



Broadcasting Decision CRTC 2018-57

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Reference: 2017-381

Ottawa, 14 February 2018

Bell Media Inc.

Midland, Orillia, Owen Sound and Sudbury, Ontario

Public record for this application: 2017-0647-5

Public hearing in the National Capital Region

11 January 2018

CICZ-FM Midland, CICX-FM Orillia, CJOS-FM Owen Sound and CICS-FM Sudbury – Acquisition of assets

*The Commission **approves** an application by Bell Media Inc. (Bell Media) for authority to acquire from Larche Communications Inc. the assets of the English-language commercial radio stations CICZ-FM Midland, CICX-FM Orillia, CJOS-FM Owen Sound and CICS-FM Sudbury, Ontario.*

The Commission considers the transaction to be in the public interest. Bell Media stated that it is committed to serving the markets with local programming that meets the needs and interests of the communities.

As a result of the tangible benefits arising from this transaction, Bell Media will invest over \$1 million on initiatives that will benefit the Canadian broadcasting system.

Application

1. Bell Media Inc. (Bell Media) filed an application for authority to acquire from Larche Communications Inc. (Larche) the assets of the English-language commercial radio stations CICZ-FM Midland, CICX-FM Orillia, CJOS-FM Owen Sound and CICS-FM Sudbury, Ontario, and for broadcasting licences to continue the operation of the undertakings under the same terms and conditions as those in effect under the current licences.
2. Bell Media is a wholly owned subsidiary of Bell Canada whose shareholders are BCE Inc. (94.08%) and Bell MTS Inc. (5.92%), a wholly owned subsidiary of BCE Inc. (BCE). Both Bell Canada and Bell MTS Inc. are effectively controlled by BCE, a widely held public corporation controlled by its board of directors.
3. Larche is owned and effectively controlled by Paul Larche.

4. The applicant would acquire the assets of the undertakings for \$15.64 million. The applicant proposes a transaction value of \$17.03 million and a tangible benefits package of \$1.02 million, which would represent 6% of the value of the transaction.
5. As a result of the transaction, Bell Media would become the licensee of CICZ-FM Midland, CICX-FM Orillia, CJOS-FM Owen Sound and CICS-FM Sudbury.

Interventions and reply

6. The Commission received interventions in support of the application as well as one comment, to which the applicant replied.
7. In his comment, Mr. Bruce Stanton, Member of Parliament representing Simcoe-North, expressed concern over Bell Media's responsibility for local content and coverage. He requested that this responsibility should be made a requirement and be assessed at the time of the licence renewal.
8. In its reply, Bell Media reiterated its commitment to local content and highlighted its track record of delivering local programming and promoting community engagement in all of its radio stations nationwide.

Regulatory framework

9. 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.
10. 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

11. 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:
 - the impact on the broadcasting system; and
 - the value of the transaction and tangible benefits.

Impact on the broadcasting system

12. 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.
13. Bell Media stated that the proposed transaction would ensure the continued operation of the four well-established radio stations, which provide a wide range of locally oriented programming such as local news, weather and entertainment. It indicated that it is committed to serving these markets with local programming that meets the needs and interests of each local community.
14. Bell Media also indicated that its breadth of radio knowledge and experience in serving similar markets in Ontario shows its commitment to providing a wide variety of local radio programming options and engaging with the community.
15. Bell Media expects the stations to benefit from synergies with its local CTV stations in Sudbury and Barrie in terms of news coverage, cross-promotional, community and charity activities, and infrastructure. Bell Media's proposed acquisition will help maintain the stations' financial stability and viability.
16. Based on the above, the Commission finds that the transaction is in the public interest.

Value of the transaction and tangible benefits

17. The Commission's Tangible Benefits Policy is set out in *Simplified approach to tangible benefits and determining the value of the transaction*, Broadcasting Regulatory Policy CRTC 2014-459, 5 September 2014 (the Policy).
18. 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, 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.
19. Bell Media submitted that the value of the transaction is \$17,033,409, which includes the purchase price of \$15,640,000 and \$1,393,409 in assumed leases.
20. The Commission is satisfied that \$17,033,409 represents the value of the transaction.

Value of the transaction

| | |
|---------------------------------|---------------------|
| Purchase price | \$15,640,000 |
| Additions: | |
| <i>Assumed leases</i> | <i>\$ 1,393,409</i> |
| Value of the transaction | \$17,033,409 |

21. Bell Media proposed a tangible benefits package of \$1,022,004, which would be equal to 6% of the value of the transaction.
22. Consistent with the Policy, the Commission **directs** Bell Media to pay tangible benefits amounting to \$1,022,004, to be allocated as follows in equal annual payments over seven consecutive broadcast years:
 - 3% (\$511,002) to Radio Starmaker Fund or Fonds Radiostar;
 - 1.5% (\$255,501) to FACTOR or MUSICACTION;
 - 1% (\$170,334) to any eligible Canadian content development initiative at the discretion of the purchaser; and
 - 0.5% (\$85,167) to the Community Radio Fund of Canada.

Compliance and length of the licence term

23. The four stations are in compliance with regulatory requirements and their conditions of licence. Consequently, the Commission considers it appropriate to grant full licence terms to the stations until 31 August 2024.

Conclusion

24. In light of the above, the Commission **approves** the application by Bell Media Inc. for authority to acquire from Larche Communications Inc. the assets of the English-language commercial radio programming undertakings CICZ-FM Midland, CICX-FM Orillia, CJOS-FM Owen Sound and CICS-FM Sudbury.
25. The Commission **directs** the applicant to file copies of all executed documents supporting the proposed transaction, including the asset purchase agreements, by **16 March 2018**.
26. Upon surrender of the current licences issued to Larche, the Commission will issue new broadcasting licences to Bell Media, which will expire 31 August 2024. The terms and **conditions of licence** for these stations are set out in the appendix to this decision.

Employment equity

27. 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.

Reminder

28. Pursuant to section 22 of the *Broadcasting Act*, the broadcasting licences issued in this decision will cease to have any force or effect if the broadcasting certificates issued by the Department of Industry lapse.

Secretary General

This decision is to be appended to each licence.

Appendix to Broadcasting Decision CRTC 2018-57

Terms, conditions of licence and expectation for the English-language commercial radio stations CICZ-FM Midland, CICX-FM Orillia, CJOS-FM Owen Sound and CICS-FM Sudbury, Ontario

Terms

The licences will expire on 31 August 2024.

Conditions of licence applicable to all stations

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 to the conditions set out in the broadcasting licence for the undertaking.

Condition of licence applicable to CICS-FM Sudbury

2. The licensee shall, as an exception to the percentage of Canadian musical selections set out in sections 2.2(8) and 2.2(9) of the *Radio Regulations, 1986* (the Regulations), in any broadcast week:
 - a) devote a minimum of 40% of its musical selections from content category 2 (Popular music) to Canadian selections broadcast in their entirety; and
 - b) devote, between 6 a.m. and 6 p.m., in the period beginning on Monday of that week and ending on Friday of the same broadcast week, a minimum of 40% of its musical selections from content category 2 to Canadian selections broadcast in their entirety.

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

Expectation

The Commission expects the licensee to reflect the cultural diversity of Canada in its programming and employment practices.