



Broadcasting Decision CRTC 2014-129

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Route reference: 2013-714

Ottawa, 19 March 2014

Newcap Inc., on behalf of certain licensed subsidiaries of Bell Media Inc.
Toronto, Ontario, and Vancouver, British Columbia

*Applications 2013-1212-3, 2013-1257-9, 2013-1258-7, 2013-1259-5 and 2013-1260-3,
received 28 August 2013*

Change in the effective control of certain licensed broadcasting subsidiaries of Bell Media Inc.

*The Commission **approves** applications by Newcap Inc. (Newcap) on behalf of various
licensed subsidiaries of Bell Media Inc. for authority to change their ownership and
control to Newcap.*

Introduction

1. Newcap Inc. (Newcap) filed applications on behalf of the following wholly owned licensed subsidiaries of Bell Media Inc. (Bell) for authority to change their ownership and control to Newcap:
 - 8504580 Canada Inc., licensee of CHBM-FM Toronto;
 - 8384827 Canada Inc., licensee of CFXJ-FM Toronto;
 - 8384860 Canada Inc., licensee of CHHR-FM Vancouver;
 - 8384878 Canada Inc., licensee of CKZZ-FM Vancouver; and
 - 8384886 Canada Inc., licensee of CISL Vancouver.
2. The transactions would be effected through the transfer of all of the shares in the share capital of the Bell subsidiaries to Newcap.
3. The transactions follow Broadcasting Decision 2013-310, in which the Commission approved an application by Astral Media inc. (Astral) to change the effective control of its broadcasting undertakings to BCE Inc. (BCE) and directed BCE to divest itself of the above-noted services.
4. Following the transactions, the Bell subsidiaries will be controlled by Newcap, a corporation controlled by Harold R. Steele.

5. Pursuant to the share purchase agreement, the purchase price to acquire all of the issued and outstanding shares in the share capital of the Bell subsidiaries is \$112 million.
6. The applicant proposed a tangible benefits package representing 6% of the value of the transaction, to be paid over a seven-year period.

Interventions

7. The Commission received an intervention in support of the applications. The Commission also received an intervention by the Province of Ontario relating to the participation of the stations in its jurisdiction in the National Public Alerting System (NPAS), to which Newcap replied, as well as an intervention by an individual in opposition to the application for CFXJ-FM Toronto. The public record for these applications can be found on the Commission's website at www.crtc.gc.ca under "Public Proceedings."
8. As specified in its three-year plan, the Commission will be looking at measures to ensure the participation of Canadian broadcasters and telecommunications service providers in the NPAS. To this end, in Broadcasting Notice of Consultation 2014-85, the Commission proposed regulations which would require the participation of broadcaster in the NPAS by 31 December 2014. Therefore, the Commission will not impose conditions of licence requiring the participation of broadcasters in the NPAS at this time. However, the Commission continues to expect all licensees to voluntarily participate in the NPAS so that Canadians receive timely warnings of imminent perils.
9. With respect to the opposing intervention, the intervener stated that a condition of licence should be imposed on CFXJ-FM to ensure that it continues to provide programming to the community it was licensed to serve. However, the Commission notes that the station is currently not subject to any conditions of licence relating to its programming format and does not consider it appropriate to impose such a condition in the context of this application.

Value of the transaction

10. As set out in Broadcasting Public Notice 2008-57, the Commission determines the value of a transaction for the purposes of calculating tangible benefits by using the purchase price and taking into account adjustments such as the debts and leases assumed.
11. In accordance with the share purchase agreement, the purchase price is \$112 million. The agreement also provides for the purchase price to be adjusted for the full value of the working capital.
12. Newcap explained that it was not purchasing cash or accounts receivable/payable, that any cash beyond a nominal amount in the stations would be distributed to Bell at closing and that it had chosen not to purchase accounts receivable/payable as it did

not want to assume an unknown working capital risk, preferring to start with a “clean slate.”

13. The Commission determines the value of the transaction as of the date of the transaction, not the date of closing.
14. In terms of cash, in the past the Commission has determined that the cash value as of the date of the transaction should be included in the value of the transaction even if paid at closing. As such, it has included the cash value on the date of the transaction in its calculation of the value of the transaction.
15. Newcap indicated that Bell performs the treasury function for the licensees; there is no bank or cash account specifically attached to each station. Consequently, the Commission had to determine how to allocate the value of the working capital in the parent companies to the stations. Newcap was of the view that any allocation to each station of the value of cash in a parent company would result in an arbitrary number.
16. The Commission is of the view that the same approach should be used in determining the working capital value for all radio transactions involving divested companies following the BCE-Astral transaction. Consequently, it has estimated the value of cash for each station as of the date of the transaction using an allocation method and the value of cash in Astral Media Radio Inc., which is the parent company closest to the licensee just before the control was given to the trustee. The amount of cash allocated for these stations is \$1,347,200.
17. The applicant provided a value for the working capital of -\$63,365. However, the applicant’s calculation includes only certain elements of the working capital as defined in the agreement. The definition in the agreement excludes accounts receivable and accounts payable from the working capital because they will remain with Bell. As the Commission determines the value of the transaction as of the date of the transaction, it has included those amounts. The net amount of accounts receivable and payable is \$6,362,499. The other elements of the non-cash working capital as of the date of the transaction amount to \$980,793. Consequently, the revised value for the working capital is \$7,343,292.
18. The agreement also provides for the payment to the vendor of monthly payments to licence the trademark for CHBM-FM for an initial five-year term and two automatic five-year renewals. The Commission has included the full value for this element over fifteen years in the value of the transaction, which amounts to \$15.
19. In light of the foregoing, the Commission determines that the revised value of the transaction is \$125,970,603, calculated as follows:

Value of the transaction

Purchase price	\$112,000,000
Working capital – excluding cash	\$7,343,292
Cash	\$1,347,200
Adjusted purchase price	\$120,690,492

Additions:

Assumed leases	\$5,280,096
Trademark licence	\$15
Value of the transaction	\$125,970,603

Tangible benefits

20. In Broadcasting Public Notice 2006-158, the Commission set out its tangible benefits policy, which requires parties seeking to acquire ownership or control of profitable radio stations to propose a tangible benefits package equal to no less than 6% of the value of a transaction.
21. Additionally, in Broadcasting Regulatory Policy 2010-499, the Commission stated that tangible benefits must be distributed as follows:
- 3% to the Radio Starmaker Fund or Fonds Radiostar;
 - 1.5% to FACTOR or MUSICACTION;
 - 1% to a Canadian content development (CCD) initiative, at the discretion of the purchaser; and
 - 0.5% to the Community Radio Fund of Canada (CRFC).
22. Consistent with the tangible benefits policy, the applicant proposed a tangible benefits package equal to 6% of the purchase price for the current transaction.
23. In accordance with Broadcasting Regulatory Policy 2010-499 and considering the revised value of the transaction, the Commission **directs** Newcap to allocate its benefits contribution amounting to \$7,558,236 over seven consecutive broadcast years as follows:
- \$3,779,118 to the Radio Starmaker Fund or Fonds Radiostar;
 - \$1,889,559 to FACTOR or MUSICACTION;
 - \$1,259,706 to any eligible CCD initiative; and
 - \$629,853 to the CRFC.
24. The Commission considers that the tangible benefits package is in the public interest and that it will have a positive impact on the promotion of Canadian talent by creating more opportunities for Canadian creators and artists.

Apparent non-compliance

25. In the context of the present applications, the Commission discussed instances of apparent non-compliance with Newcap relating to CHHR-FM and CFXJ-FM. The Commission advises Newcap that these instances of apparent non-compliance will be

considered at the renewal of the stations' licences. At that time, the Commission will review the circumstances that led to any non-compliance, the licensee's arguments and the measures taken to rectify the situation.

Conclusion

26. In light of the above, the Commission **approves** the applications by Newcap Inc. on behalf of the above-noted licensed subsidiaries of Bell Media Inc. for authority to change their ownership and control to Newcap.

Secretary General

Related documents

- *Call for comments on proposed amendments to various regulations, to the standard conditions of licence for video-on-demand undertakings, and to certain exemption orders – Provisions requiring the mandatory distribution of emergency alert messages*, Broadcasting Notice of Consultation CRTC 2014-85, 27 February 2014
- *Astral broadcasting undertakings – Change of effective control*, Broadcasting Decision CRTC 2013-310, 27 June 2013
- *Campus and community radio policy*, Broadcasting Regulatory Policy CRTC 2010-499, 22 July 2010
- *Allocation of the transaction value in changes in the effective control of broadcasting undertakings – Information bulletin*, Broadcasting Public Notice CRTC 2008-57, 30 June 2008
- *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006

**This decision is to be appended to each licence.*