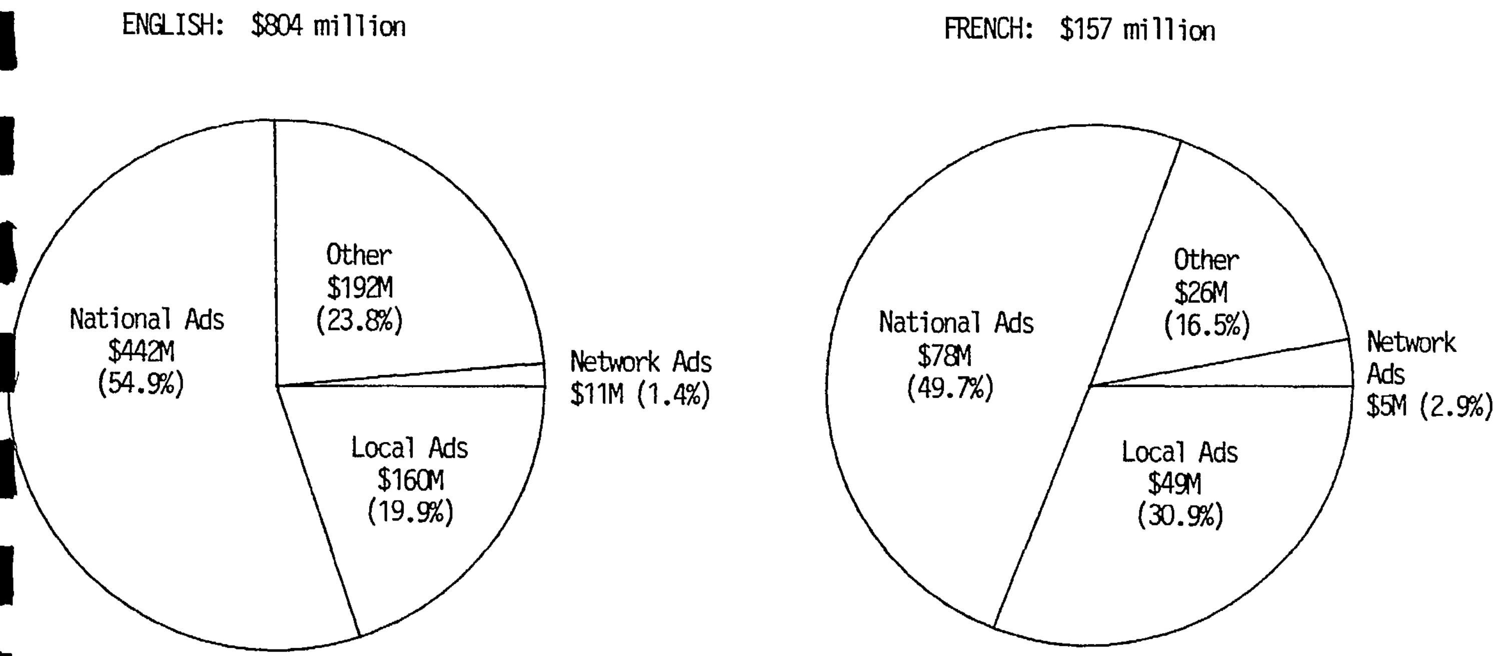
* Per capita expenditures on TV advertising are much lower in Canada than in the U.S. and Australia: in 1984, Canadian TV advertising represented only 60% of Australian TV advertising and 67% of American expenditures.

* The lower Canadian per capita level is largely due to advertising spillover from U.S. television

* On a per capita basis, television advertisers tend to spend less in Québec than in the rest of the country

INDUSTRY ECONOMICS AND STRUCTURE

Private Television Revenue



- Canada's private television broadcasters earned about $961 million in 1986 with the majority of these TV revenues (76%) coming directly from advertising

- French-language television is seen by advertisers as a more locally-oriented medium -- 31% of French-language television revenues came from local advertising while English-language broadcasters earned 20% of their total revenues from this same source

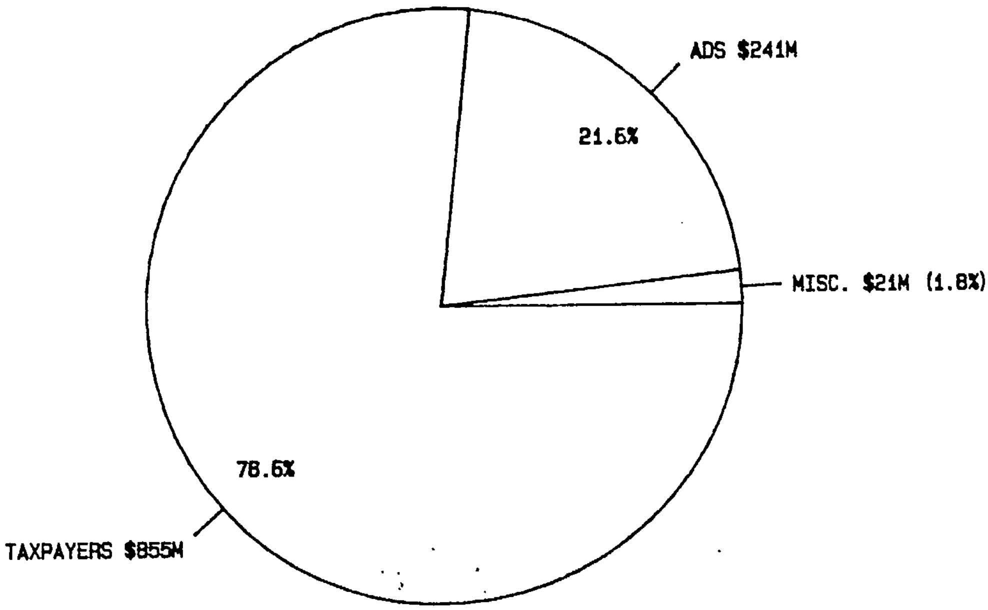
Industry Economics And Structure.

How is Public Broadcasting Paid For?

The CBC is paid for through a combination of government appropriations and its own earned revenues, largely through commercial advertising

CBC SOURCES OF REVENUE

1986-87



- Canada's public broadcasters are feeling the effects of fiscal restraint in the public sector and, like public broadcast organizations everywhere in the world, are being encouraged to be more efficient and self-sufficient; to maximize production funds through co-productions; use independent producers; and, where possible, generate revenues through advertising, sponsorship, fund drives, program sales, etc.

- The CBC has increased the level and aggressiveness of its commercial advertising over the past 5 years and it is now about one quarter of its total resources. It made $260 Million in earned revenues, or about one quarter of the entire revenues of the private broadcasters.

Industry Economics and Structure.

The Provincial Broadcast Services.

In 1985-86:

TV Ontario had a budget of $43.4 Million for English and $8 Million for French service, (prior to La chaine française) and made $7.2 Million from membership drives etc.

Radio Quebec's budget was $59.6 Million and it also made $4.9 Million from limited commercial advertising etc.

Access Alberta, which also operates a province-wide radio network, had a budget of $16.4 Million and made $1.9 Million in earned revenues

* TVO has also felt the pressure of fiscal restraint, its budget recently being reduced by $6 million and more than 40 staffers laid off. It has also had to step up its earned revenue activities, using on-air membership fund drives, similar to those of PBS, which do not please all public viewers.

* Radio Quebec's budget and activities were cut back by over $8 million when the Liberals returned to power, and it, too, has increased the amount and types of on-air advertising, which have made it less distinctive from other French broadcast services.

* Access Alberta was cut by $1.2 million this year. Access has been obliged to explore new revenue sources. It is resorting to Corporate underwriting, has just completed a membership drive to save its CKUA Radio network, and will embark on a public membership drive on television in the Fall.

CANADIAN BROADCASTING CORPORATION
TRENDS

Year	Government Approp.	Earned Revenues	% Revenue over Total Resources	Total Resources	Diff. over Previous Year
1982-83	744	167	18%	911	-
1983-84	815	196	19%	1,011	100
1984-85	905	232	20%	1,137	126
1985-86	857	243	22%	1,100	(37)
1986-87	855	261	23%	1,116	16
1987-88	881	285	24%	1,166	50

* Total Resources - include Government Appropriation and revenues generated by the Corporation.

* Earned Revenues - include commercial, and miscellaneous revenues such as program sales, rentals, etc.

* The effects of increased reliance in recent years on commercial revenues can be seen in the column showing the percentage which revenues represent of all resources available to the CBC. This is a result both of the targets which Treasury Board has set for commercial revenue generation and of the CBC's consequently expanded acceptance of advertising and its more aggressive pursuit of ad sales.

Industry Economics and Structure

The Provincial Broadcast Services

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INDUSTRY ECONOMICS AND STRUCTURE

Subscription Revenues

* **paid by individuals to cable companies for the delivery of television services**

* **if individuals choose pay television, cable operators remit to pay licensees a wholesale fee**

---

* the third source of revenue is subscription.

* some provincial broadcasters have conducted subscription drives, but the amount of revenue raised in comparision to the total budget is very small

* the major player which relies on subscription revenue is the cable television industry

* cable operators charge a monthly rate for the basic service. Currently about $10 in most major centres, the cable operator keeps this amount to cover its expenses.

* cable operators also offer discretionary services, available at an extra subscription rate or rates. The cable company acts as the retailer, and must submit the wholesale rate to the pay television licensees.

INDUSTRY ECONOMICS AND STRUCTURE

Subscription Revenues

* **pay tv programming services receive much if not all of their revenue from subscription rates**

* **the charges for pay tv are market-driven, and are not regulated by the CRTC**

* **estimated gross revenue for pay tv services:**

First Choice/Superchannel	**$40,000,000**
Super Écran	**12,000,000**
MuchMusic/MusiquePlus	**3,500,000**
The Sports Network	**20,000,000**

at current subscriber levels.

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* First Choice, Super Écran and Superchannel do not sell commercials -- their sole source of income is subscription revenues.

* At present, the two English language movie services have about 675,000 subscribers; the French language service about 150,000 subscribers.

* While the service costs about $16 a month, the wholesale rate -- that is, the amount which First Choice and Superchannel receive, is about $7 a month per subscriber. At $7/month, this represents a revenue for the two pay services of about $40 million a year. For Super Écran, the amount is about $12 million a year.

* Both MuchMusic and The Sports Network have over one million subscribers.

* In the case of MuchMusic, the average wholesale rate is 25 cents; in the case of TSN, it is $1.75. At these levels, MuchMusic has a gross revenue of about $3.5 million, and The Sports Network about $20 million.

* Both MuchMusic and The Sports Network also sell advertising time. Advertising revenues are limited because of the small audience reached by "pay" [discretionary] services.

* At this juncture, only MuchMusic claims to be profitable, although First Choice has reported a positive cash flow.

INDUSTRY ECONOMICS AND STRUCTURE

Financial Health

INDICATOR	RADIO	TELEVISION	CABLE
OPERATING REVENUE	$579 million	$961 million	$672 million
OPERATING EXPENSES	$560 million	$779 million	$579 million
PRE-TAX PROFITS	$19 million	$182 million	$93 million
PROFITS/ REVENUES	3.3%	19%	14%
RETURN ON INVESTMENT	10%	27%	13%
AVERAGE REVENUE PER REPORTING UNIT	$1.2 million	$11.6 million	$.113 million

---

* Of course, the pay television revenues are just a small part of the total picture. Most of broadcasting's revenues lie in the conventional system -- radio, television and cable.

* This portion of private broadcasting is more than a $2 billion dollar industry in Canada. These 1985 figures give an indication of broadcasting's activities and profitability.

* Profitability is defined here as return on investment -- the sum of after-tax profits and interest expenses divided by total assets minus current liabilities

* Private broadcasting -- television in particular -- is a largely profitable venture

* Canadian telephone companies, for their part, earned about $1.8 billion in pre-tax profits from total revenues of almost $10 billion. This represents a profit-over-revenue ratio of about 18%.

INDUSTRY ECONOMICS AND STRUCTURE

Television Revenues

* **the $961 million in television revenue is earned:**

  $150 million to French-language private tv

  $811 million to English-language private tv

---

* Now we'll examine more closely the private television component of the broadcasting system.

* The $961 million of revenue earned by private television is concentrated in the English-language sector.

* Of the $961 million, all but $150 million is directed to stations which operate in English.

* And while we saw that private tv as an industry is profitable, there are wide variances in both the income levels and the profitability of stations.

INDUSTRY ECONOMICS AND STRUCTURE

Television -- Profitability
English-language operators

* **Each station in the top 1/3 of English tv stations averaged:**
  Revenues .... $41 million
  Profit .... $8 million (19%)

* **Each station in the middle 1/3 averaged:**
  Revenues .... $7 million
  Profit .... 1.4 million (20%)

* **Each station in the bottom 1/3 averaged:**
  Revenues .... $1.9 million
  Profit $260,000 (14%)

---

* We've broken the industry into three equal parts, based on revenue.

* In English television, this represents 47 companies snf 69 stations.

* The top revenue earners -- 16 companies -- each earned, on average $41 million in revenue, and had a pre-tax profit of $8 million each. This profit represents a 19% return on revenue.

* The middle 1/3 of tv stations -- again 16 companies -- each earned, on average, $7 million, and declared a pre-tax profit of $1.4 million each. While lower in absolute terms, it still repsents a 20% return on revenue.

* The smallest stations -- this time 15 companies -- each earned, on average, $1.9 million in revenues, and declared a profit of just over a quarter of a million dollars each. The profit of these companies represents 14% of total revenue.

Television -- Profitability
French-language operators

* **Each station in the top 1/3 of French tv stations averaged:**
  Revenues .... $33 million
  Profit .... $6.3 million (19%)

* **Each station in the middle 1/3 averaged:**
  Revenues .... $5 million
  Profit .... 1.2 million (23%)

* **Each station in the bottom 1/3 averaged:**
  Revenues .... $2 million
  Profit $420,000 (21%)

---

* Here is the same situation for the French language operators.

* In French television, there are but 10 companies.

* The top revenue earners -- 4 companies -- each earned, on average $33 million in revenue, and had a pre-tax profit of $6.3 million each. This profit represents a 19% return on revenue -- the same ratio as the top English-language companies.

* The middle 1/3 of tv stations -- 3 companies -- each earned, on average, $5 million, and declared a pre-tax profit of $1.2 million each. While lower in absolute terms, it still repsents a 23% return on revenue. Interestingly, although the revenue is less than the comparable group of English companies, the profit is greater. This points out the general lower programming expenses of French-language broadcasting compared to English-language services.

* The smallest stations -- again 3 companies -- each earned, on average, $2 million in revenues, and declared a profit of just over about $420,000 dollars each. The profit of these companies represents 23% of total revenue. The small French-language stations had just about the same revenue as their English-language counterparts, but were much more profitable.

INDUSTRY ECONOMICS AND STRUCTURE

Cable Television -- Profitability

* Each company in the top 1/3 of cable tv systems averaged:
  - Revenues .... $4.8 million
  - Profit .... $ 700,000 (14%)

* Each company in the middle 1/3 averaged:
  - Revenues .... $ 300,000
  - Profit .... $ 30,000 (11%)

* Each company in the bottom 1/3 averaged:
  - Revenues .... $ 40,000
  - Loss..................... $ 1,000 (-2%)

* Finally, here is the same situation for Canada's 397 cable television operators who own 827 separate cable television systems.

Employment in Broadcasting (1985)

	PRIVATE RADIO	PRIVATE TV	CABLE	CBC	TOTAL
SALARIES, WAGES & BENEFITS (in millions)	$271	$268	$192	$590	$1,321
NUMBER OF EMPLOYEES	9,918	7,424	7,255	12,075	27,672

* Of course, these broadcasters represent considerable employment for Canadians, as broadcasting is a labour-intensive industry.

* Close to 28,000 people are employed directly by the broadcasting industries, and the salaries represent about $1.3 billion a year.

* In addition, TV and radio employ many freelance artists and craftspeople -- about $137 million was paid out by the CBC and private broadcasters to non-staff talent

* The 27,672 quoted here represents full and part-time employees only. A figure of 35,000 has been quoted elsewhere as including broadcasting industry freelancers and contract employees.

INDUSTRY ECONOMICS AND STRUCTURE

Ownership Patterns

* **horizontal concentration ownership is common in radio, television and cable**

* **80% of tv stations are owned by companies which operate more than one stations**

* **75% of cable subscribers receive service from one of 11 companies (50% receive service from one of 3 companies)**

* **30% of radio stations (133) are owned by one of 13 companies**

---

* Horizontal concentration of ownership is common in broadcasting -- particularly in television and radio.

* For example, just within cable, 11 companies control ___ systems which provide service to 75% of all subscribers.

* In television, group ownership is becoming more common as well.

* But it is not only horizontally structured, but vertically as well

INDUSTRY ECONOMICS AND STRUCTURE

Vertical ownership concentration

* **Eight of the 11 largest cable companies also own radio and tv stations.**

* **All nine of the largest companies primarily in television also own radio stations. Three of the nine also have cable holdings.**

* **Eight of the 13 largest radio companies also have television and cable holdings.**

---

* While companies tend to specialize in one of the three broadcasting specialities, they are not shy to vertically integrate and own other broadcasting enterprizes.

* This is probably best illustrated by a couple of examples:

INDUSTRY ECONOMICS AND STRUCTURE

Vertical ownership concentration

C.U.C. GROUP

Television stations 7
Radio stations 11
Cable Television (% of total subs served). 5.4%

ROGERS

Television stations 1
Radio stations 5
Cable Television (% of total subs served) 24%

* CUC Group owns seven tv stations and 11 radio stations, and serves 290,000 cable subscribers -- all in Ontario

* Rogers concentrates in cable, with nearly one in four cable subscribers in Canada connected to a Rogers' system.

* CUC operates:
  TV: Timmins (2), Sudbury (2), North Bay (2), Pembroke
  Radio: Sudbury (3), Timmins, Blind River, Elliot Lake, Espanola, Pembroke
  Cable: Bancroft, Barry's Bay, Lakefield, Millbrook, Whitney, Chatham, Barrie, Orillia, Borden,m Smith's Falls, Kemptville, Pickering, Scarborough, Leamington, Windosr, Burks Falls, Iron Bridge, Little Current, Massey, Matheson, Mattawa, Powassan, Sundridge, South River, Spanish, Thessalon, Verner, Noelville, Warren, Cochrane, Hearst, Kapuskasing, Iroquois Falls, Smooth Rock Falls, Timmins, Brockville, Cobourg, Keswick, Blind River, Elliot Lake, Espanola, Sturgeon Falls, Sudbury
  Officers: President: J. Conway; Secretary: J. Grafstein

* Rogers operates:
  Television: Toronto
  Radio: Toronto (2), Leamington, Sarnia (2)
  Cable: Calgary, Port Coquitlan, Victoria, Vancouver, Brampton, Brantford, Cornwall, Hamilton-Dundas, Kitchener-Waterloo-Stratford, London, Mississauga, Newmarket, Oshawa, Toronto
  Officers: Chairman & Chief Executive Officer: (Ted) Edward S. Rogers; President: William R. Rogers; Director: John Graham; Vice-Chairman and Chief Operating Officer: Colin Watson; Senior Vice-President: Philip Lind

INDUSTRY ECONOMICS AND STRUCTURE

Vertical ownership concentration

MACLEAN-HUNTER

Television stations	**2**
Radio stations	**11**
Cable Television (% of total subs served).	**6.8%**

VIDEOTRON

Television stations	**2**
Radio stations	**0**
Cable Television (% of total subs served)	**12%**

* Maclean-Hunter concentrates in radio and cable, is the third largest cable operator in Canada.

* Videotron is highly concentrated in cable in Quebec -- 1 in 2 subscribers in Quebec is connected to a Videotron system.

* Videotron recently purchased the largest private French-language television station, CFTM-TV in Montreal, and controls the TVA French-language network.

* Maclean-Hunter operates:
  Television: Calgary, Lethbridge
  Radio: Calgary (2), Lethbridge, Chatham, Kitchener (2), Ottawa (2), Toronto, Halifax (2)
  Cable: Ajax/Pickering, Collingwood, Guelph, Hamilton, Huntsville, London-Lambeth, Midland-Penetanguishene, North Bay, Owen Sound, Peterborough, St. Catharines, Sarnia, Thunder Bay, Mississauga, Toronto, Wallaceburg
  Officers: Chairman: Donald Campbell; Chairman, M-H Cable TV: Fred Metcalf; Vice-President, Cable: Barry Gage; Vice-President, Broadcasting: Steven Harris

* Videotron operates:
  Television: Montreal, Chicoutimi
  Cable: Cap-de-la-Madeleine, Laprairie, Iberville, St-Jerome, Beloeil-McMasterville, Levis-Lauzon, Mont-Laurier, Sherbrooke, Victoriaville, Montreal (5), Quebec City
  Sizable minority interests in 7 tv stations, and 4 radio stations, all in Quebec.
  Officers: Président du Conseil d'administration: André Chagnon; Président: Michel Daignault; Vice-président affaires corporatives: Gilles Desjardins.

INDUSTRY ECONOMICS AND STRUCTURE

Canadian Ownership

* **Overwhelming majority of broadcasting companies are 100% Canadian owned.**

* **Order-in-Council limits foreign ownership in any company to 20% -- and no more than 10% by any one individual.**

---

* Prior to 1968, many radio, television and cable companies were controlled by foreign-controlled companies.

* The 1968 Order-in-Council limited foreign ownership in any licence holder to 20% -- and no more than 10% by an individual.

* Since then, all broadcasting licensees have successfully divested, and virtually 100% Canadian ownership exists in Canadian broadcasting

III. GOVERNMENT INVOLVEMENT IN BROADCASTING

1. History/Rationale

2. Need for a Fundamental Review of Broadcasting Policy

Government Involvement in Broadcasting

History/Rationale

Chronology of Events

Federal/Provincial Powers

Recurring Themes

The 1968 Broadcasting Act

CRTC Role

Government/CRTC Relationship

CBC Mandate

Provincial Government Involvement

Post-1968 Transition to Cabled World
- -Priority Carriage
- -Simultaneous Substitution
- -Discretionary Services Policy
- -Bill C-58

In this section, we will take a brief look at the history, premises, themes, and relationships that have shaped the broadcasting system we have today

Government Involvement in Broadcasting

CHRONOLOGY

1919 - First Canadian radio broadcast

1926 - Canadian Association of Broadcasters founded

1929 - Aird Commission Report

1931 - Federal Jurisdiction over radiocommunications confirmed by courts following provincial challenge (the Radio Reference)

1932 - First federal legislation respecting broadcasting

1936 - Canadian Broadcasting Act (CBC established)

1952 - Television broadcasting begins in Canada and first cable systems begin operations

1958 - Broadcasting Act (creation of Board of Broadcast Governors)

1968 - Present Broadcasting Act enacted (CRTC established and cable systems included as "broadcasting receiving undertakings")

Federal/Provincial Division of Powers

Exclusive federal authority over radiocommunications including broadcasting confirmed in 1931 court decision (the radio reference)

Satellites utilize radiocommunications and are federal

Federal government manages the radio spectrum under the provisions of the Radio Act

Court decisions held that cable companies were properly subject to federal jurisdiction when they were involved in the distribution of broadcasting signals

Owing to provincial jurisdiction over education, in 1972 federal and provincial governments came to agreement on educational broadcasting services

* Because of mixed jurisdiction with respect to telecommunications, certain aspects of cable regulation are still unclear

* Also, to the extent that cable systems do not now, or in the future, distribute signals that are based on radiocommunications there is no federal jurisdiction

Recurring Themes in Canadian Broadcasting

Radio frequencies are public property and must be used in the public interest

Central concern has been the need to have Canadian programming to offset overwhelming dominance of U.S. broadcasting

Canadian ownership and control of broadcasting undertakings

Broadcasting services should be extended to all Canadians

Geography, language, economic, and cultural imperatives dictate that there must be a national public broadcaster

Freedom of expression and right of the public to receive

Logic of the local licence

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* Most of the above themes are readily apparent and understandable and are contained in the statutory statement of broadcasting policy in Section 3 of the Act

* The "logic of the local licence" is a traditional regulatory strategy

* Because the system is a "closed" regulated one the regulator attempts to protect the financial well-being of its licensees within the system in their "local" market in order that the licensee will be able to fulfill the often unprofitable obligations that are attached to being a licensee

* As an example, the CRTC requires its broadcast licensees to meet certain minimum levels of Canadian content which are often expensive to meet; in return, the CRTC will attempt through a variety of mechanisms to ensure that there is not undue competition that would endanger the existing licensee's ability to meet those requirements

* Advances in technology which act to undermine the regulator's ability to uphold its end of the bargain throw this whole strategy into question

---

Government Involvement in Broadcasting p.102

The 1968 Broadcasting Act

...Defined the broadcasting system as a "single system" including cable

...Embedded a policy statement in the Act including the CBC's mandate

...And created the CRTC to replace the Board of Broadcast Governors

---

* Section 3 of Broadcasting Act provides for a statement of Parliament's broadcasting policy for Canada

* The CRTC is established to regulate and supervise the system independently of government

* Cable systems included under CRTC's regulatory authority as "broadcasting receiving undertakings" but with no specific definitions or policy goals assigned, in effect, leaving the CRTC with the task of defining and directing cable's role within the broadcasting system

* CBC mandate established as part of Section 3 policy although no long-term funding mechanism to match the mandate is provided

* Canadian ownership and control of all broadcasting undertakings is called for in Broadcasting Act with Cabinet directing CRTC on acceptable degree of foreign ownership and control

* The Act itself and the policy contained in it are based on the centrality of the over-the-air broadcaster in the system and assumes a closed, controllable system; as will be seen, the CRTC in adapting the system to cable's presence attempts to continue to follow the "logic of the local licence" by creating policies that try to minimize cable's effect on existing broadcasters

CRTC Role and Responsibilities

Regulation and supervision of broadcasting system with a view to implementing the broadcasting policy in Section 3

Regulation and supervision to be flexible and readily adaptable to scientific and technical advances

CRTC is given power to make regulations; issue, amend, renew, suspend or revoke broadcasting licences; and attach conditions to the licences it issues

Government's ability to direct CRTC is limited by Act

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* It should be noted that the CRTC's responsibilities over telecommunications were added in 1976

* Government's ability to direct CRTC in broadcasting matters is limited to 3 subject categories:

  1. Maximum number of channels or frequencies for which broadcasting licences can be issued in a given geographic area;

  2. Reservation of channels or frequencies for the use of CBC or other special purpose;

  3. Designating classes of applicants to whom licences may not be issued (example of direction restricting foreign ownership of broadcasting licensees to a maximum of 20%)

* Government also has power to set aside or refer back CRTC decisions which issue, amend, or renew broadcasting licences

---

Government/CRTC Relationship

CRTC is described in Broadcasting Act as an independent public authority

CRTC guards this arms-length independent status jealously

Broadcasting Act puts cable under CRTC's jurisdiction but section 3 policy statement is very general leaving CRTC with wide discretion as to how it interprets its mandate

Because of rapid growth of cable industry and cable-related services such as pay-tv, specialty services and non-programming services, the CRTC's policy-making role has been greater than could have been expected in 1968

---

* The solution that has been proposed in the past, and more recently by the Standing Committee, is to give the government the power of policy direction over the CRTC

* It is clear that the existing limited direction power, and the ability to set aside or refer back certain CRTC licensing decisions are cumbersome and inefficient tools

* Until legislative changes are made, the CRTC will continue to set and interpret broadcasting policy as it is required to do under existing legislation

CBC Mandate-1968 Broadcasting Act

A national broadcasting service that is predominantly Canadian in content and character

A balanced service of information, enlightenment and entertainment for people of different ages, interests and tastes covering the whole range of programming in fair proportion

Be extended to all parts of Canada, as public funds become available

Be in English and French, serving the special needs of geographic regions, and actively contributing to the flow and exchange of cultural and regional information and entertainment

Contribute to the development of national unity and provide for a continuing expression of Canadian identity

* In addition, the Broadcasting Act states that in cases of conflict between the objectives of the CBC and the private elements of the system that paramount consideration be given to the objectives of the CBC

* An example of the paramountcy can be found in the priority carriage rules for cable which give CBC stations top priority

* It is worth noting that the CBC's mandate was deliberately made very broad because, in 1968, for many Canadians the CBC was still the only service available

Provincial Government Involvement in Broadcasting

Several provinces provide broadcasting services through their responsibility for education:

British Columbia:	**Knowledge network (satellite to cable)**
Alberta:	**Access network (television and radio)**
Ontario:	**TVOntario and "La chaine française"**
Quebec:	**Radio-Québec (television)**
Atlantic provinces:	**educational television programming component for the Atlantic Satellite Network**

* By agreement between the federal and provincial governments, provincial broadcasting undertakings are licensed by the CRTC pursuant to a direction which defines "educational broadcasting", however, B.C.'S knowledge network refuses to obtain a licence

* The educational mandate of these services is interpreted broadly to accomodate a range of programming

* Provincial government base grants constitute the major source of funds for these services, but they also rely on other sources of funding including public membership drives; marketing; co-production; advertising (Radio-Québec) and in the case of Ontario's "La chaine française" joint federal-provincial funding

Post 1968 Transition to Cabled World

Attempts to preserve "logic of local licence"

CRTC Regulations

Government Initiatives

* In an attempt to preserve the "logic of the local licence", the CRTC and the government have enacted measures which, in effect, are designed to offset the consequences of cable's expansion of viewing choice

* Some examples are the CRTC's priority carriage and simultaneous substitution regulations, and Section 19.1 Of the Income Tax Act, or Bill C-58 as it is popularly known

* The development of Satellite-to-Cable services raise the same problems and the CRTC keeps trying the same solutions

* The problem continues to grow with each new technology. Can a "closed" system be maintained? Should it?

CRTC's Cable Priority Carriage Rules

Cable operators must offer television signals according to the following basis of priority:

1) CBC and SRC stations

2) Canadian educational services

3) All other local Canadian private stations

4) The Community Channel

5) Regional Canadian Stations

6) Optional stations (includes U.S. Stations and distant Canadian stations)

7) Discretionary services (subject to linkage rules which give Canadian pay and specialty services preferred status)

---

* In addition, the cable operator must offer a greater number of channels of canadian programming services than the number of non-canadian programming services

* The "logic of the local licence" is at work in the above list of priorities assigned to the cable operator with local Canadian stations being given preferred access and more desirable channel placement than distant Canadian or any American channel

* A Canadian station's ranking on the list of priority is also of tremendous importance when we turn shortly to look at the simultaneous substitution rules which are another example of the "logic" at work

* Finally, mention should be made of the CRTC's "3+1" policy regarding the cable carriage of american broadcasting stations. In order to not unduly fragment the local market of canadian broadcasters, a cable operator is restricted to carrying only 4 U.S. Stations representing each of the American commercial networks (ABC, NBC, CBSs) and PBS unless the cable system serves an area along the border where additional U.S. Stations are available off-air and were carried prior to 1985

CRTC's Simultaneous Substitution Rules

CRTC policy contained in cable television regulations which limits the audience fragmentation caused by cable's introduction of distant signals into a broadcaster's local market

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* Using the kingston case study as an example, assume the local CBC affiliate is showing "Dallas" at 9:00 p.m. On Friday and the same program is also playing on the CBC station from Ottawa, the independent station from Watertown, New York, and on the CBS station from Syracuse, New York.

* The Kingston CBC affiliate will request the cable operator to substitute the Kingston signal (complete with local advertising) for the version appearing on each of the other three channels during this time period.

* The result is that during this time period, whether you turn to channel 4, 7, 10, or 32 you will be viewing the Kingston station's version of "Dallas".

* Research done for the Caplan/Sauvageau Task Force estimates that in 1984 the CRTC's policy of simultaneous substitution had the effect of increasing the net revenues of Canadian television stations and networks by $53 million.

* Only local and regional Canadian stations may take advantage of this policy which serves to protect the "local" station against the audience fragmentation caused by cable's introduction of distant or foreign station's signals into the local market

* Broadcasters are strongly supportive of this policy because it restores the exclusivity they pay for when they purchase programs for exhibition.

CRTC's Policy on Cable Distribution of Discretionary Services

Under existing CRTC policy, discretionary services (Pay-TV and Specialty Services) are optional to cable operators and "discretionary" to cable subscribers (except for the smallest and most remote systems)

Cable operators that do offer discretionary services must offer them according to the CRTC's tiering and linkage rules:

- **a Canadian Specialty Service may be packaged with up to 2 eligible non-Canadian services**
- **a Canadian Pay-TV service may be packaged with up to 5 channels of eligible non-Canadian services**
- **no tier may contain more than 5 eligible non-Canadian channels**

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* Despite years of urging by the industry and the government, the CRTC delayed the introduction of discretionary services on cable until 1982 with the licensing of Pay-TV services (no advertising permitted);

* With significantly lower than projected penetration rates and the failure of a number of Pay-TV services, the CRTC approved the introduction of Canadian Specialty services and a limited number of foreign services on the assumption that these would be a "boost" to the remaining Pay-TV channels; the distribution of these services was, and still is, subject to the tiering and linkage rules noted above;

* Rationale is the same as we have seen earlier, the "logic of the local licence"; the CRTC resisted introducing discretionary services as long as possible for fear of excessive fragmentation of existing licensee's audiences and for fear that the advertising market could not support additional services;

* Similar forces are at work in the cases of Pay-Per-View and cable operators inserting Canadian advertisements on eligible foreign Specialty services; the CRTC still forbids the introduction of Pay-Per-View despite its availability in the U.S. and in Canadian hotels;

* The CRTC's steadfast resistance to allowing discretionary services on basic cable will be reviewed at the Specialty Services Hearing which begins on July 20; of particular interest will be whether CRTC changes its policy to reflect realities of French-language market.

Bill C-58

Bill C-58 (Section 19.1 of the Income Tax Act) discourages Canadian advertisers from placing their ads on an American station when their purpose is to reach the Canadian market

* Using the Kingston case study as an example, the advertising rates on the U.S. Independent station from Watertown would likely be lower than those charged by the local Kingston station because the American station's local market is much smaller. Bill C-58 denies a Canadian advertiser a deduction from income when the advertiser uses the Watertown station to reach the Kingston market.

* Bill C-58 thus helps local Canadian broadcasters retain their advertising market and discourages American broadcasters from "reaping where they do not sow".

* Research done for the Caplan/Sauvageau Task Force estimated that in 1984 Bill C-58 had the effect of increasing the net revenues of Canadian television stations and networks by between $35.8 Million and $41.8 Million.

* Although this tax measure adopted by Parliament is wider in its application than solely U.S. stations carried by cable, it was thought necessary to introduce it during the period when cable (and with it the "3+1" U.S. signals) was being introduced to previously uncabled parts of the country to prevent the "siphoning off" of advertising to U.S. stations. In other words, it was feared that the U.S. stations and Canadian advertisers would take advantage of the U.S. station's presence to avoid advertising on the existing "local" Canadian stations.

* This is another example of the "logic of the local licence" at work.

III. GOVERNMENT INVOLVEMENT IN BROADCASTING

2. Need for a Fundamental Review of Broadcasting Policy

   a) Systemic/Technological Changes (1970's-1980's)

   b) Future Technological Changes

   c) Cable/Telecom Linkage

Current Pressures on the System

Introduction

* A fundamental review of broadcasting in Canada proved necessary because, since the 1968 Broadcast Act, Canada and broadcasting have changed radically.

* There has been a dramatic increase in the number of domestic and foreign services available via cable and satellite:

  In 1968, no one received more than 12 channels.

  In 1987, 78% of cable subscribers receive more than 20 channels.

* A variety of other societal, economic, cultural and technological pressures are bearing on the broadcast system and require new policy and regulatory responses.

These are:

Current Pressures on System

Overview:

Societal Changes Demographics Expectations		Competition Fragmentation Choice
Economic Factors Costs, Ads Funding	The Broadcast System	New Technology New Options
	Cultural Expectations Canadian Programming	

* Public and private broadcasters alike are confronted with a variety of pressures from: fragmentation of audiences and available advertising revenues; rising production costs; the challenge and cost of adapting to new technology; economic uncertainties, including the dilemma of public broadcast funding. The system and its regulatory and policy characteristics variously helps and hinders them in regard to these pressures.

* They are responding by becoming more entrepreneurial, combining and pooling their production resources in joint endeavours, including in the public sector. The new Broadcasting Act and the Policy supporting it, will have to reflect the changed circumstances in the broadcast environment and the need to respond in more contemporary fashion to these pressures.

Current Pressures on the System

1: Societal Changes: Rising Expectations

Distinctiveness

Linguistic Duality

Regional Diversity

The Role of Women

Aboriginal Peoples

Cultural Diversity

Attitudinal Change

Legislative Change

Jurisdictional Change

SOCIETAL CHANGE

Canadian society has changed profoundly in past 20 years:

- **in its demographics**
- **in its attitudes and expectations**
- **in the role of women in society**
- **in adopting a new Constitution with a Charter of Rights and Freedoms**

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* Canada in 1987 is very different from the society that existed in 1968 when the current Broadcasting Act was passed.

* Although population growth has not been dramatic, shifts in its composition, due to changing immigration patterns, have been.

* The past twenty years have been marked by striking changes in the attitudes and expectations of Canadians towards such issues as human rights, equality of opportunity and of employment, bilingualism, Native rights and multicultural diversity.

* Of all groups in society, it is perhaps women who have seen their role change most profoundly in the past twenty years, particularly in the areas of education, employment and the family.

* The adoption of a new Constitution in 1982 reaffirmed Canada's linguistic duality and multicultural diversity; its Charter of Rights and Freedoms ensured equal rights for all Canadians.

Current Pressures on the System:

The Distinctiveness of French Broadcasting:

The French-Language Viewing Universe, Inside And Outside Quebec, Operates Under Quite Different Market, Audience And Practical Circumstances And These Demand Particular Policy And Regulatory Responses.

Recent Government Initiatives Aim At: Increasing The Choice, Quality And Diversity Of French-Language Programming, Its Export Potential And Opportunities For Independent Productions.

There Are Growing Expectations That A New Act And Policy Will Recognise And Entrench The Distinctiveness Of French-Language Broadcasting And Provide It With The Flexibility To Respond To Its Own Circumstances Within The System.

Implications of Meech Lake Constitutional Accord.

* The demographics and economics of French broadcasting in Canada are different from those in English Canada, with less than a quarter of the total Canadian market, most viewers concentrated in three centres in Quebec and the francophones outside Quebec dispersed in small pockets across the country. To the issue of cultural sovereignty is added that of linguistic protection in the French context.

* Several government initiatives have been taken: Creation of the Broadcast Fund, co-production agreements with France, the creation of a second private French TV network, creation of TVO's La Chaine Francaise; the joint Ottawa-Quebec study and report on the future of French-language broadcasting, the joint analysis by the two governments of the Caplan-Sauvageau report, which dedicated a chapter to French broadcasting; the Quebec ERDA; the creation of TVFQ and, later of TV5 in Europe, featuring a full evening of Canadian programming, and the proposed extension of TV5 to Canada.

* Recent broadcast studies and consultations have reinforced the view that the new Act must place emphasis upon the distinctiveness of the French broadcasting environment and provide the policy and regulatory latitude to administer and encourage it in the light of its own particular conditions, circumstances and requirements within the ensemble of the Canadian broadcasting system.

LINGUISTIC DUALITY

English and French recognized as official languages in *The Official Languages Act* (1968) and *The Constitution Act* (1982)

Minority official language groups asserting their rights to services in their own language

Francophones outside Quebec, facing growing assimilation, claim the ever-pervasive English-language media contribute to this situation

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* Consitutional guarantees notwithstanding, French-speaking communities outside Quebec are seeing their numbers steadily decline with each new census.

* They attribute this situation, in part, to the power of English-language radio and television.

* There are still areas of the country where Radio-Canada is not available (e.g. parts of British Columbia and the Territories).

* Elsewhere French-language programming is limited, and francophones outside Quebec assert that it is not relevant to their situation because it is too Quebec-oriented.

* Francophones outside Quebec want to see themselves reflected in national programming and they want broadcasting services that meet their needs locally.

* English-speaking residents of Quebec have voiced similar complaints about the lack of local English-language progamming.

REGIONAL DIVERSITY

*** Quite apart from linguistic and ethnic differences, there are as many Canadas as there are regions of it, each with distinct needs from broadcasting.**

*** Canadians want these differences acknowledged and reflected in government policies, programs and represented on television in fair and just proportion.**

*** In the English majority regions, they feel Central Canada and Toronto are too heavily represented and, in French minority regions, resent the preponderance of Quebec concerns from Montreal.**

- During the Task Force hearings and during DOC consultations, regional representatives, provincial government officials and independent producers suggested that, according to television, we live in a Toronto and Montreal-centred land, with Ontario and Quebec interests and Toronto and Montreal network decisions determining Canadian reality as perceived on TV.

- Regional groups want this tendency reversed by: entrenching the regional obligations of broadcasters in the Act; increasing CBC Regional budgets, resources and autonomy; and increasing regional programming reflection on the networks; by de-centralizing the role of the Telefilm Fund from Toronto and increasing the share of regional producers and their exposure nationally; and, generally, by obliging broadcasters to reflect the regions' productions and aspirations on their own merit rather than as a function of national ratings or international sales criteria.

- The English regions want their fair share of the CBC and Telefilm budgets in proportion to their financial contributions, and want functions and decision-making aspects of these organizations to be spread around the country instead of centralized. French minorities want more broadcast services, but especially want to recognize themselves and their regional realities in French programming.

- The recent Meech Lake accord is evidence of the increased importance that the Federal and Provincial governments attach to regional concerns and to their resolution through joint solutions.

THE CHANGING ROLE OF WOMEN

Women are increasingly broadening their educational horizons

They are entering the labour force at a rate that is one of the highest in the developed world

They are guaranteed equal rights under the Constitution and under the Act on Employment Equity

However, they are under-represented at decision-making levels of broadcasting organizations and on the boards of the CBC and CRTC

They are distinctly under-represented "on air"

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* More than half of all university undergraduates are women: 52% in 1984, compared to 31% in 1962.

* Women are increasingly training for professions that have been traditionally dominated by men: female students accounted for 42% of the enrolment in medicine in 1983, compared to 10% in 1961; 44% of the enrolment in law, compared to 5% in 1961; and 43% in business and commerce, compared to 7% in 1961.

* Women are insisting that they be represented equitably at all levels of broadcasting undertakings. However, the Act on Employment Equity only applies to organizations employing more than 100 people, thus exempting many broadcasters.

* Less than six per cent of senior managers at the CBC are women; comparable statistics are not available for the private sector.

* At Radio-Canada, 25% of reporters are female, 13% in the private sector. Female reporters appear in only 17% of the more than 300 on-location news stories by reporters.

* In television news, female experts are invisible: 91% are male. Elsewhere on television, 65% of major performers and 73% of minor performers are male.

* In television commercials, men are twice as likely to be product presenters as women.

* Women's groups contend that this situation would change if more women were appointed to the boards and to decision-making positions in broadcasting organizations.

ABORIGINAL PEOPLES

Aboriginal rights are entrenched in The Constitution Act of 1982

Aboriginal people are demanding that these rights be more fully defined

They are particularly concerned about the protection of their languages and cultures

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* There are over half a million status Indians, non-status Indians, Metis and Inuit living in all regions of Canada.

* They are becoming increasingly frustrated at the failure of their attempts to obtain self government; concern for their ability to safeguard their languages, traditions and cultures is mounting.

* Radio and television are perceived by aboriginal peoples as important instruments for the preservation of their traditions, languages and cultures.

* Although the right of aboriginal peoples to receive broadcasting services in representative native languages is not set out in the Broadcasting Act, the CRTC recognizes the special role of aboriginal-language broadcasting and treats aboriginal languages in the same way it treats official languages.

* The CBC now plays a key role in the provision of aboriginal-language services in the North, through a combination of CBC-produced aboriginal radio programming, free regional network access time to a dozen independent native communications societies and local access time to two dozen native community broadcasters.

* The federal government has also recognized the importance of native-language broadcasting: since 1983, under the Northern Native Broadcasting Policy, it has supported the production of native-language programs and directed broadcasters in the North to provide access time to native broadcasters.

* Given this situation, aboriginal peoples think it is time that their right to broadcasting services in representative native languages be recognized in the Broadcasting Act.

CULTURAL DIVERSITY

One in three Canadians is of non-English, non-French origin

Immigration patterns are shifting: the majority of immigrants now come from Third World countries rather than Europe

This trend is rapidly increasing the size of the "visible minority" population

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* Multicultural broadcasters have made extensive use of cable, particularly the community channel.

* They feel they are being "ghettoized" and, increasingly, are demanding access to the public and private networks.

* Future immigration, at a rate of approximately 200,000 each year, will consist mainly of visible minority peoples.

* Broadcast programming does not reflect the numbers of these new immigrants; **they want to be seen.**

* Multicultural broadcasters are concerned about meeting Canadian content requirements; they feel it is important to be able to import programming from abroad in order to meet the linguistic requirements of their audiences.

ATTITUDINAL CHANGE

Growing acceptance of multicultural diversity in Canadian society

Greater importance attached to bilingualism and to safeguarding Canada's linguistic duality

Greater awareness of human rights

Increased expectations regarding equality of opportunity, especially in the area of employment

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* Sixty per cent of Canadians are in favour of maintaining the policy of multicultural diversity.

* As of 1985, 57% of Canadians endorse the country having two official languages, compared to 49% in 1975. Support for bilingualism has increased in every region of the country during the past 10 years and preference for bilingualism continues to increase with one's education.

* The adoption of a Charter of Rights and Freedoms in 1982 was at once a reflection of the increased importance Canadian society attaches to human rights and a stimulus to Canadians to insist that their rights be respected.

* The Act on Employment Equity, adopted in July 1986, will in all likelihood have a similar effect on increasing employees' awareness of their rights, and their expectations that their rights be respected.

LEGISLATIVE CHANGES

The following legislation, which has a specific bearing on broadcasting issues, has been adopted since 1968:

- **The Official Languages Act (1968)**
- **The Constitution Act and The Charter of Rights and Freedoms (1982)**
- **The Act on Employment Equity (1986)**

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* The Official Languages Act of 1968 gave special status to the English and French languages in a multicultural society.

* The Constitution Act of 1982 affirmed official bilingualism, aboriginal rights and the concept of multiculturalism, and introduced the Charter of Rights and Freedoms which guarantees that rights apply equally to men and women, among them the right to freedom of expression.

* In addition to the above legislation, the federal government and, to a lesser extent, the provincial governments, have established policies and programs to preserve and enhance the country's multicultural heritage.

* Federal policies and programs support education in the minority official language and encourage the development of minority official-language communities.

* The federal government has also set up programs to support women's interests, and to assist the disabled.

* It has also adopted a policy and program of support to Northern Native broadcasting projects.

2: Competition: Fragmentation, Choice

Fragmentation of audiences from increased choice

Fragmentation and erosion of advertising revenues

Competition for audiences and revenues among stations, networks, broad and narrowcast services and other distribution technologies for the viewer's attention and the advertiser's support..

Increased viewer choice, in a finite viewing universe spells zero-sum losses among services, loss of viewer loyalty to services in favour of programming choices

The challenge is to ensure that expanding viewer choices include an adequate selection of Canadian programming

Current Pressures on the System

Competition, Fragmentation:

Fragmentation derives from the increasing number of signals and choice of services from Canada and the U-S available via satellite and cable in a given market.

Fragmentation, and the competition it creates for locally-available audiences and available commercial revenues is affecting the ability of the local broadcaster to maintain audience share and profits.

Fragmentation also occurs when audiences and advertisers turn to narrowcast or specialty services such as sports, music and news channels, or to VCR's and home movies, rather than to general broadcast services.

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* As dicussed earlier, the "logic of local licence" is predicated on the ability and willingness of the local station to service local needs in return for a fair share of the local market. The licencee's ability to do this is constrained when cable brings in other distant broadcasters who enjoy viewership and often ad revenues, without making a local contribution. The viewer benefits from increased choice, but the local licencee finds survival harder.

* The fragmentation problem will increase in audience and commercial revenue terms, as viewer choice expands. Fragmentation of the market will continue as new specialty services are introduced as a result of the CRTC July hearings. General broadcasters are afraid that if some of the specialty services are allowed on the basic service, complete with advertising, this will erode their commercial revenues. Licencing of new specialty services with pass-through charges to subscribers will also test the elasticity of cable subscription limits. Pay Television operators feel that "loading" the basic cable fee through addition of many specialty items also fragments their audience and erodes their revenue prospects.

Current Pressures on the System:

3: Economics
Costs, Ads, Funding

Increased production costs

Increased costs for advertising

Reduced efficiency of advertising medium

Advertisers resisting rises and zapping

Increased costs for new technology, upgrading

Public broadcaster faces these plus uncertain funding

Current Pressures on the System

Economic Factors

Private Broadcasters Are Dismayed By The Effects Of Fragmentation On Their Performance And Profitability.

Broadcasters Generally And The Advertisers Which Use Them As Their Key Instrument, Are Disillusioned About The Effectiveness Of Broad Or Network Campaigns, In The Light Of Audience Targeting And The "Zapping" Syndrome.

All Broadcasters Are Affected By The Increasing Costs Of Production, Distribution And Technological Change. The Public Broadcasters Have The Added Uncertainty Of Government Reluctance To Increase Their Resources.

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* Local licencees and networks alike have suffered from gradually declining audience shares in their various markets in recent years, due to the fragmentation effects of increased choice and competition. Although dire predictions of network losses to other services have not materialized, they have lost audience new competition from third services, superstations,, Cancom services, specialty and pay offerings.(Viewers in VCR homes also watch 1.54 fewer hours of broadcast TV per week. In the U-S, the networks anticipate dropping to between a 65 and 75 total share of audiences by 1990. Canadian broadcasters are more afraid because of the smaller total market and they are claiming a decline in their profitability as an industry. Return On Investment (ROI) for private Canadian TV broadcasters declined from 47.8% in 1982 to 27.2% in 1985.

* There are trends in the advertising business to be more selective in advertising for television. Advertisers are resorting increasingly to demographically or life-style targeted campaigns rather than to the "shotgun" approach through networks. This trend has resulted in a measurablke decline in recent months here and in Europe in the use of national network advertising, in favour of other media and services.

Advertisers and the broadcasters who air their product messages are becoming pessimistic about the fickle viewing habits of viewers in search of specific programs rather than services. Viewers are using remote control devices on converters and VCR's to zip or zap. Nearly half of Canadian households now have VCR's and remote devices.
A.C. Nielsen found that 54% of Canadians surveyed always zip, while another 26% usually do during commercials. This also occurs during time-shifting with VCR's and zipping through the program later. Consequently, serious questions are being asked about the effectiveness of broadcasting as the ideal advertising vehicle and, new strategies are being sought.

* The trend towards selectivity by advertisers and programmers works toward the exclusion of the less affluent in society or those who consume less TV, including the elderly and children, in two ways: specialized services increasingly are used for much previously "free" off-air programming, and the result of less advertising being injected into programming for these groups, is less and weaker programming.

* all broadcasters face escalating costs of TV production and have turned increasingly to co-production in an attempt to share and reduce costs. They must also face high costs both in keeping up with the rapidly advancing video and audio technology; in adapting to new developments, and in affording upgrades of their systems to cope with obsolescence. Nowhere is the latter truer than in the public broadcast field in Canada, where the CBC has a massive technical obsolescence problem.

Current Pressures on the System

4: Cultural Expectations Canadian Programming

Pressures upon the CBC

Pressures on all broadcasters to contribute to systemic objectives for predominantly Canadian system

Cultural objectives for Canadian programming and service of Canadian demographic needs frequently collide with economic goals and practicality.

Challenge to policy maker and regulator to balance off these objectives

Current Pressures on the System

Cultural Expectations

All broadcasters feel the pressure of regulatory and policy imperatives to strengthen Canadian culture through broadcasting

The tension is felt mostly in the intersection and frequently collision between cultural imperatives and economic objectives for the system

Quotas and expectations concerning canadian content may appear onerous or ineffective in the private sector and, at the same time, the economics of public broadcasting force the CBC to place commercial concerns ahead of increased canadianization

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* It may prove difficult to reconcile these economic and cultural requirements in the new Broadcasting Act in a way that frees the private broadcasters from constraints, yet guarantees some contribution by them to Canadian programming objectives, and, at the same time, achieve CBC Canadianization goals without aggravating its budgetary shortfalls by reducing commercial gains.

* The single most important challenge for the policy maker and regulator in the years ahead will be to find a reconciliation of these cultural and economic objectives and a re-definition and rationalization of the respective roles of the private and public sectors in achieving them.

Current Pressures on the System

Pressures on the CBC

To cope with steadily increasing expectations for coverage and distribution, range of regional and network services, against a backdrop of deficit reduction and shortfalls, and clear resistance to a larger or more costly CBC.

On the one hand from the government to increase commercial revenue generation and on the other from the CRTC since 1974 to reduce commercial intrusions in programming.

To increase canadian programming, reduce lucrative American programming and meet all audience needs with a single TV service in each language.

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* The Caplan-Sauvageau report pointed out that the gulf must be reduced between rising expectations of the CBC that it respond to all needs, and the Government's willingness to clearly set the mandate of the CBC and adequately fund it. Yet there is clearly resistance on the part of government to see the rising expectations of the CBC translate either into a larger or a more costly CBC.

* The CBC has been forced in recent years to rely more heavily upon commercial advertising to compensate for shortfalls in available resources. However, at the same time, the CRTC has expected the CBC to phase out American programming which generates much of those advertising revenues, and to reduce its dependence on advertising and its intrusions in programming.

* The CBC previously proposed to create second TV channels in English and French: to increase the amount of available Canadian programming; permit higher repeats of CBC shows; and give the Corporation greater flexibility to serve a more targeted audience in addition to its mass-apeal main service. CBC 2 would have met many of the needs of the proposed TV Canada service, but was rejected by the CRTC because the CBC had no dedicated funding to provide the service.

5: New Technology
New Options

Satellite-to-cable services mushrooming

Expanded viewer choice through pay TV

Discretionary and free services

Non-broadcast technology making giant in-roads in the home, through VCR's and home movies

Conventional broadcasters contend with effects on their audiences and ratings

Broadcasters also compete for and contend with the cost of adapting to new technologies - digitalization, satellite-news-gathering stereo sound, high-definition, etc.

CURRENT PRESSURES ON THE SYSTEM

New Technologies are Fragmenting Audiences

* **satellite programming services are providing alternate programming choices for viewers.**

* **non-broadcast technology, such as home video cassette recorders and the home movie rental market, widen programming choices further.**

* **in Europe, new satellite services are springing up. Sky Channel and Music Box are but two examples**

* **in North America, the United States is the leader is satellite to cable programming services. New services appear and disappear every month, but there are several dozen available**

* **conventional broadcasters have seen audiences stall or decline as these new services begin to attract viewers.**

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* Satellite programming services take two forms -- those which are available free of charge and are totally advertising supported -- and those for which a fee or subscription is payable. These latter types of services may or may not have advertising as well.

* The United States was the first to widely develop this alternate method of program delivery, and the effect of these services is being increasingly felt on the established broadcasters. Thus far in Canada, satellite services account for just 2% of all viewing.

* Home video is having a more dramatic impact on viewing patterns, with VCR penetration reaching almost half of Canadian households and viewers time-shifting and watching rented pre-recorded movies instead of broadcast TV. With the aid of remote controls for converters and VCR's, viewers are "zapping" commercials.

Government Objectives and Agenda: (2a-ii)

The Task Force shall make recommendations to the Minister of Communications on an industrial and cultural strategy to govern the future evolution of the Canadian broadcasting system through the remainder of this century, recognizing the importance of broadcasting to Canadian life. The strategy will take full account of the overall social and economic goals of the government, of government policies and priorities, including the need for fiscal restraint, increased reliance on private sector initiatives and federal-provincial co-operation, and of the policies of the government in other related economic and cultural sectors. It will also take full account of the challenges and opportunities in the increasingly competitive broadcasting environment presented by ongoing technological developments.

The foregoing has dealt with current pressures and the immediate need for change.

But policies must not just solve current problems - they must also anticipate the future.

The following presentations deal with future technological change.

III 2. Need for a Fundamental Review of Broadcasting Policy

b) Future Technological Changes (ADMTT)

c) Cable/Telecom Linkage (ADMCP)

IV MAJOR THEMES/ISSUES EMERGING TO DATE

1. Themes

2. Towards a New Broadcasting Policy

MAJOR THEMES AND ISSUES

Role of the CBC
Role of Private Sector
Role of Independent Production Industry
Role of NFB
Role of Cable
Role of Telesat
Distinctiveness of French-language Broadcasting
Regionalism
Social Issues-Access
Public Attitudes

* In the last five years, numerous studies and policy documents have examined possible responses to the new broadcasting environment.

* Provincial governments have been consulted and the general public has been surveyed to gauge their opinion on broadcasting matters.

The Role of the CBC

Applebaum Hebert recommended that the CBC get out of in-house production except for news and public affairs, de-commercialize and abandon its private affiliates.

The 1983 broadcast strategy called for a more distinctive CBC with increased canadian content and increased use of independent productions. CBC was given access to the broadcast fund.

Caplan-Sauvageau called for much enhanced CBC, with government commitment to adequate funding for its mandate, with the CBC remaining a popular, mass canadian service and TVCanada aiming at specialized, non-commercial service. It also suggested the CBC provide an all-news service.

In its renewal of the CBC's network TV licences, the CRTC called for a more responsive CBC and set short-term excpetations and longer-term objectives for increased canadianization.

The Standing Committee reflects many of the key Task Force recommendations, but calls for a CBC more responsive to the needs of Canada's regions, ethnic groups and special interest minorities.

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* Almost without exception, the above studies or decisions have implications of increased cost for public broadcasting to meet increased levels of Canadianization, reduction of commercial activity or intrusions, increased reliance on independent producers, and greater response to the needs of Canada's regions and special groups in the audienbce.

* In the case of the commercial issue, all underline the paradox of government expectations that the CBC will become more self-sufficient through increased advertising, on the one hand, and that it must increase Canadianization and serve special interests on the other - both running generally contrary to mass audiences and ratings, and changing the nature and tone of public broadcasting.

* They raise the key question of the extent to which Parliament wishes to subsidize public broadcasting and the methods chosen to pay for it - direct taxation, per-capita levy, statutory grant with adjusting formula, a levy on the profits of private broadcasters, etc.

The Role of Public Broadcasting

* **The Task Force echoed broadcast studies since 1936 that public broadcasting provides programming for everyone of every taste, everywhere in Canada, reflects all groups in society and contributes to canadian identity and consciousness.**

* **We need public broadcasters to supply a programming alternative to commercial services, including cultural and educational material.**

* **It is felt that only public control, development and funding can ensure the provision of such programming and services which the private sector cannot or will not supply.**

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* Is it still true that only the CBC can provide total coverage and satisfy all viewing tastes, now that a wider range of services is available throughout Canada? Should the CBC be more specific and targeted in its programming philosophy and place less emphasis on coverage imperatives?

* Can the CBC, or for that matter, the provincial services, satisfy the need for a non-commercial alternative to private broadcast services if their economic problems force them increasingly to rely upon earned revenues such as commercial advertising, corporate underwriting and membership drives, and to aim at larger and more popular audiences to support those revenue campaigns, thus colouring their programming and scheduling decisions?

* If, in fact, such public programming, and especially programming of a non-commercial, alternative, specialized nature is not likely to come from the private sector, how can we ensure and afford its provision when the existing public broadcasters are consciously aiming at large, popular audiences for their survival? What other mechanisms and funding methods can we explore as a means of ensuring that a genuine alternative to private fare is supplied by, or in addition to, the existing public services?

Major Themes

Role of Private Sector

Culture, Commercialism, and the CRTC

Indirect contribution to cultural objectives: tax profits

Direct contribution: air more Canadian programming

Contribution of specialty services

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* The private broadcasting sector has been criticized for chasing profits at the expense of Canadian culture. **The broadcasters argue that they need money to make or acquire good Canadian programs; their critics suggest that they should put less of the money they have in their own pockets.**

* The CRTC has been criticized for being too lenient with private broadcasters for not doing more for Canadian programming, but the Commission cannot direct private broadcasters to undertake ambitious Canadian programming projects if they can't afford it.

* The Neilsen Task Force on Program Review, recognizing that profit will always be the first priority to private broadcasters, recommended relaxed Canadian programming requirements, but that profits should be taxed substantially, and the tax revenue devoted to cultural objectives.

* The Caplan-Sauvageau Report recommended, on the other hand, that private broadcasters must do more to contribute to the cultural objectives of the Broadcasting Act and that the CRTC be given the teeth to ensure that they do.

* For its part, the CRTC imposed stiff and unprecedented Canadian content spending and time requirements on the Global and CTV networks in their recent licence renewals.

* And what should be the contribution of specialty services? Should they be expected to contribute? The Caplan-Sauvageau Report thinks they should, as does the CRTC. However, given the small number of subscribers to these services, the means must be found such that they can continue to provide attractive programming services which includes quality Canadian programming, but which does not put their viability at risk.

Role of the Independent Production Industry

Applebaum-Hebert wanted both the CBC and the NFB out of in-house production and suggested they farm out production to the independent producers.

The 1983 broadcast strategy placed particular emphasis on the importance of independent production to diversify program sources and created the broadcast program development fund.

The Caplan-Sauvageau Task Force confined its recommendations to the CBC, recommending that it devote 50% of its schedule, apart from news and sports, to the airing of independent productions.

In its renewal of the CBC TV network licences, the CRTC has a short term expectation that the cbc air 40% independent productions and, eventually 50%.

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* The existence of the Fund has considerably stimulated the creation of independent productions and their airing on network television. The CBC accounts for about half of the expenditures through the Fund and private television and the provincial broadcasters, the balance. The exact contribution of private broadcasters is difficult to gauge since they do many independent projects outside the Fund.

* In 1985-86 alone, 260 hours, or $120 million worth of independent activity was generated in English television and French broadcasters in the same year spent about $40 million, while the Télécopro Independent Production Consortium generated about $140 million in volume of business.

* In the case of the CBC, its independent production targets are affected by budgetary considerations, by the cost of replacing American programs at some commercial loss, and by the implications for in-house, unionized production personnel.

Role of the National Film Board

The NFB produces high-quality Canadian programming - 135 hours in 1986

The NFB has no regular broadcast outlet, although it has been actively seeking one

All Canadian broadcasters need high-quality Canadian programming, yet rarely show NFB productions. (CBC English - 23 hrs in 1986)

* The number of hours of fully Canadian programming produced at the NFB has been increasing in recent years from 77 hours in 1985 to 135 hours in 1986. At the same time its broadcast exposure has been decreasing (from 36 hours - CBC English in 1985 to 23 hours in 1986; from 35 hours CBC French 1985 to 21 hours in 1986).

* The reasons usually given by broadcasters for not making more use of NFB productions are that they "lack balance" or are directed to too limited an audience (i.e. not commercial enough).

* The NFB has been an active participant in such ventures as the Young Canada Television and TeleCanada proposals in an effort to secure a broadcast niche for its programs.

* Both film and broadcasting policy reviews have identified the lack of a working arrangement between broadcasters, particularly the CBC, and the Film Board as a problem - the resolution of which would have practical benefits for all concerned, including the Canadian audience.

Role of Cable

* **is recognized as the preferred delivery medium to expand programming choice in a cost effective manner**
* **is a broadcaster (community channel) as well as a carrier**
* **may develop non-programming services outside of regulation**
* **unregulated competition**
* **difficulty of retaining a level playing field for cable**

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* The 1983 Broadcasting Strategy, Towards a New National Broadcasting Policy, concluded that cable was the most cost-effective means of expanding viewing choice, while at the same time, ensuring that the broadcasting system remains identifiably Canadian.

* The CRTC subsequently recognized the role of cable and the need for a relaxed regulatory approach to enable it to compete with other forms of home entertainment, VCRs for example, and has expanded the range of services it may offer. It also chosen not to regulate non-programming services.

* The Caplan Sauvageau Task Force recommended that cable's role as broadcaster be reduced, making it more of a common carrier. However, the Standing Committee on Communications and Culture disagreed, and recommended that cable be recognized as having a unique status as an integral part of the Canadian broadcasting system.

* Unregulated competition presents problems for the cable industry in that it must abide by CRTC regulations designed to strengthen the Canadian broadcasting system. The cable industry laments the demise of Bill C-20, which would have brought under CRTC jurisdiction services which redistribute satellite television programming to apartment and condominium dwellers. The Standing Committee recommended immediate legislative action to place such unregulated competition on a level playing field with cable, to establish an equitable regulatory environment.

(MAJOR THEMES)

Distinctiveness

There Has Been A Steadily Growing Awareness Of The Distinct Nature And Particular Market And Audience Needs For French Language Broadcasting Both In Quebec And For Francophone Minorities.

The Joint Quebec-Ottawa Study On The Future Of French TV Recommended Recognition Of The Special Nature Of French TV And Appropriate Adaptation Of Government Policies And Regulations.

Every Major Study And Broadcast Report Since Has Also Called For That Recognition And For Measures To Increase The Range, Availability, And Quality Of French Language Services And Programming.

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* The 1983 Broadcast strategy called for an increase in the range and availability of French programming throughout Canada, for a greater role for independent production and for increased export activity. The Broadcast Fund was created.

* The joint Ottawa Quebec Report on the Future of French Television echoed these themes, suggested the MOU and Entente on French TV, in which framework the two governments are studying mechanisms to achieve a wide range of French programming goals.

* The Caplan-Sauvageau Task Force dedicated a chapter to french broadcasting, and the need to guide its future development within a framework appropriate to its aspirations. Quebec and Ottawa have analysed the recommendations jointly within the scope of the Entente.

* In consultations with the various provinces, the Department heard that Quebec was particularly concerned with the need to recognize the special character of French-language broadcasting and its implications for the CRTC and CBC in particular, as well as dissatisfaction outside Quebec with a Quebec bias in French programming and a lack of regional reflection.

* The Meech Lake Constitutional Accord was evidence of the increased importance placed by the Federal and provincial governments on regional concerns by recognizing that French-speaking Canadians in Quebec and elsewhere in Canada constitute a fundamental characteristic of Canada, with a distinct identity.

REGIONALISM

Consultations with provincial governments, broadcasters, independent producers, and supported by public surveys call for the Broadcasting Act and the system to recognize:

....regional representation in and access to the national broadcasting system, especially the CBC and Broadcast Fund

....the role of the provinces with respect to educational broadcasting

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* Outside Ontario and Quebec there is an overwhelming concern that broadcasting is too centralized, and that programming does not reflect the regional nature of Canada. For example:

  ....CBC regional production facilities should be strengthened not reduced;

  ....regionally produced programs should appear on the national CBC network; about 30% of programs shown nationally are from the regions;

  ....CBC regions should have more decision-making power

  ....CRTC appointments should better reflect the regions, and decision making should be more decentralized and more responsive to regional needs.

* <u>Public surveys</u> have shown that about 7 of 10 Canadians attach a high importance to the provision of locally and regionally oriented programming and 6 of 10 people feel that this is the responsibility of both private broadcasters and the CBC.

* Ontario supported many of the recommendations of the Caplan-Sauvageau Report and strongly supported the concept of federal-provincial consultations on broadcasting policy matters. A major concern of the provinces as well as the industry was to keep regulation to a minimum so as to foster growth in the industry.

* Provinces involved in broadcasting, with the exception of British Columbia, favoured recognition of the role of provincial broadcasters with respect to education within the Act.

* In summation, official provincial government positions and public opinion vary considerably on questions of broadcasting policy. However, provinces do want to be consulted on these questions, want access to the broadcasting system, a fair distribution of the financial resources and the opportunity to contribute to national programming.

SOCIAL ISSUES - ACCESS

All Canadians in all parts of the country want increased access to the broadcasting system.

Minority groups, in particular, want programming that is relevant and represents them accurately. To achieve this they need:

- to be able to influence decisions regarding production;

- to be seen "on air".

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* Women, aboriginal people, francophones outside Quebec, ethno-cultural groups, the disabled, youth and senior citizens all complain that programming broadcast on the public and private networks is not relevant to them and, more often than not, depicts them in stereotypical roles.

* They, together with people in the regions outside the main production centres, insist upon having greater input into decisions regarding progamming.

* Decisions regarding programming broadcast on the private, and even the public, networks are influenced by the programs' potential to attract advertisers.

* Minority groups have traditionally used the community cable television channel and community radio as outlets for the programs that they create, produce and appear in.

* Although they recognize that community broadcasting will probably continue to be the most appropriate medium for multi-lingual, as well as certain kinds of local programming, they resent being as isolated as they now are from mainstream broadcasting. They feel they are being "ghettoized".

* <u>The Charter of Rights and Freedoms</u>, human rights and employment equity legislation have all increased people's expectations, particularly those of women, regarding equality of employment in broadcasting organizations and equal representation "on air".

* In addition to the above, many remote areas of the country remain underserved in terms of the programs and services they are able to receive. Residents of these areas are demanding access to the same range of programs and services available in more heavily-populated parts of the country.

PUBLIC ATTITUDES

The Canadian Broadcasting Corporation

* **88% of Canadians believe the CBC is needed**
* **62% believe CBC should offer programming unavailable elsewhere**
* **57% support CBC becoming more like PBS**
* **66% believe CBC does a good job in domestic entertainment**
* **73% believe CBC is contributing to national identity**
* **59% feel future spending on the CBC should be increased**

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* The Decima Poll of 1,200 Canadians show widespread support for the Corporation.
* Concerning the need for a national broadcasting service, 88% agreed that the CBC is needed: 41% felt it was needed somewhat, while 47% believe it was needed "a great deal"
* About six in ten Canadians believe CBC should provide programming which is unavailable on private stations. In the same vein, about the same percentage supported the idea that CBC should become more like the Public Broadcasting Service in the U.S.A.
* Two in three Canadians felt the CBC did a "good" or an "excellent" job in providing Canadian entertainment programming.
* And about three in four Canadians felt that the CBC contributes to national unity.
* Opinions on current funding of the CBC were quite mixed: 37% answered " about the right amount", 30% answered "not enough" and 11% responded "too much" (the others had no opinion). As seen above, more decisive opinions were expressed on future spending, however.

PUBLIC ATTITUDES

Manadatory carriage/payment of specialized services

* **about 7 in 10 Canadians support a national, general service speciality service [like the TV Canada concept]**

* **about 55% of all Canadians would support a compulsory cable fee of $1/month to receive such a service**

* **less support for All-News: 39% express interest, which falls to 22% if a monthly charge of 25 cents is imposed.**

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* Two recent public opinion polls have both confirmed the same level of support for a general purpose, mandatory carriage, specialty service, such as was envisioned in the TV Canada concept.

* Support for the idea of such a service is about 70%. This support falls to 55% if a mandatory fee is included.

* There is much less public support for the other mandatory specialty service which Caplan-Sauvageau recommended. Only one in four Canadians expressed interest in an All-News service. If a mandatory fee of even 25 cents a month was included, this interest fell to just 2 people in 10.

PUBLIC ATTITUDES

Cable Television

* **6 in 10 Canadians believe they receive good/excellent value**

* **6 in 10 believe there are enough channels offered**
  3 in 10 want more channels

* **6 in 10 oppose cable competing with broadcaster for ads**

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* There is considerable satisfaction with the services received from cable television systems.

* Six in ten Canadians believe their cable service is good or excellent value for the money.

* About the same number are satisfied with the range of choice presently available; however, a sizable minority -- 1 in 3 -- desire more choice.

* There is some considerable resistance to a price increase when asked directly about it. One in 3 opposed a price increase -- nearly 6 in 10 answered they would disconnect if the price increase was $1. Since quite different results have been obtained when the question of price is specifically link to an additional service (i.e., TV Canada, All-News), this may represent a reaction to a price increase for the status-quo

PUBLIC ATTITUDES

Broadcasting Objectives

* **3 in 4 Canadians believe all programming (CBC and private) must reflect equality and dignity of all groups**

* **7 in 10 believe it important for broadcasting to contribute to national identity; 6 in 10 believe that both public and private broadcasters should contribute**

* **7 in 10 believe regional and local programming to be important; again, 6 in 10 felt it should be the responsibility of both public and private sectors**

* Results such as these reaffirm thebelieve that broadcasting is expected to provide cultural and social benefits to Canadians.

PUBLIC ATTITUDES

Canadian Programming Objectives

- 7 in 10 Canadians support Canadian content regulation.
- 3 in 4 believe the government should regulate Canadian programming quality
- over half (56%) felt broadcasters should be able to show whatever the market decides; 4 in 10 favoured increased regulation for quantity and quality
- half of Canadians state there is not enough Canadian programming
- increased regulation and increased content was most supported among the Quebecois; it was lowest in the West and Atlantic Canada

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- In general, Canadians support the concept of Canadian content requirements. Many also believe that some requirements are necessary to regulate quality of programs as well as quantity.

PUBLIC ATTITUDES

Canadian Viewing Opinions

* **6 in 10 Canadians say they would watch more Canadian content if it were available**

* **2 in 3 Canadians do not want a decrease in the availability of American programming**

* **5 in 10 Canadians believe that Canadian productions are of an inferior quality to American productions**

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* Canadians support Canadian programming in that they believe they will watch it if it is offered.

* At the same time, however, it becomes increasingly clear that they will not tolerate a reduction in the availability of foreign programming.

* Canadian productions are still considered inferior to imported production.

IV MAJOR THEMES/ISSUES EMERGING TO DATE

2. Towards a New Broadcasting Policy

   a) Key Questions

   b) Fundamental Options

The proceeding discussions have dealt with the major questions and issues in some detail.

The following attempts to focus on provision of broad policy directions.

IV. 2. Towards a New Broadcasting Act

An emerging consensus as to the key questions

1) Programming

2) Distinctiveness of French-language Broadcasting

3) Central/Regional Orientation

4) Balance of Market Forces and Government Involvement

5) Cable --- Broadcaster? Carrier? Hybrid?

6) CBC/Radio-Canada

1. PROGRAMMING

More And Better Canadian Programming - But Not At The Expense Of Limiting Choice

More Prime-Time Canadian Drama Focus Of Central Canada And Production Industry

More Regionally Reflective Programming Focus For All Outside Of Ontario And Quebec

More Diversity Of Programming, Particularly For Various Interest Groups

Better Reflection Of Social Realities/Aspirations

Who Pays, And How?

Who Provides?

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* Recent surveys, consultations, Caplan-Sauvageau and the Standing Committee report all indicate a desire for more Canadian programming. More mass-appeal, prime-time, entertainment programming as well as the alternative programming often suggested for an alternative service - such as T.V. Canada.

* Most Canadians outside of Ontario and Quebec do not see themselves or their region adequately reflected in Canadian programming. Much of the present prime-time Canadian drama programming seems no more relevant than American programming.

* Most cable subscribers are willing to pay about an extra $1.00 per month for new services.

* Recent surveys indicate that the public expects leadership from the government, but also significant contributions from the private sector.

2. DISTINCTIVENESS OF FRENCH-LANGUAGE BROADCASTING

Environment/Market Clearly Different

Public Attitudes Clearly Different

System Not Presently Oriented To Deal With Differences

Implications of Meech Lake Agreement

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* Program availability, program viewing, structure of industry, size of market etc., all are significantly different in Quebec, and for French language broadcasting in general.

* Public attitudes, for example in willingness to see government limit the importation of foreign signals, are dramatically different in Quebec, which shows a much higher acceptance of such actions than does any other region of the country.

* The 1968 Act does not differentiate and, with just a few exceptions, the CRTC regulations and policies are also based on a single, national perspective.

* The question is not simply how to recognize the distinctiveness of French language broadcasting in legislation, policies and regulations but also how to structure the process in a federal-provincial context, particularly in light of the Meech Lake agreement.

3. CENTRAL/REGIONAL ORIENTATION

Vast Majority Of Prime Time (Network) Programming Felt To Be For And About Central Canada

Broadcasting Decision Making Structure (Government, Regulator, Networks, Telefilm) Felt To Be Centred In and Responsive To Central Canadian Concerns

Provincial Governments And Broadcasters Resent and Resist CRTC Regulatory Authority

Decisions As To Scope And Place Of Community Broadcasting Sector Of Particular Concern To Provinces/Regions

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* This is clearly a central question to be addressed in any new broadcasting policy.

* In addition to the already discussed programming concerns, the regions outside of Ontario and Quebec feel isolated from the broadcasting decision making processes at all levels. The demand is <u>not</u> for better consultative mechanisms, but rather for a <u>very</u> real decentralization of the decision making authority, particularly for the CRTC, the CBC and Telefilm Canada.

* Most provincial governments cling to the definition of educational broadcasting because they feel it insulates them somewhat from the regulatory authority of the CRTC, which is less aggresive in dictating programming priorities in an area of provincial jurisdiction. B.C. eschews even this contact. To pursue the objective of allowing/encouraging provinces to take on a wider range of programming it will probably be necessary to develop a new, less direct relationship between their broadcasters and the CRTC.

* Many regional groups look to an enhanced community broadcasting sector as a means of addressing some of their concerns. Most provincial governments are hesitant in that they fear raising expectations for provincial funding.

4. BALANCE OF MARKET FORCES/GOVERNMENT INVOLVEMENT

Blurring Of The Respective Roles of Public And Private Broadcasters - Need For Clearer Definitions

Consequent Decisions As To Scope And Methods Of Regulations

Clarification of Cultural And Economic Objectives And Their Interrelationship

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* Many of the theoretical benefits of a mixed public/private system are lost through policies which push the public broadcaster to be much more commercial and the private broadcasters to carry many cultural objectives. Greater program diversity could be obtained by policies which more clearly differentiated the two sectors. The challenge is to determine to what extent market forces can be harnessed on to advance cultural objectives.

* To the extent that private broadcasters could respond to market forces and the public broadcaster to its statutory mandate, the regulatory role could be lessened.

* Fever obligations on private sector would reduce pressures to control the boundaries of the system.

* Traditionally cultural and economic goals are pursued in tandem. Canadian content criteria, for example, often reflect basically industrial goals of employment and investment. To what extent is it feasible to pursue cultural and economic/industrial goals through separate mechanisms and policies?

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5. Cable --- Broadcaster? - Carrier? - Hybrid?

Mentioned, but not addressed in 68 Act

Fundamentally undermines traditional "Logic of the Local Licence"

Satellite - Cable combination compounds opportunities/problems

Broadcaster? Carrier? Hybrid?

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* As we have seen, many of the initiatives taken since 1968 by the CRTC and the government have been designed to compensate for the expansion of choice (and hence fragmentation) caused by cable.

* The cable-satellite connection escalated cable's ability to offer a greater range of services, and consequently to further undermine the traditional regulatory strategy of requiring Canadian programming in return for the right to operate in a protected market.

* As cable increasingly "programs" their systems by deciding what discretionary services get carried where and at what price, concerns arise as to their "gatekeeper" function. i.e. Cable decides which discretionary service get a fair chance at the marketplace of potential subscribers and which do not.

* If cable can run its new programming services, in competition with others, the conflict of interest in this vertically-integrate model is potentially clearly against the public interest.

* If cable is strictly excluded from broadcasting activities and limited to a carrier role, a great deal of initiative and financial resources could be lost to Canadian programming.

* The challenge is to define a hybrid role to obtain the benefits for the broadcasting system while avoiding the problems.

6. CBC/RADIO-CANADA

Virtually No Defenders Of Status Quo But No Consensus on Alternatives

Commercialism Vs Cultural Objectives

Mandate - Main Vehicle For Cultural Objectives, But Need For A Clear Statement

Scope of Activities - Is CBC The Vehicle For An Alternative Programming Source (TV Canada)

Budget

* There is general agreement, and a general expectation that the major task of a review of broadcasting policy must be to "fix the CBC". Options range from the Caplan-Sauvageau vision of a bigger and better CBC as the very focal point of the broadcasting system to plans for the Corporation's privatization.

* Whatever role is chosen for the CBC a major objective should probably be to match the mandate and the budget and to secure a funding mechanism that will avoid the year-to-year crises of threatened station closures, withdrawal of services, etc.

1V 2 (C) FUNDAMENTAL OPTIONS.

1. ENHANCED STATUS QUO.

2. FUNDAMENTAL RE-ORIENTATION OF SYSTEM THROUGH RE-ALIGNMENT OF CULTURAL OBJECTIVES, ESSENTIALLY TO PUBLIC SECTOR.

1. Enhanced Status Quo

1: DESCRIPTION:

A tuned-up CBC with a more contemporary mandate and adequate funding.

Strengthened obligations, and continued protection, for the private broadcasters.

Extension of the boundaries of the broadcasting system to include such newer systems as SMATV.

Continued mix of regulation and protective mechanisms to achieve system objectives.

Expanded choice of programming through licencing of additional satellite-to-cable services.

Government power of policy direction over the CRTC.

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* The above scenario assumes, for the most part, continuation of existing directions for the system, existing roles and share of those roles by its private and public, broadcasting and cable components.

* The refinements or improvements would consist of: a CBC mandate more appropriate to the changed broadcast and economic conditions, recognition of and mechanisms for dealing with the changing nature of broadcast distribution systems; more targeted programming approaches through satellite to cable delivery, and a greater ability to reconcile regulatory and policy objectives through the power of direction.

1. Enhanced Status Quo.

ARGUMENT:

POSITIVE: **Continues the thrust and momentum of Caplan-Sauvageau and the Standing Committee**

Can make significant improvements to the present system.

Can be more quickly and less disruptively implemented.

NEGATIVE: **Will improve but not eliminate many of the tensions/problems now in the system.**

Would continue to place heavy reliance upon regulation.

Would continue pressures for increased public spending.

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* On the positive side, the enhanced status quo approach has the advantage of being less disruptive in the short term and of being easier and speedier to achieve.

* However, on the negative side, the approach does not confront many of the key and fundamental issues which will tend to escalate in the years ahead - the public/private interface; the deeper problems of a distinctive public role for the CBC and the inexorable public cost of the organization; plus the reliance on regulation when the privates seek fewer regulatory constraints.

2. Fundamental Re-Orientation of System through re-alignment of cultural objectives, essentially to the Public Sector.

DESCRIPTION:

The Public Sector, and particularly the CBC, alone or in conjunction with TV Canada or its equivalent, would bear the burden of cultural objectives.

The private broadcasters would enjoy significant, if not total, de-regulation, and activity and entrepreneurial opportunities in the private sector would be increased.

Clearer focus of the respective roles and responsibilities of private/public broadcasters would be ensured, reinforcing their respective identities and mandates, and providing clearer choices in the system.

* The scenario assumes a much clearer separation between the popular/commercial activities of the private/public broadcast sectors than at present, and a greater emphasis on use of the public broadcasters to achieve a genuine and distinctive alternative service to that found on the commercial dial.

* The scenario also implies that, for the private broadcasters, this clearing of roles and virtual de-regulation of their activities, demands, in return, that they contribute in some reciprocal manner to the funding of those cultural objectives from which they are largely freed to pursue their own economic and market goals.

**2. Fundamental Re-Orientation of System:
ARGUMENT:**

POSITIVE:

Permits virtual de-regulation of the private sector, enabling it to concentrate on economic goals and the satisfaction of popular, commercial audience needs. Focuses entrepreneurial activity.

Permits public sector to focus more clearly on cultural objectives, without the distraction of commercial competition with and duplication of private broadcast activity.

Eases frictions both within the system and between Canada and the U-S

NEGATIVE:

Would take much longer to implement and would create greater disruption of system.

Since it represents a radical departure from historical policy approaches, the results are difficult to predict with any certainty.

The reaction of the cultural community might prove very negative.

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* On the positive side, the benefits can only be postulated, somewhat optimistically. The separation of functions would seem to clarify the uncertainty and collisions which presently occur, to the detriment of viewing choice of alternative services.

* In reality, virtual de-regulation could convince the private broadcasters that they have a total dispensation from contributing to Canadian objectives. Similarly, by achieving smaller audiences, the CBC could undermine rather than improve the performance of certain Canadian programming types.

* With respect to the cultural community, it might well react most strongly to the "dispensation" of the private sector as the confirmation of the licence to make money without concern for public service considerations. It would almost certainly mean fewer jobs for Canadian writers, directors, actors, technicians, etc.

* The solution to funding public broadcasting, possibly from a levy on the profits of the privates, could prove extremely unpopular and controversial.

V. CONCLUDING REMARKS

1. Process
2. Timetable
3. Cabinet Consultations
4. Next Steps

THE RESPONSES

- DUE AUGUST 26 AND SEPTEMBER 3
- COULD BE COMBINED
- MUST BE "COMPREHENSIVE" ACCORDING TO STANDING ORDER 99(2)

- "Comprehensive" is a flexible term that has never been formally defined.
- Generally it means that the response should be perceived as covering all recommendations, although not necessarily individually.
- Several options are possible.

OPTIONS

OPTION 1

RESPONSE(S) COULD ADDRESS EACH RECOMMENDATION SEPARATELY

Advantages

- is most likely to satisfy Committee that recommendations have been thoroughly reviewed

Disadvantages

- approach would be problematic if radically different broadcasting system is proposed
- is not necessary and would be difficult to take through a summer Cabinet (too many details)

OPTION 2

RESPONSE(S) COULD SET OUT GENERAL POLICY THEMES (E.G. ROLE OF CABLE IN THE SYSTEM)

Advantages

- would probably satisfy Committee that recommendations had been carefully considered
- would allow a clear articulation of policy framework within which detailed legislative proposals would be developed

Disadvantages

- may be difficult to accomplish within the time frame
- although less problematic than Option 1, would still be difficult to take through a summer Cabinet

OPTION 3

RESPONSE(S) COULD AGREE TO CERTAIN PRINCIPLES ENDORSED BY THE COMMITTEE BUT SITUATE CAPLAN/SAUVAGEAU AS ONE AMONG OTHER SPECIFIED MODELS TO BE EXAMINED.

Advantages

- does not prematurely commit government to a specific model
- opens the door to further consultations on other models
- could be managed by a summer Cabinet

Disadvantages

- might antagonize Committee, which has now spent several months doing an indepth review of Caplan/Sauvageau

OPTION 4

RESPONSE(S) COULD MAKE A GENERAL POLICY STATEMENT AND COMMIT TO MORE DETAILED RESPONSES IN COMING MONTHS

Advantages

- may be most realistic given the time frame
- could easily be dealt with by a summer Cabinet

Disadvantages

- might not satisfy Committee, particularly since the Government referred the matter to the Committee with a very short deadline for its Report

PROPOSED PROCESS/NEXT STEPS

- JUNE 12: DETERMINE SCOPE OF REVIEW
  - Cabinet consultations:
    - Mazankowski (Communications, legislation, Western perspective);
    - Wilson (ear-marked levies etc.; business perspective);
    - de Cotret (resources; TB President key player in system);
    - Masse (Québec perspective).
  - Other Ministerial and departmental consultations.

- JUNE 27-28: REVIEW RESULTS OF CONSULTATION
  DETERMINE BROAD OUTLINES
  - Develop details, including assessment of probable industry and public reactions as well as "longevity" of model(s).

- JULY 15: REVIEW PROGRESS
  REFINE DETAILS
  - Draft Cabinet documents.
  - Second round of Ministerial consultations:
    - Crombie (multiculturalism, Official Language minorities, community broadcasting, Northern/Native Broadcasting Official Language minorities, community broadcasting);
    - Epp (CCSD Chairman; Western perspective);
    - Clark (Sovereignty; key Cabinet support).
  - Interdepartmental consultations.

- JULY 30: REVIEW DRAFT MC AND RESPONSE(S)
  - Finalize documents to be sent to PCO on August 6.
  - Complete consultations.

- AUGUST 13: CABINET
  - Document tabled with the Clerk of the House any time before August 26.

- AUGUST 26: DEADLINE FOR TABLING FIRST RESPONSE