

TELEVISION: VIEWED AS A
SPECIALIZED-INTEREST MEDIUM

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TV: VIEWED AS A SPECIALIZED-INTEREST MEDIUM

abstract

Defining a television "delivery mode" as a technology plus a means of finance, five current tv options, (commercial broadcasting, the U.S. public broadcasting system, cable-tv, pay-tv and cable-satellite networks), are described, and assessed for potential for specialized-interest programming. Cable-satellite networks, (using advertising and/or small fees per subscriber paid by cable-tv operators to satellite programmers providing content), have particular promise for specialized programming, due to cable-tv's multi-channel capacity, use of satellite to accumulate audience, and means of finance: participant advertisers are interested in targeting audience subgroups, and the cable operators paying fees to content providers are more interested in range of content than in the audience draw of particular channels. These networks are developing in the U.S., but policy-makers have deferred applications in Canada. In the interest of diversity, viewer choice, and a stronger position in a new satellite context that recognizes no boundaries, an altered policy stance is recommended.

abstrait

La thèse définit un "mode de distribution" pour la télévision comme une technologie et un moyen de financement. Elle décrit et évalue cinq "modes de distribution" (la radiodiffusion commerciale, la radiodiffusion publique aux Etats-Unis, la télévision à péage, et les réseaux de câble/satellite), pour leur potentiel envers la programmation pour des intérêts spécialisés. Les réseaux de câble/satellite, (supportés financièrement par la publicité et/ou par une contribution modeste payée par les câblo-diffuseurs aux fournisseurs de contenus) sont bien adaptés à la programmation spécialisée, grâce à la capacité des réseaux de câble à canaux multiples, la portée du satellite, et aux moyen de financement: la publicité dans ce cas s'adresse à des auditoires spécialisés, et les câblo-diffuseurs s'intéressent davantage à la diversité du contenu plutôt qu'aux auditoires atteints. Ces réseaux se développent aux Etats-Unis, mais n'ont pas obtenu d'autorisation au Canada. Pour encourager cette diversité de contenus et pour mieux se situer relativement au nouveau contexte de communications par satellite, un changement d'attitude dans la politique des télécommunications canadiennes est recommandé.

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CHAPTER 1

INTRODUCTION

1. THE TOPIC OF INTEREST

Television is our dominant leisure-time activity in North America, with an average amount of tv viewing per household in Canada of 5½ hours a day.¹ Moreover, a television show can be vastly successful in terms of numbers of viewers reached. In the predominantly three-network world in the United States, ABC, CBS and NBC have juggled 30% shares of all sets in use during evening primetime, and an outstanding show might win a 60% share.²

Yet tv, throughout its history, has been criticized exactly for this mass appeal.³ Commercial broadcasting, tv's dominant form, mass-produces attention through the use of its costly, high-appeal products, and critics in the United States, which supplies most of the world with content, have bemoaned the tendency of "the commercial news centers in New York and the entertainment centres in Hollywood to homogenize our experience."⁴ They decry a loss of diversity: "What a complex nation we are, and what a severely circumscribed view of it emerges from commercial broadcasting!"⁵

Canadians, who watch U.S. programming some 70% of the time,⁶ have faced a different problem than the lack of cultural diversity in the tv medium: a central policy issue has been how to provide "some amount of Canadian programs and contribute to the development of a Canadian consciousness and sense of identity."⁷ This concern for Canadian content has pre-occupied the attention of tv policy-makers in Canada, and has been the focal point of numerous Royal Commissions, studies, and policy moves by the CRTC (Canadian Radio-Television Commission).

Given this pre-occupation, it is perhaps not surprising that wishes for diversity and specialized-interest programming are being voiced by U.S., rather than Canadian, policy-makers. It was FCC (Federal Communications Commission) chairman Charles Ferris who, in early 1980, lectured on the need to structure tv institutions so that:

...specialized tastes of many unsatisfied and under-served groups -- all minorities in a true sense -- will become sufficiently important that there is an incentive to attract producers to respond to them directly.⁸

Nonetheless, while an articulated policy concern for diverse and specialized programming may come first in the United States, this topic is likely to arise more and more in Canada in the future. Programming choices are expanding dramatically in the United States, and when new services begin there the question soon arises whether Canadians will receive a service as well. Indeed, it will be more and more difficult, in the next few years, for policy-makers to manage the tension between the desire in Canada to maintain certain proportions of Canadian channels, and the rapidly increasing number of U.S. programming choices available on satellite (and receivable in Canada by "illegal" earth stations). The present topic of specialized-interest programming, then, is taken up not only on the basis that such programming has something of value to offer to viewers, but also on the basis that diversity of programming options will have to be faced, soon, as an issue by Canadian policy-makers in an increasingly complex North American telecommunications environment. Viewer choice may well become the dominant issue, in the future.

"Specialized interest programming" can be conceived of either as programming (packages of individual programs) geared to the viewpoints and interests of a particular demographic minority (such as programs for children, or for the elderly, or religious programming, or black or spanish-language programming in the United States); or as programming where content can be typified, such as channels for sports,

old movies, performing arts and theatre, or even "Las Vegas Live Entertainment." (Sub-channels could be used, where more than one service assembled around different defined interests shared a channel, on a half-day basis for example.) "Vertical programming" or "theme channels" are other terms referring to these specialized channels. Futurist Allan Toffler has captured a meaning similar to what "specialized programming" means for tv, in his broader term "demassification," used in his most recent book.⁹

Starting from this specific goal of specialized-interest content, the aim here is to explore systematically a number of options by which such material could be brought to our tv sets.

It must, if reluctantly, be noted that in the past our goals in content have not always been optimally aligned with our broadcasting institutions. Babe, for example, has bluntly called the condition of private broadcasting in Canada "schizophrenic" because its non-economic goal of Canadian content and its natural profit motives fit so poorly: private broadcasters are "expected to act as chosen instruments for implementation of public policy while simultaneously pursuing the profit objectives of private enterprise."¹⁰

The tv "options" explored here are neither "technologies" nor "media" precisely. Rather they are tv "delivery modes," a term coined here and defined as a technology plus a means of finance. This term is used to encompass both the technical basis of a means of distributing tv material plus economic probabilities for its type of content.

Technical constraints alone can of course be critical. In 1951, Harold Innis looked at technological constraints for broadcasting and made the following deduction:

...Thirteen television channels (bands of frequencies) are at present available in North America... Stations on the same frequency must be hundreds of miles apart to avoid even occasional conflicts. Cities which are close together have

few channels. If a large part of the population looks at television, each station must broadcast to thousands, and sometimes, millions of people. A lowest common denominator program such as dominates radio must also dominate television. Picture clarity and intellectual clarity are limited by electromagnetic resources.¹¹

Extrapolating from the technology alone, then, can be revealing. But always with the technology is some means of finance for the video material, advertising being the dominant example. Not only technical limitations but also economic probabilities must be considered.

When Robert Babe views the history of Canadian broadcasting as the "tension between commercial forces and incentives on the one hand and non-commercial public policy goals on the other,"¹² he is focusing upon the economic tendencies of the broadcasting system. Moreover, he is asserting that policy-makers failed to adequately consider the economic implications of the industry structure they fostered.¹³ There is a need to concentrate on the kind of content that can reasonably be expected from the choice of a delivery mode. In this direction, this study will consider the prospects for diversity, in specialized or "minority" audience tv programming, which are implied by a number of our present options in delivery modes -- technologies plus means of finance.

The "delivery modes" considered here include past options (commercial broadcasting, cable-tv and the public broadcasting system established in the United States), and new services using cable and satellite. Home video "stand-alones", such as videocassettes and discs, are omitted, but all major "telecommunications" options are included.¹⁴ This work makes no attempt to unravel the relation between a society and its culture and technology; it proposes only to examine certain dominant current "delivery modes," and the probabilities they suggest for the content goal of specialized audience programming.

We now have several new sources of video material beginning in North America: pay-tv, cable-satellite networks, videodiscs and tapes. All are well under way in the United States. In the summer of 1980, the use of satellite technology for television is "under review" in Canada, and is in active use in the United States in a number of configurations (primarily with cable companies, and with the possibility of direct-to-home-reception in the short-term future). Also in Canada at this time, past forms of tv are being re-evaluated in terms of content: the Canadian content regulations for tv broadcasters are being reviewed, for example. Cable tv is beginning some special programming channels,¹⁵ expanding activity in the content provision side of its "hybrid" role as carrier and programmer. It is in this context of change and decision-making that the present study occurs.

2. METHODOLOGY AND ORGANIZATION

To consider their potential as vehicles for specialized-interest programming, each of the five delivery modes noted below will be taken up in a separate chapter:

- Past delivery modes:
- (a) commercial broadcasting -- broadcast technology plus advertising means of finance;
 - (b) PBS -- the public broadcasting system in the U.S. This uses broadcast tv technology, plus public subsidy as a means of finance;
 - (c) cable tv -- traditional cable-tv service, where the operator, as a "broadcast receiving undertaking," primarily redistributes broadcasters' signals. Cable technology is used, plus viewers' subscription (to a basic, flat-rate service), as a means of finance;

Current/near future
delivery modes:

- (d) pay-tv -- broadcast tv or cable technology (often making use of satellite), plus a direct viewers' subscription to a particular channel as means of finance, (on either a pay-per channel or a pay-per-view basis);
- (e) cable-satellite networks. These networks use a combination of cable and satellite technology. Means of finance is usually a combination also: small fees/per subscriber are paid by cable operators, (to a source of programming) and/or advertising is used.

Where the cable operator pays fees to a satellite programmer (in what is termed "paid-for programming") it acts as an intermediary. Subscribers to the cable system are providing the revenues for the channels of programming, either through their subscription to basic service or to a special "tier" of a range of additional channels, but there is no direct financial connection between the cable-tv subscriber and a particular channel of programming (as there is with pay-tv).

To evaluate and compare these delivery modes for likelihood of providing specialized-audience programming, four topics (treated roughly as "variables") will be discussed with each, concerning: (a) the relevant industry and its state of development. Its level of operations, and the extent of industry aggregations in particular are considered; (b) its habits in acquiring and scheduling content; (c) its means of financial support, and (d) its aims in audience reach, referred to here as "ingratiation." These four topics are explained in more detail below.

(a) Level of Operations and Aggregation

A section on this topic opens each chapter and will provide descriptive information about the industry which operates the delivery mode under consideration. The purpose is to set forth information necessary to understand the nature of the delivery mode, and to give some indication of the development, size and strength of the industry. The industry's capabilities will have implications for policy, both in terms of performance which can be expected from a Canadian industry regarding policy goals, and in terms of potential competition from industries in the U.S. with which our domestic industries may have to contend.

"Level of operation" treats market area for the industry, i.e., whether it has local, national, or perhaps international, activities. Size is also considered, in terms of revenues, subscribers, growth, etc., as appropriate. "Economic aggregation" is a measure of industry strength, and also an indicator of how much concerted activity at the industry level can be expected. Associations with cross-media conglomerates are special cases of aggregation which may also be relevant.

(b) Acquisition and Use of Material

Because tv (and film) production is so costly, the way in which a delivery mode acquires material will affect the potential for serving smaller audiences.

A delivery mode can concentrate upon new productions, as U.S. commercial broadcasting has done. Alternatively, it can seek to use material that has already been used, which will be less costly. It can purchase rights to show a geographical import from another country, or it can show material used by another delivery mode, as when networks or pay-tv show feature films -- in effect another "importation" of content, into the universe of the delivery mode's operations. Within

the delivery mode itself, there are means of "re-cycling" content, such as "multiple-showing" a program. That is, a particular program can be slotted several times within a weekly, or monthly, schedule. (Public broadcasting may show the same episode two nights a week; Home Box Office may show a movie six times in a month.)

Such practices in the use of content will be described for each delivery mode, with a view to assessing the use of specialized vs. mass-appeal material.

(c) Means of Finance

Means of finance is centrally important, as it itself helps define a "delivery mode."

Most simply considered, tv programming can be paid for directly by the viewer who receives it, or by someone else: by a "third party" such as an advertiser; by a public subsidy; or perhaps via a cross-subsidization by the supplier industry. To be more specific, the following sources of finance and means of payment are likely to occur with tv material, either alone or in combination:

1. Advertising Basis

- (i) sponsorship
- (ii) sale of commercial time

2. User payment

(i) Flat-rate Subscription

The viewer signs up to receive service, paying a flat (usually monthly) rate independent of amount of material used. Cable-tv is the best example.

(ii) Usage-Based or Usage-Sensitive Pricing

The viewer's financial outlay reflects what video material he or she actually uses. (An example is a pay-per-program tv system.)

Combinations of (i) and (ii) can occur, similar to telephone billing where users pay a flat monthly subscription for basic (local) service, plus usage-based charges for toll calls.

(iii) Tiering

"Tiering" is a special form of subscription for a further level of service, on top of a basic, first level of subscription. Tiering occurs prominently with cable-tv, and its multichannel capacity, and usually refers to an additional range of channels acquired for a further flat-rate fee. In this case, the tier, put together by the cable operator, makes a number of new channels available to the viewer, though he or she neither chooses nor subscribes to any particular channel directly. (There is a particular opportunity here to include lower interest material.)

3. Public subsidy (funded by donations or government support)

Examples of government supported tv are the BBC in England, (which collects licensing fees for tv sets) and the CBC which received some \$400 million in 1977/78¹⁶ (supplemented by some \$95 in advertising), from Parliament, from general taxes. Donations, from corporations or individuals, may also support a tv service. Public broadcasting in the U.S. derives considerable funds by this means.¹⁷

4. Supplier support

In some cases, the supplier itself operating a delivery mode shoulders costs for video material, taking the funds from a wider pool of its revenues. With cable tv, where this primarily occurs, the cable operator acts as an intermediary, between subscriber fees paid for a package of services, and particular services it acquires. (A particular service, with low appeal, could in effect be "cross-subsidized" by more attractive services sure to draw subscribers.) The service

supported could be included as part of the basic-service subscription, or as part of a further multichannel "tier" of services (where a viewer pays an extra dollar or two for access to a further dozen channels (see Table 4-4), with no direct link or choice connecting the viewer and the source of programming).

The reasons why a cable operator would be motivated to support services are taken up in Chapters 4 and 7, and basically depend on the small sums involved for the services in question; a focus to provide range of services in cable-tv operations; and franchising and regulatory conditions. For example, when one major cable-tv company in Canada was permitted to acquire another, its commitments included support for special programming channels.¹⁸ In current U.S. cable-tv franchising, companies are promising wide arrays of programming as part of their basic flat-rate service.

Ultimately, of course, the audience pays, whether it is via advertising, direct user payment, taxes, or by generating revenues for an industry to cross-subsidize certain services, but means of finance used is particularly important for aims in audience reach and is a central topic of discussion in each chapter here.

(d) "Ingratiation" -- the extent of aim to please audience

This last topic relates most directly to the suitability of a delivery mode for specialized programming.

The term "ingratiation" is coined here to refer to the size and range of audience that those offering a programming service may be satisfied to reach. It can be defined as "the extent of the aim to please" of programming content. High "ingratiation" means simply that a program hopes to gain the largest possible audience share. The

highest "ingratiation" would be "the ruthless pursuit of the least common denominator"¹⁹ -- that is, programs which aim to maximize a vast and undifferentiated audience mass. By contrast, community programming may set other criteria than audience reach for success (such as community self-expression), and so have relatively low "ingratiation" motives. Alternatively, and of central interest here, programming may seek to reach "target" audiences, such as children or the elderly as obvious examples, so that the "ingratiation" is limited to select groups, and aims to achieve a relatively low total audience share.

These four topics, then (1) level of industry operations and aggregation (2) use and acquisition of material (3) means of finance, and (4) ingratiation, will be taken up for each of the following five delivery modes in turn:

past delivery modes: Chapter 2 - Commercial Broadcasting
Chapter 3 - Public Broadcasting (the
U.S. non-commercial system)
Chapter 4 - Cable-tv (-- as a broadcast
receiving undertaking,
redistributing broadcasters'
signals)

current/near future
new delivery modes: Chapter 5 - Pay-tv
Chapter 6 - Cable-Satellite Networks.

A concluding section, Chapter 7, will evaluate and compare the prospects of these delivery modes, as vehicles for specialized-audience programming which can function in an economically feasible way, with "ingratiation" levels that suit the concept of special interest programming. This concluding section must be sensitive to the context of current trends in telecommunications and particularly the context of policy implications for Canada.

The last chapter, then, will review each delivery mode briefly in terms of its likely "ingratiation" levels. It will comment upon the potential and present state of development of suitable delivery modes in Canada, from both economic and policy viewpoints. Finally, it will discuss, again briefly, a larger policy context as Canada enters an age of intense satellite activity, where viewer choice will increasingly become an issue as U.S. programming options continue to expand.

3. PREVIOUS LITERATURE

A major FCC study, parts of which recently became available, is perhaps the work which most closely addresses the central interest in this paper, i.e., delivery modes and their compared potential for special-interest programming. The FCC has set up a "Network Inquiry Special Staff" to investigate prospects for additional networks. It has so far considered a wide variety of what are termed here "delivery modes": additional commercial networks, cable-satellite networks, direct broadcast satellites, MDS and home video among others have each been the subject of a substantial study, published as "appendices" with the Network Inquiry's "Preliminary Report on Prospects for Additional Networks" in spring 1980.

The FCC's interest in additional networks has been related to minority-interest programming by its Chairman, Charles Ferris, who reasons that an increase in the number of tv pathways to the home will lower the expected percentages of audience that each can expect. Thus, the share of the total viewing market that defines a show as a "success" should become more modest. Experience in radio has shown that if this "share threshold" is lowered sufficiently, specialized tastes (previously unserved) will become important enough that there is an incentive to attract producers to respond to them directly.²⁰

The Network Inquiry, then, is an exercise which assesses technologies, as they occur with their various means of finance, for

potential in forming new networks, with an ultimate interest in increased programming diversity. However, though its conclusions will be of great interest, the Canadian telecommunications environment is a fundamentally different one than that which the FCC is assessing.

(A further limit on the utility of the Network Inquiry material is that systematic comparisons of the media examined are lacking, as the "appendices," i.e., the studies on different network possibilities, were contracted to different researchers, so that they vary in approach and in information included. They tend also to stress description rather than analysis.)

In the Canadian context, no major work has addressed the question of prospects for additional sources of specialized-interest programming for viewers. A recent CRTC Committee hearing on Extension of Services to Northern and Remote Communities, the Use of Satellite and Pay Television, saw a number of substantial briefs submitted considering options for the use of satellite in Canada. However, the goals for satellite use were not specialized programming, but, primarily: extension of service; the use of satellite for Canadian content and/or Canadian broadcasts; and support for the Canadian program production industry.

One Canadian work, recently available, which does include the idea of diversity in addition to more prominent goals such as support for the Canadian program production industry, is a study prepared for the CRTC, "Canadian Broadcasting and Telecommunications: Past Experience, Future Options." This study included the desire for choice in programming in its policy considerations. ("And what," it asks, "of the oft-forgotten public in all this manoeuvring" of interest groups?)²¹ The author believes that more, not less, competition in offering programming to viewers will motivate the broadcasting system to produce quality Canadian programs that are desirable to viewers. Several other points from this report are of interest. To make use of existing resources, the report recommends

maximizing outlets for the publicly-supported cultural agencies we have in Canada by such means as cable channels, or videodiscs. The CBC's storehouse of material along with additional resources from the NFB (National Film Board), and the NAC (National Arts Centre), should increase the diversity of Canadian works available to the public.²² (The Clyne committee, referred to below, made similar suggestions.) Secondly, at several points, this CRTC study recommends aligning economic incentives with the accomplishment of policy goals (in which it is similar to a study by Babe (1979), noted below), which should include the consideration of strong and weak points in the industries we have in Canada. Here, it contrasts the entrepreneurship of Canada's cable-tv industry with the "poor performance" of broadcasters and the "indifference" of carriers.²³

Thirdly, this report makes a point of replacing the content/carrier dichotomy with a three-step process: program production or origination; exhibition (the presentation of programs to the public, purchase of rights, scheduling, etc.); and carriage. The Clyne Committee differentiated a producer, programmer, and carrier. (The present study is based on a different model with a three-step distinction in content provision (separate from carriage): producer, who creates content, programmer, who packages or schedules a service, and exhibitor, who presents a service to the public.) This report asks, "Why not license independent producers to program satellite channels, perhaps even parts of channels?... What if a Canadian station, or stations, were distributed nationally by satellite?"²⁴ These are questions raised by the satellite networks proliferating in the U.S. This report is particularly open to an expanded future for cable, in all three roles noted above, and with the possibility of pay channels, channels leased to other programmers, and the use of certain forms of advertising.²⁵ A number of these points will be taken up in the present study as well. However, this report is unclear in any explication of actual "scenarios" or "options," or of how we could begin implementation.

Two other studies in recent years have in fact produced actual "scenarios" for Canadian broadcasting, and have received considerable discussion. The first was published in 1977, "Alternatives for Canadian Television," by Stuart Griffiths.²⁷ The second, "Rationalizing Canada's Telecommunications: A Plan for Action," by Alphonse Ouimet appeared a year later, and draws upon Mr. Griffiths' work.²⁸ Both are notable, for the purposes of this paper, for the design of a multi-channel system of diversified programming, using cable facilities (but not, however, the cable industry -- effectively dismantled in both plans). The Griffiths study proposes a "vertical programming" system: twelve specialized channels, nationally programmed in English and French, for news, children's tv, cinema and so on, as well as general entertainment. Ouimet proposes a somewhat similar scheme of channels programmed according to type of material. He criticizes the present system, where because of the scarcity of off-air tv channels possible, a "single-channel" concept of tv developed -- i.e., each channel attempts to serve all audience. Specialized interests must wait to be served by a program inserted in the general schedule of each channel; there is a push to lowest common denominator taste, whether the system is commercial or not; and each channel competes with all others, with similar programming. As an alternative, he proposes "complementary programming," a co-ordinated use of specialized channels, each serving one of a variety of tastes and needs.

Both proposals, then, include differentiated channels, and minority-interest programming, in their plans. However, the way in which each restructures the telecommunications environment is not only drastic, but falls short in liaison with the world of economics, and the established system, with which we must begin. As one commentator has mused regarding Ouimet's work, "...it is not always too clear how the financial aspects will work, particularly the support to the complementary channels," and furthermore, "it is difficult to visualize the overall process" of change proposed.²⁹

(The Griffiths report, though it dismantles the CBC, almost totally nationalizes Canadian tv.³⁰ The door is ajar, also, for telephone companies to take over cable-tv facilities. Basing itself on a content/carrier split, the Ouimet report transforms the cable industry into a provincial utility monopoly carrier, integrated with telephone companies as provinces see fit. Programming would be done by "tv programming undertakings," both public (i.e., the CBC, working with multiple channels), and private. Both reports though bold, are somewhat unnerving: they would radically alter the economic and institutional infrastructure according to a masterplan which inspires little confidence that it would lead to a system with workable economics suited to policy goals).

In contrast to such lofty planning is an approach which focusses more cautiously upon institutional arrangements. Robert Babe's 1979 study, Canadian Television Broadcasting Structure, Performance and Regulation, emphasizes the kind of economic incentives which devolve from the structure of Canadian broadcasting, and compares these incentives with the goals of the Broadcasting Act. He wishes to carefully consider how, in fact, "...national policy-makers did not see with sufficient clarity the consequences upon performance of the structures they created."³¹ What can be most usefully learned from this study is attention to economic incentives in industry structure, and the need to align these incentives with policy goals; as Babe sees it, this can be done either through the addition of regulatory-created rewards and punishments, or through the alteration of the structure of the system itself.³²

Numerous background sources provided information and analysis for individual "delivery modes." For broadcasting and cable-tv, substantial studies were available. Government-generated publications, such as the CRTC's Special Report on Broadcasting in Canada 1968-1978 and the Department of Communications' Evolution of the Canadian Broadcasting System: Objectives and Realities 1928-1968 provide useful summaries of policy development in Canada. These reports have

compressed material found in longer works, such as Peer's history of broadcasting, and Canada's three Royal Commissions on broadcasting. Other writers have explored a particular issue, such as Bernard Ostry's The Cultural Connection: An Essay on Culture and Government Policy in Canada; Hugh Edmond's, "A Study of the Independent Production Industry with Respect to English Language Programs for Broadcasting in Canada"; Jean McNulty's "Other Voices in Broadcasting: the Evolution of New Forms of Local Programming." Such studies draw out some of the concerns that must be considered regarding policy in Canada.

On commercial tv generally, Eric Barnouw's three-volume chronicles of the development of broadcasting in the U.S. is a major work. It focusses particularly on the use of advertising in broadcasting, and its effect upon content. However, it is emphasized in the present study that advertising alone is not responsible for the "lowest common denominator" tendencies of off-air tv, which has other fundamental characteristics that push content in this direction. For example, when a station has only one conduit into viewers' homes, the motive to please as many viewers as possible tends to be high inherently, as even non-commercial public broadcasting in the U.S. has found.

Regarding public broadcasting (non-commercial tv) in the U.S., the Carnegie Commission on the Future of Public Broadcasting produced a report in 1979, A Public Trust, which provides background information, and a statement of policy for public broadcasting's goals. Further background, more historically presented, is found in the FCC Network Inquiry's appendix volume on public broadcasting. Of particular interest is the Carnegie Report's discussion of public broadcasting in terms of reaching minority or special interests. (This is discussed in Chapter 3.)

Robert Babe's book, mentioned above for its attention to the economic incentives set up in Canada's broadcasting system, is a recent, analytic look at both broadcasting and cable-tv in Canada. Babe has written previously on the cable industry (in 1975). The CRTC

itself, in its Policy Statements over the years, is a primary source for cable-tv policy information. Also the Clyne Committee Report in 1979, Telecommunications and Canada, sets out the major issues, as they still stand a year later.

With pay-tv, satellite use, and new cable-satellite networks, analytic work is lacking, as is an integrated source of simple descriptive information in many instances. William Melody has written about Canada's use of satellites in the past, for both broadcasting and other communications, and has drawn attention to the underuse of the system due to institutional arrangements. The CRTC produced a report in 1978 on pay-tv, regarding government goals and industry viewpoints as submitted to hearings in 1977. Apart from such background, information must be sought from current sources such as trade newsletters and industry magazines, and interest group submissions to government. At this point in time, the analysis of cable-satellite networks is new ground; not only has this subject received little attention beyond reporting as events move forward, but such networks are often confused with "pay-tv," (perhaps through the broad use of the term "pay-cable"). The discussion of the means of finance for these networks is of key importance in the present study, not only because it is a new topic, but because these arrangements hold promise for special-interest programming.

In brief, the previous literature has included a major initiative, on the part of the FCC, to examine systematically what are termed here "delivery modes," and their prospects for increased specialized-interest programming. Several previous writers have been drawn generally to the idea of specialized programming as a goal, and have proposed means of fostering its development. Also established in the previous literature is an approach which focusses upon economic probabilities in industry structure, and upon the need to align economic incentives with policy goals. Finally, the literature provides background analytic work upon broadcast and cable-tv industry and policy development. What the present study adds to this can be summarized as follows:

1. the definition of a "delivery mode" as a technology plus a means of finance, allowing probabilities in performance to be better assessed;
2. a major focus upon specialized-interest programming as a goal;
3. a systematic discussion of delivery mode characteristics in light of this goal;
4. the inclusion of cable-satellite networks and "paid-for programming", (which it is important to distinguish from pay-tv and its quite different means of finance).

SELECTED BIBLIOGRAPHY

A selected list of titles concludes this thesis. Basically, sources are of two types: studies and factual information. Studies offer analysis, criticism, and systematic description. However, books and reports are more likely to be found for older technologies or for general background issues. For new technologies, and for new developments within older technologies, descriptive material must be relied upon. This is found in the press, in industry magazines and newsletters, and in submissions to policy-making and regulatory bodies, particularly the CRTC. These sources also provide useful analytic material at times.

Footnotes

1. "TV Basics 1978/79" (Toronto, Ontario: TVB Canada, 1979), p. 5; based on A.C. Neilsen data.
2. The Pay-TV Newsletter, July 28, 1980, p. 1.
3. Barnouw is perhaps the most tenacious critic-historian of broadcasting (tv and radio) development. (He writes on the U.S.) See Barnouw, Eric, The Image Empire: A History of Broadcasting in the United States Volume III: from 1953 (New York: Oxford University Press, 1970).
4. The Carnegie Commission on the Future of Public Broadcasting, A Public Trust: the Report of the Carnegie Commission on the Future of Public Broadcasting (New York: Bantam Books Inc., 1979), p. 29.
5. Ibid.
6. CRTC, "Special Report on Broadcasting in Canada 1968-1978," (Ottawa:1979), Volume 1, pp. 23, 31, 53. The 71% figure includes U.S. programs shown on Canadian stations plus U.S. programs viewed on U.S. border stations (off-air or via cable-tv).
7. Royal Commission on Broadcasting, Report (Ottawa: 1957), (hereafter referred to as the "Fowler Commission Report"), p. 11.
8. Address by Federal Communications Commission Chairman Charles D. Ferris, Media Forum, Los Angeles, Ca., February 4, 1980.
9. Toffler, Allan, The Third Wave (New York: William Morrow and Co. Ltd., 1980).
10. Babe, Robert, Canadian Television Broadcasting Structure, Performance and Regulation (Ottawa: Economic Council of Canada, 1979) p. 11. The curious point is perhaps that in Canada we ever expected commercial broadcasting to fulfill non-economic goals. The Davey report, in 1970, noted the folly of making "the same industry that is the principal mainstay of the soap industry" a "beast of burden" for cultural goals. Special Senate Committee on the Mass Media, Mass Media, Volume 1, The Uncertain Mirror, (Ottawa: 1970), p. 203.
11. Innis, Harold, The Bias of Communication (Toronto, Ontario: University of Toronto Press, 1951), p. 201.
12. Babe, Robert, Canadian Television Broadcasting Structure, Performance and Regulation, op. cit., p. 11.
13. Ibid., p. 8.

14. One new form of telecommunications that is not included is "MDS", multipoint distribution systems. MDS is a narrow-beam terrestrial microwave system to deliver signals to specified buildings, apartments, households, etc. It is used for pay-tv in the U.S., and as it has common carriage status there, could be used to deliver voice and data as well. However, its use is still extremely small, and its potential has been assessed as low for both technical and economic reasons. (See FCC, "Preliminary Report on Prospects for Additional Networks," (Washington, D.C.: 1980), appendix on multi-point distribution systems)). In Canada, in policy or industry literature, MDS is not being considered as an option in delivering tv signals.
15. See CRTC, Decision 79-9, January 8, 1979, for a prominent example (involving Roger Telecommunications Ltd. and Canadian Cablesystems Ltd.).
16. CBC, Annual Report 1977/78 (Ottawa 1978), p. 43.
17. Out of a \$417 million for public tv, 1977 donations were as follows: \$45M from individuals, \$35M from business, \$13M from auctions; \$24m from other private sources, \$22M from foundations. Government contributed \$114M, \$95M and \$30M at the federal, state and local levels respectively. State colleges contributed a further \$36M. Carnegie Commission, A Public Trust, op.cit., p. 105.
18. CRTC Decision 79-9. (The companies involved were Rogers Telecommunications Ltd. and Canadian Cablesystems Ltd.)
19. The phrase is from the Carnegie Commission, A Public Trust, op.cit., p. 296.
20. Address by FCC Chairman Charles D. Ferris, Media Forum, L.A., California, February 4, 1980.
21. CRTC, "Canadian Broadcasting and Telecommunications: Past Experience, Future Options," (Ottawa, CRTC: 1980), p. 35.
22. Ibid., p. 102.
23. Ibid., p. 72.
24. Ibid., p. 66.
25. Ibid., p. 106.
27. Griffiths, Stuart, "Alternatives for Canadian Television," (The "Griffiths Report"), in The Media Industries: From Here to Where?, report of the Ontario Royal Commission on Violence in the Mass Media (Toronto: Queen's Printer for Ontario, 1977), Volume 7.
28. Ouimet, Alphonse, "Rationalizing Canada's Telecommunications: A Plan for Action," (Montreal, Québec: GAMMA, 1978).

29. CRTC, "Canadian Broadcasting and Telecommunications," op. cit., p. 71.
30. One publicly-owned entity programs all channels, and in addition owns cable plant. This "Television Canada" would be supported by cable subscription fees, advertising, and public subsidy. Another privately-owned company owns productions facilities, and maintains distribution facilities.
31. Babe, Robert, Canadian Television Broadcasting Structure, Performance and Regulation, op. cit., p. 8.
32. Ibid., p. 226. Babe also makes a comment on the Griffiths report: he applauds its specialized programming, and the demise of private broadcasting incentives in programming; but he raises questions about the institutional arrangements suggested, p. 235.

CHAPTER 2

COMMERCIAL BROADCASTING

Commercial broadcasting has formed the environment to which newer TV delivery modes respond; whether its successors carry on or reverse the traditions it established, changes come as superimpositions on the broadcast industry's groundwork. And, broadcasting is still the industry which reaches by far the majority of viewers. Its characteristics are central both as the dominant current source of tv content, and as the formative past model. As its name implies "broad-casting" reaches wide for audience, and it has been criticized as a "lowest common denominator" medium. This Chapter examines this wide reach and how it occurred; it also describes some of the practices in broadcasting, particularly the prominence of U.S. network programming, with which both policy-makers and would-be new media will have to contend.

1. LEVEL OF OPERATIONS AND AGGREGATION

(a) Operations

There are local, national and international dimensions to broadcasting's sphere of activities, with uneasy relations between them. The local level of operations has held certain policy preferences, but national networking has offered appealing economics, allowing expensive content to be cheaply duplicated. Similarly, the national level is difficult to maintain, though it may be strongly desired as domestic policy -- there are attractive economics in international practices, through program exports (on tape or film), or by border broadcasting or satellite.

The Local Licence

Commercial broadcasting has been based upon a local license given to a station to serve a given market area. The number of stations licensed in an area by the CRTC or the FCC was limited by the radio spectrum and furthermore was roughly matched to the amount of

advertising revenues available for the area, to ensure commercial viability. The "logic of the local licence" was espoused as a social goal as well as a market arrangement, as both the CRTC and the FCC embraced the idea of locally-responsive programming. Nonetheless, two non-local practices dominated: (1) tv program supply has long followed a model (from radio days) with a few, centralized sources of content operating through networks. This enables local stations to show high-cost products far beyond their capacities to produce themselves; (2) most advertising commerce occurs as sales of aggregations of local areas. As for local programming, a recent study done for the DOC (Department of Communications) concluded simply that: "...the provision of local programming by the conventional broadcasters continues to decline in importance for economic and institutional reasons."¹

Despite its failure to produce local responsiveness to any great degree, localism justified the protection of the local broadcasters against a new delivery mode. By its "importation" of distant channels into a local area, cable-tv was thought to cause damage to the broadcaster's advertising by "fragmenting" audiences; cable also disrupted the practice of selling exclusive rights to show a program within a given area.² Cable was viewed and treated as a threat to broadcasters.³ Though its strength has increasingly weakened, the localism argument is still raised: a dbs (direct broadcast satellite) proposal in the U.S. evoked a response from broadcasters that one senator scathingly called "left-over rhetoric about localism" from "knee-jerk reactionaries."⁴

U.S. Program Exports

The international level of operations in broadcasting has occurred primarily with program exports, specifically the export of U.S. tv programs abroad, which have been so prominent that they have been protested as a "one-way flow" by countries on the receiving end. A 1974 study found that the U.S. exported three times as many tv programs as other leading export nations combined, and noted that a veteran series such as "Rin-Tin-Tin" or "Father Knows Best" may have been shown in more than ninety countries.⁵

Tv production budgets in the U.S. may now be so high that the international market is needed to ensure proper profits. In 1979, some \$300M was made by the sale of U.S. programs and films to foreign tv markets. Canada is only one addict among many for buying expensive, U.S. professional productions for use on domestic stations, though we are its most eager and largest customer, making up 20% of U.S. program export sales.

Due to U.S. exported programs, there is now a near-global market of sophisticated viewers: people in a vast number of countries are accustomed to the technique, budgets and professionalism of the costly U.S. output, making domestic productions in smaller and less experienced countries enormously difficult.

Canada has also been penetrated by U.S. programs by border broadcasting, and more recently by satellite (as noted in Chapter 6) with the sudden increase in satellite programming and the drop in earth station prices. Canada's primary goal in broadcasting has been to counter the market forces that inundate Canadians with U.S. material, but satellite will foil even extreme regulatory moves to protect domestic broadcasting.

Some change may be intimated currently in the overwhelming U.S. dominance in tv operations. For example, a recent New York Times article discussed ways in which the U.S. was gradually "entering the global tv market on the receiving end," with: (1) commercial syndication of foreign productions (such as several Australian and British series); (2) foreign productions on U.S. public broadcasting, followed by commercial syndication in some cases; (3) increasing co-productions with foreign companies, by both public broadcasting and the commercial networks; (4) the purchase, by foreign broadcasters, of time on new satellite-cable tv networks (-- Grenada tv of Britain is an example).⁶ The article gave primary credit to a new delivery mode for encouraging change: cable tv used particularly with satellites.

(b) Aggregation

While it is beyond the scope of this thesis to detail economic aggregations in North American media, this section will indicate the level of economic strength aggregated, and roughly compare Canada and the U.S. Networks, multiple system ownership, association with media conglomerates, and vertical integration with production companies are all operative in broadcasting.

Networks

The use of networks, described above, allows a number of economic efficiencies, both in acquiring programs and in selling advertising. An indication of the economic strength grouped by the three U.S. networks is their \$3.5 billion budget for one year of programs.⁷ U.S. network advertising revenues were \$4.7 billion in 1979,⁸ and by comparison Canada's networks are dwarfed. The CBC received \$481M from Parliament, plus \$108M in advertising in 1978/79.⁹ CTV's revenues cannot be compared because it is run as a co-operative with no reason to show profits in its own name, but private broadcasting as a whole in Canada had some \$400M operating revenues in 1979.¹⁰

Cross-media Conglomerates

Multiple system ownerships occur in commercial broadcasting, but have been limited by both the FCC and the CRTC, as has cross-ownership with cable systems. More striking are broadcasting's connections with conglomerates engaged in extensive cross-media (and non-media) operations. Table 2-1 attempts an indication of such cross-media interests in Canada,¹¹ and of broadcasting connections with major Canadian investors; Table 2-2 shows U.S. cross-media interests, in more detail. Connections with large corporations have always characterized broadcasting (though not without criticism): one early participant in radio was AT&T; NBC was formed by RCA, General

TABLE 2-1

MAJOR BROADCASTERS IN CANADA: CROSS-MEDIA INTERESTS (1979)

COMPANY	<u>broadcasting:</u>		<u>cable-tv:</u>	<u>publishing:</u>	other:
	<u>radio:</u>	<u>tv:</u>			
ARMADALE COMPANY (Sifton ownership)	x	x		newspapers	
BATON BROADCASTING INC. (Eaton and Bassett ownership)	x	x			films & tv production
BUSHNELL COMMUNICATIONS*	x	x	x		records
GLOBAL COMMUNICATIONS LTD. (Canwest ownership)	x				records
MACLEAN HUNTER CABLE TV LTD.	x	x	x	newspapers, periodicals, books	
MOFFAT BROADCASTING*	x	x	x		
Desmarais group (Through POWER CORPORATION and other companies)	x	x		newspapers	
SELKIRK COMMUNICATIONS LTD. (Southam ownership)	x	x	x	Southam Inc.: numerous newspapers & periodicals	film & tv production; records; equipment (TOCOM)
STANDARD BROADCASTING CO. LTD. (Argus. Corp. ownership)	x	x	x		
WESTERN BROADCASTING	x	x	x		records

source: Canadian Cablesystems Ltd., Application for Control of Premier Communications Ltd. (1980), pp. 334-442; Clement, Wallace, The Canadian Corporate Elite, (1975), pp. 306-323.

TABLE 2-2
MAJOR BROADCASTERS IN THE U.S. CROSS-MEDIA INTERESTS

<u>company:</u>	<u>broadcasting station holdings:</u>	<u>cable system holdings:</u>	<u>publishing holdings:</u>	<u>film production & theatre holdings:</u>	<u>music publishing & recording holdings:</u>	<u>other media holdings:</u>	<u>broadcasting revenues (1977):</u>
ABC	14 radio; 5 tv	-	1 book; 5 magazine	1 film pro- duction co; 277 theatres	10 record labels	a radio/tv network	\$1,283.7M
CBS	14 radio; 5 tv	(some Canadian interests)	9 book; 20 magazine	educational film production	3 recording companies	a radio/tv network	1.180.3M
RCA	8 radio; 5 tv	-	6 book	documentary film production	1 record subsidiary	a radio/tv network; equipment manufacturing; a common carrier system; electronics manuf.; video- disc manuf.	1,097.9M
Capital Cities Communica- tions	13 radio; 6 tv	-	13 newspaper; 1 book; 6 magazine	-	-	-	not available
Cox Broadcasting	10 radio; 5 tv	36 operating systems	17 newspapers; 2 book; 16 magazine	film distribution	-	television production	186.4M
Westing- house Broadcasting	9 radio; 5 tv	7* operating systems	-	-	recorded educational materials	consumer electronics, phonographs, etc.	175.8M
Metromedia	12 radio; 6 tv	-	1 book	-	music publishing	advertising; tv production	150.8M

*purchased Teleprompter, a major cable-tv company, in Fall 1980.

source: Sterling, C., & Haight, T., The Mass Media (1978), p. 65; Compaine, B., Who Owns the Media? (1979), p. 85.

Electric and Westinghouse. Although in a conglomerate structure, any media sub-section is expected finally to pull its own weight, nonetheless back-up financial strength gives enormous advantage, in new ventures, R&D, lobby efforts, etc.

A further form of aggregation found in broadcasting is "vertical integration" with production companies from whom programming is acquired. This has been a topic of some study in Canada, because of a policy desire to favour independent Canadian producers.¹² The CBC has relied upon in-house production though it is under pressure to change this; most private broadcasting tv production is done by a small number of companies connected to major tv stations. The U.S. system uses independent producers; however, ties between networks and certain successful companies of the day are close, and in prime-time material for fall 1978, 60% came from only 11 production companies.¹³

Broadcasting, then, in both countries aggregates economically by a number of means -- networks; multiple system ownership, to a lesser extent; cross-media interests; and vertical integration with production houses. This creates some notably large entities in the U.S.: RCA Inc. had nearly \$6 billion in revenues in 1977; CBS Inc. had \$2.8 billion.¹⁴ Among other things, these companies are well-positioned to enter new delivery modes, as RCA is doing with video discs.

2. USE AND ACQUISITION OF MATERIAL: HIGH-COST PRODUCTIONS

Advertising has often been blamed for tv's "ruthless pursuit of the least common denominator"¹⁵ (i.e., for its acknowledged high "ingratiation"), but other factors are critical as well. The expected network share of total audience that can be delivered to advertisers, and the fact that the U.S. networks have been the dominant factory for extremely high-cost programming, are perhaps equally important.

(a) High-cost Products

It was pointed out previously that the three U.S. networks have traditionally jockeyed for 30%-plus audience shares, with some individual successes going much higher. (This has been changing as pay-tv takes a toll: overall in May 1980 the three networks, and HBO, drew roughly a quarter each, of prime-time audience).¹⁶ Advertisers, then, have expected to reach an enormous amount of viewers through a U.S. network; accordingly, they pay billions to do so, and this level of spending in turn allows the networks to spend vast sums on programs -- some \$3.5 billion will be spent this year (1980).¹⁷ \$40M a week was being spent by one network, for prime-time (see Table 2-3). "Happys Days," hailed as the most expensive series, ran \$460,000 per half-hour show.

With such expenses behind it, the airing of a program must return a large audience, for satisfactory advertising rates and profits through both advertising and the subsequent re-sales of "hits". (And to this financial picture must be added advertisers' expenses in making commercials: up to \$200,000 could be spent for 30 seconds, making ads the most concentrated tv product). This pressure on programs to deliver audience completes the pattern between: a low number of contenders for audience¹⁸ and the very high audience expectations of major contenders; high advertising rates; costliness of productions; and enormous pressure upon programs to pull in a large audience share (i.e., high "ingratiation").¹⁹ The interesting point about pay-tv was that audiences were eager for another major source of feature programming, even if the economics of commercial tv would not supply it by advertising.

The intense ratings competition that accompanies first-run series in the U.S. defines successes and determines which material will be re-used or sold abroad, so that, even where material has been acquired for a lower price, it is select, wide-appeal programming.

U.S. NETWORKS: WEEKLY SCHEDULES AND PROGRAMMING EXPENSES

TABLE 2-3
U.S. NETWORKS: WEEKLY SCHEDULES AND PROGRAM EXPENSES (1980)

Sunday			Monday			Tuesday		
ABC	CBS	NBC	ABC	CBS	NBC	ABC	CBS	NBC
7:00 Incredible Sunday (Alan Landsburg) \$450,000	60 Minutes (CBS News) \$140,000	Disney's Wonderful World (Walt Disney Productions) \$500,000						
8:00 Tenspeed & Brown Shoe (Stephen J. Cannell) \$500,000	Archie Bunker's Place (Tandem) \$300,000	The Big Event (Various)	Laverne & Shirley (Paramount) \$300,000	WKRP in Cincinnati (MTM) \$220,000	Little House on the Prairie (NBC/Friendly) \$650,000	Happy Days (Paramount) \$475,000	White Shadow (MTM) \$425,000	Misadventures of Sheriff Lobo (Universal) \$400,000
8:30 Sunday Night Movie (Various)	One Day At A Time (TAT) \$290,000		Angie (Paramount) \$245,000	The Last Resort (MTM) \$215,000		Goodtime Girls (Paramount) \$225,000		
9:00 Sunday Night Movie (Various)	Alice (Warner Bros.) \$250,000			M*A*S*H (20th) \$400,000		Three's Company (NRW) \$265,000		
9:30 Sunday Night Movie (Various)	The Jeffersons (TAT) \$275,000		Stone (Universal) \$575,000	House Calls (Universal) \$215,000	Monday Night At The Movies and Specials (Various)	Taxi (Paramount) \$235,000	Tuesday Night Movies** (Various): *Effective March 4	The Big Show* (Vanoff) \$750,000 *Feb. 28
10:00 Sunday Night Movie (Various)	Trapper John, MD (20th Century-Fox) \$450,000		Family (Spelling/Goldberg) \$575,000	Lou Grant (MTM) \$550,000		Hart to Hart (Spelling/Goldberg) \$650,000		United States* (OTP) \$400,000 *March 4
10:30 Sunday Night Movie (Various)								
11:00 Sunday Night Movie (Various)								

Wednesday			Thursday			Friday		
ABC	CBS	NBC	ABC	CBS	NBC	ABC	CBS	NBC
8:00 Eight is Enough (Lorimar) \$600,000	Beyond Westworld* (MGM) \$450,000 *March 5	Real People (George Schlatter) \$450,000	Mork and Mindy (Paramount) \$285,000	The Waltons (Lorimar) \$625,000	Buck Rogers in the 25th Century (Universal) \$800,000	B.A.D. Cats (Aaron Spelling) \$650,000	The Incredible Hulk (Universal) \$575,000	Specials (Various)
8:30 Charlie's Angels (Spelling/Goldberg) \$750,000		Different Strokes (Tandem) \$300,000	Benson (Writ-Thomas-Harris) \$190,000	Barnaby Jones (QM) \$650,000	Quincy, M.E. (Universal) \$625,000		Dukes of Hazzard (Warner Bros.) \$625,000	
9:00 Charlie's Angels (Spelling/Goldberg) \$750,000		Hello Larry (TAT) \$190,000	Barney Miller (Four D) \$245,000	Soap (Witt-Thomas-Harris) \$220,000		ABC Friday Night Movie (Various)		Friday Night at the Movies (Various)
9:30 Charlie's Angels (Spelling/Goldberg) \$750,000	Wednesday Night Movies (Various)							
10:00 Vegas (Aaron Spelling) \$600,000		Best of Saturday Night Live (NBC) \$250,000	20/20 (ABC News) \$135,000	Knots Landing (Lorimar) \$500,000	Skeg (Lorimar) \$550,000		Dallas (Lorimar) \$660,000	
10:30 Vegas (Aaron Spelling) \$600,000								
11:00 Vegas (Aaron Spelling) \$600,000								

Saturday		
ABC	CBS	NBC
8:00 One in a Million (T.O.Y.) \$225,000	The Chisholms (Alan Landsburg) \$575,000	CHiPs (MGM) \$600,000
8:30 The Ropers (NRW) \$220,000		
9:00 Love Boat (Aaron Spelling) \$650,000	Hawaii Five-O* (CBS) \$450,000 *March 1	B.J. and the Bear (Universal) \$475,000
9:30 Love Boat (Aaron Spelling) \$650,000		
10:00 Fantasy Island (Spelling/Goldberg/Columbia) \$650,000	Hagen (20th Century-Fox) \$500,000	Prime Time Saturday (NBC News) \$150,000
10:30 Fantasy Island (Spelling/Goldberg/Columbia) \$650,000		

program costs:

	ABC	CBS	NBC
regularly-scheduled programs:	36 half-hours: \$9.9 M	36 half-hours: \$9.3 M	28 half-hours: \$7.1 M
non-regular programming: (theatrical films, made-for-tv movies, special programs)	2 two-hour movies: \$4 M	2 two-hour movies: \$3.7 M	8 hours special programming: \$26.3 M
			\$5.2 M
			\$12.9 M

(b) Canadian Use of U.S. Exports

In Canada, evening tv has consisted largely of U.S. programs. Our broadcasters purchase U.S. material both as re-run syndications, and as first-run programs (with a pre-release advantage in Canada). A 1979 study by Robert Babe found that, in prime-time hours, private broadcasters not uncommonly had a 14% Canadian content -- i.e., advertising only.²⁰ Broadcasters have the responsibility to produce Canadian content, and to show it 55% of the time, but the quota system devised in Canada has been unsatisfactory, and is under review by the CRTC at the time of this writing. What has occurred is that expensive U.S. shows, with large audience draw, are purchased for a portion of their actual cost to produce (perhaps \$15,000 or less), while Canadian programs (averaging \$60,000 to \$80,000 to produce) are more expensive, appear markedly less polished, and have a much lower audience draw. Revenues cover perhaps 25% of production costs. Broadcasters have been candid about the use of profits from U.S. programming to cross-subsidize Canadian content.²¹

These export programs have created a global appetite for the U.S.-style high-cost product, and have created difficulties for any content which may seek smaller audience and so be confined to more modest budgets. Most notably in the past, it has been domestic content that has grappled with this problem, but specialized-interest content faces the same audience habituation to very costly products.

Other practices, besides the purchases of exports, also make programming available for much less than its production costs. Commercial tv has had a tradition of using material from the theatrical film industry. Taking ABC as an example, some 40% of total films aired in fall 1979 were theatricals (while 60% were made-for-tv -- see Table 2-3). A network acquires a multi-million dollar product for a fraction of its cost, though showing rights alone may cost \$3M for a major film.²² Another means to reduce costs is to re-use material. When a theatrical film is purchased, multiple airings can occur over a

period of a few years. Similarly, ABC may pay \$475,000 to buy one episode of "Happy Days" from its producers, but it buys the right to air the show two or three times in a year. Syndication also makes programming available for re-runs at a fraction of cost. The structure of broadcasting, however (where a station or network has one channel to access local viewers, and is paid on the basis of audience reached), and the kind of material that is re-used or re-sold (whose success has already been proved at the box-office, or as first-run material), are such that any economic gains from re-use of material have little effect to decrease "ingratiation" (the maximization of audience reach).

3. MEANS OF FINANCE

The sale of advertising time was a practice tv inherited from radio, and the partnership between tv and advertising has always been firm. Both have profited greatly, and commercial tv has been able to draw upon enormous budgets for programming.

Besides short discussions of tv's use of advertising, and of the advertising industry itself, which is eager to participate in new delivery modes, this section will briefly take up advertising's presence in Canadian broadcasting.

(a) Advertising

The U.S. is lavish in advertising spending, as Table 2-4 shows, and this, coupled with large domestic market, gives the U.S. a budget in commercial broadcasting unheard of elsewhere. Advertising is approximately 1.2% of GNP in Canada, 1.9% in the U.S., both high on a world standard.²³ This meant tv expenditures of approximately \$500M in Canada, and 4.7 billion in the U.S. in 1979 (as noted earlier).

The advertising industry must face changes with current new media. "Fragmentation" occurs as the fat audience draw of commercial

TABLE 2-4

PER CAPITA ADVERTISING EXPENDITURES

SELECTED COUNTRIES (1974)

	per capita total advertising expenditures <u>(U.S. dollars)</u>
Brazil	\$ 8.96
Canada	76.06
France	37.75
Greece	5.00
Hong Kong	12.79
India	.16
Israel	19.70
Italy.	16.96
Sweden	61.71
Switzerland	114.79
United Kingdom	39.55
United States	126.32
West Germany	140.70

source: A Survey of World Advertising Expenditures 1974,
"Twelfth survey of advertising expenditures around
the world", (Mamaroneck, N.Y.: Starch Inra Hooper,
1974), pp. 15-16.

tv is thinned by options such as pay-tv, cable-satellite channels, and home video, some of which embody a user-pay philosophy. One ad executive has warned that tv "may never see a 30 rating again."²⁴ Nonetheless, demand for tv time remains high at present, and the advertising industry offers reassuring arguments:

The reservoir of hours of television watching is so huge -- over 2300 hours per home per year -- that even with some audience loss, commercial broadcasting will remain a strong and vital business and will continue to be a necessity to advertisers...²⁵

By this opinion, new media would flourish, but commercial tv would "remain the single most effective mass audience medium."

Meanwhile, the advertising industry is already thinking aggressively about new media itself. It anticipates new forms of advertising with home video, for example, and is participating in new cable-satellite channels, as described in Chapter 6. Furthermore, in the past advertising made an admirable readjustment from general to specialized magazines. Advertising has the strength of being well-established in its role as a defrayer of direct cost to the viewer, making programming appear "free" to audiences. People now get 12 minutes of interruptions in an hour of programming; apparently they accept even this, and certainly accept the industry behind it. Along with many critical attitudes to advertising, a CRTC survey nonetheless found that 73.5% of their respondents agreed that "advertising is necessary to our economy."²⁶

Advertising, then, is a powerful industry, well-established as a means of finance for media, and eager to extend its range to new delivery modes. Certain practices in advertising contribute in particular ways to ingratiation, taken up as a topic in Section 4 below. Basically, in selling audience to advertisers, the commercial tv programmer (newspaper, magazine publisher, etc.) wants to deliver

maximum numbers of suitable audience to keep rates as high as possible. With broadcasting, there are relatively few tv networks or independent stations in a given area, so that each network or station aims for a large audience share. Advertisers have typically been selling products of a wide and general consumer interest, and this is the kind of audience share they want. These aims, often taken for granted, can be contrasted to a "narrowcast" approach, being talked of for cable-satellite networks, for example. These new "networks" are far more numerous, and are receivable by a much smaller percentage of the population than off-air networks, so that the expected audience reach of each is relatively modest. Furthermore, their programming is more specialized. "Narrowcasting," then, would be the aim of their advertisers: targetting a smaller audience likely to be interested in buying a product. An analogy is often drawn to advertising in special-interest magazines.

Another point in commercial tv broadcasting practices concerns the way in which advertising time is sold within a program. Each time a program is shown, and with each episode in a series, the same pressure to deliver audience exists, because each advertiser has bought time for a slot within that particular broadcast. No cumulative gain is possible, for a production, or for a programming schedule: if the production is re-shown, it has new advertising purchases, and a minority viewership cannot add up, as it can through purchases of videodiscs, for example. In the programming schedule, each program is a fresh bid for audience figures with individual sales of commercial time. This can be contrasted, theoretically, to sponsorship of an entire channel, where some thought to cumulative audience reached is possible.

(b) The Canadian mixed system: public and private,
advertising-based

A brief note is made here about the presence of advertising on tv in Canada. Unlike the U.S. scene, Canada's policy formulators

have favoured a public system for broadcasting following non-economic goals; the economics of commercial broadcasting, however, have dominated. Events have led us from the Aird Commission in 1929, which espoused one broadcasting system run as a public utility by one national company, to our present peculiar mix of public and private broadcasters. These events have been summarized elsewhere.²⁷ The focus here is on Canada's reliance upon commercial broadcasting, for non-economical goals confirmed in Royal Commissions and in the Broadcasting Act itself.²⁸

The CBC has two commercial ties: the use of advertising, and the use of privately-owned affiliates to distribute programming along with CBC-owned stations. Despite sporadic suggestions of change²⁹, advertising has existed as long as the institution, and since the second Fowler Commission in 1965, the CBC has been expected to be a competitive commercial broadcasting contender. The Corporation, then, must show some advertising revenues, by policy; and to its privately-owned affiliates, who carry CBC network programs, advertising-based economic health is essential.

Meanwhile, private broadcasting grew to considerable size, both in its own right and as CBC affiliates. Not surprisingly, policies emerged to fit this substantial private system into the culturally-motivated national broadcasting vision. The notion of the "single broadcasting system" (public plus private), was pivotal: the phrase was used by the Massey Commission in 1951 and passed on to the current Broadcasting Act, which assigned certain broad cultural responsibilities to both public and private systems. The Canadian content regulations translated this role into specific practices for broadcasters.

Not without criticism, Canada ended up with a "hybrid" broadcasting system: a public service which was nonetheless commercial, in an uneasy partnership with private enterprise. The economic well-being of this system, advertising-based in both its public and private-owned components, has been supported through numerous policies.³⁰

The advertising basis of broadcasting has a number of effects which work against the objective that Canadian broadcasting show Canadian content. It encourages maximum-audience programming; it places a premium on U.S. programs, which draw the largest audiences in Canada; and it highlights U.S. shows in prime time, concentrating Canadian productions in undesirable time slots. The use of private broadcasting with profit maximization incentives, as opposed to a public institution, intensifies the above tendencies. CBC, for example, showed 60% Canadian programming in a prime-time test week compared to private broadcasting figures of 14%.³¹ In a fundamental way, the incentives of private broadcasting have run counter to the cultural role prescribed by policy makers.³² (Irony is only added by the fact that broadcasters use popular U.S. programs to cross-subsidize Canadian productions that few people watch.) In a word, the commercial base of the system is poorly aligned with its policy objectives.

4. INGRATIATION: ADVERTISING AMONG OTHER FACTORS

Many of the characteristics about the nature of commercial tv noted in this chapter hold an incentive to maximize audience numbers, and to please the widest possible range of audience. For example:

- level of operations: broadcasting blankets a nation via networks, and in non-U.S. countries makes extensive use of U.S. exported material. Audience, then, is a vastly diverse collection of people served as a homogeneity.
- the single channel system: as the public broadcasting chapter will note, any single channel system, with only one line of access to audience at any given time, tends to maximize the appeal of its content.
- number of competitors: the number of networks is small³³, so that each network and its stations aspires to a major portion of available audience. If a 30 to 40% share defines successful shows, again a large and diverse audience is lumped into one viewing public.

- the use of advertising: advertising in this context seeks to maximize audience numbers while treating audience as a homogeneous interest, undifferentiated except for basic demographic indicators such as sex.
- the use of very costly material: at \$500,000 an hour, material is not being produced for small audiences. (Program exports and the use of films or re-runs which bring down costs nonetheless consist of content that has proven itself a crowd-pleaser at the box office or as first-run material.)
- the basis of advertising sales: as advertising is sold by time slots in an individual program, each program is a fresh bid for audience and must pull in anew the large audience share that defines success.

There are doubtless other points that could be made about tendencies to ingratiating in commercial broadcasting. However, it should be noted that these tendencies are complex. It is not sufficient to argue simply that "advertising tends to maximize audience": the level of operations of a medium, the level of audience share that is feasible, and the way in which advertising sales or sponsorship are practiced are also formative. Special-interest magazines use advertising, too; broadcasting is "broadcasting" for more than one reason. Having said that, it can be reaffirmed that the economic strength and aims of numerous general-interest-product advertisers has had profound effect on the commercial broadcasting system and its content. (Eric Barnouw has focussed upon this effect in his chronicles of broadcasting.³⁴)

Commercial tv's heavy use of series, with continuing characters and familiar settings week after week, holds a further element of ingratiating, as programmers want to keep viewers coming back indefinitely to the same show. The regularity of weekly content in a series, which makes them bland to some tastes, is honey to advertisers who

crave the predictability in audience that such regular fare encourages. It is small surprise for an industry executive to announce: "The big news this year is that there is no news ...the formula of copying the old reliables will continue".³⁵ Ingratiation, commercial tv, and the episodic series continue en famille.

These are some of the characteristics, then, which have rendered commercial broadcasting a poor vehicle for specialized-interest programming. Other delivery modes are by nature more suitable; nonetheless they must contend with certain of commercial broadcasting's legacies, such as the global habituation to high-cost product, and the long habit of a very high audience share as a measure of success.

5. CONCLUSIONS

Broadcasting, in its technology and economics, has defied attempts to hold it to what policy-makers view as a locally-responsive, or in Canada a domestically-responsive level of operations. Yet, many policy interventions have been made in the attempt, and Canada will face new media from an uncomfortable position: she relies on a mixed (public and private) commercial system as an instrument of cultural policy, and she has treated this system very protectively in the past, particularly repressing the impact of new media. Should Canada choose to further protect broadcasters as a matter of policy, she will face economic forces moving in a conflicting direction, as U.S. broadcasters with conglomerate structures are positioning themselves to move into new media, rather than resist them.

The insistence of Canadians to give U.S. programs their largest audience shares suggests perhaps that Canadian programming is (with prominent exceptions), of a specialized and not a mass appeal, and is at bottom not suited to commercial broadcasting as a vehicle to reach the public. (Full public subsidy is an option that has been proposed since 1929.)

Meanwhile, the nature of advertising is likely to be modified from the "broadcast" basis it has had in the past. The high ingratiation of commercial broadcasting occurs for more complex reasons than solely the presence of advertising; the single-channel system, number of competitors in a local area, and expected audience share are key factors also.

Footnotes

1. McNulty, Jean, Other Voices in Broadcasting: The Evolution of New Forms of Local Programming in Canada (Ottawa: Department of Communications, June 1979), p. vii.
2. Network programming is meant to reach into an area through a single local affiliate; syndicated programming is sold by local areas. Regulatory agencies have protected local broadcasts by program substitution policies, commercial deletion, etc., and even black-out for a time in the U.S.
3. For a history of policies protecting broadcasters from cable-tv, see the CRTC's policy statements on cable -- a Public Announcement in February 1971, "The integration of cable television in the Canadian broadcasting system"; a Policy Statement on July 16 1971, "Canadian broadcasting: a single system"; and "Policies respecting broadcasting receiving undertakings (cable television)" in December 1975. A more recent CRTC report, "Canadian Broadcasting and Telecommunications: Past Experience, Future Options," op. cit., summarizes this material, pp. 39-64, and notes a recent shift in attitude. In The U.S., Vincent Mosco, in his book, Broadcasting in the U.S.: Innovative Challenge and Organizational Control (Norwood, N. J.: Ablex Publishing Corp., 1978) focusses on the wasted potential of new technologies introduced with only protection of the existing system in mind. Leduc, Don, Cable Television and the FCC: A Crisis in Media Control (Philadelphia, Pa.: Temple University Press, 1973), particularly takes up localism and its failure.

The FCC has openly re-thought its past protective attitude against cable-tv; and in Canada too this attitude has weakened steadily of late.

4. Broadcasting, March 31 1980, p. 65. Lionel van Deerlin is commenting on broadcasters' reactions to Comsat's dbx pay-tv proposal.
5. Nordenstrang, Kaarle, and Varis, Tapio, Television Traffic: A One-way Street? (Paris: UNESCO 1974), pp. 30-32 (see Chapter 3: "International Flow of TV Programs").
6. New York Times, February 21, 1980.
7. Variety, March 19, 1980, p. 2.
8. Broadcasting, March 17, 1980, p. 64.
9. CBC Annual Report 1978-1979 (Ottawa: 1979), p. 40.
10. Statistics Canada, 56-204, 1979. (This figure would include CBC's affiliates' non-network income; TVA; independents, and "Global Network" which re-transmits programming in southern Ontario.)

11. For Canada, CRTC, "Ownership of Private Broadcasting: And Economic Analysis of Structure, Performance and Behaviour" (Ottawa: October 1978), describes multiple ownership in broadcasting and cable; Wallace Clement, The Canadian Corporate Elite: An Analysis of Economic Power (Toronto: McLelland and Stewart Ltd., 1975) describes major broadcasting groups; Canadian Cable-systems Ltd., "Application for Control of Premier Communications Ltd. by Canadian Cablesystems Ltd." (Toronto: 1980), summarizes major Canadian media relationships, pp. 334-43.
12. See, for example, Edmonds, Hugh, "A Study of the Independent Production Industry with Respect to English Language Programs for Broadcasting in Canada" (Windsor, Ontario: University of Windsor, Centre for Communications Studies, April 1976).
13. The Carnegie Commission, A Public Trust, op. cit., p. 154.
14. Compaine, B., Who Owns the Media? (White Plains, N. Y.: Knowledge Industries Publishers Inc., 1979), p. 204.
15. The Carnegie Commission, op. cit., p. 296.
16. The Pay-TV Newsletter, July 28, 1980, p. 1.
17. Variety, March 19, 1980, p. 3.
18. As Innis observed, some technological constraints have been formative, whereby the low number of possible stations in an area headed the system in the direction of high audience shares from the outset. See Chapter 1 above, p. 4 and footnote 33 below.
19. Ratings-war pressure is now so high that a de facto "fourth season" emerged this year: network juggling and jettisoning of prime-time material reached a point where in effect a new schedule appeared in March. Broadcasting, February 18, 1980, p. 46; Variety, March 5, 1980, p. 51.
20. Babe, Robert, Canadian Television Broadcasting Structure, Performance and Regulations, (Ottawa: Economic Council of Canada, 1979), pp. 76-77.
21. See, for example, the Canadian Association of Broadcasters, "The Future of the Communication System," a submission to the Consultative Committee on the Implications of Telecommunications for Canadian Sovereignty (Ottawa: CAB, January 8, 1979), p. 7.
22. Meanwhile, costs for production of made-for-tv movies are approaching those for making a low budget theatrical film. ABC planned a \$3M movie about Marilyn Monroe, to be converted into a screen version for an extra \$500,000 for European film distribution. Variety, February 20, 1980, p. 43.
23. TAMEC Inc., "Videotex Services Market Potential for Canada," (Montreal: TAMEC, January 1979).

24. Broadcasting, October 6, 1980, p. 29. Similarly, a J. Walter Thompson executive predicted the demise of one of the three U.S. commercial networks, because of advertising on cable-satellite networks. Home Video Report, June 23, 1980, p. 6.
25. Broadcasting, April 21, 1980, p. 56.
26. CRTC, "Attitudes of Canadians Toward Advertising on Television" (Ottawa: 1978), p. 6. (Based on a study by Market Facts, prepared by Avrim Lazar and Associates, Ltd.).
27. Ellis, David, Evolution of the Canadian Broadcasting System, op. cit., has summaries of relevant policy history.
28. These goals include, for the CBC: a national service, predominantly Canadian in content and character, with "balanced" programming, to all parts of Canada, in English and French by regional need, and a contribution to national unity and expression of Canadian identity. Both private and public broadcasters must provide "varied and comprehensive programming" of "high standard, using predominantly Canadian and other resources." The keynote phrase is "to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada." 1968 Broadcasting Act, R.S.C. 1970, c. B-11, Section 3.
29. Most recently, former minister of Communications and Secretary of State David McDonald described an ultimate goal for the CBC to show one hundred per cent Canadian programs, possibly ceasing advertising and dis-affiliating private stations. Toronto Star, June 5, 1979. A former CRTC Chairman, Dr. Pierre Camu also expressed preferences for the CBC to be more of a "PBS" kind of service without advertising.
30. These were primarily directed against the impact of cable-tv; see footnote 3 above.
31. Babe, Robert, Canadian Television Broadcasting Structure, Performance and Regulation, op. cit., p. 75.
32. Robert Babe calls these conflicting demands, of public policy on the one hand and commercial profit motives on the other, "an advanced case of schizophrenia". Ibid., p. 11.
33. Technical limitations, as only a small number of VHF stations can be received without interference, meant that a system with multiple stations in an area, each with lower audience expectation, did not develop. Competitive entry is further constrained by high cost of competitive program production, and by reliance upon advertisers for finance -- i.e., advertisers would expect a large audience in order to pay rates that would finance competitive productions.

CHAPTER 3

PBS*

This chapter focusses entirely upon a U.S. operation for two reasons: PBS is an example of a major non-commercial delivery mode, and it is available to a large number of Canadians, via cable-tv, or off-air, providing a significantly different alternative from commercial tv. (Some 70% of Canadian English speakers can view it -- see Figure 4-2.)

(a) Background and Goals

Originally, public tv in the U.S. was almost entirely educational. The first Carnegie Commission report, which led to the Public Broadcasting Act in 1967, described a need for a broader non-commercial system. Its successor Commission, assessing public broadcasting's role in 1979, adamantly affirmed public broadcasting's role as "an alternative to the increasingly vulgarized commercial fare": "The enormous profitability of the commercial electronic media mandates the development of a viable institution operating in the public interest."¹

At their broadest, the Commission's goals are not only anti-commercial but humanistic: the media should be used "not for the ruthless pursuit of the least common denominator but for their highest human potential"; as part of the non-profit sector, pbs's contribution to human betterment constitutes its "profit," "...a unique form of social dividend that Western society has devised as a counterweight to the implacable laws of the marketplace."²

The mandate this second Carnegie Commission assigns to pbs is a large one. It should:

* The term "pbs" is used in this paper in its common meaning, of the U.S. public broadcasting system; when capitalized, it also refers specifically to an organization, as will be seen.

- 1) first, be non-commercial;
- 2) be independent (regarding its funding and program content);
- 3) be innovative and "pioneer applications of new technology";
- 4) set a standard of excellence;
- 5) express strong editorial purpose and create a strong, professional and independent public affairs presence;
- 6) use the media to enhance citizenship and public service;
- 7) continue to break ground in education.³

The fourth goal particularly includes the concept of diversity and specialized programming:

...We believe that public broadcasting must be a full service offering a sufficiently wide range of viewing and listening experiences to attract virtually every segment of the population on a regular basis. Some programs will be extremely popular, and that is good. Other programs will have highly specialized appeal. This, too will manage to attract significant numbers of viewers and listeners who would otherwise search in vain for interesting program materials.⁴

(b) Canada and Non-commercial Broadcasting

As for Canada, Chapter 2 on broadcasting described the commercial base that developed for the CBC, through advertising and also the use of private broadcasting affiliates. At times initiatives for a non-commercial system surface. The previous CRTC Chairman, Pierre Camu, among many others, hoped the CBC could be non-commercial, and at one point told the CBC he would like to discuss the idea of

dropping commercials from its broadcasting; he was told by CBC President Al Johnson that this was unrealistic.⁵ In Canada, 23 million people make a \$400 million federal government contribution to broadcasting, yet we have no non-commercial tv alternative, while \$239M from three levels of government in the U.S. generates a \$417M public tv system (see Table 3-1). Johnson, on his end, has put forward the idea of a non-commercial "TV-2", a cable channel with programming supplied by the CBC, nationally, reshowing quality CBC and other Canadian broadcasts. This is more recently referred to as CBC-2 (mentioned in the cable-tv chapter), currently planned for January 1982.⁶ The idea of non-commercial broadcasting in Canada is alive and its lack may even be regretted; but no clear prospect is in sight.

1. LEVEL OF OPERATIONS AND AGGREGATION:
STATION CONTROL AND CENTRALIZATION

Public broadcasting in the U.S. has been characterized by tension between local and national operations, particularly regarding control of scheduling, and of program production as well. The major institutional players are CPB (Corporation for Public Broadcasting), set up the federal government's 1967 Public Broadcasting Act, and PBS (the Public Broadcasting System). PBS was set up in 1969, as a membership organization of tv stations, to run station interconnection. (Table 3-2 shows ownership of the systems' 267 stations in 1976, any of which may perceive quite different roles and priorities in programming.) PBS was financed by CPB, and partially controlled by the stations. After years of dispute, a crisis under President Nixon in 1973, and a subsequent Partnership Agreement, PBS was re-organized, to be completely controlled by its tv station licensees. The roles of CPB and PBS continue to be uneasy. Two recent works, the Carnegie Commission's A Public Trust, and a more recent study done as part of the FCC's major network inquiry,⁷ deal in detail with the institutional workings of public broadcasting in the U.S.

TABLE 3-1

U.S. PUBLIC BROADCASTING INCOME SOURCES: 1977
(WITH CARNEGIE COMMISSION RECOMMENDED CHANGES)

<u>source:</u>	(\$ millions) <u>1977 tv & radio: (tv):</u>	<u>recommendations for 1985:</u>
FEDERAL FUNDS	to: CPB (Corporation for Public Broadcasting): \$103M	to: Public Telecommunications Trust (recommended to replace CPB): \$ 20M
	other federal agencies: \$ 32M \$135M (114)	Program Services Endowment (new): \$190M Stations: \$380M \$590M
NON-FEDERAL FUNDS:		
STATE & LOCAL GOVERNMENT	state colleges: \$ 54M (36)	a recommended total of:
	state government: \$100M (95)	\$235M
	local government: \$ 37M (30) \$191M (161)	
INDIVIDUALS	\$ 50M (45)	\$205M
BUSINESS	\$ 40M (38)	\$ 70M
OTHER PRIVATE	foundations: \$ 23M (22)	a recommended total of:
	auctions: \$ 13M (13)	\$ 60M
	other: \$ 29M (24) \$ 66M (59)	
TOTAL NON-FEDERAL FUNDS:	<u>\$346M</u> (303)	<u>\$570M</u>

Source: Carnegie Commission on the Future of Public Broadcasting,
A Public Trust (1979), pp. 104,137,147.

TABLE 3-2

NUMBER AND OWNERSHIP OF U.S. PUBLIC TV STATIONS (1959-1976)

<u>ownership category:</u>	<u>1959</u>	<u>1964</u>	<u>1968</u>	<u>1972</u>	<u>1976</u>
Colleges and Universities					
number	9	24	31	67	78
percent	.26	.27	.21	.30	.29
Public School Systems					
number	3	19	22	21	19
percent	.09	.22	.15	.09	.07
State and/or Municipal Authorities					
number	10	20	52	74	97
percent	.29	.23	.36	.33	.36
Community Organizations					
number	13	25	41	61	73
percent	.37	.28	.28	.27	.27
Total Stations	35	88	146	223	267

source: Sterling, C., and Haight, T., The Mass Media (1979), p. 103.

An interesting point is that, rather than create a centrally determined "fourth network" structure, mechanisms for local station control have been sought in PBS. A national Program Service, operated by PBS, offers programs for optional use to local stations, by a multichannel distribution system using satellite: several channels of programming are offered to the local station to choose from for its own broadcast. (Local control is at issue rather than local responsiveness: only 19.9% of programming that stations broadcast was locally produced. In fact, PBS's 10 largest stations capture 97% of national underwriting funds.)⁸ A \$43M satellite system was set up in 1978, by PBS, with earth stations at 157 public tv stations. PBS has also been innovative in using technology, once in place, as a source of income: it is selling unused capacity on these earth stations to Western Union.⁹

2. ACQUISITION AND USE OF MATERIAL: IMPORTATIONS,
RE-USE OF PROGRAMMING AND CO-PRODUCTION

PBS has shown a number of practices in acquisition and use of material which distinguish it from its commercial U.S. counterpart. Interestingly, some procedures have paralleled practices taken up also by newer delivery modes, such as pay-tv. Of particular note are: heavy importation of already prepared and successful material, usually from England; re-showing of material (more than once in a week); and repetition of popular material. (Pay-tv shows all three practices, though in its case the "importation" is from one delivery mode to another, drawing on theatrical films.)

Faced with the costliness of program production, PBS has long made use of large amounts of acquired programs. So much material has been from Britain, that PBS has faced criticisms of "anglo-
philia."¹⁰ In 1977, PBS spent \$3.3M to acquire 103 hours of programming, which would have cost some \$36.9M to produce.¹¹ In following the lure of these attractive economics, PBS resembles non-U.S. commercial tv systems, such as that in Canada, who make heavy use

of purchased (U.S.) material. Domestic U.S. criticism of this habit may sound familiar to Canadians: the Carnegie Commission disapproves because "the resources of the American creative community are presently underutilized."¹²

Re-use of material is another response to limited funding. In PBS's national programming in 1977, 3 out of 4 programs were repeats.¹³ This has taken two forms: with a popular dramatic series, like Masterpiece Theatre, an episode might be repeated two nights in a given week. The whole series might also be re-shown. The latter practice resembles commercial tv's syndicated re-runs of its own popular material; but PBS's re-showing of material also resembles pay-tv practices. Pay-tv schedules a movie several times in a month, and repeats "encore" material extensively. Pay-tv also "imports" acquired material into its sphere of operations -- but from another delivery mode rather than another country, i.e., its use of feature films (which commercial tv uses as well, but to a much smaller extent proportionally).

Costs of production for public broadcasting are taxing, as is the case for all production enterprises. Emphasis on documentary and public affairs programs (as Table 3-3 indicates) stretches dollars, but, as the Carnegie Report points out, "...the differences between costs for programs on [public and commercial] systems have begun to narrow, and ...we can expect this trend to continue."¹⁴

With these costly, professional productions, co-productions with other delivery modes may become attractive. PBS has negotiated with HBO (pay-tv's Home Box Office) for a joint venture production, so that: "... by pooling costs, commercial and non-commercial services will develop product neither could afford individually."¹⁵ The strategy is that pay-tv would get the first run, before PBS, for a mutually underwritten feature. (Pooled money could also acquire imports, to get "the maximum mileage out of product," using "non-competitive" audiences.)

TABLE 3-3

U.S. PUBLIC TV CONTENT BY PROGRAM TYPE (1978)

	<u>Station Broadcast Hours:</u>	
	Full Day (1976)	Prime Time (1978, preliminary)
News/public affairs	11.9%	16%
History/biography	4.7	7
General information	7.2	12
Science	2.3	6
Skills, how-to-do-it	5.7	1
Children's	10.0	0
Culture/art/reviews	2.5	3
Music/dance/performance	7.7	17
Drama	6.8	23
Feature film	2.7	5
Comedy/satire	.8	3
Sports	2.1	3
All other general	2.1	1
Instructional television	16.6*	1
Sesame Street/Electric Company	17.8	0

*Includes "Electric Company" (1.6% of total) and "Villa Allegre" (0.2% of total) broadcast during school hours on days when school was in session.

source: Carnegie Commission on the Future of Public Broadcasting, A Public Trust (1979), p. 340.

There are some interesting parallels, then, between PBS and pay-tv who both view themselves as non-commercial alternatives: extensive use of acquired material; re-showings within a schedule; and repetition of material. Generally, all are more conservative practices, to win more use out of existent material, as opposed to commercial tv's more profligate approach to production.

3. MEANS OF FINANCE: PRIVATE DONATIONS,
GOVERNMENT FUNDS AND THE MARKETPLACE

The essence of public broadcasting has been that viewers receive broadcasting with no commercials, and no subscription is required. There is "public support" for the medium, through a number of means (government, donations from foundations and institutions, private donations). Table 3-1 showed the variety of sources the system draws upon for funds.

Though they are now becoming less important, private donations have always been a source of support for PBS, and an interesting one as in Canada we have not followed this method. Foundations, such as the Ford Foundation, have provided major support in the past to non-commercial and educational broadcasting. Bernard Ostry, in his book The Cultural Connection, has compared the U.S. tradition of private support for the arts generally, to Canada's use of government support.¹⁶ PBS has been innovative in soliciting donations: the televised auction, which became a PBS tradition, began as a desperate measure by one San Francisco station in the early 50's.¹⁷

Public broadcasting receives support from all three levels of government: local, state and federal. The key polarity in funding in the past was not so much government versus private sector, but federal versus non-federal money. The proportion of federal support has been an issue of long standing. In general, it has increased, and the Carnegie Commission's advice would have furthered this trend.¹⁸ The Reagan administration, however, aims to reverse it. Meanwhile, money from major private sources, such as the Ford Foundation, has decreased, as Table 3-4 shows.

TABLE 3-4

FORD FOUNDATION SUPPORT FOR U.S. PUBLIC BROADCASTING 1951-1977

<u>fiscal year</u>	<u>tv and radio</u>	<u>radio only</u>
1951	\$ 1,439,091	\$492,800
1954	4,776,068	0
1957	4,749,720	74,750
1960	7,708,701	1,500
1963	7,423,652	00
1966	16,288,700	0
1969	25,301,843	185,572
1972	19,103,080	0
1975	3,680,000	0
1976	15,063,034	0
1977	1,242,552	0

source: FCC, Network Inquiry Special Staff, "Preliminary Report on Prospects for Additional Networks", Appendices, vol. 3, "Program distribution, scheduling, and production support in the public television system", appendix 6.

Even before the November 1980 election of an unsympathetic administration, and despite the Carnegie Commission's supportive recommendations, public broadcasting had begun to worry about its financial future and government support, to the extent that some planners believe only marketplace success can guarantee continuing service.

(a) In the Marketplace

Recently PBS's president (Larry Grossman) has been espousing new technology, as well as an aggressive marketing strategy, to generate higher levels of income. "Our objective," he says, "is to use everything we can to help stations make money," to break free of reliance upon federal funding.¹⁹ Besides exploiting the PBS satellite system after FCC approval of its use for commercial ventures, new possibilities include: the use of pay-cable, DBS, STV, video-cassettes and discs, and the use of multiple cable channels. In terms of finance, Grossman's plans include active pursuit of underwriters, and better marketing of the rights to PBS's programs. He asserts:

...We must mine new sources of income. We must earn our way... And we must leverage those funds through vigorous and imaginative marketing of our programs and our services in the private sector.²⁰

A cable pay-tv venture has already been suggested, by a follow-up study to the Carnegie Commissions' A Public Trust report: PACE (Performing Arts, Culture and Entertainment satellite network) would be a pay-channel system.²¹ The study also suggests that PBS tv stations could lease a portion of their air time to STV programmers.²²

Other initiatives show innovation in finding money, such as the sale of unused earth station capacity to Westar, who will set up a syndication service to supply programming to commercial tv stations. PBS also plans co-production with HBO pay-tv -- both cases present strange bedfellows, as non-commercial tv lies cheek by jowl with

commercial and pay-tv. However, we may see more of such cross-delivery-mode sharing in the future, as all delivery modes seek to share costs for product. As noted earlier, the PBS-HBO idea plans mutual benefit: the commercial venture gets the first run, and "non-competing audience" is a feature of the arrangement.

In sum, PBS shows a striking new determination to take opportunities in the new telecommunications environment which is described in following chapters. PBS president Grossman has said:

The Eighties and beyond, if we do it right, are moving just into the areas we plowed first, in terms of technology, in terms of specialized audiences, in terms of education, culture, and information. Presumably we know more about these areas and have more experience than anybody else.²³

(b) New Competition

However, this new environment holds some threats for PBS as well. ~~For example,~~ new specialized channels may compete directly with PBS ventures. PBS's planned PACE pay cable channel may face competition in programming offered free to viewers, by two proposed cable satellite networks to be operated by CBS and ABC respectively. Both would emphasize cultural and performing arts content, and both plan to use advertising support. ABC, more generally, is targeting an attractive and "upscale" 16% audience sector which currently only watches PBS when it watches tv.²⁴ Furthermore, the BBC, a traditional source of programming for PBS, has signed a long-term exclusive agreement for its material, for use by a new cable satellite pay-tv network. PBS's long-established territory may well be invaded by these newcomer services. This in turn may be detrimental to government funding of public broadcasting. One senator has asked, rhetorically at present, "If commercial entrepreneurs are meeting specialized needs, why should Congress continue to fund public broadcasting?"²⁵ Public broadcasting's adjustment to this new environment, then, is one of necessity.

The role of pbs will be changing, perhaps in basic ways. For one thing, pursuing the marketplace, through program underwriting and increased marketing of productions, will encourage the production of more popular programs. When a PBS executive sees fit to state that "Public television wants the biggest audiences it can get,"²⁶ any role in serving minority audience is put in question.

4. INGRATIATION: TENDENCIES OF A SINGLE-CHANNEL SYSTEM

Even without such new strains, PBS has felt the pressure of ingratiating in the past.

PBS does not take part in the ratings wars of commercial tv, nor does it take up a large chunk of their audience: while "the average prime-time network rating in March 1978 was 18.8% (i.e., 18.8% of all television households, tuned in to a particular program), the rating for public tv was 2.4."²⁷ Its goals, described earlier, are not only broadly non-commercial but place emphasis on special-interest programming:

...Moreover we believe public broadcasting must be prepared to devote substantial future effort and resources to the creation of first-rate programs that present to the broad audience the culture and concerns of other specialized groups. The system must go beyond the reactive support of particular programs to "satisfy" special-interest groups and begin to apply talent, time and money to innovative programming that celebrates and illuminates the diversity of American culture.²⁸

Furthermore, PBS has tried to diversify its services to a considerable extent for a system with a single channel into people's homes. It uses a 3-channel satellite distribution system, from which local stations can select programs for their own broadcasting (retaining an element of local determination). These three channels try to include choice in a single-broadcast system. (PTV I, or "blue," is a high quality network-style service for prime-time, taking advantage of what networks can offer in terms of promotion, use of centralized funds, etc.; PTV II, or "red," functions as a marketplace matching programs to buyers; and PTV III, or "green," specializes in children's and instructional programming.)²⁹

Nonetheless, comments of the Carnegie Commission indicate that specialized-interest programming has been a problem to achieve; even non-commercial public broadcasting feels the pull of ingratiation. Its Report notes critically:

...Stations have found that the best vehicles for fund-raising have been programs that do not threaten the audience's sense of well-being. Opera, light classics, science programs, travelogues, imported dramas and the like have as a result become programming staples. They please large numbers of people, bring membership money to the stations which air them, and are easily underwritten by outside funders who desire a good public image.³⁰

The Commission suggests that public broadcasting should "capture only a small, specialized fraction of the total audience at any given time," but that it accumulate these subgroups so that ultimately 100% of the potential audience will be served on a regular basis.³¹ Rather than focus on audience share, "stations should rely on cumulative audience estimates as a measure of success."³² That is, if there were 100 different programs, and each, in a month, attracted a different 1% of audience, the cumulative goal of 100% would be reached. Alternatively, a 50% audience could be served repeatedly and never reach the cumulative goal. (One immediate difficulty in this approach, however, is that networks do well by the cumulative measure: their weekly cumulative audience is 90%, compared with public tv's 33% weekly, 63% monthly.³³ Also, if a specialized-interest group is "served" for a half-hour a week, it is debatable whether this is adequate).

In practice, and despite laudatory goals, any pbs station, with only one conduit to reach audience at a given time, will have an incentive to please many viewers. It would seem unlikely to aim for a tiny subgroup of interest, and use up what is a scarce resource (—one public non-commercial channel choice in a city), especially during prime-time. More likelihood for diversity and service to audience subgroups may come in the future, with the use of more channels, by cable-tv, or of secondary local outlets such as low-power tv transmitters.

New technologies, then, may alleviate the constraints that a single channel places upon serving minority audiences. However, the telecommunications future also seems to hold a more marketplace-oriented role for PBS, which may have negative effects on special-interest services. As noted above, an increase in underwriting and in marketing of productions, and in co-productions as well with commercially-oriented partners, may tend towards programming with larger audience appeal. Secondly, the specialized audience group first and most likely to be served is that "upscale" high-income, high-education group, drawn to cultural programming, now being targetting by plans for PACE pay-tv, and ABC and CBS cable-satellite networks. Black and hispanic audiences, for example, are being served by other new services.

5. CONCLUSIONS

Pbs has undoubtedly succeeded in being a distinct non-commercial alternative to broadcasting. Yet, as a means to supply diversified, specialized-interest content, public broadcasting falls short of such goals as celebrating "the diversity of American culture", a victim of the constraints of any single-channel tv system, even without commercial motives.

Rather than serving diverse minority interests, PBS has been characterized by, and appreciated for, culturally-oriented programming. This kind of content, however, is precisely the area targeted by a number of new services that will enjoy commercial support. PBS, then, faces a new competition for both its audience base and its programming sources.

In response to a newly uncertain environment, PBS is acting protectively to establish new roles and sources of income. In particular, it looks to new delivery modes, such as pay-tv, and videodiscs. Its PACE proposal for pay-tv moves into vertical programming. In the new telecommunications environment, public broadcasting may perhaps transform its function as an omnibus non-commercial alternative operating through a single channel in a local area, and become one source of specialized programming channels, in a new context that includes many such channels financed by diverse means.

Footnotes

1. Carnegie Commission on the Future of Public Broadcasting, A Public Trust, op. cit., p. 298.
2. Ibid., pp. 296-297.
3. Ibid., pp. 25-32. See especially pp. 243-251 regarding aims in using new telecommunications technologies.
4. Ibid., p. 29.
5. Ottawa Citizen, October 5, 1978.
6. Vancouver Sun, March 24, 1980. CBC-2 has received considerable attention, at hearings in March of the CRTC Committee on Extension of Services to Northern and Remote Communities, Satellite Distribution, and Pay Television. An earlier description of the system is found in Johnson, Al, "Touchstone for the CBC," op. cit., pp. 61-63.

A recent accord between CBC and the Cable Satellite Network (who had been disputing the right to show House of Commons Proceedings), included an agreement that CSN carry CBC-2. This makes the service seem somewhat more tangible; however, it has not been authorized (as of September 1980). See Globe and Mail, editorial, September 19, 1980.

7. See FCC, Network Inquiry Special Staff, "Preliminary Report on Prospects for Additional Networks," Vol. 3, appendix on "Program Distribution, Scheduling and Production Support in the Public Television System."
8. Panorama magazine, December 1980, p. 48.
9. New York Times, March 21, 1980. The plan, approved by the FCC, is for PBS to lease unused capacity on its earth stations to Western Union, as only four channels out of a possible twelve are employed. Western Union would create a satellite distribution system for commercial stations, offering a national syndication service (whose sale's agent is to be "Vidsat," a new subsidiary of Westinghouse Broadcasting Company). Shows would be replayed from the PBS earth stations to commercial stations in the same city by microwave or local Bell circuits. Western Union has guaranteed PBS at least \$5 million for renting down links to the end of 1985 (plus plans for uplinks also). Half the revenues will help upkeep the PBS satellite equipment, and half will go to the stations.
10. The Carnegie Commission, A Public Trust, op. cit., p. 159.
11. Compaine, B., Who Owns the Media?, op. cit., p. 119.
12. The Carnegie Commission, A Public Trust, op.cit., p. 159.

13. Compaine, B., Who Owns The Media?, op. cit., p.119.
14. The Carnegie Commission, op. cit., p. 345.
15. Broadcasting, February 8, 1980, p. 26.
16. Ostrey, Bernard, The Cultural Connection: An Essay on Cultural and Government Policy in Canada (Toronto, Ontario: McLelland and Stewart, 1978), p. 72.
17. Barnouw, Eric, The Image Empire, op. cit., p. 43.
18. One of two core recommendations by the Carnegie Commission (which were written up in legislative language and sent to Senate and House Subcommittees by the Commission Chairman --Broadcasting, April 28, 1980, p. 57), included a federal match of \$1.00 for each \$1.50 of non-federal funds raised by stations. Formerly the match was \$1.00 for \$2.50; since 1978 it has been \$1.00 for \$2.00. See Carnegie Commission, A Public Trust, op. cit., chapter on "Funding," pp. 93-149, and the FCC Network Inquiry's appendix on Public Broadcasting, op. cit.
19. Broadcasting, April 28, 1980, p. 58. This is contrasted to the view taken by the president of APB (Association for Public Broadcasting) who has stressed federal funds as the best single way to fund public tv. (APB is a small organization charged with lobbying and membership functions when PBS was restructured to concentrate on programming, in 1979.) See Broadcasting, June 9, 1980, p. 57.
20. Broadcasting, Ibid.
21. New York Times, June 8, 1980. The study, "Keeping Pace With the New Technologies," by Mahoney, S., de Martino, N., and Stengal, R., was written by Carnegie Corporation staff.
22. The Pay-Tv Newsletter, May 7, 1980, p. 5.
23. Panorama, December 1980, p. 92.
24. The Montreal Gazette, December 4, 1980.
25. Panorama, December 1980, p. 48.
26. Ibid.
27. Compaine, B., Who Owns the Media?, op. cit., p. 168.
28. The Carnegie Commission, A Public Trust, op. cit. p. 31.
29. FCC, Network Inquiry Special Staff, "Preliminary Report on Prospects for Additional Networks," appendix on public broadcasting, op. cit., pp. 122-127.

30. The Carnegie Commission, A Public Trust, op. cit. p. 60.
31. Ibid., p. 276.
32. Ibid.
33. Ibid. p. 330.

CHAPTER 4

CABLE-TV

A broadcaster, then, has one channel, and one chance, to attract viewers to his programming (usually in numbers pleasing to advertisers), and each program shown is under intense pressure to maximize audience. Cable-tv is quite a different operation.

First, a cable system does not need audience; rather it needs subscribers, and it may attract them with a number of channels. Range and choice may be more important than simply the appeal of individual channels. Furthermore, as a technology and an industry, standard cable tv service can be combined with other means of finance, and sources of programming, to form new delivery modes such as are the subjects of later chapters on "pay-tv" and "cable-satellite networks." These are only now beginning, particularly in the U.S., and hold promise for diversity.

The delivery mode under discussion here consists of cable technology plus flat-rate subscription (to a range of channels) as means of finance. The standard cable-tv service has been called a "broadcast receiving undertaking" in Canada: cable technology is used to re-transmit a number of broadcast tv signals to households, who pay the cable company on a subscription basis. With this service, and in its same subscription rate, some programming originated by the cable company has been included. In Canada, because of policy decisions, cable operators have been obliged to provide a community programming channel, and "specialized programming channels," for a particular kind of material, have also occurred in certain cases.

1. LEVEL OF OPERATIONS AND AGGREGATION

(a) Operations

There are some 470 cable systems in Canada, serving over 3.4M subscribers (over 50% of the tv households in the country). In the

U.S., over 4000 systems serve some 15M subscribers, reaching, however, into only 20% of tv homes, after a recent surge of growth. (See Figure 4-1 and Table 4-1.)

For years, cable tv in Canada consisted of separate local operations, re-distributing broadcasts to subscribers in their respective areas. Broadcast feeds came from CBC, CTV and independent stations, plus handy U.S. border stations picked up by distant "head-ends."

Tension with Local Broadcasters

Though cable-tv must carry the signals of local broadcasters, many channels are "signal importations": signals picked up by the cable company's distant head-end, and delivered to local subscribers. (The "importation" is in relation to distance, not borders.) Upsetting localism, signal importation into an area served by a local off-air broadcaster was a crucial cable-tv issue, both in Canada and the U.S.¹ The harm to broadcasters was unclear and disputed,² yet its spectre led to restrictive policy for cable-tv in both countries, as regulatory agencies worked to protect local broadcasters. In Canada, it now seems that cable's negative impact was overestimated in the past;³ the FCC has rethought the matter, and recently loosened two crucial rules but a fundamental tension was nonetheless set up between broadcasters and cable companies (for whom cross-ownership was limited by both the FCC and the CRTC).

Meanwhile, at the local level, policy-makers in both Canada and the U.S. have believed that a cable system had certain community responsibilities, to be implemented primarily through the cable-tv community channels required in both countries. In the U.S., an unprecedented rush to provide such programming has arisen recently, due to heated competition to win new cable franchises in large cities, awarded at the municipal level.⁵

FIGURE 4-1

CABLE TV SUBSCRIBERS IN CANADA 1968-1977

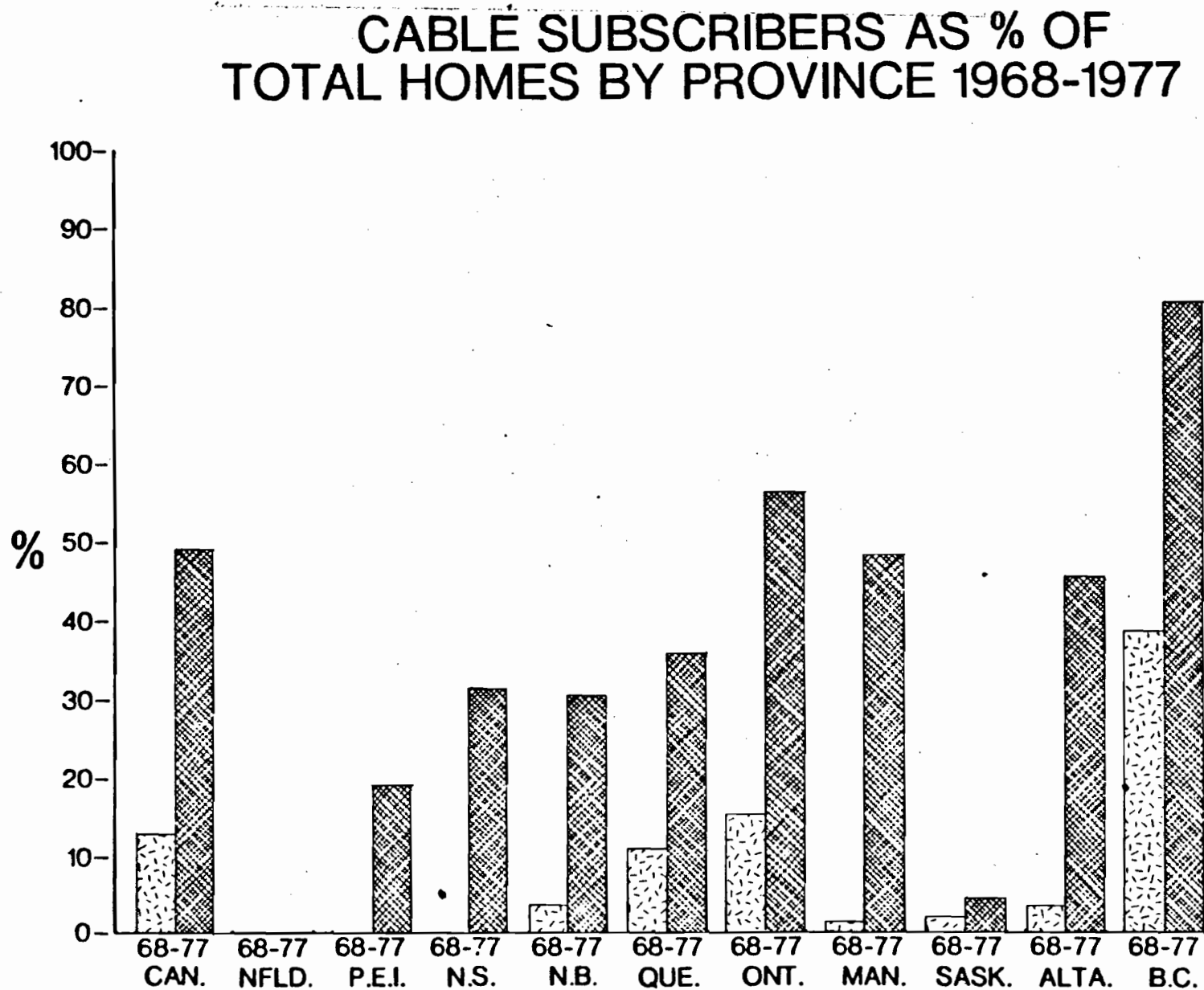


TABLE 4-1

GROWTH OF CABLE-TV IN THE U.S. 1952-1978

<u>YEAR</u>	<u>NUMBER OF SYSTEMS</u>	<u>NUMBER OF SUBSCRIBERS (thousands)</u>	<u>PERCENT OF TV HOMES WITH CABLE</u>	<u>AVERAGE NUMBER OF SUBSCRIBERS PER SYSTEM</u>
1952	70	14	0.1%	200
1955	400	150	0.5	375
1960	640	650	1.4	1016
1965	1325	1275	2.4	962
1966	1570	1575	2.9	1003
1968	2000	2800	4.4	1400
1970	2490	4500	7.6	1807
1972	2841	6000	9.6	2112
1974	3158	8700	13.0	2755
1976	3651	10800	15.5	2958
1978	4001	13000	17.7	3242

source: Compaine, B., Who Owns The Media? (1979)
p. 295.

National Networking

A number of more recent events have or will combine local cable operations into a wider activity. One development in Canada is nationally-shared special programming channels (discussed in Section 2), which began with the House of Commons proceedings, now distributed by satellite and a national cable consortium. A second initiative is pay-tv, which would also distribute a central source of programming nationwide, by satellite plus a cable consortium -- if the CRTC allows the plan. The cable industry also has a national-level plan for the provision of service to remote areas.⁶

The move to combined market area operations, by shared programming in networking arrangements, is just beginning in Canada. In the U.S., cable systems have recently become involved in dozens of quasi-network arrangements with pay-tv companies, "super-stations," and other satellite programmers, as Chapters 6 and 7 discuss. Generally, however, though hundreds of cable systems may be sharing the same programming, cable operators play a passive role in these loose cable-satellite "network" arrangements. There is no membership role, and any given cable system can be affiliated to numerous such "networks." These arrangements are not a vehicle for centralized action by cable participants; Canada's cable "network" consortia, on the other hand, are a form of economic aggregation, and concentrated management, for the industry as a whole.

A final note about level of operations is that the cable industry provides a relatively rare example of Canadian foreign ownership abroad, as cable companies have actively invested in U.S. cable and pay-tv systems.⁷ In Canada, foreign ownership is held to 20% for both broadcasting and cable systems; in the U.S., broadcasting but not cable-tv is kept from foreign ownership. The U.S. cable industry has protested, but in March 1980 the FCC re-confirmed that it would not restrict grants of cable franchises to non-U.S. owned companies.⁸

(b) Aggregation

The cable industry shows two means of economic aggregation: multiple system ownership (strong in both Canada and the U.S.), and industry consortia, strong in Canada. Association with media conglomerates is strong, also, in the U.S.

Concentration in Ownership

The degree of concentration in the Canadian cable-tv industry is high: the four largest MSO's (Multiple System Owners) account for 49% of all subscribers.⁹ Table 4-2 shows the largest 8 multiple system operators, and their connections with other media. These top eight, closely associated with media conglomerates, controlled an approximate 36% of the market share in 1978. Currently, newspaper ownership in cable-tv is increasing in particular. Unlike the U.S., however, major Canadian cable-tv companies are not characterized by extensive media conglomerate associations,¹⁰ and the CRTC has generally discouraged media cross-ownership. (A notable exception is Maclean-Hunter, with tv and publishing interests as well as cable.)

Regarding size, because cable-tv developed more rapidly in Canada, where major urban centres have long been wired and where cable-tv service is very popular (due in large part to its carriage of U.S. networks), Canada's largest MSO competes with the U.S.'s largest companies. However, Teleprompter and other major U.S. MSO's (including Warner Amex, a merger of Warner Communications and American Express, which owns some 139 systems) are actively bidding for new franchises in large cities.

Consortia

Canada has seen the emergence of a number of cable industry consortia in recent years, for various purposes, such as R&D (in fibre optics, for example), and for new undertakings such as the use of

TABLE 4-2

U.S. CABLE-TV: 8 LARGEST MULTIPLE SYSTEM OPERATORS AND CROSS-MEDIA ACTIVITY (1977)

cable MSO:	subscribers and % of total subscribers (1978):	broadcast station holdings:	publishing holdings:	film production & theatre holdings:	music and recording holdings:	other media holdings:
1. Teleprompter Corporation	1.2M 8.7%	3 tv stations		feature film production	music publish- ing & records	tv production
2. Time Inc. (American Television and Communications Corp. (ATC))	.75M 5.6%	1 tv station	5 book; 17 news- paper; 5 magazine	Time-Life films	record production	tv production; pay-cable film distribution
3. Warner Communications Inc.*	.6M 4.5%		3 book; 3 magazine distributors	film production	7 record labels	tv production; video computer games (Atari)
4. Tele-Communications Inc.	.57M 4.3%	not available	n.a.	n.a.	n.a.	n.a.
5. Cox Broadcasting	.56M 4.2%	10 radio; 5 tv stations	2 book; 17 news- papers; 16 magazine	film distribution		tv production
6. Times Mirror Co.	.4M 3.1%	2 tv stations	10 book; 5 news- papers; magazines			50% ownership of a news service
7. Viacom International Inc.	.36M 2.7%			film distribution	2	tv production
8. Sammons Communica- tions Corp.	.32M 2.4%	n.a.	n.a.	n.a.	n.a.	n.a.

*Now Warner Amex, 50% owned by American Express and 50% by Warner Communications

source: Compaine, B., Who Owns the Media?, (1979), p. 305; Sterling, C., and Haight, T., The Mass Media (1978), pp. 65-70.

satellite. CSN (Cable Satellite Network), PTN (Pay-TV Network), and BCN Fibre Optics Inc. have been formed, nationally.

The preceding section on industry operations noted the difference between the national cable "networks" consortia in Canada, and more passive cable "networks" in the U.S., where hundreds of systems will affiliate with a satellite programmer (who has little interest in cable industry leadership). As an industry, Canadian cable-tv systems, unlike their U.S. counterparts so far, are willing to form formal industry consortia or networks, and to undertake the programming of channels to be shared (though in Canada they are less free to do so). Canada's industry is more developed; it has fewer members to co-ordinate -- particularly major members; and these members have no need to compete for further licenses in Canada, as all desirable areas have been wired. Such conditions favour combined efforts. In the U.S., by contrast, we see at this time eight to ten major companies pursuing individual courses of self-interest: competing actively for new urban franchises; typically connected with (different) media conglomerates; and perhaps engaged intensely in intra-company pursuits -- such as Warner Communications with its 139 cable systems, its "Qube" inter-active system, its pay-tv channel, etc. Furthermore, cable systems in Canada face common external problems. First, there is the threat of telephone companies, who are powerful competitors for new services. Telephone companies also wish to take over cable's carrier functions in prairie provinces where the "telco" is a crown corporation, and this particularly encourages cable to establish activities in content provision. Regulatory environment prompts numerous industry efforts. For example, with Canadian content considerations, the market forces the industry would prefer are not certain to prevail, so there is a motive to exert influence, if not control, over content programmed in pay-tv. The industry position is put forward assiduously before regulators, to be permitted to expand into new services (such as pay-tv) for which appetite is keen, given market saturation in basic service. All regulatory dealings for cable industry in Canada come

before the federal CRTC at this time, whereas in the U.S. franchising occurs at the municipal level, and the federal level is de-regulating of late.

For a variety of reasons, then (simple economic gains in sharing programming and satellite use, plus the wish to move the industry forward in policy matters), Canada's cable companies make industry-wide efforts. Coupled with consolidation through ownership, this means that further undertakings can be considered at the national, industry level.

2. USE AND ACQUISITION OF MATERIAL

Cable-tv primarily acted as a re-distributor of tv broadcasts (or as a "broadcast receiving undertaking", as Canada's Broadcasting Act calls it), though it has been a source of programming in certain cases. This standard service, with its cable technology and subscription basis of payment, also provides an infrastructure upon which new delivery modes (such as pay-tv and cable-satellite networks) can build.

With convertors and the use of "midband" frequencies, the number of possible channels rises from the basic dozen up to 24, increasing viewer choice. So far in Ontario, approximately 30% of 1.4M cable subscribers have purchased convertors.¹¹ "Superband" and the "hyperband" frequencies are possible, and are being promised for new systems to be built in the U.S.: a New York franchise bid in early 1980 offered 125 channels of service. The potential for choice is the most striking feature of cable-tv.

(a) Re-distribution of broadcasts

Receiving broadcast tv signals and simultaneously retransmitting them by cable to subscribers' homes has been the basic and original function of cable-tv, and as such has accounted for a more than 50% penetration of tv homes in Canada. A major function was to

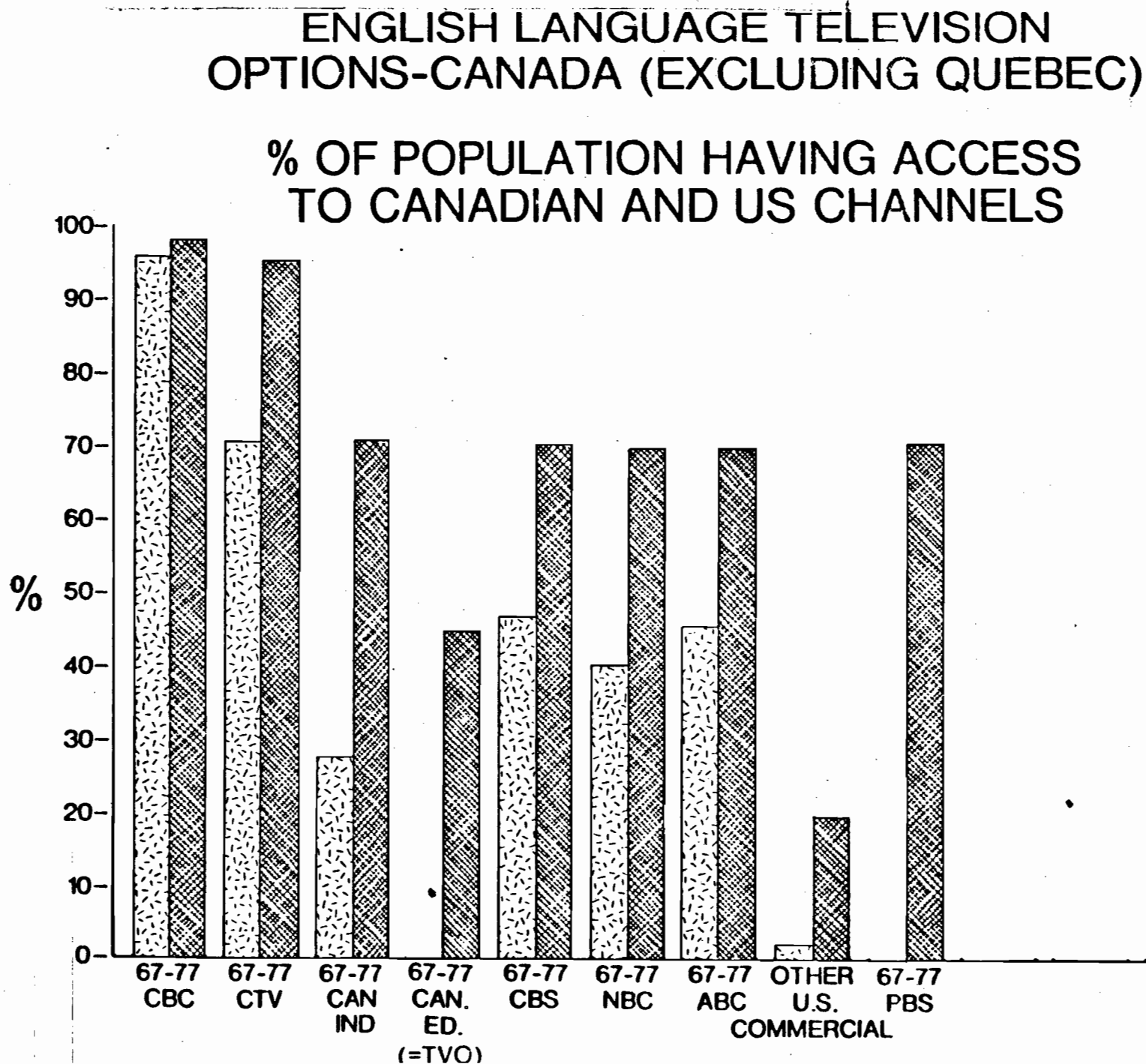
pick up distant signals from U.S. border stations, and offer U.S. network tv to Canadian subscribers. Figure 4-2 shows channel choices brought by cable-tv. In the U.S., the situation has been very different: standard cable-tv had nowhere near the growth that it did in Canada, where subscribers were eager to receive U.S. signals; only in combination with a new delivery mode, pay-tv, has rapid growth recently occurred.

Regarding content, cable-tv as a re-distributor of broadcast signals brought no new material into the broadcast system. Its effect upon viewer choice was in terms of access to existent signals, rather than creation of new content. Nonetheless by increased availability of U.S. programs to Canadians, cable had an influence on taste, re-inforcing a predilection for this material.

Section 1 noted the tension between cable-tv and broadcasters, as cable picked up distant broadcasters' signals and imported them into a local broadcaster's area, who resented fragmentation effects upon his audience and the loss of program exclusivity in many cases. Furthermore, broadcasters resented cable's free pick-up of broadcast signals, though legally they had no case against the practice.¹² Canada devised several policies to compensate broadcasters;¹³ and moves to rewrite the U.S. Communications Act have included the idea of a "retransmission consent" to be negotiated by cable when it uses broadcasts. (Cable already pays copyright fees in the U.S. for the material itself -- but not to the broadcasters for the use of their signals.) Meanwhile, any benefit to the broadcaster whose signal range was expanded has been seldom discussed.¹⁴ (In this adversarial situation, it was revolutionary when a U.S. small-time independent tv station became a "superstation," exploiting the expanded audience it could reach in other markets -- by using satellite plus multiple cable system delivery.)

FIGURE 4-2

CANADIAN VIEWERS' CHANNEL CHOICE (ENGLISH-LANGUAGE)
(1967-1977)



(b) Cable-tv as programmer

Cable-tv has not been a source of original programming to any great degree in the past. The two established, if small-scale, avenues of cable programming in Canada to date are the community programming channel, and "special programming channels" dedicated to a particular kind of programming. The latter has had some acceleration in recent years, but is subject to certain constraints, discussed below.

Community Programming

Regarding community programming, Chapter 2. described the policy desire for locally-responsive programming, and noted the low likelihood that such programming occur, given broadcasting practices and economics. Pursuing local-responsiveness, the CRTC assigned cable systems a responsibility for a community channel.¹⁵ (This was connected, in CRTC policy statements on cable in 1971 and 1975, to a sense of debt owed by cable systems, who used broadcasts as a free source of content, while Canadian broadcasters had the economic burden of Canadian content.)

Special Programming Channels

Another cable-tv initiative in Canada is the "special programming channel," a channel to be created by a cable-tv operator for a particular kind of material. This concept, too, was related to a sense of debt owed by cable systems to Canadian broadcasting, and was put forward by the CRTC in its policy statement on cable-tv in 1971. In 1975, the CRTC, (sensitized to possible negative effects on broadcasters audience size),¹⁶ decided that a channel could show Canadian broadcasters' re-runs with their original commercials, as had been planned in 1971, but only with approval on a case-by-case basis. So far, a re-run channel of purchased Canadian broadcasts, shown with their commercials, has been programmed in Toronto,¹⁷ but co-operation by commercial broadcasters has not been forthcoming.

The cable industry has suggested a number of subjects for channels for specialized audience, carefully distinguishing this material from programs that traditional advertising-supported broadcasters would provide: House of Commons proceedings, provincial legislatures, children's programming, multicultural programming, educational channels, and channels for the handicapped are examples.¹⁸

Besides being done by a specific company, special programming channels exist at the industry level. There are obvious economic gains in sharing such channels, country-wide by satellite. The CRTC has favoured a consortium structure for such undertakings.¹⁹ For a number of reasons, regarding its position in the telecommunications environment (-- to establish itself in a programming role and avoid the content/carrier dichotomy, or to demonstrate public-interest services, before the CRTC), cable industry members have been willing to undertake the expenses of such channels on a national basis.

The first implemented example of a national special programming channel has been the House of Commons Proceedings. Carriage by CSN (Cable Satellite Network) was first authorized by a temporary CRTC license issued November 7, 1979. (Since 1977, cable companies had been authorized to use video-taped proceedings.) The CBC had been broadcasting the proceedings across Canada by satellite to any willing cable licensee since March 1979, and bitterly protested the temporary license awarded to CSN. However, just before hearings for a permanent license were held (in September 1980), for which both CSN and CBC had applied, CSN withdrew their application, and stated co-operatively that it would leave the broadcasting of the material to the CBC exclusively, to be picked up by CSN's cable affiliates.²⁰

A second cable-satellite channel was planned by CSN to begin in September 1980: "Galaxie," a channel of children's programming. Programming for Galaxie has been purchased (by Rogers Telecommunications Ltd.), from TV Ontario. However, when CSN applied to the CRTC for authorization to transmit by satellite, action was deferred until

the outcome of license hearings related to "Extension of Service" to remote communities, due at the time of writing to be held in early 1981. Since then, CSN has signed a contract with CNCP Telecommunications for a satellite channel, and is using tapes to distribute programming, pending a CRTC decision on the satellite channel.

These events show both the readiness by the cable industry to subsidize special programming channels, and the indecisive attitude of the CRTC at this time.

(c) Cable and New Delivery Modes: Pay-TV and "Paid-For Programming"

Cable growth took off in the U.S. with the new program options offered to viewers by pay-tv, and has raced along so that 15.2M, or 19.8% of all tv households, subscribed in 1980 to cable in the U.S. and 6M, or some 8%, had pay-tv.²¹ It is a new delivery mode, then, that has spread standard cable-tv service in the U.S.²²

In the fast moving events in the U.S. industry, a confusing number of services are being added to the traditional retransmission of broadcast signals. As the customer sees it, there are certain channels for which one pays extra, specifically (i.e., pay-tv); others are part of a basic subscription rate, with the possibility of "tiers," as Table 4-4 illustrates. As the cable operator sees it, there are certain programming channels which demand a relatively high price per subscriber (such as HBO or Showtime, for which the cable operator must pass on about \$10.00/per subscriber/per month), but for which subscribers can be charged directly. There are also certain channels which can be had at low cost, for which the cable system pays (such as the Calliope children's channel, for 10 cents/per subscriber for a 26 week season); and certain channels which are free to the cable operator (-- some programming supported entirely by advertising, and all religious channels).

Table 4-4 indicates programming for cable-tv reception on the SATCOM I satellite. These fall into two main types: pay-tv, the subject of Chapter 5, and services without a direct pay connection to the user, financed by advertising and small fees paid by cable operators, the topic of Chapter 6. An FCC study uses the term "paid-for-programming," in the latter case to indicate that cable companies assume some payment.²³

In sum, a number of delivery modes are piggy-backing onto the cable wired into subscribers' home. Certain features of cable tv service, once it is in place, encourage these new delivery modes:

- its channel capacity;
- relatively easy descrambling for discretionary services;
- its monthly billing system, already in place;
- its relatively stable number of subscribers on which fees can be based to pay satellite programmers.

Supplier support, where cable operators pay costs of acquiring programming, is encouraged by the essential stable profitability of cable operations; the possibility of extra subscription funds for extra service, via tiering; and a certain element of motivation for supplier subsidy. In the U.S., cable operators may add channels without direct profit in order to provide an attractive choice of channels and encourage subscription, or in order to win an urban franchise. In Canada, this motivation is more likely to be oriented to regulatory bodies to enhance cable's position in the general regulatory environment, which has always been uncertain -- viewed unfavourably as a threat to broadcasters; facing possible take-over by telephone companies owned by the prairie provinces; and suspended between the carrier/content dichotomy. More specific bartering also occurs between non-profitable pursuits of policy goals, and permission to engage in lucrative undertakings.²⁴

TABLE 4-3

SATCOM I CABLE CHANNELS (NOV. 1979)

TRANS- PONDER	PROGRAM SERVICE	DISTRIBUTOR	HOURS PER DAY
1	KTVU Oakland Calif.	Satellite Communications Systems (owned by Warner Communications)	24
2	PTL	PTL	24
3	WGN-TV Chicago	United Video	24
4	out (failed on launch)		
5	Star Channel*	Warner Cable	24
6	WTBS Atlanta	Southern Satellite Systems (owned by Satellite Syndicated Systems)	24
7	ESPN	Entertainment and Sports Programming Network	24
8	Christian Broadcasting Network	CBN Satellite Services	24
9	Madison Square Garden Sports	UA Columbia Satellite Services	seasonal
9	Calliope	UA Columbia Satellite Services	M-F/1 hr.
9	Thursday Night Baseball	UA Columbia Satellite Services	seasonal
9	C-SPAN (Cable Satel- lite Public Affairs Network)	C-SPAN (sub-leased from UA Columbia)	approx. 7 M-F
10	Showtime (west)	Showtime Entertainment	M-F/9 hrs. Sat-Sun/12
11	Nickolodeon	Warner Cable	13-14
12	Showtime (east)	Showtime Entertainment	as for west
13	Trinity Broadcasting	TBN	24
14	message traffic		
16	Showtime Plus Sports	Showtime Entertainment	seasonal
16	Appalachian Community Service Network	Appalachian Reg'l Commission	4.5
17	WOR-TV New York	Eastern Microwave (sub-leased from Showtime)	24
18	Reuters News Service	Reuters	12
18	Galavision	Spanish International Network (sub-leased from Reuters)	M-F/9 hr.
19	message traffic		
20	Total Comm'ns Systems	TCS	25 hrs/week
20	Home Box Office	HBO (spare & in-house)	
21*	Home Theatre Network	Satellite Syndicated Systems	2/M-Sat
21	Satellite Program Netw.	Satellite Syndicated Systems	22
21	JASIL (religious)	Satellite Syndicated Systems)	224
21	Disco Network	Satellite Syndicated Systems	24
22	Home Box Office (west)	HBO	approx. 12
22	Modern Cable Programs	Modern Talking Picture Service	5
23	HBO	HBO	6
24	HBO (east)	HBO	approx 12

*Now the Movie Channel (Warner Amex)

**Also "The English Channel" TVC Mar. 11 1980.

source: Broadcasting, Nov. 19 1979, p. 38.

A final note about cable's use of material concerns certain expanded activities, enabled with large channel capacity. New systems in the U.S. and re-vamped systems in Canada will have 2-way capacity, allowing pay-per-program tv, and non-programming interactive uses such as polling, tele-shopping, education, security, load-shedding, games and videotex.²⁵ Cable seeks a wider role, in both programming and non-programming uses of its channels.

3. MEANS OF FINANCE: SUBSCRIPTION AND POSSIBILITIES FOR TIERING AND ADVERTISING

Standard cable tv service has always had a subscription basis as a flat monthly rate. This continues, regardless of channels financed by other means and piggy-backed on top of the basic service, such as pay-tv. However, one important innovation has been made in subscription: the subscription may be tiered, as Table 4-4 indicated.

Secondly, as other services are added to the standard service, other means of finance are coming into play. It is possible for advertising to be sold by cable systems, networks or programmers in the U.S.,²⁶ though this is not the case in Canada. However, to date cable advertising has been a weak activity. Problems have been cited as: (a) shortage of information on demographics, which is not being systematically solicited; (b) sporadic activity at the local level (which is characterized by low-priced advertising inserts); (c) inflexibility in the national buying structure. For example, with Madison Square Garden's sports channel, advertisers must buy for the whole season.²⁷ Problems, then, seem to be organizational. A lack of sales' representative firms have also been blamed. Solutions seem to be advancing already: the advent of cable advertising companies will contribute to organization in the industry;²⁸ Neilson is to publish reports on pay-cable viewing and other cable statistics. The Vice-president of Teleprompter has commented on the complementarity between broadcasting, and new cable program services: these deal with

TABLE 4-4

TIERING EXAMPLE: DALLAS FRANCHISE BIDS (APRIL 1980)

TIERS & PAY SERVICES	COMPANIES BIDDING :					
	ATC	COX	SAMMONS	STORER	UNITED	WARNER
Tier 1	free (7)*	free (18)	\$3.95 (24)	free (7)	\$3.95 (27)	\$2.95 (24)
Tier 2	\$5.50 (27)	\$5.95 (27)	\$5.95 (44)	\$5.50 (23)	\$7.95 (86)	\$7.50 (48)
Tier 3	\$7.50 (60)	\$7.50 (54)	\$7.95 (52)	\$6.95 (35)	\$9.95 (91)	\$9.95 (80)
Tier 4	\$9.00 (68)	\$8.50 (66)	\$10.95 (52)	\$7.95 (52)	--	--
Tier 5	--	\$10.95 (102)	--	\$9.95 (104)	--	--
<u>pay services:</u>						
HBO	\$6.95	\$6.95	\$6.95	\$6.95	\$6.95	\$7.45
The Movie Channel	\$7.95	\$8.00	\$6.95	\$6.95	\$6.95	\$7.45
Showtime	--	\$6.95	\$6.95	\$6.95	\$6.95	--
Showtime-PLUS	\$7.95	--	\$7.95	--	\$6.95	\$7.45
Galavision	\$4.50	\$6.95	\$6.95	\$6.95	\$6.95	\$5.95
Mini-pay	\$4.50	\$3.95	\$3.95	\$3.95	\$3.95	\$4.95

*Number of channels. (The difference between Sammons' tiers 3 and 4 occurs as interactive services are available on several channels).

source: Cable TV Regulation, April 9 1980, p. 3.

specific needs, ideas, and specialized programming which allows tv advertisers to "target their potential market much like a magazine."²⁹

The questions of advertising, and tiering, are further taken up as they relate to cable-satellite networks, in Chapter 7.

4. INGRATIATION: THE ELEMENT OF RANGE

As a redistributor of broadcast tv, cable-tv had little effect on the motive of those who programmed the stations to please maximal audience; it simply passed primarily high-ingratiation programming on to subscribers. The cable system itself was highly motivated to include the most popular channels to ensure subscriptions, i.e., U.S. networks, in Canada (and pay-tv in the U.S.). However, with cable technology's channel capacity, range of programming comes into play in a way that it cannot, with any single-conduit systems such as a broadcast tv station. No single channel in the service has to please large numbers, and viewership of a single channel has no effect on the cable company's income. Cable's efforts to please are made by assembling an attractive package of offerings. Furthermore, these efforts to please may be directed to subscribers; to municipal governments' in the U.S.; and, particularly in Canada, to policy-makers. All can variously control cable's income and in Canada, with high penetration rates and an industry looking for profits in new ventures, the policy-makers' role has been large. Minority-interest programming is encouraged, both because small but significant audience demand (perhaps accumulated by satellite) can be accommodated, and as a political move by cable operators. A multilingual channel begun in Toronto (which later became a broadcasting service) is an example. Also, cable-tv in Canada has always carried U.S. public broadcasting, (the subject of Chapter 3), which is a low viewership service. With cable-satellite arrangements the economics for specialized-interest programming become more favourable, as programming can be shared, and smaller interest audiences aggregated.

5. CONCLUSION

The relation between cable and broadcasters presents the classic case of an established industry faced with disruption by a new technology and deriving regulatory protection to avoid this disruption. The situation was complicated in Canada by the fact that broadcasters were a vehicle for Canadian cultural goals. In both countries, however, cable was viewed by regulators as a threat, and not a potential means to fulfill basic goals. Nonetheless, cable has remarkable potential because of its multi-channel capacity. It plays three roles in providing content. (1) As a re-distributor of broadcast tv's signals, cable tv added no new content to the broadcasting system. It did however, increase channel choice. (2) As a programmer, Canadian cable tv's undertakings are efforts without direct profits, yet for various reasons the industry has made initiatives, some of which the CRTC is uncertain how to handle. The two avenues for programming in Canada are the community channel and special programming channels. With program-sharing on a national basis, the latter are promising sources of special-audience material, though some of the same specialized interests may also be taken up by U.S. enterprises with potentially stronger finance. (3) Once the standard cable delivery mode is in place, new delivery modes are enabled, which piggy-back onto the basic standard service subscription arrangement. Pay-tv is the biggest example so far; other new services in the U.S. rely on advertising plus supplier payments (i.e., fees paid by cable operators to satellite programmers). These "cable satellite networks" are the subject of Chapter 6. (The cable industry in Canada wishes to participate but the CRTC is visibly uncertain how to respond.)

Cable-satellite initiatives build on the steady finances of basic subscription, plus the possibility of extra income through tiering, or advertising. In Canada, they also build upon industry-wide co-operation, encouraged by multiple system ownership and the use of consortia, and an element of motivation resulting in

part from an uncertain regulatory environment. The key strength of these and other services added onto cable's basic and standard offerings is that "ingratiation", in terms of motive to please maximum audience with programming, can be of relatively low relevance. Viewership of channels can vary widely with no discomfort to the cable operator. Range of service may be important, to subscribers or policy-makers; with multi-channel capacity, specialized-interest programming is feasible if there is a reason for it (born of audience demand or policy concerns). New delivery modes such as cable satellite networks or pay services, which are layered onto standard cable service may provide the financial means for such services.

Cable also demonstrated (by its distant signal "importation" into local areas and its importation of U.S. networks into Canada) that telecommunications does not lend itself well to boundaries -- a point that satellites make with even more forcefulness. The new context of telecommunications that is described in the next two chapters is based on the use of satellite, coupled with cable's multi-channel capacity. The potential for viewer choice enters a new phase that appears as abundant compared to the past. Two "delivery modes" are discussed: pay-tv, which has brought feature films into the home, and what are referred to as "cable-satellite networks", which are tending to specialized "vertical" programming services.

Footnotes

1. As Chapter 1 noted, importation often violates the exclusivity rights a tv station may have to be the sole distributor of a program in its area; it also disturbs the advertising base of the local station, through the "fragmentation" of its audience.
2. A CRTC study attempted to articulate some of the complexities of the fragmentation effect, different depending on availability of channels in each market. CRTC, Special Report on Broadcasting in Canada 1968-1978, Volume 1 (Ottawa: CRTC, 1979), pp. 32-39. Meanwhile, demand for commercial time increased steadily so that broadcasters' revenues remained high.
3. For example, a CRTC publication noted that: "the major increase in cable penetration, over the decade, was in markets where U.S. stations were available off-air and the overall impact of cable on audience fragmentation, though significant, was not the extent generally believed." Ibid., p. 39. Also, a study on the "Impact of Cable-TV on TV Broadcasters' Advertising Rates" by Professor Liebowitz, University of Western Ontario, (for the Interdepartmental Copyright Committee chaired by the Department of Consumer and Corporate Affairs, March 1979), concluded that a 50% national cable penetration rate had increased tv advertising rates by about 20%.
4. These rules concerned limits on distant signals imported into U.S. top urban markets, and the protection of local program exclusivity. The FCC studied these matters with the design of replacing with "hard evidence" the "intuitions" that underlay its restrictive cable policy. Broadcasting, April 30, 1979, p. 20.
5. Cincinnati, which received franchise bids in early March 1980, can serve as an example of what cable operators are offering to win franchises. Besides many other attractive features (-- up to five pay tiers; pay-per-view tv; four earth stations, etc.), bids included a promise for 34 locally programmed channels. Teleprompter, who made this offer as part of a 73-channel system, further committed itself to cash grants to a local origination and access board; \$4.5M to develop local programs; and \$1M in equipment for five studios. In addition, 42 jobs (32%) would be filled by minorities, 55% by women and minorities together. A local association, "United Black Coalition" was expected to carry heavy influence in the city's decision. Cable TV Regulation, March 14, 1980, pp. 1-3. In a different tact, Warner-Amex's application reserved 20% of its stock for distribution to various community organizations, for blacks, women, the arts, the aged, the handicapped, and certain religious groups. A successful Warner bid in Pittsburg included a similar provision. Local minorities can see a clear opportunity to wield power in many cases. (See Business Week, February 18, 1980, p. 70.)

A peculiarity of this municipal process, visible in the Cincinnati example, is that influential local groups and individuals at times could own significant amounts of stock in contending companies. The local-franchising process has been fraught with charges of bias and impropriety (including bribery) and court disputes of decisions are commonplace. TVC, March 1, 1980, p. 5, discusses some controversial cases. Broadcasting magazine comments: where there is little significant difference between the proposals and the character of the companies, politicians are left with little on which to base a decision, except political advantage. Broadcasting, March 31, 1980, p. 43.

6. See Canadian Cable Television Association, "Satellites/Pay Television: The Cable Connection," a brief to the CRTC Committee on Extension of Services to Northern and Remote Communities, Satellite Distribution and Pay Television (Ottawa: CCTA, March 3, 1980), p. 18.
7. Cable Communications, September 1979, p. 16, stated that over \$150M investment was involved, or 33% of the 1977 Canadian cable-tv industry assets.
8. The FCC commented that such arrangements were not very numerous and posed no threat to the public interest. While Canadian ownership had grown, still less than 1% of U.S. cable subscribers were served by Canadians. See FCC, Memorandum Opinion and Order March 27 1980, "Foreign Ownership of CATV Systems."
9. Canadian Cablesystem Limited "Application for Control of Premier Communications Limited by Canadian Cablesystems Limited," application to the CRTC, March 1980, pp. 334-344, gives a summary of major Canadian broadcasting media relationships, including cable-tv.
10. Ibid.
11. The Toronto Starweek Magazine, March 15, 1980, p. 12.
12. The U.S. courts considered cable-tv as merely an extension of the viewer's tv set, like a highly effective antenna, to enhance signal reception. Cable did not "perform" the material. (Fort- nightly versus United Artists, 392 U.S. 390 (1968)); Teleprompter versus CBC, 425 U.S. 394 (1974)). Canada held that a "performance" did take place, but it was domestic rather than public. (Capital Cities Communications Inc., versus Canadian Radio- Television Commission (S.C.C. unreported November 30, 1977); and Canadian Admiral Corp versus Rediffusion Inc. (1954-55), 20 Can. P. R. 75 (exch.)). Given copyright law, this means that in both countries, cable-tv owes no debt for the use of broadcasts. However, a "re-transmission" right to accrue to broadcasts has been discussed in recent years in both countries.

13. See CRTC, "Canadian Broadcasting, 'A Single System,' Policy Statement on Cable Television" (Ottawa: July 16, 1971), pp. 20-23, and CRTC, "Policies Respecting Broadcasting Receiving Undertakings (Cable Television)" (Ottawa: December 16, 1975), p. 2, for discussions of a debt owed by cable-tv to the Canadian broadcasting system and its broadcasters.
14. This question has come up regarding U.S. border stations whose signals are received in Canada (often by cable). It is clear that benefits are accruing to these stations by their cable importation and their off-air reach, but the extent is blurred and disputed and has received little attention. A recent DOC study implies that not only locally-sold advertising but network-sold time as well has benefitted from the spillover. "The Impact of the 1976 Income Tax Amendment on U.S. and Canadian TV Broadcasters", Donner and Lazar Research Associates (Ottawa: Department of Communications, 1979), p. 1-8.
15. Regarding the goals for the community channel, the CRTC stresses both "the ability to turn the passive viewer into an active participant," and "opportunity for expression" -- as opposed to large viewer attraction. CRTC, "Policies Respecting Broadcasting Receiving Undertakings," December 1975, op. cit., pp. 2-5. Cable system operators surveyed by the CRTC emphasized "facilitation of new and spontaneous forms of community expression," and 90% of them believed the purpose of programming was to encourage participation in community activities, CRTC, "Cable TV: Survey of the Community Channel" (Ottawa: CRTC, March 1979), pp. 6-7.
16. See CRTC, "Canadian Broadcasting, 'A single System,' Policy Statement on Cable Television" (Ottawa: CRTC, July 16, 1971), pp. 23-25; CRTC, "Policies Respecting Broadcasting Receiving Undertakings," December 1975, op. cit., pp. 9-10.
17. Canadian Cablesystems Ltd., "Application for Control of Premier Communications Ltd.," op. cit., pp. 77-79 described current implementation. Programs are purchased from three Toronto stations: CITY-TV, the TV Ontario station, and CFMT (Multilingual Broadcasting Ltd.).
18. Canadian Cable Television Association, "Cable: Canada's Choice for the 80's" (Ottawa: CCTA, January 1979), pp. 11-12.

The CRTC has been clear that it would approve "on a case-by-case basis, the production and exhibition by cable operators of special interest programming which broadcasters have not undertaken or have declined to offer." (A children's channel was given as an example). CRTC, Decision, 79-9, p. 10.

19. CRTC, Decision 79-9, p. 11. Rogers Telecommunications Ltd., had proposed to apply \$2.4M for satellite time for the House of Commons Proceedings; the CRTC asserted such satellite arrangements should be undertaken by a national consortium, on a long-term basis, and with more variety.

20. See CRTC Decision 80-704, pp. 1-4, and Globe and Mail, September 19, 1980, CSN also committed its affiliates to carry CBC-2 when it begins (which it may do in January 1982).
21. Broadcasting, March 10, 1980, p. 51.
22. It has been predicted, in fact that "the day would come when cable operators would give away basic service in order to get into the home to sell other things." The Pay-TV Newsletter, September 12, 1980, p. 1.
23. FCC, Network Inquiry Special Staff, "Preliminary Report on Prospects for Additional Networks," Volume 1, appendix on "Recent trends in cable television related to the prospects for new television networks," p. 57: "Paid-for-programming services are those for which the cable system operator pays the program supplier a relatively small amount-usually one to 10 cents per subscriber per month...In addition, most of the suppliers sell advertising in these programs -- and sometimes provide time slots for insertion of local advertising. Normally, the cable systems do not charge subscribers for these programs. They incorporate them in their 'basic' service and expect to get the cost back from added sign-ups or from advertising if it is permitted."
24. For prominent examples, see CRTC Decision 79-9 for promises associated with Rogers Telecommunications Ltd.'s acquisition of control of Canadian Cablesystems Ltd.; Application for the Control of Premier Communications Ltd., by Canadian Cablesystems Ltd., and hearings held May 20 to 23, 1980; and Application for control of Cablevision Nationale by Vidéotron (1979) Ltée. and hearings held May 16, 1980.
25. The "Qube" system is an implemented example, in place since December 1977 in Columbus, Ohio, a demographic test city. The \$20M system is planned by its owner, Warner Amex (Warner Communications and American Express), to be a prototype, perhaps for other of 139 cable systems, and certainly for new franchises where Warner is actively bidding. Qube has polling, home security, and teleshopping. It also has an impressive program choice: 10 "Television" channels, retransmitting broadcast stations; 10 community channels (including children's, consumer, and educational channels); and up to 10 pay services, with movies and sports, and also lessons of various sorts. As a sideline, statistics collected by the system (by polls or records of purchases) are of great interest to market researchers. Political polls have been done also.
26. These advertising sales never affect re-transmissions of tv broadcasts whose signals, including commercials, are passed on untouched -- except in the case of "simultaneous substitution" in Canada, whereby commercials in a program on a U.S. imported station may be replaced by commercials from a Canadian station showing the same program, at the same time. (This is a CRTC policy to help Canadian broadcasters).

27. Variety, February 27, 1980, p. 35. See also: Video Week, February 18, 1980, p. 8.
28. Broadcasting, March 17, 1980, p. 5. A major station representative formed "Eastman Cable TV Representatives." The advertising industry believes cable will eventually be a useful medium despite possible resistance to advertising in new delivery modes. Even for pay-tv, which highlights lack of commercial interruption, Young and Rubicon's chairman has expressed faith that: eventually, operators of these systems which now exclude advertising will succumb to the relentness, gentle, memorable pressure of the advertising community and to the inexorable pressure of pricing. Broadcasting, March 10, 1980, p. 46.
29. Ibid., p. 51.

CHAPTER 5

PAY-TV

Pay-tv has been the first new delivery mode in many years, and it created a flutter of excitement, as a break from commercial tv fare. Its alternative programming, however, has not tended to specialized interest content, but rather to "box-office" hit feature films. This chapter will describe how pay-tv has operated in the U.S. (—it has not started yet in Canada) and will examine this tendency to high-appeal content.

"Pay-tv" refers to a channel which a viewer pays to access on a discretionary subscription basis, or for which programs are billed as viewed. Pay-per-channel and pay-per-program are two distinct means of payments, but both mean a similar move away from commercial tv to a direct viewer-pays operation, and are treated together here. Pay-tv in its most common form is delivered by cable as one of the new delivery modes that piggy-backs onto basic cable service. "STV" (subscription tv) is the off-air analogue to pay-tv by cable.

Despite a sometimes broad use of the term "pay-cable" in trade literature, "pay-tv" is a delivery mode distinct from "paid-for programming," the main topic of Chapter 6 on "Cable Satellite Networks." (Such networks are financed by advertising and/or cable operators' payments.) "Pay-tv" as used in this paper refers only to channels or programs which the viewer chooses, and then pays in a direct fashion to access. In its turn, "pay-tv" is used somewhat broadly here to include pay-per-channel and pay-per-program by cable, plus STV. Direct broadcast satellite pay-tv is also discussed briefly. (Pay-tv is also being delivered by 'MDS' microwave in the U.S., as noted in Chapter 1. More broadly, videocassettes and discs can be thought of as tv for which users "pay".)

(a) Pay-tv in Canada

At the time of writing, pay-tv has over 8M subscribers in the U.S.; in Canada, where pay-tv has been held back for policy reasons, most recent government and regulatory statements have called the matter urgent, and licensing hearings will probably be held early in 1981.¹ (The CRTC has, however, allowed two hotel pay-tv systems for some time, by licence, in Vancouver and Toronto.)

While the introduction of pay-tv awaits federal approval in Canada, the provinces argue that pay-tv by cable with no broadcast component is not a matter of federal jurisdiction. Federal authority over cable in fact hinges upon the definition of cable tv as a "broadcast receiving undertaking" -- part of the broadcasting system because it receives broadcasts and retransmits them. This question of cable jurisdiction has long been a problem;² a new Telecommunications Bill in preparation, and current constitutional talks, are two present avenues of negotiation. So far, only Saskatchewan has actually implemented a closed circuit pay-tv system.³

The federal policy goal to which pay-tv is most closely tied is benefit for the Canadian production industry.⁴ There are two basic approaches taken: one sees pay-tv as a source of funds (perhaps via a percentage-of-revenues commitment), and the other views pay-tv as an opportunity to expose Canadian material to audiences, which will stimulate the industry simply as an outlet for product. Certain (of the 500) briefs elicited by the 1980 Therrien Committee hearings which dealt with pay-tv⁵ devised schemes with some mix of these approaches. Canadian content requirements are one variable that is played with in light of this broad goal of benefit to Canadian production. The effect on off-air broadcasters (the same concern that shaped cable-tv regulation) is also a consideration.

In sum, the situation in Canada continues to be distinguished by a lengthy holding pattern as government and regulators contemplate

pay-tv's impact on broadcasters and what kind of licensee(s) would suit the cultural goals that characterize Canadian broadcasting generally, and as industry interests vie for position. The Therrien committee report delivered in 1980, argued against a monopoly service which the CRTC had favoured in the past, and it is now unlikely a monopoly will occur. As policy now favours beginning pay-tv quickly, it is likely that a service using satellite and local cable systems will be used, given that the cable industry is prepared to begin service rapidly.

1. LEVEL OF OPERATIONS AND AGGREGATION

(a) Level of operations

National Programmers

Pay-tv by cable, as it commonly exists in the U.S., operates through local cable systems who "affiliate" with a national satellite programmer, such as Home Box Office or Showtime. HBO has had over 1600 such affiliate systems for some time. There are some regional pay-tv networks, but generally programmers are national operators, as suits the joint use of satellite and cable.

More than 8M subscribers in the U.S. pay an average of \$8.10/mo. for pay-tv services. Table 5-1 gives figures for all forms of pay-tv for May 1980. Accordingly, returns for programming can be very large. (To date in the U.S., most profit is collected by the pay-tv programmer, while cable operations see more gain in pay-tv as a draw to bring subscribers to basic cable subscription. Canadian cable-tv, on the other hand, views pay-tv as a new source of revenues.)

Because there are a number of pay-tv programmers, a particular local market may receive more than one pay-tv service. Increasingly, cable operators, as "dual affiliates", carry both HBO and

TABLE 5-1

PAY-TV AND HOME VIDEO PENETRATION IN THE U.S. (MAY 1980)

	<u>MAY 1980 POPULATION</u>	<u>MAY 1980 PENETRATION</u>	<u>JANUARY 1980 COMPARISON</u>
homes passed by cable	34.6M	45.4%	32.5M
subscribers to basic cable service	17.3M	22.7%	16.3M
subscribers to pay-tv by cable	7.0M	9.2%	5.7M
STV subscribers	489,800	.6%	400,000
MDS (multipoint distribution system) pay-tv	377,000	.5%	278,000
videocassette recorders, unit sales (cumulative)	1.3M	1.8%	1.1M
videodisc unit sales (cumulative)	15,000	--	10,000

source: Home Video Report, June 16 1980, p. 3.

Showtime. A third major pay service may soon be accommodated as The Movie Channel grows, and HBO has a new "Cinemax" service, designed to compete with Showtime. As many cable subscribers sign up for two or even three pay services based on movies (initially conceived of as mutually exclusive competitors), it seems that "the consumer appetite for commercial-free premium tv is greater than anybody had thought."⁶

STV

STV has had a much smaller growth in the U.S.: in February 1980, 500,000 subscribers (1% of tv households) were served, compared to 7% to 8% for pay-tv by cable.⁷ Only 8 stations operated, in New York, Los Angeles, Detroit and four other cities.⁸ STV, so far, operates in major urban markets with little national networking or use of satellite. Presently, only 21% of U.S. tv homes are within a station's range. Yet there are some indications that STV may be about to jump forward. The 500,000 figure includes 100,000 new subscribers in early 1980, and after lifting a restriction in October 1979 that there be only one STV station per community, in February 1980 the FCC authorized a burst of STV activity.

STV stations have not operated extensively with nationally distributed programming.⁹ This may be changing: in 1980 American Subscription TV was cited as the first STV company to seek affiliates, for a syndicated version of its program packages.¹⁰

STV has some advantages over cable: it can go quickly into service, whereas cabling in an urban area can take years. Cabling may cost \$100M for a large city, compared with an STV cost of 5 to \$7M.¹¹ However, STV has inherent limitations, as the broadcaster, unlike the cable operator, can transmit only one signal. It is possible to offer more than one pay "tier," and to address programs to specific households,¹² but flexibility is limited. Secondly, piracy is a particular problem, and is in fact easy enough that

entrepreneurs have sprung up to help people pirate. Manufacturers are attempting a remedy with a new decoder box and upgraded security. Even if signal piracy is controlled, many urban areas in which STV now operates may be cabled in the future. The cost of STV, at between \$19 and \$23 per month, is considerably higher than cable pay-tv. It is difficult to imagine STV remaining attractive where cable exists, unless content is highly differentiated,¹³ which has not been the case so far.

STV has a particular implication for Canada, as it could operate in a U.S. border city, and be received by Canadians, legally or not. This is occurring currently in Detroit and Windsor.

DBS

A third form of pay-tv delivery, by dbs (direct broadcast satellite), dwarfs any problems of cross-border reception of STV services. Dbs is no longer a futuristic notion: it is at the planning stage, by Comsat in the U.S., and also by the BBC in England, for pay-tv operations. Several public broadcasting institutions in the U.S. have also formed a joint task force to prepare a role for dbs.¹⁴

In the U.S. Comsat (The Communications Satellite Corporation which currently owns three "Comstar" satellites), has brought a plan to the FCC to provide from two to six dbs tv channels, on a subscription basis. Comsat would act as a programmer as well as providing a technical component. Content (general entertainment, sports, movies, educational and cultural programming), would aim at diversity and alternatives to commercial programs, as Comsat hopes to become "the magazine stand of the air."¹⁵ Earth station costs below \$300 are predicted.

Canada: Monopoly Satellite System Rethought

Canada has long been considering the introduction of pay-tv, and in March 1980, another round of CRTC hearings (the third since 1975) considered the subject. Past plans have been for a national satellite-based system, regardless of means of local delivery, as in 1978 the CRTC recommended that a single, national agency should acquire, market and schedule programming. Cited advantages included certain economies of scale in operation, and, more central from a policy view, guarantees for development of Canadian programming. However, the report released by the 1980 Therrien Committee (on Extension of Service to Northern and Remote Communities, the Use of Satellite and Pay Television), withdrew support for the single national distributor model. It favoured competitive pay services, from which the local cable operator could select any number of pay channels. Satellite use in fact was subject to dubious availability, and the report recommended that other technologies be used also, to avoid delay.¹⁶ The CRTC subsequently supported the Therrien Committee's view on pay-tv,¹⁷ and licensing hearings are expected in 1981.

(b) Aggregation

In Canada, aggregation could vary widely depending especially on what model is followed for pay-tv.

There are relatively few major pay-tv programmers currently in the U.S. (though they already outnumber the U.S. commercial networks). There have been three major operations in cable pay-tv, each associated with a large media conglomerate as Tables 5-2 and 5-3 indicate. Their large resources come into active play: a rush to buy distribution rights has seen multi-million dollar sales for packages of film material. And even with box-office hits to show, pay-tv must urge on subscribers: HBO and WASEC (Warner Amex Satellite Entertainment Corporation) have multi-million advertising and promotion budgets this year.

TABLE 5-2

LEADING U.S. PAY-TV DISTRIBUTORS (1975-1978)

	JUNE 30 1978	JUNE 30 1977	APRIL 1 1975
PAY-TV DISTRIBUTOR	SUBSCRIBERS & % OF TOTAL SUBSCRIBERS	SUBSCRIBERS & % OF TOTAL SUBSCRIBERS	SUBSCRIBERS & % OF TOTAL SUBSCRIBERS
1. Home Box Office (Time Inc.)	1,545,000 66%	1,046,400 64%	90,000 48%
2. Telemation Program Ser- vices (owned by HBO since 1976)	284,157 12%	239,300 15%	33,000 17%
3. Showtime (Viacom/ Teleprompter)	154,900 7%	91,600 6%	not operating
4. Optical Systems (Pioneer Systems Inc.)	27,000 nil	29,013 2%	50,000 27%
5. Pay TV Services	33,800 1%	26,000 2%	6,300 3%
6. Warner Star Channel*	n.a.	n.a.	8,000 4%
7. Best Vision	33,400 1%	25,145	not operating
8. PRISM	34,000 1%	23,700 1%	not operating
9. Hollywood Home Theatre	77,124 3%	72,229 4%	not operating

*Now The Movie Channel (Warner Amex)

source: Compaine, B., Who Owns the Media? (1979), (based on Paul Kagan, The Pay-TV Newsletter).

TABLE 5-3

U.S. PAY-TV AND MEDIA CONGLOMERATE HOLDINGS (1977)

PAY-TV OPERATION	PARENT	PARENT CONGLOMERATE ACTIVITIES:					
		film production & theatre holdings:	broadcast stations:	cable systems:	home video:	other:	revenues:
HBO Home Box Office	Time Inc.	Time- Life films	1	1	Time- Life Video Club	tv produc- tion	\$1,249M
Showtime	Viacom Int'l Inc.	film distri- bution	-	32	-	tv	58.5M
WASEC Warner- Amex Satellite Entertain- ment Corp.	Warner Communi- cations and American Express	film produc- tion	-	147	video games (Atari)	tv produc- tion	1,143M

source: Sterling, C., and Haight, T., The Mass Media, (1978), pp. 65-67;
Compaine, B., Who Owns the Media? (1979), p. 97.

Regarding STV, seven companies dominate:

1. Oak Communications	}	share 62% of STV subscribers
2. Chartwell Communications		(approximately equally)
3. Wometco Enterprises	}	
4. American STV		26%
5. Universal TV	}	
6. Tandem Communications		
7. Buford TV ¹⁸		12%

Large companies with diversified interests are present such as Wometco, and Oak Communications is a subsidiary of Oak Industries, which manufactures STV decoders and other equipment.

The high-level activities which have characterized pay-tv (multi-million dollar package-purchases of film, by programmers associated with media conglomerates), may receive a further boost if a proposal for "Getcom" is implemented. Four out of seven major motion picture studios have moved to enter pay-tv directly. Twentieth Century Fox, MCA, Columbia and Paramount plan a joint venture "Premiere" channel with satellite transponder-owner Getty Oil. When announced, in April 1980, these plans created a flurry of protest, centering on monopoly charges. The new company proposed to keep studio films' pay-tv rights exclusively for nine months. Justice Department will decide if, as HBO and Showtime argue, Premiere would imperil pay-tv business, anti-competitively.

2. ACQUISITION AND USE OF MATERIAL

(a) The Rush on Movies

The dominant source of pay-tv material has been feature films, "imported" into the new delivery mode from the theatrical movie world. Recent estimates, assessing effects of the proposed Premiere service upon pay-tv, note that HBO's schedule is 70% theatrical films

(40% from the Getcom participants). Movies accounted for 85% of Showtime's schedule last year, and all of the Movie Channel's.¹⁹ Even with HBO's lower figure, feature films are the acknowledged "engine" of operations, and account for the basic appeal of pay-tv. Both HBO and Showtime show about 25 movies a month.

HBO and Showtime have both been active in original production, often "specials" with big-name stars. Some documentaries and magazine formats (in association with Consumer Reports in one instance) have also occurred. HBO may be extending into film-making as well. HBO has budgeted some \$20M for its specials this year (1981); Showtime, which spends much less funds, wants to make its specials distinctive to create "subscriber allegiance" to its channel, as more and more subscribers take several pay services.²⁰ (Showtime uses umbrella titles, such as "Broadway on Showtime" for plays, or "Carousel," for children's features, to increase subscriber recognition.) While such original material may well be useful, HBO and Showtime's production efforts are also connected to the problem of shortage of feature film product which the industry has been experiencing (and which will increase if Premiere goes forward).

A rush to purchase film products has occurred, and has tightened financial links between pay-tv programmers and the feature film industry. Extensive pre-buying of rights by pay-tv is infusing financial benefits to movie-makers, as an HBO executive points out:

...Ten's of millions of dollars have been committed by HBO to pre-buys of more than 100 films [scheduled to run over the next five years]. ...such pre-production commitments significantly benefit theatres to which the films are released before HBO exercises its pay-tv rights. Because of HBO's commitments, these productions are also able to go before the cameras with bigger budgets than they otherwise would have."²¹

Meanwhile, the value of distribution rights for films on pay-tv, which were formerly viewed as "ancillary rights," minor in comparison to network tv sales, has been steadily increasing. (These lucrative

rights sparked an actors' strike in 1980, as actors disputed a flat-rate figure versus a percentage of revenues means of reimbursement, when films show in these new markets).

(b) Cross-delivery Mode Activity: Co-production
and "Horizontal Integration"

In turn, some of HBO's original productions are developed with an eye to re-use by other delivery modes. HBO plans original fare that "will be seen first on pay-tv, but, to our way of thinking, has the quality, interest and the production values for subsequent use by other media."²² Co-productions with other delivery modes may also occur (and were a cornerstone of a plan for Canadian pay-tv that was put forward by a committee of Canadian independent producers).²³

HBO's specials may be re-used by Time-Life's Video Club (-- HBO being owned by Time-Life); Showtime's original productions may be distributed by its sister syndication company Viacom Enterprises.²⁴ These are examples of what can be termed "horizontal integration," where material is controlled by one owner, across delivery modes. If the major movie studios are permitted to run a pay-tv system directly, horizontal integration will be even more concretely in place. One result is control over timing of release, which can be a contentious issue. For example, the Getcom members planned to give their Premiere service a nine-month period of exclusive rights to their films. Generally, a film moves from theatrical distribution, to a short pay "window" of perhaps six months, to network tv and then perhaps to a pay-tv repeat period. Pay-tv relies on the proven success of a film at the box office to please its own customers, but pay-tv and network tv may well be competitors to first bring a feature film to viewers' homes. (Meanwhile, timing of home video release precedes showing on tv, but has no certain pattern as yet.)²⁵

(c) Canada: Benefits for Canadian Content

These questions of control of product, by powerful corporate actors, bear less upon Canada (-- unless, that is, Canadians receive U.S. pay-tv, or U.S. distributors at some point perceive reasons to manipulate rights for the Canadian showings of material they control). Two cultural policy questions about content have historically been central in Canada's planning for pay-tv: the proportion of Canadian content in a schedule that is sure to make extensive use of U.S. feature films, and the extent of benefit to the independent production industry in Canada. Pay-tv as noted earlier, is seen variously as a means to subsidize Canadian production through some percentage of pay-tv revenue; and as an opportune outlet and so a stimulus for Canadian productions.²⁶

(d) Re-use of Product

In the use of product once it is acquired, pay-tv practices an element of "re-cycling" of product, with multiple showings of material within its monthly time schedule. The viewer may be presented with a particular film six times in a month, "rolled through" various time slots. Secondly, pay-tv makes extensive use of "encore" material which appears in a schedule for a second time, some months after the previous set of showings.

3. MEANS OF FINANCE

As was explained at the outset of this chapter, "pay-tv" here refers to programming for which a viewer pays in a direct fashion. Pay-per-channel and pay-per-program (or "pay-per-view") are both possible.

Pay-per-channel tv is dominant now in the U.S., and will probably be introduced first in Canada. HBO and Showtime are prominent U.S. examples: the viewer subscribes to unlimited access to the channel's schedule on a monthly basis. A descrambler to receive coded signals is usually all the equipment that is needed to add a subscriber household to the service.

With pay-per-program tv on the other hand, the viewer is charged for each program as it may be actually viewed. This requires more sophisticated equipment, to monitor what is selected and bill accordingly. Billing is usually done with 2-way capacity (though it is possible to use a small card with a microprocessor, which records viewing, and is then mailed in for billing). There are few operative examples of pay-per-program systems. However, competitive proposals for new urban cable franchises in the U.S. now often include a pay-per-program feature, in addition to pay-per-channel tv. Pay-per-program has already proved lucrative for special applications: a major boxing match offered on two STV systems in the U.S. grossed substantial profits recently.²⁷

For certain reasons, pay-per-program tv has had policy proponents in Canada,²⁸ and the Department of Communications developed the idea of a "National Electronic Theatre" based on pay-per-program tv. Yet because pay-per-channel has simpler technology and is a more stable undertaking with its steady subscription basis, it will undoubtedly be introduced first in Canada. The pay-per-channel system has in fact been favoured by certain of the very parties government hopes to aid through pay-tv. Once customer satisfaction is assured with a certain bedrock of high-appeal material, a pay-per-channel system can theoretically accommodate some lesser appeal programming (and shortages of feature product may encourage this). A committee for independent producers in Canada has argued for a per-channel system (or, more accurately a pay-per-package system, where subscribers sign up for a package of programming which may not correspond entirely to a full channel schedule), which offers opportunity to include, along with

feature material, experimental and "vertical programming" aimed at a specialized audience.²⁹ The CRTC itself has noted that pay-per-program has the highest "necessity to respond directly to mass viewer preference"³⁰ -- hardly a boost for most Canadian programming given current audience viewing preferences, or for specialized-interest programming.

Some advertisers believe that the "user-pays" habit generally has enough weak points that eventually operators and viewers will be happy to let a third party into the system, to shoulder some costs. Chapter 4, on cable tv, noted that so far there are organizational (and not regulatory) barriers to advertising on cable in the U.S., and pointed out beginning efforts to counter these shortfalls. However, it is on the cable-satellite networks with their "paid-for programming," described in Chapter 6 that advertising is growing as opposed to making inroads on pay-tv; and lack of commercials on pay-tv remains one of its central selling points.

4. INGRATIATION

Pay-tv demands a substantial sum of money each month from each of its subscribers for every pay service, and it induces its subscribers to dig into their pocket books by offering them premium content. Box office hits are the heart of current pay-tv services, so that it's essential character is that of a very high ingratiation medium. As one HBO representative expressed it, after toying with "culture," and moving back with general entertainment:

...In a way, the process is very democratic. The subscribers vote every month. You've got to keep your eye on that box office.³¹

Apart from the possibility of packing in programming of lesser appeal once a secure core of high-appeal features has been laid in place in a pay-per-channel schedule, pay-tv is first and foremost a

vehicle for the material that aims highest in its bid for audience: theatrical films. Where fill-in material in a per-channel schedule does cater to a specialized interest (as with the "Carousel" children's specials on Showtime's channel), the viewer is in the same situation as with commercial tv, waiting for a special interest program in a general-interest schedule.

As the preceding section noted, pay-per-program tv has been viewed by some as a means to support minority-appeal programming. So far, there have been few such systems, and little evidence exists for this argument. As revenues directly reflect viewing numbers, the incentive to maximize audience would appear inherent. Perhaps in recognition of this, DOC's National Electronic Theatre plan manipulated the revenue share that went to producers in its pay-per-view model, to encourage certain kinds of programming. ((There is also the possibility of raising the "ticket price" for programs of a highly specialized interest)).

However, if a specialized audience of a substantial size can be amassed which is not being served by current tv options, pay-per-channel tv may be a means of support for a suitable service. "Gala-vision," a Spanish-language pay-tv service, is one working example, with a potential market of 20M persons.³² Some other services are in planning stages at this time. For example: (1) It has been proposed that "high-culture" pay-tv is possible, by the U.S. public broadcasting report which recommended "PACE," a pay channel for "Performing Arts and Cultural Entertainment." The principle here is that subscribers would value such a channel enough to pay for it directly. As only a modest portion of U.S. audience watches public broadcasting, the feasibility of this service financially may be questionable. Nonetheless, others have taken up the idea of a performing arts pay channel. "Rainbow Programming Services," a network formed by several cable-tv MSO's (multiple system owners) in the U.S. plans to distribute a performing arts service called "Bravo" on a pay basis. The service is not expected to break even for at least two or

three years, but will not solicit advertising.³³ (CBS plans similar programming on a cable-satellite network to begin in 1981, but it will use advertising and not require viewers to pay.) In Canada, a company called "Lively Arts Market Builders" has suggested a pay-service for cultural performances.³⁴ "The 'BBC in America' is also *was* planned (by the BBC and Time-Life) as a pay-service, which ~~may tend to~~ *will* "high-culture" programming. All remain to be proved financially feasible. (2) A black-oriented programming service is planned, which would offer free broadcast tv (by a network of low-power tv stations), and an STV service during prime-time hours, so that the broadcast network would be carried by income derived from subscriptions (at \$16 per month).³⁵ This is an interesting possibility for STV material to cross-subsidize other content. (Blacks represent over 20% of the U.S. population.) (3) Sports may have a future in pay-tv in vertical channels or pay-per-program form, and may be considered as a large-audience specialized interest; as sports now are covered extensively by commercial networks, however, any switch-over to a pay basis may be controversial.

A key question here is the size of the specialized audience: it would take a large interest base, plus a clear motivation (to pay for service perhaps unavailable otherwise) for direct user-pay to be a means of finance for specialized programming.

The price of the subscription could also be critical: a bill of \$1 or \$2 a month might seem reasonable for a performing arts channel, while a Home Box Office-level subscription, at \$8 to \$10, might be viewed as too high.

In summation, a low-price pay basis for a sizeable target audience, particularly one not served by other delivery modes, would seem a possible, if unproven, vehicle for specialized-interest vertical programming. It is uncertain whether or not the service could be

successful financially, and secondary means of support, such as sponsorship, or public subsidy, or the sale of advertising time may well be sought. Where advertising is looked to for additional finance, the means of support is likely to be of the "paid-for programming" sort used by cable-satellite networks, discussed in the following chapter.

5. CONCLUSIONS

As a new delivery mode, pay-tv teaches some useful lessons in use of content, that both public broadcasting and cable satellite network programmers have also found preferable to commercial network tv's usual practices: it extensively re-uses existent content, it re-shows content several times in a schedule, and it uses "encore" repeats of successful material, bringing it back at a later date. When they engage in productions, companies like HBO and Showtime are thinking in terms of co-productions and/or future re-use of material by other delivery modes.

To date, however, with a few exceptions (such as Galavision, whose appeal is based in a concrete way upon language) the only successful examples of pay-tv are based on high-appeal, premium feature film material. Even with such "hit" content, users may decide to save their money and disconnect. The habit of paying directly for tv content is not a well-established one. In Canada, it has yet to be proven that even premium material will induce viewers to pay, when many have over a dozen channel choices available on cable-tv.

Pay-tv in the U.S. has been first and foremost a child of established media giants, in its content (hand-me-downs from the film world), and its ownership (media conglomerates, for the most part). It has made costly deals for costly products, sold with costly advertising campaigns. It is difficult to imagine a specialized pay channel competing successfully in this environment geared to a high level of glamour and profits.

Canadian pay-tv need not follow this trend to feature content, but it will be a difficult one to resist. Canadians may be at least as reluctant to part with their money as their U.S. counterparts, and a prevailing policy view has been that pay-tv should make money in Canada that can then be used to aid Canadian film productions. Furthermore, Canadians will want access to the sort of programming available in the U.S., as they always have.

Footnotes

1. On October 21, both CRTC Chairman Meisel and Communications Minister Fox made statements on pay-tv and assigned it urgency and priority. See Globe and Mail, October 23, 1980; and Department of Communications notes for a Speech by Minister of Communications Francis Fox to the Broadcast Executive Society, Toronto, October 21, 1980.
2. Quebec took the matter of cable jurisdiction to the courts (as she had done for broadcasting in the 1920's). The case of La Régie des Services Publiques de la Province de Québec, V. Dionne was decided in favour of federal jurisdiction in 1977 (after a hot dispute in Rimouski, Québec where both a provincial and a federal licensee existed). See also the Draft for Discussion and Statement by Minister of Communications Jeanne Sauvé on Proposed Constitutional Amendments with Respect to Cable Distribution Systems (DOC News Release, February 13, 1979), for terms of consideration for delegation and jurisdiction to the provinces.
3. Cablecom, a consortium partly owned by the provincial government, offers a pay-tv "Teletheatre" service, (entirely closed circuit). Saskatchewan has a number of features that distinguish it from the typical cable context: problems in reaching rural residents; a preference for non-profit community based groups as licensees (perhaps with governmental assistance); and its provincial Crown Corporation telephone company with preferences for integration of plant for video, voice and data transmission, perhaps by fibre optics -- Sask Tel will install a \$56M fibre-optic network between 50 communities. Star Phoenix (Saskatoon, Saskatchewan) March 8, 1980.
4. Pre-requisites for Canadian pay-tv were restated in October 1980 as follows: "Canadian pay-tv must contribute positively and significantly to broadcasting in Canada. Canadian pay-tv must include the use of Canadian resources. Canadian pay-tv must stimulate the Canadian program production industry." Notes for a speech by Minister of Communications Francis Fox to the Broadcast Executive Society, Toronto, October 21, 1980, p. 8.
5. Pay-tv was a partial topic only: a Committee of CRTC commissioners and provincial representatives held hearings on Extension of Service to Northern and Remote Communities, the Use of Satellite and Pay-Television.
6. Broadcasting, June 30, 1980, p. 44. (An HBO executive is quoted).
7. Broadcasting, March 10, 1980, p. 51.
8. Broadcasting, April 17, 1980, p. 46.
9. FCC, Network Inquiry Special Staff, op. cit., appendix on "Video Interconnection; Technology, Costs and Regulatory Policies," p. 62.

10. The Pay-tv Newsletter, March 20, 1980, p. 1.
11. Home Video Report, April 7, 1980, p. 9.
12. For example, an Oak system in Phoenix uses addressible boxes, for "multiple narrowcasting offerings." (It and two other STV systems have added a restricted movie package, with pornography, "action" and horror films. Oak sells this as a new "tier" for \$4.95, showing one title per night, self-booked by the viewer.)
13. Special pay-per-program events are one possibility. Also, some STV proponents have suggested that STV could maintain a unique function, even in a cabled environment, as a programmer of highly specialized and locally-determined events, such as local little league sports. (Broadcasting, April 7, 1980, p. 55.) This would not seem likely in view of the fact that a cable company, in its franchise bid, typically has to promise extensive local, community programming itself and would probably offer such local events for free.
14. Satellite News, April 30, 1980, p. 7.
15. New York Times, March 25, 1980. The plan followed an FCC network inquiry study that gave good odds to dbs as an economically viable competitor with established networks. New York Times, April 9, 1980.
16. CRTC, "The 1980's: A Decade of Diversity: Broadcasting, Satellites, and Pay-TV," report of the Committee on Extension of Service to Northern and Remote Communities (hereafter referred to as the Therrien Committee report) (Ottawa: CRTC, 1980).
17. Globe and Mail, October 23, 1980.
18. Home Video Report, April 7, 1980, pp. 6-7.
19. Pay-Tv Newsletter, April 25, 1980, p. 1; New York Times, May 5, 1980.
20. Pay-Tv Newsletter, October 10, 1980, p. 1. HBO is conducting a script search for films. It is also committed to 96 specials in 1981, with budgets reaching \$500,000.
21. TVC, March 1, 1980, p. 28.
22. Ibid., p. 6.
23. See the submission to the Therrien Committee on Extension of Services to Northern and Remote Communities, The Use of Satellite and Pay Television, (for hearings in February and March 1980), made by the Independent Producers' Committee for Pay-Television, who favour co-productions with U.S. networks.
24. Pay-Tv Newsletter, April 1, 1980, p. 2.

25. A major distributor provoked an outcry in 1980 from movie theatre exhibitors when it announced plans for simultaneous release of films for home video and theatres.
26. Some independent producers particularly hope that pay-tv will be a buyer of their material, while complaining that Canada's major buyer, the CBC, has long kept opportunities closed for independent producers by relying extensively on in-house resources; the CBC, meanwhile, proposed a pay-tv scheme which would show predominantly U.S. material, simply as a fund-raiser for production, funnelled through the CBC. See the submissions to the Therrien Committee, op. cit., made by the Independent Producers' Committee for Pay-Television, and by the CBC.
27. This match reached 46% of ON-TV's 295,000 subscribers; the promoters received 55% of gross revenues, leaving some \$440,000 as for the STV system. Broadcasting, June 30, p. 8.
28. A CRTC report on pay-tv found that per program rated high on "public access to specialized programming," and "ability of viewer to determine programming." CRTC "Report on Pay Television" (Ottawa: CRTC, March 1978, p. 49). One line of reasoning holds that each program stands on its own, so that riskier and lower appeal programs are theoretically possible. (Seemingly, no shortage of channels and access to prime-time hours is imagined).
29. The Therrien Committee report, op. cit., p. 69 (discussing the submission of the Independent Producers' Committee for Pay Television).
30. CRTC, "Report on Pay-Television," op. cit., p. 49.
31. Esquire, June 1980, p. 90.
32. Home Video Report, September 29, 1980, pp. 5-6. this 20M market is made up of 12M U.S. citizens, 2M persons in Mexico near the U.S. border, and 6M "undocumented aliens." Galavision's parent company is SIN, Spanish International Network, a broadcast service supported by commercial advertising, and mainly distributed by satellite to cable systems. Galavision costs \$7 to \$10 a week, for 70 hours, and models its program schedule after HBO with movies, and also live sports and "novelas" — mini-series similar to soaps.
33. Ibid., pp. 3-4. The cable MSO's involved, which include Cox Cable, have a potential base of 1.2M customers.
34. CRTC, the Therrien committee report, op. cit., p. 72.
45. Home Video Report, September 29, 1980, pp. 1-2. The network is called CTN (Community Television Network), and would be the first minority-owned network. It would have the backing of Golden West Broadcasting.

CHAPTER 6
CABLE SATELLITE NETWORKS

Cable satellite networks are the final delivery mode considered here, the latest to develop historically, and the most promising in potential for specialized-interest programming.

(a) "Csn's" and their Differences from Pay-tv

The term, "cable satellite network" (csn), refers here to services using satellite delivery to cable services, whose means of finance is advertising and/or small fees per subscriber paid by cable operators to satellite programmers. These fees are subsidized by the cable operator from basic cable service subscriptions, or are included in a further "tier" of subscription, as was described in Chapter 3 and is taken up also below. Sums paid per subscriber are generally small: 10¢/per subscriber/per month is a typical figure. Services for which such fees are paid are currently being referred to as "paid-for programming".

Although pay-tv also commonly uses a combination of cable and satellite technology, it operates quite differently, as the viewer pays a (usually substantial) sum in a direct fashion, selecting specific channels or programs for "purchase". This direct pay connection is lacking in "paid-for" programming. The likely use of advertising is another fundamental difference from pay-tv.

The kind of programming content in cable satellite networks is also quite different from pay-tv's typical high-appeal schedule built upon feature films. Cable satellite networks tend to more specialized channels, with lower-cost material. A convergence upon some kinds of material may occur, by pay-tv and csn's; culturally-oriented channels seem to be providing the first such area of contention. The marketplace will perhaps sift out programming material for which subscribers will pay direct and substantial amounts.

With csns, typically channels are chosen by the cable operator and offered to viewers as part of a range of programming, and are available for little (or no) extra cost to the subscriber. This enhances the subscribers' perception of cable-tv service. The ingratiation, then, of any particular cable-satellite network's programming is of less than usual interest. However, as advertising increases as a joint means of finance, audience reach becomes more important, and the extent to which advertisers will adhere to special interest channels will be a key point in the development of these cable-satellite networks. To date, it appears that specialization will be reinforced by advertisers who want to target rather than maximize audience.

(b) "Csn's" and Their Policy Environment in Canada

Table 6-1 lists U.S. cable satellite networks available to cable operators nationally in March 1980. (The list includes pay-tv programmers also). At the close of 1980, these cable-satellite networks existed only in the U.S., with the exception of one French-language example in Quebec.¹ Development in Canada is uncertain for a number of reasons. Use of satellite, the implementation of pay-tv or of any form of discretionary cable-tv, and the use of advertising on new tv services have all been closely controlled by the CRTC. Though it has made no statements on the "paid-for programming" delivery mode, the CRTC has delayed the implementation of pay-tv for many years, has favoured (in the past) a monopoly single national-distributor for pay-tv, and has opposed advertising for pay-tv—all positions toward one kind of discretionary tv service that bespeak a generally restrictive attitude. By a decision in October 1980, the CRTC confirmed a will for authority over cable-satellite networks, which apparently are to require official network licences in Canada.²

However, a recent report by a committee made up of CRTC commissioners and provincial representatives, (formed to advise the CRTC on Extension of Services to Northern and Remote Communities, the

CABLE-SATELLITE CHANNELS (BY PROGRAMMING TYPE) MARCH 1980
(ON SATCOM I)

NAME OF SERVICE	SATCOM I TRANSPONDER	DESCRIPTION
<u>PAY-TV (viewer subscription)</u>		
full-time:		
Home Box Office (HBO)	22,24	movies, features, some sports
Showtime	10,12	movies, special productions
The Movie Channel (Warner Amex)	5	24-hour movies
Galavision	18	Spanish-language programming
mini-services:		
HBO Take 2*	23	selected from full service, family-oriented
Home Theatre Network	21	one movie per night
<u>"PAID FOR PROGRAMMING"</u>		
superstations:		
WOR-TV New York	17	typical independant tv-
WTBS Atlanta	6	station programming: old
WGN-TV Chicago	6	movies, sports, syndicated
KTVU Oakland	1	sitcoms
sports:		
ESPN (Entertainment and Sports Programming Network)	7	sports 22 hrs/day
Madison Square Garden Sports	9	300 events/year
Showtime Plus Sports	16	Southwest events
public affairs:		
C-SPAN (Cable Satellite Public Affairs Network)	9	House of Representatives and other programming
Appalachian Community Service	16	service-oriented programming
Cable News Network**		24-hour news
Children's programming:		
Calliope (UA Columbia)	9	children's programming
Nickolodeon (Warner Amex)	13,14	content developed for QUBE system
other:		
Cinemera Satellite Network	(pending)	programming for older audiences
The English Channel	21	British Independant TV programming
<u>RELIGIOUS PROGRAMMING (donations)</u>		
CBN (Christian Broadcasting Network)	8	
PTL (People That Love)	2	
Trinity Broadcasting	13	
National Christian Network(pending)		

*replaced by another HBO full service, Cinemax **began May 1980

Use of Satellite, and Pay Television), took a more liberal attitude, and differentiated clearly, in its report, between now-traditional "pay-tv" for "high quality, mass appeal entertainment", and vertical or "target" programming for specialized audiences, available for modest additional fees. The Therrien committee also saw no reasons why advertising could not be used on discretionary channels, and noted that advertising was enabling "many desirable optional services aimed at target audiences" in the U.S.³ This report also broke with the single national distributor model for pay-tv, envisioning instead a telecommunications environment of a number and diversity of discretionary services. The influence of this report, however, remains to be seen.

A further regulatory uncertainty regarding new discretionary cable channels is the possibility of a shift in jurisdiction from the federal to the provincial level of government, for cable-tv. Another factor, which may limit cable satellite networks in the short-term future, is availability of satellite space. This subject is also taken up in the Therrien committee's report--as is the need for a restructuring of Telesat Canada's rates and terms for satellite use. As the only means of access to satellite in Canada, Telesat has been sharply criticized in the past for institutional arrangements which critically hampered satellite service.⁴ Only since 1979, when government broadened the possibilities for ownership of receive-only earth stations,⁵ have satellite networks of the sort discussed here even been thinkable.

Also, market size in Canada, both in terms of the revenues that can be generated by cable companies on a per-subscriber basis and in terms of specialized audiences to attract advertising support, is always a factor with our small population.

There are special considerations, then, concerning the introduction of cable-satellite networks in Canada, and this chapter primarily discusses cable satellite networks, or "paid-for programming", as a delivery mode as it is emerging in the U.S. It should be

remembered, however, that the cable industry in Canada has been ready to undertake paid-for programming, (wholly subsidized by industry), with the House of Commons channel, the Galaxie children's channel, and a multilingual channel, and that it has been due to the position, or indecision, of the CRTC (and not due to economics or satellite space shortages) that services have not been implemented.

(c) New Cable Satellite Delivery Modes

The types of programming and satellite channels which have developed in cable-satellite networks in the U.S. are indicated in Tables 6-1 and 6-2 in some detail. Already, established sub-classes of services have developed, such as "superstations" whereby a local tv station's signals are beamed up to a satellite and re-distributed across the country to cable-tv operators. Means of finance for superstations is the typical "csn" mix of advertising and cable operator fees. Religious stations, on the other hand, are another well-established phenomenon, but are provided free to all cable systems, and are supported by viewers' donations sent to the programmer. "Cable satellite networks" in a broad sense can and will be further distinguished as separate "delivery modes" as their means of finance differ from case to case, and variations in practices occur in the diverse and fast-changing local scenes. However, the definition here of a delivery mode consisting of (1) satellite plus cable tv to deliver signals, and (2) advertising and/or cable operator fees as a means of finance, although it is broad, can usefully distinguish at this time a class of services, of particular interest in its possibilities for specialized programming.

1. LEVEL OF OPERATIONS AND AGGREGATION

(a) Operations

National Satellite Programmers

The potential of satellite for tv is breath-taking: it can deliver signals to multiple reception points over vast distances, and distance has no effect upon cost. Satellite, then, is ideally suited

TABLE 6-2
EIGHT CABLE-SATELLITE NETWORKS (1980)

NETWORK	HOMES REACHED	CONTENT	AIR TIME	SUPPORT	RATES
ESPN (Entertainment and Sports Programming Network) -85% Getty Oil ownership	6M 903 systems	live and taped sports events	24 hrs/ day	Primarily ads. Also fees from cable systems	\$750/30 sec. primetime. \$300/hr. off-prime. Cable systems: 4¢/subs/ mo. with adv. credit.
USA Network -UAS Columbia Cablevision & Madison Square Garden Communications	6M 1000 systems	live broadcasts of sports; "English Channel" cultural programming; "Calliope" children's channel	10 hrs/ day	about 24% from advertising, 70% from affiliate cable systems	Approx. \$600/30 secs. Varies with commitment and programming. Cable systems: 11¢/subs/mo.
C-SPAN (Cable Satellite Public Affairs Network) -non-profit corp. governed by industry representatives	6M 840 systems	House of Representatives (live); interviews; other government events	10- 3 M-F	supported by major cable companies & other independent cable systems	Cable affiliates: 1¢/subs/mo.
CBN (Christian Broadcasting Network Inc.)	5M-8M 1600 systems	religious programming (incl. Catholic, Jewish, Protestant); talk shows, news, disc jockey, "soaps".	24 hrs/ day	voluntary contributions, viewers clubs, telethons	Club members: \$15/mo. All other contributions are voluntary.
CNN (Cable News Network) -Turner Broadcasting	3.2M 420 systems	24-hours news coverage	24 hrs/ day	advertising and fees from cable systems (about 50% each)	\$100 to \$700/30 sec. Varies with time. Cable systems: 15¢/subs/mo. (plus Turner superstn.)
SPN (Satellite Programming Network) -Satellite Syndicated Systems	3.1M 557 systems	women & family audiences; talk shows, movies, "how-to", foreign films, entertainment	24 hrs/ day	Advertisers provide programming & pay for air time. Also national adv. spots.	Rates vary. Ex.: \$1500 for a 1-hr. 1-time feature. 60-sec. spots: \$100 to \$400 depending on time.
MSN (Modern Satellite Network) -Modern Talking Pictures Service	2.8M 400 systems	educational, information and consumer programming, produced by adv'rs, gov't, business; sports; gen'l	12-5 M-F 7-12 wkend	advertisers (100%)	\$3000 entry fee, plus \$125/min. Varies with air plays and length. Discounts for public services.
SIN (Spanish International Network)	2.2M 66 sys. incl. 9 tv stns.	Spanish-language news, "novelas" or soap operas, sports, musicals, movies	24 hrs/ day	National adv. No charges to affiliates.	Rates vary with how many affil. pick up programs. Full network: \$350-\$2800/30 sec., dep. on time

source: Home Video Report, Oct. 27 1980, pp. 4-5.

for large geographic "footprints" of use. This is usually spoken of in terms of "nationwide" service, although, as discussed below, the satellite signals recognize no borders and U.S. spillover is already problematic in Canada.

The satellite programmer, then, as it has developed in the U.S., typically runs a national-level operation. Some regional services exist, but generally a programmer assembles a schedule and seeks cable-tv "affiliates" from across the country. Each affiliate will usually pay a fee to the satellite programmer, such as 10¢/per subscriber/per month with a maximum of \$2000 for Atlanta's superstation (1979 terms), or 15¢/per subscriber/per season for Calliope's children's programming hours.

At the local receiving end, the cable operator "affiliates" with any number of services, depending upon channel capacity and upon what the operator thinks useful to include in his range of channels offered to subscribers.

Table 4-3 shows satellite programmers on RCA's SATCOM I, the satellite most geared to cable-tv use, as of spring 1980. Demand for satellite space sharply exceeds supply--and earth stations point at one satellite only at a time, with current technology, so that all programmers want to be on SATCOM I. Already, however, the number of satellite programmers is leading to the use of a second earth station by cable operators, and technology is developing "dishes" that can receive from more than one source. As noted earlier, some systems have over 1600 "affiliate" cable systems.

Enough interest in satellite programming has been amassed that a special magazine, "Sat Guide", started in December 1979.⁶

"Illegal" Reception in Canada

At this time, satellite programmers (both for pay-tv and csns) are not bothering to scramble their signals to avoid unauthorized reception by parties which have not contracted to receive their services. There is little incentive for programmers to underwrite scrambling costs, and the cost to own a dish is still high (about \$8000 in 1980 for bulk purchase in the U.S.), and limits unauthorized use by individuals. This price barrier is changing, especially if high-powered satellites are used which require smaller dishes, and with mass production low-cost dishes may be available soon. Comsat, in its plans for pay-tv by direct-to-home broadcast satellite (noted in Chapter 5), foresees dishes available at \$250 in a few years time.

Even with the present high cost of dishes, however, "illegal reception" of U.S. signals occurs and has become newsworthy in Canada, and problematic to policy-makers. Current estimates guess that 750 to 1000 illegal earth stations exist, most in remote and small communities. For some time, government and the CRTC had been aware of considerable numbers of illegal receivers, but had turned a blind eye, recognizing that these areas were starved for tv service. The matter flared up into public view at CRTC committee hearings on Extension of Services to Northern and Remote Communities, in spring 1980.

"Illegal" satellite reception in Canada may have several meanings. First, where the dish is owned by an individual who views from it, the illegality is that these signals are supposed to be received by parties who have contracted and paid for them, which any Canadian receivers have not done. It would presumably be up to the sender of the signals to decide if undesired theft were occurring. If the sender was selling advertising, expanded reception could be a bonus. Reception itself of a broadcast signal (i.e. a signal meant for general reception), for an individual's own use is not illegal even if it uses satellite. (One Canadian is already arguing that "superstations" desire maximum reception because they sell advertising, and so

are "broadcasts", notwithstanding the fact that they contract with cable operators for "fixed point" arranged reception).⁷ Secondly, it is illegal in Canada to receive and then re-transmit signals without a licence, as is happening in many northern locations, where community members band together to purchase a dish, or an entrepreneur provides service, reaching homes by cable or re-broadcast tv. Licensed cable operators have also been re-distributing satellite signals, which is not permitted in their licence from the CRTC. Finally, an "illegality" may exist in terms of international agreements, though as yet this has not been raised as an issue by the U.S. By a 1972 exchange of letters, Canada and the U.S. agreed to restrict the use of their respective domestic satellites by the other country to certain well-defined special cases, subject to the agreement of both governments. Furthermore, if Canada and the U.S. did wish to jointly use a system, Intelsat (the international satellite consortium of more than 100 countries) would have to be consulted.

Meanwhile, "illegal" earth stations continue to increase in Canada and to create headlines. In its report on the extension of services to remote communities in Canada, the Therrien committee agreed with most commentators that a priority should be to get programming alternatives on Canadian satellites as quickly as possible, to alleviate the demand for U.S. signals.⁸ However, a longer-term and more general question will not be so easily solved, especially as the cost of satellite dishes drops: the appeal of U.S. satellite services as networks multiply in the U.S., compared with Canadian programming choices, which may appear limited by comparison.

Canada has had an ulcerous policy problem with border broadcasting, which "spills over" into Canada off-air, or is carried by cable-tv.⁹ With increased satellite use, many countries may find themselves with the worries Canada has had through border proximity: cultural penetration by foreign broadcasters has troubled policy-makers; domestic productions face high-cost competition; and "poached" advertising profits are enjoyed in the originating country.

Essentially, Canada's border station policies represent a position of territorial sovereignty in communications, in contrast to the U.S. tradition of the "free flow of information" (and its accompanying commerce). The idea of "prior consent" is put forth by some countries, by which a state must consent in advance to programs broadcast into its territory from another state; a "right to participate" has also been suggested internationally, by Canada and Sweden, whereby with consent to foreign broadcasting, a state is allowed to participate in activities which involve the coverage of its territory.¹⁰ Another option, taken up in the concluding chapter, and suitable to the context of a North American market with a proliferation of satellite signals, is that of reciprocity agreements between pairs of countries.

(b) Aggregation

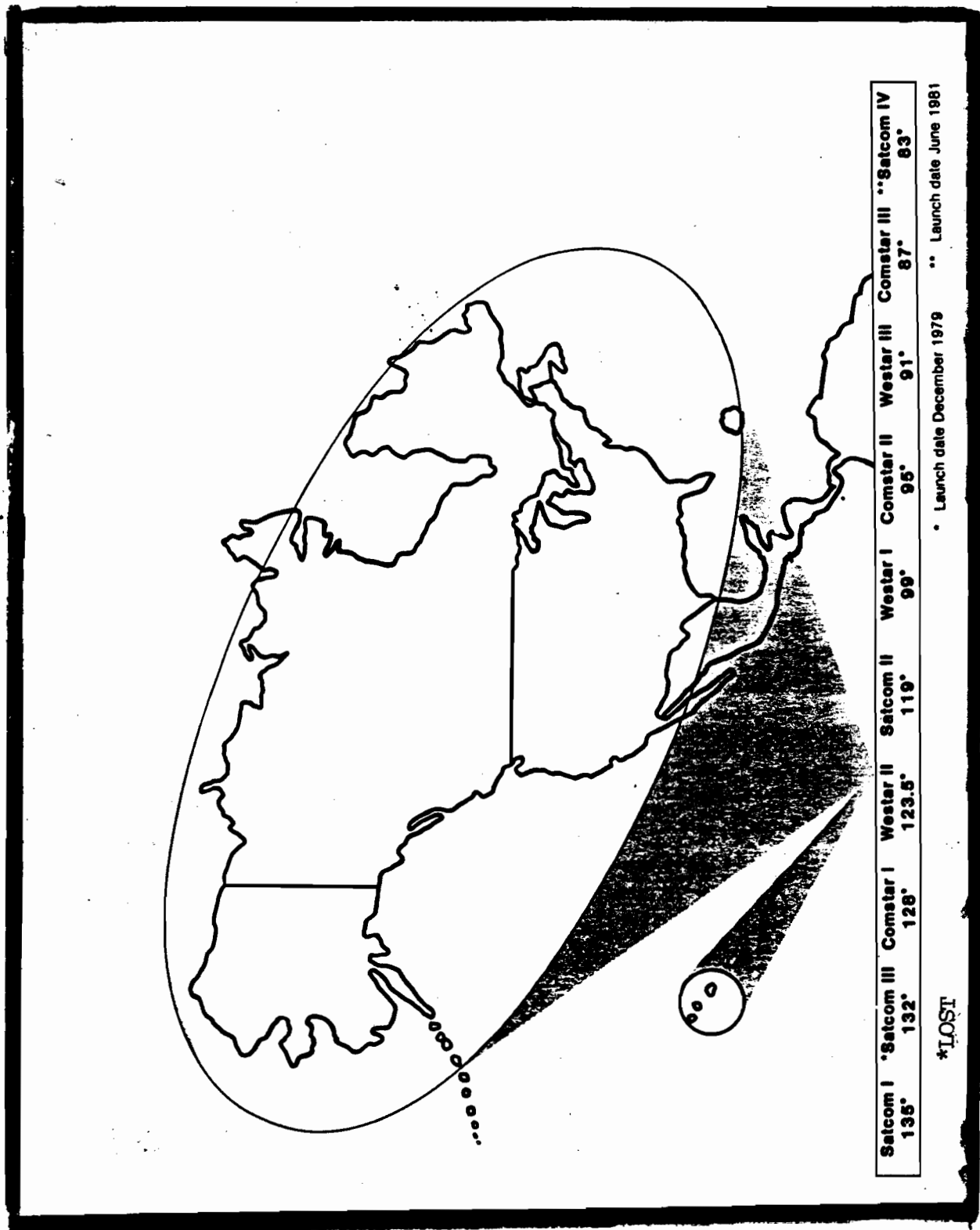
In considering cable-satellite networks, aggregations in activities or corporate structure can variously occur among satellite owners, carriers, or satellite programmers. Aggregation among cable operators was described in Chapter 4. (Cable operators in Canada form a cohesive industry. In the U.S., cable operators affiliate with many satellite programmers to form loose "networks", but these do not represent cohesive bonds among the industry, though multiple system ownership does create large cable groups.)

Satellite Ownership

U.S. satellite ownership has been dominated by very large companies in a position for costly undertakings. There are currently eight U.S. satellites, (see Figure 6-1), owned by three companies:

	<u>No. of satellites</u>	<u>Name</u>
RCA American	2	SATCOM
Western Union Telegraph Co.	3	WESTAR
COMSAT	3	COMSTAR

U.S. SATELLITES



All satellites are well-used and RCA's SATCOM I has been the satellite of choice for cable-tv since its launch in December 1975. Table 4-3 showed the use of its transponders allocated to cable networks. SATCOM III disappeared when launched in December 1979; it was planned to be extensively used by cable, and its loss created considerable discomfort in cable-satellite development. For Westar, broadcasters are major customers.¹¹

"Comsat" is Communications Satellite Corporation, an instrument created by Congress in 1962 to establish a satellite communications system with private investment capital. 1979 revenues were \$262M,¹² substantial but small compared with RCA and Western Union. Comsat mainly leases to AT&T for telephone use. Broadcasting use is low, but could increase as restrictions on AT&T and GTE's use of Comstar were lifted July 1979.¹³ Comsat has plans for dbs (direct broadcast satellite) pay-tv, as Chapter 5 described.

The use of satellites is accelerating generally, for business communications as well as video uses. AT&T was given a 3-year pause by the FCC from using Comstar for purposes other than its national telephone network, and this ended in July 1979. IBM, along with Aetna Life and Casualty Co. and Comsat, has formed a \$400M venture, Satellite Business Systems (SBS).¹⁴ Meanwhile, Xerox plans to enter satellite business communications also, though without its own satellite at present. The FCC's recent call (and cut-off) for satellite applications in mid-1980 saw AT&T's \$230m proposal for a 3-satellite system; GTE's \$198M plans; and RCA and Hughes Communications as other major applicants.¹⁵

Major companies, then, dominate satellite in the U.S. Established telecommunications carriers have enjoyed particular prominence, and institutional arrangements which extended their market dominance into satellite, (such as AT&T, ITT, RCA and Western Union International's effective control of Comsat), have been criticized.¹⁶ Yet the U.S. scene has seen competition, changes and active use of satellite, while Canada's Telesat continues to embody vested telecommunications interests and holds a monopoly on satellite use.

Telesat Canada is owned in substantial part by the existing telephone carriers who are in fact satellite competitors with their land-based carrier systems.¹⁷ Telesat's rates and terms have long been criticized as restrictive.¹⁸ For example, the company leased satellite circuits on a full transponder basis only, which had the effect of reducing users to the telephone companies, CNCP Telecommunications, and the CBC. Perhaps the most critical restriction to wider use, now that expanded earth station ownership is permitted, has been that potential satellite users have not been able to purchase smaller capacity appropriate to their needs, either from Telesat or from a resale carrier. In the U.S., resale carriers buy in "bulk" and resell in quantities that more users can afford and utilize. (Even if institutional structures were more conducive to the use of satellite, however, in Canada the question would remain of what programming would be permitted, from a policy stance.)

Satellite Resale Carriers, and Programmers

A resale carrier is a firm authorized by the FCC to "purchase services and facilities directly from another carrier and reoffer them to the public for profit."¹⁹ The FCC's policy on resale carriers followed a history of open entry policies developed in private line terrestrial communications, and extended to private line domestic satellite communications. (This is summarized in the FCC Network Inquiry Special Staff's study on video interconnection).²⁰ A policy of open entry toward satellite resale carriers was stated in 1976 in the Resale and Shared Use decision, and was first implemented when Southern Satellite Systems was authorized to distribute WCTG- Atlanta to cable systems, (--the first "superstation"), via a leased channel on RCA/Americom's SATCOM I.²¹ The Commission saw competition as part of regulation by marketplace forces, reducing FCC scrutiny of tariffs by minimizing opportunity to charge excessive rates: "... the very nature of the market will lessen our direct involvement."²² Still pursuing competition, in 1980, the FCC approved certain relaxations of

rules for small satellite carriers to promote entry by firms competing with AT&T, GTE, and other dominant telephone companies, while larger carriers (such as RCA, Satellite Syndicated Systems, Eastern Microwave and United Video), would not be deregulated at this time.²³

These policies have resulted in dramatically low rates and attractive terms of access, especially compared to the Canadian situation. Hughes Television Network, a large bulk purchaser, resold satellite time for as little as \$107.50 for a half-hour during prime-time, in 1979.²⁴

Table 4-3 shows which resale carriers are used by the cable programmers on SATCOM I. Programmers delivering material to cable systems have made much more use of satellite than have commercial broadcasting networks to date. However, tv use may increase. Two syndicators announced plans in 1979 to distribute programming via satellite.²⁵ Also, Sear's and Roebuck has a new low-power tv subsidiary, Neighbourhood TV, which plans a network of low-power UHF stations, fed by satellite. (TV service would be free to viewers and carry national advertising.) Several other low-power tv network applications are before the FCC, who recently created favourable conditions for such tv stations.²⁶

Several programmers have corporate connections with resale carriers, and with cable operators as well. Satellite Syndicated Systems is the parent company of SPN (Satellite Programming Network). Madison Square Gardens Communications owns both a resale carrier and a programming network. Warner Communications owns SCS (Satellite Communications Systems), and 139 cable systems, and is a satellite programmer with its WASEC (Warner Amex Satellite Entertainment Channel) pay-tv channel and its Nickolodeon children's channel. Westinghouse has had satellite plans for tv syndication; owns tv stations and now owns cable systems, having bought Teleprompter in October 1980. Robert Wold, a resale carrier, recently underwent re-structuring, to add a tv satellite programmer function called Wold Entertainment. There appear to be few restrictions on cross-ownership.²⁷

Despite these corporate connections, cable satellite programmers grew up from various sources, not characterized by the large established communications interests, and perhaps emblemized by the maverick style of Ted Turner who turned a local tv station in Atlanta into the first superstation, and has since pursued a style and plan all his own with CNN, the 24-hour Cable News Network. Now, large established corporations like CBS, and ABC, are becoming interested in cable satellite programming. (Both plan an "upscale" channel using advertising). It is possible that in the future increased vertical integration may be seen, perhaps along the lines of Warner's situation, where resale carriage, satellite programming, and cable systems all share corporate connections. The FCC's stress on entry and competition in carriage, however, should allow independent users to still find a willing carrier.

2. ACQUISITION AND USE OF MATERIAL

(a) Low-cost Programming

Material for cable-satellite networks is typically lower-cost than that used by network tv. There is considerable reliance on live programming, for sports (and religious stations), and other examples such as "Las Vegas Live Entertainment", which will use nightclub acts. Ted Turner's CNN, Cable News Network, has 24-hour continuous news. There is also considerable re-use of programming already developed for another delivery mode, and/or imported from another country: "Nickolodeon" puts onto satellite the programming developed for Warner's Qube system in Ohio; superstations take a typical local independent station's schedule and distribute it nationwide; the Spanish International Network extensively uses programming from Latin America. "The English Channel" uses programming from British independent tv. Price of programming is thus kept low, as is consistent with both the specialized nature of the programming, and the relatively low financial support provided by cable operator fees and some advertising (compared to commercial tv).

A further element of low-cost service is that programming may be only a few hours a day. For example, Calliope children's programming runs 60 minutes each week night, and three hours Saturday morning.

In Canada, CSN (Cable Satellite Network) has proposed a similarly organized channel of children's programming called Galaxie, making use of programming developed by TVOntario and perhaps also by individual cable companies for their own use. Galaxie was planned as a satellite service supplied to cable operators for typical fees on a per-subscriber basis; however, the CRTC has stopped implementation for the present. (Chapter 4 described the status of this and the Canadian cable industry's other satellite programming initiative, the House of Commons proceedings channel.)

3. MEANS OF FINANCE

As stated in the introduction to this chapter, the means of finance of interest here is advertising and/or fees from cable operators on a per-subscriber basis. This is used to define a "cable satellite network" (csn) delivery mode for present purposes, and is often referred to as "paid-for programming" when the cable fees are present, as is usually the case. Table 6-2 gives some details on 8 cable-satellite networks. (Table 6-1 gave less detailed information for a larger number of systems.)

It should however be emphasized that the combined operations of cable and satellite afford a number of options in means of finance, of which "pay-tv" and "paid-for programming" are each examples. (Another example occurs with religious stations, supported by donations from viewers, and offered by the religious networks as free programming to any willing cable, or off-air, affiliates.)

"Paid-for programming" as the term is used here has two particularly significant qualities as a means of finance. First, it is a mixed or hybrid means of finance, combining advertising and supplier

payment, and so splitting costs between two means of support. Secondly, with supplier payment (the small fees per subscriber paid by cable operators to satellite programmers) there is no direct pay connection between the viewer and the programming. The cable operator is an intermediary. The cable company either itself absorbs costs when a channel is offered as part of basic service, and in effect cross-subsidizes that channel from general revenues, or it provides the programming as part of an extra discretionary "tier" of service to which customers subscribe.

Advertising and supplier payment (as a cross-subsidization or otherwise), are taken up below, as is the payment arrangement of tiering. Tiering allows a useful bridge between supplier subsidization of a service, and direct user payment, and is central in development of paid-for programming.

(a) Advertising

So far, advertising has not propelled the growth of cable-satellite networks. The efforts of cable operators to have a range of channels to offer customers and refer to in winning franchises have been more prominent. Advertising has been at low levels both because of low cable penetration and because of poor audience information, described in Chapter 4, which also noted a likelihood that advertising will move forward as a means of finance on cable. (Paul Kagan and Associates, a major source of cable-tv information, now publishes a newsletter called "Cable Tv and Advertising".) Most importantly, penetration is increasing rapidly and steadily. Also, industry mechanisms such as Neilson's ratings and advertising representatives for cable are developing. Also, the advertising industry is beginning to view specialized-interest programming on cable-satellite networks as a useful means to reach target audiences. The reasoning is that, while numbers may be less, advertising is more effective because of specialized audience reach.

The use of advertising on cable, then, is likely to increase, and is doing so particularly with csns and their national audience coverage. The ratio of advertising to supplier payment will be a point to monitor in U.S. cable-satellite network developments. As cable-tv becomes more established there, the current motivation for actual supplier support, whereby cable operators subsidize channels from general revenues, may wane.

Industry newsletters and magazines are providing frequent examples currently of both cable-satellite programmers seeking advertisers, and advertising moving into cable-satellite networks as a sphere of operations. CBS Cable is a significant new entrant into csns activity, and was one of the first large communications corporations to move into the area; it was soon followed by ABC. Both plan channels of "upscale" programming, financed with advertising. Black Entertainment TV (BET) has accelerated use of advertising as a means of finance and has attracted national companies such as Pepsi-Cola, Sears-Roebuck, and Kellogg Co. Ted Turner, the superstation operator, launched an original venture, CNN (Cable News Network), as a 24-hour news service, and attracted Bristol-Myers as its first advertiser with a major contract of \$25M (over 10 years).²⁸ The English Channel, (part of USA Network's schedule), shows culturally-oriented material, much of which is produced by British Independent TV, and is totally supported by advertisers. These include Volkswagen of America as its largest sponsor, and British Airways, Omni magazine, Porsche Audi, and Christie's, the fine arts auctioneer, among others. Its commercials are run, as in Europe, longer than American ads but inserted only at the start and finish of programs. Other satellite programmers are shifting to advertising. Modern Satellite Network, a sponsored-film package reaching some 2.2M subscribers, began examining ways for local affiliates to insert advertising suitable to its underwritten shows, which have no slots for commercial breaks. USA Network is planning 3 or 4 minutes of advertising per hour on its previously ad-free children's show "Calliope". The network sells advertising on its other programming also.²⁹

A number of advertising agency executives have recently been hailing cable as a promising "frontier territory", and an "explosion" of activity has been predicted when cable hits 35% penetration in the U.S.³⁰ Though audience reach is particularly low in the interim (---CNN has drawn ratings of 1, 2, and 3% in 1980), expectations of advertisers may adapt, and low advertising rates and ample availability of time are drawing cards. Furthermore, argue cable industry representatives, as cable-satellite networks encourage specialized programming, this may "bring viewers back to their television sets" and will "allow tv advertisers to target their potential market much like a magazine."³¹

(b) Supplier Payment

The cable-tv operator may act as an intermediary using money that subscribers pay into a pool of funds to acquire a number of program services. This "pool" could be basic service fees, or a further tier of payment. In some cases, the cable-tv supplier adds an additional program service paid for from its current general revenues, perhaps undertakes a specific cross-subsidization, as was proposed, for example, by the Pay Television Network in Canada to transfer funds from pay-tv to a programming package for remote communities. In any case, there is no direct pay connection between the subscriber and any specific channel---if there were, "pay-tv" finance would exist.

Chapter 4, on cable tv, described reasons why cable-tv would subsidize programming services from general revenues, without direct profit accruing from these services. Basically, the motivation in the U.S. is connected to a desire to win customers to cable-tv by offering an attractive range of channels, and to win franchises in lucrative urban areas now being wired. In Canada, the industry has its subscribers and its franchises well established, but seeks approval from regulators to engage in new profit-making enterprises, or seeks to establish itself more firmly as a valuable part of the broadcasting system.

Any supplier payment where cable plays an intermediary role (even via a form of tiering which directly reflected costs of programming), provides a buffer between user choice to subscribe to a channel and the source of the programming. This can stabilize funding for the channel, and encourage low-interest programming: without a direct subscription connection, problems of "churn" (connects and disconnects) are circumvented, and the user does not pass judgement on individual channels.

(c) Tiering

As was described in Chapter 1, "tiering" refers to further levels of subscription on top of basic service, and typically refers to a range of additional channels on cable-tv. Table 4-4 showed tiering in cable operations (and distinguished it from pay-tv subscriptions). The subscriber to basic cable-tv service decides to spend several dollars more per month for 10, 20, or 30 additional channels depending on the tier; the relation between the subscriber and support for any particular service is indirect. The cable operator is the intermediary, and possibly may "cross-subsidize" a particular service by including a low-appeal item in a tier where subscription is attracted by other appealing services. It is not possible to distinguish the extent to which this takes place in a given instance, and individual practices vary widely at present. Some cable operators promise a wide range of channels for a very low price jump. A few are moving more in the direction of pricing that reflects channels obtained--i.e., in the direction of pay-tv. (One company devised a scheme in a franchise application to levy separate charges of 50¢ monthly for a number of "paid-for programming" services, that are more typically offered in basic service or as inseparable parts of tiers).³²

Tiering offers a number of advantages as a payment arrangement for specialized programming. As noted above, it avoids the problem of "churn" -- connects and disconnects to a service. The customer subscribes to the tier and does not select or reject

individual channels. The bother of billing very small sums for 20 individual channels is avoided and reduced to a single tier charge. To the customer, the amount extra for an entire tier is relatively small, usually \$1 to \$2, so that he or she is quite likely to subscribe and to provide funds for programming that might have low appeal if approval were required for that one service alone.

This last point is significant for ingratiation. The tiering form of pricing allows for a range of channels, some of limited or highly specialized appeal, to be packed into one tier offered at little cost to each subscriber. 20 more channels may cost the subscriber only \$1.50 more per month; within these 20 channels the cable operator can build a range of specialized channels, whose individual draw may be relatively unimportant.

The extent to which advertising, supplier payment, and tiering will variously occur in the future is uncertain. So far, tiering means access to a package of additional programming where particular costs of each service are masked, (which is the form of interest here), though development in a pay-tv direction, where subscription to the tier reflects costs of programming, remains possible. Supplier payment continues to be frequent, and "paid-for programming" using small fees/per subscriber paid by cable operators is common. Advertising industry representatives enthuse about the inevitable growth in use of advertising as cable penetration increases and target audiences are increasingly appreciated, but nonetheless some cable satellite executives have emphasized the role of the cable operator. One claimed that:

...This industry will depend first for its financial support on the cable operator, not the advertiser...the one thing we are not is a broadcaster...tied to a single frequency. Ad dollars do not support our medium...the advertiser is not the key, and never will be the key...The most important thing we have is our channel capacity, sustained by the monthly fee. The whole thrust of cable's effort must be to justify and reinforce the value of basic service. Without it, there would be none of these other services.³³

Supplier payment, then, may well continue to be common. On the other hand, it seldom occurs without using advertising as an additional source of funds. It seems that the combined means of finance will remain strong, making use of both advertising and supplier support. Services may not, in fact, be viable otherwise.

4. INGRATIATION

Like pay-tv in its most common form, cable satellite networks appear on the scene as an additional programming possibility in cable's multichannel capacity. Unlike pay-tv, however, the audience share expected by csns is relatively low—they nibble at the edges of the commercial tv networks' audience shares, rather than challenging them as pay-tv does with feature film blockbusters.

As the previous section has indicated, it is the means of finance of csns that principally reinforces more modest ingratiation aims. Satellite's capacity to accumulate audience is also of basic importance.

- (1) advertising: the more that advertising moves in the direction of narrowcasting, or target audiences, the more specialized programming will be encouraged. The steady growth of cable penetration in the U.S. will make advertising on cable increasingly attractive.

Given the multiplication of programming choices, both via pay-tv and csns, the audience expectations of advertisers from the network-only days is being constantly diminished, reinforcing the appeal of "narrowcasting" to smaller audiences, better targetted.

- (2) supplier payment: the cable industry is motivated to provide range of service, and is less concerned with the individual draw of any particular channel (though it will always ensure that any high-appeal channels are included). Furthermore,

cable operators may be motivated to provide minority-interest programming to please policy makers, regulators, or those awarding local franchises. In some cases, the cable operator may actively subsidize programming, to provide an attractive range of channels. In any case, the connection between viewer and individual channel is an indirect one. This avoids: "churn" of connects and disconnects to cable satellite network services; and judgements, passed by viewers, on whether a particular channel appeals sufficiently for subscription or not.

- (3) tiering: tiering, as it is emphasized here, refers to access to an extra discretionary range of channels. As such, it offers the advantages of indirect connection between the viewer and the channel programmed (noted immediately above). In addition, tiering provides extra funds for the provision of extra channels. Because the tier consists of a package or programming, low-appeal channels can be included along with some core of more popular channels.

The common use of combined means of finance, using advertising plus cable operator support, brings down the costs of programming to each. Cable operators can acquire a channel for as little as 10¢/per subscriber/per month, or less in some cases, in the U.S. currently.

The means of finance of cable satellite networks, then, seems particularly suited to the provision of specialized, minority-interest programming, and would seem to offer a visible match of economic tendencies with the policy goal that is the basis of this study.

Table 6-1 gives an indication of types of programming encouraged so far in cable satellite networks. Two newcomers can perhaps give an indication of the range of target viewership possible, when only a section of audience share is expected. CBS plans 12 to 15 hours a day of "upscale" programming, with a "fine arts" orientation,

(not, however, intended to be "elitist" or as "limited appeal" as PBS). The service is intended to be part of basic cable packages, and will use advertising, expected to be "upscale" also. Advertising is being thought of on a possible long-term basis, where advertisers might buy an hour of drama a night, for a year.³⁴ "Las Vegas Live Entertainment" is another new planned csn in an entirely different vein, which would offer live nightly broadcasts, and make use of a very low-cost source of programming in this way.³⁵

Footnotes

1. A channel of programming from France is distributed among cable operators in Quebec. Virtually all cable systems in the province have "affiliated" to the La Sette service, and pay small fees, on a per subscriber/per month basis.
2. CRTC Decision 80-704. A classification as "network" exists if: (a) delegation of programming control is present; or (b) "programming distribution involving broadcasting undertakings and programming originators...produces the same result as that achieved by networks that have been historically licensed and regulated." (Ibid., pp. 10-11) (The CRTC found in this decision that both conditions held, for the CBC application to carry the House of Commons proceedings and distribute it to cable operators.)
3. The Therrien committee report, op. cit., p. 76. Pp. 56-57 discusses specialized-audience optional programming, in terms of a second level of programming: level 1 being the "normal subscription rate"; Level 2 an additional, modest rate "for delivery of optional special-audience or target programming"; and Level 3 used for costly feature pay-tv material.

On advertising, "there is nothing innately repugnant about advertising on an optional channel". The report declines to make a general recommendation, leaving decisions to the CRTC when licence applications for pay services are presented individually. Ibid., p. 76.
4. For an example, see Melody, William, "Are Satellites the Pyramids of the Twentieth Century?", In Search, (Ottawa: Department of Communications), Spring 1979. This article focuses upon both rates (which do not reflect the "efficiencies of satellite services"), and Telesat's full-channel leasing policy, with comparisons to the U.S. where a liberal approach to carriage generally has been pursued (since 1968 and the Carterphone interconnect decision).
5. The Department of Communications announced that broadcasters, cable operators, and telecommunications carriers could own and operate receive-only earth stations, which previously only Telesat could do. DOC News Release, Feb. 27, 1979.
6. Subscriptions jumped from 1000 to 3000 in three issues. Globe and Mail, March 21, 1980.
7. Toronto Star, February 23, 1980. David Brough, a pioneer in "illegal" earth stations in Canada's north, was appearing at the Therrien committee hearings.
8. The Therrien committee report, op. cit., p. 1.

9. This is discussed in Swinton, Katherine, "Advertising and Canadian Cable Television--A Problem in International Communications Law", Osgoode Hall Law Journal, (Toronto: York University), December 1977, (vol. 15, no. 30), which also extends into satellite spill-over issues.
10. Ibid., pp. 552-553.
11. CBS uses Westar for sports, news and some live broadcasts; Robert Wold Co. Inc. leases some 6000 hours a year and resells to broadcasters and others; Hughes Television Network also leases and resells to clients including Spanish International Network; and PBS leases four transponders full time. Broadcasting, November 19, 1979, pp. 36-43.
12. New York Times, March 25, 1980.
13. Broadcasting, November 19, 1979, p. 47.
14. As the Economist comments: "Thus IBM, the world's biggest computer company, and AT&T, the world's biggest company of any sort (by many measures: profits, \$4.5 billion a year; employees, nearly \$1M; assets, \$94 billion), will face each other squarely for the first time." The Economist, April 13, 1979, p. 113.
15. Broadcasting, May 5, 1980, p. 38.
16. Melody, William, "Are Satellites the Pyramids of the Twentieth Century?", op. cit., pp. 4-5, is one example of such criticism.
17. 50% of shares are held by the federal government; 7.5% by CNCP Telecommunications; and 42.9% by the Trans Canada Telephone System. CNCP Telecommunications is the only non-telephone company common carrier in Canada, with a fraction of the operating revenues of the telephone system.
18. For example, in late 1977, the Minister of Communications stated that: "the government considers that the long-standing policy of Telesat to lease only complete channels on its satellites should now be revised...regulated Canadian telecommunications carriers should be allowed to lease less than complete channels, if they wish..." Quoted in Roy Dohoo, "Canada's Satellite Policies and How They Grew", In Search, April 1979, p. 20.
19. FCC, Network Inquiry Special Staff, Preliminary Report on Prospects for Additional Networks, appendix on "Video Interconnection: Technology, Costs and Regulatory Policies" (Washington, D.C.: March 1980), p. 19. The resale carrier "can be either a broker or processor. The broker merely acts as an intermediary between the underlying carrier and end user and functions exclusively as a middleman..."

20. Ibid., pp. 80 to 110. Key decisions were Docket 11164 in 1958, permanently authorizing competition in terrestrial private lines for video interconnection, to aid development of tv in the U.S.; Allocation of Microwave Frequencies Above 890 MC., (27 F.C.C. 359 (1959), reconsid., 29 F.C.C. 825 (1060)), which expanded opportunity for competition in microwave delivery of tv programming; Specialized Common Carrier Services (29 F.C.C. 2d 870 (1971); reconsid. denied, 31 F.C.C. 2d 1106 (1971)), in which the Commission adopted a general open entry policy for common carriers solely providing private line services, and strongly supported competition whenever possible in regulating common carriers; and Domestic Communications-Satellite Facilities (35 F.C.C. 2d 844 (1972), reconsid., 38 F.C.C. 2d 665 (1972)), which extended private line open entry policy into domestic satellite private-line services.
 21. Ibid., p. 118. Key decisions were Regulatory Policies Concerning Resale and Shared Used of Common Carrier Services and Facilities, (60 F.C.C. 2d 261, 398-312 (1976) reconsid., 62 F.C.C. 2d 588 (1977)), and Southern Satellite Systems, Inc., (62 F.C.C. 2d 153 (1976)).
 22. Ibid., p. 149.
 23. Satellite News, August 6, 1980, p. 2.
 24. Broadcasting, November 19, 1979, p. 43. In comparison, Rogers Telecommunications Ltd. proposed to spend \$2.4M to buy 1650 hours of transponder time per year for 2 years on Canada's Anik A satellite, (--see CRTC Decision 79-9, p. 11), which comes to approximately \$727 per hour, with a highly inflexible buying structure.
 25. FCC Network Inquiry Special Staff, Preliminary Report, op. cit., appendix on video interconnection, pp. 60-61. Westinghouse Broadcasting and Viacom were the companies. Practices by commercial networks and others are summarized, pp. 41-62.
 26. Satellite News, November 12, 1980, vol. 3, no. 23, p. 1. Neighbourhood TV is backed by Sears' Allstate Insurance Co. venture capital.
 27. The FCC at one point in the early 70's approved a proposal whereby Hughes Aircraft would own two satellites, operating mainly for its own purposes (not as a common carrier), to distribute programming it would procure and sell to cable tv. The proposal was never implemented, however.
- FCC Network Inquiry Special Staff, Preliminary Report, op.cit., appendix on video interconnection, pp. 112-113.

More recently, enforcing at least a content/carrier distinction in ownership, in the Southern Satellite Systems decision in 1976 the FCC specifically prohibited SSS from becoming substantially involved in content to be transmitted over its facilities. Ibid., p. 119.

28. Bristol-Myers is a name which appears frequently in non-network tv advertising. The company also uses Turner's superstation, other csns, and is an early user of "Blairsat", a service distributing commercials to local off-air tv stations by satellite. Satellite News, May 28, 1980, p. 1.
29. Home Video Report, July 14, 1980, p. 4. This move to use advertising on Calliope has been criticized by ACT--Action for Children's Television. Home Video Report, October 6, 1980, p. 5.
30. Home Video Report, May 19, 1980, p. 3; Broadcasting, March 24, 1980, p. 56.
31. Broadcasting, March 10, 1980, p. 51.
32. Fifty cents per month would be charged for a composite news channel made up of several services; also for two superstations, separately; and for Calliope and Nickelodeon children's programming. Cable TV Regulation, March 14, 1980, p. 2.
33. Broadcasting, May 26, 1980, p. 60.
34. Broadcasting, September 1, 1980, p. 36.
35. Variety, March 26, 1980, p. 63.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS: DIVERSITY IN A SATELLITE CONTEXT

Canada is poised to enter a new phase of television, with the implementation of new delivery modes that can offer an unprecedented increase in channel choices. The U.S. is already in the midst of a proliferation of tv services, which are creating precedents and models that we may follow or not, and which at the same time exert a push to move Canada into new tv services herself, as Canadians read about new services--or perhaps capture them with satellite dishes.

In the case of both new delivery modes discussed in this thesis, pay-tv and cable satellite networks (csn's), there are existing Canadian companies wishing to undertake services. The barrier to start-up is not economics, as might be hypothesized with our smaller population, but policy. The current policy environment is discussed in section 3 of this chapter. Section 2 reviews each delivery mode from the point of view of "Suitability for specialized-interest programming." Section 1 precedes this synopsis with comments on a few key trends, (visible from the discussion of the delivery modes in each chapter), which face policy-makers and would-be programmers of new services alike, in Canada.

1. CENTRAL TRENDS

The four broad trends described below relate respectively to the sections on level of operations, aggregation, use and acquisition of material, and means of finance, treated for each delivery mode. Each concerns a pertinent aspect of the new telecommunications environment, in which the developments in specialized programming that are of interest here are taking place, and in which Canada must eventually make policy decisions.

(a) Telecommunications vs. Boundaries:
The Expansion to a North American Satellite Context

The relation between cable-tv and broadcasters, (discussed in the "level of operations" section of their respective chapters) is a telling example of the poor obedience that telecommunications pays to boundaries that policy-makers may wish to maintain. Cable "imported" signals into the area served by the local broadcaster, disrupting the "logic of the local licence" which policy-makers in both Canada and the U.S. wished to protect economically in the interest of local responsiveness. (Meanwhile, local-responsiveness in programming was minimal, given the attractive economics of national network arrangements.)

In Canada, the "border broadcasting" that had always occurred, as Canadians received U.S. signals off-air, was taken to new levels with cable-tv's importation of U.S. network signals. Again, policy-makers tried to make amends for the transgression against boundaries, through a number of policy interventions to aid domestic broadcasters.¹ With the same kind of irony by which "local responsiveness" was upheld by policy-makers, though it hardly existed in substance, the Canadian broadcasters that were protected for their Canadian content responsibilities often gave minimal treatment to this content, and instead made extensive use of U.S. material.

The two new delivery modes discussed here, pay-tv and cable-satellite networks, build upon a new use of satellite programmers delivering signals to local cable systems. Satellite takes indifference to boundaries to a new extreme with its enormous "footprints". Already, "illegal" reception of signals in Canada has been making news, and has prompted protective responses (--in a move that benefits cable-tv in one case,² though broadcasters will also oppose satellite reception because of competition for audience).³

Policy-making in this situation is complicated by the fact that reception of broadcast signals (satellite-based or not) for

private use is legal; illegality would have to reside in proof that the signals were not "broadcast" (intended for general reception), or in a violation of bilateral or international agreements about reception of foreign signals. Meanwhile, government interference is likely to be viewed with public hostility, especially if diversity and choice in content becomes a major issue.

In short, the domestic border could be both a virtually impossible and a thankless one to attempt to maintain in the satellite context. From past experience with cable and broadcasters, we should be alerted that futility, protectionism, and irony are risked by battling for boundaries against telecommunications.

The alternative is to acknowledge that satellite has taken us into a North American sphere of operations. With a reciprocity agreement, to settle legalities, Canada's regulated cable systems as well as individuals' dishes could arrange to receive U.S. signals, as cable operators do in the U.S., and offer them attractively to subscribers along with their Canadian services, as called for by public demand, and approved by policy, and dependent upon availability of Canadian services. This could perhaps circumvent demand for dishes, with whose use no inclusion of Canadian content can be guaranteed as it can be on cable. Also, Canadian satellite programmers could enjoy equally the large market that U.S. programmers have, increasing the likelihood of Canadian programming presence. The reciprocity idea is mentioned in section 3 below, concerning policy.

(b) Aggregation: Large Corporate Players and Their High-cost Efforts

The chapters on commercial broadcasting and pay-tv in particular stressed the size of U.S. corporate players involved, their media conglomerate connections, and the costly levels of activity in which they engage. (As programmers of content, these delivery modes are of most interest here; large corporations also characterized cable-tv and those controlling satellites.) U.S. pay-tv ventures will

package glossy feature material with flair and massive advertising campaigns; ABC and CBS will enter cable-satellite network activity with all the benefits of ample financial resources plus cross-delivery mode sharing of content. With satellite dishes (or over our cable systems), such services will be available to Canadians. Our planning must recognize powerful competitors; and our content must in turn compete. It would be as damaging to match this polished content with low-grade, protected material as it was to slough off cheap quota-generated content (like quiz shows) as our effort in Canadian content, juxtaposed as it was with costly U.S. material.

This competitive situation is eased somewhat, however, by the tendency to specialized-interest channels that do not have to withstand direct comparison with feature material like pay-tv. Small and varied entrants are active in cable-satellite networks, and a channel could develop a distinct tone that contrasted deliberately with a Hollywood kind of polish. Canadian content may be well-placed as specialized programming of a sort--a vertically programmed channel of CBC content could well be attractive to a U.S. audience now consuming packages of British or French programming. Also, following point (a) made above, if Canadian satellite programmers serve the North American market as a whole, they will enjoy a more generous financial base.

(c) Re-use of Content

The point has been made several times, in chapters on pbs, pay-tv, and cable-satellite networks, that re-use of content by various means offers an alternative to the more profligate approach of commercial broadcasting to content production, and allows money for acquiring programming to be stretched. Content can be "imported" into a delivery mode--imported foreign programs are one example; the transfer of a local broadcaster's schedule into a "superstation" delivered nationwide by satellite (with sale of signals to cable operators) is another. Content can be re-shown within a schedule, or brought back for encores. Cable satellite networks are particularly innovative in assembling scheduled from hand-me-down content.

Particularly, if one views North America as a joint sphere of satellite-based programming, an opportunity exists to package Canadian material into satellite programmer services. MTV (Multilingual TV) is one current example, where a service developed for Toronto, (and now seeking a Canada-wide audience by satellite), also plans to make use of its content in the U.S. satellite programmer market. (Ironically, the service is more likely to begin first in the U.S., given our present practices and policy approaches to satellite networking in Canada.) CBC-2, rather than be offered as a service for taxpayer support, could present itself as a service with a market opportunity that included the U.S. Its plan to re-use existing material fits the trend to re-use of content precisely. The general hunger for product on pay-tv channels should also suggest new opportunities for Canada.

(d) Means of Finance: New Delivery Modes

This last point simply states that this is a period of innovation in devising delivery modes, particularly those using cable-tv and satellite technology and combining them with a new variety of means of finance. These developments follow decades where we have had unchanged basic practices in commercial broadcasting, which coloured CBC's performance despite its public support, and which were contrasted only by U.S. public broadcasting and by community and educational channels. Combinations of fees paid by cable operators plus advertising are allowing "csn's" to develop; off-air pay-per-program tv could turn a sports event into a national box office, or, some say, allow dedicated amateurs to purchase specialized programming; cable operators are subsidizing some services entirely, particularly community programming, or giving away basic service for free, in some cases, or conversely are establishing elaborate billing systems with addressability and tiering; religious tv programming by satellite is proliferating, making use of donations. New forms of advertising, preceding shows rather than interrupting them, are also possible. These developments are variously creating opportunity for new kinds of content, of which the premium pay-tv and specialized-interest programming treated here are only two broad, contrasting categories.

The next section takes up specialized-interest programming and the potential found for it in two new delivery modes, as well as the tendencies that have existed in established forms of commercial broadcasting, public broadcasting and cable tv.

2. SUITABILITY FOR SPECIALIZED-INTEREST PROGRAMMING

This subject was essentially taken up in the "ingratiation" section of each chapter, which followed descriptive sections on each delivery mode. This section reviews and briefly elaborates upon the potential of each for specialized content.

(a) Commercial Broadcasting, the first and still by far the foremost form of tv, is a high ingratiation operation, ill-suited to specialized programming for a number of reasons, and not solely due to the presence of advertising. The most important reasons are:

- number of competitors: the number of stations in a local area is limited, and the number of networks (the heart of broadcasting and particularly the main source of original content) is small.⁴ Each station and each network aims at a major portion of total audience; and a 30% share, or higher, has been required to make a success.

In Canada, although we have more programming choices available (with CBC, CTV, and independent stations, plus three U.S. networks and PBS available to most urban English speakers), which theoretically could lead us to define lower audience shares as "successes" for our own broadcasters, our broadcasters have reinforced the ingratiation levels of U.S. broadcasting, by highlighting U.S. "hits" purchased as program exports.

- the single-channel system: any single channel, with only one line of access to its audience has tendencies to maximize

reach, especially during prime-time, as pbs has also found, even with non-commercial goals;

- the use of advertising: advertising tends to maximize numbers reached, and in the broadcasting context this meant appealing to an extremely large mass of people. The basis of advertising sales, as time slots inserted into programs, kept the aim to please in each half-hour or hour-long program particularly spurring;
- the high cost of programming (itself enabled by the sums advertisers were willing to pay to reach vast numbers of people) has meant that high ratings and advertising returns and subsequent resale of "hit" programs must be achieved, for profit.

Accordingly, the audience share that defines success for a program is extremely large. A key episode of the "Dallas" tv series recently broke records when it drew viewers in 53.3% of tv-equipped homes in the U.S., which was 76% of U.S. audience watching tv at that hour--41.4 million households, or about 83 million people.⁵ A 30% audience share has been a more common measure of success, still an extremely high proportion of total tv homes tuned into a particular program.

It was broadcasting that invented the ratings system as a measure of success for a program,⁶ and since then, though qualitative measures to evaluate programs have variously been attempted,⁷ none has yet competed with the simplicity and efficiency of audience ratings.

As expectable audience shares drop generally, due to increased numbers of programming choices, networks will have to adjust. Nonetheless, their current strategy, as seen in the U.S., seeks to maintain a position as a mass medium for advertisers, and to direct any aims at "narrowcasting" to other means such as cable-satellite networks, for which both CBS and ABC have announced plans.

New networks of satellite-connected low-power tv transmitters may sidestep some technical barriers to additional off-air tv services, and, starting out with aims and capacities much different than the established commercial networks, could be a vehicle for specialized programming. For example, "Neighbourhood TV" is a new proposed super-station, that would carry an Arizona station to a chain of low-power translator stations via Westar. Its target is country and western audience, and it plans to be supported by national advertising.⁸ Developments in low-power tv networks are a new possibility, since an announcement by the FCC in September proposing new rules and interim licensing.⁹ Some preferential treatment is intended for minority-owned networks, of which Community TV is an example. Community TV plans black-oriented broadcast programming, with some cross-subsidization from STV services .

In the Canadian context, our tv markets (totalling only a tenth of U.S. population in any case) are already more "fragmented" than in the U.S. because of our larger channel choice. The likelihood that specialized off-air stations (probably viewed over cable) could be supported by advertising will be less than in the U.S., even with lowered advertising expectations. An element of supplier support for a channel, which is part of "paid-for programming" with cable-satellite networks, could be critical for financial viability.

(b) Pbs (the public broadcasting system in the U.S.), is not in the network ratings war; does not have to deliver audience to advertisers; and its underlying goals are the non-commercial ones of a public service. Its audience share is small: its average audience rating, (of all tv households, tuned to a particular program), was only 2.4%.

Nonetheless, the system has felt tensions regarding ingratiation, and has been criticized for overuse of material which pleases maximum, undifferentiated audience. The contention here is that a local station, the only non-commercial viewing alternative in an area,

is unlikely to target in upon a small audience subgroup in prime-time. As a single-channel system, with one local outlet in a market, pbs will find it difficult to serve minority interests, even if goals intend to do so.

Pbs is now thinking in terms of reaching audience by more than one means, using cable-tv, satellite, and videodiscs and cassettes, and specific plans have been proposed for a pay-tv system using cable-tv. A liaison has also been suggested between local PBS stations and low-power tv transmitters.¹⁰ Specialized channels may perhaps spin off from the omni-purpose current one-outlet system -- such as the PACE pay-tv plan for Performing Arts and Cultural Events.

The fact remains however, that while the Carnegie II Report criticized pbs sharply for shortcomings in reflecting minority-interest programming, and spoke particularly in terms of cultural diversity, pbs has been characterized by culturally-oriented content that appeals primarily to a well-educated "upscale" audience. Minority interests such as blacks and hispanic audiences will probably be reached by cable-satellite networks before being extensively served by pbs, whose first choice for a specialized channel, PACE, indicates a culturally-oriented priority.

The PACE venture, however, already faces the prospect of competition from advertising-supported cable satellite networks planned by CBS and ABC, and by a pay service (Bravo). ABC is specifically targeting the attractive sector of audience who now only watch pbs when they watch tv. PBS itself may be threatened by such developments. It also recently lost BBC as a source of programming.¹¹

Chapter 3 emphasized both certain problems pbs could face in the near future, and its energetic current efforts to adjust and exploit new technologies and sources of financial support. The trend was to ensure marketplace success for PBS, and end precarious dependence on government funds. This trend could affect minority-interest

programming in a negative way: an increased importance placed upon program underwriters, prospective buyers of program showing rights, and co-production partners could encourage programming aimed at larger or primarily "upscale" audiences.

In sum, while pbs may not have achieved service to the diverse minority interests in the way some of its policy-makers have intended, it has offered a distinct, non-commercial culturally-oriented alternative to commercial broadcasting -- a role that has suddenly become attractive to commercial interests operating in new delivery modes such as pay-tv and csns. It is into the marketplace, making use of new technologies and delivery modes, and with new competitors, that pbs has moved, protectively, to adjust and survive in a new environment.

(c) Cable-tv, as a re-distributor of broadcast tv signals, simply passed on high-ingratiation material to its subscribers. However, cable essentially offers a range of channels, so that once certain high appeal programming has been included, it is possible to add lower appeal material. A pbs channel imported from the U.S., for example, is included by all major cable systems in Canada.

Cable-tv has also been an originator of some programming, as part of its basic service. Community programming has been the main focus; a cable operator is required to provide this channel in Canada. "Special programming channels" have also been undertaken, for specialized, vertically programmed content on both the local company and the industry level.

The most important point about cable-tv is its multi-channel capacity. Cable operators can view the "ingratiation" of any particular channel as relatively unimportant.

Efforts to present an attractive range of programming may be directed not only to subscribers, but to influential government bodies

as well--the city councils awarding franchises in the U.S., for example, and federal regulators and policy-makers in Canada. As an industry, because of its uncertain position in the telecommunications environment in Canada (wanting to engage in new ventures such as pay-tv, but held back by regulation; worried about takeover and competition from telephone companies), the industry has shown a readiness to undertake certain programming expenses, subsidized from general revenues. These content initiatives are also a first step into new sources of revenues (now precluded by policy), by extension into tiering, or as a precedent in content provision for pay-tv. This readiness to support programming services was emphasized in Chapter 4, as was the likelihood of efforts at the industry-wide, national level, because of aggregations in ownership, and the use of consortia.

The potential on the part of the cable industry, to assemble a package of programming services that could include low-appeal channels, is taken up below in the "cable-satellite network" section. However, regulators in Canada have responded with indecision to recent initiatives, as 1980 closes.

(d) Pay-tv has initially been a medium for feature films, which are extremely high-appeal programming. One critic recently complained that "innovation in form or content is the last thing the pay-cable services have in mind. What they are doing instead is burrowing deeper into the pre-established idioms, conventions, and viewpoints of mass-audience fare honed over three decade by CBS, ABC and NBC."¹² It was perhaps incorrect to expect otherwise from a system which requires viewers accustomed to free programming to pay substantial sums per month to individual channels, whose programmers are always fearful of disconnects .

It is believed by some that a culturally-oriented pay-channel is possible--one example among several is the PBS plan for PACE (Performing Arts and Cultural Events), which, revealingly, does not foresee a breakeven operation for several years. At the same time, CBS

is planning a specialized cable channel using advertising, which will have a cultural orientation, and ABC has similar plans. Such "free" competition will make the financial feasibility of the pay-channel even more dubious.

In cases where a clear need for programming exists, perhaps based on something as firm as language, and prices are low, (perhaps \$1 to \$2 a month), specialized programming may well be viable on a pay basis. The Galavision Spanish-language channel is a successful operation, at higher prices.

Nonetheless, the notion of such pay channels comes up against basic problems: first, viewers' deeply engrained, long habit of not paying for programming; second, possible competition by csns or other satellite networks which use advertising, and which may well specialize in the same type of content, offering free alternatives to viewers. Thirdly, the pay connection puts programmers in a vulnerable position, at the mercy of customer whim, and faced with the costliness of "churn", (connects and disconnects). Here, "tiering", (particularly as "paid-for" programming whereby the cable operator acts as an intermediary between viewers and programmers), offers a channel a more stable basis of operation, i.e. if several channels were packaged together for an extra "tier" at a still-modest extra cost per month, the element of individual judgement of a channel, leading to disconnects, is minimized.

As discussed in Chapter 5, some have argued that pay-per-program tv holds potential for specialized content. This remains to be demonstrated; as revenues reflect viewership, a strong tendency to maximum, large audience would seem to exist. However, proponents argue that "ticket price" could be raised, to make a small audience worthwhile. This assumes there is a dedicated, organized audience ready to pay substantial sums for a well-defined interest--again, a contention that remains to be demonstrated, in the context of tv.

(e) Csn's (cable-satellite networks) are the most promising option considered here for specialized-interest programming, due primarily to their means of finance, which consists of advertising and/or supplier payment, often with the use of tiering to generate an additional pool of funds. (By supplier payment, or "paid-for programming", a cable operator pays small fees/per subscriber/per month to a cable satellite programmer for a channel of programming.)

The range of current U.S. csu programming includes channels dedicated to public affairs, news, children's programming, black-oriented programming, Spanish-language programming, sports, etc. The English Channel is culturally-oriented and makes heavy use of British Independent TV material. Channels have also carried out smaller specialization. For example, Satellite Programming Network (SPN) has a three-hour nightly package of European programming from "Telefrance-USA", itself specialized in a weekly cycle including family programs, French films, "French Live Today", and European tv specials.

The result of these csu developments is, currently, a substantial and increasing number of channels in the U.S., existing with small audience shares, and tending to specialized programming. One report, by Canadian observers, expects csu's offering highly specialized services to become the "dominant form" of cable-satellite programming.¹³

These csu's seem to be illustrating the approach, expressed by FCC Chairman Ferris and quoted in Chapter 1, that the solution to minority-interest programming lies in removing barriers to the creation of new tv networks (by any technology or means of finance). This increases the number of pathways for programs to the home, which in turn lowers the expected audience share of each. In this way, the "normal share" of the viewing market which critically defines a program as a "success", becomes less and less. If this threshold figure is sufficiently lowered, specialized tastes will become important enough that there is an incentive for producers to respond to them directly.

Ferris suggests that the possibility of a 5% to 10% share of U.S. audience could justify production--the 10% solution, then, to the problem of inducing specialized programming.

It is not only through csns that audience thresholds in the U.S. are being lowered as appropriate vehicles for specialized-interest programming is sought. Low-power tv networks, encouraged in 1980 by the FCC, have also been mentioned. Meanwhile, "home video", (video tapes, cassettes and discs) is occupying some portion of audience, and has the possibility of accumulating sales for a specialized-interest item, though it tends now to feature material. There are currently some 1.7M VCR's (video cassette recorders), and 22,000 videodisc units in U.S. homes (October 1980).¹⁴

In sum, the tendency for critical audience threshold, or the expected normal share of a program, to drop is strengthening steadily with the number of new tv options in use. To date, the csns which have developed in the last two years in the U.S. show the most prominent shift into specialized programming. Using a mix of advertising and supplier-paid fees, a csn holds a certain advantage for specialized programming over systems based only on advertising, including low-power tv networks with satellite. With multi-channel capacity and the possibility of multi-channel tiering, the cable-tv operator, as an intermediary providing supplier payment, can be more interested in range of programming than in audience reach of particular channels.

The argument here is that cable-satellite networks (while not alone in increasing the number of pathways for programs to the home) are particularly suited to specialized-interest programming because of cable's multi-channel capacity; satellite's distribution range which can accumulate audience; and, in addition, means of finance. Regarding advertising, the more that advertising moves in the direction of "narrowcasting", or "targeting" audiences, the more specialized programming will be encouraged. Cable penetration

in the U.S. is growing rapidly, so that advertising on cable will become more and more attractive there. As programming choices multiply, (by pay-tv, csns, or other means), the audience share expected by advertisers is changing, in a way that reinforces the appeal of "narrowcasting" to smaller, better targeted audiences. Availability of time and low rates on csns are also attractive.

Regarding supplier payment, when the cable operator acts as an intermediary, acquiring content from a pool of its revenues, the connection between a viewer and any individual channel is an indirect one. This avoids: the "churn" of connects and disconnects; the process of billing customers for numerous csns services; and the element of judgement, by individuals, as to whether a particular channel is worth its subscription price each month or not.

Furthermore, the cable industry, as noted above, is motivated at this time to provide or package a range of services, while concerning itself less with the individual draw of particular channels. It may be inclined to provide minority-interest programming, to impress customers with this range of material, or to please policy-makers, regulators, or those awarding local franchises. This may lead to the cable operator subsidizing programming, as part of basic service or as parts of tiers whose price per month to the subscriber does not reflect entirely the cost to the cable operator to acquire the programming.

Tiering, used here to mean access to an extra discretionary range of channels for an extra few dollars a month, offers the advantages of indirect connection between the viewer and the channel, noted directly above; provides extra funds for the provision of extra channels; and, because it consists of a package of programming, can pack lesser-appeal material in with the higher-appeal programming that may propel the use of the tier.

The common use of both advertising and cable operator payment brings the cost of programming down for each, and cable operators can

acquire channels now for pennies per subscriber per month. There is also less pressure for advertising revenues, which may be limited if a csu is operating in Canada only. (Revenue constraints due to small market size are alleviated somewhat by the trend to re-use programming, and by imports, exports and co-productions among countries and delivery modes; operation in the larger, North American market is a further solution.)

Even without the possibility of joint advertising support, currently in Canada at least one csu has been suggested by industry. Estimates for the Galaxie children's channel proposed by the cable industry in Canada have indicated that, for a breakeven at a monthly rate of 15¢/per subscriber paid by cable operators, a base of some 1.4M to 1.8M subscribers is required. This would be 36% or 44% of total present subscribers. Canadian Cablesystems alone, which is supporting the project, has a million subscribers, and the likelihood of industry-level co-ordinated projects was a point made in Chapter 4. Commercial feasibility seems possible, according to a report done for the Department of Communications, for a joint operation of Galaxie and an MTV (Multilingual Television) superstation.¹⁵ (Furthermore, the MTV station is pursuing the idea of distribution in the U.S. by satellite as well-a major opportunity for any satellite programming developed in Canada.)

While the support of a few channels solely by fees paid by cable operators seems assurable in Canada, eventually the questions of tiering and the use of advertising will become important, to generate more funds. Chapter 6 noted the likelihood that both advertising and supplier support would continue as joint means of finance, in U.S. developments.

3. THE POLICY CONTEXT FOR CABLE SATELLITE NETWORKS

At present, the barrier to some initial csu ventures in Canada is not economics. As discussed, there is a current willingness

on the part of the cable industry in Canada to subsidize some services, at the industry level, for reasons related to its regulatory environment. The CRTC however has only responded with indecision. Still tussling with the issue of pay-tv after many years, it is anyone's guess how long the Commission may take to incorporate a new delivery mode into its telecommunications context. It is unlikely, however, that the delays that occurred with pay-tv can be repeated, as satellite spillover will exert pressure that a position be taken.

A relatively rare policy comment on specialized-interest programming has acknowledged the effect of csns in the U.S. The Therrien committee appointed by the CRTC in 1980 (with five Commission members) to report on the use of satellite, among other subjects, noted that:

...Many desirable optional services aimed at target audiences would not be attractive if the pay fees were significantly high. In the U.S., target audiences are being served today (apart from Level 3 premium pay-TV services) by operators relying for their revenues largely on advertisers who recognize small but significant markets for their wares among target audiences, with the result that special programs which would not otherwise be available at all may be viewed for only a few cents a month.¹⁶

This report distinguished services for subscribers (by cable or other local delivery systems) as:

- Level 1 subscription services, available for the basic subscription rate;
- Level 2, Optional Services: "available for a modest additional fee, for example those delivering programs for special-interest audiences (vertical or target programming), or entertainment services not generally provided by broadcasters, and perhaps multilingual programming." These services might perhaps share a channel;

- Level 3, Pay Services: "Optional additional channels, available on more substantial payment, either per channel or per program, for high-quality mass appeal entertainment from all sources, and special events."¹⁷

The conclusions in this thesis regarding specialized programming coincide precisely with such a structure, which Canada could take into the telecommunications environment of the future with some flexibility and room for the reflection of viewer choice.

Increasingly, it will be only realistic to view Canada and the U.S. as existing in a joint, satellite-served market area. The idea of reciprocity, for reception of each others' signals, has been raised, (by the Therrien Committee, recently)¹⁸ to solve the problem of "illegal" or unauthorized reception of U.S. satellite signals in Canada. As noted in section 1 above, this would also give Canadian satellite programmers access to a much larger market area, for advertising or for seeking cable-tv affiliates for csns. Secondly, the border broadcasting issue, and particularly Canada's 1976 tax amendment intended to transfer Canadian advertising from U.S. border stations to Canadian stations serving the same areas, led to a recommendation for "mirror legislation" in the U.S.¹⁹--that is, as U.S. industry is treated in Canada, so Canadian industry will be treated in the U.S. With such an arrangement, restrictive positions can become very difficult, and disadvantageous, for the smaller market country.

Both reciprocity and mirror-image policies, in the satellite context, are indications of the joint sphere of operations into which we are moving, and should face as soon as possible in our own policies.

As the U.S. develops more and more channels, available to Canadians with satellite dishes, increasingly Canadians will be aware of the difference between U.S. viewing choices and our own. The problem of "illegal" earth station reception has become an emotional issue in the press even at this early date. A policy of restrictions on

private reception of satellite signals is an unsavoury course to follow; the government risks an extremely unpopular role in enforcement; the "illegality" of reception for an individual's in-home use is questionable;²⁰ and such reception is probably impossible to police in any case especially as smaller dishes are used.

Perhaps more basically, Canada should seriously ask itself whether it wishes to be among the nations which favour rigid governmental control over what its citizens can view.

One approach that could be taken, in the face of satellite developments, is to focus our concerns for Canadian content on an assured Canadian presence, rather than try to maintain a proportion of Canadian material, which risks being a hopeless and unpopular exercise that turns people more and more to satellite dish reception of U.S. signals.

Shortly, viewers may be choosing between three major options for their tv signals: (1) cable-tv, (2) satellites dishes, and (3) videodiscs (and/or cassettes). Dishes and video discs may become a definite consumer option in a few years as prices drop. With cable reception, the CRTC can require, by a number of means, that certain Canadian content be carried and made available to Canadian viewers; no such assured reception is possible with satellite dishes and/or video discs. The idea of restrictions on imports of video discs or cassettes is unattractive, and perhaps unworkable also. The individual choosing between cable, and satellite, or home video will check a few key criteria. Foremost is whether or not the service offers an equally attractive range of programming compared to other options, at competitive prices. He or she may also consider whether or not there are attractive non-programming services, such as videotex, alarm services and so on, which only an interactive system can provide. The cable operator has the potential to satisfy both criteria, but must have the flexibility to assemble a competitive package of services.

The argument here is for a market orientation: it is in the interests of the cable industry to assemble such an attractive package and maintain its subscriber base. The suggestion is not to establish a new chosen instrument. As the authors of the FCC study on prospects for additional networks have pointed out, "new modes of communication...[render] earlier techniques either obsolete or not as important as they might have seemed,"²¹ and it is now a cliché to point out that the pace of technological change in telecommunications has accelerated dramatically. The proven truth of this statement makes it particularly inappropriate, now, to fix upon a technology as a chosen instrument for public goals, and critics referenced in earlier chapters have discussed how a fix upon broadcasting biased the approach taken with cable and other technologies, which were viewed as threats rather than as potentials. Doubtless cable too will give way to other technologies; the industry is already seeking protection from the CRTC in Canada from MATV systems using dishes to transmit satellite signals to apartment dwellers. At this time, however, the cable industry itself is in a still-restricted position and actively wants to undertake new services. With certain loosened rules, on advertising, and tiering, and a more relaxed treatment of networking to allow "affiliation" with satellite programmers, (--Canadian-only or with U.S. or other international sources), cable offers the possibility for viewer choice, specialized programming, and, as well, the inclusion of Canadian material. Furthermore, delays may find the industry in a changed position, with changed motivation.

Viewer choice and diversity may become much more prominent issues in Canada in the next few years, with the satellite dish a dramatized option of programming diversity, individual choice and lack of government content control. The power of viewer choice should not be underestimated; the early attempts of the CRTC to restrict cable-tv importation of U.S. channels felt, and were changed by, the force of viewer demand. This issue may soon outshadow our traditional debates on content. (The Therrien committee report was titled: "The 1980's: A Decade of Diversity".) Moreover, it is a fundamental kind of question, concerning citizens' rights.

The recommendation here, is, simply, that we avoid this kind of ideological showdown by freeing up certain channel choices that industry wants to undertake in Canada. (The extension of services issue, for which hearings are to be held in early 1980, has elicited a similar strategy, aiming to get a Canadian package for underserved areas onto the satellite, so that viewers are not faced with a choice between either no tv, or "illegal" U.S. signals.)

Specialized-interest programming, then, is clearly entering a phase of plenty, compared to the past, in U.S. developments. Canadians very probably will continue their practice of being at least as well-served in content choices as their U.S. counterparts. The policy positions taken, or not taken, may, however, determine whether we have access to choices that include Canadian csns, (and pay services), via Canadian industry, (particularly Canadian industry active in the North American joint satellite market), or whether we enter the age of satellite as a colony audience.

Footnotes

1. These policy interventions included simultaneous substitution, commercial deletion, and an amendment to the Income Tax Act discouraging Canadian advertisers from purchasing air time on U.S. stations to reach Canadian audiences.
2. The federal Department of Communications, in January 1981, laid charges against the owner of an apartment complex using a rooftop dish to distribute signals by cable. It is illegal for such MATV (Master Antenna TV systems) to receive signals from satellite. Globe and Mail, January 22, 1981. The cable industry competes with such MATV systems for subscribers, and has protested their use of satellite signals, when cable cannot begin competitive pay-tv services in Canada.
3. In a recent example, a private broadcaster obtained an injunction that shut down a dish in Saskatchewan. It claimed "irreparable damage" to its advertising revenues. Globe and Mail, January 24, 1981.
4. A fourth off-air network has still been assessed in the U.S. as technically difficult, due to signal quality, with the current spectrum plan. Broadcasting, November 10, 1980, p. 43.
5. Globe and Mail, November 26, 1980.
6. See Halberstam, David, The Powers That Be, (New York: Dell Publishing Co. Inc., 1979), pp. 217-220, for a comparison between the view of broadcasting taken by two key CBS figures: Frank Stanton, whose attempts to assess the "success" of a program led to the ratings system, and E. Murrow, the radio and tv journalist.
7. See, for example, Keegan, Carol, "Qualitative Audience Research in Public Television", in Journal of Communications, October 1980, pp. 164-172.
8. Home Video Report, November 2, 1980, p. 1. Financing is from the Allstate Insurance Company (itself owned by Sears Roebuck, which is involved in tv and satellite in several ways).
9. See Broadcasting, September 15, 1980, p. 29.
10. Broadcasting, November 24, 1980, p. 33.
11. The BBC agreed to make its several thousand hours of programming a year available on an exclusive basis in the U.S., for 10 years, to a planned pay-tv service to begin in January 1982, run by RCTC (a division of Rockefeller Centre Inc.) Subscribers fees are at premium rates of \$8 to \$10 a month, and some institutional advertising will be permitted at the beginning of shows. (Globe and Mail, December 12, 1980). BBC programming has been a staple of

PBS's schedule. Meanwhile, Time-Life, which has been a primary U.S. distributor of BBC programs and had a "BBC in America" pay service, had a contract through to March 1982, but has taken a decision to move out of this role as it had not proven profitable.

12. Panorama magazine, October 1980, p. 71.
13. Tamec, Inc., and DGB Consultants, A Canadian Satellite Program Package: Feasibility Study. (Montreal, Quebec: Tamec Inc., March 1980), a report prepared for the Department of Communications, p. 19.
14. Home Video Report, November 24, 1980, p. 3.
15. Tamec, Inc., and DGB Consultants, A Canadian Satellite Program Package: Feasibility Study, op. cit., pp. 253-254 describe the joint economics of the Galaxie and MTV (multilingual) satellite channels, and note MTV prospects in the U.S.
16. The Therrien Committee report, op. cit., p. 76.
17. Ibid., p. 56.
18. Ibid., pp. 12-13.
19. See Broadcaster, September 1980, p. 2 for a description.
20. This point has been made in the press along with charges that government concealed the facts. Toronto Star, December 8, 1980.
21. Broadcasting, November 10, 1980, p. 45.

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