



## Broadcasting Decision CRTC 2018-453

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References: 2016-160, 2016-160-1 and 2016-160-2

Ottawa, 6 December 2018

*Public record: 1011-NOC2016-0160*

### **Findings regarding market capacity and the appropriateness of issuing a call for radio applications to serve the Québec radio market**

*The Commission finds that the Québec radio market cannot sustain an additional radio station at this time. Consequently, the Commission will not issue a call for applications for new radio stations to serve that market and will return the applications filed by Dufferin Communications Inc. and Gilles Lapointe and Nelson Sergerie, on behalf of a corporation to be incorporated, for broadcasting licences to operate commercial radio stations in Québec, Quebec.*

#### **Introduction**

1. In Broadcasting Notice of Consultation 2016-160, the Commission announced that it had received applications by Dufferin Communications Inc. (Dufferin) and by Gilles Lapointe and Nelson Sergerie (Lapointe-Sergerie), on behalf of a corporation to be incorporated, to operate commercial FM radio stations in Québec, Quebec. The two applicants proposed to use one of the last known FM frequencies available in Québec, namely 105.7 MHz.
2. The city of Québec is the capital and the second most significant population center in the province of Quebec. The Québec radio market (or the Numeris central market area of Québec) includes the cities of Québec and Lévis, as well as Saint-François-de-l'Île-d'Orléans to the east, and extends to the west to Neuville. The Québec radio market is currently served by nine French-language commercial FM radio stations operated by five ownership groups.<sup>1</sup>
3. In accordance with Broadcasting Regulatory Policy 2014-554 (the Policy), the Commission called for comments on the capacity of Québec to support a new station and the appropriateness of issuing a call for applications for new stations in this market. The Policy states that the Commission weighs factors such as market capacity, spectrum availability or scarcity, and interest in serving the market when deciding whether to:

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<sup>1</sup> Bell Media Inc., Cogeco Media Inc., RNC MEDIA Inc., Leclerc Communication inc. et Media ClassiQ Inc.

- publish the applications for consideration as part of the non-appearing phase of a public hearing;
- issue a call for applications; or
- make a determination that the market cannot support additional stations, return the applications and issue a decision setting out this determination.

### **Interventions and replies**

4. The Commission received interventions from Bell Media Inc. (Bell), Cogeco Media Inc. (Cogeco), RNC MEDIA Inc. (RNC), Leclerc Communication inc. (Leclerc), Media ClassiQ Inc. (Media ClassiQ), Dufferin, Lapointe-Sergerie, Genex Communications Inc. (Genex), Groupe Attraction Radio inc. (Attraction), Mr. Yannick Patelli, on behalf of La Vie agricole, and Mr. Michel Cloutier, on behalf of Communications Lévis 2001.

### **Interventions**

5. Bell, Cogeco and RNC indicated that the Commission should postpone all calls for applications to serve that market until licensees have had at least one year to adapt to the regulatory changes resulting from the re-examination of the regulatory approach to radio announced by the Commission.<sup>2</sup> They added that this would also allow the Commission to better evaluate that market relative to the changes made to the regulatory framework.
6. Leclerc and Media ClassiQ expressed concern that the introduction of a new music station in the market would adversely impact existing music stations, while a new talk station would exacerbate the current trend, which consists in the vast popularity of this type of station to the detriment of music stations. They also expressed concern about the effect that an additional station could have on the already precarious situation of their own stations, which are struggling to compete with those of the large groups (Bell, Cogeco and RNC).
7. The five operators in the Québec market noted that four of the nine stations in the market are unprofitable. They added that introducing a tenth commercial station would only further destabilize the market and worsen an already difficult economic situation. They also noted that one of the current players in the market had put one of its stations up for sale and that other ownership changes might therefore occur in the market.
8. Dufferin submitted that most of the anticipated revenue would come from new sources, that the effect of the station would be spread out among the nine current stations and that the addition of a French-language station would have an undue

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<sup>2</sup> This re-examination includes among other things the Common Ownership Policy, Canadian content levels and French-language vocal music levels.

negative impact. Dufferin did not deem the issuance of a call for applications to be necessary; however, in the event that the Commission disagreed, it submitted that the call should only target applications for English-language stations.

9. Lapointe-Sergerie submitted that the market was doing well from a socio-economic point of view, showing revenue stability and posting almost full employment, and was second only in Canada in this regard. It also noted that a market study demonstrated that a fair number of businesses were in favour of a new station (57%) and that nearly half of them would be prepared to invest in advertising broadcast on this station (52%).
10. Genex and Attraction supported the issuance of a call for applications and indicated their interest in filing an application to operate a radio station. La Vie agricole also supported such a call, indicating that it would like to see the emergence of a station that showcased agricultural issues.
11. For his part, Mr. Michel Cloutier asked that the Commission thoroughly assess both the resources available in the market as a whole and the situation of the English-language community to determine whether this linguistic minority was well served and whether the population was sufficient to ensure the survival of an English-language radio station.

## Replies

12. In their joint reply, Leclerc and Media ClassiQ argued that Dufferin's application should trigger a call since it runs counter to the Policy with regard to spectrum availability. They also noted that their stations were in financial difficulty and that the other groups did not seem to take this into account in their initial interventions. They submitted that the Québec market could not support a new station.
13. The five groups operating in the Québec market jointly submitted that the applicants did not take into account the latest financial data and overestimated the market's potential advertising revenue. They argued that Dufferin had artificially increased the size of the English-language community in Québec and noted the absence of interventions from this community in support of the application.
14. Dufferin replied that awaiting the review of the regulatory framework for French-language music was not in the public interest and that in its view the addition of an English-language station would help to better evaluate the effect of this regulation on French-language stations. It added that the Québec market's profit before interest and taxes (PBIT) margin was 14% in 2017, showing its strength and ability to support a new service.
15. Lapointe-Sergerie stated in its reply that the Commission should not take into account the arguments of Leclerc and Media ClassiQ, given the recent changes within these two organizations and the financial impacts that usually result from such changes. It noted that a number of groups said that they were prepared to take a financial risk to provide a new service in the Québec market. It also noted that it was

unfair to await a potential new regulatory framework since all licensees would be on equal footing with regard to these eventual changes. Finally, it indicated that the Commission should not give special weight to the factor of official language minority communities relative to other factors that it must take into account.

### **Commission's analysis**

16. From 2011 to 2016, the population of the Québec census metropolitan area (CMA) grew, and the Conference Board of Canada forecasts that this growth will continue to outpace that of the province to 2021. However, this growth has not prevented revenues from the Québec radio market from declining since 2014, nor its PBIT margin from falling well below the provincial average in 2016 and 2017.
17. The financial situation of the market has deteriorated since the Commission denied, in Broadcasting Decision 2010-320, three commercial radio licence applications, including one from Evanov, which fully owns Dufferin, for an English-language station. The Commission concluded that market performance did not support the introduction of a new station. In fact, in 2017, even though four of the five ownership groups in the market were profitable, four of the nine stations that they operate in Québec posted a negative PBIT.
18. Finally, revenues and audience shares are well distributed among the main market groups. The audience listening to stations outside of the market is small, which suggests that a new station would garner the majority of its listenership from the market's current stations.

### **Conclusion**

19. In light of all the above, the Commission finds that the Québec radio market cannot sustain an additional radio station at this time. Consequently, it will return the applications filed by Dufferin Communications Inc. and by Gilles Lapointe and Nelson Sergerie, on behalf of a corporation to be incorporated.
20. Further, consistent with its approach set out in the Policy, the Commission will not generally be disposed to accept applications for new commercial radio stations to serve the Québec radio market for a period of two years from the date of this decision.

Secretary General

### **Related documents**

- *Call for comments on market capacity and the appropriateness of issuing a call for radio applications to serve Québec, Quebec*, Broadcasting Notice of Consultation CRTC 2016-160, 28 April 2016
- *A targeted policy review of the commercial radio sector*, Broadcasting Regulatory Policy CRTC 2014-554, 28 October 2014

- *New FM radio station in Québec*, Broadcasting Decision CRTC 2010-320, 28 May 2010