

# Thin Gruel from Specialty-TV Services

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# Presentation Outline

1. Historical Perspective – Specialty-tv Services Contribution to Programming
2. Analysis of the Digital Launch
3. Prognosis for Diginets
4. Overall Conclusions

# Historical perspective – Specialty Contribution

- Waves of specialties – broad impact on programming
- Rise in relative importance of specialties for Canadian programming
- Increasingly tapping into public funding
- Concentrate in children's and documentary genres

# History of specialty channel launches in Canada 1984 - 2001

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<u>1984</u>	<u>1988/89</u>	<u>1992</u>	<u>1995</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
MuchMusic TSN Telatino Fairchild TV	YTV Weather Meteomedia VisionTV Newsworld VRAK RDS MusiquePLus TV5	Talentvision	Showcase Bravo! Discovery WTN CMT Life Canal D RDI	Space Teletoon History HGTV Comedy Network Outdoor Life Prime TV Newsnet The Score Le Canal Nouvelles Canal Vie Musimax SATV	MuchMoreMusic TreeHouse SportsNet CablePulse 24	CLT Star-TV ROB-TV Odyssey	Food TalkTV Series+ Canal Z Historia Canal Evasion	ARTV  <u>Category 1 Diginets</u>  Biography Channel Book TV Country Canada Discovery Health Documentary Channel Fashion TV Independent Film Channel Canada iChannel MenTV Mystery One (Wisdom) Pridevision RDS Info Sports TechTV Travel TV WTSN Connect/MTV  <u>Category 2 Diginets</u>

Source: CRTC, *Broadcasting Policy Monitoring Report*, 2001

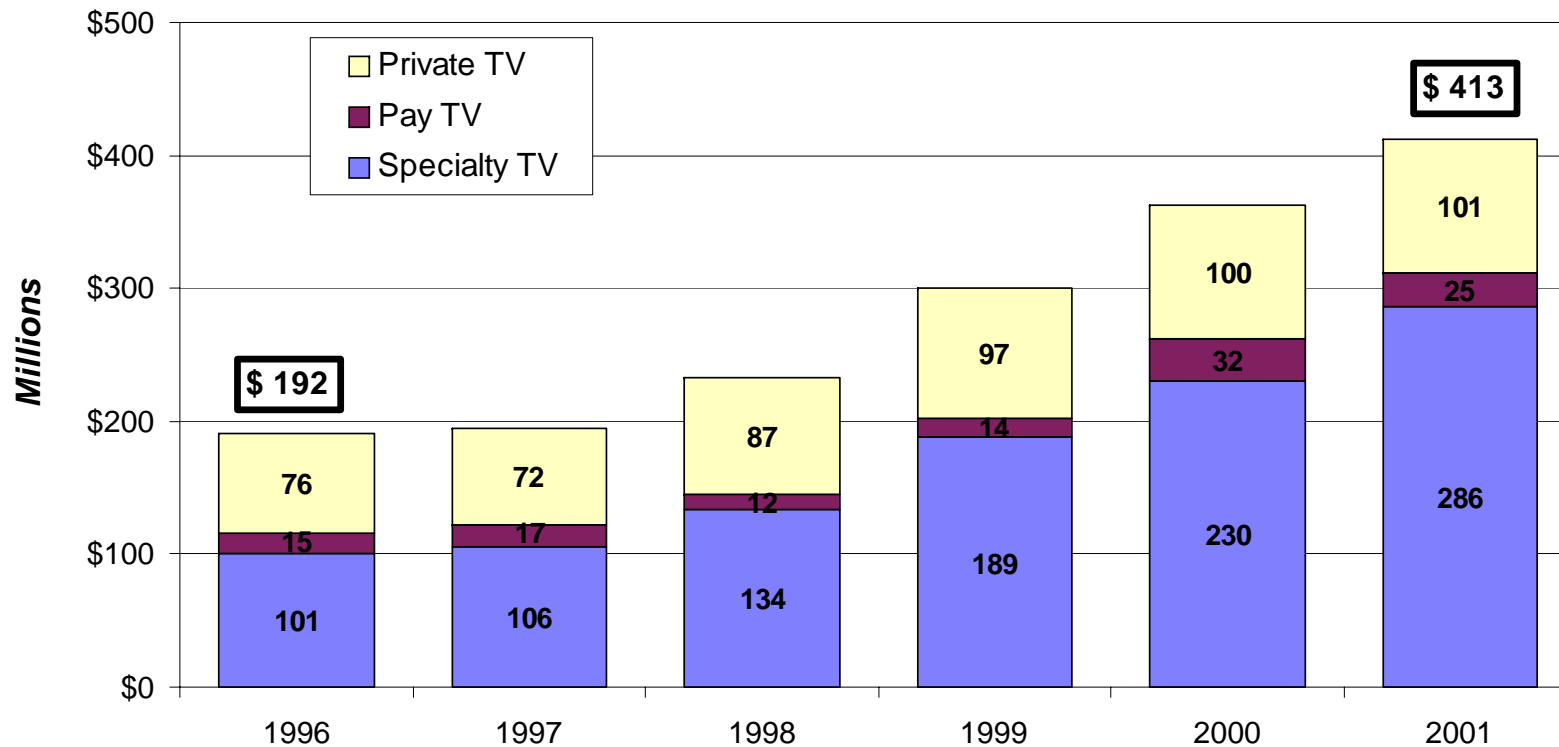


# Waves of Specialty Channels

<u>LAUNCH ERA</u>	<u>EXAMPLES</u>	<u>SUCCESS OF LAUNCH</u>	<u>IMPACT ON PROGRAMMING</u>
1982	Pay-TV, viz TMN, C	Awful	Not saviour of FF
1984	Much, TSN, Telelatino	OK - tiered with pay	Low expectation
88/89	YTV, Newsworld, Weather, Vision	Great - negative option + US (A&E)	Exceed
1995	WTN, Life, Showcase, Discovery, Bravo	Tough slog on positive option	Met expectations
1997-2000	20 - Comedy, Food, OLC, ROB-tv, Space, The Score, Prime + US (e.g. Golf)	Coordinated launch makes 3 <sup>rd</sup> tier a success	Tap into CTF – expectations met

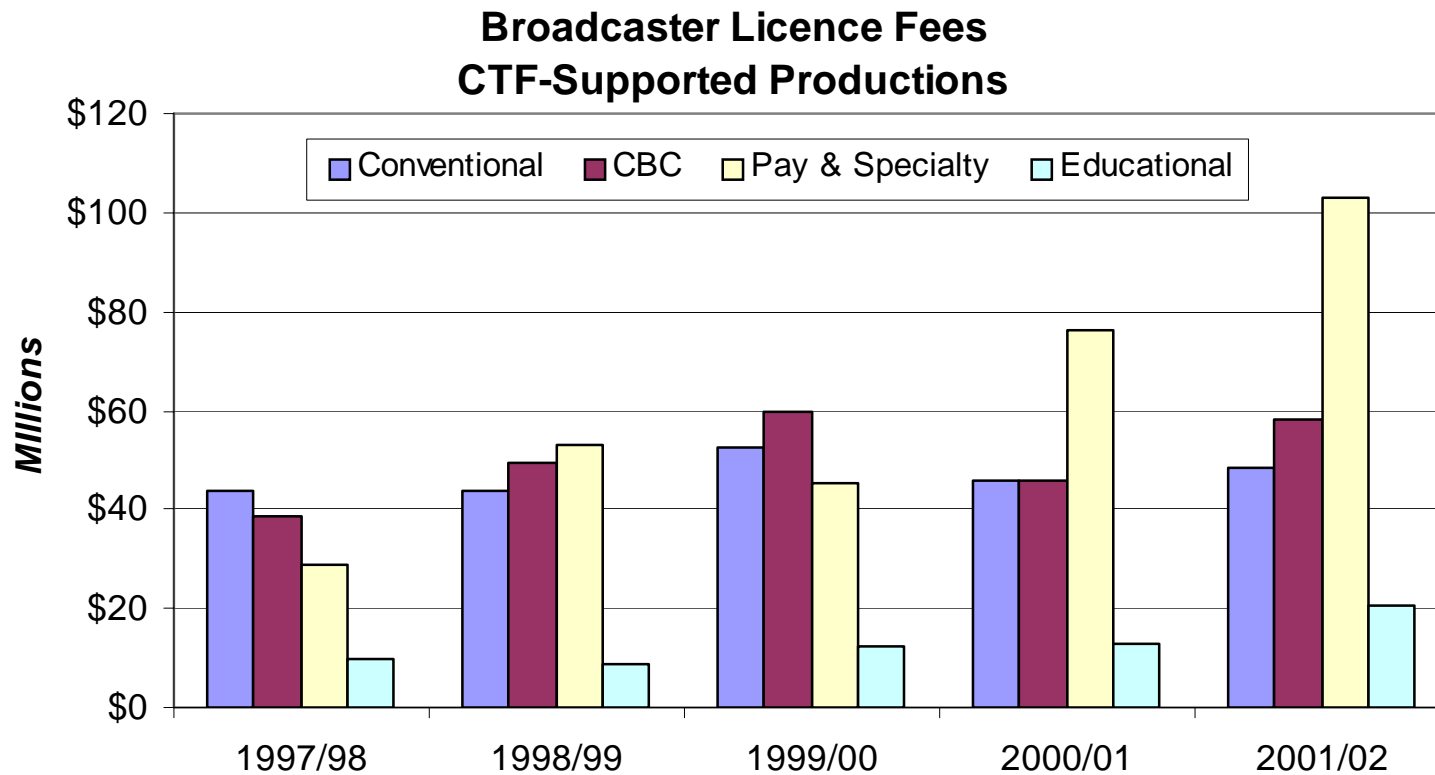
# Pay and specialty spending on Canadian acquired programming

Private, Specialty and Pay TV Spending on Canadian Acquired Programming



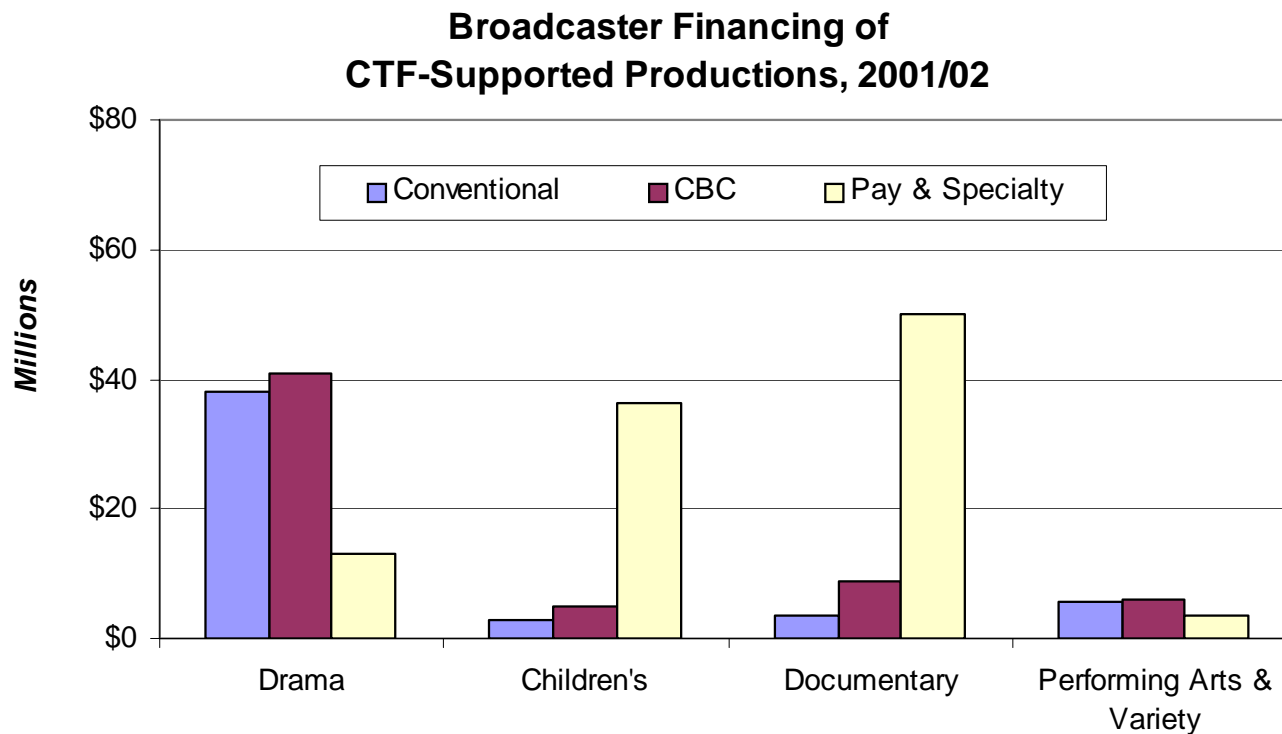
Source: NGL estimates based on data from CRTC

# Actual licence fees of pay and specialties spending on CTF financed production



Source: CTF Annual Reports

# Pay and specialty broadcaster spending concentrated on children's and documentary genres for CTF production



Source: CTF Annual Report, 2001/02

# How goes the digital launch

- Digital subs growth is on track
  - DTH still dominant over cable
- But 45% take-up target for end of 02 not likely to be met
- And individual services may not be in the packages selected by the subscriber

	Digital Terminals	Percent of Basic Subs
Shaw (Aug. 31/02)	496,000	23.5%
Rogers (Sep. 30/02)	419,000 (369,000 homes)	18.5%
Videotron (Sep. 30/02)	166,000	11.4%
Cogeco (Aug. 31/02)	145,000	18.4%
Bell ExpressVu (Sep. 30/02)	1,221,000	N/A
Starchoice (Aug. 31/02)	760,000	N/A

# And what about the diginets

- Performance is lagging plans
  - CHUM, A-A, Corus all report business plans are being met, although somewhat behind
  - Subs revenue is tracking, but advertising revenue is very low
- Some services are clearly in a survival mode – especially the independents
  - PrideVision slashes staff
  - BPM/iChannel (Stornaway) as well

# How robust is the business

- Diginets were able to mount viable businesses by taking advantage of the synergies of multi-channel broadcasters
- Primary leverage points:
  - Transmission and facilities
  - Affiliation – negotiation with BDUs
  - Marketing and promotion
  - Programming production/acquisition
  - Management

# Why diginets will remain alive

- Diginet owners have deployed different strategies to increase chances of survival.
  - Take on partners/sell to partners (Corus to CBC)
  - Share in start-up pain, e.g. Cogeco writes down investments in Stornaway services)
  - For cat 2's: can re-brand, replace, and overhaul
  - For cat 1's: cut costs to below protected wholesale fee and guaranteed distribution

# Long live shelf production

- The dollar amount of license fees will remain very low
- So, the major beneficiaries are rights owners of libraries of existing programs
- Cat. 1 diginets with high Cancon needs face problems with inventory drying up
- Real creativity is required to develop low cost programming that does not compromise a channel

# Overall Conclusions

- Most digital specialties will survive, although some will be battered, change their ownership, or radically alter their format.
- As in other waves of specialties, they will eventually make an important contribution to the demand for TV programming.
- But it will be thin gruel for a long period for program producers.