



## CBC/ROGERS NHL DEAL

<b>TO:</b>	Hubert T. Lacroix
<b>MEETING:</b>	Board of Directors Meeting – November 19, 2014
<b>FROM:</b>	Heather Conway, Executive Vice President – English Services Neil McEneaney, Chief Business Officer, English Services
<b>PURPOSE:</b>	Update on the CBC/Rogers NHL deal signed in November 2013
<b>DATE:</b>	November 3, 2014



## BACKGROUND: A WORLD WITHOUT HOCKEY

- On June 19, 2013 we presented to the Board our strategy for the renewal of hockey broadcast rights with the NHL. As part of the presentation we described a world without hockey. As a reminder, here are a few key facts from that presentation:
  - The original Plan B replaced hockey content on the schedule with
  - “Hockey represents 368 hours of original Canadian Content that **cannot be affordably nor effectively replaced.**
  - “NHL Hockey will move to other Networks.....**leaving CBC to compete against hockey!**”
  - “Network Brands are built and defined by “Hit Franchises”, consistent with our Content Strategy...the loss of hockey would mean **the loss of one of our Hit Franchises.**”

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## BACKGROUND: A WORLD WITHOUT HOCKEY

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In June 2013 we showed you the audience and financial impacts of losing hockey. This was based on as our experience during the 2012 NHL lockout:

- “The Fall 2012 NHL Lockout compared to Fall 2011 provides a snapshot of impact on the CBC:
  - ◆ Overall **Prime Time (Mo-Su) Total Minutes Viewed dropped by**
  - ◆ Overall **Prime Time Share decreased by**
  
- “Revenue implications included:
  - ◆ **Loss of approximately            of ES Advertising Revenue**
  - ◆ Advertising spend moved to other broadcasters in the absence of hockey.
  - ◆ Significant financial losses were sustained.”



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## BACKGROUND: NHL NEGOTIATIONS

- NHL evaluated multiple offers

Rogers was selected to be the single rights holder for the next 12 years.



- Rogers presented the CBC with an offer





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## BACKGROUND: NHL NEGOTIATIONS

3. Retain the promotional value of Hockey Night in Canada to promote CBC's schedule
4. Rogers to move its hockey operations to CBC so CBC can generate revenues from rental of CBC facilities and office space
- 5.



## IMPACT OF ROGERS DEAL ON CBC

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CBC needed to transform its business as result of losing hockey:

- **CBC Programming strategy**
  - The Rogers deal provides CBC with 4 years to adjust to a world without hockey should CBC so decide.
  - CBC's hockey replacement plans have been built into our new 5 year strategy.
- **CBC Operations**
  - The impact of losing hockey was immediate as we needed to reduce and revise our infrastructure.
  - All resources formerly supporting Hockey Night in Canada were eliminated, except hockey production resources supplied under the Rogers contract
  - Significant reductions in resources were made in the following areas:
    - ◆ Sports
    - ◆ Communications
    - ◆ Media Operations & Technology



## IMPACT OF ROGERS DEAL ON CBC

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CBC needed to transform its business as result of losing hockey: cont'd

### ■ The Revenue Group

- As a result of losing of CBC advertising revenues it was no longer feasible for CBC to keep its existing Revenue Group. As such, we reviewed 2 options:

- 1.
2. Merging CBC and Radio-Canada's Revenue Group into a centralized Revenue Group supporting CBC/Radio-Canada resulting in significant savings
  - A single Revenue Group for CBC/Radio-Canada was the most cost effective and strategic option. Merging of the Revenue Group has largely been completed.

### ■ People – managing the transition

- The impact on people was twofold:
  1. Workforce adjustment – the reductions in staff from losing hockey were rolled into larger staffing reductions tied to budget cuts as per the business plan



## FINANCIAL SUMMARY

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- The latest projections for the Rogers deal are

	Original Plan B (June 19, 2013)	Term Sheet signed with Rogers (November 2013)	Latest projections (November 2014):
Projected Savings/ (Net Loss)			
FTE			
Severance Costs			





## PROGRAMMING BENEFITS

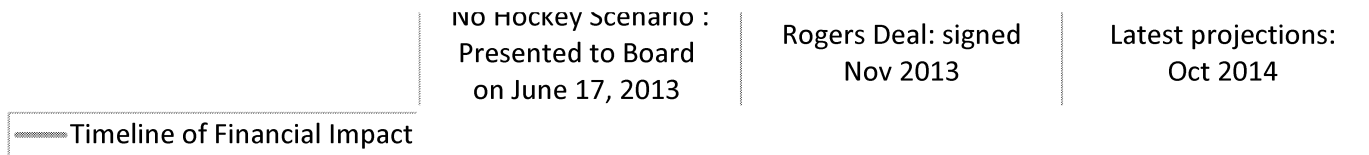
- We concluded a co-production deal with Rogers where we would produce 2 comedies with a shared broadcast window over the next 2 years.
  - Mr. D was green-lit this year and added to CBC's schedule. Rogers is taking a 2<sup>nd</sup> window next year .
  - 
  - The value of the co-production deal with Rogers has been conservatively estimated on the financial summary as



# FINANCIAL SUMMARY

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## Timeline of Financial Impact





# FINANCIAL SUMMARY

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No Hockey Scenario : Presented to Board on  
June 17, 2013

Rogers Deal: signed Nov 2013

Latest projections: Oct 2014

## Hockey Impact

Revenue losses

Replacement of content/  
Value-In-Kind

- Staff Costs
- Variable Production Costs
- Studio Crew
- Contingency, one-time costs

Total Cash costs

- Facilities & Office Space
- Library & Archive
- Licenses
- PFCO

Total Value-in-Kind

Cost savings

- Rights & Sports production
- Communications
- Sales
- Media Operations & Technology

Total cost savings

Subtotal - hockey impact

## Impact outside of hockey

Incremental facility revenues

Content savings

Other partnering opportunities

Subtotal - non-hockey

## Total net impact

## Severance

Note 1 - In November the 2013-2014 Hockey season revenues were forecasted to be \_\_\_\_\_ The actual revenues for the 2013-2014 Hockey season were \_\_\_\_\_ There was a \_\_\_\_\_  
in the regular season, a \_\_\_\_\_ in the playoffs and a \_\_\_\_\_ in syndication revenues



# **APPENDIX A**

## **UPDATED: TERM DEAL**



# UPDATE: DEAL TERMS

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Category	Key Terms: Nov '13 (per June 19, 2013 Board Deck)	Status update: Nov '14
Contracted parties	<ul style="list-style-type: none"> <li>Rogers has acquired Canadian hockey national rights on all platform in all languages from the NHL.</li> <li>Rogers has licensed hockey rights to the CBC to broadcast games on Saturday nights for the regular season and for the playoffs</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>
Contract Term	<ul style="list-style-type: none"> <li>4 years</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>
Rights	<ul style="list-style-type: none"> <li>Non exclusive HNIC on Saturday nights (7pm &amp; 10pm) and playoffs</li> <li>Total playoff hours will not change from CBC's current deal with the NHL</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>
Financial Terms	<ul style="list-style-type: none"> <li>Rights fee: None</li> <li>Production Subsidy: [REDACTED]</li> <li>Advertising revenue: Sold and retained by Rogers</li> </ul>	<ul style="list-style-type: none"> <li>Rights Fee: No change</li> <li>No change. However, CBC's incremental costs have [REDACTED] See financial summary [REDACTED]</li> <li>Advertising revenue: Centralized Revenue Groups for English and French services</li> </ul>
Production	<ul style="list-style-type: none"> <li>Rogers maintains editorial control</li> </ul>	<ul style="list-style-type: none"> <li>No change</li> </ul>



# UPDATE: DEAL TERMS – CONT'D

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Category	Key Terms: Nov '13 (per June 19, 2013 Board Deck)	Status update: Nov'14
Partnership deals	<ul style="list-style-type: none"><li>• Copyright license for HNIC</li></ul>	<ul style="list-style-type: none"><li>• Copyright license for HNIC completed</li></ul>
Financials (projected)		Summary See Financial
Cashfow		



# **APPENDIX B**

## **NO HOCKEY “PLAN B”**



Per June 19, 2013 Hockey Board Deck

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**PLAN B: FORECASTED 2+ AUDIENCE PERFORMANCE**

**Winter 2013**

SAT	Program
19:00	HNIC: Game 1
19:30	
20:00	
20:30	
21:00	
21:30	
22:00	HNIC: Game 2
22:30	

<b>AMA (2+, 000s) Saturday</b>	2141
<b>SHARE (2+) Full Schedule</b>	

**Plan B: Fall 2013**

SAT	Program	2+ Est (000)

<b>AMA (2+, 000s) Saturday</b>	250
<b>SHARE (2+) Full Schedule</b>	5.2

**Plan B: Winter 2014**

SAT	Program	2+ Est (000)

<b>AMA (2+, 000s) Saturday</b>	250
<b>SHARE (2+) Full Schedule</b>	5.2

SOURCE: CBC Research (BBM Canada)





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## PLAN B: ADDITIVE COST SUMMARY

Title	Incremental # Eps	Cost / Ep	Full Incremental Cost
<b>DRAMA</b>			
New Drama (WINTER)			
New Drama (FALL)			
Heartland VII			
Murdoch Mysteries VII			
Republic of Doyle V			
<b>COMEDY</b>			
22 Minutes XXI			
Rick Mercer XI			
<b>FACTUAL/VARIETY</b>			
Dragon's Den			
4 Rooms			
<b>CURRENT AFFAIRS:</b>			
<b>GRAND TOTAL</b>			



Per June 19, 2013 Hockey Board Deck

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## PLAN B RESULTS IN SHORTFALL

### ■ Financial Impact:

Commercial Revenue Loss

- hockey revenues
- non-hockey revenues

Plan B Content Replacement Cost

Cost Savings (Rights / Production / Cost of Sales)

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**NET ANNUAL LOSS**

**ONE TIME SEVERANCE COST (Revenue / Sports)**

By way of comparison, we currently spend:

- in Radio Regional
- in Regional TV News
- in Digital