

reporting in 1938 have stated that we did not intend to accept more than \$500,000 gross commercial revenues. The rest of the submission was in the way of arguments which I propose to deal with later on.

The fact that we receive money from listeners to help us carry on our work and discharge our duties towards the Canadian public would indeed place us in a very favourable position if it was not for one important factor. The only way competition with periodicals could operate would be for us to cut our rates to a point where it would be more attractive for advertisers to buy radio networks than to use periodicals. Things do not work that way however because our rates are not set by us on a competitive basis but are imposed by the conditions of the trade in Canada. In other words, the 46 private stations on our networks, out of 80 all told, decide through their own competitive rates what we shall charge for network time. Those rates, I might say, are those generally accepted throughout the North American continent. They are based on market conditions as they exist in the regions served by the station and ultimately they are governed more or less by the per capita cost of advertising. In other words, whether we are subsidized by the public, whether we pay taxes or not, our returns from broadcasting activities covering a certain number of programs are bound to remain the same. If our licence fee revenues should decrease, if we had to pay taxes as suggested, it would simply mean that our service to the public would be reduced. No one single periodical would benefit by the fact that our total revenues would be reduced. The only way we could overcome any important cut in our revenues would be for us to take on more commercials by accepting many programs which we now refuse; this is decidedly not what Mr. Carson had in mind.

Referring to the second point, that is, the creation of the second network, I would like to point out that not a single radio station was added to Canadian broadcasting on account of this decision. Within certain limits, it may even be said that the periods which will be sold for network operation were used locally by broadcasting stations for commercial purposes. The only thing the C.B.C. has to gain financially in running the Dominion network is to be permitted to sell its stations at Watrous and Sackville at a somewhat higher rate and to transfer commercial programs to its other network, thus making room for more sustainers. That in no sense has increased the commercial competition of the C.B.C. to anyone.

The second network was organized for two purposes—the most important being to give better service to the Canadian public; the second, to satisfy an ever-increasing number of advertisers who were demanding more time on the air. This second network will bring very little revenue to the C.B.C. because it is composed at present of 23 private stations and 1 C.B.C. station. Mr. Carson knows very well that private enterprise has been asking for the privilege of running that network on a strictly commercial basis. Maybe he could tell us whether he would prefer that, rather than have the C.B.C. operate the network itself. On the one hand you have private broadcasters demanding a network so as to be permitted to make more revenue, and on the other you have the Periodical Press Association criticizing the fact that we have organized a new C.B.C. network thereby depriving them of advertising revenue which they claim rightly belongs to them. I believe our solution is a very happy middle course.

I cannot really understand why Mr. Carson has based his estimates of the potential revenue of the Dominion network on the card rate of \$1,300 per hour. He knows very well that that is not the amount that is actually collected for one hour's use of the network. Once you have deducted commissions, frequency discounts and regional discounts, that figure is cut by more than one-third for evening hours. Besides not many programs run steadily all year long.