

CRTC Exhibit 2

Review of the policy framework for local and community television programming Broadcasting Notice of Consultation 2015-421

The Commission requires that FRIENDS of Canadian Broadcasting and UNIFOR respond to the following undertakings by 15 February 2016.

1. Please answer the following questions regarding the study "Near Term Prospects For Local TV in Canada".
 - a. The study assumes that conventional TV revenue declines will accelerate from now to 2020. It is, however, unclear how this assumption leads to the projected station closures.
 - i. Please provide the rationale behind this assumption, and its possible effects on station closures.
 - ii. Given that 2014 was the only year where the decline in private conventional revenues accelerated, how would station closures, GDP and employment be affected if this acceleration did not materialize?
 - b. Please elaborate on why it is not possible to identify which stations are the most vulnerable to closures.
 - c. The study, on page 19, considers indirect and induced impacts but does not include explanations on how they were calculated. Please explain:
 - i. How these impacts were calculated.
 - ii. If the calculations are based on a model, please explain the model and its underlying assumptions.
 - d. Please detail all calculations resulting in the decline in revenues shown in figure 4, page 19, of the study.
 - e. Given the revenue projections in figure 4 and the assumptions concerning employment ratios, please detail the calculations surrounding the projected loss of employment due to losses in revenue.
 - f. The study states on page 17 that "20% of the ad revenue (and associated employment) lost due to closures of stations of private small and medium market stations would be absorbed by surviving conventional broadcasters; 80% of the losses would escape from the broadcasting system to other advertising media ..." This statement does not appear to be taken into consideration in the estimated impacts on GDP.

- i. If this statement was not taken into consideration, please elaborate on how this assumption would affect the estimations on GDP.
 - ii. If this statement was taken into consideration, please explain how it was integrated into, and how it affected, the estimates.
 - iii. Given this statement, would it not be more appropriate to say that the projected losses are to private conventional television rather than to the economy?
 - iv. How does this assumption affect indirect and induced impacts?
- g. Throughout the study, adjustments to the expenses of private conventional television stations are ignored.
 - i. Why were these adjustments not considered in the study?
 - ii. Please explain how expenses would be affected by the decline in revenues projected in the study.
 - iii. Please explain how adjustments in expenses would affect the losses to GDP and to employment.
- h. The Government committed to an incremental 150 million in annual payments to the CBC/SRC. Because of this commitment, the CBC was ignored in the revenue gap analysis on page 23 (footnote 50) but not from the remainder of the study. Should this commitment materialize, how would the projections regarding GDP and employment be affected?

The Commission requires that UNIFOR respond to the following undertakings by 15 February 2016.

- 2. Please answer the following questions regarding the study "Canadian Television 2020: Technological and Regulatory Impacts".
 - a. Please detail the calculations resulting in the baseline scenario, on pages 4 to 8 and pages 22 to 33 of the study, and how underlying assumptions affect the projections.
 - b. In the study, on pages 75 to 77, The projections for BDU ARPU, and in turn for BDU revenue projections, are based on three major assumptions. Please answer the following questions concerning these assumptions.
 - i. Why is it assumed that 15% of subscribers would choose the skinny package and discretionary services?

- ii. Why is it assumed that the 15% of subscribers would spend an average of \$20 for discretionary services?
 - iii. Why is it assumed that these subscribers pay the same average amount as other subscribers? Given that subscribers that are more likely to switch to the skinny basic package are those that prefer to pay less for their television services, would it not be more likely that these subscribers already pay less than the average?
- c. As a result of the assumptions mentioned previously, the study projects that the subscribers who switch to the skinny basic would, on average, reduce their monthly spending from 65\$ to 45\$. However, research mentioned in the study, which was conducted by the Oliver Wyman Group as commissioned by Rogers Communications Inc. and Shaw Communications Inc., suggests that subscribers who would switch to the skinny basic package would reduce their average monthly spend by \$8.56. Please explain why this study, *Canadian Television 2020*, projects a significantly larger reduction in average spending?
- d. In the study "*Near Term Prospects for Local TV in Canada*" it is stated that as a result of station closures, advertising revenue would be diverted to other conventional televisions stations and other advertising media. Similarly, in this case, the revenue lost by BDU and pay and specialty services would either be in the hands of advertisers or subscribers, and will thus be spent elsewhere in the economy. How does this factor in the projected impact to GDP and employment of this study?
- e. It is assumed in this study that pay and specialty services as well as BDUs will not adjust to changes in the industry.
 - i. Please explain why adjustments from these entities to their services, prices and expenses to maximize profitability and minimize the impact of the LTTV decision were not considered?
 - ii. Please elaborate on how such adjustments would affect the results of this study.
- f. The study, on page 12, considers indirect and induced impacts in the total economic impact of the LTTV policies but does not include detailed explanations as to how they were calculated. Please explain:
 - i. How these impacts were calculated.
 - ii. If the calculations are based on a model, please explain the model and its underlying assumptions.