



**Canadian
Association of
Broadcasters**

**L'Association
canadienne des
radiodiffuseurs**

December 10, 2004

Via Email

Ms. Diane Rhéaume
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Dear Ms. Rhéaume:

**RE: Reply comments by Rogers Cable Communications Inc. to CAB's
intervention re Broadcasting Public Notice CRTC 2004-66 (PN 2004-
66)**

On November 15, 2004 Rogers Cable Communications Inc. (Rogers) filed reply comments in response to the CAB's intervention concerning Application No. 2004-0200-1 by Rogers to amend its cable licences in Ontario, New Brunswick and Newfoundland (PN 2004-66). The reply comments include a critique prepared by Canadian Media Research Inc. (CMRI) of the Strategic Inc. study that was filed as part of the CAB's intervention.

In the Executive Summary section of its reply comments, Rogers asserts that CMRI's key finding is that "...the Strategic Inc. analysis contains several errors and omissions that seriously skew the results of the study to the extent that it cannot be used for the purpose of estimating the value of the audience to distant Canadian stations" (emphasis added).

This assertion is based on a number of statements contained in the CMRI study that are factually incorrect and that seriously misrepresent the methodology used in the Strategic Inc. analysis. The CAB believes that, to set the record straight, it must respond to these incorrect statements to the extent that they have mischaracterized the methodology used in the Strategic Inc. analysis.

The specific statements and the CAB's response to each are as follows:

Statement by CMRI:

“the analysis failed to isolate the viewing to distant signal viewing in digital cable and DTH homes.”

“all distant signal viewing in Rogers’ markets including viewing in DTH homes, appears to have been used to calculate the impact of distant signals”

CAB response:

- In fact, the Strategic Inc. estimate of the damage done to local broadcasters by the carriage of distant Canadian signals on Rogers Cable was based on the cable universe only and included no DTH viewing.
- Only those distant Canadian signals carried on Rogers’ digital service were included in the analysis.

Statement by CMRI:

“the analysis compared viewing levels in different months of the broadcast season, which exaggerated audience losses of local TV stations in 2004”

CAB response:

- The Strategic Inc. analysis reviewed data at different points in time to show the growth of distant signal tuning. This does not constitute an exaggeration, merely a tracking over time.
- The viewing data used to calculate the impact of distant signals on local stations were from the Fall 2003 BBM Diary – the most recent full survey of all of the markets in question.
- All calculations concerning the impact of distant signal viewing on Rogers Cable were done on exactly the same time frame and in the same year.

Statement by CMRI:

“the analysis defined the variables used in calculations of revenue/viewing hour such that it substantially exaggerated the value of distant signal viewing”

CAB response:

- The variables used by Strategic Inc. in its revenue per viewing hour calculations are consistent with generally accepted practices in the broadcasting industry, including revenue projections in new licence applications to the CRTC.
- The approach is solid because the impact of variables such as sell out rates, seasonal variations and discounting are all captured within the net revenues of a market.
- In fact, it is likely that the revenue per viewing hour estimates are, if anything, understated for the markets in which Rogers operates since they are based on provincial averages.
- In Ontario, for example, the revenue per hour for smaller markets like Kenora, Sault Ste. Marie, Kingston, Peterborough and Pembroke are included in the provincial average, which has the effect of lowering the provincial average relative to the actual value that would otherwise apply if only the larger Roger markets were included.

Statement by CMRI:

“the analysis failed to account for the advertising revenue that distant Canadian signals generate outside their home market.”

CAB response:

- The analysis considered the possibility of distant Canadian signals generating advertising revenues outside their home market, but concluded that such revenues are not attainable.
- As stated in the Overview section of the Strategic Inc. analysis, “...tuning to non-originating stations is not recoverable in the commercial model used by advertisers in the Canadian system. That is, advertisers will not pay for additional viewing achieved in distant markets; they will pay only for the viewing in the local market of each station.”
- The vast majority of the advertisers in Canada do not buy nationally. Spill audience in distant markets is not considered in most media plans and most importantly, is not negotiated during the buying phase. If a station in Toronto has audience in Halifax, the Halifax audience is not included in the cost per point analysis.

The CAB is concerned that the public record of this proceeding, as it now stands, has been tainted by the above-noted mischaracterizations in the CMRI study. Accordingly, in the interests of fairness and to ensure an accurate public record, the CAB respectfully requests the Commission to accept these additional comments with respect to PN 2004-66.

Sincerely,



David Keeble
Senior Vice-President,
Policy and Regulatory Affairs

c.c. Pamela Dinsmore, Rogers Cable Communications Inc.
Cynthia Stockley, CRTC