

## **Canadian Screenwriter**

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### **The Big Picture: Our Take on Broadcaster Profitability**

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The National Post recently paraphrased Glen O'Farrell, new president of the Canadian Association of Broadcasters, as saying Ottawa decision-makers continue to be pressured by self-interest groups that take a cynical view of profits. O'Farrell then asks why public policy scorns the concept of profitability.

Surely O'Farrell is not talking about Canadian public policy. From where we sit, public policy has swung so far to the right, by supporting the ever-more profitable broadcasters, that it has forgotten why it was created in the first place. Canadian content regulations were created in 1959 to ensure that a minimum percentage of airtime would be devoted to Canadian programs. The CRTC was created to regulate all aspects of the Canadian broadcasting system, including establishing conditions of licence. For networks such as Global and CTV, those licences require that they achieve a yearly Canadian content level of 60 percent during the day and 50 percent during the evening. And CTV and Global must air an average of at least eight prime time hours per week of priority programming (like drama, longform documentary and variety programs).

In 1999, despite pleas from a number of "self-interest" groups like us, the CRTC eroded the definition of priority programming by expanding it to include regional programming and magazine shows. As these are cheaper to produce, they have become far more attractive to broadcasters as an avenue for reaching their weekly quotas. An hour of Canadian drama costs about \$1-million to produce; the average magazine show costs \$97,000 per half-hour. The new CRTC policy, combined with increasing competition from foreign markets, has led to a 50 percent decline in the past three years in produced indigenous one-hour drama series. These changes were made to help Canadian broadcasters compete. But the broadcasters are still complaining. They say that with decreasing advertising revenues and increasing competition from foreign markets they just can't make enough money.

In the same National Post article, O'Farrell says profits are in decline and the CAB wants the CRTC to further loosen regulations so it can "foster a healthy and more profitable private broadcasting industry." It is in everyone's best interests that Canadian broadcasters be profitable. But broadcasters are not operating under the same economic model as other corporations. They are given specific privileges including government protections and funding for programming. Broadcasters should realize that there is a cost to these privileges.

Our private broadcasters get a lot of help from the federal government and provincial agencies in creating Canadian programming. Government agencies such as Telefilm and the Canadian Television Fund, and provincial agencies such as BC Film, all subsidize the cost of production, which lowers the licence fees broadcasters pay. CTV and Global also have the right to simulcast American programming and sell off the ad space.

We know that broadcasters answer to shareholders who are interested in the bottom line. But shareholders need to be reminded that they are investing in a subsidized industry and that those subsidies come with a cost—the requirement to properly support Canadian culture. At the Writers Guild's last meeting with the CRTC, new chair Charles Dalfen asked us to respond to the broadcasters' lament that drama costs too much and doesn't pull in enough viewers. We had plenty to say:

- Drama and longform documentaries are expensive to produce, but they are the most compelling way to tell Canadian stories about our history and experience. They also serve as a counterbalance to the great volume of American stories broadcast on our airwaves.
- Our drama may look "Canadian" because it is produced much more cheaply than American drama. Budgets for one-hour American dramas average at least twice as much in US dollars. To achieve similar ratings, the system needs more money both for development and production.
- It is tough to attract viewers when Canadian broadcasters have no room in their schedule for a regular Canadian series. Instead they shuffle shows from one night to another, putting programs on nights where they are up against an unbeatable American show like *Law & Order*, or on Friday nights when their demographic is out for cocktails.
- How about spending a bit of money promoting Canadian programs? Case in point: *Men with Brooms*. Lots of promotion equals an audience.
- It will always be hard to make a profit on drama because of our small population. We just don't have enough eyeballs.
- Broadcasters are still earning healthy profits from Canadian broadcasting. In fact, I would argue that these broadcasters are using broadcasting profits to finance investments in other media sectors. For example, Canwest Global reported \$226 million in operating profits from Canadian broadcasting operations in 2001 while recording \$356 million in financing expenses.

If this is about operating on a pure business model, maybe the broadcasters should take their own advice and operate in the real world, where they don't get subsidies to make their product and a licence to make money from airing American programs.

The way to ensure that Canadians get the chance to watch their own stories on their televisions is to tighten CRTC regulations, not loosen them. Some broadcasting executives want to do the right thing; they just need help explaining why they have to produce drama to their shareholders.