



Broadcasting Decision CRTC 2019-253

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Reference: 2019-72

Ottawa, 15 July 2019

Stingray Radio Inc.
Drumheller, Alberta

Public record for this application: 2019-0071-2
Public hearing in the National Capital Region
16 May 2019

CHOO-FM Drumheller – Acquisition of assets

*The Commission **approves** an application by Stingray Radio Inc. for authorization to acquire from Golden West Broadcasting Ltd. the assets of the English-language commercial radio station CHOO-FM Drumheller, Alberta.*

Application

1. Stingray Radio Inc. (Stingray) filed an application for authority to acquire from Golden West Broadcasting Ltd. (Golden West) the assets of the English-language commercial radio station CHOO-FM Drumheller, Alberta, and for a new broadcasting licence to continue the operation of the undertaking under the same terms and conditions as those in effect under the current licence. The Commission did not receive any interventions regarding this application.
2. Stingray is a widely held Canadian public company that is effectively controlled by Eric Boyko, pursuant to the Nomination Rights Agreement and the Voting Trust Agreement.
3. Golden West is owned by Elmer Hildebrand Ltd. (53.98%), Airwave Investments Ltd. (26.74%) and other Canadians (19.28%), and is effectively controlled by Elmer Hildebrand.
4. The purchase price for the assets of CHOO-FM is \$1,600,000. Stingray proposed a value of the transaction of \$1,699,560, which includes \$99,560 for the working capital to be transferred at closing. The applicant proposed a tangible benefits package of \$101,974, which represents a contribution of 6% of the value of the transaction.
5. As a result of the transaction, Stingray would become the licensee of CHOO-FM.

Regulatory framework

6. The review of ownership transactions is an essential element of the Commission's regulatory and supervisory mandate under the *Broadcasting Act* (the Act). Since the

Commission does not solicit competitive applications for changes in effective control of broadcasting undertakings, the onus is on the applicant to demonstrate that approval is in the public interest, that the benefits of the transaction are commensurate with the size and nature of the transaction and that the application represents the best possible proposal under the circumstances.

7. The Commission must consider each application on its merits, based on the circumstances specific to the application. In addition, the Commission must be assured that approval of a proposed ownership transaction furthers the public interest as expressed in the objectives set out in section 3(1) of the Act.

Commission's analysis and decisions

8. After examining the public record for this application in light of applicable regulations and policies, the Commission considers that the issues it must address relate to the following:
 - whether the proposed transaction would be in the public interest;
 - the value of the transaction and of the tangible benefits; and
 - the length of the licence term.

Public interest

9. To determine whether a proposed transaction is in the public interest, the Commission takes into account a wide set of factors set out in the Act, including the nature of programming and service to the communities involved as well as regional, social, cultural, economic and financial considerations. The Commission must be persuaded that the proposed transaction benefits Canadians and the broadcasting system.
10. The Drumheller radio market is currently served by two English-language commercial radio stations: CHOO-FM (owned by Golden West) and CKDQ (owned by Stingray).
11. Until 2018, CHOO-FM had been unable to attain profitability since its launch in 2009. Golden West is of the view that the station is not viable as a standalone station in the market.
12. For its part, Stingray stated that the transaction would allow it to benefit from synergies between CKDQ and CHOO-FM, such as shared studios, production facilities and back-room systems. This would allow Stingray to improve the financial performance of the station. The applicant also stated that this transaction would allow CHOO-FM to continue to invest in quality local programming serving the community.
13. Further, Stingray intends to maintain the distinct programming and local orientation of both stations in the market. The applicant did not propose to modify any of CHOO-FM's conditions of licence.

14. The Commission considers that the synergies generated by a single operator would provide an opportunity to improve the station's financial viability. Further, the Commission is of the view that approval of the transaction would ensure that CHOO-FM continues to serve the community and would help maintain two viable local listening options in the market.
15. In light of the above, the Commission finds that the transaction is in the public interest.

Value of the transaction and tangible benefits

16. The Commission's Tangible Benefits Policy is set out in *Simplified approach to tangible benefits and determining the value of the transaction*, Broadcasting Regulatory Policy CRTC 2014-459, 5 September 2014. For the purpose of calculating the value of the tangible benefits, the Commission looks at the value of the transaction as a whole, including the value of the gross debt, working capital to be transferred at closing, ancillary agreements, any leases assumed by the purchaser for real property (buildings, studios and offices) and transmission facilities.
17. The purchase price for the assets of the station is \$1,600,000. Stingray proposed a value of the transaction of \$1,699,560, which includes \$99,560 for the working capital to be transferred at closing. The Commission considers that the proposed value of the transaction includes the required elements and is therefore consistent with the Tangible Benefits Policy.
18. Pursuant to the Tangible Benefits Policy, tangible benefits for a change in the effective control of commercial radio stations must generally represent at least 6% of the value of the transaction as determined by the Commission, to be allocated to the Radio Starmaker Fund or Fonds Radiostar (3%), FACTOR or MUSICACTION (1.5%), eligible Canadian content development (CCD) initiatives at the discretion of the purchaser (1%) and the Community Radio Fund of Canada (CRFC) (0.5%).
19. As mentioned above, Stingray proposed tangible benefits representing 6% of the value of the transaction, the required minimum.
20. In accordance with the Tangible Benefits Policy, the Commission **directs** Stingray to pay tangible benefits amounting to \$101,974, to be allocated as follows in equal annual payments over seven consecutive broadcast years:
 - 3% (\$50,987) to Radio Starmaker Fund or Fonds Radiostar;
 - 1.5% (\$25,494) to FACTOR or MUSICACTION;
 - 1% (\$16,996) to any eligible CCD initiative at the discretion of the purchaser; and
 - 0.5% (\$8,497) to the CRFC.

Length of licence term

21. The Commission has not identified any instances of non-compliance related to CHOO-FM during the current licence term. Consequently, the Commission finds it appropriate to grant a licence term to the station ending 31 August 2025.

Conclusion

22. In light of all of the above, the Commission **approves** the application by Stingray Radio Inc. for authority to acquire from Golden West Broadcasting Ltd. the assets of the English-language commercial radio programming undertaking CHOO-FM Drumheller, Alberta.
23. Stingray shall notify the Commission of the close of the transaction, and upon surrender of the current licence issued to Golden West, the Commission will issue a new broadcasting licence to Stingray. The new licence will expire 31 August 2025. The terms and **conditions of licence** are set out in the appendix to this decision.

Employment equity

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

Secretary General

This decision is to be appended to the licence.

Appendix to Broadcasting Decision CRTC 2019-253

Terms, conditions of licence and expectation for the English-language commercial radio programming undertaking CHOO-FM Drumheller, Alberta

Terms

The licence will expire 31 August 2025.

Conditions of licence

1. The licensee shall adhere to the conditions set out in *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as the conditions set out in the broadcasting licence for the undertaking.
2. As an exception to the percentage of Canadian musical selections set out in sections 2.2(8) and 2.2(9) of the *Radio Regulations, 1986* (the Regulations), the licensee shall devote:
 - a) in each broadcast week, at least 40% of its musical selections from content category 2 (Popular Music) to Canadian selections broadcast in their entirety; and
 - b) between 6 a.m. and 6 p.m., in any period beginning on Monday of a week and ending on Friday of the same week, at least 40% of its musical selections from content category 2 (Popular Music) to Canadian selections broadcast in their entirety.
3. The licensee shall devote 10% of all musical selections broadcast each broadcast week to selections drawn from content subcategory 32 (Folk and folk-oriented).

Expectation

The Commission expects the licensee to reflect the cultural diversity of Canada in its programming and employment practices.