



Broadcasting Decision CRTC 2015-561

PDF version

Reference: 2015-135

Ottawa, 18 December 2015

Findings regarding market capacity and the appropriateness of issuing a call for radio applications to serve the Edmonton radio market

The Commission finds that the Edmonton radio market can sustain an additional radio station at this time. Consequently, and given the number of applications received and the interest expressed by other interveners to apply, the Commission has issued a call for applications for new commercial radio stations in Broadcasting Notice of Consultation 2015-562, also published today, with a preliminary view that the market would be best served by proposals targeting ethnic communities.

Introduction

1. In Broadcasting Notice of Consultation 2015-135, the Commission announced that it had received applications by VMS Media Group Ltd. (VMS), Neeti P. Ray, on behalf of a corporation to be incorporated (Neeti P. Ray), Antoine Karam, on behalf of a corporation to be incorporated and South Fraser Broadcasting Inc. (South Fraser) for broadcasting licences to operate commercial ethnic radio stations to serve Edmonton, Alberta.
2. The Edmonton Numeris central market includes the cities of Edmonton, Fort Saskatchewan, Leduc and St. Albert. That market is currently served by 19 commercial radio stations, of which only one is an ethnic service.
3. In accordance with Broadcasting Regulatory Policy 2014-554 (the Policy), the Commission called for comments on the capacity of Edmonton to support a new station and whether it should issue a call for applications for new radio stations to serve that market. The Policy states that the Commission will weigh factors such as market capacity, spectrum availability or scarcity and interest in serving the market when deciding whether to:
 - publish the applications for consideration as part of the non-appearing phase of a public hearing;
 - issue a call for applications; or
 - make a determination that the market cannot sustain additional stations, return the applications and issue a decision setting out this determination.

Interventions

4. The Commission received numerous interventions expressing support for an ethnic radio station in response to Broadcasting Notice of Consultation 2015-135. These include interventions from three of the applicants (VMS, Neeti P. Ray and South Fraser), a city councilor, the Member of Parliament representing Edmonton and Members Elect of the Legislative Assembly of Alberta. Moreover, two of the interveners (RED FM and Sapreet Buttar) expressed interest in applying for broadcasting licences to operate ethnic radio stations in Edmonton and requested that the Commission therefore issue a call for applications.
5. Corus, Rogers Media, Newcap and Jim Pattison Broadcast Group, incumbent ownership groups in Edmonton, submitted a joint opposing intervention. The aforementioned applicants and RED FM submitted individual replies to the opposing intervention. The public record for this proceeding can be found on the Commission's website at www.crtc.gc.ca.
6. In their intervention, Corus, Rogers Media, Newcap and Jim Pattison Broadcast Group asserted that:
 - radio profitability in the Edmonton market will decline in 2015 given the significant downturn resulting from the global oil price crisis;
 - the average revenue per station in Edmonton has not grown in seven years, and the average profit before interest and taxes (PBIT) per station has declined by 15.4%;
 - while Edmonton's population has been growing at a significant pace for the past five years, this growth has not translated in any significant impact on radio revenue growth in the market;
 - given that the 2009 recession and the launch of new radio stations in 2010 resulted in significant downward pressure on Edmonton radio revenues, local time sales for the market remained flat from 2010 to 2014;
 - a single-station owner operating an ethnic commercial radio station in this highly competitive market would find it difficult to achieve viability; and
 - approximately 40% of the revenues of the ethnic radio station CKER-FM are at risk if another ethnic radio station is licensed to serve the Edmonton market.

Replies

7. In reply to the opposing intervention, VMS, Neeti P. Ray, South Fraser and RED FM submitted that:
 - the Edmonton ethnic market is not sufficiently served, given that there is only one ethnic station licensed in Edmonton to serve the visible minority community—a population base that is exceeding 250,000 people;

- since ethnic radio stations operate differently than mainstream radio stations and tend to depend on non-mainstream local advertisers, they draw minimal revenues from incumbent stations; and
 - the opposing interveners did not provide any evidence to support their assertion that approximately 40% of CKER-FM's revenues would be at risk if another ethnic radio station were licensed to serve the Edmonton radio market.
8. VMS, Neeti P. Ray and RED FM reiterated that the market is performing well, with stations garnering healthy revenues and attaining profitability.
 9. In response to RED FM's and Sapreet Buttar's request that the Commission issue a call for applications, VMS and South Fraser pointed out that these interveners had ample time to submit applications, given that the South Fraser application was first published as a non-appearing item in Broadcasting Notice of Consultation 2013-663 on 9 December 2013.
 10. To this point, RED FM argued that a call for applications would be consistent with the Commission's recent practices and those adopted in Broadcasting Regulatory Policy 2014-554.

Commission's analysis

11. The Edmonton radio market's total revenues steadily increased between 2010 and 2013 by 15.1% (\$12.4 million), with a compound annual growth rate (CAGR) of 4.8%. However, in 2014, revenues decreased by 1%. PBIT decreased in 2014 by \$3.2 million from the previous year, while the PBIT margin (22.5%) decreased by 3.1 percentage points.
12. Several mainstream radio stations have been introduced to the market in recent years. Presently, no interest is being expressed for another mainstream station, which suggests that Edmonton's highly competitive market, where all the incumbent owners operate multiple stations, might prove challenging for a single-station owner to enter and achieve viability. Further, there is downside risk surrounding Edmonton's short-term economic outlook due to low oil prices, which in turn creates uncertainty with regards to potential advertising revenue growth in the radio market.
13. On the other hand, the Edmonton Census Metropolitan Area (CMA) is Canada's fifth largest by population. Having increased from 1,034,945 in 2006 to 1,159,869 in 2011 (12.1%), it ranks second highest among Canadian CMAs in terms of population growth during that time. The market is diverse, with 254,990 people (22% of the population) describing themselves as a visible minority in 2011, an increase of 5.3 percentage points from 2006. During that period, South Asians became the largest visible minority group with a population of 61,135, representing a 52% increase.

Filipinos have shown the largest growth rate, with their population doubling to 39,945.¹

14. The programming of CKER-FM, the only ethnic service in Edmonton, is mainly directed to the South Asian, and to a lesser extent, the Chinese communities. In Broadcasting Decision 2013-153, the Commission approved CKER-FM's request to reduce from 19 to 12 the number of ethnic groups it is required to serve and the number of languages in which programming must be broadcast. Although a second ethnic radio station could draw revenues away from CKER-FM, Edmonton's low ratio of ethnic radio revenues per third-language population compared to similar markets suggests that there is potential for revenue growth. Further, a second ethnic station would have minimal impact on existing mainstream stations given that ethnic services typically get minimal tuning and tend to depend on different sources to generate revenues, such as local advertising and brokered programming targeting a particular third language or ethnic market.

Conclusion

15. In light of all of the above, the Commission finds that the Edmonton radio market could, under certain circumstances, sustain an additional radio station at this time. Consequently, and given the number of applications received and the interest expressed by other interveners to apply, the Commission has issued a call for applications for new commercial radio stations in Broadcasting Notice of Consultation 2015-562, also published today, with a preliminary view that the market would be best served by proposals targeting ethnic communities.

Secretary General

Related documents

- *Call for applications – Radio stations to serve Edmonton, Alberta*, Broadcasting Notice of Consultation CRTC 2015-562, 18 December 2015
- *Call for comments on market capacity and on the appropriateness of issuing a call for radio applications to serve Edmonton, Alberta*, Broadcasting Notice of Consultation CRTC 2015-135, 10 April 2015
- *A targeted policy review of the commercial radio sector*, Broadcasting Regulatory Policy CRTC 2014-554, 28 October 2014
- *Notice of hearing*, Broadcasting Notice of Consultation CRTC 2013-663, 9 December 2013
- *CKER-FM Edmonton – Licence renewal and amendment*, Broadcasting Decision CRTC 2013-153, 26 March 2013

¹ Source: StatCan 2011 Census, NHS