# ANALYSIS OF CANADIAN PROGRAMMING EXPENDITURE AND PROGRAMS OF NATIONAL INTEREST PROPOSALS FILED BY THE ENGLISH-LANGUAGE BROADCAST GROUPS AS PART OF THEIR GROUP LICENCE RENEWAL APPLICATIONS

**(Broadcasting Notice of Consultation CRTC 2016-225)**

**Prepared by:**
**Mario Mota, Boon Dog Professional Services Inc.**

**For:**
**Alliance of Canadian Cinema, Television and Radio Artists (ACTRA); Canadian Media Producers Association (CMPA); Directors Guild of Canada (DGC); and Writers Guild of Canada (WGC)**

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## I. EXECUTIVE SUMMARY

The Alliance of Canadian Cinema, Television and Radio Artists; Canadian Media Producers Association; Directors Guild of Canada; and Writers Guild of Canada commissioned Boon Dog Professional Services Inc. to analyze the proposals related to Canadian programming expenditure ("CPE") and programs of national interest ("PNI") requirements filed by the English-language broadcast groups as part of their respective group licence renewal applications pursuant to *Broadcasting Notice of Consultation CRTC 2016-225*) ("BNC 2016-225").

This report details Boon Dog's analysis of the impact of the CPE and PNI proposals made by Bell Media English Group, Corus Entertainment, and Rogers Media (hereinafter collectively the "Broadcast Groups") under the CRTC's group-based licensing policy.

Boon Dog notes that there are some gaps in data and inconsistencies in information regarding the Broadcast Groups' revenue and programming expenses available on the public file of this proceeding. This makes it very difficult for interveners to accurately and properly assess the Broadcast Groups' CPE and PNI proposals. Accordingly, the analysis in this report related to the Broadcast Groups' CPE and PNI proposals is preliminary and limited, and is subject to confirmation by the Commission's internal analysis of recent historical spending using all of the necessary and relevant data.

With respect to the specific proposals related to CPE and PNI requirements put forward by each of the Broadcast Groups, and notwithstanding the lack of complete and consistent data publicly available to properly and accurately assess the Broadcast Groups' proposals, Boon Dog finds the following:

- The proposals by Bell and Corus, if approved, would result in a significant reduction in overall spending on Canadian programming and PNI in the broadcasting system over the next licence term. With respect to PNI specifically, this would be over and above the already large decrease in spending on PNI experienced over the current licence term, as noted by the Commission in BNC 2016-225 and summarized below.

### Bell Media English Group

- Our analysis of historical spending on Canadian programming for the proposed new Bell Media English Group as a whole based on existing CPE requirements results in an average CPE level of 28%, which is higher than the 27% level Bell proposes for the next licence term.
- Our analysis of historical spending on Canadian programming for the proposed new Bell Media English Group's conventional TV stations based on existing CPE requirements results in an average CPE level of 27%, which is higher than the 22% level Bell proposes for the next licence term.
- Our analysis of historical spending on PNI for the proposed new Bell Media English Group based on existing PNI requirements results in an average PNI level of 8%, which is higher than the 5% level Bell proposes for the next licence term.

### Corus Entertainment

- Our analysis of historical spending on Canadian programming for the proposed new Corus group as a whole based on existing CPE requirements results in an average CPE level of 29%, which is higher than the 26% level Corus proposes for the next licence term.

- Our analysis of historical spending on Canadian programming for the proposed new Corus group's conventional TV stations based on existing CPE requirements results in an average CPE level of 34%, which is higher than the 27% level Corus proposes for the next licence term.
- Our analysis of historical spending on PNI for the proposed new Corus group based on existing PNI requirements results in an average PNI level of 8%, which is higher than the 5% level Corus proposes for the next licence term.

### Rogers Media

- It is not possible to do an analysis of historical spending on CPE and PNI for the proposed new Rogers group due to the lack of certain key information available on the public file. As such, the Commission should require Rogers to file for the public file of this proceeding revenue data for the City stations that are part of its designated group (i.e., excluding City Saskatchewan) for each of the 2011-2012, 2012-2013, and 2013-2014 broadcast years so interveners can properly assess Rogers' CPE and PNI proposals. In addition, the Commission should require Rogers to place on the public file prior to the public hearing PNI spending data for FX and FXX for each full broadcast year that these services have been in operation so interveners can properly assess Rogers' PNI proposal.

## II. INTRODUCTION

### Background

The Alliance of Canadian Cinema, Television and Radio Artists; Canadian Media Producers Association; Directors Guild of Canada; and Writers Guild of Canada commissioned Boon Dog Professional Services Inc.[1] to analyze the proposals related to Canadian programming expenditure ("CPE") and programs of national interest ("PNI") requirements filed by the English-language broadcast groups as part of their respective group licence renewal applications pursuant to *Broadcasting Notice of Consultation CRTC 2016-225*) ("BNC 2016-225").

This report details Boon Dog's analysis of the impact of the CPE and PNI proposals made by Bell Media English Group ("Bell"), Corus Entertainment ("Corus"), and Rogers Media ("Rogers") (hereinafter collectively the "Broadcast Groups") under the CRTC's group-based licensing policy, *Broadcasting Regulatory Policy CRTC 2010-167*.

With respect to CPE, the Commissioners of this report engaged Boon Dog to examine the impact of the Broadcast Groups' CPE proposals on an individual service level basis <u>and</u> compared to the average 30% group CPE level the CRTC established in 2011.

On February 8, 2016, the Commission issued a call for licence renewal applications in *Broadcasting Notice of Consultation 2016-44*. Given that there is no licence renewal application form for television services owned by large ownership groups, the Commission sent customized letters to each group requiring them to respond to questions set out in the letter. These questions and the responses provided by each Broadcast Group comprise the licence renewal application for each group.

Boon Dog notes that there are some gaps in data and inconsistencies in information regarding the Broadcast Groups' revenue and programming expenses available on the public file of this proceeding. This makes it very difficult for interveners to accurately and properly assess the Broadcast Groups' CPE and PNI proposals. Accordingly, the analysis in this report related to the Broadcast Groups' CPE and PNI proposals is preliminary and limited, and is subject to confirmation

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[1] See Appendix 2 for information about Boon Dog Professional Services.

by the Commission’s internal analysis of recent historical spending using all of the necessary and relevant data.

**<u>Some Trends Over the Current Licence Term</u>**

In BNC 2016-225, the CRTC noted the following overall financial and programming expenditure trends observed during the current licence term:

- On an aggregated basis[2], the total revenues of the large English-language designated broadcast groups have dropped by 2.5% per year on average between the 2011-2012 and 2014-2015 broadcast years. Similarly, the CPE of these groups have dropped by 1.4% per year on average over the same period.
- In total, the large English-language designated groups spent $3.3 billion in CPE during the period from the 2011-2012 to 2014-2015 broadcast years, 52% of total CPE for all English-language services throughout the period.
- The PNI expenditures of the large English-language designated groups saw an annual decrease of 12.7%, dropping from a cumulative sum of $158.5 million in the 2011-2012 broadcast year to $105.4 million in the 2014-2015 broadcast year, which is a decline of $53.1 million.

## II. GENERAL COMMENTS ABOUT THE BROADCAST GROUPS' CPE AND PNI PROPOSALS

**<u>The Broadcast Groups' CPE and PNI Proposals Would Result in Significantly Lower CPE and PNI Spending in the Next Licence Term</u>**

As the Commission is aware, in the first group licence renewal proceeding, the Broadcast Groups (with the exception of Rogers) argued that the same CPE and PNI levels should apply to each of the Broadcast Groups. The Commission, however, imposed requirements on each group on the basis of historical spending, which meant that each group ended up with different CPE requirements for their conventional TV stations and some groups were given different group PNI levels.

In this licence renewal proceeding, the Broadcast Groups (this time including Rogers) argue that the same CPE and PNI levels should apply to all of the Broadcast Groups. Rogers is the only Broadcast Group, however, that is proposing to adhere to an average CPE level of 30% of gross group revenue from the previous broadcast year.

With respect to discretionary services, the Broadcast Groups propose that CPE levels for discretionary services in a group be standardized—that is, one percentage would apply to all services. Actually, using the words "to all services" is not exactly accurate because Bell and Corus do not propose a "true" standardized approach since some services under their proposals would be subject to a lower 10% CPE level.

All Broadcast Groups are proposing a minimum spending level of 5% of gross group revenue from the previous year for programs of national interest.

Two of the Broadcast Groups (and the two largest in Canada by all measures)—Bell and Corus—propose spending on Canadian programming at a rate lower than the 30% group CPE level established by the Commission in 2011, and spending on PNI at a rate lower than existing requirements based on historical spending.

[2] CRTC note regarding the data: "The CPE, PNI, and revenue figures were generated using the annual returns filed by the licensees. Figures are based on the current composition of the large English-language designated groups (Bell, Shaw, Corus, and Rogers), as defined in Broadcasting Decisions 2011-444, 2011-445, 2011-446, 2013-737, and 2014-399. The services that were formerly part of the bilingual designated Astral group, and whose acquisition by Bell was approved in *Broadcasting Decision CRTC 2014-62*, were spread between Bell's English- and French-language groups according to the language in which they are offered."

As we will show below, the proposals by Bell and Corus, if approved, would result in a significant reduction in overall spending on Canadian programming and PNI in the broadcasting system over the next licence term. With respect to PNI specifically, this would be over and above the already large decrease in spending on PNI experienced over the current licence term, as noted by the Commission in BNC 2016-225 and summarized above.

## III. ANALYSIS OF EACH BROADCAST GROUP'S CPE AND PNI PROPOSALS

### Bell

#### New Group Composition

In its group licence renewal application, Bell proposes a new English-language designated group with a different set of services than what constitutes the existing Bell Media group today. The proposed changes are as follows:

- Include CTV Two Alberta (formerly ACCESS)[3] in its designated group for the first time;
- Add the small conventional TV stations CFTK-TV Terrace, B.C. and CJDC-TV Dawson Creek, B.C. and related transmitters formerly owned by Astral Media (but not part of the Astral designated group) into the proposed new Bell designated group;
- Remove the RDS Info discretionary service from the existing Bell Media group (and, by extension, the proposed new Bell group) and add it to Bell's proposed new French-language group;
- Move The Movie Network (TMN) and TMN Encore from the existing Astral Media group into the proposed new Bell group; and
- Add discretionary services Comedy Gold, Investigation Discovery, and MuchRetro[4] to the proposed new Bell group for the first time.

For the purposes of our analysis, Boon Dog assumes that the Commission will determine that the proposed new Bell group represents a significant change to the composition of the existing Bell Media group. As such, a recalculation of CPE and PNI expenditure percentages based on historical spending is required to assess whether existing levels remain appropriate or whether they should be adjusted, consistent with the approach used in *Broadcasting Decision CRTC 2013-737*[5] and *Broadcasting Decision CRTC 2014-62*[6]. This matter is addressed below in the CPE and PNI sections.

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[3] Bell also requests the deletion of the condition of licence that CTV Two Alberta operates as an educational broadcaster and seeks to have it designated as a television station. It also seeks the removal of existing limitations relating to the amount of advertising the station can broadcast. Bell proposes to add CTV Two Alberta to its designated group only if the Commission approves these licence changes.

[4] We note that, shortly after the CRTC gazetted the group licence renewal applications, Bell Media announced that it has entered into an agreement with Stingray Digital Group Inc. for the sale of four of its specialty TV services, including MuchRetro. We have assumed, therefore, for the purposes of our analysis in this report that MuchRetro will not be part of the Bell Media English Group for the next licence term.

[5] *Broadcasting Decision CRTC 2013-737*, December 20, 2013.

[6] *Broadcasting Decision CRTC 2014-62*, Astral broadcasting undertakings – Change of effective control – Follow-up to the Astral-BCE transaction, February 17, 2014.

## Limitations of Publicly Available Data

Boon Dog notes that historical revenue and CPE and PNI spending data are not publicly available for some of the services that Bell proposes to include in its new English-language designated group for the next licence term. These are CTV Two Alberta and Astral's former conventional TV stations (CFTK-TV Terrace, B.C. and CJDC-TV Dawson Creek, B.C. and their related transmitters).

Given that complete data is not available on the public file of this proceeding, the analysis for Bell below is based on the best available data and is therefore preliminary and limited, and is subject to confirmation by the Commission's internal analysis using all the necessary and relevant data.

## CPE

Bell proposes for the next licence term an average CPE level of 27% for its group, on the condition that the other Broadcast Groups are required to adhere to the same level. This represents a reduction from an average CPE level of 30% set for its group (and all groups) in 2011.[7]

For its conventional TV services, Bell proposes a CPE level of 22% of gross conventional TV revenue from the previous broadcast year, a level that Bell argues should also apply to each of the conventional TV stations owned by Corus and Rogers. This represents a reduction from Bell Media's existing conventional TV CPE requirement of 26% of gross revenue of its conventional TV stations from the previous broadcast year.

For discretionary services with more than one million subscribers, Bell proposes a standard CPE level of 32% of gross revenue from the previous broadcast year. For licensed discretionary services with fewer than one million subscribers, Bell proposes a CPE level of 10% of gross revenue from the previous broadcast year.

There is no question that Bell's proposal to reduce the CPE level for its conventional TV stations from 26% to 22% would result in significantly lower spending on Canadian programming for the Bell group for the next licence term (see Table 1 for a limited, one-year analysis).

Boon Dog understands that under Bell's proposal for "standardized" (partial standardized to be accurate) CPE levels some discretionary services would see their existing CPE levels increase and some would see their existing CPE levels decrease. The bottom line, however, is that Bell's approach to setting CPE levels for its discretionary services would achieve an overall decline in CPE for the next licence term.

That's because the CPE decreases that would result from lowering the CPE levels of the most established discretionary services with higher revenues (e.g., Bravo!, Discovery Channel, Space, and The Comedy Network), far outstrip (by $11.2 million when using 2014-2015 revenue data, see Table 1 on the next page) the CPE increases that would result from increasing the CPE levels of other discretionary services with lower revenues (mainly former Category A and B digital specialty services).

A limited, one-year snapshot of the overall impact of Bell's CPE proposals can be seen in Table 1 on the next page. If the various individual CPE levels Bell proposes were to apply for the current broadcast year (2015-2016) using 2014-2015 revenues for the services in the proposed new Bell group, actual required CPE would have been $40.2 million less (or 10% lower) than would

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[7] Note that these levels relate to different Bell groups (i.e., groups with a different composition of services).

otherwise have been required under existing CPE levels.[8] When Bell's proposed 27% group CPE level is compared to the average 30% group CPE level established by the Commission in 2011, the shortfall in spending would have been $40.8 million (or 10% lower).

**Table 1: Proposed New Bell Media English Group Existing CPE Levels vs. Proposed CPE Levels – Based on 2014-2015 Revenues**

| Service | 2014-2015 Revenues | Existing CPE Levels | CPE Required in 2015-2016 | Proposed CPE Levels | CPE That Would be Required in 2015-2016 |
|---|---|---|---|---|---|
| CTV & CTV Two stations* | $724,453,000 | 26% | $188,357,780 | 22% | $159,379,660 |
| Animal Planet | $9,880,190 | 14% | $1,383,227 | 32% | $3,161,661 |
| Book Television | $3,947,940 | 40% | $1,579,176 | 32% | $1,263,341 |
| Bravo! | $51,362,650 | 33% | $16,949,675 | 32% | $16,436,048 |
| Business News Network - BNN | $29,685,232 | 50% | $14,842,616 | 32% | $9,499,274 |
| CP24 | $30,542,905 | 0% | $0 | 32% | $9,773,730 |
| Comedy Gold** | $4,476,872 | 0% | $0 | 10% | $447,687 |
| Discovery Channel | $97,372,938 | 45% | $43,817,822 | 32% | $31,159,340 |
| Discovery Science | $5,857,324 | 16% | $937,172 | 32% | $1,874,344 |
| Discovery Velocity | $24,108,599 | 16% | $3,857,376 | 32% | $7,714,752 |
| E! | $29,596,215 | 42% | $12,430,410 | 32% | $9,470,789 |
| ESPN Classic | $2,130,825 | 10% | $213,083 | 32% | $681,864 |
| FashionTelevisionChannel | $4,422,844 | 41% | $1,813,366 | 32% | $1,415,310 |
| Investigation Discovery** | $11,065,902 | 0% | $0 | 32% | $3,541,089 |
| M3 | $19,227,563 | 26% | $4,999,166 | 32% | $6,152,820 |
| MTV (Canada) | $18,703,594 | 36% | $6,733,294 | 32% | $5,985,150 |
| MTV 2 | $5,531,401 | 43% | $2,378,502 | 32% | $1,770,048 |
| Much | $34,907,246 | 26% | $9,075,884 | 32% | $11,170,319 |
| Space | $54,940,271 | 40% | $21,976,108 | 32% | $17,580,887 |
| The Comedy Network | $56,594,130 | 45% | $25,467,359 | 32% | $18,110,122 |
| The Movie Network (TMN) | $120,563,853 | 32% | $38,580,433 | 32% | $38,580,433 |
| TMN Encore | $20,374,376 | 32% | $6,519,800 | 32% | $6,519,800 |
| **Total CPE Required in 2015-2016 Based on Individual CPE Levels** | | | **$401,912,249** | | **$361,688,467** |
| Variance $ | | | | | **-$40,223,782** |
| Variance % | | | | | **-10.0** |
| **Total Group Revenue / Total CPE Required in 2015-2016 Based on Group CPE Level** | **$1,359,745,870** | **30%** | **$407,923,761** | **27%** | **$367,131,385** |
| Variance $ | | | | | **-$40,792,376** |
| Variance % | | | | | **-10.0** |

Notes:

1) * New to proposed new group [CTV Two Alberta (formerly ACCESS), CFTK-TV Terrace, and CJDC-TV Dawson Creek]. Since revenue data are not available for these TV stations and CFTK and CJDC's existing CPE level is 23%, these stations are excluded from the analysis above.

2) ** New to proposed new group.

3) MuchRetro has been excluded from the above analysis given Bell's announcement to sell the channel to Stingray Digital Group.

Revenue Sources: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services; Bell Media 2015 Conventional TV Aggregated Annual Return

[8] This limited analysis does not include the further reduction in funding for Canadian programming that would result from Bell's proposal to delete the condition of licence for Bravo! that requires it to contribute greater than $600,000 or 5% of gross revenue from the previous broadcast year to Bravo!FACT, and the removal of the condition of licence for Much requiring it to contribute 7% of revenue from the previous broadcast year to MuchFACT for the development and production of Canadian music videos.

The impact of Bell's CPE proposals can also be seen in Bell's programming expense projections for the first four years of the next licence term filed in this proceeding. According to Bell's projections based on the CPE levels it proposes, spending on Canadian programming is expected to decline throughout the next licence term (see Table 2 below).[9]

**Table 2: Proposed New Bell Media English Group CPE Projections for the Next Licence Term**

| Service | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 4-Year Totals - Next Licence Term |
|---|---|---|---|---|---|
| **Based on Maintaining Existing CPE Levels** | | | | | |
| Conventional TV (English stations) | Not filed | Not filed | Not filed | Not filed | **N/A** |
| Discretionary services | Not filed | Not filed | Not filed | Not filed | **N/A** |
| **Total Group CPE** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** |
| **Based on Adopting Bell's Proposed CPE Levels** | | | | | |
| Conventional TV (English stations) | $222,347,000 | $218,049,000 | $216,344,000 | $214,299,000 | $871,039,000 |
| Discretionary services | $172,995,000 | $166,239,000 | $164,927,000 | $163,368,000 | $667,529,000 |
| **Total Group CPE** | **$395,342,000** | **$384,288,000** | **$381,271,000** | **$377,667,000** | **$1,538,568,000** |

Note: Projected CPE for Discretionary Services filed by Bell includes CPE for MuchRetro ($32,000 in 2017-2018, $31,000 in each of 2018-2019 and 2019-2020, and $30,000 in 2020-2021) even though Bell has announced the sale of the channel to Stingray Digital Group.

Sources:

1) Bell July 25, 2016 filing (File name: DM#2668027 - 2016-0012-2 - Response - #4 disclosure of the info listed in Appx A of July 13 letter - Appx B -Table 5 - ABR.xls
2) Bell July 25, 2016 filing (File name: DM#2668026 - 2016-0012-2 - Response - #4 disclosure of the info listed in Appx A of July 13 letter - Appx B - Table 4 - ABR.xls
3) Bell April 18, 2016 filing (File name: DM#2585766 - 2016-0012-2 - APP - Bell-Group-Appendix B-Table 6 Discretionary Projections-Aggregate English Specialty and Pay-ABRIDGED.xls)
4) Bell June 10, 2016 filing (File name: DM#2629091 - 2016-0012-2 - Réponse-Response 3 - Bell-Group-Appendix B-Table 4 Projected CPE-Agg Eng Spec and Pay-ABRIDGED.xls)

We have analyzed historical spending on Canadian programming for the services that Bell proposes to include in its English-language designated group for the next licence term using the methodology the Commission used in the group-based licensing policy and confirmed in its follow-up decision to the BCE-Astral transaction (*Broadcasting Decision CRTC 2014-62*, as cited above).

With respect to conventional TV, keeping in mind the data limitations for the proposed new Bell group noted above, we find that historical CPE for Bell's conventional TV stations was an average of $211,103,788, using CPE data for the 2012-2013, 2013-2014, and 2014-2015 broadcast years. Average historical revenue was $774,462,451, using revenue data for the previous three broadcast years (i.e., 2011-2012, 2012-2013, and 2013-2014). As shown in Table 3 on the next page, the average CPE number expressed as a percentage of the average revenue number amounts to a historical CPE of 27% for Bell's conventional TV stations, which is well above the 22% level Bell proposes for the next licence term and slightly above the existing level of 26%.

[9] To our knowledge, Bell has not filed financial and programming expense projections for the next licence term in this proceeding based on maintaining existing CPE levels.

**Table 3: Proposed New Bell Media English Group**
**Conventional TV Historical CPE and Revenue**

| **CPE** | **2012-2013** | **2013-2014** | **2014-2015** | **3-Yr Avg.** |
|---|---|---|---|---|
| Conventional TV (excluding CTV Two Alberta and Astral TV stations) | $190,530,991 | $211,340,121 | $231,440,251 | **$211,103,788** |
| | | | | |
| **Revenue** | **2011-2012** | **2012-2013** | **2013-2014** | **3-Yr Avg.** |
| Conventional TV (excluding CTV Two Alberta and Astral TV stations) | $810,834,370 | $776,148,984 | $736,404,000 | **$774,462,451** |
| | | | | |
| **Conventional TV 3-Year Average CPE as a % of Previous 3-Year Average Conventional TV Revenue** | | | | **27.3** |

Sources:

1) Bell Media Conventional TV Aggregated Annual Returns

2) Bell Media June 10, 2016 filing: Conventional Aggregate - Original First Run and New Commissioned Programming (File name: DM#2629098 - 2016-0012-2 - Réponse-Response 3 - Bell Group-Appendix B-Table 1-CPE-Agg Conventional Television.xls)

With respect to the Bell group as a whole, we find that historical CPE for all of the services that Bell proposes to include in its designated group for the next licence term was an average of $390,980,978, using CPE data for the 2012-2013, 2013-2014, and 2014-2015 broadcast years. Average historical group revenue was $1,419,986,459, using revenue data for the previous three broadcast years (i.e., 2011-2012, 2012-2013, and 2013-2014). As shown in Table 4 on the next page, the average CPE number expressed as a percentage of the average revenue number amounts to a historical CPE of 28% for the proposed new Bell group, which is one percentage point higher than the 27% level Bell proposes for the next licence term but lower than the average CPE of 30% set for its group (and all groups) in 2011.

**Table 4: Proposed New Bell Media English Group Total Group Historical CPE and Revenue**

| **CPE** | **2012-2013** | **2013-2014** | **2014-2015** | **3-Yr Avg.** |
|---|---|---|---|---|
| Conventional TV (excluding CTV Two Alberta and Astral TV stations) | $190,530,991 | $211,340,121 | $231,440,251 | $211,103,788 |
| Discretionary Services (excluding MuchRetro) | $188,872,995 | $186,201,323 | $164,557,253 | $179,877,190 |
| **Total Group CPE** | $379,403,986 | $397,541,444 | $395,997,504 | **$390,980,978** |
| | | | | |
| **Revenue** | **2011-2012** | **2012-2013** | **2013-2014** | **3-Yr Avg.** |
| Conventional TV (excluding CTV Two Alberta and Astral TV stations) | $810,834,370 | $776,148,984 | $736,404,000 | $774,462,451 |
| Discretionary Services (excluding MuchRetro) | $639,394,522 | $650,154,113 | $647,023,389 | $645,524,008 |
| **Total Group Revenue** | $1,450,228,892 | $1,426,303,097 | $1,383,427,389 | **$1,419,986,459** |
| | | | | |
| **Total Group 3-Year Average CPE as a % of Previous 3-Year Average Total Group Revenue** | | | | **27.5** |

Notes:

1) MuchRetro has been excluded from the analysis above since Bell has announced the sale of the channel to Stingray Digital Group.

2) TMN and TMN Encore were not part of the Astral Media group until 2012-2013 but revenue data for these services for the prior broadcast year are included above to achieve proper Bell Media English Group historical calculations since CPE is included for these services.

Sources:

1) Bell Media Conventional TV Aggregated Annual Returns

2) CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services

3) Bell Media June 10, 2016 filing: Conventional Aggregate - Original First Run and New Commissioned Programming (File name: DM#2629098 - 2016-0012-2 - Réponse-Response 3 - Bell Group-Appendix B-Table 1-CPE-Agg Conventional Television.xls)

4) Bell Media June 10, 2016 filing: EN Spec and Pay Aggregate - Original First Run and New Commissioned Programming (File name: DM#2629099 - 2016-0012-2 - Réponse-Response 3 - Bell Group-Appendix B-Table 1-CPE-Agg Eng Pay and Spec.xls)

5) Bell Media April 18, 2016 filing (File name: DM#2585770 - 2016-0012-2 - APP - Bell Group-Appendix B-Table 2-First Run & New Commissioned-ABRIDGED VERSION.xls)

## PNI

With respect to PNI, Bell proposes "maintaining" its PNI requirement for its proposed new group at 5% of gross revenue from the previous broadcast year, and that at least 75% of expenditures be allocated to independent producers. Bell suggests that this level (5%) and the related independent production requirement should apply to all Broadcast Groups.

A limited, one-year snapshot of the impact of Bell's PNI proposal can be seen in Table 5 on the following page. If the 5% PNI level Bell proposes were to apply for the current broadcast year (2015-2016) using 2014-2015 revenues for the proposed new Bell group, actual required PNI would have been $17.5 million less (or 21% lower) than would otherwise have been required under existing PNI levels.

**Table 5: Proposed New Bell Media English Group Existing PNI Levels vs. Proposed PNI Levels – Based on 2014-2015 Revenues**

| Service | 2014-2015 Revenues | Existing PNI Levels | PNI Required in 2015-2016 | Proposed PNI Levels | PNI That Would be Required in 2015-2016 |
|---|---|---|---|---|---|
| CTV & CTV Two stations* | $724,453,000 | 5% | $36,222,650 | 5% | $36,222,650 |
| Animal Planet | $9,880,190 | 5% | $494,010 | 5% | $494,010 |
| Book Television | $3,947,940 | 5% | $197,397 | 5% | $197,397 |
| Bravo! | $51,362,650 | 5% | $2,568,133 | 5% | $2,568,133 |
| Business News Network - BNN | $29,685,232 | 5% | $1,484,262 | 5% | $1,484,262 |
| CP24 | $30,542,905 | 5% | $1,527,145 | 5% | $1,527,145 |
| Comedy Gold** | $4,476,872 | 0% | $0 | 5% | $223,844 |
| Discovery Channel | $97,372,938 | 5% | $4,868,647 | 5% | $4,868,647 |
| Discovery Science | $5,857,324 | 5% | $292,866 | 5% | $292,866 |
| Discovery Velocity | $24,108,599 | 5% | $1,205,430 | 5% | $1,205,430 |
| E! | $29,596,215 | 5% | $1,479,811 | 5% | $1,479,811 |
| ESPN Classic | $2,130,825 | 5% | $106,541 | 5% | $106,541 |
| FashionTelevisionChannel | $4,422,844 | 5% | $221,142 | 5% | $221,142 |
| Investigation Discovery** | $11,065,902 | 0% | $0 | 5% | $553,295 |
| M3 | $19,227,563 | 5% | $961,378 | 5% | $961,378 |
| MTV (Canada) | $18,703,594 | 5% | $935,180 | 5% | $935,180 |
| MTV 2 | $5,531,401 | 5% | $276,570 | 5% | $276,570 |
| Much | $34,907,246 | 5% | $1,745,362 | 5% | $1,745,362 |
| Space | $54,940,271 | 5% | $2,747,014 | 5% | $2,747,014 |
| The Comedy Network | $56,594,130 | 5% | $2,829,707 | 5% | $2,829,707 |
| The Movie Network (TMN) | $120,563,853 | 18% | $21,701,494 | 5% | $6,028,193 |
| TMN Encore | $20,374,376 | 18% | $3,667,388 | 5% | $1,018,719 |
| **Total PNI Required in 2015-2016** | | | **$85,532,125** | | **$67,987,294** |
| Variance $ | | | | | **-$17,544,831** |
| Variance % | | | | | **-20.5** |

Notes:

1) * New to proposed new group [CTV Two Alberta (formerly ACCESS), CFTK-TV Terrace, and CJDC-TV Dawson Creek]. Since revenue data are not available for these TV stations and they do not currently have a PNI requirement, these stations are excluded from the analysis above.

2) ** New to proposed new group.

3) MuchRetro has been excluded from the above analysis given Bell's announcement to sell the channel to Stingray Digital Group.

Revenue Sources: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services; Bell Media 2015 Conventional TV Aggregated Annual Return

The impact of Bell's PNI proposal can also be seen in Bell's programming expense projections for the first four years of the next licence term filed in this proceeding. According to Bell's projections based on the PNI levels it proposes, spending on PNI is expected to decline throughout the next licence term (see Table 6 on the following page).

**Table 6: Proposed New Bell Media English Group PNI Projections for the Next Licence Term**

| Service | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 4-Year Totals - Next Licence Term |
|---|---|---|---|---|---|
| **Based on Maintaining Existing PNI Levels** | | | | | |
| Conventional TV (English stations) | Not filed | Not filed | Not filed | Not filed | **N/A** |
| Discretionary services | Not filed | Not filed | Not filed | Not filed | **N/A** |
| **Total Group PNI** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** |
| **Based on Adopting Bell's Proposed PNI Levels** | | | | | |
| Conventional TV (English stations) | $23,976,262 | $23,511,851 | $23,325,940 | $23,104,989 | $93,919,042 |
| Discretionary services | $89,867,788 | $86,083,297 | $85,400,972 | $84,590,180 | $345,942,237 |
| **Total Group PNI** | **$113,844,050** | **$109,595,148** | **$108,726,912** | **$107,695,169** | **$439,861,279** |

Note: Projected PNI for Discretionary Services filed by Bell includes PNI (if any) for MuchRetro even though Bell has announced the sale of the channel to Stingray Digital Group.

Sources:
1) Bell July 25, 2016 filing (File name: DM#2668026 - 2016-0012-2 - Response - #4 disclosure of the info listed in Appx A of July 13 letter - Appx B - Table 4 - ABR.xls
2) Bell June 10, 2016 filing (File name: DM#2629091 - 2016-0012-2 - Réponse-Response 3 - Bell-Group-Appendix B-Table 4 Projected CPE-Agg Eng Spec and Pay-ABRIDGED.xls)

Boon Dog notes that the 5% PNI level Bell proposes for the next licence term does not represent a “status quo” level given that the composition of the proposed new Bell group (i.e., the portfolio of services to be included in the designated group) is significantly different than what exists today. As such, a recalculation of CPE and PNI expenditure percentages based on historical spending is required to assess whether the 5% level proposed is appropriate.

We have analyzed historical spending on PNI for the services that Bell proposes to include in its English-language designated group for the next licence term using the same methodology used for our analysis of historical CPE spending above.

As shown in Table 7 on the following page, we find that historical spending on PNI for the proposed new Bell group was an average of $112,348,235, using PNI spending data for the 2012-2013, 2013-2014, and 2014-2015 broadcast years. Average historical revenue for the proposed new group was $1,420,773,445, using revenue data for the previous three broadcast years (i.e., 2011-2012, 2012-2013, and 2013-2014). The average PNI number expressed as a percentage of the average revenue number amounts to historical PNI of 8%, which is higher than the 5% level Bell proposes for the next licence term.

**Table 7: Proposed New Bell Media English Group**
**Total Group Historical PNI Spend and Revenue**

| PNI | 2012-2013 | 2013-2014 | 2014-2015 | 3-Yr Avg. |
|---|---|---|---|---|
| Conventional TV (excluding CTV Two Alberta and Astral TV stations) | $30,017,375 | $27,756,046 | $15,893,363 | $24,555,595 |
| Discretionary Services (including MuchRetro) | $88,310,132 | $88,223,700 | $86,844,089 | $87,792,640 |
| **Total Group PNI** | $118,327,507 | $115,979,746 | $102,737,452 | **$112,348,235** |
| | | | | |
| **Revenue** | **2011-2012** | **2012-2013** | **2013-2014** | **3-Yr Avg.** |
| Conventional TV (excluding CTV Two Alberta and Astral TV stations) | $810,834,370 | $776,148,984 | $736,404,000 | $774,462,451 |
| Discretionary Services (including MuchRetro) | $640,218,155 | $650,946,354 | $647,768,472 | $646,310,994 |
| **Total Group Revenue** | $1,451,052,525 | $1,427,095,338 | $1,384,172,472 | **$1,420,773,445** |
| | | | | |
| **Total Group 3-Year Average PNI as a % of Previous 3-Year Average Total Group Revenue** | | | | **7.9** |

Notes:

1) MuchRetro is included in the calculations in the table above even though Bell has announced the sale of the channel to Stingray Digital Group. That's because PNI spending data for MuchRetro (if any) is not available separately from aggregated discretionary PNI spending data filed by Bell.

2) TMN and TMN Encore were not part of the Astral Media group until 2012-2013 but revenue data for these services for the prior broadcast year are included above to achieve proper Bell Media English Group historical calculations since PNI spending is included for these services.

Sources:

1) Bell Media Conventional TV Aggregated Annual Returns

2) CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services

3) Bell Media June 10, 2016 filing: Conventional Aggregate - Original First Run and New Commissioned Programming (File name: DM#2629098 - 2016-0012-2 - Réponse-Response 3 - Bell Group-Appendix B-Table 1-CPE-Agg Conventional Television.xls)

4) Bell Media June 10, 2016 filing: EN Spec and Pay Aggregate - Original First Run and New Commissioned Programming (File name: DM#2629099 - 2016-0012-2 - Réponse-Response 3 - Bell Group-Appendix B-Table 1-CPE-Agg Eng Pay and Spec.xls)

## Corus

### New Group Composition

In its group licence renewal application, Corus proposes a new designated group comprised of all of its English-language services. Included in the proposed designated group of services are all of the services acquired from Shaw Media as a result of the corporate reorganization approved in *Broadcasting Decision CRTC 2016-110*, as well as the following six new services: ABC Spark, BC News 1, Disney Channel, Disney Junior, Disney XD, and NatGeo Wild.

For the purposes of our analysis, Boon Dog assumes that the Commission will determine that the proposed new Corus group represents a substantial change to the composition of the existing Corus group, especially considering that two existing large groups—Corus and Shaw Media—are coming together as one. Accordingly, a recalculation of CPE and PNI expenditure percentages based on historical spending is required, consistent with the approach used by the Commission in the past (as cited in the Bell section above). This matter is addressed below in the CPE and PNI sections.

**Limitations of Publicly Available Data**

Boon Dog notes that historical revenue and CPE and PNI spending data are not publicly available for some of the services that Corus proposes to include in its new designated group for the next licence term. Specifically, while historical (i.e., current licence term) CPE and PNI spending data are available on the public file of this proceeding for Corus' conventional TV stations in Ontario (CKWS-TV Kingston and CHEX-TV Peterborough and their related transmitters), revenue data are not publicly available. Also, CPE and PNI spending data for Teletoon/Télétoon are not publicly available for the 2012-2013 broadcast year and the full 2013-2014 broadcast year,[10] and PNI spending (if any) data are not available for the services that Corus proposes to include in its designated group for the first time for the next licence term.

Making matters more difficult for interveners is that different CPE numbers have been placed on the public file of this proceeding for some of Corus' discretionary services and some numbers differ from those published in the CRTC's Statistical and Financial Summaries. As such, it is not clear to interveners which numbers are the correct ones.[11]

Accordingly, the Commission should require Corus to file for the public file of this proceeding complete historical CPE and PNI spending data for Teletoon/Télétoon (i.e., for the 2012-2013 and 2013-2014 broadcast years). Also, Corus should clarify and explain the discrepancies in CPE numbers available publicly (on the public file of this proceeding and in the CRTC's Statistical and

[10] As the Commission is aware, it is not possible for the public to use the CPE numbers for Teletoon/Télétoon published in the CRTC's Statistical and Financial Summaries because those numbers are based on the accrual method of accounting (amortization). As such, for the broadcast years prior to 2014-2015 (the year when Teletoon/Télétoon was required to begin using the accrual method of accounting for CPE) the CPE numbers published are not accurate CPE numbers since Teletoon/Télétoon used the cash outlay method of accounting for CPE in those years. An actual cash basis CPE number is available for Teletoon/Télétoon for 2011-2012 from documents submitted by Corus and placed on the public file of *Broadcasting Notice of Consultation CRTC 2013-448* (Corus' acquisition of effective control of Teletoon/Télétoon). While Corus filed an actual cash basis CPE number in this proceeding for Teletoon/Télétoon for 2013-2014, it notes that the number covers only part of the year (the portion in which it actually controlled and operated the service, which is the reason why Corus has not filed CPE data for Teletoon/Télétoon for the 2012-2013 broadcast year). Complicating matters is the fact that Corus filed new CPE data for some of its services on July 25, 2016, and some of these numbers do not match those previously filed and there is no explanation why that is the case (see footnote 11 below). As such, it is unclear to us which numbers are the "correct numbers".

[11] Specifically, the CPE numbers for YTV filed by Corus in its July 25, 2016 filing (file DM#2628791) for the 2011-2012, 2012-2013, and 2013-2014 broadcast years ($27,155,557, $26,640,304, and $27,551,296 respectively, which match those in the CRTC's Statistical and Financial Summaries) differ from the numbers filed earlier by Corus in its June 10, 2016 filing (file DM#2628791) ($27,397,984, $32,849,563, and $43,979,808 respectively). Similarly, the CPE numbers for Teletoon/Télétoon filed by Corus in its July 25, 2016 filing (file DM#2628791) for the 2013-2014 and 2014-2015 broadcast years ($34,470,455 and $23,988,659 respectively, of which the former matches and the latter does not match the numbers in the CRTC's Statistical and Financial Summaries) differ from the numbers filed earlier by Corus in its June 10, 2016 filing (file DM#2628791) ($36,617,287 and $23,988,960 respectively, of which the latter matches the number in the CRTC's Statistical and Financial Summaries). These discrepancies appear to be due to cash vs. accrual (amortization) numbers. Also, the CPE numbers for Cartoon Network filed by Corus in its July 25, 2016 filing (file DM#2628791) for the 2013-2014 and 2014-2015 broadcast years ($134,938 and $272,653 respectively) differ from the numbers filed earlier by Corus in its June 10, 2016 filing (file DM#2628791) ($292,947,984 and $312,464 respectively, which match those in the CRTC's Statistical and Financial Summaries). In addition, the CPE numbers for CMT and Nickelodeon filed by Corus in this proceeding (June 10, 2016 filing, file DM#2628791) for the 2011-2012 broadcast year ($9,128,626 and $991,155 respectively) differ from the numbers published in the CRTC's Statistical and Financial Summaries ($9,128,680 and $994,236 respectively). Moreover, the CPE number for W Movies filed by Corus in this proceeding (June 10, 2016 filing, file DM#2628791) for the 2012-2013 broadcast year ($1,135,584) differs from the number published in the CRTC's Statistical and Financial Summaries ($1,140,584). Finally, the CPE numbers for OWN filed by Corus for each of the broadcast years in the current licence term (2011-2012, 2012-2013, 2013-2014, and 2014-2015) differ from the numbers published in the CRTC's Statistical and Financial Summaries. This appears to be due to cash vs. accrual (amortization) numbers. However, in its June 10, 2016 filing (file DM#2628791) Corus states that the 2012-2013 and 2013-2014 numbers are amortization numbers, but it is our understanding that OWN did not have to report CPE on an accrual basis until the 2014-2015 broadcast year. Clarity on this issue and all of the discrepancies detailed in this note are necessary.

Financial Summaries) for some of its services, as detailed in footnote 11 above. This missing data and clarification of some of the CPE numbers are necessary for interveners to properly assess Corus' CPE and PNI proposals.

Given that complete data is not available on the public file of this proceeding, the analysis for Corus below is based on the best available data and is therefore preliminary and limited, and is subject to confirmation by the Commission's internal analysis using all the necessary and relevant data.

## CPE

Corus proposes for the next licence term an average CPE level of 26% for its group. This represents a reduction from an average CPE level of 30% set for each of the Corus[12] and Shaw Media groups (and all groups) in 2011.

For its conventional TV services, Corus proposes a CPE level of 27% of gross conventional TV revenue from the previous broadcast year. This represents an increase from Corus's existing conventional TV CPE requirement of 26% and an increase from the former Shaw Media's existing conventional TV CPE requirement of 22%.

For discretionary services, Corus proposes a standard CPE level of 27% of gross revenue from the previous broadcast year, with the exception of the six new services it proposes to add to the group (as listed above), for which Corus proposes a minimum 10% CPE requirement.

Under Corus' proposal for "standardized" (partial standardized to be accurate) CPE levels of some services (including its conventional TV services) would see their existing CPE levels increase and some would see their existing CPE levels decrease. However, if one analyzes the proposal closely for discretionary services only, the CPE decreases that would result from lowering the CPE levels of the most established discretionary services with higher revenues (e.g., DTOUR, Food Network, HGTV, History, Showcase, Slice, Teletoon/Télétoon, Treehouse, W, and YTV) far outstrip (by $38.8 million when using 2014-2015 revenue data, see Table 11 on the next page) the CPE increases that would result from increasing the CPE levels of other discretionary services with lower revenues (mainly former Category A and B digital specialty services).

The net result of Corus' CPE proposals would be a decline in CPE for Corus for the next licence term. A limited, one-year snapshot of the overall impact of Corus' CPE proposals can be seen in Table 8 on the following page. If the various individual CPE levels Corus proposes were to apply for the current broadcast year (2015-2016) using 2014-2015 revenues for the services in the proposed new Corus group, actual required CPE would have been $18.5 million less (or 5% lower) than would otherwise have been required under existing CPE levels. When Corus' proposed 26% group CPE level is compared to the average 30% group CPE level established by the Commission in 2011, the shortfall in spending would have been $50.2 million (or 13% lower).

[12] Note that these levels relate to different Corus groups (i.e., groups with a different composition of services).

**Table 8: Proposed New Corus Group Existing CPE Levels vs. Proposed CPE Levels – Based on 2014-2015 Revenues**

| Service | 2014-2015 Revenues | Existing CPE Levels | CPE Required in 2015-2016 | Proposed CPE Levels | CPE That Would be Required in 2015-2016 |
|---|---|---|---|---|---|
| **Corus Services Before Corus-Shaw Corporate Reorganization (transfer of shares)** | | | | | |
| Conventional TV stations | N/A | 28% | N/A | 27% | N/A |
| ABC Spark* | $11,757,913 | 0% | $0 | 10% | $1,175,791 |
| Cartoon Network | $6,662,286 | 16% | $1,065,966 | 27% | $1,798,817 |
| CMT | $19,895,757 | 20% | $3,979,151 | 27% | $5,371,854 |
| Cosmopolitan TV | $8,606,368 | 16% | $1,377,019 | 27% | $2,323,719 |
| Disney Channel* | N/A | 0% | $0 | 10% | $0 |
| Disney Junior* | N/A | 0% | $0 | 10% | $0 |
| Disney XD* | N/A | 0% | $0 | 10% | $0 |
| Nickelodeon | $5,817,794 | 16% | $930,847 | 27% | $1,570,804 |
| OWN | $28,600,672 | 31% | $8,866,208 | 27% | $7,722,181 |
| Sundance Channel | $4,708,649 | 16% | $753,384 | 27% | $1,271,335 |
| Teletoon/Télétoon | $69,453,197 | 34% | $23,614,087 | 27% | $18,752,363 |
| Treehouse TV | $13,841,370 | 31% | $4,290,825 | 27% | $3,737,170 |
| W Movies | $7,012,101 | 16% | $1,121,936 | 27% | $1,893,267 |
| W | $79,862,168 | 31% | $24,757,272 | 27% | $21,562,785 |
| YTV | $73,440,802 | 31% | $22,766,649 | 27% | $19,829,017 |
| **Subtotal Corus** | **$329,659,077** | | **$93,523,344** | | **$87,009,106** |
| **Former Shaw Services** | | | | | |
| Conventional TV stations | $405,113,000 | 22% | $89,124,860 | 27% | $109,380,510 |
| Action | $20,535,374 | 5% | $1,026,769 | 27% | $5,544,551 |
| BBC Canada | $10,640,953 | 10% | $1,064,095 | 27% | $2,873,057 |
| BC News 1* | $1,518,176 | 0% | $0 | 10% | $151,818 |
| Crime + Investigation | $19,159,154 | 41% | $7,855,253 | 27% | $5,172,972 |
| Deja View | $7,991,727 | 0% | $0 | 27% | $2,157,766 |
| DIY | $11,495,834 | 4% | $459,833 | 27% | $3,103,875 |
| DTOUR | $25,739,539 | 43% | $11,068,002 | 27% | $6,949,676 |
| Fyi | $8,176,265 | 20% | $1,635,253 | 27% | $2,207,592 |
| Food Network | $67,130,676 | 41% | $27,523,577 | 27% | $18,125,283 |
| HGTV | $72,121,413 | 50% | $36,060,707 | 27% | $19,472,782 |
| History Television | $75,912,398 | 29% | $22,014,595 | 27% | $20,496,347 |
| H2 | $9,358,148 | 39% | $3,649,678 | 27% | $2,526,700 |
| Independent Film Channel | $9,448,583 | 36% | $3,401,490 | 27% | $2,551,117 |
| Lifetime | $20,874,300 | 5% | $1,043,715 | 27% | $5,636,061 |
| MovieTime | $16,003,712 | 6% | $960,223 | 27% | $4,321,002 |
| National Geographic Channel | $26,942,303 | 11% | $2,963,653 | 27% | $7,274,422 |
| NatGeo Wild* | $5,824,459 | 0% | $0 | 10% | $582,446 |
| Showcase | $72,927,202 | 33% | $24,065,977 | 27% | $19,690,345 |
| Slice | $38,885,052 | 69% | $26,830,686 | 27% | $10,498,964 |
| **Subtotal Shaw** | **$925,798,268** | | **$260,748,366** | | **$248,717,284** |
| **Total CPE Required in 2015-2016 Based on Individual CPE Levels** | | | **$354,271,709** | | **$335,726,390** |
| Variance $ | | | | | **-$18,545,319** |
| Variance % | | | | | **-5.2** |
| **Total Group Revenue / Total CPE Required in 2015-2016 Based on Group CPE Level** | **$1,255,457,345** | **30%** | **$376,637,203** | **26%** | **$326,418,910** |
| Variance $ | | | | | **-$50,218,294** |
| Variance % | | | | | **-13.3** |

Note: * New to proposed new group.

Revenue Sources: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services; Shaw Media 2015 Conventional TV Aggregated Annual Return

The impact of Corus' CPE proposals can also be seen in Corus' programming expense projections for the first four years of the next licence term filed in this proceeding. We note that Corus' CPE proposals, according to its projections, would result in $114.3 million less (or 8% less) in spending on Canadian programming for the first four years of the next licence term than would otherwise be the case if existing CPE levels were to be maintained (see Table 9 below).

**Table 9: Proposed New Corus Group CPE Projections for the Next Licence Term – Comparison of Maintaining Existing CPE Levels vs. Adopting Corus' Proposed CPE Levels**

| Service | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 4-Year Totals - Next Licence Term |
|---|---|---|---|---|---|
| **Based on Maintaining Existing CPE Levels** | | | | | |
| Conventional TV stations | $154,437,485 | $155,859,409 | $157,571,232 | $157,596,154 | $625,464,280 |
| Discretionary services | $206,603,294 | $210,138,972 | $214,848,093 | $219,780,245 | $851,370,604 |
| **Total Group CPE** | **$361,040,779** | **$365,998,381** | **$372,419,325** | **$377,376,399** | **$1,476,834,884** |
| **Based on Adopting Corus' Proposed CPE Levels** | | | | | |
| Conventional TV stations | $143,723,154 | $144,562,125 | $145,825,136 | $145,221,336 | $579,331,751 |
| Discretionary services | $190,767,293 | $193,441,354 | $197,487,122 | $201,490,010 | $783,185,779 |
| **Total Group CPE** | **$334,490,447** | **$338,003,479** | **$343,312,258** | **$346,711,346** | **$1,362,517,530** |
| Variance $ - Conventional TV | -$10,714,331 | -$11,297,284 | -$11,746,096 | -$12,374,818 | -$46,132,529 |
| Variance % - Conventional TV | -6.9 | -7.2 | -7.5 | -7.9 | -7.4 |
| Variance $ - Discretionary Services | -$15,836,001 | -$16,697,618 | -$17,360,971 | -$18,290,235 | -$68,184,825 |
| Variance % - Discretionary Services | -7.7 | -7.9 | -8.1 | -8.3 | -8.0 |
| **Variance $ - Total Group** | **-$26,550,332** | **-$27,994,902** | **-$29,107,067** | **-$30,665,053** | **-$114,317,354** |
| **Variance % - Total Group** | **-7.4** | **-7.6** | **-7.8** | **-8.1** | **-7.7** |

Sources:

1) Corus May 30, 2016 filing (File name: DM#2617284 - 2016-0015-6 - Réponse-Response 2 - Doc3b_AppendixB_Question4a_CorusBasic_ABRIDGED_2016_05_30_FINAL.xls)

2) Corus May 30, 2016 filing (File name: DM#2617288 - 2016-0015-6 - Réponse-Response 2 - Doc4b_AppendixC_Question4a_CorusDiscretionary_ABRIDGED_2016_05_30_FINAL.xls)

We have analyzed historical spending on Canadian programming for the services that Corus proposes to include in its designated group for the next licence term using the methodology the Commission used in the group-based licensing policy and confirmed in its follow-up decision to the BCE-Astral transaction (as cited above).

With respect to conventional TV, keeping in mind the data limitations for the proposed new Corus group noted above, we find that historical CPE for Corus' conventional TV stations was an average of $144,748,395, using CPE data for the 2012-2013, 2013-2014, and 2014-2015 broadcast years. Average historical revenue was $423,059,307, using revenue data for the previous three broadcast years (i.e., 2011-2012, 2012-2013, and 2013-2014). As shown in Table 10 on the next page, the average CPE number expressed as a percentage of the average revenue number amounts to a historical CPE of 34% for Corus' conventional TV stations, which is much higher than the 27% level

Corus proposes for the next licence term and the existing level of 22% for the former Shaw Media conventional TV stations, and slightly higher than the existing level of 26% for the Corus conventional TV stations.

**Table 10: Proposed New Corus Group Conventional TV Historical CPE and Revenue**

| **CPE** | **2012-2013** | **2013-2014** | **2014-2015** | **3-Yr Avg.** |
|---|---|---|---|---|
| Conventional TV (excluding Corus TV stations) | $145,760,311 | $140,761,661 | $147,723,212 | **$144,748,395** |
| | | | | |
| **Revenue** | **2011-2012** | **2012-2013** | **2013-2014** | **3-Yr Avg.** |
| Conventional TV (excluding Corus TV stations) | $446,813,289 | $417,952,633 | $404,412,000 | **$423,059,307** |
| | | | | |
| **Conventional TV 3-Year Average CPE as a % of Previous 3-Year Average Conventional TV Revenue** | | | | **34.2** |

Sources:

1) Shaw Media Conventional TV Aggregated Annual Returns

2) Corus June 10, 2016 filing (File name: DM#2628793 - 2016-0015-6 - Réponse-Response 3 - AppendixF_Q10a_ShawMediaGroup_Appendix 2_First run and New comm_ABRIDGED_2016_06_10.pdf)

With respect to the Corus group as a whole, we find that historical CPE for all of the services that Corus proposes to include in its designated group for the next licence term was an average of $385,991,133, using CPE data for the 2012-2013, 2013-2014, and 2014-2015 broadcast years. Average historical group revenue was $1,312,698,586, using revenue data for the previous three broadcast years (i.e., 2011-2012, 2012-2013, and 2013-2014). As shown in Table 11 on the next page, the average CPE number expressed as a percentage of the average revenue number amounts to a historical CPE of 29% for the proposed new Corus group, which is higher than the 26% level Corus proposes for the next licence term but one percentage point lower than the average CPE of 30% set for its group (and all groups) in 2011.

**Table 11: Proposed New Corus Group Total Group Historical CPE and Revenue**

| **CPE** | **2012-2013** | **2013-2014** | **2014-2015** | **3-Yr Avg.** |
|---|---|---|---|---|
| Conventional TV (excluding Corus TV stations) | $145,760,311 | $140,761,661 | $147,723,212 | $144,748,395 |
| Discretionary Services | $249,161,831 | $256,240,825 | $218,325,559 | $241,242,738 |
| **Total Group CPE** | $394,922,142 | $397,002,486 | $366,048,771 | **$385,991,133** |
| | | | | |
| **Revenue** | **2011-2012** | **2012-2013** | **2013-2014** | **3-Yr Avg.** |
| Conventional TV (excluding Corus TV stations) | $446,813,289 | $417,952,633 | $404,412,000 | $423,059,307 |
| Discretionary Services | $873,831,562 | $907,994,446 | $887,091,827 | $889,639,278 |
| **Total Group Revenue** | $1,320,644,851 | $1,325,947,079 | $1,291,503,827 | **$1,312,698,586** |
| | | | | |
| **Total Group 3-Year Average CPE as a % of Previous 3-Year Average Total Group Revenue** | | | | **29.4** |

Notes:

1) The revenues of ABC Spark and NatGeo Wild are not included in the discretionary services revenue number above for 2011-2012 because the services launched in March 2012 and May 2012 respectively and therefore 2011-2012 does not represent a full year of revenue. Similarly, BC News 1 revenue is not included in the discretionary services revenue numbers for 2012-2013 (and the prior year) because the service launched in March 2013 and therefore 2012-2013 does not represent a full year of revenue.

2) H2 was not part of the Shaw Media group until 2012-2013 but data for the necessary prior years are included above to achieve proper new Corus group historical calculations.

3) Teletoon/Télétoon and Cartoon Network were not part of the Corus group and DIY was not part of the Shaw Media group until 2013-2014 but data for the necessary prior years are included above to achieve proper new Corus group historical calculations.

4) Disney Channel, Disney Junior, and Disney XD launched only in the current broadcast year (2015-2016) and so these services have been excluded from the analysis above.

Sources:

1) Shaw Media Conventional TV Aggregated Annual Returns

2) CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services

3) Corus June 10, 2016 filing (File name: DM#2628791 - 2016-0015-6 - Réponse-Response 3 - AppendixE_Q10a_CorusGroup_Appendix 2_First run and New comm_ABRIDGED_2016_06_10.pdf)

4) Corus June 10, 2016 filing (File name: DM#2628793 - 2016-0015-6 - Réponse-Response 3 - AppendixF_Q10a_ShawMediaGroup_Appendix 2_First run and New comm_ABRIDGED_2016_06_10.pdf)

Given the discrepancies in CPE numbers Corus has filed for some of its services in this proceeding, as detailed in footnote 11 above, for the sake of transparency and clarity we have included in Appendix 1 the numbers we have used to arrive at the revenue and CPE totals included in Table 11 above.

## PNI

With respect to PNI, Corus proposes a PNI requirement for its proposed new group of 5% of gross revenue from the previous broadcast year, and that at least 75% of expenditures be allocated to independent producers.

A limited, one-year snapshot of the overall impact of Corus' PNI proposal can be seen in Table 12 on the next page. If the 5% PNI level Corus proposes were to apply for the current broadcast year (2015-2016) using 2014-2015 revenues for the services in the proposed new Corus group, actual required PNI would have been $23.2 million less (or 27% lower) than would otherwise have been required under existing PNI levels.

**Table 12: Proposed New Corus Group Existing PNI Levels vs. Proposed PNI Levels – Based on 2014-2015 Revenues**

| Service | 2014-2015 Revenues | Existing PNI Levels | PNI Required in 2015-2016 | Proposed PNI Levels | PNI That Would be Required in 2015-2016 |
|---|---|---|---|---|---|
| **Corus Services Before Corus-Shaw Corporate Reorganization (transfer of shares)** | | | | | |
| Conventional TV stations | N/A | 9% | N/A | 5% | N/A |
| ABC Spark* | $11,757,913 | 0% | $0 | 5% | $587,896 |
| Cartoon Network | $6,662,286 | 4% | $266,491 | 5% | $333,114 |
| CMT | $19,895,757 | 9% | $1,790,618 | 5% | $994,788 |
| Cosmopolitan TV | $8,606,368 | 9% | $774,573 | 5% | $430,318 |
| Disney Channel* | N/A | 0% | $0 | 5% | $0 |
| Disney Junior* | N/A | 0% | $0 | 5% | $0 |
| Disney XD* | N/A | 0% | $0 | 5% | $0 |
| Nickelodeon | $5,817,794 | 9% | $523,601 | 5% | $290,890 |
| OWN | $28,600,672 | 9% | $2,574,060 | 5% | $1,430,034 |
| Sundance Channel | $4,708,649 | 9% | $423,778 | 5% | $235,432 |
| Teletoon/Télétoon | $69,453,197 | 26% | $18,057,831 | 5% | $3,472,660 |
| Treehouse TV | $13,841,370 | 9% | $1,245,723 | 5% | $692,069 |
| W Movies | $7,012,101 | 9% | $631,089 | 5% | $350,605 |
| W | $79,862,168 | 9% | $7,187,595 | 5% | $3,993,108 |
| YTV | $73,440,802 | 9% | $6,609,672 | 5% | $3,672,040 |
| **Subtotal Corus** | **$322,646,976** | | **$40,085,034** | | **$16,482,954** |
| **Former Shaw Services** | | | | | |
| Conventional TV stations | $405,113,000 | 5% | $20,255,650 | 5% | $20,255,650 |
| Action | $20,535,374 | 5% | $1,026,769 | 5% | $1,026,769 |
| BBC Canada | $10,640,953 | 5% | $532,048 | 5% | $532,048 |
| BC News 1* | $1,518,176 | 0% | $0 | 5% | $75,909 |
| Crime + Investigation | $19,159,154 | 5% | $957,958 | 5% | $957,958 |
| Deja View | $7,991,727 | 5% | $399,586 | 5% | $399,586 |
| DIY | $11,495,834 | 5% | $574,792 | 5% | $574,792 |
| DTOUR | $25,739,539 | 5% | $1,286,977 | 5% | $1,286,977 |
| Fyi | $8,176,265 | 5% | $408,813 | 5% | $408,813 |
| Food Network | $67,130,676 | 5% | $3,356,534 | 5% | $3,356,534 |
| HGTV | $72,121,413 | 5% | $3,606,071 | 5% | $3,606,071 |
| History Television | $75,912,398 | 5% | $3,795,620 | 5% | $3,795,620 |
| H2 | $9,358,148 | 5% | $467,907 | 5% | $467,907 |
| The Independent Film Channel | $9,448,583 | 5% | $472,429 | 5% | $472,429 |
| Lifetime | $20,874,300 | 5% | $1,043,715 | 5% | $1,043,715 |
| MovieTime | $16,003,712 | 5% | $800,186 | 5% | $800,186 |
| National Geographic Channel | $26,942,303 | 5% | $1,347,115 | 5% | $1,347,115 |
| NatGeo Wild* | $5,824,459 | 0% | $0 | 5% | $291,223 |
| Showcase | $72,927,202 | 5% | $3,646,360 | 5% | $3,646,360 |
| Slice | $38,885,052 | 5% | $1,944,253 | 5% | $1,944,253 |
| **Subtotal Shaw** | **$925,798,268** | | **$45,922,782** | | **$46,289,913** |
| **Total PNI Required for 2015-2016** | | | **$86,007,816** | | **$62,772,867** |
| Variance $ | | | | | **-$23,234,948** |
| Variance % | | | | | **-27.0** |

Note: * New to proposed new group.

Revenue Sources: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services; Shaw Media 2015 Conventional TV Aggregated Annual Return

The impact of Corus' PNI proposal can also be seen in Corus' programming expense projections for the first four years of the next licence term filed in this proceeding. We note that Corus' PNI proposal, according to its projections, would result in $33.8 million less (or 9% less) in spending on PNI for the first four years of the next licence term than would otherwise be the case if existing PNI levels were to be maintained (see Table 13 below).

**Table 13: Proposed New Corus Group PNI Projections for the Next Licence Term – Comparison of Maintaining Existing PNI Levels vs. Adopting Corus' Proposed PNI Levels**

| Service | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 4-Year Totals - Next Licence Term |
|---|---|---|---|---|---|
| **Based on Maintaining Existing PNI Levels** | | | | | |
| Conventional TV stations | $7,891,639 | $7,963,233 | $8,049,128 | $8,047,206 | $31,951,206 |
| Discretionary services | $85,061,236 | $86,741,048 | $88,803,737 | $90,466,998 | $351,073,019 |
| **Total Group PNI** | **$92,952,875** | **$94,704,281** | **$96,852,865** | **$98,514,204** | **$383,024,225** |
| **Based on Adopting Corus' Proposed PNI Levels** | | | | | |
| Conventional TV stations | $7,345,125 | $7,386,983 | $7,449,986 | $7,415,994 | $29,598,088 |
| Discretionary services | $77,746,678 | $79,028,515 | $80,784,804 | $82,018,843 | $319,578,840 |
| **Total Group PNI** | **$85,091,803** | **$86,415,498** | **$88,234,790** | **$89,434,837** | **$349,176,928** |
| Variance $ - Conventional TV | -$546,514 | -$576,250 | -$599,142 | -$631,212 | -$2,353,118 |
| Variance % - Conventional TV | -6.9 | -7.2 | -7.4 | -7.8 | -7.4 |
| Variance $ - Discretionary Services | -$7,314,558 | -$7,712,533 | -$8,018,933 | -$8,448,155 | -$31,494,179 |
| Variance % - Discretionary Services | -8.6 | -8.9 | -9.0 | -9.3 | -9.0 |
| **Variance $ - Total Group** | **-$7,861,072** | **-$8,288,783** | **-$8,618,075.00** | **-$9,079,367** | **-$33,847,297** |
| **Variance % - Total Group** | **-8.5** | **-8.8** | **-8.9** | **-9.2** | **-8.8** |

Sources:
1) Corus May 30, 2016 filing (File name: DM#2617284 - 2016-0015-6 - Réponse-Response 2 - Doc3b_AppendixB_Question4a_CorusBasic_ABRIDGED_2016_05_30_FINAL.xls)
2) Corus May 30, 2016 filing (File name: DM#2617288 - 2016-0015-6 - Réponse-Response 2 - Doc4b_AppendixC_Question4a_CorusDiscretionary_ABRIDGED_2016_05_30_FINAL.xls)

Boon Dog notes that the 5% PNI level Corus proposes for the next licence term does not represent a "status quo" level given that the composition of the proposed new Corus group (i.e., the portfolio of services to be included in the designated group) is substantially different than what exists today. As such, a recalculation of CPE and PNI expenditure percentages based on historical spending is required to assess whether the 5% level proposed is appropriate.

We have analyzed historical spending on PNI for the services that Corus proposes to include in its designated group for the next licence term using the same methodology used for our analysis of historical CPE spending above.

Keeping in mind the data limitations for the proposed new Corus group noted above, we find that historical PNI was an average of $106,367,935, using PNI spending data for the 2012-2013, 2013-2014, and 2014-2015 broadcast years. The relevant average historical revenue for the proposed new group was $1,281,132,508, using revenue data for the previous three broadcast years (i.e., 2011-2012, 2012-2013, and 2013-2014). As shown in Table 14 below, the average PNI number expressed as a percentage of the average revenue number amounts to historical PNI of 8%, which is higher than the 5% level Corus proposes for the next licence term.

**Table 14: Proposed New Corus Group Total Group Historical PNI Spend and Revenue**

| **PNI** | **2012-2013** | **2013-2014** | **2014-2015** | **3-Yr Avg.** |
|---|---|---|---|---|
| Conventional TV (excluding Corus TV stations)* | $11,308,501 | $6,082,412 | $6,719,233 | $8,036,715 |
| Discretionary Services | $85,299,742 | $112,346,365 | $97,347,552 | $98,331,220 |
| **Total Group PNI** | $96,608,243 | $118,428,777 | $104,066,785 | **$106,367,935** |
| | | | | |
| **Revenue** | **2011-2012** | **2012-2013** | **2013-2014** | **3-Yr Avg.** |
| Conventional TV (excluding Corus TV stations) | $446,813,289 | $417,952,633 | $404,412,000 | $423,059,307 |
| Discretionary Services | $779,133,328 | $907,994,446 | $887,091,827 | $858,073,200 |
| **Total Group Revenue** | $1,225,946,617 | $1,325,947,079 | $1,291,503,827 | **$1,281,132,508** |
| | | | | |
| **Total Group 3-Year Average PNI as a % of Previous 3-Year Average Total Group Revenue** | | | | **8.3** |

Notes:

1) * Corus' TV stations did not have any PNI spending in each of the broadcast years above. In any event, data for these stations are excluded from the analysis above because revenue for these stations has also been excluded since Corus' conventional TV revenue is not publicly available.

2) Teletoon/Télétoon and Cartoon Network were not part of the existing Corus group and DIY was not part of the existing Shaw Media group until 2013-2014. Corus has therefore excluded any PNI spending by these services prior to 2013-2014 from the source data (see file DM#2628791 cited below). As such, we have excluded revenue data for these services in the above table for 2011-2012 to achieve proper calculations.

3) Disney Channel, Disney Junior, and Disney XD launched only in the current broadcast year (2015-2016) and so these services have been excluded from the analysis above.

Sources:

1) Shaw Media Conventional TV Aggregated Annual Returns

2) CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services

3) Corus June 10, 2016 filing (File name: DM#2628791 - 2016-0015-6 - Réponse-Response 3 - AppendixE_Q10a_CorusGroup_Appendix 2_First run and New comm_ABRIDGED_2016_06_10.pdf)

4) Corus June 10, 2016 filing (File name: DM#2628793 - 2016-0015-6 - Réponse-Response 3 - AppendixF_Q10a_ShawMediaGroup_Appendix 2_First run and New comm_ABRIDGED_2016_06_10.pdf)

## Rogers

### New Group Composition

At the outset, it should be noted that Rogers was deemed to be a designated group for the purpose of implementing the group-based licensing policy beginning only on September 1, 2014. As such, as Rogers notes, it has had the "benefit" (Rogers' own chosen word) of group-based licensing for only one full broadcast year to date.[13]

In its group licence renewal application, for the next licence term Rogers proposes to add the FX and FXX discretionary services to its existing designated group.

For the purposes of our analysis, Boon Dog assumes the Commission will determine that the addition of FX and FXX represents a relatively minor change to the composition of the existing Rogers designated group. As such, we have not undertaken an analysis of historical CPE and PNI

[13] It will be two full broadcast years by the time the public hearing commences in November 2016.

spending for the proposed new Rogers group. Such an analysis would have been impossible to do, in any event, for the reasons outlined below.

## Limitations of Publicly Available Data

Boon Dog notes that it is not possible for interveners to do the same analysis of historical spending on Canadian programming and PNI for the proposed new Rogers group as we have done for the proposed new Bell and Corus groups above.

Given that Rogers became a designated group beginning on September 1, 2014, only one year of revenue data (2014-2015) are available for the City stations through Rogers' 2015 Conventional Television Aggregated Annual Return available on the CRTC's website. To our knowledge, revenue data for prior years (i.e., 2011-2012, 2012-2013, and 2013-2014) for the City stations separate from the OMNI stations are not available on the public file of this licence renewal proceeding. While Rogers has filed in this proceeding, in response to the CRTC's request to do so, CPE and PNI spending data for the City stations for each of the 2011-2012, 2012-2013, 2013-2014, and 2014-2015 broadcast years, corresponding revenue data are not publicly available.

Also, while Rogers has filed in this proceeding PNI spending data for each of the 2011-2012, 2012-2013, 2013-2014, and 2014-2015 broadcast years for the discretionary services that are part of the *existing* Rogers designated group, it has not filed historical PNI spending data for FX and FXX. We realize that the data will be limited given that these are newer services. But in the absence of *any* data it is not possible for interveners to assess the appropriateness of Rogers' PNI proposal.

Moreover, doing a historical spending analysis for the proposed new Rogers group is complicated by the fact that the composition of the Rogers group, as well as the CPE and PNI levels that apply to the group, have changed since the group-based licensing regime came into effect.[14]

In order for interveners to accurately and properly assess Rogers' CPE and PNI[15] proposals to see how they compare to historical spending and whether the levels proposed are appropriate for the next licence term, the Commission should require Rogers to file for the public file of this proceeding revenue data for the City stations that are part of its designated group (i.e., excluding City Saskatchewan) for each of the 2011-2012, 2012-2013, and 2013-2014 broadcast years. In addition, the Commission should require Rogers to place on the public file PNI spending data for FX and FXX[16] for each full broadcast year that these services have been in operation so interveners can properly assess Rogers' PNI proposal.

## CPE

Rogers proposes for the next licence term an average CPE level of 30% for its group. This is unchanged from the level that was set for the Rogers group (and all groups) in 2011.

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[14] As the Commission is aware, the CPE level for Rogers' conventional TV stations was set at 23% for the 2011-2012, 2012-2013, and 2013-2014 broadcast years and included the OMNI stations. The level was raised to 25% for the 2014-2015 broadcast year and included only the City stations. Similarly, with respect to PNI, the level was set at 2.5% for the 2011-2012 and 2012-2013 broadcast years and included the OMNI stations in the group, increased to 3% for the 2013-2014 broadcast year, and then increased again to the existing 5% level for the 2014-2015 broadcast year and excluded the OMNI stations from the group.

[15] We wish to point out that Rogers has apparently used the wrong PNI spending numbers for the City stations and its discretionary services for 2014-2015 (the only year in which data is available elsewhere to compare) in its June 10, 2016 document filed with the Commission and placed on the public file of this proceeding (File name: DM#2628763 - 2016-0009-9 - DefReq 4 for Rogers GBL renewal application - 2016-0009-9 - ABRIDGED - Rogers - Group - Appendix B - Tables - CORRECTED - June 10.xls). Rogers has used PNI spending data from line 8 (Total Canadian Programs Telecast) of its Aggregated Annual Returns rather than line 14 (TOTAL CANADIAN PROGRAMMING EXPENSES). This actually results in an underreporting of true PNI spending of just over $696,000. The same apparent error may or may not have been made with prior-year data. Rogers should look into this issue and confirm which numbers are the correct ones for the public file.

[16] With respect to FXX, we realize that this information would have to be filed after Aug. 31, 2016 since the current broadcast year represents the only full broadcast year in which the service has been in operation.

For its conventional TV services (i.e., City stations excluding City Saskatchewan), Rogers proposes a CPE level of 30% of gross conventional TV revenue from the previous broadcast year.[17] This represents an increase from Rogers' existing conventional TV CPE requirement of 25%. Should the Commission no longer require the Broadcast Groups to meet a group CPE level of 30%, however, Rogers proposes a CPE level of 28% for the City stations.

For discretionary services, Rogers proposes a standard CPE level of 30% of gross revenue from the previous broadcast year. We note that, with the exception of FX and FXX, which do not currently have CPE requirements, Rogers' proposal represents a significant decline in the CPE expenditure percentages for G4, OLN, Sportsnet 360, and VICELAND.

Rogers, therefore, essentially proposes that one CPE level (30%) apply to each service in its designated group, which effectively makes the group CPE requirement 30% of gross group revenue from the previous broadcast year.

A limited, one-year snapshot of the overall impact of Rogers' CPE proposals can be seen in Table 15 below. If Rogers' proposed 30% CPE level were to apply to each individual service for the current broadcast year (2015-2016) using 2014-2015 revenues for the services in the proposed new Rogers group, actual required CPE would have been $6 million higher (or 8% higher) than would otherwise have been required under existing CPE levels.

**Table 15: Proposed New Rogers Group Existing CPE Levels vs. Proposed CPE Levels – Based on 2014-2015 Revenues**

| Service | 2014-2015 Revenues | Existing CPE Levels | CPE Required in 2015-2016 | Proposed CPE Levels | CPE That Would be Required in 2015-2016 |
|---|---|---|---|---|---|
| City stations | $197,561,600 | 25% | $49,390,400 | 30% | $59,268,480 |
| FX* | $14,363,003 | 0% | $0 | 30% | $4,308,901 |
| FXX* | $4,524,696 | 0% | $0 | 30% | $1,357,409 |
| G4 | $4,527,065 | 40% | $1,810,826 | 30% | $1,358,120 |
| OLN | $20,059,081 | 41% | $8,224,223 | 30% | $6,017,724 |
| Sportsnet 360 | $35,101,198 | 47.8% | $16,778,373 | 30% | $10,530,359 |
| VICELAND | $6,360,365 | 40% | $2,544,146 | 30% | $1,908,110 |
| **Total CPE Required in 2015-2016 Based on Individual CPE Levels** | | | **$78,747,968** | | **$84,749,102** |
| Variance $ | | | | | **$6,001,135** |
| Variance % | | | | | **7.6** |
| **Total Group Revenue / Total CPE Required in 2015-2016 Based on Group CPE Level** | **$282,497,008** | 30% | **$84,749,102** | 30% | **$84,749,102** |
| Variance $ | | | | | **$0** |
| Variance % | | | | | **0.0** |

Note: * New to Rogers group.

Revenue Sources: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services; Rogers group 2015 Conventional TV Aggregated Annual Return

[17] We note that in its response dated July 8, 2016 to the Commission's request for additional information regarding the new policy framework for local and community television, Rogers confirmed its commitment to direct 30% of City's previous year's gross revenue to CPE provided each large broadcast group is required to meet a group CPE level of 30% "in order to benefit from the program spending flexibilities provided in the group-based licensing policy." (at page 8)

If we look at Rogers' programming expense projections for the first four years of the next licence term filed in this proceeding we see that, after an initial boost in CPE at the beginning of the next licence term, spending on Canadian programming is expected to generally decline during the first four years of the next licence term (see Table 16 below).

**Table 16: Proposed New Rogers Group CPE Projections for the Next Licence Term – Based on Proposed 30% CPE Level**

| Service | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 4-Year Totals - Next Licence Term |
|---|---|---|---|---|---|
| **Based on Proposed 30% CPE Level** | | | | | |
| City stations | $51,930,398 | $51,371,915 | $50,175,384 | $50,029,659 | $203,507,356 |
| Discretionary services | $28,610,110 | $27,807,041 | $28,060,256 | $28,319,917 | $112,797,324 |
| **Total Group CPE** | **$80,540,508** | **$79,178,956** | **$78,235,640** | **$78,349,576** | **$316,304,680** |

Sources:

1) Rogers June 10, 2016 filing (File name: DM#2628763 - 2016-0009-9 - DefReq 4 for Rogers GBL renewal application - 2016-0009-9 - ABRIDGED - Rogers - Group - Appendix B - Tables - CORRECTED - June 10.xls)

2) Rogers June 1, 2016 filing (File name: DM#2620970 - 2016-0009-9 - Réponse-Response - ABRIDGED - Rogers - Group - Appendix B - Tables - CORRECTED.xls)

## PNI

With respect to PNI, Rogers proposes maintaining its PNI requirement for its proposed new group at 5% of gross revenue from the previous broadcast year, with at least 75% of the expenditures to be allocated to independent producers.

A limited, one-year snapshot of the impact of Rogers' PNI proposal can be seen in Table 17 below. If the 5% PNI level Rogers proposes were to apply for the current broadcast year (2015-2016) using 2014-2015 revenues for the proposed new Rogers group, actual required PNI would have been about $944,000 higher (or 7% higher) than would otherwise have been required under existing PNI levels for the existing group. This additional PNI spending is directly attributable to adding FX and FXX to the Rogers group.

**Table 17: Proposed New Rogers Group Existing PNI Levels vs. Proposed PNI Levels – Based on 2014-2015 Revenues**

| Service | 2014-2015 Revenues | Existing PNI Levels | PNI Required in 2015-2016 | Proposed PNI Levels | PNI That Would be Required in 2015-2016 |
|---|---|---|---|---|---|
| City stations | $197,561,600 | 5% | $9,878,080 | 5% | $9,878,080 |
| FX* | $14,363,003 | 0% | $0 | 5% | $718,150 |
| FXX* | $4,524,696 | 0% | $0 | 5% | $226,235 |
| G4 | $4,527,065 | 5% | $226,353 | 5% | $226,353 |
| OLN | $20,059,081 | 5% | $1,002,954 | 5% | $1,002,954 |
| Sportsnet 360 | $35,101,198 | 5% | $1,755,060 | 5% | $1,755,060 |
| VICELAND | $6,360,365 | 5% | $318,018 | 5% | $318,018 |
| **Total PNI Required in 2015-2016** | | | **$13,180,465** | | **$14,124,850** |
| Variance $ | | | | | **$944,385** |
| Variance % | | | | | **7.2** |
| **Total Group Revenue / PNI** | **$282,497,008** | | | 5% | **$14,124,850** |

Note: * New to Rogers group.

Revenue Sources: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Service; Rogers group 2015 Conventional TV Aggregated Annual Return

If we look at Rogers' programming expense projections for the first four years of the next licence term filed in this proceeding we see that, after an initial small increase in PNI at the beginning of the next licence term (from adding FX and FXX to the group), spending on PNI is expected to decline slightly throughout the next licence term (see Table 18 below).

**Table 18: Proposed New Rogers Group PNI Projections for the Next Licence Term**

| Service | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 4-Year Totals - Next Licence Term |
|---|---|---|---|---|---|
| **Based on Proposed 5% PNI Levels** | | | | | |
| City stations | $6,515,208 | $6,299,000 | $6,105,822 | $5,926,925 | $24,846,955 |
| Discretionary services | $8,273,319 | $8,361,833 | $8,381,580 | $8,401,111 | $33,417,843 |
| **Total Group PNI** | **$14,788,527** | **$14,660,833** | **$14,487,402** | **$14,328,036** | **$58,264,798** |

Sources:
1) Rogers June 10, 2016 filing (File name: DM#2628763 - 2016-0009-9 - DefReq 4 for Rogers GBL renewal application - 2016-0009-9 - ABRIDGED - Rogers - Group - Appendix B - Tables - CORRECTED - June 10.xls)
2) Rogers June 1, 2016 filing (File name: DM#2620970 - 2016-0009-9 - Réponse-Response - ABRIDGED - Rogers - Group - Appendix B - Tables - CORRECTED.xls)

## IV. ANALYSIS OF DATA GAPS AND INCONSISTENCIES IN INFORMATION AVAILABLE ON THE PUBLIC FILE

In addition to the limitations of publicly available data for the Broadcast Groups noted throughout this report above, Boon Dog notes that there are some gaps in data and inconsistencies in information regarding the Broadcast Groups' programming expenses available on the public file of this proceeding.

One example of an inconsistency in the data filed by the Broadcast Groups in this licence renewal proceeding concerns methodology. Whereas Bell has filed some of its Canadian programming and PNI spending data for the current licence term based on its proposed new group for the next licence term (i.e., assuming that the Bell Media English Group existed beginning in 2011-2012[18]), Corus and Rogers have filed Canadian programming and PNI spending data for the current licence term based on their respective *existing* designated groups.

Also, whereas Corus has filed financial and programming expense projections for the next licence term based on both maintaining existing CPE and PNI levels and adopting its proposed CPE and PNI levels, Bell appears to have filed projections based only on its proposed CPE and PNI levels (and not also based on maintaining existing CPE and PNI levels).

In addition, in those cases when discretionary services have been added to a designated group in the middle of the current licence term as a result of a transaction (e.g., when BCE bought Astral and Corus bought Teletoon/Télétoon and Cartoon Network) the Broadcast Groups have generally excluded spending data for those services for years in which they were not part of their respective group.

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[18] The discrepancy is actually more complicated that this. While Bell filed historical CPE and PNI spending data for the discretionary services that it proposes to include in its new English-language designated group for the next licence term, it appears as though it did not use the same approach for the aggregate conventional TV CPE and PNI spending data it filed (i.e., it excluded data for CTV Two Alberta and the former Astral conventional TV stations), as we've noted previously in this report.

Moreover, when a service has joined a designated group in the middle of a broadcast year, it appears as though only partial-year spending data has been included in the Canadian programming and PNI spending data filed by the Broadcast Groups in this proceeding.[19] Without access to at least three full years of CPE and PNI spending data and corresponding previous three full years of revenue data, it is not possible for interveners to accurately and properly compare and contrast the Broadcast Groups' CPE and PNI proposals with historical spending.

All of this makes it difficult for interveners to accurately model the Broadcast Groups' CPE and PNI proposals to assess their appropriateness. It also hampers interveners' ability to offer constructive comments and detailed counter-proposals in this proceeding.

Some additional inconsistencies in data filed in this proceeding we have encountered while preparing this report are outlined below.

## Lack of Historical Spending Data by Programming Category for All Groups

Boon Dog notes that detailed (i.e., not redacted) spending on Canadian programming by program category for the current licence term is available on the public file of this licence renewal proceeding for only one Broadcast Group—the proposed new Bell group.[20] The data available for the existing Corus and Rogers groups consist of only aggregate data and do not break out spending by program category.

This means that interveners do not have access to spending on theatrical feature films, for example, for all of the Broadcast Groups for all the years in the current licence term. As the Commission is aware, this data are also not available consistently and precisely in the Aggregated Annual Returns filed by the Broadcast Groups and available on the CRTC's website.

## Inconsistent Measuring of Original First Run and New Commissioned CPE and PNI

The CRTC required the Broadcast Groups to file spending data in this licence renewal proceeding on "Original First Run" and "New Commissioned" programming, both with respect to CPE and PNI. However, the data filed by the Broadcast Groups are not based on common definitions of these terms and how they are applied in terms of programming expenditures.

The Broadcast Groups point out that when they sought clarifications regarding how to define Original First Run and New Commissioned programming, the Commission stated in a letter dated March 11, 2016 that "it is up to the Groups to inform the public record as to the manner in which they have been reporting their respective PNI expenses and to explain for the record how each has treated the definitions provided."

The end result are inconsistencies in the methodologies used by the Broadcast Groups with regard to spending on Original First Run and New Commissioned programming and thus the data filed in this proceeding are difficult to compare.

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[19] Corus, for example, notes that for Teletoon/Télétoon and Cartoon Network the spending data filed for 2013-2014 covers the period of January 1, 2014 to August 31, 2014 only since this is the period it controlled and operated these services. See Corus June 10, 2016 response to the CRTC's June 3, 2016 deficiency letter, at page 23 (File name: DM#2628786 - 2016-0015-6 - Réponse-Response 3 - AppendixA_Responses_2016_06_10_FINAL.doc).

[20] See Bell June 10, 2016 licence renewal filing (File name: DM#2629098 - 2016-0012-2 - Réponse-Response 3 - Bell-Group-Appendix B-Table 1-CPE-Agg Conventional Television.xls).

## APPENDIX 1

### Proposed New Corus Group Discretionary Services Historical CPE

| Service | 2012-2013 | 2013-2014 | 2014-2015 |
|---|---|---|---|
| ABC Spark | | $836,760 | $1,247,410 |
| Action | $821,493 | $930,125 | $852,020 |
| BBC Canada | $436,261 | $529,770 | $433,970 |
| BC News 1 | | | $3,706,361 |
| Cartoon Network | $280,800 | $292,947 | $312,465 |
| CMT | $9,625,988 | $8,986,928 | $9,797,382 |
| Cosmopolitan TV | $1,845,579 | $1,334,567 | $897,617 |
| Crime + Investigation | $4,295,292 | $4,295,884 | $2,701,836 |
| Deja View | $312,343 | $283,205 | $179,745 |
| Disney Channel | | | |
| Disney Junior | | | |
| Disney XD | | | |
| DIY | $284,078 | $309,233 | $278,931 |
| DTOUR | $8,627,386 | $5,863,592 | $3,703,716 |
| Fiy | $804,776 | $836,171 | $441,369 |
| Food Network | $21,925,625 | $21,469,040 | $22,130,344 |
| HGTV | $22,688,172 | $22,341,753 | $27,552,199 |
| History Television | $19,020,903 | $15,430,620 | $11,256,703 |
| H2 | $610,676 | $552,113 | $535,119 |
| Independent Film Channel | $1,537,421 | $1,495,293 | $1,497,371 |
| Lifetime | $691,681 | $774,584 | $727,174 |
| MovieTime | $432,901 | $357,502 | $330,895 |
| National Geographic Channel | $1,117,502 | $1,546,252 | $1,393,909 |
| NatGeo Wild | | $402,450 | $470,433 |
| Nickelodeon | $1,008,285 | $1,129,936 | $1,908,102 |
| OWN | $5,813,094 | $5,183,926 | $5,515,902 |
| Showcase | $17,157,333 | $13,902,268 | $15,596,760 |
| Slice | $27,797,503 | $25,246,713 | $14,473,912 |
| Sundance Channel | $399,712 | $334,280 | $400,924 |
| Teletoon/Télétoon | $23,516,893 | $36,617,287 | $23,988,960 |
| Treehouse TV | $4,946,979 | $5,208,118 | $9,914,919 |
| W Movies | $1,140,584 | $955,818 | $1,327,148 |
| W | $39,173,008 | $34,813,882 | $29,416,668 |
| YTV | $32,849,563 | $43,979,808 | $25,335,295 |
| **Total CPE** | **$249,161,831** | **$256,240,825** | **$218,325,559** |
| **3-Year Average CPE** | **$241,242,738** | | |

Sources:

1) CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services, except for OWN for 2012-2013, 2013-2014, and 2014-2015; Teletoon/Télétoon for 2013-2014; W for 2012-2013 and 2013-2014; and YTV for 2012-2013 and 2013-2014, which come from the document source noted below.

2) Corus June 10, 2016 filing (File name: DM#2628791 - 2016-0015-6 - Réponse-Response 3 - AppendixE_Q10a_CorusGroup_Appendix 2_First run and New comm_ABRIDGED_2016_06_10.pdf)

## Proposed New Corus Group Discretionary Services Historical Revenue

| Service | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|
| ABC Spark | | $10,085,063 | $10,747,178 |
| Action | $19,053,414 | $20,684,588 | $22,363,535 |
| BBC Canada | $10,443,040 | $10,665,892 | $10,816,074 |
| BC News 1 | | | $1,508,225 |
| Cartoon Network | $7,489,719 | $7,397,661 | $7,073,348 |
| CMT | $29,274,064 | $24,722,402 | $19,623,587 |
| Cosmopolitan TV | $12,410,361 | $11,684,310 | $9,670,271 |
| Crime + Investigation | $14,541,189 | $15,876,463 | $17,777,611 |
| Deja View | $8,199,848 | $7,823,923 | $7,982,565 |
| Disney Channel | | | |
| Disney Junior | | | |
| Disney XD | | | |
| DIY | $10,742,635 | $10,431,319 | $12,092,599 |
| DTOUR | $37,954,647 | $32,064,795 | $27,034,590 |
| Fiy | $6,980,301 | $7,022,948 | $7,002,571 |
| Food Network | $59,752,722 | $66,357,863 | $69,106,930 |
| HGTV | $72,324,931 | $73,865,085 | $76,619,880 |
| History Television | $76,212,608 | $78,364,726 | $77,704,532 |
| H2 | $4,928,135 | $6,545,575 | $8,094,393 |
| Independent Film Channel | $10,463,899 | $10,998,575 | $10,344,424 |
| Lifetime | $17,492,990 | $22,166,452 | $21,746,682 |
| MovieTime | $13,782,916 | $15,117,984 | $15,071,115 |
| National Geographic Channel | $22,616,433 | $25,545,086 | $27,367,553 |
| NatGeo Wild | | $6,099,430 | $6,409,033 |
| Nickelodeon | $7,005,074 | $6,878,900 | $6,460,041 |
| OWN | $28,195,696 | $29,503,904 | $28,501,941 |
| Showcase | $74,156,563 | $72,915,334 | $75,689,620 |
| Slice | $41,133,820 | $42,692,492 | $43,389,115 |
| Sundance Channel | $5,071,095 | $5,628,290 | $4,937,292 |
| Teletoon/Télétoon | $83,955,599 | $84,369,692 | $79,332,249 |
| Treehouse TV | $14,254,510 | $14,498,692 | $13,342,449 |
| W Movies | $6,458,378 | $7,413,357 | $7,650,029 |
| W | $88,092,883 | $91,182,639 | $81,407,308 |
| YTV | $90,844,092 | $89,391,006 | $80,225,087 |
| **Total Revenue** | **$873,831,562** | **$907,994,446** | **$887,091,827** |
| **3-Year Average Revenue** | | **$889,639,278** | |

Source: CRTC Statistical and Financial Summaries for Individual Pay Television, Pay-Per-View, Video-on-Demand and Specialty Services

# APPENDIX 2

## About Boon Dog Professional Services Inc.

Boon Dog Professional Services Inc. is an Ottawa-based research and consulting firm offering a range of professional services and research studies to clients in a number of sectors, with an expertise in the broadcasting and media sectors. Services provided include the following:

- strategic business and market intelligence;
- strategic marketing communications and public relations;
- writing and editing; and
- communications/broadcasting regulatory consulting and analytics.

Boon Dog Co-founder and Partner Mario Mota has extensive knowledge of the Canadian broadcasting and communications industries and CRTC regulatory processes. From 1999 to 2000, Mario served as Director of Policy and Regulatory Affairs at the Specialty and Premium Television Association (SPTV), which represented licensed Canadian specialty, pay, and third-language TV services. Mario assumed the position of Director of Specialty and Pay Television Policy at the Canadian Association of Broadcasters (CAB) following SPTV's merger with the CAB in December 2000. From April 2006 to November 2010, Mario oversaw broadcasting policy and regulatory matters for the Canadian Media Producers Association (CMPA) (then the Canadian Film and Television Production Association and later the Canadian Media Production Association), first as Senior Director of Broadcast Relations & Research and then as Vice-President, Broadcasting Policy & Regulatory Affairs.

Prior to co-founding Boon Dog Professional Services in 2006, Mario was Vice-President of Broadcast/Media Research at Decima Research Inc. (now Harris/Decima) where he managed the company's growing broadcast and media research practice.

Mario first joined the Decima group in July 2001 as President and Publisher of Decima Reports Inc. (then Decima Publishing but now The Wire Report and published by The Hill Times). One of Mario's key mandates in this leadership position was to increase Decima Research's exposure and credibility in the broadcasting sector. He achieved this by coordinating research projects on broadcasting industry topics such as digital television and HDTV. During his time at Decima Reports, Mario developed and managed Decima's successful THE DIGITAL DOMAIN research series, Canada's most comprehensive independent research series on the digital TV market. Mario continued to manage this highly regarded research product when he joined Decima Research in June 2004. Boon Dog Professional Services continues to produce this report series today under the name ***Canadian Digital TV Market Monitor***.

Mario and Boon Dog also produce the ***Canadian Television Benefits Monitor***, an annual syndicated research study that tracks spending for all current television tangible public benefits packages, using data contained in reports filed annually with the CRTC.

## How to Contact Boon Dog

www.boondog.ca
Mobile: (613) 315-5352
Email: mota.bdps@rogers.com

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