



Submission of the
Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)

to the Standing Committee on Canadian Heritage

In the matter of

*“Evolution of the Television Industry in Canada
and its Impact on Local Communities”*

May 13, 2009

INTRODUCTION

On behalf of our 21,000 members, ACTRA welcomes the opportunity to participate in the Standing Committee on Canadian Heritage's study on the "Evolution of the Television Industry in Canada and its Impact on Local Communities". We bring the particular perspective of professional performers working in the English-language recorded media in Canada. Our members bring Canadian stories to life in film, television, radio and new media.

In addition, ACTRA represents the interests of thousands of singers and musicians through the work of the ACTRA Performers' Rights Society which collects and distributes royalties from the public performance of musical recordings.

ACTRA believes it is essential to uphold the *Broadcasting Act* by ensuring:

- that Canadian creative resources are predominantly used on the public airwaves and in other public spaces; and
- that Canadians have access to a reasonable supply of high-quality programming choices particularly scripted drama and comedy programs and series, in every medium.

A healthy independent audiovisual production sector is vital to our members and our economy. In 2007/08, the film and TV industry represented \$5.2 billion in production, making it a critical part of Canada's \$85 billion cultural industry.¹ In 2008, the film and television industry generated 131,600 jobs, including 51,700 full-time jobs directly in production, and a further 79,900 spin-off full-time jobs in other industries in the Canadian economy.²

ACTRA members believe in the creativity of Canadians; in our capability to tell and perform Canadian stories and in the inherent need for Canadians to be able to see and hear ourselves in all media.

EXECUTIVE SUMMARY

Canada has developed a sophisticated system of regulatory measures, public institutions and funding programs designed to ensure that Canadian choices are available to both domestic and global audiences. These widely-supported measures attempt to level the playing field for Canadians facing the dual challenge of living next door to the world's largest producer of recorded entertainment and information programming, and the high costs of producing quality programs.³

¹ Conference Board of Canada. *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, August 28, 2008.

² CFTPA. *The Guide 2009*, February 2009.

³ Pollara Poll. *Canadians' Views On De-regulating Cable and Other TV Distributors*. Prepared for ACTRA, Friends of Canadian Broadcasting, Stornoway, WGC. March 2008.

While some, especially conventional broadcasters, are inclined to paint these regulations as the villain, it is clear to ACTRA that regulation is the backbone of our industry. Regulations give Canadians a voice that would otherwise be drowned out and regulations support the very broadcasters who now plea for reduced regulatory control. The strength of our domestic TV industry, of our unique voice and our livelihood is only as strong as the regulations that govern our broadcasting industry.

In this brief ACTRA will comment on the current challenges facing the private broadcasting industry looking first at conventional private broadcasting followed by public broadcasting.

CHALLENGES FACING PRIVATE BROADCASTING

ACTRA is concerned, as are all Canadians, by reports of networks closing stations, layoffs and cuts to programming. A healthy, vital broadcasting system is critical to the social, cultural and economic fabric of our country.

There is no question that we must protect and preserve Canadian broadcasting. Canadians must have access to our own stories – fiction and non-fiction on our TV screens. Television remains the most popular cultural medium, and the most effective way of learning about us, our neighbours, and our world.

However, ACTRA implores the Committee, as it is also imploring the CRTC, not to give in to threats of blackmail by Canada's private broadcasters.

Canada's broadcasting industry is facing challenges. Obviously Canada's private – and public – TV broadcasters are going to be impacted by the current global financial upheaval, few aren't. There are also some systemic challenges. However, despite panicked cries to the contrary, this is not the end of TV as we know it. In 2008, private conventional television broadcasters in Canada made a profit on their operations. While low by historical standards, they still made a profit.

While the over-the-air TV distribution model may prove less influential over time, and the days of double-digit growth in conventional advertising revenues may be gone, conventional broadcasting will not disappear tomorrow. Canadians will still want to tune in for their local news and event drama. Specialty channels are still that – niches. YouTube will not replace CTV or NBC as a means of mass advertising any time soon.

Adjustments will be required to ensure Canadians have relevant and diverse sources of local news and original dramatic programming. But Canadian broadcasting doesn't need a revolution.

Some of the adjustments will have to come from the broadcasters themselves. Unfortunately, they are entirely unwilling to accept any blame whatsoever for their current predicament.

In recent weeks the Heritage Committee and the CRTC have been deluged with tales of woe from Canada's private conventional broadcasters. However, rather than taking any responsibility for their financial predicaments, private broadcasters are using the economic downturn to hold Canadians hostage on the issue of fee-for-carriage, to threaten local news and attempt to liberate themselves of regulations that they never wanted in the first place.

It is ACTRA's view that this sort of blackmail threatens the future of the broadcasting system Canadians rely on.

ACTRA maintains that the problems of private conventional broadcasters are largely self-inflicted. If the over-the-air TV business is in critical condition, it is because CTV, Rogers and CanWest Global have recklessly overspent acquiring U.S. programming and specialty channels. Thus, when the advertising market softened, they had no flexibility to adapt and ride out the temporary downturn.

Spending on foreign and U.S. programming by Canadian private broadcasters has increased steadily over the past eight years from \$422.3 million in 2000 to an all-time high of \$775 million in 2008. It's become common practice for broadcasters to bid up the price of U.S. programs, sometimes buying a series not because they want to show it, but to prevent their competitor from acquiring it. That's a lot of money and a lot of jobs being shipped out of Canada.⁴

While spending on foreign programming has increased, spending on Canadian drama has declined. In 2000, English-language private conventional broadcasters spent \$62.1 million on Canadian drama. By 2008, that number had dropped to \$53.8 million even before factoring in inflation.

Conventional private broadcasters have also spent billions of dollars acquiring new broadcasting properties including specialty channels and newspapers and have done so by borrowing money at a time when interest rates were high.

The result is that private broadcasters lack the cushion needed to ride out even a modest decline in advertising revenues. The softening of advertising revenues came on the heels of years and years of often record-breaking profits, and even then, the decline in revenues doesn't appear to be cataclysmic especially when one considers the crises facing other leading industries such as auto and manufacturing.

According to the CRTC's *Statistical Summaries*, in 2008 private conventional TV broadcasters made total revenues of \$2.1 billion, a 1.5% decline from the previous year. Local advertising, which totalled \$387.3 million, remained almost unchanged, and national advertising sales fell to \$1.47 billion, a decrease of only 3%.

⁴ CRTC, *Television – Statistical and Financial Summaries 2004-2008*, February 2009.

After decades of growth, it is surprising that private conventional broadcasters cannot ride out 1.5% decline in total revenues. If this is indeed the case, and they find themselves in full financial crisis six months into an economic downturn, they must accept some responsibility.

ACTRA also rejects the broadcasters' contentions that the CRTC's regulatory obligations respecting local news and drama programming are the cause of the current problems. These are dangerous falsehoods, which if believed, might incline the Commission to provide regulatory relief under the false impression that deregulation will allow Canada's broadcasting industry to thrive. What's more, we note that broadcasters are very selective about which regulations they want relief from; we don't see any proposing to eliminate the simultaneous substitution rule that has made them so profitable for decades.

It is critical that private broadcasters be required to produce and broadcast local news. The CRTC has already taken steps to assist broadcasters fulfill their obligations by creating the new Local Programming Improvement Fund that will put an additional \$60-70 million into the system each year.

We believe that local programming is an absolutely critical service; Canadians agree with more than 96% saying local and news programming is "very important" or "important."⁵ Canadians must be able to tune in and know what is happening in our own communities, and see local stories brought to life.

We also believe in Canadian drama. Seventy-one percent of Canadians believe it is important to have access to Canadian TV programming distinct from U.S. programs.⁶

Unfortunately, while local news is now feeling the full impact of broadcasters' race to the bottom, drama has been facing the impact for going on 10 years now.

In 1999 the CRTC gave in to broadcasters' demands for deregulation and reduced the requirements for drama. Now out of a total 28 hours a week of prime time – only eight of those have to be priority programming. And thanks also to the 1999 policy, broadcasters have the flexibility to count entertainment magazine, variety and reality shows in those 28 hours. This week – CTV had two hours of scripted Canadian drama scheduled. Global has one hour.

Drama is uniquely vulnerable as a result of our geographic proximity to the biggest producer of English-language audiovisual materials in the world and the beneficial economies of scale enjoyed by U.S. producers. Canadians have always had access to these foreign programs, both directly from U.S. television networks and indirectly from Canadian broadcasters.

⁵ Pollara Poll, March 2008.

⁶ Harris-Decima. *Canadian Attitudes towards Canadian Programming and CTF Issues*. Prepared for the CFTPA, WGC, DGC, and ACTRA, January 2008.

In the lead-up to the current CRTC licence renewal hearings, private broadcasters have finally made an effort to put more Canadian drama on the air. The result is historical, with four made-in-Canada one-hour dramatic series being picked up by major U.S. networks, and three others by U.S. specialty networks.

Last summer, the Canadian drama *Flashpoint* was the top-rated series in both Canada and the U.S, proving again that when funded, promoted and scheduled properly (when people are watching), Canadian drama will succeed.

We find it unfortunate that, while U.S. networks are responding to the economic crisis by purchasing more Canadian drama series, including *The Listener* and *The Bridge*, Canadian conventional broadcasters are responding with demands for relief from the very regulations that make these series possible.

The fact is the current Canadian programming requirements aren't that taxing, particularly when it comes to airing scripted drama. Regulations are not to blame for the current challenges facing the broadcasting industry. Relaxing them will certainly not resolve them.

It is also ACTRA's belief that new media does not pose a fatal threat to over-the-air broadcasting; it will not replace conventional broadcasting anytime soon as it is just another means of delivery and an ancillary platform. New technology and different ways of delivering programming content will require adjustments and we can expect some bumps along the way. Already, conventional private broadcasters are beginning to embrace the new media distribution technologies and are looking for appropriate business models, as they should.

Conventional TV will remain the principal vehicle to deliver a mass audience to advertisers, whether that TV is delivered OTA or over the internet.

It is because of the growing popularity of new media and the increasing use of new media as a delivery method of Canadian programming that ACTRA recently asked the CRTC to regulate this broadcasting medium. If Canada is to carve out an appropriate place for Canadian content in the future, it is essential that regulatory and funding measures be in place for those who are involved in broadcasting in new media, whether as programmers (broadcasters), service providers (distributors) or producers.

To this end, ACTRA is pleased to see the evolution of the Canadian Television Fund into the Canadian Media Fund and the government's strategy of encouraging the production of content for multiple platforms.

However, performers are concerned about the structure of the new CMF board, specifically a smaller board that gives big cable control of five of the seven seats. We urge the government to take all steps necessary to ensure the independence of the new board and look forward to participating in stakeholder consultations as details of the Fund are worked out.

Over its 12-year history, the Canadian Television Fund contributed \$2.7 billion to support over 5,400 productions. This resulted in the creation of more than 27,000 hours of high-quality television for Canadians and triggered over \$9 billion in production volume across the country. CTF-supported television shows such as *Little Mosque on the Prairie* and *Flashpoint* found substantial loyal audiences in Canada, often topping 1 million viewers.⁷

CTF support has been critical to Canada's audio-visual sector and we urge the federal government to commit to increased, permanent funding for the CMF to allow the production community to make long-term, strategic plans and decisions.

Instead of posing a threat, digital media must be embraced as a new delivery platform that will compliment and support conventional television. The innovation, creativity and entrepreneurship that digital media offers can only serve to invigorate creative communities, create more jobs and expand Canadian experience in production and broadcasting.

One of the solutions being touted by the private broadcasters is fee-for-carriage. ACTRA is not against this concept. However, we *are* against giving private broadcasters a new source of revenue and getting no guarantees that they will not spend it in Hollywood or on more acquisitions.

If it is determined that fee-for-carriage is the best way to ensure the long-term vitality of the conventional broadcasting system, we would support that decision. With two conditions: it must be guaranteed that 100% of revenues from fee-for-carriage will be seen on the screen in the form of local and dramatic programming; and cable companies must not be allowed to pass the bill on to consumers. With \$10 billion⁸ in revenues last year alone, cable companies can afford to absorb the cost of fee-for-carriage as a cost of doing business.

CHALLENGES FACING PUBLIC BROADCASTING

The history of ACTRA is inextricably linked to the CBC. The first Canadian recorded media performers' union, a predecessor to ACTRA was created at CBC radio in the mid- 40's; given this historical relationship, it is not surprising that ACTRA has always supported and continues today to support the CBC, Canada's national public broadcaster. ACTRA believes fundamentally in the principle of a strong and effective public broadcasting service, which is financed by the public but operated at arms-length from the government.

Ironically it has become more fashionable than ever to beat up on Canada's public broadcaster just when it is needed now more than ever. Unlike CTV and Global who claim they are responsible to no one but their shareholders, the CBC is responsible

⁷ Canadian Television Fund. *CTF Annual Report, 2007-08*.

⁸ CRTC, *Broadcast Distribution – Statistical and Financial Summaries 2004-2008*, April 2009

to Canadians. The CBC is the only national broadcaster with the exclusive mandate to allow Canadians to see our own stories and watch the world unfold from our own distinctly Canadian perspective. Unfortunately it is becoming increasingly challenging for the CBC to meet its mandate.

The CBC's role within the broadcasting system has been weakened by chronic underfunding. Per capita public funding for CBC is among the lowest in any industrialized country in the world; while the average is \$80 per citizen per year CBC/Radio-Canada gets \$34.

In an attempt to grab a greater share of ad revenues, the CBC's current executives have seen fit to broadcast U.S. programs such as Jeopardy and Wheel of Fortune. They are on the wrong track, trying to turn the public broadcaster into Canada's 'commercial public broadcaster.' This trend is contrary to the CBC's mandate to provide a wide range of programming and is one that ACTRA would like to see reversed.

To that end ACTRA supports the recommendation of the Heritage Committee last year that the annual allocation for the CBC be increased by \$7 per Canadian.

ACTRA, along with Friends of Canadian Broadcasting and the Communications, Energy and Paperworkers Union (CEP), has put forth a proposal for the CBC to reduce ads on TV, except during professional sports coverage. In return CBC Television should be refinanced either by a levy on cable and satellite distributors to be determined by the CRTC, or through general government revenues, or by some combination of the two. This would transform CBC Television into a genuine public broadcaster and free-up new ad revenue for private broadcasters currently facing economic challenges.

RECOMMENDATIONS

ACTRA respectfully submits that deregulation is not the answer for the perceived crisis in Canadian broadcasting. Canadian programming didn't create the current challenges, eliminating it won't fix it.

What we do need is a diverse broadcasting landscape that offers Canadians the opportunity to see and share their stories. To that end, we need to strengthen regulations, not weaken them further to the point of non-existence.

ACTRA recommends that the government take steps to:

- direct the CRTC to increase expenditure and programming requirements for original Canadian drama;
- take steps to guarantee the independence of the new CMF;
- commit to increased long-term, stable funding for the CMF;

- ensure that any fee-for-carriage regime includes the CBC and ensures monies are directed to the production of new local and dramatic programming;
- increase CBC's annual Parliamentary allocation by \$7 per Canadian in the next budget;
- develop a 7-year contract with the CBC that sets expectations and guarantees funding indexed to inflation; and
- provide immediate bridge financing to the CBC to help manage its current years' budget shortfall.

CONCLUSION

Private broadcasters have an obligation under the *Broadcasting Act* to offer a variety of programming to Canadians. They should be required to produce local news and drama.

Indeed, Canadian programming – drama and news, are the only reasons we need Canadian broadcasters, it is why they exist. We don't need CTV or *Global* to watch *Lost* or *24*.

Canadians do need them for local news and Canadian drama.

Thank you for allowing ACTRA to participate in the Committee's review of the future of television in Canada and the impact of the economic crisis on the industry in our local communities. We look forward to our appearance before the Committee on May 13 and welcome the opportunity to respond to your questions at that time.

All of which is respectfully submitted.



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