

Chapter VII

The Canadian Broadcasting Corporation

The Commission's Approach to the Problems of the CBC

Up to this point in the report, we have been examining the nature of the Canadian broadcasting system and have made some suggestions for its control and regulation. It is, as we conceive it and as other royal commissions and numerous parliamentary committees have concluded before us, a single system embracing public and private elements subject to supervision and control by an agency of the state. The performance and potential of the private elements in the system were discussed in the two preceding chapters. We come now, in this chapter and for most of the sections of this report which follow, to consider the publicly owned operating agency, the Canadian Broadcasting Corporation.

This agency, responsible for the broadcasting and distribution of Canadian programmes, is, as the Order in Council appointing the Commission makes clear, one of the central features of Canadian broadcasting policy. In our opinion, for reasons given in Chapter I, it is not only a central feature but a vital and essential feature of our broadcasting system. Without a public agency such as the CBC, whatever its name or label, we would have no national broadcasting system at all. We would quickly be engulfed by cultural influences from the United States and the forces of economics would soon compel most of our radio and television stations to become branch outlets of American networks. We think it is of

Royal Commission on Broadcasting

vital national importance to avoid these results. To put the point more positively, we think it is essential that Canada should preserve the independence and integrity of these potent media in the service of a Canadian consciousness and sense of identity. But to do so, for a vast country with a sparse and scattered population, it is going to cost the public treasury a great deal of money.

Therefore, we think two things are necessary. First, we must make sure that the operating agency is as efficient as possible. It is all very well to agree that such a public agency is essential, but this does not mean that it has an unlimited claim on the public purse or that it is freed from the responsibility of administering its affairs in a business-like manner. The Canadian Broadcasting Corporation, as the public operating agency in the Canadian broadcasting system, should have its task clearly defined, should know the limits beyond which it is not expected to go, and should have the means and the power to discharge that task within those limits. The second requirement is that, once the task has been defined and the cost of discharging it determined, financial support to meet this cost should be assured and certain. If these two propositions are accepted, their corollary is that the assured amount of financial support from the public treasury is all there is; the CBC must manage its affairs so as to live within the amount provided and must limit its activities to those that can be bought with the money it has.

This is the main purpose of our whole report. Other questions of importance have been raised in our hearings and we thought it was necessary to try to suggest answers to them. But the central objective of the inquiry has been to determine the nature and scope of the activities of the CBC, to estimate how much these activities should cost, and to suggest how this money should be provided. The balance of this report will be devoted to this objective.

Something has already been done in earlier chapters to define the nature and scope of CBC activities. In Chapter II a brief outline of television and radio facilities was given. In Chapter III a good deal was said about the broadcasting fare provided by the CBC and the definition of the national broadcasting service the CBC is expected to provide. Now, in several separate sections of the present chapter, we will discuss the administrative organization of the CBC, its physical plant and equipment, its commercial operations,

The Canadian Broadcasting Corporation

its station operations and new developments especially in television which may have a bearing on costs. For convenience, we will discuss in separate chapters the future of radio, including any extensions or changes in radio coverage, and extensions of television coverage, including the licensing of second stations. All these matters are important in themselves, and have a direct bearing on future costs which in the final chapters of the report we attempt to estimate and to suggest means of financing.

We should say a word about the methods we used to study these financial and administrative questions. We expected, and obtained in full measure, excellent cooperation from the officers and staff of the CBC in getting detailed information as to CBC affairs. But we felt, without intending to cast any doubts on the accuracy and completeness of this information, that it should be tested by an outside, impartial examination. At an early stage of the inquiry, we became convinced that we would get little assistance on detailed financial and administrative problems from the briefs submitted at our public hearings; and so it turned out. However, it was probably unrealistic to expect much help on these complicated problems from individuals and private organizations throughout Canada. An expert study was required by competent men experienced in accountancy and financial investigations and having full access to all the detailed and confidential information relating to CBC's present activities and future plans.

We were fortunate in obtaining the services of Mr. Guy E. Hoult, senior partner of the Canadian accounting firm of P. S. Ross & Sons, to act as our financial adviser. Mr. Hoult and his partner, Mr. G. Meredith Smith, have spent most of their time for the past year in studying the finances and affairs of the CBC. They have had other partners and members of their staff associated with them during the year as required, and they worked throughout in close contact with the members of the Commission. The results of their extensive studies were made available in great detail to the Commission and a summary was prepared by Mr. Hoult which is printed as Appendix XII. To avoid repetition, we will include in the body of the report only such outline of the facts as may be needed to make our recommendations intelligible to the reader; more details will be found in Mr. Hoult's summary.

Royal Commission on Broadcasting

Administrative Organization of the CBC

The detailed organization of an undertaking of the scope and complexity of the CBC is not something that a royal commission can spell out fully and with certainty. If we tried to do so, it would probably be out of date by the time our report was printed and published. This is a matter for continuing supervision and direction by the Board of Broadcast Governors. Our financial adviser did, however, make an extensive investigation of the administrative set-up of the CBC and reported on it at length to us. We had also a detailed report on organization, functions and management from the CBC¹ which was supplemented by private conversations with the Chairman of the Board of Governors and the General Manager. We do not think it necessary to attempt a full description of the administrative organization of CBC. Some details are given in the report of our financial adviser in Appendix XII and we need only give a brief outline and our suggestions for changes that seem desirable.

In 1946, the CBC employed 977 persons of whom 88 were engaged in the International Service with which we are not directly concerned. Ten years later on April 1, 1956, the staff of the CBC totalled 5,022 of whom 164 were in the International Service. The term "staff" includes some temporary, casual and part-time employees and covers all who are members of the regular establishment, but does not include the "artists", whether performers or writers, of whom very few are employees of the Corporation.

The rapid expansion in the size of the CBC staff is almost entirely due to the introduction and growth of television. This has been the most rapid development of television services in any country in the world, with set ownership increasing from 220,000 sets on January 1, 1953, to approximately 2 million sets on April 1, 1956, and 2.3 million sets by December 1956. During this period of rapid growth, which is still continuing, CBC facilities across the country were acquired or constructed and had to be manned, and programme service developed in volume and complexity, again requiring expansion in staff.

It is unlikely that, in such a rapid growth, new appointees were always ideally suited to the positions they were given. There may

¹ Exhibit 12.

The Canadian Broadcasting Corporation

have been times when a particular operation or department was over-staffed. But by the nature of a rapidly growing enterprise, the need for new personnel is likely to outstrip their acquisition. Overstaffing in an undertaking such as the CBC is not a matter that is subject to exact proof, and useful comparisons with other public agencies or with broadcasting systems in other countries are difficult to make. Certainly to anyone visiting a television production centre for the first time, the impression is that there are "an awful lot of people around". On several occasions when we visited CBC stations, where a programme was being produced, we asked for the duties and need of each person in sight, and, while this was admittedly a casual, inexpert sampling, we were given explanations which seemed reasonable. When we visited production facilities in the United States there seemed to be as many or more people about as in a Canadian television station. Our financial adviser made some comparison of CBC administrative staffs with those of American networks and the CBC did not seem to be out of line.

We made an attempt to assess the reasonableness of staff increases between April 1, 1955, and April 1, 1956, which totalled 1,049 persons, by examining the growth in service during that year. We found that one new CBC station and seven private stations affiliated with the networks came into operation during the year. A number of new production facilities were completed and had to be staffed and the total weekly hours of operation of CBC television stations increased by over 30 per cent. As far as we could discover, the increases in staff did not seem to be out of proportion to the increases in the service provided by the CBC during the year.

We specifically asked our financial adviser to study the six regional organizations which supervise and coordinate the operations of stations in each geographical area across Canada to see if all or part of these regional staffs were superfluous. Mr. Hoult reported that if the regional organizations were abolished most of the persons in them would have to be on the staff of one of the stations, and in his opinion the decentralization of the organization in regional supervisory staffs is desirable and serves a useful purpose.

We cannot pretend that either the Commission or its advisers have made a complete examination of the efficiency of the CBC staff or the need for the number of people now employed. No one could fail to be concerned about such a rapid growth of staff as CBC has had in

Royal Commission on Broadcasting

the last four years. It is all the more disturbing when it is realized that a substantial further increase is in prospect in the next five or six years, although at a somewhat slower pace. We found that this concern is shared by the senior management of CBC. It is probably true that during the earlier years of television growth, senior management necessarily and properly gave first attention to other problems such as engineering, creation of new programme schedules and development of national coverage. We recommend, now that the first rush of development is over and the pace of expansion is likely to be somewhat slower, that a high priority should be given by CBC management and by the Board of Broadcast Governors to the problems of efficiency of staff, the elimination of unnecessary personnel (if any exists) and the careful acquisition and training of such additional staff as may be required.

The Commission during its studies gave a good deal of attention to the senior officers and administrative organization of CBC. We asked our financial adviser and his staff to examine a number of specific questions and also to report fully on any matters they thought important during their extensive contacts with the CBC organization over the past year. There are several comments we wish to make now, and additional points are covered in Mr. Hoult's report which we endorse.

We say at once — and without qualification — that the two senior officers engaged in Canada's public broadcasting organization are able, experienced and competent, and we are fortunate to have them. We refer, of course, to Mr. A. D. Dunton and Mr. J. A. Ouimet. The former has been Chairman of the Board of Governors for over eleven years; the latter has been General Manager of CBC since 1953, and has been employed by the Corporation and its fore-runner since 1934, originally as an engineer. In many ways, these two men complement each other in training and qualifications and they appear to work well together.

By the force of circumstances and the accident of events Mr. Dunton and Mr. Ouimet were drawn into a working relationship which may not be precisely reflected in the statutory definitions of their positions. With the rapid expansion of television, the Chairman of the Board of Governors found it necessary to undertake active duties in the detailed management of the Corporation and when the present

The Canadian Broadcasting Corporation

General Manager was appointed the problem was not to divide the work between them but to obtain qualified assistants who could help to carry a greatly expanded burden.

In the result, they appear to have had considerable success in developing and acquiring senior staff of skill and competence. We wish to make it clear, however, that we have not attempted to make a careful analysis of the top management group of the CBC other than the two most senior officers. We believe this is a task for them and for the supervising board rather than for us. In general terms, however, we got the impression that the development of senior administrative personnel has not kept pace with the growth of the functions and activities of the CBC. As a result, there may be too many people reporting to the General Manager and it is almost certain that he is carrying a serious over-burden of work and responsibility. We suspect that this may have been partly caused by the difficulty of obtaining enough competent assistants within the practical limits imposed by the salaries paid to the Chairman and the General Manager. If the CBC at its present scale of operation is to compete for efficient senior officers with private corporations of comparable size and complexity, it must be able to pay more adequate salaries to a relatively few senior men. At the moment, it is difficult to do this because of the practical limits set by the salaries of the two senior officers. We recommend that this matter should be considered by the Board of Broadcast Governors and the Government.

Another cause of the overload on the General Manager may be that the organization has outgrown its original concept. Apart altogether from present personalities, it is questionable if an organization with operations extending across the whole country, with responsibility for programme production in two languages to supply five national networks, and with 22 radio stations and 9 television stations it owns and operates, can be administered by a single chief executive, except at serious risk of overtaxing his health and abilities. It is true that the General Manager has several senior assistants to whom he has been able to delegate some part of his responsibilities, but we believe that provision should be made for more executive assistance immediately below the General Manager. We also think that the Broadcasting Act should provide for a senior executive establishment which more accurately reflects the administrative arrangements that have actually been worked out between the Chairman and the General Manager.

Royal Commission on Broadcasting

The Broadcasting Act passed in 1936 provided for the appointment of a general manager as chief executive of the CBC and an assistant general manager. Both these officers were to be appointed by the Governor in Council on the recommendation of the Board of Governors. Originally the Chairman of the Board of Governors was a part-time officer who received only a small honorarium; his duties were important in the areas of general policy and public relations but did not involve him in the operating activities of the Corporation. This early arrangement worked satisfactorily so long as the undertaking was relatively small in scope.

In 1945, a full-time Chairman was appointed and the Act was amended to provide that he "shall devote the whole of his time to the performance of his duties under this Act". However, no provision was made in the Act or in the by-laws of the CBC to define the duties of the Chairman, and his full-time activities were left to be worked out in practice. As it turned out, there was much for the Chairman to do, not only in the work of the Board of Governors but also in matters of administration and operation of the CBC. In the period of rapid expansion of television, it was particularly fortunate that an experienced Chairman was available to share the administrative burden of the CBC. However necessary this development may have been, the distinction in the public mind between the responsibilities of the Board of Governors and those of the operating officials of the CBC may have become blurred. As a practical matter, we doubt if you can have an energetic, conscientious, full-time Chairman of the Board, without his becoming involved in matters of operation and administration of the Corporation. Such a Chairman will be—and in fact has been—the senior full-time officer of the CBC¹. We suggest that the statute

¹ It is clear from a perusal of the report of the Special Committee on Radio Broadcasting of 1944 and the debates in the House of Commons when the Act was amended in that year, that the intention was that the full-time Chairman of the Board of Governors should be the senior, operating official of CBC. The report of the special committee speaks of the diverse functions required from the two officers who are "charged with carrying out the Canadian Broadcasting Act". In the House of Commons debates the Minister responsible for speaking on behalf of the CBC spoke of the Chairman of the Board of Governors as "occupying the top position in the Corporation". He argued for the appointment of a full-time chairman "so that the nominal head of the Corporation shall be the real head and shall be accessible at all times to persons wanting to do business with the Corporation". Speaking again at a later date, the Minister said "In any well organized body there must be a head; he must be the effective head, and he must be ready at all times to conduct the business of the Corporation... I would want to put the general manager beyond the possibility of believing even for a moment that it would be his duty to assume the functions of the real head of the corporation".

The Canadian Broadcasting Corporation

should take account of what has occurred and the arrangements that have developed in practice should be more clearly embodied in the Broadcasting Act.

Apart from the individuals now in office, we believe that the CBC enterprise has grown to the point that it requires one senior officer mainly engaged in general policy, future planning and public information activities and one senior officer mainly engaged in current operations, administration and management. The two would occupy positions similar to those of president and general manager of one of our large national corporations or a chartered bank. In view of other suggestions we will make as to organization, the titles may be important, and we recommend, therefore, that provision should be made for the appointment of one full-time officer of the CBC as "president" and another designated as "general manager". We suggest that both these officers should be appointed and their salaries fixed by the Board of Broadcast Governors with the approval of the Governor in Council. In view of our suggestion for the creation of the Board of Broadcast Governors, it would be more practical if the president and the general manager were in the first instance appointed and their remuneration fixed by the Governor in Council alone, and thereafter by the Board with the approval of the Governor in Council.

In Chapter IV we have discussed the suggested Board of Broadcast Governors and the duties of its Chairman. It is most desirable, we think, that the Chairman of that Board should *not* be a full-time officer and that the office should periodically rotate so that different interests and diverse experiences could be brought to the Board to reflect public opinion in the supervision of the broadcasting system. It is also essential, in our concept of the relationship between the Board and the CBC, that the Chairman of the Board should not be engaged in operations or administrative duties for the Corporation and that the President and the General Manager of the CBC should not be members of the Board. They should of course be available to attend meetings of the Board.

As to other details of the CBC administrative organization, we feel we should not attempt to suggest a blue-print. An effective operating plan must take account of the personalities and skills of the men who are actually available, and changes in the organization must be made as suitable appointees can be found and with some regard

Royal Commission on Broadcasting

for the rights and feelings of those who have given long and loyal service. This is a task for senior management and we will only attempt to make two or three general suggestions.

For one thing, we suggest that the objective should be to have fewer people reporting directly to the General Manager. This, of course, requires the presence of officials in the organization who are capable of accepting and discharging delegated authority from the man responsible for operations, administration and management. To develop or obtain men who are able and willing to accept responsibility is not always easy in a new and rapidly expanding activity such as broadcasting.

A second matter of organization arises from a suggestion we will make in a later section of this chapter, that CBC network and station operations should be separated and their accounts segregated. If this proposal is accepted, we suspect that it will involve fairly extensive changes in the organization of the CBC, which would no doubt have to be made gradually. We do no more than point out that such changes are involved in the suggestion.

A third matter of organization is one on which we can be more specific. From our own investigations and those of our financial adviser, we believe that the greatest administrative lack in the present CBC organization is the lack of a financial administrative officer in a position of seniority and authority. The size of the Corporation's present and prospective income and expenditure requires a capable and experienced financial executive near the top of the organization. Such a man should be responsible for all budgetary and other financial procedures and controls and also for forward planning of finances. We suggest he should be responsible to the president on forward planning and matters of financial policy, and to the general manager on matters relating to current operations.

CBC Physical Plant and Facilities

Members of the Commission have visited, during the inquiry, some of the broadcasting stations operated by the CBC across Canada. We cannot pretend that this was a detailed or expert inspection, but it did give us a chance to gather impressions as to the kind of physical facilities the CBC has acquired and to compare them with a number

The Canadian Broadcasting Corporation

of privately owned radio and television stations that we also visited. In addition, our financial adviser made a more detailed study of the CBC plant and equipment in connection with his examination of the Corporation's future capital requirements. We also obtained from the CBC a full description of its physical plant, showing in detail original costs and estimated replacement costs of both television and radio properties, descriptions of owned and leased premises and many other details. For obvious reasons, much of this information is confidential, dealing with particular transactions, but we have drawn from it general conclusions and totals.

The CBC reaches into all provinces of Canada. It owns and operates 22 radio and 9 television stations which, together with a large number of private stations, make up three radio and two television networks extending over a wide area. In addition, the CBC operates many regional or temporary hook-ups between two or more stations.

As of March 31, 1956, the CBC occupied slightly more than a million square feet to house its offices, studios, transmitters and all its activities. Of this total, nearly 60 per cent was leased and slightly over 40 per cent was owned by the CBC. The total of premises leased includes 97,000 square feet in the Radio-Canada building in Montreal which was purchased by the Federal Government and is carried in the name of the International Service. The annual rentals on leases in force on that date amounted to \$1,154,000 including \$301,000 for the Radio-Canada building in Montreal leased from the Federal Government. Our financial adviser examined this rental arrangement between the CBC and the Federal Government and found it was based on a recent appraisal by a competent real estate appraiser and consultant. There may be some question as to the suitability and efficiency of this building for broadcasting purposes, but the financial arrangements for its occupancy seem to be reasonable.

Using the same date of March 31, 1956, the original cost of land and buildings owned by the CBC was \$11.3 million, and of equipment was \$14.5 million. Together, these figures come to a total of \$25.8 million for CBC physical plant and equipment, which does not include \$6.1 million being the cost of the capital assets of the International Service (which we have excluded from our summaries throughout). In view of the large amount of leased area occupied by the CBC, the total figure of \$25.8 million does not give a complete

Royal Commission on Broadcasting

picture of the value of all the physical facilities used by the CBC. On a straight mathematical calculation, it is probable that, if all premises had been purchased outright, the original cost of physical facilities occupied by the CBC would have totalled over \$42 million.

For the physical facilities actually owned by the CBC the figure of \$25.8 million does not, of course, indicate what similar facilities would cost today. We obtained from the CBC an estimate of the replacement cost of each individual property owned, based on known present day costs, and the total replacement value or cost of these assets exceeded \$41 million. On the other hand the original cost figure does not give an accurate measure of the present value of the assets held by the CBC; certain plants, equipment and facilities have been in use for twenty years and will undoubtedly soon require replacement.

Facilities for the connection of stations on the several radio and television networks are not owned by the CBC but are leased from communications companies. Radio stations on the three networks are connected by line facilities of the Canadian National and Canadian Pacific Railway Companies. Television transmission facilities are leased partly from the Bell Telephone Company of Canada and partly from the two railway companies. In the year ending March 31, 1956, the cost to CBC of these leased facilities was about \$2.5 million, of which television facilities accounted for slightly less than \$900,000.

In our visits to CBC stations across Canada we got the impression that the physical premises and equipment were well cared for and maintained; the housekeeping seemed to be good. We also got the impression that physical facilities had been acquired without much forward planning and on a piecemeal basis. In the result, the physical plant and equipment of CBC, in several cities, appeared as a patchwork which cannot be efficient and must increase operating costs. No doubt some of this medley of facilities was inevitable. No one could have anticipated the rapid growth of television which frequently made plans obsolete before they could be carried out. But some of it could have been avoided by better long-term planning, and a willingness and ability to undertake large capital expenditures to gain future efficiencies and savings in operating costs. Whether the failure should be charged to the CBC because of a lack of sufficient boldness and imagination in capital planning or whether it was mainly due to piecemeal methods

The Canadian Broadcasting Corporation

of capital financing and lack of forward definition of the scale of operations, does not now seem to be of much importance. The fact is that there is a problem created by the course that has been followed and it will be an expensive one to solve.

This problem is concentrated mainly in Montreal and Toronto, which are and will necessarily continue to be, the two principal programme production centres in Canada. In Montreal, CBC operations are carried on at 20 different locations widely scattered throughout the city but with most locations in the downtown areas where traffic is heavy, costs are high and room for expansion is non-existent. The same situation exists in Toronto where 16 different locations are occupied. The fact that the major activities of CBC in programme production are carried on where facilities are widely scattered leads to increases in operating costs and inefficiencies in operation. One example relates to storage and transportation of scenery and costumes required for television productions. In both Toronto and Montreal, storage facilities are in buildings situated some distance from the studios, and also from shops where scenery is constructed or altered. This involves a great deal of transportation costs between several locations, to construct or alter the scenery required, move it by truck to the studio for the performance and move it again by truck to the storage area. In Toronto and Montreal, the expenditures for trucking of scenery and costumes totalled approximately \$300,000 a year, without taking any account of the extra costs involved in the planning of these elaborate movements or in the delays caused by traffic jams and adverse weather conditions when producers and actors must wait for scenery and costumes to arrive.

Another example of extra costs arising from the present inadequacy of facilities is the extra overtime wages paid to make maximum use of the studios and other facilities available. With no extra studio capacity, it is necessary to dismantle the scenery for one show and set up that for another during the night so as to have the studio ready for the following day. Some of this overtime work is inescapable in broadcasting and it may be debatable whether it is better to pay more overtime wages in order to get maximum use out of studios and other facilities. But there should be more flexibility in the use of physical facilities than is possible today, and the extra costs of trying to use the present scattered facilities are probably substantial.

Royal Commission on Broadcasting

This is not a problem peculiar to the CBC. When we visited the larger U.S. networks we found that they also had difficulties with scattered locations, high trucking and transportation costs and inadequacy of facilities and they were attempting to deal with these problems in various ways.

It is possible that this jumbled growth of physical facilities for television was unavoidable and was a phase that had to be gone through. No one could foresee the pace of growth or the direction it would take. At the outset, when the future of television was uncertain, producers, artists and technicians were drawn from radio and theatrical and musical activities that were already established. Work in television was a side line and it was felt, with some reason, that television facilities had to go to the artists, rather than bring the artists to television. In the beginning, one or more studios for television production were added to existing radio production centres, usually in expensive buildings in the heart of large cities. With the quick acceptance and popular demand for television, more studios and other facilities were quickly required and were tacked on to those that already existed or nearby buildings were acquired. The present complicated jumble resulted and will continue to get worse unless radical steps are taken.

It now appears likely that the best plan for television production facilities is to move away from the crowded business districts of large cities and acquire sufficient space in suburban areas within convenient commuting distance of centres where artistic and musical talent is available. Such land is cheaper and larger areas can be acquired to allow for future expansion on a horizontal rather than a vertical basis. Building restrictions are likely to be less rigid and will permit construction of more economical storage facilities and workshops.

In our study of future financial requirements for the CBC, which will be discussed in detail in a later chapter, we have considered carefully the problems of physical facilities for both radio and television. In radio, the problems are relatively simple. The CBC will be faced with the need to replace much of its present radio equipment because it is rapidly becoming worn out and obsolete, but the location is not of great importance. There are arguments in favour of continuing to have radio facilities centrally located in both Toronto and Montreal. There are other arguments in favour of having radio adjacent to television facilities, wherever they may be. The choice will largely depend

The Canadian Broadcasting Corporation

on the relative costs of the two courses of action, once the decision as to television has been taken.

For the future television facilities of the CBC, we have been forced to the conclusion that it will be necessary to provide large capital sums over the next five or six years, for the construction of efficient television production facilities in the two main production centres, Toronto and Montreal, in order to save money in operations and capital costs later. These actual savings will not be reflected during the period of our forecast and to that extent distort the picture of the next few years. The fact is that present facilities in Toronto and Montreal are inadequate and inefficient to do the scale of job now being attempted. We will see that, in response to public demand, the scale of television operations is likely to grow substantially in several ways. Hours of operation and extent of geographical coverage are almost certain to increase. There is a strong pressure for greater production of Canadian television programmes and the increased use of Canadian talent.

These expansions of television service will increase the load on the two main production centres in Toronto and Montreal. For reasons given in Chapter III, we do not think the efficient solution is to attempt to decentralize programme production which would involve the construction of facilities in other places. To try to add necessary new studios and equipment to the present patchwork of production facilities in Toronto and Montreal would probably be physically impossible and certainly would compound the existing confusion. We think all that we can do is take a deep breath and plunge into the creation of television production centres, in or near both cities, to replace the present complicated facilities and provide reasonable room for efficient future growth. In our capital forecast, we recommend provision of funds for this purpose over the next five or six years. Estimates of these expenditures appear in detail in Appendix XII.

Commercial Operation of the CBC

For reasons we attempted to give in Chapter I, we are convinced that the size of the Canadian population and economy will not support a national broadcasting system on commercial or advertising revenues alone. If we are to have some Canadian programming, provide some

Royal Commission on Broadcasting

desirable types of programmes that may not be attractive advertising vehicles and do something to develop Canadian talent, public moneys must be provided in addition to earnings from commercial operations.

It may be, however, that Canada's disabilities of small population and large area will turn out to be good fortune in disguise. Because we are forced to have a national system supported by public funds to supplement commercial revenues, we may be able to provide a richer programme fare than would be possible in an all-commercial system. The impact, and the speed of impact, of a commercially sponsored programme are frequently different from those of programmes which have not gained advertising support. A programme, if it is to be paid for by advertisers, must be immediately acceptable; the buyer must see its value, the listener must want it now. Other programmes, which may not be popular today, may become popular tomorrow. There are many examples of programmes that would have won low ratings in the audience polls, going on to establish themselves and win acceptance because they were continued until popular tastes could develop. In our mixture of commercial sponsorship and public support we are able to have both types of programme — the one with an immediate impact and a direct popular appeal, which is likely to win advertising support, and the other which takes a longer view and may provide something more than the public knows it wants today, but which tomorrow may be appreciated and might even become sponsored. The combination of the two makes a more varied and interesting programme fare than either type alone. Both have a place in the Canadian broadcasting system.

We regard the commercial activities of the CBC as a proper feature of the Canadian system, not only because they make an important contribution to the support of radio and television and thus reduce the drain on the public treasury, but also as worth-while in themselves. This is a legitimate function of radio and television. Advertising is a positive contributor to living standards and economic activity and should not be regarded as a regrettable, and even deplorable, feature of our public broadcasting system. It is subject to possible abuse and requires some regulation and control; it cannot be allowed to usurp all desirable hours or to encroach seriously on other worth-while activities. But advertising has its place in the broadcasting pattern

The Canadian Broadcasting Corporation

and when the CBC is engaged in commercial activities it should do so vigorously and with the objective of earning the maximum revenue from those activities.

In the fiscal year ending March 31, 1956, the CBC earned as net revenue from commercial activities on television \$11.2 million and on radio \$1.7 million¹.

In the current fiscal year (ending March 31, 1957) net revenues from commercial television activities are expected to rise to about \$14.8 million and from radio are likely to fall slightly to about \$1.2 million. The growth of television has had a major impact on radio especially during the evening hours which were regarded as the most profitable in the radio day. This influence is still continuing and radio broadcasting has not yet fully adapted itself to the changes caused by the advent of television².

These revenues from commercial activities in both television and radio are substantial and provided 31 per cent in 1956 and are likely to provide approximately 30 per cent in 1957 of the total cash requirements of the CBC. It will be seen that, over the period for which we are attempting to make financial forecasts, certain new expenditures — notably those for introducing colour television — may need to be undertaken without immediate hope of increasing commercial revenues. As a result, the foregoing percentages of commercial revenues to total expenditures may not be fully maintained. But we think, with certain changes in policy and greater vigour in commercial activities (when the CBC is being commercial), that advertising revenues of the CBC can be increased. It is always difficult to measure the effect of such changes in policy and emphasis, but we have endeavoured to take our proposals into account in calculating the future financial position of the CBC through to 1963.

For one thing, we think there is no longer any justification for the CBC voluntarily refraining from accepting and seeking local advertising on its radio stations. This policy was adopted by the CBC

¹ In the case of television, net revenue represents total commercial revenue less deductions for agency commissions, allowances to U.S. networks and payments to private stations of a share of network time charges. In the case of radio, similar deductions are made plus a deduction for direct costs of CBC produced sponsored programmes inasmuch as comparatively few of such programmes are sponsored.

² See also Chapter VIII — The Future of Radio.

Royal Commission on Broadcasting

following a recommendation in 1951 of the Royal Commission on National Development in the Arts, Letters and Sciences "that in future the Canadian Broadcasting Corporation¹ refuse all local commercial business for those stations which it operates directly, except in places where advertising service from private stations is not available". It is probable that there are fundamental differences of opinion on this point between the two commissions. The earlier commission seems to have regarded it as desirable in theory to remove commercial broadcasting from the national system, but found it was impractical to do so. We do not so regard it but think that advertising has its proper role and place in both radio and television broadcasting in Canada. Perhaps, however, the difference is only one of emphasis.

Whatever may have been the basis and justification for the recommendation in 1951, the financial situation of CBC has radically changed since that time. The newer medium of television is very much more expensive than radio. To assist in meeting the large costs involved and also to provide advertising opportunities in cities where CBC television stations are the only ones, CBC is today selling local advertising on its television stations. When the present single channel policy for Canadian television is abandoned — and there is no doubt that it will be abandoned — we think it will be necessary for CBC television stations to continue to seek local advertising in competition with second stations in private hands. There seems to be no conceivable logic in CBC television stations competing with private stations for local advertising and CBC radio stations not doing so.

There have also been changes since 1951 in the views and arguments of the private broadcasters. It is apparent from the Massey Report¹ that the private broadcasters protested to that Commission against the CBC accepting and soliciting local radio advertising. Some operators of private stations apparently went farther and advocated that CBC stations should not accept commercial business at all. In our hearings, such arguments were not, as far as we can recall, put forward by any of the private broadcasters. The Canadian Association of Radio and Television Broadcasters in one of its written-briefs²

¹ Massey Report p. 290. ² Exhibit 312 p. 24.

The Canadian Broadcasting Corporation

states in general terms "we favour competition". At our final hearings, a spokesman for the CARTB gave this statement¹ particular application to the question of the CBC soliciting local radio advertising. When asked by counsel for the Commission why the CBC should not change its present policy of refusing to seek local radio advertising, the reply on behalf of the CARTB was "To answer your question directly, we are quite happy to welcome wide open competition of the CBC²".

Competition was thus put forward by the private stations as being a desirable force in Canadian broadcasting and, in general, we agree with this argument. We had some difficulty in ascertaining precisely what real competition there has been in recent years between the CBC and private stations. Under policies applied by the CBC to both radio and television operations there was little competition in the direct and familiar sense of the word. Those who argued that competition did in fact exist between public and private stations contended that there was competition for audience, competition for the advertising dollar and similar general concepts. However that may be, we hope any future inquiry into Canadian broadcasting will not encounter any such difficulty, but will find vigorous active competition between public and private stations. This is not to say that competition should apply over the whole area of CBC operations, or that there are not functions which the CBC should undertake at public cost which private operators cannot be expected to undertake. We are only suggesting that where the CBC and private stations are, or should be, engaged in the same type of operation, competition should be open and vigorous. In our view there is no valid basis for some voluntary division of effort, or some hidden protection, in a field where competition can operate.

A second feature of CBC commercial activities on which we wish to make some suggestions relates to the charges made to sponsors for production costs of television programmes. Our financial adviser made extensive studies of the commercial practices of the CBC and deals with a number of them in his report, Appendix XII. We do not think it necessary to repeat this information in the body of our report,

¹ Ev. p. 7220.

² Ev. p. 7218.

Royal Commission on Broadcasting

but will need to outline the present situation on this particular subject, so that our recommendations will be understandable.

In making charges to a commercial sponsor for a television programme which the CBC produces, the sales message and the entertainment portion of the programme are treated separately. The charges of the CBC for the advertising message are set out in the rate cards; the billing rates for design, staging and other services going into the production of live or filmed commercials were established over four years ago and there is some evidence that the CBC is absorbing some part of the cost of preparing commercial sales messages. The costs and charges for commercial messages in sponsored programmes are now being reviewed by the CBC. We recommend that the sponsor should be called upon to pay at least the full costs incurred by the CBC in preparing the advertising portion or sales message of the programme. There is no justification, we feel, for any public money going into the preparation of a sales message for a commercial sponsor and, in fact, some profit should, if possible, be made from these activities.

The recovery of full programme production costs from the sponsor may be quite a different matter. With the assistance of our financial adviser, we examined the commercial practices of the CBC and were able to compare them with information supplied to us on a confidential basis by one of the large American networks. In both countries, the entertainment portion of a television programme is usually sold at a package price. In determining what a sponsor is prepared to pay for a programme, one measure frequently applied is that of the potential number of viewers that may be reached by the programme per dollar of expenditure. Obviously, with the much larger and more concentrated population in the United States, the yield in terms of potential viewers from each advertising dollar is likely to be much higher in that country than in Canada. It seems that advertisers are prepared to recognize the different situations in the two countries to some extent, but there are obviously limits as to how much higher the unit costs can go in Canada. Some production costs are lower in Canada; some differences in technique — notably less reliance on the “star” system — give Canadian

The Canadian Broadcasting Corporation

productions a cost advantage. In the result, some of the less elaborate types of television programmes can be sold at prices that will recover from sponsors the full cost of production. But for the more expensive and elaborate types of television show—especially for the so-called “spectacular”—the gap between production costs and the amount the Canadian advertiser will pay can be substantial. Such a gap occurs also in the United States for a few very lavish productions, but it does not happen nearly as frequently as in Canada.

This situation creates a number of difficult problems. Reductions in the cost of producing a sponsored programme can be pushed only so far; if production methods are too greatly simplified and too much economy is shown, the quality will be degraded to the point that the programme is attractive neither to the sponsor nor to the viewing audience in comparison with imported American programmes. Many sponsored programmes are of a type which would have to be produced in any case to provide a light entertainment content in a balanced programme fare. If only a part of the cost of programme production is recovered from the sponsor, it can at least be argued that the full cost of a good programme is not being thrown on the public treasury.

On the other hand, to accept as a general policy the principle that advertising sponsors will not pay the full costs of television programmes raises a number of difficult questions. How do you select the advertisers whose names will be associated with programmes that are partly produced at public expense? How do you offer similar advantages to their competitors in the same line of business? How do you choose the types of business to receive such opportunities—should it be cigarettes or washing machines? If only a proportion of the production costs are to be paid by the sponsor how do you fix the percentage for a particular programme? How do you measure the sponsor's ability and willingness to pay? These are very difficult questions to answer.

The CBC has, we believe, tried to get the best price it can for the television programmes it produces. In radio, as a general rule, it is able to recover from the sponsor the full amount of direct programme costs. But in television, the CBC believes that the much higher costs of programmes of the more elaborate type, cannot be obtained from available advertisers. The CBC feels that if it did not

Royal Commission on Broadcasting

accept less than the amount of such programme costs, it would obtain no sponsorship at all, and the full cost of the same or a substitute programme would have to be paid from public funds. We are inclined to agree with this conclusion.

However, to deal with some of the questions suggested above, the CBC has adopted a scale or formula for determining the price it will seek from sponsors. Under this formula the production costs are estimated and a scale of discounts is established, based on the amount of the individual programme costs and the number of programmes in the series. This scale sets discounts ranging from zero for low-cost programmes to as much as 50 per cent for the very expensive programmes in a series extending over a full year. The commercial division of the CBC tries to sell each programme for the estimated cost, less the applicable discount. In some cases, where a programme of special public interest or value is involved and the discounted cost is regarded as beyond any sponsor's willingness to pay, special prices have been quoted with the particular approval of CBC management.

This procedure has the advantage of definiteness and reasonable simplicity and we are not prepared to say that it is clearly wrong. We think, however, it should be very carefully reconsidered by the Board of Broadcast Governors as a matter of policy, and in detail by the management of the CBC. It seems to us that it is too rigid and fails to provide incentives, first to the programme producers to attempt to develop original techniques and new methods to reduce production costs, and secondly to the commercial division to obtain the best possible price from the sponsor or from any other possible sponsor. If, for example, a variety show costing \$7,000 to produce is automatically placed on the market for, say \$5,000 (the figures used are not those in the CBC formula) what incentive is there for the producer to try to keep his cost down closer to \$5,000? How does the commercial division know that the particular sponsor who buys the show would not be willing to pay \$6,000 or that some other sponsor in another company or another industry would not be willing to pay \$7,000 for it? We suggest that the overall objective should be to produce programmes of good quality and high audience appeal at a cost which advertisers are willing or able or can be induced to pay. If it seems desirable to produce a particular programme for

The Canadian Broadcasting Corporation

which a sponsor willing to pay the full cost cannot be found, an attempt should be made to sell it to the sponsor willing to pay the best price. We were frequently told in our hearings that there was a considerable unsatisfied demand for television time in Canada, and perhaps some way can be found to allow prospective sponsors to bid for the right to the broadcasting time available. We suggest further that when a particular programme — and we are here dealing mainly with programmes of a light or entertainment type — is not able to obtain sponsorship which will defray the full production costs, that programme should be re-examined by the CBC to determine if the public money necessary to have it shown is really justified, or if some other type of less expensive programme would fit equally well into the broadcasting schedule.

In this connection, we should re-emphasize here what we have stated elsewhere in the report. We think the value of a particular programme cannot be judged in isolation, apart from other programmes. The primary objective is variety, richness and balance in the whole programme fare. The task and duty of the broadcaster, whether it be the CBC or a private station operator, is to achieve such a programme balance, so as to meet in fair proportions the varying interests and tastes of the listening or viewing audience. For CBC in particular, determination of a satisfactory balance in the programme schedule must come first, and particular programmes may then be found to be suitable for advertising sponsorship. No doubt, it frequently happens that prospective sponsors come forward with programme ideas that can be fitted into a balanced schedule, and often a change can be made in a programme plan to make it more attractive to sponsors without destroying its real nature and purpose. But if commercial sponsorship is to have its proper place in our broadcasting system, programmes must be chosen primarily for their contribution to a balanced schedule and not for the ease or certainty with which they will attract sponsorship.

As regards television programmes obtained from the United States, the CBC has contracts with the three U.S. networks by which these networks agree to supply such commercial and sustaining programmes as may be mutually agreed upon from time to time. In the case of sponsored television programmes, the CBC bills the U.S. networks on the basis of 50 per cent of the net time rates of its own

Royal Commission on Broadcasting

and private stations carrying the programmes. The CBC pays the private stations 30 per cent of their gross station time rates. The result of these arrangements with the U.S. networks is that the CBC receives revenue for sponsored programmes, and except for any distribution costs (a moderate charge for kine-recordings), the CBC does not pay for unsponsored programmes. In the case of radio, the allowance to the U.S. networks is 15 per cent of the net billing for station time and wire line charges.

One particular matter of CBC commercial policy relates to the question of sponsorship of radio and television news broadcasts. As a matter of policy, sponsorship of CBC newscasts is not now accepted. On nearly all private stations in Canada news broadcasts are sponsored, subject to the regulation which prohibits any advertising content in the body of the broadcast. The refusal to accept sponsorship of CBC television and radio news broadcasts is a deliberate and long-standing policy decision. It is based on the desire to avoid not only the possibility of influence or slanting of the national news service, but also the appearance or mistaken public impression that such influence or slanting may have taken place.¹ Behind the decision is also the thought that the national news service has a central importance in the national broadcasting service, and the Canadian people should at least get this much free of any advertising in return for the public moneys they pay to support radio and television.

We did not have a great amount of evidence on this question. A few witnesses spoke in favour of the present CBC policy and argued that newscasts should not be sponsored. There were, however, a number of witnesses who spoke in praise of the news broadcasting services of private stations and they did not seem to feel that commercial sponsorship impaired the quality or impartiality of these newscasts. A number of private operators described their methods of preparing news broadcasts and were unanimous in their view that sponsors did not attempt to influence the news and, if they did, the attempt would be quickly resented and resisted. The General Manager of the CBC estimated that, if the present policy were changed, \$1 million per year might be derived from the sponsorship of CBC television news and an additional \$500,000 per year from the sponsorship of

¹ Evidence p. 318 and 8000-02.

The Canadian Broadcasting Corporation

radio news; but these estimates depended on the national newscasts being fully sold and might not be a net gain because advertisers who sponsored news broadcasts might drop other programmes they now purchase.

Our impression is that there is relatively little likelihood of many members of the public making the mistake of thinking that the news content had been influenced by a commercial sponsor. News broadcasts attract a large listening and viewing audience and are therefore good vehicles for advertising messages. With the present and prospective high levels of public expenditure on Canadian broadcasting, no substantial and legitimate sources of commercial revenue can be ignored. We agree that news broadcasts should not be interrupted by advertising messages, but suggest that substantial revenues from this source should be gained through a special premium rate on spot announcements before and after news broadcasts, without actual sponsorship of the news itself.

Another branch of commercial activity which might yield worthwhile revenues to the CBC is the export of programmes to other countries. Alternatively, arrangements for an exchange of programmes with the United States and the United Kingdom in English, and with France, Belgium or Switzerland in French, might reduce the net costs of Canadian programme production. This whole subject proves to be much more complicated than it seems at first sight. With the enormous demands of the broadcasting system — particularly of television — for a continuous flow of programmes, one would think that a programme of originality and freshness would have a ready international market. Many Canadian radio and television programmes have been acclaimed by international awards and some few have been re-broadcast with success in other countries.

Up to the present time, there have probably been more urgent matters calling for the attention of CBC management and there have certainly been difficult and complicated questions arising from labour agreements with the various artists' unions. An extra payment to the performers is required when a television or radio programme is exported, over and above what is paid when it is transmitted in Canada only. At the start of our hearings in May 1956, we were told that the extra payment to performers was 65 per cent of the original scale of fees, but the matter was under negotiation at the time. In October 1956,

Royal Commission on Broadcasting

at our final hearings, it was reported that the extra charge to permit export had been reduced to 10 or 15 percent of the original fees to performers. This should do much to facilitate export of worth-while Canadian television and radio productions although there are many other technical and practical problems involved. The whole question is under study by CBC officials who are the proper ones to deal with it. We can do no more than point out that the development of an export trade in broadcasting programmes would have a value beyond the strictly economic; such exports would bring information about Canada and about Canadian artistic achievements to other countries. Even in the area of practical economics, if the trade in radio and television programmes with other countries can be developed, it will not be the first time that Canada has overcome the disadvantages of a meagre population by developing a larger mass market in international trade.

This idea of expanding the export of Canadian programmes brings to mind a number of submissions we received which suggested various forms of customs duties on the import into Canada of radio and television programmes. These proposals usually came from labour unions and others who wanted to see greater use of Canadian talent by broadcasters and advertisers, and most of these suggestions applied mainly to recorded rather than live programmes. Whatever may be the proper role of a protective tariff in building up manufacturing industries in a young country, we have grave doubts of its applicability to musical, artistic and dramatic works imported into Canada for purposes of broadcasting, and doubts also as to its efficacy in achieving the objectives its proponents have in mind. There is much to be said for receiving into our system a variety of programmes from other countries. For reasons we have given earlier, we feel that the unlimited flow of programmes from our nearest and largest neighbour would engulf our cultural identity and some restriction and control on the importation of radio and television programmes is necessary. We believe this can best be done by direct and specific methods; by the control of all network arrangements by the Board of Broadcast Governors and by regulations dealing directly with the use of Canadian talent and possibly the establishment of maximum percentages of broadcasting time devoted to imported programmes. We have suggested both these methods of dealing with imported programmes and believe they are likely to be

The Canadian Broadcasting Corporation

more effective than any general tariff which would need to be very high indeed to exclude foreign programmes and force the use of Canadian talent in their place. If it did not do so, programmes would still be imported and would be made more expensive by the amount of the tariff charged. If it succeeded in keeping foreign programmes out of Canada, many desirable and valuable features of our radio and television fare would be withdrawn from Canadian listeners and viewers with little chance of their being adequately replaced from local sources, except at an excessive cost. In any event, we are convinced that we cannot build up an export trade in Canadian programmes and at the same time impose a stiff tariff on imported programmes and we think our chances of success are much better if the former method is chosen.

A final consideration on commercial activities of the CBC can, at the moment, be only mentioned but we do so in order that it can be studied. In the past, the CBC has made no charge to private stations either in the case of sponsored or unsponsored programmes made available to them. In fact, when the programme is sponsored some payment is made to the private station by the CBC. We think that, in general, this policy should be continued. But, in Chapter III we discuss the concept of the national programme service as being a "package" which the CBC should produce and distribute to discharge its national responsibilities. The size of this package will be restricted by finances and by availability of talent and by the need to give time for stations on the network to engage in local commercial business. It will not fill all the hours of the broadcasting day. We think that whatever is supplied as part of the package to private stations should be supplied without charge. But it may be that the CBC will produce sustaining programmes outside the package, possibly for its own stations and these other programmes could usefully be offered at a fee to private stations. There would, of course, be no obligation on any private station to take any such programmes unless it seems advantageous for it to do so.

It may well be that the implementation of our recommendations on CBC commercial activities will call for some reorganization and increase in the staff of the commercial division. In making this and other suggestions in this section, we should guard against the impression that we are recommending some abandonment of basic CBC policies or the sudden expansion of its commercial activities. We have

Royal Commission on Broadcasting

no desire to see the CBC become "more commercial" or to have its programme production slanted to attract greater advertising support. We have simply tried to say that the CBC is going to continue to be engaged in some commercial activities, and when it is so engaged it should do so with skill and vigour.

CBC Station Operations

In addition to its network and programme production activities, the CBC owns and operates nine television broadcasting stations and 22 radio broadcasting stations and also 54 unattended low-power radio relay transmitters. These publicly owned stations are distributed across the different geographical areas of Canada and form the basis of the two television and three radio networks operated by the CBC.

We will deal elsewhere with extensions of radio and television coverage, particularly in Chapters VIII and IX, and will there give our recommendations as to changes in the present pattern of CBC station operations. Subject to certain specific needs for establishment of new CBC stations to achieve a desirable extension of coverage, and subject also to the possibility that as Canada grows the CBC should compete for advantageous commercial opportunities as they appear, we feel that the present pattern of station ownership is a generally satisfactory one and should not be greatly changed in the foreseeable future. We believe that the CBC should not attempt to move toward a complete national coverage through its own stations. Nor should it move toward an elimination of its station operations to become a programme producer and network operator only.

There are, we believe, great advantages in the CBC owning and operating radio and television stations across Canada. One is the intangible advantage of giving experience in direct broadcasting. Station operation should give the CBC knowledge of the problems of putting a programme successfully on the air, create a consciousness of the needs and desires of viewers and listeners, and enable it to maintain a reasonable balance in the Canadian broadcasting fare. The CBC is likely to be more successful in its primary task of producing a national programme service and operating national networks for the distribution of that service, if it has direct experience in station operations. The second advantage in station operation is a practical one. CBC radio

The Canadian Broadcasting Corporation

and television stations should, without interfering in any way with the national purposes of the public broadcasting agency, be able to make a substantial contribution to the revenues of the public broadcasting service.

It is clear that station operation, as compared to the operation of a network, is the much more profitable end of the broadcasting business. We were given much information as to American television experience through the kindness of senior officials of the National Broadcasting Company and the Columbia Broadcasting System in New York. Similar information has been made public by them in the form of briefs and submissions to various investigations in Washington and copies were made available to us.¹ It is clear that, in American experience, television station profits as a percentage of revenues are far larger than network profits. The President of the Columbia Broadcasting System quotes in his brief the 1954 figures of the Federal Communications Commission which show that the profit before taxes of the four then existing networks was 2.3 per cent of broadcast revenue; for 377 independently owned stations, the FCC figures show a profit before taxes of 18.8 per cent of sales. The brief submitted by the President of the National Broadcasting Company makes the same type of comparison between network and station operations and goes on to deal directly with the profit and loss experience of that network. In the first eight years of NBC's television network operation, it had a cumulative loss of more than \$4 million; only in 1955 did the network yield a cumulative profit which over the nine years of operation was a net income, after taxes, of less than $\frac{1}{2}$ of 1 per cent of net sales. He states that, for several years, NBC owned television stations have contributed substantially to profits.

We believe that the same relative situation exists, or should exist, in Canada — that CBC station operations are, or should be, profitable. But, at the moment, it cannot be clearly demonstrated. CBC accounting procedures do not segregate the results of network operations and station operations. When a station produces a programme for the network it is charged in the accounts of the CBC

¹ See "Network Practices" by Frank Stanton, President of Columbia Broadcasting System Inc. to Senate Committee on Interstate and Foreign Commerce, June 1956; and statement of Robert W. Sarnoff, President, National Broadcasting Co. Inc. to the same committee dated June 14, 1956.

Royal Commission on Broadcasting

as an expenditure of the station. When revenue is earned from a network programme the individual CBC stations which carry it are not credited with a share of such revenue. Admittedly where the same facilities are used for both network and local operations an exact apportionment of costs would involve elaborate accounting procedures which would be expensive and unjustified. But we think a fairly arbitrary division of the costs of facilities used for both network and station activities could be worked out to give reasonably accurate results. Our financial adviser believes, and we agree, that the segregation of network operations from individual station operations would provide useful information for CBC management.

We recommend therefore that CBC accounting procedures should treat CBC station operations as separate and distinct from network operations. Each station should participate in the revenue from network operations on the same basis as private stations. When programmes are produced or acquired by a CBC station for use outside the regular network service the cost of such programmes should be charged against the individual station's accounts.

This suggested new accounting procedure is more than a device to give some additional information to management or to introduce one further type of cost control. It is a necessary tool to be used in carrying out our recommendations for CBC station operations in the future.

In Chapter III, when we considered the present broadcasting fare, we suggested that the national programme service, in both television and radio, should be considered as a "package" to be provided by CBC in discharge of its national responsibilities. The size of the package, at any given time, will be dependent on a number of factors. Finances available to CBC will be one obvious limiting factor. So also will be the need to leave sufficient time for stations on the network to engage in community service and local commercial activities. But whatever the limits, the package should be defined with reasonable accuracy and should be delivered as completely across Canada as it is possible to do. We can see little justification for wide variations in the national service rendered by the CBC in those parts of Canada which it is physically practicable to reach. Obviously each individual Canadian cannot expect to receive exactly the same radio and television service from the CBC. There are physical and practical

The Canadian Broadcasting Corporation

limits which will prevent such exact equality. But the differences in national service should not depend on the fact that the residence of the television viewer or radio listener is in range of a CBC station rather than in range of a private station on the national network. Specifically, as an example, if a programme such as the Couchiching Conference report is in fact regarded as part of the national broadcasting service provided by CBC, we see no reason why it should be made available to the people of Toronto and not to the people of Kingston. If a particular programme is of sufficient interest and importance to be included in the package, it should be widely distributed, using if necessary the CBC powers over network operations. If it is not to be widely distributed, it should not be regarded as part of the national broadcasting service package and, if produced, its distribution should be on a different basis. There would be considerable advantage if Canadians generally knew the contents of the national television and radio service provided by the CBC, whether it happened to reach them through a CBC operated station or a privately operated station.

When a private station on the network has carried the national programme service (whatever the size of the package may be) it should be free to engage in commercial activities, local and community services and broadcasting experiments, subject only to the general broadcasting regulations. As we saw in Chapter VI, private radio stations are generally able to show a satisfactory profit on their operations. There are undoubtedly some CBC radio stations situated in more remote areas where little commercial revenue is available. But for most of the CBC television stations and many of the CBC radio stations, we see no reason why they could not operate profitably as private stations do under the same regulations and similar conditions.

We recognize that CBC stations have regional functions to perform which private stations are not expected to discharge. The CBC television station at Halifax will be expected to provide regional services to the Maritime provinces in greater volume than private television stations in the area are likely to provide, although we see no reason why the private stations should not cooperatively provide *some* regional service. The cost of such special regional services by CBC stations should be segregated in the station accounts, along with the costs of national services provided. Also, to the extent that time is used

Royal Commission on Broadcasting

in providing regional services, less time will be available for local commercial activities. Moreover, we think that in the case of many CBC radio stations (and, in future, the same may apply to CBC television stations) a number of private stations are operating in the area and there is no point in the CBC stations attempting to duplicate the programme pattern of the private stations. It is likely that CBC station activities on a local basis, when they are not carrying the national broadcasting service, will and should continue to have more experimentation and variety and less immediate commercial appeal than the programme fare of the private stations.

It is therefore unlikely that CBC stations can, or should, under the policy we suggest for the future, show as great profits on station operations as private stations show, but we believe that the Board of Broadcast Governors and CBC management should know what CBC operated stations are doing in terms of profit or loss. And we recommend that the policy (except where there are special reasons for specific exceptions) should be that all CBC radio and television stations should be at least self-sustaining in their station operations. This recommendation amounts to a proposal that each CBC station should be operated as a separate branch plant of a manufacturing company, or a separate branch of a chartered bank. In an activity where station operations are generally profitable, the purpose of station operations should be to show some profit and thereby reduce the drain on the public treasury for CBC services. If any station does not in fact break even, CBC management should know it and know the reason why.

New Developments affecting CBC Operations

There are several particular matters which may affect CBC operational costs and in any attempt to forecast future financial requirements of CBC must be taken into account. Strictly speaking, these subjects cover an area wider than that of CBC operations alone, and they need to be dealt with in this report because they were raised by witnesses who appeared before us. For convenience, we propose to deal with them in this chapter.

The matters we will now discuss are (1) colour television, (2) magnetic tape recording for television, (3) subscription or pay-TV, and (4) films in television.

The Canadian Broadcasting Corporation

Colour Television

We had some evidence at our public hearings from the CBC¹ and from the Radio Electronics Television Manufacturers Association of Canada² on the subject of colour television. But the main source of our information on the subject came from discussions we had in the United States. We visited the NBC television station in Chicago which has recently been completely converted to colour and we discussed the subject with network officials of NBC and of CBS in New York. We wish to acknowledge again the courtesy and assistance we received from American broadcasters in this as in other matters.

The addition of colour to the television image will undoubtedly increase the viewer's enjoyment and may even expand the scope and range of television programmes. Colour, however, adds greatly to the costs both of transmission and reception of television programmes, and one could easily wish to postpone the added cost burden for as long as possible. But we fear that Canada has very little choice in the matter.

Colour television is now under intensive development in the United States. Programmes produced and transmitted in colour now appear on a regular basis and in considerable volume. All networks do some colour production and colour transmitters are now widely distributed throughout the United States. It is true that full acceptance by the American public of colour television has been slower in coming than most people anticipated. This may have been caused by the high price of colour receiving sets and the popular belief that the earlier models were difficult to operate and expensive to maintain. Recently, the cost of colour receivers in the United States has been brought down to \$500 or slightly less and more recent models are said to be nearly as easy to operate and maintain as monochrome receiving sets. No one can predict with accuracy when the U.S. public will move into large-scale purchases of colour receivers and demand substantially larger numbers of their television programmes in colour. But it is safe to say that day will come some time and probably sooner rather than later.

When it does, this is one American influence that we will be unable to resist for very long. At the present time, over a million of Canada's 2.3 million television receivers are within range of U.S.

¹ Exhibit 13.

² Exhibit 204.

Royal Commission on Broadcasting

stations. If Americans are buying colour receivers in quantity to see the programmes from U.S. stations, Canadians within range of the same stations are likely to want them too. If the demand for colour in the American consuming market is strong, past experience suggests that consumer demand in Canada is also likely to be strong. If U.S. colour programmes are received by a substantial number of Canadians, they will demand the provision of service in colour from Canadian stations, and CBC and Canadian private stations will be forced to introduce colour in order to maintain advertising revenues and keep their viewers from turning when they can to American stations. Whatever we might, with prudence and caution, prefer to do — as the United Kingdom or Australia may be able to do — if the end of the American television winter comes, the Canadian spring cannot be far behind.

It is impossible to be precise as to the costs involved in converting to colour. One thing seems to be fairly certain — that the major cost is not the transmission of colour signals or even the production of programmes in colour, substantial though such costs will be, but rather the purchase of colour receivers by the public.

On the production and transmission side, we were told that it costs about \$15,000 to \$25,000 to equip an existing television station to transmit colour. There are some extra costs involved in the transmission of colour programmes by cable or microwave relay, and the existing microwave relay system would require some changes to be able fully to transmit colour. When this is done, programmes in colour from the United States can be sent out from Canadian stations. For production in colour of Canadian programmes, the cost naturally depends on the scale of production undertaken. Not all studios and facilities need to be converted at once and it was suggested to us that a Canadian station might consider starting with a small one-camera studio with fixed lighting for use in the production of small programmes and colour commercials. Later it would equip one or more larger studios with two or three cameras and more complicated lighting. The major capital costs of colour production as compared to black-and-white are, at present, about three times as much for lighting, three times as much for air conditioning and the cameras cost three times as much. There is some possibility that the development of new types of colour cameras requiring less light will reduce the first

The Canadian Broadcasting Corporation

two of these items. The operating costs of producing colour programmes are also higher for a variety of reasons; sets and costumes may be more elaborate, rehearsal time of actors and camera-men may be longer, greater attention to make-up is needed, and maintenance costs on colour cameras are higher. Opinions vary as to the overall amount of these extra operating costs. The best estimate we could obtain was 25 per cent higher operating costs for colour than for monochrome programmes. It could be slightly lower if American experience is favourable; it will almost certainly be higher at the outset.

In our financial forecasts and recommendations for the CBC through to 1963¹ we have made provision for the introduction of colour television on CBC stations on a conservative and gradual basis. In these calculations, we assumed that CBC stations would be equipped to transmit colour and would acquire coloured programmes on the English stations from the United States and on the French stations with the use of films by March 31, 1959. In the following fiscal year provision is made for production in colour of 10 per cent of Canadian programmes and thereafter for an additional 10 per cent each year. On this basis approximately 50 per cent of the CBC television service would be in colour by 1963. The increase in operating costs will of course be cumulative. In the year ending March 31, 1959, the introduction of colour will add over \$1 million to the level of black and white operating costs. In the year ending March 31, 1963, the added operating costs will be over \$6 million².

We think that the timing we have used in these estimates is a reasonable one which is likely to allow for the completion of experimentation and the general establishment of colour television in the United States and at the same time not leave Canada too far behind American developments. We should emphasize, however, that these are estimates only and the CBC should follow American experience in colour closely. It is unlikely that we can accelerate our pace if the United States moves more quickly than we have estimated; but if progress of American colour television should be slower than expected, our introduction of colour should be delayed beyond what we have estimated.

¹ See Chapter XI.

² All these figures are in terms of 1956 dollars.

Royal Commission on Broadcasting

For private television stations in Canada, we feel that the timing and pace of introducing colour should be left to the individual decision of each station. If any private station wishes to introduce colour tomorrow using coloured films or live programmes in colour, it should be permitted to do so. On the other hand, import of coloured programmes for the Canadian network using microwave relays from the United States should await the introduction of colour transmissions by CBC stations.

Magnetic Tape Recording for Television

A recent advance of technology may soon be of definite advantage in the transmission of television programmes to those transmitters which are not connected with the microwave system. Reproduction on magnetic tape of television programmes in colour or in monochrome has passed the laboratory stage and the tape is beginning to be produced for commercial distribution. Like magnetic sound tape, television (image and sound) magnetic tape — designated in the current jargon as “video tape” — may be played back immediately after recording. It is thus a ready instrument serving to overcome the transmission problems that continental time differences create in broadcasting across Canada. Where kinescope is now used, video tape may be used in the future with the possible added advantages of better quality image reproduction and lower costs. Whatever the advantages may be in the case of video tape, they should be given some thought before major extensions of the present television microwave system are undertaken.

Subscription Television

The Commission heard spokesmen for the separate briefs of three different companies proposing the introduction in the Canadian broadcasting system of a television service by individual subscription. This service would consist of televised programmes made available, through the use of electronic devices of various designs, only to the owner of a receiving set agreeing to pay a given fee for a particular programme. In this way he would be paying an admission fee much as he would do were he, for example, a spectator at the theatre, the cinema, the concert hall or the stadium. The companies who put the

The Canadian Broadcasting Corporation

proposals forward are the Zenith Radio Corporation and Teco Inc., of Chicago, Ill., the Trans-Canada Telemeter Corporation, a Canadian subsidiary of Famous Players Corporation, of Los Angeles, California, and the Skiatron Electronics and Television Corporation of New York City.

Although the patented devices of subscription television differ in design from one manufacturer to the other, the notion behind each one is essentially the same: it involves the scrambling and the unscrambling of the signal received. The subscriber is informed in advance of the nature and content of the programmes to be offered over a period of time and of the fee that each one calls for. The programmes thus offered to the subscriber appear in scrambled form — both the sound and the image — on his screen until they are unscrambled through the operation of an ingenious decoding device of which each individual subscriber has a key fitting only his own receiving set. It is therefore not possible — so at least is the contention of the manufacturers of the various devices — for a viewer to intrude on a subscription programme unless he pays the required fee.

Persuasive arguments are marshalled by protagonists of subscription television. It is certain that under the regime of gratuitous telecasting now existing, many spectacles of merit may be held off the air because they appeal only to audiences limited in number and for that reason do not draw commercial sponsorship. It is argued, with plausibility, that quality spectacles, for instance in the realm of drama, or spectacles of interest to educators, to scientists or to practitioners of surgery and medicine, to mention only a few possibilities, might be telecast in greater abundance if the general public were in a position to support their presentation through the payment of a fee. In this manner, it is suggested a variety of programmes might be produced, for paying audiences, that otherwise might never see the light at all.

However alluring the perspective thus painted we find it difficult to look upon subscription television as a rightful use of the air waves. Would not subscription television tend to narrow the field of broadcasting when the general drive is rather toward expansion? And how could the use of the public domain for individual rather than general service be justified? Two questions which raise serious doubts.

Also surrounded with difficulties, in our minds, is the manner of introducing subscription television in the Canadian broadcasting

Royal Commission on Broadcasting

system, a system supported partly by commercial revenue, partly by government grants. In a sense, Canada already has a crude form of subscription television in the shape of tax revenue applied to broadcasting. It could be argued, moreover, that the cost of collection is probably lower under the Canadian system of "subscription" through taxation than under a regime of individual and direct subscription. The latter, it must be noted, involves substantial costs for scrambling and unscrambling devices and for administration.

Promoters of subscription television are likely, furthermore, to remain subject to the same pressures for the presentation of mass appeal spectacles as are the producers of commercially sponsored programmes. It may be true in theory that subscription television could offer to relatively small audiences, at a substantial cost to the individual viewer, programmes of narrow appeal. It is more reasonable to expect, however, that the incentive of pecuniary reward would make for the offering of spectacles of wide popular appeal at a lower charge for each individual. One must bear in mind also the likelihood that subscription television would tend to canalize for its own use the great popular programmes now offered free to the viewing public, such as the major sports events and the more extravagant shows. From this would arise, as a consequence, a sort of permanent conflict between the demand of the public to continue to receive free what they have been accustomed to receive free, and the natural desire of promoters of sports events and of other forms of entertainment to raise their gains by means of the subscription device. Such a conflict of interest would be difficult to check by regulation.

Finally, one fails to see how the CBC could substantially better its financial position by the use of subscription television unless the more lavish or popular productions were withdrawn from the free sector and offered to Canadian viewers for an individual fee. This would result in depriving the remainder of Canadian viewers of those spectacles, thus impairing in effect the service available to them.

Although we do not think we can, for the present, recommend the introduction of subscription television in Canada, whether on the public or private stations, the door should not be closed to the idea for the future. There are conditions under which subscription television might play a complementary role in a broader system, and

The Canadian Broadcasting Corporation

the day may come when the usefulness of this role will be demonstrated. One of the conditions might be fulfilled, for instance, when television stations in Canada have become more numerous and their services to the public more varied. There would then be less force to the objection that subscription television is likely to leave the Canadian viewer with no choice but to leave his screen dark if he is unwilling or unable to pay the required fee.

Films in Television

Film unquestionably plays an important role in television. Ample evidence of this can be found in what has happened to date and in the trends that are developing not only in Canada but in countries such as the United Kingdom, France and the United States where general audience telecasts have been in operation for close to two decades.

Nor can we see anything wrong in this development. The television sets in our homes are, after all, nothing more than miniature sound cinema screens. That the process by which the image is brought to the television set is vastly different from that which is employed in projecting moving pictures on cinema screens is unimportant. The end result is the same notwithstanding that the quality of pictorial reproduction may be less in the former case than in the latter. The so-called "live" television programmes are "live" only in the sense that the photographed action takes place simultaneously with the projection of the image on the television set whereas the action on the cinema screen has been photographed many weeks, or months, or even years before the audience actually sees it. But in both cases the viewer sees a "picture", not a live performer. As one witness expressed it, does the interposition of one additional process — the projection through the cathode tube of previously photographed action as opposed to concurrently photographed action — make the "live" broadcast any better than the filmed variety? We think not.

In some cases, the filmed television programme has a number of advantages over the "live" broadcast. With film, the broadcaster can bring into our homes a variety of scenes and important news events of which we would otherwise be deprived. Even in the case of purely dramatic programmes, it may be possible to present a more

Royal Commission on Broadcasting

polished and satisfying production if the director and cast can pre-film and edit their play and thus avoid the blemishes and imperfections which not infrequently creep into "live" programmes because of the numerous pressures involved, not the least of which is the chronometrical precision of the timing of the "live" broadcast.

The filmed television programme, however, should not usurp too much of the broadcast day. There are certain things that gain immeasurably by being done live. We cannot imagine, for example, that a screening of a film of the Grey Cup game several days after everyone knows the outcome of the match would attract as large an audience or give rise to as keen interest as would a "live" telecast of the same game. And there are other types of programmes, such as variety shows, where spontaneity and immediateness may be important factors and where pre-filming might rob the programmes of some of their freshness and appeal. There is also the important consideration that it is usually more costly to pre-film television programmes than it is to broadcast them "live". Finally, because of the geographic and economic conditions that prevail in Canada, it is almost axiomatic that any television station which relies too heavily on filmed material will not have a significant amount of Canadian content in its programming for the obvious reason that most of its film supply will come from other countries, principally the United States.

As to the proportion of the television fare that should be broadcast "live" and the proportion that should consist of filmed material, we do not feel competent to say. We merely wish to suggest that, so long as television programmes are well balanced and reasonably Canadian in character, it does not matter much whether they are done "live" or recorded on film provided, of course, that the nature of the programme is not such as to demand one technique in preference to the other.

It is improbable that private broadcasters, in the next few years, will themselves produce any significant volume of films for television. But what of the CBC? As the operator of what are likely to be the only national television networks in Canada for some time to come, should the Corporation be in the film production business at all, and, if so, to what extent?

This question is all the more important because filmed television serials are one area in which the CBC cannot only hope to

The Canadian Broadcasting Corporation

recoup its costs but even, in some cases, to make a clear profit. There is such a demand for popularly acceptable television serials in the larger markets that the United Kingdom and, to a lesser extent, Australia have been able to sell such excellent serials as "Robin Hood", and others, to American broadcasters. In our view, there is no reason why the CBC, with its enviable record in high-quality and popular television dramatic offerings, should not also be capable of exporting at least some of its filmed television production.

Indeed, we were gratified to note that the Corporation has already taken the initiative in encouraging greater production of Canadian films made especially for television. At present, the CBC has two filmed serials in course of production and at least one other at the discussion stage. Each of the two first-mentioned films will likely comprise 39 episodes of half-hour duration. One, in English and French, is based on the life of the famous *coureur des bois* Pierre Radisson while the other, in English, is a dramatization of Fenimore Cooper's "The Last of the Mohicans". The CBC has provided all the capital and has full production control in the case of the Radisson film but is making extensive use of the personnel and facilities of a private Canadian film producer. On the other hand, the CBC has not provided any of the capital required to produce the Fenimore Cooper serial. The Corporation, however, has agreed with the company producing the film that it will purchase the Canadian television rights for the series at a stated price and, in return for this advance guarantee of a market, the film company will turn over to the Corporation an agreed percentage of any revenues that may be derived from foreign sales of the series.

We believe that this is a step in the right direction and urge that this field be explored further by CBC management. We do not feel competent to make specific suggestions as to the nature of the financial arrangements which should be made by the CBC with outside film producers. Indeed, a variety of different types of financial arrangements will no doubt have to be made depending on the nature of the film, its saleability in and outside Canada, the CBC's own need for certain types of programmes, etc. We merely wish to suggest that, provided choice of film is made judiciously, the CBC may be well advised to acquire more than just the Canadian television rights of

Royal Commission on Broadcasting

certain films, particularly the more popular serial-type, with a view to reaping some of the benefit to be derived from foreign sales.

This does not mean that we think the CBC ought to enter the field of direct film production on a large scale. Obviously, the Corporation must have some film production and processing facilities of its own to do those things, such as filmed news events, filmed inserts in live programmes, kinescoping, semi-live semi-filmed documentaries, etc., which can be done better and more cheaply by the CBC itself. But the experience of broadcasters in other countries tends to confirm us in our view that, for the bulk of its film requirements, particularly the pure entertainment serial, the CBC would do well to rely on the National Film Board and private Canadian and foreign film producers. As a senior official of an American network expressed it, this is a very costly business best left to experts in film production. In any event, this view seems to be shared by the Corporation whose Chairman informed us, during our final hearings at Ottawa, that the CBC did not feel it was its job to go into film production as such and therefore did not need elaborate film producing facilities of its own¹.

Although we have obviously not inquired into the film production industry as such, we are satisfied, following conversations with the Government Film Commissioner and representatives of the Association of Motion Picture Producers and Laboratories of Canada, that the Canadian film industry will expand with the ever increasing demands of television and may go a long way towards meeting its requirements.

There are presently more than sixty film producers in Canada. The National Film Board, a Federal Crown agency, is by far the largest single unit. Some of the non-government film companies are very small and specialized and consist of not much more than a man and a camera but there are others that are fairly large and turn out a widely diversified product. One such company employs more than a hundred people on a permanent full-time basis. Figures published by the Dominion Bureau of Statistics reveal that the total output of these Canadian producers is considerable. In 1955, private industry and government agencies printed 16,040,379 feet of monochrome and 4,229,127 feet of colour film in 16 mm width and 16,387,402 feet of monochrome and 142,710 feet of colour film in 35 mm width. True,

¹ Evidence, p. 7985 to 7994.

The Canadian Broadcasting Corporation

there was only one feature length film produced in Canada in 1955. But the production of theatrical, non-theatrical and television shorts, to say nothing of filmed advertisements, theatre trailers, newsreel stories, etc., is ever increasing in quantity and diversified in character.

There can be no doubt that the National Film Board looms large in the Canadian film industry. Its volume of production for 1955 was valued at nearly \$2.25 million while that of all commercial producers combined was about \$2.5 million. Whether the place occupied by the Board is too large or too small or whether the nature of its output ought to be altered in any way are not matters which come within our terms of reference. However, film is called upon to play such an important part in television that we feel it is not irrelevant to our mandate to say something about the relationship of the Board to the CBC.

One of the Board's main objectives, as set out in the National Film Act, is "to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians. . ."¹. The CBC is endeavouring, quite properly we believe, to do precisely the same thing through the media of radio and television. That being the case, it is the duty of both bodies to ensure that the vast television audience is given every opportunity to see at least that portion of the Board's product which is designed to fulfil the objective cited above. Much has already been done by the CBC and the National Film Board to achieve this end. A number of NFB documentaries are shown on the television networks regularly and in both languages. Although we believe that the closest cooperation exists between the two organizations in the furtherance of their common objectives, we suggest that consideration be given to the establishment of an official continuing committee comprising three CBC and three NFB officials who might be drawn from the production and financial branches of their respective organizations. Not only would such a committee provide a recognized channel of communication which should remain open at all times, but it would be of much value in preparing long-range plans for consideration and approval of management and also in ensuring that the needs and wishes of one organization are at all times known to the other.

¹ National Film Act, R.S.C. 1952, Chapter 185, Section 9.

Royal Commission on Broadcasting

There is one area in which there has been some disagreement in the past, and that is the amount of money the CBC should pay for NFB films. Since both organizations are Federal Crown agencies, since their objectives are so similar and since neither is ever likely to be commercially profitable, it is of little consequence to the taxpayer as to who pays how much. However, in the interests of good order, we suggest that in cases where the National Film Board wishes to avail itself of television to reach the greatest possible number of Canadians with films which are specifically designed to carry out the objectives of the National Film Act, then the Board ought to bear the greater share of the cost, particularly when the film can be put to other uses. On the other hand, whenever the Board is commissioned by the CBC to make films for the latter's television purposes, we think it is only fair that the Corporation should either purchase the film outright or at least pay full Canadian television rights at whatever commercial rates are then applicable.

We would not wish anyone to infer from the above that the Commission is of the opinion that the National Film Board should be the only source of supply for CBC film requirements. Even in the documentary field, which is the Board's specialty, we believe that a healthier situation and better films will result if private film producers are not only allowed but encouraged to compete, than if the Board virtually corners the market for television's documentary needs. Non-government producers have an almost clear field in pure entertainment films which — unless we misinterpret the intent of the National Film Act — do not come within the Board's purview.

It is, then, our suggestion that the CBC should not itself engage in large-scale film production but that it should encourage with judicious vigour, and in some cases finance, Canadian producers to make films which may prove to be not only enjoyable to our television viewers but also profitable to the CBC and beneficial to our young and imaginative film industry.

Chapter VIII

The Future of Radio

SOUND broadcasting came to Canada in the early nineteen-twenties. It struggled at first, gradually gained strength and finally thrived. It became a very potent force — an intimate and vital part of our daily lives. Then, almost exactly midway through the twentieth century, television came onto the Canadian stage.

This great invention was bound to have far reaching effects on radio; but it would be wrong to conclude that television has sounded the death-knell of radio in the same way that the motor car sounded the death-knell of the hansom-cab. We do not believe that radio will be made any more obsolete by television than railways were by the introduction of regular air flights. However, we need to assess carefully the nature and extent of television's impact on radio in order to determine how radio can best be used in the future.

The Impact of Television on Radio

As television broadcasting spread across Canada, evening listening to radio gradually began to diminish. The inevitable corollary was that commercial sponsors began taking their advertising dollar out of night time radio and putting it into television. The CBC's net commercial revenues from radio, which had reached a high of about \$2.5 million in 1953, began to shrink and were only \$1.7 million in the fiscal year ended March 31, 1956. This meant, of course, that the CBC not only lost the revenue it used to derive from certain commercial radio programmes but also had to spend money to produce sustaining replacements. It has apparently been the experience in the

Royal Commission on Broadcasting

United States as well as in Canada that, in radio, evening network commercial business has been most affected. Daytime network business has fared rather better while local business has stood up well and, in many cases, improved through strenuous efforts of station managements. National non-network business is still good, although not quite as lucrative as it used to be.

Although "radio seems to have moved out of the living-room into other rooms of the home and into the automobile"¹, the evidence seems to substantiate the claim that very large numbers of Canadians still listen to the radio regularly although perhaps in a different way. While the family or the social group may now habitually watch television in the living-rooms of our Canadian homes, countless individuals still listen to the radio in their kitchens, or bedrooms, or offices, or shops, or automobiles. CBC representatives stated during our hearings that although there was a reduction in the total audience listening to radio at any one time during the evening hours, the same number of people listen to the radio in any one week as was the case before the advent of television. In their estimation the audience is just as large but it listens less frequently².

As television programmes are pushed further back into the daytime, as will certainly happen sooner or later, radio will no longer have the almost exclusive daylight occupancy of the airwaves it now enjoys five days of the week. In the opinion of most broadcasters, however, even after this has occurred and television broadcasts begin at seven or eight o'clock in the morning, radio will be able to hold its own against television during the daytime better than it has been able to do in the late afternoon or the evening hours. Recent experience in the United States tends to demonstrate that this is a reasonable forecast. During the several years immediately following the large scale introduction of television broadcasting in the United States after World War II, radio was hard put to remain financially solvent. But there seems to have been an upsurge in the volume of daytime radio listening in that country during the past few years. In Canada as well as in the United States, sales of radios remain good despite television.

The reason for this is obvious. Television, in order to be enjoyed fully, must be watched as well as listened to. It requires the concentrated attention of the audience to a much greater extent than does radio. The

¹ Exhibit 108, p. 1.

² Evidence p. 8021.

The Future of Radio

housewife can bake her cakes or wash her dishes while raptly listening to the latest adventures of Sally Jones on the radio. But there would be a great many unbaked cakes and unwashed dishes in this country if too many housewives succumbed too frequently to the lures of the same adventures on television during the daytime hours. Then there are the taxi-cab drivers and shopkeepers and others who can and do listen to the radio during their working day but who could hardly go about their chores while watching television.

From the above, it seems clear that radio cannot simply ignore this young, colourful and predatory addition to the mass communications family and that some of the audience, and some of the revenue which previously accrued to radio, will continue to be diverted to television. None the less, we are convinced that radio will continue to have a vital role to play, albeit perhaps a somewhat different one than that which it played in the past.

Radio's New Role

In the estimation of many witnesses who broached this subject, the fact that radio had generally "moved out of the living-room" meant that there must be a complete reappraisal of its role. The Humanities Association of Canada pointed out that the phenomenal growth of television had not destroyed radio but had, in fact, challenged it. There seems to be little doubt, as noted by the Toronto Royal Conservatory of Music, the Vancouver Symphony Society and many others, that radio is a better medium than television for the transmission of fine music. There were others who felt that, up to the present at least, radio had provided better, more complete and more satisfying newscasts than television. And the fairly constantly increasing rate of radio sales was cited as proof of the popularity of radio programmes.

On the other hand, there are certain kinds of broadcasts that television can do better and with greater impact than radio. In this category would have to be included such things as all forms of drama, variety shows, opera and ballet, musical comedy, sports events and, last but by no means least, all children's programmes including music. In short, television excels in those programmes, of which there are legion, in which the visual plays an important part whereas radio is best in those areas where sound is the major element.

Royal Commission on Broadcasting

From the above it follows that, even if television now reached as many Canadians as radio does, radio should do relatively more music and news and relatively less drama and variety. Indeed, radio broadcasters are obviously aware of the challenge and have already begun to alter their programming to meet changing conditions. Less stress is now placed on the more elaborate, lengthy and spectacular type of radio programme. In this area, radio just cannot compete with television either esthetically or commercially. Radio broadcasters are also becoming more and more aware of the fact that the natures of the two media are such that it usually requires relatively more time to offer a good presentation on television than is required for an equally good presentation of the same thing on radio. More study should therefore be given, and this has already been started, to making greater use of a kaleidoscopic approach to broadcasting in radio — to the fairly rapid succession in a fairly short period of time of a variety of different things to which full justice could not be done in television unless more time were consumed in the process.

This does not mean that radio should now completely abandon such programme-types as drama which normally gain immeasurably by being seen as well as heard. But much imagination and ingenuity are required here. It may well be that in certain dramas, a judiciously blended and directed group of disembodied voices may make the suspense more acute, the poetry more ethereal, the comedy more crisp or the tragedy more poignant than any visual presentation possibly could.

Radio should also, it seems to us, attempt to derive every possible benefit from conscious and deliberate counter-programming against television. As an example, for approximately two hours after schools close on week days, many television stations devote a majority of their time, quite properly we feel, to children's programmes. During that period, radio stations cannot only help themselves to a sizeable and ready-made audience but also render real public service by broadcasting more adult fare such as commentaries on public affairs and social relations, news reviews and serious, light or popular music. Within the limits of economic practicability and good overall programming in each medium, the sum total of listeners and viewers might well be increased if this kind of deliberate counter-programming were carried on when television and radio are both on the air at the same

The Future of Radio

time in the same area. We fully realize, of course, that it may be impractical to think that all radio and television stations in any given area could successfully engage in this type of thing but certainly the CBC can, between its own stations, as can also those private operators who happen to own both a radio and television station in the same centre.

What we have said up to this point about radio's new role applies mainly to sound broadcasting aimed at households equipped with both television and radio sets. But what about the 1.7 million households not yet equipped with television? What about the more than 3 million Canadians who are not yet, and may not be for some time to come, within reach of a television signal? What about the special audiences — the taxi-cab drivers and shopkeepers mentioned earlier — who cannot watch television and therefore turn to radio exclusively? Or what about the numerous men and women who listen regularly to radio in their bedrooms or kitchens while the youngsters' eyes are riveted to the television screen in the living-room? Radio still has a large potential audience at its disposal and will continue to have it, even after television has reached a point much nearer saturation. The radio broadcaster must continue to serve this audience. Indeed, those hundreds of thousands of Canadians whom television will not reach in the foreseeable future are perhaps entitled to even better radio service now that television has come as an additional service to those living in more densely populated areas.

We are not sufficiently versed in the broadcasting arts to attempt to chart the future course of radio and its programming with any precision. However, we can summarize our views on this subject as follows:

- (a) television notwithstanding, radio is here to stay;
- (b) good radio service must continue to be provided to the several million Canadians who either cannot or do not wish to watch television;
- (c) somewhat improved service ought to be provided to the hundreds of thousands of Canadians who live in the more sparsely settled parts of the country and who have little hope of being reached by television in the next several years;

Royal Commission on Broadcasting

- (d) the broadcasters as well as the listeners and viewers will benefit from the intelligent and deliberate counter-programming of radio and television broadcasts;
- (e) in radio and television, neither medium is subservient to the other but both are complementary to one another;
- (f) radio can excel television in those types of programmes where the aural elements are more important;
- (g) radio cannot usually compete successfully with television in the production of spectacular programmes and should therefore undertake such production only infrequently; and
- (h) above all, radio broadcasters should, with the imagination, resourcefulness and inventiveness they have so amply demonstrated in the past, continually seek new techniques, new ways of effectively reaching the audience that is still there, and thus make of radio, in some of its aspects at least, an even better and more satisfying instrument than it was prior to the advent of television.

Improvement and Extension of Coverage

If the preceding paragraph is accepted as the general framework of guiding principles for radio broadcasting during the next few years, it will clearly be unrealistic to expect that there can be much reduction either in the size of the physical sound broadcasting plant or in the amounts of money required annually to make it function. Indeed, the physical plant will have to be expanded. As to operating expenditures, any savings that may result from the suggested decrease in the production of the more expensive types of radio programmes will be more than offset by the added expense of providing more extensive coverage and by other increases in operating costs.

Before attempting to determine where and how radio coverage ought to be improved or extended, we propose to consider for a moment the existing coverage.

According to the best information we have been able to obtain, about 97 per cent of the total population of Canada is now within reach of one or more A.M. radio stations¹. The Trans-Canada network

¹ Exclusive of military installations.

The Future of Radio

reaches 89 per cent of the population, the French network 43 per cent and the Dominion network 80 per cent. Taken together, the three CBC networks cover 96 per cent of the population leaving only 1 per cent of the people outside the reach of at least one of the networks. It is of interest that CBC owned and operated stations on the Trans-Canada network reach 83 per cent of the total population, on the French network 31 per cent and on the Dominion network 26 per cent¹.

It came as something of a surprise to us that as much as 74 per cent of our total population is within reach of four or more radio stations during the daytime. At night, this percentage drops to about 43 per cent due to an increase in interference from distant co-channel and adjacent channel stations. The following table shows the percentages of population capable of hearing one, two, three or four or more Canadian radio stations.

POPULATION WITHIN RANGE OF ONE OR MORE CANADIAN RADIO STATIONS

<i>Population Covered</i>	<i>Daytime</i>	<i>Nighttime</i>
By one station	7%	15%
By two stations	10%	17%
By three stations	6%	12%
By four or more stations	74%	43%
	97%	87%

At first glance, it would appear that radio coverage in Canada is very good. And indeed it is. Yet there are still almost half a million people in this country who cannot, except under freak atmospheric conditions, receive the signal of even one Canadian station. After considering every aspect of this question with our financial advisers and CBC management, we have come to the conclusion that a limited plan for the extension of radio coverage is desirable.

At this point, we would like to stress that during the remainder of this chapter we will be speaking only of the CBC. It is not that new private sound broadcasting stations will not continue to come into operation in the years to come. They are continuing to do so every year despite the rugged competition provided by television. But private

¹ CJBC Toronto is the only CBC owned station on this network.

Royal Commission on Broadcasting

broadcasters are not likely to seek licences in the economically unattractive fringe areas which still require radio service. Whatever service is provided in those areas is likely to be furnished by the CBC with public treasury support.

We suggest a limited extension of radio coverage which will provide good service to about half of the 500,000 people who cannot now receive any Canadian radio signal and also to another 250,000 people who, although now within range of Canadian radio stations, receive very inadequate and somewhat sporadic service. Therefore, even with the recommended extension there will still remain some 250,000 people who will have virtually no Canadian radio coverage; but we feel that it would be economically impractical to extend radio service to these very scattered settlements during the period of our six-year forecast.

The extension plan will involve the erection, during the six-year forecast period, of 4 new transmitters, varying in power from 250 watts to 50,000 watts, the replacement of inadequate facilities at Grand Falls, Newfoundland, and Halifax, Nova Scotia, some increase in power at Sydney, N.S., the building of 97 low-power relay transmitters ranging in price from \$5,000 to \$15,000 each and the contingency provision of funds for 4 new transmitters and 30 low-power relay transmitters as insurance against future growth and shifts in population.

The most important single element in this plan is the erection of the 97 low-power relay transmitters and the four new transmitters which is contemplated in our six-year forecast at a total capital cost of nearly \$2 million. These new facilities, particularly the low-power relay transmitters, are to be located in remote areas of every province except Prince Edward Island which, for obvious reasons, does not give rise to as difficult problems as her sister provinces. The overall capital investment in the extension plan will be about \$3.3 million including a contingency of \$1 million to provide for future growth and shifts in population.

As set out in detail in Appendix XII, these capital expenditures of \$3.3 million for coverage extension are included in the overall figure of slightly more than \$18 million which is the sum total of the capital projects to be undertaken in the next six years to keep radio functioning at what we consider to be an adequate level. After deduction of commercial revenue, we have estimated

The Future of Radio

that CBC net operating requirements for radio will increase from \$12.8 million per annum at the present time to about \$16.5 million for the year ending March 31, 1963.

The Dominion Network

On the question as to whether the maintenance of two English language radio networks is justifiable in the light of the extraordinary development of television and the increasing costs of radio, we heard very little except from organizations fairly closely allied to the production or business aspects of broadcasting. Certain private stations thought that the Dominion network ought to be continued but that every effort should be made to make it more viable commercially. There were others who felt that this network should now be abandoned and that the CBC should concentrate all its efforts on maintaining and improving, if possible, the standards of the Trans-Canada network.

The Trans-Canada and French networks together now cover 95 per cent of the total population. There is only one percent of the population which is reached exclusively by the Dominion network. The CBC has agreed that if it were decided to abandon the Dominion network, it would be possible to add a few private affiliates to the Trans-Canada network and thus give national service to the few areas now served only by the Dominion network. However, CBC representatives pointed out that it would be difficult to induce sponsors to pay for additional stations on the Trans-Canada network and, further, that the Dominion network offered the best opportunity for working cooperatively with private stations in programming. In the opinion of the CBC, discontinuance of the Dominion network would mean the loss of a useful avenue for getting out national programmes to a good-sized audience that does not habitually listen to CBC stations. It would also likely mean that private stations now affiliated to the Dominion network would henceforth carry less Canadian programming.

As we have noted in Chapter III, station CJBC, the originating station for the Dominion network, presents rather poorly balanced programming during the eighteen hours or so it is on the air each day. However, during the four or five hours it operates daily as a

Royal Commission on Broadcasting

network originating point, the programmes are normally varied and worth while. We recognize the force of the argument that this network brings good national programming, in rather small doses it is true, to an audience which might not otherwise be reached. But there is also a good case for eliminating the network. The immediate saving would be of the order of \$600,000 per annum. This net annual saving might be only about \$300,000 if the CBC is right in its contention that it can reduce the costs and increase the revenues of the Dominion network. However, the fact remains that the cumulative effect of the annual deficit, which will likely increase rather than decrease over the years, is not one that can lightly be overlooked.

In view of the relatively unrewarding nature of network operations from the financial point of view, we have grave doubts as to the wisdom of maintaining the Dominion network now that television, with its enormous costs and power of impact, has become a daily occurrence in much of Canada. We tend to share the view of those who feel that, in radio, the Corporation should not disperse its efforts between two networks but should concentrate its talents and energy on making the Trans-Canada network the best to be found anywhere.

There are so many arguments on both sides of this issue, however, that we merely wish to indicate that we are inclined to favour elimination of the Dominion network and to urge that the proposed new Board of Broadcast Governors should give early consideration to this whole question and decide whether, in its view, the public interest would best be served by continuing the Dominion network or by eliminating it and by strengthening the Trans-Canada network.

The Far North

The only Canadian radio service now available in the Yukon, the Northwest Territories, Labrador and in the northern parts of Manitoba and British Columbia is provided by eight very low-power stations located at Whitehorse, Dawson and Watson Lake in the Yukon, Aklavik and Yellowknife in the Northwest Territories, Fort Nelson in British Columbia, Fort Churchill in Manitoba, and Goose

The Future of Radio

Bay in Labrador¹. All these stations are manned by personnel of the Canadian Armed Forces or the Department of Transport and are supplied with tape or disc recordings of CBC network programmes. These recordings are usually flown in by the Royal Canadian Air Force. In addition, the CBC 50,000 watt station at Watrous, Saskatchewan and Lacombe, Alberta, are heard on the southern fringe of the northlands. Reception from the CBC shortwave transmitters at Sackville is very unsatisfactory most of the time.

The Commissioners of the Yukon and of the Northwest Territories each submitted a brief in which they forcefully and convincingly pleaded for improvement in what the CBC itself freely admits is a poor service. It is true that the combined population of the Yukon and the Northwest Territories is only 32,000 (about 50 per cent white and 50 per cent Indian or Eskimo), but these 32,000 people are in greater need of Canadian radio than most of their fellow countrymen not only because of their isolation from the main flow of national life but also because, in many areas, Soviet and, less frequently, American broadcasts come in more clearly and with more up-to-date programmes than the local stations. In the words of the Commissioner of the Yukon, it would not be surprising if the operators of the Soviet radio service looked upon our northland "as an interesting battle-ground of Soviet and American ideologies through the medium of radio, while Canadian viewpoints are totally absent"².

Canadian radio service is now inadequate in the north not only because of the low power of the stations — 25 to 50 watts — and the obsolescence and age of most of the transmitting equipment but also because, by reason of transportation problems, some of the recorded CBC programme material has ceased to be topical by the time it reaches the listeners. CBC management has stated that it could provide good radio service with a capital expenditure of \$2.5 million spread over the next three years and annual operating expenditures of some \$450,000 when the erection of the needed facilities would be completed in 1960. Of the total capital outlay of \$2.5 million, about \$2.2 million would be required for the construction of two shortwave stations (one near Vancouver, the other near Winnipeg) and about \$300,000 to modernize the transmitting equipment at the

¹ A ninth station at Hay River, N.W.T., has ceased operations.

² Exhibit 32, p. 5.

Royal Commission on Broadcasting

9 local stations, to install diversity antennae for reception of shortwave transmissions and to supply each local station with necessary recording and "play-back" equipment. These local stations would be operated by local corporations or trusts under general CBC supervision and, naturally, within the framework of broadcasting policy and regulations applicable in Canada.

This plan envisages that CBC network programmes would be transmitted by shortwave from Vancouver and Winnipeg, picked up by local stations' special antennae and then rebroadcast on each station's standard wave-length. This would enable most people in the north to enjoy immediate network service either by listening to one of the local stations on the standard band or by tuning in direct to Vancouver or Winnipeg by shortwave.

We do not consider that, under normal Canadian broadcasting conditions, capital and operating expenditures of these magnitudes are justified for a maximum audience of some 30,000 people. However, these expenditures may well be justifiable for the special reasons outlined above. On balance, we think that the suggestions submitted to us were not only reasonable but worthy of support. But, precisely because the circumstances are so special, we have made no provision for the proposed northern broadcasting service in our six-year forecast and recommend that, if this or some other project is approved by the proper authorities, the funds required for both capital and operating purposes should not be considered as part of ordinary CBC operations but should be provided separately, perhaps in somewhat the same manner as special and separate financial provision is made for the International Service of the CBC.

Frequency Modulation

From written and oral submissions made to this Commission, it is clear that some Canadians are interested in one of the more technical aspects of radio broadcasting, and that is frequency modulation (FM).

Although we had no means of measuring the volume of FM listening in Canada, the representations made to us and the fact that there are now 30 FM stations¹ operating in Canada would seem to indicate that there is some FM listening.

¹ All of these stations except one are both AM and FM and normally broadcast the same programmes simultaneously over the two different bands.

The Future of Radio

The greatest single advantage of frequency modulation is the high degree of accuracy and freedom from static with which it can reproduce sounds. This is obviously a great advantage in the transmission of such programmes as good music.

This is not a matter to which we have devoted much time or thought. However, we venture the suggestion that any move that can be made towards more general use of frequency modulation in radio broadcasting would seem to be in the best long-term interest of the listener.

The International Service

The International Service operates out of studios in Montreal through a series of shortwave transmitters located at Sackville, N.B. Although this service is managed by the CBC, its policies are laid down by the Department of External Affairs and its financial requirements are provided by separate parliamentary vote. It is essentially an arm of the Government.

We did not therefore consider that this service came within the terms of our mandate. However, we wish to place on record the fact that, during the course of our travels across Canada, we visited the International Service's installations at Sackville and found them to be technically impressive and efficiently operated.

Chapter IX

The Future of Television

WHEN Canadian television broadcasts began on a regular basis in September 1952, there were about 146,000 receiving sets in Canada. These had been purchased by householders living within reach of the signals of American television stations. About the time our public hearings started in April 1956 there were over 2 million television sets in Canada, and by December 1956, four years after the first Canadian telecast, the number had grown to an estimated 2.3 million.

This is a spectacular rate of growth. In less than three and a half years, television sets came to two million Canadian homes. It took telephones 75 years and radio sets 25 years to reach two million homes. The growth of television in Canada has been the fastest of any country in the world up to the present time. As such it is, no doubt, a matter of pride and satisfaction and it may also indicate that the system applied to its development has been a good one. At least it produced the results originally outlined by the Government much more quickly than anyone had expected. However, this rapid growth has not been an unmixed blessing. It has given rise to problems, particularly in the realm of finances.

It is quite clear that the forces that produced the rapid development of Canadian television in the last four years have not spent themselves. In this medium, everything is expensive and any expansion is bound to be costly. It is, therefore, important to consider what scale of growth, in several forms, will be demanded by the Canadian people and to try to discover if we can, or should, afford it.

There are three principal items or elements of growth in the Canadian television system which we should discuss. First, present service can be increased by extending the hours of broadcasting by

Royal Commission on Broadcasting

television stations now in operation. Secondly, new stations can be brought into existence in areas not now within reach of Canadian television signals. Thirdly, new stations can be licensed in areas now served by Canadian television stations.

Extension of the Television Broadcast Day

In January 1956, Canadian television stations were, on the average, broadcasting 62 hours per week. This was less than half of the broadcasting hours of the average Canadian radio station (126.9 hours per week) and little more than half that of two U.S. television stations in Buffalo and Detroit (116 hours per week). The two American stations were broadcasting the equivalent of from 7 a.m. to midnight on Mondays to Saturdays, and 10 a.m. to midnight on Sundays. By contrast, the average Canadian television station, in January 1956, was on the air the equivalent of the time from about 4 p.m. to midnight Mondays to Fridays and from 2 p.m. to midnight on Saturdays and Sundays.

There was, moreover, considerable difference between stations in the length of time on the air. CBC English-language stations were broadcasting between 63 and 75 hours a week, while English-language private stations were on the air between 42 and 88 hours. The French-language stations, both public and private, were broadcasting each day for somewhat shorter periods than their English-language counterparts, presumably because there is less suitable filmed material available in French.

Undoubtedly there is considerable pressure for an increase in the hours of television service and the commencement of broadcasting at an earlier time of the day. Nearly half of all Canadian sets are within reach of U.S. stations, where broadcasting generally begins in the early morning and continues through the daytime hours when Canadian stations are idle. Apart from this competition for the attention of Canadian viewers, there are some types of programmes that are more suitable or appropriate for showing during the day: school broadcasts, farm programmes and special programmes for housewives are examples.

There is, of course, no limitation on the hours private television stations may operate. But we must form some opinion as to the

The Future of Television

desirable and possible operating periods of CBC stations, so as to estimate future costs of CBC network and station activities. Any extension of hours of service will be expensive. Simpler programmes may be used during the daytime and programme production costs will therefore be somewhat less, but this advantage is likely to be offset by the fact that commercial revenues from sponsored programmes during the day are lower than in the evening hours. In addition, an extension of television hours may aggravate the adverse effect on radio advertising revenues that has already occurred during evening and weekend periods.

We asked, as part of our financial investigation of the CBC, which will be more fully described in Chapter XI, for a plan covering the extension of hours of service on CBC stations and an estimate as to its cost over several years. The CBC management proposed that, in 1957 and 1958 (the fiscal years ending March 31 in each case), all CBC stations should be brought up to at least 70 hours per week. At present, only Toronto and Winnipeg are operating as much as 70 hours per week. It was then proposed that, beginning in 1959 and continuing through to 1962, approximately two hours of service per day would be added each year, which would bring the total weekly service to 107½ hours and would mean starting broadcasting each day at about 9.30 a.m. This plan would not have brought the Canadian broadcasting schedule in 1962 up to the levels now existing in the United States and, having regard to the rate at which expansion of hours of service took place in the United States, we could not say that this suggested plan was unreasonable or that it would not in fact be wanted and demanded by the Canadian people. We found however that the costs of carrying out this proposal for the extension of broadcasting hours were beyond the levels we were prepared to recommend. This was one of the major items adding to the prospective financial requirements of the CBC. It would have added over \$17 million to the net annual operating costs, after allowing for increases of commercial revenues from sponsorship of daytime programmes.

We therefore asked our financial adviser to work out cost estimates at a slower rate of expansion. We did not think that all additions to the number of broadcasting hours could be avoided. The television system which has been growing rapidly for four years in response to public demand could not suddenly be frozen at the

Royal Commission on Broadcasting

stage of development it has now reached. Undoubtedly the important contributions that television is making to Canadian life will be greater if broadcasting can take place over longer hours. With the natural emphasis placed on programmes of relaxation and entertainment in the evening hours, a better overall programme balance, with a greater content of information and enlightenment, could be achieved with an extension of service into the early afternoon. But on cost grounds alone, we felt the Canadian expansion would have to take longer and proceed at a slower pace than the CBC proposed.

Our financial adviser, in consultation with the CBC, worked out a revised proposal which we are prepared to recommend. It calls, as in the CBC plan, for bringing all CBC stations up to a broadcasting level of at least 70 hours per week by March 31, 1958. In each of the succeeding fiscal years through to 1963, between 2½ and 5 hours per week will be added progressively to the schedule. This plan, if implemented, will bring the CBC broadcasting level to 88½ hours per week by 1963, and would mean beginning service at about 12:15 p.m. each day. This will still, six years from now, put CBC service at only 75 per cent of the volume of service given today on American television stations. This may be regarded by some as being the unfortunate result of timidity and excessive caution. But the costs of even this modified rate of expansion of hours of service are very high and are likely to add over \$9.5 million by progressive stages to the annual operating costs of the CBC¹. We recommend it, however, because we believe it would be unrealistic to expect the Canadian people to demand anything less than this volume of television service. If this is so, we cannot say that it is beyond their ability to pay.

Our recommendations on this point involve some extension in the hours devoted to the national television service — some increase in the “package” — and an even greater increase in the local and regional content of the broadcast fare on CBC stations. We think that some increase in the national service is desirable and necessary. There may be a need for school broadcasts and farm broadcasts and news services during the extended hours of operation in the early afternoon. But we

¹As will appear more clearly when the financial forecasts are discussed in Chapter XI, this estimate of increased costs includes not only the costs of equalizing the service to 70 hours a week on existing stations but also the costs of extending service to 88½ hours a week by 1963 to all CBC stations.

The Future of Television

do not think that the present percentage of national service to total broadcasting time should necessarily be maintained. If the extension of hours of station operation should proceed at a moderate pace, the hours of national service should be increased even more slowly. There is, of course, always the possibility that the hours of service of CBC television stations can be extended at a more rapid rate if the individual stations find it possible to operate on a break-even basis during the added hours.

New Stations in Areas not Now Served

When television broadcasting began in Canada in 1952, the objective announced at the time was to make the national television service available as quickly as possible, and to as many Canadians as possible, across the entire country. It was apparently then contemplated that about 75 per cent coverage of the Canadian population would be substantial achievement of this objective. It is estimated that today a little over 80 per cent of all Canadians are within range of Canadian television stations. This does not mean that all of these people have been able, or have chosen, to buy receiving sets to take advantage of this opportunity. Latest estimates are that, while 80 per cent of the population is within reach of Canadian television signals only about 60 per cent of Canadian households actually have television receivers. This is considerably lower than the United States where 99 per cent of the families live in areas served by television and over 75 per cent have receiving sets.

Where an expensive service is provided through public moneys, it is always difficult to know when to stop extending the service to reach more of the people who contribute the funds. In theory, since all Canadians pay taxes directly or indirectly, they should receive the same service. In practice, such perfect equity of treatment cannot be achieved and the expense of bringing service to remote areas is found to be prohibitive and unjustifiable. This is true of many public services in a sparsely settled country such as Canada. The development of railways, highways, electricity, schools and hospitals cannot come at precisely the same time to all areas of the country; the cost of bringing such services to widely scattered groups in remote areas may be

Royal Commission on Broadcasting

disproportionately large compared to the benefits conferred. The more costly the service, the larger the population group must be to justify the extension of the service to it.

These general considerations apply to the geographical extension of television service. Radio service, at an earlier time, went through the same pattern of development, but after 30 years of growth has naturally been able to achieve a much higher percentage of Canadian coverage than television could in five years. Moreover, radio service to remote areas is much less costly than television; the geographical range of radio transmitters is much greater and the cost of producing radio programmes is much less. In the preceding chapter we make some suggestions aimed at extending radio coverage in remote areas and filling some gaps that now exist. However much we regret it, there will probably be more than one and a half million Canadians who will have to rely for their broadcasting service on radio and will not, in the foreseeable future, be brought within reach of Canadian television. We do regret it because the value of television in terms of information, entertainment and identification with the rest of the country is greater for people living in remote areas than it is for Canadians in the settled parts of the country, But until population reaches a certain minimum density — and the minimum will obviously vary with the location, remoteness and physical conditions of the area concerned — the cost of bringing television to small scattered groups of Canadians in remote areas cannot be justified.

We believe that the extension of television service in Canada to more than 80 per cent of the population in less than five years is a creditable record. It is impossible for this pace of expansion to be maintained and further extensions of coverage will come more gradually and will generally be more costly.

At the present time there are 38 television stations operating in 36 different communities across Canada and six licences for new television stations have been granted. When these new stations come into operation, Canadian television service will reach virtually every community with a population of 20,000 or more.

To extend the coverage beyond this level means going to smaller communities of perhaps 5,000 people, most of whom are in remote areas or in places, such as the interior of British Columbia, where for

The Future of Television

technological reasons it is difficult to provide television service. The capital cost is high per thousand of population served, but the more serious problem is that of paying relatively high distribution costs for bringing the national programme service to a large number of these smaller stations.

We found that the CBC had been studying this problem of extending television service to Canadians not now within reach of Canadian (or usually any other) signals and believed that, at a reasonable public cost, coverage could be raised from about 80 to about 90 per cent of the total population. We asked the CBC to submit a detailed plan for this programme and our financial adviser submitted estimates of the capital and operating costs involved in this extension of service, which we thought desirable if it could be afforded.

The first plan we received called for the construction and operation of 51 small transmitters across Canada, mostly of low power and of the automatic type known as "repeater" stations. In some cases these stations would have operated on VHF channels where available, in others on UHF channels. They would each bring television service to areas with a population of 5,000 or more which areas are now without service. In the original financial forecasts, of which this extension of television coverage was only one part, the resulting costs were, we considered, beyond what Canada should undertake. At least, they were beyond what we were prepared to recommend. We asked that they should be reduced by an extensive revision of the original plans.

Meanwhile, it developed that some applications for licences might be made by private interests to establish a number of low-power stations in areas not now being served. Such private or community efforts would reduce the capital requirements of the expansion of coverage, although it would not have a significant effect on the operating costs of CBC in getting the national television service to these scattered stations. However, we concluded that plans should be made on the assumption that private applicants would seek licences for between one-third and one-half of the proposed 51 low-power stations needed to extend coverage from 80 per cent to 90 per cent of the Canadian population. To be more precise, our financial forecasts provide for the construction of 27 low-power repeater stations in centres of 5,000 population or more and the provision of television programme service

Royal Commission on Broadcasting

to these and the other 24 similar privately owned stations. It involves over the next six years, to March 31, 1963, a capital expenditure of approximately \$6.5 million and an increase in progressive stages of annual operating costs of about \$4.5 million in the final year of the forecast. We feel that capital and operating expenditures of this magnitude are justified in order to bring television service to over one and a half million Canadians, and are not out of line with costs undertaken for the first 80 per cent of the population. We also feel that, while no rigid line can be drawn, the cost of extending coverage beyond the level of 90 per cent of the population would not be justified, unless and until the Canadian population is substantially larger and more concentrated or new technological developments in television reduce the costs of reaching scattered groups of people.

One further suggestion may be in order on this subject of extension of television coverage. It concerns the role of the CBC in providing new services to the Canadian people. We have already indicated that private interests should be allowed and encouraged to participate in extensions of the Canadian television system. There is no thought that the CBC should own and operate all new television broadcasting stations in Canada. But on the other hand, there is no thought that the present pattern of CBC owned and operated stations should be frozen or remain static. The tendency will be to expect the CBC to undertake those extensions which are certain to operate at a loss and we recognize that some of these fall within the agreed purposes of the public broadcasting agency. However, we see no reason why all economically attractive opportunities for new stations should necessarily be left to private enterprise. There may be some disadvantage in having CBC owned and operated stations limited to the six largest Canadian cities. There might be some positive advantages for the development of a balanced and realistic national programme service to have the CBC in direct contact with the life and attitudes of Canadians in small as well as in large communities. In any case, if a private station can operate at a profit within the limits of existing regulations, we see no reason why the CBC should not also operate at a profit within the same limits. Competition between the CBC and private applicants for new licences would be a good and healthy thing and, if the CBC can obtain some additional and economically sound stations, their operation may assist in reducing the cost of television to the

The Future of Television

Canadian taxpayer. As a practical matter, we had to exclude these possible developments from our financial proposals. From that, however, it should not be assumed that we intend to exclude the CBC from competition for new licences. If, as Canada grows and communities become larger, the CBC can present to the Canadian government specific plans to establish new television stations and operate them at a profit, our financial suggestions are not so rigid that such sound proposals cannot be accommodated. The same general comment also applies to the CBC seeking second station licences when the present single channel policy is abandoned, a matter which we discuss in the next section of this chapter.

New Stations in Areas Now Served

One of the most difficult issues brought before us was the question as to whether the so-called "single channel" policy which has been applied to the development of Canadian television up to the present time should or should not be maintained.

In the fall of 1952, after the report of the Massey Commission had been considered and the first Canadian television stations in Toronto and Montreal had started regular broadcasts, the Canadian government announced in the House of Commons its policy for the development of a national television system. This policy called for the construction and operation of other stations by the CBC in Ottawa, Vancouver, Winnipeg and Halifax in order that there might be publicly owned television facilities in each of the main geographical regions of the country. At that time, the government indicated that it would be prepared to consider applications for licences for private television stations to serve areas that would not be served by these publicly owned facilities. The objective was to make national television service available to as many Canadians as possible through both public and private stations. The statement of policy went on to say that, since this was the objective, "no two stations will be licensed at the present to serve the same area . . . Canada is very large and it will require a good many stations before television can be brought to the people in most parts of the country. It is desirable to have one station in as many areas as possible before there are two in any one area".¹

¹ House of Commons debates, December 8, 1952, page 409.

Royal Commission on Broadcasting

We think that up to the present time, this "single channel" policy has been a wise one and has resulted in a more rapid and more even development of television facilities across Canada than would otherwise have occurred. However, the original objective of bringing television within reach of at least 75 per cent of the Canadian people has now been exceeded and the continued application of the policy should therefore be carefully reconsidered.

It seems obvious that no one thought of the "single channel" policy as a permanent thing. In the original statement of December 8, 1952, second licences were prohibited "at the present". A few months later, on March 30, 1953, the Honourable J. J. McCann stated in the House of Commons¹ "The principle of one station to an area is to apply only until an adequate national television system is developed. At the rate that applications for stations are now being received it may not be long before there is a sufficient degree of national coverage to justify the Government and the CBC giving consideration to permitting two or perhaps in some cases more than two stations in certain areas. It is anticipated that, in due course, private stations will be permitted in areas covered by CBC stations, and the CBC may establish stations in some areas originally covered by private stations".

This was, therefore, an interim policy designed to encourage and facilitate widespread basic television coverage across the country as a solid foundation for future growth. With this objective largely achieved, the problem now is to build on this foundation without weakening it.

There is strong public demand for the granting of licences for second stations. This demand is naturally more evident in the larger cities and more populous areas. It ranges from the argument heard in Winnipeg that no American stations can be reached and people in that city desire a Canadian alternative, to the submissions in Vancouver and Toronto that large numbers of viewers, who are turning to American stations, could be re-captured by additional Canadian stations, together with some volume of Canadian advertising revenues now going to American stations. In our public hearings, some 56 briefs advocated the licensing of additional television stations in localities that now have Canadian television service. Of this total, 14 were

¹ House of Commons debates, March 30, 1953, page 3393.

The Future of Television

submitted by private broadcasters, the Association of Canadian Advertisers, the Radio and Television Electronics Manufacturers' Association and the Association of Radio and Television Employees of Canada — all with a direct and legitimate pecuniary interest in the abandonment of the "single channel" policy. But the other forty-odd briefs were submitted by a diversified and representative group, including several chambers of commerce, farm associations, trade unions, university groups, parent-teacher associations and women's organizations. Even the few witnesses who argued that the "single channel" policy should be continued did not oppose the idea of alternative service as being undesirable in itself. Organizations such as the Canadian Federation of Agriculture and La Fédération des Sociétés St-Jean-Baptiste believed that the special objectives of the CBC were valuable and that competing second television stations would weaken the CBC, would add to its financial problems and would impede its extension of coverage to areas not now provided with television service. Therefore, these witnesses suggested that second licences should only be granted when CBC coverage had been further extended and its finances assured.

We think that the time has come, or is near at hand, when the "single channel" policy should be abandoned. But, in our opinion, it is important to determine when the policy should be abandoned, to whom second station licences should be granted and, most important of all, on what terms they should be granted.

Stated in its most general terms, the problem is to avoid duplicating in television the mistakes that were made in radio. We have today in Canada 167 private radio stations of which 69 are not affiliated with any Canadian network. As indicated elsewhere in this report, the poorest programming is to be found among the unaffiliated radio stations. Some stations in this category do a good job, some have a passable performance, others are completely inadequate. The variations are wide and, up to the present time at least, CBC regulations have been rather ineffective in controlling the performance of private station operators. This should not be allowed to happen in television where the number of channels available for practical use are very limited and unevenly distributed across the country.

It is true that there are many ultra high frequency (UHF) channels available, but they are not practically usable today. Television was introduced in Canada and the United States using the very high

Royal Commission on Broadcasting

frequency (VHF) wave lengths and nearly all of the receiving sets now in use could only receive UHF signals by the addition of expensive adapters.

Ultra high frequency (UHF) channels may some day come into common use but, for the present, licences must be confined to the very high frequency (VHF) channels of which there are only twelve, allocated under international agreement with the United States and duplicated at intervals across the continent, with specified geographical separation between allocations of the same or adjacent channels to prevent interference between stations. The power to shift allocations assigned to Canada is limited, and at best could only add a channel to one community by taking it away from another. Under the present channel allocation plan, there are two VHF channels open in Montreal, only one in Toronto, none in the Ottawa-Hull area, none in Sherbrooke, two in Winnipeg, one in Calgary, one in Vancouver, none in Peterborough or London or Hamilton or Windsor, Ontario — to mention only larger cities near the international border. Because of this scarcity of available channels, choice of licensees is both difficult and important.

While the physical limitations are real, the economic factors affecting the grant of new television licences are probably more important and certainly more complex. The total number of unused channels allocated to Canada gives no accurate picture of the number of licences that could be used successfully. For example, the fact that there are three unused VHF channels in Calgary and in Edmonton and two in Halifax and in Sydney does not necessarily mean that Alberta would have six and Nova Scotia four new television stations when the "single channel" policy is abandoned. Applications will only be made by private interests where open channels exist in centres of population large enough to provide a reasonable hope that the new stations will be commercially successful. As a practical matter, it might be a good guess that if licences were granted freely for unused channels, there would be new private stations throughout Canada as follows: one in Toronto, one or two in Vancouver, one or two in Winnipeg, one or two in Montreal, and possibly one in Calgary, Edmonton, Halifax, Regina and Sudbury. This relatively small number of additional television stations would hardly form the basis of a second national television network, even on the doubtful assumption that the Canadian economy can support a second national network. These new

The Future of Television

stations would be separate individual operations in the sense they would be unaffiliated with any regular network, but we do not think they should be isolated or separate stations in the sense that they would not be part of the single Canadian broadcasting system. These second television stations should be integral parts of that system, with the same purposes and objectives as television stations affiliated with the national networks and with the same obligations to serve Canadian needs and national purposes. The ends for both types of station should be the same; the method of reaching those ends and the means of ensuring that they are reached may be different.

In the larger metropolitan centres, there are likely to be a number of applicants vigorously competing for the one, or at most two, available channels. These applicants will seek licences in the hope that they will be able to make a profit from their investment. In the opinion of one witness, a second television licence in Toronto "is going to be one of the richest plums that has been in the public gift for a long time".¹ It is clear, however, that only one of the several applicants for each channel will be able to have it and the disappointment of the losers, who will be many, seems likely to outweigh the satisfaction of the winners, who will be few. For this reason, we found it difficult to agree with the contention of the CARTB that "the issue is a simple one — the right of Canadians to have a freedom of choice, from Canadian sources, and the right of those Canadian citizens willing to risk venture capital to do so".² We did not find this issue simple or this argument helpful in solving it.

From the standpoint of the public and of this Commission, the most important question as to the operation of these second stations concerns their programme performance. Here, an examination of the economic factors is important. We do not think it would be reasonable or practicable for the CBC to provide these new private stations with any programmes, except possibly a reserved right to require programmes to be carried at times of national emergency or special national celebrations. The new stations would mainly be in places where the CBC is already operating television stations carrying the national programme service. To attempt to supply second stations with CBC programmes for any substantial part of the broadcasting day would involve heavy public expense. To make some division of the present

¹ Evidence page 7812.

² Exhibit 312, page 25.

Royal Commission on Broadcasting

national programme between existing CBC stations and the new private stations would only mean that the resulting gaps in the programming of CBC stations would have to be filled at public expense by additional programmes. In either event, we do not think that the heavy additional cost of producing programmes for second television stations in areas already served by CBC stations would be justified. However, if it should turn out that the CBC has surplus capacity for the production of programmes and these can be sold at a profit to private non-network stations, this might be a welcome method of easing the drain on the national treasury.

Left to their own devices for providing programmes, operators of second television stations will be subject to strong economic pressures. There will be the pressure to take as much advertising as possible. There will be the pressure to obtain programmes at the lowest possible cost and, in practice, this would mean a high content of filmed American programmes and little original production or use of Canadian talent. Finally, there will be heavy economic pressure on these new independent stations to become outlets of United States networks. We do not think that these rare Canadian assets, represented by the small number of open channels that can be put to immediate practical use, should become branch plants of any American broadcasting system. We are, however, prepared to admit that all worth-while American programmes cannot be acquired for Canadian distribution by the CBC television network and that some portion of the programmes on second private stations could well come from American sources.

These economic pressures inevitably lead, in our opinion, to the necessity of clear-cut regulations defining the minimum standards of programme performance required of such stations. But before attempting to suggest the nature of these regulations, there are two arguments against the early abandonment of the "single channel" policy which might be examined.

It has been said that available television channels not now in use are rare and precious natural resources that should be preserved for some use in the future. Because the number of unused channels allocated to Canada and practically usable at the present stage of television development is limited, we agree that great care should be exercised in granting licences for these scarce resources. But we think they should not be left idle if they can be used effectively for the benefit

The Future of Television

of the Canadian people. As with other scarce natural resources, they should not be wasted but neither should they be hoarded. It is reasonable to expect, as actually occurred with radio frequencies, that technology will open greater numbers of television channels than are now apparently available, and the chances are that this will happen more quickly if existing channels are in use. On the other hand, we think that the remaining television channels are assets of such scarcity and value that there is no need to rush to occupy them or to accept, in their use, anything less than a high standard of performance. If such a standard cannot now be met, for economic or other reasons, it would be better to wait until it can be.

The second and more specific argument against the grant of television channels in areas now served by Canadian stations is that this may result in larger demands on the public treasury for the support of the CBC. We think that this risk is real and should be accepted. In some areas, enough commercial revenues may be available to support a second station without diversion of sponsorship from the existing station. But generally it is probable that the existing station will suffer financially from the presence of a new competitor. Since in most cases where a second licence is likely to be sought, the existing station is one operated by the CBC, this will mean a smaller commercial revenue and thus a larger public net cost for the publicly owned and operated system, unless the CBC can successfully meet the new competition in its commercial activities. If, however, the CBC station competes vigorously, as we believe it should, the losses resulting from the presence of the new station can be reduced and, in time, eliminated. If our suggestions are accepted, private operators who seek and obtain second television licences should be under no illusion that the commercial competition they will face from the CBC in the future will be the same as in the past. We believe the CBC has many functions to perform that are non-commercial, but to the extent that it engages in commercial activities we recommend that it should use any advantages it has as fully and vigorously as possible. A private operator of a second television station cannot validly complain that the competition of the CBC is unfair because it has advantages provided at public expense. The existence of these competitive advantages is a condition under which the private operator accepts his licence. If he is not satisfied with that condition, he should not apply for a licence.

Royal Commission on Broadcasting

In the discussion thus far, we have tacitly assumed that the existing television network of CBC and private stations will continue substantially unchanged with the advent of second stations in some areas. It has also been assumed that these second stations will be privately owned and operated. The latter assumption was made because the public demand for a second station and its economic feasibility exist mainly in the six cities where CBC stations are now operating. There is the possibility that a second CBC station in Toronto, for example, would permit a desirable contrast between the two programmes offered and thus afford a real choice to the public. There is also the possibility that the second CBC station would be financially successful and would contribute to the revenues of the public system. But, as a practical matter, we think that the CBC will have quite enough to do to operate the present networks and its own television stations, without the added responsibility of providing programmes for a number of second stations in cities where it is already operating television stations.

However, this does not mean that the existing national television networks and CBC station operations should necessarily be frozen in their present pattern. We anticipate that the first step in abandoning the "single channel" policy will be the grant of possibly five or six licences to private applicants in Montreal, Toronto, Winnipeg, Vancouver and Halifax. A corollary of the proposition that private licences should be granted in places where CBC stations now operate is that CBC licences might be granted in places where private stations now exist. This should be accepted as part of the licencing policy although we think it is unlikely to produce many results in the immediate future. An examination of the list of open channels throughout Canada discloses few places with an existing private station where a second CBC station would seem to be economically justifiable. However, as Canada grows in population and wealth, what is not feasible today may become feasible tomorrow. We have obviously not been able to make provision for any such uncertain expansion of CBC television facilities in our financial forecasts. This does not mean that, if an economically sound plan can be worked out, it should not be considered on its merits and the capital and operating budgets modified accordingly.

The Future of Television

It remains for us to attempt to answer the following three questions:

- (1) When should the "single channel" policy be abandoned?
- (2) To whom should second licences be granted?
- (3) On what terms should second licences be granted?

We recommend that the "single channel" television policy should not be abandoned until, first, the suggested Board of Broadcast Governors has been established and, secondly, until that Board has formulated a set of regulations specifically applicable to the performance and programme content of second television stations which will not be affiliated with the national television networks. To put the recommendation in the reverse order, we think that the applicant for a second licence should know from the outset the conditions under which he must operate. It would be unwise and unfair to grant second television licences on a more or less open basis and afterwards attempt to impose a scale or level of performance which might radically alter the scope of the franchise granted and curtail the value of the licence as a business asset. We think, therefore, that the enactment of regulations (which may be different and more specific for second stations than for those affiliated with the networks) should precede the grant of any second licences.

Decisions as to who should get the licences for second stations are bound to be difficult and unrewarding tasks. These decisions are more difficult and more important than on applications to add stations to the regular networks. Such affiliated stations get a substantial part of their programmes from the network and the portions they supply themselves may be less important and relatively easy to bring up to minimum standards by persuasion and regulation. But few, if any, CBC programmes will, in our proposal, be supplied to second television stations and their whole programme performance will be subject to regulation.

For reasons stated in Chapter IV, we think that the Board of Broadcast Governors should, after full public hearings, make recommendations as to the qualifications of various applicants for second licences and as to the adequacy of such qualifications. But the ultimate responsibility for the grant or refusal of such an important and potentially valuable public franchise must, we think, lie with the Governor in Council as it now does.

Royal Commission on Broadcasting

It may be that one clearly preferable applicant will emerge for each of the more attractive alternative television licences. On the other hand, it is possible that, for one or more of them, no completely satisfactory applicant will immediately present himself. If this should happen, we suggest that the Board of Broadcast Governors and the Governor in Council should not hesitate to wait until a suitable and proper applicant does appear; since television is already available in the community concerned, there is not the same urgency.

The third and most difficult question remains. On what terms should second television licences be granted? For reasons given earlier in this chapter, we believe that regulations are needed to define the minimum standards of programme performance required from second stations. These regulations should be an underlying term and condition of these licences and their objective should be to integrate second stations into the single Canadian broadcasting system and to ensure that their programmes are responsive to Canadian needs and adapted to Canadian conditions. Since few if any programmes will be provided to second stations by the CBC, these regulations will probably need to be more elaborate and specific than those applicable to network stations.

We do not feel we should attempt to draft such regulations. This is a task for the Board of Broadcast Governors, after such consultation as it may see fit to seek. But we will attempt to suggest the broad pattern of regulation we hope will be established.

In general terms, we think the regulations should require from a second television station in a community a programme fare that is not substantially poorer than that provided by the station on the national television network. It may be different in detail, perhaps with fewer "spectaculars" and more experimentation in relatively inexpensive programmes. It should probably have a greater content of local and regional programmes. We suggest the regulations should provide that no more time may be devoted to advertising messages than network stations will in future be allowed. They should also require a minimum content of specific items such as news reports, discussion of current events and services to minority groups, (farmers, children, music lovers and so on) — whether or not such programmes are capable of attracting commercial sponsorship. The regulations should define how programmes may be imported by second stations and should stipulate,

The Future of Television

presumably by specifying a maximum percentage, how much time may be devoted to imported programmes. Similarly, it would be desirable to have a requirement of a minimum amount of original programme production using Canadian talent. This could be accomplished in various ways, perhaps by specifying percentages of programme time, perhaps by stipulating a minimum percentage of gross revenues to be devoted to the production of programmes in Canada, using Canadian talent. It should, however, be made clear that several stations may pool their production of Canadian programmes and be reasonably free to broadcast them either "live" or in filmed form.

In developing a set of regulations for second television stations, it may be that our programme analysis can be helpful in defining, in a reasonable and practical way, programme classifications, and percentages of time devoted to various types of programmes. Our hope and purpose is to have regulations for second stations so devised as to avoid a repetition, by non-network television stations, of the kind of experience we have had with some of the non-network radio stations, which have become little more than vehicles for the playing of popular music interspersed with the greatest possible number of advertising announcements. A similar experience in television would be a profligate waste of Canadian resources.

We cannot be sure that it would be economically possible for a second private television station to observe the kind of regulations we suggest. Nor have we any illusions that the making and enforcement of such regulations will be an easy task. We think that this task should be approached in a practical way and that performance standards should not be set deliberately at levels so high that applications for licences will be discouraged. On the other hand, the regulations should not be tailored to the economic conditions that may exist today in order to encourage the use of the remaining channels that might be better used under other economic conditions tomorrow. If the level of performance practically possible under today's conditions is substantially lower than the level determined by the Board of Broadcast Governors to be desirable, Canada would do better to wait for alternative television service.

Chapter X

Broadcasting in the French Language

THROUGHOUT the earlier chapters of this report we have discussed Canadian broadcasting without making any distinction between services rendered in the English and the French language. Although the need for broadcasting in the two main Canadian languages adds to the number of facilities and programmes to be created and thus increases the complexity of the financial problem, the fundamentals of broadcasting are the same in both languages. These are Canadian problems, rather than English-Canadian or French-Canadian problems.

However, we received many interesting briefs at our public hearings and a number of letters and written submissions by mail in which the details of Canadian broadcasting in the French language were discussed. At the risk of some repetition, we propose to include in this chapter a summary of these submissions and some suggestions as to the points raised in these briefs.

The sentiment of French Canada as expressed through the briefs heard publicly by the Commission, or submitted to it for private study, was virtually unanimous in its commendation, with only minor reservations, of the general texture of the programming of the Canadian Broadcasting Corporation in the French language and of what was believed to be the genuine effort of the management of the CBC to respond to the needs of French-speaking Canadians for a distinctive broadcasting fare.

There was universal praise for the generally high standards of quality. Indeed, there were scattered voices, mainly from the Prairie provinces and the odd voice from the Maritimes, holding that certain

Royal Commission on Broadcasting

programmes, of which Radio-Collège is the prototype, were perhaps too lofty for the average listener of the outlying linguistic areas of French Canada. It was felt that some programmes would better hold their audiences in those areas if the intellectual pace were slower for a time. On the other hand, and in seeming contradiction with this view, voices from the same outlying areas pointed with satisfaction to the gratifying results that followed the introduction of CBC quality programmes in their environment. Those programmes had enriched the average listener's vocabulary and raised his intellectual level. There was no quarrel therefore with the policy of quality in general, only concern that, in certain specific cases, too quick a pace was set for the outlying French linguistic areas.

The minor reservations voiced in the Province of Quebec were of a different order. They had to do with taste, or morals, or mere distribution of programmes in the daily schedule. Protagonists of good taste made their main butt of wrestling matches on television and of the buffoonery of certain give-away shows. Those whose concern was morals thought that the costumes worn in some television variety shows were too daring for the average Canadian home. There was also some concern over the television programmes presented during the best viewing hours for children, but in this instance apprehension was not felt over the children's programmes presented on the French network itself. There was well-nigh universal acceptance of these children's programmes as entertaining, constructive and indirectly or subtly educational. The criticism was addressed rather to the hard to resist pistol-packing and blood-and-thunder competition sometimes offered by American films showing at the same time on the adjacent English-language channel. The language difference is no great bar to French-speaking children, since the sound of pistols and galloping horses is the same in any language.

In short, the voices heard from French-speaking Canada were almost universally in praise of the programming of the CBC, save for the few and minor qualifications just outlined. It may also be worth noting in passing that no direct criticism was aimed at private radio or television stations broadcasting in the French language. The complementary or parallel role of those stations in the Canadian system was not seriously questioned by anyone and the public service that

Broadcasting in the French Language

they are rendering at the community level called rather for commendation than disparagement. The stress was almost always, however, on the essential role of the CBC in the Canadian system, and general acceptance of the private stations as an integral part of that system was qualified in several instances with the remark, made in a spirit of tolerance or resignation, that of course it would be unreasonable to expect from private stations, with their need to operate as profitable ventures, the same standards of quality and service that one had a right to expect from the publicly owned branch of the Canadian system.

The general tenor of the briefs submitted by organizations representative of French-speaking Canada is one of contentment with both the public and private operations of the Canadian system in the French language. However, we would give a distorted view of these representations, were we not to report the aspirations and desires, and indeed the many specific pleas for improvement or extension of service, that emerge from the briefs. Some of the requests are relatively easy of fulfillment. Others come up against almost insuperable obstacles of a financial or a technical nature. Finally, some come under the classification of desirable but deferrable.

It was represented to us — with 1951 Federal Census figures in support of the plea — that several numerically important groups of French-speaking Canadians in various parts of Canada are either without any broadcasting service of any kind, or with a service that is so reduced in the matter of time and so poor in point of quality as to be tantamount to no service at all. Dealing with the subject of service, one has to bear in mind, incidentally, that the older medium of sound broadcasting calls for a different approach than the new medium of television because of the barrier of unequal costs and unequal availability of channels that stands between them. This barrier, which creates problems for Canada as a whole, raises even more difficult problems for French-speaking Canada in particular because we have there a problem within a problem.

There are in south-central New Brunswick, in western Nova Scotia and on Cape Breton Island sizable groups of French-speaking Canadians who are completely out of reach of any service at all, whether radio or television, in their language. These French-speaking listeners of the Maritimes are found in rather compact groups. The

Royal Commission on Broadcasting

largest are those of Digby and Yarmouth counties in Nova Scotia and those to be found in the area of St. John and Fredericton in New Brunswick. To the latter will soon be added several thousands that are expected to congregate at Oromocto and in and around the military camp at Gagetown, east of Fredericton, when the camp is completed. Fortunately, the size and compactness of all those Maritime groups and the moderate distance that separates them from the CBC French network station at Moncton, N.B., make it possible to serve them at low capital and operational costs with one or two 250-watt relay stations and with at most a half-dozen very cheap low-power relay transmitters. The CBC should make an early study of the ways and means of bringing its French-language radio service to the compact French listener groups of the Maritimes who are presently beyond reach of that service.

Another forceful and almost universal request formulated in the Maritime French-language briefs was for a television station linked to the French network and the consensus pointed to Moncton, N.B., as the most favoured spot for that station. Coming from a geographical area of Canada where Canadians of French speech bulk so large — reaching 38 per cent in the case of New Brunswick — the request does not seem unreasonable. A study of the matter should be made at an early date.

In the Province of Ontario, a new and rather gratifying phenomenon of Canadian life was discovered by the Commission. It is the growing acceptance, at least by the more alert and reflective elements of the community, of the French language as a leaven of cultural growth for the whole of Canadian life. From several English-speaking sources came the request that a way be found to bring the French radio network service to Toronto — where the slow influx of French-speaking Canadians is a post-war phenomenon that has passed quite unnoticed by the rest of the country. The Federal Census of 1951 gives the French-speaking population of the Toronto-Hamilton area as 62,000, of whom 41,000 alone reside in York County. Farther west are found the ancient settlement of 35,000 in Essex County and the 14,000 scattered in Kent, Lambton and Middlesex. Numerically much greater French-speaking agglomerations are found, as is well known, in eastern Ontario, but those populations are adequately served from Ottawa and Montreal.

Broadcasting in the French Language

The normal array of arguments invoking public service needs was set forth in the various briefs heard on the subject, but a distinctive and rather cogent plea, looking at it strictly from the English side of the public service, was made by the Ontario Modern Language Teachers' Association, when it wrote in its brief:

The French language occupies an important position on the curriculum of all secondary schools in the Province of Ontario. Its prominent place on the high school programme was likely due at one time to the proximity of this province to the Province of Quebec. As time went on, however, the study of French proved itself as an effective academic discipline to the extent that it has all but taken over the position once held by Latin. An estimated 80 per cent of the students proceeding to university elect French as the language to be studied in their final year in the secondary school... We do realize that so much of the teachers' time is required for the formal academic study of the French language that insufficient attention is often given to making certain that each of the thirty-five or forty pupils in each class attains a satisfactory fluency in speaking French. Nevertheless, those students who, after completing the French courses in our high schools, find themselves in a French environment, develop very quickly a fluency equal to the needs of ordinary communication. An opportunity to hear French-language broadcasts of a popular nature would stimulate greatly the students' interest in the spoken language and would be only slightly less effective than an extended visit among French people.

Many of our more successful students are bound to be disappointed when they go among French-speaking people because of the simple and obvious fact that their ears are accustomed to only one French voice—that of their teacher. This disability would be largely overcome if they were able to hear daily other voices speaking of subjects that interested them. One can easily imagine with what alacrity teachers would turn to such broadcasts for subjects of classroom conversation in French.

The enthusiasm with which students speak of French programmes which they have heard by radio or in the cinema seems to indicate that such broadcasts would enjoy a large and receptive audience particularly in the urban centres.

Canada has travelled a long way over the course of one generation—and at a particularly rapid pace since the Second World War—on the road that leads to the complete English-French reciprocal tolerance and mutual understanding in all parts of the country that now characterize the ancient settlements where English and French have been rubbing shoulders for generations.

In this respect, the Commission is pleased to report a significant experience. Briefs in French were submitted to the Commission and

Royal Commission on Broadcasting

there was questioning in the French language in the majority of the provinces without anyone in the audiences seeming to think this strange or incongruous. This, we think, is very revealing of the pronounced evolution of public sentiment in Canada over the last generation. It remains a moot question, however, whether Canada has yet reached the stage of complete national maturity where the introduction of French on the airwaves of Ontario — not to mention points as far distant as the Vancouver-Victoria area where some 34,000 French-speaking Canadians are gathered — would not be regarded by a substantial majority as an intolerable intrusion rather than the cultural complement that in truth it would be. And yet we may owe it to Canada to test the core of resistance. National leadership is a failure when it remains blind or inert before wholesome underlying trends that are precisely in need only of enlightened or courageous leadership to come to the surface. Hence any new departure that holds before us the vision of deeper spiritual harmony among Canadians of the two main cultural groups is one that all earnest citizens should studiously examine.

Unhappily, many obstacles, financial and technical — mostly the former — thwart the extension of French-language radio service to the Toronto-Hamilton area and south-westward to Windsor. The obstacles are not insuperable, yet they are of such a magnitude as to cause one to halt for serious reflection. Desirable frequencies are all occupied and suitable ones could be secured only with difficulty, unless, as for instance in Toronto, the CBC should turn to wider use the frequency occupied by its basic Dominion network station. Cheap low-power and short radius relay transmitters, which render such acceptable service in small communities, are of limited efficacy in large urban centres because of the magnitude of local electrical interference. In spite of the shortcomings of low-power relay transmitters when set up in large agglomerations, they might nevertheless be the most workable answer to the problem, provided that a few of them be so judiciously located as to blanket a desired area with their signal. However that may be, the extension to chosen centres of southern and western Ontario — possibly as small-scale experiments at first — of the national French-language radio network, whose line of communication from Montreal to Winnipeg and Edmonton presently runs through northern Ontario above Lake Superior, is a project worthy of serious

Broadcasting in the French Language

study and no effort of ingenuity should be spared to find, within reasonable financial limits, a workable technical arrangement. The result may well be the building of the best possible instrument to achieve complete spiritual harmony and indissoluble national unity in Canada within the life of this generation.

In the Prairie provinces, radio service in the French language is quite satisfactory. It is furnished by four private stations (CKSB St. Boniface, Man.; CFRG Gravelbourg, Sask.; CFNS Saskatoon, Sask., and CHFA Edmonton, Alta.) linked for a quarter to half of the time with the CBC French-language network. Although privately owned, those four radio stations are not commercial ventures but public service stations in the true sense of the word. All were launched with private donations from the three Prairie provinces and the Province of Quebec and they represent a capital investment variously given as \$750,000 to \$1,000,000. The capital subscriptions are outright donations to non-profit organizations, current operations oscillate between black and red, mostly red, and operating conditions do not permit provision for depreciation. Their continued existence is a story of daily devotion and sacrifice on the part of management and staff.

Aided by the CBC connection, the four Prairie French-language radio stations are enabled to serve to their audiences an acceptable variety of local and network fare. Even more, there is some evidence that those stations reach out, without any striving on their part, for listeners far beyond their normal audience range of French-speaking Canadians. Operators of those stations gave the Commission their reasons to believe — although no methodical check was made — that at certain hours of the day they go so far as to double the numbers of their natural constituency because of the appealing quality of their musical programmes. Some of them also render another form of public service in providing yet unassimilated New Canadians with programmes in their native tongue. Professor Duncan, of the University of Manitoba, was reported to the Commission as writing in the *Winnipeg Tribune*: "I am not impressed with the performance of private radio stations except CKSB," the French-language station of St. Boniface. Somewhat along the same trend of thought, the brief of the General Faculty Council of United College, University of Manitoba, presented by Professor J. H. S. Reid and Professor K. W. McNaught, suggested that listeners on the English-language network be given the

Royal Commission on Broadcasting

advantage of hearing some of the quality presentations of the French-language network. It is doubtful, as we have said earlier, that the majority of Canadian listeners are ready for a departure such as suggested in the United College brief, but it is nevertheless gratifying that mature voices were heard in Winnipeg as well as in Toronto in favour of a broader cultural base for our national service.

Although the four privately owned French-language stations of three Prairie provinces manage to give adequate public service with limited means, spokesmen for those stations have expressed misgivings regarding the future. They are uneasily aware that their shaky resources do not permit them to allow for depreciation, hence the slow undermining of their financial structures, while two other factors have come to weaken their position: first, the setting up of other radio stations in their area, the advertisement dollar thus being split further, and, secondly, the rise of television with the accompanying effect of drawing listeners away from radio, the value of radio as an advertising medium being thereby reduced. Looking to the next five years, it is reasonable therefore not to bank too much on the ability of the four Prairie private radio stations affiliated to the CBC French-language network to continue to carry on to the extent that they have heretofore.

The situation does not pose an immediate problem, but no far-seeing national broadcasting survey can ignore that a latent problem exists there, nor that it may abruptly loom large, and that French-language private stations whose strict motivation is not profit but public service should not be allowed to fail. The matter needs no attention for the present and may conveniently be shelved, but it should always be borne in mind that it may come in sharp focus at a most unexpected moment and that it will then become necessary to react promptly and positively.

The question of some reserved time for television programmes in the French language on CBC stations in the West, i.e. Winnipeg, and of radio and television programmes in the Vancouver area, was raised persistently by the sponsors of the various briefs heard in the Prairies, aided by the spokesmen of national French-speaking organizations with headquarters in the Province of Quebec.

The CBC television station in Winnipeg, CBWT, devotes two consecutive hours on Sunday afternoons to French-language programmes, mostly ancient feature films. The consensus of the pleas

Broadcasting in the French Language

heard by the Commission is that one hour a day would be more equitable under the "single channel" policy, and that, were a two channel or multiple channel policy to be adopted, two hours a day spread over the afternoon and the evening in manageable segments would be a reasonable time allocation. In Vancouver, no time whatever is reserved for French-language programming by the CBC stations, whether radio or television. The request is for a half-hour daily on television and some four or five hours a week on radio, the latter devoted in part to two daily news bulletins in French, with the balance broken up into suitable time segments in the afternoon and the evening.

Unhappily, requests for a time extension of French-language television service in Winnipeg and for the inauguration in Vancouver of a radio and television service very limited in time, run up not only against a number of technical difficulties — not insurmountable in fact — but against the averseness of the Canadian public for bilingual stations which are said in final analysis to serve no one adequately. This averseness, however, is perhaps not as profound as some would picture it, nor as irreducible, given patient and skilful handling, as some might fear. For the optimistic view, one need only point to the fact that of the 25 stations of the French-language radio network, eight at least reserve a portion of their time all year round — and a total of a dozen or more stations do so during some months of the year, namely the tourist season — for English-language news bulletins in areas where a very small English-language population would otherwise be served poorly or not at all. On the other side, there is the example of the English-language television station at Timmins, Ont., devoting 15 per cent of its broadcasting time to programmes in the French language without encountering more than the natural yearning of all viewers for full-time broadcasting in one's particular language. The television station to be erected in the Rouyn-Noranda area of Quebec has agreed to broadcast at least 60 per cent of the time in French and expects to operate as a profitable venture while doing so. There are also other examples of bilingual radio stations operating successfully and without serious recrimination in the linguistic borderline mining areas of northwestern Quebec and northeastern Ontario.

In brief, one may conclude that any unfavorable reaction to duality of language on a given radio or television station — and this has been observed among both English and French listeners — springs

Royal Commission on Broadcasting

possibly not so much from principle or prejudice as from a very human desire to be served at all hours of the broadcasting schedule in the language of one's choice. Hence the reluctance to share the available time which by many, in the case of television, is judged already as too short. This reluctance to share time may be much more easily overcome should the "single channel" television policy be abandoned.

It is not an unreasonable conclusion, therefore, that if duality of language is to be avoided, wherever possible, on radio and television, it is not necessarily to be ruled completely out of consideration where there is a compelling reason to do otherwise — and national public service to sizeable groups of the population is such a reason. Thus does it seem advisable to this Commission that the CBC contrive to bring more and better television programming to the French-speaking citizens of the Winnipeg area, and that the radio and television situation in Vancouver, although less pressing, be looked into eventually with the object in view of bringing news bulletins and a skeleton service. All of this is subject, of course, to technical and financial limitations which are particularly rigid in the case of the new medium of television. Whatever the difficulties may be, there is no denying that should the country travel even only a short distance in the direction that we have traced, Canadians would find themselves in fact a long way on the road leading to complete spiritual harmony and national unity.

Chapter XI

Finances

WE COME now to the question of CBC finances which is, in many ways, the main objective and culminating point of this whole inquiry. It was clearly intended in our appointment that it should be so; five of the six specific headings in our terms of reference deal directly with matters of finance. This same emphasis, however, was not fully reflected in the evidence submitted to us at our public hearings across Canada. On the surface at least, we got little help on these major problems of finance from the witnesses who appeared before us. There were some supporters of the CBC who argued that it should have an adequate and assured income. Some of its critics viewed its mounting costs with genuine alarm. There were random comments about the need of economy and efficiency, and a nearly universal opposition to providing the money needed by the CBC by re-imposing licence fees on receiving sets. But beyond these general comments, there was little direct evidence on financial questions even from some of the experienced and influential business organizations that appeared before us.

Perhaps it was unrealistic for us to expect much direct evidence on these complicated financial matters at our public hearings. Perhaps had it been possible to get specific and detailed solutions from individuals and organizations throughout Canada, it would have been unnecessary to appoint a royal commission to make elaborate financial studies taking many months and costing many thousands of dollars. Perhaps, too, the basic evidence was really given in our hearings and has been readily available for years to anyone who chose to look for it.

What is it the Canadian people want from their broadcasting system? What is it they are trying to buy? The answer has been

Royal Commission on Broadcasting

a simple theme, played with few variations and an astonishing amount of repetition over the last thirty years. Whenever a group of diverse and disinterested Canadians have undertaken to study the problems of our broadcasting system they have come up with the same basic answers. It does not seem to have mattered whether they spoke French or English as their mother tongue, whether they were engineers or bankers or university professors or politicians, whether their studies were conducted in the austerity of a royal commission's hearings or the heat and turmoil of a parliamentary committee — the answer for thirty years, and without exception, has been the same.

Here are some of the voices that have spoken:

- 1929
Sir John Aird "There, however, has been unanimity on one fundamental question — Canadian radio listeners want Canadian broadcasting... these interests (of the listening public and of the nation) can be adequately served only by some form of public ownership, operation and control behind which is the national power and prestige of the whole public of the Dominion of Canada."
- 1932
Sir John Aird "It seemed plain in 1929, it is plainer still in 1932, that an adequate national broadcasting service in this country will need more revenue than private enterprise can raise from operating broadcasting stations for gain."
- Feb. 16, 1932
Rt. Hon. R. B. Bennett "Canadians have the right to a system of broadcasting from Canadian sources equal in all respects to that of any other country."
- May 16, 1932
Rt. Hon. R. B. Bennett "First of all, this country must be assured of complete Canadian control of broadcasting from Canadian sources, free from foreign interference or influence."
- May 16, 1932
Rt. Hon. Ernest Lapointe "I just wish to endorse the views expressed by my right honourable friend the Prime Minister..."
- May 16, 1932
Mr. J. S. Woodsworth "I should just like to associate myself with the last speaker (Mr. Lapointe) in congratulating the Prime Minister..."
- 1934 Parliamentary
Committee "... it has been made apparent to your committee that the establishing of national broadcasting in Canada presents many difficulties, for the correction of which time, experience and large expenditure of public money will be necessary."
- June 15, 1936
Rt. Hon. C. D. Howe "Radio broadcasting in Canada has been studied by one Royal Commission and three parliamentary Committees and these four reports agree on the broad principles that must govern us..."

Finances

1938 Parliamentary
Committee

"... your Committee wishes to express its belief that the broadcasting system emerging in Canada is, and can increasingly be, an important factor in creating a sense of national unity..."

1939 Parliamentary
Committee

"... Canada is in the happy position of having at her disposal a wide variety of material both from outside and inside the country. The Corporation's policy and practice appear to take advantage of this situation, while giving the maximum encouragement to Canadian talent."

1942 Parliamentary
Committee

"The Corporation's aim must be not only to select the best programs available from other countries but also to broadcast the highest quality of programs the Canadian people can produce."

1944 Parliamentary
Committee

"May your Committee point out that ever since 1928, every parliament, every political party, every parliamentary committee inquiring into the question has been in favour of a system similar to the one we now have."

"The Canadian Broadcasting Corporation should keep up to date and be prepared to make effective any advances in modern radio. To meet this need your Corporation should have appropriated by Parliament to its use for these specific and other purposes sufficient moneys to meet their needs..."

1946 Parliamentary
Committee

"Without any general review of the numerous declarations approving from time to time the said principles... of a nationally owned and operated radio system... your committee desires to reaffirm its belief in them and to express complete confidence in the frame work provided by the said Canadian Broadcasting Act."

March 28, 1949
Hon. J. J. McCann

"In making plans for television, the Government has been primarily concerned to provide that Canadians in various parts of Canada will have the opportunity to receive Canadian programmes."

1950 Parliamentary
Committee

"Such a system linking together Canadians in all parts of the country and broadcasting a large volume of material produced by Canadians is of great importance to the people of Canada as a whole... It is obviously in the national interest that television in Canada should be essentially Canadian... and that it carry in large proportion Canadian material, produced by Canadians... Such a development will undoubtedly be more expensive..."

"(Your Committee) does see the need for the establishment of some proper and adequate system of financing Canadian television development in the general national interest."

Royal Commission on Broadcasting

1951 Massey
Commission

"...the existence of the nationally-controlled system of broadcasting was acknowledged as the only means whereby Canadian radio could have maintained a Canadian character." (P. 28)

"If we in Canada are to have a more plentiful and better cultural fare, we must pay for it." (P. 272)

1951 Parliamentary
Committee

"...the national broadcasting service carried on by the Canadian Broadcasting Corporation is essential in the development of our national life in Canada... Your committee is strongly impressed with the vital need for the development of a television system that is essentially Canadian and which gives expression... to Canadian ideas and aspirations."

Dec. 8, 1952
Hon. J. J. McCann

"The Government believes (television) should be so developed in Canada that it is capable of providing a sensible pattern of programming for Canadian homes with at least a good portion of Canadian content reflecting Canadian ideas and creative abilities of our own people and life in all parts of Canada."

1953 Parliamentary
Committee

"Your committee is aware that production of adequate television programs in Canada is not easy from an economic point of view. It is also aware that the distribution nationally of such programs in this country is costly."

"While (television) should naturally make available to Canadians suitable programs from outside Canada, it must in our national interest have a basis of programs produced by Canadians for Canadians."

1955 Parliamentary
Committee

"Your Committee is mindful of the importance of television. It undoubtedly has a strong influence on people throughout the country, being a valuable medium for the promotion of national unity, and a source of education and entertainment. The evidence produced to your Committee confirms its views, however, that television is a costly and complicated medium of communication."

This rather long list, which is far from complete, seems to repeat two ideas clearly and without qualification: Canadians want Canadian broadcasting and they expect to have to pay for it.

One of the last-quoted statements — that of the Parliamentary Committee of 1953 — must be one of the great understatements of modern Canadian history. Experience has proved beyond doubt that the production and distribution of television programmes in Canada

“is not easy from an economic point of view.” And it is going to get harder, rather than easier, in the years ahead. We see no escape either from the size of the present Canadian broadcasting bill or from the conviction that it should continue to increase for several years to come. In the current fiscal year, the net operating expenditure (after deducting commercial revenue) for CBC television and radio combined will be over \$38 million. If our estimates are correct, the net cost in 1963 of operating a *minimum* broadcasting service to achieve the stated national objectives of Canadian broadcasting policy, will be nearly \$74 million.

These are very large sums. But to some extent at least, the attitude towards them depends on the point of view. To some, annual payments of this magnitude may remain staggering and impossible — the preservation of a distinctively Canadian broadcasting system is not, in their calculus of values, worth any such price. Some few, who are at heart social philosophers, may be able to adopt the attitude of Mr. Justice Holmes when he said “I like paying taxes — with taxes, I buy civilization”; and they may conclude that the taxes that go to pay for broadcasting services follow a peculiarly direct path to the market-place where humanizing and civilizing merchandise is offered for sale. Most of us, perhaps, may look upon these expenditures as a cooperative purchase of a daily service that we, as Canadians, want to buy; and we may be willing to set it beside the cost of other goods and services we jointly choose to buy, and try to measure what, in these enormous sums, we individually get and what we individually pay.

The current year's expenditure of over \$38 million is made up approximately of \$25.5 million for the net cost of television services and \$12.5 million for radio services. This means that each household equipped with a television set will pay, on the average, $3\frac{1}{2}$ cents per day, and each radio-equipped household $\frac{9}{10}$ of a cent per day. This, to a smoker, is almost the exact equivalent of the retail price of two cigarettes per day for each television household, and the price of one cigarette every two days for each radio household. Other comparisons suggest themselves, not in any sense as alternative choices for the taxpayer's expenditure, but as possible yardsticks by which an individual can measure his own share of public expenditures on broadcasting. If he is interested in news and public events, he may be impressed by the fact that the average cost of broadcasting to his household is

Royal Commission on Broadcasting

almost exactly the same as the cost of a daily newspaper. If every householder who owns a television set in Canada takes his wife to a first run movie once every seven weeks throughout the year, the total expenditure on admission prices will equal net CBC expenditures on the television service.

Another method of weighing the cost of a widely used service is to look at the relation between the operating cost and the original capital investment. A man who buys a motor car for \$3,000 and drives it 15,000 miles in a year pays over \$300 for the gasoline required (apart from all other costs such as repairs, insurance and depreciation). This is over 10 per cent on the original investment. According to Dominion Bureau of Statistics figures, the Canadian people have chosen to invest a total of over \$850 million in the purchase of television receiving sets. Some of these, perhaps, were purchased to view American programmes, but most were bought with the intention of receiving Canadian programmes at least some of the time and, for over half of them, all the time. Under no compulsion, the Canadian people apparently decided to invest \$850 million in their television sets. They are this year, collectively, paying out a little over \$25 million in public money to put pictures on their television screens. This is about 3 per cent on the original investment, and we find it difficult to feel that this is an unreasonable annual rate.

One other yardstick for measuring our present and prospective public costs for the broadcasting service might be mentioned. It sometimes happens that the value we attach to something that is easily available is quite different from what we are prepared to pay for it if it is difficult to get. There are a number of places in Canada and the United States where, for a variety of reasons, it is impossible to receive reliable and satisfactory television signals. In many of these places, these difficulties have been overcome by the installation of community antenna systems. These systems pick up television signals by antennae placed on high hills or mountains and transmit the signals to the television sets of subscribers by coaxial cables. The general practice, in such systems, is for each subscriber to own his own receiving set and to pay an initial charge to have it connected to the coaxial cable and a monthly rental charge for the use of the system. Typical charges, we were told, are \$100 to \$125 for a connection to the system and \$4 to \$7 per month rental. Apparently some thousands

Finances

of Canadians and tens of thousands of Americans place a value on television service, which they would not otherwise have been able to obtain, between three and six times what individual Canadian households are paying, on the average, today, through their public broadcasting system.

These comments on the size of our broadcasting bill are not made in order to minimize it or to suggest that Canada does not have to consider very carefully if expenditures of this magnitude are justified. They are only put forward in the hope that they will give a sense of proportion to the consideration that must be given to this problem. There are many voices readily available to raise a protest against the waste and unwisdom of any large public expenditure, and indeed we were ourselves startled when the financial picture of the CBC was first disclosed to us. We found it salutary to take a general view of the problem, and to relate these large sums to other services and activities in which the Canadian people have, in a tangible way, shown their interest. And then we took a good hard look at the details of CBC finances.

Financial Studies

We did not see how we could ourselves make the necessary detailed study of the present and future financial requirements of the CBC, nor indeed did we feel competent to do so. We needed, and obtained, expert professional help.

We were fortunate in getting, as our financial adviser, Mr. Guy E. Hoult, senior member of the Canadian accounting firm of P. S. Ross & Sons. Mr. Hoult and his partner, Mr. G. Meredith Smith, have been engaged almost continuously since February 1956 in a detailed examination of the financial affairs, accounting methods and prospective needs of the CBC, and, to a lesser extent, in a study of the financial records of the private broadcasters. During the year, they have been assisted by other partners and members of their staff as required. Their report, in greatly summarized form, is printed as Appendix XII to this report.

We will not cover in the same detail the ground our financial adviser has already covered in Appendix XII. We will attempt to pick out some of the salient features of Mr. Hoult's report for emphasis, to give a brief description of what it contains and to state what we are

Royal Commission on Broadcasting

recommending both as to the amount of public financial support on operating and capital accounts for the CBC and as to how such public moneys might be provided.

However, a reading of this chapter and of Appendix XII will not give an adequate picture of the activities of the Commission and of its staff on financial problems. We received a number of lengthy reports throughout the year from our financial adviser. Some of these gave us useful background information; others dealt with confidential information concerning both the CBC and the affairs of the private broadcasters which we felt there was no need to disclose except in composite form. During the inquiry we were in close contact with our financial adviser and he, together with his associates, was for several months in daily touch with the General Manager and other senior officials of the CBC. He has spoken in his report of the excellent co-operation given by the officials of the CBC and we, from our own contacts with them, can confirm that they could not have been more helpful or cooperative.

In the course of the financial studies, many items relating to accounting and administrative details were dealt with as the inquiry proceeded. Some of these were reported to us and discussed; others were simply disposed of, as being obviously necessary or desirable, by our financial adviser directly with the appropriate officials of the CBC. A number of changes and improvements in financial procedures have already taken place. No doubt, most of these are individually of minor importance but collectively they may be significant. Some of them are dealt with in Mr. Hault's report in Appendix XII, in the section containing his comments and suggestions as to accounting, financial, administration and related matters for consideration and action by the Canadian Broadcasting Corporation. We do not intend to discuss them further except to point out that we endorse them and urge that they be implemented.

The increasingly serious financial problems of the CBC are due almost entirely to the rapidly mounting cost of carrying out the policy, approved by Parliament, of establishing a Canadian television service without financial provisions that bear any real relationship to the needs of the service.

When plans were made for the development of a national television system, with CBC stations and production centres across the country and affiliated private stations to provide national coverage,

the CBC estimated it could operate this television service at a net public cost of \$15 per television home per year. For this annual total, it expected to be able to operate its own stations, develop a programme service and distribute it to public and private stations with a coverage of about 75 per cent of the Canadian population. The Massey Commission, which developed television proposals for consideration by Parliament, had suggested that capital costs for television facilities should be provided by parliamentary grants and that current operating costs should be provided by licence fees on receiving sets and by such statutory grants as might be necessary. As it turned out, Parliament did not follow either of these suggestions for the provision of the capital or operating needs of the CBC for television. Such capital payments as were made by the public treasury, took the form of loans, not grants; and instead of a licence fee on television receiving sets, Parliament in effect provided that the proceeds of the 15 per cent excise tax on the factory price of radio and television receivers and parts should be turned over to the CBC.

We will discuss both capital and operating costs in greater detail later but can now make the general statement that these financial provisions did not provide an assured basis for financing either the capital or operating costs and did not facilitate the adequate control and management of the Corporation's expenditures. The CBC's early estimate of \$15 per television home per year has, in fact, come very close to the sums required for operating the national television service. But the yield from the excise tax bore no relationship to that estimated amount. In the early years, when the number of television sets was growing rapidly and CBC television services had not fully developed, the excise tax on sets yielded more than was currently required. The tax was, of course, only imposed once on each set, at the time of factory sale, and as the market for television sets became partially satisfied the yield of the excise tax failed to keep pace with the costs of the expanding service. There was no reason why it should, as a tax of 15 per cent on the factory price of new television and radio sets and parts has no relationship to the cost of supplying service not only to these new sets but also to all sets that had previously been put into operation.

Is the CBC efficient? Does it waste public money? The answers, in the financial circumstances that have existed, cannot be

Royal Commission on Broadcasting

a simple yes or no. Our studies show that the CBC has accomplished much in a short time. In general, it has produced programmes of comparable quality at substantially lower costs than similar programmes in the United States. We found no examples of careless waste and certainly nothing that even remotely resembled fraud, neglect or mishandling in the administration of CBC finances. On the other hand, we cannot say that everything is right with the present financial situation of the CBC.

If any ordinary commercial company in Canada had, in four years, expanded its rate of operations from a level of \$11.5 million to over \$44 million per year, it would probably also have experienced some staff and administrative problems and its organization would have had difficulty in keeping pace with such a rapid growth. Also, without any long-term plan for the provision of capital requirements, as we have noted in Chapter VII, the acquisition of physical facilities and equipment has been on a patchwork basis and a number of operating costs (of which the bill for transportation of scenery is an example) have been thereby increased. But the greatest financial weakness of the CBC has been the lack of an assured and definite basis of current financing. In the early years when the excise tax exceeded current needs, there were surpluses and it may well be that the pace of expansion tended to be unduly increased and the incentives for cautious economy were few. In later years, when the costs of the service were greater than the yield of the excise tax, earlier surpluses were eaten into, temporary grants became necessary and there was no assurance that adequate forward operating plans could be carried out. We think it is essential that the CBC have its duties accurately defined, that it be provided with an adequate but not excessive income over a term of years to enable it to discharge those duties, and that it then be required to manage its affairs so as to live within that income. This is the central and essential basis of our financial recommendations.

The original plan which called for expenditures on the television service at the rate of \$15 per television home per year may have been the only practical way to estimate costs at the outset. However, it has continued to be the basis, or at least the main guiding factor, in determining the spending rate of the CBC. An estimate of the number of Canadian homes equipped with television sets, multiplied by \$15,

plus estimated commercial revenues has determined the total budget for television operations submitted to the Board of Governors for approval. For a system in fairly complete operation, this is not a budget at all since it is not related to necessary or desirable expenditures. It really amounts to no more than a decision (which, if the money is provided, Parliament approves) to spend on television a certain amount of money on a sliding scale dependent on the number of Canadian homes equipped with television sets. It is only a very rough way of relating the scale of service provided to the number of people served. If, in the Ottawa area, the number of television sets were doubled tomorrow, it would obviously not cost the CBC twice as much to operate its stations in Ottawa. With more money available, the CBC might decide to increase its service but that should not necessarily be measured by the number of new sets multiplied by \$15. On the other hand, to bring service to a group of ten thousand new homes in a remote area may cost more than \$150,000 in annual operating costs.

We thought we should try to work out a budget based on actual experience of costs and production methods and on direct estimates of the costs of future expansion or developments that seem desirable. For example, we did not think that the increase in the number of hours of television broadcasting in the day should depend on the number of new television homes that may be added in any year; nor did we feel that the cost of extending the television coverage to another 10 or 12 per cent of the population should be based on providing an additional \$1.50 per television household throughout Canada, but rather on the estimated cost of the actual extension of coverage contemplated. In a word, we wanted to have a budget for the CBC based on a definition of the service to be provided and, using past experience as a guide, an assessment of the costs of that service. We thought moreover we should try to project costs for as far ahead as possible so that Parliament and the Canadian people would have as much information as possible as to what probably lies ahead, and also so that a long-term plan can be made by the CBC with some assurance, if our recommendations are accepted, that it can be carried out.

We first asked our financial adviser to obtain information from the CBC as to present and future costs for both radio and television based on a number of specific assumptions. This information, together

Royal Commission on Broadcasting

with estimates of future commercial revenues, was then to be used to forecast operating requirements and capital expenditure over the ten year period from April 1, 1956, to March 31, 1966. Without describing in detail the various assumptions we laid down, these forecasts were to be based, first, on the actual expenditure in the year ended March 31, 1956, adjusted to the level of operations and expenditure in the last quarter of that fiscal year (during which the scope of television service was rapidly rising) and giving consideration to the factor of reduced activity in the summer months and, secondly, on what the operating officials of the CBC (checked wherever possible from other sources) considered to be necessary for reasonably adequate and desirable service during the next ten years. In other words, these forecasts started from actual current costs and, within the inescapable errors of any such forecasts, attempted to determine what further services would be desirable, and probably desired by the Canadian people, during the ten-year period.

These ten-year forecasts were prepared in great detail and reviewed by the Commission with our financial adviser and, on certain items, directly with senior officials of the CBC. We found, first, that the projections for the last few years of the period were necessarily vague in a business where rapid technological and other changes were taking place. Secondly, the overall totals in these forecasts were beyond what we were prepared to recommend that the Canadian people should undertake.

Accordingly, we asked our financial adviser to revise all his calculations on the basis of somewhat modified assumptions. We asked, for example, that only essential expenditures should be retained in the estimates and that developments which were considered desirable but not essential should be deleted. We suggested that the rate of extension of hours of television service should be materially cut down, and that it should be assumed that private operators would undertake a substantial part of coverage extension. We also asked that income estimates take into account greater vigour by the CBC in commercial activities and the acceptance of local and spot advertising on CBC radio stations, as described in Chapter VII. These revised forecasts were to cover a shorter period, up to March 31, 1963 rather than 1966. We knew that the current fiscal year, ending March 31, 1957, would be almost over before our report could be presented. We also knew that interim

Finances

provision would probably have to be made for the next year, ending March 31, 1958, before our report could be considered. We thought we should try to cover at least a five or six year period in the forecasts. This brought us to March 31, 1963.

We then reviewed the revised forecasts covering a six-year period and are prepared to accept them as being as accurate as it is possible to make such estimates of future expenditure and income, and as the minimum required to provide an acceptable Canadian radio and television service. We have carefully studied the various elements of service appearing in the forecast, one by one, and we think the Canadian people are likely to want each one of these elements and to make fairly vigorous and effective demands for their inclusion in the national broadcasting service. This, within the limits of accuracy of all such forecasts, is what we think the net bill, in constant 1956 dollars, is going to be for the kind of broadcasting service we think the great majority of Canadians want and should have.

There could of course be a broadcasting service, of a sort, provided at a lower cost. We might suggest that Canada should do without colour television. We could say that the present 80 per cent population coverage is all we can manage and no new television stations, public or private, should be added to the networks. We could refuse to extend the hours of operation and even perhaps cut back on the hours of service now provided. We might choose to have less Canadian production and import more American programmes. All these steps would lower the totals for both operating and capital costs. They would also, we think, reduce the national broadcasting service below a minimum level acceptable to the Canadian people.

The original ten-year forecast was not extravagant or based on a lavish scale of future operation. Each item in it could have been defended as being desirable and similar to elements that are found in the American television system. The revised six-year forecasts, after the changes we requested had all been made, showed a reduction of approximately 25 per cent in the original estimates of public expenditures for television services in the last year of the forecast (with intervening years varying proportionately). For radio, the difference amounted to approximately 10 per cent of the original estimates. The reasons for the smaller reduction in radio are obvious. It is an older

Royal Commission on Broadcasting

and more fully established medium and its revenues are being seriously threatened by television. We think that these reductions, of 25 and 10 per cent respectively, go as far in restraining the expansion of national broadcasting service as it is safe to go. We recommend that Parliament should make provision for the operating and capital sums outlined in these six-year estimates.

The Year ending March 31, 1957

The fiscal year 1956-57 will be nearly over by the time our report is submitted. Accordingly, arrangements for financing the CBC, while our inquiry was in progress, had to be made by the Government and approved by Parliament.

It now appears that the turning point for CBC finances, under present arrangements for giving it public support, came a few months before this Commission was appointed. Some time in the early fall of 1955, the rising trend-line of operating expenditures, pushed upward by the rapid expansion of television services, crossed the almost horizontal trend-line of revenue including the receipts from the excise tax and other government grants. The CBC moved from a surplus to a deficit position on current account about half-way through the fiscal year ending March 31, 1956. In that year, CBC accounts showed deficits on both television and radio services which together totalled \$1,359,000.

In previous years, financial provisions made for the CBC had more than met current operating requirements and a considerable surplus was accumulated. On March 31, 1956, this surplus totalled over \$13 million and working capital amounted to nearly \$21 million. During the fiscal year ending March 31, 1957, it was felt by the Government that about \$7 million could be safely withdrawn from surplus and applied to assist in current operations. In addition, a special grant of \$12 million for the support of the television service was made by Parliament. On capital account, expenditures totalling over \$6.5 million were authorized, and capital and interest repayments on government loans came to over \$1 million.

As this report is being written, estimates for the fiscal year ending March 31, 1958, are being prepared for submission to

Parliament. It seems clear that some provision will have to be made to continue financial support of the CBC until such time as our report can be considered and a decision reached as to its implementation. In the estimates tabled by the Minister of Finance in the House of Commons on January 22, 1957, provision was made for continuation of the grant of \$6.25 million for the radio services which has been paid for the past six years. The special grant of \$12 million made for the first time in the current year was repeated, and the yield from the excise tax on sets was estimated to be \$16 million, which is down \$4.5 million from the expected yield in the current fiscal year. These provisions will not meet our estimates of CBC requirements for the fiscal year beginning April 1, 1957, and, if these are to be provided, some transitional arrangements will have to be made during the year to supplement the amounts in the estimates for 1957-58. Accordingly, in the following discussion of CBC requirements on operating and capital accounts, we deal with the six-year period beginning on April 1, 1957, and ending on March 31, 1963. In a later section, when we suggest methods of providing these public funds, we assume that interim transitional arrangements will be made for the first fiscal year and our proposals will apply to the five-year period from April 1, 1958, to March 31, 1963.

Operating Expenditures, 1957-1963

There is clearly much room for differences of opinion as to what constitutes an adequate national broadcasting service. If forecasts are to be made, certain assumptions must also be made. We think that Canada's national broadcasting service should have balanced programme schedules in both English and French designed to serve a variety of minority as well as majority tastes of the Canadian people. We think the combination of public and private ownership should continue under the control and supervision of a board responsible to Parliament. We think that commercial revenues from broadcasting should continue to be sought by the CBC, with even more vigour than in the past, and that public funds should also be provided for both operating and capital requirements. Our financial forecasts were based on these assumptions and many other specific assumptions

Royal Commission on Broadcasting

described in earlier chapters. Others may make other assumptions as to the basic nature and the details of a desirable broadcasting system for Canada. If they do, and the differences are substantial, their financial forecasts will also be substantially different from ours. We should only caution against an attempt to amend our financial forecasts by deleting the estimated costs of specific items; if changes of substance are to be made, an extensive reworking of the financial forecasts will be necessary.

The following tables show in summarized form the estimated cash requirements of the CBC in constant 1956 dollars for each of the six fiscal years between April 1, 1957 and March 31, 1963. The figures do not include any revenue from private station licence fees, which we recommend should go to the Consolidated Revenue Fund and not to the CBC, or any provision for interest on, or repayment of government loans, or for depreciation or obsolescence. The estimates do take account of certain changes in CBC commercial policies which we have recommended. The figures of net expenditure are therefore the amounts needed from government grants in some form.

FORECAST OF NET OPERATING EXPENDITURE

(Thousands of Dollars)

<i>Year ending March 31</i>	<i>Gross Expenditure</i>	<i>Commercial Revenue (net)</i>	<i>Net Expenditure</i>
TELEVISION			
1958.....	\$ 47,850	\$ 17,127	\$ 30,723
1959.....	55,828	19,658	36,170
1960.....	62,386	21,120	41,266
1961.....	70,209	23,466	46,743
1962.....	76,461	24,712	51,749
1963.....	83,480	26,090	57,390
RADIO			
1958.....	\$ 14,760	\$ 1,245	\$ 13,515
1959.....	15,360	1,400	13,960
1960.....	15,976	1,480	14,496
1961.....	16,739	1,640	15,099
1962.....	17,363	1,600	15,763
1963.....	18,079	1,560	16,519

FORECAST OF NET OPERATING EXPENDITURE—*Con.*

(Thousands of Dollars)

<i>Year ending March 31</i>	<i>Gross Expenditure</i>	<i>Commercial Revenue (net)</i>	<i>Net Expenditure</i>
TELEVISION AND RADIO COMBINED			
1958.....	\$ 62,610	\$ 18,372	\$ 44,238
1959.....	71,188	21,058	50,130
1960.....	78,362	22,600	55,762
1961.....	86,948	25,106	61,842
1962.....	93,824	26,312	67,512
1963.....	101,559	27,650	73,909

The forecast of net expenditures on the television service shows an increase from less than \$31 millions to over \$57 millions in the six-year period. As radio is a much older and more completely developed medium than television its net operating costs will naturally move more slowly from \$13½ million in 1958 to about \$16½ million in 1963. Together the two services show an increase from \$44½ million in 1958 to just under \$74 million in 1963.

These forecasts are based on calculations and estimates of the costs of each of the major elements of expenditure in the broadcasting service provided by the CBC. They do not depend on some formula relating costs to the number of radio and television sets in operation. They are based on current levels of activity, certain suggested changes in operating practice and future developments that can be assessed with reasonable accuracy. The annual increases in constant dollars range from 9.2 to 13.3 per cent, or a compound rate of increase of 11.376 per cent, in each of the last five years of the forecast period, over the expenditure in the previous year. In other words, if 11.376 per cent were added in 1959 to the actual amount required in 1958 and the same percentage each year were added thereafter to the totals of the previous year, the annual sums so resulting would be very close indeed to the amounts required in each of the years in the six-year period.

We wanted to find out, if possible, why the rate of expansion in broadcasting expenditures, even after considerable reduction in the original estimates of desirable expenditure levels, proceeded at a rate of more than 11 per cent each year, when estimates of expansion in

Royal Commission on Broadcasting

constant dollars show a probable growth of slightly over 4 per cent per annum for the Canadian economy as a whole.¹ We knew, of course, that television was a newer medium and had undergone a very rapid rate of expansion in Canada in the last four or five years. It would probably be unreasonable to expect that an enterprise which had shot upward for four years would suddenly flatten out to a rate of progress exactly in step with the progress of the whole Canadian economy. New additions to the television system were still being made; the Canadian people were still buying television sets in considerable volume. Above all, the Canadian television service was still well behind — in coverage, numbers of set owners and length of hours of broadcasting — the ever-present and always apparent example of American television. Nevertheless, we felt we should try to test our forecasts by seeing if we could find the major causes for the discrepancy between a broadcasting growth-rate of over 11 per cent a year as compared to an expected growth-rate of the whole Canadian economy of little more than 4 per cent a year.

On examination, we found that during the years 1959 to 1963 there were three major items of expansion and development in Canadian broadcasting services which seemed to be outside any normal growth in step with general Canadian growth. These were new additions to the service, rather than any normal growth of the present service. The three items are (a) extension of hours of television broadcasting (as discussed in Chapter IX), (b) introduction of colour television in progressive stages (as discussed in Chapter VII) and (c) extension of coverage to bring television services to about 10 per cent more of the population (as discussed in Chapter IX). We asked our financial adviser to estimate the annual impact of these three items for each of the fiscal years from 1959 to 1963 and also to calculate what the rate of growth in CBC expenditures would be if these three items were excluded from the estimates.

The details of these calculations appear in the Financial Report and can be examined there. Briefly they show that, of the increase of \$26½ million in annual television expenditures between 1958 and 1963, \$18½ million are caused by these three special items. If these three developments were to be omitted, the annual increases in the forecasts

¹ Preliminary Report, Royal Commission on Canada's Economic Prospects.

of CBC expenditure would range from 3.1 per cent to 6.3 per cent, with a compound rate of increase of 4.637 per cent over the period. We did not make this breakdown for the purpose of suggesting that these three major items should be, or might be, eliminated. We have already stated our opinion that the present broadcasting system should not be frozen in its present mould and that these comparatively new media are likely to grow faster than the whole economy. These calculations merely show that, if these three major new factors were eliminated, our projections of CBC operating requirements would grow at a rate closely in line with the expected growth of the whole Canadian economy.

Forecast of Capital Requirements, 1957-1963

It was clearly necessary to prepare forecasts covering capital requirements over the same period as we were projecting CBC operating needs. We have done so, but we are much less confident as to the reliability and accuracy of these capital forecasts than we are for the operating projections. There are two reasons for this.

Any estimates made in 1956 of capital expenditures to be undertaken in 1962-63 are bound to be little more than guesses or rough approximations. This is doubly true for a new science, where technological change is rapid and new developments are likely to make estimates of future requirements and their costs obsolete almost overnight. Our financial adviser studied the methods and procedures used for computing cost estimates, and they seemed to be reasonable. We reviewed the capital forecasts in detail with him and with senior officials of the CBC. However, in these highly technical areas, such a review is unlikely to be very effective and these estimates should therefore be taken as little more than the views of CBC management and engineers as to future capital needs to provide the scale and quality of broadcasting services we have recommended.

Earlier chapters of this report and Appendix XII deal at length with certain aspects of future capital requirements. For example, in different sections in Chapter VII, we discuss physical facilities and the need to construct new television production centres in Toronto and Montreal, and the capital costs of introducing colour television on a progressive basis. In Chapters VIII and IX, the purpose and

Royal Commission on Broadcasting

scope of the extension of radio and television coverage are described and these costs are included in the capital cost forecasts.

We feel that there is little that we can usefully add to the full discussion of a number of the major items of capital expense by our financial adviser except to say that we have considered them carefully and agree with his comments.

For the period April 1, 1957 to March 31, 1963, the forecast of capital expenditures by fiscal year periods is as follows:

	<i>Television</i>	<i>Radio</i>	<i>Combined</i>
	(Thousands of dollars)		
1958.....	\$ 7,888	\$ 2,695	\$ 10,583
1959.....	11,375	2,982	14,357
1960.....	10,612	2,568	13,180
1961.....	20,638	2,568	23,206
1962.....	27,165	2,468	29,633
1963.....	21,085	2,818	23,903
	98,763	16,099	114,862
Estimated cost of completing projects —anticipated to be in progress but not completed by end of 1963.....	20,528	2,088	22,616
	\$119,291	\$ 18,187	\$137,478

Capital Structure of the CBC

The Canadian Broadcasting Corporation is a Crown company without any invested capital and, indeed, without any discoverable capital structure of any kind. Funds have been provided since its creation in 1936 in a variety of ways which did not make much distinction between capital and income accounts. In addition to its earnings from commercial activities, the CBC has received funds from the following sources: (a) radio receiving set licence fees from 1936 to 1953; (b) grants of amounts equal to the excise tax collected on sales of receiving sets and parts from 1953 to date; (c) statutory grants of various amounts, sometimes on an annual basis, and sometimes over a term of years; and (d) Government loans, which have carried provisions for payment of interest and for repayment of capital, and there have been substantial transfers on both accounts from the CBC to the Government.

Finances

It is apparent that, so long as a system of licence fees was in force the intention was that the CBC should finance both its capital and current operating requirements out of the revenue from these licence fees, and that loans from the Government would generally be needed only to allow a capital expenditure to be undertaken in anticipation that future licence fees would provide for their repayment. The first loan to the CBC was made in 1938 with repayment to be made in ten annual installments starting in 1939 and in fact the whole loan was repaid in December 1941. Similarly, the second loan made late in 1939, repayable in twenty annual installments, was fully discharged by payment in February 1943.

So long as the scale of licence fees (or for that matter any other system of earmarking a revenue source) is adequate, there seems to be nothing inappropriate in having loans from the Government to the CBC and providing for their repayment out of such revenues. But, actually, a licence fee is only another form of tax and it is no less a tax because it is earmarked for this special purpose. This, or some other form of earmarking, may have important advantages in providing funds needed for the public broadcasting service, but the fact should not be obscured that this is not revenue in the commercial sense of the word. It is tax money which the people of Canada are devoting to the purchase of a service that they jointly want to buy.

We believe that, for reasons fully explained in earlier chapters of this report, the commercial revenues of the CBC cannot be sufficient to cover its operating expenses. As it is unreasonable to expect that the CBC will ever be a self-sustaining organization in a commercial sense, Government loans, past or future, can never be repaid, unless enough is added to Government grants or a higher percentage of some tax is earmarked to provide for the repayment of the loans. This transfer of funds from one Government pocket to another seems to us a confusing and rather purposeless performance. It does not seem reasonable or logical for the Government to increase the amount of its grants over what would otherwise be necessary in order merely to be able to get back the amount of the increase in the form of interest on, or repayment of the loans.

The amount of Government loans to the CBC that will be outstanding on March 31, 1957, is estimated at \$27,286,000. With the assistance of our financial adviser, we have prepared a plan for the

Royal Commission on Broadcasting

reorganization of the capital structure of the CBC, which deals with these loans partly by the transference to the Government of a portion of the presently excessive working capital carried by the Corporation, partly by the cancellation of some of these loans against the issuance of common stock of the Corporation and partly by an outright cancellation of loans.

To set up the financial structure of the CBC on what we believe would be a realistic and sound basis, we recommend that the following steps be taken:

- (1) The working capital, including engineering supplies, which at March 31, 1957, will total \$15,475,000, should be reduced by the payment of \$9,475,000 by the CBC to the Federal Government in partial discharge of loans then outstanding of \$27,286,000, leaving a balance on loan account of \$17,811,000.
- (2) This will leave the CBC, for working capital, including investment in engineering supplies, the sum of \$6,000,000 which we consider will be adequate for its needs throughout the period of our forecasts.
- (3) The balance of \$17,811,000 of outstanding loans should be extinguished (a) by the government accepting common shares of \$100 par value each to the extent of \$6,000,000 being the estimated working capital requirements of the CBC and (b) by cancelling outright \$11,811,000 of loans.
- (4) The present surplus accounts of the CBC which are now labelled "capital surplus" and "other surplus" should be combined, and there should be added to them \$11,811,000 arising from the suggested cancellation of government loans. This account should in future be designated "Surplus arising from contribution of capital assets by Government of Canada".
- (5) All future grants by the Government for capital expansion and development should be credited to this surplus account and future provisions for depreciation and obsolescence and amortization of leasehold improvements should be charged to it. Thus, at any time, the balance in this account should be offset by the depreciated value of the capital assets of the Corporation and unamortized balance of leasehold improvements.

Finances

- (6) Depreciation should not be included for the purpose of estimating future CBC requirements on current operating account. It should be calculated and charged to surplus account as suggested in the preceding paragraph and should be used in internal accounting for the purpose of determining departmental costs and commercial charges. An appropriate statement as to how depreciation is handled in the accounts should be included in the annual financial statements of the CBC.
- (7) The annual balance sheet of the CBC should be divided into revenue and capital sections.

(NOTE: — Actual figures for March 31, 1957, when available, should be used in place of the estimated figures set forth in the above suggestions. The cost of the government bonds held at that date should be adjusted to market value).

Should these suggestions be adopted, the following statement shows the CBC balance sheet before and after these several adjustments.

REVENUE SECTION

	<i>Before Adjustments</i>	<i>Pro-forma after Adjustments</i>
(thousands of dollars)		
<i>Assets</i>		
Cash and Government of Canada Bonds.....	\$12,442	\$ 2,967
Other Current Assets.....	7,792	7,792
Engineering and other supplies.....	1,668	1,668
	21,902	12,427
Less: Current liabilities.....	6,427	6,427
Working capital.....	\$15,475	\$ 6,000
 <i>Liabilities</i>		
Capital Stock.....	—	\$ 6,000

Royal Commission on Broadcasting

CAPITAL SECTION

	<i>Before Adjustments</i>	<i>Pro-forma after Adjustments</i>
	(thousands of dollars)	
<i>Assets</i>		
Capital Assets.....	\$32,339	\$32,339
Less: Accumulated Depreciation.....	9,267	9,267
	23,072	23,072
Leasehold improvements (net).....	600	600
	\$23,672	\$23,672
<i>Liabilities</i>		
Government of Canada loans.....	27,286	—
Surplus.....	\$11,861	\$23,672

Provision of Capital Funds

Because of the difficulty in making reliable estimates of capital costs over a period of six years, we think that an attempt should not be made to approve a firm capital programme for the whole of this period or to seek some revenue source which might yield sufficient funds for capital purposes. We think the general scope of capital needs should be considered and we believe our forecasts on capital account give the best available estimate of the general size, scope and nature of the funds needed by the CBC. We are satisfied that capital expenditures of this general order of magnitude will be needed to provide production and distribution facilities for national radio and television services, to improve presently inadequate facilities and to make possible the desirable expansion of CBC operations that we have recommended. We think it is of first importance that such a programme should be considered as a whole and given general approval in principle at an early date. We have pointed out the difficulties and the additional costs that result from the piecemeal approach to capital requirements of the CBC and the lack of sufficient forward planning of physical needs with some assurance that the needs will be met.

Finances

We recommend that the capital budget for the CBC should be approved and provided annually by the Federal treasury. Detailed proposals for capital in the following fiscal year should be prepared by the operating officials of the CBC, within the scope of a long-term plan, and submitted to the Board of Broadcast Governors for consideration and approval. The Board's recommendation would then go to treasury officials for consideration by the Minister of Finance and the Government and for inclusion in appropriate estimates for submission to Parliament. We recommend that the money for approved capital expenditures should not be paid to the CBC as a loan, but as a grant for capital purposes, in the same way that a capital expenditure for a post-office, a harbour installation, or a national library would be treated. Since, as we have pointed out, there is no prospect that commercial revenues will ever be sufficient to cover the CBC's operating expenditures, loans can be serviced and repaid only by increasing the operating grants provided by the Government, and this, we think, is a confusing and unnecessary bookkeeping transaction.

Quite apart from the practical difficulty of forecasting capital costs over a six-year period, we think there is advantage in having capital programmes approved annually. These developments of physical plant and equipment of a publicly owned broadcasting enterprise *ought* to be considered by the Government and Parliament at regular and frequent intervals. These are the things that really determine the course of future activities. This is where the policy can be effectively determined rather than in the sporadic examination of programmes or other operating details. This is the surest way, we believe, to carry out the intent that the broadcasting system should be directly subject to Parliamentary control and supervision.

As to the source of these capital funds, we were interested to find that the estimated yield from the present 15 per cent excise tax on new television and radio sets and parts, which presently is the basis of government grants to the CBC under section 14(4) of the Broadcasting Act, is so close to our estimate of future capital requirements that we may be accused of deliberately making them the same. Admittedly, any forecast of the yield of a tax is subject to even more

Royal Commission on Broadcasting

uncertainty than a forecast of capital costs. But the results over the six fiscal years of our forecasts are as follows:

<i>Year ending March 31</i>	<i>CBC Capital Requirements</i>	<i>Revenues from Excise Tax on Sets</i>
	(Thousands of dollars)	
1958.....	\$ 10,583	\$ 16,000
1959.....	14,357	17,000
1960.....	13,180	16,000
1961.....	23,206	18,000
1962.....	29,633	23,000
1963.....	23,903	26,000
	\$114,862	\$116,000

We think the excise tax on sets and parts has been an unsatisfactory method of providing operating revenues for the CBC. In the early years it yielded too much and recently, and for the future, it will yield too little. The excise tax on sets and parts may however have a more logical application to capital requirements of the public broadcasting system. This tax is really a tax based on the capital value of the instrument that will be used to receive broadcasting signals. It does not seem illogical that the purchaser of this instrument should, at the time of purchase, make a contribution to the capital cost of the public system that will produce most of those broadcasting signals.

We were urged by the manufacturers of television and radio sets to suggest that this excise tax on sets and parts should be repealed.¹ They argued that it discriminated against the electronics industry as compared to other Canadian manufacturers, and that it tended to depress the volume of sales of television and radio sets by increasing the price Canadians have to pay for them. Without getting into the theories of the excise tax law, we have the impression that there are a number of Canadian products on which excise taxes have been imposed and that the tax on television and radio sets does not

¹ Exhibit 204 filed by the Radio-Electronics-Television Manufacturers Association of Canada.

make the manufacturers of these commodities unique in Canada. As to its effect on volume of sales, the rapid acquisition of television sets in the last four years would not seem to confirm the views of the manufacturers that the tax has depressed effective demand. Had the growth of set ownership proceeded any more quickly, we would only have added to our present problem of the rapid expansion of television services; but, of course, no one can be sure as to the future of consumer demands.

What is done with the proceeds of this tax, if it is continued, may not be of great importance. If it is left in the consolidated revenue fund as part of the general income of Canada, it should be recognized that this tax is likely to yield about the amount that the CBC is likely to need on capital account. At least, it should be recognized that grants for both capital and operating purposes of the CBC are not both new grants; the yield of the excise tax is an offsetting item.

It would, we think, be worth considering earmarking the proceeds of this excise tax, either in the Government's hands or by transfer in trust to the CBC, as a fund for capital purposes of the public broadcasting service. Payments out of this fund (in whatever hands it is held) should be on annual approval of a capital budget in the manner we suggested above. If our estimates of future capital requirements and future yield of the excise tax are reasonably accurate, the receipts and expenditures from the fund in the next six fiscal years should very nearly balance each other.

If our suggested procedure for annual approval of a capital budget is accepted, present provisions in section 10 of the Broadcasting Act should be modified or eliminated. This section requires the Corporation to obtain the approval of the Governor in Council before —

- (a) Entering into any agreement involving an expenditure in excess of \$25,000;
- (b) Entering into an agreement or lease for a period exceeding three years;
- (c) Acquiring any personal property exceeding a cost of \$25,000;
- (d) Disposing of any personal property having an original or book value exceeding \$25,000.

Royal Commission on Broadcasting

With advancing price levels and the much higher costs of television there are numerous transactions involving expenditures of \$25,000 or more and all these must be reviewed by the Treasury Board before being considered by the Governor in Council. This seems a cumbersome and unnecessary procedure. We suggest that it should be eliminated because of our recommended procedure for approval of annual capital budgets.

Provision of Operating Funds

Before making suggestions as to how operating funds from the public treasury might be provided, it may be well to discuss one or two methods by which they cannot, or should not, be provided. We have probably said all that need be said about the present provision for transferring to the CBC an amount equal to the excise tax on sets and parts. We think this is an inappropriate way to provide operating revenues although it may be one method of obtaining a contribution to capital costs from set-owners who use the broadcasting service.

A second method used in some other countries and, at one time, in Canada, is the payment of an annual licence fee by each set owner or by each television or radio-equipped household. This certainly seems a logical way for a group of people to make a joint purchase of a service they want. It is not strictly equitable as presumably a flat fee would be charged and all licensees would not make the same use of the service; but it seems much more equitable than the earmarking of a particular tax or the payment of grants out of general revenues arising from taxes paid both by those with radio and television sets and by those who hope never to have one in the house. The yield from the licence fee is reasonably predictable and the support required or desired to be given can easily be adjusted, upwards or downwards, by changing the amount of the individual licence fee.

The flaw in this approach to the problem is that virtually nobody favours it, and many people feel quite strongly in their opposition. The arguments against it range from the inefficiency and excessive cost of collection, through the likelihood of evasion and difficulty of enforcement, to the simple claim that a licence fee is a nuisance tax

and generally unpopular. One argument that impressed us was contained in a communication in verse from an old age pensioner who said:

“Listen, bud, your name is mud,
With all us graybeards here
Unless you see we’re kept tax free
On our four eight O each year.
It’s possible you may forget
That the poor are still around,
And a tely tax just can’t be met
When the money can’t be found.”

And indeed there is much merit in the argument. Apparently, too, there is no developed practice or tradition in Canada for the payment of licence fees by the general public to the Federal Government. The experience with the small radio licence fee was not satisfactory, collection was expensive, evasions were high and nobody liked it. In the circumstances, whatever the theoretical merits of a licence fee on receiving sets may be, we think the reimposition of such a tax in Canada is impracticable and we recommend against it.

However, the basic idea that lies behind both the earmarking of the excise tax and the payment of a licence fee on receiving sets is a good one. There is merit in having those who receive the service pay the cost of it. It is sound to have a method of financing that somehow indicates to the individual consumer the share of the total cost that he is contributing which he can then weigh against the individual service he is getting. The owner of a television set in England knows that the viewing of all the BBC television programmes he and his family choose to look at in a year will cost him £3; he is not the least concerned with the fact that the total income of the BBC in 1955 was nearly £21 million. In a less direct way, the Canadian purchaser of a television set with a factory price of \$200 may know, or can find out, that he is contributing \$30 to the cost of broadcasting services in the year of purchase.

Perhaps, however, the most important feature of these methods of providing operating funds to a broadcasting service is that they can be put in the statute for a term of years and left there until there is some reason to make a change. Parliament does not have to vote the funds each year; the amount available for broadcasting services

Royal Commission on Broadcasting

is not dependent on the chance that as the estimates come up for consideration, the broadcasting agency is in temporary favour with the majority of members or on the chance that the members are, for the moment, irritated with some series of programmes or some policy of the agency. Both extremes are equally bad.

This is not a suggestion that Parliament should be deprived of jurisdiction or should somehow be circumvented in its supervision of the broadcasting agency. It is a simple recognition of the fact that, in broadcasting, it is of primary importance that the operating agency be independent of control and interference from the government of the day. Since, in our constitutional practice, money bills must originate with the Government, annual votes give to the executive an almost constant vehicle for influence, or the appearance of influence, on the broadcasting agency. These are not merely theoretical ideas, but there is practical confirmation of them in Canadian broadcasting experience. If the history of the Canadian Radio Broadcasting Commission, between 1932 and 1936 is examined, especially in the evidence and reports of several Parliamentary committees in the period, there is much to suggest that the provision of finances to the Commission by annual votes was regarded as one of the weaknesses in the system which led to the extensive changes of 1936 when the Canadian Broadcasting Act was passed.

If at all possible, where public money must be voted, it is desirable that needs should be assessed over a period of years, and if Parliament decides to meet those needs, that provision be made for doing so over the period. Once financial provision has been made, unless something very startling or unexpected occurs, the agency should then be expected to live within the provision, and Parliament can concentrate its attention on seeing that the money it is providing is well and efficiently used. At all events, this is the kind of financial technique that seems to us to be desirable and we recommend it should be adopted.

There is one other objective to be kept in mind with respect to these financial arrangements. We are proposing that the broadcasting agency should receive amounts sufficient to discharge its defined responsibilities — this much and no more. Once this amount has been determined and provision has been made for its payment, the broad-

casting agency should be required to manage its affairs within that income. If the CBC later finds that a new or different type of service or programme is desirable it must find the money within the total existing budget. If it makes a mistake in estimating a programme cost, it must correct it by economizing somewhere else. It cannot go back to the Federal treasury asking for more money. But this can only be a practical procedure if some provision is made for changes in the value of the dollar. If there is inflation, the number of dollars will need to be increased, or if, as seems unlikely, the purchasing power of the dollar improves, the total number of dollars granted to the CBC should be reduced. Any financial formula should seek to make some adjustment for inflationary and deflationary trends.

We feel strongly that current operating revenues for the CBC should be provided by Parliament for a term of years by means of a formula that will meet the estimated needs of CBC and will be assured for the period, so that the CBC can make long-range operating plans of the kind that seem to be necessary. For example, it would seem to us to be unsound and wasteful for the CBC to increase its operating costs in 1959 by obtaining some colour programmes from the United States for transmission in Canada, unless in 1960 and subsequent years, it knows it will be able to go forward with the progressive introduction of colour programmes from Canadian studios; it would be better, in our opinion, not to embark on colour television at all unless a reasonably adequate development can be assured. Similarly, any plan for increasing present television or radio coverage, with its attendant capital expenditures, should not be undertaken unless there is some certainty that the increased operating funds needed to provide programmes to the new stations will be forthcoming, so also any plan to increase coverage should not favour those Canadians added to the service in 1959, unless other similarly situated Canadians in other places can be added to the service in 1960 and following years. We have chosen, for practical reasons, the period ending March 31, 1963 for our forecast of CBC net operating requirements. If it were much longer, it would be difficult to forecast requirements with any accuracy; if much shorter, a sufficient time for forward planning would not exist. If our estimates are accepted as sound and reasonable, we recommend that a statutory provision should be made to assure these funds to the

Royal Commission on Broadcasting

public broadcasting agency for the next six year period, and that it should be given a chance to show what it can do in operating a broadcasting service with a clearly defined objective and an assured revenue adequate to discharge that duty — and no more.

We recommend that the amount provided to the CBC for current operations should not be divided between radio and television services, but should be a single grant for public broadcasting activities. We think there will be a good deal of inter-action between radio and television in the next six years. As the hours of television broadcasting are increased, the impact on both radio listening and its commercial revenues, which has already occurred in the evening hours, will probably be extended. We believe that radio can, and should, meet this challenge and continue to be a vital medium serving Canadians in new and important ways. We think it is more likely to do this effectively if both radio and the financial provision for its support are treated as an integral part of a single broadcasting development. However we think that, for internal accounting purposes, and for the information of the Board of Broadcast Governors and Parliament, the CBC should continue to prepare separate statements covering its radio and television activities. But in allocating charges common to the two services — that is, in dealing with so-called “integrated services” — we suggest that a simpler method of dividing costs between radio and television activities should be found, even if it is necessary to make the division on a less scientific and more arbitrary basis than at present.

For convenience — and as a basis for putting forward our suggestions for providing the operating requirements of the CBC over the next six years — we repeat the forecasts we have already made. We estimate the two services, radio and television, will require from the public treasury for operating expenditures, after receipt of commercial revenues, the following amounts in constant 1956 dollars.

<i>Fiscal year ending March 31</i>	<i>Thousands of Dollars</i>
1958	\$ 44,238
1959	50,130
1960	55,762
1961	61,842
1962	67,512
1963	73,909

Finances

For the fiscal year ending March 31, 1958 we assume that before our report can be considered, some provision will be made for CBC operations, by allocation of taxes or special grants or both. We recommend that, as early as possible during that fiscal year, a grant be made by Parliament of an amount equal to the difference between the sums actually voted and paid to the CBC under such provision and \$44,238,000, so that the latter sum will be made available for the fiscal year ending March 31, 1958.

For the period between April 1, 1958 and March 31, 1963, we recommend that Parliament should take action to provide the amounts set out in the above table for the five fiscal years, so that there will be assurance in advance that sums equivalent to the amounts stated in terms of 1956 dollars will be forthcoming.

To achieve this end we put forward for consideration several suggestions as to method and procedure.

Method A

The simplest, but probably least desirable way to meet the estimated needs of the CBC for operating revenues over this five year period, would be to vote, at one time, as a statutory grant the five stipulated annual sums with a provision that the dollar amount of each would be adjusted, upwards or downwards, to take account of inflation or deflation in the value of the 1956 dollar.¹

If our views are accepted, this is the simple and direct way to do what has to be done. However, we fear it has the weakness of making it too easy not to provide for the full period but to take piecemeal action by means of annual appropriations. This, we feel strongly, would be fatal to the creation of an efficient and independent broadcasting agency.

We hope no one will misunderstand the purpose we have in view. We are not trying to mislead anyone—least of all Parliament. We are not seeking to “sugar-coat the pill”. No one can argue for a moment that Parliament cannot change its decision one year or three years or five years hence.

¹ See discussion under Method B as to method of making the adjustment.

Royal Commission on Broadcasting

Parliament is sovereign. We are only suggesting that it is much better to lay out a plan for a period of years, give the agency a chance to make efficient long-term arrangements and change the plan only if serious miscalculations or new circumstances appear, rather than try to eke out a policy in annual installments without anyone being able to plan ahead and with everyone being able to find an adequate excuse for shortcomings and failures. If there is to be a public broadcasting agency it should be given the chance to be business-like and efficient.

Method B

A second method, similar to the preceding one but avoiding the enactment of dollar amounts over a period of years, would be to provide in the statute for an increase of each annual payment by a defined percentage, at a fixed rate, based on the preceding year's payment. The percentage rate of increase would apply to the actual amount paid in the preceding year and the increased amount would be adjusted to take account of changes from year to year in the value of the dollar.

The percentage increase needed to produce approximately the estimated needs of the CBC for operating revenues is, as we have said, 11.376 per cent, starting from the total amount of \$44,238,000 required in the year ending March 31, 1958. If this percentage increase is applied to each of the five succeeding fiscal years the following amounts would be yielded in 1956 constant dollars, as compared to the estimated cash requirements of the CBC.

<i>Fiscal Year Ending March 31</i>	<i>Estimated Cash Requirements for Previous Year</i>	<i>Yield by Adding 11.376% to Previous Year</i>	<i>Estimated Cash Requirements for CBC</i>
(thousands of dollars)			
1959.....	44,238	49,270	50,130
1960.....	50,130	54,876	55,762
1961.....	55,762	61,119	61,842
1962.....	61,842	68,073	67,512
1963.....	67,512	75,817	73,909

It will be seen that the application of a fixed percentage rate of increase over the period yields slightly less revenue than we estimate the CBC will require in the first three years and slightly more than its estimated needs in the last two years. The rate of increase of about $11\frac{1}{3}$ per cent is, as we have explained in detail above, a faster rate of expansion than is expected for the general economy. It is made up of somewhat more than 4 per cent per year for "normal" growth of the system and about 7 per cent per year for three major expansions of the system (colour, coverage extension and increase in the hours of broadcasting).

This formula has the advantage of yielding the estimated requirements of the CBC without being based on any general economic index or forward estimates of economic trends. It has the disadvantages, first, that it fails to make an automatic adjustment for upward or downward movements in the Canadian economy, which presumably the CBC's fortunes should parallel, and secondly, that it fails to indicate to an individual taxpayer the amount, or at least the order of magnitude, of his individual contribution to the national broadcasting bill.

This formula would be expressed somewhat as follows: There shall be granted to the Corporation out of the Consolidated Revenue Fund in each of the five fiscal years beginning April 1, 1958 a sum equal to the amount actually granted to the Corporation in the preceding fiscal year, plus 11.376 per cent thereof, such total to be adjusted for price changes occurring during the preceding calendar year.

The adjustment for changes in price levels would need to be spelled out in the statute, but there are a number of recognized and accepted methods readily available for the purpose. The Dominion Bureau of Statistics has one index which it uses for adjusting the statistical series measuring the Gross National Product to constant dollar figures and to which it gives the rather formidable description of "implicit price deflator for gross national expenditure". This seems to be an index which would closely reflect changes in many of the

Royal Commission on Broadcasting

costs the CBC would encounter. An alternative method would be to use changes in the Consumer Price Index, applying either the annual figure or the figure for the December immediately preceding the beginning of the CBC fiscal year.

Method C

A somewhat different approach would be to use a formula based on one of the recognized measurements of national economic activity and provide for payment to the CBC of small percentages of the selected measurement figure sufficient to yield the sums needed. We considered a number of the available statistical series — especially the Gross National Product and one of its components, the Personal Expenditure on Consumer Goods and Services. The latter appears to us to be one of the steadiest indices of national activity and growth, and to have a close relationship to consumer expenditures on broadcasting, which indeed form part of it.

In each of the five fiscal years between April 1, 1958 and March 31, 1963 there would be paid out of the Consolidated Revenue Fund to the Corporation an amount equal to a percentage of total Personal Expenditure on Consumer Goods and Services, for the next preceding calendar year as calculated for the National Accounts by the Dominion Bureau of Statistics. Such percentage would increase from approximately $\frac{1}{4}$ of 1 per cent in the first of the five fiscal years to approximately $\frac{1}{3}$ of 1 per cent in the last of the five years.

The actual percentages, which should be spelt out in the statute, are as follows:

<i>Fiscal Year Ending</i> <i>March 31</i>	<i>%</i>
195926998
196028858
196130755
196232262
196333941

These should be applied to total Personal Expenditure on Consumer Goods and Services of the next preceding calendar

Finances

year. For example, preliminary estimates for the total of Personal Expenditure in the calendar year 1958 will be available in February 1959. These could be used for preliminary purposes for the fiscal year beginning April 1, 1959 and adjusted when final figures become available about June 1959.

This formula has some obvious advantages. It relates revenue of the CBC on operating account to a figure which grows as the Canadian population and economy grow. If there is inflation, its effect will be shown immediately in the total of consumer expenditure. This statistical series is a remarkably stable one and there is merit in relating broadcasting costs to the total that Canadians elect to spend on items of current use and enjoyment. If any individual wants to estimate his share of broadcasting costs he can do so easily. For example, if he spends for himself and his family \$3,000 on consumable goods and services, his annual broadcasting costs over the period will range between \$7.50 and \$10.00 per year, and he can make some kind of judgment as to whether he considers the services he gets are worth these amounts.

The provision of a variable and rising percentage over the period is a complication, but it appears to be unavoidable. As explained earlier, the Canadian broadcasting system is still young and growing — growing faster, in fact, than the Canadian economy is growing. This is not surprising for these new media of communication, but it makes any formula tied to a fixed percentage of any economic index inadequate to provide the funds required. In our suggested formula, the original $\frac{1}{4}$ of 1 per cent of personal expenditures on goods and services will provide, in effect, for the normal growth of the broadcasting system. The progressive rise to $\frac{1}{3}$ of 1 per cent is needed mainly to make provision for the three special items of expansion of the broadcasting system (colour, extension of hours and expansion of coverage) which we discussed earlier.

The detailed percentage figures to be applied for each of the five fiscal years were directly calculated to yield in constant 1956 dollars the amounts we have estimated as needed

Royal Commission on Broadcasting

in these years by the CBC. These percentages are derived from estimates in constant 1956 dollars of future levels of total Personal Expenditure on Consumer Goods and Services, which are expected to increase at an annual rate of slightly more than 4 per cent in the next few years. The formula in application would, of course, be applied to actual dollar figures and would thus give automatic adjustments for inflation or deflation. Also, if the *real* economic progress of Canada were faster or slower than the expected rate of expansion, it would mean that the CBC would get more or less than the annual amounts we now estimate as needed. This, we think, would be a good thing, as we feel that the CBC should grow faster if Canada develops more rapidly and should be required to reduce its rate of expansion if the Canadian economy encounters temporary difficulties.

We have attempted to outline three different methods from which Parliament may wish to choose for the provision of operating funds to the CBC in the five fiscal years under consideration. Each of the suggested methods has certain advantages and certain defects and we have tried to set out both. Our own preference is for Method C as having the greatest number of advantages and the fewest defects.

Whatever method is selected, we recommend, with as much emphasis as we can, that it should be applied by statute for the full five-year period and not altered unless some really serious change occurs in the Canadian broadcasting situation.

Moreover, we recommend that before March 31, 1963 — perhaps as much as a year before that date — consideration should be given by the Government to the method of providing future operating revenues beyond the period we have dealt with in our recommendations. To assist in this purpose, it would be well if steps were taken to maintain forward estimates of operating expenditures and revenues on a moving five-year basis. We have already suggested that the Canadian broadcasting system should be firmly established for a ten-year period ending in 1967. If our suggestions for its supervision and control have proved to be sound and workable, it should be possible to find a relatively simple way to make the necessary estimates and

Finances

calculations for the provision of financial support for the CBC after April 1, 1963. Perhaps by then, the rate of expansion of the broadcasting enterprise will have levelled off to something closer to the rate of expansion of the Canadian economy to which it might be related by a simple formula for the calculation of needed funds.

Chapter XII

Conclusion

PERHAPS some curious Canadian will ask what stands out in our minds, now that we have reached the end of our report. What is it, after fourteen months and several million words, that seems to matter in all this? We would reply something like this:

We have a good broadcasting system. The joining together in one system of public and private ownership suits Canada and serves Canadians well. It has had its confusions in the past and its rather silly quarrels. But, in essence, the concept is a good one—and we would be wise to keep it very much as it is but improved, strengthened and tidied up where possible.

We are trying to do something that is not easy. The natural pressures are against us; the flow runs north and south and we are trying to make some part of it run east and west. The forces of economics are against us too, as they have been against many odd Canadian dreams and aspirations in the past. But this is one we had better work at, for it is really important if we are to keep a Canadian identity and culture; if there is, in fact, to be a Canadian force in the world. And that may be important to many people — both inside and outside Canada.

To do this, we must be prepared to spend public money in quite large quantities. The Canadian economy is just not big enough to support a broadcasting system on commercial revenues alone. At least, it would not be one we would want to have or one that would be anything more than the scattered outposts of American broadcasting networks. The central factor in a Canadian system is the CBC, supported by money out of the public treasury for both its capital and operating needs.

Royal Commission on Broadcasting

In the past twenty years the CBC has made some mistakes and has, on occasions, been left in somewhat impossible situations. But its mistakes have largely been mistakes of over-enthusiasm, a certain clumsiness and lack of practical experience, and a little uncertainty both as to where it was going and where it would be allowed to go. Perhaps others will think, as we do, that these are rather typical Canadian faults.

Now, however, with the development of television and the enormous expansion of broadcasting costs, there is more reason than ever to correct such mistakes and faults, if it is possible to do so. We felt something could be done by trying to define more precisely the scope of the national broadcasting service, both as to what it should try to accomplish and as to its physical limits, such as geographical extensions of coverage, number of daily hours of service and new developments like colour television.

The second step we took was to estimate as closely as possible how much this was going to cost, over and above what could be earned by the CBC through efficient commercial activities. These estimates covered both operating costs and capital requirements over the period up to March 31, 1963.

The third step was to suggest methods by which these public charges could be provided on an assured basis and to indicate the one we would prefer to see used.

In this way we tried to suggest both a definition of what is expected of the CBC and a means to discharge that duty. If this is done clearly, it should be made equally clear that this is all the public money the CBC can have and it must manage its activities and live within these financial provisions. To do that, we have suggested some changes in the management and operational activities of the CBC. Then we suggest there should be a Board of Broadcast Governors, representing a broad public interest and experience, which would be responsible for control and supervision not only of the public broadcasting agency but of all private broadcasters as well. And beyond these special agencies, there remains the continuing supervision of Parliament making sure that these powerful media of influence in our daily lives do not get out of control.

We think this is a system that will meet Canadian needs.

Conclusion

ALL OF WHICH WE RESPECTFULLY SUBMIT
FOR YOUR EXCELLENCY'S CONSIDERATION.

A. M. Fowler.

Chairman

Gene Burnett

J. Stewart.

Rauf Zeffertier

Secretary

MARCH 15, 1957.