CRTC's Satellite Radio Decision Sparks Debate about Competition with Conventional Radio

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The **Canadian Radio-television and Telecommunications Commission**'s recent decision to license three subscription radio licenses to: **Sirius Canada Inc., Canadian Satellite Radio**, and **CHUM Limited/Astral Media Radio Inc.** has sparked debates across the country - and signaled a new and emerging era in radio.

Sirius, a three way partnership with **CBC, Standard Radio Inc.**, and **Sirius Satellite Radio Inc.** of the U.S., and Canadian Satellite Radio, a joint venture with **John Bitove** and **XM Satellite Radio Holdings Inc.**, were licensed by the CRTC to provide for pay radio services to be delivered by satellite and terrestrial transmitters. CHUM/Astral was licensed to offer its subscription radio services via digital channels through terrestrial transmitters. Sirius and CSR both must provide written confirmation, within 150 days of the decision if they accept the licensing framework and conditions imposed by the CRTC.

The **Canadian Association of Broadcasters** and others have raised concern that subscription radio will compete for audiences on conventional radio – a concern that only time will tell. Pay radio may prove to have little actual impact on conventional radio. A CAB statement says, "These new national subscription radio services will be available throughout the country, even in communities where the Commission had deemed the reality of the local market could not sustain the arrival of new local radio services". However, the concerns by CAB and others seem premature and may not prove true, for several reasons.

First, the introduction of subscription radio can be compared to the introduction of cable/digital television services into the TV market. We have not seen the demise of conventional TV with the introduction of cable/digital TV. In fact, total 2004 revenues of English-language specialty, pay and pay-per-view services were about the same as revenues of private conventional TV stations. The introduction of cable/digital TV services has increased the number of channels available to audiences – offering more varied and interesting programming choices. Cable and digital TV services offer niche programming catering to certain audiences. These same viewers have not purchased these channels to the exclusion of conventional 'free' TV.

Second, while satellite or digital radio provides excellent sound quality – akin to the quality of sound you hear when you play a CD - you have to pay extra for those services. Sirius and CSR are offering their services for approximately $13 per month. CHUM/Astral is offering its services for approximately $10 per month. Subscribers will also need to purchase a special receiver to pick up the signals. There will always be consumers who do not want to pay for listening to the radio.

Third, while there will definitely be a need for national news coverage, there will still always be a need for local news, programming and information. Sirius and CSR are not permitted to broadcast any original local programming that targets a particular geographic community, including local commercial messages, news, weather and traffic information. Conventional radio stations will satisfy the needs of viewers for local news and information.

Fourth, there will be little competition with the pay radio providers for local advertisers. Both Sirius and CSR are permitted to broadcast six minutes per hour of national commercial time on each channel. National advertisers will not necessarily want to advertise on local stations. Local advertisers cannot advertise on the satellite/digital radio services. Therefore, conventional stations will not lose their main sources of revenue. Further, subscription radio providers will have to compete for subscribers in order to earn revenue to keep alive. They may be forced to think of other interesting ways of gaining revenue, such as advertising on their Web sites, offering discounts and special incentives on purchasing satellite receivers, partnering with advertisers to offer 'package' services such as subscription TV, radio, Internet and phone services. There are also other unique advertising formats such as broadcasting certain events and concerts on subscription radio for a fee. The opportunities will have to be creative and interesting.

Fifth, even though pay radio will allow access to U.S. radio channels by the Canadian market, the CRTC has imposed more Canadian content conditions on subscription radio providers than it has on conventional radio stations. And a coalition of arts, labour and other organizations who do not feel that the CRTC has imposed enough restrictions, is appealing the CRTC's decision to the federal cabinet. The CRTC's restrictions are on the maximum number of foreign channels offered and how they are packaged with Canadian produced channels. (There can be no less than 10% of original Canadian-produced channels among total channels offered by each applicant.)

The concerns over the introduction of subscription satellite/digital radio do not appear as threatening to conventional radio stations as some proponents argue – especially since some of the licensees also own conventional stations. If it were a threat, then they would be risking their current business interests.

My prediction: there will always be room for conventional radio stations alongside pay radio services.