



Broadcasting Decision CRTC 2018-396

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Reference: 2018-216

Ottawa, 11 October 2018

Cogeco Media Inc.

Hawkesbury, Ontario, and Alma, Chibougamau, Dolbeau, Lachute, La Sarre, Roberval, Rouyn-Noranda, Saguenay and Val-d'Or, Quebec

Public record for this application: 2018-0383-3

Public hearing in the National Capital Region

6 September 2018

Various radio programming undertakings – Acquisition of assets

*The Commission **approves** an application by Cogeco inc. on behalf of its subsidiary Cogeco Media Inc. for authority to acquire from RNC Media Inc. the assets of the French-language commercial radio stations CHPR-FM Hawkesbury, Ontario, CFGT-FM Alma, CKXO-FM Chibougamau, CHVD-FM Dolbeau, CJLA-FM Lachute, CJGO-FM La Sarre and its transmitter CJGO-FM-1 Rouyn-Noranda, CHRL-FM Roberval, CHOA-FM Rouyn-Noranda and its transmitters CHOA-FM-1 Val-D'or and CHOA-FM-2 La Sarre, CKYK-FM Saguenay and its transmitter CKYK-FM-1 Alma and CHGO-FM Val-D'or, Quebec.*

As a result of the tangible benefits arising from this transaction, \$1,184,217 will be directed in equal payments over the next seven broadcast years to various initiatives to support and promote Canadian music and increase the diversity of radio programming available to listeners.

Application

1. Cogeco inc., on behalf of its subsidiary Cogeco Media Inc. (Cogeco), filed an application for authority to acquire from RNC Media Inc. (RNC) the assets of the French-language commercial radio stations CHPR-FM Hawkesbury, Ontario, CFGT-FM Alma, CKXO-FM Chibougamau, CHVD-FM Dolbeau, CJLA-FM Lachute, CJGO-FM La Sarre and its transmitter CJGO-FM-1 Rouyn-Noranda, CHRL-FM Roberval, CHOA-FM Rouyn-Noranda and its transmitters CHOA-FM-1 Val-D'or and CHOA-FM-2 La Sarre, CKYK-FM Saguenay and its transmitter CKYK-FM-1 Alma and CHGO-FM Val-D'or, Quebec. Cogeco also requested new broadcasting licences to continue the operation of the undertakings under the same terms and conditions as those in effect under the current licences.
2. Groupe Radio Antenne 6 inc. (Antenne 6), which is owned by RNC (75%) and 9150-2898 Québec inc. (25%), is the current licensee of CFGT-FM, CHRL-FM, CHVD-FM, CKXO-FM and CKYK-FM and its transmitter CKYK-FM-1.

3. RNC is the licensee of CHPR-FM, CJLA-FM, CJGO-FM and its transmitter CJGO-FM-1 and CHOA-FM and its transmitters CHOA-FM-1 and CHOA-FM-2, as well as CHGO-FM.
4. Cogeco is a wholly owned subsidiary of Cogeco Media Acquisitions Inc., which in turn is a wholly owned subsidiary of Cogeco inc., itself controlled by Gestion Audem inc. The effective control of Gestion Audem inc. is exercised by its board of directors.
5. In accordance with the asset purchase agreement, Cogeco will acquire the assets of the radio programming undertakings for \$18,500,000. The applicant has proposed a value of the transaction of \$19,736,958, which includes the site leases. It also proposed a tangible benefits package amounting to \$1,184,217, i.e., 6% of the value of the transaction.
6. The proposed transaction would be completed in two steps:
 - Step 1:
 - RNC, 9150-2898 Québec inc. and Antenne 6 will amalgamate.
 - 9150-2898 Québec inc. and Antenne 6 will cease to exist as separate entities, and the amalgamated corporation will be known as RNC.
 - Following this merger, RNC will own all the commercial radio stations set out at paragraph 1 above.
 - Step 2:
 - Cogeco will acquire the assets of the radio stations set out at paragraph 2 from RNC.
7. The Commission received an intervention from District Média supporting the application, as well as a comment from the Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ). Cogeco replied to the interventions.

Regulatory framework

8. Section 5(1) of the *Broadcasting Act* (the Act) confers upon the Commission the mandate to regulate and supervise all aspects of the Canadian broadcasting system in accordance with the public interest. The public interest is reflected in the numerous objectives of the Act, including the Canadian broadcasting policy set out in section 3(1). The review of ownership transactions in accordance with the public interest is an integral part of the Commission's regulatory and supervisory mandate under the Act.
9. Further, in Broadcasting Regulatory Policy 2014-459 (the Tangible Benefits Policy), the Commission stated that it expects applicants to propose tangible benefits that will result in measurable improvements to the Canadian broadcasting system. For commercial radio

undertakings, these tangible benefits must represent at least 6% of the value of the transaction.

Commission's analysis and decisions

10. After examining the public record for this application in light of applicable regulations and policies, the Commission considers that the issues it must address are the following:
- the impact of the transaction on the markets;
 - the value of the transaction and tangible benefits; and
 - licence terms.

Impact of the transaction on the markets

Positions of parties

11. Cogeco indicated that the acquisition of the RNC stations was a means for it to address current market dynamics. The applicant intends to establish strategies that will enable local businesses to highlight their product and service offerings in their respective markets and niches and thereby increase their sales. Cogeco intends to implement measures that will increase advertising revenues in the targeted markets.
12. In addition, Cogeco confirmed that it would not change the vocation of the acquired stations, which would keep their local and regional focus, and that it intended to improve their offering by providing the acquired stations with the necessary resources and support to meet the challenges of increased competition resulting from new digital platforms and the erosion of advertising revenues to the benefit of these platforms. Cogeco added that the acquired stations would also benefit from its music programming and news expertise.
13. The applicant further indicated that it would allow the contribution and exchange of news content via Cogeco News, which aims to feed regional stations with news and public affairs programming. This would allow it to devote more resources to the production of regional programming.
14. In their interventions, District Média and ADISQ submitted that Cogeco should clarify its position in the Saguenay market given that two stations owned by Groupe Attraction Radio inc. (CILM-FM Chicoutimi and CKGS-FM La Baie) are affiliated to its Rythme FM banner in this market.
15. Further, according to ADISQ, although Cogeco has demonstrated its concern for the preservation and vitality of local news, musical cultural content appears to be largely neglected. ADISQ argued that the opportunities for music creators and producers to hear their songs on the radio are limited in Quebec due to significant market concentration and the fact that the major players operate as networks, often deciding from Montréal which songs will be broadcast throughout Quebec. Consequently, ADISQ argued that in order to reassure music creators, the Commission could require Cogeco to ensure that some of the music programming of these stations be determined at the local level.

16. In its reply, Cogeco confirmed that the two stations owned by Groupe Attraction Radio Inc. and affiliated with Cogeco's Rythme FM network would be disaffiliated from the Rythme FM banner in August 2018. In addition, Cogeco stated that the advertising representation contract linking these two stations with Cogeco was also set to expire in August 2018. Cogeco submitted that these changes should reassure interveners with respect to the concerns raised in their respective interventions.
17. Finally, Cogeco reiterated its desire to operate the acquired stations in a spirit of continuity so as to preserve their local flavour. With respect to integrating stations into the Cogeco family, the applicant clarified that local news and local music would not necessarily need to go through Montréal to be accessible and broadcast. Given its intention to preserve the stations' local and regional programming, Cogeco was of the view that no commitment to that effect was required.

Commission's analysis and decision

18. Cogeco has much experience in markets of varying sizes in Quebec. Cogeco Media Acquisition inc. and its subsidiary Cogeco operate 13 radio stations. These stations reported combined revenues of over \$100 million in 2017. The Commission considers that the RNC stations integrated into Cogeco could benefit from economies of scale and Cogeco's resources to maximize advertising revenues, which would contribute to the financial viability of these stations.
19. Moreover, the transaction raises no issues with regard to the common ownership policy set out in Broadcasting Public Notice 2008-4 given that Cogeco does not own any stations in the markets of the acquired stations. The two stations owned by Groupe Attraction Radio Inc. in the Saguenay have been disaffiliated from the Rythme FM banner. As Cogeco will simply be replacing RNC in the affected markets, approving the proposed transaction would have no impact on the number of distinct voices in these markets. Approval of this transaction would also be consistent with the approach to cross-media ownership set out in that public notice since Cogeco owns no local newspapers or television stations.
20. As for ADISQ's proposal that the Commission require that some of the music programming of the acquired stations be determined locally, the Commission notes Cogeco's intention to preserve the stations' local and regional programming. Further, pursuant to Broadcasting Regulatory Policy 2009-62, commercial FM stations serving markets other than single-station markets must devote at least one-third of their programming to local programming in order to solicit or accept local advertising. Cogeco did not propose to amend the stations' conditions of licence.
21. Finally, the tangible benefits package proposed by Cogeco and detailed in the following section would direct a portion of the funds devoted to discretionary initiatives to regional initiatives in the affected markets.
22. In light of the above, the Commission is of the view that the transaction will have a positive impact of the stations' viability, that it is in the public interest and that it does not raise issues with respect to the Commission's regulations and policies.

Value of the transaction and tangible benefits

23. As set out in the Tangible Benefits Policy, the Commission finds it appropriate to require that tangible benefits generally be provided as part of changes in the effective control of all radio and television programming services.
24. For the purpose of calculating the value of the tangible benefits, the Commission takes into account the value of the transaction as a whole, including the value of gross debt, working capital to be transferred at closing, ancillary agreements, and any leases assumed by the purchaser for real property (buildings, studios and offices) and transmission facilities. The value of the leases is calculated over five years. These elements are then added to the purchase price, where applicable.
25. The purchase price of the stations' assets is \$18,500,000. The value of the transaction submitted by Cogeco is \$19,736,958, which includes the assumed leases amounting to \$1,236,958.

Positions of parties

26. In its intervention, ADISQ noted that the Commission raised a number of questions regarding a mutual agreement between Cogeco and RNC to broadcast each other's advertising for 24 months following the transaction. ADISQ submitted that an exchange of advertising has monetary value and that it should be added to the value of the transaction.
27. Cogeco stated that the broadcasting of such advertising was not taken into consideration in the calculation of the value of the transaction as it was a reciprocal exchange between the parties of equivalent value.

Commission's analysis and decision

28. The Commission finds that the mutual agreement between Cogeco and RNC to broadcast advertising should not be added to the value of the transaction. This exchange does not have a significant impact on the value of the transaction since Cogeco and RNC will receive airtime of equivalent value, without monetary payment between the parties. Consequently, the Commission is of the view that Cogeco's proposed value of the transaction is consistent with the Tangible Benefits Policy and with Commission practice and that it should be set at \$19,736,958.

Evaluation of the proposed tangible benefits package

29. In the Tangible Benefits Policy, the Commission considered it appropriate to require a financial contribution to Canadian content development (CCD) equivalent to 6% of the value of the transaction.

Positions of parties

30. Consistent with the Tangible Benefits Policy, Cogeco proposed a tangible benefits package amounting to \$1,184,217 i.e., 6% of the proposed value of the transaction of \$19,736,958.
31. ADISQ noted that the applicant did not propose to contribute to music-related activities as part of its discretionary initiatives, but rather to establish scholarships in journalism. The intervener argued that this proposal was not in line with the transaction, which would enable Cogeco to become the licensee of stations devoted mainly to music, and asked that Cogeco present a new proposal for discretionary initiatives that would include some support for the music sector.
32. Cogeco noted that 75% of the tangible benefits would be devoted to the Francophone music sector under the regulatory allocation of tangible benefits. Specifically, these tangible benefits would be directed to Fonds Radiostar, whose role is to assist newly emerging Canadian Francophone music artists in their development, as well as to MUSICACTION, a fund aimed at developing Canadian Francophone vocal music.
33. In addition, Cogeco confirmed that a portion of the tangible benefits allocated to discretionary initiatives would be used to support regional activities, festivals and events featuring the emerging musical artists in Quebec. Cogeco therefore submitted that the vast majority of the tangible benefits would support the Francophone music creation sector and that only a small part of the discretionary benefits would be allocated to scholarships in journalism programs.

Commission's analysis and decision

34. In light of the value of the transaction, the Commission considers that the tangible benefits amounting to \$1,184,217 should be allocated as follows:
 - 3% (\$592,109) to Radio Starmaker Fund or Fonds Radiostar;
 - 1.5% (\$296,054) to FACTOR or MUSICACTION;
 - 1% (\$197,370) to discretionary projects; and
 - 0.5% (\$98,684) to the Community Radio Fund of Canada.

Discretionary initiatives

35. As part of its tangible benefits package, Cogeco initially proposed that part of the funds (1% or \$197,370) be used for discretionary initiatives involving six-week paid internships in order to give three students an opportunity to work at some of the stations being acquired.
36. Pursuant to Broadcasting Public Notice 2006-158 (the Commercial Radio Policy), broadcasters' Canadian content development (CCD) expenditures should not be self-serving. Further, as indicated on the Commission's website, the training of station

staff and staff recruitment on behalf of a station are not considered eligible CCD initiatives. In a letter of 13 June 2018, Commission staff informed Cogeco that this type of internship program would not meet the Commission's eligibility criteria and asked Cogeco to propose alternative discretionary initiatives.

37. In reply, Cogeco noted the ineligibility of the originally proposed initiative and indicated that it now intended to use a part of the annual discretionary funding for eligible journalism scholarships (\$10,000) and to allocate the remainder to eligible projects in the Saguenay–Lac-Saint-Jean (\$10,000), Abitibi (\$5,000) and Lachute-Hawkesbury (\$3,196) regions for an annual total of \$28,196.
38. With respect to ADISQ's request that Cogeco propose discretionary initiatives in support of the music industry, the Commission notes that the Tangible Benefits Policy provides that the allocation of the discretionary portion of tangible benefits is at the purchaser's discretion.
39. The Commission notes Cogeco's intention to distribute part of the sums allocated for discretionary initiatives to activities, festivals and events in regions that showcase emerging musical artists in Quebec. In addition, the Commission considers that grants to journalism programs such as proposed by the purchaser are eligible pursuant to the Commercial Radio Policy. Consequently, the Commission is satisfied with Cogeco's proposal relating to discretionary initiatives.

Licence terms

Positions of parties

40. Cogeco requested the issuance of new broadcasting licences under the same terms and conditions as those in effect under the current licences.
41. In its intervention, ADISQ noted that many stations being acquired had not undergone a compliance audit with respect to the conditions of licence relating to Canadian content and the broadcast of French-language vocal music for several years.
42. ADISQ proposed that in the event that the Commission agreed to issue new licences for the ten stations, it issue licences expiring in 2022 (licence term of four years) in order to give the Commission and the public an opportunity to assess the impact of the transaction on the stations.
43. In reply, Cogeco reiterated that it was seeking to operate the stations under the same terms and conditions as those in effect under the current licences, such that the expiry dates for the stations would remain the same.

Commission's analysis and decision

44. In this case, Cogeco is not requesting amendments to its conditions of licence, and the licences would be issued only for the remainder of their current terms. As such, the transaction would not delay the potential assessment of the stations' compliance.

45. In light of the above, the Commission considers it appropriate to grant new broadcasting licences to Cogeco under the same terms and conditions as those in effect under the current licences.

Conclusion

46. In light of all of the above, the Commission **approves** the application by Cogeco inc. on behalf of its subsidiary Cogeco Media Inc. for authority to acquire from RNC Media Inc. the assets of the French-language commercial radio programming undertakings CHPR-FM Hawkesbury, Ontario, CFGT-FM Alma, CKXO-FM Chibougamau, CHVD-FM Dolbeau, CJLA-FM Lachute, CJGO-FM La Sarre and its transmitter CJGO-FM-1 Rouyn-Noranda, CHRL-FM Roberval, CHOA-FM Rouyn-Noranda and its transmitters CHOA-FM-1 Val-D'or and CHOA-FM-2 La Sarre, CKYK-FM Saguenay and its transmitter CKYK-FM-1 Alma and CHGO-FM Val-D'or, Quebec.

47. The Commission **directs** the applicant to file copies of all executed documents supporting the proposed transaction by **12 November 2018**.

48. Upon surrender of the current licences issued to RNC, the Commission will issue new broadcasting licences to Cogeco. The terms and **conditions of licence** for the stations are set out in the appendices to this decision.

Employment equity

49. Because Cogeco 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
- *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009
- *Diversity of voices – Regulatory policy*, Broadcasting Public Notice CRTC 2008-4, 15 January 2008
- *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006

This decision is to be appended to each licence.

Appendix 1 to Broadcasting Decision CRTC 2018-396

Terms and conditions of licence for the French-language commercial radio programming undertakings CHGO-FM Val-d'Or, CJGO-FM La Sarre and its transmitter CJGO-FM-1 Rouyn-Noranda and CHOA-FM Rouyn-Noranda and its transmitters CHOA-FM-1 Val-d'Or and CHOA-FM-2 La Sarre, Quebec

Terms

The licence will expire 31 August 2020.

Conditions of licence

1. The licensee shall adhere to the conditions set out in the *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as to the conditions set out in the broadcasting licence for the undertaking.

Appendix 2 to Broadcasting Decision CRTC 2018-396

Terms and conditions of licence for the French-language commercial radio programming undertakings CHPR-FM Hawkesbury, Ontario, and CJLA-FM Lachute, Quebec

Terms

The licence will expire 31 August 2020.

Conditions of licence

1. The licensee shall adhere to the conditions set out in the *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as to the conditions set out in the broadcasting licence for the undertaking.
2. In each broadcast week, the licensee shall not broadcast more than one hour of English-language programming consisting of news bulletins, interviews with community members and special-interest items relating to local social or cultural activities, as well as not more than five minutes per day of advertising.

Appendix 3 to Broadcasting Decision CRTC 2018-396

Terms and conditions of licence for the French-language commercial radio programming undertakings CHVD-FM Dolbeau and CHRL-FM Roberval, Quebec

Terms

The licence will expire 31 August 2022.

Conditions of licence

1. The licensee shall adhere to the conditions set out in the *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as to the conditions set out in the broadcasting licence for the undertaking.

Appendix 4 to Broadcasting Decision CRTC 2018-396

Terms and conditions of licence for the French-language commercial radio programming undertaking CKYK-FM Saguenay and its transmitter CKYK-FM-1 Alma, Quebec

Terms

The licence will expire 31 August 2023.

Conditions of licence

1. The licensee shall adhere to the conditions set out in the *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as to the conditions set out in the broadcasting licence for the undertaking.
2. The licensee is authorized to devote more than 50% of the broadcast week to programs drawn from content category 1 (Spoken Word), as defined in *Revised content categories and subcategories for radio*, Broadcasting Regulatory Policy CRTC 2010-819, 5 November 2010, for the sole purpose of broadcasting Chicoutimi Saguenéens and Montréal Canadiens hockey games during any broadcast week in which it holds the broadcasting rights for these hockey games.

Appendix 5 to Broadcasting Decision CRTC 2018-396

Terms and conditions of licence for the French-language commercial radio programming undertaking CFGT-FM Alma, Quebec

Terms

The licence will expire 31 August 2023.

Conditions of licence

1. The licensee shall adhere to the conditions set out in the *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as to the conditions set out in the broadcasting licence for the undertaking.

Appendix 6 to Broadcasting Decision CRTC 2018-396

Terms and conditions of licence for the French-language commercial radio programming undertaking CKXO-FM Chibougameau, Quebec

Terms

The licence will expire 31 August 2024.

Conditions of licence

1. The licensee shall adhere to the conditions set out in the *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009, as well as to the conditions set out in the broadcasting licence for the undertaking.