

Cables

Most Canadians watch American TV. Many who live close to the border pick it up off the air; others get it through cables. (About fifty per cent of all Canadian households are serviced by cable television.) The cable systems offer a broad range of programs, including those originated by the major American networks—NBC, CBS, ABC and PBS.

The cable operators do not pay for the programs they transmit. Cable companies are supported not by advertising revenue (no ad time is sold) but by subscription fees.

The US television stations in Buffalo, New York, and Bellingham, Washington, have received some \$20 million a year in advertising revenue from Canadian firms, which reach Canadian markets through transmitted programs. (This is equal to about ten per cent of all Canadian television ad revenue.) Some spokesmen contend that many US firms which now reach Canadian consumers through their US ads would otherwise use Canadian stations. (This represents another \$50 million in estimated lost Canadian revenues.)

The Canadian Radio-Television and Telecommunications Commission—which regulates broadcasting—recognized the dilemma. It was committed to the widest possible choice of programs but feared that curtailment of revenue could slow the growth and reduce the quality of Canadian programming.

In 1971 the CRTC suggested that the cable operators might delete US program commercials and fill the time with public service announcements. In 1973, Rogers Cable TV Ltd. of Toronto began randomly deleting those broadcast by three Buffalo stations.

Most cable companies opposed deletion because its effectiveness has not been proven and the equipment is very expensive. Some Canadian advertisers have opposed the policy too; many argued that revenue flowed south because time on major Canadian stations was sold out months in advance. The affected US stations protested vigorously and brought suit against the CRTC. (The case is awaiting decision before the Supreme Court of Canada.) Some US interests argued that interference with "the free flow of information" was involved. Canadians replied that this had nothing to do with it since the only thing ever blacked out was commercials, and this for economic reasons.

The Canadian and US governments held consultations. In the end, Canada decided to postpone further implementations of the policy, and in the meantime it is investigating alternative means of encouraging Canadian broadcasting. For example, Canadian advertisers may no longer charge off their US television costs as business expenses on income taxes.

Seaway

The United States and Canada are considering a hike in St. Lawrence Seaway tolls. Since Canada operates thirteen of the sixteen locks—including eight on the Welland Canal—it has much more at stake. The Canadian system has an accumulated debt approaching \$850 million. The United States' part of the operation had its interest forgiven by the US government in 1970 but will probably be unable to meet its bond redemption schedule by 1978.

When the seaway opened in 1959, Montreal/Lake Ontario tolls were set at four cents a gross registered ton (GRT), plus forty cents a ton of bulk cargo, and ninety cents a ton of general cargo. The Welland Canal tolls were two cents a GRT, two cents a bulk ton and five cents a general ton. (Bulk cargo consists of grain, iron ore, coal and liquids such as petroleum. General cargo is manufactured commodities.)

The revenue from tolls was designed to cover operation and maintenance costs, interest payments and capital repayment. When this objective was not met, Canada recommended toll increases in 1964 and 1967, but the US did not agree.

On the Welland Canal a fixed lock fee of \$800 a ship, regardless of size or cargo, was phased in between 1967 and 1971, following a short period in which no tolls were collected. But it has not produced nearly enough revenue to cover costs. Until 1973 the operating surplus produced by the Montreal/Lake Ontario section covered the Welland deficit, though there has never been enough to pay interest and repay capital. If tolls are not raised now, it is estimated that the over-all Canadian deficit could reach \$1 billion by 1981.

In view of these factors, the Canadian government has decided to convert the \$625 million loan debt to equity, convert the \$220 million owed in