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Comment: [Canadian Television Industry]

COMMENT

The following note represents random comments and observations on the television industry. The fact that these observations are those of two Canadians, Murray Chercover and to a somewhat lesser extent, Charles Templeton**, makes them of interest to the Canadian reader. The authors did want it be noted that the lack of syntax and fragmental character is due to the transcriptional origin.*

With increased leisure time available in the future, television programming will change in a variety of ways. Audiences will be fragmented, resulting in a dilution of the quality of program service that a network can provide. The goal of the Broadcasting Act, to preserve and strengthen our Canadian identity, should not be defaulted by simply turning our views over to nations which, because of their large markets, can produce relatively cheap programs. Quantitative measurement of Canadian content and ownership controls will not achieve the goal. An alternative may be the development of a qualitative measurement.

The changes predicted by Messrs. Chercover and Templeton (an increase in actuality, documentary, and escape programming along with the emergence of CATV local programming) are likely to have enormous effects on the CTV network itself as well as television programming in general. As policy makers for the private CTV network (made up at present of twelve English affiliates in Canadian major cities) the authors have a unique experience and responsibility in seeking out programming and the revenues necessary to sustain it. The problems facing the CTV network in the next few years are particularly critical and challenging, and relate in a variety of ways to the subjects discussed in the earlier articles.

1. In regard to the CTV's immediate programming plans, particularly in the context of the Canadian content regulations recently announced by the Canadian Radio-Television Commission, see the CTV renewal hearing reported in *CRTC Transcript of Hearing*, Ottawa, April 14-15, 1970, and the contemporaneous individual renewal applications by the 12 CTV affiliates.

2. The CTV network is unique in that it is owned by its affiliates rather than the reverse. This arrangement stems from a reorganization in 1966, reported in *BBG Transcript of Hearing*, Ottawa, Feb. 23, 1966, approved by the Board of Broadcast Governors in *CTV Network*, [1966] BBG Decisions (Mar. 4), subject to a one station-one vote rule that prohibited the ownership by one person of more than one CTV affiliate. [See also *Calgary - CFCN-TV*, [1966] BBG Decisions (May 9); *BBG Transcript of Hearing*, Ottawa, April 26-27, 1966, pp. 405-434.] After applying the CTV ownership rule in a number of situations where it found it convenient for other reasons to do so [see, e.g. *Vancouver - CHAN-TV*, [1968] CRTC Decisions 38 (June 13); *Moose Jaw - CHAB-TV, CHRE-TV*, [1968] CRTC Decisions 37 (May 30) and [1969] CRTC Decisions 253 (July 18)]

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the CRTC announced a reconsideration of the policy in 1969, and after a hearing on the question [*CRTC Transcript of Hearing*, Vancouver, October 14, 1969, pp. 2-33] decided to abandon it as a strict rule and adjudicate future share transfers on a case by case basis. [*CTV Ownership Policy*, [1969] CRTC Decisions 402 (Dec. 23)]. The first such adjudication involves the Bushnell Communications bid to add the Montreal CTV affiliate (CFCF-TV) to its present Ottawa station (CJOH-TV), following the foreign ownership divestment required by Order-in-Council P.C. 1969-2229, November 24, 1969. This share transfer is to be considered by the Commission at its hearings commencing on June 16, 1970, and the result will colour CTV ownership policy for some time to come.

3. The intensification of interest by the public in documentary and actuality programming has been evident for some time on the CTV network, with impressive ratings received for programs like the National Geographic specials and the Rise and Fall of the Third Reich. With the recent promulgation of greatly intensified Canadian content regulations, the present emphasis by CTV on international co-productions in this area should greatly increase, particularly if the CRTC takes a long-term and practical approach to co-production approvals. The reaction and performance of the CTV network is obviously at the heart of the quality vs. quantity controversy raised by the Canadian content quota, since the network constitutes the only means for distributing additional Canadian programming to the marginal centres least able to afford it.

4. The impact of cable television on conventional television is highlighted by the authors in terms of (a) the development of an alternative and local-oriented role for CATV, (b) the increasing fragmentation of audiences and the conflict between the vastly increased demands for programming material and the advertising revenue needed to sustain it, and (c) the loss of channel number identification and the degradation in signal for locally-carried Canadian signals. These and other issues have also been discussed in Canada before the Special Senate Committee on the Mass Media, before the CRTC in the hearings on microwave policy and before the Commons Broadcasting Committee. See previous commentaries for specific references.

PETER GRANT.

Of the major technologies, television is the youngest; it may also be the most consequential. For good or ill — and there are as many different judgments on that as there are individuals — it directly touches more lives more significantly than any single invention man has devised. Even now in its infancy — and commercial television is only 27 years old — it has become one of the most dominant factors of contemporary Western life. Its effects have not yet begun to be measured and even those who work at the heart of it have no definite understanding of its ramifications within society. More, they cannot predict with any precision what television will be like a mere decade or two down the road. Even now technological changes are at work within the industry which will alter the form almost beyond recognition, and a variety of factors are at work which will also alter the content.

The technological changes will be enormous. Governments and business enterprises are now occupied with the problems and possibilities of instan-

taneous, world-wide, simultaneous direct-to-home transmission by satellite. We know of the imminent prospects of laser beams and of the subminiaturization which will affect field equipment. We realistically envisage dramatic changes in home reception and presentation equipment. Screen sizes will both expand and contract, automated recording and playback equipment in the home will provide a library capacity and constant availability. World-wide, universal color standards and three dimensional reception are inevitable. Cable television will become virtually a utility; improving picture reception, proliferating the number of available channels, intensifying local programming and providing a multi-channel grid capable of providing extra-television services.

It must also be recognized that the burgeoning television era is coincident with the age of automation. The industrial revolution replaced the need for man's muscle; the cybernetic revolution will, in large part, replace man's brain. Automation makes possible more and better production with less manpower and fewer working hours, and all of this leads to more leisure. An increase in leisure time means more time to watch television and this will affect programming (and, as we shall see, revenue) in a variety of ways.

First, actuality programming will increase enormously. Cameras will go wherever man can go. They have already gone to the moon. With no need for cables, supplementary lighting or mobile units — they will go into courtrooms, judicial enquiries, houses of parliaments, and right into the heart of wars, sports events, riots, etc.

The world will become a neighborhood even if it does not become a brotherhood, with instantaneous transmission from any part of the globe. Any event, anywhere in the world will impinge upon our lives. Our awareness of the world will be instantaneous and virtually total. Our knowledge of others will increase and the word 'exotic' will lose its essential meaning.

Second, there will be a great leap forward in educational television, not only in instructional programming (television treatment of curriculum material) but in enrichment programming.

With much of the creativity and satisfaction normally derived from work gone, the average man will need to replace it or have his spirit suffer stultification or boredom. There is little doubt but that he will develop an intensified interest in the arts, and programming will move to meet this need with more drama, music and new approaches to literature.

So swift is the acceleration of change in our society that retraining will be a normal part of life. The proliferation of information will require the individual to update his knowledge regularly, and the ideal medium with which to accomplish this is educational television.

Third, there will be an increase in "escape" programming. With the intensification of the pace of life in Western civilization since roughly the turn of the century, men and women have increasingly used entertainment

(television, motion pictures, radio and reading) as a means to relieve accumulated tension. Television, which will more and more be a factor in our lives, will be predominant in providing this essential kind of therapeutic release.

Fourth, news and public affairs programming will assume a larger role. A complex world needs interpretation. Such will be the forces at work in our world — and the ramifications of those forces so enormous — that public affairs television will have the responsibility to bring these complicated issues into focus and to make their relevance clearer. It will no longer be enough simply to report on events — informed and lucid comment will be required or the increased information-feed will only intensify the confusion in the minds of the viewers. This is not to suggest that reportage will proceed from a point of view and thus become potentially the instrument of propaganda, but it does mean that interpretive reporting will be mandatory.

The parochialism which now tends to dominate public affairs broadcasting will be diluted. Instantaneous global communications will mean that viewers will not be content merely to examine events in their immediate environs; they will increasingly recognize that we do, in fact, live in “one world” and they will hunger to know more about that world.

Fifth, there will be the emergence of a new form of local programming. CATV operators will undoubtedly be required by legislators and by the pressures of competition within the marketplace, increasingly to originate local programming. Events and individuals that would not otherwise be viewed on either networks or major community stations will become daily fare for the minority audiences of individual cable systems. Program sharing between CATV operators will develop. Cable operators will begin to purchase as well as produce low-budget programming, and, as would seem inevitable, they will carry commercials.

It now becomes clear that the enormous growth of television and the developments due in the immediate future will not only affect society; they will affect, and affect profoundly, the future of television broadcasters, and, perhaps more than any others, the private enterprise television networks.

An examination of the influences which impinge upon the operation of a television network must begin with a clear understanding of what, essentially, a television network is, and what its purpose must be. It may be well to begin a definition by stating what a television network is *not*. It is not a system of program distribution, whether by microwave, satellite, cable or transmitter. It is not hardware: studios, cameras, origination centres. Nor is a network necessarily a commercial instrument for the moving of goods and services.

To state it positively; *a network is the program service it creates.* This is the purpose of a television network; to provide a programming service to a community of people, whether that community be regional, national, or international. The programming that a network provides establishes what

the network is. Its programming creates its identity with the public and the public in turn makes possible the continuation of that program service by its support. Public support enables a network to obtain the revenue needed to meet its financial needs. Without the provision of acceptable programming there will be no public support — no large audiences — and consequently no advertising services offered to the advertising community, the primary source of revenue for the network.

It is clear then that the private broadcaster cannot exist apart from the advertiser, and it is becoming increasingly clear that the multiplication of signals created by the technological changes referred to earlier, must inevitably fragment the available audience, with a consequent diminishing of the value of a given program to an advertiser, thus producing a decrease in the revenue available to the network to perform its essential function: namely the creation of a program service. Moreover, the problem will accelerate as the quality, the variety, and the number of competing programs increase.

These facts trouble private enterprise broadcasters. Not simply because they present problems of enormous complexity related to program origination and revenue, but also because they raise profound questions as to the preservation of national identity and independence, it being unlikely that a national consciousness (particularly in a country such as Canada) can be established or fostered apart from vigorous and imaginative programming by not only a public but a private television network.

Many influential thinkers suggest that if 42 channels of capacity can be provided to serve the public, let's have 42 channels. Allow me to point out that, in Canada, we do an imperfect job of filling two channels nationally now, and unless my knowledge of the economics of Canada is seriously in error, we can only multiply our services at the expense of quality unless new means are found to multiply our financial resources.

All of the Canadian study groups—the Royal Commission, White Papers, academics, critics, legislators, and indeed, the current federal legislation — the *Broadcasting Act*¹ of 1968 — clearly state that the goal is the preserving and strengthening of our Canadian identity and independence.

As a pragmatist with an acute awareness of the costs entailed in providing a reasonably balanced service containing elements developed for specific minority interests and designed to fulfil the goals referred to in the Act, I feel required to point out that, by contemplating full utilization of the multiple capacities which cable and direct satellite-to-home can make available, we multiply the numbers of programs required and the costs while fragmenting the audience. The results of this fragmentation can only compel us to look for other than Canadian sources for the supply of multi-channel program requirements — for we cannot anticipate that the current commercial instruments will remain viable with the anticipated fragmentation.

¹ S.C. 1967-68 c.25

And, granted that it were desirable, we cannot anticipate additional taxation to provide more public funds to subsidize the increased service that would be required.

While I believe the best of all the world's programs should be available to enhance our understanding of other nations and other societies, I am opposed to defaulting on the challenge to fulfil the goals outlined in our current legislation; totally turning over our viewers to the nations best able to supply programs relatively cheaply because of the size of their home markets.

The authors dealt with certain questions that can be viewed as obstacles to the goals of the BROADCASTING ACT: one question was, "Can public interest goals be measured, set and made effective by a nation-state acting alone?"

... There are countless examples of totalitarian states whose governments impose a total communications mix, where newspapers and other print media are censored, and where all broadcast media are operated as government agencies. The concepts of dissent or of a presentation of the multiple facets of any controversial issue are unknown in such societies. For that matter, there is some evidence of danger in some Western democratic societies in the fact that agencies of government are inclined to establish information instruments within the government or within departments of government. This inevitably results in a form of controlled information. A free society should expect its media to expose issues — controversial and otherwise — to create, as it were, a public dialogue on every social, economic and political issue which impinges on the freedom and welfare of its citizens.

Moreover, governments and agencies of governments tend to develop insular views of the nation, its citizenry and their needs. In federal capitals such as Ottawa and Washington, which are neither in the cultural nor economic nor industrial centres of their respective societies, it is difficult to obtain a valid perspective on the society as a whole.

A second practical problem was whether the policy of "Canadianizing" the broadcasting media through ownership control and "Canadian" content requirements can achieve its goal. The authors' answer was in part:

... I am prepared ... after years of trying to make it work, to acknowledge that the simple Canadian Content quantitative measurement and ownership controls will not achieve the goal. The problem is not merely limited to the question of border overlap — something over 60% of the Canadian

television households now have access to American networks — it is also an economic problem, and this problem is compounded by the proliferation of CATV systems. It is generally acknowledged, notwithstanding the priorities set by the Canadian Radio-Television Commission for cable operations in relation to the Canadian stations in their territory, that in cable systems in the border areas such as Vancouver and Toronto, the licensed Canadian channels encounter two inherent and damaging problems. First, they are placed on channel numbers other than those for which they are licensed. Secondly, their signals are inevitably inferior to those of U.S. originating stations. These effects are the result of a high-gain receiving antenna and its incompatibility with the high-gain transmitting antenna which is nearby.

This channel number identification — an important factor — is lost to the Canadian television stations. Regulations prevent a direct coaxial feed from the master control of the stations involved and even moving to another channel does not entirely correct the problem. Consequently, Canadian stations suffer in terms of quality and comparison with their American competitors. Viewership of U.S. channels on cable systems rises accordingly. These problems will, of course, be further amplified with the increased proliferation of CATV systems.

It must be borne in mind that Canada, as a market, compared to the United States, has a requirement for a microwave distribution system 1,500 miles longer than the U.S. and that within its boundaries, consideration must be made for 5½ time zones as opposed to 3 in the U.S. Moreover, Canadian networks service a market 21 million strong (6 million of whom speak French) whereas Americans produce and distribute programs to some 200 million. Production costs are not proportionately different to justify this disparity. A potential may be in the developing of a qualitative measurement of what we do as opposed to the quantitative one which now exists.

The authors pointed out a third problem: that economies of scale cause local broadcasters to accept network packages as contrasted to local productions.

. . . Ten individual stations using all their resources and reasonable expenditures in relation to their individual income will collectively spend more than one central agency to produce a documentary on a social issue such as air pollution. Their individual efforts will not be as well researched, produced, or be as effectively presented. The qualifications of their personnel are dictated by the relatively lower economics of their markets. A network or a national producer attracts and can afford the cream of broadcast journalists, producers, cameramen, researchers etc.

POSTSCRIPT*

MR. TEMPLETON: It seems to me that what we are talking about here is what has been and what is, and we have not been paying enough attention to what is immediately going to be.

There is going to be in the very near future an enormous proliferation of the availability of different kinds of programming than we previously had. Let me just run down some of them, if I may:

First, network programming, which will be done expensively, will tend, so long as it must be financed, to be dictated by what advertisers believe to be the best buy for their buck.

There is going to continue to be local programming which has not been noticeably good in Canada or in the United States.

You are going to have regional sort of pocket networks. We already see that beginning to emerge in Canada, and you have something of it here.

There are going to be syndicated programs, which do not originate on a network, which transmits them across the country by microwave, but which sells them individually, and they run at different times on different stations.

Educational television, which is beginning to develop very swiftly, and is doing, I think, some remarkably good work.

Cable television, has been described here as parasitic — and in many instances is, as relates to copyright and protection of an original property — but bear in mind that although oftentimes networks make a great deal of noise about cable television being parasitic, it is to a network's advantage many times that cables pick up its programs and steal it, so to speak, off the air, and transmit it with an improved picture, simply because when you are getting a rating on a program, however it gets into a house, if it is their show that is on the air, it is to the network's advantage, and despite all of the cries to the contrary, that is the way many — I believe all — of the networks feel about it.

Satellite programming will come, which will mean an extension beyond the immediate environment.

And, of course, cartridge programming for your own home, where what was spoken about earlier, the availability, the constant availability will take place.

*This postscript contains excerpts from the transcript of the Trade Regulation Round-table, 1969, arising out of issues dealt with by Mr. Templeton. It should be noted that the Postscript is a verbatim account of the conference.

But take also a look at the fact that you are going to have a new kind of programming which you have never had on television, and that is via cable, namely, you are going to have a local programming of a kind that has never previously been available:

First, because of a number of sources which were transmitting.

Second, because of the cost factor.

But on cable you are going to have local programming where people and events which never would have been on television will begin to be on television — such things as the coverage of the local town council, the local sports, lectures by professors in local or community colleges or universities, local news, stock market reports — which is already happening, for instance, in Toronto, among other places.

And also the cable is going to be used for all of the various and different things for which cable is going to be useful — data communication, data processing communication, and on and on and on.

Now the important thing about all of this proliferation is that the proliferation is going to pose problems which, I think, may dilute the quality of television as it now exists — and that relates to the cost of television, because the cost of most ambitious programming is controlled by the advertiser. He buys that which is seen by that largest of the minorities.

But the fragmentation of that audience by the proliferation of the kinds and numbers of programs which will be seen, is going to mean that your audience will diminish for any given program, and is therefore not as good a buy for a buck as an advertiser might seek, which will mean that the revenue available to do the costly things that television does — and never forget how costly it is — is going to mean that, I would hazard the guess, that you are going to see a dilution in the quality of the good programming you do see by virtue of this fragmentation of the audience.

Now television has been defined as a “one-ton pencil”, as a communicator, because it is an unwieldy, bloody thing to use, and it is a costly thing to use, and it is a hungry tiger, which gobbles programming, and it has to be done swiftly, and it often is done carelessly, and frequently is done witlessly, and sometimes is done magnificently. But the thing that touches the quality of programming tomorrow will be the fragmenting of the audience, the diminution of available money, and therefore, unfortunately, I think, a dilution of the quality of the programming, even though there will be more of it.

Later in the morning Professor Blake commented:

I was curious and interested in following up on the observation that was made that increasing numbers of channels and alternatives may end

up reducing the quality of programming, rather than, as most of us have thought and assumed, providing a degree of diversity which is highly desirable.

MR. TEMPLETON: Say you are going to produce a public affairs television program, and that public affairs television program is a half an hour, and it is a regularly scheduled program which appears every week at a given time. In order to produce that show, you will set together a unit which will go to work, and you will set aside — and I am talking now about doing it cheaply — \$10,000 for that half hour.

In order to get it done, it takes four to six weeks to get it made. This is, having determined your subject, and having begun your research, and pretty well completed your research, it takes five to six weeks to get it done. The cost is about \$10,000, as I say, doing it on the cheap.

Now I don't think that people outside of actual broadcasting fully realize how complex the bringing of even an unimpressive program to air may be. I watched last night an N.B.C. white paper, the "Year of the Mayors", an absolutely first-rate piece of journalism, which examined all of the various forces at work in the society, which have influenced the election of mayors across this country in principal cities. It was an excellent piece of work. I would, without knowing the exact facts, I would hazard a guess that it took, that that program was envisaged at least nine months ago. I would suggest to you that program cost in the neighborhood of in excess of \$100,000, and it filled one hour last night on the N.B.C. network of from ten until eleven o'clock.

Now that money to do that kind of thing grows from the source of revenue that television networks have, the exception being a public broadcasting company, like the C.B.C. in Canada, which also has some commercial revenue.

Later, Professor Glen O. Robinson commented:

All this talk about cost, which I think of questioning — the expensive, the lavish; these are terms that have been used about the cost of producing — no mention of profits, which I would have supposed would have been the other half of the coin.

I wish somebody on the Panel who has some data in their head would speak to this part, because at least there is the very general notion — and I think it is probably fairly well supported — that if broadcasting is tremendously expensive, it is also enormously profitable. That money comes from advertisers. And the advertisers put up the money because they are going to be able to get the largest number of people demographically chosen, who will buy their particular product. Now they buy a participation in, or on some rare occasion these days, they buy the whole bag.

The fact is that if there is less money available, less money will be put into the kind of quality broadcasting that you sometimes see from the networks.

And as a consequence, with fragmentation, the increasing fragmentation of the audience, I happen to be of the opinion that you are not going to have better quality programming, unless there are additional sources of revenue which are discovered one way or another. I could speak to that question, but that is too large a question to touch on here.

MR. TEMPLETON: Let me make a radical proposal, if I may, in that regard:

I think consideration is going to have to be given to placing an escalating ceiling on the profits of television owners. By that, I mean this:

In the private enterprise system, it is quite proper to go into business to make money. However, broadcasting is a gift from the people. It is something which is not like a newspaper, which anyone who has the money can go buy and run.

I would suggest to you that it must seriously be thought of that excessive profits, leaving room for incentive for the private enterprise owner to work to do a job which will be touched with excellence, one hopes, but I would suggest that on a diminishing scale past a ceiling, serious consideration should be given to regulation of profits by virtue of the fact that the public's air is the venue of the revenue, or the source of the revenue, and that those profits be put back into broadcasting.

One would hope that those profits would provide excellent programming. One wouldn't be sure of it, however.

COMMISSIONER JOHNSON: Just a sort of factual response to your question:

The industry's gross revenues for 1969 will probably run about three billion dollars, of which there will be about 600 million dollars profit on depreciated capital investment of about 500 million, thus producing the figure that the industry averages a 100 per cent return annually from depreciated capital investment.

PROFESSOR JAFFE: You usually say "tangible". Now you have left the word "tangible" out.

COMMISSIONER JOHNSON: If I did not say so, I meant to say . . . tangible capital profit.

FROM THE FLOOR: Nick, could you break down your figures between local stations and the networks at all? Are the networks as profitable as the local stations are?

COMMISSIONER JOHNSON: That is a question that needs — I will take a crack at that:

I believe the stations, that there are about 700 television stations. . . . the fifteen stations which are owned by the networks gross, I believe, approximately fifty per cent of the industry's total gross. The networks are doing very well, yes.

And there are then, obviously, if there are these exorbitant profits, there are also stations at the other end of the scale which are operating in very small communities, and which may be making very much less.

FROM THE FLOOR: That is not exactly what I meant. What I meant is, now can you break it down into the network, the distribution function, as opposed to the local station function, . . .

COMMISSIONER JOHNSON: The answer there is that most of the income appears to come from the operation of the stations rather than the operation of the networks, almost regardless of how you juggle the books.

But the fact remains that since the accounting system is almost wholly at the will of the network, they can make it appear that they are making more or less on a network or station operations, just as they allocate costs.