



Broadcasting Public Notice CRTC 2006-34

Ottawa, 24 March 2006

Licensing of new radio stations to serve Charlottetown, Prince Edward Island – Introduction to Broadcasting Decisions CRTC 2006-88 to 2006-91

At a public hearing commencing 3 October 2005 in Charlottetown, the Commission considered four applications for commercial radio stations to serve Charlottetown. Two of the applications proposed to convert existing radio stations from the AM band to the FM band, and two proposed to establish new FM radio stations.

This notice describes the various applications and sets out the Commission's determinations with respect to the ability of the Charlottetown market to absorb additional radio stations. This notice also summarizes the Commission's decision to approve two applications to convert existing radio stations from the AM band to the FM band, as well as to approve in part an application to establish a new FM radio station to serve Charlottetown.

The call for applications

1. On 11 January 2005, the Commission issued *Call for applications for a broadcasting licence to carry on radio programming undertakings to serve Charlottetown, Prince Edward Island*, Broadcasting Public Notice CRTC 2005-3, in which it announced that it had received an application for a broadcasting licence to provide a commercial radio programming undertaking to serve Charlottetown, 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 giving a clear indication 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;
 - 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 four applications to serve Charlottetown were considered at the 3 October 2005 Public Hearing in Charlottetown. The applicants, in the order of their appearance at the public hearing, were as follows:
 - Maritime Broadcasting System Limited (Maritime)
 - Coast Broadcasting Ltd. (Coast)
 - Newcap Inc. (Newcap) (two applications)
3. An application by Astral Media Radio Atlantic Inc. (Astral), for a licence to operate an English-language commercial FM radio programming undertaking at Charlottetown was withdrawn before the hearing.
4. At the hearing, parties were requested to file additional information to clarify certain matters. This material was submitted subsequent to the hearing, and all parties were given the opportunity to comment. All submissions were considered by the Commission in making its determinations.

Maritime

5. Maritime proposed to convert its AM station CFCY Charlottetown to the FM band. The proposed station would operate at 95.1 MHz (channel 236C1), and would maintain its current country music format and local programming focus, targeting listeners aged 25 to 54. The Maritime application is technically mutually exclusive with the application filed by Coast, due to both applications proposing the use of frequency 95.1 MHz.

Coast

6. Coast proposed to establish a new English-language commercial FM radio station at Charlottetown, operating at frequency 95.1 MHz (channel 236C1). Coast indicated that its proposed station would provide adult pop music, primarily featuring music from the '80s, '90s and today, targeting listeners aged 35 to 54. As noted above, the Coast application is technically mutually exclusive with the application filed by Maritime.

Newcap

7. Two applications by Newcap were heard at the 3 October public hearing. The first application proposed to establish a new English-language commercial FM radio station at Charlottetown, operating at 89.9 MHz (channel 210C1). The proposed station would offer a format consisting of new and Classic Rock music targeting primarily males aged 25 to 44.
8. Newcap also proposed to convert its AM station CHTN Charlottetown to the FM band, operating at 100.3 MHz (channel 262C1). Newcap indicated that the proposed station would offer a hybrid Classic Hits/Oldies music format, with music from the '60s to the present, targeting a primarily female audience aged 35 to 54.

The Charlottetown radio market and its ability to sustain a new radio station

9. In *The Commission's policy on local management agreements (LMAs) – Determinations concerning the appropriateness of various existing and proposed LMAs, including local sales agreements, between licensees of radio stations serving the same market*, Broadcasting Public Notice CRTC 2005-10, 31 January 2005 (Public Notice 2005-10), the Commission determined that the continuance of a local management agreement (LMA)¹ and/or local sales agreement among Charlottetown radio station licensees was no longer warranted, and requested the parties terminate the arrangement by 31 May 2005. Maritime and Newcap have both confirmed that they are now operating independently.
10. In discussions at the public hearing, the issue of the proximity of Summerside, Prince Edward Island to the Charlottetown market was discussed. It was the view of Newcap that, because Maritime is the licensee of CJRW-FM Summerside, Maritime is currently the licensee of two FM and one AM radio stations in the Charlottetown market, and therefore a much stronger competitor. Maritime disagreed with this view, stating that, in its opinion, Summerside is a separate market.
11. The Commission notes in this regard that, under the definition of a market as set out in the *Radio Regulations, 1986*, Charlottetown and Summerside do in fact constitute two separate radio markets.

¹ A local management agreement is defined in the *Radio Regulations, 1986* as “an arrangement, contract, understanding or agreement between two or more licensees or their associates that relates, directly or indirectly, to any aspect of the management, administration or operation of two or more stations that broadcast in the same market.”

12. The 2005 population of the Charlottetown Census Agglomeration (CA) is estimated by Financial Post (FP) Markets to be approximately 60,000, representing a 3% growth since the 2001 Census conducted by Statistics Canada. Further, FP Markets projects the Charlottetown population will continue to grow by an additional 3% over the next five years.
13. The province of Prince Edward Island, FP Markets and BMO Financial Group all project a positive economic outlook for Charlottetown. FP Markets projects a 5% annual retail sales growth over the next five years, with retail sales estimated to reach \$889 million by 2011. BMO Financial Group notes that employment continues to rise in the province, with Charlottetown's diverse employment sector contributing to a more stable economy. Charlottetown's largest employment sectors include government services, manufacturing, retail, tourism/service, and health/social services.
14. The province of Prince Edward Island reports that the provincial gross domestic product (GDP) has grown at an average annual nominal rate of 4.9% per year for the past 10 years, with 2004 representing the first year provincial GDP exceeded \$4 billion. The manufacturing sector has replaced the resource industries of agriculture, fishing and forestry as the largest single employment sector of Prince Edward Island.
15. The Commission is of the view that the positive outlook for Charlottetown will result in steady growth projections for radio advertising revenues.
16. The Charlottetown market is currently served by three commercial radio stations, including CFCY (Country music) and CHLQ-FM (Hot AC) owned by Maritime and CHTN (Oldies), owned by Newcap. In 2005, these radio stations enjoyed a combined profit before interest and taxes margin (PBIT) higher than the average PBIT for all radio stations in Canada (20.94%), and for all services in Atlantic Canada (27.27%).
17. Out-of-market tuning by the Charlottetown radio audience is a factor, with a significant level of tuning devoted to CKTO-FM Truro, Nova Scotia, a station offering a Rock music format, operated by Astral.
18. The Commission notes that conversions of existing AM stations to the FM band traditionally do not have an undue negative impact on a given radio market and is of the view that approval of the conversion of CFCY and CHTN to the FM band would provide enhanced service to Charlottetown.
19. Taking into account the conversion of CFCY and CHTN from the AM band to the FM band, and based on the positive economic indicators noted above as well as the significant level of out-of-market tuning, the Commission is also of the view that the Charlottetown radio market would be capable of accommodating the introduction of one new commercial FM radio station that would provide local service to Charlottetown.

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

20. The Commission evaluated each application in light of the criteria set out in paragraph 1 above. Based on its assessment of the applications, the Commission has determined that approval of the two applications to convert existing AM stations to the FM band will serve to strengthen the existing two licensees in the market, without creating any undue negative impact on the Charlottetown radio market.
21. Therefore, in *CFCY Charlottetown – Conversion to FM band*, Broadcasting Decision CRTC 2006-89, and *CHTN Charlottetown – Conversion to FM band*, Broadcasting Decision CRTC 2006-88, both of today's date, the Commission has approved the applications by Maritime and Newcap respectively to operate new English-language FM radio programming undertakings at Charlottetown to replace their respective AM stations.
22. Based on its assessment of the applications by Newcap and Coast for new FM stations to serve Charlottetown, the Commission has determined that approval of the application by Newcap would ensure that competitive balance in the Charlottetown market is maintained, following the discontinuation of the LMA between Newcap and Maritime. Approval of the Newcap proposal would also allow the applicant to develop synergies with its existing station. In addition, the Newcap proposal would add programming diversity to the Charlottetown market, and should serve to repatriate listeners who currently tune to CKTO-FM Truro, Nova Scotia, an out-of-market radio station that provides a rock music format. The Commission has also taken into consideration Newcap's significant commitment to expend \$1 million over the licence term for Canadian talent development.
23. Therefore, in *English-language FM radio station in Charlottetown*, Broadcasting Decision CRTC 2006-90 (Decision 2006-90), the Commission has approved in part the application by Newcap for a broadcasting licence to operate a new English-language commercial FM radio programming undertaking to serve Charlottetown.
24. The Commission notes that the Newcap application for a new commercial FM station to serve Charlottetown was technically mutually exclusive with two applications for the use of that frequency in Halifax, Nova Scotia, heard at the 16 January 2006 Public Hearing in the National Capital Region. The Department of Industry (the Department) has identified 89.9 MHz as the last Class C1 channel available to the Halifax market. According to the Department, there are other FM allotments in Charlottetown, but no comparable alternatives in Halifax. Accordingly, the Commission has denied Newcap's proposal for the use of 89.9 MHz at Charlottetown. The applicant must, within three months of the date of Decision 2006-90, submit for the Commission's approval, an application proposing the use of another frequency and technical parameters that are acceptable to the Commission and the Department for use in the Charlottetown market.

25. In *Denial of application proposing radio service for Charlottetown, Prince Edward Island*, Broadcasting Decision CRTC 2006-91, of today's date, the Commission has denied the application by Coast Broadcasting Ltd. for a broadcasting licence to operate a new English-language commercial FM radio station to serve Charlottetown.

Secretary General

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