



CRTC 1982-1983 Annual Report

Canadian communications policy and the new technology

by Peter Black

Telecommunications has been simultaneously described as the answer to the nation's cultural prayer and the greatest threat ever posed to the survival and nurturing of Canada's national identity. The validity of these observations and their intermediary positions are becoming increasingly urgent, as, at this point in the evolution of applications of new technology, knowledgeable observers of technological events are increasingly reluctant to speculate on the long-term impact of telecommunications advances on Canadian cultural and economic sovereignty. It is too early to tell, they say; the dust has not yet settled from the first explosion of telecommunications innovations.

What is accepted universally is that there is no turning back to the days of an easily regulated and economically secure communications sector. The

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microchip and the satellite have torn down the artificial convention of national borders and galvanized the nations of the world into globalization more suddenly than McLuhan himself may have foreseen, let alone the politicians and the regulatory authorities they erect.

For a nation which had still not yet come to terms with the cultural impact of broadcast television, the opening-up of the skies of all manner of foreign signals has, in the assessment of Canadian Radio-television and Telecommunications Commission (CRTC) Chairman André Bureau, "intensified the challenge to maintain a distinctive communications service for Canadians, especially with regard to the promotion and enhancement of Canadian content in broadcasting."

Canadians especially have a stake in the direction the development of new telecommunications technology. A 1975 Stanford University study found that already over a majority of Americans were working in the production, processing and distribution of information

goods and services. For Canada, bound together as it is by the telecommunications infrastructure now in place, the restructuring of the international economy has particular importance: if the nation cannot keep pace in providing enough domestic sources of information products, others are more than eager to provide them for us. In an information economy, Canada's dependence on primary resources as the engine of growth necessitates a radical re-orientation to help the country elbow into the zero-sum global market for information goods and create jobs for Canadians.

The implications are equally serious for the Canadian cultural community which has always struggled for attention and survival against the overwhelming influence of the American arts and entertainment industries. With American satellites capable of beaming American programming into every nook and cranny of Canada, providing the kind of entertainment Canadians seem to crave, new approaches are needed to assist Canadians achieve their fair share of exposure in the globalized com-

munications world.

According to Bob Long, executive director of the Canadian Advanced Technology Association (CATA), Canada must "roll with technological change or be rolled over." In terms of Canadian cultural industries, the way of the future may be to reverse the traditional tack of using the domestic market as a springboard to international success, and to a far greater degree integrate Canadian program production with foreign concerns.

Quality dramatic production has always been a costly proposition in Canada, given the limited size of the Canadian market. With the vastly increased competition from American channels, private broadcasters are looking increasingly to co-productions as the *only* way to finance domestic drama production. The Canadian Association of Broadcasters (CAB) goes as far as advocating that all dramatic productions which are exclusively Canadian in theme "should be created by the public sector, using public funds," leaving the private sector free "to apply (its) re-

sources to the types of programs that they know will repatriate their viewers to Canadian programming, and to schedule these programs to maximize audiences."

In response to the private broadcasters' pleas for more flexible Canadian content rules, the CRTC last spring adopted a point system similar to that used under the capital-cost allowance program for certifying Canadian feature films. The system appears to have satisfied private broadcasters with regard to its openness to co-productions with foreign concerns.

The CBC has been mandated to provide the predominantly Canadian content programming the private sector, for economic reasons, has been unable to supply. Canadianization of the CBC, announced under the previous government, set a target of 80 per cent Canadian content in peak hours by 1989, fifty per cent of which is to be provided by independent producers. Monies from the Canadian Broadcast Program Development Fund and Telefilm Canada, plus whatever resources can be freed up from a rationalization of services, are to be applied to the creation of independently produced programming for the public network.

In an effort to bolster Canadian content on the cable systems scattered throughout the country, the CRTC has initiated hearings on the reception of distant Canadian signals. According to the CRTC, the cable carriage of distant signals "might be one way of ensuring that the broadcasting system, as a whole, remains predominantly Canadian." While that may be true in the cases of those cable services at present offering limited Canadian programming, the overall policy objective is questioned by the broadcasters' association.

According to the CAB, adding two Canadian superstations to cable services now offering the standard six Canadian and four U.S. signals, would increase the overall Canadian content received by subscribers by no more than three per cent, while threatening the national-account advertising-base of local stations.

Cable companies are only too anxious to be able to offer more programming to potential subscribers in a cable market which has gone flat at about 60 per cent of Canadian households.

The initial promise of discretionary (pay) television as a vehicle for Canadian talent and production has been, in the view of almost all concerned, an unqualified disaster. According to Ottawa communications consultant Peter Lyman, "between \$40 and \$60 million" in scarce investment funds were squandered on the drawn-out battle for pay-subscribers in the first year of licensee operations.

In Lyman's view, "the decision to license pay-TV was probably the most significant broadcasting policy decision in a decade. Nowhere are the policy issues occasioned by technological advances more dramatically evident." Introduced in haste to stunt the already burgeoning growth of earth-stations receiving U.S. signals, pay-TV was thought to be a means of shoring up the cable industry and providing a vehicle for Canadian film production faced with limited theatre markets. Targets of 50 per cent Canadian content in programming and 60 per cent in production expenditures were set. The scramble was on for subscribers, investors and Canadian programming. In just over a year two licensees were down,

Star Channel in the East and C Channel's national service. Allarcom, the Alberta licensee, applied to the CRTC for extension of its services to the rest of the West. A year later, Allarcom, having swallowed Ontario's Superchannel, and First Choice, having consolidated French-language services, divvied up the country, taking west and east respectively.

This furious corporate battle for survival and consequent restructuring necessitated by the impossible economics dictated by the CRTC, frustrated the objective of providing a greater degree of television services over which the CRTC would have authority to regulate prescribed quotas of Canadian program-production.

In light of "the turbulence of this initial period of operation", the Commission, according to its annual report, intends "to maintain a sensitive and flexible approach with minimum regulatory restraints." An early manifestation of this flexibility was the relaxation of Canadian-content quotas to apply over the five-year life of a pay license rather than on an annual basis. This decision provoked alarmed protest from Canadian programmers and artists and was overturned on appeal to cabinet.

Recent developments in pay - the introduction of specialized music, sports and ethnic channels - may have broadened the appeal of pay, but subscriber penetration still hovers at about 10 per cent of cabled households, far below the expectations of the industry and a continued source of financial loss to investors.

Despite the calamitous introduction of pay-TV into the Canadian market, one positive by-product has been an upgraded cable system with the infrastructure to provide a greater variety of Canadian programming, if and when the economics improve.

If the CRTC's objectives in proceeding with pay-TV had been to thwart the introduction of American pay services, the recent decision of the Conservative minister of Justice to forestall prosecution of cable companies pirating U.S. signals seems to mark a step in a contradictory direction. The decision, made amidst charges of political favouritism, indicates that the reception of foreign signals by Canadian cable may be viewed more favourably by the new administration than by the CRTC, which is currently deliberating the creation of Canadian superstations, to counteract the availability of American signals.

The moratorium on these prosecutions ties in with the review and re-orientation of communications policy initiated by Marcel Masse, the new federal minister of Communications. Masse has already indicated his regulatory bias in several recent public utterings. In a speech to the Canadian satellite-users conference in late November, Masse said the Conservative government would pursue a three-point strategy to take greater economic advantage of Canada's satellite technology. He said a relaxed regulatory environment, greater private-sector initiative and a greater push on international market development, will allow Canada to capitalize on present satellite-based technological development.

As a first step in encouraging private-sector initiative, Masse announced that the department of Communications will issue licenses for private, commercial uses of experimental transmit earth stations beginning in 1985. "And when this experimental phase is completed, permanent licenses for such private

users will be available in 1986. Such a development will benefit users directly (and) provide opportunities for the Canadian manufacturing industry."

In the same speech, Masse also indicated his eagerness to receive private-sector proposals for the use of direct broadcast satellite (DBS) services, noting that "a disparity remains between the television service available in cities and towns in Canada and the rural and remote areas where the population is dispersed. DBS service is an important alternative in meeting the important social goal of providing more television choice. In no other country does a similar opportunity exist, waiting to be seized by entrepreneurial businessmen and broadcasters."

The new federal government's intention to put Canada's excess satellite capacity to use to develop more Canadian economic opportunities is a departure from the previous regulatory mindset whereby satellite technology far outpaced the ability of Canadian regulators' understanding of its potential market-able uses.

Bob Long of CATA says Canada "blew" its precious advantage in satellite communications technology in not selling space to the Americans while they were designing their own satellites, in return for an agreement to use Canadian TVRO hardware.

Canada's failure to capitalize on its technological advantages while other nations catch up has cost the nation dearly in lost opportunity, Long says. "Our old approach of simply following is a liability which is every day going to push us further and further down the scale of living standards and job opportunities. You are condemned, as a follower, to be part of the growth cycle when it's maturing and where there's very little room for expansion."

The Telidon program, like Canadian satellite technology, is a victim of the national syndrome of having marvellous communications capability without generating useful or commercially viable material to communicate. Although Telidon, developed and supported by the federal government, against competition from European concerns, has been accepted as the international standard for videotext technology, it has fallen short in finding early practical and marketable applications for its wizardry. According to Peter Lyman, "what is needed is stimulation of actual market applications rather than strictly technical demonstrations and hardware support. Part of the necessary stimulus lies in greater regulatory flexibility for new service development and content would then be in the hands of Canadian creativity and Canadian entrepreneurs."

The department of Communications under Masse has sought an independent review of the Telidon program which is due to run its government-supported course in March. If the new minister's avowed faith in the private-sector's capability to harness Canada's technological resources bears fruit, Telidon may yet be in a position to cash in on the consumer-based videotext boom experts are predicting for the 1990's.

Ottawa is saying it will help stimulate private-sector initiative by reducing government's intervention and regulatory relaxation. But, the opposite approach is being taken with regards to the CRTC and CBC, the government's chief instruments of culture and telecommunications policy. A spokesman for Masse says the minister will shortly

announce a "fundamental review of CBC operations." The minister has alluded to the release of a White Paper on the CBC in previously published reports.

A foreshadow that the CBC review could indeed be fundamental was the \$85 million cut announced in the government's Nov. 8 Economic Statement.

Masse, as well, has rejoined the battle for a new Broadcasting Act providing for cabinet directives to the CRTC, a task which eluded predecessor Francis Fox. The CRTC was also hit with a budget-cut of \$1.5 million, a measure that, in one commissioner's view, will seriously affect the commission's research capability. As the workload becomes increasingly complex and the implications of telecommunications and broadcast decisions for the Canadian public become more-far-ranging, the more important it becomes that thorough, independent research be done. "But when a budget is cut, it is inevitably research which will get hit first," the commissioner says.

Chairman Bureau underlines the stepped-up pressure on the CRTC: "If there is a lesson to be learned from the experiences of the past year, it is that a leisurely approach is no longer possible. Naturally, the changing environment and the speed with which new challenges arrive necessarily require some changes at the CRTC."

To what extent the new government will use the CRTC as an instrument of its apparent continentalist, free-enterprise ideology remains to be seen. Its decision to freeze prosecution of cable operators pirating U.S. superstations is a clear sign that policy decisions, not just deliberations, have already taken place in at least this domain.

We shall soon see how much further Masse proposes to prune the CBC of some of its branches. He concedes that "for all sorts of reasons, we will continue to need an organization like the CBC, but the question is to know what type of organization we should have."

At this stage in the unveiling of the Mulroney policy menu, there are still far more questions than answers. We have broad hints that the federal government will feel less inclined or obligated to solely finance the promotion of Canadian culture through the airwaves. Yet the government's aim of a lean and mean CBC through budget-cutting has even some Tory gurus alarmed. Dalton Camp, for one, says: "Were the government to be truly helpful, it would suspend the budget axe and Parliament would get down to a task it has neglected for so long - developing a new, more realistic mandate... based on the new and pressing circumstances bestowed on it by technological change."

As for the development of the telecommunication industry, the November economic statement made it quite clear that Ottawa plans to wind down many of its economic development programs and make greater use of tax measures to encourage R & D. Masse will only go as far as saying the government will "support, encourage and co-operate with" the private sector as it seeks to exploit the new technology.

Will the new government's approach leave Canadian performers and producers dehydrated as a result of trickle-down cultural policies, or will the relaxation of regulatory restrictions produce a blossoming of Canadian talent in the globalized market for entertainment and information? That, in the Anik age, is the question. ●