



Broadcasting Decision CRTC 2007-215

Ottawa, 6 July 2007

Corus Premium Television Ltd.

Kitchener, Ontario and Winnipeg, Manitoba

Application 2007-0382-8, received 5 March 2007

Public Hearing in the National Capital Region

18 June 2007

CKBT-FM Kitchener, Ontario and CJZZ-FM Winnipeg, Manitoba – Acquisition of assets

*In this decision, the Commission **approves** an application by Corus Premium Television Ltd. to acquire the assets of the radio programming undertakings CKBT-FM Kitchener, Ontario and CJZZ-FM Winnipeg, Manitoba from CanWest MediaWorks Inc. This approval is subject to the **condition** that Corus submit, within 30 days of the date of this decision, a tangible benefits package acceptable to the Commission that amounts to a minimum of \$870,000.*

Introduction

1. The Commission received an application by Corus Premium Television Ltd. (Corus) to acquire the assets of the radio programming undertakings CKBT-FM Kitchener, Ontario and CJZZ-FM Winnipeg, Manitoba from CanWest MediaWorks Inc. (CanWest). The applicant also requested broadcasting licences to continue the operation of the undertakings under the same terms and conditions as those set out in the current licences.
2. CanWest indicated that its motivation to sell its two stand-alone radio stations was based on the fact that it has not established a sufficient presence in the Canadian radio market to achieve the economies of scale necessary for success in this highly competitive business.
3. CKBT-FM Kitchener offers a mainstream format featuring urban top 40 or rhythmic contemporary hits. The applicant proposed to broadcast a minimum of 42 hours of local programming during each broadcast week, which would include three hours of news, sports and surveillance. The applicant also proposed to devote a minimum of 70% of news coverage to local news.

4. CJZZ-FM Winnipeg offers a specialty format, specifically, the smooth jazz format. A minimum of 70% of all musical selections aired during each broadcast week must be drawn from subcategory 34 – jazz and blues. The applicant proposed to broadcast a minimum of 42 hours of local programming during each broadcast week, which would include a minimum of 61.5 minutes of news, sports and surveillance. The applicant also made a commitment to devote a minimum of 70% of its news coverage to local news.
5. CKBT-FM Kitchener was launched in 2004 and CJZZ-FM Winnipeg in 2005. Both stations are in their first 5 years of operations.
6. The applicant proposed to continue the Canadian talent development (CTD) commitments for each station. In the case of CKBT-FM, Corus would make expenditures of \$300,000 per year for CTD until the 2010-2011 broadcast year. In the case of CJZZ-FM, Corus offered to make the CTD contributions set out in the conditions of licence in the original licensing decision for the 2007-2008 broadcast year, as well as payments in the amount of \$267,000 for the 2008-2009 broadcast year and \$273,000 for the 2009-2010 broadcast year.
7. The Commission received three interventions in support of the purchase of CKBT-FM and three interventions in support of the purchase of CJZZ-FM. The Commission has considered all interventions in its review of this application. The complete record of this proceeding can be found on the Commission’s Web site at www.crtc.gc.ca under “public proceedings.”
8. After reviewing the application and the interventions, the Commission considers that the issues raised by this application are:
 - the value of the transaction;
 - tangible benefits required on transfers of ownership;
 - the sale of broadcasting undertakings during their first licence term; and
 - the term of the licences.

Value of the transaction

9. The purchase price for the two stations is \$14.5 million. The Commission is satisfied that this represents the appropriate value of the transaction.

Tangible benefits

10. Public Notice 1998-41 (the 1998 Commercial Radio Policy) states, in paragraph 70, that “in respect of all transfers of ownership and control of radio undertakings ... the Commission has determined that ... in the case of such applications, commitments [must] be made to implement clear and unequivocal benefits representing a minimum direct financial contribution to Canadian talent development of 6% of the value of the transaction” (the tangible benefits policy).

11. The 1998 Commercial Radio Policy further stipulates that an exemption from the tangible benefits policy may be granted in the case of transactions involving the sale of unprofitable undertakings. However, the policy also states that “the Commission will not systematically apply this exemption to stations in the first five years of operation.”
12. The applicant requested an exemption from the tangible benefits policy for both CKBT-FM and CJZZ-FM because neither station has been profitable. In addition, Corus noted that neither is likely to achieve profitability by the end of the original licence term and that “the completion of the benefits promised in the original CanWest applications represents ... a significant and substantial contribution to the Canadian broadcasting system.”
13. With respect to the lack of profitability of the stations, the Commission acknowledges that both stations are operating at a loss. However, it is not unusual for radio stations to experience operating losses in the first term of licence. Furthermore, as Corus noted, the two stations were each operated as a stand-alone station in their respective markets.
14. As for the potential for profitability, the Commission has, among other things, taken into account Corus’ vast experience in radio broadcasting, the resources available to it, and the fact that CKBT-FM and CJZZ-FM could now benefit from synergies available through other Corus stations currently operating in the Cambridge (Kitchener) and Winnipeg markets. Approval of the present transaction would allow Corus to strengthen its presence in Southern Ontario and in Winnipeg.
15. In reference to Corus’ commitment to continue the CTD contributions required by the original licensing decisions, the Commission notes that those contributions reflect commitments that pre-exist the transaction and would be required even if this transaction did not take place.
16. Under the circumstances, the Commission does not find that an exemption from the tangible benefits policy is justified. Accordingly, as a **condition of approval** of its acquisition of CKBT-FM and CJZZ-FM, Corus must, within 30 days of the date of this decision, submit a tangible benefits package acceptable to the Commission that amounts to a minimum of \$870,000, which represents 6% of the value of the transaction of \$14.5 million.

The sale of broadcasting undertakings during their first licence term

17. The Commission is generally concerned when broadcasting undertakings are put up for sale within their first licence term. Such transactions raise issues relating to the integrity of the licensing process and the potential for licence trafficking.

18. In the present case, the Commission notes that, although the original licensing process in each of these markets was competitive, the Commission licensed a variety of new services. There have also been other changes of ownership in the Kitchener and Winnipeg radio markets since CKBT-FM and CJZZ-FM were licensed. Thus, the competitive landscape has evolved and is now more complex than at the time when the original applications for these stations were considered.
19. In addition, the Commission acknowledges that CanWest has made considerable investments in the launch of the services and has made significant CTD expenditures despite revenue shortfalls.
20. In light of these expenditures, the Commission is of the view that the vendor, CanWest, does not stand to realize an unreasonable financial gain from the sale of these stations. Further, the Commission is satisfied that CKBT-FM, CJZZ-FM and the audiences they serve would benefit from Corus's broadcasting expertise and from its ability to move these stations toward profitability.
21. On balance, the Commission is satisfied that the transaction is in the public interest and that the integrity of its licensing process would not be compromised by its approval.

Term of the licences

22. The licences for CKBT-FM and CJZZ-FM both expire 31 August 2009.
23. Corus requested that the licence term of CKBT-FM Kitchener be extended to coincide with the expiry date of the licence of its indirectly owned station CJDV-FM, Cambridge given that CJDV-FM also serves an area within the Kitchener-Waterloo BBM Canada market. Similarly, Corus requested that the licence term of CJZZ-FM be extended to coincide with the expiry date of the licences of CJOB and CJKR-FM, its other stations in Winnipeg.
24. The Commission considers that Corus's request is reasonable. Accordingly, the new licence for CKBT-FM Kitchener will expire on 31 August 2013, which coincides with the licence expiry date of CJVD-FM. The new licence for CJZZ-FM Winnipeg will expire on 31 August 2011, which coincides with the licence expiry date of CJKR-FM Winnipeg.

Conclusion

25. In light of the above, the Commission **approves** the application by Corus Premium Television Ltd. to acquire the assets of the radio programming undertakings CKBT-FM Kitchener, Ontario and CJZZ-FM Winnipeg, Manitoba from CanWest MediaWorks Inc. This approval is subject to the **condition** that Corus submit, within 30 days of the date of this decision, a tangible benefits package acceptable to the Commission that amounts to a minimum of \$870,000, which represents 6% of the value of the transaction of \$14.5 million.

26. Upon surrender of the current licences, the Commission will issue new broadcasting licences to Corus Premium Television Ltd. The new licence for CKBT-FM Kitchener will expire 31 August 2013 and the new licence for CJZZ-FM Winnipeg will expire 31 August 2011. Both licences will be subject to the **conditions** as set out in the appendix to this decision.
27. The Commission reminds the licensee that, as stated in paragraph 207 of Broadcasting Public Notice 2006-158, it must incorporate, in each station's local programming, spoken word material of direct and particular relevance to the community served. This must include local news, weather, sports coverage, and the promotion of local events and activities.
28. In Broadcasting Public Notice 2006-158, the Commission set out a new approach to the development and promotion of Canadian artists, which is expected to be implemented on 1 September 2007. In order to reflect a new emphasis on development initiatives that lead to the creation of audio content for broadcast using Canadian resources, the Commission will replace the expression "Canadian talent development" (CTD) with "Canadian content development" (CCD). Each radio station holding a commercial radio licence will be required to make a basic annual CCD contribution based on its revenues in the previous broadcast year.
29. The licensee has made commitments to CTD, which are set out in the appendix to this decision as conditions of licence. Amounts required under these conditions of licence may be deducted from the amounts that will be required under the new basic CCD contribution.

Employment equity

30. Because this licensee is subject to the *Employment Equity Act* and files reports concerning employment equity with the Department of Human Resources and Skills Development, its employment equity practices are not examined by the Commission.

Secretary General

Related documents

- *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006
- *Rhythmic Contemporary Hit Radio FM station in Kitchener-Waterloo*, Broadcasting Decision CRTC 2003-152, 14 May 2003

- *Applications for commercial radio stations to serve Winnipeg*, Broadcasting Decision CRTC 2002-224, 8 August 2002
- *Commercial Radio Policy 1998*, Public Notice CRTC 1998-41, 20 April 1998

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

Appendix to Broadcasting Decision CRTC 2007-215

Conditions of licence

CKBT-FM Kitchener

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 of licence number 5, and also subject to the following conditions of licence.

1. The licensee shall, in lieu of the requirements set out in subsection 2.2(8) of the *Radio Regulations, 1986* and subject to subsection 2.2(6) of those regulations, devote, in a broadcast week, 40% or more of its musical selections from content category 2 to Canadian selections broadcast in their entirety.

For purposes of this condition, the terms “broadcast week,” “Canadian selection,” “content category,” and “musical selection,” shall have the meaning set out in the *Radio Regulations, 1986*.

2. The licensee shall make direct expenditures totalling a minimum of \$300,000 per year until the completion of the 2010-2011 broadcast year, allocated as follows:
 - \$125,000 to fund an annual talent search;
 - \$70,000 to support the annual Canadian Dance Music Festival (\$40,000 for the construction of concert stages, and \$30,000 in musicians’ fees);
 - \$35,000 to endow three scholarships at the Harris Institute for the Arts, plus \$500 to underwrite the travel expenses; and
 - \$70,000 to the Foundation to Assist Canadian Talent On Recordings (FACTOR) for the support of artists engaged in all genres of rhythmic dance music.
3. Beginning in the 2007-2008 broadcast year, the licensee shall make a basic annual contribution to Canadian content development (CCD). The amount of the contribution shall be determined in accordance with the policy set out in *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006, as amended from time to time (Public Notice 2006-158).

The licensee shall allocate 60% of this basic annual CCD contribution to FACTOR or to MUSICACTION. The remainder of the basic annual contribution to CCD shall be allocated to parties and initiatives fulfilling the definition of eligible initiatives set out in paragraph 108 of Public Notice 2006-158.

This condition of licence shall expire upon the coming into force of the amendment to the *Radio Regulations, 1986* related to CCD.

CJZZ-FM Winnipeg

The licence will be subject to the conditions of licence set out in *New licence form for commercial radio stations*, Public Notice CRTC 1999-137, 24 August 1999, with the exception of condition of licence number 5, and also subject to the following conditions of licence.

1. The station shall be operated within the Specialty format as defined in *A review of certain matters concerning radio*, Public Notice CRTC 1995-60, 21 April 1995, and *Revised content categories and subcategories for radio*, Public Notice CRTC 2000-14, 28 January 2000, as amended from time to time.
2. A minimum of 70% of all musical selections broadcast during each broadcast week shall be devoted to selections drawn from subcategory 34 – jazz and blues.
3. A minimum of 35% of all category 3 musical selections broadcast during each broadcast week shall be Canadian selections.
4. For the 2007-2008 broadcast year, the licensee shall make direct expenditures on Canadian talent development (CTD) allocated as follows:
 - \$200,000 to FACTOR
 - \$ 80,000 to Project Smooth
 - \$ 72,000 to Jazz Winnipeg
 - \$ 40,000 to The University of Manitoba jazz studies scholarships
 - \$ 8,000 to the Asper Jazz Performance Series
5. For the 2008-2009 and 2009-2010 broadcast years, annual CTD spending must represent 10% of the station's revenues, or, at a minimum, \$267,000 and \$273,000 respectively. CTD funding shall be allocated as set out below:

2008-2009:

- \$133,500 to FACTOR
- \$53,400 to Project Smooth
- \$48,060 to Jazz Winnipeg
- \$26,700 to the University of Manitoba jazz studies scholarship
- \$5,340 to the Asper Jazz Performance Series

2009-2010

- \$136,500 to FACTOR
- \$54,600 to Project Smooth
- \$49,140 to Jazz Winnipeg
- \$27,300 to the University of Manitoba jazz studies scholarship
- \$5,460 to the Asper Jazz Performance Series

6. Beginning in the 2007-2008 broadcast year, the licensee shall make a basic annual contribution to Canadian content development (CCD). The amount of the contribution shall be determined in accordance with the policy set out in *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006, as amended from time to time (Public Notice 2006-158).

The licensee shall allocate 60% of this basic annual CCD contribution to FACTOR or to MUSICACTION. The remainder of the basic annual contribution to CCD shall be allocated to parties and initiatives fulfilling the definition of eligible initiatives set out in paragraph 108 of Public Notice 2006-158.

This condition of licence shall expire upon the coming into force of the amendment to the *Radio Regulations, 1986* related to CCD.

7. The licensee shall submit an annual report on the implementation of its commitments related to CTD concurrent with its annual return.