



## Broadcasting Public Notice CRTC 2005-81

Ottawa, 10 August 2005

### Viewing and expenditure incentives for English-language Canadian television drama – Call for comments

*In this public notice, the Commission examines the 2003/04 data provided by BBM Canada and Nielsen Media Research with respect to viewing to Canadian dramatic programming, and calls for comments on a proposed industry viewing objective and on viewing targets for the ownership groups participating in the incentive program for English-language Canadian television drama. The Commission also reviews the 2003/04 data with respect to expenditures on English-language Canadian drama programming by individual, private, conventional television services and by the largest conventional ownership groups, and calls for comments on proposed expenditure targets.*

1. In *Proposed incentives for English-language Canadian television drama – Call for comments*, Broadcasting Public Notice CRTC 2004-32, 6 May 2004 (Public Notice 2004-32), the Commission sought comment on a proposed package of incentives designed to: a) increase the expenditures on, and the production of, high quality, original, Canadian drama broadcast by English-language television licensees; and b) encourage increased viewing to such programming.

#### Proposed incentives to increase viewing to English-language Canadian drama

2. The Commission proposed in Public Notice 2004-32 that the viewing percentages that would serve as the basis for any incentive model for increasing the viewing to Canadian drama be calculated using the metered data for an entire broadcast year, as opposed to the fall diary data collected by BBM Canada. The Commission indicated that it was working with the Canadian Television Fund (CTF), Telefilm Canada, Mediastats, other government departments and the broadcasting industry to add the country of origin and program genre for programs captured by both the BBM Canada and Nielsen Media Research metered databases.
3. In Public Notice 2004-32, the Commission stated that it would review the results of the metered databases for the 2003/04 broadcast year with a view to setting an overall industry objective in the 2004/05 broadcast year, to be achieved over a five-year period. It also proposed that the viewing incentives for each ownership group be based on the level of viewing to English-language Canadian drama broadcast by the conventional television and specialty services that form part of an ownership group,<sup>1</sup> calculated as a percentage of all of the drama programming aired by those services.

---

<sup>1</sup> For the purpose of this notice, an ownership group is defined as more than one conventional television station or specialty service owned or controlled by the same person or entity.

4. The methodology proposed by the Commission in Public Notice 2004-32 for establishing the targets to be met by the individual ownership groups was to be based on a comparison of the current level of viewing to Canadian drama across the industry and the overall industry objective. According to the Commission's proposal, in order to qualify for a viewing incentive reward, each ownership group would be required to achieve specific minimum annual increments in the level of viewing to Canadian drama across all of the conventional television and specialty services in the group relative to the percentage of viewing to all drama aired by those services. The required annual percentage increase was to be set at a level of 20% of the difference between the current industry level and the industry objective.
5. In Public Notice 2004-32, the Commission further proposed that, where increases in the viewing to Canadian drama within an ownership group met or exceeded the viewing targets set by the Commission, each licensee within the ownership group would be permitted to air 25% more advertising than the number of minutes that it would be permitted, under another incentive proposed in Public Notice 2004-32, for the production and broadcast of original hours of eligible English-language, Canadian drama.
6. In *Incentives for English-language Canadian television drama*, Broadcasting Public Notice CRTC 2004-93, 29 November 2004 (Public Notice 2004-93), the Commission reviewed the comments received in response to Public Notice 2004-32, and announced the details of its incentive program for English-language Canadian television drama programming, including a framework for the viewing incentives that would take essentially the same form as that proposed in Public Notice 2004-32.
7. In Public Notice 2004-93, the Commission stated that it would issue a further public notice in the 2004/05 broadcast year to announce its proposal for a viewing objective for the industry as a whole and to seek comment from interested parties. It also indicated that preliminary viewing targets for those ownership groups participating in the incentive program would be made public at that time, and that the final viewing targets for each participating ownership group would be announced subsequently. In Public Notice 2004-93, the Commission indicated further that it would review the 2003/04 Canadian drama expenditure results for the large conventional ownership groups and would subsequently announce the targets for each group for the five-year period commencing 2004/05.

#### **Examination of the 2003/04 viewing results**

8. Earlier this year, BBM Canada and Nielsen Media Research released their final viewing data for the 2003/04 broadcast year, including the additional program data relating to country of origin and program genre. The overall industry average level of viewing to Canadian drama<sup>2</sup> on English-language private conventional services, as a percentage of

---

<sup>2</sup> Category 7a to 7g, drama and comedy programming as defined in the *Television Broadcasting Regulations, 1987* and *Specialty Services Regulations, 1990*.

the viewing to all drama aired by those services, was 9.2% in 2003/04.<sup>3</sup> According to the 2003/04 data, the conventional services operated by CTV Inc. (CTV), Global Television Network Inc. (Global) and CHUM Limited (CHUM) recorded levels of viewing to Canadian drama, expressed as a percentage of viewing to all drama programming aired by the conventional services in each group, of 10.5%, 8.4% and 9.1%, respectively. The level of viewing to English-language Canadian drama broadcast by the conventional television services of the Canadian Broadcasting Corporation was 39.6% of total viewing to drama aired by these services in 2003/04.

9. On a combined basis, the English-language specialty services that broadcast drama programming achieved an average level of viewing to Canadian drama<sup>4</sup> of 28% of all drama broadcast by these services. However, the levels of viewing to Canadian drama recorded by individual English-language specialty services, as a percentage of all drama viewing recorded by those services, varied from between 1% and 44%. This broad variation is reflective of the differing nature of service conditions of the various specialty services concerned, as well as their differing Canadian content and expenditure requirements.

### **Proposed modification to the viewing incentive**

10. According to the viewing incentive methodology outlined in Public Notice 2004-93, the level of viewing to English-language Canadian drama aired by an ownership group would be calculated as a percentage of the viewing to all drama aired across all the English-language conventional and specialty services that form part of that ownership group. Having reviewed the data from the metered databases, the Commission now proposes to modify the viewing incentive model set out in Public Notice 2004-93.
11. As indicated above, the 2003/04 levels of viewing to English-language Canadian drama recorded by the conventional television services operated by the three largest ownership groups, CTV, Global and CHUM, were similar. The results are consistent with the fact that the conventional services operate within the same general regulatory parameters. The average level of viewing to English-language Canadian drama achieved by specialty services as a group, expressed as a percentage of overall viewing to drama aired by such services, was well above the corresponding level achieved by private, conventional, English-language television stations. However, the levels of viewing to Canadian drama recorded by individual specialty services that air such programming varied widely, which is understandable given the wide range of genres that specialty services cover. Many of these specialty services fall under the ownership of one or another of the three largest ownership groups. As a result, when the Canadian drama viewership data pertaining to

---

<sup>3</sup> Data pertaining to conventional services is derived from a sample that includes the viewing to conventional services in the Toronto, Vancouver and Calgary extended markets, using the Nielsen Media Research metered database for the 2003/04 broadcast year.

<sup>4</sup> Data pertaining to specialty services is based on the Nielsen Media Research metered database national results for the 2003/04 broadcast year.

specialty services are combined with similar data pertaining to conventional television services, the range in the viewing to English-language Canadian drama, as measured against the viewing to all drama aired across all the English-language conventional and specialty television services in these largest ownership groups, becomes significantly greater than the range that exists in the data for conventional television services alone.

12. The Commission proposes that it would be more equitable and simpler to establish a common industry objective that would apply to private, English-language conventional television services only. Specialty services would be dealt with separately. In order to obtain the annual incentive, the conventional television services within an ownership group, collectively, would be required to attain an overall increase in the ratio of viewing to English-language Canadian drama, as a percentage of viewing to all drama broadcast by the stations that meets or exceeds the target set by the Commission. The required annual increase would represent one-fifth of the difference between the industry objective and the overall level achieved by the stations in 2003/04. Under this proposal, all of the ownership groups would have the same objective. In order to earn the incentive, those ownership groups whose English-language conventional television stations achieved levels of viewing to Canadian drama in 2003/04 that were lower than the levels attained by other such groups would be required to obtain larger annual increments in the overall level of viewing to Canadian drama.
13. As a common industry objective, the Commission considers that it is reasonable to expect private, English-language conventional television services, over a five-year period, to increase the hours of viewing that they attract to English-language Canadian drama to 16.5% of viewing to all drama broadcast by these services. An increase to 16.5% would equate to an approximate 80% increase over the current industry average of 9.2%. Such an increase of 80% also equates to the objective of 6% set by the Commission in Public Notice 2004-32 with respect to increases in expenditures by these broadcasters on Canadian drama, relative to the current industry average of 3.3%.
14. Using the 16.5% industry objective, the following would be the annual viewing targets for the three largest groups:

| <b>Broadcast year</b> | <b>CTV</b> | <b>CHUM</b> | <b>Global</b> |
|-----------------------|------------|-------------|---------------|
| 2003/04 (base year)   | 10.5%      | 9.1%        | 8.4%          |
| 2004/05               | 11.7%      | 10.6%       | 10.0%         |
| 2005/06               | 12.9%      | 12.1%       | 11.6%         |
| 2006/07               | 14.1%      | 13.5%       | 13.3%         |
| 2007/08               | 15.3%      | 15.0%       | 14.9%         |
| 2008/09               | 16.5%      | 16.5%       | 16.5%         |

15. The Commission further proposes that English-language specialty services that broadcast drama programming be treated on an individual basis under the incentive program. Because of the different regulatory requirements under which each of the specialty services operate, and given the wide range in the levels of viewing to Canadian drama recorded by individual English-language specialty services, as a percentage of all drama

viewing recorded by those services (from as low as 1% to as high as 44%), the Commission is of the view that to implement a single industry objective would be impracticable. Instead, the Commission considers that it would be reasonable to expect a specialty service to increase, by 7.5% over a five-year period, the level of viewing to English-language Canadian television drama as a percentage of all drama on the service. Accordingly, the Commission proposes that, in order to qualify for the viewing incentive, each such service be required to achieve the following increases in the levels of viewing to English-language Canadian drama over the actual 2003/04 level, expressed as a percentage of viewing to all English-language drama programming aired by the specialty service:

| <b>Broadcast year</b> | <b>Percentage increase in viewing over 2003/04 level required to qualify for the incentive</b> |
|-----------------------|--|
| 2004/05               | 1.5%   |
| 2005/06               | 3.0%   |
| 2006/07               | 4.5%   |
| 2007/08               | 6.0%   |
| 2008/09               | 7.5%   |

16. For example, in order to qualify for the incentive in the 2008/09 broadcast year, or year 5, a specialty service would be required to have attained a level of viewing to Canadian drama that is at least 7.5 percentage points greater than the level attained in 2003/04, and it would qualify for the incentive in that year even if it had not qualified in a previous year or years. The Commission considers that a 1.5% annual increment is reasonable, and is consistent with the increases that the Commission is proposing be required of the conventional television services of each ownership group in order to qualify for the incentive.

### **Proposed incentive to increase expenditures on English-language Canadian drama**

17. In Public Notice 2004-32, the Commission proposed to establish an overall industry objective for expenditures on Canadian drama that would represent 6% of the total revenues earned by the Canadian private conventional television industry, to be achieved over a five-year period. Each ownership group would be encouraged to increase its Canadian drama expenditures over five years by an amount equal to the percentage difference between the current industry average and the industry objective of 6% of total revenues. The Commission noted that, in each of the broadcast years 2002 and 2003, private, English-language conventional television licensees expended a combined average of approximately 4% (excluding the CTF top-up) of their total revenues on Canadian drama.

18. In Public Notice 2004-32, the Commission proposed that, should increases in the expenditure percentage of the conventional television stations within an ownership group meet or exceed the targets set by the Commission, each of those conventional television stations would be permitted to broadcast an additional 25% of the total advertising minutes that they would be permitted to broadcast for the production and broadcast of original hours of eligible English-language Canadian drama.
19. In Public Notice 2004-93, the Commission adopted the proposed framework for the expenditure incentives as outlined in Public Notice 2004-32. The Commission also noted that it would review the financial results for the 2003/04 broadcast year for each of the ownership groups participating in the drama incentive program before setting the expenditure incentive targets for each group for the five-year period commencing with the 2004/05 broadcast year. The targets would also be set out in a public notice to be issued in the 2004/05 broadcast year. The Commission indicated that expenditures on drama programs funded in whole or in part as a result of commitments made at the time of licensing or as a result of ownership transfer benefits would be excluded from the calculation of the expenditure incentive. CTF top-up funding would also be excluded from the calculations under the expenditure incentive.

#### **Review of 2003/04 English-language Canadian drama expenditures**

20. The Commission has completed its review of the Canadian drama expenditures by the private, English-language conventional television industry, and by each of its larger groups, in the 2003/04 broadcast year. The larger ownership groups have also provided the Commission with information to supplement that included in their 2002/03 and 2003/04 annual returns regarding any of their Canadian drama expenditures that relate to transfer of ownership benefits or new licensing commitments. The Commission notes that expenditures on English-language television drama by the private, English-language conventional television industry, excluding CTF top-ups and benefit spending, represented 3.3% of that industry's total revenues in the 2003/04 broadcast year, as compared to the 3.7% expended in the 2002/03 broadcast year.
21. The Commission also analyzed the expenditures of the three largest conventional groups in the 2003/04 broadcast year. The results for the largest groups were all within half of a percentage point of the industry average of 3.3%. Specifically, CTV, Global and CHUM expended 3.5%, 3.4% and 2.9%, respectively, of their total revenues on Canadian drama, excluding CTF top-ups and spending on benefits.
22. Given that the expenditures by the three groups on Canadian drama, as a percentage of their total revenues, were reasonably consistent with the industry average in the 2003/04 broadcast year, the Commission considers that the simplest and most equitable manner in which to proceed would be to apply the same targets to each of the groups. As previously noted, the Commission's objective for spending on Canadian drama by the private, English-language conventional television industry is 6% of total revenues, to be achieved over a five-year period. The difference between the 6% objective and the current industry average of 3.3% is 2.7 percentage points. In order for the industry to increase its spending by that amount of total revenues over five years, an annual increase of slightly

more than one-half of a percentage point would be required, excluding CTF top-up and benefit-related spending. Accordingly, the targets for expenditures on Canadian drama as a percentage of total revenues for each of the ownership groups for the five-year period would be as follows:

| Broadcast year | Canadian programming expenditures as a percentage of gross revenues |
|----------------|---|
| 2004/05        | 3.9%  |
| 2005/06        | 4.4%  |
| 2006/07        | 4.9%  |
| 2007/08        | 5.5%  |
| 2008/09        | 6.0%  |

23. In the Commission's view, given that the amounts expended on Canadian drama are directly within the control of the larger groups, each of the groups is capable of achieving the targets.

### **Call for comments**

25. The Commission invites comments that address the issues set out in this notice. The Commission will accept comments that it receives on or before **11 October 2005**.
26. The Commission will not formally acknowledge comments. It will, however, fully consider all comments and they will form part of the public record of the proceeding, provided that the procedures for filing set out below have been followed.

### **Procedures for filing comments**

26. Interested parties can file their comments to the Secretary General of the Commission:

- **by using the**  
[Broadcasting Intervention/Comments Form](#)

OR

- **by mail to**  
CRTC, Ottawa, Ontario K1A 0N2

OR

- **by fax at**  
(819) 994-0218

27. Submissions longer than five pages should include a summary.

28. Please number each paragraph of your submission. In addition, please enter the line \*\*\*End of document\*\*\* following the last paragraph. This will help the Commission verify that the document has not been damaged during transmission.

**Important notice**

29. All information submitted, including email address, name and any other personal information, will be placed on the public examination file and can be examined on the Commission's web site at [www.crtc.gc.ca](http://www.crtc.gc.ca).
30. Comments filed in electronic form or on paper will be available in the *Public Proceedings* section of the Commission's web site in the official language and format in which they are submitted. Paper versions will be converted to electronic versions by the Commission for this purpose. All comments will be placed on the public examination file.
31. The Commission encourages interested parties to monitor the public examination file and the Commission's web site for additional information that they may find useful when preparing their comments.

**Examination of public comments and related documents at the following Commission offices during normal business hours**

Central Building  
Les Terrasses de la Chaudière  
1 Promenade du Portage, Room 206  
Gatineau, Quebec K1A 0N2  
Tel: (819) 997-2429 - TDD: 994-0423  
Fax: (819) 994-0218

Metropolitan Place  
99 Wyse Road  
Suite 1410  
Dartmouth, Nova Scotia B3A 4S5  
Tel: (902) 426-7997 - TDD: 426-6997  
Fax: (902) 426-2721

205 Viger Avenue West  
Suite 504  
Montréal, Quebec H2Z 1G2  
Tel: (514) 283-6607

55 St. Clair Avenue East  
Suite 624  
Toronto, Ontario M4T 1M2  
Tel: (416) 952-9096



Kensington Building  
275 Portage Avenue  
Suite 1810  
Winnipeg, Manitoba R3B 2B3  
Tel: (204) 983-6306 - TDD: 983-8274  
Fax: (204) 983-6317

Cornwall Professional Building  
2125 - 11<sup>th</sup> Avenue  
Room 103  
Regina, Saskatchewan S4P 3X3  
Tel: (306) 780-3422

10405 Jasper Avenue  
Suite 520  
Edmonton, Alberta T5J 3N4  
Tel: (780) 495-3224

530-580 Hornby Street  
Vancouver, British Columbia V6C 3B6  
Tel: (604) 666-2111 - TDD: 666-0778  
Fax: (604) 666-8322

Secretary General

*This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>*