



## Broadcasting Decision CRTC 2005-518

Ottawa, 21 October 2005

### **Showcase Television Inc.** Across Canada

*Application 2005-0321-0*  
*Public Hearing in the National Capital Region*  
*15 August 2005*

### **ZTV – Category 2 specialty service**

*In this decision, the Commission **approves** an application for a broadcasting licence to operate a new Category 2 specialty programming undertaking.*

### **The application**

1. The Commission received an application by Showcase Television Inc. (Showcase) for a broadcasting licence to operate a national, English-language Category 2<sup>1</sup> specialty programming undertaking to be known as ZTV.
2. The applicant proposed to offer a service that would be devoted to programming targeted to “Generation Y” i.e., young Canadians between the ages of 18 and 29. The programming would focus on innovative technologies and new media, youth/extreme sports, sex, jobs, education, music, leisure activities and current events.
3. The programming would be drawn from the following categories, as set out in Schedule 1 to the *Specialty Services Regulations, 1990*: 2(a) Analysis and interpretation; 5(b) Informal education/Recreation and leisure; 6(a) Professional sports; 6(b) Amateur sports; 7(a) Ongoing drama series; 7(b) Ongoing comedy series (sitcoms); 7(c) Specials, mini-series or made-for-TV feature films; 7(d) Theatrical feature films aired on TV; 7(e) Animated television programs and films; 7(f) Programs of comedy sketches, improvisations, unscripted works, stand-up comedy; 7(g) Other drama; 8(a) Music and dance other than music video programs or clips; 8(b) Music video clips; 8(c) Music video programs; 9 Variety; 10 Game shows; 11 General entertainment and human interest; 12 Interstitials; 13 Public service announcements; and 14 Infomercials, promotional and corporate videos.

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<sup>1</sup> The Category 2 services are defined in *Introductory statement – Licensing of new digital pay and specialty services*, Public Notice CRTC 2000-171, 14 December 2000.

## Interventions

4. The Commission received interventions to this application. TELETOON Canada Inc. (TELETOON Canada), which has an ownership interest in the Category 1 specialty service known as Teletoon/Télétoon, submitted that it has created a market for animation focused on the 18 to 29 year old demographic and that programming for this target audience is difficult to acquire and commission. TELETOON Canada considered that animated programming on the proposed service should be limited to 15% of all programming broadcast.
5. CHUM Limited (CHUM), which has an ownership interest in the Category 1 specialty service known as Razer (formerly known as MTV Canada)<sup>2</sup>, submitted that a proliferation of Category 2 services targeted at young Canadians would make it difficult for any such channel to gain sufficient audience to attain viability, especially since young Canadians watch much less television than in the past. Specifically, it argued that the licensing of ZTV, together with the recent licensing of The Canadian Teen Television Network could have a negative impact on Razer. CHUM therefore suggested that the following conditions of licence be applied to ZTV:
  - the proposed target audience of young Canadians between the ages of 18 and 29 be identified in the nature of service;
  - all programming be directed to Canadians between the ages of 18 and 29;
  - no more than 10% of all programming broadcast during the broadcast week be drawn from categories 8(a), 8(b) and 8(c);
  - no more than 15% of all programming broadcast during the broadcast week be drawn from category 7(d).

### Applicant's reply

6. In response to TELETOON Canada, Showcase acknowledged that the intervener was particularly concerned with the supply of first-window animation programming, and expressed its willingness to accept, as a condition of licence, a 15% limit on first-window animation drawn from category 7(e) to be broadcast on ZTV.

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<sup>2</sup> In *Connect – a new specialty channel*, Decision CRTC 2000-462, 14 December 2000, the Commission approved an application by Craig Broadcast Systems Inc., on behalf of a company to be incorporated for a new Category 1 specialty service to be known as “Connect” Craig rebranded Connect as “MTV Canada.” In *Transfer of effective control of Craig Media Inc. to CHUM Limited; and Acquisition of assets – reorganization of Toronto One*, Broadcasting Decision CRTC 2004-502, 19 November 2004, the Commission approved the application by CHUM for authority to acquire effective control of Craig, including MTV Canada. Under CHUM’s ownership, MTV Canada was rebranded as “Razer.”

7. In reply to CHUM, Showcase indicated that it would accept the first three conditions of licence proposed by CHUM. With respect to the intervener's proposal to limit programming drawn from category 7(d) to 15%, Showcase acknowledged that although young Canadians watch less television overall, televised movies remain popular. Showcase stated that it would therefore accept a 25% limit on programming drawn from category 7(d) and that all such programming broadcast would have been copyrighted for at least three years before its broadcast.

### **Commission's analysis and determination**

8. In *Licensing framework policy for new digital pay and specialty services*, Public Notice CRTC 2000-6, 13 January 2000, the Commission implemented a competitive, open-entry approach to licensing Category 2 services. While the Commission does not consider the impact that a Category 2 service might have on an existing Category 2 service, it does seek to ensure that Category 2 services do not compete directly with any existing pay or specialty television service, including any Category 1 service.
9. In *Introductory statement - Licensing of new digital pay and specialty services*, Public Notice CRTC 2000-171, 14 December 2000, and *Corrected Appendix 2*, Public Notice 2000-171-1, 6 March 2001 (Public Notice 2000-171-1), the Commission adopted a case-by-case approach in determining whether a Category 2 service should be considered directly competitive with an existing analog pay or specialty or Category 1 service. The Commission examines each application in detail, taking into consideration the nature of service and the unique circumstances of the genre in question.
10. In the present case, the Commission notes Showcase's willingness to accept a number of conditions of licence to limit ZTV's nature of service in terms of specific target audience and content in an effort to limit direct competition with any analog pay or specialty or existing Category 1 service. In addition, Showcase has indicated that it would accept a 15% limit on first-window animation programming, and that all of ZTV's programming would be directed solely at Canadians between the ages of 18 and 29. The Commission considers that Showcase's commitment to broadcast programming focussed on innovative technologies, new media, youth/extreme sports, sex, jobs, education, music, leisure activities and current events will ensure that ZTV does not become directly competitive with any analog pay or specialty or existing Category 1 service.

11. Furthermore, the Commission is satisfied that the proposed service is sufficiently distinct from Razer in terms of both the target audience and the programming. Specifically, the Commission notes that Razer's main target audience is teens aged 12 to 17, with a secondary target audience of young adults aged 18 to 24, while ZTV's programming would be entirely directed to young Canadians between the ages of 18 and 29. The Commission also notes that Showcase proposed to limit the amount of programming that it may broadcast from certain categories, namely: 15% for category 6(a) and 6(b); 10% for category 8; and 25% for category 7(d). As part of this public process, the applicant also agreed to accept a condition of licence that would limit to 15% its broadcast of first-run animation programming drawn from category 7(e). The Commission considers that these restrictions will ensure that ZTV will not be directly competitive with any analog pay or specialty or existing Category 1 service.
12. The Commission further notes that the present application is similar to that which was approved in *ZTV*, Decision CRTC 2000-671, 14 December 2000 (Decision 2000-671). The service approved in Decision 2000-671 was, however, not implemented within the required timeframe.
13. Based on its examination of this application, including the factors noted above, the Commission is satisfied that the application is in conformity with all applicable terms and conditions announced in Public Notice 2000-171-1. Accordingly, the Commission **approves** the application by Showcase Television Inc. for a broadcasting licence to operate the national, English-language Category 2 specialty programming undertaking, ZTV.
14. The licence will expire 31 August 2012 and will be subject to the **conditions** set out in Public Notice 2000-171-1, as well as to the **conditions** set out in the appendix to this decision.

### **Issuance of the licence**

15. A licence will be issued once the applicant has satisfied the Commission, with supporting documentation, that the following requirements have been met:
  - the applicant has entered into a distribution agreement with at least one licensed distributor; and

- the applicant has informed the Commission in writing that it is prepared to commence operations. The undertaking must be operational at the earliest possible date and in any event no later than 36 months from the date of this decision, unless a request for an extension of time is approved by the Commission before 21 October 2008. In order to ensure that such a request is processed in a timely manner, it should be submitted at least 60 days before that date.

Secretary General

*This decision is to be appended to the licence. It is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>*

## Appendix to Broadcasting Decision CRTC 2005-518

### Conditions of licence

1. The licence will be subject to the conditions set out in *Introductory statement – Licensing of new digital pay and specialty services, Corrected Appendix 2*, Public Notice CRTC 2000-171-1, 6 March 2001.
2. The licensee shall provide a national, English-language Category 2 specialty programming undertaking devoted to programming targeted to “Generation Y” i.e., Canadians between the ages of 18 to 29. The programming will focus on innovative technologies and new media, youth/extreme sports, sex, jobs, education, music, leisure activities and current events. All of the programming shall be directed at young Canadians aged 18 to 29.
3. The programming must be drawn exclusively from the following categories, as set out in Schedule I to the *Specialty Services Regulations, 1990*, as amended from time to time:
  - 2(a) Analysis and interpretation
  - 5(b) Informal education/Recreation and leisure
  - 6(a) Professional sports
    - (b) Amateur sports
  - 7 Drama and comedy
    - 7(a) Ongoing drama series
    - (b) Ongoing comedy series (sitcoms)
    - (c) Specials, mini-series or made-for-TV feature films
    - (d) Theatrical feature films aired on TV
    - (e) Animated television programs and films
    - (f) Programs of comedy sketches, improvisations, unscripted works, stand-up comedy
    - (g) Other drama
  - 8(a) Music and dance other than music video programs or clips
    - (b) Music video clips
    - (c) Music video programs
  - 9 Variety
  - 10 Game shows
  - 11 General entertainment and human interest
  - 12 Interstitials
  - 13 Public service announcements
  - 14 Infomercials, promotional and corporate videos
4. No more than 25% of all programming broadcast during the broadcast week shall be drawn from category 7(d) and all such programming shall have been copyrighted for at least three years prior to broadcast.

5. No more than 10% of all programming broadcast during the broadcast week shall be drawn from categories 8(a), 8(b) and 8(c).
6. No more than 15% of all programming broadcast during the broadcast week shall be drawn from category 6(a) and 6(b).
7. No more than 15% of all programming broadcast during the broadcast week shall be first-window category 7(e) programming.
8. No more than 25% of all programming broadcast during the broadcast week shall be drawn from any one genre (e.g. health, fashion, sports, travel, computer, Internet).

For the purposes of the conditions of this licence, including condition of licence no. 1, *broadcast day* means the period of up to 18 consecutive hours, beginning each day not earlier than six o'clock in the morning and ending not later than one o'clock in the morning of the following day, as selected by the licensee, or any other period approved by the Commission.