

Canadian Content in a Digital World Consultation

“A Way Forward for National Public Broadcasting In Canada”

By John Roman

The review process surrounding publication of *Canadian Content in a Digital World* in recent years is an opportunity for Canada to fix a decades old broadcasting system, one that, while never agile, has now become ossified. The outline of the consultation paper identified many of the concerns that must be addressed but there remain a few that apply to the English Canadian market that have not been delineated. This submission deals with those remaining points and suggests a solution that could effectively address issues confronting both Canada's creative community and its viewing audiences.

The problems addressed here are primarily identified with Canada's English television market. Some of them may also apply to a lesser degree to the services provided to Francophone Canadians but I will leave those to others with more knowledge of that specialized field to explore. My focus here is the range and quality of the publicly-funded television programming which English-speaking Canadians - over 25 million of them – have a right to expect.

The Audience Issue

"Canadian Content in a Digital World" sets out a number of highly laudable goals under the rubric of strengthening of Canadian content creation, discovery and export. But all are apparently aimed at the supply side of the production conundrum: empowering creators, improving access to domestic and foreign markets, enhancing news and information content and building the brand of Canadian content (including television features and series) so as to grow their international appeal.

There can be no quarrel with encouragement of Canada's creative Canadian sector across many platforms, digital or analog. But in the apparent absence of its reference in the paper under study, I am moved to point out that the 'demand' side of the entertainment equation must be given equal consideration. This is doubly true at a time when technology has ensured that most Canadian viewers have direct and ready access to some of the world's best programming: the entertainment genie has flown its bottle and the protectionist regulatory tools of former decades are no longer applicable.

We find ourselves making policy for a world in which the environment shifts almost by the day and the rules of the new game(s) are at best ill-formed and at worst indecipherable. Perhaps the only certainty is that the outcome of this process is bound to affect the range and quality of domestic entertainment products from which Canadians will be able to choose.

The concept of 'audience' is referenced in the working document only seven times and mostly with reference to international markets, rarely to meeting the needs and interests of Canadians themselves. And nowhere is there exploration of audience needs or appeal that can create conditions in which most of us "will actively seek out content produced by Canadians

It is critical that these issues be borne in mind because, difficult though the acknowledgement may be, statistics demonstrate that the majority of Canadian produced entertainment programming for the English-language market is of limited appeal.

In recent years, the audience for CBC-TV, the largest provider of Canadian content has fallen to roughly 3%¹ and domestically-produced entertainment shows rarely make it into Playback's list of the Top 30 of any week's most popular programs.

International Success

At one time, toward the end of the 20th century, Canada found itself the second-largest exporter of programming to world markets, second only to the United States. This success was driven by Canadian children's television programming which, in the 1980s and early '90s, was the envy of the world. Underpinned by a practical industrial strategy and established creative excellence, it sold extremely well internationally. An untimely domestic policy decision reduced network time for and funding of the genre and Canada rapidly lost its market dominance. But the proof was there: Canada had the creative talent and technical skills; add those to policies that provide the essential financial foundation to reach world-class production standards and you have the recipe for international success.

Unfortunately, in recent decades, funding and content restrictions, regulatory policy and market conditions – not to mention a lack of industry innovation and leadership - have created a production environment in which vibrant content with appeal to domestic or international audiences has become the exception.

A National 'Public' Broadcaster

The CBC provides Canadians with two English-language national public radio services. Unfortunately, both its national television channel (CBC-TV) and its all-news specialty channel, CBC-NN, are commercial and not public undertakings. The same is true of its non-broadcast web activity on CBC.ca.

If proof be needed, the Corporation's own executives are on record as describing CBC-TV as a "publicly subsidized commercial broadcaster"- not, you will note, a commercially-subsidized public broadcaster. Their description acknowledges that the CBC is beholden to advertisers and ranks revenue generation ahead of the needs of the public, its audience. And emphasizing this unfortunate commitment is that fact that, for years, they have been raiding the radio's budget (the public service) to shore up the loss of revenue (caused by dropping audiences and commercial revenue) on CBC-TV (the commercial service).

In 1936 the CBC was created to serve all Canadians as their national public broadcaster. In recent years, this special status has been eroded to the point where its own executives have

¹ See the evidence of Barry Kiefl, before the Senate Committee on Transportation and Communications, April 2, 2014.

admitted that it is no longer meeting its mandate², Now, two of its three offerings are wholly commercial and, instead of fighting to retain its public service status, the Corporation's management has effectively surrendered its public service licence.

At the same time, Canadian viewers have found new sources of compelling entertainment to which new technology provides ready access ... and the phrase 'Canadian content'; has become – for Anglophone audiences, synonymous with second-rate entertainment programming. That is not a stigma that can be easily overcome.

Hodgepodge Funding

This country's method of funding production is a complex, public/private model that has, at best, enjoyed only limited success with English-language film and television production and resulted in certain indefensible anomalies. For example, by regulation, a TV licensee is permitted to fund no more than 60% of the budget of an independently-produced program. Over time the actual percentage of budget provided has declined to the point where, today, Canadian networks are offering as little as 11% as a license fee - and that only if the producer can bring an American network contract to the negotiating table. In essence, Canadian content is now being limited – even pre-empted - by American market demands even before production begin, an outcome that contravenes the original intent of Canada's production support policies.

To compensate for Canada's inability to wholly underwrite the costs of its independent productions, we have constructed a system of federal/provincial/private mechanisms that 'top up' a program or series budget beyond the initial percentage provided by the network as a license fee. In essence, layers of bureaucracy have been added to the essential creative process. Most creators will tell you that bureaucracy is an antithetical to creativity and yet, in this country, we have institutionalized just such an inefficient process. Decades of experience tell us there has to be a better way.

If, as the working paper suggests, we are serious about designing a workable system that invests in talent and 'incentivizes' risk, then we must create the market conditions that offer at least one direct route to full funding at world rates. Only then will Canada's creators find themselves able to pursue their crafts with the expectation of real and competitive rewards.

The Usual arguments:

By launching this review, the Department of Canadian Heritage has accepted that current processes are not working. In the course of the review, a number of predictable proposals are likely to be brought forward.

- Broadcasters:
Canada's TV networks will probably try to make the case that they are already paying too much for programs and that current regulations are restricting their bottom line; that specialty channel bundling should be re-instated as a regulatory imperative. And they will complain that advertising dollars are deserting TV for the Web, despite their parent

² As stated by CBC EVP of English Services, Heather before the CRTC, January 19, 2016.

companies providing customers with PVRs to enable viewers to dodge commercial content, as well as reaping the financial rewards of internet service delivery.³ Their bottom line focus will entirely fail to address the issue of audience demand.

- The Young:

The internet generation, the millennials⁴, seem to think that anyone with a camera can be a journalist - and that Vice News is the way forward for all media. I have heard it suggested that the CBC should become more like VICE. That view ignores the special nature and responsibility of public broadcasting. A public broadcaster is meant to be an impartial service with a specific mandate⁵, designed to meet the needs of all Canadians at least part of the time - not just serving the young⁶. Moreover, VICE is already there, providing the VICE program options. There is no requirement for others to replicate for anyone – least of all the National Public Broadcaster – to replicate what is already being done.

- The Creative Sector:

Canada's creators have traditionally been reluctant to "rock the boat" when dealing with changes in the media landscape, Unfortunately, their timidity in the face of opportunity has frequently meant that opportunities have passed them by. In the current circumstances, they are the least likely to welcome change, as their recent participation in the CRTC's 'Let's Talk TV hearing' and subsequent fall-out has demonstrated.

That being said, however, it would be foolhardy – in both economic and cultural terms – to ignore the exciting prospects that this current process is making possible. Its objectives will only be achieved by bringing imagination and courage to the reinvention of the infrastructure required to enable Canada's creators to compete – and succeed – in the contemporary entertainment marketplace.

Borrowing from the Status Quo to Launch a New Concept

In most respects the 1991 Broadcast Act is badly outdated. Buried within, however, in Sections 3 (1)(q) and (r) lies the thread of an idea ignored for 25 years. It allows for the creation of a new public broadcasting service it christens 'the Alternative Programming Service'⁷ (APS).

³ In essence, the left hand taking from the right hand, so that the mouth can claim poverty and offer its empty right hand as proof of damage.

⁴ In the interest of transparency, the author should acknowledge that he fits the millennial designation in terms of age, if not in opinion.

⁵ As defined In the relevant legislation, currently Section 3 of the 1991 Broadcasting Act.

⁶ Unlike VICE which is never going to provide local radio or TV service across the country to ensure coverage of matters of local concern in remote or isolated regions of the country when such service has no hope of turning a profit.

⁷ Though the name of the service would undoubtedly be changed on its creation.

Even without new broadcasting legislation – a process bound to take several years to achieve – implementation of this option would make it possible to radically redesign the Canadian broadcasting landscape and, simultaneously address the objectives outlined in the “Focusing the Conversation”.

This initiative would take the following form:

First, CBC-TV would have its mandate curtailed to providing news and information-based programming - retaining ‘to inform and enlighten’ as its mandate, with specific reference to local, regional, national content as well as ‘Canadian perspectives on international affairs’. This would negate the need to continue CBC-NN as a specialty channel and its license would be handed back to the CRTC. CBC-TV’s news focus would be shared with its radio and internet services but radio schedules would continue to include a major entertainment component. As national public services, all CBC operations in every distribution medium would be provided commercial-free.

Second, a new public service ‘telecaster’⁸ (a.k.a., the APS) would be added to the CBC’s corporate responsibilities, and charged with the acquisition of original high-quality Canadian entertainment programming in many genres (drama, sitcom, variety, arts, children and youth). This expanding inventory of Canadian programs would be permanently banked as it develops on a nationally available streaming service and made accessible only to viewers in Canada. The APS would provide a range of programming currently not being offered to Canadian audiences by any domestic broadcasters, with a mandate to ‘engage, entertain, and challenge’ audiences. Its programming would supplement the narrower (but essential) information focus of CBC-TV and enable Canadians to enjoy a broad range of popular and cultural programming, content that will engage and challenge viewers of all ages, interests and tastes.

A publicly-owned Alternative Programming Service will provide the entertainment programming that the CBC-TV has lost the capacity to deliver. From Day One, the APS would set its sights high, seeking to enhance the viewers’ understanding of Canada and the world with carefully crafted and appropriately resourced programming of the highest quality in various genres.

Its responsibility would be to acquire programming from Canada’s independent producers, offering **full funding of production costs** in return for permanent Canadian distribution rights. The catalogue of high quality, popular Canadian programming in both French and English would grow each year, adding approximately 2 hours of content per day to the inventory once it is fully operational. Another unique feature would be the APS’ commitment to make each of its programs or series **available in both official languages** (as well, of course, as for the visually and hearing impaired) so that this country’s inadvertent ghettoization of publicly-funded entertainment can gracefully conclude.

Other key features of the APS include the following:

- Content could afford to be distinctive – even challenging - because, as a fully-funded public service, it would not be advertising-driven. This will allow development of a wide

⁸ The designation of ‘Telecaster’ is used here since online streamed services do not necessarily meet the definition of ‘broadcasting’ in the current Broadcasting Act

range of programming, all of it high quality and much of it focusing on Canadian stories, comedy and the arts, nature, discourse and youth.

- Most programs would be produced in either French or English, with soundtracks always available in the other official language. As the service develops, alternative sound tracks or sub-titles in a number of minority languages could also be made available as markets develop. This is an important feature because, by providing simultaneous access in multiple languages, the APS would be able to draw together and inspire an increasingly diverse population in ways no conventional service is currently prepared to do.
- The predictable growth of the on-line catalogue will ensure audience interest and quickly build a library of content with which audiences can engage at their convenience.
- The APS will assemble original content for online delivery that meets the criteria of Section 3(r) exclusively. It is not intended to compete with other services the CBC provide; it will not provide the news or current affairs shows that are expressly the domain of CBC-TV. Rather it will be its public service partner, rounding out the inventory of high-quality programming with which Canadian audiences will want to engage.
- Finally, as a national publicly-funded service, the APS will be exempt from data charges regardless of device used to download its streamed content so that reception of its content will be cost-free to Canadians.

Ultimately, the APS will become the online cultural hub for all Canadians. Much as the BBC is identified as central to the UK's identity, the APS should evolve into a unique public service that appeals to all people of all ages and interests across our vast northern landscape and making it possible for all of us to share what it is to be a 21st century Canadian.

Is This Fiscally Responsible?

When the Government last updated the Broadcasting Act in 1991, the budget of the CBC/Radio-Canada was set at about \$1b. Had the last 25 years of inflation been factored into its annual budget, the annual appropriation of our national public broadcasting service would have reached the \$2b mark in 2015. It is worth noting that Canadian taxpayers spend on average \$29 to support all the services provided by the CBC/R-C. This compares very poorly with the international average of \$82 for all countries with a public broadcaster. As a point of comparison, were Canadians meeting this international average, the annual budget for the CBC/R-C would have reached \$2.8b. But we're not even close.

It is also worth noting that, while the sum generated is no insubstantial amount, it still falls far short of what the BBC (universally acknowledged as one of 'the world's best') is granted annually. In 2014, the BBC's budget was £5.1b or around \$8.9 billion Canadian. Our population is roughly half of that of the UK, yet we're not providing even close to half that budget, despite the CBC/R-C having to provide services in multiple languages and cover **an area four times as large as the UK.**

If we – and our Federal Government - are serious about enabling Canadian creators to better compete in the digital world, then an investment in 'social infrastructure' of this critical service would certainly pay dividends on several fronts. We know, for instance, that for every dollar

spent on public broadcasting, three dollars are generated in the economy.⁹ In other words, increased funding of the CBC/R-C is not money down a black hole¹⁰ but, in fact, a fiscal generator for the economy.

While boosting spending on culture isn't always perceived as dramatically productive, it has to be recognized that the major new investment in Canadian production that the APS represents would be a tremendous boost both to the third largest industry in Toronto, and a major employer in Vancouver and Montreal. Further, it would demonstrate a commitment to resuscitating an industry that has been fighting for its life for over a decade.

Dividing up the Financial Pie

The objectives identified above could be achieved with the following allocation of funds to the National Public Broadcasting Service:

CBC (Radio and TV): an allocation of \$600 million in 2018, rising over ten years to \$1 billion, to allow it to rebuild its radio service, enhance its local, regional and national news operations, rebuild its journalistic staff and open new international bureaus.

Radio-Canada: increase its annual budget to \$450 million in 2018, building to \$650 million over ten years¹¹ to enable it to meet its unique programming and social objectives.

The APS An initial allocation of \$600m annually would enable the APS to begin to build an online catalogue of fully funded, wholly Canadian entertainment programming. Its budget is estimated to grow over the next decade, to \$1.5 billion as the capacity of Canada's production sector expands to meet demand.

In total this would represent an investment of \$1.65b in 2018, growing to an expenditure on the full national public broadcasting service of between \$3.15m to \$3.65m by 2027.

Picking up the tab

Who and how should Canada pay? In the process of recent regulatory hearings, several options have surfaced.

⁹ According to the Deloitte study on the CBC found at <http://www.cbc.radio-canada.ca/files/cbrc/documents/latest-studies/cbcradio-canada-economic-impact-deloitte-2013.pdf>

¹⁰ As some have been heard to argue

¹¹ Though R-C productions could (after completion of its initial broadcast contract commitment) also be made available to the rest of Canada through the APS if, in exchange for funding step-ups, the producers agreed to make it accessible to the Anglophone market as well.

1. Keep the current system with its mix of public and private funding sources but tax Netflix,
2. Impose a media tax on internet subscriptions and cell phones usage, or
3. Have the Federal Government underwrite the full cost, but make changes to the system such that it would:
 - Remove minimum expenditure and Canadian programming content requirements (except for mandatory carriage of news) for private, commercial broadcasters.
 - Eliminate third party funding for Canada's English-language television programs.
 - Sustain the simultaneous substitution regulations that benefit private broadcasters but impose a levy on the profits of their BDU-owners¹² that can be redirected to enhance funding to the CBC/R-C.

“Trying to Achieve ... ”

Canadian Content in a Digital World has identified the objectives of the Federal Government as follows:

- To empower creators and cultural entrepreneurs so they can thrive and contribute their best to Canada's economy and quality of life;
- To create pathways to market so creators can share stories that positively shape an open and inclusive Canada;
- To increase democratic activity through high-quality news, information, and local content that reflects diversity and different perspectives;
- To enhance the ability to draw global audiences to Canadian-produced content (because it's unique and world class);
- To value the social and economic contributions of our creators and cultural entrepreneurs, recognizing that innovation and creativity is key to Canada's success in the international digital media economy, and
- To ensure that Canadians can take pride in their creators and actively seek out content produced by Canadians in both official languages because it's great content

How creation of the APS will achieve these goals:

1. In the past, the single greatest inhibitor of success for Canadian productions has been its inadequate, mixed (private/public) system of funding. If we are serious about the future, we must face this issue up-front and end the futile stop-gap and band-aiding processes. The APS will be a guaranteed funder for high-quality Canadian entertainment

¹² Profits will be enhanced by virtue of reduced expenditure on Cancon programs and receipt of additional advertising revenues picked up when the CBC eliminates commercial activity.

content. It will provide 100% of the budget for a production¹³ and put an end to the 'nickel-and-diming' that has compromised the excellence and integrity of most independently-produced programs/series for decades. Canada's creators will be able to shift their attention from funding to developing the best ideas and packaging them to world standards.

2. The creation of a permanent, centralized' library' of content with multi-language accessibility will build out capacity to share stories across diverse populations, starting with our two official language communities. Quebec's talented creators will extend their reach coast-to-coast growing their potential audience from 6 million francophones to all 36 million Canadians. This important investment will help to erode regional and linguistic isolation and enhance our appreciation for the all the 'Canadian' experiences that contribute to our unique national mosaic.
3. The new Public Broadcasting model will provide more resources for and redevelopment of this country's ailing news and journalistic infrastructure (at local, regional, national, and international), as well as the range of perspectives that inform documentary and current affairs programming, all of which will enhance public knowledge and participation in the democratic life of Canada.
4. A strong central inventory of high-quality content will generate more international interest in and streamlined access to competitive and appealing Canadian programs. This provides both more exposure for- and better protection from piracy - for Canadian program creators.

Conclusion

Making the wrong choice of development options for Canada's vital broadcasting and production sectors could effectively write their epitaph.

We know, too, that good intentions will not turn any of these laudable objectives into fact.

The APS concept is a cultural – and financial – deal that offers 'wins' on every side. Canadians will only take pride in their creators and seek out their content if it is unique, engaging and up to the standards of the best now offered in the web-based world of globalized entertainment. Once these standards are met, the APS will provide 'one-stop shopping' for the best of Canadian entertainment.¹⁴

Most importantly, **Canadians will face no additional charge for access and, because it will be available in both official languages, all Canadians will find themselves with double the choice of better quality domestic entertainment than was previously on offer.**

¹³ Allowing for an industry accepted margin of profit; it will also negotiate for a percentage of international sales that can be returned to help grow the production fund.

¹⁴ In fact, a service that equates to a Canadian Netflix.

