

**ANALYSIS OF FINANCIAL AND CPE AND PNI SPENDING  
DATA FILED BY BLUE ANT AS PART OF ITS LICENCE  
RENEWAL APPLICATIONS**

**(Part 1 Applications 2017-0841-3 and 2017-0842-1)**

**Prepared by:**

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**For:**

**Canadian Media Producers Association (CMPA)**

**February 2018**

<b>Blue Ant Media Designated Group - REVENUE</b>					
<b>Service</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>3-Yr Avg.</b>
A.Side	\$492,522	\$489,078	\$696,776	\$1,011,714	\$732,523
BBC Earth	\$3,726,991	\$3,793,913	\$4,172,606	\$4,458,630	\$4,141,716
Cottage Life	\$4,090,549	\$4,000,867	\$4,693,923	\$4,844,979	\$4,513,256
HIFI	\$3,535,642	\$3,573,111	\$4,005,254	\$4,364,881	\$3,981,082
Love Nature	\$5,640,552	\$6,353,456	\$7,040,936	\$7,269,260	\$6,887,884
Makeful	\$1,617,232	\$1,780,576	\$1,899,675	\$2,328,969	\$2,003,073
Smithsonian Channel	\$3,341,900	\$3,511,990	\$3,926,374	\$4,304,032	\$3,914,132
T+E	\$6,148,994	\$6,036,098	\$7,340,411	\$7,934,207	\$7,103,572
<b>Total Group Revenue</b>	<b>\$28,594,382</b>	<b>\$29,539,089</b>	<b>\$33,775,955</b>	<b>\$36,516,672</b>	<b>\$33,277,239</b>

Source: CRTC Statistical and Financial Summaries for Individual Discretionary and On-Demand Services

<b>Blue Ant Media Designated Group - CPE</b>						
<b>Service</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>3-Yr Avg.</b>
A.Side	\$618,910	\$100,618	\$112,064	\$111,560	\$236,016	\$153,213
BBC Earth	\$876,824	\$867,930	\$507,107	\$762,580	\$845,866	\$705,184
Cottage Life	\$1,085,561	\$853,385	\$976,097	\$2,252,258	\$3,263,372	\$2,163,909
HIFI	\$624,842	\$790,854	\$905,604	\$1,047,235	\$1,067,733	\$1,006,857
Love Nature	\$1,086,876	\$1,042,503	\$970,072	\$1,584,432	\$1,872,145	\$1,475,550
Makeful	\$564,412	\$228,136	\$338,770	\$784,557	\$219,213	\$447,513
Smithsonian Channel	\$525,700	\$654,083	\$513,589	\$751,386	\$798,703	\$687,893
T+E	\$2,280,527	\$3,366,283	\$3,820,821	\$4,127,924	\$2,996,430	\$3,648,392
<b>Total Group CPE</b>	<b>\$7,663,652</b>	<b>\$7,903,792</b>	<b>\$8,144,124</b>	<b>\$11,421,932</b>	<b>\$11,299,478</b>	<b>\$10,288,511</b>

<b>Total Group 3-Year Average Revenue (2012-2013, 2013-2014, and 2014-2015)</b>	<b>\$33,277,239</b>
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<b>Total Group 3-Year Average CPE (2013-2014, 2014-2015, and 2015-2016) as a % of Previous 3-Year Average Group Revenue (2012-2013, 2013-2014, and 2014-2015)</b>	<b>30.9%</b>
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Source: CRTC Statistical and Financial Summaries for Individual Discretionary and On-Demand Services

**Blue Ant Media Existing CPE Levels vs. Proposed Group CPE Level -  
Based on 2015-2016 Revenue**

Service	2015-2016 Revenue	Existing CPE Levels	CPE Required in 2016-2017	Proposed CPE Level	CPE That Would be Required in 2016-2017
A.Side	\$884,195	15%	\$132,629	21%	\$185,681
BBC Earth	\$4,507,892	10%	\$450,789	21%	\$946,657
Cottage Life	\$5,097,740	40%	\$2,039,096	21%	\$1,070,525
HIFI	\$4,368,066	10%	\$436,807	21%	\$917,294
Love Nature	\$7,185,804	10%	\$718,580	21%	\$1,509,019
Makeful	\$2,379,892	15%	\$356,984	21%	\$499,777
Smithsonian Channel	\$4,355,882	10%	\$435,588	21%	\$914,735
T+E	\$8,350,996	40%	\$3,340,398	21%	\$1,753,709
<b>Total CPE Required in 2016-2017</b>			<b>\$7,910,872</b>		<b>\$7,797,398</b>
Variance \$					-\$113,474
Variance %					-1.4%
<b>Total Group Revenue / CPE</b>	<b>\$37,130,467</b>	30.9%*	<b>\$11,473,314</b>	21%	<b>\$7,797,398</b>
Variance \$					-\$3,675,916
Variance %					-32.0%

Sources:

- 1) Blue Ant Media licence renewal application
- 2) CRTC Statistical and Financial Summaries for Individual Discretionary and On-Demand Services

Notes:

1) Blue Ant has used a "weighted average" of the current CPE requirements for each of its discretionary services based on the manner in which revenues skew across the services to arrive at its proposed standardized 21% CPE requirement for the next licence term. However, Blue Ant has not detailed exactly how it did the weighting (i.e., the revenue weights). The analysis above is meant to determine what a 21% CPE would yield in terms of spending compared to the current individual CPE levels.

2) \* 30.9% is Blue Ant's average CPE spend over the past three years as a percentage of average prior year revenue, as calculated on page 2.

**Blue Ant Media Existing CPE Levels vs. Proposed Group CPE Level -  
Based on 2014-2015 Revenue**

Service	2014-2015 Revenue	Existing CPE Levels	CPE Required in 2015-2016	Proposed CPE Level	CPE That Would be Required in 2015-2016
A.Side	\$1,011,714	15%	\$151,757	21%	\$212,460
BBC Earth	\$4,458,630	10%	\$445,863	21%	\$936,312
Cottage Life	\$4,844,979	40%	\$1,937,992	21%	\$1,017,446
HIFI	\$4,364,881	10%	\$436,488	21%	\$916,625
Love Nature	\$7,269,260	10%	\$726,926	21%	\$1,526,545
Makeful	\$2,328,969	15%	\$349,345	21%	\$489,083
Smithsonian Channel	\$4,304,032	10%	\$430,403	21%	\$903,847
T+E	\$7,934,207	40%	\$3,173,683	21%	\$1,666,183
<b>Total CPE Required in 2015-2016</b>			<b>\$7,652,457</b>		<b>\$7,668,501</b>
Variance \$					\$16,044
Variance %					0.2%
<b>Total Group Revenue / CPE</b>	<b>\$36,516,672</b>	30.9%*	<b>\$11,283,652</b>	21%	<b>\$7,668,501</b>
Variance \$					-\$3,615,151
Variance %					-32.0%

**Actual CPE for Blue Ant Media Group in 2015-2016** **\$11,299,478** 30.9% of prior year group revenue

**Amount Spent Over CPE Minimums** **\$3,631,194**

Sources:

- 1) Blue Ant Media licence renewal application
- 2) CRTC Statistical and Financial Summaries for Individual Discretionary and On-Demand Services

Notes:

1) Blue Ant has used a "weighted average" of the current CPE requirements for each of its discretionary services based on the manner in which revenues skew across the services to arrive at its proposed standardized 21% CPE requirement for the next licence term.

However, Blue Ant has not detailed exactly how it did the weighting (i.e., the revenue weights). The analysis above is meant to determine what a 21% CPE would yield in terms of spending compared to the current individual CPE levels.

2) \* 30.9% is Blue Ant's average CPE spend over the past three years as a percentage of average prior year revenue, as calculated on page 2.

**Blue Ant Media Existing CPE Levels vs. Proposed Group CPE Level -  
Based on 2013-2014 Revenue**

Service	2013-2014 Revenue	Existing CPE Levels	CPE Required in 2014-2015	Proposed CPE Levels	CPE That Would be Required in 2014-2015
A.Side	\$696,776	15%	\$104,516	21%	\$146,323
BBC Earth	\$4,172,606	10%	\$417,261	21%	\$876,247
Cottage Life	\$4,693,923	40%	\$1,877,569	21%	\$985,724
HIFI	\$4,005,254	10%	\$400,525	21%	\$841,103
Love Nature	\$7,040,936	10%	\$704,094	21%	\$1,478,597
Makeful	\$1,899,675	15%	\$284,951	21%	\$398,932
Smithsonian Channel	\$3,926,374	10%	\$392,637	21%	\$824,539
T+E	\$7,340,411	40%	\$2,936,164	21%	\$1,541,486
<b>Total CPE Required in 2014-2015</b>			<b>\$7,117,718</b>		<b>\$7,092,951</b>
Variance \$					-\$24,768
Variance %					-0.3%
<b>Total Group Revenue / CPE</b>	<b>\$33,775,955</b>	30.9%*	<b>\$10,436,770</b>	21%	<b>\$7,092,951</b>
Variance \$					-\$3,343,820
Variance %					-32.0%

**Actual CPE for Blue Ant Media Group in 2014-2015** **\$11,421,932** 33.8% of prior year group revenue

**Amount Spent Over CPE Minimums** **\$3,319,052**

Sources:

- 1) Blue Ant Media licence renewal application
- 2) CRTC Statistical and Financial Summaries for Individual Discretionary and On-Demand Services

Notes:

1) Blue Ant has used a "weighted average" of the current CPE requirements for each of its discretionary services based on the manner in which revenues skew across the services to arrive at its proposed standardized 21% CPE requirement for the next licence term.

However, Blue Ant has not detailed exactly how it did the weighting (i.e., the revenue weights). The analysis above is meant to determine what a 21% CPE would yield in terms of spending compared to the current individual CPE levels.

2) \* 30.9% is Blue Ant's average CPE spend over the past three years as a percentage of average prior year revenue, as calculated on page 2.

**Blue Ant Media Group Financial / Programming Expense Projections -  
Based on Blue Ant's Proposed Group CPE and PNI Levels**

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
<b>Revenue</b>						
Total Group Revenue	\$32,642,238	\$31,672,778	\$30,866,712	\$30,084,828	\$29,326,400	
<b>CPE</b>						
Total Group CPE	\$7,047,123	\$6,843,264	\$6,651,283	\$6,482,009	\$6,317,814	
CPE as % of prior year revenue	21.0%	21.0%	21.0%	21.0%	21.0%	
<b>PNI</b>						
Total Group PNI	\$4,530,294	\$4,406,702	\$4,275,825	\$4,167,006	\$4,061,452	
PNI as % of prior year revenue	13.5%	13.5%	13.5%	13.5%	13.5%	
<b>Total Group CPE that would be required if at historical 30.9% level</b>	<b>\$10,369,338</b>	<b>\$10,086,452</b>	<b>\$9,786,888</b>	<b>\$9,537,814</b>	<b>\$9,296,212</b>	
<b>Variance between Blue Ant projected CPE spending and 30.9% historical CPE spend level</b>	<b>-\$3,322,215</b>	<b>-\$3,243,188</b>	<b>-\$3,135,605</b>	<b>-\$3,055,805</b>	<b>-\$2,978,398</b>	<b>5 Year Total = -\$15,735,211</b>

Sources: Blue Ant Media licence renewal applications, Appendix 5 - Financial Projections and Appendix 7 - Projected Canadian Programming Expenditures

Note: We have not provided a variance analysis between Blue Ant's projected PNI spending and historical PNI spending, as we did for CPE above. That's because historical PNI spending is not publicly available. To be more specific, we note that Blue Ant has not filed, nor has the Commission required it to file, data showing what it spent on PNI over the current licence term. Also, the Group PNI reports filed by Blue Ant and available on the CRTC's website appear to be inaccurate. Those reports show that PNI spending was \$18 million in broadcast year 2016, \$22.2 million in 2015, and \$36.8 million in 2014. These numbers are two times higher (more than three times higher in the case of the 2014 number) than Blue Ant's reported spending on CPE in these years. Given that PNI is a subset of CPE, that is not possible.

## APPENDIX

### **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**

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