



Broadcasting Public Notice CRTC 2006-101

Ottawa, 10 August 2006

Licensing of new radio stations and licence amendments for radio stations in the area of Québec, Quebec – Introduction to Broadcasting Decisions CRTC 2006-348 to 2006-351

At a public hearing in Québec commencing 20 March 2006, the Commission considered 10 competitive applications for licences or licence amendments for commercial radio stations in the Québec area.

This notice describes the various applications and sets out the Commission's determinations with respect to the ability of the Québec market to absorb additional radio stations. This notice also summarizes the Commission's decision to approve an application to operate a new French-language commercial specialty FM radio station in Québec; applications to renew the licence of CKNU-FM Donnacona, to delete its condition of licence regarding the solicitation of advertising and to change its technical parameters; and an application to change the technical parameters of CFEL-FM Montmagny.

The call for applications

1. On 13 July 2004, the Commission issued *Call for applications for a broadcasting licence to carry on a French-language radio programming undertaking to serve Québec, Quebec*, Broadcasting Public Notice CRTC 2004-49,¹ in which it announced that it had received applications for a broadcasting licence to operate commercial radio programming undertakings to serve Québec and called for applications from other parties wishing to provide radio programming services to the area. The Commission advised potential applicants that they would be required to provide evidence that there is a demand and a market for the service they propose and that they should address, among other things:
 - the contribution that the proposed service will make to achieving the objectives established in the *Broadcasting Act* and, in particular, to the production of local and regional programming;

¹ On 14 September 2004, the Commission issued an amendment to the call for applications specifying that, pursuant to an Order by the Federal Court of Appeal, the call for applications would focus only on applications proposing the use of frequencies other than 98.1 MHz, which is the frequency currently used by CHOI-FM Québec (see Broadcasting Public Notice CRTC 2004-49-1). On 12 January 2005, the Commission issued an amendment to the call for applications in order to exclude the reference to the language of the service to be proposed (see Broadcasting Public Notice CRTC 2004-49-2).

- the factors relevant to the evaluation of applications, as outlined in *Introductory statement – Licensing new radio stations*, Decision CRTC 99-480, 28 October 1999, i.e., the quality of the application (including the business plan and the proposed format), the diversity of news voices, the market impact and the competitive state of the market;
- the means by which the applicant will promote the development of Canadian talent, including local and regional talent;
- an analysis of the markets involved and potential advertising revenues, taking into account the results of any survey undertaken supporting the estimates; and
- evidence as to the availability of financial resources consistent with the requirements established in the financial projections of the applicant's business plan.

The applications

2. A total of 10 competitive applications to serve the Québec area were considered at the 20 March 2006 Public Hearing in Québec. Six of these applications were for licences to operate new FM stations, of which four proposed to serve Québec and two proposed to serve the city of Lévis. Three applications proposed to change the authorized contours of FM stations in the Québec area with the result that these stations could be considered as serving the Québec market. One final application proposed to operate a new AM station at Lévis. Some of these applications were also technically mutually exclusive as they proposed the use of the same frequencies in this market. The applicants, in the order of their appearance, were as follows:

- 591991 B.C. Ltd., a subsidiary of Corus Entertainment Inc. (Corus/Québec);
- 3924301 Canada inc., carrying on business under the name and style of Communications Lévis 2001 (Communications Lévis);
- 9147-2605 Québec inc., a corporation controlled by Jean-Pierre Coallier (Radio-Classique);
- Standard Radio Inc. (Standard);
- Yves Sauvé, on behalf of a corporation to be incorporated (Y. Sauvé);
- Radio Couleur Jazz inc. (Couleur Jazz);
- Radio Nord Communications inc. (CKNU-FM) (Radio Nord);
- Radio Charlesbourg/Haute St-Charles (CIMI-FM) (Radio Charlesbourg);

- Communications Médialex inc. (Médialex); and
 - 591991 B.C. Ltd., a subsidiary of Corus Entertainment Inc. (CFEL-FM) (Corus/Montmagny).
3. Genex Communications inc. also filed an application for a broadcasting licence to operate an English-language commercial FM radio programming undertaking in Québec, but withdrew the application before the hearing.²
 4. The Commission considered the interventions received, approved and placed on the public record further to Broadcasting Notice of Public Hearing CRTC 2005-8, 15 September 2005, concerning items withdrawn from the public hearing of 14 November 2005 in Québec (see Broadcasting Notice of Public Hearing CRTC 2005-8-4, 27 October 2005) and postponed to the 20 March 2006 Public Hearing in Québec. The Commission also considered all interventions received for this proceeding.

Corus/Québec

5. Corus/Québec proposed to operate a new French-language commercial specialty FM station in Québec at 92.5 MHz (channel 223C1). The proposed station would offer a specialty talk-based format targeting listeners aged 25 to 54 years and would provide information and public affairs programming, and discussions on current events.

Communications Lévis

6. Communications Lévis proposed to operate a new French-language commercial FM station in Lévis at 92.7 MHz (channel 224B1). The applicant proposed a popular, rock and dance music format targeting listeners aged 25 to 44 years in the city of Lévis.

Radio-Classique

7. Radio-Classique proposed to operate a new French-language commercial specialty FM station in Québec at 92.7 MHz (channel 224B). The proposed station would offer classical music from the baroque, classic and romantic eras as well as some contemporary pieces, with 90% of its weekly musical selections drawn from subcategory 31 (Concert). It would target listeners aged 55 years and up. The applications by Radio-Classique, Corus/Québec and Communications Lévis were technically mutually exclusive.

Standard

8. Standard proposed to operate a new English-language commercial FM station in Québec at 105.7 MHz (channel 289C1), with a rock music format targeting listeners aged 18 to 54 years.

² See Broadcasting Notice of Public Hearing CRTC 2006-2-2, 10 February 2006.

Y. Sauvé

9. Y. Sauvé proposed to operate a new French-language commercial FM station in Lévis at 105.7 MHz (channel 289A). The applicant proposed a country music format targeting male and female listeners aged 25 to 54 years. The applications by Y. Sauvé and Standard were technically mutually exclusive given that both proposed to use 105.7 MHz.

Couleur Jazz

10. Couleur Jazz proposed to operate a new French-language commercial specialty FM station in Québec at 106.9 MHz (channel 295C1). The applicant proposed to offer a mix of American, Canadian and European jazz and blues, Brazilian and Cuban selections, and other world beat music, with 70% of its weekly musical selections drawn from subcategory 34 (Jazz and blues). The station would target listeners aged 35 to 64 years.

Radio Nord

11. In its licence renewal application for the French-language commercial radio station CKNU-FM Donnacona and its transmitter CKNU-FM-1 Sainte-Croix-de-Lotbinière, Radio Nord requested an amendment to its licence by deleting the condition of licence that states that it must not solicit advertising from outside the Portneuf area. In a related application, the licensee proposed to change the authorized contours of CKNU-FM by changing the power of the transmitter and by relocating the antenna site in order to encompass the city of Québec. Given the proposed technical changes and the proposed deletion of the condition of licence pertaining to the solicitation of advertising, the station could be considered a station serving the Québec market.

Radio Charlesbourg

12. Radio Charlesbourg proposed to amend the licence of the French-language community radio station CIMI-FM Québec (Charlesbourg zone) by changing the frequency from 103.7 MHz (channel 279A1) to 106.9 MHz (channel 295B1). The licensee also proposed to change the station's authorized contours to encompass the city of Québec. The applications by Radio Charlesbourg and Couleur Jazz were technically mutually exclusive given that both proposed to use 106.9 MHz.

Médialex

13. Médialex proposed to operate a new French-language commercial AM station in Lévis at 980 kHz. The applicant proposed to broadcast country music programming produced locally and at CJMS Saint-Constant.

Corus/Montmagny

14. Corus/Montmagny proposed to change the authorized contours of the French-language commercial radio station CFEL-FM Montmagny by changing the power of the transmitter and by relocating the antenna site in order to encompass part of the city of Québec and its surrounding area, including the city of Lévis. The station could be considered a station serving the Québec market.

The Québec radio market

15. The Québec radio market comprises the new city of Québec (the new city is the result of municipal mergers in recent years) and neighbouring communities that have close social and economic ties with the city. According to the BBM Bureau of Measurement (BBM), in addition to the new city of Québec, Québec's radio market includes Île d'Orléans and some communities on the south shore, such as Lévis-Lauzon, Saint-Romuald, Saint-Jean-Chrysostome and Charny, which are now part of the new amalgamated city of Lévis.
16. The Québec market is the province's second largest market behind that of Montréal. According to Financial Post estimates, the population in the Québec market was approximately 720,500 in 2005. Estimates put average annual population growth at approximately 0.82% between 2001 and 2005.
17. The Québec market is currently served by 15 local radio stations, i.e., seven³ commercial stations, three Canadian Broadcasting Corporation stations, three community stations, one campus station and one religious station.
18. Over the last three years, there have been significant upheavals in the Québec radio market in terms of the audience share and advertising revenues of certain radio stations. With highly publicized incidents involving extremely popular and controversial hosts and their subsequent departure from the airwaves, stations such as CJMF-FM and CHOI-FM Québec and CKNU-FM Donnacona have lost a considerable number of listeners, resulting in significant decreases in advertising revenues for some of them.
19. The Commission also notes that radio advertising revenues in the Québec market have not grown significantly in recent years and, between 2001 and 2005, have increased annually by 2.8% on average, the second lowest increase among Canada's key markets. The Commission further notes that growth in radio revenues in Québec is apparently not keeping pace with the market's economic growth.

³ In *CHOI-FM – Non-renewal of licence*, Broadcasting Decision CRTC 2004-271, 13 July 2004, the Commission denied the application by Genex Communications inc. (Genex) for the renewal of the broadcasting licence for the French-language commercial radio station CHOI-FM Québec. Genex was judicially authorized to continue operating the station pending final rulings on appeals of the decision filed with the courts by Genex.

20. The gap between the Québec market's economic growth and the growth in radio advertising revenues, together with its volatile listenership in recent years, suggest a prudent approach with respect to radio in the future. The Commission is of the view that the market will need some time to stabilize and recover.
21. The Commission expects that average annual growth in radio advertising revenues in the Québec market over the next five years will not be any better than in the past five years. Consequently, the Commission considers that the Québec market's ability to accommodate new services while allowing existing services to expand will be fairly limited. The Commission notes that four of Québec's seven commercial radio stations posted losses before interest and tax in 2005.
22. In light of these circumstances, the Commission considers that introducing into the Québec market new radio services that require significant advertising revenues for their operation could exacerbate the situation. However, the Commission considers that the addition of one or more services aimed at a fairly targeted audience and requiring modest revenues would allow the Québec market's current fragile balance to be protected while increasing the diversity of services offered to the public.

Commission's assessment of the applications and summary of its decisions

A new radio station

23. The Commission evaluated each application in light of the criteria set out in paragraph 1 above, and has determined that approval of one of the two applications proposing to operate a new French-language commercial specialty FM (predominantly musical) station in Québec will have the least possible impact on the existing commercial radio stations, while offering that market's listeners complementary music choices.
24. Given that a classical music station and jazz station were proposed to serve the Québec market, the Commission considered whether these two stations could co-exist. The Commission compared BBM data from fall 2005 for the Montréal and Toronto markets, where both formats are offered, and noted that a high percentage of jazz station listeners also listen to classical music stations. The Commission considers that having both formats in the Québec market could pose a problem, given the limited number of listeners for these music formats and the market's current fragility.
25. The Commission notes that the classical station proposed by Radio-Classique will operate as an independent station in the market. The Commission also considers that the proposed station will contribute further to the diversity of voices. The Commission further notes that, of the two proposed commercial specialty stations, the station proposed by Radio-Classique will have the least impact in the Québec market because it projected revenues of \$3.9 million for the first five years of operation, whereas the applicant proposing the jazz station forecast revenues of \$7.2 million for the same

period. The Commission also notes that the applicant forecasting the largest revenues in the Québec market was Corus/Québec, with projected revenues of \$13.2 million over a five-year period.

26. Accordingly, in *French-language specialty FM radio station in Québec*, Broadcasting Decision CRTC 2006-348, of today's date, the Commission has approved the application by Radio-Classique to operate a new commercial specialty FM radio station in Québec.

Other radio services

27. The Commission also considered the financial situation of the two stations operating in markets adjacent to the Québec market, i.e., CKNU-FM Donnacona and CFEL-FM Montmagny. Both stations face strong competition in their own markets from Québec stations, which greatly limits their capacity to generate listeners and advertising revenues. In fact, these two stations are currently in a precarious financial situation. The licensees of these two stations stated that, if the current situation does not change, the stations will accumulate losses in the coming years and their survival could be jeopardized.
28. The Commission considers it important to ensure the protection and the continuity of both stations and to ensure that the licensees authorized to operate radio stations in the Québec/Lévis market do so on an equal footing.
29. The Commission considers that the proposed changes to the licences of CKNU-FM and CFEL-FM will have a limited impact on the market, while enabling these stations to improve their financial situation and to optimize frequency use. With respect to CKNU-FM, the Commission also considered the fact that the proposed pop/rock and urban musical format targeting listeners aged 18 to 34 years will contribute to the diversity and complement existing radio offerings in the Québec market.
30. Accordingly, in *CKNU-FM Donnacona and CKNU-FM-1 Sainte-Croix-de-Lotbinière – Licence renewal and amendment*, Broadcasting Decision CRTC 2006-349, of today's date, the Commission has renewed the broadcasting licence for CKNU-FM Donnacona and its transmitter CKNU-FM-1 Sainte-Croix-de-Lotbinière, and has approved Radio Nord's proposed amendments to the condition of licence concerning the solicitation of advertising and to the station's technical parameters.
31. In *CFEL-FM Montmagny – Technical change*, Broadcasting Decision CRTC 2006-350, of today's date, the Commission has approved the application by Corus/Montmagny to change the technical parameters of CFEL-FM Montmagny as proposed.
32. In *Denial of applications proposing radio service for Québec and the region*, Broadcasting Decision CRTC 2006-351, of today's date, the Commission has denied the other competitive applications considered at the same public hearing.

33. With respect to the denial of the application by Radio Charlesbourg to amend the licence of the community radio station CIMI-FM Québec (Charlesbourg zone), the Commission notes that there are various technical means for improving the station's signal so that it can better serve the communities it is currently licensed to serve.
34. With respect to the denial of the application by Standard to operate a new English-language commercial FM radio station in Québec, the Commission notes that Québec has a very small Anglophone population and that the advertising pool to support such a station is limited. As a result, the applicant would have no choice but to direct its programming to Francophone listeners, which would seriously affect the French-language stations in the same market from an audience share as well as a financial perspective.

Secretary General

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