



Broadcasting Decision CRTC 2004-514

Ottawa, 26 November 2004

CKMW Radio Ltd., on behalf of a corporation to be incorporated
Halifax, Nova Scotia

*Application 2003-1151-4
Public Hearing at Halifax, Nova Scotia
1 March 2004*

Youth Contemporary FM radio station in Halifax

*The Commission **approves** the application by CKMW Radio Ltd., on behalf of a corporation to be incorporated, for a broadcasting licence to operate an English-language commercial FM radio station in Halifax, Nova Scotia. The station will operate in a Youth Contemporary format, which is a blend of urban (including hip hop), alternative rock, top 40, rhythm and blues, and dance music.*

*The Commission's general approach to the radio applications considered at the 1 March 2004 Public Hearing in Halifax is set out in Introduction to Broadcasting Decisions CRTC 2004-513 to 2004-525 – Licensing of new FM radio stations in Halifax, Moncton, Saint John and Fredericton, *Broadcasting Public Notice CRTC 2004-91, also issued today.**

Introduction

1. The Commission received an application by CKMW Radio Ltd., on behalf of a corporation to be incorporated (CKMW), for a broadcasting licence to operate an English-language commercial FM radio programming undertaking in Halifax, Nova Scotia at 103.5 MHz (channel 278C) with an effective radiated power of 78,000 watts. CKMW proposed to operate the station in a Youth Contemporary music format.
2. CKMW is a company that will be incorporated under the control of CKMW Radio Ltd., which in turn is controlled by Mr. William Evanov. Mr. Evanov, directly or indirectly, operates several radio stations in the Greater Toronto market.
3. The Commission considered the CKMW application at a public hearing convened in Halifax on 1 March 2004. At the hearing, the Commission examined a total of 11 applications for new English-language radio services in Halifax: 10 for commercial stations and one for a community station. The Commission's general approach to the radio applications considered at the 1 March 2004 Public Hearing in Halifax is set out in *Introduction to Broadcasting Decisions CRTC 2004-513 to 2004-525 - Licensing of new FM radio stations in Halifax, Moncton, Saint John and Fredericton, Broadcasting Public Notice CRTC 2004-91, also issued today.* Based on the record of the hearing, the

Commission considers that the Halifax market can accommodate four new commercial radio stations.

Interventions

4. The Commission received 19 interventions expressing support for the approval of this application, as well as two interventions expressing general comments, submitted by the Canadian Independent Record Production Association (CIRPA) and Maritime Broadcasting Systems Limited.
5. CIRPA noted its ongoing support for licensing applications that involve the promotion of Canadian content, diversity of voices and Canadian talent development (CTD) funding directed to eligible third parties such as the Foundation to Assist Canadian Talent on Record (FACTOR).
6. MBS commented that the applicant had submitted a good demand study, and recognized CKMW's experience in the Toronto market and its understanding of operating a radio station aimed at a youth audience.

The Commission's analysis and determination

7. In the Introductory Statement to Decisions CRTC 99-480, 99-481 and 99-482, 28 October 1999, the Commission indicated that, pursuant to its *Commercial Radio Policy 1998*, Public Notice CRTC 1998-41, 30 April 1998 (the Commercial Radio Policy), the factors set out below are generally among those relevant to the evaluation of competitive commercial radio applications:
 - the quality of the application;
 - the diversity of news voices in the market;
 - the market impact of any proposed station on existing stations; and
 - the competitive state of the market.

Quality of the application

8. The Commission generally assesses the quality of an application for a new commercial radio station by examining the following:
 - local programming proposals and the benefits the applicant would bring to the community;
 - commitments to Canadian content;
 - the quality of the business plan, including the proposed station format; and
 - commitments in regard to Canadian talent development.

Local programming

9. CKMW stated that approximately 22% of all programming on the proposed station would be local spoken word, excluding commercials, public service announcements and

promotional messages. News would focus on youth issues, weather, entertainment and concert information, school news and any other news of interest to the Halifax community. Through the use of phones, the Internet and, in particular, the new station's website, Halifax youth would be encouraged to participate in the news and information process. The applicant would hire a full-time news director and two reporters/readers.

10. The applicant proposed a number of interactive spoken word features to be achieved through the use of telephone or the station website. Many of these features would be related to music, as well as daily club and concert listings.

Canadian content

11. CKMW proposed a Youth Contemporary music format based on urban (including hip hop), alternative rock, Top 40, rhythm and blues, and dance genres. The target demographic would be young people between the ages of 12 and 24. With respect to Canadian content levels, CKMW made a commitment that 40% of all musical selections from category 2 (Popular music) broadcast during each broadcast week would be devoted to Canadian selections, and that 40% of all Category 2 musical selections broadcast between 6:00 a.m. and 6:00 p.m. Monday to Friday would be Canadian. The applicant proposed to adhere to these commitments as conditions of licence. **Conditions of licence** to this effect are set out in the appendix to this decision.
12. Given the nature of the Youth Contemporary format, the new station will broadcast programs that feature DJ spinning and live "in studio" dance club shows. CKMW assured the Commission that such programming would not impair its ability to meet the Canadian content levels noted above.

The quality of the business plan, including the proposed station format

13. The applicant has proposed a business plan which the Commission considers to be reasonable, given the proposed format and the size of the Halifax market. This radio station will be the first to operate in Halifax with a Youth Contemporary format. At the hearing, CKMW explained that this format is based on the demographic, in this case the 12 to 24 age bracket, rather than any particular type of music. The music will evolve in accordance with the changing tastes and demands of youth in the Halifax market. Moreover, the applicant commissioned a study to determine consumer demand in Halifax for this type of service. The results were favourable, in part because youth are inadequately served by radio in this city. The Commission is also mindful of CKMW's experience in providing such a service to the same demographic age group in the Toronto market, specifically at CIDC-FM Orangeville, which has been operating successfully as a stand-alone station for the past ten years.

Canadian talent development

14. The applicant will not participate in the Canadian Talent Development (CTD) Plan created by the Canadian Association of Broadcasters. Instead, CKMW proposed a number of initiatives which would cost \$1 million in direct expenditures over a seven-

year licence term. This total would be based on annual expenditures of \$100,000 for the first three years, \$150,000 in the fourth year, \$175,000 for each of year five and six, and \$200,000 in year seven.

15. CKMW provided details on the various programs to be funded by its CTD budget, as follows:
- Canadian Music Week - Urban Star Quest (\$10,000 annually)
 - Music Industry Association of Nova Scotia (MIANS) (\$10,000 annually)
 - Nova Scotia Community College – journalism or music scholarships (\$10,000 annually)
 - East Coast Music Association (\$7,500 annually)
 - DJ Spinner Talent Search (\$12,500 annually in years 1, 2 and 3 of the licence term; \$17,500 annually in years 4, 5 and 6; and \$22,500 in year 7)
 - Beat Annual Summer Rush East concert (\$50,000 annually in years 1, 2 and 3 of the licence term; \$80,000 in year 4; \$90,000 annually in years 5 and 6; and \$100,000 in year 7).
16. The applicant also confirmed that part of its \$1 million CTD budget, namely \$115,000, would be considered “unallocated” at this time. CKMW explained that it wanted the flexibility to undertake additional, local Halifax CTD initiatives as the need arose, during the course of the licence term. These projects would be unrelated to those identified above; the \$115,000 would not be used to enhance the identified initiatives. The unallocated funds would be expended in the following increments:
- \$15,000 in year 4 of the licence term,
 - \$30,000 annually in years 5 and 6 of the licence term, and
 - \$40,000 in year 7 of the licence term.

A **condition of licence** to this effect is set out in the appendix to this decision. The Commission considers that the minimum amount of the budget allocation is to be made over seven consecutive broadcast years, upon commencement of operations.

17. The Commission is satisfied that the various CTD initiatives proposed by the applicant meet the eligibility criteria set out in *Contributions by radio stations to Canadian talent development – A new approach*, Public Notice CRTC 1995-196, 17 November 1995. At the same time, the Commission expects CKMW, at the conclusion of its licence term, to submit a detailed report setting out the manner in which the \$1 million CTD budget was expended. In this report, the Commission expects CKMW to identify all funding recipients, including all parties associated with the \$115,000 currently unallocated.

Market impact on existing stations

18. The Halifax market is currently served by 13 radio stations, of which 11 are English-language and 2 are French-language stations. These stations include seven English-language commercial stations, four Canadian Broadcasting Corporation/Société Radio-

Canada stations, an English-language Type B community station (CFEP-FM Eastern Passage) and an English-language campus station.

19. In analyzing the potential market for new services, potential advertising revenues, and the market impact of any proposed station on existing stations, the Commission examined the state of the economy in Halifax using data from Statistics Canada and forecasts by the Conference Board of Canada. The Commission's review of economic indicators points to growth in the Halifax economy over the next five years.
20. Over the last five years, the aggregate profit before interest and tax (PBIT) margin¹ for the Halifax radio market has been substantially above the aggregate PBIT margin for all commercial radio stations in Canada. For example, in the year ending 31 August 2003, the PBIT margin for Halifax attained a level of 32.8% while, for all commercial radio stations in Canada, it was 19.3%. These results suggest there is room in the market for additional commercial stations.
21. With respect to diversity in the market, CKMW stated again that its proposed format would be aimed at an underserved audience. Moreover, the applicant observed that Halifax has a strong economic base, that radio stations in this market are very profitable, and that diversity of voices is needed in Halifax, given the existing concentration of ownership. CKMW concluded that the Halifax market can easily accommodate a new commercial radio station. Overall, the Commission is satisfied that the CKMW proposal will contribute to programming diversity in Halifax, and meet the needs of the underserved youth demographic.

Competitive state of the market

22. The Commission notes that, as a new entrant, CKMW will increase competition in the Halifax market. The Commission considers that CKMW, as an experienced broadcaster, will be able to compete on a stand-alone basis with other radio licensees in the market.

Cultural diversity

23. In its Commercial Radio Policy, the Commission encouraged broadcasters to reflect the cultural diversity of Canada in their programming and employment practices, especially with respect to news, music and promotion of Canadian artists.
24. The Commission expects CKMW to reflect the cultural diversity of Canada in its programming and employment practices.

Conclusion

25. The Commission considers that the Youth Contemporary format proposed by CKMW will add to the variety of the radio programming available in the Halifax market, and help to fulfil the expectations and needs of younger listeners in that market. While the

¹ The PBIT margin is defined as profit before interest and tax expressed as a percentage of total revenue.

format would not change in terms of demographic orientation, CKMW confirmed that the mixture of music would be revised from time to time to keep pace with the changing taste of its youth audience, based on “street-level” research. CKMW will also bring another news voice to the Halifax market which will focus on matters of concern to the young people of Halifax, and encourage their participation. Additionally, commitments to CTD will benefit local talent. As stated earlier, the Commission is satisfied that the Halifax market can accommodate CKMW’s proposed station, and that no existing undertaking will experience undue negative impact. Overall, the Commission is of the view that the new station will make an important contribution to fulfilling the requirements of the Broadcasting Policy for Canada as set out in the *Broadcasting Act*, and the objectives of the Commission’s Commercial Radio Policy.

26. Although CKMW’s business plan estimated pre-tax losses for its proposed Halifax station over the first three years of operation, considering CKMW’s experience and resources, the Commission is satisfied that the station can be operated viably in the Youth Contemporary format.
27. The Commission therefore **approves** the application by CKMW Radio Ltd., on behalf of a corporation to be incorporated, for a broadcasting licence to operate an English-language commercial FM radio programming undertaking in Halifax, Nova Scotia at 103.5 MHz (channel 278C) with an effective radiated power of 78,000 watts.
28. The licence will expire 31 August 2011 and will be subject to the **conditions of licence** set out in the appendix to this decision.

Issuance of the licence

29. The Department of Industry (the Department) has advised the Commission that, while this application is conditionally technically acceptable, it will only issue a broadcasting certificate when it has determined that the proposed technical parameters will not create any unacceptable interference with aeronautical NAV/COM services.
30. The Commission reminds the applicant that, pursuant to section 22(1) of the *Broadcasting Act*, no licence may be issued until the Department notifies the Commission that its technical requirements have been met, and that a broadcasting certificate will be issued.
31. Furthermore, the licence for this undertaking will only be issued once the applicant has:
 - satisfied the Commission, with supporting documentation, that an eligible Canadian corporation has been incorporated in accordance with the application in all material respects, and
 - informed the Commission in writing that it is prepared to commence operations.
32. The undertaking must be operational at the earliest possible date and, in any event, no

later than 24 months from the date of this decision, unless a request for an extension of time is approved by the Commission before 26 November 2006. In order to ensure that such a request is processed in a timely manner, it should be submitted at least 60 days before that date.

Employment equity

33. In accordance with *Implementation of an employment equity policy*, Public Notice CRTC 1992-59, 1 September 1992, the Commission encourages the licensee to consider employment equity issues in its hiring practices and in all other aspects of its management of human resources.

Secretary General

This decision is to be appended to the licence. It is available in alternative format upon request, and may also be examined at the following Internet site: <http://www.crtc.gc.ca>

Appendix to Broadcasting Decision CRTC 2004-514

Conditions of licence

1. The licence will be subject to the conditions set out in *New licence form for commercial radio stations*, Public Notice CRTC 1999-137, 24 August 1999, with the exception of condition number 5.
2. The licensee shall devote, during each broadcast week, a minimum of 40% of its musical selections from category 2 to Canadian selections broadcast in their entirety.
3. The licensee shall devote a minimum of 40% of its musical selections from category 2 to Canadian selections broadcast in their entirety, between 6:00 a.m. and 6:00 p.m. in any period beginning on Monday of a week and ending on Friday of the same week.
4. The licensee shall devote \$1 million in direct expenditures to support the development of Canadian talent, as detailed in this decision, and based upon the following annual budgets:

Years 1, 2 and 3	\$100,000 annually
Year 4	\$150,000*
Years 5 and 6	\$175,000* annually
Year 7	\$200,000*

* Included in these budgets is a total of \$115,000 in unallocated funding, to be spent beginning in year 4, as follows:

Year 4	\$15,000
Years 5 and 6	\$30,000 annually
Year 7	\$40,000