

Abt Associates Research of Canada Ltd.

Associés de recherche Abt du Canada Ltée

Suite 1100 • 251 Laurier Avenue West • Ottawa K1P 5J6 • Telephone (613) 233-0145

A FINANCIAL ANALYSIS  
OF THE  
PRIVATE RADIO BROADCASTING SECTOR  
IN  
CANADA AND THE UNITED STATES

**International Social and Economic  
Research, Operations, and Policy Analysis**

**Recherche Economique et Sociale  
Recherche Opérationnelle  
Analyse des Politiques**

QUEEN  
P  
91  
.C655  
W37  
1978

**Abt Associates Research of Canada Ltd.**  
**Associés de recherche Abt du Canada, Ltée.**

Suite 204 135 York Street  
Ottawa, Ontario K1N 5T4 (613) 233-9385

91  
C655  
W37  
1978  
C.2.

A FINANCIAL ANALYSIS  
OF THE  
PRIVATE RADIO BROADCASTING SECTOR  
IN  
CANADA AND THE UNITED STATES

By

K. Watson  
A. Sunter  
F. Ermuth

FOR

Department of Communications  
Social Policy And Programs Branch  
300 Slater Street  
Ottawa, Canada

March 31, 1978

Industry Canada  
Library Queen  
JUL 23 1998  
Industrie Canada  
Bibliothèque Queen

COMMUNICATIONS CANADA  
OCT 13 1978  
LIBRARY - BIBLIOTHEQUE

P  
91  
C655  
V. 37  
1978

## TABLE OF CONTENTS

### EXECUTIVE SUMMARY

A Financial Analysis of the Private Radio Broadcasting Sector in Canada and the United States

Principal Regulatory Differences

Principal Industry Differences

Tentative Conclusions

Some Questions Raised by the Preliminary Analysis

### CHAPTER 1 - THE REGULATORY ENVIRONMENTS

1.1 A Concise Overview of the Canadian and American/  
Radio Regulations

1.2 The Relationship of FM to AM Service in Canada

1.2.1 The September 1976 Changes in FM Regulations

1.3 A Comparison of Canadian and United States Broadcasting Regulations for FM and AM Radio

1.3.1 Ownership

1.3.2 Licencing and Reporting

1.3.3 Hearings and Appeals

1.3.4 Programming

1.3.5 Syndication, Rebroadcasting, and Simulcasting

1.3.6 Technical Standards

1.3.7 Advertising

### CHAPTER 2 - ECONOMIC TRENDS IN RADIO BROADCASTING IN CANADA AND THE UNITED STATES

2.1 Introduction

2.2 The Growth of Radio in Canada

2.2.1 Revenue and Pretax Profit

- 2.2.2 National Economic Indicators
- 2.2.3 Radio Revenue Compared with National Economic Indicators
- 2.2.4 Canadian Radio - Parameters of Growth
- 2.3 The Growth of Radio in the United States
  - 2.3.1 Revenue and Pretax Profit
  - 2.3.2 U.S. Economic Indicators
  - 2.3.3 U.S. Radio Revenue and the Economy
  - 2.3.4 U.S. Radio - Parameters of Growth
- 2.4 Canada/U.S. Summary of Radio Growth, 1965-1976
- 2.5 The Growth of FM in the United States
- 2.6 The Growth of FM in Canada
- 2.7 Radio Advertising in Canada
  - 2.7.1 Advertising Expenditure and the GNP
  - 2.7.2 Media Share of Advertising Revenues
  - 2.7.3 Radio and T.V. Advertising Revenues, 1965-1976
  - 2.7.4 Rates Increases and Audience Trends
  - 2.7.5 Advertising Rates in Canada and the U.S.
  - 2.7.6 U.S. Media Cost Projections
  - 2.7.7 Advertising by Canadians on U.S. Radio
- 2.8 Monthly Time Series, January 1974 to September 1976

CHAPTER 3 - THE PROFITABILITY OF AM AND FM RADIO STATIONS IN CANADA  
AND THE UNITED STATES, RELATED TO THE REGULATORY CONTEXTS  
IN EACH COUNTRY

- 3.1 The Profitability of the Industry
  - 3.1.1 Methodological Problems in Comparing Profitability of Radio Stations in Canada with the United States

3.2 Are Canadian Stations more or less Profitable  
than American?

3.3 Is FM Radio Less Profitable than AM?

3.4 Conclusions

BIBLIOGRAPHY

APPENDIX 1

APPENDIX 2

## PREFACE

This study has depended on the extraordinary cooperation of a number of persons and agencies. In particular, we owe thanks to the eight Canadian radio stations which agreed to allow us to examine their individual financial returns, and to the Federal Communications Commission which matched these returns anonymously with similar U.S. stations. These pair comparisons are not mentioned in the text, but they were of considerable assistance to us in interpreting the "macro statistics" which were our main data resource. We would also like to thank the Director of the Statistical Services Branch of the Department of Communications for his valuable assistance within severe time constraints; and both the C.R.T.C. and the Canadian Association of Broadcasters for their valuable assistance.

## EXECUTIVE SUMMARY

### A Financial Analysis of the Private Radio Broadcasting Sector in Canada and the United States

This study was begun and completed in March 1978. The purpose of the study was to analyse the private radio broadcasting industry in Canada and the United States, in order to understand what effects the different regulatory environments have had on the industry. This was done in two ways:

- 1) The structure and economics of the industry in the two countries were compared in detail, and differences were linked to regulatory differences where possible.
- 2) The performance of the FM radio industry in Canada was compared with U.S. performance for the period 1965-1976 with particular emphasis on similarities in growth patterns.
- 3) A more detailed examination of Canadian FM performance as reflected in monthly time series prior and subsequent to September, 1976 was undertaken in an effort to detect any economic and structural effects of the new FM policy.

#### Principal Regulatory Difference

- A) Station licensing procedures in the two countries are very different.
- B) AM and FM stations are treated differently in Canada, and similarly in the United States.
- C) Canada is more stringent in the regulation of the "content" of broadcasting both in terms of regulating the format and in regulating the number and distribution of commercial minutes.



D) In the U.S. the regulatory emphasis is on the technical quality of the broadcast transmissions.

There is, however, no indication in the statistical series that the regulatory differences operate to the economic disadvantage of Canadian licencees.

#### Principal Industry Differences

- 1) The radio industry is more profitable in Canada than in the United States.
- 2) The average revenue per station is higher in Canada than in the United States.
- 3) Radio revenues as a share of the G.N.P. are approximately twice as much in Canada as in the United States.
- 4) Radio advertising rates are lower in Canada than in the United States.
- 5) FM revenues are becoming relatively and absolutely more and more important in both Canada and the United States.
- 6) Revenue growth, net profit growth and average profitability over the period 1965 to 1976 have all been higher in Canada than in the United States.
- 7) The U.S. radio industry appears to operate in a more competitive environment than its Canadian counterpart and its profitability is more sensitive to the general economic growth rate.
- 8) AM radio in both countries seems to be a mature industry, in that its share of G.N.P. is stable or declining
- 9) FM radio in both countries is growing faster than AM. However,

it is currently both more independent of AM and more important in terms of market share in the U.S. than in Canada.

#### Tentative Conclusions

- 1) The structure of the FM radio industry in Canada is different from the United States partly due to regulatory differences. The regulatory differences that appear to be most important are:

- A) Licensing procedures
- B) The regulation of commercial minutes of air-time in favour of AM in Canada.
- C) Format regulation of FM broadcasting in Canada.

Initial indications are that A) is the dominant difference.

- 2) There is no indication that the new FM regulations have changed the natural growth of the industry in Canada. Any small effects have been completely overpowered by a strong surge in the growth of FM radio which is also discernible in the United States.
- 3) FM radio in the United States has had a positive cash flow and has therefore been viable, since 1965. In 1976, for the first time, the profitability of FM radio in the United States was virtually the same as AM radio.
- 4) FM radio in Canada seems poised to capture a larger share of radio revenues in the next five years. The details underpinning this conclusion are many and are described in the report.

### Some Questions Raised by the Preliminary Analysis

This study has identified some interesting differences between AM and FM radio in Canada, and their counterparts in the United States. Before one could, with full confidence, relate these differences to "regulatory differences" one would have to carry the research on to a further stage. The questions that have been raised by the preliminary analysis include:

- 1) Are FM independents more or less profitable than FM joint licencees and why?
- 2) Why is the mix of "revenue sizes" different in Canada from the United States, and specifically why is it skewed more towards large revenues?
- 3) How does profitability vary between different formats, and therefore, how are the formatting regulations for FM in Canada likely to affect profitability?
- 4) How do programming expenditures vary with station size and other characteristics?
- 5) What is the detailed relationship between profitability and such variables as market size, gross revenues, rank in market, number of competitors, ownership affiliation with other stations, advertising rates, industry share of advertising dollars, and the cyclic variability in related indicators?
- 6) Given the more advanced development of the gross numbers of commercial stations in the U.S. compared with Canada, are market forces promoting a similar development in Canada?

In other words, if there were no differences in licensing policy, how and where would radio (both AM and FM) tend to develop in Canada?

---

## CHAPTER 1

### THE REGULATORY ENVIRONMENTS

The purpose of this chapter is to provide a comparison of the broadcasting regulations in Canada and the United States; focussing, in particular, on the relationship of FM to AM services in both countries. The first section provides a concise overview of the respective national objectives of broadcasting; the philosophical basis for the regulatory environments. The second section briefly discusses the historical evolution and substantial homogenization of AM and FM broadcasting in the 1960's and early 1970's in both countries, and the response of the CRTC to develop a policy to ensure a varied and comprehensive radio service in Canada. Appendix 2 uses a matrix format to compare and contrast Canada and the United States, and where applicable, the differences between AM and FM broadcasting.

## 1.1 A Concise Overview of the Canadian and American/Radio Regulations.

The Canadian Broadcasting Act of 1967-68, which aside from minor amendment remains unchanged in the late 1970's, provides the legislative framework for broadcasting in both the private and public sectors. The Canadian Broadcasting system is regulated and supervised by an independent regulatory tribunal, the Canadian Radio-Television and Telecommunications Commission (CRTC), in accord with the policy objectives stated in section 3 of the Act. The C.R.T.C. reports to Parliament through the Ministry of Communications.

### 1.1.1

Although educational and other noncommercial stations share the airwaves, the American broadcasting system is, essentially, a commercial system. As a consequence, the American regulatory environment is significantly different from the Canadian regulatory environment. There is a basic similarity in that both the U.S. Communications Act, and the Canadian Broadcasting Act require an applicant for a radio station to show legal, technical and financial qualification, and provide evidence that the proposed operation would be in the public interest. The specific "Rules and Regulations" of the Federal Communications Commission, however, while substantially more voluminous than their Canadian counterparts, are much more vague in mandating what constitutes the "public interest". Whereas the CRTC has established regulations regarding content, programming and advertising

standards, there exist few in the FCC regulations.<sup>1</sup> The FCC appears to emphasize technical requirements, specifications and standards, similar to those administered by the Department of Communications in Canada. The First Amendment to the U.S. constitution, guaranteeing freedom of speech, seems to have precluded regulation of Broadcast content.

The broad concerns in the United States appear to be related to over-regulation by government, and regulatory reform is viewed in terms of "deregulation". The regulatory environment of American broadcasting, in essence, appears to be based on two assumptions: that government regulation generally does not work as efficiently to allocate resources as the market-place and competition do; and that government regulation, sometimes, works affirmatively against the public interest. There have been occasions when the F.C.C. has attempted to regulate broadcasting in ways familiar to Canadian stations, for similar public policy reasons; but these attempts have not generally survived judicial review.

---

1 Source: 1. Canada, Radio (A.M.) Broadcasting Regulations, Radio (F.M.) Broadcasting Regulations.  
2. U.S. FCC Rules and Regulations, Part 73, Radio Broadcast Services.

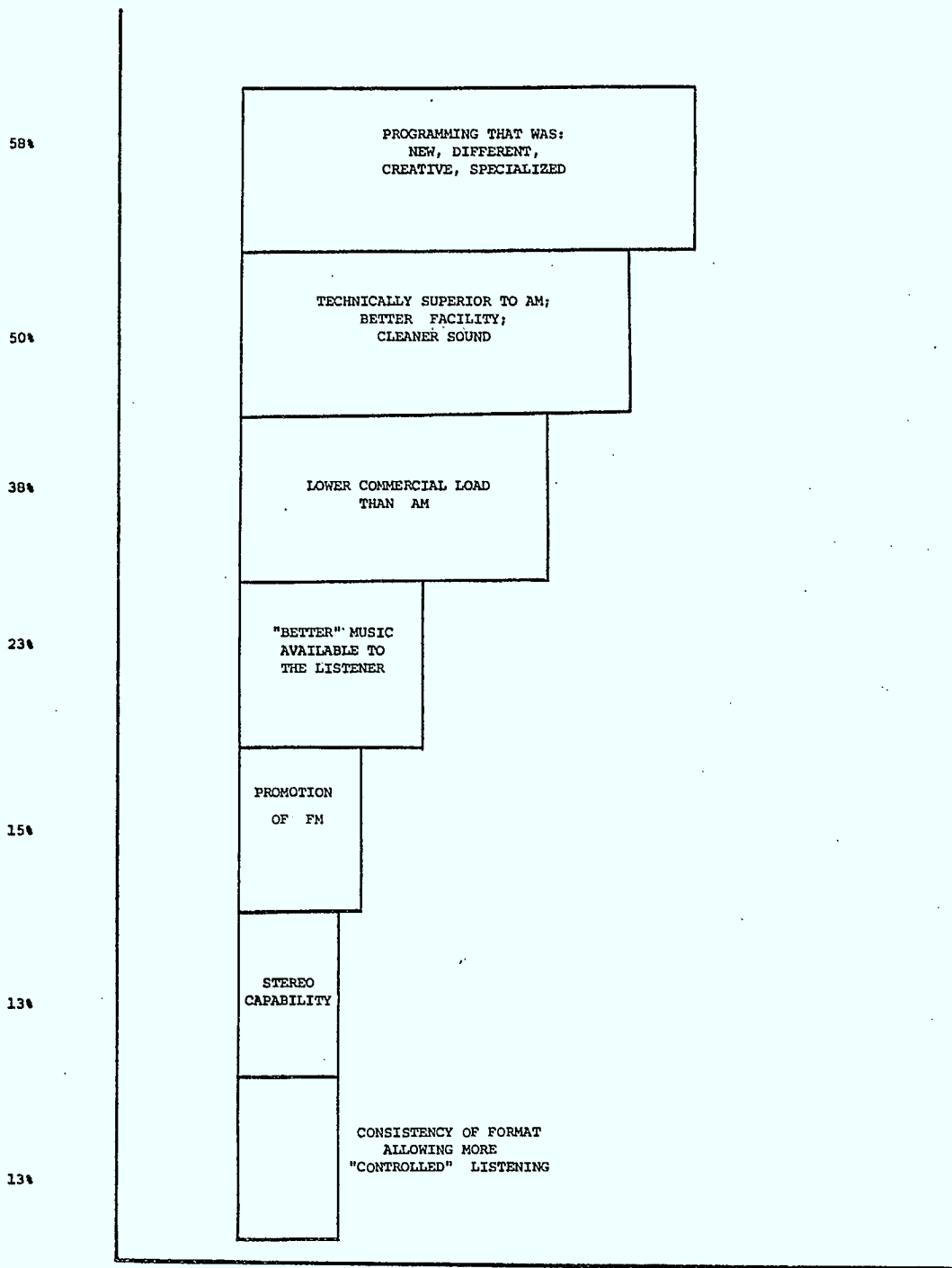
radio. In fact the success of FM as a medium in the United States has been attributed to this focus. (See Figure 1.2)

In Canada, the main vehicle of the Commission's regulatory efforts to create a distinctive FM broadcast service is the new FM licence application form which contains as an integral part "The Promise of Performance", in which applicants are required to make detailed commitments regarding the nature of the broadcasting service they propose to offer to the community, according to ten different facets of the broadcast service. (See Section 1.2.1)



FIGURE 1.2

MOST COMMON REASONS  
GIVEN FOR THE  
SUCCESSFUL DEVELOPMENT OF FM



Source: Cox Broadcasting Corporation, Looks at FM Radio Past, Present & Future, Washington, D.C., 1974, p. 27.

1.2.1 The September 1976 Changes in FM Regulations.

The following statement, taken in its entirety from the CRTC's document "FM Radio in Canada", provides a useful summary of the changes in the regulations, that were adopted in September 1976.

Summary of Measures Adopted by the Commission

In part II of this document, the Commission sets forth a number of measures in connection with defining a role for FM radio which is distinct from AM radio. Under this heading, the Commission proposes:

1. to replace the requirement that FM stations devote 20% of their programming to material in the "Arts, Letters and Sciences" category with the requirement that a percentage of programming be in a "foreground" or audience-involving format;
2. to replace the present program content categories with a comprehensive new set of program content categories applicable to both AM and FM radio and to use such categories to determine how and to what extent program content commitments set out in promises of performance made by applicants will make a distinctive contribution to the balance, diversity and comprehensiveness of the programming service available in the community to be served. This will be of particular importance in areas such as Montreal, for instance, where, due to historical circumstances, a lack of balance has developed;
3. to refuse to permit FM licensees who hold an AM licence in the same community the continued use of two public frequencies unless substantial efforts are made to offer an FM service that is distinctively different from usual AM programming and that adds to the other radio services available in the community;
4. to create separate classes of licence for holders of an FM licence who hold an AM licence in the same community ("joint FM licences") and holders of an FM licence who do not hold an AM licence in the same community ("independent FM licences") and to impose upon holders of "joint FM licences" requirements respecting "foreground format" programming and commercial messages which exceed those for holders of "independent FM licences";

5. to prohibit simulcasting between AM and FM stations except in special circumstances as permitted by condition of licence;
6. to require joint FM licensees to broadcast on a daily basis a statement outlining their relationship to the associated local AM station;
7. to encourage the syndication of FM material in a "foreground format";
8. to prohibit the entering into or renewal of contracts between FM stations and outside firms or consultants respecting the provision of certain prerecorded matter;
9. to prohibit FM stations from interrupting the first ten minutes of any newscast by commercial messages or public service announcements; and
10. to set maximum limits for the broadcasting of commercial messages during any clock hour, and during three six-hour periods during the broadcast day, with a lower limit set for joint FM licences than for "independent FM licences".

In Part III of this document, the Commission has set forth a number of measures relating to the requirement that FM licensees establish individual roles which distinguish themselves from each other. Here the Commission proposes to institute a revised procedure relating to the granting of new or renewed FM licences. In particular, the Commission proposes:

1. to issue and require all applicants for new or renewed FM licences to complete a new FM Application Form, containing a Part II entitled "Promise of Performance", which sets out commitments relating to their proposed broadcast service in ten specific areas such as news and information, involvement of the community, use of music, advertising, Canadian content, the use of automation, and the format and duration of programming;
2. to attach the Promise of Performance to each licence issued by it and to require licensees by conditions annexed to their licences to "make all reasonable efforts in good faith to substantially fulfil" each commitment in the Promise of Performance, and to obtain the prior approval of the Commission before broadcasting for a period longer than four weeks any programming which constitutes a substantial variation from any of the commitments in the Promise of Performance;

3. to require licensees to broadcast at least once a week in a prime listening period an announcement respecting the availability of the licence and the Promise of Performance and conditions attached to it for inspection by the public; and
4. to require FM stations, as is presently the case with AM stations, to keep a tape of all matter broadcast by the station for a period of at least four weeks.

The document then deals with other issues relating to FM radio, including the carriage of CBC programs on private FM stations, correcting imbalances in service in centres such as Montreal, Vancouver and Toronto, "community" FM stations and situations where first local radio service is proposed to be provided on FM.

### 1.3 A Comparison of Canadian and United States Broadcasting Regulations for FM and AM Radio

The Appendix to this report uses a matrix format to compare and contrast regulations in Canada and the United States and, where applicable, the differences that may exist between AM and FM broadcasting regulation in each country. This comparison is accomplished on the basis of a brief synthesis for each of seven major topics, and a summary table that presents the precise wording of the Act or Regulation, dealing with: station ownership; licencing and reporting; hearings and appeals; programming; broadcasting procedures; technical reception, and, advertising.

### 1.3.1 Ownership

Although educational and other noncommercial stations share the airwaves in both countries, the American broadcasting system for the most part is a commercial system whereas the Canadian broadcasting system is composed of private and public elements; i.e., the "National Broadcasting Service" provided by the Canadian Broadcasting Corporation.

Under requirements of the U.S. Communication Act and, similarly, under the Canadian Broadcasting Act, applicants must legally, technically and financially qualify, and they must show that their proposed operation would be in the public interest. Citizenship is a requirement in the United States. Corporations with alien officers or directors, or with more than one-fifth of the capital stock controlled by foreign interests may not be licenced. Citizenship is also a requirement for licencees in Canada; by "Order in Council" of the Federal Government,<sup>1</sup> in 1971. In addition, the Broadcasting Act, Section 3 (b) declares that "the Canadian Broadcasting System should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada". Further details regarding multiple ownership of stations, the publicly owned Canadian Broadcasting Corporation and other aspects are concisely stated in the summary table. (See Appendix 1).

---

1 Order in Council of the Canadian Government, dated January 12, 1971.

### 1.3.2 Licencing and Reporting

As mentioned in sub-section 5 (programming), both Canadian and United States radio stations (AM and FM) are required to maintain logs. These records are subsequently used for reporting purposes. While in the United States stations must retain their logs for a period of two years and submit them upon request to the FCC, there is no such regulation in Canada. The Canadian regulation requires that logs be submitted to the CRTC within seven days of the end of each week and that appropriate information returns (detailing corporate structure, ownership, investments, and revenue) be delivered annually. Although there is no regulation respecting the length of time during which records need be retained, the retention of financial information would be pursuant to the Income Tax Act.

AM and FM licencing requirements in the United States consider public notice of licensee obligations, fraudulent billing practices, technical aspects, licencing period, distribution of facilities, and citizenship. Moreover, 22 pages of the FCC Rules and Regulations deal with the administrative aspects of the licence application requirements and processing procedures. Regulations dealing specifically with FM radio include territorial exclusivity, common antenna site, and multiple ownership. The summary table provides detailed comparisons on some of these points.

Canadian regulations related to licencing deal with chain broadcasting (network), licence fee schedules, and hearings (see sub-section 4) for both AM and FM radio. Specific FM regulations consider the "promise of performance, joint FM/AM ownership, and simulcasting. It is also

required that FM licencees establish individual roles which distinguish them from each other and from AM stations".

This Canadian requirement regarding FM content distinctiveness is perhaps the primary difference between the Canadian and United States licencing regulations. Note also, however, that the Canadian regulations unlike the U.S. do not include substantial regulations relevant to application requirements and procedures. These appear to be implicit in the regulations dealing with hearings and appeals; see Section C.



### 1.3.3 Hearings and Appeals

In Canada, hearings and appeal procedures are detailed in the Broadcasting Act, 1967-68 (Sections 19-26), and as amended in 1971, in the "CRTC Rules of Procedure". Procedures are similar for both AM and FM Radio. Regulations in respect of hearings and appeals deal with hearing procedures, licencing, revocation and suspension of licences, and decisions and appeal.

In the United States, hearings and appeal procedures are detailed in the FCC Rules & Regulations Volume III, Part 73, Subpart B, pages 101-120 (1976). Again, the procedures are similar for both AM and FM Radio. The regulations deal with eligibility of participants and issues, motions to proceed, role of presiding officer, prehearing procedures, nature of hearings and intermediate decision, review and appeal proceedings, interlocutory actions, discovery and preservation of evidence, dispositions, and rules of evidence.

A major difference between the two forms of regulations is that the United States' regulations are much more judicial in nature. While Canadian regulations are also based on civil-litigation procedures, they deal more with the reasons for holding a hearing rather than the actual procedural aspects of such a hearing. In the U.S. instance the burden of proof is on the applicant. Consequently, the applicant, rather than the state, would have to carry the financial burden of proceeding. This does not appear to be the case in Canada. Finally, in Canada, appeals may be made either to the Supreme Court or to Cabinet, while in the U.S. appeals are heard by the commission itself, subject to judicial review for constitutionality.

In Canada, 1653 hearings were held during 1976-77, for new licences, renewals, and amendments. Of these 109 (6.6%) were denied. One of the major reasons for denial was that the applicant did not fully address the needs of the respective market community. In the United States 2630 hearings related to licencing were held during 1975. Of these 14 (0.5%) were denied. One of the major reasons for denial was non-compliance with the racial equal rights policy.

#### 1.3.4 Programming

Regulations related to programming in the United States deal primarily with requirements to maintain log books. Logs are kept on program, operating, and maintenance details. Program logs outline the daily contents of what is broadcast. Operating and maintenance logs detail the daily technical factors (FCC Rules & Regulations, Volume III, Part 73, Subpart B, pages 46-52, 1976). Regulations are similar for AM and FM radio. With respect to ethnic broadcasting there is only one regulation. This deals with dual language broadcasting on FM radio in Puerto Rico (ibid, page 362-A). While Canadian programming regulations deal with maintaining program log books, these are primarily for detailing the daily contents of the programs broadcast. (Broadcasting Regulation - Canada, 1976). In addition, Canadian programming regulations focus on simulcasting of news programs, commercial time, ethnic programming, and Canadian content requirements for both AM and FM radio (ibid). With specific reference to FM radio, regulations deal with foreground format programming, station identification announcements, and announcements regarding the nature of the relationship between and FM and an associated AM station.

In summary, it can be noted that the United States regulations tend to deal more with the technical quality of the broadcast while the Canadian regulations deal primarily with program content.

### 1.3.5 Syndication, Rebroadcasting, and Simulcasting

In the United States, (FCC Rules and Regulations Part 73), and Canada (FM and AM Broadcasting Regulations, 1976), for both AM and FM, rebroadcasting is not permitted except in an emergency or if authorized to do so. In U.S. this authorization is a right of the originating station, whereas in Canada this authorization is a function of the CRTC.

In Canada, due to the advent of format programming regulation, FM stations may be forced to enter into program exchanges or syndication arrangements out of necessity. At the same time, however, such syndication or arrangements must not be used to distribute programming in conventional AM formats, to FM stations. Such an arrangement is inconsistent with the aims of CRTC policy. Accordingly the CRTC enacted a regulation which prohibits licencees of FM stations from entering into or renewing any contracts with outside firms or consultants respecting the provision of "prerecorded matter intended primarily for broadcast" where such matter is in a gramophone format or in a rolling format. The only exceptions to the regulation are contracts respecting news services, promotions, advertising, segments to be used in foreground or mosaic format, and where the prerecorded matter is musical (general or traditional and special interest), and is by a Canadian. On the other hand, in the U.S. there are no regulations affecting program syndication.

In Canada, simulcasting by a joint FM licensee is prohibited between six a.m. and midnight unless specifically authorized by the licence conditions, or in the case of a public emergency. No such prohibition exists for AM stations, which reflects the policy objectives of the CRTC with regard to distinctiveness of AM/FM stations. The United States, on the other hand, permits a weekly maximum percentage of FM duplication of AM programming according to the population of the community.

### 1.3.6 Technical Standards

The United States has a variety of technical standards, (FCC Rules and Regulations, Volume III, Part 73, Subpart B, pages 186-186A). These deal factors such as frequency modulation, antenna power gain, centre frequency, effective radiated power, broadcast band, channel, station, field strength, multiplex transmission, and stereophonic broadcasting.

The regulations dealing with technical standards for transmission in Canada are in the General Radio Regulations, issued under the Radio Act of February 1932. The Department of Communications administers these technical guidelines and issues Technical Construction and Operating Certificates for Broadcasting Undertakings as a complement to the C.R.T.C.'s licencing function.

### 1.3.7 Advertising

Both the CRIC and the FCC have expressed concern about the commercial advertising practises of broadcasters. Their regulatory responses to potential over-commercialization of radio broadcasts, however, are quite different.

The CRIC regulations have separate and detailed sections dealing with commercial messages, advertising generally, the advertising of spirituous liquors, beer, wine and cider, and the advertising of food and drugs. The FCC does not regulate individual commercials. In considering applications for new stations, renewals and transfers, it does consider, however, whether over-commercialization contrary to the public interest may be involved. The FCC uses as benchmarks the voluntary advertising standards included in the Codes of Good Practise of the National Association of Broadcasters. In general, the Radio Code permits commercial announcements to average fourteen (14) minutes per hour each week, and provides that no single fifteen (15) minute segment should include more than five (5) minutes. The FCC, apparently, attaches great weight to these nominal standards "without denying the right of each broadcaster to make his own different judgement on any reasonable basis in terms of his particular situation".

The U.S. Communications Act has, since its inception in 1934, contained provisions (sections 315, and 317) designed to provide equality in treatment of political candidates, in so far as time, rates, practices, facilities and services are concerned, and also a

requirement to disclose the identity of advertisers to the listening audience.

Concerning limits on commercial time, the new CRTC regulations (Section 7) specify that the basic restrictions for the time periods 6 a.m. to 12 noon, 12 noon to 6 p.m., and 6 p.m. to midnight remains at forty (40) minutes for joint FM licences and fifty (50) minutes for independent FM licences. The new level per clock hour is 10 commercial minutes for each licence class. The CBC-FM licences are not subject to these limits, nor are the first radio service or special FM licences who are dealt with on a case-by-case basis. For AM stations commercial messages are limited to 250 minutes a week during the period 6 a.m. to midnight; while the total time of commercial messages in a week is limited to 1500 minutes. However, for stations broadcasting only between sunrise and sunset, the limits are 200 minutes in any day; while the total time of commercial messages in a week is limited to 1000 minutes. Also, the regulations stipulate that the first ten minutes of any newscast shall not be interrupted by a commercial message.

Section 8 deals with advertising generally, prohibiting the broadcasting of "any act or thing prohibited by the law of Canada or of the province in which the station is located", and recommends that commercials should be in "good taste".

Section 10 establishes general guidelines for commercial messages, subject to provincial restrictions on the advertising of beer, wine, and cider. Radio commercials of these are still prohibited in



British Columbia, Saskatchewan, New Brunswick and Prince Edward Island.

The CRTC regulations are quite detailed: for instance, "the advertising shall not be designed to promote the general use of beer, wine and cider, but this prohibition shall not be construed so as to prevent industry, institutional, public service or brand preference advertising." <sup>1</sup>

Similarly detailed regulations exist for commercial messages of foods and drugs, (Section 11), which must be approved by "The Department of National Health and Welfare and by a representative of the Commission and bear the registration number assigned by the Commission". <sup>2</sup>

---

1 Section 10

2 Section 11

## CHAPTER 2

### ECONOMIC TRENDS IN RADIO BROADCASTING IN CANADA AND THE UNITED STATES

#### 2.1 Introduction

In this chapter, we look at a number of salient characteristics of the radio broadcasting industry in Canada and the U.S. Specifically we shall study the growth of radio in terms of number of stations, revenues, expenses, profits over the past few years. We shall compare each growth component with national economic indicators, such as Gross National Product, Retail Sales, Auto Sales etc. We shall examine the growth of radio by AM and FM.

In the later part of this chapter we shall take up various aspects of radio advertising in both the countries in terms of media share, market share, and cost. An attempt will be made to estimate in the broadest terms the flow of radio broadcasting expenditure between Canada and the United States. Finally, we examine the monthly time sales data for Canada in an attempt to detect any specific effect of the introduction of new FM regulations in September, 1976.

## 2.2 The Growth of Radio in Canada

In this section we present a broad analysis of the growth of radio as a whole in Canada and consider its relationship to obtain other economic indicators.

### 2.2.1. Revenue and Pretax Profit

In terms of sale of air time it will be seen from Table 2.2.1 that private radio enjoyed an annual compound growth in revenue from this source of 12.1% over the years 1965 to 1976. There is a strong indication that the rate of growth is increasing and that the 17.5% growth of 1976 over 1975 might be expected to continue into 1977. In section 5 we will show not only that this growth has occurred, but also it is mainly due to an extraordinary increase in the revenues of FM stations.

Over the same period (1965-1976) net profit before taxes for private radio had a compound growth rate of 16.0% having peaked in 1972 with a net profit that had grown by 46.1% from the previous year and that represented 17.2% of revenue from sale of air time. Table 2.2.1 shows net profit before taxes in absolute terms, its growth, and its percentage of revenue from sale of air time. The latter increased steadily to its peak of 17.2% in 1972 and appears subsequently to have levelled off at about 15%. The fact that this latter figure is also approximately the average profitability argues for about 15% as the inherent profitability of radio in Canada, in the regulatory and technological environment of the period.

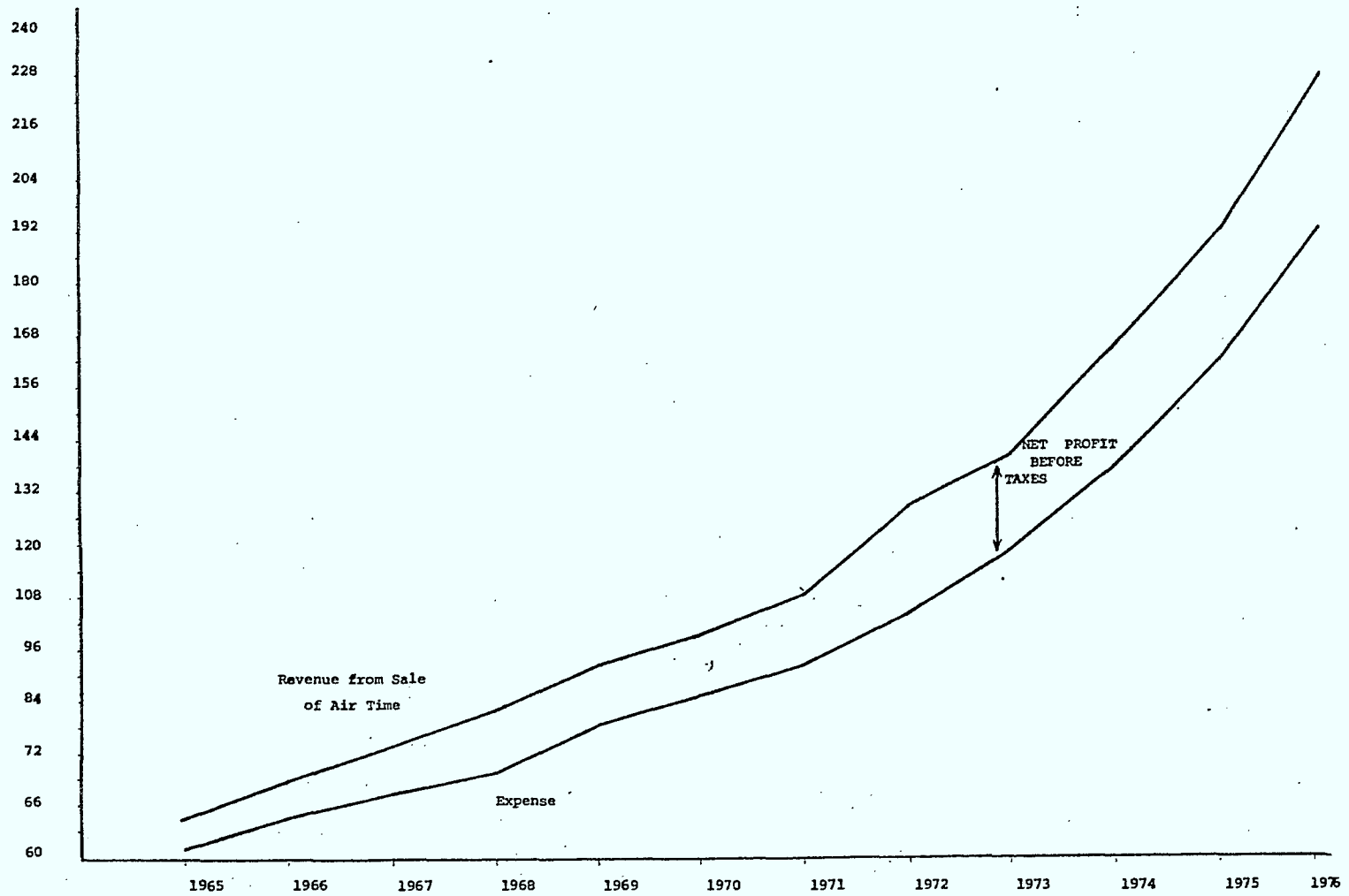
TABLE 2.2.1

## GROWTH OF RADIO IN CANADA 1965-1976

YEAR	REVENUE FROM SALE OF AIR TIME (\$ MILLIONS)	GROWTH OVER PREVIOUS YEAR ( % )	NET PROFIT BEFORE TAXES (\$ MILLIONS)	GROWTH OVER PREVIOUS YEAR ( % )	NET PROFIT/ REVENUE ( % )
1965	68.6	---	7.1	---	10.3
1966	78.2	14.0	9.6	35.2	12.2
1967	86.7	10.9	11.6	20.8	13.4
1968	93.4	7.7	12.4	6.9	13.3
1969	105.7	13.2	14.7	18.5	13.9
1970	111.8	5.7	13.2	10.2	11.8
1971	122.7	9.7	16.7	26.5	13.6
1972	142.2	15.9	24.4	46.1	17.2
1973	157.5	10.8	25.5	4.5	16.2
1974	179.8	14.2	28.4	11.3	15.8
1975	205.7	14.4	31.0	9.2	15.1
1976	241.8	17.5	36.2	16.8	15.0
COMPOUND GROWTH RATE		12.1		16.0	
AVERAGE		---		---	15.0

Source: Statistics Canada, Radio and Television Broadcasting,  
Cat. 56-204, Annual.

FIGURE 2.2.1  
RADIO IN CANADA 1965-1976  
REVENUE AND PRETAX PROFIT



Source: Statistics Canada

### 2.2.2. National Economic Indicators

A comparison between Tables 2.2.1 and 2.2.2 shows a rather stable relationship between the growth of radio revenue over the period 1965-1976 and a number of economic indicators. For example, the compound growth rate of radio revenue over this period was 12.1% compared with 11.9% for GNP, and 11.3% for Personal Expenditures on Consumer Goods and Services. For the period 1970-76 a compound growth rate for radio revenue of 13.5% compares with 14.1, 14.0 and 13.5% for GNP, Personal Expenditures and Manufacturing Shipments, respectively. For the period 1972-76 the compound growth rate for radio revenue of 14.2% has declined slightly relative to those of 15.9, 15.5 and 15.7% for GNP, Personal Expenditures, and Manufacturing Shipments respectively, but is slightly better than the 13.5% for the value of retail trade. A useful visual impression of these growth curves may be obtained from Figure 2.2.2.

TABLE 2.2.2

## SOME ECONOMIC INDICATORS, CANADA 1965-1976, (In Current Dollars)

YEAR	GNP (\$BILLIONS)	PREVIOUS YEAR'S GROWTH ( % )	PERSONAL EXPENDITURE ON CONSUMER GOODS AND SERVICES (\$BILLIONS)	PREVIOUS YEAR'S GROWTH ( % )	MANUFACTURING SHIPMENTS (\$BILLIONS)	PREVIOUS YEAR'S GROWTH ( % )	RETAIL TRADE (\$BILLIONS)	PREVIOUS YEAR'S GROWTH ( % )
1965	54.0		33.9					
1966	60.0	11.1	36.9	8.8				
1967	65.2	8.7	40.0	8.4				
1968	71.3	9.4	43.7	9.2				
1969	78.4	10.0	47.5	8.7				
1970	84.5	7.8	50.3	5.9	3.87			
1971	92.9	9.9	55.6	10.5	4.19	8.3		
1972	103.6	11.5	62.2	11.9	4.62	10.3	34.1	
1973	120.6	16.4	71.2	14.5	5.56	20.3	38.3	12.0
1974	143.4	18.9	83.5	17.3	6.87	23.6	44.7	17.0
1975	161.3	12.5	97.0	16.2	7.37	7.3	51.4	15.0
1976	186.9	15.9	110.5	13.9	8.22	11.5	57.2	11.0
COMPOUND GROWTH RATE	1965-76 1970-76 1972-76	11.9 14.1 15.9		11.3 14.0 15.5		N/A 13.5 15.7		N/A N/A 13.8

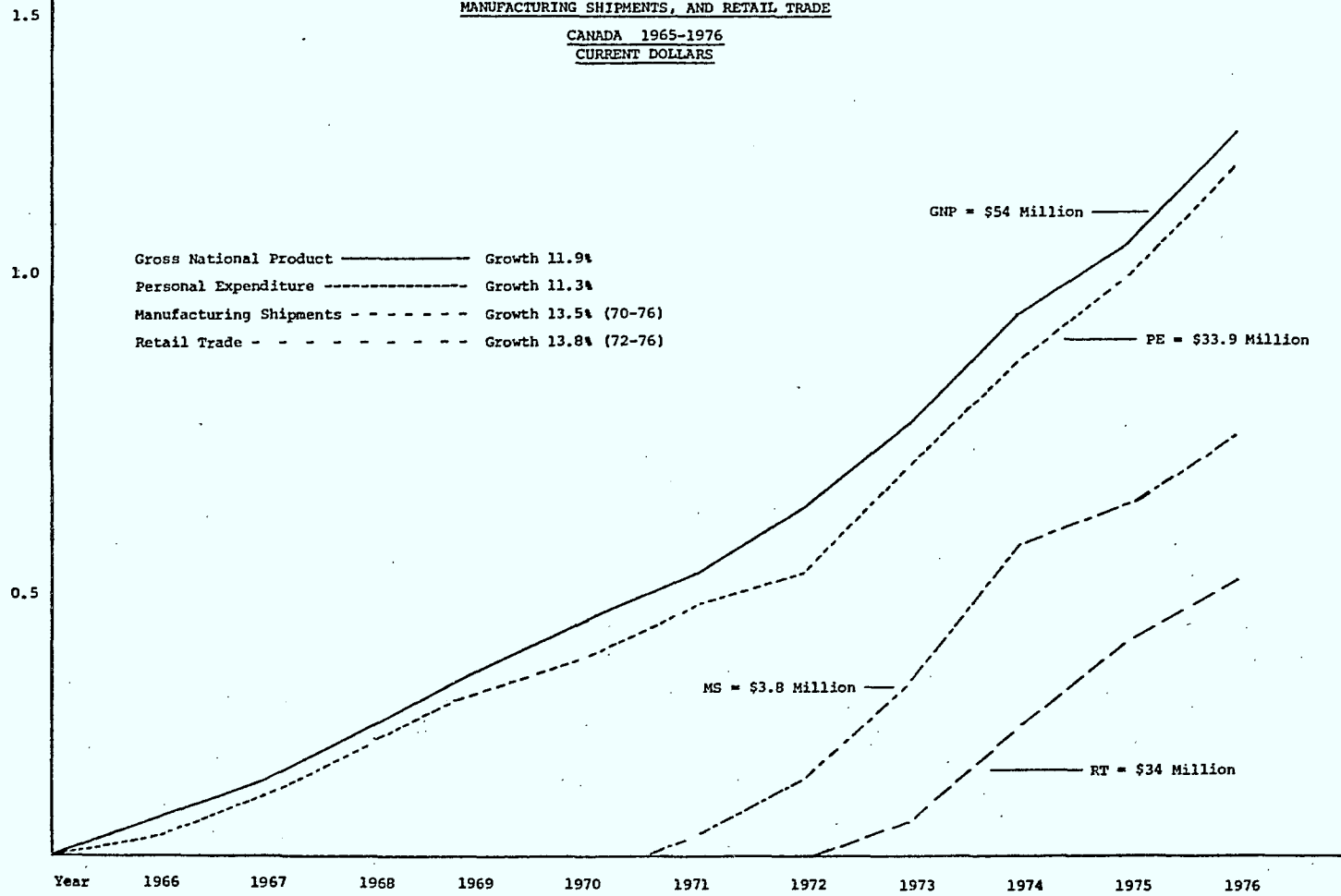
Source: Statistics Canada.

Logarithm of Growth

FIGURE 2.2.2

GROWTH OF GNP, PERSONAL EXPENDITURE ON CONSUMER GOODS  
MANUFACTURING SHIPMENTS, AND RETAIL TRADE

CANADA 1965-1976  
CURRENT DOLLARS





### 2.2.3. Radio Revenue Compared with National Economic Indicators

It seems reasonable to characterize radio (as a whole) as a mature industry in the sense that its growth rate relative to some major economic indicators is declining. This impression is strengthened by the data summarized in Table 2.2.3 where we see that the compound annual growth rate of radio revenue (in constant dollars) over the period 1975-76 was a little more than that for GNP, less than that for Personal Expenditures on Consumer Goods and Services, but declined considerably relative to both of these measures for the period 1970-76. Radio revenue as a share of GNP reached a high of .137% in 1972 but has since levelled off, at about .13%. There is some suggestion of a revival of the radio growth rate in 1976 continuing into 1977 and, as we shall see, this appears to be mainly due to the growth of FM radio in these two years.

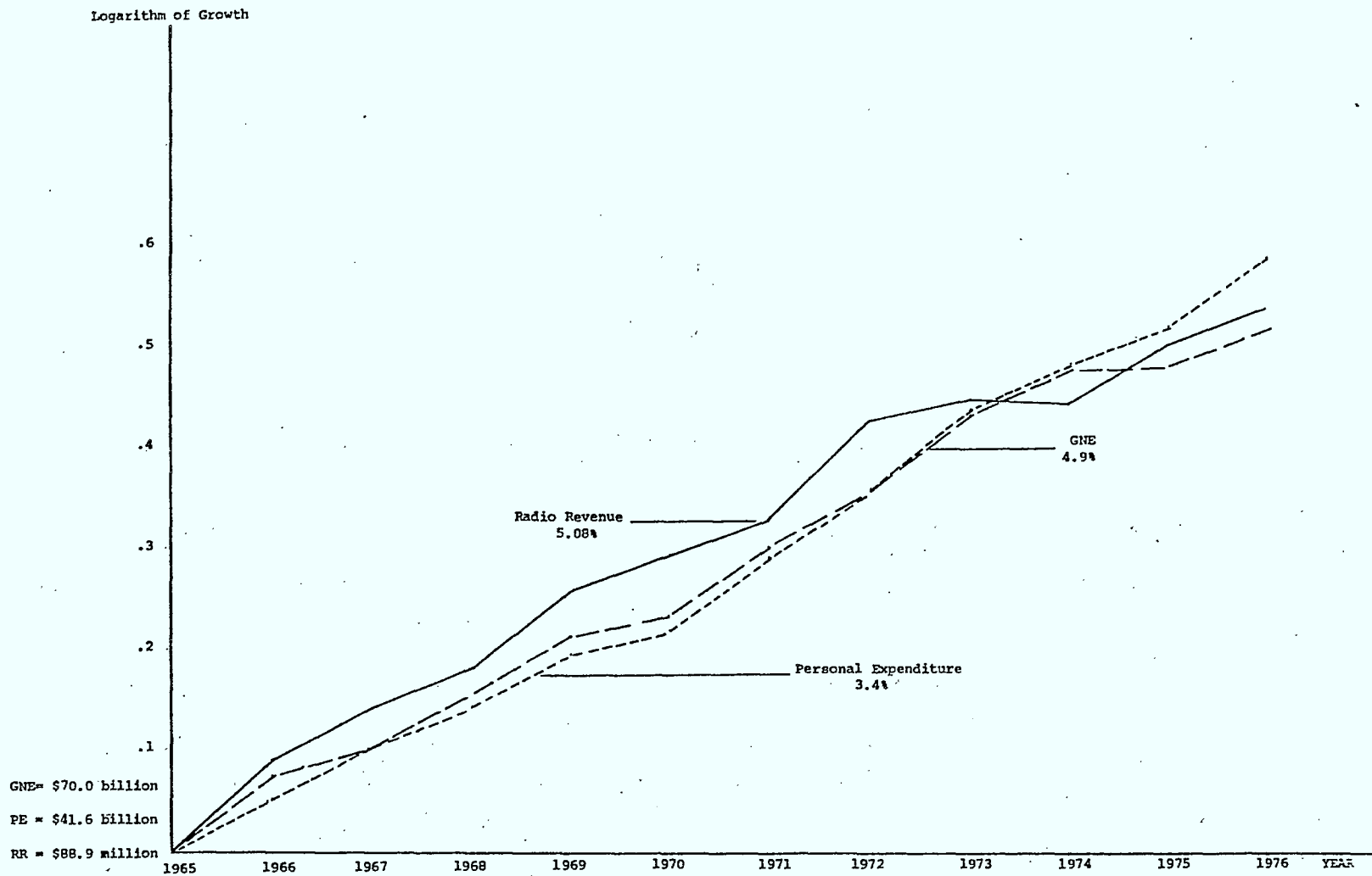
TABLE 2.2.3

## ECONOMIC INDICATORS AND RADIO REVENUES IN CONSTANT (1971) DOLLARS

YEAR	GNE (\$BILLIONS)	GROWTH OVER PREVIOUS YEAR ( % )	PERSONAL EXPENDITURE ON CONSUMER GOODS AND SERVICES (\$BILLIONS)	GROWTH OVER PREVIOUS YEAR ( % )	RADIO REVENUES (\$MILLIONS)	GROWTH OVER PREVIOUS YEAR ( % )	RADIO REVENUE AS % OF GNP
1965	70.0		41.6		88.9		.127
1966	74.8	6.9	43.8	5.3	97.5	9.7	.130
1967	77.3	3.3	45.9	4.8	102.8	5.4	.133
1968	81.9	10.6	48.1	4.8	107.3	4.4	.131
1969	86.0	5.3	50.4	4.8	116.2	8.3	.135
1970	88.4	2.6	51.5	2.2	117.0	.7	.132
1971	94.5	6.9	55.6	7.8	124.8	6.7	.132
1972	100.2	6.0	59.8	7.6	137.5	10.2	.137
1973	107.8	7.6	63.9	6.9	140.8	2.4	.131
1974	111.8	3.7	67.4	5.5	140.2	(.4)	.125
1975	113.0	1.1	70.8	5.0	144.1	2.8	.128
1976	118.5	4.9	75.1	6.1	153.3	6.4	.129
COMPOUND GROWTH RATE	1965-1976	4.90		5.51		5.08	
	1970-1976	5.00		6.49		4.60	

Source: Statistics Canada

FIGURE 2.2.3  
CANADA GROWTH OF GNE, PERSONAL EXPENDITURE, AND RADIO REVENUE  
CONSTANT (1971) DOLLARS



#### 2.2.4. Canadian Radio - Parameters of Growth

Table 2.2.4 suggests that the growth in radio revenue (considered in constant dollars) is mainly a consequence of the increase in the number of stations operating, rather than in the average size of station. The average number of employees per station has shown remarkably little variation between a minimum of 18.6 in 1970 and a maximum of 20.1 in 1973.

Revenue per station in constant (1971) dollars has also been fairly stable and, together with the stability of profitability discussed in 2.2.1, these figures seem to represent key parameters for the industry. It may be noted in this connection that salaries and benefits comprise about 50% of expenses (in 1975, \$93.8 million out of \$208.2 million) and must represent therefore, a key element in profitability.

To be more confident of a relationship here, one would have to analyse the way "number of employees" varies with revenue size, ownership of other stations (shared management), and type of programming. This remains to be done.

TABLE 2.2.4

SOME CANADIAN RADIO BROADCASTING INDUSTRY PARAMETERS

YEAR	STATIONS		EMPLOYEES		EMPLOYEES/ STATION	REVENUE/STATION CONSTANT DOLLARS
	NO. OF STATIONS	GROWTH OVER PREVIOUS YEAR ( % )	NO. OF EMPLOYEES (000)	GROWTH OVER PREVIOUS YEAR ( % )		
1965	281		5.3		18.7	0.34
1966	291	3.6	5.6	5.7	19.2	0.34
1967	305	4.8	6.0	10.7	19.7	0.34
1968	319	4.6	6.1	1.7	19.2	0.34
1969	329	3.1	6.3	3.3	19.1	0.35
1970	338	2.7	6.3	0.0	18.6	0.35
1971	341	.9	6.5	3.2	19.1	0.37
1972	343	.6	6.7	3.1	19.6	0.40
1973	348	.9	7.0	4.5	20.1	0.40
1974	385	10.6	7.3	4.3	19.0	0.36
1975	392	1.8	7.5	2.7	19.2	0.37
1976	463	18.1	7.9	5.3		
Average:		4.7%	6.54	4.1	19.2	0.33

Source: Statistics Canada

## 2.3 The Growth of Radio in the United States

In this section we attempt a overview of the growth of radio in the U.S., similar to that of section 2.2 for Canada.

### 2.3.1. Revenue and Pretax Profit

In Table 2.3.1 we see that U.S. radio revenue had a compound annual growth rate of 8.9% over the year 1965-76. While it is true that the growth for 1976 over 1975 was, at 17%, about twice the average for the period and about the same as the Canada growth, it cannot be asserted with any confidence that this represents an increasing growth rate for U.S. radio.

Net profit before taxes had a compound growth rate of 7.8%. A growth of 96.9% of 1976 over 1975 need not be overemphasized since it followed three years of relatively low profits and, in any event, still failed to return the industry to the average 9.3% profitability (expressed as the rates of net profit to revenue) over the period 1965 to 1976.

Three points are immediately obvious in comparing the U.S. data in Table 2.3.1 with the Canadian data of Table 2.2.2. These are:

- (i) Revenue growth, net profit growth and average profitability of 8.9%, 13.1% and 9.34% respectively, are all considerably lower than the Canadian figures of 12.1%, 16.0% and 15.0% respectively.
- (ii) The U.S. data exhibit a much greater variability than the Canadian data.

(iii) While the growth in revenue in the U.S. has always been positive over the period, the growth in profit, with one exception (75/74), has been negative on every occasion on which revenue growth dropped below its average. This has not been the case in Canada.

These rather striking differences may be consequences not only of market conditions in the two countries but also of the regulatory environment. They merit further study.

TABLE 2.3.1

GROWTH OF RADIO BROADCASTING INDUSTRY IN U.S. 1965-1976  
(CURRENT DOLLARS)

YEAR	<u>REVENUE</u>		<u>NET PROFIT BEFORE TAXES</u>		<u>NET PROFIT /</u>
	AMOUNT (\$MILLIONS)	GROWTH ( % )	AMOUNT (\$MILLIONS)	GROWTH ( % )	REVENUE ( % )
1965	792.5		77.8		9.8
1966	872.1	10.0	97.3	25.1	11.2
1967	907.3	4.0	80.8	(17.0)	8.9
1968	1023.0	12.8	113.4	40.3	11.0
1969	1085.8	6.1	100.9	(10.0)	9.3
1970	1136.9	4.7	92.9	( 7.9)	8.2
1971	1258.0	10.6	102.8	10.7	8.2
1972	1407.0	11.8	134.3	30.6	9.5
1973	1501.9	6.8	110.1	(18.0)	7.3
1974	1603.1	6.7	84.1	(13.7)	5.2
1975	1725.0	7.6	90.7	7.8	5.3
1976	2019.4	17.0	178.6	96.9	8.8
Compound Rate Growth 1965-1976		8.9		7.8	---
Average		---		----	9.3

Source: F.C.C.

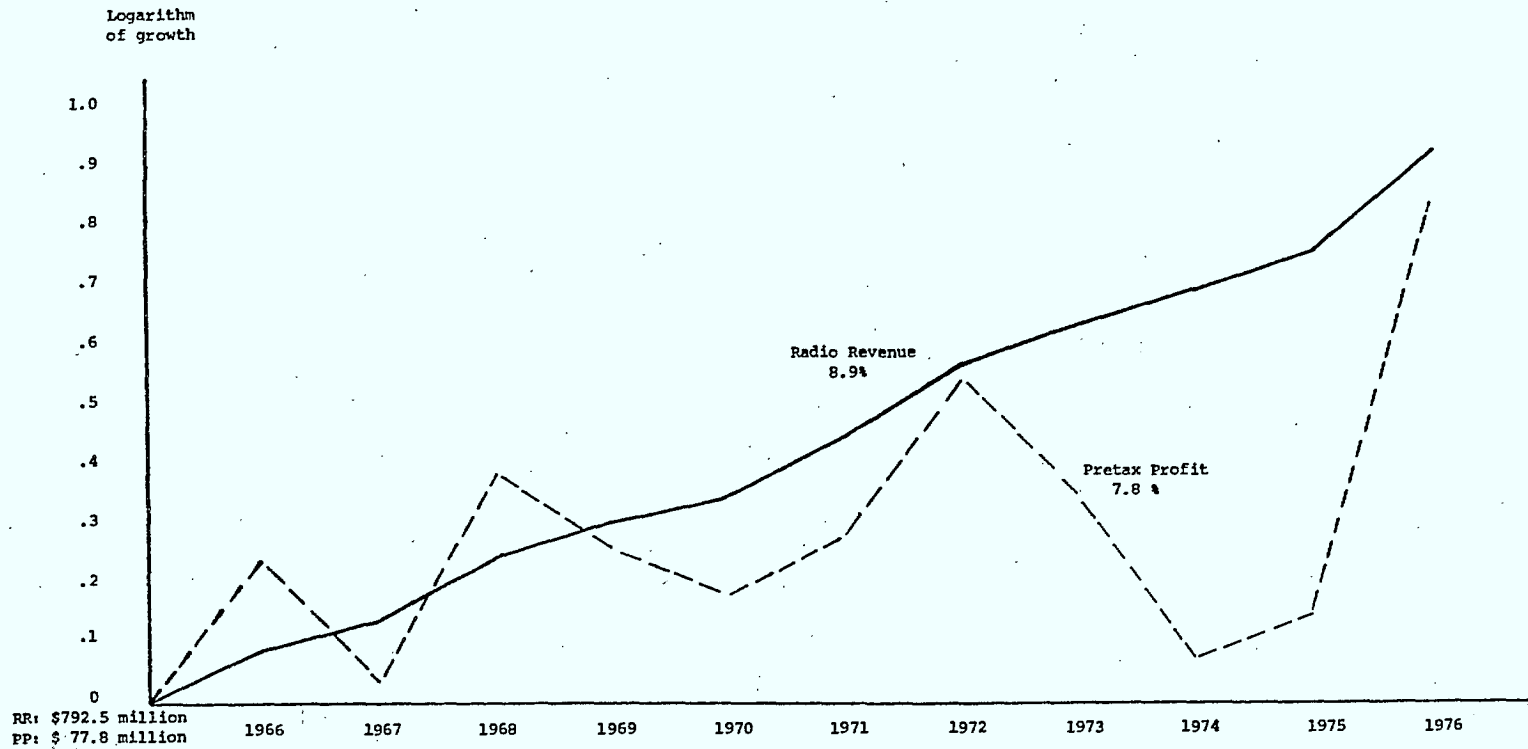


FIGURE 2.3.1.

GROWTH IN REVENUE AND PRETAX PROFIT 1965-1976

U.S. RADIO BROADCASTING

(IN CURRENT DOLLARS)



Source: F.C.C. Annual Reports.

### 2.3.2. U.S. Economic Indicators

A comparison between Tables 2.3.2 and 2.3.1 shows the same pattern of stability between the growth of GNP and radio revenue in the U.S. as was observed for Canada. It may be noted that the greater variability of growth in radio revenue reflects, or appears to reflect, an amplification of changes in growth rate in GNP. That is to say, a change in growth rate in GNP appears to be associated with a change in growth rate in radio revenue which is in the same direction but larger in magnitude. Our overall impression from this is that the radio industry in the U.S. is more sensitive to changes in market conditions. This may be, at least in part, a consequence of differences in the regulatory environment. (See Section 3.2).

A visual impression of GNP and Personal Consumption growth curves and the comparison with growth in radio revenues may be gained from Figure 2.3.2.

TABLE 2.3.2

SOME ECONOMIC INDICATORS, U.S. (CURRENT DOLLARS)

YEAR	GNP		PERSONAL CONSUMPTION EXPENDITURES	
	\$ BILLIONS	% GROWTH	\$ BILLIONS	% GROWTH
1965	2753	9.4	1721	8.0
1966	3013	5.7	1859	5.5
1967	3186	9.0	1962	9.3
1968	3474	7.7	2144	8.2
1969	3742	5.0	2319	6.7
1970	3930	8.2	2474	8.0
1971	4253	10.1	2673	9.7
1972	4684	11.5	2933	10.4
1973	5225	8.2	3239	9.8
1974	5651	8.2	3558	10.2
1975	6116	11.6	3922	11.6
1976	6825		4376	
COMPOUND GROWTH RATE	1965 - 1976	8.6		8.9
	1970 - 1976	9.6		10.0
	1972 - 1976	9.9		10.5

FIGURE 2.3.2

U.S. GROWTH IN GNP, PERSONAL CONSUMPTION, AND RADIO REVENUES  
CONSTANT (1972) DOLLARS

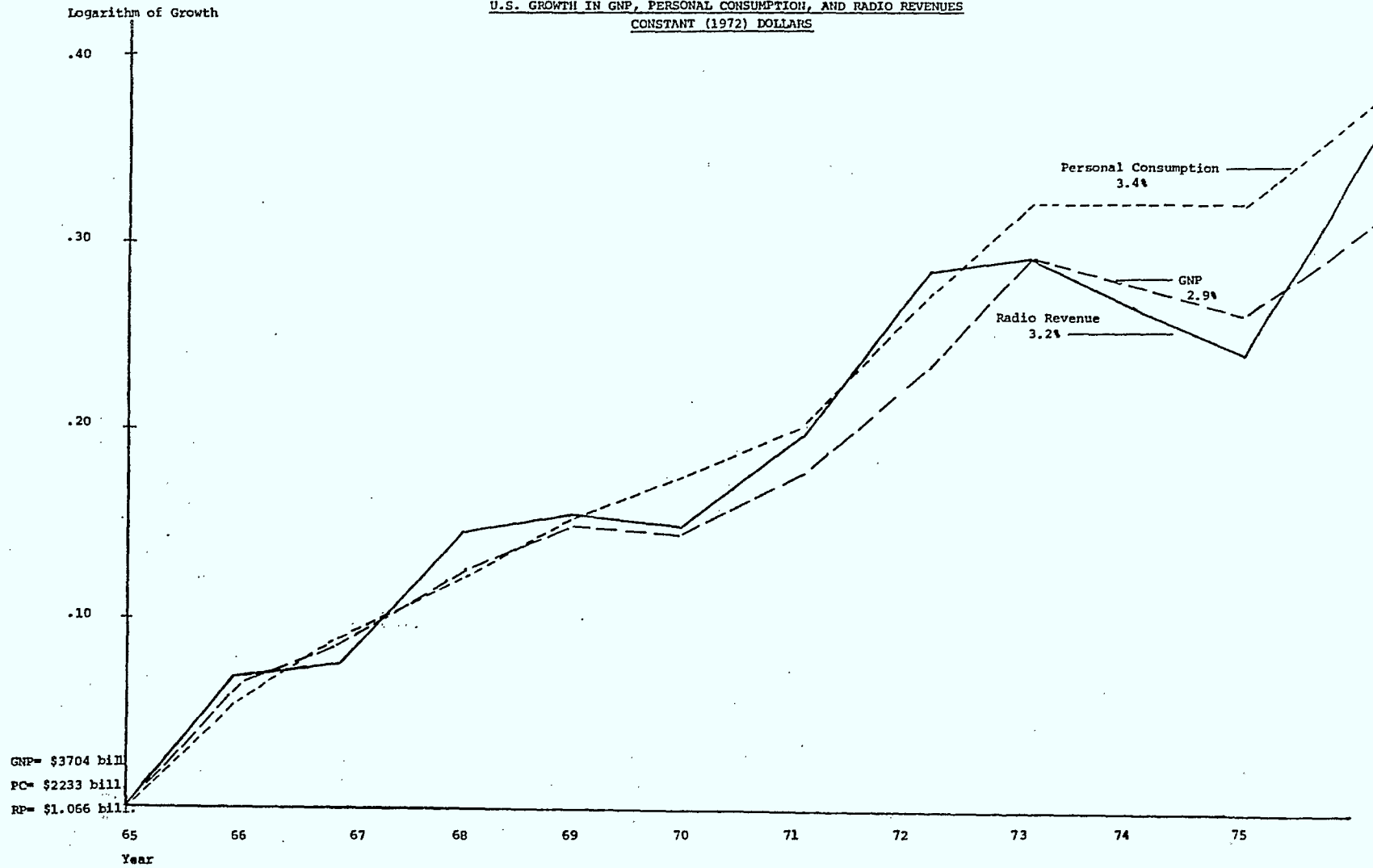
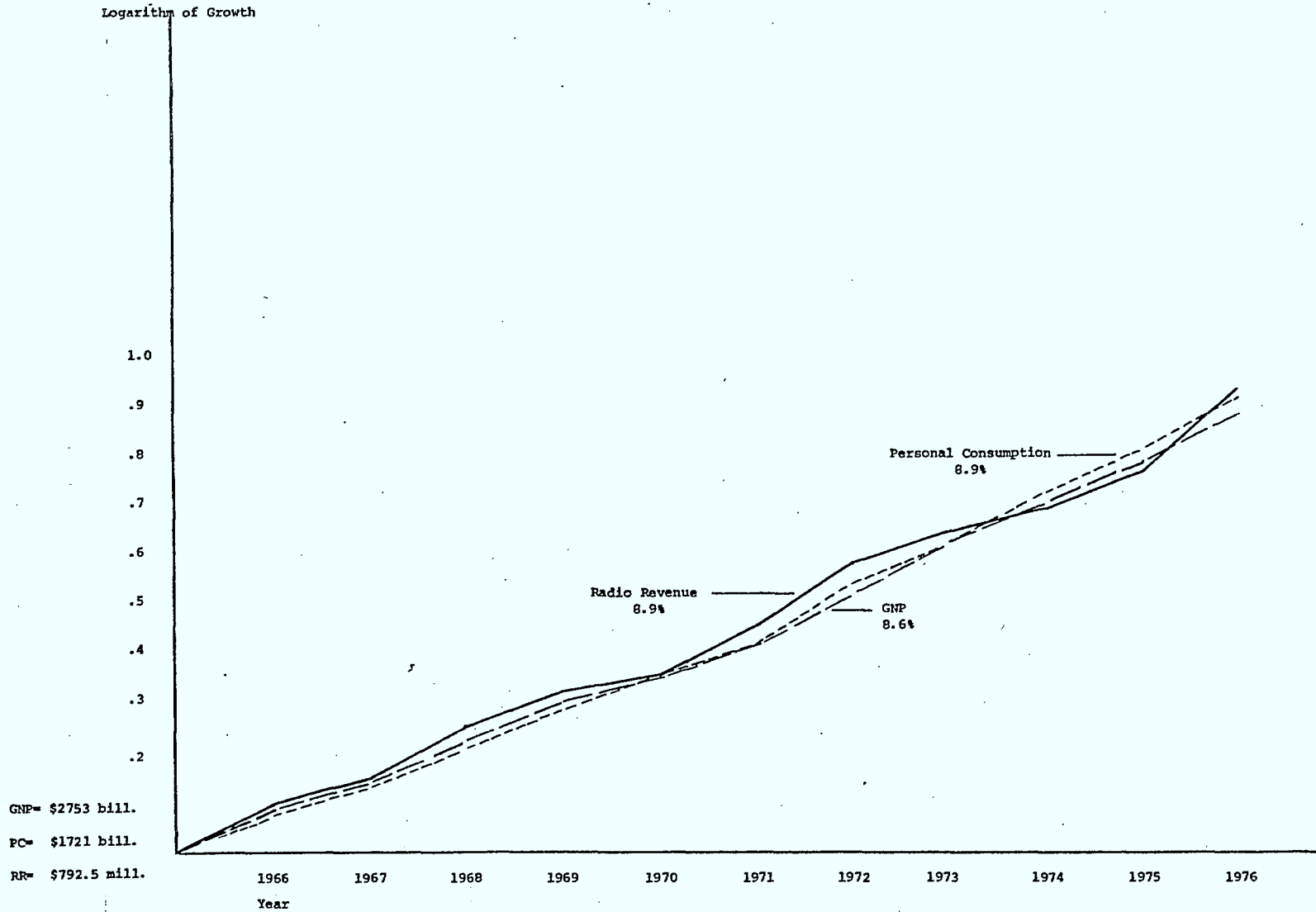


FIGURE 2.3.2

U.S. GROWTH IN GNP, PERSONAL CONSUMPTION, AND RADIO REVENUE

CURRENT DOLLARS



### 2.3.3. U.S. Radio Revenue and the Economy

In view of the previously noted variability of the U.S. data, it would be dangerous to make generalizations based on Table 2.3.3. It may be noted, however, that whereas the growth in radio revenues appears to be decreasing relative to growth in GNP and Personal Expenditure in Canada, it appears to be doing the reverse in the U.S. We judge this to indicate only that radio revenues are recovering the loss in growth rate which occurred in 1973 through 1975.

We may note also that whereas radio revenue averaged .131% of GNP in Canada over the period 1965-76 in Canada, it averaged only .029% of GNP in the U.S. That is radio revenue, as a share of GNP in the U.S., was less than a quarter of its equivalent in Canada.

TABLE 2.3.3

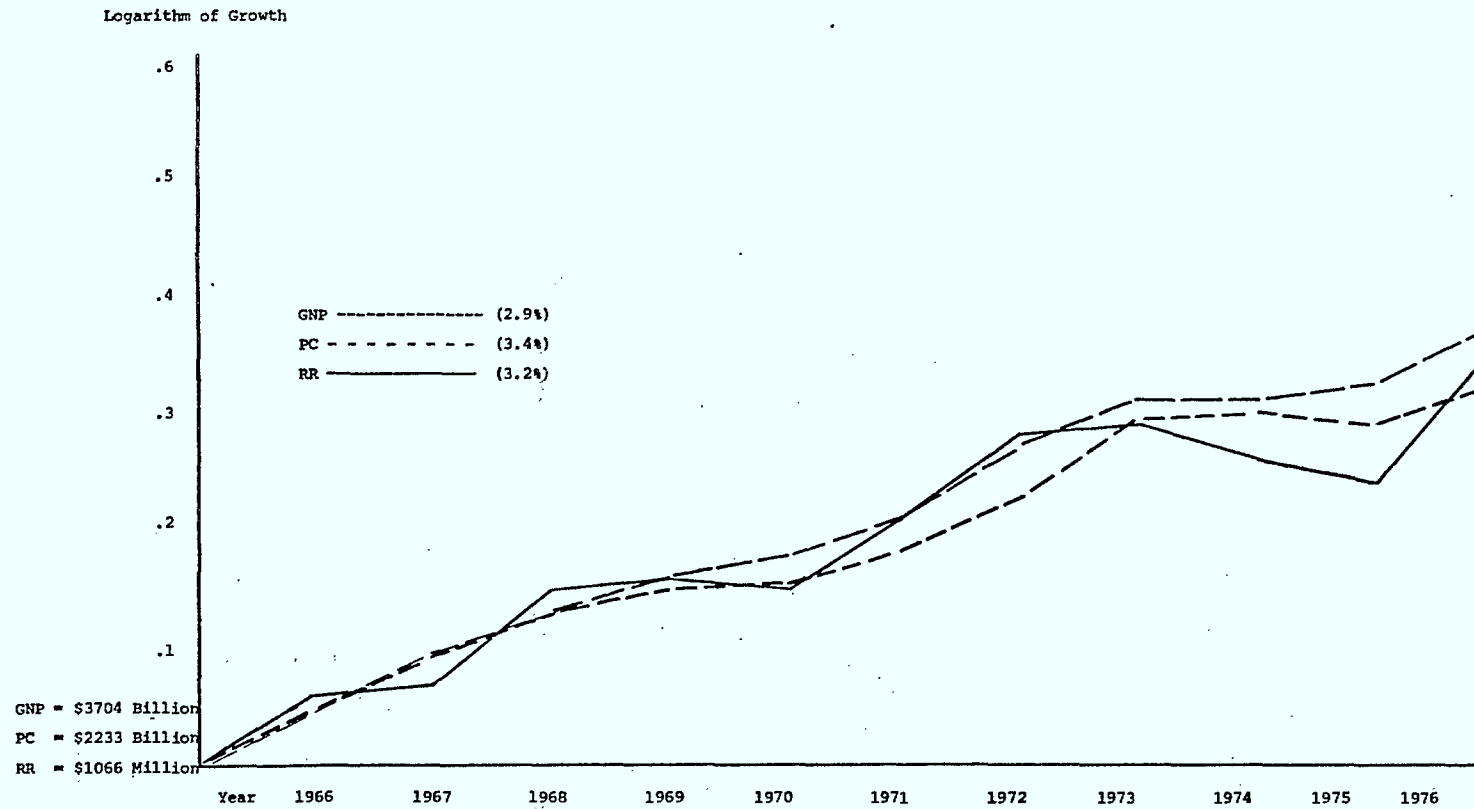
U.S. ECONOMIC INDICATORS AND RADIO REVENUE IN CONSTANT (1972) DOLLARS

YEAR	GNP		PERSONAL CONSUMPTION		RADIO REVENUES		RADIO REVENUE AS % OF GNP
	\$ BILLIONS	GROWTH %	\$ BILLIONS	GROWTH %	\$ MILLIONS	GROWTH %	
1965	3704		2233		1066		.029
1966	3924	5.9	2345	5.0	1136	6.5	.029
1967	4031	2.7	2413	2.9	1148	1.0	.029
1968	4207	4.4	2534	5.0	1239	8.0	.029
1969	4316	2.6	2622	3.5	1252	1.0	.029
1970	4301	(.1)	2676	2.1	1244	(.1)	.029
1971	4430	3.0	2768	3.4	1310	5.3	.030
1972	4684	5.7	2933	6.0	1407	7.4	.030
1973	4938	5.4	3058	4.2	1419	.8	.029
1974	4872	(1.3)	3056	(.1)	1382	(.1)	.028
1975	4807	(1.3)	3060	.1	1356	(.1)	.028
1976	5099	6.1	3238	5.8	1509	11.2	.030
<b>COMPOUND GROWTH RATE</b>							
1965 - 1976		2.9		3.4		3.2	
1970 - 1976		2.0		3.2		4.1	

FIGURE 2.3.3

U.S. GROWTH OF GNP, PERSONAL CONSUMPTION, AND RADIO REVENUE

CONSTANT (1972) DOLLARS





#### 2.3.4. U.S. Radio - Parameter of Growth

Table 2.3.4 suggests for the U.S. (as did Table 2.2.4 for Canada) that the growth in radio revenue is mainly a consequence of the number of stations operating rather than in the average size of station. It may be noted that in both countries the revenue per station reached a maximum in 1972-73, declined somewhat in 1974-75, and recovered to a level above the average in 1976.

A comparison of Tables 2.3.4 and 2.2.4 suggests that one reason for the lower profitability of U.S. radio compared with Canadian radio is simply the average size of station as measured either by employees per station or revenues per station. Thus U.S. stations averaged (in 1972 US dollars) \$201,000 in revenue over the period 1965-1976 against the Canadian average (in 1971 Canadian dollars) of \$358,000. The U.S. number of employees per station was about 9.7 against the Canadian average of 19.2 giving a productivity ratio for the U.S. of approximately \$20,700 (1972 U.S. \$) per employee against the Canadian ratio of \$18,646 (1971 Canadian \$). Since the Canadian dollar rose relative to the U.S. dollar by about 2 cents, from 1971 to 1972, while the U.S. inflation rate was about 5%, we can derive an estimate of about \$20,300 for U.S. productivity in 1971 Canadian dollars. In these terms, then, Canadian labour productivity over the period 1965-1976 has been about 92% of U.S. labour productivity in the radio industry.

TABLE 2.3.4

SOME U.S. RADIO INDUSTRY PARAMETERS

YEAR	STATIONS		EMPLOYEES*		EMPLOYEE/STATION	REVENUE (CONSTANT \$)/STATION (\$ millions)
	NUMBER OF	GROWTH %	NUMBERS IN (000's)	GROWTH %		
1965	5368					.199
1966	5590	4.1				.203
1967	5843	4.5				.196
1968	6053	3.6				.205
1969	6272	3.6				.200
1970	6424	2.4				.194
1971	6593	2.6				.199
1972	6719	1.9				.209
1973	6839	1.8				.207
1974	6956	1.7				.199
1975	7158	2.9	69.0		9.6	.189
1976	7252	1.3	71.7	3.9	9.9	.208
AVERAGE		2.5				.201

\* Full Time and Part Time

#### 2.4 Canada/U.S. Summary of Radio Growth, 1965-76

On the basis of the analysis in sections 2.2 and 2.3 we have collected a number of parameters which appear to be useful for the purpose of comparison of radio growth in Canada and the United States. The values of these parameters are shown in Table 2.4

The number of radio stations in the U.S. in 1965 was about nineteen (19) times the number in Canada but had fallen to about 17.5 times as many by 1976. The ratio of stations to population in the U.S. in 1976 was about 1/29000 against 1/56000 in Canada, a fact which is presumably not without significance as a determinant of revenue per station.

The average radio station in Canada throughout the period, measured either by revenue per station or employees per station, was almost twice as large as its U.S. counterpart. Labour productivity (measured as revenue per employee) was slightly less in Canada than in the U.S.

The growth rate for radio in Canada was considerably higher than in the U.S. both in number of stations (3.5% against 2.5%) and in revenue (5.1% against 3.2%).

Expressed in terms of profit as a percentage of revenue, the average profitability, for radio in Canada over the period 1965 to 1976 has been very much higher than in the U.S. The growth of pre-tax profit in Canada has been spectacular compared with the corresponding growth in the U.S. In fact, in constant dollars, it has been

almost four times as much.

A glance at the growth and average columns of Table 2.4 shows that on almost every parameter Canadian commercial radio is in a stronger position than U.S. radio. The average station is bigger, growth rates are higher, and profit margins are larger. The effects of (and the interplay between) market conditions, production functions, and regulatory environments in explaining the differences remain to be examined.

TABLE 2.4

SOME PARAMETERS OF GROWTH IN THE RADIO INDUSTRY  
CANADA AND THE UNITED STATES

	CANADA				UNITED STATES			
	1965	1975	ANNUAL GROWTH %*	AVERAGE**	1965	1976	ANNUAL GROWTH %	AVERAGE
GNP in \$ billions (1971 Canadian)	54.0	186.9	4.9		3591	4943	2.9	
RADIO REVENUES in \$ millions (1971 Can.)	88.9	153.3	5.1		1033	1462	3.2	
PRE-TAX PROFIT in \$ millions (current)	7.1	36.2	16.0		77.8	178.6	13.1	
PRE-TAX PROFIT in \$ millions (Can.)	9.2	23.0	8.7		101.5	129.4	2.2	
RADIO REVENUE as % of GNP	.127	.129		.131%	.029	.030		.029%
PRE-TAX PROFIT as % of REVENUE				16.0 %				9.3 %
NUMBER OF STATIONS ON AIR	281	413	3.5		5386	7252	2.5	
EMPLOYEES PER STATION				19.2				9.7
REVENUE PER EMPLOYEE in \$ thous. (1971 Can.)				18.6				20.3
REVENUE PER STATION in \$ thous. (1971 Can.)				358				195

\* Compound Annual Growth

\*\* Average Over the Period 1965-1976 and is given where it appears relatively stable

## 2.5 The Growth of FM in the United States

In this section we examine the growth of FM in the U.S. and make comparisons where possible with the growth of FM in Canada. Our initial assumption here was that the radio industry in general, and FM in particular, in the U.S. would be shown to be a more mature industry (in some sense) than in Canada, and, that U.S. experience could be used as a prediction for at least some aspects of growth in Canada. These initial assumptions must now be questioned on a number of grounds, not least of which are the differences in average sizes of radio stations, growth rates and profitabilities in the two countries and the aspect which concerns us here - the relative positions of FM in the two countries. These reservations then must be kept in mind in examining the following data.

Table 2.5.1 displays the U.S. growth in FM relative to AM over the period 1965-1976. The number of FM stations grew from 1343 to 2806, an annual growth rate of 4.1%, while the amount of FM revenue grew from \$24.7 million to \$383.1 million, an annual growth rate of 28.3%. In constant dollars (i.e. with the effect of inflation removed) the annual growth rate for FM revenue was 21.6%.

Further examination of Table 2.5.1 shows that the growth in number of FM stations tended to be linear (constant increments) while the growth in revenue tended to be exponential (constant rate). This "explains" the increase in the share of total revenue from 3.1% to 19.0% (a multiple of about 6) while the share of number of stations increased from only 25% to 38.7% (a multiple of 1.5).

In terms of profit the situation is not quite so clear and interpretation is confounded by the accounting conventions. Discussion of this aspect is deferred to Chapter 3, where the relationship between pretax profit and cash flow will be clarified and the development considered. For now it is sufficient to say that in terms of cash flow FM has shown a consistent and rapid improvement over the period and that one possible interpretation of the development of FM in Canada is that it is partly a result of the encouragement given to entrepreneurs and investors by this improvement.

We are unfortunately limited in the amount of available information, which is specific to the commercial development of FM as a component of the radio industry, because of the dominance of joint AM/FM operations over independent FM stations. Table 2.5.2 shows the FM growth and share of total revenue from both national and local time sales for the year 1974 through 1977. The growth in FM revenue over this period is relatively large, particularly in local time sales, and the growth rate is increasing.

If we ignore the differences in the regulatory environments, and their possible impact on the economics of radio, it seems reasonable to suppose that FM in Canada in 1977 (with a share of 9.3% of revenue) is in the position relative to AM that FM in the U.S. had achieved by about 1972 (with a share of 9.1% of revenue). Further, the FM share of revenue in Canada might be expected to grow at least to the 20.7% share that FM in the U.S. enjoyed in 1976. This expectation may be modified by detailed consideration of:

- ( i) the economic impact of differences in regulations,
- (ii) the relative profitabilities of FM and AM radio in Canada.

Further discussion is deferred until Chapter 3.



TABLE 2.5.1

GROWTH OF FM IN THE U.S. \*\*

YEAR	FM STATIONS		FM REVENUE*		FM* PRE-TAX PROFIT	
	NUMBER OF	% SHARE	\$ MILLIONS	% SHARE	\$ MILLIONS	% SHARE
1965	1343	25.0	24.7	3.1	(1.1)	0.0
1966	1515	27.1	32.3	3.7	(0.3)	0.0
1967	1708	29.2	39.8	4.4	(0.2)	0.0
1968	1850	30.6	53.2	5.2	1.7	1.5
1969	2018	32.2	67.4	6.2	(4.5)	0.0
1970	2126	33.1	84.9	7.5	(4.4)	0.0
1971	2250	34.1	115.0	9.1	(5.6)	0.0
1972	2352	35.0	151.9	10.8	(1.0)	0.0
1973	2447	35.8	198.3	13.2	3.2	2.9
1974	2547	36.6	248.2	15.5	7.0	8.3
1975	2698	37.6	308.6	17.9	2.2	-
1976	2806	38.7	418.2	20.7	30.69	17.2%
ANNUAL COMPOUND GROWTH RATE	ACTUAL	4.1	28.3			
	DEFLATED	---	21.6			

\* Includes Estimates for FM Stations in FM/AM Combinations Reporting on a Consolidated Basis

Source: Cox Report & F.C.C.

\*\* This table gives Pretax profit analysis for FM radio in the U.S. relative to the whole radio industry  
For an analysis of the "cash flow" of FM radio alone, see Table 3.3.1.

TABLE 2.5.2

CANADA AM AND FM NATIONAL AND LOCAL TIME SALES, 1974-77

YEAR	FM TIME SALES						AM TIME SALES								
	NATIONAL		LOCAL		TOTAL		NATIONAL		LOCAL		TOTAL				
	\$ MILLIONS	% GROWTH	\$ MILLIONS	% GROWTH	\$ MILLIONS	% GROWTH	\$ MILLIONS	% GROWTH	\$ MILLIONS	% GROWTH	\$ MILLIONS	% GROWTH	NATIONAL	LOCAL	TOTAL
1974	3.34	1.8	9.62	1.2	12.96	1.4	48.3	(1.1)	123.1	0.3	171.4	0.0	6.4	7.2	7.0
1975	3.40	25.0	9.74	14.5	13.14	7.2	47.8	14.4	123.5	7.1	171.3	9.2	6.6	7.3	7.1
1976	4.25	23.8	11.15	48.5	15.40	41.7	54.7	1.8	132.3	19.3	187.0	14.2	7.2	7.8	7.6
1977*	5.26		16.16		21.82		55.7		157.9		213.6		8.6	9.5	9.3

\* ESTIMATED FROM YEAR-TO-DATE SEPTEMBER, 1977

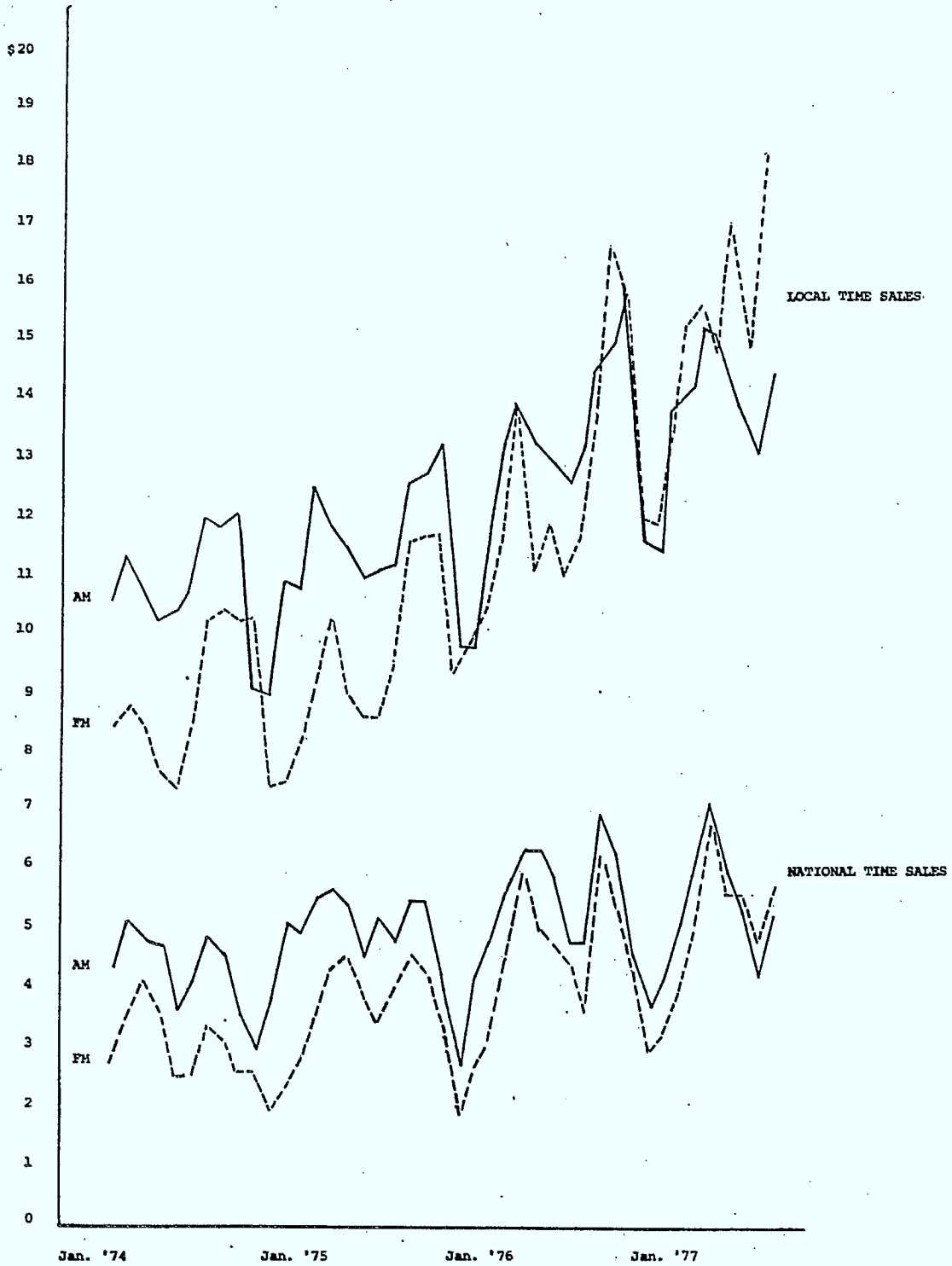
SOURCE: STATISTICS CANADA

FIGURE 2.5.2

LOCAL AND NATIONAL TIME SALES FOR AM AND FM BY MONTH

CANADA - APRIL 1974 TO SEPTEMBER 1977

(IN CURRENT DOLLARS)



Source: Statistics Canada AM (in millions) FM (in hundreds of thousands)

## 2.6 The Growth of FM in Canada

In section 2.5 we arrived at the tentative conclusion that, at least in the regulatory environments existing prior to September, 1976, the growth of FM relative to the growth of AM in Canada appeared to be following the same pattern as in the U.S. Further, the limited data available to us for FM in 1977 appears to show no immediate effect of the new regulations on the FM growth rate. The growth that we might have expected on the assumption of a similarity in growth patterns in the two countries has in fact occurred. The immediate history of FM and AM revenues in Canada will be further examined in section 2.8.

As table 2.6 shows the number of FM stations on air in Canada grew steadily from 1970 through 1976 (but remained at a fairly stable 21% of all stations) and then jumped in 1976-77 to almost 28% of all stations. However, we are unable at this time to determine what proportion of these stations were commercial operations and hence to determine whether the increase in revenue share, particularly in 1977, was associated primarily with an increase in the number of commercial operations or with an increase by the size of already established ones. In this sense the precise nature of the growth of FM in Canada, relative to the growth of AM, remains to be examined.

TABLE 2.6

STATIONS\* ON AIR 1970 - 77  
CANADA

YEAR	AM	FM	FM SHARE (%)	FM SHARE OF REVENUE (%)
1970	276	74	21.1	
1971	283	76	21.2	
1972	299	76	20.3	
1973	313	78	14.9	
1974	325	83	20.3	7.0
1975	351	91	20.6	7.1
1976	357	97	21.4	7.6
1977	368	141	27.7	9.3**

\* Includes CBC Affiliates and Independents, both originating and Rebroadcasting Stations, Commercial and Non-Commercial.

\*\* Estimated from Year to Date, September, 1976

Source: CRTC, Numbers are as of March 31, of the above years 1970 through 1977.  
Statistics Canada for Revenue Data.

## 2.7 Radio Advertising in Canada

In this section we shall briefly discuss the growth of advertising expenditures over the past fifteen years. An attempt will be made to relate the gross advertisement expenditures for radio time, with the gross national product. Next we examine the broadcasting industry in order to assess the growth of radio. The next logical step is to investigate the relative costs of radio, TV and other print media. Finally, an attempt will be made to estimate in the broadest terms the flow of radio broadcasting expenditure between Canada and U.S.A. Wherever possible, we shall present a comparative analysis between Canada and the U.S. We must point out that data and time constraints prevent us in this initial review from examining the relationship between advertisement revenues, prices and market sizes separately for AM and FM stations.

### 2.7.1. Advertising Expenditure and the GNP

The time series of total and per capita advertising expenditures and advertising expenditures as percent of gross national product (GNP) is presented in Table 2.7.1. We can see that the general picture is one of rapidly growing advertising expenditures in both Canada and the United States. In particular the compound rate of growth in Canada, over this fifteen year period was 9 percent as against 7 percent for the United States. In 1976, both the private and public sectors in Canada spent an estimated 2,256 million dollars, 1.22 percent of GNP. The corresponding expenditure for the U.S. is 32,970 million which amounts to 1.94 percent of GNP. In other words American consumers in general pay a much higher amount for advertising compared with Canadian consumers.

TABLE 2.7.1.

TOTAL PERCENT OF GNP AND PER CAPITA ADVERTISING EXPENDITURE  
U.S.A. AND CANADA 1961-1976

YEAR	TOTAL ADVERTISING EXPENDITURES (\$ MILLIONS)		PER CAPITA EXPENDITURES		AD EXPENDITURES PERCENT OF GNP	
	<u>U.S.A.</u>	<u>CANADA</u>	<u>U.S.A.</u>	<u>CANADA</u>	<u>U.S.A.</u>	<u>CANADA</u>
	1961	\$11,845	\$ 609	\$ 64	\$ 33	2.28 %
1962	12,380	643	66	35	2.21	1.52
1963	13,107	674	69	36	2.22	1.48
1964	14,155	724	74	38	2.23	1.45
1965	15,255	798	78	41	2.23	1.45
1966	16,670	873	85	44	2.22	1.42
1967	16,866	941	85	46	2.13	1.43
1968	18,090	982	90	47	2.09	1.38
1969	19,420	1,088	96	52	2.09	1.36
1970	19,550	1,138	95	53	2.00	1.33
1971	20,740	1,228	100	57	1.97	1.30
1972	23,300	1,391	110	64	1.99	1.33
1973	25,110	1,578	119	71	1.92	1.29
1974	26,730	1,816	126	81	1.89	1.26
1975*	28,270	2,022	132	89	1.86	1.26
1976*	32,970	2,256	153	98	1.94	1.22

\* Maclean-Hunter Research Bureau estimates.

Source: Maclean Hunter Research Bureau (1976)  
Annual Advertising Report.

### 2.7.2. Media Share of Advertizing Revenues

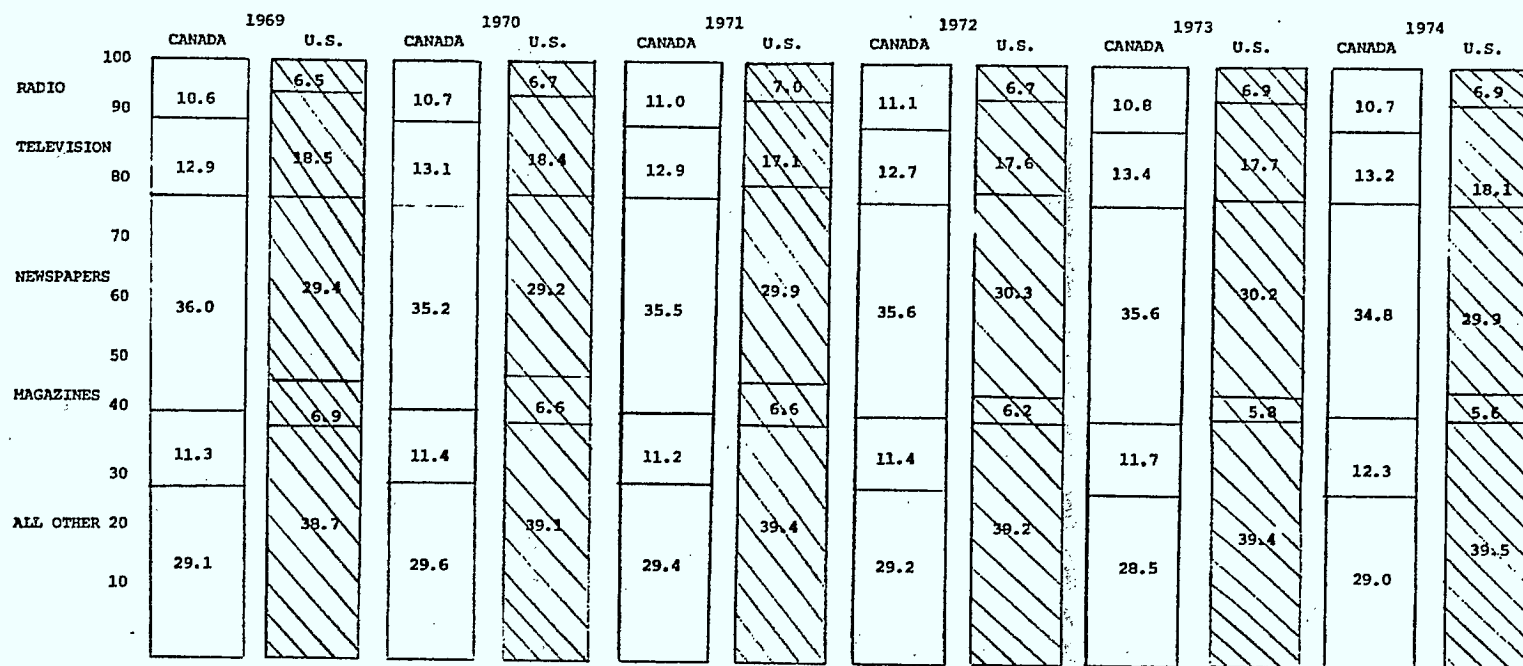
The percent share of advertising revenues by major media type e.g. radio, TV, newspapers, magazines, others are presented in Figure 2.7.2 for the period 1969-1974. It is perhaps, not surprising to note that in both Canada and the U.S. the largest single medium of advertising is Newspapers. The medium of broadcasting accounts for approximately one quarter of the total advertising dollars in both the countries. In Canada radio (with a 10.5 percent share) has been trailing behind TV (with a 13 percent share) over the years 1969-1974. In the U.S. radio's share of total advertising revenue is slightly less than one third of that of TV. These facts indicate that the Canadian radio industry is in a much better position than its counterpart in the U.S. in terms its share among the media of total advertising dollars.

Stage 2 of this study will try to analyse why this is so. As Section 2.7.5 shows, Canadian radio advertising rates are more cost effective than the U.S. counterparts - and presumably this is why its share of the advertising dollar is larger. But the causal dynamics of this situation must await more detailed interrelating of market and station characteristics in the two countries.



FIGURE 2.7.2.

RADIO AS A PERCENT OF TOTAL ADVERTISING 1969-1974,  
U.S.-CANADA COMPARISON



Source: 1. Jaffe J. Alfred (1976), Radio's future good, but image poor: ABC Study, Television/Radio Age, December (- U.S. Data).  
2. Maclean - Hunter Research Bureau (1976) Annual Advertising Report (- Canadian Data)

### 2.7.3. Radio and T.V. Advertizing Revenues, 1965-1976

Figure 2.7.3 portrays the growth of net advertising revenues by radio and TV in Canada over the period 1956-1976. Total radio revenues rose from 38.8 million dollars in 1956 to 182.8 million dollars in 1974, whereas total TV revenues rose from 27 million dollars in 1956 to 225 million dollars in 1974. The overall growth rate experienced over the period 1956-1976 by radio and TV are 12.5 and 17.8 percent respectively. We may note that prior to 1970 the growth rates for radio and TV are 8 percent and 12.4 percent respectively. It is interesting to observe that in the period 1970-1974, the radio growth rate (12.6) has caught up that of TV.

## 1.2 The Relationship of FM to AM Service in Canada

Since the early 1950's and the introduction of television, radio broadcasting in both the United States and Canada evolved away from "foreground" to "background" programming. The former requires the active attention on the part of the audience whereas the latter type of broadcasts are being used by the listeners simply as "background" to other activities in which they are engaged. This emphasis on "background" broadcasting led to a substantial homogenization of radio programming. It became sometimes difficult to distinguish between AM and FM broadcasts because both used similar program formats to present records, chatter, capsule news and surveillance material, such as time and weather announcements. The programming assumption was that listeners had only a limited amount of time available and often at irregular time periods.

While this homogenization of broadcasts on FM and AM did not become a significant issue in the United States, it became of increasing concern to the CRTC in the early 1970's. In fact, it became a major policy objective of the CRTC to distinguish FM from AM programming; in an effort to create a broadcasting policy that would ensure a varied and comprehensive radio service in Canada. This was achieved by a public announcement on the role of FM radio in Canada, and public hearings in 1975 and subsequent reformulations of the FM broadcasting regulations, and by minor changes to the AM regulations. The regulatory thrust in Canada towards special interests and foreground formatting was apparently not in conflict with the natural trend for FM

TABLE 2.7.3.

GROWTH OF FM RADIO IN CANADA  
1970-1976

YEAR	% PENETRATION	% YEARLY GROWTH
September 1970	56.1	
September 1971	63.4	+13
September 1972	68.1	+ 7
September 1973	72.6	+ 7
September 1974	77.0	+ 6
September 1975	79.9	+ 4
September 1976	88.0	+10
Seven Year Growth of FM Radio	+57%	

Source: BEM

FIGURE 2.7.3

NET ADVERTISING BY BROADCASTING MEDIA

CANADA 1956-1976

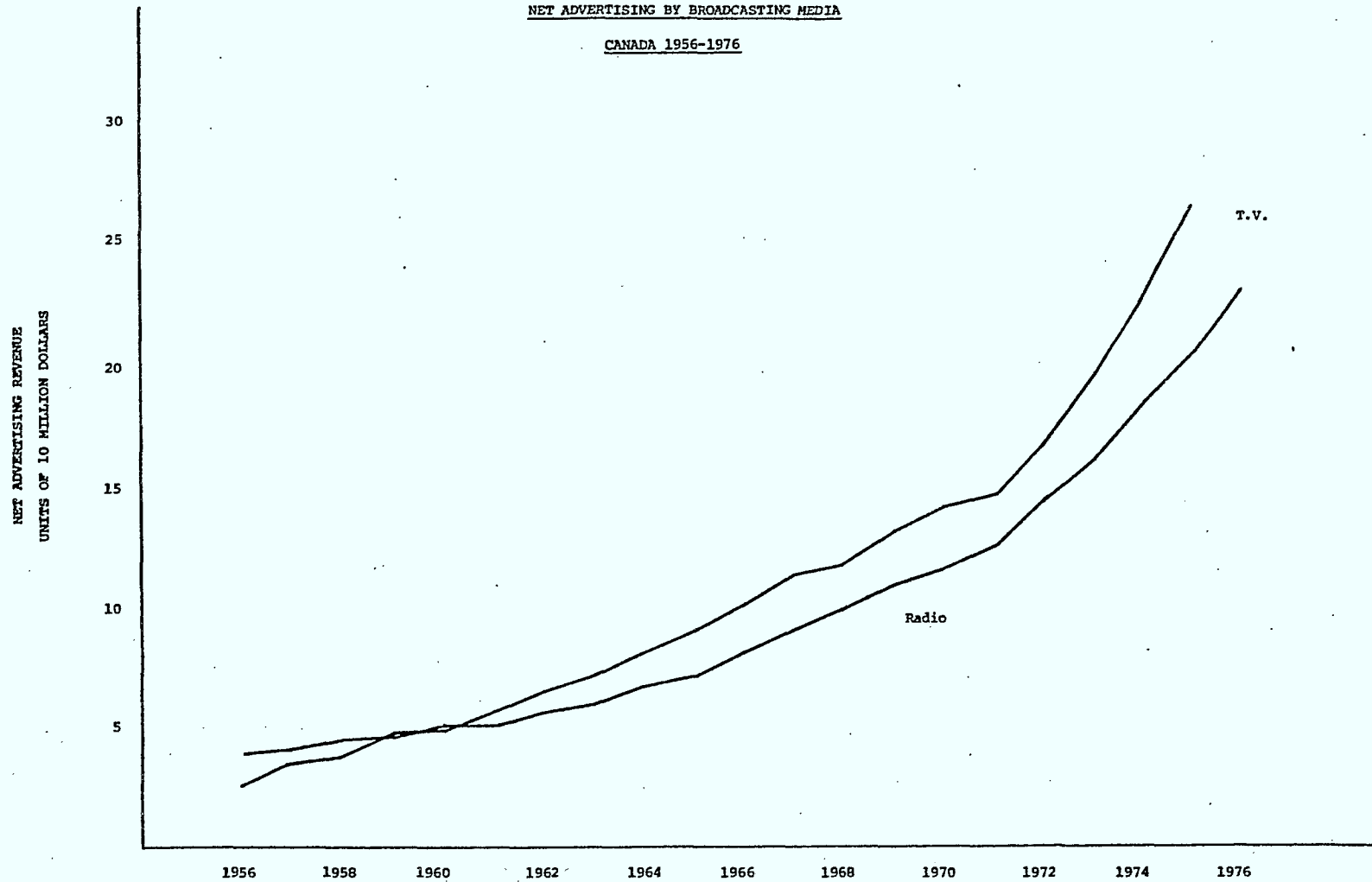


FIGURE 2.7.3.1

NUMBER OF FM RADIO STATIONS

CANADA AND THE UNITED STATES

1960 TO 1976

NUMBER OF RADIO  
STATIONS

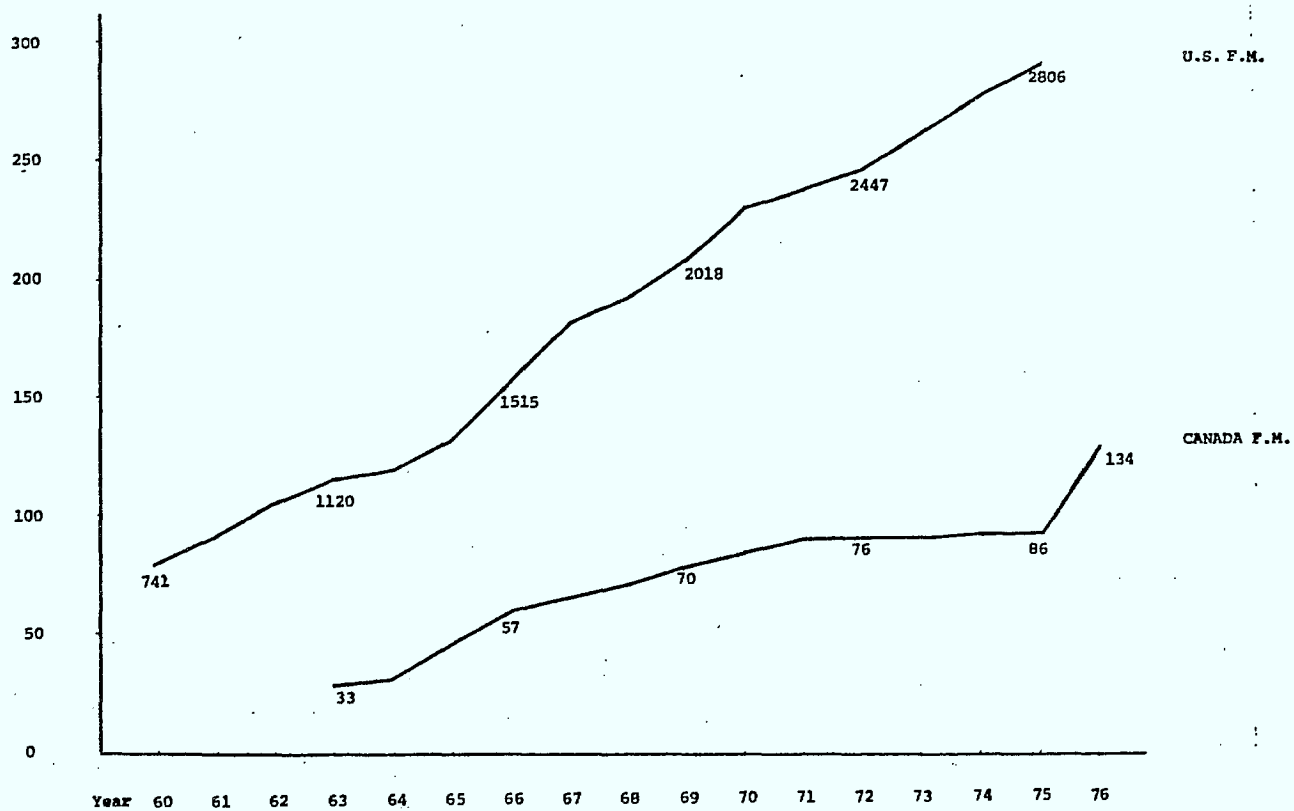
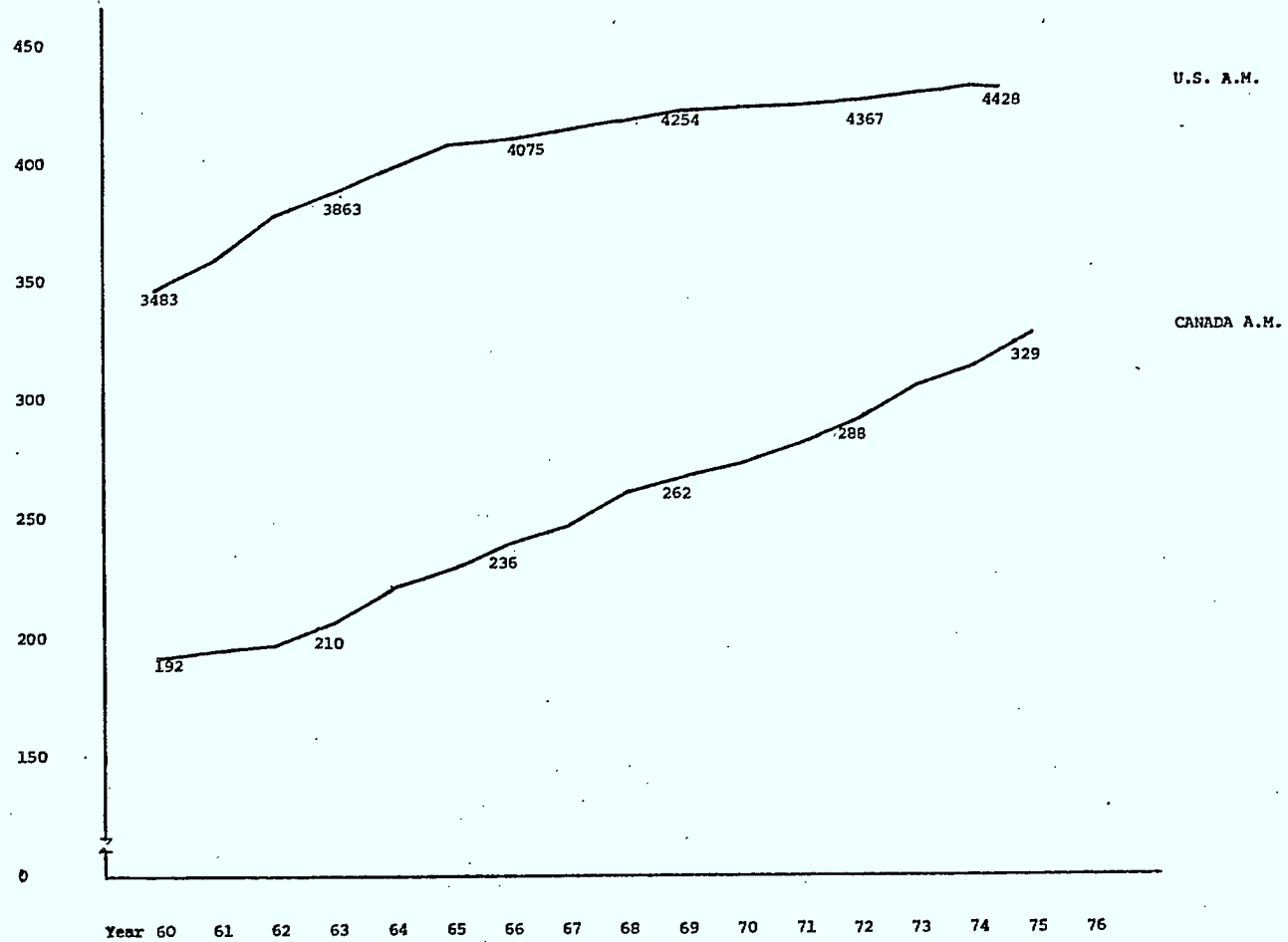


FIGURE 2.7.3.2

NUMBER OF RADIO  
STATIONS

NUMBER OF AM RADIO STATIONS  
CANADA AND THE UNITED STATES  
1960 TO 1976



#### 2.7.4. Rates Increases and Audience Trends

The reason behind radio's growing popularity in the 70's appears to be its advantage in price and market penetration over the major competitors - TV and Newspapers. This will be apparent if we critically examine the media rate increase, and audience trend over the period 1972-1977, in both the countries (Table 2.7.4).

Table 2.7.4 indicates that in Canada radio's market share increased by 30 percent over the period 1972-1977, whereas the increase in market share for TV and Newspapers are 17 percent and 4 percent respectively. In the U.S. we observe that over the same period the increase in market share for radio and TV are 14 percent and 12 percent respectively. In other words, the increase in market penetration of Canadian radio is twice that of U.S. radio

In terms of media advertising rate increases over the same period, radio's increase is least compared with other media both in Canada (45%) and the U.S. (33%).



TABLE 2.7.4

MEDIA RATE INCREASES AND AUDIENCE TRENDS IN CANADA AND U.S.A., 1972 - 1977MEDIA RATE INCREASES 1972 - 1977

	U.S.	CANADA
RADIO	33%	45%
TELEVISION (30 sec.)	51%	67%
(60 sec.)	n.a.	107%
NEWSPAPERS	58%	58%

SOURCE: TED BATES &amp; CO.; F.H. HAYHURST CO. LTD.

AUDIENCE TRENDS 1972 - 1977

	U.S.	CANADA
RADIO	+14%	+30%
TELEVISION	+12%	+17%
NEWSPAPERS	- 2%	+ 4%

Source: Ted Bates &amp; Co.; F.H. Hayhurst Co. Ltd.

2.7.5. Advertizing Rates in Canada and the U.S

It is perhaps, necessary here to discuss the relative costs of radio, TV and print media in a national context for both Canada and the U.S. There are two levels at which sales of radio advertising time take place. One is at the national level, the other is at the local or metropolitan area level. At the national level, large corporations, Government departments typically utilize the services of advertising agencies to reach a desired audience; at the local level, small businesses contact the radio stations directly. Only two advertising agencies, Ted Bates and Co. in the United States and F.H. Hayhurst Co. Ltd., in Canada prepare an annual analysis of trends which attempts to compare the media in terms of the cost per thousand consumers (CPM) reached. The annual average cost per thousand trends for the U.S. are given in Table 2.7.5. This table demonstrates quite clearly that costs per thousand consumers reached have increased in the radio industry at a lower rate than increases in any other media.

The Canadian rates have increased even more slowly. A comparative analysis of CPM increases in both the countries over the period 1972-1977 appears below:

	<u>UNITED STATES</u> <u>RATE INCREASE</u>	<u>CANADA</u> <u>RATE INCREASE</u>
Radio	17%	12%
TV (30 seconds)	36%	42%
TV (60 seconds)	N/A	76%
Newspapers	61%	46%

Source: Ted Bates & Co., F.H. Hayhurst Co. Ltd.

TABLE 2.7.5

COST PER THOUSAND TRENDS IN U.S. RADIOS

YEAR	TELEVISION			NEWSPAPERS	RADIO	
	DAY NETWORK	EVENING NETWORK	SPOT		SPOT	NETWORK
1968	100	100	100	100	100	100
1969	91	104	115	105	91	100
1970	103	115	131	111	99	102
1971	100	103	129	115	101	101
1972	94	113	121	118	106	91
1973	105	126	111	125	106	91
1974	113	132	122	132	108	91
1975	122	131	122	156	114	92
1976	152	150	151	173	118	102
1977	189	184	164	190	124	111

Source: Broadcasting Magazine, January 31, 1977. p. 38

The increase in CPM index in Canada is even lower than in the U.S. Theoretically, therefore one would think that the demand for radio advertising should increase as its relative cost decreases. However, there exists no perfect substitutability of radio for television advertising as the Figure 2.7.5 clearly demonstrates. Radio leads TV through the day and TV leads radio in the evening.

In order to compare the CPM index between typical Canadian and American cities, Radio Bureau of Canada calculated the  $\frac{1}{2}$  hour adult audience from 6 a.m. to 10 a.m. for the four top rated stations in three pairs of matched markets. The calculations, indeed support the contention that radio rates in Canada are radically cheaper than in the U.S. (See Table 2.7.5.1).

TABLE 2.7.5.1

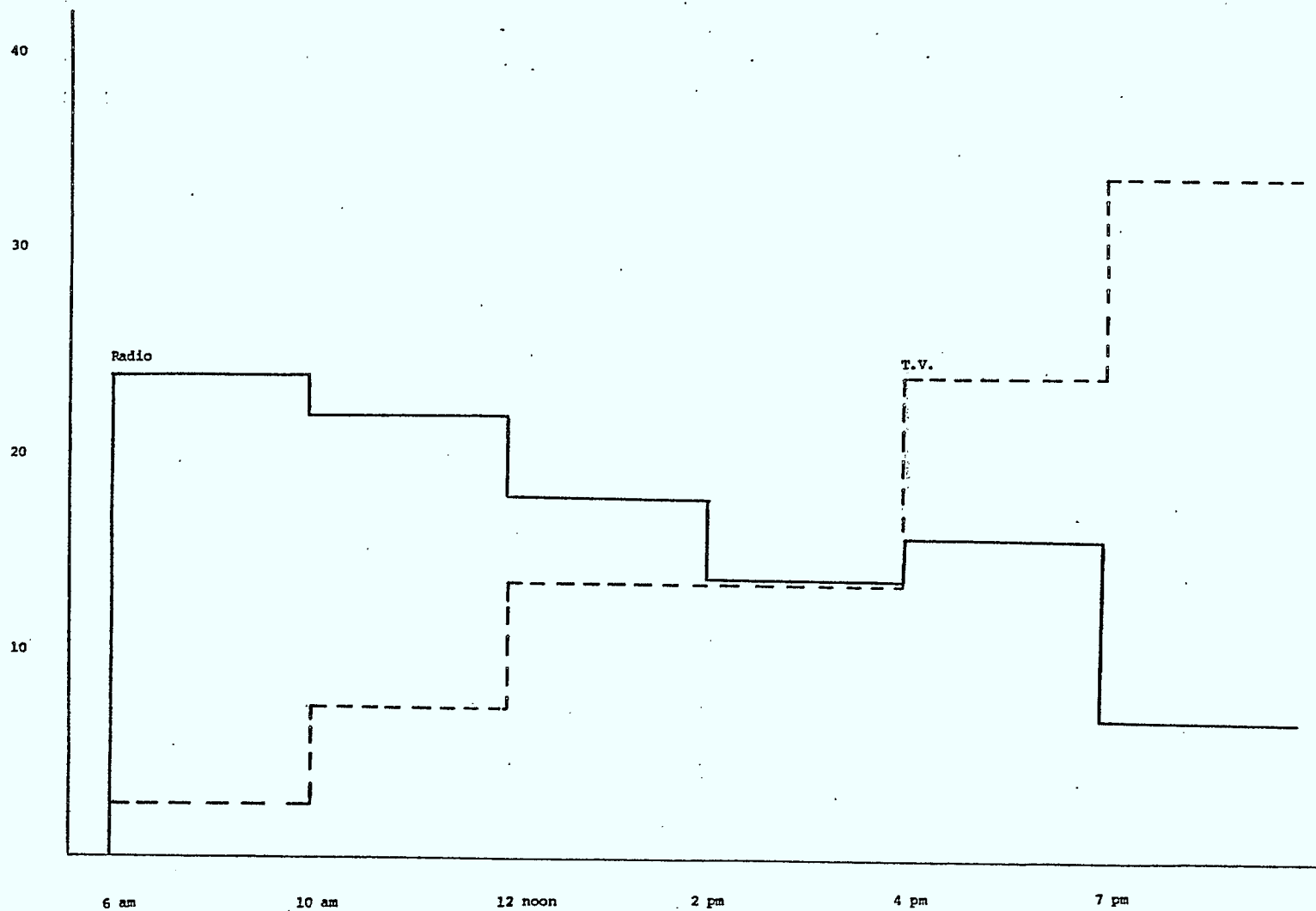
COMPARISON OF COST PER THOUSANDS REACHED BETWEEN MATCHED SAMPLES IN U.S.A. AND CANADA (1975 - 76)

MARKET	POPULATION	NO. OF STATIONS	COMBINED SPOT COST 4 STATIONS	AVERAGE ADULT AUDIENCE PER 1/4 HOUR 6-10 am M - F	CPM ADULTS*
CLEVELAND, O.	2,026,300	23	\$310	115,900	\$2.67
TORONTO, ONT.	2,628,000	14	\$520	345,300	\$1.59
ALBUQUERQUE, N.M.	383,200	14	\$ 96	31,700	\$3.03
CALGARY, ALTA.	403,300	6	\$160	82,200	\$1.95
PORTLAND, ORE.	1,079,300	23	\$179	86,600	\$2.07
VANCOUVER, B.C.	1,082,400	12	\$227	167,700	\$1.35

Source: Radio Bureau of Canada, The Fact Book, 1975 - 1976

FIGURE 2.7.5

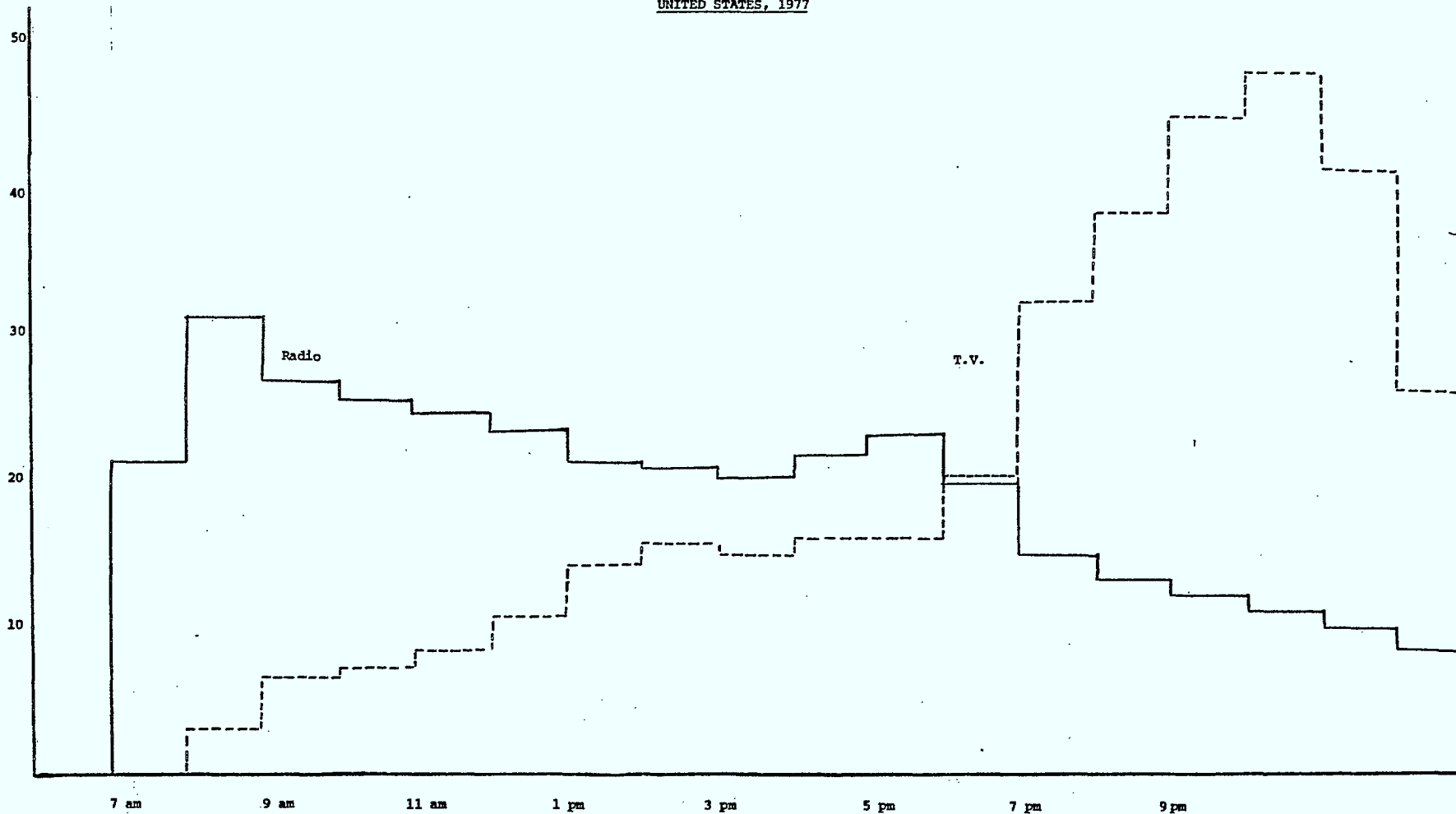
RADIO AND TELEVISION LEVELS OF TUNING  
CANADA, MONDAY-SUNDAY, AVERAGE 18+, SPRING, 1976



Source: Radio Bureau of Canada (1977/1978)

FIGURE 2.7.5

RADIO LEADS T.V. THROUGH DAY  
ADULTS 18+, MONDAY-FRIDAY, 6:00 AM-MIDNIGHT  
UNITED STATES, 1977



Source: Radio Advertising Bureau Inc. (1977), Radio Facts.

#### 2.7.6. U.S. Media Cost Projections

In a U.S. study by Werner (1977) an attempt was made to measure empirically the sensitivity of radio advertising expenditures to change in the relative cost of radio to television and print media. While the results are not conclusive, they tend to suggest that expenditures on radio advertising are somewhat insensitive to changes in the relative costs of advertising via radio. This may be interpreted to mean that demand for advertising via radio is relatively inelastic, (there are no good substitutes). If this is the case, the implication, again, is that radio broadcasters should be able to pass on some, if not all, of cost increases onto advertising sponsors. Werner also compared percent increases in radio broadcasting revenues and advertising rates for nine regions of the U.S. He found that radio broadcasting revenues increased over the period (1971-1975) more than could be explained by increases in advertising rates. This can only be interpreted as evidence of increasing demand for advertising via radio.

It is relevant to point out that in a recent study by Jaffe (1976) a very high cost of thousand consumers reached by radio has been projected for 1980 in the U.S. Figure 2.7.6 indicates that the network radio will show the largest increase - 47 percent - but that TV will continue to show sizeable increases during the second half of the decade - 41 percent for spot, and 37 percent for night time network. The big radio web hike is expected "because of the low cost base from which it currently is working".<sup>1</sup>

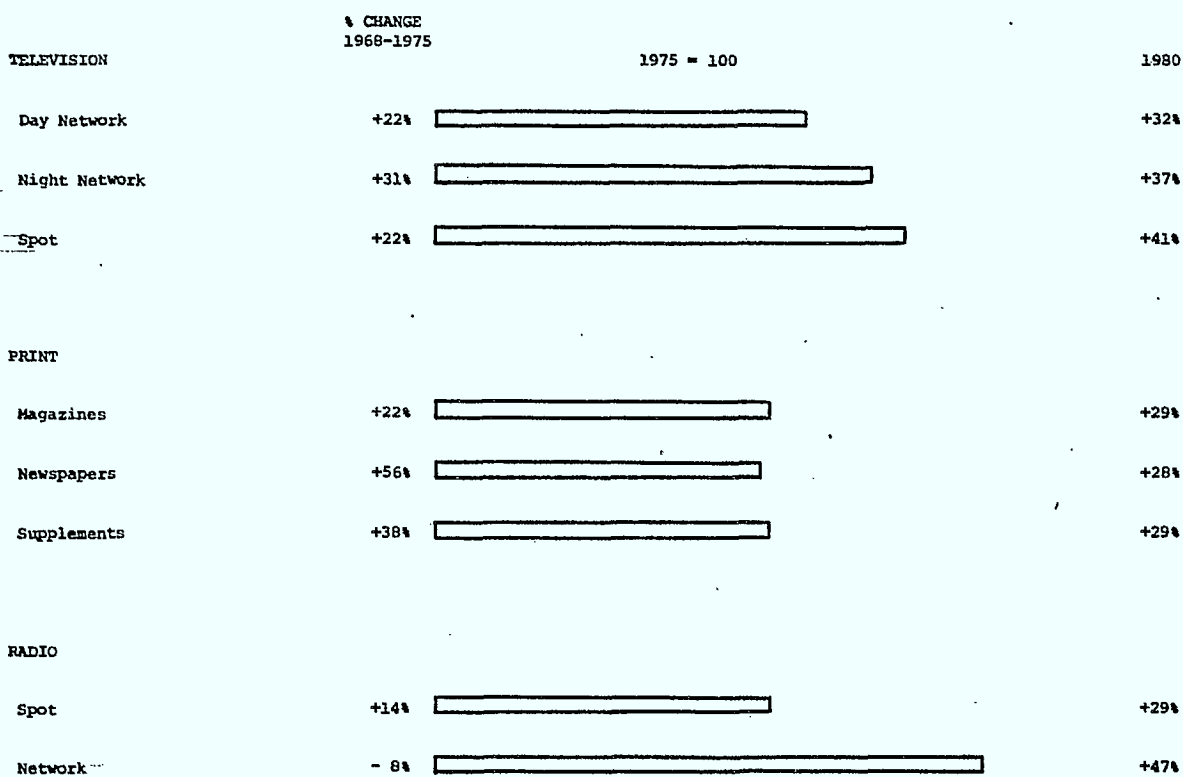
---

1 Source: Jaffe, op. cit.



FIGURE 2.7.6

MEDIA COST PROJECTIONS IN THE U.S.  
COST PER THOUSAND 1975 - 1980



Source: Jaffe, Alfred, "Radio's Future Good, But Image Poor, ABC Study," Television/Radio Age, December 6, 1976.

#### 2.7.7. Advertising by Canadians on U.S. Radio

There is virtually no data on crossflow of advertising expenses by businesses across the border between Canada and the U.S. Our attempt to estimate the advertising expenditures of Canadian businesses on U.S. radio is therefore based on "speculation" rather than hard "facts". During the short course of this study a number of relevant public and private sector agencies (see appendix for list of agencies) have been contacted. The consensus is that this is an exceedingly complex subject which deserves a separate study. However, from the fragmentary evidence, we have arrived at some very crude estimates.

According to the special survey of Receipts and Payments in 1973 by Statistics Canada (Catalogue No. 67-201) large businesses in Canada spent 84 million dollars in the U.S. under the expense category, sales and promotion. The corresponding estimates for U.S. business expenditure in Canada is 21 million dollars. In order to estimate the radio component from these two estimates we can apply the advertising market share of radio in both the countries in 1973. The results are shown in Table 2.7.7.

TABLE 2.7.7

ESTIMATES OF ADVERTISING EXPENDITURES ON RADIO AND T.V. BY CANADIAN BUSINESSES  
ON U.S. BROADCASTING MEDIA AND VICE VERSA, 1973  
(\$ million)

ADVERTISING EXPENDITURE BROADCASTING MEDIA	CANADIAN BUSINESS EXPENDITURE ON U.S. BROADCASTING MEDIA	U.S. BUSINESSES EXPENDITURE ON CANADIAN BROADCASTING MEDIA
RADIO	5.8	2.3
T.V.	14.9	3.7

## 2.8 Monthly Time Series, January 1974 to September 1976

There appears to be no difficulty in interpreting the pattern of seasonal variation in radio time sales, shown in Figures 2.8.1 through 2.8.

While the seasonal patterns shown in Figure 2.8.1 differ somewhat for local time sales and national time sales, they are very similar for FM and AM for each of local and national time sales. (In both national and local time sales steady improvement of FM's position relative to AM is apparent in spite of the large seasonal variations).

Local time sales, both for AM and FM has a peak in April, May, or June (a curious feature of our very short series, and one that may or may not have significance, is that this peak has occurred later each year), and again in November or December. The second peak is higher than the first, but this seems less a consequence of seasonal variation than of overall trend. The peaks are followed by troughs, whose departure from the trend curve is of about the same magnitude as the peaks but, of course, in the opposite direction.

National time sales follow roughly the same pattern of two peaks and two troughs about the trend line. The trend however, as was noted in section 2.2.6, is flatter than for local time sales.

The seasonal patterns of Figure 2.8.1 may be compared with the seasonal patterns for retail trade shown in Figure 2.8.2. The pattern similarity between total retail trade for Canada and total local time sales is unmistakable. Using retail sales by used car dealers as a proxy for sales by national advertisers, we also see considerable

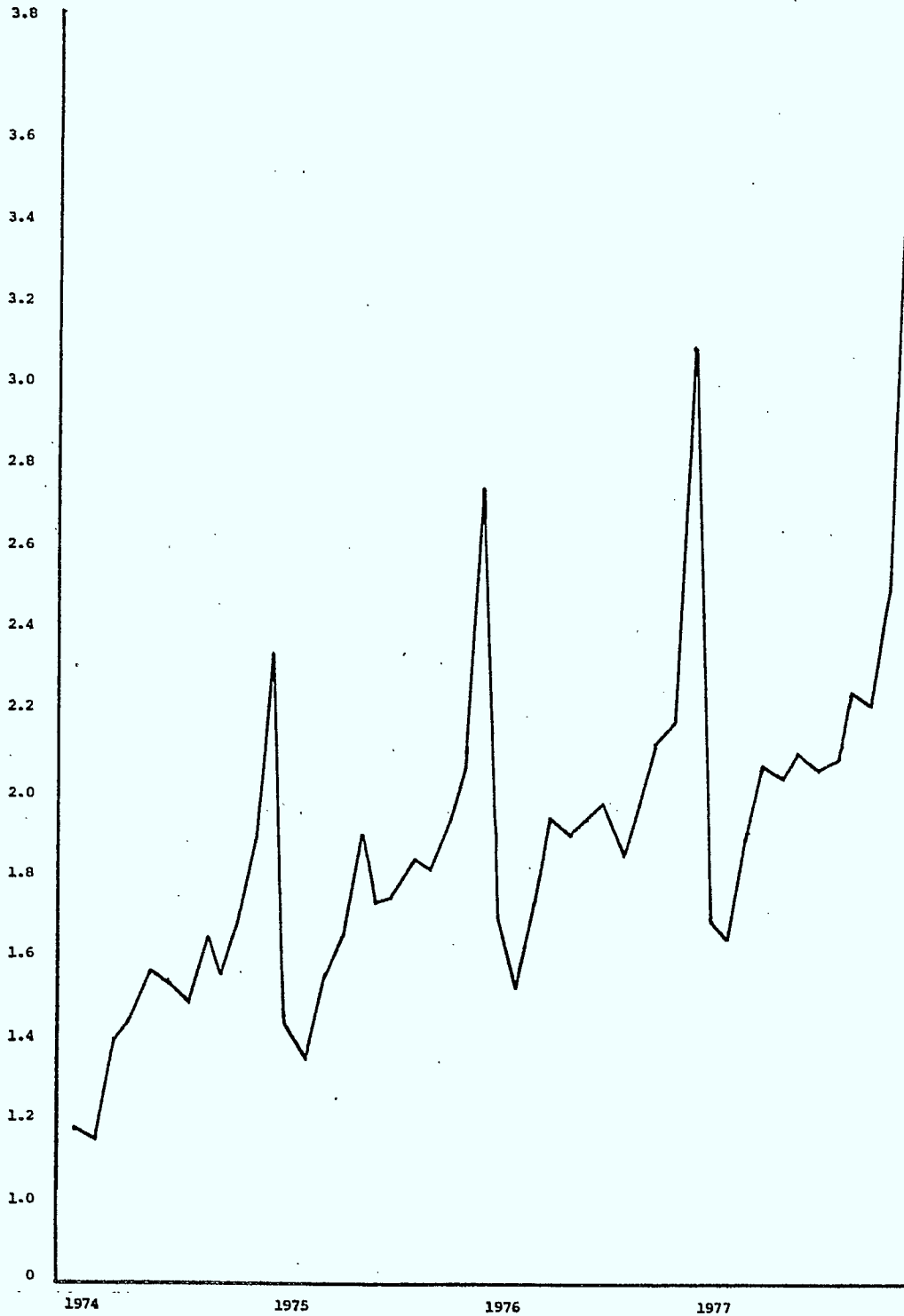
similarity in pattern between these sales and national radio time sales.

All of the remarks made so far in this section apply also to radio time sales and retail trade for the Province of Ontario. The time series for the former are shown in Figure 2.8.4.

On the specific question of whether any change occurred as a result of the FM regulation that came into effect in September, 1976 the answer, at least as far as revenue from time sales is concerned, is that no such effect is detectable in the statistical data. In fact, as one can see from Figure 2.8.4, FM revenues for both local and national time sales in Ontario improved relative to AM in 1977. The same pattern is discernable at the national level (Figure 2.5.2).

FIGURE 2.8.2

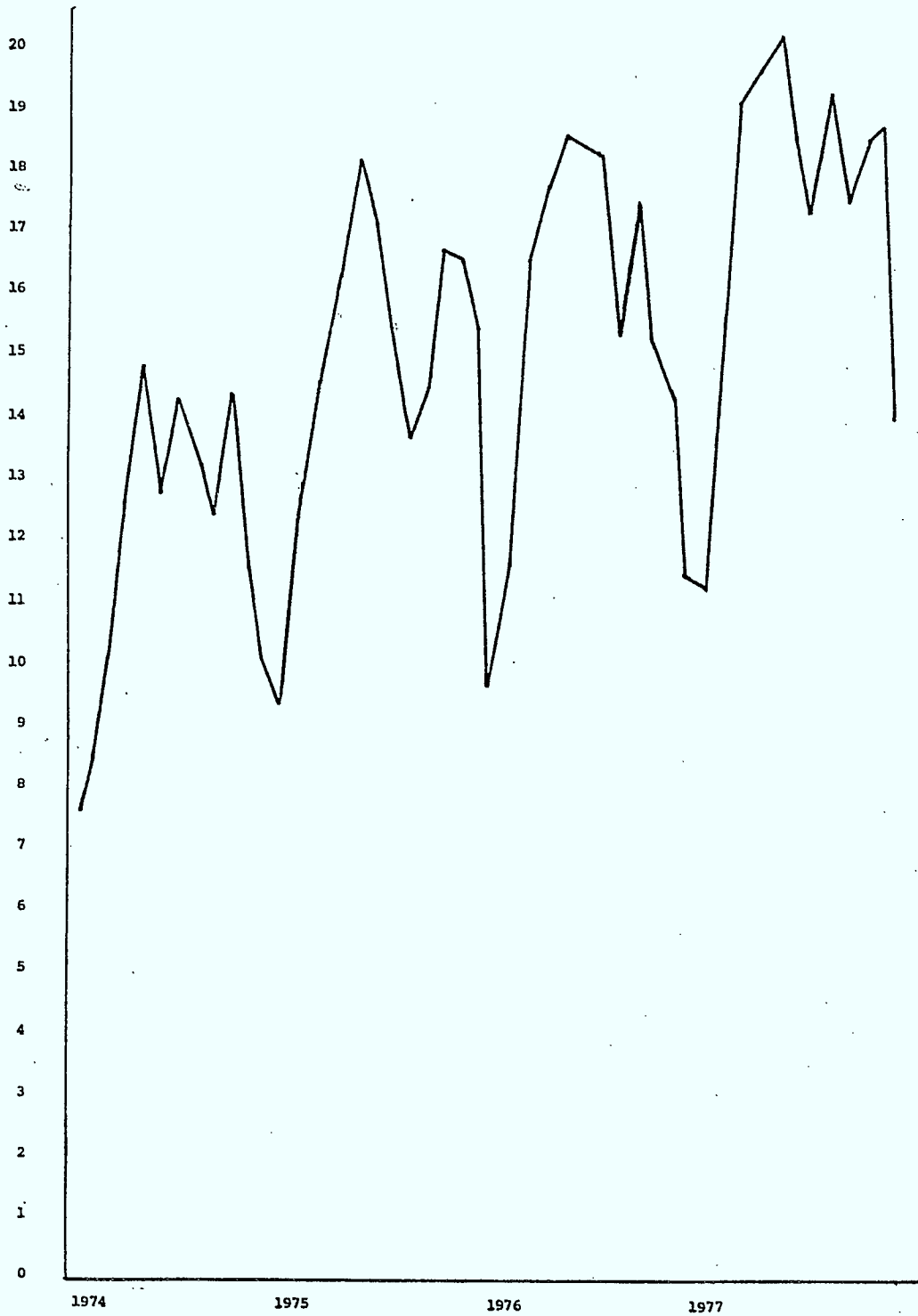
MONTHLY ESTIMATES OF RETAIL TRADE FOR CANADA  
IN BILLIONS OF DOLLARS (UNADJUSTED FOR SEASONALITY)  
FROM JANUARY 1974 TO DECEMBER 1977



Source: Statistics Canada

FIGURE 2.8.3

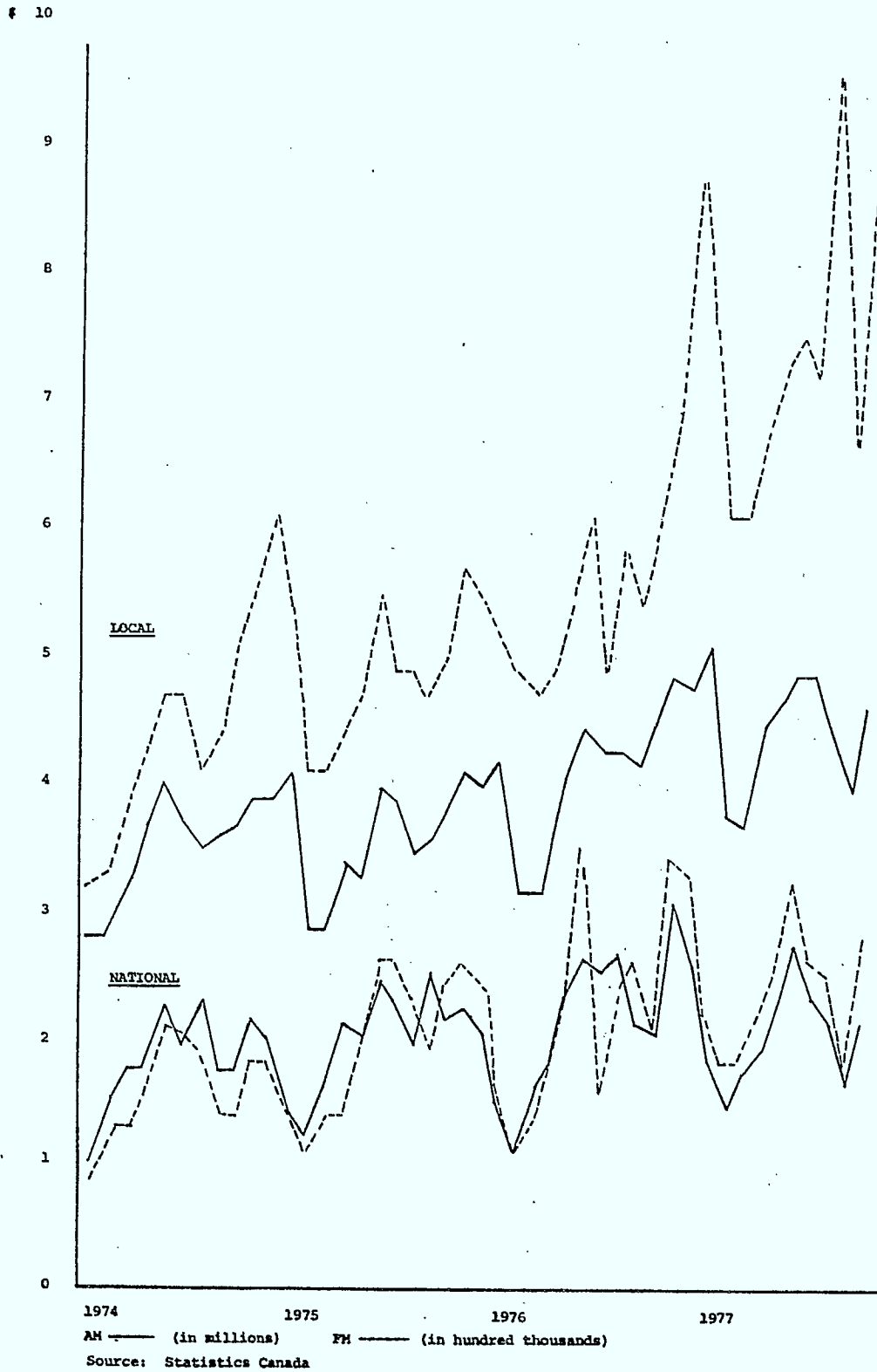
MONTHLY ESTIMATES OF RETAIL TRADE (USED CAR DEALERS)  
FOR CANADA IN TENS OF MILLIONS (UNADJUSTED FOR SEASONALITY)  
FROM JANUARY 1974 TO DECEMBER 1977



Source: Statistics Canada

FIGURE 2.8.4

SALE OF LOCAL AND NATIONAL AIR TIME BY MONTH FROM JANUARY 1974 TO SEPTEMBER 1977  
FOR RADIO BROADCASTING STATIONS IN ONTARIO





### CHAPTER 3

#### 3. THE PROFITABILITY OF AM AND FM RADIO STATIONS IN CANADA AND THE UNITED STATES, RELATED TO THE REGULATORY CONTEXTS IN EACH COUNTRY

In Chapter 2, we have seen that several aspects of the profitability of the industry vary considerably between the two countries. Specifically, the preliminary analysis has indicated the following differences:

1. The radio industry is more profitable in Canada than in the United States.
2. The average revenue per station is higher in Canada than in the United States.
3. Radio revenues as a share of the G.N.P. are much higher in Canada than in the United States.
4. Radio advertising rates are lower in Canada than in the United States.
5. FM revenues are becoming relatively and absolutely more and more important in both Canada and the United States.
6. Revenue growth, net profit growth and average profitability over the period 1965 to 1976 have all been higher in Canada than in the United States.
7. U.S. radio revenues and profits have displayed a greater variability than those in Canada.
8. AM radio in both countries seems to be a mature industry, in that its share of G.N.P. is stable or declining.
9. FM radio in both countries appears to be a growing industry, and is both more independent of AM management and more important in terms of market share in the United States, than in Canada.

10. Canadian radio in the 1970's has consistently captured a larger share of the total media advertising dollar than has its U.S. counterpart.

In this chapter, we will attempt to examine some of these differences further, and to interpret their significance as far as seems reasonable from the information available.

### 3.1 The Profitability of the Industry

Radio is an industry with low variable costs. So one would expect that stations with larger revenues would be more profitable than stations with smaller revenues. That is, the expenses of a radio station are not expected to increase very much as revenues rise. This is in contrast to an industry such as custom-made furniture where costs tend to increase in step with revenues. Figure 3.2.1 demonstrates very clearly for both Canada and the United States that this is the case. Profitability increases sharply for radio stations as revenues rise. It tends to be between 4% and 8% for the smallest stations, and between 30% and 40% for the largest stations.

The conclusion is drawn from data which define profitability by relating pretax profits to gross revenues. This is the most conservative method of calculating profits in this industry. If we were relating profits to investment rather than revenues, then one would expect the larger stations to be at an even greater advantage. We have not done this second calculation although it would be useful to do so - our working assumption is that if profitability related to revenues favours large stations, then profitability related to investment factors will do so even more strongly. For example, FM cash flow as a percent of net revenues (U.S.) increased from 5.8% to 9.2% (Table 3.3.1); and the same increase in revenues moved profitably as a percent of investment from 7.5% to 15.2% (Table 3.1).

TABLE 3.1

AVERAGE RETURN ON INVESTMENT IN THE U.S. RADIO BROADCASTING INDUSTRY  
CASH FLOW AS A % OF ORIGINAL COST OF TANGIBLE BROADCAST PROPERTY

	AM AND AM/FM	FM's REPORTING SEPARATELY	
1975	12.0%	7.5%	(1158 stations)
1976	14.5%	15.2%	(1258 stations)

Source: Tables 8 and 14 in Federal Communications Commission, Public Notices of November 8, 1976 and December 12, 1977.

3.1.1. Methodological Problems in Comparing Profitability of Radio Stations in Canada with the United States.

The direct comparison of Canadian and U.S. data in this report should be viewed with caution. There are some comparisons which can be made without qualification - for example the comparison of gross revenues as a percentage of Gross National Product. But many others will be directly affected by different accounting, reporting, and taxation rules in the two countries.

A comparison of profitability is particularly subject to these factors. For example, profits may be declared and distributed as dividends; or alternatively the same money may be distributed to owners as salary or other payment. The decision to do one or the other probably depends most upon the taxation implications which are different in the two countries. For example, in 1976 the reported profit for the radio industry in the U.S. was approximately \$183.6 million. The amount included in expenses which represented payments to owners was \$128.2 million. Some of this second sum might have been reported as profit under different tax laws. This question of the nature of the transfers to owners (profit, salary, commission, management fees, rents, expenses, etc.) must be investigated further to ascertain whether the Canadian and American figures are comparable or not.

### 3.2 Are Canadian Stations more or less Profitable than American?

Chapter 2 has demonstrated that the Canadian radio industry as a whole is more profitable than the U.S. industry. This section will examine why this might be so. Table 3.2.1 shows in an approximate manner that the pretax profit margin for stations in different revenue categories is not significantly different in Canada and the United States. Detailed statistical calculation might in fact show real differences; but our rough preliminary scan of the data indicates that the profitability picture for a station of given revenue size is approximately the same in both countries.

Therefore, given that we know the Canadian industry as a whole is more profitable, one must assume that the mix of stations in Canada is different from the U.S. - specifically that there are relatively more stations in Canada in the more profitable categories. That is, the distribution of radio stations in Canada is more skewed towards large-revenue categories than is the case in the United States. Figure 3.2.2 demonstrates that this is so. This conclusion leads us to ask further questions. Particularly, does this difference result from the regulatory environment or the market forces in each country?

There are many aspects to this question. Some that may be important are the following:

- o Why are there relatively fewer stations in Canada?

(Section 2.4 There are only half as many stations per capita in Canada as in the U.S.). Is this a result of licencing actions, spectrum allocation, or other factors?

- o Is the format mix different in the two countries, and does this affect station size distribution and profitability?
- o Is the station size difference a function of the larger slice of the total advertising dollar taken by radio in Canada?
- o Is the observed difference simply a function of population distribution - that is, of the distribution of market sizes?

These are "second phase" questions that arise from our preliminary conclusions about industry profitability.

TABLE 3.2.1

PRETAX PROFIT MARGINS OF RADIO STATIONS IN CANADA AND THE U.S.  
BY REVENUE SIZE (1976)

	UNITED STATES			CANADA		
	% PROFIT	# STATIONS	% WHOLE	% PROFIT	# STATIONS	% WHOLE
50,000	11.44%	54	3.0%			
100,000	2.11%	174	10.0%	4.0%	36	19.25%
150,000	4.15%	251	14.3%			
200,000	4.88%	220	12.5%			
300,000	6.48%	354	20.1%	6.6%	18	9.6%
400,000	7.54%	220	12.5%	5.5%	18	9.6%
500,000	9.29%	124	7.0%	(4.2%)	16	8.6%
1 mill.	13.14%	193	11.0%	10.8%	37	19.8%
2 mill.	21.92%	94	5.3%	11.6%	29	15.5%
3 mill.	28.48%	35	2.0%	19.5%	11	5.9%
5 mill.	29.30%	23	1.3%	27.7%	22	11.8%
	36.77%	17	1.0%			

\* % may not add to 100% due to rounding.

Source: 1. Canada: Canadian Association of Broadcasters, Analysis of Financial Statistical Data, Table 13, 1974

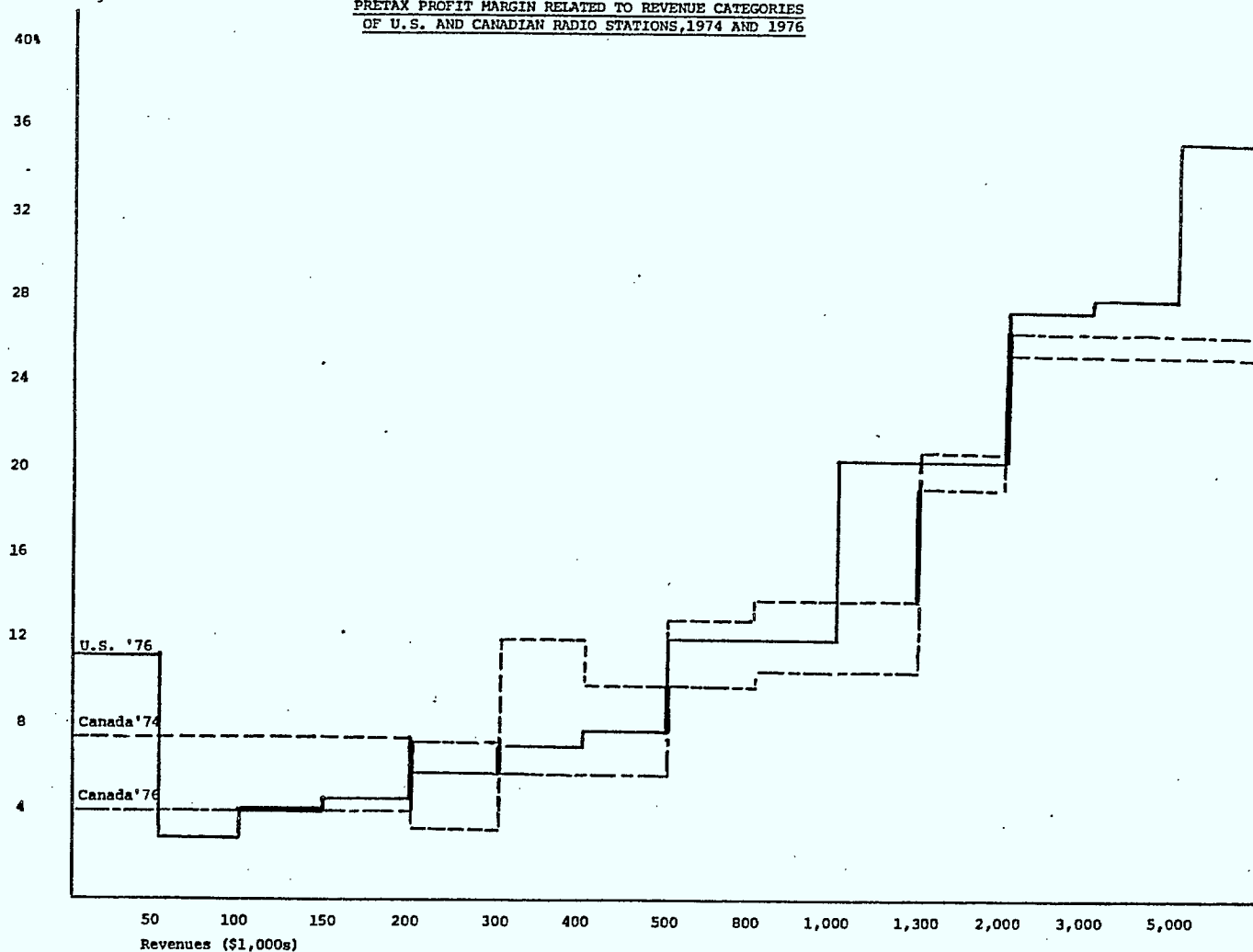
2. U.S. National Association of Broadcasters, Radio Financial Report, 1977.



FIGURE 3.2.1

Pretax Profit Margin

PRETAX PROFIT MARGIN RELATED TO REVENUE CATEGORIES  
OF U.S. AND CANADIAN RADIO STATIONS, 1974 AND 1976



Source: 1. Canada, Canadian Association of Broadcasters, Analysis of Financial Statistical Data, Table 13, 1974 and 1976.

2. U.S., National Association of Broadcasters, Radio Financial Report, 1977.

TABLE 3.2.2

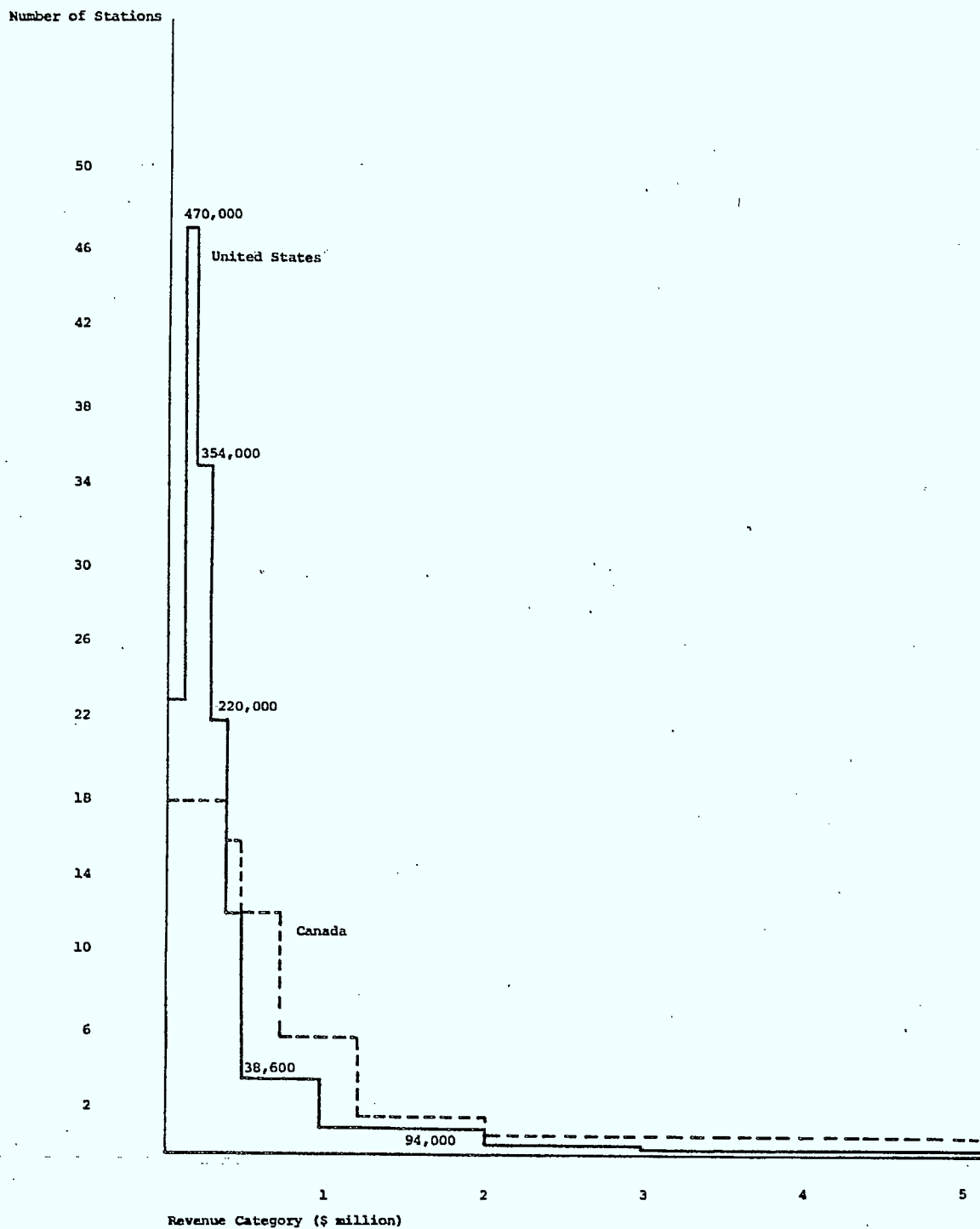
PRETAX PROFIT MARGINS OF RADIO STATIONS IN CANADA, BY REVENUE SIZE CATEGORY  
1974, 1975, 1976

REVENUE SIZE (\$ 1000's)	PRETAX PROFIT MARGIN		
	1976	1975	1974
0 - 200	4.0%	1.4%	7.1%
200 - 300	6.6%	2.4%	3.5%
300 - 400	5.5%	2.9%	12.9%
400 - 500	(4.2%)	8.7%	9.6%
500 - 800	10.8%	11.1%	13.4%
800 - 1300	11.6%	11.7%	14.4%
1300 - 2000	19.5%	23.4%	21.4%
2000	27.7%	25.2%	26.0%

Source: C.A.B. Analysis of Financial Statistical Data, 1976, Table 13.

FIGURE 3.2.2

DISTRIBUTION OF RADIO STATIONS IN CANADA AND THE UNITED STATES BY REVENUE CATEGORY - 1976



### 3.3 Is FM Radio Less Profitable than AM?

In Canada, the regulatory requirements for FM stations which are joint licencees with AM stations are more onerous than the regulations for independent FM's or for AM's. This seems to indicate that there is an implicit assumption on the part of the C.R.T.C. that FM radio in Canada will "lean on" more economically viable AM stations under the same ownership. The C.R.T.C. requires more of FM stations under joint ownership. This assumption seems also to be supported by the fact that there are very few independent FM stations in Canada. This may relate more to licencing actions than to market preferences, and the U.S. experience seems to indicate that it does.

It is our impression that independent FM stations are a significant proportion of the FM industry in the United States. We do not yet have data to confirm or refute this hypothesis. It is also our impression that independent FM's are as profitable, and perhaps more profitable than joint operations and on some criteria may be more profitable than AM stations. We have not yet done this analysis for Canada or the United States because the data, although available, was not accessible within the time frame of this first phase.

We were able to establish two very important indicators:

1. FM radio in the United States has had a positive cash flow and has therefore been viable and profitable since 1965 with the sole exception of 1969.
2. In 1976, for the first time, the profitability of FM radio in the United States was virtually the same as AM radio (9.2%, 9.3%). See Table 3.3.1 and Table 3.3.2.

Given the general relative strength of radio in Canada, we would assume, in the absence of any contrary indications, that FM radio in Canada would follow the pattern of its U.S. counterpart in becoming increasingly profitable and taking a larger market share from AM.

The market share of FM radio in Canada may, on the other hand, be significantly affected by the regulatory context, and the number of FM licences granted. The relationships here remain to be analysed.

TABLE 3.3.1

THE "BOTTOM LINE": FM<sup>1</sup>  
UNITED STATES 1960 - 1976  
(\$Million)

YEAR	NET FM REVENUES	FM EXPENSES	FM PRE-TAX INCOME	FM NET INCOME	ADD: DEPRECIATION	FM CASH FLOW	F.M. CASH FLOW AS A % OF NET F.M. REVENUES
1960	9.4	11.0	(1.6)	(1.6)	0.6	(1.0)	(10.6)
1961	10.0	11.8	(1.8)	(1.8)	0.6	(1.2)	(12.0)
1962	13.9	15.9	(2.0)	(2.0)	0.9	(1.1)	(7.9)
1963	16.3	18.2	(1.9)	(1.9)	1.0	(0.9)	(5.5)
1964	19.7	21.0	(1.3)	(1.3)	1.1	(0.2)	(1.0)
1965	24.7	25.8	(1.1)	(1.1)	1.4	0.3	1.2
1966	32.3	32.6	(0.3)	(0.3)	1.8	1.5	4.6
1967	39.8	40.0	(0.2)	(0.2)	2.2	2.0	5.0
1968	53.2	51.5	1.7	0.8	2.8	3.6	6.8
1969	67.4	71.9	(4.5)	(4.5)	4.2	(0.3)	(0.4)
1970	84.9	89.3	(4.4)	(4.4)	5.1	0.7	0.8
1971	115.0	120.6	(5.6)	(5.6)	6.4	0.8	0.7
1972	151.9	152.9	(1.0)	(1.0)	8.3	7.3	4.8
1973	198.3	195.1	3.2	1.6	11.2	12.8	6.5
1974	248.2	241.2	7.0	3.5	13.3	16.8	6.8
1975 <sup>2</sup>	308.6	306.4	(2.2)	(2.2)	20.1	17.9	5.8
1976	418.2	387.5	30.7	15.35	23.2	38.55	9.24

ASSUMPTION: CORPORATE TAX RATE AT APPROXIMATELY 50%.

1. This table was updated and substantially modified by the authors from the report, Cox Broadcasting Corporation Looks at FM Radio Past, Present and Future, Exhibit 4. The principal modification was a recalculation of the FM Net Income column in the years in which the industry suffered a pre-tax loss. In the original report the "loss" was halved by the imposition of taxes, which unfortunately happens to profits but not to losses.
2. 1975 and 1976 include estimates for those FM stations not reporting separately. The estimating procedure of the authors may be slightly different from that of the Cox Researchers for 1960 to 1974.

TABLE 3.3.2

THE "BOTTOM LINE": AM  
UNITED STATES 1960 - 1976  
(\$ million)

YEAR	NET AM REVENUES	AM EXPENSES	AM PRE-TAX INCOME	AM NET INCOME	ADD: DEPRECIATION	AM CASH FLOW	F.M. CASH FLOW AS A % OF NET F.M. REVENUES
1960	588.3	510.5	77.8	38.9	25.5	64.4	11.0
1961	580.7	519.1	61.6	30.8	26.0	56.8	9.8
1962	622.2	542.4	79.8	39.9	27.1	67.0	10.8
1963	664.8	571.4	93.4	46.7	28.6	75.3	11.3
1964	712.3	600.9	111.4	55.7	30.0	85.7	12.0
1965	767.8	644.5	123.3	61.6	32.2	93.8	12.2
1966	839.8	703.9	135.9	67.9	35.2	103.1	12.3
1967	867.5	737.7	129.8	64.9	36.9	101.8	11.7
1968	969.8	783.5	186.3	93.1	49.9	143.0	14.8
1969	1,018.4	857.4	161.0	80.5	49.9	130.4	12.8
1970	1,052.0	893.3	158.7	79.3	50.9	130.2	12.4
1971	1,143.0	969.2	173.8	86.9	53.8	140.7	12.3
1972	1,255.1	1,040.4	214.7	107.3	57.1	164.4	13.1
1973	1,303.6	1,109.4	194.2	97.1	60.4	157.5	12.1
1974	1,354.9	1,180.5	174.4	87.2	64.3	151.5	11.1
1975	1,416.4	1,328.0	88.4	44.2	69.5	113.7	8.0
1976	1,600.8	1,453.3	147.5	73.75	75.0	148.75	9.3

ASSUMPTION: CORPORATE TAX RATE AT APPROXIMATELY 50%

1. This table is updated from the Cox Broadcasting Report, op.cit., Exhibit 3.

### 3.4 Conclusions

This study has identified some interesting differences between AM and FM radio in Canada, and their counterparts in the United States. Before one could, with any confidence, relate these differences to regulations differences one would have to carry the research on to a further stage. The questions that have been raised by the preliminary analysis include:

1. Are FM independents more or less profitable than FM joint licencees?
2. Why is the mix of "revenue sizes" different in Canada from the United States, and specifically why is it skewed more towards large revenues?
3. How does profitability vary between different formats, and therefore how are the formatting regulations for FM in Canada likely to affect profitability?
4. How do programming expenditures vary with station size and other characteristics?
5. What is the detailed relationship between profitability and such variables as market size, gross revenues, rank in market, number of competitors, ownership affiliation with other stations, advertising rates, industry share of advertising dollars, and the cyclic variability in related indicators.

Our preliminary analysis seems to indicate that the regulatory environment may have had significant economic effects in Canada in producing a significantly different industry structure. These effects



are listed in Section 3.0.0. The preliminary research has raised a number of questions which require further analysis before definitive comparisons can be made between the private radio broadcasting industry in Canada and the United States.

BIBLIOGRAPHY

- Baer, Walter S., et. al. Concentration of Mass Media Ownership: Assessing the State of Current Knowledge. Santa Monica, California: The Rand Corp., Sept., 1974.
- Barrow, R. L., "Antitrust and the Regulated Industry: Promoting Competition in Broadcasting," Duke Law Journal, v. 1964, (Spring, 1964).
- Bedrosian, E. Spectrum Conservation by Efficient Channel Utilization. Santa Monica, California: The Rand Corp., January, 1976.
- Besen, Stanley M., and Mitchell, Bridger M. Economic Analysis and Television Regulation: a Review. Santa Monica, California: The Rand Corp., Dec., 1973.
- Brinton, A.W., "The Regulation of Broadcasting by the FCC: A Case Study of Regulation by Independent Commission", unpublished doctoral dissertation (Harvard University, 1962).
- Broadcasting Yearbook 1977, (Broadcasting Publications Inc., 1977).
- Busterna, J.C. "Diversity of Ownership as a Criterion in FCC Licensing Since 1965." Journal of Broadcasting. 20 (1): 101, Winter 1976.
- Canadian Special Senate Committee on Mass Media, Report in 3 volumes The Uncertain Mirror; Words, Music, and Dollars; Good, Bad, or Simply Inevitable?, (Ottawa, Queen's Printer for Canada, 1970).
- Canadian Radio-Television and Telecommunications Commission, Annual Report 1973-74, (Information Canada, Ottawa, 1974).
- Canadian Radio-Television and Telecommunications Commission, Annual Report 1974-75, (Information Canada, Ottawa, 1975).
- Canadian Radio-Television and Telecommunications Commission, Annual Report 1975-76, (Ministry of Supply and Services, Ottawa, 1976).
- Canadian Radio-Television and Telecommunications Commission, Annual Report 1976-77, (Ministry of Supply and Services, Ottawa, 1977).
- Canadian Radio-Television and Telecommunications Commission, FM Radio In Canada - A Policy to Ensure a Varied and Comprehensive Radio Service, (January 20, 1975).
- Canadian Radio-Television and Telecommunications Commission, Public Announcement, (Ottawa, July 4, 1975).

- Coase, R.H., "The Federal Communications Commission," Journal of Law and Economics, v. 2, (October 1959).
- Coase, R.H. "The Interdepartmental Radio Advisory Committee," Journal of Law and Economics, v. 5, (1962).
- Coase, R.H. and E.W. Barrett, Educational TV: Who Should Pay?, (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1968).
- Coase, R.H., W. Meckling and J. Minasian, "Problems of Radio Frequency Allocation," Memorandum RM-3598-NASA, (Santa Monica, RAND Copr., May, 1963).
- Cole, B.G., and A.P. Klose, "A Selected Bibliography on the History of Broadcasting," Journal of Broadcasting, v. 7, (Summer, 1963).
- Cox Broadcasting Corporation (1976), Looks at FM Radio - Past, Present and Future, Atlanta, Georgia.
- Department of Communications, Radio (A.M.) Broadcasting Regulations 1976, (Ministry of Supply and Services, Ottawa, 1977).
- Department of Communications, Radio (F.M.) Broadcasting Regulations 1976, (Ministry of Supply and Services, Ottawa, 1977).
- Department of Communications, 1975-1976 Annual Report, (Ministry of Supply and Services, Ottawa, 1976).
- Deutshman, P.J. and W.B. Emery, "Sale and Value of Radio Stations," Journal of Broadcasting, v. 6, (Summer, 1961)
- Duncan, J.T., "A Study of the Impact of Television Upon the National Radio Networks, 1948-1960," Ph.D. Dissertation, (University of Michigan, 1965).
- Emery, W.G., National and International Systems of Broadcasting: Their History, Operation, and Control, (Michigan State University Press, 1969) (Blum #208).
- Federal Communications Commission, An Economic Study of Standard Broadcasting, (U.S. Government Printing Office, 1947).
- Federal Communications Commission, Federal Communications Commission Rules and Regulations, Vol. III, Part 73, August, 1976.
- Federal Communications Commission, Federal Communications Commission 39th Annual Report/Fiscal Year 1973, (U.S. Government Printing Office)

Federal Communications Commission, Federal Communications Commission 41st Annual Report/Fiscal Year 1975, (U.S. Government Printing Office).

Givens, R.A., "Refusal of Radio and Television Licences on Economic Grounds," Virginia Law Review, v. 46, (Nov., 1960).

Goldin, H.H., "Economic and Regulatory Problems in the Broadcast Field," Land Economics, v. 30, (Aug., 1954).

Goldin, H.H., "The Economics of Broadcasting and Advertising," American Economic Review, v. 56, (May, 1966).

Grundfest, J.A. Citizen Participation in Broadcast Licencing Before the FCC. Santa Monica, California: The Rand Corp., March, 1976.

Hallman, E.S., Broadcasting in Canada, (Routledge and Kegan Paul, London, England, 1977).

Harwood, K., "Broadcasting and The Theory of the Firm", Law and Contemporary Problems, v. 34, (Summer, 1969).

Hazard, W.R., "A Specification of Eight Television Appeals," Journal of Broadcasting, (Winter 1965-66).

Head, S.W., Broadcasting in America: A Survey of Television and Radio, revised edition (Houghton-Mifflin, 1972) (Blum #220).

Hyde, Rosel H. "FCC Policy and Procedures Relating to Hearings on Broadcast Applications in Which a New Applicant Seeks to Displace a Licensee Seeking Renewal." Duke Law Journal. 1975 no. 2 (May 1975), 253-278.

"Judicial Review of FCC Program Diversity Regulation." Columbia Law Review. 75 no. 2 (March 1975), 401-440.

Innis, D.Q., "The Geographic Characteristics of Radio," Canadian Journal of Economics and Political Science, v. 20, (Feb., 1954).

Jaffe, Alfred (1976), Radio's future good, but image poor: ABC Study, Television/Radio Age Volume 24, No. 10.

Jones, W.K., "Regulation of Radio and Television Broadcasting," Chapter 10 in W.K. Jones, Regulated Industries: Cases and Materials, (Brooklyn: The Foundation Press, Inc., 1967).

Jones, William K., Cases and Materials on Electronic Mass Media, (The Foundation Press, Inc. Mineola, N.Y., 1976).

Jorgensen, N.E., L. Schwartz, and R.A. Woods, "Programming Diversity in Proposals for New Broadcast Licences," George Washington Law Review, v. 32, (April, 1964).

- Kinney, Linda. The Procedure for Obtaining a Broadcast Licence in the AM, FM, and VHF-TV Bands. Unpublished OTP Paper, July 1972.
- Krekel, Kim. Broadcast Deregulation Bibliography. Unpublished OTP Paper, Feb., 1975.
- Le Duc, Don R., et ed. Broadcast Monograph No. 1: Issues in Broadcast Regulation. Washington, D.C.: Broadcast Education Association, 1974.
- Levin, H.J., Broadcast Regulation and Joint Ownership of Media, (New York University Press, 1960) (Blum #240).
- Levin, H.J., The Invisible Resource: Use and Regulation of the Radio Spectrum, (Johns Hopkins Press, 1971).
- Lichty, L.W. and Topping, M.G., American Broadcasting: A Source Book on The History of Radio and Television, (Hastings House, Publishers, New York, 1975).
- Longley, L.D., "The FCC's Attempt to Regulate Commercial Time," Journal of Broadcasting, v. 11, (Winter, 1966-67).
- Maclean-Hunter Research Bureau, Annual Advertising Reports, 1975-1976.
- Miller, A.C. A cursory Look at the Economics of Broadcasting; Networking; and Small Stations. Unpublished OTP Paper, Dec., 1974.
- Mosco, Vincent. Reforming Regulation: The FCC and Innovations in the Broadcasting Market. Cambridge, Mass.: Harvard University, Feb., 1976.
- Mosco, Vincent. The Regulation of Broadcasting in the United States: A Comparative Analysis. Cambridge, Mass.; Harvard University, Aug., 1975.
- National Association of Broadcasters, Broadcast Self-Regulation: Working Manual of the National Association of Broadcasters Code Authority, (1971).
- Netzer, D., Long-Range Financing of Public Broadcasting, (New York: National Citizens Committee for Broadcasting, April, 1969).
- Office of Telecommunications Policy. The Regulation of Commercial Radio Stations. Unpublished, Dec., 1971.
- Olsson, Jr., Harry R., Legal and Business Problems of Television and Radio 1976, (Practicing Law Institute, New York, 1976).
- Owen, Bruce M. Diversity and Television. Unpublished OTP Paper, Aug., 1972.

- Owen, Bruce M. Economics and Freedom of Expression: Media Structure and the First Amendment. Cambridge, Mass.: Ballinger Publishing Co., 1975.
- Radio Advertising Bureau Inc. (1978) Radio Facts, New York.
- Radio Bureau of Canada, Annual Reports 1969, 1970, 1970-71, 1974-75, 1975-76, 1977-78.
- Robinson, G.D. "The FCC and the First Amendment: Observations on 40 Years of Radio and Television Regulation." Minnesota Law Review, v. 52, (Nov., 1967).
- Robinson, G.O. "Radio Spectrum Regulation: The Administrative Process and the Problems of Institutional Reform," Minnesota Law Review, v. 53, (June, 1969).
- Rose, Jr., Cornelia B., National Policy for Radio Broadcasting, (Arno Press Inc., 1971).
- Royal Commission on Broadcasting, Report of the Royal Commission on Broadcasting, (Ottawa: Queen's Printer, 1965).
- Smythe, Ted C. and Mastroianni, G.A., Issues in Broadcasting, (Mayfield Publishing Company, 1975).
- Statistics Canada, Monthly Survey of Radio Broadcasting Stations, 1970 through 1977.
- Statistics Canada, Catalogue No. 96-204, Radio and Television Broadcasting, 1961 through 1976.
- Sterling, C.H., Ownership Characteristics of Broadcasting Stations and Newspapers in the Top 100 Markets: 1922-1967, an historical analysis prepared for the NAB (Temple University: School of Communications and Theater, March, 1971).
- Sterling, C.H., "Second Service: A History of Commercial FM Broadcasting to 1969," unpublished doctoral dissertation, (University of Wisconsin, 1969).
- U.S. Congress, House of Representatives. "Radio Laws of the United States," compiled by G.G. Udell, Superintendent, Document Room, (Washington, D.C.: U.S. Government Printing Office, 1972).
- U.S. Congress, House of Representatives. Committee on Interstate and Foreign Commerce. Regulation of Broadcasting: Half A Century of Government Regulation of Broadcasting and the Need for Further Legislative Action, a Study. Hearings, 85th Congress, 1st Session, (1958).

Walker, James W. Population Coverage by VHF/FM Systems. Unpublished  
OTP Paper, March 1974.

Werner, Stephen M. (1977), An Economic Impact Analysis of a Proposed  
Change in the Copyright Law, Study prepared for the Copyright  
Office, U.S. Library of Congress, Under contract No. A77-200,  
Washington, D.C.

APPENDIX 1

RADIO STATIONS CONTACTED DURING RADIO PROJECT

CKAC	Montreal	Paul-Emile Beaulne
CHUM	Toronto	Alan Waters
CKCK	Regina	Ron Lamborn
CHLT	Sherbrooke	Louis Bilodeau
CHFI	Toronto	Jim Sward
CHOC	Jonquiere, P.Q.	Rene Gagne
RADIOMUTUEL	Montreal	Donat Bazinet
CKOY	Ottawa	J. Daly
CFGL	Montreal	Rolland Sausier
CJCM	Brandon	Stewart Craig
CKUL	Montreal	M. Tietlaman
CFMI	Vancouver	Ted Smith
CKLM	Montreal	Guy Morin
CIEL	Montreal	Stephane Venne
CFRB	Toronto	Donald Insley
CKLG	Vancouver	Don Hamilton & Bill Davis
CHOI	Quebec	Paul Chamerlan
CFCY	Charlottetown	Frank Leurs & Jerry Kennedy
CIMF	Hull	Jean de la Durantaye
CKY	Winnipeg	Bill Davis
CJVA	Caraquet, N.B.	Rufino Landry
CHAY	Barrie, Ontario	Vin Dittmers



RESOURCE PERSONS CONTACTED DURING RADIO PROJECT

1. Dr. Alan Pearce,  
White House Office of Telecommunications Policy,  
Washington, D.C.
2. Brian Covoy,  
Assistant,  
Telecommunications,  
Capital Hill Office,  
Washington, D.C.  
202 - 224-6542
3. Charles Goddell,  
Attorney,  
Specialized in Bill C58,  
Washington, D.C.  
202 - 833-9040
4. Riley Johnson,  
F.C.C.,  
Chief of Broadcast Bureau,  
Washington, D.C.  
202 - 632-6460
5. Dr. L. Eads,  
Director of Research,  
F.C.C.,  
Washington, D.C.
6. Mr. B. Ross,  
Southern Pacific Communications,  
Washington, D.C.  
202 - 293-1585
7. Mr. Bill Byrnes,  
Haley, Bader & Potts,  
Washington, D.C.  
202 - 331-0606
8. U.S. Embassy of Information Services,  
Ottawa, Ontario.
9. Ellen S. Deutsch,  
Attorney Adviser,  
Federal Communications Commission,  
1919 M. Street N.W.,  
Washington, D.C.  
202 - 395-5616

10. Mr. Doug Bassam,  
C.R.T.C.,  
100 Metcalfe Street, Room 1314,  
Ottawa, Ontario.  
613 - 995-7907
11. Mr. Harry Halliwell,  
C.R.T.C.,  
100 Metcalfe Street, Room 1212,  
Ottawa, Ontario.
12. Mr. J. Frenken,  
C.R.T.C.,  
100 Metcalfe Street,  
Ottawa, Ontario.  
613 - 996-5145
13. Mr. Morris Romanov,  
C.R.T.C.,  
100 Metcalfe Street,  
Ottawa, Ontario.  
613 - 992-6573
14. Mr. Everett King,  
Department of Communications,  
300 Slater Street, Room 1876,  
Ottawa, Ontario.  
613 - 995-7079
15. Mr. David Gillick,  
Department of Communications,  
300 Slater Street, 19th Floor,  
Ottawa, Ontario.  
613 - 996-5722
16. Mr. Peter Crafke,  
Canadian Government of Tourism,  
Ottawa, Ontario.  
613 - 995-0524
17. Ms. Debi Day,  
Statistics Canada,  
Tunney's Pasture,  
J.F. Coates Building, 23rd Floor,  
Ottawa, Ontario.  
613 - 995-7406
18. Pat Crosby, Statistics Canada,  
Communications Division,  
Tunney's Pasture,  
Ottawa, Ontario.  
613 - 996-9276

19. Mr. Jim Adam,  
President,  
Radio Bureau of Canada,  
43 Eglinton Avenue East,  
Toronto, Ontario.  
416 - 482-2222
20. Mr. Robin Quinn,  
Canadian Association of Broadcasters,  
Toronto, Ontario.
21. Mr. Ernie Steele,  
Canadian Association of Broadcasters,  
Toronto, Ontario.
22. Mr. Harold Abernathy,  
Stephens & Towndrow Limited,  
2 Carleton Street, Suite 808,  
Toronto, Ontario.  
416 - 864-9220
23. Leslie Mungo,  
Group 1,  
Radio,  
Toronto, Ontario.
24. Mr. Andy MacDermott,  
Advertising TV Rep. Agency Ltd.,  
Toronto, Ontario.  
416 - 924-4677
25. Elliot Research Corporation,  
840 Pate Avenue,  
Toronto, Ontario.  
416 - 463-1143
26. Mr. Bill Faulkner,  
B.B.M.  
Toronto, Ontario.  
416 - 486-5055
27. Mr. Neil Berkeley,  
Chief Stat. Services,  
Treasury Board,  
Federal Government,  
Ottawa, Ontario.  
613 - 998-8894

APPENDIX 2

1.3.1. OWNERSHIP

CANADA

UNITED STATES

FOREIGN OWNERSHIP

FOREIGN OWNERSHIP

Broadcasting Act 1967-68, Chapter B-11  
Section 3(b):

Broadcasting Yearbook, 1977

"The Canadian broadcasting system should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada".

"Under requirements of the Communications Act, applicants must legally, technically and financially qualified, and they must show that their proposed operation would be in the public interest. They must be citizens of the United States. Corporations with alien officers or directors or with more than one-fifth of the capital stock controlled by foreign interests may not be licensed."

By Order in Council, the Canadian Government directed the CRTC not to renew licences of broadcasting undertakings after 12 January 1971 for non-Canadians and for governments of countries other than Canada. In addition, all licences were to have an 80 per cent share ownership. The effect of this directive was to give effective ownership and control to Canadians in all broadcasting.

FCC Rules and Regulations, Vol. III, Part 73, 1976, Subpart B

§ 21.4 Eligibility for station license.

A station license may not be granted to or held by:

- (a) Any alien or the representative of any alien.
- (b) Any foreign government or the representative thereof.
- (c) Any corporation organized under the laws of any foreign government.
- (d) Any corporation of which any officer or director is an alien.
- (e) Any corporation of which more than one-fifth of the capital stock is owned of record or voted by: aliens or their representatives; a foreign government or representatives thereof; or any corporation organized under the laws of a foreign country.
- (f) Any corporation directly or indirectly controlled by any other corporation of which any officer or more than one-fourth of the directors are aliens, if the Commission finds that the public interest will be served by the refusal or revocation of such license.
- (g) Any corporation directly or indirectly controlled by any other corporation of which more than one-fourth of the capital stock is owned of record or voted by aliens or their representatives, or by a foreign government or representative thereof, or by any corporation organized under the laws of a foreign government, if the Commission finds that the public interest will be served by the refusal or revocation of such license.

## CANADA

## UNITED STATES

MULTIPLE OWNERSHIPRadio (F.M.) Broadcasting Regulations 1976  
Section 4:

"Every licence issued to operate an F.M. station, other than a C.B.C. F.M. licence or a special F.M. licence, is a joint F.M. licence, if, at the time the licence was issued or renewed, the person to whom the licence was issued or, in the case where that person is a corporation, that corporation or any corporation associated with that corporation, was licensed to operate an A.M. station in the same language in all or any part of the same market."

MULTIPLE OWNERSHIPFCC Rules and Regulations, Vol. III, Part 73  
1976 Subpart B and A*In AM rules...*

**§73.35. Multiple ownership**—(a) No license for a standard broadcast station shall be granted to any party (including all parties under common control) if such party directly or indirectly owns, operates, or controls: one or more standard broadcast stations and the grant of such license will result in any overlap of the predicted or measured 1 mv/m groundwave contours of the existing and proposed stations, computed in accordance with §73.183 or §73.186; or one or more television broadcast stations and the grant of such license will result in the predicted or measured 2 mv/m groundwave contour of the proposed station, computed in accordance with §73.183 or §73.186, encompassing the entire community of license of one of the television broadcast stations or will result in the Grade A contour(s) of the television broadcast station(s), computed in accordance with §73.684, encompassing the entire community of license of the proposed station; or a daily newspaper the grant of such license will result in the predicted or measured 2 mv/m contour, computed in accordance with §73.183 or §73.186, encompassing the entire community in which such newspaper is published.

(b) No license for a standard broadcast station shall be granted to any party (including all parties under common control) if such party, or any other stockholder, officer or director of such party, directly or indirectly owns, operates, controls, or has any interest in, or is an officer or director of any other standard broadcast station if the grant of such license would result in a concentration of control of standard broadcasting in a manner inconsistent with public interest, convenience, or necessity. In determining whether there is such a concentration of control, consideration

will be given in the facts of each case with particular reference to such factors as the size, extent and location of area served, the number of people served, classes of stations involved and the extent of other competitive service to the areas in question. The Commission, however, will in any event consider that there would be such a concentration of control contrary to the public interest, convenience or necessity for any party or any of its stockholders, officers or directors to have a direct or indirect interest in, or be stockholders, officers, or directors of, more than seven standard broadcast stations.

(c) No renewal of license shall be granted for a term extending beyond January 1, 1980, to any party that as of January 1, 1975, directly or indirectly owns, operates or controls the only daily newspaper published in a community and also as of January 1, 1975, directly or indirectly owns, operates or controls the only commercial aural station or stations encompassing the entire community with a city-grade signal during daytime

hours (predicted or measured signal for AM, predicted for FM). The provisions of this paragraph shall not require divestiture of any interest not in conformity with its provisions earlier than January 1, 1980. Divestiture is not required if there is a separately owned, operated or controlled television broadcast station licensed to serve the community.

*In FM rules...*

**§73.240. Multiple ownership.**—(1)(a) No license for an FM broadcast station shall be granted to any party (including all parties under common control) if such party directly or indirectly owns, operates or controls one or more FM broadcast stations and the grant of such license will result in any overlap of the predicted 1 mv/m contours of the existing and proposed stations, computed in accordance with §73.313; or one or more television broadcast stations and the grant of such license will result in the predicted 1 mv/m contour of the proposed station, computed in accordance with §73.313, encompassing the entire community of license of one of the television broadcast stations or will result in the Grade A contour(s) of the television broadcast station(s), computed in accordance with §73.684, encompassing the entire community of license of the proposed stations; or a daily newspaper and the grant of such license will result in the predicted 1 mv/m contour, computed in accordance with §73.313, encompassing the entire community in which such newspaper is published.

(2) No license for an FM broadcast station shall be granted to any party (including all parties under common control) if such party, or any stockholder, officer or director of such party, directly or indirectly owns, operates, controls or has interest in, or is an officer or director of any other FM broadcast station if the grant of such license would result in a concentration of control of FM broadcasting in a manner inconsistent with the public interest, convenience or necessity. In determining whether there is such a concentration of control, consideration will be given to the facts of each case with particular reference to such factors as the size, extent and location of areas served, the number of people served, classes of stations involved and the extent of other competitive service to the areas in question. The Commission, however, will in any event consider that there would be such a concentration of control contrary to the public interest, convenience or necessity for any party of any of its stockholders, officers or directors to have a direct or indirect interest in, or be stockholders, officers, or directors of, more than seven FM broadcast stations.

(b) Paragraphs (a) and (c) of this section are not applicable to non-commercial educational FM stations.

(c) No renewal of license shall be granted for a term extending beyond January 1, 1980, to any party that as of January 1, 1975, directly or indirectly owns, operates or controls the only daily newspaper published in a community and also as of January 1, 1975, directly or indirectly owns, operates or controls the only commercial aural station or stations encompassing the entire community with a city-grade signal during daytime hours (predicted or measured signal for AM, predicted for FM). The provisions of this paragraph shall not require divestiture of any interest not in conformity with its provisions earlier than January 1, 1980. Divestiture is not required if there is a separately owned, operated or controlled television broadcast station licensed to serve the community.

## Broadcasting Yearbook, 1977

**Monopoly.**—One of the commission's foremost concerns is promotion of diversification in the broadcast media, avoiding monopoly or undue concentration of control. Commission rules prohibit the same person or group from operating more than one station in the same service (AM, FM or TV) in the same locality. They also limit to seven the number of stations in the same service that may be commonly owned in the nation as a whole (only five of any group of TV stations may be VHF). Acquisition of more than three TV stations (only two of which may be VHF) in the 50 largest TV markets is permitted only upon a compelling showing that it would be in the public interest. New licenses are now also prohibited from owning more than one full-time station (AM, FM, TV) in the same locality.

CANADA

UNITED STATES

C.B.C.

Broadcasting Act 1967-68, Chapter B-11  
Section 34(1):

Public Broadcasting Act.

"There shall be a corporation to be known as the Canadian Broadcasting Corporation, consisting of a President and fourteen other Directors to be appointed by the Governor in Council".

Section 40(1)

"...The Corporation is, for all purposes of this act, an agent of her Majesty..."

Section 3(f)

"There shall be provided, through a corporation established by Parliament for the purpose, a national broadcasting service that is predominantly Canadian in content and character."

1.3.2. LICENCING & REPORTING

CANADA

UNITED STATES

NETWORKS

Radio (FM) Broadcasting Rules, 1976  
Section 15(1):

"The Commission may...grant permission to a person to form a network".

Section 15(4):

"No station shall: enter into an affiliation agreement with more than one network operator or with a non-Canadian network operator...".

LICENCES

Section 3(1):

The following five classes of FM licences are prescribed: CBC FM, special FM, joint FM, first radio service FM, and independent FM.

REPORTING

Radio (FM) Broadcasting Regulations, 1976  
Section 4(4):

"Each station shall present to the Commission within seven days of the end of each week its program log for that week".

Broadcasting Act, 1972,  
Section 3(1):

"On or before November 30, in each year, every licensee shall file with the Commission...the form entitled "Annual Return of Broadcasting Licensee"."

NETWORKS

FCC Rules and Regulations, VIII, 1976,  
Part 73, Subpart B,  
Section 73.236

"No licence shall be granted to a network organization".

LICENCE PERIOD

Section 73.218:

"Initial licences...will ordinarily be issued for a period running until the date specified...when renewed...will normally be renewed for three years."

REPORTING

FCC Rules and Regulations, VIII, 1976,  
Part 73, Subpart B,  
Section 73.285:

"Logs...shall be retained by the licensee for a period of two years...and (section 73.286) be made available upon request...of the Commission".

Section 1.611; 1.612; 1.613; 1.615:

Respectively - "Each licensee shall file...on or before April 1, an annual financial report; on or before May 31, an annual employment record; all contracts relating to...network service...ownership...bylaws...proxies...mortgage; ownership reports".



1.3.3. HEARINGS AND APPEALS

CANADA

UNITED STATES

HEARINGS

Broadcasting Act, 1976,  
Section 19:

"A public hearing shall be held in connection with: The issue...revocation...suspension...or amendment of a broadcasting licence...or any other matter in respect of which the Commission deems a hearing desirable".

APPEAL

Broadcasting Act, 1976,  
Section 26:

"An appeal lies from a decision or order of the Commission to the Supreme Court of Canada".

Section 17 (3)

If, notwithstanding the consultation provided for in subsection (2), the Executive Committee attaches any condition to a broadcasting licence described in subsection (2) that the Corporation is satisfied would unreasonably impede the provision, through the Corporation, of the national broadcasting service contemplated by section 3, the Corporation may refer the condition to the Minister for consideration and the Minister, after consultation with the Commission and the Corporation, may give to the Executive Committee a written directive with respect to the condition and the Executive Committee shall comply with such directive.

HEARINGS

FCC Rules and Regulations, Vol. III, 1976  
Part 73, Subpart B,

Hearing may be held for "Revocation (Sl.92)" "Suspension (Sl.85)" "Modification (Sl.87)" of licence or violation of any provision of the Communications Act.

Sl.254: "The burden of proceeding with the introduction of evidence...as well as the burden of proof upon all issues shall be upon the application".

FCC Rules and Regulations Vol. III, Part 73,  
Subpart B, 1976  
Section 1.276

"Within 30 days after the date one which release of the full text of an initial decision is made...any of the parties may appeal to the Commission".

1.3.4. PROGRAMMING

CANADA

UNITED STATES

LOG BOOKS

Radio (FM) Broadcasting Regulations 1976  
Section 4 (1-6):

"Each station shall maintain a program log, in a form acceptable to the Commission, and shall cause to be entered therein each day...information" about each day's program content.

MULTILINGUAL PROGRAMMING

Radio (AM and FM) Broadcasting Regulations  
1976, Section 17 (1-5):

"No station shall broadcast programs in a language other than French or English for periods that...exceed fifteen percent of its broadcast time the commission has authorized" in that language.

(3) A licensee may apply to the Commission for authorization to appropriate more than twenty per cent of the broadcast time of a station for the broadcasting of programs in a language other than French or English and shall show in such application

(a) that there is a sufficient number of non-French or non-English speaking people in his coverage area to justify the granting of the authorization;

(b) his reasons for believing that such broadcasts will help to integrate those people into the community; and

(c) the methods by which he will exercise control over such programs and advertising content of such broadcasts.

(4) The Commission may, after holding a public hearing in respect of an application made under subsection (3), authorize the station in respect of which the application is made to broadcast programs in a language other than French or English for periods that in the aggregate exceed twenty per cent but do not exceed forty per cent of the broadcast time per week of the station.

(5) This section does not apply to programs broadcast in an Eskimo or Canadian Indian language.

CANADIAN BROADCASTING ACT 1967-68  
Section 3(e):

"All Canadians are entitled to broadcasting service in English and French..."

Section 3(g):

"The national broadcasting service should...be in French and English...and contribute to the development of national unity and provide for a continuing expression of Canadian identity."

AM RADIO-CANADIAN CONTENT

Radio (AM) Broadcasting Regulations 1976  
Section 12:

"At least 30% of the musical compositions broadcast by a station or network operator between the hours of 6:00 a.m. and 12 midnight shall be by a Canadian."

LOG BOOKS

FCC Rules and Regulations, Vol. III, 1976  
Part 73, Subpart B,  
Section 73.281:

"The licensee...of each FM station shall maintain program, operating and maintenance logs as set forth in S. 73.282, S. 73.283, S. 73.284."

Section 73.285:

"Logs...shall be retained by licensee...for a period of 2 years" and "shall be made available upon request by an authorized representative of the Commission (S. 73.286)".

ETHNIC PROGRAMMING

FCC Rules and Regulations, Vol. III, 1976.  
Part 73, Subpart B,  
Section 73.210:

"Television broadcast licensees in Puerto Rico may enter into dual-language time purchase (simultaneous transmission of sound track on FM) agreements with FM broadcast licensees..."

CANADA

UNITED STATES

FOREGROUND FORMAT

Radio (FM) Broadcasting Regulations 1976  
Section 12:

Joint FM and independent FM stations, between 6:00 a.m. and midnight, shall have 25% and 16% respectively of programming devoted to foreground format, with a 15 minute minimum.

IDENTIFICATION

Radio (FM) Broadcasting Regulations 1976  
Section 12.5

"Every holder of a joint FM licence shall, at least once during each week, between 7 and 9 a.m. or between 6 and 9 p.m., broadcast a brief statement on its FM station indicating the nature of the relationship between the F.M. station and the associated A.M. station in the same market."

IDENTIFICATION

FCC Rules and Regulations, Vol. III, 1976  
Part 73, Subpart B.  
Section 73.1201 (C-2):

"If the same licensee operates an FM (and AM station) and simultaneously broadcasts the same programs over the facilities of both such stations, station identification announcements may be made jointly for both stations for periods of such simultaneous operation. If the call letters of the FM station do not clearly reveal that it is an FM station, the joint announcement shall so identify it."

1.3.5. BROADCASTING PROCEDURES

CANADA

UNITED STATES

REBROADCASTING

Radio (FM and AM) Broadcasting Regulations  
1976  
Section 14:

"Except with the consent in writing of a representative of the Commission, no station shall pick up and rebroadcast any program or portion thereof."

REBROADCASTING

FCC Rules and Regulations, Vol. III, Part  
73, Subpart H, 1976  
Section 73.1207

(a) The term "rebroadcast" means reception by radio of the programs of a radio station, and the simultaneous or subsequent retransmission of such programs by a broadcast station.

NOTE 1: As used in § 73.1207 "program" includes any complete program or part thereof.

NOTE 2: The transmission of a program from its point of origin to a broadcast station entirely by common carrier facilities, whether by wire line or radio, is not considered a rebroadcast.

(b) No broadcasting station shall rebroadcast the program, or any part thereof of another U.S. broadcasting station without the express authority of the originating station. A copy of the written consent of the licensee originating the program shall be kept by the licensee of the station rebroadcasting such program and shall be made available to the Commission upon request. Stations originating emergency communications under a Detailed State EBS Operational Plan, shall be deemed to have conferred rebroadcast authority on other participating stations. The broadcasting of a program relayed by a remote pickup broadcast station (§ 74.401 of this chapter) is not considered a rebroadcast.

(c) The rebroadcast of time signals originated by the Naval Observatory and the National Bureau of Standards is permitted without further Commission authorization under the conditions set forth in Note 1 to this paragraph. The rebroadcast of National Weather Service (NWS) transmissions is permitted without further Commission authorization under the conditions set forth in Note 2 to this paragraph. Programs originated by the Voice of America (VOA) and the American Forces Radio and Television Service (AFRTS) cannot, in general, be cleared for domestic rebroadcast, and may therefore be rebroadcast only by special arrangement among the parties concerned. Except as otherwise provided by international agreement, programs originated by foreign broadcasting stations may be rebroadcast without the consent of the originating station. In the case of retransmissions of subcarrier background music and other FM multiplex subscription services, permission must first be obtained from the originating station. The retransmission of point-to-point messages originated by government and privately owned rebroadcast stations must be authorized by the Commission prior to retransmission; such authority may be requested informally by telephone, to be followed within one week with a written confirmation accompanied by the written consent of the originating station.

SYNDICATIONRadio (FM) Broadcasting Regulations 1976  
Section 12.3

"No holder of an FM licence shall enter into or renew any contract with any person who is not an employee of the licensee respecting the provision by that person for use by the FM station of pre-recorded matter intended primarily for broadcast except where

- (a) the prerecorded matter is solely within content sub-category number 01,09, 14,15,81,82,85,88 or 89 or con-category number 9\*;" (These categories refer to: news information; news activity; community and emergency messages; consumer and market reports; musical themes, bridges, stringers; technical tests; station ID; identification of announcer; promotion of announcers, programs; and; advertising and station contents, respectively. [Schedule II] )
- (b) "the time segments in which the pre-recorded matter is to be used are in a foreground format or mosaic format;
- (c) the contract is an affiliation agreement filed with the Commission under section 15" (regarding chain broadcasting); or
- (d) "the pre-recorded matter is solely within content category number 6 " (music-general) "or 7" (music-traditional and special interest) "and is by a Canadian..."

Radio (AM) Broadcasting Regulations 1976  
Section 12.8

"For the purposes of this section, a person shall be deemed to be a Canadian if

- (a) he is a landed immigrant...;
- (c) his ordinary place of residence was in Canada during the six months, immediately preceding his contribution to the musical composition in question."

SIMULCASTING/DUPLICATION OF PROGRAMMINGRadio (FM) Broadcasting Regulations 1976  
Section 12.2

"No holder of a joint FM licence shall, between six a.m. and twelve midnight of any day, broadcast simultaneously on its FM station the same matter that is being broadcast on the associated A.M. station in the same market, except as specifically authorized by any condition of its licence or where such broadcasting is necessitated by a public emergency."

SIMULCASTING/DUPLICATION OF PROGRAMMINGFCC Rules and Regulations, Vol. III, Part  
73, Subpart B  
Section 73.242

(b) Effective May 1, 1977, and until May 1, 1979, the extent to which an FM station may duplicate the programming of an AM station owned by the same licensee in the same local area is governed by the following:

(1) If either the AM or FM station is licensed to a community of over 100,000 population, the FM station shall not operate so as to devote more than 25 percent of the average program week to duplicated programming.

(2) If either the AM or FM station is licensed to a community over 25,000 but not over 100,000 population, the FM station shall not operate so as to devote more

## CANADA

## UNITED STATES

Radio (FM and AM) Broadcasting Regulations  
1976

## Section 5(j):

"Any program reconstructing or simulating the direct description of any sport or other event through a description prepared from wired reports or other indirect source of information unless assurance has been given in writing to a representative of the Commission that source material will not be obtained directly or indirectly from a broadcast of the event, and

- (i) a reconstructed broadcast shall not be broadcast until after the conclusion of the event if an actuality broadcast of the event is available in the area,
- (ii) a reconstructed broadcast shall be identified at the beginning and the end...if it is more than fifteen minutes in length, it shall be identified at the end of each fifteen-minute period, and
- (iii) the form of such announcement shall be:
 

'This program is a reconstructed broadcast of \_\_\_\_\_  
(name of event) \_\_\_\_\_;

'This program has been a reconstructed broadcast of \_\_\_\_\_  
(name of event) \_\_\_\_\_'

than 50 percent of the average program week to duplicated programming.

(1) If either the AM or FM station is licensed to a community of over 25,000 population, the FM station shall not operate so as to devote more than 25 percent of the average program week to duplicated programming.

(d) For the purposes of this paragraph, duplication is defined to mean simultaneous broadcasting of a particular program over both the AM and FM stations or the broadcast of a particular program by one station within 24 hours before or after the identical program is broadcast over the other station. The population is that shown in the latest regular U.S. Census Report.

(e) Compliance with the non-duplication requirement shall be evidenced by such showing in connection with renewal applications as the Commission may require.

(f) Upon a substantial showing that continued program duplication over a particular station to a greater degree than permitted by the provisions of this rule would better serve the public interest than timely compliance with this non-duplication requirement, a licensee may be granted a temporary exemption from the requirements of paragraph (b) (1) or (b) (2) of this section. Requests for such exemption must be submitted to the Commission, accompanied by supporting data, at least six months prior to the time the non-duplication requirements of paragraph (b) (1), (b) (2) or (c) (1) of this section are to become effective as to a particular station. Such exemption, if granted, will ordinarily run to the end of the station's current license period, or if granted near the end of the license period, for some other reasonable period not to exceed 3 years.

1.3.6. TECHNICAL RECEPTION

CANADA

UNITED STATES

INTERFERENCE

FCC Rules and Regulations, VIII, 1976,  
Part 73, Subpart B,  
Section 73.209:

"The nature and extent of the protection from interference...is limited solely to the protection which results from the minimum assignment and station separation requirement (S73.207) and the rules with respect to maximum powers and antenna heights (S73.211)" see S73.267 on operating power.

TRANSMISSION

FM Radio in Canada - CRTC, 1975  
page 19:

Stereophonic transmission: "Although the Commission does not intend to enact a regulation to this effect, it will expect that all new or renewed applications for FM licences will make provision for broadcasting the FM signal in a stereophonic mode".

Quadrophonic transmission: "In view of the present state of development of quadrophonic sound broadcasting and...the lack of technical standardization...the Commission does not intend...to encourage broadcasting in this mode".

TRANSMISSION

FCC Rules and Regulations, VIII, 1976,  
Part 73, Subpart B,  
Section 73.340:

"The licensee of an FM station may utilize an automatic transmission system (ATS) in accordance with this section and S73.342 (Nature of ATS), S73.344 (Fail-Safe for ATS) and S73.346 (ATS Monitor and Alarm Points)".

Section 73.321:

"Auxiliary transmitters must conform to the performance characteristics specified by S73.317 (Equipment standards: electrical, operation, studio)".

Section 73.322 (a-q):

"Stereophonic transmission standards".

ENGINEERING

FCC Rules and Regulations, VIII, 1976,  
Part 73, Subpart B:

Section 73.313 (a-j):

Coverage requirements

Section 73.314 (a-c):

Field strength measurement procedures

Section 73.315 (a-f):

Transmitter location

Section 73.316 (a-l):

Type and mounting of antenna system

Section 73.252:

"Frequency measurements shall be made once each calendar month" (see S73.269 for frequency tolerance).

Section 73.268:

"The percentage of modulation shall be maintained as high as possible consistent with good quality of transmission" (See S73.253 for positioning of modulation monitors)

CANADA

UNITED STATES

Radio (AM) (FM) Broadcasting Regulations,  
1976

*Advertising Generally*

8. (1) No station or network operator shall broadcast any program or any spot or flash announcement sponsored by any person for the purpose of promoting

(a) any act or thing prohibited by the law of Canada or of the province in which the station is located;

(b) any insurance corporation not authorized by law to carry on business in Canada;

(c) the investment in bonds, shares or other securities except

(i) securities of the Government of Canada or of any province, municipality or other public authority,

(ii) certificates issued by any recognized trust company incorporated in Canada as evidence of a term deposit with such trust company, and

(iii) debentures of any mortgage loan company incorporated in Canada that are insured or guaranteed by a federal or provincial deposit insurance corporation;

or  
(d) the sale of mining, oil or natural gas property or any interest in any mining, oil or natural gas property.

(2) Subsection (1) does not apply to the broadcasting of a sponsored program of general quotations of market prices presented without comment.

(3) The Commission may, by notice in writing to any station or network operator, require that station or network operator to modify the character of any advertisement broadcast by that station where, in the opinion of a representative of the Commission, the advertisement is of an offensive or objectionable nature.

Radio (FM) Broadcasting Regulations,  
1976

*Newscasts*

7.1 (1) The first ten minutes of any news-cast shall not be interrupted by a commercial message or public service announcement.

(2) For the purposes of this section, "news-cast" includes news headlines, reports of news events and summaries of the news but does not include an announcement that mentions only the place of origin of the news items, the title of the newscast and the name of the news reader.

Radio (AM) (FM) Broadcasting Regulations,  
1976

*Offensive Promotional Programs*

9. (1) Where, in the opinion of a representative of the Commission, a promotional program broadcast by a station is of an offensive or objectionable nature, or is likely to create or contribute to any public disturbance or disorder, that representative may, by notice in writing, require that station to show cause, in the manner and within the time indicated in the notice, why the character of that program should not be modified.



Radio (FM & AM) Broadcasting Regulations,  
1976

*Political Broadcasts*

6. (1) Each station or network operator shall allocate time for the broadcasting of programs, advertisements or announcements of a partisan political character on an equitable basis to all parties and rival candidates.

(2) Political programs, advertisements or announcements shall be broadcast by stations or network operators in accordance with such directions as the Commission may issue from time to time.

Radio (FM) Broadcasting Regulations,  
1976

*Commercial Messages*

7. (1) Between

(a) six a.m. and twelve noon,

(b) twelve noon and six p.m., and

(c) six p.m. and twelve midnight

of any day,

(d) no station operated by the holder of a joint F.M. licence shall broadcast commercial messages the aggregate time of which exceeds forty minutes, and

(e) no station operated by the holder of an independent F.M. licence shall broadcast commercial messages the aggregate time of which exceeds fifty minutes.

(2) No station operated by the holder of a joint F.M. licence or an independent F.M. licence shall, during any clock hour between six a.m. and twelve midnight of any day, broadcast more than ten minutes of commercial messages.

Radio (AM) Broadcasting Regulations,  
1976

*Advertising Content*

7. (1) No station shall broadcast commercial messages the total time of which exceeds 250 minutes during the period between six o'clock in the forenoon and twelve o'clock midnight, and the total time of commercial messages in a week shall not exceed 1,500 minutes.

(2) No station that is limited by a condition of licence to broadcasting between the hours of sunrise and sunset only shall broadcast commercial messages the total time of which exceeds 200 minutes during the period between sunrise and sunset in any day and the total time of commercial messages in any week shall not exceed 1,000 minutes.

(2) If the Executive Committee of the Commission is not satisfied that the station has shown cause in the manner and within the time prescribed by the notice described in subsection (1) as to why the character of the promotional program described in that subsection should not be modified, the Commission may by written notice require that station to make such modifications to the program as the Commission may deem necessary.

## Radio (FM) (AM) Broadcasting Regulations, 1976

### *Spirituos Liquors, Beer, Wine and Cider*

10. (1) Subject to subsection (2), no station or network operator shall broadcast any commercial message

- (a) advertising, directly or indirectly, any spirituous liquor or any beer, wine or cider; or
- (b) sponsored by or on behalf of any person whose principal business is the manufacture or sale of spirituous liquor, beer, wine or cider.

(2) Where in any province the advertising of beer, wine or cider is permitted, a commercial message sponsored by a brewery, winery or cider-house may be broadcast in that province subject to the following conditions:

- (a) the advertising shall not be designed to promote the general use of beer, wine or cider, but this prohibition shall not be construed so as to prevent industry, institutional, public service or brand preference advertising;
- (b) no commercial message shall exceed sixty seconds in duration;
- (c) no device and no commercial message, other than a commercial message allowed under this subsection, shall be used to advertise, directly or indirectly, the sponsor or his product; and
- (d) no commercial message shall be broadcast unless it is approved by a representative of the Commission prior to broadcast.

(3) For the purpose of determining whether a commercial message may be broadcast in a province pursuant to subsection (2), "cider" means cider that is considered to be an alcoholic beverage by the law of the province relating to the advertising of cider.

Radio (FM) (AM) Broadcasting Regulations,  
1976Food and Drugs; Proprietary or Patent  
Medicines

11. (1) No station or network operator shall broadcast any advertisement or testimonial for an article to which the *Proprietary or Patent Medicines Act* applies or for a drug, cosmetic or device to which the *Food and Drugs Act* applies unless the continuity of the advertisement or testimonial has been approved by the Department of National Health and Welfare and by a representative of the Commission and bears the registration number assigned by the Commission.

(1A) No station or network operator shall broadcast any advertisement or testimonial for a food to which the *Food and Drugs Act* applies unless the continuity of the advertisement or testimonial has been approved by the Department of Consumer and Corporate Affairs and by a representative of the Commission and bears the registration number assigned by the Commission.

(2) No station shall broadcast any recommendation for the prevention, treatment or cure of a disease or ailment unless the continuity thereof has been approved by the Department of National Health and Welfare and by a representative of the Commission and bears the registration number assigned by the Commission.

(3) Continuities submitted for approval pursuant to these Regulations shall be forwarded to the Commission in triplicate at least two weeks in advance of intended use.

(4) Every station shall maintain and produce to a representative of the Commission upon request, a record of all continuity approved under this section which record shall contain:

- (a) the name of the product;
- (b) the name of the advertiser or advertising agency submitting the continuity; and
- (c) the registration number assigned to the continuity by the Commission.

(5) Inspectors whose names are listed in Appendix II to the *Food and Drug Regulations* are deemed to be representatives of the Commission for the purposes of subsection (4).

FCC Rules & Regulations, Volume III,  
Subpart H, 1976§ 73.1212 Sponsorship identification; list retention;  
related requirements.

(a) When a broadcast station transmits any matter for which money, service, or other valuable consideration is either directly or indirectly paid or promised to, or charged or accepted by such station, the station, at the time of the broadcast, shall announce (1) that such matter is sponsored, paid for, or furnished, either in whole or in part, and (2) by whom or on whose behalf such consideration was supplied: *Provided, however,* That "service or other valuable consideration" shall not include any service or property furnished either without or at a nominal charge for use on, or in connection with, a broadcast unless it is so furnished in consideration for an identification of any person, product, service, trademark, or brand name beyond an identification reasonably related to the use of such service or property on the broadcast.

(i) For the purposes of this section, the term "sponsored" shall be deemed to have the same meaning as "paid for."

(b) The licensee of each broadcast station shall exercise reasonable diligence to obtain from its employees, and from other persons with whom it deals directly in connection with any matter for broadcast, information to enable such licensee to make the announcement required by this section.

(c) In any case where a report has been made to a broadcast station as required by section 508 of the Communications Act of 1934, as amended, of circumstances which would have required an announcement under this section had the consideration been received by such broadcast station, an appropriate announcement shall be made by such station.

(d) In the case of any political broadcast matter or any broadcast matter involving the discussion of a controversial issue of public importance for which any film, record, transcription, talent, script, or other material or service of any kind is furnished, either directly or indirectly, to a station as an inducement for broadcasting such matter, an announcement shall be made both at the beginning and conclusion of such broadcast on which such material or service is used that such film, record, transcription, talent, script, or other material or service has been furnished to such station in connection with the transmission of such broadcast matter: *Provided, however,* That in the case of any broadcast of 5 minutes' duration or less, only one such announcement need be made either at the beginning or conclusion of the broadcast.

CANADA

UNITED STATES

(e) The announcement required by this section shall, in addition to stating the fact that the broadcast matter was sponsored, paid for or furnished, fully and fairly disclose the true identity of the person or persons, or corporation, committee, association or other unincorporated group, or other entity by whom or on whose behalf such payment is made or promised, or from whom or on whose behalf such services or other valuable consideration is received, or by whom the material or services referred to in paragraph (d) of this section are furnished. Where an agent or other person or entity contracts or otherwise makes arrangements with a station on behalf of another, and such fact is known or by the exercise of reasonable diligence, as specified in paragraph (b) of this section, could be known to the station, the announcement shall disclose the identity of the person or persons or entity on whose behalf such agent is acting instead of the name of such agent. Where the the material broadcast is political matter or matter involving the discussion of a controversial issue of public importance and a corporation, committee, association or other unincorporated group, or other entity is paying for or furnishing the broadcast matter, the station shall, in addition to making the announcement required by this section, require that a list of the chief executive officers or members of the executive committee or of the board of directors of the corporation, committee, association or other unincorporated group, or other entity shall be made available for public inspection at the location specified by the licensee under § 1.526 of this Chapter. If the broadcast is originated by a network, the list may, instead, be retained at the headquarters office of the network or at the location where the originating station maintains its public inspection file under § 1.526 of this chapter. Such lists shall be kept and made available for a period of two years.

(f) In the case of broadcast matter advertising commercial products or services, an announcement stating the sponsor's corporate or trade name, or the name of the sponsor's product, when it is clear that the mention of the name of the product constitutes a sponsorship identification, shall be deemed sufficient for the purpose of this section and only one such announcement need be made at any time during the course of the broadcast.

CANADA

UNITED STATES

FCC Rules & Regulations, Volume III,  
Subpart H, 1976

§ 73.1205 Fraudulent billing practices.

(a) No licensee of a standard, FM, or television broadcast station shall knowingly issue or knowingly cause to be issued to any local, regional or national advertiser, advertising agency, station representative, manufacturer, distributor, jobber, or any other party, any bill, invoice, affidavit or other document which contains false information concerning the amount actually charged by the licensee for the broadcast advertising for which such bill, invoice, affidavit or other document is issued, or which misrepresents the nature or content of such advertising, or which misrepresents the quantity of advertising actually broadcast (number or length of advertising messages) or which substantially and/or materially misrepresents the time of day at which it was broadcast, or which misrepresents the date on which it was broadcast.

(b) Where a licensee and any program supplier have entered into a contract or other agreement obligating the licensee to supply any document providing specified information concerning the broadcast of the program or program matter supplied, including noncommercial matter, the licensee shall not knowingly issue such a document containing information required by the contract or agreement that is false.

(c) A licensee shall be deemed to have violated this section if it fails to exercise reasonable diligence to see that its agents and employees do not issue documents containing the false information specified in paragraphs (a) and (b) above.

QUEEN P 91 .C655 W37 1978  
Watson, K.  
A financial analysis of the



WATSON, K.  
-- A FINANCIAL ANALYSIS OF  
THE PRIVATE RADIO BROADCASTING  
SECTOR IN CANADA AND THE  
UNITED STATES.

P  
91  
C655  
W37  
1978  
c.2

Date Due

JUL 11 1979  
7 JAN 1986

FORM 109

