



Canadian
Association of
Broadcasters

L'Association
canadienne des
radiodiffuseurs

June 29, 2007

Via email: lahaij@parl.gc.ca

Chair, House of Commons Standing Committee on Canadian Heritage
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Chairman and Members of the Committee:

**Re: Examination of the role of the public broadcaster in the 21st
Century – CAB response to follow-up questions**

The Canadian Association of Broadcasters appeared as a witness before the Standing Committee on Canadian Heritage on March 27, 2007 in the context of the Committee's investigation of the role of a public broadcaster in the 21st century. At the conclusion of our appearance, we undertook to file a written response to a number of follow-up questions from the Committee Chair and from Member Maka Kotto. The CAB is pleased to provide the following additional information in response to those questions.

Question from Chairman Schellenberger:

Q. Can you provide the committee with some hard data that the CBC's activities distort the marketplace? What is the meaning of CBC's activities distort the marketplace? Could we get some evidence of that maybe sent to us?

CAB response:

As noted in our written submission, CBC/Radio-Canada competes directly with private sector broadcasters for the right to broadcast popular foreign programming. In so doing, CBC/Radio-Canada is driven by a need to maximize viewing audiences in order to generate advertising revenues, given the extent to which it relies on advertising revenues to support its core English-language and French-language television operations. At the same time, however, the public broadcaster has access

to approximately \$1 billion in public funding, enabling it to bid more than its private sector counterparts for the acquisition of such programming with little concern for fair market value. The CAB's concern is that this activity artificially distorts the program acquisition marketplace by driving up the costs of acquiring such programming for all parties.

Our written submission cited the example of blockbuster Hollywood movies that CBC acquires for broadcast in prime time on its English-language television service. The CAB submits that such activity inflates the acquisition cost of similar content for private sector broadcasters, but does nothing to promote the goal of providing distinctive programming and enhancing diversity within the broadcasting system.

In French-language markets, potential impacts on program acquisition costs are even more problematic given Radio-Canada's very strong competitive position with francophone viewers. Radio-Canada broadcasts the American series *Beautés désespérées* (Desperate Housewives) and *Perdus* (Lost) in prime time, scheduled against home-grown independent productions on private sector stations. We understand that Radio-Canada's acquisition cost for these two series is in excess of \$20,000 per hour, compared to an average cost paid by private television broadcasters of \$7,000 to \$8000 per hour for similar programming. The CAB is concerned that Radio-Canada's access to public funding enables it to overbid for the right to broadcast such programming, representing unfair competition to private sector broadcasters and introducing distortions into the program acquisition marketplace.

Moreover, the CAB notes that the Auditor General's Special Examination Report on the CBC/Radio-Canada, released in November 2005, found that CBC/Radio-Canada would benefit from refining its approach to managing program rights to ensure that program rights are used in an optimal manner. For example, private broadcasters traditionally air their programs in accordance with the number of airplays acquired. However, the Auditor General's examination found that numerous programs acquired or commissioned by the CBC/Radio-Canada were still available for broadcast. Specifically, the Auditor General found that these programs represented at least 8,800 hours of programming for the French network, and 5,800 for the English network. What this indicates is that the public broadcaster is either acquiring more replay rights for programs than it intends to use, which calls into question the efficiency of its program rights management, or, it is acquiring these additional rights with the intention of putting these programs "on the shelf" to preclude acquisition by the private sector. Either scenario distorts the commercial marketplace for the acquisition of program rights.

As a final point, the CAB would note that, while the nature of this problem is clear, the full extent to which CAB/Radio-Canada's activities distort the competitive marketplace is almost impossible to assess, given the limited reporting requirements to which it is currently subject. In the CAB's view, this reinforces the need for greater accountability in terms of financial reporting requirements so that interested parties can better assess the extent to which CBC/Radio-Canada is spending public funds wisely in furtherance of its public service mandate.

Questions from M. Maka Kotto:

- Q1. First, with regard to attracting audiences, the basic principle of attracting large audiences is at the foundation of public television, as we know. How can a public broadcaster devote itself to reaching large audiences without getting embroiled in direct competition with the private sector?**

CAB response:

To begin, the CAB respectfully disagrees with the premise that the goal of a public broadcaster is necessarily to attract large audiences. A public broadcaster's role is to reach all of the "publics", which means that some programming that is targeted to specific audiences is not mass appeal programming but targeted programs.

However, if one accepts that CAB/Radio-Canada operates on the basis of attracting large audiences, then the question of competition with the private sector brings us to the crux of the matter. By seeking to attract large audiences, CBC/Radio-Canada is missing an opportunity to respond to the diversity of public tastes and demands for certain types of programming.

CBC/Radio-Canada, as a public broadcaster receiving considerable public funding to meet its mandate, must speak to all of its audiences and target them with programming that speaks to their interests and expectations. The concept of providing public funds to create programming that will reach many audiences but not necessarily in massive numbers is the basis of public broadcasting. It means that a public broadcaster should provide programming that others may not be able to offer because it is not commercially viable. It does however respond to some part of their audience which provides the public funding and who should therefore be entitled to receive such programming.

- Q2. Now for the second question dealing with CBC/SRC core service - can you define core service?**

CAB response:

In our written submission, the CAB focused on the core radio and television services provided by CBC/Radio-Canada, as these are the services almost universally available to all residents of Canada. More specifically, the CAB considers that the core services are the over-the-air radio and television services that are available across the country at no charge to Canadian listeners and viewers – the two English-language and two French-language radio services and the CBC and Radio-Canada television networks. These services represent the face of the public broadcaster to the vast majority of Canadians.

The CAB acknowledges that CBC/Radio-Canada has moved into several other platforms over the years – specialty services such as Newsworld, RDI and Country-Canada, pay audio and newer digital platforms such as satellite radio (in partnership with Sirius Satellite Radio and Standard Radio) and several Internet websites. While these various other services may contribute in certain ways towards the achievement of CBC/Radio-Canada's mandate, the CAB does not consider them to form part of the core service.

Q3. And now for the final question: with the burgeoning of the audiovisual landscape, to limit Radio-Canada/CBC to its core services, is it not condemning the public broadcaster to a slow death?

CAB response:

The CAB is not suggesting that CBC/Radio-Canada be limited to its core services in terms of the overall scope of its activities, but we are suggesting that it is the core services only that should benefit from public funding. As such they should be the primary vehicles for achievement of the mandate of the public broadcaster, and CBC/Radio-Canada must ensure that its participation in other platforms does not come at the expense of its core broadcasting services.

The CAB submits that if the mandate of CBC/Radio-Canada is clarified, if the rules to which it must adhere are clear, and if appropriate funding is provided to meet that mandate, then CBC/Radio-Canada will survive. If, on the other hand, it tries to move into every sphere just to fill self-perceived voids, and in so doing diverts resources intended to support its public services mandate, then it runs the risk of failure in meeting its mandate by trying to do everything when it can't.

The CAB appreciates the opportunity to provide these further comments in this proceeding.

Sincerely,

Original signed by:

Glenn O'Farrell
President and CEO

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