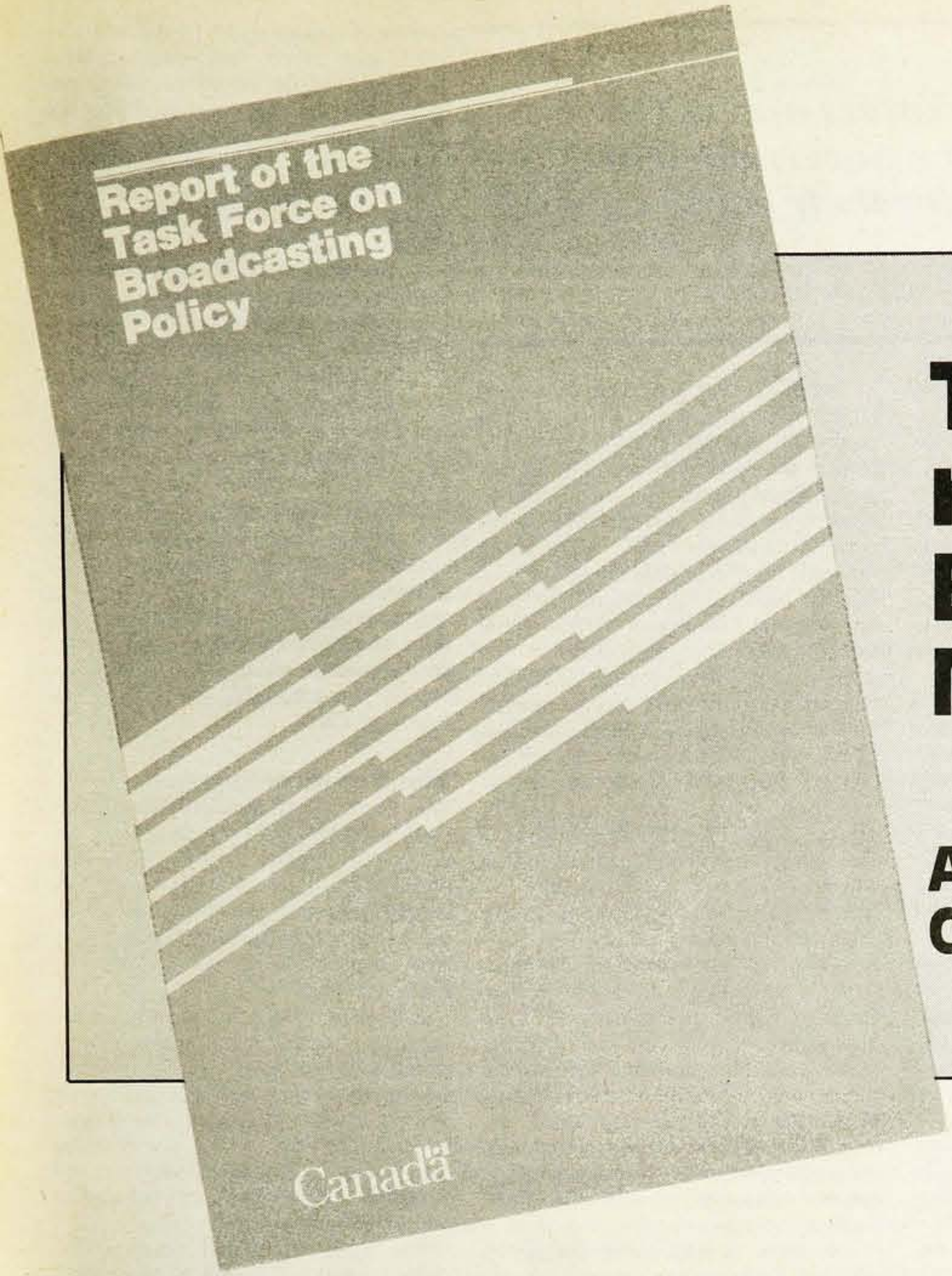

The best damn report from Bennett to Mulroney

An analysis of the Caplan-Sauvageau report

by Sandra Gathercole

In Canadian television, the universe has not been unfolding as it should. The Canadian Broadcasting Corp. (CBC) has wound up as a castigated and impoverished Cinderella, carrying the ball on Canadian content, while the snippy stepsisters in the private sector have been cavorting with the neighbours and letting down the home team.

Canadian content, legally star of the show, has been cast as a not-quite-ready-for-prime-time support player. Outside the CBC, Cancon is the promise nobody keeps; and nobody, at an official level, seems to give a damn.

The necessary delusion

The system's ability to rationalize its American identity has expanded to fill the need. Once the necessary delusions take root, up is down, white is black, and patent nonsense passes as policy.

- As he rushed headlong toward the pay-TV licensing fiasco, former CRTC chairman John Meisel assured an incredulous Commons Committee that the CRTC had refused to entertain applications for universal forms of pay television because universal was an American model whereas discretionary pay-TV was a unique Canadian brand.
- The Liberal government's 1983 Broadcasting Policy annointed the cable-industry – *agent provocateur* of the pay-TV debacle – as the chosen instrument of government broadcasting policy.
- The private industry's delusions of *grandeur* reached an apex when Toronto broadcaster Allan Slaight offered to buy the English television network of the CBC and teach it to behave like a proper business.
- Current CRTC chairman André Bureau presented graphs to the Commons Standing Committee on Communications and Culture on May 28, 1985 indicating that private Canadian television broadcasters earned an average 50% return on investment between 1978 and 1983 – a fact Bureau thought demonstrated the effectiveness of the Commission's regulatory policies.
- CFTO president Doug Bassett (son of John) let the cat out of the bag on August 3 this year when he told CBC's 'Sunday Morning':

> *"The private broadcasting system has to be healthy because if it isn't we lose our shirts, and we lose our homes, and we can't (if we want to) send our children to an independent school, we're not able to."*

- Since pay television set the precedent, the CRTC's interpretation of its legislative responsibility to ensure that licensees provide 'predominantly' Canadian programming has slipped from 60% (traditional for broadcasters); to 50% (CRTC proposed new Canadian content quota for private broadcasters); to 35% (Pay-TV); to 40% (new French private network Quatre Saisons); to 3% (French language Canadian requirement for the French version of MuchMusic).

Que sera, sera. Canadian television has been bound for the U.S.A. and nobody expected the Caplan-Sauvageau Task Force to change that. But it may.

The best damn report from Bennett to Mulroney

Last month the Caplan-Sauvageau Committee delivered a 731-page blueprint for turning the tides that have been washing away Canadian programming. The Report packs enough punch to make the most cynical reconsider the possibility that such a thing can actually be done.

It began as an exercise in rethinking the broadcasting system – the first substantive one since the Fowler Committee of 1965. By definition, it had to address the conflict in broadcasting between the national interest and vested interests. This is, of course, not a new story: it has played here before. The new twist is television delivery technology that has, to borrow from Dr. Einstein, changed everything except the policymakers' modes of thinking about television.

The result is strong all around: exhaustive, well-researched, well-written; with a solid foundation of facts and financial data. But it is the consistent quality of the thinking that sets this report apart. The Task Force has made all the right connections. Comparably astute, if not complete, assessments of Canadian broadcasting have been offered by individuals and organizations over the years but you would have to go back to the 1929 Report of the Aird Commission to find as adequate an underlying analysis in an official document.

In its very measured tones, the Task Force document blows the whistle on the closed club that has been controlling Canadian broadcasting for fun and profit. It also delves into the ways in which they have seized the steering wheel from a compliant public regulator.

The near unanimous support it has attracted seems to arise from a vein of suppressed rage that this essentially conservative Report has tapped into. Everyone, it seems, has been silently stewing about marauding cable industry owners and deceitful broadcasters. Now that officialdom has cast the first stone, critics the industry never knew it had are making themselves heard.

The attack comes at a time when both the cable and broadcast industries are vulnerable. The failure of the cable-orchestrated introduction of pay-TV has sent that industry's innovative, audience-sensitive image crashing through

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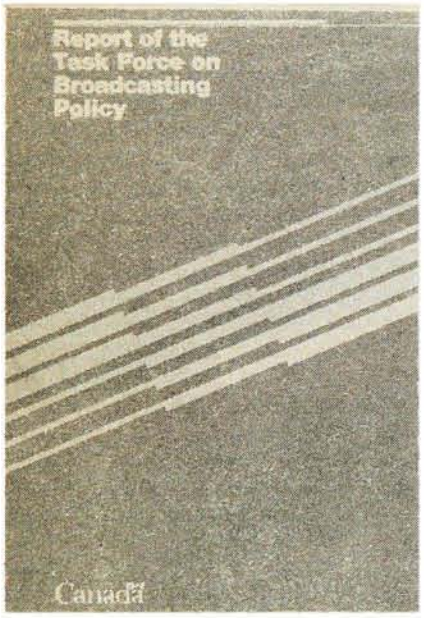
the floor. Private broadcasters' profits are at 18% of revenue according to the Report, and their program offer is chronically low as *Montreal Gazette* columnist Mike Boone noted in an article on the new fall television season.

> *"CTV introduces its only new show of the season at 7:30.* **Pet Peeves** *is a typically cheap and uninspired product of Canada's private television network. Host Harvey Atkin asks people what annoys them. What bugs me is a broadcaster who makes a ton of loot from Canadians and then contributes nonsense like this to our TV environment."*

WHAT DOES IT SAY?

The four myths

To a certain extent, the Report offers a penetrating glimpse into the obvious.
– Canadian television is American in prime time.
– The problem is worse in English Canada than in Quebec.



"... a 731-page blueprint for turning the tides that have been washing away Canadian programming."

– There is a massive deficit in Canadian entertainment programming, particularly drama.
– The private sector is not doing enough.
– The CRTC is ineffectual.
But the Commitee moves on to explode a number of myths that have dogged Canadian television for years.

First is the myth of the free enterprise private sector. The Report establishes the extent to which the private broadcast and cable companies have the Government of Canada to thank for their existence and profitability.

"... private broadcasters and cable companies have the Government of Canada to thank for their existence and profitability."

Bill C-58 and simultaneous substitution of commercials have provided a subsidy worth about $90 million per annum in advertising revenues to private broadcasters. This represents roughly 9% of their total revenues, and actually exceeds the total ($75 million) spent by all private English and French broadcasters on Canadian performance programming in 1985.

In addition, private broadcasters have their Canadian programming expenses subsidized through the 100% CCA for film and video, and through Telefilm's Broadcast Fund. Then there is the incalculable contribution to broadcasters' high profitability made by lax CRTC enforcement of the "predominantly Canadian" programming objectives of the Broadcasting Act.

The Report notes that CRTC license decisions, and *supine* enforcement of license conditions have functionally turned the public airwaves into the private property of broadcasters despite their failure to honour their promises of performance.

In this protected environment, the private sector has multiplied like rabbits while the public sector has been frozen. No public television services – provincial educational broadcasters excepted – have been licensed in this country since 1952. Private ambitions, private agendas have come to dominate the system despite the fact that these companies are not publicly accountable in any consequential way.

But while the private sector has become quantitatively dominant, the public sector has remained qualitatively dominant. Caplan-Sauvageau establishes that privatization has equalled Americanization. Rather than increasing Canadian programming, the proliferation of private Canadian companies has resulted in a decrease in the quality of Canadian programming, and in the proportion of Canadian programming available in the total program mix. Canadians have been paying more, and getting less ever since the private genie was let out of the bottle.

What has developed in Canada is not free enterprise but commercial protectionism. On the one hand, we have publicly-subsidized commercial broadcasters and, on the other hand, a commercially-subsidized public broadcaster.

Closely allied to the fallacy of the 'free enterprise' private broadcaster is the fallacy of the 'efficient' private producer. According to this Report, there is no significant difference which can be objectively established in the cost of production of an in-house CBC program and a similar independent production done in the private sector.

Caplan-Sauvageau supports CBC's movement toward contracting out 50% of non-news and sports programming (35% is now being contracted) but points out that the decision should not rest on the unfounded assumption that private production costs are lower than those in the public sector. This is an important clarification since much of the rationale for dismantling the public production infrastructure (both CBC and the National Film Board (NFB)) has in fact rested on that assumption.

The third myth unravelled in this Report is that of the 'huge' foreign market. This idea originated with feature film where it has some basis because an occasional **Porkys** or **Meatballs** can return many times its costs from the U.S. market. However, it is largely inapplicable when transferred to television where there is a limit to the license fees paid no matter how good the program.

Caplan-Sauvageau points out that Canadian television programs (co-productions excluded) can only expect to get 20% of their production costs from foreign license fees. Last year, CBC received $6 million, and the entire private sector only $5 million from foreign sales. Therefore, revenue from the domestic market must be the unequivocal priority of Canadian production for economic, as well as cultural, reasons.

The most pernicious of the myths afflicting Canadian television is the 'unpopularity' of Canadian programs. The Report demonstrates that Canadians tend to watch programming according to its availability rather than its nationality.

Program offer and program viewing correspond. The main reason English Canadians watch American programming 76% of prime time is that 74% of all programming offered to them in prime time is American. Similarly, Canadian drama draws 2% of total drama viewing in English Canada because 2% of all available English-language drama is Canadian. The two exceptions to this rule are English-Canadian news and public affairs, and French-Canadian drama, where viewership is about double availability.

It emerges from the Report that the Canadian public and the private broadcast/cable industry do not share programming tastes to the extent the industry maintains. Under the guise of "giving the people what they want," the industry has actually been giving them what it wants ($5 billion worth of American programs bought for $142 million) while denying access to more costly competitive Canadian alternatives.

Public opinion polls, and 5 million viewers for **Anne of Green Gables**, indicate that the industry has taken the fact of audience bias against cheap programming – a lot of which is Canadian – and expanded it into bias against Canadian programming *per se* as a means of disguising its own profit motives. One need only imagine what would happen to the economics of private television if the audience ever imprinted on expensive Canadian fare.

Nonetheless, Canadians have a right to be able to make the choice as an October 7 editorial in the *Globe and Mail* noted.

> *"The Task Force simply argues that a sovereign nation should ensure that its citizens not be forced to watch another country's programs by default – in the absence of Canadian shows. So the Task Force urges Parliament to expand the range of options.*

THE PROPOSALS

The Report's recommendations alone run to 24 pages and defy summary in an article. Therefore, only proposals in major areas of the system are discussed here: the Broadcasting Act; the public sector; private broadcasting; cable; provincial broadcasting; the Broadcast Fund; the CRTC.

The Broadcasting Act

The Report recommends new broadcasting legislation that takes into account the rapid technological changes of the last two decades but re-enshrines the fundamental principles on which the present Broadcasting Act is based. New legislation should require the Canadian system to:
– "safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada";
– provide a wide range of programming that is Canadian in content and character and that provides for a continuing expression of Canadian identity and contributes to the flow and exchange of information among the regions.

The new Act would confirm that radio frequencies are public property in Canada, as in every other nation, and the users are trustees of the public. It would also affirm that only Canadians may own or control broadcasting undertakings in Canada.

In the pre-pay-TV environment, these principles had very little currency as is evident in the CRTC's licensing decisions of the period. The failure of pay-TV changed the environment, and the Committee's stance here will further resurrect the moral authority of the Broadcasting Act.

Caplan-Sauvageau has also recommended a number of changes be incorporated into new legislation. It would:
– replace the 'single system' concept with a more realistic 'composite system' wherein the many disparate elements would contribute in their own way: a balancing act that assumes a more sophisticated regulator than now exists;
– apply to all broadcasting services distributed by any means;
– charge the system with fostering national identity and awareness rather than unity;
– change the right to receive programming to the right to receive services in French and English, and representative native languages where numbers warrant and when public monies become available;
– give paramount consideration to the national public broadcaster particularly where there is a conflict with private broadcasters over programming (this

represents a weakening of the existing provision);
– ensure provincial consultation on broadcasting policy;
– give consideration to the special character of Quebec broadcasting;
– require broadcasters to ensure balance in their overall schedules rather than within each program;
– recognize community broadcasters as a distinct sector on an equal footing with the public and private sectors, and able to provide what the other sectors have not: access to the system.

Spurred by the new Canadian Constitution, the Task Force sets out, as a basic principle of the system, that programming should respect and promote equality. To this end, it recommends that broadcasters be required, as a condition of license, to use affirmative action in hiring women and minorities, and that attention be paid to this principle in appointments to agency boards of directors, and in opportunities for production and distribution of programming.

The public sector

"Broadcasting in Canada, in our view, is a public service directed and controlled in the public interest by a body responsible to Parliament... The only status of private broadcasters is as part of the national broadcasting system. They have no civil rights to broadcast or any property rights in broadcasting."

Caplan-Sauvageau didn't say that* but it could have. It said this:

"CBC has long been the most significant single source not merely of Canadian programming but of Canadian culture... For us the CBC is not a complementary broadcasting agency; it is the central one. It must be the main Canadian presence on television. The role of the private system is to complement the CBC."

It is not surprising then that public broadcasting in general, and the CBC in particular, come out of the Report greatly strengthened.

The Task Force is intent on reinforcing the Canadian character and public presence within the system, but it is not fanciful. It recognizes that the original dominance of the public/Canadian components is not about to be restored. Instead its purpose is to put the private industry on a shorter leash while expanding the public sector to re-establish a semblance of balance and public accountability within Canadian broadcasting.

Caplan-Sauvageau defines an enlarged public sector wherein the CBC though strengthened, will play a smaller role. Only one of the three new public channels proposed in the document would be fully controlled by the CBC, and provincial educational broadcasters would be allowed to broadcast nationally and drop the limitations of their educational mandates.

This means that the Corporation would lose its monopoly as the national public broadcaster just as, in the 1950s, the National Film Board lost its monopoly as the national public film producer. CBC president Pierre Juneau was strong in his immediate public support of the Report despite the fact that he and his immediate predecessor, Al Johnson, have ferociously guarded CBC's monopoly position. Both also opposed the Report's central funding mechanism, universal payment for new Canadian cable services. In 1981, CBC's refusal to accept the universal option left the proposed CBC-2 service without a secured financial base and therefore without a license.

Not surprisingly, the Report acknowledges the CBC's need for greater financial resources to complete the national broadcasting service: replacing those television affiliates that refuse to carry the full network service; adding a CBC television station in New Brunswick where, incredibly, there is none; and expanding the FM stereo radio network.

Further cuts to the CBC budget are opposed and the Report observes that the Canadian Constitution now guarantees Canadians essential public services of reasonable quality: a guarantee that it believes may impinge on the right of the government to cut CBC to the point where quality is impaired.

It advocates that the Corporation's funds be guaranteed by Parliament for five years, coinciding with the licensing period. This would facilitate planning and protect the Corporation from politically-inspired cutbacks.

In programming terms, Caplan-Sauvageau recommends that the CBC become virtually all-Canadian (95%) in prime time, sloughing off its **Dallas** and **Newharts** to the private sector. This will cost an estimated $60-86 million per year ($30-36 million for replacement programming and $30-50 million to cover lost advertising revenues).

The Report does not accept the frequent suggestion that CBC television become a specialized service *à la* PBS. It recommends that it continue to offer a range of programming but that two of its non-mandated services – the Parliamentary channel on cable, and Radio-Canada International – have their costs shifted to the Speaker of the Commons and the Department of External Affairs, respectively. It is also recommended that local CBC non-news production be regionalized into nine (five English and four French) centres across the country.

CBC's television service would be expanded with the addition of a new cable-carried all-news channel in English, and a partial news channel in French. Funds would come from advertising and a tax on cable. The Report recommends that the CBC be allowed to develop other specialty television services. Not at all surprisingly, the Committee wants to see CBC Radio strongly supported.

The Report has won support in Quebec with its assertion that broadcasting policy must recognize the differences between French and English program needs and ensure the right of Radio-Canada to develop distinctively within CBC. It notes that Radio-Canada program budgets are much below those of CBC on a per program basis.

Apart from CBC, the public sector in television would be expanded by the addition of two new subscriber-funded Canadian channels to be carried on the cable basic service.

On the English side, TV Canada would be an ad-free omnibus channel run and programmed by a consortium of public producers: NFB, CBC and provincial broadcasters. These agencies would, with independent producers, supply the programming for the channel: a mix of children's material, documentary, regional programs and reruns of top-rated CBC material. This omnibus channel rolls into a single service a number of previously proposed dedicated channels: CBC-2, NFB Téléjeunesse, and various universal pay-TV proposals.

The French-language counterpart, TéléCanada, would provide similar programming in French and would incorporate the partial news service to be provided by Radio-Canada.

These channels, TV Canada and TéléCanada, would be fully public. They would be required carriage on basic cable service (two in English markets and one in French) in accord with the priority of carriage of Canadian services. This would entail moving U.S. network channels – where they are still being carried on basic service – to the converter band.

All of these new public services would be self-financing on a user-pay basis. Cable rates would increase by 75¢ for TVCanada/TéléCanada, and 25¢ for the CBC news channel, for a total of $1 per subscriber per month, or $12 per year. This would increase over a number of years to a maximum of $1.75 per month in constant dollars.

Private broadcasters

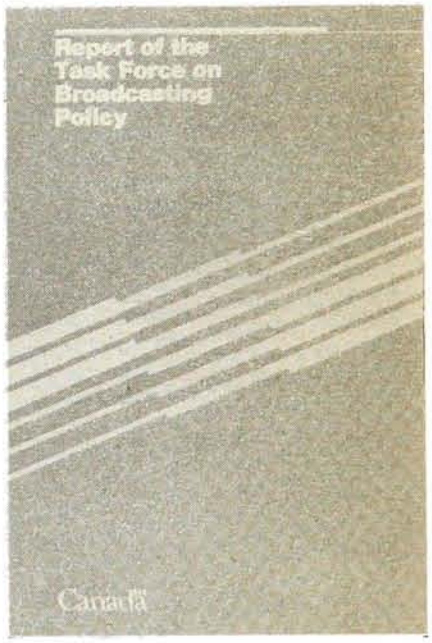
"The contribution of private Canadian broadcasters to quality Canadian performance programming has not been among the great elevating successes of the Canadian broadcasting system."

Despite the understated language, the Report goes for private broadcasters' solar plexus: profits and their lack of relationship to quality Canadian performance programming.

According to financial data submitted to the Commons Standing Committee on May 28, 1985 by CRTC chairman André Bureau, private television broadcasters in Canada averaged approximately 50% rate of return on investment** between 1978 and 1983. The Caplan-Sauvageau Report uses a different calculation and arrives at more modest figures. It estimates that private broadcasters' pre-tax profits are 18% of revenue.

For private English television in 1984, those revenues were $670 million compared to $430 million for English CBC and its affiliates. English private broadcasters spent $226 million of those revenues on Canadian programming whereas CBC English television spent $337 million on Canadian programming.

But for the year ending August, 1985, English language private broadcasters spent only 4.9% of their total program budget, or 2.4% of their total revenues, on Canadian television series and feature films. If not on drama, how did they spend their $226 million for Canadian programming? Five specific quiz or talk



"The most pernicious of the myths afflicting Canadian television is the 'unpopularity' of Canadian programs."

shows and their reruns accounted for 82% of all Canadian performance programming on the CTV Network, the Report states.

All private broadcasters spent $142 million ($133 million English only) on foreign programming. Meanwhile, CBC spent $23 million ($15.6 million English only) on foreign material.

As the Report makes clear, the English CBC television network and its affiliates spend about the same amount on programming as the English private broadcasters. The real difference is in Canadian programs with the CBC

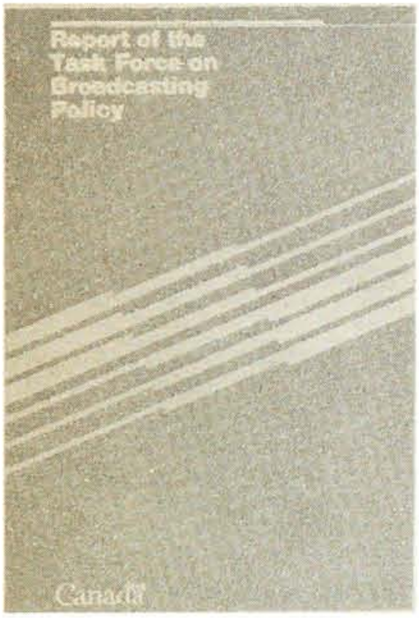
"While the private sector became quantitatively dominant, the public sector remained qualitatively dominant."

spending over $100 million more than the private broadcasters. An even greater disparity exists on the French side.

The honour system does not seem to have worked. Private broadcasters are not providing the *quid pro quo* for the government protection that allows them to rake in massive revenues: quality Canadian programming. **Pet Peeves**, **Check It Out**, and reruns of **The Littlest Hobo** are not what anybody had in mind.

While this Report chastises the private broadcasters, it does not recommend structural changes such as competitive license renewals, and/or a reduction in protection until the terms of the bargain are being honoured. Instead it seems prepared to sustain the present arrangement and let the protection not only continue but expand (through a 150% CCA for advertisers on 10-point Canadian programs) upping the ante in only a modest way. The Committee wants increased Canadian program expenditures made a condition of license, and Canadian programming shown *when* Canadians are watching television.

Specifically it recommends:
- private broadcasters increase their investment in Canadian programs



through higher license fees paid to Canadian producers: $35 million per annum is mentioned as an example.
- prime time be redefined from 6 to midnight to 7-11p.m. thus closing the loophole that permits much of the Can-con quota to be filled with newscasts;
- 45% Canadian material be required in this newly-defined prime time period.

The Report also recommends that CTV and its affiliates be licensed simultaneously to end the shell game the network has played for decades whereby it claims poverty – and inability to produce Canadian programming – on the basis that its profits are sent back to the affiliates.

Industry reaction to the proposals varied. The representatives of the Canadian Association of Broadcasters gritted their teeth and smiled wanly. But John Bassett went on CBC's 'As It Happens' to explain that **The Littlest Hobo** has cost so much that CTV simply can't afford to implement the Caplan-Sauvageau recommendations. The following day, September 23, the *Toronto Star* reported a speech Bassett delivered to the Canadian Club in which he urged the government not to rescind Bill C-58 as part of a free trade agreement.

> *"If... the protection of our own marketplace is removed, then... we will lose our distinctive Canadian characteristics. In my view, this loss would not be worth whatever financial success might be available to us..."*

Canadians, he said, are different from Americans and those differences must be kept strong through cultural industries such as broadcasting that are as vital to our survival as political sovereignty, etc.

On the same day, another Toronto newspaper, the *Globe and Mail*, reported that son Doug, boss of CFTO, believed that his station would lose its audience were it to air Canadian programs in prime time because their viewers 'want to see top-notch programming.' Not a word about the need to preserve our cultural distinctiveness being more important than financial success.

Meanwhile, Izzy Asper, chairman of Global Television, protested the Report's characterization of the CRTC as a wimp. The CRTC is "damn tough," he told the press. On October 7, a *Globe and Mail* editorial retorted:

> *"It was to laugh last week to hear the chairman of Global Television say, 'I can tell you the CRTC is damn tough. Damn, damn tough.' He doth protest too, too much. The Task Force joined a chorus of opinion that the Canadian Radio-Television and Telecommunications Commission (onomatopoeia extant) has been damn, damn weak in extracting Canadian content from a cartel that makes enormous profits from public property – Canada's airwaves."*

The cable industry

The Task Force Report offers the first official challenge to the cable industry's decade of domination in Canadian television: a domination that resulted, at least partly, from the fact that the industry was not being regulated as a broadcaster, nor as a common carrier, and so misunderstood its role.

The Report recommends that the industry's sphere of influence be curtailed by licensing operators for carriage only.

"The industry, under guise of "giving the people what they want," has actually been giving them what the industry wants..."

"... the Report recommends that broadcasters be required as a condition of license to use affirmative action in hiring women and minorities."

Owners would have to apply for a separate licence under the Broadcasting Act to operate any programming service, even the community channel.

It simultaneously recommends that the bugaboo of universal pay-TV that cable has fought for 10 years be imposed on the basic service with the required carriage of two new Canadian program services. In an interesting concession to the politics of the situation, the term "universal" is never used in the Report.

Caplan-Sauvageau further recommends that basic cable rates continue to be regulated, and that more financial information be disclosed by cable companies. Separate financial data should be filed with the CRTC for each individual operation within large companies rather than being incorporated into a statement of consolidated revenue. Transfer of funds between parent and subsidiary companies should also be revealed. This is significant since the lack of requirements for such disclosure has distorted the picture of cable profitability.

All of this is a comedown for an industry that, 10 years ago, wanted to control pay-TV and has since functionally dictated the timorous CRTC's timetables. Only three years ago, cable was seen in the federal broadcasting policy as the primary force in the development of Canadian television. Ironically, it was chosen as the carrier of choice because it was thought to be easier to regulate than satellite or VCR but the CRTC has not utilized that potential.

Cable has, of course, been getting away with as much or more than the private broadcasters. Cable profits hit a slump in the early '80s because of staggering interest payments on a debt load acquired by a binge of takeovers of U.S. cable systems – a kind of financial indigestion. But by 1984 profits were restored to 12% and going up, and gross revenues – like those of private broadcasters – are now approaching the $1 billion per annum mark.

The cable industry protested the audacity of the state that guarantees its existence (cable exists because American relay transmitters are not allowed on Canadian soil) and profitability (cable operates with a publicly guaranteed market monopoly) suggesting it raise its rates to pay for programming. But the fact of the matter is that cable operators have regularly lined up at the CRTC trough asking for rate increases. The only such hikes they have opposed are rate increases – such as universal pay-TV – that they couldn't pocket.

Provincial broadcasting

The Report recommends that the CRTC continue to license provincial broadcasters but that it be left to the provincial government to determine these broadcasters' mandates as either educational or general service.

It sees no impediment to provincial broadcasters networking on a regional or national basis, though these broadcasters should all be brought under the jurisdiction of the CRTC. This would include cable-delivered provincial services such as British Columbia's Knowledge Network.

The Broadcast Fund

The Committee recommends that the Telefilm Broadcast Fund be continued, and its budget increased to $75 million annually. The caveat, however, is that the Canadian Film Development Corporation Act be amended to bring Telefilm's legal objectives – now geared to the commercialism of feature films – into line with the more cultural goals of the Broadcasting Act.

It recommends that the Broadcast Fund attach more priority to the domestic, as opposed to export, market. Specifically, it recommends that the Fund attempt to boost the revenue potential of the domestic television market by matching broadcasters' license fees to cover as much as 80% of production costs within Canada.

The CRTC

At one point, the Report observes that "left to itself, Canadian broadcasting slips out of the hands of Canadians." Its overall view of the CRTC seems to be that the Commission has left the private industry too much to itself, and it has slipped through the Commission's hands.

Since many of the recommendations rely on more effective enforcement and regulation, it directs a lot of attention to rationalizing the CRTC's *ad hoc* license decision process, and the means of holding licensees accountable. It concludes that the haphazard CRTC approach is intolerable particularly since so much broadcasting policy is determined by license decision. It wants a CRTC that operates with more informing intelligence, and greater concern for the cultural objectives of the system.

The Report recommends that the Commission be given more extensive powers such as the power to direct broadcasters to spend money as the Commission considers necessary. Had this power been clearly vested in the CRTC when it ordered the CTV Network to produce 39 hours of drama in 1979, it could have avoided the long legal battle that ensued.

It also recommends the following:
- the government have the power to give directives to the CRTC, or set aside its decisions, but not both as in Bill C-20;
- government finance representative groups to monitor broadcasting, and ap-

"The Report goes for private broadcasters' solar plexus: profits and their lack of relationship to quality Canadian performance programming."

pear before the CRTC as public interest advocates.
– the CRTC impose stiffer penalties for non-compliance with conditions of license, and that its regulations be tailored to suit individual licensees by means of licensing conditions;
– the CRTC make its information public and end the secrecy which now surrounds financial data of broadcasters but not common carriers such as Bell;
– the CRTC re-establish a research department to provide it with a data base, and that it ensure that its regulations are decoded from the current legalese to make them easily understood;
– the CRTC not convert local broadcasters into superchannels.

WHO WILL IT HELP?

Canadian audiences and Canadian producers have been the nominal beneficiaries of every snake-oil salesman's scheme from the licensing of Global Television, to the 100% CCA for feature film investment, to pay-TV. So many crimes having been committed in their name, it seems preposterous to hold them up as the **raison d'être** of anything new. But in this case, it shouldn't.

Canadians and their children have been done a great disservice by the privatization/Americanization process: a fact they increasingly realize. In opinion polls taken at regular intervals over the last 15 years, an increasing majority has said 'yes' when asked whether American television was exerting too much influence on the Canadian culture and way of life. They have also told pollsters that they want more and better Canadian programming for their children and themselves so they are not wholly dependent on American programming.

Caplan-Sauvageau has identified the role of private broadcasters and cable in encouraging that American program dependence, and their proposals would at least begin to change the daily program offer in the direction that Canadians are seeking.

Multiplying the number of Canadian channels committed to Canadian programming would also benefit Canadian producers by radically enlarging their market. Increasing license fees paid in that market would make it financially viable, and encourage better quality, more genetically Canadian programming: again a boon to the audience as well as the producer.

Those who have been excluded or limited in national television exposure because of limited air time will also benefit: the National Film Board, provincial broadcasters, regional and documentary producers.

Whether or not Caplan-Sauvageau's recommendations are implemented, the Report has already had psychic benefits for CBC, and its union NABET, whose 'inefficient' label has been hung out to dry, and for numerous public broadcasting advocates who have developed and argued many of the proposals which receive their first official sanction in this document.

The most immediate beneficiary will, of course, be the Department of Communications which is responsible for developing broadcasting policy in general, and the new legislation sought by their minister in particular. The Department is here presented with a totally coherent pre-fab policy structure.

WHAT ARE ITS WEAKNESSES?

The greatest practical failing of this Report is that it has no index and no central list of recommendations. It is therefore impossible to know if you have read everything the Committee has to say on any recurring theme unless you have read the entire 731 pages. This discourages skimming but it also makes a clearly-written document less accessible than it should be.

Vagueness is a particular problem in the recommendations which, as one reader put it, 'don't match the text.' In his media interviews Gerald Caplan has stressed that the Committee has presented a unanimous Report with no dissenting opinions. And no mean feat when a document is as substantive as this one. But consensus carries a cost and compromises appear to have been made in the recommendations.

A judgement is developed in the text but not followed through to its obvious conclusion as a recommendation. Instead it is left as a subject for further study. Or a recommendation is made that does not match the analysis on the subject in either precision or forcefulness.

For example, the Report points out that the public airwaves have been treated increasingly as the private property of commercial broadcasters. The obvious solution is competitive license renewals but this is not recommended. The document offers a model for Canadianizing basic cable service – and indirectly forces such a proposal with its recommendation for new Canadian channels to be carried on basic service – but there is no explicit recommendation that basic service be Canadianized – just 'further study'.

The Report also ducks the obvious recommendation that cable provide what former CBC president Al Johnson terms 'equal time for Canada' by ensuring that 50% of the total programming offered by cable be Canadian. It concludes that the license fees paid by private broadcasters should increase but does not name the amount although it uses $35 million as an example.

A very important 'gateway' plan to have a consortium of all Canadian broadcasters purchase the rights to all U.S. network programming not purchased by any individual Canadian broadcaster is set out in the document. This would allow Canadian commercials to be legally inserted into the American signals carrying these programs on cable, and thus turn the American networks into *de facto* "Canadian" channels. It would simultaneously resolve the C-58 issue, foreclose a future dollar drain to pay copyright to the U.S. networks, and break the interlock of Canadian and U.S. prime time schedules caused by simultaneous substitution which the Report says is a contributing factor in pushing Canadian programming out of prime time.

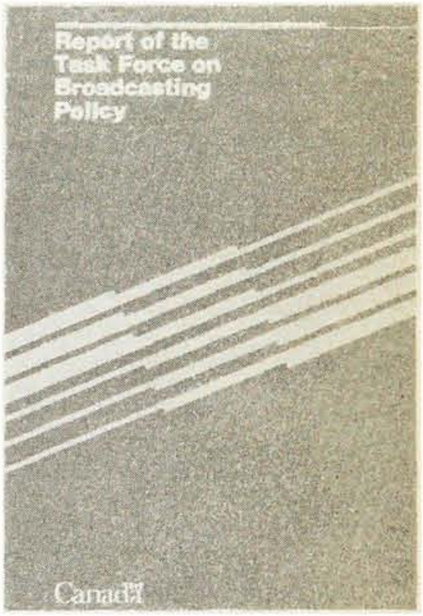
It's a clever plan. The advertising revenues earned from the insertion of the Canadian commercials would compensate the cost of purchasing the rights to the network programs, and the consortium would have the functional effect of a cartel in forcing down the prices paid for U.S. network programming. However, the only recommendation the Committee makes on its own plan is... further study.

The Report is also, in my estimation, too lax on the issue of concentration of ownership. It should become increasingly clear as the debate over this Report and the new Broadcasting Act it recommends develops, that the arithmetical increase in the concentration of media ownership has led to a geometric concentration of lobbying power in the hands of a few individuals who will fight hard behind the scenes to block the substantive recommendations made by the Task Force.

The dichotomy between the Report's analysis and recommendations does have the advantage of allowing people to read into the document their own expectations. That Biblical quality may partly explain the wide range of support that it has attracted.

But it has the disadvantage of leaving crucial choices to policymakers the Report has discredited. In its concluding chapter, the Report claims that this flexibility was built into the proposals since it was not the Committee's place to make such detailed decisions. It's possible also that the Committee couldn't agree on such detailed matters and decided to leave them flapping in the wind for this less highminded reason.

In any event, there are a number of seemingly compromised recommendations that are subject to further compromise in the current debate where their substance may be lost entirely. For instance, what if the already too low estimates of the cost of the new omnibus channels – and the charges for them – are reduced even further and they wind up as nickel-and-dime rerun channels? What if the fully public consortium proposed to run these channels is compromised into a hybrid public/private consortium that would be paralysed by conflicting interests and likely wind up putting more publicly-raised funds in the wrong pockets? What if the consortium is instituted as proposed and the CBC straight-arms the NFB onto the sidelines as it has historically done in any conflict between the two? What if, to satisfy the Report's supporters, the universal funding method is retained but, to satisfy its critics, it is used to fund private rather than public services? This is the type of profound misunderstanding that could wash all the potential in this Report down the drain.



"... the Report observes that "left to itself, Canadian broadcasting slips out of the hands of Canadians."

"What the Conservatives have set up, let no one put asunder. Brian Mulroney could ride to the rescue..."

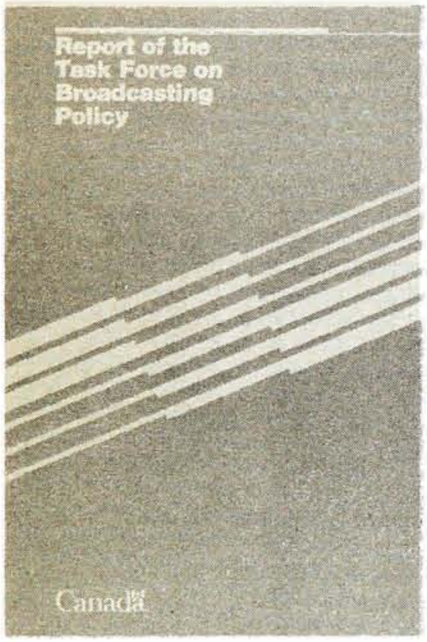
WHAT WILL IT COST?

A major premise of the Report is that the massive (over $3 billion annually) resources of Canadian television are being misspent in terms of Canadian program objectives. The corollary is that the resources needed to boost the Canadian program presence are to be found within the system: they need not come out of the taxpayers' pocket when the industry's is so well lined.

The economics of this Report are its strongest element. They have an inevitable logic provided you start, as the authors do, from the premise that far too much of the system's financial resources are going into shareholders' dividends and far too little is going where everyone else believes it should be going: Canadian program production.

If that premise is accepted, there are a host of reasons why this Report is probably the most economically practical document of its kind in the history of Canadian television, if not Canadian broadcasting.

1. It offers the means for financing almost all of its proposals: they come with a dowry. Funds for its proposals, including new public channels, would be raised without creating an additional burden on the taxpayer. With the possible exception of one-time capital expenditures, the funds would come from reallocation of resources generated by



the system rather than increased demand on the public treasury.

What would all these changes cost the taxpayer?

If the CBC:

– replaced all of its TV affiliates (costing $114 million in capital expenses, but gaining $27 million in ad revenue annually);

– set up a television station in New Brunswick (costing $28 million in new hardware);

– extended its FM stereo service to reach 82% of the population;

– transferred the cost of the Parliamentary Channel and Radio-Canada International to the Speaker and External Affairs (keeping the $20 million saved);

– operated the all-news channels on a fully self-financing basis as proposed (assuming ad revenue met the shortfall between $17 million raised from the 25-cent cable fee, and the $20-35 million budget);

– ran a full 95% Canadian content schedule losing $40 million in ad revenue (with the 150% C.C.A. incentive to advertisers for Canadian programming);

– and did not build a new Toronto broadcast centre, then, according to the Report, one-time capital expenses would be $160 million.

Deducting net revenues of $37 million from total expenses of $100 million, annual operating expenses would increase by $63 million.

If native programming were to receive $3 million; External Affairs and the Speaker were to pay $20 million for RCI and the Parliamentary Channel; $5 million was spent to support Canadian sound recordings; and the 150% C.C.A. deduction for advertising on 10-point Canadian TV programs cost $29 million, then the additional money required from the Treasury would be $57 million annually.

Telefilm would receive an increase of $9 million to bring the Broadcast Fund up to $75 million per annum. This measure is indirectly self-financing through the 8% cable tax which raised about $55 million last year. The Report recommends splitting this tax into 5% on basic cable and 10% on discretionary services. In the long run these taxes would probably cover the increase but in the near future, I assume this increase of $9 million will be an additional charge to the Treasury.

Other recommendations would be self-financing. They are increasing the CRTC research capability by about $9 million (through an increase in its fees paid by the industry); increasing the expenditure of private broadcasters on Canadian programming with tougher regulation by the CRTC ($35 million is the example given); and the TV Canada/Télécanada services with a budget for one English and one half French channels starting at $45 million rising to $100 million over five years. Using the mature estimates, these directly self-financing recommendations would cost $144 million.

> ***"Canadian audiences and Canadian producers have been the nominal beneficiaries of every snake-oil salesman's scheme..."***

Therefore, the net cost to the Treasury would be $129 million per year on total operating expenses of $310 million (excluding capital costs). To pay for this, the Report suggests that videocassettes, VCRs, and satellite dishes should be taxed. They point out that a 5% VCR/cassette tax would raise $110 million and 8% would raise $180 million. If we assume that the CBC's capital expenses could be amortized by $25 million per year added to the $310 million operating cost of these recommendations then a 7% VCR tax raising $154 million would exactly balance the $335 million total annual cost of this Report.

The Report itself estimates that the total cost of all of its recommendations ranges from a low estimate of $175 million per year to $270 million at maturity. It suggests that 80% of this money would go into programming. I think the Task Force is a little optimistic in some of its assumptions, and does not make sufficient allowance for the CBC's capital needs.

However, as the following table illustrates, the $335 million annual cost of all of the Report's recommendations to the taxpayer would be **zero**, assuming both a forceful and competent regulator, and a dedicated and visionary government.

	Total Expenses	Net Revenue
CBC	$100 million	$ 37 million
Native	3	
Telefilm	9	
RCI/Parliamentary Channel	20	
150 % C.C.A.	29	
Sound Recording	5	
CRTC	9	9
Private Broadcasters	35	35
TV-Canada	100	100
Total Operating	$310 million	$181 million
Capital costs at $25 m/year	$ 25 million	
7 % VCR/satellite tax		$154 million
Total	$335 million	$335 million

> ***"...much will hinge on the durability and visibility of public support to counter the industry lobby."***

2. If fully implemented, its proposals would increase the funds available for production by approximately $300 million annually. That represents almost the total operating budget for CBC English network television ($350 million), and more than all private French and English television now spends on Canadian programming ($292 million). In other words, the order of magnitude of new funds would permit them to have a dramatic impact.

3. The funds would be highly efficient: of approximately $335 million in new revenues, nearly $300 million could be expected to go into Canadian programming (90% efficiency ratio) whereas private television generates almost $900 million annually to raise $292 million for Canadian programming (30% efficiency ratio).

4. These funds would be stable and guaranteed, not subject to the vagaries of penetration and other factors which turned the financial promises of pay-TV into pie-in-the-sky.

WHY SHOULD CANADIANS PAY?

Why should Canadians be willing to absorb new costs even if modest?

The best reason – and one that has not been understood by even such astute commentators as the *Globe and Mail*'s Jeffrey Simpson – is that these are not, for all practical purposes, new costs. In the next few years, the basic cable rate is almost certainly going to increase $1-$2 independent of Caplan-Sauvageau's recommendations. The evidence of this lies in:

– the fact that cable rates have in the past increased by comparable amounts at regular intervals;

– the fact that recent CRTC "deregulation" policies have made increases up to 80% of the cost of living index automatic by eliminating the need for public hearings to gain approval: the removal of this loophole would likely save subscribers as much as these proposals would cost;

– industry polls that indicate there is more than $2 per month elasticity (amount possible to increase rate without causing subscriber disconnects) in present cable rates. That elasticity is there because, even with the increase, cable would still cost less, in constant dollars, than it did 15 years ago.

In all likelihood a tax will also go on VCRs and videocassettes in the next few years because government abhors untapped sources of revenue as much as the cable industry.

The issue then is not whether Canadians should pay these increases – they're going to anyway – but what it is they should be paying for. Should the very substantial gross revenues that will be realized by these increases be ear-

"There is no question this is the right document for a government interested in repatriating Canadian television."

marked for programming or dropped into cable profit margins? It is all a matter of priorities.

In considering the question, no one should overlook the fact that this proposed $1 a month is a small part of the cable fee – usually 10% or less – and it would be virtually the only part going to pay for programming, Canadian or otherwise, apart from the 8% current cable tax that is dedicated to Telefilm's Broadcast Fund. Canadian cable operators do not pay for the American or Canadian signals that they rebroadcast. Consequently they have come to assume that the product they sell – programming – should not be part of the cost of doing business. This is a curious assumption in any business and not one shared by U.S. cable which uses a portion of subscriber revenues to pay for program services. It's time Canadian cable was put on a similarly realistic basis, as Caplan-Sauvageau suggests.

Public opinion polls have consistently indicated that cable subscribers would agree to a $1-$2 rate increase if the *quid pro quo* was more high-quality Canadian programming. Certainly they have in the past absorbed such increases without any increase in programming services and they would have now, as they have had in the past, the option of disconnecting from cable if they did not want the new services and/or did not want to pay for them.

In the final analysis, Canadians should be willing to pay the amounts Caplan-Sauvageau recomends because, as the Report says in its conclusion, there are irreducible costs to being Canadian and one of them is the Canadian broadcasting system.

Content is weak or imported on Canadian television because Canadians never have paid the price of programming. Instead, we have lived in a false television economy dependent on American programming to 'subsidize' and disguise the real cost of maintaining a dual language national broadcasting system. Canadians are going to have to spend more for programming one way or another and these proposals are as equitable and economically efficient as any they will be offered.

WILL IT BE DONE?

There is no question this is the right document for a government interested in repatriating Canadian television.

There is also no question this is not the document the government was expecting. It's likely that even Gerald Caplan and Florian Sauvageau themselves are surprised that seven people with such disparate backgrounds (Caplan claims five of the seven came to the task with private sector backgrounds, if not biases) produced a unanimous Report calling for radical expansion of public broadcasting.

Stranger things have happened. In 1929, a dyed-in-the-wool free enterpriser, Sir John Aird, chairman of the then Bank of Commerce, delivered a Report calling for public ownership of Canadian broadcasting, and set the stage for the creation of the CRBC by the Conservative government of R.B. Bennett. These premises were echoed by the Massey Commission in 1951 which urged that television be established on the basis of a public monopoly with a subsidiary private component added later.

Television began on this basis with a CBC monopoly and all subsequent broadcasting legislation assumed, but never delivered, a predominantly public, predominantly Canadian system. For anyone who examines that system in depth, the logic of public sector primacy is inescapable, whatever the personal ideology.

Nor could the government have anticipated that Gerald Caplan, who has spent much of his life in the backrooms of politics, would take to center-stage here with such a commanding presence, and with the expertise of his own backroom organizer, executive director Paul Audley. Broadcasting policy is not an area of personal activity for most members of the Committee and I suspect much of the credit for the Report's professionalism, prodigious information base, and compelling analysis belongs to its executive director.

But the Report's political credibility – and future – rests less on its competence than on public support. Because of the seemingly unanimous cheer that it aroused it's safe to say that the document will not go into the dustbin, at least not directly.

The government can take one of two approaches.

1) It can take its lead from the duplicitous Canadian Association of Broadcasters (CAB) and patronize the document with false praise. It could then milk it for political gain by implementing its more innocuous proposals with rhetorical flourish, while burying the rest. This would suit the CAB and the Canadian Cable Television Association both of which represent powerful interests with strong ties to the Conservative Party. In private if not in public, these forces can be expected to campaign against the Report's primary intent of redirecting a portion of their large profits into program production.

That private lobby will, however, be compromised by the fact that it is simultaneously opposing the government's free trade initiative because of the threat posed to the industry's protected status.

2) If the government, the prime minister, and the minister of Communications are more politically astute, they will take their lead from R.B. Bennett and recognize the political potential in replaying Bennett's historic role as champion of national public broadcasting.

It was the Conservatives, after all, who established what has been termed the most important cultural principle in Canada: the airwaves are public property. What the Conservatives have set up, let no one put asunder. Brian Mulroney could ride to the rescue by actually implementing the intent of the Caplan-Sauvageau Report. Because broadcasting is a litmus test of the instinct for national self-preservation, this approach would serve as a political antidote to the free trade image the government may now want to place at one remove.

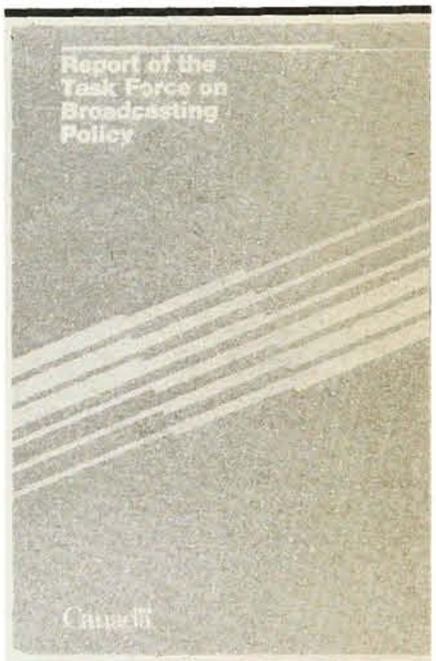
The minister, Flora MacDonald, is known as a 'red Tory' and her nationalist credentials include founding member of the Committee for an Independent Canada. She has stated that a new broadcasting policy, based on the Caplan-Sauvageau Report, is "a personal priority of mine and I will be doing everything in my power to ensure that initiatives emerging from this process will be carried out before the end of the government's first term of office." The recent Speech from the Throne did, in fact, refer to such action.

But the minister is one of 40 Cabinet members and not all of the other 39 may share her priorities. Energy minister Pat Carney testified against the licensing of CBC-2, and other Cabinet members are known to share her views. Within a week of the Report's release, there were rumours in the press that the CBC is being asked to cut another $50 million from its budgets.

Whatever position the government adopts, the fate of the Report, like the Aird Report, will rest with a Parliamentary Committee. As with Aird, much will hinge on the durability and visibility of public support to counter the industry lobby. Unlike 1932, there doesn't now seem to be a Graham Spry or Alan Plaunt waiting in the wings to mobilize the public will.

However, this Report does share with the Aird Report the advantage of overwhelming support from the print media. In 1932, that media supported nationalization of broadcasting largely

"This Report signals... the end of the status quo."



because they believed it would remove radio as a competitor for advertising. Graham Spry once told me that press support was unique for that reason, and unlikely to ever again fall in behind the public interest in broadcasting. His heart would soar to be proven wrong in this instance.

Conclusion

When we deal with the subject of our television screens, we deal not only with public/private, Canadian/American but with national existence/extinction as well. Caplan, Sauvageau, Audley et al have produced an electrifying document that resurrects the truth that Aird, Spry, Plaunt, Bennett, Massey and Fowler held to be self-evident: the state or the States.

By its existence and its excellence, this Report signals – like Nora's slammed door in *A Doll's House* – the end of the status quo. Three cheers for eight people who have done the country a great service. ●

"... we have lived in a false television economy dependent on American programming to 'subsidize' and disguise the real cost of maintaining a dual language national broadcasting system."

* Massey-Levesque Commission 1951

** Defined as profits before interest and taxes over net fixed assets plus working capital.