



## Pay-TV

The CRTC's pay TV hearings were carried by cable operators live to their subscribers, and generated an unprecedented amount of coverage in the press and on air. Over the next months, Cinema Canada will reprint parts of the verbal presentations made, especially as they pertain to the Canadian production industry. In this issue, Joan Schafer of First Choice and Jack McAndrew from performance comment, each outlining their commitment to Canadian production.

The tables on this page were prepared at the National Film Board of Canada in an effort to tabulate the differences between the various proposals. Because no standard measure was used in the original applications (some amounts were calculated in constant dollars, others in inflationary dollars), figures have been adjusted to render them uniform. They are offered as a 'best efforts' calculation, carrying no official sanction.

## NFB - in the public interest

OTTAWA — James Domville, Government Film Commissioner at the National Film Board, told the Canadian Radio-Television and Telecommunications Commission (CRTC) pay-television hearings that the new pay-TV system must be designed to support Canadian interests.

"The entire subscription television system should be more effectively structured to support high quality Canadian program production," said Domville. "I do not believe the purpose of Canadian pay-TV should be to re-tool cable system hardware or to export profits to the U.S. entertainment industry."

He also recommended the CRTC restructure the entire cable TV system, including pay-TV, to allow several tiers of programming. The first channel would be reserved for Canadian services, with

the costs of new programming coming from the basic cable fees, with a second tier of channels for the U.S. networks at a separate fee, revenues from which would support in part new Canadian programming. Other channels providing mass entertainment, sports, and cultural events not carried on the basic service, would form a third tier. Videotex and other interactive services could be added later as the technology developed.

Domville concluded that "Pay-TV should not be introduced unless it is demonstrably in the public interest and is capable of meeting the objectives of the Broadcasting Act. Its purposes should be the creation of high-quality, popular, Canadian programming in both languages... it should generate the maximum possible revenues for program production."

## CFDC - should be universal

OTTAWA — The independent production industry in Canada must be given priority access to any pay-television system licenses in this country, said Canadian Film Development Corporation (CFDC) Chairman David Silcox before the Canadian Radio-Television and Telecommunications Commission (CRTC) hearings on pay-TV licensing applications.

"Pay-TV represents the last chance Canada may have to capture its own place in its own market by providing maximum access for both creators and consumers to Canadian film and video," said Silcox. Commenting that the CFDC's representation "does not constitute an intervention related to any one applicant, but to all," Silcox added that the revenues from pay-TV should lead to a stable, vi-

able production industry benefiting both English and French producers across the country.

Silcox stated that the CFDC Board recommends that a pay-TV service be made available on a universal basis, mandatory to all Canadian cable subscribers, in order to meet Canada's unique cultural and economic needs. "It is the responsibility of all Canadians — not just those who choose to pay — to ensure the survival of cultural expression through films and video, and to support the industrial activity which this involves."

Silcox said that traditional distribution systems had been closed to independent production in Canada, and that pay-TV represented a last chance for the federal government to help rectify the situation.

Table 1  
FORECASTS PROVIDED BY THE MAJOR NATIONAL PAY TELEVISION APPLICANTS AS GAZETTED BY CRTC

|  | L.A.M.B. | TELECANADA | FIRST CHOICE     | SHOWPLACE          | PERFORMANCE        | ASTRATTEL          | CTVA    | CANADIAN PREMIERE |
|--|----------|------------|------------------|--------------------|--------------------|--------------------|---------|-------------------|
| ASSUMPTIONS AS STATED IN APPLICATIONS RE:                    |          |            |                  |                    |                    |                    |         |                   |
| Mature penetration of CATV households, Year 5                | 7.5%     | 100%       | 41%              | 34%                | 25%                | 30%                | 24.2%   | 33%               |
| Actual subscribers to Pay service, Year 5 (in 000s)          | 330      | 5,650      | 1,850            | 1,250              | 1,500              | 1,500              | 1,460   | 2,000             |
| Wholesale price to Exhibitor                                 | \$8.00   | \$2.50     | \$7.50 to \$9.00 | \$7.00             | \$9.00 to \$13.25  | \$10.00            | \$8.00  | \$6.50            |
| Retail price to home Subscriber                              | \$12.95  | \$2.75     | \$12.00          | \$11.00 to \$13.00 | \$13.00 to \$18.00 | \$12.00 to \$15.00 | \$13.00 | \$13.00           |
| TOTAL FIVE-YEAR REVENUE & EXPENSE PROJECTIONS: (in 000,000s) |          |            |                  |                    |                    |                    |         |                   |
| Total retail revenue   | \$ 198   | \$ 910     | \$ 1,224         | \$ 528             | \$ 635             | \$ 906             | \$ 845  | \$ 964            |
| Total wholesale revenue                                      | \$ 122   | \$ 832     | \$ 768           | \$ 308             | \$ 452             | \$ 647             | \$ 520  | \$ 482            |
| Total program expense  | \$ 46    | \$ 679     | \$ 594           | \$ 230             | \$ 351             | \$ 536             | \$ 351  | \$ 392            |
| Total Canadian program expense                               | \$ 25    | \$ 593     | \$ 403           | \$ 131             | \$ 152             | \$ 290             | \$ 183  | \$ 210            |
| Average annual Canadian program expense                      | \$ 5     | \$ 119     | \$ 81            | \$ 26              | \$ 30              | \$ 59              | \$ 37   | \$ 42             |
| Profit projection (cumulative total)                         | \$ 7     | Non-Profit | \$ 20.2          | \$ 6.8             | \$ 17              | \$ 7.4             | \$ 40   | \$ 24.8           |

Table 2

ASSUMED RESULTS BASED ON 25% PENETRATION LEVEL OF CABLE HOUSEHOLDS PROJECTED FROM FILINGS TO THE CRTC FOR PURPOSES OF COMPARISON

|   | L.A.M.B. | TELECANADA | FIRST CHOICE | SHOWPLACE | PERFORMANCE        | ASTRATTEL | CTVA    | CANADIAN PREMIERE |
|---|----------|------------|--------------|-----------|--------------------|-----------|---------|-------------------|
| ASSUMPTIONS AS FORECAST   |          |            |              |           |                    |           |         |                   |
| Number of Pay subscribers (in 000s)                                     | 330      | 4,800      | 1,130        | 920       | 1,500              | 1,250     | 1,460   | 1,500             |
| Wholesale price to the Exhibitor  | \$ 8.00  | \$ 2.50    | \$ 7.50      | \$ 7.00   | \$ 9.00 to \$13.25 | \$10.00   | \$ 8.00 | \$ 6.50           |
| Retail price to the Subscriber  | \$12.95  | \$ 2.75    | \$12.00      | \$12.00   | \$13.00 to \$18.00 | \$14.00   | \$13.00 | \$13.00           |
| TOTAL FIVE-YEAR REVENUE & EXPENSE PROJECTIONS AS FORECAST (in 000,000s) |          |            |              |           |                    |           |         |                   |
| Retail revenues   | \$ 198   | \$ 773     | \$ 746       | \$ 388    | \$ 635             | \$ 755    | \$ 845  | \$ 722            |
| Wholesale revenues  | \$ 122   | \$ 707     | \$ 468       | \$ 226    | \$ 452             | \$ 539    | \$ 520  | \$ 361            |
| Program expenses  | \$ 46    | \$ 577     | \$ 362       | \$ 169    | \$ 351             | \$ 446    | \$ 351  | \$ 308            |
| Canadian program expenses   | \$ 25    | \$ 504     | \$ 246       | \$ 96     | \$ 152             | \$ 242    | \$ 183  | \$ 178            |
| Average annual Canadian program expense                                 | \$ 5     | \$ 101     | \$ 49        | \$ 19     | \$ 30              | \$ 48     | \$ 37   | \$ 35             |

Table 3

A COMPARISON OF FORECASTS PROVIDED BY THE MAJOR NATIONAL PAY TELEVISION APPLICANTS IN FILINGS TO THE CRTC AS GAZETTED

|  | L.A.M.B. | TELECANADA | FIRST CHOICE | SHOWPLACE | PERFORMANCE | ASTRATTEL | CTVA | CANADIAN PREMIERE |
|--|----------|------------|--------------|-----------|-------------|-----------|------|-------------------|
| CHANNELS OF SERVICE:   |          |            |              |           |             |           |      |                   |
| Hours of English   | 6        | 8/12       | 24/12        | 8         | 8.3/24      |           | 8.5  | 8                 |
| Hours of French  | 6        | 8/12       | 12           | n/a       | 8.3/24      |           | 8.5  | 8                 |
| Hours of Dual Audio  | n/a      | n/a        | n/a          | n/a       | n/a         | 10/6.5*   | n/a  |                   |
| LEVELS OF CANADIAN CONTENT ACHIEVED: AS RECOMMENDED IN THE CRTC'S 1978 GUIDELINES THIS SHOULD REACH A MINIMUM OF 50% TOTAL HOURS |          |            |              |           |             |           |      |                   |
| Year 1, total hours  | 37.5%    | 60%        | 50%          | 30%       | 34%         | 31%       | 25%  | 33%               |
| Year 1, total titles   | 45.6%    | 50%        | 67%/50%      | 40%       | 39%         | 30%       | 35%  | 50%               |
| PROGRAMMING COSTS AS A PERCENTAGE OF REVENUES  |          |            |              |           |             |           |      |                   |
| Total programming cost as percentage of Wholesale revenue  | 38%      | 82%        | 77%          | 75%       | 78%         | 83%       | 67%  | 81%               |
| Total Canadian production as a percentage of Wholesale revenue   | 20%      | 71%        | 52%          | 42%       | 34%         | 45%       | 35%  | 43%               |
| Total Canadian production as a percentage of Retail revenues   | 13%      | 65%        | 33%          | 25%       | 24%         | 32%       | 22%  | 21%               |
| MODE OF MARKETING:   |          |            |              |           |             |           |      |                   |
| Discretionary  | X        |            | X            | X         | X           | X         | X    | X                 |
| Universal  |          | X          |              |           |             |           |      |                   |

\* Movie Channel A 10 hours and Cultural Channel B 6.5 hours.

### FOOTNOTES

- Figures given for L.A.M.B. in the application were inflated dollars at the "Revenue" level, but constant dollars for the "Expenses" level, but constant dollars for the "Revenue" obtained through a constant \$8.00 per month fee. The "Expense" figures were deflated to reflect 1981 dollars and costs were pro-rated to reflect a full five years.
- Final year repeated to provide for five full operating years.
- Based on English market only.
- Since revenue projections are based on an increase in the real subscriber fee charged from \$9.00 to \$13.25, both revenue and expense projections have been adjusted by a deflator to reflect constant dollars with a 1981 base.
- The retail revenue has been estimated since no figure other than wholesale was stated. A mark-up of about 60% was used.
- An attempt was made to reflect the total Canadian programming budget which includes acquisitions, development, funds and equity participation over the five-year period plus start-up, pre-operational investment. No program administrative costs were included.
- TeleCanada is based on 100% penetration in year 1 and not a gradual increase as outlined in Appendix A of their total cable universe.
- NFB staff estimate.
- Includes French and English program expenses except Showplace which is English only.