



**Filed Electronically**

**February 21, 2012**

Mr. John Traversy  
Secretary General  
Canadian Radio-television and  
Telecommunications Commission  
Les Terrasses de la Chaudière  
Central Building  
1 Promenade du Portage  
Gatineau, Quebec  
J8X 4B1

Dear Mr. Traversy:

**Re: Broadcasting Notice of Consultation CRTC 2012-29  
Application 2010-0216-2 New FM Service in Hudson/St-Lazare, Québec**

1. Canadian Hellenic Cable Radio Inc. ("Groupe chcr") is the licensee of two ethnic radio stations serving Montréal, CKDG-FM (105.1) and CKIN-FM (106.3). Groupe chcr opposes the application by Ottawa Media Inc. (controlled by Evanov Communications Inc.) for a new English-language FM service to serve Hudson/St-Lazare. Group chcr requests to appear at any public hearing to consider this application.
2. The proposed English-language service is targeted to a small market immediately beside a vastly larger and dominant urban market. A service focused on such a small market in these circumstances is not economically viable in the longer term. Marketing efforts and programming focus will necessarily creep towards the dominant, adjacent Montréal market over time. The proposed service really appears to be an attempt to gain access eventually to the Montréal market. Otherwise, the business model does not make sense.
3. As an English-language service marketed to the West Island region of Montréal, the service will have a negative and harmful impact on existing broadcasters providing English-language programming, including CKDG-FM. The applicant has made insufficient effort to differentiate its service from existing radio services, and has made no commitment to avoid changes to its format in the future that would make its service even more harmful to existing radio services.

4. The proposed application does not represent an optimum use of scarce FM frequencies serving an area with a large population base. In fact, if the application is approved, it will prevent the development of 106.7 FM as a viable frequency in the future for Montréal itself. The proposed service represents a significant opportunity cost in terms of service to the much larger, linguistically and ethnically diverse population of Montréal.

### **An Attempt to Access the Montréal Market**

5. Groupe chcr does not believe that the proposed service is economically viable and sustainable on a reasonable long-term basis. The applicant is an experienced radio broadcaster. The applicant must, therefore, be aware of the unlikely ability of this radio station to be economically sustainable on a long-term basis if it is directed towards the marginal Hudson/St-Lazare market. We conclude, therefore, that the proposal makes sense only if it is viewed as an attempt to provide an English-language service tapping into the much larger Montréal market, and especially the West Island.
6. The applicant's own business projections provide support for this view. These projections are highly optimistic for a service of the nature proposed by the applicant that is supposed to be focused on a small region with a limited revenue base.
7. The applicant has projected annual revenue of \$479,996 in the first year of operation, rising to close to \$1 million by the end of the first licence term. In the first year of operation, the applicant projects the sale of 55% of its inventory. While the target population for the proposed service is merely 22,100 people (the combined English-language and French-language population for Hudson and St-Lazare), the applicant actually has an estimated reach of 84,879 households (representing a total population of 227,542) within its 0.5 mV/m contour.
8. The applicant has estimated a highly aggressive 4.7% market share for its station, presumably in this larger "extra" market (i.e. its signal coverage area) in the first year of operation. The market study filed with the application projects an even higher 7.3% market share. This would place the station *at least* within the top 8 or 6 stations in that market (in which there are many more listening choices).<sup>1</sup> This projection is just not credible.
9. If the applicant's financial assumptions are broken down further and evaluated on a "per listener household", it appears, roughly speaking, that the applicant is projecting that its service will earn approximately \$120.00 per listener household annually starting in the first year of operation and rising afterwards.<sup>2</sup> This figure seems unrealistic considering

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<sup>1</sup> Strategic inc., *A Study of the Consumer Demand for a new FM Service* (Hudson/Saint-Lazare) at page 14.

<sup>2</sup> Predicted revenue \$479,996. Households reached 84,789. Predicted Market share 4.7%

Predicted revenue per listening household= (Total Revenues)/((Number of Households Reached)\*(market share))  
= (479,996)/(84,789\*0.047)  
= (479,996)/(3985.08)  
= 120.45

that for the entire Montréal CMA, the radio market generated, on average, less than \$100.00 per household in the 2010 broadcast year.<sup>3</sup>

10. The applicant also states that only 5% of its advertising revenue is projected as being derived from advertisers outside Hudson/St-Lazare. This means that the applicant is proposing to generate 95% of its revenue, or between \$400,000 and \$900,000 per year, from a market with an English speaking audience of only 10,000 people.
11. All of these elements of the applicant's business plan need to be carefully examined. How does an English-language service that has a core local target audience of only 10,000 anglophones, immediately beside one of Canada's largest and most ethnically and linguistically diverse cities, become one of the most popular radio services in the area with a 4.7 share virtually overnight? How does it command a premium rate on a per household basis in the sale of advertising predominantly to local, retail outlets, as suggested? How will it generate the type of revenue that it is suggesting without relying on advertising dollars from the more populous, and commercially stronger, adjacent market on the West Island? The applicant's assumptions and financial projections do not appear to be reliable, unless they are applied to the larger Montréal market.
12. It seems unlikely that the small Hudson/St-Lazare market can support the station based on the stated financial projections. It is highly predictable that the applicant will eventually have "no choice" but to broaden its target audience and, ultimately, its signal strength, to include large portions of Montréal itself and to maintain its connection with the commuter audience.
13. The population data filed by the applicant underscore the imbalance between the applicant's proposed primary market, and the market that it ultimately will end up serving. In its May 13, 2010 deficiency response, the applicant filed information demonstrating the relative weight of the Hudson/St-Lazare English-language population (9,530) compared to the English-language population its signal will reach on the West Island (39,995). There is no contest. The West Island population outweighs the local population four times over.
14. While the applicant has filed a survey to provide evidence of demand for its proposed station in the targeted community, the survey is insufficiently robust to support the applicant's financial projections -- or the overall demand the applicant claims is present for a new English-language easy listening format station. To some extent the questions appear to be designed to elicit the intended response. There are, for example, no "cause and effect" questions and there are no "negative answer questions", which are commonly used to obtain more reliable opinion data. We should also point out that the survey was conducted more than two years ago (though this is not the fault of the applicant) before CKDG-FM's MIKE FM programming had become well known in the Montréal market. Overall, we have concerns about the use of this survey data to support the applicant's financial projections, or the ultimate listenership of its proposed service.

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<sup>3</sup> Total radio revenue in Montréal was approximately \$148 million and the total number of households in the market, according to 2006 census data, was 1,525,740.

15. It appears, therefore, that the details set out in the application do not tell the whole story about the proposed service. The applicant has set out very optimistic financial projections to suggest that the service is viable as a local community-oriented service in Hudson/St-Lazare. To maintain viability, the service will have to reach a larger audience and a broader base of advertisers and build a commuter audience. Otherwise, it is difficult to see how the station could survive.

### **Harm to Existing Broadcasters**

16. This marketing and programming strategy will, necessarily, result in audience and advertiser fragmentation for existing radio services in Montréal that already serve communities in the West Island. Groupe chcr's station, CKDG-FM, for example provides a segment of English-language mainstream programming (under the MIKE FM brand) only during drive periods. This programming is becoming increasingly popular with anglophone audiences in this region. The West Island audience, and commuters to Montréal, make up an important part of the audience to MIKE FM's drive shows based on our listener response and other market data.
17. The MIKE FM programming segment plays a tremendously important role in CKDG-FM's overall programming strategy. This programming block is our most profitable. It provides a financial subsidy which supports our third-language programming (a business model that is well known to the Commission). It has also raised the profile and commercial viability of our third-language programming by introducing it to a wider audience and to a broader base of advertisers.
18. Groupe chcr is profoundly concerned about the potential erosion of this listener base at a time when Groupe chcr has finally weathered the economic downturn. We did so by using CKDG-FM's English-language programming to monetarily support the launch of our second service, CKIN-FM, during this difficult economic time. We are now preparing to build on the foundation that we have laid.
19. The applicant's proposed service seems to be pursuing a strategy that will bring it directly into competition with CKDG-FM for listeners and advertisers during the drive programming segments. The applicant is, apparently, focusing its resources on these programming segments. Both the morning and afternoon drive segments will be live programming, according to the applicant. This is the only time period in which CKDG-FM provides English-language programming to reach a broader audience, and which supports our third-language programming.
20. Some of the musical selections that the applicant has included as representative of its proposed "easy listening format" are played on MIKE FM. The "easy listening format" is malleable and the applicant is not restricted to this format in the future if it should decide to change it. The applicant has not proposed to operate within a specialty format by condition of licence and has not committed to a minimum level of instrumental music, even though the applicant also indicates that this type of music is a "fundamental component" of the easy listening format. The applicant states that it "requires the flexibility to respond to market forces as they may change over the course of the licence

term” and indicates that “market forces may necessitate a change away from that format in the future, or if it becomes clear that this sort of programming no longer appeals to our target demographic.”<sup>4</sup>

21. The Commission should, therefore, evaluate the service on the basis that it could offer a competitive English-language format to any of Montréal’s English-language stations and stations, such as CKDG-FM, that offer a significant English-language programming component. If this application is approved, it will threaten not only CKDG-FM’s English-language programming, but also the two multicultural radio stations that revenue from this programming supports, and which provide high quality, original, local radio programming in at least 15 different languages.

### **This is not an optimum use for the 106.7 FM Frequency**

22. The proposed application does not represent an optimum use of 106.7 FM. This frequency has the potential to offer good coverage throughout the GMA. At this point, the future use of 106.7 FM to serve the Montréal market is not a certainty, but it is a possibility. It is a second adjacent frequency to Groupe chcr’s station 106.3 FM, so Groupe chcr’s approval would be required under Industry Canada’s frequency allocation rules in connection with any proposed use. This standard protection ensures that the use of this frequency does not cause harmful interference to 106.3 FM.
23. However, the proposed application will have the effect of eliminating 106.7 FM as a Montréal-based frequency. To illustrate this point, we requested our engineer to evaluate the potential use of 106.7 FM in Montréal if the proposed application were approved. This evaluation is attached as an appendix to this submission. It is apparent from that analysis that the level of interference that would be caused by the proposed service would render 106.7 unusable to serve the GMA.
24. This would be regrettable because the 106.7 FM frequency, if properly managed, could in the future offer a radio service serving the entire GMA, which is a large, linguistically and ethnically diverse and growing market. Groupe chcr had itself proposed to use this frequency as a replacement for 105.1 FM, on which CKDG-FM currently operates. We filed our initial application to this end in March, 2010 and the application was published for public consultation by way of *Broadcasting Notice of Consultation CRTC 2010-271*. The reasons for our application, as summarized by the Commission in that notice of consultation, were as follows:

The licensee wishes to increase the quality of the signal of CKDG-FM in the Greater Montréal Area and resolve the existing reception problems experienced with the current technical parameters.

The licensee indicated that the technical amendment would also allow it to have both of its ethnic radio services (CKDG-FM and the new ethnic service approved in *Licensing of new radio stations in Montréal and Vaudreuil-Dorion, Quebec*, Broadcasting Decision CRTC 2007-217, 6 July 2007) in adjacent frequencies on

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<sup>4</sup> Deficiency Reply dated June 7, 2010.

the 106 band, which would facilitate the promotion and the advertising sales of the stations.

25. At the time, two years ago, this was a good business proposition for Groupe chcr. However, the Commission did not release a decision regarding our application after the public process was completed. Groupe chcr was notified this past November that the Commission had received another application that contemplated the use of 106.7 FM. The Commission asked Groupe chcr to confirm whether the original application should be republished for public consultation. After considerable reflection, we decided that it would not be suitable for us to continue to pursue our original application to transfer frequencies. As we explained to the Commission in our letter dated December 1, 2011 (a copy of which is attached), Groupe chcr had by then made too great an investment in the promotion of its MIKE FM format on 105.1 FM. Moving CKDG-FM at that late date would have undermined this promotional investment and the considerable advances we had made in the Montréal market. At the same time, as detailed in our letter, we requested the Commission to provide us with an opportunity to propose an alternative use for the 106.7 FM frequency to better serve Montréal in a way that would not be disruptive for existing radio services. Groupe chcr was advised that this would not be possible and that the present application was to be considered first by the Commission.
26. If the Commission were to approve the applicant's proposed use of 106.7, notionally to serve the Hudson/St-Lazare market, this would preclude the use of this frequency for other purposes that could make better use of this frequency's technical characteristics to serve all of Montréal.
27. Groupe chcr's proposal is just one potential use of the frequency that the Commission could consider. For example, we understand that another application has already been filed by Atelier Radio Enfant for the use of this frequency to serve the GMA in the French language. There may be other potential uses that the Commission could consider. Adding another radio service to serve Montréal at this time raises complex issues, to be sure, including the need to consider the potential impact on existing licensees. However, approval of the present application would remove any opportunity at all that 106.7 FM could be put to a better use for the residents of the GMA.
28. The Commission should take into account, therefore, the opportunity cost to the diverse communities of Montréal if this application were approved. As we have discussed above, it very much appears that this application is, in reality, intended now, or in the future, to provide service to the much larger anglophone community in the West Island region of the City. However, in framing the application as a service to serve uniquely the small community of Hudson/St-Lazare, the applicant does not properly address the question of whether there are other better uses for the proposed frequency.
29. Groupe chcr respectfully submits that the Commission should deny the application to allow the Commission to consider other better uses of the 106.7 FM frequency. There is no doubt that the proposed service will have a direct impact on the Montréal radio market. At the same time, there is no urgency to consider this application or to licence a use of the 106.7 FM frequency. The most important factor is for the Commission to

ensure optimum use of scarce frequencies in Montréal – which, we believe, would be best be accomplished by considering other applications.

## **Conclusion**

30. As discussed above, Groupe chcr is opposed to the proposed application because:
- A service focused strictly on the small anglophone market of the Hudson/St-Lazare community, immediately beside the much larger and diverse Montréal market is not economically viable. The service will survive only if it focuses its efforts, and expands its coverage, to reach the larger anglophone community of the West Island.
  - The service will have a detrimental impact on other broadcasters in the Montréal market, particularly on CKDG-FM. Groupe chcr has positioned CKDG-FM so that our English-language MIKE FM content subsidizes and provides lift to our multicultural programming on both CKDG-FM and the newly launched service CKIN-FM. The proposed application represents the incursion of an “out of market” signal, in effect, into the Montréal market in way that competes directly with Groupe chcr and other broadcasters that are committed to serving that market.
  - The application does not represent an optimum use of the 106.7 FM frequency. This frequency could be put to much better use by other potential applicants that are committed to serving the GMA in a way that is complementary to existing broadcasters already providing quality programming in the market.
31. Based on the reasons set out above, Groupe chcr respectfully requests that the Commission, in its wisdom, denies this application. Groupe chcr appreciates this opportunity to comment on the proposed application. We have provided a copy of this intervention to the applicant. Merci. Thank you.

Respectfully yours,

**[Filed Electronically]**

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President

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## **Appendix**

**Evaluation of use of 106.7FM frequency in Montréal**

**(if the application were approved)**



## **Appendix**

**Groupe chcr Letter to CRTC dated December 1, 2011**