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Mr. John Traversy
Secretary General
Canadian Radio-television and Telecommunications Commission
Ottawa, Ontario, K1A 0N2

April 25, 2013

Broadcasting Notice of Consultation CRTC 2013-154,
Application 2012-1113-5

Dear Secretary General,

1. The NCRA/ANREC (“NCRA”) opposes an application by Vista Radio Ltd. (“Vista”) for a broadcasting license in Creston, B.C. In principle we do not oppose Vista’s application, but we are concerned that a new radio station in Creston will adversely affect the financial viability of the Creston Community Radio Society (“CIDO-FM”). We would like the opportunity to speak if there is a hearing.
2. The NCRA/ANREC is a not-for profit National Association working to recognize, support and encourage not-for profit, volunteer-based, public access campus and community-based (“c/c”) broadcasters in Canada. We provide advice and advocacy for individual stations, and conduct lobbying and policy development initiatives with a view to advancing the role and increasing the effectiveness of our sector.
3. In their supplementary brief (“the brief”), Vista states that 106.1 The Bridge
“(W)ill not unduly impact any existing stations in the market.”
4. VISTA'S brief discusses their proposed station’s potential revenue impact to CJAT-FM’s repeater from Trail, B.C. (CFKC-AM) and to an unspecified commercial station originating in Cranbrook, B.C. It concludes that the station will have a negligible impact in the Creston market. The brief does not address the potential financial impact the proposed station may have on CIDO-FM, and, we believe that CIDO-FM may be the most adversely impacted of all the stations in the Creston market.

5. CIDO-FM was formed in 2001 and obtained a broadcasting license in 2005. They began broadcasting to the town of Creston in 2007, at 20 watts. With a population around 5,300, Creston is one of the only towns this small to successfully support a local c/c station in Canada.

6. We are told that CIDO-FM has struggled to meet their minimal revenue requirements with such a small population base to draw from. CIDO-FM has no paid staff, but they require revenue in order to pay basic expenses like hydro, tariffs, fees and equipment maintenance. Further, in the NCRA/ANREC's experience, c/c stations are more successful and stable if they are able to hire at least one staff person to coordinate their operations. Our hope is that CIDO-FM will develop the financial capacity to do so in future.

7. Although a portion of the station's revenue currently comes from annual membership dues and project grants, CIDO-FM relies on heavily on advertising/sponsorship to pay their bills, as do most community-licensed stations in Canada, especially those in smaller markets. We are told that advertising/sponsorship revenue currently makes up about 35% of CIDO-FM's annual income, and that the station needs to see this percentage increase in order to meet their financial obligations. CIDO has informed us that, if Vista's proposed radio service is licensed in Creston, CIDO-FM would likely lose 50% of their advertisers. The NCRA/ANREC is concerned that the entry of a fourth radio broadcaster competing for advertising revenue in Creston will result in CIDO-FM being unable to generate the revenue they require to continue broadcasting.

8. CIDO-FM has informed us that they need to substantially increase their advertising/sponsorship revenue in order to be financially sustainable. Earlier this year, CIDO-FM committed to increasing advertising revenue, re-orienting their sales strategy, and approaching a greater number of local businesses. They had begun this work before they became aware of Vista's application.

9. In their brief, Vista estimates out-of-market advertising revenue to be approximately \$180,000 - \$200,000. They also posit that, by bringing their proposed local service to Creston, the value of the local radio market will increase, and by their second year of broadcasting, the market will be valued at \$450,000 - \$550,000. They state that this increase will easily accommodate out-of-market earnings and allow Vista to earn an estimated \$219,000 in their first year, increasing to just under \$300,000 by year seven. As mentioned above, CIDO-FM's earnings were not considered in the brief. Using Vista's estimate, it could be argued that CIDO-FM earning \$20,000 per year can be accommodated. Our responses to this point are as follows:

a) The financial figures provided by Vista are speculative and include assumptions that the market value will increase and estimates of the market share currently going to the two out-of-market stations. The brief also contains implicit assumptions about the local economy—that it is likely to grow, and that the population is likely to increase. It is unclear to us whether these assumptions and estimates are realistic.

b) Even with their best efforts, we believe CIDO-FM will be unable to achieve the level of market penetration that Vista can. Therefore, in addition to Vista approaching businesses that may be out of CIDO-FM's reach, it is likely that Vista and CIDO-FM will be approaching many of the same advertising customers, namely small and accessible local businesses. If

Vista's signal will reach a larger population than CIDO-FM'S, then these businesses may choose to advertise with Vista rather than with CIDO-FM.

10. In their overview of the Creston economy, Vista states that

"Creston has shown phenomenal population growth in the last 5 years, almost double the national average at 9.9%."

11. This statistic sounds impressive, but we note that, due to the town's very small population (5306 people, 2011 census figures), an increase of 9.9% in population constitutes an increase of fewer than 500 people. In addition to the local broadcasters, Creston is also served by a weekly community newspaper owned by Black Press, and this also draws advertising revenue from local and regional businesses. We are concerned that even with a 9.9% increase; this is still a very small population to support four broadcasters and a newspaper competing for advertising revenue.

12. The number of building permits issued in a community is a good indicator of economic vitality, and Vista states in their brief that "Oct 2010 numbers for building permits issued in the past 3 years were impressive with over 43 million combined with residential and commercial endeavours." According to BC Statistics, the number and value of residential permits issued in Creston decreased substantially in 2011 and further declined in 2012, to less than 10% of the 2010 figure.¹ Non-residential permits in Creston (mostly commercial buildings) more than doubled in 2011, in part due to a large hotel/conference centre project that was planned in earlier years, but began in 2011. Non-Residential (Commercial) permits issued declined steeply in 2012, to 10% of 2010 totals.² We include these figures not to confirm that the Creston economy is growing or is shrinking, only to suggest that either interpretation is possible.

13. Vista has proposed that

"(T)his application should be considered as 'a proposal to provide the first commercial service in the market' as described in Broadcasting Public Notice 2006-159"

14. We agree that there are no other commercially-licensed services currently originating in Creston. We point out, however, that the Commission recognized in CRTC PN 2006-159 that "stations in smaller markets generally tend to report levels of profitability that are below the industry average" and that "generally, smaller market stations have fewer resources than larger market stations to absorb the impact of competition."³ In this decision, the Commission's reference to "smaller markets" pertains to markets with a population of 250,000

¹ BC Statistics: Building Permits by Community: Residential Permits

2010 (57 permits issued, \$8,891,000)

2011 (8 permits issued, \$2,339,000)

2012 (5 permits issued \$1,044,000)

²

BC Statistics: Building Permits by Community: Commercial Permits

2010 (\$3,077,000)

2011 (\$8,419,000)

2012 (\$310,000)

³

In CRTC PN 2006-159, the Commission was referring to commercially licensed stations in the policy, but we argue that the same principles apply to c/c licensed stations.

people or less. We believe that the smaller the market in this range, the more difficult it becomes for stations to absorb the impact of competition.

15. In Broadcasting Decision CRTC 2005-42, the Commission denied the application of a commercial broadcaster for a broadcasting license in Nelson, BC due to concern that the application would adversely affect two commercial and one community-licensed stations. At the time, the two commercial stations broadcasted from the nearby cities of Castlegar and Trail, rather than from Nelson itself. In the decision, the Commission noted

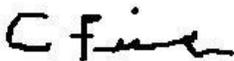
"...that the three local stations currently serving Nelson have recently reported levels of profitability lower than the national and provincial averages. Accordingly, the Commission is concerned that the entry of a new commercial station into the Nelson radio market could jeopardize the quality of service currently being provided by existing broadcasters."

16. Another of our member stations located in a B.C. city slightly larger than Creston has informed us that they have seen a steep decline in advertising revenue (65%) in the last three years, particularly since one of the local commercial broadcasters re-branded and re-focused their advertising strategy. That community-licensed station is now struggling to make up for the loss of two thirds of their annual advertising revenue, and more than a third of their annual total revenue. In our experience, c/c stations, especially in small rural centres, tend to operate with such small budgets that changes in the local market can have drastic impacts.

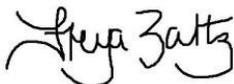
17. As stated above, we oppose the Vista application only to the extent that it may adversely impact CIDO-FM's financial viability. Even though it has operated for six years in the Creston market, CIDO-FM's financial health has always been precarious.

18. We therefore ask the Commission to refrain from approving this application. If CIDO-FM becomes unable to meet their financial obligations or continue broadcasting due to the introduction of a new broadcaster in the market, we believe the loss of the community's only community broadcaster would be contrary to the objectives of the Broadcasting Act.

Sincerely,



Catherine Fisher
NCRA/ANREC Board



Freya Zaltz
NCRA/ANREC Regulatory Affairs Director

cc: Vista Radio LTD

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