



Broadcasting Public Notice CRTC 2004-23

Ottawa, 5 April 2004

Introduction to Broadcasting Decisions CRTC 2004-133 to 2004-137 – Licensing of new FM radio stations to serve Edmonton

In this notice and in the decisions that accompany it, the Commission sets out its determinations with respect to nine applications, each requesting a licence to carry on a new FM radio programming undertaking in Edmonton. This notice introduces the proposals that are the subject of today's decisions. It also examines the diversity of news voices in Edmonton, and discusses the factors leading to the Commission's determinations regarding the competitive state of that market and its ability to absorb the competitive impact that would be generated by the introduction of new radio services, without affecting unduly the ability of existing services to meet their programming responsibilities.

Today's decisions approve the issuance of four new FM licences, one to carry on a new Native Type B FM radio station and three to provide new, commercial, music-based services. In one case, the issuance of a licence has been made subject to the requirement that the applicant file a further application, acceptable to both the Commission and to the Department of Industry, proposing the use of an alternative FM frequency. The Commission's reasons for its approval of each of the four applications are set out in the individual Broadcasting Decisions CRTC 2004-133 to 2004-136. In Broadcasting Decision CRTC 2004-137, the Commission denies the remaining five applications.

The applications

1. In *Call for applications for a broadcasting licence to carry on a radio programming undertaking to serve Edmonton, Alberta*, Broadcasting Public Notice CRTC 2002-29, 6 June 2002 (Public Notice 2002-29), the Commission announced that it had received an application for a broadcasting licence to provide a commercial radio service to serve Edmonton, Alberta. Consistent with the procedures generally followed by the Commission in such cases, it called for applications from other parties wishing to obtain such a licence. The Commission subsequently announced that it would hold a public hearing in Edmonton to consider a total of nine applications proposing new FM services for the Edmonton market (see *Broadcasting Notice of Public Hearing CRTC 2003-5*, 10 April 2003). The hearing commenced on 18 June 2003. The applications presented at the hearing included eight proposals for conventional, English-language, commercial FM stations, and one proposing a new Native Type B FM radio programming undertaking.

2. Each of the nine applicants was competing against one or more of the others at the hearing. In many instances, this competition arose from the fact that applicants had proposed to operate in the same or similar music formats and/or to target audiences consisting of those within the same or a similar age group. In addition, seven of the nine applications proposed the use of a frequency that was also proposed in one or more of the other applications, rendering these applications technically mutually exclusive.
3. Of the eight applicants seeking commercial FM licences, Rogers Broadcasting Limited (Rogers) and O.K. Radio Group Ltd. (O.K. Radio) proposed to operate stations in a Modern Rock music format targeted to youth and young adults. Two other applicants, CHUM Limited and Milestone Media Broadcasting Ltd., partners in a partnership to be established (CHUM/Milestone), and CKMW Radio Ltd., on behalf of a corporation to be incorporated (CKMW), also proposed services designed to appeal to an audience consisting primarily of youth and young adults. CHUM/Milestone proposed to operate in an Urban music format that would draw upon music from a variety of contemporary urban music sub-genres, including Rhythm and Blues, Hip-Hop, Reggae and House. CKMW proposed an Urban/Dance music format similar to that of CHUM/Milestone, and featuring Hip Hop, Rap, Dance and Rhythm and Blues music. A fifth applicant, Harvard Broadcasting Inc. (Harvard) also proposed to serve Edmonton's youth and young adults, but with a music format that would offer a fusion of the Modern Rock format proposed by Rogers and O.K. Radio, and the Urban and Urban/Dance formats proposed by CHUM/Milestone and CKMW. Harvard labelled its choice of format as Progressive Modern/Urban, one that would feature a combination of Urban, Modern Rock and Rhythmic Contemporary music.
4. The proposals of two other Edmonton applicants, Edmonton Radio Ltd. (Edmonton Radio) and Global Communications Limited (Global), were for new commercial FM stations that would be programmed in the Easy Listening format intended to appeal to an audience consisting largely of adults. Edmonton Radio stated that it would operate its station as a Specialty FM station¹ and, as such, was prepared to abide by a condition of licence specifying that a weekly minimum of 35% of all musical selections be derived from Category 3 Special interest music. Although Global did not wish to operate its station as a Specialty FM station or to be subject to any similar condition, it proposed that 70% and 30% of its musical selections would be drawn, respectively, from category 2 Popular music, and from category 3. Rawlco (Edmonton) Ltd. (Rawlco) was the eighth applicant for a commercial FM licence, and proposed a station that would offer a Smooth Jazz format. This format, like the Easy Listening format proposed by Global and Edmonton Radio, would principally target an adult audience. Rawlco, as did Edmonton Radio, proposed to operate in the Specialty format, and was prepared to accept a condition of licence requiring that a minimum of 70% of all musical selections aired each week be drawn from subcategory 34 Jazz and blues.

¹ In *A review of certain matters concerning radio*, Public Notice CRTC 1995-60, 21 April 1995, the Commission indicated that it would retain the "Specialty format" for private commercial FM stations as a tool to ensure the diversity of programming available to listeners. A station, to operate in the Specialty format, must, by condition of licence, meet one or more of the following criteria: the language of broadcast is neither English nor French; more than 50% of the broadcast week is devoted to spoken word; and less than 70% of the music broadcast is from subcategory 21 Pop, rock and dance and/or subcategory 22 Country and country-oriented.

5. The ninth applicant for an FM radio licence to serve Edmonton was Aboriginal Voices Radio Inc. (AVR). As indicated above, AVR proposed to operate a primarily English-language Native Type B station directed to the Aboriginal community. Because of the nature of its proposed programming service, the relatively small audience that the station would target, and the relatively modest revenues it would extract from the Edmonton market, AVR's application was not considered as competing with any of the other proposals on marketing grounds. It was, however, competing against Rawlco for the use of a frequency.

Factors relevant to the evaluation of competing radio applications

6. In *Introductory statement – Licensing new radio stations*, which appeared as a preface to Decisions CRTC 99-480 to 99-482, 28 October 1999, the Commission identified four factors that, in its view, are generally among those relevant to the evaluation of competitive applications. These factors are:
 - competitive state of the market;
 - likely impact of a new entrant or entrants;
 - quality of the application; and
 - diversity of news voices in the market.
7. In the following section of the present notice, the Commission examines and sets out its determinations with respect to the competitive state of the market and the likely impact of a new entrant or entrants. The qualities and other specifics of each application approved by the Commission, including their contribution to the diversity of news voices in the market, where relevant, are examined in the context of the particular decisions that deal with those applications.

The ability of the Edmonton market to support additional radio services

8. Edmonton is currently served by eleven commercial radio stations (four AM and seven FM stations), most of which operate in formats that are skewed towards an adult audience. Two offer spoken word programming featuring sports, and news, talk and sports, respectively. A third station operates in a Contemporary Christian music format, while a fourth, O.K. Radio's CKER-FM, provides a service operating primarily in third languages and directed to Edmonton's ethnic communities. Each of the seven remaining commercial stations provides a music-based service operating in a format that is distinct from those proposed by any of the applicants.
9. Although none of the applicants would thus compete directly against any of the incumbents on the basis of music format, a new entrant or entrants to the Edmonton market would likely reduce the audiences and revenues now shared by the incumbent stations as a group. This competitive impact would be somewhat stronger in Edmonton

than it would be in many other Canadian cities, since the amount of tuning by Edmonton radio listeners to out-of-market stations is in the range of only 10%, a relatively low level that would afford only limited opportunity for repatriation of audiences or revenues from out-of-market stations.

10. The financial projections of the eight applicants proposing conventional, music-based services differed considerably as to the amount of revenue their proposed stations would earn. Estimates for the first year of operation varied from a low of \$0.87 million (Edmonton Radio) to a high of \$2.81 million (Rogers). Estimates for year seven advertising revenues varied from \$1.55 million (Edmonton Radio) to \$5.72 million (Rogers). Edmonton Radio's estimates consistently ranked well below those of the other applicants. Factoring out Edmonton Radio's projections produces an average among the other seven applicants of \$1.96 million in year one, increasing to \$4.48 million in year seven. The applicants' estimates also varied from between 7% (Edmonton Radio) and 49% (CHUM), as to the percentage of their total revenues that would come at the expense of incumbent stations. Edmonton Radio's projection of 7% was less than one-third that of any other applicant. Factoring out Edmonton Radio's projections once again, and using the estimates of those six of the remaining seven applicants who filed projections, yields a calculation of just over 33% as the proportion of a station's total advertising revenues that these applicants, on average, believed a new entrant would earn at the expense of incumbent stations.
11. This implies that a new entrant might expect to derive just under 70% of its total revenues from new sources, a figure that the Commission does not find realistic. In the present circumstances of the Edmonton market, the Commission considers a figure in the neighbourhood of 40% to be a more conservative estimate of the revenues a new entrant might expect to garner from new sources, with the remainder (approximately 60%) coming from incumbents.
12. Notwithstanding the above, the diverse Edmonton economy supports a strong and buoyant radio market. In 2002, Edmonton radio revenues totalled approximately \$43.6 million, having increased by some 2.7% over the previous year's performance. Data now available for 2003 show that radio revenues grew in that year to \$49.0 million, representing a year-to-year increase of more than 12%. Based on projections of retail sales growth by the Conference Board of Canada, the Commission estimates that radio advertising revenues will continue to grow through to 2007. The revenues earned in 2002 and 2003, respectively, also generated healthy profit before interest and tax (PBIT) margins of 27.8% and 29.3% among the city's commercial radio stations. In fact, the average PBIT margin earned by these stations exceeded the national average in each of the last six years.

13. Further, the Commission notes that only one intervention, comment or reply filed with respect to any of these applications suggested that the Edmonton radio market would be unable to support the entry of at least one new commercial radio station.

The Commission's determination

14. Based on the available evidence, the Commission is satisfied that the Edmonton radio market will be able to absorb, without any undue negative consequence, the introduction of the Native Type B service proposed by AVR, given the nature of the proposed service, and the relatively small audience and modest revenues it would attract. The Commission is further satisfied that the market is sufficiently healthy to absorb the competitive impact that would result from the licensing of as many as three new commercial, music-based FM radio services, without affecting unduly the ability of existing services to meet their programming responsibilities. This evidence includes the average PBIT margins enjoyed by incumbent Edmonton radio stations in recent years, and the forecast for continued growth in advertising revenues in that radio market.

The Commission's decisions

15. The above determinations leave the quality of the applications and their impact on the diversity of news voices in the market as the remaining factors to be examined in the Commission's deliberations concerning the Edmonton commercial FM applications. There are several elements that the Commission weighs in gauging the quality of an application. One of these relates to the soundness of the applicant's business plan, including the evidence presented by the applicant regarding the demand present in the community for both the proposed service and the intended music format upon which that service is to be based. In examining the business plan, the Commission also considers the diversity that the service would provide, and the strength of the applicant's commitment and ability to establish and maintain the service as proposed. Other related factors are an applicant's local programming proposals and plans for providing local reflection, and its undertakings for the provision of Canadian content and for the support of the development of Canadian talent.
16. The various factors contributing to an application's quality, as referenced by the Commission in its determinations to approve three of the applications for new commercial FM licences in Edmonton, are discussed more fully in the individual decisions concerned. In summary, because of the limited availability of, and consequent demand for, music programming directed specifically to youth and young adults, the Commission has decided to approve two applications for new services that, in the Commission's view, would most effectively respond to this demand. One of these applicants has proposed to operate in a Modern Rock format, while the other intends to operate in an Urban music format. Based on the evidence filed in the present proceeding, the Commission considers that those who make up the core audience for the types of music featured within one of these two formats tend not to listen with any consistency to the genres of music that are typically featured in the other of these two formats. Thus, the licensing of new Edmonton stations, one in each of these two formats as opposed to one that would offer a fusion of the two, effectively provides each station with its own

audience niche and ensures the greatest measure of additional musical diversity in the market. The applications approved by the Commission are those by CHUM/Milestone and O.K. Radio.

17. The Commission has approved a third application, one that also proposes a format that will contribute to the musical diversity available to Edmonton radio listeners. This it will accomplish by operating in the specialty format, providing a jazz and blues service that will remain focused upon a niche audience consisting of those whose musical tastes and preferences currently receive little or no consistent attention from existing Edmonton radio stations. Specifically, the Commission has approved the application by Rawlco for a licence to carry on an FM radio undertaking at Edmonton that, by condition of licence, will operate in the specialty format and will draw a minimum of 70% of all musical selections aired each week from Subcategory 34 Jazz and blues.
18. With regard to the diversity of news voices in the market, the Commission notes that Edmonton residents now have ready access to a healthy diversity of news voices, including those of seven private radio and television broadcasters. Other news and editorial opinion is provided by the CBC's French- and English-language radio and television networks, and an educational and a campus community station. Edmonton residents have access to many more broadcasting services via both satellite and terrestrial broadcasting distribution technologies. There are also two English-language daily newspapers in Edmonton providing coverage of local, regional, national and international events, and five smaller community newspapers.
19. In brief, the Commission's decisions are as follows:
 - In *Urban FM radio station in Edmonton*, Broadcasting Decision CRTC 2004-133, 5 April 2004, the application by CHUM Limited and Milestone Media Broadcasting Ltd., partners in a partnership to be established, for authority to operate an Urban music station in Edmonton at 91.7 MHz is **approved**.
 - In *Modern Rock FM radio station in Edmonton*, Broadcasting Decision CRTC 2004-135, 5 April 2004, the application by O.K. Radio Group Ltd. for authority to operate a Modern Rock FM station in Edmonton at 102.9 MHz is **approved**.
 - In *Smooth jazz Specialty FM radio station in Edmonton*, Broadcasting Decision CRTC 2004-136, 5 April 2004, the application by Rawlco (Edmonton) Ltd. for authority to operate a Smooth jazz station in Edmonton is **approved in part**. The approval is subject to the requirement that the applicant file a further application, acceptable to both the Commission and to the Department of Industry, proposing the use of an FM frequency other than the 89.3 MHz frequency originally proposed.
 - In *Native FM radio station in Edmonton*, Broadcasting Decision CRTC 2004-134, 5 April 2004, the application by Aboriginal Voices Radio Inc. for authority to operate a Native Type B FM radio station in Edmonton at 89.3 MHz is **approved**.

- In *Denial of applications competing for FM radio licences to serve Edmonton*, Broadcasting Decision CRTC 2004-137, 5 April 2004, the Commission **denies** the applications by Rogers Broadcasting Limited, CKMW Radio Ltd., on behalf of a company to be incorporated, Harvard Broadcasting Inc., Edmonton Radio Ltd. and Global Communications Limited, each of which was competing on marketing or technical grounds with one or other of the applications approved above.

Secretary General

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