

BNOC 2016–225: CMPA APPENDIX E

An Alternative, Expenditure–based Approach to Ensuring a Significant Contribution from the Independent Production Sector

I. Maintaining Historical Spending on Independently Produced Programming as a Percentage of Group Revenues

1. One way to maintain the Groups' spending on all independently produced programming is to establish an obligation that is based on their historical expenditures measured as a percentage of their Group revenues. This approach would be comparable to the manner in which the Commission has established the Group CPE obligation (i.e., 30% of Group revenues) and the Group PNI spending obligation (i.e., 5% –18% of Group revenues).
2. According to our analysis, Bell has historically allocated 8.2% of its Group revenues to independently produced programming¹ while, before being purchased by Corus, Shaw's corresponding figure is 11.5%.² Unfortunately, the necessary data is not available to calculate corresponding figures for Corus (not including the former Shaw services) and Rogers. In Corus's case, it had reported program expenditures for some of its discretionary services prior to 2014–15 on a cash basis and for others on an accrual basis, making it impossible to present an accurate total historical Group spending number; in addition, the Commission does not disclose revenue figures for Corus's television stations. In Rogers' case, it only became a Group in 2014 and historical revenue figures for its television stations include revenue for its OMNI stations which are not part of its new Group. While changes in practices and circumstances mean these limiting factors should disappear going forward, they do preclude identifying comparable figures for Corus and Rogers regarding the percentage of their respective Group revenue they have historically allocated to independently produced programming.

¹ Note that independently produced program spending data is taken from line 5 and line 8 of the Groups' aggregated returns (Total Canadian Programs Telecast) where spending on independent production from lines 9–12 is not available. Line 14 (Total – Canadian Programming Expenses) is used where all amounts in lines 9–12 show \$0.

² Based on the most recent three years.



3. Nevertheless, from available data we can see that, based on the last three years, the discretionary services in the Bell and Shaw Groups spent, respectively, an average of 13.7% and 19.1% of their previous year's revenues on independently produced programming. The corresponding figures for Corus and Rogers, based only on the most recent year, are 15.4% and 13.5%, respectively.³
4. For ease of reference, these various figures (plus the percentage of their previous year's revenue which Bell and Shaw have historically allocated to independently produced programming on their respective television stations) are presented in the following chart:

Measurement of Historical Spending on Independent Production as a % of the Previous Year's Revenues	Corus	Bell	Rogers	Shaw
By Television Stations as a % of Television Station Revenue	N/A	4.7	N/A	2.4
By Discretionary Services as a % of Discretionary Services Revenue	15.4	13.7	13.5	19.1
By the Group as a % of Group Revenue	N/A	8.2	N/A	11.5

Source: Broadcast Groups' Annual Returns

II. Maintaining Historical Spending on Independently produced Programming as a Percentage of Group CPE

a. Based on Total CPE

³ Based on spending figures from 2014–2015 and revenue figures from the previous year, 2013–2014. We can use these figures since Corus reported its spending figures consistently in 2014–15 while Rogers' Group revenues that year did not include OMNI.



5. Another way to maintain the Groups' historical spending on all independently produced programming is to establish an obligation that is based on their historical expenditures measured as a percentage of their Group CPE spending. This approach would be comparable to the manner in which the Commission has established the Groups' independently produced PNI spending obligation (i.e., 75% of PNI).
6. Accordingly to our analysis, Bell has historically allocated 28.1% of its total Group CPE to independently produced programming while Shaw's corresponding figure is 41.3%. Rogers' figure, based only on the most recent year, is 16.5%. Unfortunately, as above, we cannot calculate a corresponding Group figure for Corus because the Commission does not disclose data for Corus's television stations.
7. Nevertheless, as shown in the chart below we can see that, based on the last three years, the discretionary services in the Bell and Shaw Groups spent, respectively, an average of 42.2% and 84.3% of their total CPE on independently produced programming. The corresponding figures for Corus and Rogers, based on the most recent year, are 75.6% and 32.1%, respectively.
8. For ease of reference, these various figures (plus the percentage of Total CPE Bell, Rogers⁴ and Shaw have historically allocated to independently produced programming on their respective television stations) are presented in the following chart:

Measurement of Historical Spending on Independent Production	Corus	Bell	Rogers	Shaw
By Television Stations as a % of Television Station Total CPE	N/A	17.5	10.6	7.1
By Discretionary Services as a % of Discretionary Services Total CPE	75.6	42.2	32.1	84.3
By the Group as a % of	N/A	28.1	16.5	41.3

⁴ A figure for Rogers is available because Rogers reported CPE for the television stations in its Group (i.e., excluding OMNI) for 2014-15.



Group Total CPE				
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Source: Broadcast Groups' Annual Returns

b. Based on Net CPE

9. The above figures represent historical spending on all independently produced programming as a percentage of total CPE, which includes CPE allocated to news and sports. The CMPA submits, however, that, since the Groups do not typically commission independent producers to produce their news and sports programming, it could be appropriate to exclude CPE spending on news and sports when making this calculation. By doing so, the calculation would measure how much programming that historically could be independently produced has, in fact, actually been independently produced. In proposing such a measurement, the CMPA acknowledges that certain program categories do not lend themselves to independent production and so should not be contemplated in establishing an independent production expenditure obligation.
10. Accordingly to our analysis, Bell has historically allocated 53.2% of its Group CPE net of news and sports spending (Net CPE) to independently produced programming while Shaw's corresponding figure is 77.9. Rogers' figure, based only on the most recent year, is 46.9%. As above, we cannot calculate a corresponding Group figure for Corus.
11. Nevertheless, we can see that, based on the last three years, the discretionary services in the Bell Group spent an average of 52.5% of their Net CPE on independently produced programming. Since Shaw did not report any spending on news or sports for its discretionary services, its figure of 84.3% is unchanged from the chart immediately above.
12. The corresponding figure for Rogers, based on the most recent year, is 93.6%. Since Corus, like Shaw, did not report any spending on news or sports for its discretionary services, its figure of 75.6% is unchanged from the chart immediately above.
13. For ease of reference, these various figures (plus the percentage of Net CPE Bell, Rogers and Shaw have historically allocated to independently produced programming on their respective television stations) are presented in the following chart:

Measurement of Historical Spending on Independent Production	Corus	Bell	Rogers	Shaw
By Television Stations as a % of Television Station Net	N/A	54.8	29.9	45.3



<u>CPE (Excl. News and Sports)</u>				
By Discretionary Services as a % of Discretionary Net CPE (Excl. News and Sports)	75.6	52.5	93.6	84.3
By the Group as a % of Group Net CPE (Excl. News and Sports)	N/A	53.2	46.9	77.9

Source: Broadcast Groups' Annual Returns

