

5 April 2007



Ms. Diane Rhéaume
Secretary General
Canadian Radio-television & Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Dear Ms. Rhéaume:

Re: CRTC Notice 2006 – 1667 - 5

1. By this written intervention, the Association of Canadian Advertisers (ACA) wishes to **comment** on the above noted application by CTVglobemedia to transfer the effective control of CHUM Limited. We would like to request that we be permitted to appear at these proceedings so that the perspective of the advertiser may be represented during the oral phase of this hearing.
2. The Association of Canadian Advertisers is the only association solely representing the interests of *advertisers* in this country. Our members, over 200 companies and divisions, represent a wide range of industry sectors, including manufacturing, retail, packaged goods, financial services and communications. They are the top advertisers in Canada with estimated annual sales of close to \$350 billion.
3. As we have pointed out before, advertising is a primary resource sustaining the Canadian broadcasting system. In all its forms, advertising is estimated to represent an annual \$13 billion investment in the Canadian economy. Of this total amount, approximately \$3 billion is invested annually in television advertising. It is a substantial contributor of funds to the Canadian television broadcasting system.
4. Considering these substantial revenues, the role of advertising is critical to a healthy and robust broadcasting system in Canada. It is advertising that

pays for content -- the programs that entertain, inform and educate Canadians. In short, advertising brings essential economic strength to the system.

5. For many advertisers, conventional broadcasting continues to be the workhorse of brand building. Advertisers have also embraced and supported the many and varied specialty channels that the Commission has licensed, but it is still conventional stations where advertisers go to purchase mass audiences.
6. Strong and stable media companies are not only important to advertisers, but to the broadcasting system as a whole. Despite current advertiser concerns with television as an advertising medium, CTV has consistently provided advertisers with a proven track record of programming that performs and no doubt will continue to offer advertisers sound and steady leadership in broadcasting in Canada.
7. That is why we do not object to the bulk of this merger. Adding radio assets, for instance, to the television and newspaper offerings from CTVglobemedia provides advertisers with opportunities and options for media mix synergies.
8. However, the addition of the City-TV stations to the CTVglobemedia stable does give us cause for serious concern. If this portion of the merger is allowed, then the markets of Toronto, Winnipeg, Calgary, Edmonton, and Vancouver will all have two very local stations by the same owner and will create undue competitive advantage.
9. Advertisers seeking time in those markets in the future would find it extremely difficult, if not impossible, to buy around CTV, leaving them unable to exert any substantial leverage in response to unacceptable price offerings. Excessive market cost increases for TV time would be inevitable and force manufacturers to pass these on to consumers.
10. The Commission's longstanding common ownership policy of one conventional station/one owner/one market has served the broadcasting system well. It has ensured healthy competition and diversity of voices. If this merger were approved by the Commission, it would represent the first time that this policy is breached.
11. The applicant has suggested that the Commission has already set several precedents in this regard by allowing, for instance, CanWest's ownership of CHCH-TV Hamilton, as well as common ownership of stations in Red Deer/ Calgary & Edmonton, Barrie/Toronto, Victoria/Vancouver, etc.

12. But make no mistake, the Red Deer station is not a Calgary nor Edmonton station, Hamilton and Barrie are not Toronto, and Victoria is not Vancouver. These are true exceptions. The Red Deer, Barrie, Hamilton, and Victoria stations all have licences to serve those specific markets. Exceptions for distinct but nearby markets are much different than two local operations in the very same city.
13. The applicant argues quite rightly that past ratings success is never a predictor of future success, but if anything is, it most certainly is the number of local distribution channels. This merger would give CTV two local signals in five top markets in Canada and confer an undue competitive advantage.
14. We believe the Commission should approve this merger to preserve strong and stable broadcast entities in Canada, but also require that the applicant divest itself of the five City-TV stations in order to preserve healthy competition.
15. We appreciate the opportunity to comment on this issue, and wish the Commission well in your deliberations.

Respectfully submitted,



Robert Reaume
Vice President, Policy & Research

cc. CTVglobemedia

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