



## Broadcasting Decision CRTC 2018-227

PDF version

References: 2018-106 and 2018-106-3

Ottawa, 5 July 2018

**Rogers Media Inc.**  
Medicine Hat, Alberta

*Public record for this application: 2017-1183-8*  
*Public hearing in the National Capital Region*  
*31 May 2018*

### **CJCY-FM Medicine Hat – Acquisition of assets**

*The Commission **approves** an application by Rogers Media Inc. for authority to acquire from Clear Sky Radio Inc. the assets of the English-language commercial radio station CJCY-FM Medicine Hat, Alberta.*

#### **Application**

1. Rogers Media Inc. (Rogers) filed an application for authority to acquire from Clear Sky Radio Inc. (Clear Sky) the assets of the English-language commercial radio station CJCY-FM Medicine Hat, Alberta, and for a broadcasting licence to continue the operation of the undertaking under the same terms and conditions as those in effect under the current licence.
2. Rogers is wholly owned and controlled by Rogers Communications Inc.
3. Clear Sky is a corporation jointly controlled by Paul Larsen and Mary McKinnon Mills.
4. Pursuant to the asset purchase agreement, Rogers would purchase the assets of the undertaking for \$4 million. The applicant proposed a tangible benefits package of \$240,000, which is equal to 6% of the value of the transaction.
5. As a result of the transaction, Rogers would become the licensee of CJCY-FM.

#### **Interventions**

6. The Commission received interventions in support of this application as well as one comment from the City of Medicine Hat, which submitted that, while it remains impartial with respect to supporting any particular media or ownership group, the city benefits from having a variety of local media outlets in the community, including television, radio, newspaper and online options.

## **Regulatory framework**

7. 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.
8. 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**

9. 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 is in the public interest;
  - the value of the transaction and the tangible benefits; and
  - the length of the licence term.

## **Public interest**

10. 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.
11. Clear Sky has identified the proposed transaction as a strategic opportunity to redeploy capital to grow the company and refocus its activities in Lethbridge, Alberta, and Cranbrook, British Columbia.
12. For its part, Rogers stated that the transaction would allow it to leverage synergies associated with operating two stations in a market to strengthen both CJCY-FM and its existing station CKMH-FM Medicine Hat.
13. The Commission acknowledges the cost efficiencies and marketing opportunities associated with operating multiple stations in a market. Rogers has knowledge of the Medicine Hat market, and the proposed transaction demonstrates its commitment to serving that market.

14. Rogers also stated that CJCY-FM would continue to provide coverage of local news, weather, sports and community information that is relevant to Medicine Hat. Finally, the applicant did not propose to modify any of CJCY-FM's existing conditions of licence.

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 Broadcasting Regulatory Policy 2014-459. 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, as well as any leases assumed by the purchaser for real property (buildings, studios and offices) and transmission facilities. The value of the leases is calculated over a five-year period.

17. Rogers submitted that the purchase price for the transaction is \$4 million. Consistent with the Tangible Benefits Policy, the Commission considers that the value of the transaction should be revised to include leases assumed by the purchaser (\$119,713), as follows:

<b>Value of the transaction for CJCY-FM Medicine Hat</b>	
<b>Purchase price</b>	<b>\$4,000,000</b>
Additions:	
Assumed leases	\$119,713
<b>Value of the transaction</b>	<b>\$4,119,713</b>

18. The Commission therefore determines the value of the transaction to be \$4,119,713.

19. Consistent with the Commission's Tangible Benefits Policy, Rogers proposed a tangible benefits package equal to 6% of the value of the transaction. In light of the revised value of the transaction, the Commission **directs** Rogers to pay tangible benefits amounting to \$247,183, to be allocated as follows over seven broadcast years:

- 3% (\$123,591) to Radio Starmaker Fund and Fonds Radiostar;
- 1.5% (\$61,796) to FACTOR;
- 1% (\$41,197) at the discretion of the purchaser, to any eligible Canadian content development (CCD) initiative; and
- 0.5% (\$20,599) to the Community Radio Fund of Canada.

20. Rogers proposed to direct its discretionary contributions (\$41,197) to local and regional music initiatives. In the applicant's view, since these contributions would represent a small amount of money on an annual basis, it proposed to pool them with CCD contributions from its other stations in the market and region to enhance the scope, scale and impact of its CCD initiatives. Further, Rogers requested the flexibility to spend more on a yearly basis over a shorter period of time.

21. While Rogers is requesting minor changes to the Commission's general practice and allocation formula, the proposed tangible benefits and the manner in which Rogers proposes to allocate these contributions are reasonable. Accordingly, as it relates to Rogers' proposed discretionary contributions, the Commission authorizes Rogers to pool these contributions with CCD contributions from its other stations in the market and region, and to disburse them over a shorter period. However, this flexibility only applies to the discretionary portion of Rogers' tangible benefits package, valued at \$41,197. The remaining contributions must be allocated in equal annual payments over seven consecutive broadcast years.
22. Finally, the Commission reminds the licensee that it must clearly indicate in its annual returns the specific amounts that have been allocated to each initiative, by station, in accordance with Broadcasting Information Bulletin 2011-795.

### **Length of the licence term**

23. The Commission has not identified any instances of non-compliance related to CJCY-FM during the current licence term. Consequently, the Commission considers it appropriate to grant a licence term to the station ending 31 August 2024.

### **Conclusion**

24. In light of all of the above, the Commission **approves** the application by Rogers Media Inc. for authority to acquire from Clear Sky Radio Inc. the assets of the English-language commercial radio programming undertaking CJCY-FM Medicine Hat.
25. Upon surrender of the current licence issued to Clear Sky, the Commission will issue a new broadcasting licence to Rogers, which will expire 31 August 2024. The terms and **conditions of licence** are set out in the appendix to this decision.

### **Employment equity**

26. 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

### **Related documents**

- *Simplified approach to tangible benefits and determining the value of the transaction*, Broadcasting Regulatory Policy CRTC 2014-459, 5 September 2014
- *Filing annual returns for radio programming undertakings*, Broadcasting Information Bulletin CRTC 2011-795, 20 December 2011
- *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006

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

## **Appendix to Broadcasting Decision CRTC 2018-227**

### **Terms and conditions of licence for the English-language commercial radio programming undertaking CJCY-FM Medicine Hat, Alberta**

#### **Terms**

The licence will expire 31 August 2024.

#### **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. The licensee shall, as an exception to the percentage of Canadian musical selections set out in section 2.2(8) of the *Radio Regulations, 1986* (the Regulations), in each broadcast week, devote a minimum of 40% of its musical selections from content category 2 (Popular Music) to Canadian selections broadcast in their entirety.

For the purposes of this condition, the terms “broadcast week,” “Canadian selection,” “content category” and “musical selection” shall have the same meanings as those set out in the Regulations.