

# Preserving a Distinctive Voice for Canadians



**CBC**  **Radio-Canada**

Submission to the  
Standing Committee on Canadian Heritage  
on The State of the  
Canadian Broadcasting System

**March 2002**

## Executive Summary

National public broadcasting is the embodiment of a country's society and culture providing high-quality programming that is both distinctive and innovative. In Canada, as in Australia, Britain, and France, the public broadcaster is the largest cultural institution. In today's globalised, multi-channel world, public broadcasters are more important than ever to preserve shared national values.

The Canadian Broadcasting Corporation (CBC) as Canada's public broadcaster is proud to maintain the highest standards of excellence in the reporting of news and information, in investigative journalism, and in the creation of stories that both speak to the nation and reflect what makes Canada's regions unique.

More and more, the CBC has a role to play in promoting and increasing awareness of Canadian values. We need to maintain a public space, a distinct Canadian voice, in a media environment largely dominated by foreign programming.

The CBC hopes this submission will assist the Standing Committee on Canadian Heritage in its important review of Canada's broadcasting system. The basic elements of the CBC's presentation are as follows:



- As Canada's national public broadcaster, the CBC remains one of the cornerstones of the Canadian broadcasting system;
- In the last decade, the combination of reductions in government's financial and policy commitments, as well as changes in the 1991 *Broadcasting Act*, have hindered the CBC's ability to serve Canadians;
- Despite these difficulties, the CBC has made important achievements;
- If Canada is to guard its national identity and cultural sovereignty in an increasingly globalised marketplace, there must be a renewed commitment to the CBC. That commitment has financial, policy and legislative dimensions including:
  - Effective and predictable multi-year funding for the CBC;
  - Continuous and equitable access to the Canadian Television Fund;
  - A re-balancing of public policies in support of distinctive Canadian television;
  - Access to the necessary broadcast spectrum to extend the reach of our radio services; and,
  - Amendments to the *Broadcasting Act* that:
    - will reinstate the CBC's place in the broadcasting system, and
    - provide the CBC with the necessary flexibility to leverage its assets to re-invest in programming and to establish alliances and partnerships.
- Canada's private broadcasters, although an important component of the Canadian broadcasting system, are often hindered by the challenging economics of Canadian program production, particularly in the English television market.
- In a world of limited resources, a re-balancing of policy and regulatory instruments is necessary to ensure that both public and private players benefit from the most suitable tools to enhance their contribution to the system based on their preferred programming strategy.

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## INTRODUCTION

This document contains the response of the Canadian Broadcasting Corporation (CBC) to the invitation for submissions by the Standing Committee on Canadian Heritage (the Committee) regarding its study on the current state of the Canadian broadcasting system and how successful our broadcasting system has been in meeting the objectives of the *Broadcasting Act* of 1991.

This initiative is timely, since we have just passed the 10th anniversary of the 1991 *Act*, and much has changed in the Canadian broadcasting system over the last decade.

The digital revolution, globalisation of the economy, massive industry consolidation together with vertical integration and an explosion of choices have been major driving forces of change that have taken place across the Canadian broadcasting system.

In view of these changes, and with other significant changes still on the horizon, the Committee's work is most important for the future of the Canadian broadcasting system.

### The CBC's Role

Public broadcasting continues to play a pivotal role in the Canadian broadcasting system, building and strengthening the country's society and culture despite the very substantial and difficult challenges of the past decade.

Yet, it is the CBC that has, over the last ten years – as indeed it has throughout its 65-year history – taken risks and demonstrated innovation in offering programming that would not otherwise exist in this country. In this way, the CBC has ensured space for a fair reflection of this country's regions and of the Canadian value system.

The CBC is the only broadcaster providing coast-to-coast traditional and new media services in French and in English, as well as in eight aboriginal languages in the North.

As Canada's national public broadcaster, the CBC is one of the key sources of the nation's information, sports and entertainment programs that are proudly and distinctly Canadian. All of the CBC's services' schedules are almost totally Canadian, all of them providing programming that is a touchstone, reflecting Canada to Canadians; thus giving Canadians a true sense of who they are.

The CBC French Television has been a mainstay of Francophone culture in Canada for the past 50 years. French Television has been very active and has played a major role in shaping a unique Francophone personality in North America. It represents a vital link between Francophones throughout the country by preserving and promoting a dynamic and popular French-language culture on the continent.

PART I



**The CBC French Television has been a mainstay of Franco-phone culture in Canada for the past 50 years. French Television has been very active and has played a major role in shaping a unique Francophone personality in North America.**

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CBC French Television is clearly important to the Canadian broadcasting system, capturing approximately 40 per cent of prime time viewing of Canadian programs on French-language television. Last season, programs such as *4 et demi . . .*, *Un gars une fille*, *Mon meilleur ennemi*, *La Vie la vie*, *Virginie* and *La Facture* captivated French-speaking viewers week after week, attracting over a million viewers each.

In English Television, despite intense and increasing competition from U.S. programs, 90 per cent of the CBC's prime time schedule remains Canadian. The CBC is the only English Television broadcaster providing a virtually all-Canadian schedule across the country every evening. Innovative and distinctive programs such as *Canada: A People's History* set us apart, while *Royal Canadian Air Farce*, *This Hour has 22 Minutes*, *Da Vinci's Inquest*, *Market Place* and *the fifth estate* provide popular Canadian alternatives to the U.S. sitcoms and game shows showcased on rival Canadian networks. The transformation of CBC English Television that is well underway will further enhance its distinctiveness and its value to Canadians.

*CBC Radio One*, *CBC Radio Two*, *la Première Chaîne* and *la Chaîne culturelle* are four unique commercial-free national radio networks with 73 regional stations that broadcast coast-to-coast-to-coast, in French and in English, offering a unique mix of information, general-interest, music and cultural programs and above all a true reflection of Canada and its regions.

In addition to these national network services, the CBC also provides:

- Radio and television services to northern Canada, with programming in English, French and eight Aboriginal languages;
- *CBC Newsworld* and the *Réseau de l'information* (RDI): Canada's leading all-news Television services, with 24-hour news and information, financed entirely by cable subscriptions and advertising revenue;
- *Galaxie*: a digital pay audio service offering 30 continuous music channels, 24 hours a day without talk or commercials, reaching 2 million subscribers;
- *Radio Canada International* (RCI), one of the most respected short-wave radio services in the world, broadcasting around the world in seven languages;
- Award-winning Internet sites providing extensive national and regional services to Canadians through *cbc.ca* and *radio-canada.ca*;
- Innovative, interactive sites for youth:
  - *newmusiccanada.com*
  - *justconcerts.com*
  - *120seconds.com*
  - *bandeapart.fm*
- *SilenceOnCourt.tv*, new multi-media platform dedicated to short film; and
- News on wireless devices where CBC is one of the top news providers.

More recently, through partnerships with other broadcasting interests, the CBC has succeeded in creating important new specialty television channels in areas that enhance the CBC's ability to deliver on its mandate:

- *ARTV*;
- *The Canadian Documentary Channel*; and,
- *Country Canada*.

With this full menu of Canadian services and delivery platforms, the CBC remains Canada's greatest guarantor of high quality, distinctively Canadian radio and television programs, as well as the nation's largest supplier and promoter of Canadian culture.

As Prime Minister Jean Chrétien observed in fall 2000,

*"We need organisations like the CBC that we can turn to, to feel like Canadians. This is extremely important, and for the good of the nation."*

## Re-affirming a Commitment to Public Broadcasting

In *The Canadian Broadcasting System: Terms of Reference*, the Committee has identified issues of Canadian content and cultural diversity as central to its study of Canadian broadcasting. In addition, the Committee has noted:

Over time, the *Broadcasting Act* has evolved into an instrument that serves to: confirm the Canadian Broadcasting Corporation's mandate as a national broadcaster; place restrictions on foreign ownership; require the predominant use of Canadian creators and talent; and reaffirm a vision of the broadcasting system as a means of strengthening Canada's cultural, social and economic structures.

The CBC agrees that there is now a need to review key aspects of the *Broadcasting Act* to determine whether the *Act* remains, in the environment that has emerged, an effective instrument to deal with the challenges facing the broadcasting industry and its stakeholders.

According to *The Canadian Broadcasting System: Terms of Reference*, the Committee intends to place an emphasis on the following objectives from Section 3(1)(d) of the *Broadcasting Act*:

The Canadian broadcasting system should:

- serve to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada;
- encourage the development of Canadian expression by providing a wide range of programming that reflects Canadian attitudes, opinions, ideas, values and artistic creativity, by displaying Canadian talent in entertainment programming and by offering information and analysis concerning Canada and other countries from a Canadian point of view;

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*Prime Minister Jean Chrétien,  
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- serve the needs and interests, and reflect the circumstances and aspirations of Canadian men, women and children, including equal rights, the linguistic duality and multicultural and multiracial nature of Canadian society and the special place of Aboriginal peoples within that society; and
- be readily adaptable to scientific and technological change.

Globalisation and cultural homogenisation in Canada's broadcasting communities are challenging these important goals. In order to ensure that the objectives in section 3 of the *Act* are fulfilled it is essential that the *Act* restore the role and place of Canadian public broadcasting as an effective cultural instrument.

In Part II, the CBC's submission to the Standing Committee provides an overview of the activities of the CBC and its place in the Canadian broadcasting system. Part III outlines the CBC's strategic directions. This is followed by Part IV, an examination of the economics of Canadian television programming.

Part V, outlines the ways in which the efforts of the CBC to generate greater value for Canadians can be enhanced. Part VI provides an historical review of the CBC's place in the *Broadcasting Act* and the Canadian broadcasting system, with particular emphasis on the 1991 revisions to the *Act* and their impact on the CBC.

Part VII provides a summary of the actions required to ensure we preserve a distinctive voice for Canadians.

In the attached appendix, the CBC provides answers to the specific questions raised by the Committee in its terms of reference.

# THE CBC'S CONTRIBUTION TO THE CANADIAN BROADCASTING SYSTEM

## A. Introduction

In today's global environment public broadcasting is more important than ever. Public broadcasters take risks with innovative programming, encouraging diversity, and ensuring space for a country's cultures and values. The CBC does all these things, providing a unique and distinctive Canadian voice in television, radio and on the Internet.

When Canadians tune in to true Canadian programming – it is the CBC they watch, listen to, and log on to. For example, in 2000-2001, eight of the top ten Canadian entertainment programs available on English television in Canada were being shown on the CBC.

The CBC is the only broadcaster offering services to Canadians, in French and English. The CBC's news and information programming is recognised for the highest possible standards of excellence. The CBC's radio services provide distinctive commercial-free content that is unmatched in its depth of coverage of issues, and in its presentation of Canadian artists and Canadian stories. Since its creation in the mid 1930's, the CBC has maintained both a national and regional broadcasting service that, pursuant to its mandate, reflects Canada and its regions to both national and regional audiences.

The CBC is also the window through which the world views Canada. For example, the CBC was part of an international consortium that provided 30 hours of Millennium television coverage and round-the-clock radio programming from around the world, including celebrations across Canada.

The fall of 2000 demonstrates how the CBC brings Canadians the events and national moments that impact their lives. The epic television series *Canada: A People's History*, the CBC's respectful coverage of the death and national mourning of Pierre Elliott Trudeau, the CBC's live Olympic programming from Sydney and its unique citizen town halls during the Federal Election all contributed to national awareness in meaningful ways.

PART II



Rank	Network	Canadian Program Title
1.	CBC	Royal Canadian Air Farce
2.	CBC	This Hour Has 22 Minutes
3.	CBC	Red Green Show
4.	CBC	Da Vinci's Inquest
5.	CTV	The Associates
6.	CBC	Wind At My Back
7.	CBC	Royal Canadian Air Farce (r)
8.	CBC	Made In Canada
9.	Global	Popstars
10.	CBC	Halifax Comedy Fest

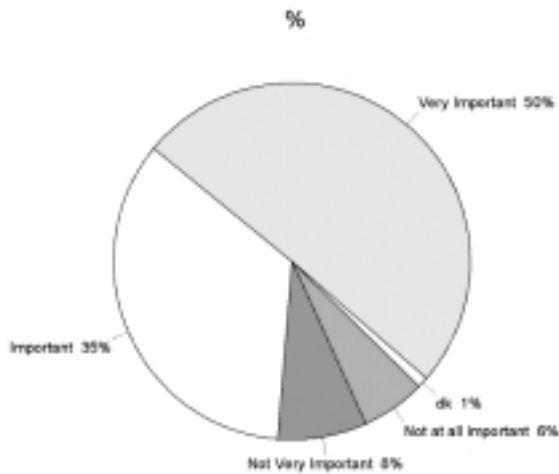
Source: CBC Research (Nielsen Media Research)

**When Canadians tune in to true Canadian programming – it is the CBC they watch, listen to and log on to.**

Only the CBC was prepared to take the risk and dedicate the resources to develop a bilingual epic history of Canada seen through the eyes of the people who lived it. The incredible response from close to 15 million viewers, in English and French during season one alone, speaks for itself. Canadians continue to explore the series and their history through the CBC websites and discussion forums, radio forums, books, educational videos and teaching guides.

The CBC is working to provide Canadians with even more high-quality, distinctive Canadian programming. The Corporation has launched a major renewal program designed to generate the greatest possible internal resources to enable the Corporation to strengthen its roots as Canada's national public broadcaster, with Canadian programming that defines the best of the CBC.

**Importance of Having a Public Broadcaster Like the CBC**



Source: POLLARA

This renewal of the CBC's commitment to public broadcasting is in response to Canadians' belief in the value of a strong public broadcaster as well as marketplace realities. In a recent survey conducted by Canadian Facts, nine-in-ten Canadians said the CBC is important to Canadian culture.

Indeed, despite budgetary cutbacks and conflicting demands for government funds, the vast majority of Canadians continue to believe in and support the CBC.

The CBC is encouraged by this strong public support and will continue to do its best to ensure Canadians are provided with the best of national public broadcasting.

In the following sections, the CBC's major accomplishments and initiatives are described.

## B. CBC: The Home of Canadian Content

The CBC's domestic and international services allow Canadians to access Canadian content when and how they choose, in English, French, Aboriginal languages and the languages of the world, in television, radio and on the Internet.

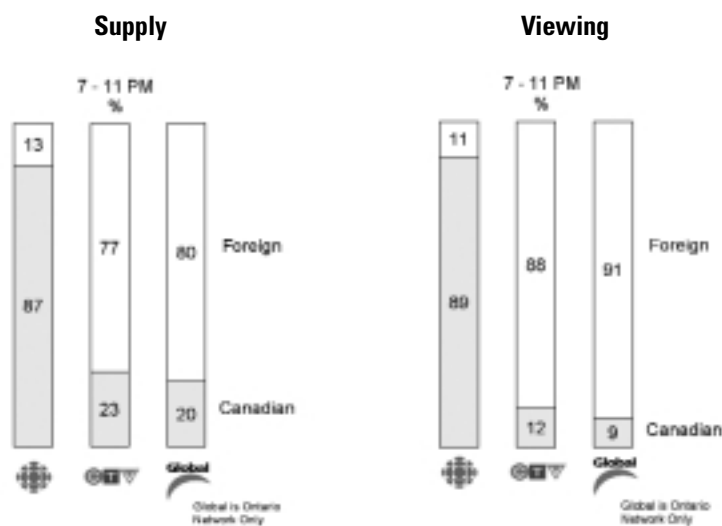
### Television

All the CBC's television services far exceed Canadian content requirements. Schedules for the two main television services are now 90% Canadian content in prime time, and the specialty services, *CBC Newsworld* and *RDI* routinely exceed levels of 95%.

The CBC is the only English-language television broadcaster in Canada that provides significant and distinctive Canadian programming in prime time, when the majority of Canadians are available to watch it. Indeed, as the most recent industry data available demonstrates, relative to private broadcasters in Canada, the CBC's English and French television services are clearly the home of Canadian content.

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#### English Market – Canadian Programming in Prime Time

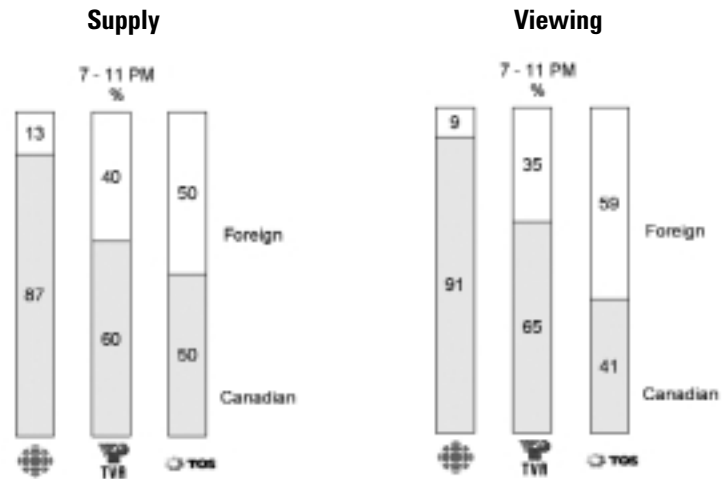


September 1998 to August 1999  
 Source: Nielsen Media Research, CDT

Given our efforts to offer a wide choice of Canadian programs throughout the day, the Corporation is very pleased with Canadians' responses to its English

and French television programming. The graphs demonstrate very clearly that when Canadians tune to our television services, they do so for our Canadian programming.

**French Market – Canadian Programming in Prime Time**

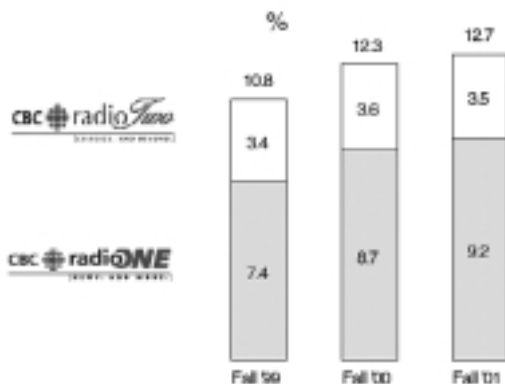


September 1998 to August 1999  
 Source: Nielsen Media Research, CDT

**Radio**

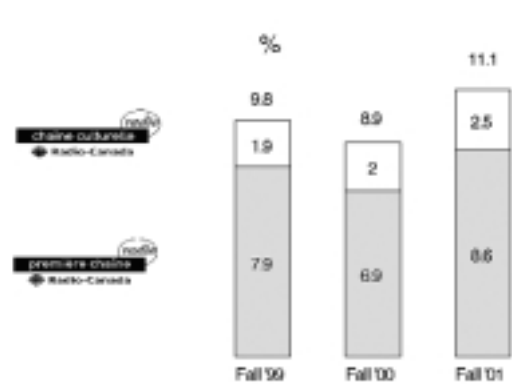
The uniqueness of the CBC’s commercial-free radio services also demonstrates the value Canadians place on programming not only created, developed and produced by Canadians, but representing Canadian situations, settings and values. The CBC’s radio services are more than 95% Canadian in terms of their spoken word component, with at least 50% of popular music and 20% classical and specialty music also being Canadian. As well, 95% of the musical selections aired on our French radio services are also in French.

**Share of Anglophone 12+ Listening**



Base: Anglophones who listened in CBC areas  
 Source: BBM

**Share of Francophones 12+ Listening**



Base: Francophones who listened in CBC areas  
 Source: BBM

In the fall of 2000, listening shares for three of the four Corporation's radio services reached new heights. This is particularly significant given the enhanced levels of competition that have emerged in these markets during the same period as a result of the strengthening of private radio through ownership consolidations.

## CBC and the Internet

Canadians are also turning to the CBC's Internet services in increasing numbers to access traditional media services and Canada's newest and most innovative electronic services.

Between the summer of 1998 and the fall of 2000, visits to the CBC's websites, *cbc.ca* and *radio-canada.ca*, doubled. During 2000, page requests for *cbc.ca* increased by 142% and by nearly 100% for *radio-canada.ca*.

## C. The CBC for Major Canadian Events

The CBC is the source for coverage and analysis of major Canadian events.

Canadians turn to and rely on the CBC for major events of the nation. This includes events as diverse as the Canada Day Show from Parliament Hill, Remembrance Day ceremonies from the Cenotaph, the unveiling of the Tomb of the Unknown Soldier, Royal and Papal visits, and the Governor General's Annual Performing Arts Awards.

Going beyond the "daily news", the CBC provides special coverage of all federal, provincial and territorial elections in English and French. In addition to providing extensive coverage of election events of the day, the CBC develops documentaries, provides expert analysis and mounts town hall meetings where Canadians can speak directly with candidates. Commercial-free television and radio coverage of federal election night originates from Parliament Hill in keeping with the significance of the moment, and through access to the CBC's Internet services, Canadians from around the world can readily follow the race in their hometown.

In addition, the CBC covers important provincial and regional events. The CBC was the only broadcaster to provide live coverage of the September 1999 Manitoba Provincial Election to the residents of that province, as well as to the rest of Canada.

Another example of the CBC's approach to major Canadian stories was the extensive coverage that was provided of the events surrounding the death and funeral of the Right Honourable Pierre Elliott Trudeau. The CBC pre-empted large portions of its regular programming to provide commercial-free coverage on

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all of its services, including the Internet where 350,000 visitors tuned to the CBC's coverage of the events. Supported by the wealth of its audio and visual archives, and the quality of its journalism and commentary, the CBC's services were uniquely qualified to serve Canadians during this important time in their collective history.

Similarly, through its broad transmitter base and via in-depth television, radio and Internet coverage, the CBC brought Canadians a better understanding of some of the recent dramatic and sometimes tragic stories from Canada's regions including: the Saguenay flood, the Manitoba flood and the 1998 Ice Storm. For Canadians personally affected by these events, the CBC, particularly the CBC's radio services, provided a lifeline.

The CBC is equally Canadians' choice in times of celebration. The CBC's coverage of the Sydney Summer Olympics was a demonstration of the strength and role of the national public broadcaster. Thanks to the extensive live coverage provided by the CBC's television networks and with the key role played by CBC's radio services and websites, Canadians were able to experience some unique, high-intensity moments, and learn more about our athletes and the sports in which they participated.

**In addition to its extensive regional news and sports coverage, each year about 75 regionally based independent production companies make documentaries, dramas and children's programs for the CBC's English Television Network.**

## **D. The CBC for Regional Reflection**

A review of the CBC's regional activities in recent years<sup>1</sup> reveals the extent to which the Corporation ensures that the regions are reflected in Canadians' sense of their nation:

- The CBC spends approximately 40% of the total operating budget in the regions or in support of regional activities.
- Across the CBC as a whole, regional production accounts for approximately 2,000 hours per week of programming.
- 50% of the total amount of Canadian programming on CBC's schedules reflects the regions.

In English Television, enhanced reflection of all parts of the country in the national network service is a fundamental goal of the transformation plan, and has been a major preoccupation throughout the development and implementation of that plan.

In addition to its extensive regional news and sports coverage, each year about 75 regionally based independent production companies make documentaries, dramas and children's programs for CBC's English Television Network.

Portions of the transformation plan designed to strengthen regional participation and regional reflection are being implemented during the current season. A new, hour-long investigative magazine was introduced into the peak period in fall 2001

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1. The data in this section originates from research conducted by the CBC for its most recent license renewal hearing in 1999 and provides a benchmark for the CBC's increasing regional reflection.

as part of the renewal of the network current affairs programming. This new program, *CBC News: Disclosure*, is a joint undertaking of CBC Winnipeg and CBC Toronto. A new late night "innovation zone" for more experimental programming and programming for younger adults will be added in winter 2002. This new program is based in Vancouver. In addition, consistent emphasis on regional stories is being implemented across all network news programming.

The CBC's French Television service is the only source of French-language regional television news in the Atlantic Provinces, Ontario, and Western Canada. It also provides multiple outlets for promoting and sharing talent from every part of the country through the programs that it produces in each region and broadcasts locally. Several culture and variety programs, most of which are broadcast on the national network, including *Double Étoile*, *Passeport musique*, the *Fête nationale de l'Acadie*, and *Brio*, are produced in Moncton. In Ontario, French-language regional programming includes the weekly cultural magazine *Expresso* and several variety shows, such as *Festival franco-ontarien*, *Ontario Pop*, and *Concerts intimes*. French Television also relies heavily on regionally based independent production companies, broadcasting around 80 hours of independently produced regional programs each year.

In 2000-2001, CBC's French Television regional stations provided their audiences with more than 320 hours of original regional production. At the same time, programs produced in the regions for the network accounted for an average of 6 hours per week on French Television, an increase of an hour a week over 1999. The network, therefore, has made good on its promise to Canadians to increase the presence and visibility of regional programming on its national network.

One of the important goals set by the Corporation is to enhance its reach and reflection in the regions. Through its affiliate arrangements the Corporation has, in the past, been able to obtain success in this regard. However, one of the disadvantages of this approach is the inability to guarantee programming availability in all parts of the broadcast day, particularly in the English-language market. In order to provide regional audiences with greater access to its programming and while seeking greater efficiencies, the CBC is determined to review all of its affiliate agreements and the related financial models.

The CBC's English Radio services have an active presence in over 48 communities across Canada, complementing over 1,100 hours a week of regional programming carried in prime listening periods. CBC English Radio also produces over 120 hours a week of complete regional productions for network broadcast, including for example *Daybreak South*, locally produced and locally heard, *Maritime Noon*, regionally produced and regionally heard, and *Disc Drive*, regionally produced for the network.

The CBC's French Radio services are also firmly rooted in the regions. More than 50% of the network programming of *la Première Chaîne* comes from the regions. Regular network programs are produced by regional stations including: from

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Vancouver, *Ici Vancouver* and *Le Monde à Lanvers*; from Winnipeg, *Escapades*; and from Moncton, *Bande à part*. In information programming alone, regions contributed more than 3,000 regional inserts to *la Première Chaîne* network programming.

Extension of French radio services to all parts of Canada is now a top priority of the Corporation. In 2001 alone, new transmitters began operation in the Gaspé, Sudbury and Winnipeg, and our Rouyn affiliate became a full rebroadcaster of *la Première Chaîne* service. In October 2001, the CBC filed applications with the CRTC for new transmitters, which are designed to extend *la Chaîne culturelle's* programming to 18 communities from Newfoundland to Alberta over the next 24 months.

The CBC's Internet service provides 13 English and 10 French regional sites that feature regional news, information about local television and radio programs and, in many cases, information about and links to the community. Live streaming and on-demand regional news from 15 English and 8 French regional radio stations are available as well as supper hour television news on demand from 10 English and 5 French locations. This allows Canadians to access their regional news and listen to their local CBC station, whenever they want, and wherever they may be in the world.

## **E. CBC: One of the Largest Supporters of Canadian Arts and Culture**

The CBC is the country's most important vehicle for showcasing Canadian arts and culture including orchestras, theatre, and dance ensembles on both national and regional levels. In addition, the CBC is an important outlet for traditional and special interest organisations, and programs about the arts.

Indeed, the CBC remains strongly committed to the commissioning, production, and broadcast of original works by Canadian artists.

During 2000-2001, the CBC made \$36 million in direct contributions to artists. The cultural community also benefits from payments that the CBC makes to independent producers. Last year, these payments totalled \$64 million.

These activities and investments are spread over all of the CBC's services.

The CBC's English Television service now offers through *Opening Night*, two hours of commercial-free prime time television each week, devoted to full-length performance pieces, arts documentaries, and panel discussions from the world of music, dance and theatre, with the emphasis on Canadian artists. Featured programs in the current season include *Montreal's Dance High Lights Festival*, starring a number of Canadian dance companies including La La Human Steps, Les Grands Ballets Canadiens, and an interview with Karen Kain; Daniel Taylor, Canada's leading countertenor in performance with the Tafelmusik Baroque Orchestra; and *Tommy – A Family Portrait* of the late Codco comic Tommy Sexton, as told by his sister, and featuring many of his most famous skits.

Every week, the CBC's French Television service offers Francophone viewers major cultural events featuring works created and performed by Canadian artists. The Sunday night program *Les Beaux Dimanches* has become a cultural institution, offering an exceptional showcase for Canadian talent throughout the country. Recent featured programs have included *Danse dans les flammes* a celebration of la Fête nationale des Acadiens with the group Le Grand Dérangement, the Gala de l'Adisq: an award show for the Québec music industry. CBC's French Television also provides an excellent showcase for Canadian movies such as *Un 32 août sur terre*, a 1998 movie by Denis Villeneuve, and Richard Ciupka's 1999 movie, *Le dernier souffle*. Every night, CBC's French Television dramatic series, mini-series, and comedies allow established and up-and-coming writers to give their imaginations free rein and let francophone actors build a loyal following while sharing their talents with growing audiences.

*ARTV*, the launched specialty arts channel in which the CBC is a major shareholder, further affirms the CBC's special mission to promote the arts and artists of French-speaking Canada with strong Canadian content and a commitment to all forms of creative expression. *ARTV's* program *Silence, on Court!*, featuring the best Canadian short films, is supplemented by an Internet site devoted exclusively to the short films shown on the program.

This new specialty service in no way diminishes French Television's commitment to continue offering cultural programming and highlighting major cultural events such as the fall 2000 celebrations marking the 75th anniversary of Winnipeg's Cercle Molière, or the upcoming 20th anniversary of the Orchestre Métropolitain du Grand Montréal (fall 2001), on its main network.

The CBC's Radio services are also deeply committed to the development of musical talents and Canadian artists. They are the only radio services in Canada providing in-depth arts coverage with dedicated arts reporters. In French and in English, one of the key roles of the CBC's radio services is to promote the creation of new talent, composers and performers in a wide range of musical genres – from classical, to jazz, orchestra, opera, folk and alternative pop music – and various areas of cultural expression such as drama, comedy and literature.

Both services help discover and promote future generations of Canadian talent by organising important competitions throughout the year. The CBC also commissions several new classical compositions every year, and broadcasts hundreds of musical performances and festivals around the country. CBC Records is a leading label in Canada for Canadian classical music, each year releasing 20 new Canadian performances.

The CBC's French Radio service reflects the vitality of French-language song and artistic creation in Canada and nurtures the emerging artistic potential in all of Canada's various francophone communities. In a single year, *la Chaîne culturelle* provides a prestigious stage for performances by some 2,500 musicians and 250 actors and works by some twenty different authors.

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**In a single year, *la Chaîne culturelle* provides a prestigious stage for performances by some 2,500 musicians and 250 actors and works by some twenty different authors.**

In 1999-2000, CBC's French radio and television services signed an agreement with the Fédération culturelle canadienne-française to promote co-operation among francophone organisations involved in the arts in Canada. The result will be more co-operative production initiatives in the areas of literature, theatre, music and the visual arts.

The English Radio 3 service is Internet-delivered and features new Canadian music through recordings, concerts and biographies of artists on three websites: *120seconds.com*, *justconcerts.com* and *newmusiccanada.com*. *bandeapart.fm*, a French music website aimed at 13 to 21 year olds to promote new Canadian artists, was launched in January 2001. The site features information about emerging artists and bands, a large archive of Canadian music, concerts and band sessions to be viewed exclusively on *bandeapart.fm* and gives a glimpse behind the scenes in the alterative music industry.

The Corporate websites, *cbc.ca* and *radio-canada.ca* also promote Canadian talent, in literature, visual arts, theatre, movies and music. Even the design of many of the French-language regional websites has used the work of local artists such as Franco-Manitoban R  al B  rard.

## F. CBC: The Largest News Organisation in Canada

The CBC's journalistic leadership is one of its greatest strengths. The CBC is Canada's largest news organisation, employing over 800 people in different journalistic functions, in Canada and abroad. It is the only news organisation with a presence throughout the country in both official languages. The CBC is also the only journalistic institution to station French language journalists west of Ottawa, and regional operations provide Canadians in all parts of the country with windows on events throughout Canada.

Internationally, the CBC operates 10 bureaus – in New York, Washington and Mexico covering the Americas, in London, Paris, and Moscow covering Europe, in the Ivory Coast, covering Africa and in Jerusalem, Bangkok and Beijing covering the Far and Middle East. Eight of the ten foreign correspondents in these bureaus file in both official languages for CBC's radio and television services.

The importance of our role was clearly evident on September 11th, and the weeks following that terrible tragedy. In times of crisis Canadians know they can turn to and trust the CBC's coverage of events. With our foreign correspondents on the ground in New York, and deployed to Pakistan and Northern Afghanistan to provide live coverage of breaking events, Canadians turned to the CBC in huge numbers for a distinctive Canadian perspective on major international stories.

On September 11th, an average of 1.7 million Canadians were watching CBC English Television and *CBC Newsworld* in prime time, the highest figure amongst all Canadian broadcasters, and significantly ahead of CNN at 1.2 million. Between the 11th and the 13th, CBC French Television and *RDI* combined reached 75% of Francophones across Canada. Meanwhile, in the United States, the CBC television coverage was broadcast on *Newsworld International*, *C-Span* and even the *Home Shopping Network*, in the process reaching well over 80 million viewers.

In 2001 alone, five new CBC news bureaus have been opened across Canada in Bathurst, Inuvik, Kelowna, Kitchener and Thompson by *CBC Newsworld*. At the same time, additional mobile news trucks have been purchased and deployed by *RDI* for operations in Ontario, the West and in the Jonquière region of Quebec.

Meanwhile, on a day to day basis, French Television offers four daily newscasts covering regional, national and international stories, in addition to other public affairs programs, presenting investigative national and international reports, and looking at social, economic and cultural issues.

**The CBC is Canada's largest news organisation, employing over 800 people in different journalistic functions, in Canada and abroad.**

**Internationally, CBC operates 10 bureaus, . . . eight of which file in both official languages for CBC's radio and television services.**

**In 2001 alone, five new CBC news bureaus have been opened across Canada in Bathurst, Inuvik, Kelowna, Kitchener and Thompson by *CBC Newsworld*.**

**The first half-hour of  
*The National* and the  
national news portion  
of *CBC News: Canada Now*  
are presented without  
commercial interruption,  
a remarkable achievement  
in North America.**

English Television launched *CBC News: Canada Now* and a revitalised *The National*, a seamless, integrated package of national and international news and information consisting of extended, high-quality coverage of the day's top stories, followed by provocative, insightful analyses, documentaries and features. The first half-hour of *The National* and the national news portion of *CBC News: Canada Now* are presented without commercial interruption, a remarkable achievement in North America. Overall, commercials broadcast during the news hours have been reduced from twelve to six minutes.

*cbc.ca* and *radio-canada.ca* deliver up-to-date information on local, regional, national and international events 24-hours a day. News and information can also be received instantly on wireless devices through various media partnerships. The CBC news and information programming on the Web is seen on its English and French regional sites which now provide access to local information from all regions of the country.

The CBC's coverage of news is the inevitable by-product of journalistic freedom. Its ability to report issues and events without fear of interference makes a vital contribution to Canadian democracy.

Given the CBC's public service mandate and its journalistic independence as protected under the *Broadcasting Act*, it has a set of clear responsibilities to which it must adhere:

- provide Canadians with news about their country and the world, while striking a suitable balance between local, regional, national and international news and perspectives;
- provide reports and analyses about important issues for Canada and Canadians, regardless of whether these issues are popular or commercially profitable;
- inform citizens in the various regions of Canada about the concerns and views of people in other regions, to achieve better mutual understanding and an appreciation of differing views on national issues; and
- at all times meet the criteria of balance, credibility, quality and accessibility.

## CBC'S STRATEGIC DIRECTIONS

The CBC has set for itself very clear strategic directions. At the heart of the way the CBC operates are three overriding priorities which reflect our role and responsibility as a distinctive national public broadcaster, guide our conduct, and are at the core of the way we do business. These priorities are:

- To provide distinctive, high-quality Canadian programming on all our services
- To leverage all our available assets to re-invest in and support our Canadian programming
- To maximise our use of partnerships and strategic alliances in support of our programming goals and initiatives

### CBC Does Distinctive Canadian Programming Best!

Distinctive, high-quality Canadian programming is the essence of the CBC. It is what we are best known for, and best appreciated for by Canadian audiences who know that whenever they tune to CBC services, be these our radio, television, or specialty television services, they will find Canadian voices, perspectives and experiences.

Our goal is to ensure that we can deliver distinctive and high quality programming on all our services and to introduce fundamental changes where required. This is why we have undertaken the measures we have to transform CBC English Television into a much more clearly defined public broadcaster. Our French Television network has also undertaken a major renewal of its prime time schedule while our Radio networks continue to build on their success and to deliver unique programs to Canadians.

The English Television Transformation Project is probably the most significant initiative ever undertaken to redefine the distinctive role of the English service. Since the fall of 2000, transformation has created a dramatic new "look" for English Television, in the process remaking the network into the image of a true public broadcaster. Transformation has incorporated a wide range of programming initiatives ranging from the innovation of hosted themed programming evenings, to improved regional reflection in our news and information programming and increased journalistic presence across the country, to substantially expanded programming for children and youth, and in the arts and documentary programming genres. It has also meant the reduction, and in some cases, the elimination of commercial content from CBC's news and information programming.

PART III



**The English Television Transformation Project is probably the most significant initiative ever undertaken to redefine the distinctive role of the English service and, in the process, remaking the network into the image of a true public broadcaster.**

**In the final phase of English Television's transformation, viewers will see new measures designed to improve regional and cross-cultural reflection, rebalance the way we do professional sports to minimise disruption of our regular schedule, and further efforts to diversify commercial revenue and reduce commercial clutter.**

In the final phase of English Television's transformation, which will take place over the 2002-2003 program season, viewers will see new measures designed to improve regional and cross-cultural reflection, rebalance the way we do professional sports to minimise disruption of our regular schedule, and further efforts to diversify commercial revenue and reduce commercial clutter.

We believe that the Transformation Project has made English Television distinctive, allowing us to optimise audience reach and share, increase public value and impact, and clearly define and position CBC English Television as Canadian Public Television.

CBC Television also meets the needs of Canadians through the presentation of Canadian voices and perspectives from all parts, all regions of the country.

These Canadian voices and perspectives come, for example, from the North and are seen in programs as diverse as the coverage that allowed Canadians to see the ceremonies that resulted from the formal creation of Nunavut, as well as in the unique sports events covered in the annual Arctic Winter Games.

They come, as well, from the provinces where thousands of hours of original CBC radio and television programming originates before it is redirected out over transmitters from coast-to-coast to be shared and enjoyed by the nation at large.

They come from the coverage of our provincial elections – and they come from our coverage of federal elections and major national events which draw Canadians together in shared experiences and remembrances.

They come from the quantity and excellence of our daily commercial-free children's and youth programming, and from our French and English Internet initiatives such as *cbc4kids* dedicated to Canadian young people.

It is reflected in the depth and quality of our journalism, which starts with the what and provides in-depth exploration of the why, seen in both our investigative journalism – a true CBC tradition and strength despite its high cost and risk – and in our extensive international coverage, with CBC journalists across the globe providing Canadian audiences with a distinctive Canadian perspective.

It is seen in our high-impact nation-sharing specials: the Sydney Olympics, the upcoming Salt Lake City Olympics, *Canada: A People's History*, and *Homage to Trudeau*.

And it is, of course, at the heart and soul of our cultural programming, from *Opening Night* on English Television, now in its second year of providing two hours of commercial-free programming every Thursday night, to French Television's *Les Beaux Dimanches*, two hours every Sunday.

The CBC continues to innovate and take a leadership role in the development of new talent. We are doing it with *newmusiccanada.com* which has drawn 800 bands to submit 10,000 songs, to the Rising Stars seed money that our satellite audio service, *Galaxie*, provides to upcoming Canadian musical talent, and we will do it again on *Innovation Zone*, a new late-night television program that will launch in 2002 and showcase new talent and fresh ideas on the English Television network and the Internet.

### Leveraged Assets Add Value to Our Programming Initiatives

Leveraging CBC assets, and managing well all those we hold, is the base of our strategy to generate value and new cash flow to re-invest in our programming. In this year alone, the CBC has added \$6 million a year in continuous cash flow to support its programming thrust.

This has come about through the extraction of value from our "bricks and mortar" to provide resources for content production. We have created a real estate division to manage our five million square feet of property and generate revenue through selling or renting surplus space, a strategy that is already paying off. We have recently finalised major deals involving CBC's Broadcasting Centres in both Toronto and Regina. And more deals are on the horizon. We have also taken a hard look at selling our transmission assets and leasing them back as another means of bringing additional resources to our core function. While the market downturn has undermined the ability of interested bidders to follow through, the CBC decided to establish a new division to manage the assets and to generate additional revenues.

We also sold to USA Networks our U.S. specialty services *Trio* and *Newsworld International* while we continue to provide most of the content of *Newsworld International*, which reaches over 10 million U.S. households.

**Our goal is to ensure that we can deliver distinctive and high quality programming on all our services and to introduce fundamental changes where required.**

**Working in partnership is an important part of doing business in today's economic climate.**

**We take particular pride in the three new specialty television services we launched in partnership in fall 2001: *ARTV*, *The Canadian Documentary Channel*, and *Country Canada*.**

## Partnerships and Alliances Extend CBC's Value

We have also found that strategic partnerships and alliances have proven their worth in extending our audience reach, optimizing our investment, mitigating our risk, and creating additional new revenue streams. Working in partnership is an important part of doing business in today's economic climate.

We take particular pride in the three new specialty television services we launched in partnership in fall 2001: the French-language cultural service of *ARTV*, with Télé-Québec and BCE among others; *The Canadian Documentary Channel*, which involves us with the National Film Board, Corus and independent producers; and *Country Canada*, in partnership with Corus. All three services draw substantially on the strengths of the CBC for their programming, complementing what we are able to offer viewers on our generalist, mainstream services.

We have also reached our first significant agreement with the print media, with *La Presse*, creating a partnership to produce and deliver a new TV/radio guide *Voilà* to 650,000 Quebec households.

## And we continue to search for more ways to do more

Working with these three key priorities always in mind is a crucial element in our effort to provide Canadian audiences with programming that speaks to their diverse interests.

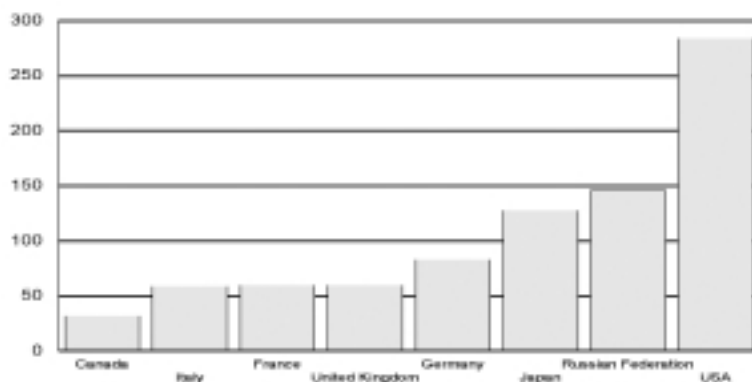
## THE CHALLENGE OF CANADIAN TELEVISION PROGRAMMING

The economics of program production dictate a major role for the public sector to safeguard a Canadian space in the new environment. The reality is that the market alone will not provide the quality of broadcasting that citizens want and need.

Canada has a much smaller population than the other G8 countries. What is more, Canada's relatively small domestic market supports two major broadcasting communities, one in English and one in French – compared to unilingual systems in most other countries.

As a result, the costs of Canadian radio and television production must be spread over two linguistic populations; each of which is much smaller than those of countries such as Great Britain, France, Germany, Japan or the United States.

**Population of G8 Countries, 2000**



Source: United Nations Department of Economic and Social Affairs – Population

Since the total cost of producing a given quality of programming does not vary significantly from country to country, production costs per capita are much higher in Canada than in other countries with much larger domestic markets.

The entertainment industry in the United States is a unique case. It produces an enormous volume of radio and television programs, and theatrical feature films whose costs are largely amortised and recovered from the U.S. domestic market alone. Consequently, rights holders can make these programs available to other buyers, including Canadian broadcasters, at relatively low prices, a competitive edge Canadian programs do not enjoy.



**Only the CBC puts Canada first by foregoing the purchase and simulcast of U.S. programs in favour of delivering a virtually all-Canadian prime time schedule to Canadian audiences.**

**The CBC has dedicated over \$25 million to develop *Canada: A People's History*, a bilingual 32-hour, commercial-free, epic history series about Canada. In its first season alone, 15 million Canadians tuned in to the series.**

Given the pervasive nature of the U.S. entertainment industry, Canada's close geographical proximity, and the relative-poor economics of Canadian programming, government support of Canadian programming is essential. Without this support, Canada's broadcasting system would not be able to ensure the availability of high quality Canadian programs that promote Canadian identity and cultural diversity.

On conventional English-language services, Canadian news and sports programs are generally able to cover their costs of production through the sale of advertising in those programs.<sup>2,3</sup> However, higher cost Canadian entertainment programs (drama, variety and children's programs) as well as documentaries cannot cover their costs without government policies and subsidies. As a result, these categories of programs are generally under-represented in English-language television schedules, particularly during the prime time evening hours.

To encourage Canadian private sector broadcasters to carry these programs, the CRTC uses regulatory measures that create a demand for Canadian programs in the under-represented or "priority" program categories, including drama. On the supply side, the federal and provincial governments support Canadian television production by various measures including tax credits and the Canadian Television Fund. In addition, through the *Broadcasting Act*, the government mandates the CBC to provide distinctly Canadian radio and television services to Canadians. An important part of fulfilling the CBC's mandate is to provide high quality programs in the under-represented or "priority" categories that would not otherwise be available.

Only the CBC puts Canada first by foregoing the purchase and simulcast of U.S. programs in favour of delivering a virtually all-Canadian prime time schedule to Canadian audiences. It is the CBC's mandate to give "priority" programs pride of place on CBC schedules.

In fact, we've proven that the right programming can become a phenomenal success. Take for example *Canada: A People's History*, the CBC has dedicated over \$25 million to develop this bilingual 32-hour, commercial-free, epic history series about Canada. In its first season alone, 15 million Canadians tuned in to the series, supported by a number of creative endeavours which maximise its exposure and its impact for Canadian audiences.

Two companion books – the English edition, a number one non-fiction bestseller – plus videocassettes and DVDs accompany the series. Educational packages have made it accessible to 90% of Canada's public schools and for season two, companion children's books have been introduced.

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2. CBC's television network services have reduced advertising in their news programs.

3. Canadian news and sports on specialty services are very popular, but it is more difficult to draw general conclusions about the profitability of individual programs on specialty services because they also receive a share of BDU subscriber fees that is determined by the overall subscriber penetration rate of the service.

All that is public broadcasting at its finest. All that is something no private broadcaster could have taken the risk to do because the economics of Canadian broadcasting simply do not afford them the luxury to take gambles as big as this one. Private broadcasters must focus on providing programming that limits costs and maximises revenues. Their first responsibility is to their shareholders, who have every right to expect an acceptable rate of return on their investment.

But risk taking with Canadian programming is central to the role of the CBC. Not only do we invest in the production and delivery of Canadian programs, but we schedule them in prime time, every night of the week across all of our services, and the results are shown in the ratings: eight of the top 10 Canadian entertainment series in English in 2000/2001 were on CBC at the same time 9 of the most popular Canadian drama and entertainment series on the CBC's French Television service attained audiences of more than 1 million.

These are true Canadian success stories, but we cannot be naive about why they are successes. They succeed because the CBC is publicly funded and able to take more risks. In return, the CBC must produce the highest quality programming about Canada that reflects Canadians to themselves. We have the opportunity to be able to focus on Canada, its identity, its values, while the private sector must always focus on its bottom line, and the rate of return on its investment.

As much as we may wish it were not so, the truth is, the economics of providing English Canadian television programming is simply not conducive to a good rate of return because even when you do Canadian programs really well, as the CBC does, there is a limited return on investment. An hour of *Da Vinci's Inquest* can cost \$1 million or more per episode, yet it will only generate revenues of less than \$100,000 per hour. Contrast that with the simulcast rights a private broadcaster will pay for a one-hour popular American drama, (which has already recouped massive development and production costs in the much larger U.S. market) – somewhere between \$100,000 and \$125,000 per hour – and the revenue that program can generate from advertising – between \$350,000 and \$400,000 per hour – and it is easy to see why private broadcasters have continued to provide Canadian audiences with the regulated minimum amount of Canadian content in prime time – 50% – for the past 30 years.

## French-language Television Broadcasting

The situation in the French television market is also challenging. While the demand for Canadian programs is higher, the economic reality is just the same. It is five times more expensive to produce a Canadian program than it is to acquire translated American programs. But in the case of French television there are other circumstances, unique to the market, which provide an effective stimulus for Canadian programs.

**Risk taking with Canadian programming is central to the role of the CBC.**

**The CBC is publicly funded and able to take more risks. In return, the CBC must produce the highest quality programming about Canada that reflects Canadians to themselves.**

**French-language entertainment programs benefit from a “star system” that is maintained by the local media with the result that domestic drama and variety programs can outperform U.S. programming.**

**Despite lower costs, the volume of French-language programs that can cover their own costs without government support is limited.**

French-language television broadcasting in Canada is very different from English-language broadcasting for a number of reasons. The language barrier reduces the attraction of U.S. programs (in English or in a dubbed version) and eliminates many simultaneous substitution opportunities. At the same time, French-language entertainment programs benefit from a “star system” that is maintained by the local media with the result that domestic drama and variety programs can outperform U.S. programming. In the French-language market, domestic entertainment and variety programs can be profitable in the domestic market. As a result, the level of Canadian content on French-language services tends to be much higher than that on English-language services.

Both French Television and TVA have a long tradition of producing drama (téléromans), sitcoms and variety programs in their own studios, many of which are very popular with audiences. These in-house productions are also supplemented by extensive use of independently produced programs.

However, with a few exceptions, French-language programs do not travel well outside of French-speaking Canada. Only occasionally can they be sold abroad so their costs must be fully amortised at home. As a result, productions are often more limited in scope, squeezing costs to a lower level than the costs of English-language programs. Despite those lower costs, the volume of French-language programs that can cover their own costs without government support is limited. The French-language market is small – about one-third the size of the Canadian English-language market – and competition is fierce.

As a result – with the exception of CBC French Television and the educational broadcaster Télé-Québec – French-language conventional, specialty and pay television broadcasters generally supplement their schedules with many inexpensively-acquired U.S. and other foreign programs in the form of series, game shows and feature films, original music videos, etc., dubbed into the French language.

In search of further economies of scale and scope, a few large players are positioned to dominate the French-language television broadcasting landscape – Quebecor Media, Astral Media, Bell Globemedia and Cogeco.

## Independent Television Program Production

Canadian television programs are produced either by broadcasters in their own studios (in-house productions) or by affiliated production companies and production companies with whom the broadcasters have no or non-controlling ownership ties (independent productions). A significant part of Canadian television production in the underrepresented or “priority” categories of programming is provided by the independent production sector.

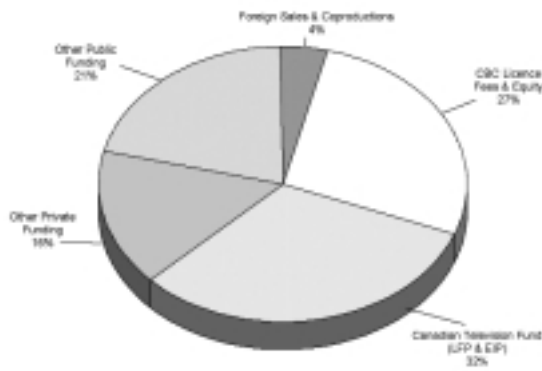
Independent production finances programs with a combination of presales to broadcasters, foreign distribution advances, tax credits and other sources of government financing, particularly that provided by the Canadian Television Fund. Typically, 80% of the financing of each program is in place before the program is actually produced.

In an unregulated, unsubsidised market, licence fees for English-language Canadian television programs in the underrepresented or priority categories would probably cover 10% or less of production costs. Since French-language production budgets are generally smaller than those of English-language productions, licence fees would probably contribute a higher percentage of production costs in this scenario. However, Canadian content regulation creates a demand for Canadian programs in the underrepresented or "priority" categories and this has a tendency to increase the value of licence fees paid for Canadian programs<sup>4</sup>.

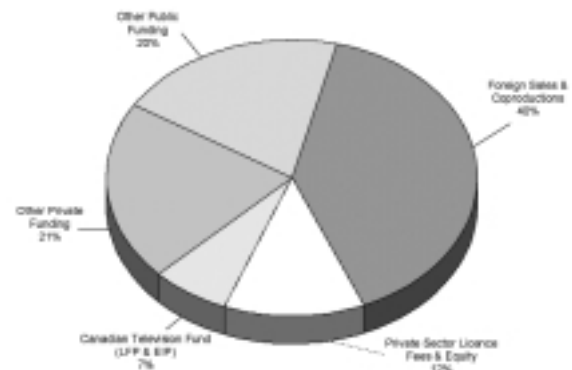
Where does the rest of the financing come from? An answer to this question is provided in the charts, drawn from Canadian Heritage/CAVCO data<sup>5</sup>.

### Financing of English-language Independent Programs

Destined for CBC English Television, 1999-2000

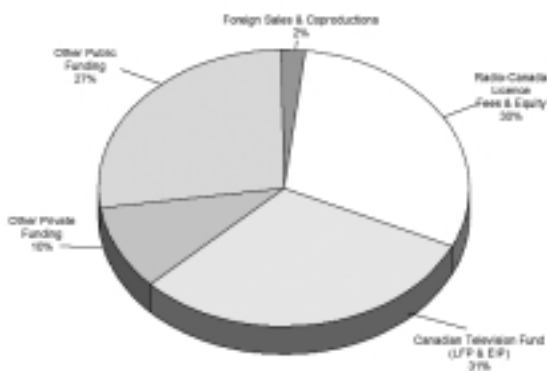


Destined for Other Services, 1999-2000

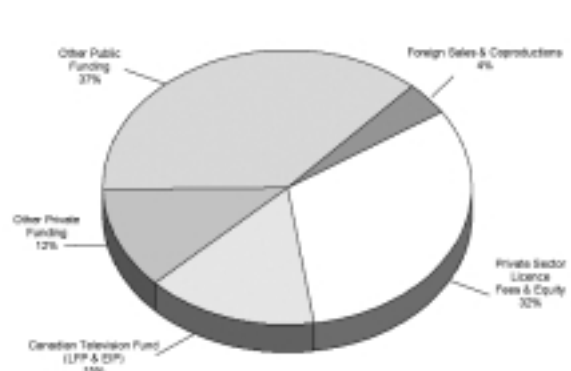


### Financing of French-language Independent Programs

Destined for CBC French Television, 1999-2000



Destined for Other Broadcasters, 1999-2000



4. Overall, English-language Canadian broadcasters' licence fees and equity provided 16.1% and French-language broadcasters' fees provided 40.2% of their respective Canadian program budgets in 1999-2000.

5. Other public funding includes federal and provincial tax credits, contributions from other provincial funding agencies and, in the case of programs destined for other broadcasters, licence fees & equity from public broadcasters. Other private funding includes producers' contributions, distribution advances, bank loans, sponsorships, deferrals and, in the case of programs destined for the CBC, licence fees & equity from private broadcasters.

As is apparent in the charts, foreign sales distribution advances provide a major source of financing for private sector English-language productions. This is generally not the case for the CBC or French-language productions. Those Canadian programs that are most likely to attract foreign buyers, especially U.S. buyers, at the pre-production stage tend to be generic in content and less likely to be distinctively Canadian.

Subsidies in the form of federal and provincial tax credits, and production financing from Funds such as the Canadian Television Fund (CTF), are necessary for Canadian independent television program producers to complete the financing of their programs.

As suggested in the charts, CTF and public sector financing account for more than 50% of total budgets for all programs aired on services other than private sector English-language services, that are over and above the licence fees paid by broadcasters for the use of the programs. Federal and provincial tax credits and financing, such as that of the Canadian Television Fund, are therefore crucial to the production of distinctly Canadian programs in the “priority” program categories.

**The economics of Canadian television programming is a challenge for all Canadian broadcasters, especially private enterprises. As a result, and despite public sector support, there is a built-in disincentive to air Canadian programs in peak viewing periods.**

## Conclusion

The economics of Canadian television programming is a challenge for all Canadian broadcasters, especially private enterprises. The rates of return they can generate on Canadian program schedules in prime time is generally negative. As a result, and despite public sector support, there is a built-in disincentive to air Canadian programs in peak viewing periods.

This situation creates market failure in that the market alone will not provide the quality of broadcasting that Canadians want and need.

This is where the CBC, as mandated and mostly funded by Government, comes into play to provide a steady and high quality supply of original and distinctive Canadian programming.

## ENHANCING CBC'S CAPABILITIES

If Canada is to guard its national identity and cultural sovereignty in an increasingly globalised marketplace, there must be a renewed commitment to the CBC. That commitment has financial, policy and legislative dimensions including:

- Effective and predictable multi-year funding for the CBC;
- Continuous and equitable access to the Canadian Television Fund;
- A re-balancing of public policies in support of distinctive Canadian television;
- Access to the necessary broadcast spectrum to extend the reach of our radio services; and,
- Amendments to the *Broadcasting Act* that:
  - will reinstate the CBC's place in the broadcasting system, and
  - provide the CBC with the necessary flexibility to leverage its assets to re-invest in programming and to establish alliances and partnerships.

Part VI "CBC and the *Broadcasting Act*" and VII "Proposals for Changes and Recommendations" will deal with the latter point.

### A. Adequate and Multi-year Funding

The CBC's ability to deliver and sustain high quality, distinctive Canadian programs to the Canadian public and to fulfil its legislative mandate is largely linked to its ability to secure appropriate levels of public funding which will remain its primary source of funds.

In the early 1990s, the CBC's parliamentary appropriations for operating expenditures increased annually to reach a peak of approximately \$950 million in 1992-1993. As a result of the reductions announced in the 1993 Federal Budget and the subsequent Program Review, government appropriations began to fall dramatically. A reduction of 21% of the CBC's operating appropriation took place over the five-year period from 1994-1995 to 1998-1999. This reduction had a devastating effect on the CBC's programming.

While some funding has been provided to the CBC since 1998-99 to address cost increases, such as salary and wage increases resulting from collective bargaining, this funding falls short of addressing actual cost increases. As a measure of purchasing power, in constant dollar terms the CBC's operating appropriation has declined by 31% since 1989-90.

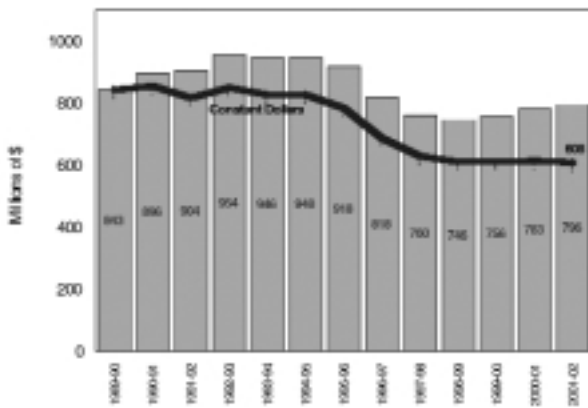
While appropriations will continue to be stable for the next fiscal year (2002-03), consistent with the Government's commitment, basic costs are projected to rise. The CBC is committed to deal with these pressures through internal productivity gains and self-generated revenues. The ability of the CBC to leverage its content and physical assets to re-invest in programming is an important step in improving our ability to maintain our programming distinctively Canadian and reflective of Canada. These initiatives have started to pay off but they are not sufficient to preserve the distinctive voice of the CBC.

PART V



The CBC's parliamentary operating appropriations over the last thirteen years are presented in the following chart:

**CBC's Parliamentary Operating Appropriation**



Note: All data in the chart indicate main estimates for operating appropriations with the exception of 1997-1998, which include supplementary estimates, primarily for radio. In addition, 2001-02 excludes the \$60 million new funding received in that year since these funds are not part of the CBC's operating base funding.  
 Constant 1989 dollar deflator = CPI

The Government has demonstrated its support for a strong CBC and signalled the beginning of the reinvestment in the national broadcaster by allocating funding of \$60 million in 2001-2002 and in 2002-2003. The CBC is pleased with this vote of confidence in its strategic direction and, pursuant to its commitments, has to date invested all these funds in radio and television programming. Nevertheless, the program planning cycle, which can stretch over several years, requires a more predictable pattern of funding to preserve the ability of the CBC to sustain the strengthening and transformation of its programming and to play its unique role in the system. An effective and predictable funding regime also allows the public broadcaster to invest in new forms of programming and to take risks that are unlikely to be taken by private sector broadcasters, as was the case with *Canada: A People's History*.

**Over the five-year period from 1994-1995 to 1998-1999 the reduction of 21% of the appropriation had a devastating effect on the CBC's programming.**

**Government has demonstrated its support for a strong CBC and signalled the beginning of the reinvestment in the national broadcaster.**

To this end, the CBC recommends that the government introduce a new multi-year funding system for the CBC. Effective multi-year funding would enable the CBC to invest in higher risk, more distinctive types of programming and new services for the benefit of Canadians.

As well, a multi-year funding approach would allow the CBC to find a better balance between its advertising revenues and public funds. The CBC's television services are dependent on advertising revenue, which represents roughly 25% of our overall funding sources, to sustain their distinctive Canadian schedules.

A study of public broadcasting by McKinsey & Company conducted in 1999 found a strong link between the health of a public service broadcaster and the nature of its funding. Those who are the most successful (and by extension, provide the greatest benefits to their country's broadcasting sectors) have an effective and predictable funding regime that enables them to maintain a significant audience share and exercise a positive influence over private sector broadcasters. The McKinsey study of public service broadcasters also found that the greater the share of advertising revenues in its total revenues, the less distinctive a public service broadcaster is likely to be. The CBC is very aware of this risk as it strives to achieve distinctiveness from private broadcasters and would be open to consider alternative sources of funds.

In this context, the CBC is highly dependent on other funding instruments which provide essential resources to preserve the CBC's distinctive nature.

## B. The Essential Role of Independent Production and the CTF

Independent production plays an essential role in providing programs to the CBC. The majority of the CBC's English and French Television prime time entertainment programs are obtained from the Canadian independent production sector. As described earlier, independent production depends on major contributions from the Government of Canada, including those of the federal tax credit program and the Canadian Television Fund.

From its inception in 1996 to March 31, 2001, the CTF has contributed close to \$1 billion to 2,021 film and television programs in underrepresented categories such as drama, documentaries and children's programs. Independent production and the CTF play a key role in helping to deliver the CBC's prime time schedules. In the three years between 1998-1999 and 2000-2001, for example, the Licence Fee Program of the CTF alone provided an average of \$43.1 million per year to independently-produced programs aired by the CBC.

**The CBC recommends that the government introduce a new multi-year funding system for the CBC. Effective multi-year funding would enable the CBC to invest in higher risk, more distinctive types of programming and new services for the benefit of Canadians.**

Table 1 demonstrates that the CBC has been able to benefit from a significant share of CTF supported programming under the Licence Fee Program (LFP) despite the fact that Government took away its guaranteed access to 50% of the Fund in 2000-01.

**Table 1**  
**Total Financing of CBC Projects by the Licence Fee Program**  
(Year ending March 31)

	<b>CBC English Television (\$000)</b>	<b>CBC French Television (\$000)</b>	<b>Total CBC (\$000)</b>	<b>% of Total LFP Financing</b>
1995-96	14,187	5,253	19,441	42.0
1996-97	25,967	10,976	36,943	41.1
1997-98	16,484	10,907	27,391	30.7
1998-99	27,772	9,437	37,209	33.7
1999-2000	23,778	13,695	37,473	36.7
2000-2001	14,946	15,512	30,458	26.8
2001-2002*	18,894	16,343	35,237	27.2

Source: Canadian Television Fund

\* As of November 9, 2001

However, the CBC's ability to benefit from the Equity Investment Program (EIP) (Table 2) has suffered a setback for two reasons: because of the removal of the guarantee and due to its own limited funding available to trigger the Fund.

**Table 2**  
**Total Financing of CBC Projects by the Equity Investment Program**  
 (Year ending March 31)

	<b>CBC English Television (\$000)</b>	<b>CBC French Television (\$000)</b>	<b>Total CBC (\$000)</b>	<b>% of Total LFP Financing</b>
1996-97	40,419	19,166	59,585	50.7
1997-98	29,994	15,723	45,717	50.0
1998-99	32,098	15,664	47,762	47.4
1999-2000	31,940	15,221	47,161	51.0
2000-2001	18,071	13,237	31,308	32.8
2001-2002*	11,916	4,417	16,333	26.0

Source: Telefilm Canada

\* As of September 11, 2001

**The significance of the CTF to the CBC is best illustrated by the fact that for every dollar the CBC invests in CTF supported production it obtains three to four dollars worth of production.**

The significance of the CTF to the CBC is best illustrated by the fact that for every dollar the CBC invests in CTF supported production it obtains three to four dollars worth of production. This is why the future of the CTF and the level of funding that Government devotes to it is extremely important to the CBC's Television services.

Canadian Heritage's contribution to the CTF, which has been renewed for 2002-03, is \$100 million – \$50 million to the Equity Investment Program administered by Telefilm Canada and \$50 million to the Licence Fee Program.

The renewal of this contribution is vital to the Canadian independent production sector and the CBC.

Beyond this, additional changes are needed to ensure the CTF's resources are directed as fully and effectively as possible to high quality, distinctive Canadian programming and that equitable access applies to both private and public broadcasters.

Moreover, given the pervasive integration of the Canadian production sector with other sectors of the broadcasting industry, and the resulting impact on the independent production community, a fundamental review of the Fund should be initiated.

## C. Re-balancing of Public Policies in Support of Distinctive Canadian Television

The reality of the marketplace is that the CBC is the only conventional broadcaster to offer a virtually all-Canadian prime time schedule. As explained in Part IV of our submission, because of the poor economics of Canadian programming, market forces are not sufficient to stimulate private enterprise into becoming major providers of high quality distinctive Canadian programming that Canadian viewers will want to watch.

As well, despite public sector financing and CRTC regulations, the commitment of private enterprise toward distinctive Canadian programming particularly in prime viewing time remains limited.

Given limited public resources to help sustain true indigenous programming through federal and provincial programming funds like the CTF and tax credits, the time has come to re-assess what these cultural investments are generating in terms of the public good. Moreover, regulatory measures such as Canadian content requirements have not managed to change private sector's reliance on American programs in the best viewing periods of the evening. This has had the effect of working against these very same Canadian content requirements.

The CBC feels that a full review of these policy and regulatory instruments must be undertaken to provide each player in the system with the necessary tools they need, based on their market circumstances and programming strategies. In this way, private and public broadcasters that have a real commitment to Canadian programming would stand to benefit from a greater access to public funds. Those who do not could operate in a more flexible regulatory environment where Canadian content levels would be lower in exchange for limited or no access to public funding.

## D. Obtaining Increased Flexibility in Spectrum Use

The extension of coverage by the CBC's off-air radio and television services over the last few years has increasingly permitted residents across all of Canada to receive these broadcast services. For example, coverage of one of the CBC's radio networks (*la Première Chaîne*) and French Television now extends to almost every Canadian household and reaches 98% of the French-speaking population of Canada.

At its last licence renewal hearing, the CBC pledged to continue to increase the coverage of both its French and English Radio services. In particular, the CBC's second French-language radio network, *la Chaîne culturelle*, will extend its coverage to at least 50% of Francophones in each province and at least 75% of Francophones in Ontario and New Brunswick over the new licence term.

**Despite public sector financing and CRTC regulations, the commitment of private enterprise toward distinctive Canadian programming particularly in prime viewing time remains limited.**

**The CBC feels that a full review of these policy and regulatory instruments must be undertaken to provide each player in the system with the necessary tools they need, based on their market circumstances and programming strategies.**

**While the CBC is endeavouring to bring its radio services to as many Canadians as possible, as demonstrated by its October 2001 filing of 18 applications with the CRTC to extend *la Chaîne culturelle*, issues remain.**

**In order to initiate this measure, the Governor in Council can, under section 26.(1)(b) of the *Act*, issue directions to the CRTC “respecting the reservation of channels or frequencies for the use of the Corporation.”**

However, this goal for both English and French services is being challenged by the rapid growth of competing demands for FM frequencies. This is creating overcrowding and a shortage of available frequencies in certain major markets like Calgary, Edmonton, Windsor and Halifax.

While the CBC is endeavouring to bring its radio services to as many Canadians as possible, as demonstrated by its October 2001 filing of 18 applications with the CRTC to extend *la Chaîne culturelle*, issues remain.

If the Government of Canada and the CRTC adopt measures to ensure that the Corporation is able to plan for and access available frequencies, the Corporation will be well positioned to meet its commitment.

Implementation of these measures will allow the CBC to fulfil the objective set out in section 3.(1)(m)(vii) of the *Broadcasting Act* requiring that CBC programming “be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose.”

In order to initiate this measure, the Governor in Council can, under section 26.(1)(b) of the *Act*, issue directions to the CRTC “respecting the reservation of channels or frequencies for the use of the Corporation.”

In addition, the Government, in concert with the CRTC, can also adopt an “Accelerated Coverage Plan” as was done in 1974 to support the CBC’s objectives of increasing the availability of its radio and television services to Canadians living in remote and underserved areas.

## CBC AND THE *BROADCASTING ACT*

### A. Background

Pursuant to its legislated purpose as the national public broadcaster, the CBC has played a critical role in the Canadian broadcasting system during the past 65 years.

In the 1920s, broadcasting from the United States was flooding the Canadian market, and it was widely perceived that unless Canada acted to establish a Canadian broadcasting service, it would be smothered by the culture of the United States.

Following the Report of the Aird Commission in 1929, the first *Broadcasting Act* was passed in 1932 to create the Canadian Radio Broadcasting Commission (CRBC).

In 1936, a new *Act* established the Canadian Broadcasting Corporation as the successor to the CRBC. From 1936 until 1958, the CBC not only provided the national broadcasting service, but also regulated private stations, made recommendations to the Minister on issuance of licences, and had power to suspend private licences.

In 1958, and then in 1968, two new *Acts* were passed, the former removing the CBC's role as regulator and the latter creating the CRTC and spelling out the mandate of the CBC as the national public broadcaster.

Following the change of Government in 1984, steps were taken to revise the 1968 *Act*. In 1985, the Task Force on Broadcasting Policy was appointed, culminating in the Caplan-Sauvageau Report. With the benefit of this report, and the help of two Ministers of Communications, the current *Broadcasting Act* was proclaimed into law on June 6, 1991.

Fundamental modifications in the 1991 re-drafting of the 1968 *Broadcasting Act* have weakened the CBC's ability to fulfil its role as the national public broadcaster and as Canada's most important cultural organisation.

In particular, the 1991 *Act* broadened the mandate of the CBC over that set out in the 1968 *Broadcasting Act*. At the same time, however, the *Act* diminished the primacy of that mandate over the interests of Canada's private broadcasters. That primacy had been an essential component of the 1968 *Act*.

PART VI



Over the last ten years, conflicting signals over the role of the national public broadcaster, combined with a severe reduction in resources for the CBC, have had a detrimental impact on the Corporation's ability to serve the objectives of its mandate, and hence on the Canadian broadcasting system.

These issues are discussed below.

**Fundamental modifications in the 1991 re-drafting of the 1968 *Broadcasting Act* have weakened the CBC's ability to fulfill its role as the national public broadcaster and as Canada's most important cultural organisation.**

**Over the last ten years, conflicting signals over the role of the national public broadcaster, combined with a severe reduction in resources for the CBC, have had a detrimental impact on the Corporation's ability to serve the objectives of its mandate.**

## **B. The Role of the CBC Under the 1991 *Broadcasting Act***

Amid the proliferation of new – and increasingly foreign – services available to Canadians, the framers of the 1991 *Broadcasting Act* had a choice to make: treat the Corporation as an important instrument of national policy, ensuring that distinctively Canadian alternatives would be available to Canadians, or treat the national public broadcaster as one of many other operators – albeit an important one – in the multi-channel universe.

The framers of the 1968 *Broadcasting Act* effectively chose the former option; the framers of the 1991 *Act*, the latter.

### **The 1968 and 1991 *Acts* Compared**

There are at least four significant ways in which the 1968 and 1991 *Acts* differ in regard to the role of the CBC.

First, the only service specifically referred to in the 1968 *Act* was “the national broadcasting service.” In the 1991 *Act* there are references to numerous “services.” Indeed, the entire Canadian broadcasting system is declared to be providing “a public service.”

Second, specific broadcasting policy objectives have been assigned in the 1991 *Act* to private networks and programming undertakings, as well as to distribution undertakings.

Third, the 1991 *Act* calls for “alternative television programming services in English and French” that are separate and apart from the CBC and that offer programming that caters to tastes other than those of mass audiences, such as culture and arts programming, and reflects Canada's regions and multicultural nature. The 1968 *Act* contained no references to any such service, nor would there have been much doubt under that *Act* that the programming described would have fallen squarely within the CBC's mandate. Indeed the regional and multicultural programming objective completely overlaps the CBC's mandate as set out in the 1991 *Act* itself.

Fourth, and perhaps most importantly, under the 1968 *Act*, conflicts between the CBC's objectives and the interests of private broadcasters had to be resolved giving "paramount consideration" to the CBC:

*Where any conflict arises between the objectives of the national broadcasting service and the interests of the private element of the Canadian broadcasting system, it shall be resolved in the public interest but paramount consideration shall be given to the objectives of the national broadcasting service.*

Under the 1991 *Act*, such disputes are to be resolved in favour of the CBC's objectives only where public interest considerations are equally balanced on both sides:

*. . . [conflicts] shall be resolved in the public interest, and where the public interest would be equally served by resolving the conflict in favour of either [CBC or private broadcasters], it shall be resolved in favour of the objectives [of CBC].*

All told, these changes amount to a diffusion of the CBC's mandate and a diminution in the predominant role accorded to it in the 1968 *Act*. At the same time, however, the 1991 *Act* has not only re-affirmed the substance of the CBC's mandate, but actually added a number of objectives to it, including calls for multicultural, multiracial and linguistic minority reflection, and for strengthened regional reflection.

Furthermore, under the 1968 *Act*, the CBC's mandate included the provision of "a continuing expression of Canadian identity," the assumption being that the identity was there to be expressed. The CBC's 1991 mandate calls for the Corporation to "contribute to" that identity, as well as to the "shared national consciousness."

## Other Factors

Certain attitudes towards the CBC have developed over the past decade that, together with a number of financial and regulatory decisions, have not been conducive to the fulfilment of the CBC's mandate.

The attitude of greatest concern is that any program or service with wide audience appeal should be left to private broadcasters to air, and that any program or service that can be commercially successful should be aired by the private sector.

According to this view, the CBC should be confined to minority taste programming and non-commercial services.

This view, however, is contrary to the express terms of the CBC's mandate, which calls upon the CBC to provide "radio and television services incorporating a wide range of programming that informs, enlightens and entertains." It is also contrary to the traditional role that Canadians look to the national public broadcaster to play: to serve as a robust source of relevant Canadian programming.

**Perhaps most importantly, whereas under the 1968 *Act*, conflicts between the CBC's objectives and the interests of private broadcasters had to be resolved giving "paramount consideration" to the CBC, under the 1991 *Act* such disputes are to be resolved in favour of the CBC's objectives only where public interest considerations are equally balanced on both sides.**

The cumulative impact of these factors: a diffusion of the CBC's mandate, a diminution in its standing, and a change in attitudes towards the role to be played by the national public broadcaster, combined with other demands on government funds, has eroded the financial and policy support necessary for the CBC to properly fulfil its mandate.

The CBC's most recent licence renewal by the CRTC, issued on January 6, 2000, is an excellent example of the problem. The CBC is expected to extend the production and broadcasting of its services further into the regions of Canada and to increase its relevance and distinctiveness as a public broadcaster. While these are excellent goals for Canada's public broadcaster, there has been no commensurate increase in the Corporation's budget that would make these goals attainable.

A better balance between the role and importance of the national public broadcaster and the overall policy commitments to it is required in order to strengthen the CBC's diminished position in the Canadian broadcasting system.

## Conclusion

It is useful to review the historical role of the CBC in the Canadian broadcasting system.

In the 1983 policy document entitled *Building for the Future: Towards a Distinctive CBC*, Francis Fox, then Minister of Communications, stated:

In cultural, social, political and even economic terms, CBC has occupied a central position within Canadian life. As a national institution at the heart of the Canadian broadcasting system, it has for almost half a century interpreted us to ourselves and helped us to define the meaning of our involvement in the scattered and diverse national community that is this country...

This new policy for CBC acknowledges that the Corporation must be a central institution in unlocking that potential, in building a Canadian cultural future in which all Canadians will share.

The 1983 Policy recognised the important place of the CBC in the Canadian broadcasting system when technological change – the emergence of cable TV – pressured and threatened that system by providing a multitude of new foreign services.

Indeed, in recognition of its important role in addressing that threat, the 1983 Policy called upon CBC's television services to augment their prime time Canadian content levels and use of independent producers for entertainment programming. By the end of the 1980s, the CBC had reached the levels established by the policy and was continuing to make advancements in these and other important areas. Today, the CBC's television services far exceed the performance targets set by that policy.

In these and other elements of the policy, the CBC has delivered.

Technological change and new foreign services are once again challenging the Canadian broadcasting system. Yet, rather than being equipped as it was in the 1980s to meet this challenge, the CBC is now severely constrained.

Instead of re-affirming the centrality of the CBC to the broadcasting system, the 1991 *Broadcasting Act* reflected a different choice – one that saw the CBC as one broadcaster among many, and one to whose objectives – objectives that the *Act* itself enhanced – principal consideration would no longer be given.

In light of the explosive growth in foreign and private-sector Canadian broadcasting services now available to Canadians via cable, satellite and new media, it is important to re-examine that choice.

To permit the CBC to fulfil its mandate in this context requires a re-affirmation of the centrality and importance of the role of the national public broadcaster through the implementation of specific legislative changes that would re-establish priority for the objectives of the national public broadcaster.

In addition to these important legislative changes are a number of other issues that are critical to a revitalisation of the CBC; some of which must be initiated by the Corporation itself, others which must come from government.

In the next section, a description of how the CBC is moving to improve its performance and the means by which the government can support these efforts is discussed.

**To permit the CBC to fulfil its mandate in this context requires a re-affirmation of the centrality and importance of the role of the national public broadcaster through the implementation of specific legislative changes that would re-establish priority for the objectives of the national public broadcaster.**

## PROPOSALS FOR CHANGE AND RECOMMENDATIONS

The following is a summary of the principal positions developed in this submission.

### A. Re-affirming a Commitment to Public Broadcasting

The national public broadcaster is the cornerstone of the Canadian broadcasting system. In order to equip the CBC with the tools necessary to fulfil its mandate and properly serve that system, legislative amendments to the current *Broadcasting Act* are required.

**Recommendation #1: The CBC recommends that the language of the 1968 Act (quoted in Part VI) be reinstated giving the Corporation paramount consideration in possible conflicts between itself and other broadcasting undertakings in meeting its objectives.**

In addition, the negotiations being carried on by the World Trade Organization could ultimately impact upon the Canadian broadcasting environment. One may anticipate that parliamentary appropriations to the CBC may be challenged, particularly in view of the CBC's commercial activities. The nature of the CBC's mandate and funding must be clearly defined to afford it protection against trade disputes.

**Recommendation #2: The mandate of the CBC should clearly state that the CBC is necessary to achieve Canada's cultural objectives and those cultural objectives should be clearly outlined. It is important to also emphasise that while the CBC generates funds from commercial activities, it does so in pursuance of its public policy mandate and does not generate profit.**

In order to fulfil its mandate, the CBC must enhance its financial ability to deliver high quality, distinctive Canadian programs to Canadian viewers. To do this it needs adequate and predictable government funding over a multi-year period. High cost television and radio programs must often be conceived, developed and produced years in advance. Predictable multi-year funding, at levels that permit the Corporation to operate effectively, would permit the CBC to undertake the medium-to-long term program planning necessary for the new broadcast environment and to sustain its distinctive Canadian schedules.

PART VII



**Recommendation #3: The CBC recommends that a new multi-year funding system be introduced for the CBC to sustain its high-quality distinctive Canadian schedules.**

Independent production plays a key role in helping to deliver Canadian programs to the prime time television schedules of all major Canadian broadcasters, especially CBC's schedules. Independent producers and the CBC rely heavily on the CTF to bring high-quality, distinctive Canadian programming to Canadians. Ongoing renewal of the Fund at existing levels is therefore necessary to maintain the high levels of Canadian content in the CBC's current English and French-language television schedules.

**Recommendation #4: The CBC recommends that there be ongoing renewal of the CTF at current levels of financing, that both public and private broadcasters benefit from equitable access to the Fund, and that a fundamental review of the Fund be initiated in light of changes, particularly increased integration, within the Canadian broadcasting and television production industries.**

The *Broadcasting Act* requires that each element of the Canadian broadcasting system contribute to Canadian programming. Government policies and fiscal incentives should, to the greatest extent possible, provide support for this requirement.

**Recommendation #5: That Government and the CRTC undertake a review of their policies, regulatory instruments and fiscal incentives to provide greater support to broadcasters committed to distinctive Canadian television.**

Pursuant to the *Act*, the extension of the CBC's off-air radio and television services over the last few years has increasingly permitted residents across all of Canada to receive these broadcast services.

Recently, the CBC filed a number of applications with the CRTC to extend the Corporation's *la Chaîne culturelle* service across Canada. If successful, these and other such applications will move the CBC well along to meeting the requirements of the *Act*. In order to aid the Corporation in this respect, the Government of Canada should reserve the FM frequencies associated with the CBC's applications to the CRTC.

**Recommendation #6: The CBC recommends that measures, including the reservation of frequencies, be adopted to ensure that the Corporation has the access to radio frequencies necessary to carry out its mandate.**

## B. Providing the CBC with Increased Operational Flexibility

For the CBC to seize new opportunities in the marketplace, reduce its costs and maximise its revenue potential, it needs increased flexibility and financial certainty in delivering its strategic plan. The mere perception that the CBC lacks the authority or the ability to commit quickly to business decisions can discourage other organisations from considering the Corporation as a primary choice for new business opportunities. Increased flexibility will allow the CBC to become more responsive to the needs of Canadians, more efficient in the management of its resources and more fiscally responsible for the delivery of its mandate.

The CBC has identified several key areas where changes to the *Act* will provide the Corporation with the necessary operational flexibility.

### Flexibility to Acquire, Hold and Dispose of Shares

In today's competitive broadcasting environment, the CBC needs the flexibility to conduct its affairs to the maximum extent possible, like a corporation in the private sector with its attendant freedoms and responsibilities, including responsibilities to its shareholder.

The ability of the CBC to enter into business partnerships and to react quickly to market opportunities is currently hampered by a number of factors that include the necessity of obtaining Governor-in-Council (GIC) approval for acquiring, holding or disposing of shares in a corporation (*Broadcasting Act* S.46(1)(q)). The process for such approval is time-consuming and can take several months before final authority is granted.

In the current broadcasting environment, strategic partnerships with the private sector are often formed around incorporated business entities such as specialty services. The ability to make commitments with regard to these entities can determine the success of future strategic alliances.

**Recommendation #7: The CBC recommends that it be permitted to have the necessary advanced authority to acquire, hold and dispose of shares in a corporation.**

### Increased Flexibility for Real or Personal Property

Section 48(2) of the *Act* restricts the CBC's ability to dispose of assets in excess of \$4 million without Governor-in-Council (GIC) approval. This discourages the CBC from pursuing productive asset disposals. Disposition of assets can fall under two types of transactions: an outright sale of an asset or, in the case of real estate, a lease to a third party to occupy space within CBC facilities.

The CBC is allowed to dispose of program material or rights without limitation (S.48(2)(a)). In the same way, the CBC should have the right to keep the proceeds of all personal property dispositions without restriction. In the case of real estate, the current limitation on disposition of real estate is too low to allow CBC the flexibility it requires.

Recently, an approach to providing advance approval for real property transactions greater than \$4 million has been developed with Treasury Board Secretariat. The new approach will allow the CBC to identify the real property initiatives which require GIC approval as part of the Corporation's capital budget, submitted annually as part of the Corporate Plan.

This approach will help the CBC to more effectively put in place its real estate strategy by moving confidently with the necessary advanced authority to secure the best opportunities to meet its Corporate Priorities as discussed above. As well, this approach will provide the government with a more comprehensive view of the CBC's real estate strategy. The Corporation understands that some real property transactions, due to their size or political sensitivity, may still require a full Treasury Board submission to obtain the necessary GIC approval.

**Recommendation #8: The CBC recommends that the \$4 million limit for the disposal of assets be abolished in the case of personal property and be raised to \$15 million in the case of real estate to factor in inflation and provide the Corporation with an adequate level of flexibility.**

### Flexibility in Carrying Over Operating and Capital Funds

The CBC currently has a 5% exemption to Treasury Board's drawdown policy that enables the Corporation to carry forward a surplus of up to 5% of its operating and capital appropriations. Appropriations represent roughly two-thirds of the CBC's annual \$1.3 billion budget. In reality, therefore, the current 5% provides management with a maximum operating surplus of roughly 3% on its total operations because it excludes expenses funded from commercial advertising, miscellaneous and subscriber revenues.

Also, any self-sustaining operations such as specialty services (e.g. *Newsworld*, *RDI* and *Galaxie*) that generate operating surpluses, tax the main service operations to manage within the prescribed 5% limit on appropriations. As specialty services operations grow and new services are brought on-line, main service operations are therefore constrained by the carry forward limit.

In addition, because the CBC's capital expenditures are funded by a separate capital appropriation, the calculation for the capital carry-forward is separate and cannot be applied against any operating surplus (even if it is not needed in capital). Changes to the CBC's capital and operating plans require the approval of Parliament. The Corporation therefore requires the on-going support of government for its ability to transfer funds between capital and operating appropriations.

The concept of a limited surplus carry forward does not promote good business practice. In fact, complying with this policy could have the opposite effect, that of promoting bad decisions by forcing managers to operate within an expenditure pattern that doesn't match their business reality. Furthermore, although funds may be spent in a given fiscal year, the expenses may not be recognised until a subsequent fiscal year.

**Recommendation #9: The CBC recommends that it be wholly exempt from the drawdown policy. As a minimum, the Corporation's 5% exemption to the drawdown policy should be based on total operations and capital expenditures and allow the flexibility to manage both values together.**

### Flexibility in Obtaining Loans

The CBC must currently obtain the approval of the Minister of Finance to borrow money (S.46.1(1)) and its total indebtedness is limited to \$25 million (S.46.1(3)). These restrictions on the borrowing power of the CBC do not permit the flexibility required by the Corporation to operate in the competitive broadcasting environment. The CBC needs the flexibility to be able to borrow to meet current needs and plan projects in a business-like manner.

**Recommendation #10: The CBC recommends that the approval of the Minister of Finance be required only for borrowing over \$50 million.**

### Expanded Distribution Flexibility

The *Broadcasting Act* currently states that the CBC should offer television and radio services (S.3(1)(l)) and that it has the authority to make operating agreements with licensees for the broadcasting of programs (S.46(1)(b)). It also has the right to make arrangements or agreements with any organisation for the provision of broadcasting services (S.46(1)(p)). Given the development of new technologies, the CBC should be able to take advantage of other platforms. This could be accomplished by authorising the CBC to offer programming services without limiting the mode of distribution.

**Recommendation #11: In order to broaden the definition of services from television and radio to include all programming platforms, the CBC recommends:**

S.3(1)(l) of the *Broadcasting Act* be amended as follows:

The Canadian Broadcasting Corporation, as the national public broadcaster, should provide programming services incorporating a wide range of programming that informs, enlightens and entertains;

S.46(1)(b) be amended as follows:

(b) make operating agreements with licensees for the distribution of programs;

and S.46(1)(p) be amended as follows:

(p) make arrangements or agreements with any organization for the provision of programming services.

## Flexibility in Offering of Services

The *Broadcasting Act* currently permits the CBC to provide engineering and programming services outside Canada only with the approval of the Governor in Council (S.46(1)(f) and (g)). The necessity for the approval of the Governor in Council is very restrictive and Canadians could also benefit from the offering of engineering and programming services within and outside Canada.

**Recommendation #12: The CBC recommends that the approval of the Governor in Council no longer be required for engineering and programming activities outside Canada.**

## Increased Flexibility in Governance

Any change to the *Broadcasting Act* should make some adjustments to improve governance of the Corporation. The oath of office of Directors should be abolished. Of the federal cultural agencies, only the CBC and the National Film Board are subject to this requirement. The oath is unnecessary as the normal duties of a director dictate that the substance of the current oath be adhered to without the necessity of a formal swearing-in.

The *Broadcasting Act* currently prevents any person who

- is engaged in the operation of a broadcasting undertaking,
- has a pecuniary or proprietary interest in a broadcasting undertaking or,
- is principally engaged in the production or distribution of program material that is primarily intended for use by a broadcasting undertaking

from becoming a member of the CBC Board of Directors (S.38(1)).

As a result, the CBC Board of Directors is unable to benefit from some of the substantial expertise that individuals with these backgrounds might contribute.

**Recommendation #13: The CBC recommends that conflict of interest issues for members of the CBC Board of Directors be handled through Conflict of Interest guidelines such as those contained in the *Financial Administration Act*.**

Currently, the CBC requires Ministerial approval to act as agent on behalf of any person to provide programming to a part of Canada not served by any other licensee (S.46(1)(h)). There does not seem to be an express reason for this limitation and it is unnecessary.

**Recommendation #14: The CBC recommends that Ministerial approval not be necessary for the CBC to act as agent on behalf of any person to provide programming to a part of Canada not served by any other licensee.**

The *Broadcasting Act* provides that the Board of Directors must approve the acquisition of patent, patent rights, licences and concessions (S.46(1)(m)). The CBC should be able to acquire these rights in the ordinary course of business as it may acquire copyrights and trademarks (S.46(1)(l)).

**Recommendation #15: The CBC recommends that S.46(1)(m) be amended to read: « ...acquire and use any patent, patent rights, licences or concessions. »**

The *Broadcasting Act* currently establishes standing committees of Directors for each of English-language and French-language broadcasting (S.45(1)). It would promote greater exchange between linguistic communities to have a single broadcasting committee with representatives from both the Francophone and the Anglophone communities rather than two broadcasting committees, each concentrating on a single linguistic community.

**Recommendation #16: The CBC recommends that the French and English Broadcasting committees be merged into one committee to be chaired by the Chairperson or the President.**

## Conclusion

**The CBC's role is to be the beacon in the system that Canadians can turn to, to have a sense of themselves.**

The CBC has been and will continue to be one of the central elements in the Canadian broadcasting system. Globalisation combined with greater access to content from around the world raises concern about how to ensure that our electronic media reflect this country and Canadians to themselves.

The CBC's role is to be the beacon in the system that Canadians can turn to, to have a sense of themselves. The Corporation has a strong plan to muster all the resources it can harness from within and an on-going commitment to distinctive programming.

An open dialogue with Parliament, through the Standing Committee and this study, will help us to create the conditions to strengthen the Canadian broadcasting system for the benefit of all Canadians.

## CBC'S RESPONSES TO QUESTIONS RAISED BY THE COMMITTEE

### **A. The Present State of the Canadian Broadcasting System**

#### (i) Canadian Content and Cultural Diversity

##### **Are present policies or programs sufficient and appropriate to deal with the relationship between cultural policies and trade policies?**

Canadian broadcasting content policies have provided enhancement to many sectors within the Canadian broadcasting system. In the absence of these regulations, many of the past achievements of the Canadian recording industry and the Canadian independent television production sector would not have occurred.

However, as explained in this submission, and in regard to Canadian television at least, private sector broadcasters face economic realities that make the production and airing of Canadian programming a challenge.

Private broadcasters' economic difficulties in producing and airing Canadian programming are a direct consequence of several fundamental factors, including Canadians' direct access to U.S. broadcast services and programming.

Current policies and programs are not altogether sufficient and appropriate to deal with the relationship between cultural policies and trade policies. The body of the present submission, and in particular Part VII (Proposals for Change and Recommendations), outlines ways in which current policies and programs could be improved.

An important element of future trade negotiations in the area of cultural industries will be to define very clearly the nature of the CBC's mandate and funding. Otherwise, the CBC's funding could be exposed to trade actions.

For example, currently the EU (1997 European Protocol) approach provides trade protection for public broadcasting subject to the following:

The provision of this Treaty shall be without prejudice to the competence of Member States to provide for the funding of public service broadcasting in so far as such funding is granted to broadcasting organisations for the fulfillment of the public service remit as conferred, defined and organised by each Member State, and that such funding does not affect trading conditions and competition in the Community to an extent which would be contrary to the common interest, while the realisation of the remit of the public service shall be taken into account.

APPENDIX



A necessary element of this approach would be the securing and protecting of effective funding, including funding necessary to allow the Corporation to implement the transition to digital broadcasting, as well as to adopt other new technologies.

Additionally, the negotiations being carried on by the World Trade Organization will ultimately impact upon the Canadian broadcasting environment. One may anticipate that parliamentary appropriations to the CBC may be challenged, particularly in view of the CBC's commercial activities. The nature of the CBC's mandate and funding must be clearly defined to afford it protection against trade disputes. The mandate of the CBC should clearly state that the CBC is necessary to achieve Canada's cultural objectives and those cultural objectives should be clearly outlined. It is important to also emphasise that while the CBC generates funds from commercial ventures, it does so in pursuance of its public policy mandate and does not generate profit.

**Is the method of determining Canadian content still appropriate in relation to new media?**

Canadian content policies and regulations do not currently apply to new media, such as the Internet. The basic problem with new media lies not in the method of defining Canadian content, but in the broadcast regulator's ability to monitor and supervise any potential Canadian content requirement that might apply to the Internet.

In the absence of regulation of the Internet, one important way the Government of Canada can harness the benefits of new media to promote Canadian cultural expression is to assist national cultural institutions such as the CBC, the national museums/galleries, and other Canadian content creators, to develop and promote their perspectives on the Internet and make content available in both official languages.

**We frequently hear about the "multi-channel universe." In this multi-channel universe, consumers have access to more programs – foreign programs, in particular – than ever before. What are the implications for the promotion of distinctively Canadian content?**

Since Canadians have access to more non-Canadian radio and television programs than ever before, it is all the more important for Canadian public policy to ensure that a steady volume of high quality, distinctively Canadian programs is available to Canadian viewers and listeners and that these programs are adequately promoted. Adequate promotion requires specific policies and financing to permit advertising, including television advertising, and publicity campaigns that promote the best Canadian programs.

As discussed in this submission, given the economic and environmental characteristics of the Canadian broadcasting system, a key requirement for any public policy aimed at ensuring that Canadians are provided with distinctively Canadian

content, and that these programs are actively promoted, is effective support for the national public broadcaster. The CBC delivers by far the most Canadian programs and delivers high levels of Canadian viewers to these programs.

**One of the goals of the *Broadcasting Act*, according to section 3(d)(i), is to “safeguard, enrich, and strengthen the cultural . . . fabric of Canada.” From your standpoint, what exactly is “the cultural fabric of Canada” and is it possible to draft content requirements that will, in fact, safeguard, enrich and strengthen it?**

The cultural fabric of Canada is simply another way of characterising Canadian culture.

Without the ability to turn to a common viewing or listening experience in order to see themselves united as a distinct and unique people, with commonly shared goals and experiences, the cultural fabric of Canada can neither be enriched nor strengthened.

Canadian policy instruments and content regulations have provided enhancement to many sectors within the Canadian broadcasting system. However, in regard to Canadian television in particular, private sector broadcasters face economic realities that make the production and airing of Canadian programming a challenge.

The failure of the marketplace to provide Canadians with the domestic programming they need requires the continued support of government and of content regulations. However, given limited public funding and the varying degree of commitment to Canadian programming among broadcasters, we believe that the time has come to re-balance policy instruments.

**What costs are borne by broadcasters because of Canadian content regulations?**

It is difficult to determine the exact costs borne by broadcasters through the application of Canadian content regulations.

Several relevant considerations can be noted. First, broadcasters make use of “radio frequencies that are public property.” (*Broadcasting Act*, paragraph 3.1)(b)) These are, in effect, leased to broadcasters on the basis of their commitments and undertakings, including their adherence to Canadian content regulations in keeping with the *Act*. In a sense, therefore, Canadian content regulations constitute a part of the price of operating a Canadian television broadcast licence.

Second, considering the overwhelming demand and significant prices paid for Canadian broadcasting operations of all kinds, as indicated by recent acquisitions, and the volume of applications for new licences, particularly in television, it would appear that the costs of Canadian content regulations are not overly burdensome.

**In light of recent trends, how can Canada maintain and promote a distinctive sense of local, regional, national and cultural identity while still reaping any possible benefits of changes to the broadcasting system?**

See response to “Globalisation” section below.

**(ii) New Technologies**

**What are the changes in technology that have most significantly changed or are changing Canadian broadcasting?**

The ongoing digitisation of North American broadcasters’ production and delivery facilities is the one change in technology that has and will most significantly impact Canadian broadcasting. In future years, the continued digitisation of communications and broadcasting infrastructures will further enhance a broadcaster’s production techniques and ability to deliver programming to viewers and listeners.

**Has the change to new technology been more or less rapid than in other countries?**

For the most part, Canada has kept up with technological developments in the broadcasting and communications environment around the world.

In some areas, such as satellite video and audio compression techniques, and satellite delivery and gathering of program feeds, the deployment of new broadcast technologies in Canada has been more rapid than in the United States or Europe. In other areas, such as digital over-the-air television and radio transmission Digital Television (DTV), Digital Audio Broadcasting (DAB), Digital Audio Radio via Satellite (DARS), Canada has had a more prudent market-driven approach. In the production areas, the Canadian broadcasting industry’s deployment of new technology seems to be in sync with that of other countries.

In addition, the higher penetration rate of cable television in Canada, as compared to Europe, has arguably slowed the adoption of alternate broadcasting distribution technologies in Canada (and in the U.S.), including associated digital processes such as ITV, compared to some European countries.

The initial higher rates of Internet connection in Canada (and the U.S.), as compared to Europe, have also likely accelerated Canadian broadcasting’s response to, and use of, the Internet compared to that of some European countries.

**How can any differences be explained?**

For the most part, differences in new technology deployment can be explained by the varying strategic, financial, geographical and governmental priorities of each country.

For example, in the 1970s and 80s, European broadcasting was dominated by a small number of state-owned broadcasting services particular to each country.

The commercial advantages of transporting distant signals (in different languages) and distributing them by cable from one country to another in Europe were comparatively few.

In contrast, the attractiveness of U.S. network signals to English-speaking Canadians was comparatively great and Canada became one of the most highly cabled countries in the world.

A more recent example of differences in approach is the U.S. government's move to force American broadcasters to convert their over-the-air television transmitter structure from analogue to digital format within a rigorous timeline.

In Canada, broadcasters have implemented satellite video and audio compression technologies for the delivery of their program streams to audiences covering large geographical areas. In this case, financial and coverage priorities were the catalyst to Canadian broadcasters and distributors to lead the world in the use of cutting edge delivery technologies.

Finally, the Internet provides an interesting example. In the beginning, the Internet was primarily an English-speaking phenomenon driven by U.S. companies and non-measured local telephone service penetration. While it has now evolved into a much more international phenomenon, the range of English-language services on the Internet remains much greater than the services available in other languages.

Consequently, with their high non-measured local telephone service penetration and use of the English-language, the rate of Internet connection is higher in Canada and the United States than in any other country. This has encouraged the use of the Internet as an informational and promotional tool by Canadian broadcasters.

**To what extent have recent developments in new communications technologies disrupted the balance among cultural, social and economic concerns in the broadcasting system?**

Audience fragmentation, due to the ability of cost effective communications technologies to deliver multiple domestic and foreign programming streams to Canadian viewers and listeners, is one important area that has heightened concerns about the continuing erosion of Canadian culture and values. Given that the CRTC has decided not to regulate the Internet for the time being, the Internet constitutes a potentially unregulated form of broadcast signal distribution that could have a disruptive impact on regulated BDUs including cable distributors.

Many other recent technological developments have not yet been fully implemented or accepted. For example, the rollout of digital television sets and the availability of full motion video on the Internet are occurring relatively slowly.

**To what extent have recent developments in new communications technologies affected the Canadian broadcasting system as a whole?**

The broadcasting system in Canada has taken advantage of the rollout of new technologies. Many of these technological developments, such as the digitisation of content and delivery, require a complete review and transformation of the existing program production and delivery infrastructure. The associated financing and engineering requirements are being undertaken by Canadian broadcasters at the fastest possible speed, ensuring that sound and prudent business practices are respected.

In the future, should feature films or network signals become widely available through the Internet as a result of the continuing roll-out of high-speed networks and their greater acceptance by Canadian consumers, the Canadian broadcasting system will be faced with additional significant challenges.

**To what extent have recent developments in new communications technologies affected the public/private mix in Canadian broadcasting?**

As indicated in the body of this submission, the relative importance of the public/private mix in Canadian broadcasting has shifted since the implementation of the new *Broadcasting Act* in 1991 in favour of private broadcasting.

Recent developments in new communications technologies are not the primary cause of this change but they, as well as issues such as competition and programming from foreign media companies, have become a preoccupation with public policymakers. As with these globalisation issues, recent developments in new communications technologies tend to shift the emphasis in new policy formulation toward the issue of the economic health of Canadian private broadcasters, and leave aside important issues relating to strengthening and expanding the role of public broadcasting.

(iii) Globalisation

**To what extent has the trend towards increased globalisation disrupted the balance among cultural, social and economic concerns in the broadcasting system?**

Increased globalisation has led to greater attention to the market forces affecting private broadcasters and greater attention to the associated formulation of public policy.

Greater international economic integration has also been accompanied by the technological changes, such as digitisation and the development of the Internet, that have led to the multi-channel universe and greater consumer choice.

At the same time, in the English-language market, increased globalisation has created a greater influx of U.S. cultural products into Canada and has, therefore, rendered the objectives of the *Broadcasting Act* more difficult to achieve. In this environment, social and cultural objectives require greater attention.

**To what extent has the trend towards increased globalisation affected the Canadian broadcasting system as a whole?**

Among other things, increased globalisation has:

- intensified the pressures coming from the United States and international trade organisations to reduce trade barriers to the import of cultural products, particularly imports of radio and television programs from the U.S.;
- served as a justification for the horizontal and vertical integration of Canadian broadcasting and production; and,
- been identified as a reason (1) to consider reducing Canadian content requirements for private sector broadcasters, (2) to deregulate parts of the broadcasting system, and (3) to promote self-regulation as a policy instrument.

The trend toward increased globalisation has also highlighted the need to ensure the presence of strong Canadian voices and cultural expression in the Canadian broadcasting system.

The economics of program production and broadcasting militate against the broadcasting systems of small countries, particularly those such as Canada's that provide services in two official languages. In the absence of strong government intervention and support through policy and economic instruments, the Canadian broadcasting system could simply not survive in its current form.

Thus, increased globalisation has intensified the need to support high quality, distinctively Canadian programs and highlighted the role and importance of the CBC in providing such programs to Canadians.

**To what extent has the trend towards increased globalisation affected the public/private mix in Canadian broadcasting?**

Increased globalisation has accentuated the economic pressures and market forces acting on the Canadian broadcasting system and led policy-makers to give less attention to the national public broadcaster.

At the same time, the trend toward increased globalisation has highlighted the importance of ensuring the presence of Canadian voices and cultural expression in the Canadian broadcasting system, and of supporting high quality, distinctively Canadian programs.

As a result, a strengthening of public broadcasting is now essential to ensuring the presence of Canadian voices and cultural expression.

#### (iv) Ownership

##### **Will technological change, especially the growing importance of the border-less Internet, undermine current ownership restrictions in broadcasting?**

It is still too early to say whether Internet technology will develop in a way that permits the establishment of borders or defined subscribers for the Internet, and whether this delineation will be sustainable and ultimately permit the maintenance of conventional broadcasting in more or less its current form.

##### **Will globalisation undermine current ownership restrictions in broadcasting?**

Certainly, with increased globalisation in a greater number of markets, Canada's trading partners will put pressure on Canada to open the Canadian economy to greater foreign ownership in some of the few remaining industries subject to foreign ownership restrictions, including broadcasting and the cultural sector.

However, in and of itself, globalisation will not necessarily undermine current ownership restrictions. The Government of Canada must decide, in terms of its approach to domestic policy and its approach to its multilateral trade negotiations, how far it is willing to open broadcasting markets to foreign ownership.

##### **How has growing concentration of media ownership affected broadcasting?**

In recent years, the concentration of media ownership has reached new heights in response to economic pressures and the need to strengthen Canadian players within a globalised marketplace. While this is still a relatively new phenomenon, it is apparent to us that considerable pressures will be brought to bear on the CBC from these large organisations as competition will increase to acquire program rights, for advertising dollars, for access to public funds, like the CTF, and to attract listeners and viewers.

##### **How has growing cross-media ownership affected broadcasting?**

Cross-media ownership and vertical integration is now a new reality in the Canadian English and French marketplace. Broadcasting organisations who own major dailies are pursuing synergies that will leverage each media to generate savings, enhance advertising revenues and cross promotion.

While the CBC is in itself a conglomerate of significant size, it will need to adjust to this new market reality and forge the necessary alliances to enhance its content and its visibility.

## **B. Future Directions for the Canadian Broadcasting System**

### (i) Canadian Content and Cultural Diversity

#### **How effective is the current Canadian content quota system in promoting distinctively Canadian programming in an era of digital channels and Internet-based programming?**

The CBC understands the “Canadian content quota system” to mean the Canadian content requirements set out in the CRTC’s Television Broadcasting Regulations, Specialty Service Regulations, Pay Television Regulations and Radio Regulations taken as a whole. The Television Broadcasting Regulations, for example, require conventional television broadcasters, other than the CBC, to broadcast Canadian programs at least 60% of the broadcast day and at least 50% of the evening hours. The CBC is required to broadcast Canadian programs during at least 60% of the broadcast day and at least 60% of the evening hours.

The current “Canadian content quota system” is generally successful in promoting distinctively Canadian programming, with the following caveats.

First, over 90% of the CBC’s radio and television services consists of Canadian programming and, given the Corporation’s mandate in the *Broadcasting Act*, the “Canadian content quota system” does not play a role in determining this contribution. The basic determinant of the CBC’s ability to promote more and higher quality, distinctive Canadian programming is the availability of effective and predictable multi-year funding.

Second, the “Canadian content quota system” continues to play an important role in ensuring that, where appropriate, Canadian broadcasting services, other than the CBC, make predominant use of Canadian resources in the presentation of their programming – as required by the *Broadcasting Act*. In the absence of the “Canadian content quota system”, and with a few exceptions, other conventional Canadian broadcasting services would likely supply less Canadian programming, given its poor economics.

Finally, the “Canadian content quota system” does not work in isolation. It is supplemented by an array of regulations, policies and conditions of licence, as well as other public policy instruments that together define the volume of distinctively Canadian programming provided by the Canadian broadcasting system. For example, the availability of funding to agencies such as the Canadian Television Fund (CTF), and the rules of access to such funding, help to determine the volume of distinctively Canadian programming available.

Up to the present time, the presence of digital channels and Internet-based programming has not had a major impact on the ability of the current “Canadian content quota system” to promote distinctively Canadian programming, and this will not change in the near future – at least in the domain of entertainment programming. Internet-based services are predominantly information-oriented and are not generating original entertainment programming that is attractive to large segments of the Canadian public.

In the foreseeable future, it is the generalist television services such as those of the CBC that will continue to present original Canadian drama, while specialty, pay and Internet-based digital services will provide secondary windows for such programming. In addition, over-the-air radio will continue to be a prime medium for providing information and entertainment, given its ubiquitous, mobile, and accessible nature, and with its capability to offer local, regional and national offerings.

**How effective is the current points system (based on the nationality of inputs – i.e., writers, producers, actors, directors, etc.) in the production of distinctively Canadian output?**

The current points system (administered by CAVCO and the CRTC) is an important instrument of public policy support of Canadian content requirements. The points system ensures that important program production elements include Canadians, but it does not ensure that all such elements are Canadian, nor that the program content is Canadian.

When the writers, producers, actors and directors of a production are predominantly Canadian, there is a better chance that the resulting program will be distinctively Canadian, but there are no guarantees. This is why the CBC takes care to monitor the script and concept development of the programs for broadcast on its services, both in-house and independent productions, so as to foster distinctively Canadian programs.

The current points system basically accomplishes two objectives: it defines what is a Canadian program for the purposes of our broadcasting system (the system requires a minimum of 6 points), and it helps to establish the degree of Canadianess of a qualifying program (on a scale of 6 to 10). The value of certain regulatory incentive programs and bonuses are determined according to the number of points achieved.

In addition to the CRTC, there are other public and para-public programs and agencies that rely on the point system as a point of reference. These include the federal and provincial tax credit programs and most of the funding agencies, such as the Canadian Television Fund (CTF). The CTF, for example, finances distinctively Canadian programs and generally requires, as a condition of access to the Fund, that the programs it finances achieve 10 out of 10 points in accordance with the current points system.

In the Canadian radio industry, the two of four CRTC point system (whereby a musical selection must contain two of the four possible MAPL points (music, artist, performance, and lyrics)), has been simple to administer. The introduction of this system in 1971 is regarded as having exerted a very positive influence on the Canadian music recording industry as a whole, and as providing many excellent Canadian artists with far greater recognition within Canada than they would have had otherwise.

The points system, like the “Canadian content quota system” discussed above, does not work in isolation. There is an array of regulations, policies, conditions of licence, funding and funding criteria that together define the volume of distinctively Canadian programming provided by the broadcasting system.

### **How can Canadian content requirements remain viable in the evolving broadcasting environment?**

In the past, Canadian content requirements have been used to ensure a minimum level of Canadian content on broadcast services. However, this minimum level has become the maximum level attained by private broadcasters.

Within the context of the qualifications presented in this document, Canadian content requirements have been a useful means of regulating Canadian content on services other than the CBC. With the continuing trend toward globalisation and increased competitiveness in the Canadian marketplace, these requirements will come under greater pressure and risk becoming less effective.

Should these requirements lose their effectiveness in the future, a number of possibilities, including some made during the Caplan-Sauvageau inquiries, have been identified that would permit Canadian private broadcasters to be relieved of their Canadian content requirements in exchange for funding considerations for Canadian programs.

At the end of the day, it may be best to allow market forces to determine what is the optimal level of Canadian content that private broadcasters can economically sustain. These and other options could be explored as part of a review and re-balancing of responsibilities and policy instruments that support Canadian programming in the system.

### **How can the new media be used to promote Canadian creators both in Canada and beyond our borders?**

The CBC is already using new media to a large extent to promote Canadian creators.

Our websites, *cbc.ca* and *radio-canada.ca*, create a means for Canadian artists, actors and creators to gain more exposure, both in Canada and around the world. As an example, our popular online *iCulture/Info-culture* site features reviews, profiles and interviews with actors, filmmakers, producers, musicians and artists leading up to the live television broadcasts of major Canadian awards

shows. The CBC has also introduced chat sessions on both *cbc.ca* and *radio-canada.ca* with a number of Canadian actors and personalities, which have proved very popular among our audiences.

The CBC's radio services have launched 4 new websites aimed at Canadian youth. They are: *120seconds.com*, *justconcerts.com*, *newmusiccanada.com* and *bandeapart.fm*. These sites provide a place for emerging talent and new musical styles including features for youth-inspired storytelling, studio sessions and concerts recorded especially for the sites and recording produced by young independent bands.

The CBC has also established numerous new media partnerships with other websites and portals to extend the reach of the CBC content to the benefits of Canadians. Partnerships to create new content with The Canadian Film Centre and Historica for *The Great Canadian Story Engine* website and with Canadian Heritage and Industry Canada for *Francomania.ca* are examples of this initiative.

## (ii) The Public/Private Sectors

### **Should the current public/private mix in Canadian broadcasting be maintained or modified?**

The Canadian broadcasting system consists of two fundamental elements: public broadcasting services and private broadcasting services. Since the CBC is *the* national public broadcaster, as defined in the *Broadcasting Act*, this question goes to the heart of the question as to the role of the CBC in the Canadian broadcasting system.

Public policy has diminished the importance of public broadcasting and the 1991 *Broadcasting Act* is symptomatic of this trend.

A revitalisation of public broadcasting is essential to restore and maintain the health of the Canadian broadcasting system, at home and within the global marketplace.

Effecting this revitalisation requires a re-affirmation of the government's commitment to the CBC, (including effective and predictable funding and the establishment of policies that permit the CBC to meet its mandated objectives), and changes to the *Act* that re-establish the paramount importance of the CBC in matters of public interest in the Canadian broadcasting system.

We are recommending that a re-balancing of policy instruments take place in the system to ensure that in a world of limited resources, both public and private benefit from the level of support they require and deserve.

**What should be the continuing role of CBC and private broadcasters within such a public/private mix?**

The role of the CBC as Canada's national broadcaster is set out in the *Broadcasting Act* and has been detailed throughout this submission. The increasing importance of the CBC as an effective policy instrument to promote Canadian values and to counter the forces of globalisation should be recognised by policymakers if this role is to be successfully maintained.

**Should CBC form alliances with private broadcasters if size becomes a requirement for survival in broadcasting?**

One of the CBC's key strategic priorities is to enhance its ability to fulfill its mandate through selective alliances and partnerships that will strengthen the CBC's position and create new revenue streams. In the increasingly competitive communication market, partnerships and alliances provide CBC with an essential avenue to complement and augment its public broadcasting mission, maximise the value of its assets, and mitigate financial risk. This strategy will, on occasion, result in the development of alliances between the CBC and private broadcasters in order to develop new program ideas and launch new services, as in the cases of *ARTV*, the *Canadian Documentary Channel*, and *Country Canada*.

**What are the implications for competition policy if CBC forms alliances with private broadcasters?**

The CBC does not believe that specific implications for competition policy are raised by the possibility of CBC alliances with private broadcasters.

The CBC believes that like all other alliances and industry transactions in Canadian broadcasting, those involving the CBC and private broadcasters are subject to sufficient oversight to ensure that only net benefits are obtained.

(iii) Globalisation

**Should foreign broadcasters and media conglomerates play a role in the evolving Canadian broadcasting system? If yes, what role should they play?**

Foreign broadcasters and media conglomerates currently play an important role as partners and participants in many Canadian programming services. In some cases, their involvement extends to a minority ownership role. Their presence is also felt strongly in Canadian broadcasting as their signal and their programming is directly available to Canadians and their programming is pervasive in the more private conventional television networks.

Given the ongoing challenge of affirming and maintaining a strong Canadian presence in Canadian media, the expansion of that role and the necessity for it should be the subject of considerable discussion.

**What are the implications of expanded trade treaties for:**  
**(a) Canadian content requirements?**  
**(b) Subsidies to Canadian creators?**

As noted above, increasing globalisation will further worsen the poor economics faced by private broadcasters in producing and airing Canadian programming. Similarly, expanded trade treaties can be expected to put increasing pressure on the existing Canadian content requirements and the associated subsidies to Canadian creators.

It is therefore an appropriate time to review and possibly replace these requirements in order to ensure that high-quality Canadian programming production is not undermined by the move to greater trade liberalisation.

In addition, an important element of future trade negotiations in the area of cultural industries will be to define very clearly the nature of the CBC's mandate and funding. Otherwise, the CBC's funding could be exposed to trade actions.

(iv) Ownership

**Should Canadian firms form alliances with foreign firms if size becomes a requirement for survival in broadcasting?**

Canadian firms currently form many types of alliances and partnerships with foreign firms that thereby play a role in developing many Canadian broadcast programming services.

**What measures are required to maintain a distinctively Canadian broadcasting system?**

For the reasons set out throughout this submission, the measures necessary to maintain a distinctively Canadian broadcasting system include a strengthening of the CBC, Canada's national public broadcaster, and its role in the Canadian broadcasting system.

(v) Broadcasting Policy

**Should the convergence of broadcasting and telecommunications lead to a revamped CRTC or to a new and different type of regulator?**

The convergence of broadcasting and telecommunications is still at an early stage in Canada. So far, the real changes are occurring at the level of ownership. Therefore, to date, the convergence of broadcasting and telecommunications has no clear implications with regard to revamping the CRTC or for the establishment of a new and different type of regulator.

### **Will broadcast licensing become a thing of the past in an era of digital channels and Internet-based programming?**

Broadcast licensing in Canada, as elsewhere, is the heritage of limited over-the-air spectrum availability and the desire of governments to exercise some degree of supervision with regard to free over-the-air mass communications. The advent of digital channels and Internet-based programming substantially increases the potential number of audio-visual services but does not put an end to the question of limited spectrum availability. There continues to be limited over-the-air radio and television spectrum available and some form of licensing process is required.

Furthermore, analogue channel viewing will continue to predominate for many years and there continues to be limited analogue channel capacity on all current cable distribution undertakings. Although their share is slowly declining, cable distribution undertakings continue to deliver analogue signals to over 70% of Canadian television homes at the present time. (Cable distributors deliver digital signals to 5% of Canadian television homes.)

In addition, there is limited digital channel capacity on all current broadcasting distribution undertakings (BDUs), including satellite. Indeed, many of the Category 2 digital specialty services recently licensed by the CRTC will not be carried on the great majority of BDUs because these undertakings possess limited carriage capacity. This situation will continue to prevail for many years to come.

Up to now, the Internet has been primarily a vehicle for delivering information – not for delivering audio-visual entertainment. As more and more television viewers subscribe to broadband Internet services, the Internet will become an additional distribution channel. However, the use and acceptance of the Internet for popular Canadian television drama and theatrical feature films may still be quite far off. Conventional television services and movie theatre releases will continue to be the major source of drama programming, particularly Canadian drama. With the possible exception of theatrical feature films, original “Internet-based programming” will not be a significant source of new Canadian drama and other high-budget categories of programs for many years to come.

For all of these reasons, broadcast licensing and overall supervision of the broadcasting system will continue to be necessary for the foreseeable future.

### **How can the Canadian broadcasting system be adapted to work in an era of increased globalisation?**

The need is greater than ever for Canadians to assert their cultural uniqueness in the increasingly global world market.

The CBC has a crucial role to play in the present era of increased globalisation. The CBC is the primary guarantor of high quality, distinctively Canadian television programs in our broadcasting system and remains the basic instrument to

ensure a strong and distinctive Canadian presence on the airwaves and in the new media. The primary determinant of the CBC's ability to promote more and better distinctively Canadian programming is the availability of effective and predictable multi-year funding.

**How can existing legislation be amended and updated to take into account changes in broadcasting?**

In order to ensure that the Canadian broadcasting system continues to be a source of high-quality and distinctive Canadian programming, a re-vitalisation of the CBC is required. In legislative terms, this requires both a return to the paramountcy language that existed in the 1968 *Broadcasting Act*, as well as the adoption of other legislative changes that would provide the CBC with greater flexibility. See Part VII (Proposal for Change and Recommendations) of this document for more detail on these issues.

**How can the Canadian broadcasting system be adapted to ensure a balance among cultural, social and economic concerns?**

The CBC believes there is a continuing need for some form of independent regulatory agency, such as the CRTC, to ensure an overall balance among cultural, social and economic concerns.

**How does the split supervision of broadcasting activities by the Departments of Canadian Heritage and Industry affect cultural issues covered by the *Broadcasting Act* and other cultural policies and programs?**

To date, the CBC has not encountered difficulties as a result of the two departments managing cultural issues covered by the *Broadcasting Act* and other cultural policies and programs.