Expanding Local Media Options

In

York Region

Prepared For

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Executive Summary

The primary objective of this preliminary study has been to provide an overview of existing media serving York Region as well as the options, and related challenges of creating additional media opportunities within the context of the existing media landscape.

The residents of York Region have access to multiple media options including daily newspapers, over the air television and radio stations, in addition to six community newspapers however; the vast majority of the news and information provided by these media is oriented to the City of Toronto, and coverage of York Region seems limited to stories of general interest to the Greater Toronto Area (GTA).

When the television and radio frequency allocation plan was first developed by Industry Canada, York Region did not exist and communities such as Markham, Richmond Hill, Aurora, and Thornhill were considered part of Toronto. Newmarket is the only community to have a radio allocation, which today is held by CKDX FM, commercially known as Foxy 88.5 FM.

Markets outside of the GTA, however, like Barrie received both radio and television frequencies and today Barrie, with a 2006 population estimate of 175,000, (less than Markham or Vaughan and about the same size as Richmond Hill) has one television and five radio stations.

In reality, residents of York region can look to only one radio station (FOXY 88.5), CKVR television which is licensed to serve Barrie but provides some coverage of York Region, Rogers Television-York Region, Aurora Cable Community Channel, or the York Region Newspaper Group[1] for news specific to their community.

[1] The York Region Newspaper group is comprised of six papers and is owned by Metroland Printing, Publishing & Distributing Ltd. a wholly owned subsidiary to Torstar Corporation, parent company of the Toronto Star

While people reside within York region, they are first and foremost part of individual communities such as Markham, Thornhill, Richmond Hill, Aurora, or Newmarket each with its own unique demographic and increasingly, ethnocultural mix, and not necessarily with common interests.

Logic and anecdotal evidence would suggest that geographic proximity to the City of Toronto is an important factor in determining the relevance of Toronto based media to the individual communities within York Region. While Vaughan or Markham, which constitutes the southern border of York Region, may have a stronger link to Toronto, the further north you go the less relevance Toronto has in terms of local news. The strength of local media is that it provides a direct reflection of the community, however, by definition, the more local the narrower the potential audience, and so the challenge in creating additional local media options is ensuring relevance to other parts of the larger community of York Region.

Focus Group

Before looking at possible new media options for York Region, we sought the input of representative advertisers from across the region and a focus group style discussion was held on November 22, 2006 at the York Region Training Centre in Richmond Hill. The meeting was organized and attended by Catherine Resentera, York Region's Economic Development Officer whose assistance throughout was invaluable, and by Patrick Draper, York's Director of Economic Strategy and Tourism who was an active participant in the group's discussion.

The purpose of the discussion was as follows:

1. To determine what advertising media local advertisers were currently using.

2. To understand what advertising media was most effective for York Region advertisers.

3. To understand what challenges were faced as a result of Toronto- based media having such a large impact on the community without the ability to cost effectively purchase Toronto media to reach potential clients within York Region.

4. To identify any specific media opportunities that advertisers really wished they had access to but did not.

5. To determine respondent's feelings on the adequacy of the current level of community news and information and the desirability of increased local content from television, radio, print, or the internet.

The results of the focus groups discussion were very useful and relevant comments have been integrated with the body of the report where appropriate.

Media Overview

Over the past ten years there has been a literal explosion of new technologies and media options that have dramatically impacted how we use both our leisure and work time. While the total available audience has not materially increased, the number of options has, meaning that people are using a myriad of new and old technological options to watch and listen to many more and different program options than they used to.

The audience fragmentation that has resulted is based on the simple fact that there are only so many people and so many hours in a day. In general, greater choice has created smaller audiences to a larger number of media options, and moved media away from broadcasting as we have known it, to an era of narrowcasting. The advent of multiple additional media and entertainment choices combined with new technologies and lifestyle changes has led to significant fragmentation of audiences to all media.

In television, as an example, while the number of hours of tuning has remained relatively consistent, there has been a significant shift away from over-the-air television stations to specialty services and the enormous number of specialty channels has meant that individual programs are no longer generating the same audience levels as before.

Technologies such as station shifting, time shifting, video on demand, digital streaming on the internet and personal digital devices (PDA's) are all creating multiple options to watch the same program and therefore contributing to the erosion in the value of television programming rights, thereby impacting advertising revenues.

Radio as a media sector has certainly seen its ups and downs but today, radio-particularly FM radio, is enjoying a renaissance that few could have envisioned a few years ago. Radio's return to profitability can be attributed to a number of factors including the CRTC's[2] decision to alter the ownership rules to allow each radio group to own a total of 4 stations in each market, double the previous number. This decision has led to a significant amount of ownership consolidation with Standard, Rogers, and Corus emerging as the dominant players.

The most significant challenge on the horizon for conventional radio is the alternative listening opportunities provided by MP3 players (including cell phones), internet based radio stations and satellite radio.

Like other media, newspapers are continuing to face numerous challenges, not the least of which is an aging population and a younger audience for whom newspaper reading, at best is something done on line.

The compound annual growth rate for newspapers over the ten year period between 1994 and 2004 was only 3.6%, while at the same time, share of total advertising revenue dropped 3.1%, from 24.8% to 21.7%.

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[2] The Canadian Radio-television and Telecommunications Commission (CRTC) is an independent public authority that is responsible for regulating and supervising all aspects of the Canadian broadcasting system, and the telecommunications common carriers and service providers that fall under federal jurisdiction. The CRTC reports to Parliament through the Minister of Canadian Heritage

Options and Recommendations

As stated from the outset, the primary objective of this report has been to review various options for expanding the greater dissemination of local news, information and other content that will bring residents and businesses within York Region into closer contact with their community and strengthen its economic network.

The recommendations seek to take into account what initial steps could be taken on a cost-effective basis to improve overall local information availability.

Rogers Television

The intent of the cable community channel has always been to create *incremental* local reflection to the programming provided by the licenced over-the-air broadcasters.

The regulatory circumstance in York Region, however, is unique in that the available OTA television stations are licensed to serve Toronto and not specifically Markham, Richmond Hill or Newmarket resulting in limited television coverage of the region outside of that provided by the cable community channels.

While the existing news programming on the Toronto stations provides a mix of international, national, regional and local news, local is naturally more focused on the City of Toronto and a story from the region will likely only appear when it perceived to have broad interest across the GTA. In the absence of other local options, Rogers has become the defacto ‘local’ television station for York Region.

My view is that if none of the OTA broadcasters in the GTA are able to provide adequate local coverage of York Region, then Rogers Cable-York Region and Aurora Cable should be the focus for enhanced local programming by expanding the excellent programming that they already do.

I have ascertained that there would be considerable interest from Rogers in expanding the existing local York Region programming *if* incremental revenue could be generated to support this programming expansion.

The most obvious source of incremental revenue would be from the sale of advertising, which the cable companies are currently precluded from doing. I believe that the lack of local programming in York Region is so compelling that properly presented to the CRTC could lead to some regulatory flexibility, which might allow the sale of local advertising by Rogers and Aurora Cable through an amendment to their respective Conditions of Licence, in exchange for enhanced local programming commitments.

The availability of local advertising on cable would be good for local businesses because it would provide a cost-effective advertising vehicle that presently does not exist within the region.

It is also important to note, however, that the CRTC would not typically consider such an exemption without the full support of York Region. At a minimum, full support would include an official letter in support of the Rogers-York Region license renewal which will be reviewed by the CRTC in early 2007. The purpose of the letter would be to fully detail the lack of local reflection and need to recognize Rogers unique contribution to local programming within York Region.

New Over-the-air Services

One of the options that I of course looked at was the possibility of establishing a new radio or television service within York Region and this section looks at what is involved in such an undertaking from both a technical and regulatory point of view.

Not surprisingly, the major issue is that it appears all of the allocated television and FM radio frequencies in the Greater Toronto Area have been assigned, however, the complexity of frequencies within the GTA would require a broadcasting engineer to investigate and confirm whether or not a viable frequency option might exist.

Transition to Digital Television

Complicating the foregoing, at least with respect to over-the-air television (OTA) is the fact that the conventional OTA system in the United States has largely converted from analog to digital, with termination of the analog system scheduled for the end of 2009. While there are several Canadian stations that are providing a "high definition digital" signal to Broadcast Distribution Undertakings[3] (BDU's) for distribution, there are very few stations that are broadcasting an over-the-air digital signal at this time.

Industry Canada has announced that it will not accept any new analog television applications with the result that the establishment of any new over-the-air television channels within the GTA prior to the determination of a final digital implementation plan is very unlikely.

Regulatory Aspects of New Television of Radio Applications

An application to establish a new radio or television licence is subject to approvals from both the Canadian Radio-television and Telecommunications Commission and Industry Canada. The CRTC function is to ensure that the application is in the public interest including a review of the financial capacity of the market to support a new station.

As television and radio frequencies are a finite resource, the CRTC is also very concerned that the greatest programming diversity is achieved from the frequencies available. Industry Canada's approval of the technical parameters of an application is required before the CRTC will issue a broadcast licence.

[3] BDU's include any company in the business of distributing broadcasting signals including cable, and direct-to-home satellite distributors (eg Bell ExpressVu & Star Choice)

Prospects of a New Television Service

In addition to the complicated technical considerations that have been outlined, conventional television as we have known it is in total flux and going through many negative changes that have been highlighted in this report. The addition of so many new viewing options has created significant audience fragmentation and smaller audiences to each program. Instead of reducing the cost of programming, however, more competition has increased the cost.

SUN TV, which launched in September 2003 as Toronto One, continues to lose money despite the financial resources of the parent company Quebecor because the top television shows are already owned by other television groups.

For these reasons, I do not believe that a new independent OTA television station located in York Region is a viable option.

Radio Options

CKDX FM - FOXY 88.5

I have monitored FOXY for several weeks and found its news content much more focused on York Region than I had expected. The newscasts (at least those that I have heard) contained a high percentage of stories from across the region as well as provincial and national news.

The advertisers' perception that the FOXY audience is older is certainly supported by the Bureau of Broadcast Measurement (BBM) audience data, however, what I find interesting is that the music mix on FOXY is not materially different from that offered by CHFI FM or Easy Rock, which both have a much younger audience base. I would certainly not advocate that the station's format be drastically altered but with very modest changes to the music mix and better market positioning the perception of Foxy could very easily change and attract younger viewers closer to the advertising target. The station's management are very interested in broadening the audience appeal of the station which could make the station a much bigger part of an overall strategy.

I think that building a closer relationship with FOXY could be very beneficial to both parties and if this is of interest I would be pleased to facilitate such a meeting with Bill Evanoff, the station's owner.

Prospects For A New Radio Station

In the internet section I have outlined the option of creating an internet radio station but noted that one of the fundamental negatives was that access to the station could only happen through the internet. Notwithstanding the in-home penetration of computers and broadband connections are increasing exponentially, not everyone is yet used to listening to radio on their computer and it is only those on the technological leading edge that are likely to have access to the available wide-area wireless networks. Bottom line - the available audience to an over-the-air radio station is likely to be much higher and will be, for some time to come.

For this reason, while it may be desirable to try and create a traditional over-the-air station there are several challenges, not the least of which is frequency availability. Furthermore, ownership consolidation and the resulting synergies underscore the fact that broadcasters have found stand-alone stations to be very inefficient to operate and this would be a challenge for any stand-alone operator in York Region.

An examination of the existing station base in and around York Region would suggest that the two companies that might gain the great benefit from an expanded role within York Region are the Evanov Group (owners of CKDX FM) and the CORUS Radio group which owns three stations in Barrie.

Expanding Internet Presence

For many, research of any kind starts on the web and in this regard, the York Region website provides an intuitive easy to use design and a lot of very useful information. Looking at the site through the eyes and objectives of this project, I believe that it can be taken to a new level which might include a more significant role for links and search function such that it becomes a portal for all things related to York Region - from government services to restaurants, places to go, and places to shop within York Region. The site could also include streaming news or programming from Rogers-York Region, or a link to FOXY 88.5. In this way not only is traffic to the site increased but local business' are indirectly promoted which can only convey the message that York Region is a good place to do business.

Other sites that might also be linked to the York Region site include:
www.yorkregion.com
One of the best sites that I have found is the York Region Newspaper Group website which provides links to local news as well as news and information from each of the regions.

www.905.net
Provides information specific to various towns and cities within 905, but by definition the site covers a much broader area than York Region

www.toronto.com
Toronto.com is owned by Torstar and allows a user to search a web site for anything from movies to restaurants including the ability to search by location. The toronto.com website, as an example, includes 225 restaurants in Markham, 134 in Richmond Hill, 152 in Thornhill and 82 in Newmarket. It would be very beneficial to these local restaurants if they could also be linked to the York Region web site.

Internet Radio

An extension to the York Region website might also include the creation of a web-based radio station which would not require any kind of regulatory approval and could be cost effectively set up and run by York Region or created in conjunction with a third party.

While there is a capital cost in equipment, an internet radio station does not require the same level of capital investment in transmitting equipment (transmitter, tower etc) nor the significant ongoing operational costs incurred by an OTA station.

There is no question that internet based stations have a more limited customer based because the internet is not as generally available as an over-the-air radio station, however, the greater implementation of wide area wireless networks in major markets across the country will make internet access as common as picking up radio signals within the next five years.

For all of the aforementioned reasons creating an internet based radio station may be a very plausible means of creating a direct communication conduit with residents and businesses of York Region.

E-mail Communication

While there is nothing new or original about suggesting the use of e-mail, it has become a very useful way to provide a very wide variety of information of interest, including notice of sales, general information, and product updates.

Email eliminates the heavy cost of printing and lead time and provides a communications vehicle which is immediate and generally has a high call to action.

E-mail can also be used to cost-effectively distribute a variety of news-letters containing differing information depending on the list. The beauty of a targeted email program is that it can be as narrow or wide as desired and can become more sophisticated over time.

Transit Television

It is my understanding that the entire 85 vehicle VIVA fleet has been outfitted with on-board television screens, but that the content for these screens is currently under contract to a third party. While the details of this contract are confidential, it is my assumption that the third party supplier pays York Region for access to the bus network and the right to sell advertising and, in return, provides the content which is aired on the busses.

The use of a third party supplier is a model typically found with transit companies across North America in that it provides a fixed income guarantee for the transit company and transfers the business logistics to a company with the specific expertise to efficiently provide the service. A third party agreement, however, does not mean that future contracts cannot influence greater control over the content of the programming nor provide a certain portion of the advertising inventory for the benefit of York Region.

End of Executive Summary