

Radio & Television Commission does, as a tribunal empowered to issue binding decisions. (The CRTC is similar to the U.S. Federal Communications Commission.) Legislation similar to what we propose has been in force in Britain since August 5, 1965."

## [MAKING MONEY]



THE ECONOMICS OF THE MEDIA was a major part of the committee's work. A few of its conclusions follow:

"One of Roy Thomson's most memorable observations was that a television broadcasting permit is 'like having a license to print your own money.' These tables demonstrate that ownership of a daily newspaper often amounts to the same thing, except you don't need a license. There are groups of medium-sized newspapers, the tables show, which in at least one year earned after-tax profits (on equity) of 27.4 per cent! The overall after-tax average, for all newspapers over the ten-year period, as a percentage of total equity, is between 12.3 and 17.5 per cent. In 1965, which was a great year for the industry, after-tax profits of daily newspapers as a percentage of the amount put up by shareholders was 17.5 per cent. The comparable percentage for all manufacturing industries was 10.4 per cent; for retailing industries it was 9.2 per cent. Owning a newspaper, in other words, can be almost twice as profitable as owning a paper-box factory or a department store.

"Companies publishing newspapers with circulation, below 10,000 or above 100,000 consistently earned after-tax profits of more than 16 per cent from 1965 onward. Newspapers with circulations between 10,000 and 50,000 were less than half as profitable as the industry as a whole.

"During the period studied, labour costs increased about as much as did total revenues—71.5 per cent. Gross returns to capital, however, increased by 95.2 per cent over the same period. It has been suggested that rising labour costs are killing off newspapers, particularly in the United States. But on the evidence available to us, it would appear that while publishing and broadcasting are subject to the same inflationary pressures as everyone else, on an industry-wide basis both productivity and returns to capital are increasing faster than labour costs.

"Retained earnings—the profits which a corporation holds back and usually invests in expansion or in other corporations—are much higher in the daily newspaper business than in other manufacturing industries. This indicates that the industry has been highly profitable in the past, and that its members are probably hungry to acquire other newspapers.

"Share capital and long-term debt make up smaller proportions of total liabilities and equity for daily newspapers than they do for corporations in other industries. This underlines what we know already: that newspapers are less likely than other corporations to borrow or issue new shares when they need extra money; usually, they can finance expansion and acquisitions from their profits."

As for broadcasting, the committee noted "how wonderously profitable some broadcasting operations can be. The largest revenue-group of TV stations earned a before-tax profit (on equity) of 98.5 per cent in 1964. At that rate, even after taxes, shareholders would recover their entire investment in two years! The big TV stations' worst year was 1967, when pre-tax profits declined to 40 per cent; in most other industries, that kind of margin would be considered fabulous."

The principal point the committee was making was that these profits are not being used to improve the product, that canned material is too often a staple, that investments are not made for in-depth reporting, that personnel are underpaid. "The most insidious effect of journalistic monopolies is the atmosphere they breed. Every reporter soon learns that there are only a few newspapers where excellence is encouraged."

## [BAD NEWS]



"CHECKING THE MEDIA'S monopolistic tendencies is only a small step towards promoting the kind of media the country needs and deserves.

"As well as being commissioned to study ownership patterns of the media, we were also asked to consider 'their influence and impact on the Canadian public.' And this leads us inexorably into a discussion—and here we tread with extreme diffidence—into the endlessly entertaining subject of What's Wrong With The Press.

"Plainly, *something* is wrong. Judgements like this are risky, but it seems to us that there has never been a period in the nation's history when the press has been so distrusted, so disrespected, so disbelieved."\*

The reason, the committee suggests, is because the press is an institution, and "all the conflict, the hassle, the demonstrations, the social anguish which currently surround us have at least one common characteristic: they're all concerned with people versus institutions.

"The media are involved in this conflict as participants. One of the truly depressing aspects of our enquiry was the ingenuous view of so many media owners that they are mere spectators.

\* This conclusion is on the basis of a rather large survey the committee took, which is published in the report.