



## Broadcasting Decision CRTC 2009-247

Route reference: 2009-36

Ottawa, 4 May 2009

### **World Impact Ministries** Across Canada

*Application 2008-1511-0, received 6 November 2008*  
*Public Hearing in the National Capital Region*  
*30 March 2009*

### **The Christian Channel – Acquisition of assets**

*The Commission **approves** the application by World Impact Ministries for authority to acquire from The Christian Channel Inc. the assets of the Category 2 specialty television programming undertaking known as The Christian Channel and for a broadcasting licence to continue the operation of the undertaking.*

### **Introduction**

1. The Commission received an application by World Impact Ministries (WIM) for authority to acquire from The Christian Channel Inc. (CCI) the assets of the national, English-language Category 2 specialty television programming undertaking known as The Christian Channel. The applicant also requested 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.
2. The Commission received one opposing intervention that did not directly address the application and several supporting interventions. The interventions can be found on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca).
3. WIM is a Canadian not-for-profit charitable corporation controlled by its board of directors which is Canadian within the meaning of the definitions pursuant to the *Direction to the CRTC (ineligibility of Non-Canadians)*.
4. The Commission has identified the following issues to be addressed in its determinations:
  - the sale of The Christian Channel within its first licence term;
  - the assessment of the value of the transaction; and
  - the assessment of the proposed tangible benefits.

## **The sale of The Christian Channel within its first licence term**

5. In Broadcasting Notice of Consultation 2009-36, the Commission noted that CCI was granted authority to operate a new Category 2 specialty programming undertaking in Broadcasting Decision 2006-11 and that, consequently, the proposed transaction would occur within its first licence term. When examining such transactions, the Commission is concerned with the following two areas:
  - the integrity of the licensing process; and
  - the potential gain to the vendor.

### **Integrity of the licensing process**

6. In Broadcasting Decision 2006-11, the Commission approved an application by CCI for a broadcasting licence to operate a new national, English-language Category 2 specialty programming undertaking based on the following factors:
  - the station would offer a service that would consist of balanced religious programs from a variety of Christian perspectives;
  - the station would provide multi-faith programming dealing with a variety of spiritual, moral and ethical topics that would contribute to the community; and
  - the strong support for the CCI application expressed in interventions from a wide range of individuals and communities in Canada.
7. In its application, CCI indicated that, although it invested significant time, effort and resources to reach its objectives of launching the station and fulfilling the commitments made in its application, its Category 2 service has been losing money since its launch. CCI also stated that this venture is extremely challenging, not financially sustainable under the current ownership and that the service may go off air if profitability cannot be achieved.
8. The Commission notes that The Christian Channel officially started its operations on 1 February 2006. The Commission further notes that in Broadcasting Decision 2008-71, it approved the application by CCI to acquire the assets of the television programming undertakings CHNU-TV Fraser Valley and CIIT-TV Winnipeg from Rogers Broadcasting Limited. This acquisition was meant to benefit from significant opportunities for synergies. Unfortunately, synergies were not obtained in the way the parties had expected and profitability was not achieved.

9. WIM has committed to maintaining the commitments made by CCI and has stated its intentions to make considerable investments to achieve self-sustainability. The Commission considers that WIM will be in a better position to raise funds as it has significant expertise and experience in religious fundraising. WIM has also committed to expanding the reach of the service to ensure that a sound religious television service will serve a large segment of the viewing audience in Canada through the establishment of a nightly flagship program and through the presentation of educational and entertaining religious programming. In addition, WIM has more than 15 years of experience in producing Christian television programming for the Canadian market and has the studio and the facilities to do so. The Commission considers that this transaction will provide financial stability for the undertaking, allowing it to continue to meet the needs of the community it serves.
10. In light of all of the above, the Commission is satisfied that the integrity of the licensing process would not be compromised by approval of the proposed transaction.

**Potential gain to the vendor**

11. When an undertaking is sold within the first licence term, the Commission examines the investment that the vendor has made in the undertaking for the purpose of determining the profit resulting from the sale. CCI and WIM submitted that, given the significant capital investment required to launch the service and the risk incurred in doing so, the profit would not be unreasonable but rather commensurate with the risk. Both parties underscored that the licensee had met its promises and commitments, including the service reach requirement.
12. The Commission has calculated the profit remaining after the deduction of start-up costs and cumulative losses as of 31 August 2008, the end of its broadcast year. The value, as of that date, is a reasonable proxy for the value at the date of the transaction, 19 September 2008. The value of the profit amounts to \$782,912.
13. The Commission notes that The Christian Channel is a Category 2 service that has been losing money at a rate of approximately \$1.2 million a year since its launch and that the service may go off air if profitability cannot be achieved.
14. In light of the above and based on the financial evidence provided by the applicant, the Commission is satisfied that CCI would not stand to realize an unreasonable financial gain from the sale of the undertaking.
15. As noted above, the Commission is concerned when a broadcasting undertaking is put up for sale within the first licence term or shortly after a previous sale. Accordingly, the Commission will continue to examine such transactions carefully to ensure that there is no potential for licence trafficking.

### **The assessment of the value of the transaction**

16. Since the Commission does not solicit competing applications for authority to transfer the ownership or control of radio, television and other programming undertakings, the onus is on the applicant to demonstrate that the benefits proposed in the application are commensurate with the size and nature of the transaction.
17. In accordance with the Asset Purchase Agreement (the Agreement), the purchase price for the assets of The Christian Channel amounts to \$4 million. WIM will only be assuming commitments related to leases which amounts to \$189,084. It is Commission practice to include this amount in the value of the transaction. As a result, the adjusted value amounts to \$4.19 million.

### **The assessment of the proposed tangible benefits**

18. As set out in Public Notice 1999-97, the Commission generally expects applicants to make clear and unequivocal commitments to provide tangible benefits representing 10% of the value of a transaction, as accepted by the Commission. Such benefits should be directed to the communities served and to the broadcasting system as a whole.
19. In the present case, the applicant has not proposed a tangible benefits package on the basis that the service has failed to achieve financial sustainability.
20. The Commission notes that the operation is currently losing approximately \$1.2 million per year and has not shown any marked improvement in profitability over the past three years. Moreover, the Commission notes that the purchaser of the operation is a not-for-profit charitable corporation.
21. In light of the above, the Commission considers that relieving WIM of its obligation to provide a tangible benefits package equal to 10% of the value of the transaction is appropriate in this instance.

### **Other matters**

#### **Effective control of The Christian Channel**

22. The Commission notes that WIM has entered into a Services Agreement with VisionTV; Canada's Faith Network/Réseaux religieux canadien (VisionTV), a corporation that wholly owns and controls the vendor (CCI). The Services Agreement sets out that VisionTV will provide management services to WIM in connection with the operation of The Christian Channel for up to five years. VisionTV would be responsible for, among other things, maintaining affiliate relations, acting as an agent for sales of airtime and advertising, and maintaining the broadcast schedule for the undertaking. The agreement states that VisionTV is subject to the direction and control of WIM in the provision of these services.
23. The Commission has carefully reviewed the Services Agreement and the relationship between the parties to determine the extent of VisionTV's influence over the undertaking and it has concluded that VisionTV will not be in a position to exercise effective control

over The Christian Channel. The Commission is of the view that WIM will exercise effective control over The Christian Channel through its board of directors.

#### **Trademark Agreement**

24. To ensure that the proposed licensee will be in compliance with the *Direction to the CRTC (Ineligibility of non-Canadians)* at all times, the applicant proposed to file an executed copy of the Trademark Agreement as soon as it becomes available. Consequently, the Commission requires that the applicant file an executed copy of the Trademark Agreement as soon as it becomes available.

#### **Conclusion**

25. The Commission **approves** the application by World Impact Ministries for authority to acquire, from The Christian Channel Inc., the assets of the national, English-language Category 2 specialty television programming undertaking known as The Christian Channel.
26. Upon surrender of the current licence issued to The Christian Channel Inc., the Commission will issue a new licence to World Impact Ministries. The licence will expire 31 August 2012, the expiry date of the current licence, and will be subject to the **conditions** set out in the appendix to this decision.

Secretary General

#### **Related documents**

- *Acquisition of assets*, Broadcasting Decision CRTC 2008-71, 31 March 2008
- *Diversity of voices – Regulatory policy*, Broadcasting Public Notice CRTC 2008-4, 15 January 2008
- *The Christian Channel – Category 2 specialty service*, Broadcasting Decision CRTC 2006-11, 20 January 2006
- *Building on success – A policy framework for Canadian television*, Public Notice CRTC 1999-97, 11 June 1999
- *Direction to the CRTC (Ineligibility of Non-Canadians)*, P.C. 1997-486, 8 April 1997

*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 2009-247

### Conditions of licence for the Category 2 specialty programming undertaking The Christian Channel

1. The licence shall 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 service devoted to balanced religious programs from a variety of Christian perspectives, as well as multi-faith programming that examines related spiritual, moral and ethical issues.
3. The programming shall be drawn exclusively from the following categories, as set out in item 6 of Schedule I to the *Specialty Services Regulations, 1990*, as amended from time to time:
  - 4 Religion
  - 12 Interstitials
  - 13 Public service announcements
  - 14 Infomercials, promotional and corporate videos
4. Not less than 75% of all programming broadcast during the broadcast week shall be drawn from category 4 Religion.
5. Where the licensee broadcasts religious programming as defined in *Religious Broadcasting Policy*, Public Notice CRTC 1993-78, 3 June 1993, the licensee shall adhere to the guidelines set out in sections III.B.2.a) and IV of that public notice with respect to the provision of balance and ethics in religious programming, as amended from time to time.

For the purposes of the conditions of this licence, including condition of licence 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.