



Broadcasting Decision CRTC 2018-490

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Ottawa, 20 December 2018

RNC MEDIA Inc.

Rouyn-Noranda and Val-d'Or, Quebec

Public record for this application: 2018-0450-1

RNC MEDIA Inc. – Reallocation of funding from the Independent Local News Fund

*The Commission **approves** the application by RNC MEDIA Inc. to reallocate to CFVS-DT Val-d'Or, Quebec, funding from the Independent Local News Fund that was previously granted to CKRN-DT Rouyn-Noranda, Quebec, and amends the licensee's conditions of licence accordingly.*

The fund administrator must consequently allocate to CFVS-DT the amounts that would have been paid to CKRN-DT for the months of April 2018 to August 2018 inclusively. The fund administrator must treat CFVS-DT and CKRN-DT as a single station for the purposes of calculating the contributions to be allocated to CFVS-DT for the next three broadcast years.

Background

1. RNC MEDIA Inc. (RNC) operates French-language conventional television stations in the markets of Gatineau, Quebec, and of the Abitibi-Témiscamingue region, including Rouyn-Noranda, Quebec, and Val-d'Or, Quebec. Each of these stations is affiliated with one of the three French-language television networks, namely, Groupe TVA, Groupe V and the French-language Canadian Broadcasting Corporation (CBC).
2. In Broadcasting Decision 2018-122, following a request by RNC, the Commission revoked the broadcasting licence for the conventional television station CKRN-DT Rouyn-Noranda. RNC indicated that the hours of local programming broadcast by this station, which was affiliated with the CBC network, and the employees assigned to the production of its programming, have since been transferred to CFVS-DT Val-d'Or, which is affiliated with the Groupe V network, and which is also operated by RNC in the Abitibi-Témiscamingue market.
3. Following the closure of CKRN-DT in March 2018, the Canadian Association of Broadcasters (CAB), the administrator of the Independent Local News Fund (ILNF), ceased payments for this station. Pending the Commission's instructions, the fund administrator deposited the disputed amounts in a separate bank account.

4. In Broadcasting Decision 2018-336, the Commission renewed the broadcasting licences for the RNC stations CFVS-DT, CHOT-DT Gatineau, CFGS-DT Gatineau and CFEM-DT Rouyn-Noranda, Quebec.
5. The ILNF, which was announced in Broadcasting Regulatory Policy 2016-224 (the Policy) as a replacement for the Small Market Local Production Fund and of which details are set out in Appendix 1 to the Policy, is devoted to supporting the production, by private independent television stations, of news and information that reflects the local reality. All private conventional television stations that offer news and information programs reflecting the local reality and that are not owned by a vertically integrated group are eligible for ILNF funding. The funds are currently distributed among these stations as follows:
 - two thirds is distributed in proportion to each eligible station's share of total expenditures on locally reflective news and information over the previous three broadcast years;
 - one third is distributed in proportion to the total number of hours of locally reflective news and information broadcast by each eligible station over the previous three broadcast years;
 - no station or group of stations operated by the same licensee in a given market may receive more than 10% of the funding in any given broadcast year.

Application

6. RNC requested that the monthly payments that the ILNF would have made to CKRN-DT if the station had not ceased operations be allocated, going forward, to CFVS-DT, beginning in April 2018.
7. RNC explained that it expected to continue receiving the same monthly payment amounts given that all of the journalists employed by CKRN-DT now work at CFVS-DT, and given that the number of minutes of local news currently broadcast by CFVS-DT is equal to the total number of minutes that was broadcast by both stations prior to the closure of CKRN-DT.
8. RNC noted that CFVS-DT has been in deficit for the past five years, just as CKRN-DT was before its closure last March, and that the reallocation of CKRN-DT's funding share to CFVS-DT would allow it to meet its new regulatory obligations.

Interventions and reply

9. The Commission received interventions in support of RNC's request from the Chambre de commerce et d'industrie de Rouyn-Noranda, an elected representative, the Chambre de commerce de Val-D'Or, Télé Inter-Rives Ltée, the Fédération

nationale des communications and Ressource pour personnes handicapées Abitibi. It also received a joint comment from five licensees¹ (the Coalition).

10. The Coalition opposed RNC's initial proposal to simply redirect to CFVS-DT the amounts formerly paid to CKRN-DT. It raised procedural concerns relating to RNC's request to amend the ILNF rules to its advantage. The Coalition noted that, due to the ILNF's method of allocation, which consists essentially of dividing funding among recipients, any amendments benefitting RNC would consequently impact the other recipients. The Coalition also expressed concern over the fact that RNC's request does not include new conditions of licence for CFVS-DT that would ensure that the transfer of local news minutes and employees as proposed by RNC, in return for having received additional funding, would result in an increase in the station's local programming.
11. The Coalition further argued that should the Commission allow combining a station's historical expenditures and hours of local news for the purposes of the ILNF, this measure should be limited to stations operating in the same market and should depend on the immediate imposition of conditions of licence requiring the fulfillment of additional obligations relating to broadcasting expenditures and hours of locally reflective news for at least three years.
12. Finally, the Coalition expressed the view that the Commission's decision must allow fund recipients to anticipate the financial consequences of the possible closure of other local stations currently receiving ILNF funds.
13. In its reply and in reply to clarification questions from Commission staff, RNC proposed amendments to certain of CFVS-DT's conditions of licence set out in the appendix to Broadcasting Decision 2018-336 to reflect its commitment to the station continuing to produce the local news programming formerly produced by CKRN-DT. These proposed licence amendments are conditional on the Commission's authorization for the ILNF administrator to reallocate CKRN-DT's funding share to CFVS-DT.
14. Further, RNC confirmed that employees assigned to the production of local programming for CKRN-DT at the time of the station's closure, along with all of the minutes of local programming previously produced by CKRN-DT, were transferred to CFVS-DT.
15. RNC proposed the following amendments to CFVS-DT's conditions of licence relating to investments in local news and to hours of local programming (conditions of licence 5 and 7, respectively, set out in the appendix to Broadcasting Decision 2018-336) to address the concerns of the Coalition (proposed amendments in bold):

¹ These five licencees are Newcap Inc., Jim Pattison Broadcast Group Limited Partnership, Thunder Bay Electronics Limited, Newfoundland Broadcasting Company Limited, and Miracle Channel Association.

5. In accordance with the *Policy framework for local and community television*, Broadcasting Regulatory Policy CRTC 2016-224, 15 June 2016, the licensee shall expend on locally reflective news programming or on its acquisition during each broadcast year: [...]

- c. For CFVS-DT: at least **50%** of the previous year's gross revenues of the station.²

7. In accordance with the definition of “locally reflective news programming” provided in paragraphs 56 to 58 of the *Policy framework for local and community television*, Broadcasting Regulatory Policy CRTC 2016-224, 15 June 2016:

- a. the licensee shall broadcast at least **3 hours and 45 minutes** of local programming per broadcast week;³
- b. the licensee shall broadcast at least 2 hours and 30 minutes of locally reflective news programming per broadcast week.⁴

Commission's analysis

16. When it created the ILNF, the Commission did not foresee the present situation in which the fund administrator finds itself: the closure of one station (CKRN-DT) and the reallocation of financial and human resources to another station (CFVS-DT) operated in the same market by the same licensee.
17. In the summary to the Policy, the Commission recognized the importance of local news as follows:

Local news, information and analysis produced and distributed through the broadcasting system are of central importance to meeting these objectives of the Act and remain important today—not only as an expression of journalistic independence and a reflection of Canadians' right to freedom of expression, but also as a key part of the Canadian democratic system and trust that Canadians place in it. Broadcasters have a duty to ensure that news reporting and analysis continue to be properly funded so that Canadians, as citizens, understand events occurring around them every day.

18. Despite the importance of local news, the Commission recognized in the Policy that for most broadcasters, especially those operating in small markets or owned by independent groups, the costs associated with the production of local news exceed

² Currently, CFVS-DT must spend at least 44% of gross revenues from the previous year on locally reflective news. CKRN-DT never had such an obligation.

³ Currently, CFVS-DT must broadcast 2 hours and 30 minutes of local programming each broadcast week. CKRN-DT was required to broadcast 1 hour and 15 minutes of local programming each broadcast week when it was in operation.

⁴ Currently, CFVS-DT must broadcast at least 2 hours and 30 minutes of locally reflective news each broadcast week. CKRN-DT never had such an obligation.

the revenues derived from the broadcast of this programming. It noted that the financial situation of these stations did not significantly improve despite the launch of the ILNF in September 2017, as evidenced by CKRN-DT's closure.

19. The method adopted by the Commission to calculate the ILNF payments, that is, proportionally to an eligible station's share of total expenditures on locally reflective news and information over the three previous years, was intended to level the sometimes significant year-to-year variations in expenditures and broadcasts by recipient stations. However, the Commission notes that this method is unfair to RNC as it has delayed the increase of payments to CFVS-DT following the transfer of CKRN-DT's hours of local programming and expenditures. The Commission recognizes that the other ILNF recipients would receive slightly less funding than what they would have received if the request was refused. However, the Commission considers that there would be no impact on the other ILNF recipients and their activities since these amounts would have been otherwise reserved for CKRN-DT.
20. The Commission considers that the proposal by RNC could turn into an equitable transition over a period of three years, and that the licensee would be in a position to ensure the maintenance of local programming in the Abitibi-Témiscamingue market. Given the importance of the production of local news, particularly in this region, which is not served by any other conventional television operator, and given that a denial may lead to a decrease in the production of local news, the Commission is of the view that it would be appropriate to approve RNC's proposal.

Amendments to conditions of licence

Broadcast of local programming

21. When it last renewed the broadcasting licence for CFVS-DT, the Commission imposed a new condition of licence requiring the station to broadcast 2 hours and 30 minutes of local programming.⁵ Given RNC's request and since the licensee intended to close CKRN-DT, the Commission revoked this station's licence in Broadcasting Decision 2018-122.
22. The proposed condition of licence for CFVS-DT in regard to local programming, requiring 3 hours and 45 minutes to be broadcast each broadcast week, corresponds to the ILNF's funding criteria. In fact, during the previous licence term, the two stations were together required to devote 3 hours and 45 minutes to local programming each broadcast week (1 hour and 15 minutes for CFVS-DT and 2 hours and 30 minutes for CKRN-DT).
23. In light of the above, the Commission finds that it would be appropriate to approve RNC's proposal regarding the broadcast of local programming.

⁵ condition of licence 7 set out in the appendix to Broadcasting Decision 2018-336

Locally reflective news

24. The Commission also notes that RNC's proposal relates only to the local programming broadcast requirement, and that the licensee has not proposed any amendments to its current requirement to broadcast locally reflective news, which is also 2 hours and 30 minutes each broadcast week (included in the local programming requirement).
25. However, given that ILNF funding is partially calculated in proportion to the number of hours of locally reflective news broadcast and not in proportion to the number of hours of local programming broadcast, the Commission also amends the condition of licence relating to the broadcast of locally reflective news such that the licensee will be required to broadcast at least 3 hours and 45 minutes of locally reflective news programming per broadcast week. This measure will provide greater certainty that RNC will fulfill its commitment relating to the transfer of all of CKRN-DT's local news to CFVS-DT.
26. RNC also proposed to amend CFVS-DT's condition of licence relating to expenditures on locally reflective news to increase those expenditures to 50% of the previous broadcast year's gross revenues. RNC stated that it transferred all of the employees assigned to the production of CKRN-DT's local news to CFVS-DT.
27. In the Commission's view, RNC's proposal to increase from 44% to 50% the proportion of CFVS-DT's previous broadcast year's gross revenues that would be devoted to the acquisition of or investments in locally reflective news represents a substantial increase in this station's regulatory obligations, in light of its precarious financial situation.

Conclusion

28. In light of all of the above, the Commission **approves** RNC's request to reallocate to CFVS-DT Val-d'Or, Quebec, funding from the Independent Local News Fund that was previously granted to CKRN-DT Rouyn-Noranda, Quebec. Consequently, the fund administrator shall allocate to CFVS-DT payments that would have been made to CKRN-DT from April 2018 to August 2018 inclusively. In addition, the fund administrator shall treat CFVS-DT and CKRN-DT as a single station for the purpose of calculating CFVS-DT's contributions for the next three broadcast years (i.e., from 2018-2019 to 2020-2021). When this transition period ends, CKRN-DT's expenditures and broadcast hours will no longer be taken into account, and the fund administrator, going forward, will be able to consider only CFVS-DT's expenditures and broadcast hours.
29. In addition, the Commission **amends** the conditions of licence for the station CFVS-DT set out in the appendix to Broadcasting Decision 2018-336. Specifically, condition of licence 5 is amended as follows (amendment in bold):

5. In accordance with the *Policy framework for local and community television*, Broadcasting Regulatory Policy CRTC 2016-224, 15 June 2016, the licensee shall expend on locally reflective news programming or on its acquisition during each broadcast year: [...]
- c. For CFVS-DT, at least **50%** of the previous year's gross revenues of the station.
30. Moreover, condition of licence 7 is amended so as to no longer include CFVS-DT, which will be subject to a new condition of licence that reads as follows:
8. In accordance with the definition of "locally reflective news programming" provided in paragraphs 56 to 58 of the *Policy framework for local and community television*, Broadcasting Regulatory Policy CRTC 2016-224, 15 June 2016:
- a. the licensee shall broadcast at least 3 hours and 45 minutes of local programming per broadcast week;
- b. the licensee shall broadcast at least 3 hours and 45 minutes of locally reflective news programming per broadcast week.

Secretary General

Related Documents

- *Various conventional television stations – Licence renewals*, Broadcasting Decision CRTC 2018-336, 30 August 2018
- *CKRN-DT – Revocation of licence*, Broadcasting Decision CRTC 2018-122, 12 April 2018
- *Policy framework for local and community television*, Broadcasting Regulatory Policy CRTC 2016-224, 15 June 2016