



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# DISRUPTION:

## Change and Churning in Canada's Media Landscape

JUNE 2017

Report of the Standing Committee  
on Canadian Heritage

The Hon. Hedy Fry, Chair

42<sup>nd</sup> PARLIAMENT, FIRST SESSION

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**DISRUPTION: CHANGE AND CHURNING IN  
CANADA'S MEDIA LANDSCAPE**

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Canadian Heritage**

**Hon. Hedy Fry  
Chair**

**JUNE 2017**

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# STANDING COMMITTEE ON CANADIAN HERITAGE

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# **THE STANDING COMMITTEE ON CANADIAN HERITAGE**

has the honour to present its

## **SIXTH REPORT**

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the media and local communities, and has agreed to report the following:





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## LIST OF ACRONYMS

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APF	Association de la presse francophone
AJRQ	Association des journaux régionaux du Québec
APTN	Aboriginal Peoples Television Network
ARCC	Alliance des radios communautaires du Canada
AWNA	Alberta Weekly Newspapers Association
BDU	Broadcasting distribution undertaking
DTH BDU	direct-to-home broadcasting distribution undertaking
CACTUS	Canadian Association of Community Television Users and Stations
CBSC	Canadian Broadcasting Standards Council
CHPC	Standing Committee on Canadian Heritage
CMCRP	Canadian Media Concentration Research Project
CMF	Canada Media Fund
CMG	Canadian Media Guild
CPF	Canada Periodical Fund
CRTC	Canadian Radio-television and Telecommunications Commission
CUPE	Canadian Union of Public Employees
CWTA	Canadian Wireless Telecommunications Association
FCFA	Fédération des communautés francophones et acadienne du Canada
FNC	Fédération nationale des communications
FPJQ	Fédération professionnelle des journalistes du Québec
FRPC	Forum for Research and Policy in Communications

HHI	Herfindahl-Hirschman Index
ILNF	Independent Local News Fund
ISED	Innovation, Science and Economic Development Canada
NCRA	National Campus and Community Radio Association
NEPMCC	National Ethnic Press and Media Council of Canada
OECD	Organisation for Economic Co-operation and Development
OLMC	Official language minority communities
PBIT	Profit Before Interest and Taxes
PIAC	Public Interest Advocacy Centre
PPF	Public Policy Forum
PSPC	Public Services and Procurement Canada
PWGSC	Public Works and Government Services Canada
QCGN	Quebec Community Groups Network
QCNA	Quebec Community Newspapers Association
RTDNA	Radio Television Digital News Association of Canada

# FOREWORD FROM THE CHAIR OF THE STANDING COMMITTEE ON CANADIAN HERITAGE

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When the Standing Committee on Canadian Heritage began its study, on what was perceived to be declining access to local and regional news and stories in Canada, we thought it would take us a little over 10 meetings. There had, after all, been two parliamentary studies on the rapidly changing world of media over the last dozen years.

The first, an excellent report: *Our Cultural Sovereignty*, released by the House of Commons Standing Committee on Canadian Heritage in 2003, colloquially known as the Lincoln Report, was an in-depth analysis of the “newly emerging world of media” where convergence of different platforms and the rise of digitalization presented challenges and opportunities.

The second, released three years later by the Standing Senate Committee on Transport and Communications, was a highly critical and cautionary report that shed light on the alarming results of growing consolidation by television and print media.

I think we, the Committee members, perhaps, naively, thought that we would update information, collect new data on loss of access to local news; investigate the impact of growing media consolidation especially in print and broadcast sectors; analyze the closing down of local papers and newsrooms across the country and explore the challenges created by new digital devices and new mega-international servers like Google and Facebook.

What we discovered, 15 months later, was that we had opened a Pandora’s box of complex and rapidly evolving challenges, issues and events. Indeed the ground seemed to be shifting beneath our feet daily, and we needed to recall, on occasion, witnesses whose testimonies demanded clarification or had become outdated, and incoherent.

We heard that media consolidation did not always lead to better access to news by local communities. We heard that the advent of news aggregators like Google and Facebook “muddied the waters” conflating news sources so that a phenomenon known as fake news emerged. We also heard that journalistic integrity and the ethos of verifiable and accountable journalism is at risk when it becomes indistinguishable from “citizen journalism.” We noted that access to reliable news and information was integral to a functioning democracy.

There was an unusual synergy among members of the Committee, regardless of political stripe, we were united by passion and a commitment to change the course of certain negative trends that threatened the sustainability of local, community and regional media.

We worked well together with frankness and openness to debate and ideas that were rare, remarkable and exciting. I thank the Committee for that.

As we write this report, we are aware that the Lincoln Report and the 2006 Senate report were prophetic. They say and warned of negative trends and consequences. They were largely ignored.

The Committee was served by excellent support staff: clerks and analysts. We thank them for their diligence and accurate recording of the testimonies.

Hon. Hedy Fry, P.C., MP,  
Chair, Standing Committee on Canadian Heritage

# DISRUPTION: CHANGE AND CHURNING IN CANADA'S MEDIA LANDSCAPE

## PART 1: INTRODUCTION

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### 1.1 Our study

On 16 February 2016, the House of Commons Standing Committee on Canadian Heritage (the Committee) passed the following motion:

That the Committee undertake a study of not fewer than ten (10) meetings on how Canadians, and especially local communities, are informed about local and regional experiences through news, broadcasting, digital and print media; the unintended consequences of news media concentration and the erosion of local news reporting and the impact of new media; [and] that the Committee make recommendations and report its findings to the House.”<sup>1</sup>

The Committee’s study extended to 44 meetings, during which it heard 131 witnesses and received 13 briefs. These witnesses included journalists, media executives, representatives from not-for-profit organizations and government officials. The Committee would like to thank them for participating in its work.

Early in its study, the Committee agreed on terms of reference that cover the range of issues facing local media and local news reporting. Testimony has been organized according to four main subject areas and 10 questions:

- Canadians’ access to information media, especially those living in local communities.
  - What is the current state of local and regional information through print, broadcast and digital media?
  - What are the main challenges that these sources of information are currently facing?
  - How existing government policies, programs and/or regulations are useful and appropriate to effectively address these challenges?
- Consequences of news media concentration and the erosion of local news reporting.

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<sup>1</sup> House of Commons, Standing Committee on Canadian Heritage (CHPC), [Minutes of Proceedings](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, Meeting No. 2, 16 February 2016.

- To what extent does news media concentration impede the access to information for Canadians, especially those living in local communities?
- How and to what extent have you noticed a gradual erosion of local news reporting?
- How existing government policies, programs and/or regulations are useful and appropriate to effectively address the erosion of local journalism?
- Digital media and its impact on local information.
  - To what extent is the rise of digital media an asset to serve the information needs of Canadians, especially those living in local communities?
  - Does traditional media (e.g. newspapers, television and radio) still remain the most trusted and relevant source for local news or information?
  - In this digital age, how can we ensure that local information will survive and what is the role of the government in this digital environment?
- Summary and perspectives: How do you see the future of this industry?

A glossary has been included in the appendix A to improve understanding of certain terms.

## **1.2 The media as a reflection of Canada's cultural diversity**

The media encompass all the means of communicating information that could affect public opinion of large number of people. Local media include all of the means of covering the news and community life in the regions, suburbs, cities and towns that the local media serve.

Local media perform various functions in Canadian society. They perform a fundamental civic role by supplying reliable, timely and unbiased information on community affairs. They ensure public and private institutions are held to account.

The media also reflect our country's diversity. They can foster integration and social cohesion among the various elements of society. The ethnic media are a good illustration of this role. They build bridges between cultures and support the integration of newcomers.

The media serving official language minority communities play a similar role. They support the development and vitality of minority language communities and help to bring them out of isolation. Governments also use this branch of the media to communicate with the public in both official languages.



The Indigenous media provide content that reflects the distinctive nature and culture of Indigenous peoples and help to bridge the gap in understanding between Aboriginal and non-Aboriginal Canadians.

The economic contribution of local media should also not be underestimated. They directly support the local economy by creating jobs and promoting local businesses.<sup>2</sup>

Lastly, local media help to preserve our country's collective memory. In 2013, the newspaper *La Liberté* in Winnipeg, Manitoba, celebrated its 100<sup>th</sup> anniversary, and *Le Moniteur Acadien* in Shediac, New Brunswick, will mark its 150<sup>th</sup> anniversary this year.<sup>3</sup> During his appearance, Ken Waddell, publisher of the *Neepawa Banner*, *Neepawa Press*, *Rivers Banner* (Neepawa Banner), told the Committee that his company had archival documents dating back more than 120 years!

### 1.3 The media: a pillar of Canadian democracy

The media play a vital role in a healthy democracy. In 2010, the Committee for Information, Computer and Communications Policy of the Organisation for Economic Co-operation and Development (OECD) stated the following:

... a democratic political system cannot function without diverse, free, and independent sources of news, making press freedom and the watchdog role of the press a pillar of contemporary societies and well-informed citizens. At its best, one of the functions of news and journalism is to keep up the accountability of governments, businesses and individuals.<sup>4</sup>

The authors of this OECD report also noted that “newspaper publishers in most OECD countries face declining advertising revenues and significant reductions in titles and circulation.”<sup>5</sup>

Other legislative committees have also shown an interest in the state of the media. In 2003, the House of Commons Standing Committee on Canadian Heritage, chaired by Clifford Lincoln, conducted a study in order, “to determine whether the ideals and objectives set out in the *Broadcasting Act* of 1991 were being met and whether the Act itself was in need of reform.”<sup>6</sup> Three years later, the Standing Senate Committee on Transport and Communications conducted a study on the Canadian news media.<sup>7</sup> In their respective reports, both committees pointed out that editorial freedom was vital to the health and safety of our democracy.

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2 CHPC, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 10 May 2016, 0900 (Jagdish Grewal, Editor and publisher, *Canadian Punjabi Post Inc.*).

3 Association de la presse francophone (APF), *Historique*. [In French only]

4 Organisation for Economic Co-operation and Development, Working Party on the Information Economy, *The Evolution of News and the Internet*, (DSTI/ICCP/IE(2009)14/FINAL), 11 June 2010, p. 13.

5 Ibid., p. 6.

6 CHPC, *Our Cultural Sovereignty. The Second Century of Canadian Broadcasting*, June 2003, p. 3.

7 Standing Senate Committee on Transport and Communications, *Final Report On The Canadian News Media, Volume 1* and *Volume 2*, June 2006.

In 2009, the United States Senate Subcommittee on Communications, Technology, and the Internet held public hearings on the future of journalism. The chair of the subcommittee, Senator John Kerry, stated that the media “is the foundation of our democracy,”<sup>8</sup> but that it is also “an endangered species.”<sup>9</sup>

In 2010, the United Kingdom House of Commons [Culture, Media and Sport Committee](#) released a report on the future of local media. The Committee emphasized the local media’s role in accountability:

The importance of reporting on local institutions and local democracy cannot be overstated; without it there is little democratic accountability. This reporting must be independent and good quality in order to inform the public and maintain their confidence.<sup>10</sup>

In May 2016 the Australian House of Representatives’ Standing Committee on Communications and the Arts examined access to the news in the country’s rural regions. In its final report, the Committee stressed the importance of access to local content:

The availability of diverse local content in rural and regional communities, including news and emergency information, is critical for community identity and cohesion, for the engagement of individuals in democracy, and for people to be well informed about issues that impact upon their lives.<sup>11</sup>

As the following quotes so eloquently demonstrate, a number of witnesses stressed the importance of supporting the media in order to maintain our democratic health.

Philip Crawley, publisher and Chief Executive Officer of *The Globe and Mail*, stated that if local newspapers disappear, the public will pay “less attention to how democracy works”<sup>12</sup> and there will be “less information on what matters in community life.”<sup>13</sup>

According to Mark Lever, President and Chief Executive Officer of *The Chronicle Herald* in Nova Scotia, “Newspapers, with reporters in communities throughout Canada, are the food supply of our democracy.”<sup>14</sup>

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8 Hearing before the Subcommittee on Communications, Technology, and the Internet of the Committee on Commerce, Science, and Transportation, United States Senate, *The Future of Journalism*, One Hundred Eleventh Congress, First Session, 6 May 2009, p. 1.

9 Ibid., p. 2.

10 Parliament of the United Kingdom. Culture, Media and Sport Committee (House of Commons), [Future for local and regional media](#), Fourth Report of Session 2009-10, Vol. 1. 6 April 2010, p. 9.

11 Parliament of the Commonwealth of Australia. House of Representatives Standing Committee on Communications and the Arts, [Arts and the news to rural and regional Australia: Inquiry into broadcasting, online content and live production to rural and regional Australia](#), May 2016, p. 78.

12 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1200 (Phillip Crawley, Publisher, Chief Executive Officer, *The Globe and Mail*).

13 Ibid.

14 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, President, Chief Executive Officer, *The Chronicle Herald*).

Torstar Corporation (Torstar) President John Honderich commented that “the quality of a democracy is a direct function of the quality of information citizens have to make informed decisions.”<sup>15</sup>

Throughout the Committee’s study, many witnesses highlighted the importance for all Canadians, wherever they may live, of having access to reliable, good-quality local news. Local media play a critical role in reflecting the regional and cultural diversity of our country. In addition, the practice of journalism in these regions is vital to our democracy.

As representatives of constituencies from across Canada, we are concerned about the future of local media. We are well aware of the essential role they play in our communities.

We recognize the challenges the media face and we believe that steps must be taken to help them navigate this tumultuous period. Therefore, the Committee has developed the following statement of principle:

### **Statement of principle**

**Given the media’s importance as a reflection of Canada’s diversity and a pillar of our democracy, the Government of Canada must implement the necessary measures to support the existence of a free and independent media and local news reporting.**

Many witnesses pointed to the challenges posed by restrictive eligibility criteria for funds based on media types, such as broadcasting, print media or digital media. What became clear from the testimony presented to the Committee is that there is a need to promote Canadian content across all media, regardless of the consumer’s platform of choice. In this report, we make many recommendations based on existing structures and funds.

### **RECOMMENDATION 1**

**The Committee recommends that the Minister of Canadian Heritage explore the existing structures to create a new funding model that is platform agnostic and would support Canadian journalistic content.**

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15 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1110 (John Honderich, Chair, Torstar Corporation).



## PART 2: CANADIANS' ACCESS TO LOCAL INFORMATION MEDIA

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Local programming is the cornerstone of the Canadian media system. Local programming, and local news in particular, helps Canadians keep abreast of events in their communities. According to a 2015 survey, 36.2% of Canadians got their local news from television, 23.3% from newspapers, 20.7% from radio and 18% from the Internet.<sup>16</sup> In addition, a survey commissioned in 2014 by the Canadian Radio-television and Telecommunications Commission (CRTC) showed that approximately 81% of Canadians ranked local news as being important to them.<sup>17</sup>

### 2.1 Digital media

For some time, the media industry consisted solely of print newspapers and magazines, television broadcasting, and radio. Now, most information is available on multiple platforms. Indeed, the biggest disruptor of traditional media platforms has been the rise of Internet-based media, which has changed the way Canadians consume, and pay for, media.

Over the years, new digital services have emerged that have significantly increased online content. While some of these services did not exist 10 or 15 years ago, they are now major players on the Canadian media scene:

- Google (1998)
- Facebook (2004)
- YouTube (2005)
- Twitter (2006)
- Netflix Canada (2010)

New national news services, including *iPolitics*, *The Tyee*, *National Observer*, and *La Presse* have successfully made the transition to online-based only subscriptions. Moreover, there is a host of experienced freelance journalists whose work appears in traditional media, as well as specialty digital publications such as *Blacklock's Reporter* and *The Wire Report*.

Richard Gingras, Vice-President of News at Google, explained how the open ecosystem of the Web has enabled the emergence of

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16 Thinktv, [Nlogic Omnivu Survey](#), December, p. 4.

17 Canadian Radio-television and Telecommunications Commission (CRTC), [Let's Talk TV: Quantitative Research Report](#), 24 April 2014.

... many new voices, from news sites to job-listing sites to Wikipedia, from a million blogs to a billion social posts. It has also enabled traditional media, like *The Globe and Mail* and the *Toronto Star*, to reach global audiences.<sup>18</sup>

A [poll](#) conducted by Abacus Data in August 2016 shows that 62% of news consumers under 45 years old were much likely to check social media like Facebook and Twitter. Offline news consumers “are generally older (69% are aged 45 and older) and are less likely to check social media sites.”<sup>19</sup> They are also more likely to have a paid TV service and they connect fewer devices to the Internet.<sup>20</sup>

**Table 1 – Profiling news consumers, August 2016**

Digital news consumers	Offline news consumers
51% of Canadians of 18+	49% of Canadians of 18+
Younger (62% under 45 years old)	Older (69% are 45 years old and older)
17% do not have a paid TV service	6% do not have a paid TV service
Number of connected devices: 5.8	Number of connected devices: 4.6
70% check Facebook daily	50% check Facebook daily
20% check Twitter daily	7% check Twitter daily

Source: Abacus Data, *Matters of Opinion 2017: 8 things We Learned About Politics, The News, and the Internet*, 7 February 2017.

## 2.2 Print media

In the context of local media, print media includes local magazines, community and daily newspapers, official language and minority newspapers, and ethnic and Indigenous publications.

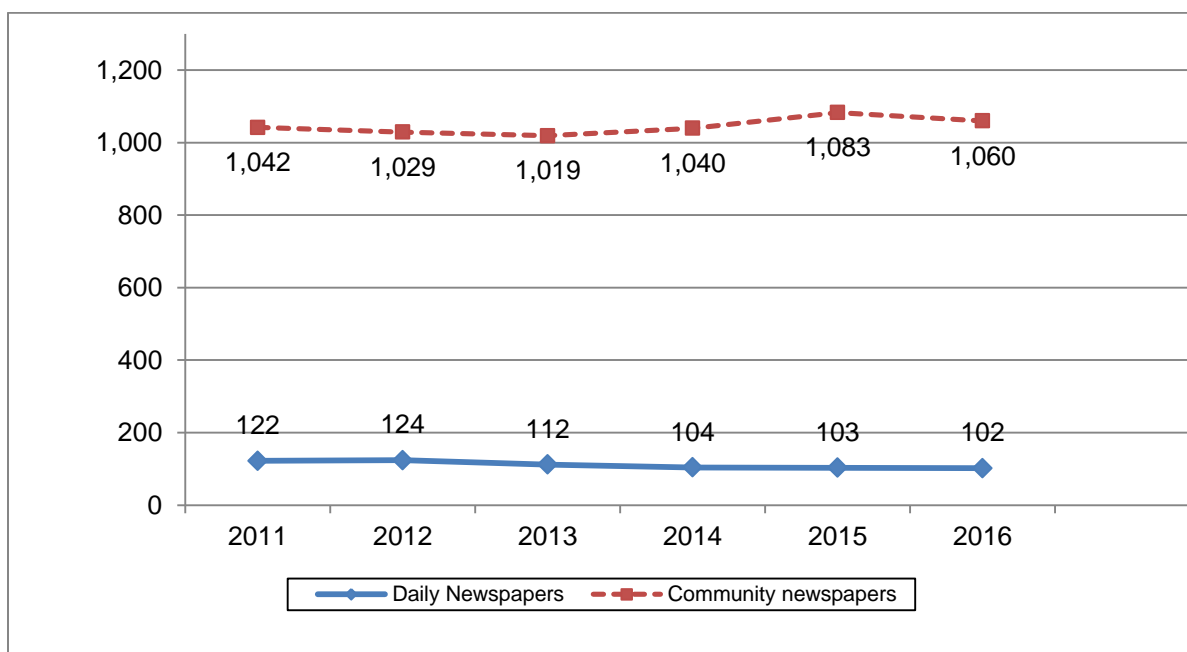
There were 1,162 newspapers in Canada in 2016, including 102 dailies and 1,060 community newspapers. The number of dailies has decreased since 2011, while the number of community newspapers has remained steady.

18 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1240 (Richard Gingras, Vice-President, News, Google).

19 Abacus Data, [Matters of Opinion 2017: 8 things We Learned About Politics, The News, and the Internet](#), 7 February 2017

20 Ibid.

**Figure 1 – Number of Canadian Newspapers, 2011 to 2016**



Source: News Media Canada. (Most up-to-date data)

In 2015, their total circulation amounted to 51.3 million copies per week (30.4 million for dailies<sup>21</sup> and 20.9 million for community newspapers<sup>22</sup>). Many community and daily newspapers operate under a mixed business model consisting of print and online distribution. The print media's revenue comes primarily from advertising sales and, to a lesser extent, from subscription and per unit sales.

Newspaper publishers must innovate and invest in new technologies. People are increasingly turning to the Internet and digital media for their news. This is not a cyclical trend but rather a structural change that the industry representatives themselves acknowledged when speaking before the Committee.

Times are difficult for the Canadian print media as their advertising revenue migrates to digital platforms. As Figure 2 shows print dailies have been particularly hard hit by this trend. Community newspapers and magazines are also grappling with the same problem.

Conversely, online advertising skyrocketed between 2005 and 2015, rising from \$0.56 billion to \$4.60 billion in 10 years. Facebook (\$0.76 billion) and Google (\$2.30 billion) accounted for two-thirds of online advertising revenue in 2015.<sup>23</sup>

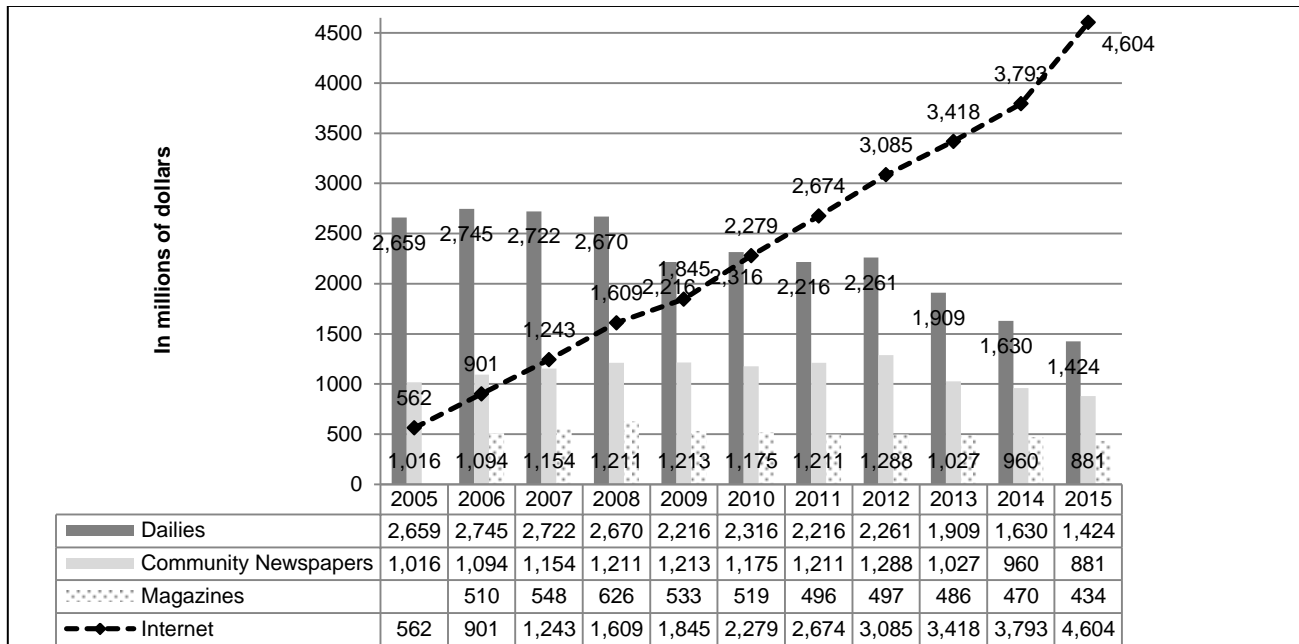
21 News Media Canada, [Daily Newspaper Circulation Data](#).

22 News Media Canada, [Snapshot 2015. The Strength of Community Newspaper](#), p. 2.

23 Data from the Canadian Media Concentration Research Project, [Growth of the Network Media Economy in Canada, 1984-2015](#), 25 October 2016.

Print media faces declining revenues, as their advertising revenue increasingly migrate to digital platforms. In addition, subscriptions have declined, as Canadians have access to a broad range of platforms which publish media for free.

**Figure 2 – Daily newspaper, community newspaper, magazines and Internet advertising revenue, Canada, 2005 to 2015 (\$ millions)**

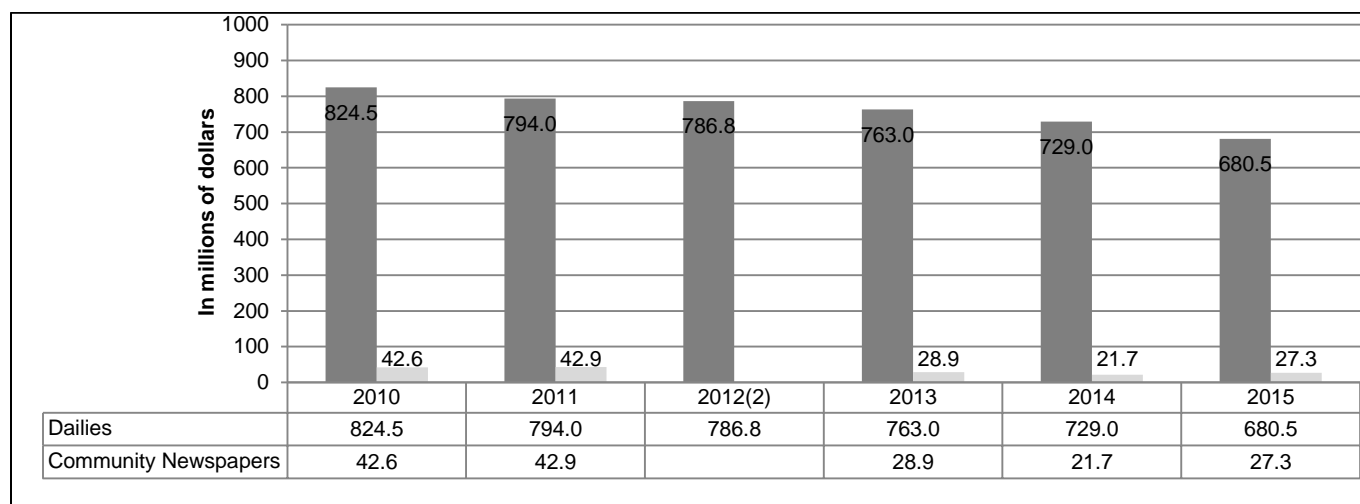


Source: [thinktv](http://thinktv.com). Data was collected from the following sources: News Media Canada (for daily and community newspapers) and Interactive Advertising Bureau (for Internet) (26 September 2016).

Figure 3 shows that the decline in advertising revenue for community and daily newspapers was accompanied by a drop in circulation revenue (subscriptions and per unit sales).



**Figure 3 – Daily and community newspapers circulation sales,<sup>(1)</sup> 2010 to 2015**



(1) Around 20% of dailies and 95% of community newspapers are free (or controlled) circulation.

(2) 2012 community newspaper circulation data not available.

Source: News Media Canada (Most up-to-date data)

As for the print media, Bob Cox, Chair of the Canadian Newspaper Association, stated that it was an exaggeration to say that readers were abandoning print newspapers altogether:

Newspapers have hung on to their audiences, continuing to serve them in print and growing rapidly on digital platforms. Many of us have audience in the digital spheres as large as or larger than the audience we have in print.<sup>24</sup>

Mr. Crawley of *The Globe and Mail* added that there are still “a lot of customers who want to buy a paper.”<sup>25</sup> M. Waddell of the *Neepawa Banner* emphasized that print is still the foundation of his business model.<sup>26</sup> In the same vein, representatives from the Canadian Union of Public Employees (CUPE),<sup>27</sup> the Fédération des communautés francophones et acadienne (FCFA du Canada),<sup>28</sup> the Alliance des radios communautaires du Canada (ARCC),<sup>29</sup> the Quebec Community Groups Network (QCGN)<sup>30</sup> and the Radio

24 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0845 (Bob Cox, Chair, Canadian Newspaper Association).

25 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1205 (Phillip Crawley, *The Globe and Mail*).

26 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1220 (Ken Waddell, Publisher, *Neepawa Banner*, *Neepawa Press*, *Rivers Banner*).

27 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0935 (Denis Bolduc, General Secretary, Syndicat de la fonction publique-Québec, Canadian Union of Public Employees (CUPE)).

28 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0850 (Sylviane Lanthier, Chair, Fédération des communautés francophones et acadienne du Canada (FCFA du Canada)).

29 Ibid., 0910 (François Côté, Secretary General, Alliance des radios communautaires du Canada (ARCC)).

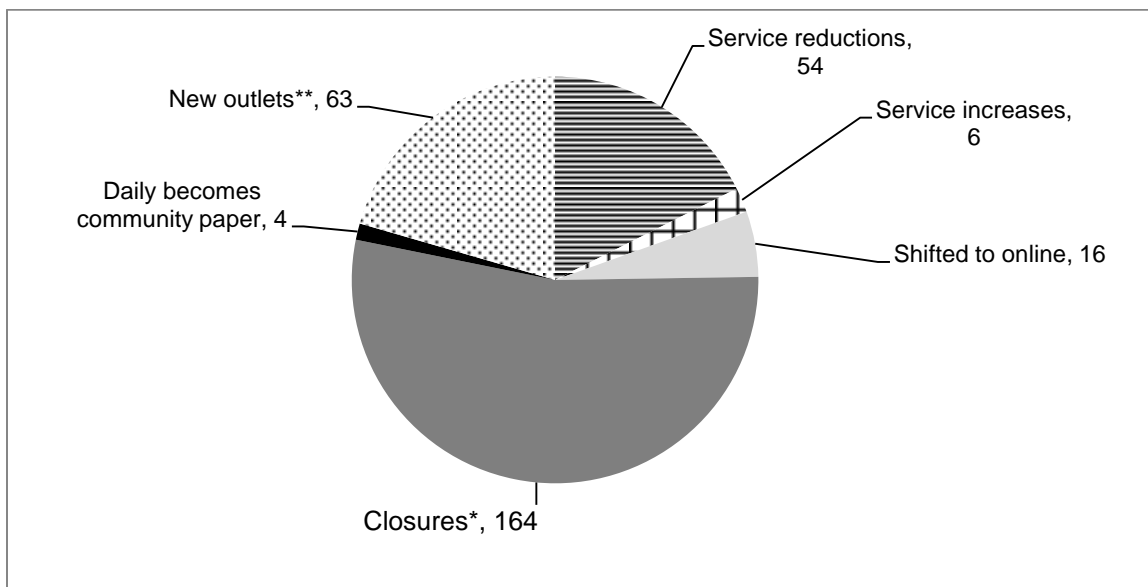
Television Digital News Association (RTDNA)<sup>31</sup> asked that investment in digital media not be made to the detriment of traditional media.

### 2.3. Research

In this section, we would like to highlight the work of the [Local News Research Project](#), conducted by April Lindgren, a researcher with the Ryerson University School of Journalism, in co-operation with Jon Corbett of the University of British Columbia and Jaigris Hodson of Royal Roads University. The Local News Research Project has developed tools to monitor changes in the supply of local news. Figure 4 summarizes the data collected from a [local news map](#) and shows that far more newsrooms have been closed than have been launched.

When Ms. Lindgren presented her data to the Committee in October 2016, there were 307 entries on the map highlighting changes with regards to local news outlets dating back to 2008. Of those 307 entries, 164 documented the closure of local news outlets in 132 different communities across the country. By comparison, there were only 63 entries highlighting the launch of a new local news source.

**Figure 4 – Overview of the Local News Map (25 September 2016)**



\* Closures include closures due to mergers.

\*\* New outlets include new outlets due to mergers.

Source: Local News Research Project, *Local News Poverty in Canadian Communities. Presentation to the Standing Committee on Canadian Heritage*, October 6, 2016.

30 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0855 (Hugh Maynard, past president, Quebec Community Groups Network (QCGN)).

31 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 May 2016, 0915 (Andy Leblanc, Past President, Radio Television Digital News Association (RTDNA)).

The Committee encourages the public to consult this [site](#) to see the changes affecting the supply of local news in their region.

The vast majority of witnesses spoke of the financial pressures in the print media sector. Revenue from online editions and the introduction of paywalls have not made up for falling advertising revenues. According to Mr. Cox of the Canadian Newspaper Association, the situation has been getting worse over the past two decades.

Speaking on behalf of dailies, representatives from *La Presse*,<sup>32</sup> *Torstar*<sup>33</sup> and *The Chronicle Herald*<sup>34</sup> stated that the print media's business model was changing. For example, Mr. Crawley from *The Globe and Mail* told the Committee that the Toronto daily's net revenue from print advertising has dropped 40% since 2011.<sup>35</sup> In response, dailies such as *La Presse*, the *Toronto Star* and *Le Devoir* have developed tablet applications to cater to their customers' new habits.

Community newspapers face equally tough financial circumstances. François Olivier, Chief Executive Officer of TC Transcontinental (Transcontinental), Duff Jamison, Former President of the Alberta Weekly Newspapers Association (AWNA),<sup>36</sup> and Peter Kvarnstrom, President of Community Media at Glacier Media Group,<sup>37</sup> also reported a drop in their advertising revenue. As Mr. Olivier pointed out, the decline in advertising revenue means a decrease in publication frequency, circulation and number of pages produced:

If you send your people selling into the community and the community says we will support you with 16 pages of ads, then you produce 16 pages of content and you produce a 32-page paper.... If your people go into the community and the community supports you with eight pages of advertising, I guess you're producing eight pages of content...<sup>38</sup>

Paul Godfrey, President and Chief Executive Officer of Postmedia Network Canada (Postmedia), echoed Mr. Olivier's comments regarding the intense competition between digital media and print media and the resulting decline in advertising revenue.<sup>39</sup>

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32 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 May 2016, 0850 (Guy Crevier, President and Editor, *La Presse*).

33 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1110 (John Honderich, *Torstar Corporation*).

34 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, *The Chronicle Herald*).

35 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1145 (Phillip Crawley, *The Globe and Mail*).

36 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1110 (Duff Jamison, Chair, Government Relations Committee, Former President, Alberta Weekly Newspapers Association (AWNA)).

37 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1205 (Peter Kvarnstrom, President, Community Media, Glacier Media Group).

38 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1015 (François Olivier, Chief Executive Officer, TC Transcontinental Inc. (Transcontinental)).

39 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 May 2016, 0850 (Paul Godfrey, President and Chief Executive Officer, Postmedia Network Canada Corp. (Postmedia)).

On 20 October 2016, the company announced plans to reduce salary expenses by 20% through a voluntary buyout program.<sup>40</sup>

The announcement of 54 layoffs at the *Vancouver Sun* and *The Province* on 10 March 2017 is part of the same reduction plan.<sup>41</sup> According to Unifor Local 2000, when combined with the last round of 38 buyouts in January 2017, the entire staff of the two dailies would be reduced by 42%.<sup>42</sup>

## 2.4 Magazines

As of 2017, there are currently over 2,000 titles in Canada. This is an increase of 30% in Canadian magazine titles since the year 2000.<sup>43</sup> According to Matthew Holmes, President and Chief Executive Officer of Magazines Canada, Canadians continue to read print magazines.<sup>44</sup> The question instead is how to support both print and digital. Douglas Knight, Board Chair of Magazines Canada, called on the Committee to exercise caution since “[a]ll digital is not alike.”<sup>45</sup> For example, “advertising doesn’t work”<sup>46</sup> on mobile digital platforms.

Rogers Communications (Rogers) is also restructuring its magazine sector.<sup>47</sup> The company will make some publications available online only (*Sportsnet*, *MoneySense* and *Canadian Business*), while others have been put up for sale (*Châtelaine*, *Loulou* and *L’actualité*).<sup>48</sup>

## 2.5 Ensuring a diversity of voices

During its study, the Committee felt it was important to hear from the print media serving official language minority communities, and ethnic and Indigenous audiences.

### 2.5.1 Official language minority media

Community media play an essential role in the development and growth of official language minority communities. They enable Anglophone and Francophone minorities to see and hear themselves. They provide a means to reach a variety of audiences: Anglophones, Francophones and francophiles, young and old. In short, these

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40 [Postmedia Reports Fourth Quarter Results](#), 20 October 2016.

41 Sean Craig, “[Postmedia announces 54 layoffs at Vancouver Sun and Province subsidiary](#),” *Financial Post*, 19 March 2016.

42 Unifor Local 2000, “[Lay-offs at Pacific Newspaper Group lack any justification](#),” 10 March 2017.

43 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0845 (Matthew Holmes, President and Chief Executive Officer, Magazines Canada).

44 Ibid.

45 Ibid., 0905 (Douglas Knight, Board Chair, Magazines Canada).

46 Ibid.

47 Rogers Magazine Service, [Changes to the Rogers Magazine Service Program](#), 30 September 2016.

48 Rogers, [Rogers Media Unveils New Magazine Content Strategy](#), News Release, 30 September 2016.

communication tools are the key to reflecting, enhancing and developing the minority-language culture.

The Committee was told that the media representing these target groups were experiencing financial difficulties. Sylviane Lanthier, President of the FCFA du Canada, stated that community newspapers and radio stations may be forced to shut down in the coming years.<sup>49</sup>

Francis Sonier, President of the Association de la presse francophone (APF),<sup>50</sup> and Richard Tardif, Executive Director of the Quebec Community Newspapers Association (QCNA),<sup>51</sup> stated that their newspapers have been hit hard by the migration of advertising revenue to digital media. They have been unable to recoup their losses through online advertising revenue.

Media representatives from official language minority communities recognize that Canadians are now accustomed to getting their news from digital media. However, as Ms. Lanthier of the FCFA du Canada stated, most of the content on these platforms is produced by the traditional media. According to a representative from the ARCC, digital platforms have not yet succeeded in “reaching our local populations as easily and quickly as radio.”<sup>52</sup>

In terms of Quebec’s Anglophone communities, Mr. Tardif of the QCNA highlighted the role of community newspapers in covering local issues:

On the other hand, community weeklies cover local and often isolated communities that are too small to be covered elsewhere, such as what happens in Hampstead, Dollard-des-Ormeaux, Aylmer, Mont Saint-Sauveur, Whitehorse, or St. Boniface, Manitoba, where local city councils are not reported on or followed elsewhere. It is the same for amateur and high school sports. People care more about things that happen in their local community.<sup>53</sup>

Mr. Tardif also stated that community newspapers end the isolation of minority citizens “in a way no other media can.”<sup>54</sup>

## 2.5.2 Ethnocultural media

Several witnesses spoke to the Committee about the role of the ethnic media. According to Yuri Bilinsky, Managing Editor of the New Pathway Media Group, new immigrants are looking for three types of information:

- information about Canada and the Canadian community as a whole;

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49 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0845 (Sylviane Lanthier, FCFA du Canada).

50 Ibid., 0900 (Francis Sonier, President, APF).

51 Ibid., 0945 (Richard Tardif, Executive Director, Quebec Community Newspapers Association (QCNA)).

52 Ibid., 0905 (Simon Forgues, Development and Communications Officer, ARCC).

53 Ibid., 0945 (Richard Tardif, QCNA).

54 Ibid., 0950.

- information about their ethnic community in Canada; and
- information about their home country.<sup>55</sup>

Other witnesses praised the ethnic media as an established communication tool both inside and outside the communities they serve. During his appearance, Jagdish Grewal, editor and publisher of the *Canadian Punjabi Post*, explained that his newspaper contributes to the “ties of immigrants with their new country, Canada, and also towards strengthening Indo-Canadian ties.”<sup>56</sup> Mr. Grewal also stated that there is still “a strong demand for print media among new or older immigrants.”<sup>57</sup>

Joseph Volpe, publisher and President of *Corriere Canadese*, emphasized the contribution made by Canada’s only Italian-language daily paper. Since its launch in 1954, the *Corriere Canadese* has documented the history of Italian immigrants to Canada as well as “their and our need to promote integration, participation, and diversity, along with the benefits that these accrue to Canadian social values.”<sup>58</sup>

Like other industry players, the ethnic media must deal with their clients’ appetite for digital platforms. As a result, they face the same challenges as other media: the migration of advertising dollars to other platforms; monetization of digital content; and development of new business models.

According to Mr. Bilinsky of the New Pathway Media Group, it is hard to know whether “we will be able to compensate with digital advertising for the loss of the printed advertisements.”<sup>59</sup> For Mr. Grewal of the *Canadian Punjabi Post*, there is also an issue regarding the competition for advertising dollars with Internet Protocol channels in the Punjabi language.<sup>60</sup>

Mr. Grewal was also concerned about the quality of information available to the community, given the proliferation of Punjabi media outlets in Canada. This competition leads to “an utter lack of professionalism”<sup>61</sup> in the exercise of journalism.

### 2.5.3 Indigenous media

The Indigenous media play a vital role in disseminating information in Indigenous languages and enabling Canadians to learn more about the lives of Indigenous peoples.

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55 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 10 May 2016, 0855 (Yuri Bilinsky, Managing Editor, New Pathway Media Group).

56 Ibid., 0845 (Jagdish Grewal, *Canadian Punjabi Post Inc.*).

57 Ibid., 0850.

58 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0950 (Hon. Joseph Volpe, Publisher and President, *Corriere Canadese*).

59 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 10 May 2016, 0855 (Yuri Bilinsky, New Pathway Media Group).

60 Ibid, 0905 (Jagdish Grewal, *Canadian Punjabi Post Inc.*).

61 Ibid., 0845.

Article 16, paragraph 1 of the *United Nations Declaration on the Rights of Indigenous Peoples* states that they have the right “to establish their own media in their own languages and to have access to all forms of non-indigenous media without discrimination.”<sup>62</sup> Paragraph 2 of the same article calls on States to “take effective measures to ensure that State-owned media duly reflect indigenous cultural diversity.”<sup>63</sup>

The Committee was interested in learning more about the challenges facing the Indigenous media.

In the field of broadcasting, the launch of the Aboriginal Peoples Television Network (APTN) in 1999 raised the profile of Indigenous peoples in Canada.

Jean La Rose, Chief Executive Officer of the APTN, pointed out that the network acts “as a window for all Canadians to see into the lives of Indigenous peoples.”<sup>64</sup> Although the APTN receives funding from the Canada Media Fund and Canadian Heritage’s [Aboriginal Languages Initiative](#), this amount is not sufficient to meet audience expectations.<sup>65</sup>

Casey Lessard, Editor of *Nunavut News/North*, Northern News Services, explained the challenges involved in meeting the public’s information needs in Nunavut, where the population is largely Inuit and is spread over one fifth of Canada’s land mass. It is expensive to produce a newspaper in that part of the country because of transportation, housing, translation and other costs. Although the transition to digital allows the newspaper to reach a wider audience, it is still “a risky proposition for us and for other community newspapers,”<sup>66</sup> said Mr. Lessard. Internet access is another challenge in that region:

[Residents] struggle to afford Internet access, the same access that keeps them in contact with family and friends. You’ll often see people gathering at the library for the community access program waiting for a computer to use the Internet. The Internet is extremely expensive and slow.<sup>67</sup>

According to Bert Crowfoot, General Manager of the Aboriginal Multi-Media Society of Alberta, Indigenous people need to be able to see themselves reflected in news coverage.

They want their issues and concerns discussed from the position of their own world view. They want value placed on their history, their cultures and traditions, their perspectives.<sup>68</sup>

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62 United Nations, [United Nations Declaration on the Rights of Indigenous Peoples](#), p. 7.

63 Ibid., p. 8.

64 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 1000 (Jean La Rose, Chief Executive Officer, Aboriginal Peoples Television Network (APTN)).

65 Ibid.

66 CHPC, [Evidence](#), 1<sup>re</sup> session, 42<sup>e</sup> législature, 17 novembre 2016, 1220 (Casey Lessard, Editor, Nunavut News/North, Northern News Services Ltd.).

67 Ibid.

68 Ibid., 1210 (Bert Crowfoot, General Manager, Aboriginal Multi-Media Society of Alberta).

Mr. Crowfoot explained that the pace of change experienced by all news organizations has been dramatic over the last 10 years. In publishing, “ink now takes the form of pixels.”<sup>69</sup> However, geography, cost and people’s computer skills make it difficult to access the Internet in Indigenous communities:

There is also concern over rural, remote, or isolated communities that suffer connectivity issues. Some communities are not connected to the Internet at all. Even if communities continue to have access to Internet services, extreme poverty may preclude individuals from enjoying it. Community members may not have computers in their homes, and if they do, the cost of Internet service may be wildly beyond their means.<sup>70</sup>

The Committee wishes to highlight the recent Public Policy Forum (PPF) report *The Shattered Mirror*, which recommended creating, “a support and training structure for the coverage of Indigenous governmental institutions by Indigenous news organizations and journalists.”<sup>71</sup> The APTN would coordinate the initiative and be responsible for developing Indigenous media across the country. The Future of Journalism & Democracy Fund would provide the funding.

The Committee acknowledges that Call to Action 85 and 86 of the Truth and Reconciliation Commission must be implemented. This calls on the APTN as well as journalism programs and media schools, to continue to develop media initiatives that inform and educate the Canadian public and connect Indigenous and non-Indigenous Canadians.

## RECOMMENDATION 2

- a) **The Committee recommends that an Indigenous journalism initiative be created with the purpose of training Indigenous journalists to cover Indigenous government institutions and other relevant issues for Indigenous media outlets across Canada.**
- b) **The Committee recommends that the responsibility for creating this initiative be embedded with the Aboriginal Peoples Television Networks, and that this initiative be financed from programs supporting Canadian programming.**

We note that APTN has already entered into a small program with Journalists for Human Rights, which could be scaled up. The Committee believes it is important in the context of nation-to-nation relations to increase capacity and coverage of Indigenous issues and institutions by Indigenous journalists.

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69 Ibid.

70 Ibid.

71 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 91.



## 2.5.4 Regional diversity

In Canada, other parliamentary committees have noted a decline in access to local news. In its final report in 2003, the House of Commons Standing Committee on Canadian Heritage expressed its concern that “community, local and regional broadcasting services have become endangered species, and that many parts of Canada are being underserved.”<sup>72</sup> The Committee also stated that while large cities are well served by local stations, “many smaller cities and municipalities have little or no comparable coverage.”<sup>73</sup>

Three years later, the Standing Senate Committee on Transport and Communications reached similar conclusions. The Committee stated in Volume 1 of its report that it was concerned about the decrease in the diversity of opinions expressed in the regions.<sup>74</sup>

Throughout the Committee’s hearings, a number of witnesses stated that these types of regional disparities persist across the country.<sup>75</sup> The main issues are broadband Internet service, an income-based digital divide, and computer literacy.

In its [Communications Monitoring Report 2016](#), the CRTC defined broadband service as any service with a download speed of 1.5 megabits per second (Mbps) or greater.<sup>76</sup> This speed allows for standard definition video streaming, real-time video gameplay and music downloads. Speeds of 5 Mbps and higher allow for high-definition video streaming. In 2016, fixed broadband services were available to approximately 99% of Canadian households through various technologies;<sup>77</sup> 82% of Canadians in this group subscribed to this service.<sup>78</sup> Costs vary by region.

Over the past seven years, Industry Canada and its successor, Innovation, Science and Economic Development Canada (ISED), have introduced three programs to expand access to broadband services in Canada:

- [Broadband Canada – Connecting rural Canadians](#) (2009);
- [Connecting Canadians](#) (2014);
- a new [broadband services program](#) announced in Budget 2016 to expand and enhance broadband service in rural and remote communities.

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72 CHPC, [Our Cultural Sovereignty. The Second Century of Canadian Broadcasting](#), June 2003, p. 13.

73 Ibid.

74 Standing Senate Committee on Transport and Communications, [Final Report on the Canadian News Media](#), Volume 1, June 2006, p. 2.

75 Canada includes five distinct regions: The Atlantic Provinces, Central Canada, the Prairie Provinces, the West Coast and the Northern Territories.

76 CRTC, [Communications Monitoring Report 2016](#), p. 248.

77 Ibid., p. 262.

78 Ibid., p. 266.

Budget 2017 included funding of \$13.2 million over five years, starting in 2017-18, for “a new Affordable Access program, which will help service providers offer low-cost home Internet packages to interested low-income families.”<sup>79</sup>

On 21 December 2016, the CRTC announced an initiative to improve broadband Internet access and established the following universal service objective:

Canadians, in urban areas as well as in rural and remote areas, have access to voice services and broadband Internet access services, on both fixed and mobile wireless networks.<sup>80</sup>

To achieve this objective, the CRTC created a fund with a budget of \$100 million in the first year with an annual cap of \$200 million in four years.<sup>81</sup>

Despite the recent introduction of these public policies, several witnesses stated that there are still significant regional discrepancies in the level of broadband Internet service available. The most urgent requirements are in the North and in rural and remote regions.

A few witnesses stated that there is also a “digital divide” based on income. The most connected Canadians seem to be those with the highest income. In 2014, the quintile of Canadian households with the lowest household income had the lowest Internet use from home at 63.5%. At the highest quintile, it was virtually 100%.<sup>82</sup> In its Telecom Regulatory Policy CRTC 2016-496, the CRTC acknowledged that low-income households are experiencing issues related to the affordability of their broadband Internet access services.”<sup>83</sup>

Representatives from the FCFA du Canada,<sup>84</sup> APTN,<sup>85</sup> QCGN,<sup>86</sup> Fédération nationale des communications (FNC)<sup>87</sup> and Public Interest Advocacy Centre (PIAC)<sup>88</sup> all emphasized that broadband access is still problematic in some regions. According to Mr. Sonier of the APF, access “can be difficult in places ... such as northern Manitoba, the Northwest Territories, or even some areas of Newfoundland and Labrador.”<sup>89</sup> Mr. La Rose

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79 Finance Canada, [Building a Strong Middle Class \(Budget 2017\)](#), 22 March 2017, p. 73.

80 CRTC, Modern telecommunications services – The path forward for Canada’s digital economy, [Telecom Regulatory Policy CRTC 2016-496](#), par. 37.

81 Ibid., par. 145.

82 CRTC, [Communications Monitoring Report 2016](#), p. 61.

83 CRTC, Modern telecommunications services – The path forward for Canada’s digital economy, [Telecom Regulatory Policy CRTC 2016-496](#), par. 202

84 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0845 (Sylviane Lanthier, FCFA du Canada).

85 Ibid., 1020 (Jean La Rose, APTN).

86 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0900 (Walter Duszara, Board Secretary, QCGN).

87 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0900 (Pascale St-Onge, FNC).

88 Ibid., 1000 (Alysia Lau, Legal Counsel, Public Interest Advocacy Centre (PIAC)).

89 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0855 (Francis Sonier, APF).

of the APTN explained that his network was having difficulty delivering its digital signal in some parts of the North such as Nunavut.<sup>90</sup>

Companies echoed the opinions of the community network and stressed the need to ensure that all Canadians have access to broadband Internet services. Ann Mainville-Neeson, Vice-President of Broadcasting Policy and Regulatory Affairs at TELUS, and Louis Audet, President and Chief Executive Officer of Cogeco, said that the \$500 million investment in broadband services announced in the last federal budget was a step in the right direction.<sup>91</sup> Mr. Audet specified that the new funding should go toward building networks for communities that are not necessarily far from main centres but are still underserved.<sup>92</sup>

Witnesses also raised the issue of affordability. Dwayne Winseck, professor at the School of Journalism & Communication at Carleton University, pointed out that Internet access is not universal in Canada and access is related to income inequality.<sup>93</sup> This view was shared by Mr. Audet of Cogeco<sup>94</sup> and Michael Geist, Canada Research Chair in Internet and E-commerce Law at the University of Ottawa.<sup>95</sup> The ISEDC representative acknowledged that there is unequal access based on income but believed that competition was the most effective means of reducing prices.<sup>96</sup>

Representatives from the Department of Canadian Heritage,<sup>97</sup> CRTC and ISEDC recognized the need for Canadians to have a reliable Internet connection. The communities in greatest need are those served solely by satellite, as explained by Adam Scott, Director, Business and Regulatory Analysis, Telecommunications Policy Branch, Strategic Policy Sector, at ISEDC:

There are 25 communities in Nunavut that are satellite-dependent. There are no roads, no access to the electrical grid. They're fly-in communities. There are 14 satellite-dependent communities in northern Quebec, in the Nunavik region. There are several in

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90 Ibid., 1030 (Jean La Rose, APTN).

91 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 1015 (Ann Mainville-Neeson, Vice-President, Broadcasting Policy and Regulatory Affairs, TELUS).

92 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 1000 (Louis Audet, President and Chief Executive, Cogeco Inc.).

93 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 25 February 2016, 0915 (Dwayne Winseck, Professor, School of Journalism & Communication, Carleton University).

94 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 1005 (Louis Audet, Cogeco Inc.).

95 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1110 (Michael Geist, Canada Research Chair in Internet and E-commerce Law, Professor of Law, University of Ottawa, As an Individual).

96 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 November 2016, 1220 (Adam Scott, Director, Business and Regulatory Analysis, Telecommunications Policy Branch, Strategic Policy Sector, Department of Industry).

97 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1225 (Jean-François Bernier, Director General, Cultural Industries, Department of Canadian Heritage).

northern Manitoba, first nations communities primarily in the northern part of the province that are also dependent on satellite.<sup>98</sup>

The Committee stresses the importance for all Canadians to participate in the digital economy, wherever they may live in this country. If Canadians are truly going to rely more on digital media for their news, then access must be available across the country at a sufficient speed and an affordable price.

### **RECOMMENDATION 3**

**The Committee recommends that the Canadian Radio-television and Telecommunications Commission and Innovation, Science and Economic Development Canada continue their efforts to improve affordable broadband Internet access in Canada, with an emphasis on Northern Canada and rural and remote regions.**

## **2.6 Broadcasting sector**

In the broadcasting sector, section 3(1)(i) of the [Broadcasting Act](#) enacts that programming provided by the Canadian broadcasting system must:

- be varied and comprehensive, providing a balance of information, enlightenment and entertainment for men, women and children of all ages, interests and tastes;
- be drawn from local, regional, national and international sources;
- include educational and community programs;
- provide a reasonable opportunity for the public to be exposed to the expression of differing views on matters of public concern; and
- include a significant contribution from the Canadian independent production sector.<sup>99</sup>

In 2015, Canadians had access to more than 680 Canadian and non-Canadian television services.<sup>100</sup> Around 85 of which were private conventional television stations that offered local programming in English, French or a third language. Close to 65 of these stations belonged to five ownership groups (Bell Canada, Shaw Communications (Shaw),

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98 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 November 2016, 1250 (Adam Scott, Department of Industry).

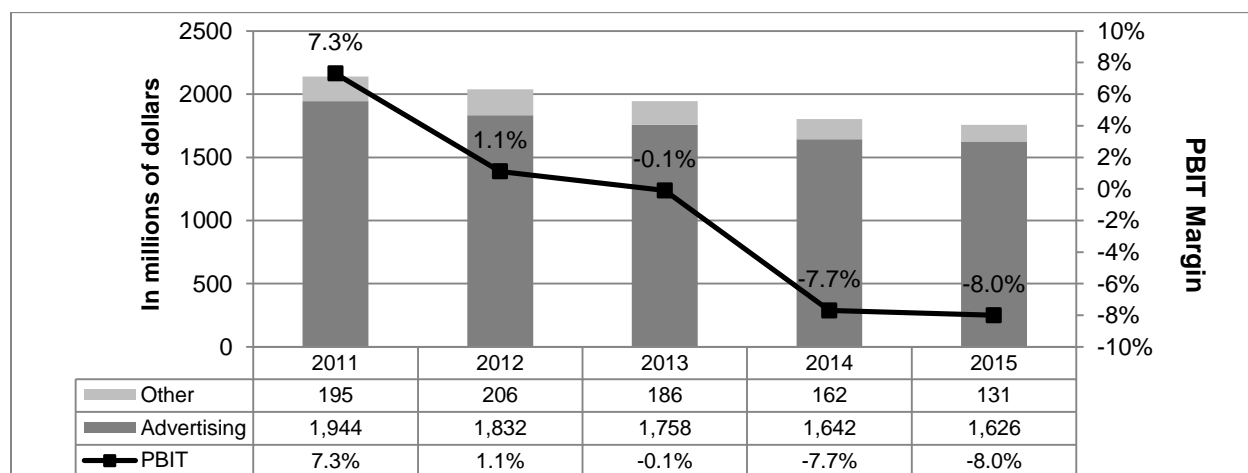
99 [Broadcasting Act](#), SC 1991, c. 11, section 3(1)(i)(i) to (v).

100 CRTC, [Communications Monitoring Report 2016](#), October 2016, p. 146.

Rogers, Quebecor Media (Quebecor) and Remstar),<sup>101</sup> and around 20 were independent local television stations that did not belong to a major ownership group.<sup>102</sup>

Like print media, the broadcasting sector is grappling with a decline in advertising revenue.<sup>103</sup> As shown in Figure 5, this revenue has decreased by 20%, dropping from \$1.9 billion to \$1.6 billion in five years. Private conventional television stations are being affected as advertising revenue moves toward digital platforms. Profit before interest and taxes (PBIT) also declined during the same period, moving from 7.3% to -8.0%.

**Figure 5 – Revenues and profit before interest and taxes (PBIT) margin of private conventional television stations, 2011 to 2015**



Source: CRTC, *Communications Monitoring Report 2016*, pp. 134 and 141. (Most up-to-date data)

Local broadcast news production appears not to have generated sufficient revenue to cover production costs. Between 2011 and 2015, the revenue generated by local broadcast news production decreased by \$28 million, while costs increased by \$5 million in the same period (Table 2).

101 Bell Canada, Shaw, Rogers and Quebecor are vertically integrated groups that operate both programming and distribution companies.

102 In 2015, 19 stations belonged to 9 broadcasters: Jim Pattison Broadcast Group (3 stations), Newcap (2 stations), Thunder Bay Television (2 stations), Corus (2 stations), RNC Media (3 stations), Télé Inter-Rives (4 stations), Miracle Channel, Newfoundland Broadcasting, and CHEK TV.

103 Unlike specialty, pay, pay-per-view, video-on-demand and other services, private conventional television stations do not generate revenue through subscriptions.

**Table 2 – Revenues and Expenditures, Local Broadcast News Production 2011–2012 to 2014–2015 (\$ millions)**

	Revenues	Expenditures
2011–2012	\$294.4	\$343.0
2012–2013	\$297.4	\$340.0
2013–2014	\$271.6	\$345.0
2014–2015*	\$266.4	\$348.0
<b>Change between 2011 and 2015</b>	- \$28.0	\$5.0

Note: \*CRTC estimates.

Source: CRTC, *Local and community television programming. A new policy framework for local reflection on television*, p. 7.

In recent years, several private conventional television stations have responded to the situation by reducing staff and/or the number of hours of local news broadcasting.

For example, in May 2015, Rogers cut employees at its OMNI television stations.<sup>104</sup> That same year, Hamilton’s independent station, CHCH, reduced the number of hours per week dedicated to local news.<sup>105</sup> In November 2015, Bell Canada laid off 380 employees, a number of whom worked in its local television newsrooms.<sup>106</sup> In January 2017, the company announced another wave of layoffs affecting 24 locations in Canada.<sup>107</sup>

The Committee heard representatives from three companies that own private conventional television stations. Colette Watson, Vice-President, Television and Broadcast Operations with Rogers, stated that the economic model for local television was “under significant pressure as advertising dollars shift from linear to digital platforms.”<sup>108</sup>

Kevin Goldstein, Vice-President of Regulatory Affairs, Content and Distribution at Bell Canada, stated that the decline in advertising revenue and the inability to generate subscription revenue resulted in a situation where the “business model for local TV is not sustainable.”<sup>109</sup>

104 Simon Houpt, “[Rogers cuts 110 jobs, ends all OMNI newscasts](#),” *The Globe and Mail*, 7 May 2015.

105 Channel Zero, “[CHCH-TV implements major restructuring to remain on the air](#),” 11 December 2015.

106 David Friend (The Canadian Press), “[Bell Media Layoffs To Affect 380 Employees. Will Hit Local News Hard: Union](#),” *Huffington Post*, 6 November 2015.

107 Emily Jackson, “[Bell Media cites CRTC Super Bowl ad policy as a factor in latest round of layoffs](#),” *The Financial Post*, 31 January 2017.

108 CHPC, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0845 (Colette Watson, Vice-President, Television and Broadcast Operations, Rogers).

109 CHPC, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0845 (Kevin Goldstein, Vice-President, Regulatory Affairs, Content and Distribution, Bell Canada).

Representatives from Télé Inter-Rives welcomed the introduction of the Independent Local News Fund (ILNF) in June 2016 but doubts that it will be enough.<sup>110</sup> The ILNF funding will only partially offset the decrease in advertising revenue, which was cut recently when the company signed an affiliation contract with Radio-Canada.<sup>111</sup>

As with private conventional television stations, CBC/Radio-Canada has experienced a decline in advertising revenue for its conventional television services. In 2015, advertising revenue dropped by 53.6% for the two networks combined (Table 3). This decrease is due to the loss of broadcasting rights for the National Hockey League and the absence of major sporting events.<sup>112</sup> CBC/Radio-Canada is partially offsetting the decrease by increasing its digital advertising revenue.<sup>113</sup>

**Table 3 – CBC/Radio-Canada conventional television revenues (\$ millions)**

Year	2011	2012	2013	2014	2015	Growth (%) between 2014 and 2015
Advertising on English-language stations	246	245	200	333	104	-69.9%
Advertising on French-language stations	123	127	131	141	116	-17.7%
<b>Total advertising</b>	<b>370</b>	<b>373</b>	<b>331</b>	<b>475</b>	<b>220</b>	<b>-53.6%</b>

Source: CRTC, [Communications Monitoring Report 2016](#), p. 133.

### 2.6.1 Community Television

The Broadcasting Act recognizes the community sector as one of the components of the Canadian broadcasting system. The CRTC's current framework for community programming has a dual objective:

- **Citizen access:** fostering a greater diversity of voices and alternative choices by facilitating expression at the local level. Encouraging and fostering access to the broadcasting system for non-professional producers includes training and outreach.<sup>114</sup>

110 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1105 (Pierre Harvey, Director, CHAU-TV, Télé Inter-Rives Ltée).

111 Ibid., 1125.

112 CRTC, [Communications Monitoring Report 2016](#), p. 134.

113 CBC/Radio-Canada, [Canada's Public Space. 2015-2016 Annual Report](#), p. 5.

114 CRTC, Policy framework for local and community television, [Broadcasting Regulatory Policy CRTC 2016-224](#), 15 June 2016, para. 112.

- **Community reflection:** Ensuring the creation and exhibition of more locally produced, locally reflective community programming. Local reflection includes ethnic and linguistic reflection.<sup>115</sup>

Currently, more than 160 community channels operate in Canada. Most of them are operated by terrestrial broadcasting distribution undertakings (BDUs), but there are around 10 independent digital community channels.<sup>116</sup>

Effective 1 September 2017, licensed terrestrial BDUs may deduct from their required 5% contribution to Canadian programming up to 1.5% of the previous year’s gross revenues derived from broadcasting activities for contributions to local expression.<sup>117</sup>

Direct-to-home<sup>118</sup> (DTH) BDUs do not make contribution to local expression. In its [Broadcasting Regulatory Policy 2010-622](#), the CRTC determined that “the operation of DTH community channels would not be in keeping with its objectives to ensure more locally produced and locally reflective community programming.”<sup>119</sup>

Over the past eight years, contributions to community television stations increased from \$115.6 million in 2008 to \$152.6 million in 2015 (Table 4). One of the main reasons that explain this growth is a large number of subscribers to DTH BDUs migrated to Internet Protocol television based BDUs that offer community channels and are permitted to make contributions to local expression.

**Table 4 – Broadcasting Distribution Undertakings’ Contributions to Local Expression, 2008–2015 (\$ millions)**

Year	2008	2009	2010	2011	2012	2013	2014	2015
Contributions to Local Expression	115.6	123.4	126.5	119.8	122.2	138.6	151.6	152.6

Source: CRTC, Communications Monitoring Report (respective years).

As per the June 2016 [policy framework for local and community television](#), vertically integrated companies (Bell Canada, Shaw, Rogers and Quebecor) can redirect part of their local expression contribution to their local television stations. According to the CRTC’s estimates, spending on cable community programming will decrease significantly in the coming years from \$152.6 million in 2015 to \$82.2 million as of 1 September 2017.<sup>120</sup>

115 Ibid., para. 113.

116 CRTC, *Community channels* (fact sheet).

117 CRTC, Policy framework for local and community television, [Broadcasting Regulatory Policy CRTC 2016-224](#), 15 June 2016, see section Funding of community programming, p. iv.

118 Known also as satellite BDUs.

119 CRTC, Community television policy, [Broadcasting Regulatory Policy CRTC 2010-622](#), 26 August 2010, para. 85.

120 CRTC, *Local and community television programming. A new policy framework for local reflection on television*, p. 9.



The CRTC's new regulations address a request that Rogers made to the Committee. In April, a Rogers representative asked for companies to be able to

... reallocate funding from the community channels they operate in major markets towards either [over-the-air] stations or community channels in smaller markets.<sup>121</sup>

The CRTC's decision was not well received by community television representatives. The Canadian Association of Community Television Users and Stations (CACTUS) foresees a decrease in funding for community television stations.<sup>122</sup> According to CACTUS, this decision "has rolled back community TV policy in removing most of its funding, and by giving the power to BDUs to move resources among their community TV and private properties at will."<sup>123</sup> When it appeared before the Committee, CACTUS suggested the BDU contributions, "be directed to a new fund to develop non-profit community media centres."<sup>124</sup> The Fédération des télévisions communautaires autonomes du Québec stated that its members will lose "between 30% and 50% of their annual operating budget"<sup>125</sup> in the coming years.

The Committee would like to conclude this section by drawing attention to the PIAC's recommendations. The organization called for greater recognition of all independent, not-for-profit community media "from both a policy and a funding perspective."<sup>126</sup> The PIAC also believes that a study should be conducted to develop a national community media strategy. This strategy would include resources for training and financial support for community media.

## 2.7 Radio sector

In 2015, there were close to 1,120 radio and audio services in Canada, 594 of which were private FM radio stations and 129 were AM stations. Canadians enjoy radio, as shown by the number of hours they spend listening to it. In 2015, Canadians 12 years of age and older listened to an average of 16.2 hours of radio per week, compared with 17.7 hours in 2011.<sup>127</sup>

In the private radio sector, station revenues have remained steady in the last five years (Figure 6). In 2015, private AM and FM radio stations brought in combined revenues

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121 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0850 (Colette Watson, Rogers).

122 Canadian Association of Community Television Users and Stations (CACTUS), [CACTUS: CRTC deals crippling blow to community television when Canada needs it most](#), 20 July 2016.

123 CACTUS, New CRTC Local and Community TV Policy (CRTC 2016-224). Letter to the CHPC, 30 November 2016, p. 11.

124 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0950 (André Desrochers, Board Member, CACTUS).

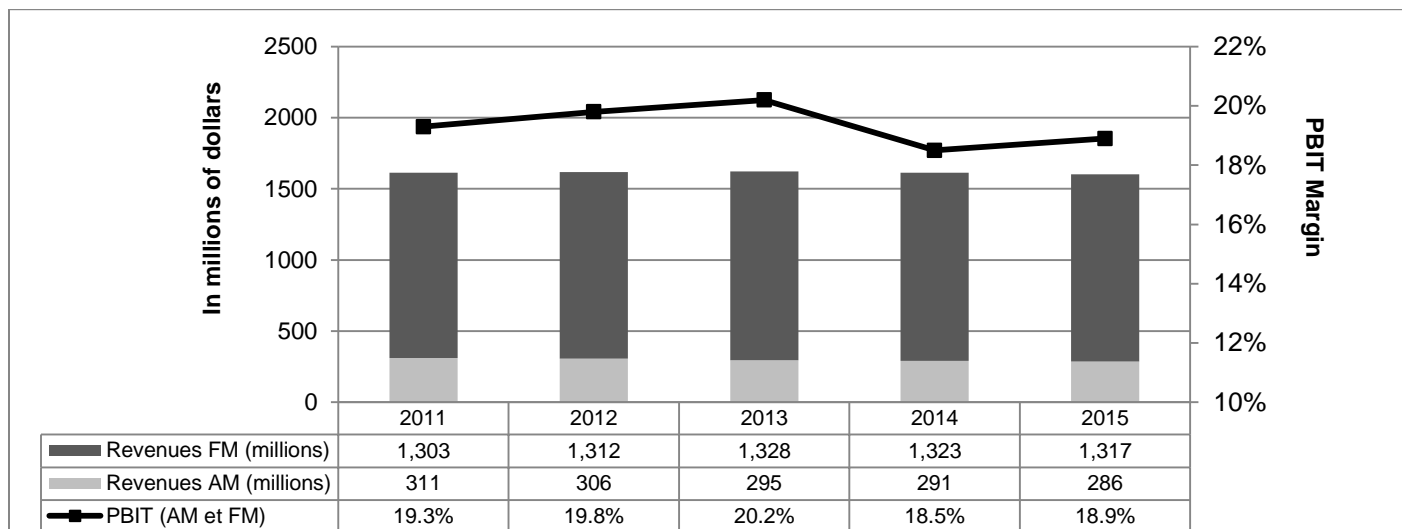
125 Fédération des télévisions communautaires autonomes du Québec, *Consultation on the Media and Local Communities. Brief submitted to the Standing Committee on Canadian Heritage*, p. 8.

126 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1005 (Alysia Lau, PIAC).

127 CRTC, [Communications Monitoring Report 2016](#), Table 4.1.10, p. 111.

of \$1.6 billion, down less than 1% from 2011. Profitability margins have also changed very little in five years.

**Figure 6 – Revenues and PBIT margin of private radio stations (AM and FM), 2011 to 2015**



Source: CRTC, [Communications Monitoring Report 2016](#), pp. 93 and 101. (Most up-to-date data)

ICI Radio-Canada Première and CBC Radio One are two commercial-free radio stations<sup>128</sup> offering local, national and international news, documentaries and current affairs, and arts programming. As mentioned in the Greenspon Report, *The Shattered Mirror*, CBC/Radio-Canada remains “the main alternative to daily newspapers as a producer of civic-function news across the country.”<sup>129</sup>

As stated throughout this report, radio stands out from other media “with its hyper-local orientation (crime news, traffic, weather, hometown sports) and no revenue competition from CBC.”<sup>130</sup>

Witnesses highlighted radio’s vital role in informing local communities. Mr. Audet of Cogeco stated that the radio advertising market is relatively stable and the Internet has not yet replaced this medium.<sup>131</sup> According to Jean-François Dumas, President of Influence Communication, radio creates the “media dynamic”<sup>132</sup> in regional Quebec.

128 On 31 August 2016, the [CRTC](#) denied the application by the CBC/Radio-Canada to amend the broadcasting licences for the Radio 2 and ICI Musique radio networks and stations to authorize them to broadcast paid national advertising until 31 August 2018.

129 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 25.

130 Ibid.

131 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 1015 (Louis Audet, Cogeco Inc.).

132 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1230 (Jean-François Dumas, President, Influence Communication).

Other witnesses were more pessimistic about the future of radio. Scott Hutton, Executive Director, Broadcasting, with the CRTC, pointed out that the radio sector “must contend with the growing impact of music streaming services and the widespread availability of connected cars.”<sup>133 134</sup> This concern is shared by Pierre Martineau, Director General of News and Programming at FM93 in Québec City.<sup>135</sup> In a brief to the Committee, the Canadian Association of Broadcasters CEO Radio Council estimated that it is only a matter of time before radio is affected by the Internet.<sup>136</sup>

Luke Smith, a coordinator with the National Campus and Community Radio Association (NCCRA), noted that community radio stations provide, “a forum for citizens to participate in the broadcasting process and speak to each other about important local issues.”<sup>137</sup> They offer an almost-exclusively local programming in which members of the community can participate. Community radio stations also provide numerous volunteers with their first professional broadcasting experience.

Representatives from the ARCC<sup>138</sup> and NCRA<sup>139</sup> stated that over-the-air community radio still received considerable support in local communities.

For his part, François Côté, Secretary General of the ARCC, highlighted the vital role of community radio stations in preserving the language and culture of francophone minority communities.<sup>140</sup> However, nearly half of the ARCC’s members are “in a precarious situation.”<sup>141</sup>

Canada’s community radio stations are grappling with lower advertising revenue.<sup>142</sup> According to Mr. Smith, the [Community Radio Fund of Canada](#) partially offsets this loss by supporting targeted initiatives. However, the NCRA would like community radio stations to have access to other sources of funding to cover their operating expenses.<sup>143</sup> It believes

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133 Connected cars means digital services available in cars.

134 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 23 February 2016, 1005 (Scott Hutton, Executive Director, Broadcasting, CRTC).

135 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1230 (Pierre Martineau, Director General, News and Programming, FM93, Cogeco Media Inc.).

136 Canadian Association of Broadcasters CEO Radio Council, *Department of Canadian Heritage Public Consultation. Canadian Content in a Digital World*, 25 November 2016, p. 5.

137 CHPC, [Evidence](#) 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0855 (Luke Smith, Membership Coordinator, National Campus and Community Radio Association (NCCRA)).

138 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0905 (François Côté, ARCC).

139 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0900 (Luke Smith, NCRA).

140 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0905 (François Côté, ARCC).

141 Ibid.

142 Ibid., 0935.

143 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0910 (Luke Smith, NCRA).

this support could come from the Department of Canadian Heritage or the [Community Radio Fund of Canada](#).<sup>144</sup>

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144    *ibid.*, 0855.

## PART 3: CURRENT POLICIES, PROGRAMS AND REGULATIONS

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### 3.1 Internet advertising

Section 19 of the [Income Tax Act](#) supports Canadian newspaper ownership by enabling Canadian advertisers to claim tax deductions for buying advertising space in Canadian newspapers. Section 19.01 of the Act contains a similar provision to enable Canadian advertisers to claim tax deductions for buying advertising space in an issue of a Canadian periodical. In addition, section 19.1 of the Act provides that no deduction may be made in respect of an expense for an advertisement directed primarily to a market in Canada and broadcast by a foreign broadcasting undertaking.

A number of witnesses recommended that sections 19 and 19.1 be amended to exclude tax deductibility for foreign-owned or -controlled Internet advertising platforms. This recommendation was made by representatives from Friends of Canadian Broadcasting,<sup>145</sup> Magazines Canada,<sup>146</sup> Transcontinental,<sup>147</sup> the Canadian Newspaper Association,<sup>148</sup> the AWNA,<sup>149</sup> Glacier Media Group<sup>150</sup> and the online magazine *The Tye*.<sup>151</sup>

The Public Policy Forum (PPF) made a similar proposal in its report *The Shattered Mirror* released in January 2017. It recommended that the government “[e]nhance Section 19 and 19.1 of the Income Tax Act.”<sup>152</sup> The provisions in these sections would be changed with regard to Internet companies “by introducing a 10% withholding tax on advertising expenditures in non-qualifying media.”<sup>153</sup> The PPF anticipates that introducing a withholding tax for news broadcasters that do not meet section 19 criteria would generate a revenue stream of \$300 to \$400 million annually. These revenues could be used to finance a new Future of Journalism and Democracy Fund. The purpose of the new fund would be to support

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145 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0900 (Ian Morrison, Spokesperson, Friends of Canadian Broadcasting).

146 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0910 (Douglas Knight, Magazines Canada).

147 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1015 (François Olivier, Transcontinental).

148 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0850 (Bob Cox, Canadian Newspaper Association).

149 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1115 (Duff Jamison, AWNA).

150 Ibid., 1210 (Peter Kvarnstrom, Glacier Media Group).

151 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1140 (Michelle Hoar, Director, Publishing and Advertising, *The Tye*).

152 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 83.

153 Ibid.

... digital innovation, especially in its early stages, and be directed at those operators who produce civic-function journalism at the national, regional and local levels.<sup>154</sup>

In its 2017-2018 budget, the Quebec government recognized the fact that the media industry is changing rapidly. The provincial government will set aside \$24 million over five years “for the digital transformation of print media.”<sup>155</sup>

In light of the changing media landscape and the negative impact of having advertising dollars flow to foreign-owned Internet platforms, the Committee agrees that extending tax deductions to new forms of media dissemination makes sense.

#### **RECOMMENDATION 4**

**The Committee recommends that the Government of Canada amend sections 19 (newspapers), 19.01 (periodicals) and 19.1 (broadcasters) of the *Income Tax Act* to allow deduction of digital advertising on Canadian-owned platforms.**

### **3.2 Tax measures**

A number of witnesses suggested using the tax system to support the print media in this period of transition.

Representatives from the FNC,<sup>156</sup> CUPE,<sup>157</sup> Reuters Institute for the Study of Journalism<sup>158</sup> and Coalition pour la pérennité de la presse d’information du Québec<sup>159</sup> suggested establishing a payroll tax credit and a tax credit for investment in digital production. These tax credits could be used to hire journalists specifically to cover local news, or digital technology employees such as programmers and Web integrators.

Transcontinental was more specific in its proposal, asking that ISEDC subsidize publishers directly and/or give them refundable tax credits to support at least 50% of capital and labour investments in digital media. Some witnesses mentioned the [Ontario Interactive Digital Media Tax Credit](#), which, prior to the 2015 Ontario budget, offered this type of deduction for news and public affairs programming. Representatives from Postmedia,<sup>160</sup> *The Globe and Mail*<sup>161</sup> and the Observer Media Group<sup>162</sup> also think that this type of tax support would help them adapt their products to keep pace with technology.

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154 Ibid., p. 88.

155 Ministère des Finances du Québec, [The Quebec Economic Plan](#), March 2017, p. B293.

156 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0855 (Pascale St-Onge, FNC).

157 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0940 (Denis Bolduc, CUPE).

158 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1235 (Robert Picard, Professor, Reuters Institute for the Study of Journalism, University of Oxford, As an Individual).

159 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1125 (Brian Myles, Editor, Director, *Le Devoir*, Coalition pour la pérennité de la presse d’information au Québec).

160 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 May 2016, 0930 (Paul Godfrey, Postmedia).

Representatives from the AWNA<sup>163</sup> and Glacier Media Group<sup>164</sup> recommended giving tax deductions to Canadians who subscribe to Canadian media.

The Coalition pour la pérennité de la presse d'information du Québec called for the two levels of government to work together to exempt print media from the goods and services tax and the Quebec sales tax.<sup>165</sup>

Representatives from Friends of Canadian Broadcasting<sup>166</sup> and Rogers<sup>167</sup> recommended broadening the guidelines of the [Canadian Film or Video Production Tax Credit](#) to include local broadcasters spending linked to the production of local news.

In its report *The Shattered Mirror*, PPF also recommends correcting the damaging effect of the tax imposed on Canadian companies that sell digital advertising and subscriptions. The PPF recommends the following measure:

Introduce a consumption tax rebate on newspaper and digital news subscriptions sold by companies compliant with Section 19.<sup>168</sup>

In the light of the recommendations received, the Committee believes that tax incentives offer interesting opportunities to support the print media in this transition period.

## RECOMMENDATION 5

**The Committee recommends that the Government of Canada introduce a tax credit to compensate print media companies for a portion of their capital and labour investments in digital media. This would be a temporary five-year measure.**

The Committee heard from all sectors of the Canadian media. Without exception, all of the representatives who appeared pointed out that foreign-owned media have a distinct financial advantage over Canada's domestic media providers. Print and broadcast media pointed out the challenges of declining revenues for their organizations. In this climate, revenues for online advertising skyrocketed between 2005 and 2015, rising from

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161 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1150 (Phillip Crawley, *The Globe and Mail*).

162 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1120 (Linda Solomon Wood, Chief Executive Officer, Observer Media Group).

163 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1115 (Duff Jamison, AWNA).

164 Ibid., 1210 (Peter Kvarnstrom, Glacier Media Group).

165 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1125 (Brian Myles, Coalition pour la pérennité de la presse d'information au Québec).

166 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0905 (Ian Morrison, Friends of Canadian Broadcasting).

167 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0905 (Susan Wheeler, Vice-President, Regulatory Affairs, Media, Rogers).

168 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 85.

\$0.56 billion to \$4.6 billion in 10 years. Facebook (\$0.76 billion) and Google (\$2.3 billion) accounted for two-thirds of online advertising revenue in 2015.

## RECOMMENDATION 6

**The Committee recommends that the Government of Canada level the playing field among industries publishing Canadian news, on all platforms, by ensuring that foreign news aggregators, which publish Canadian news and sell advertising, directed to Canadians, are subject to the same tax obligations as Canadian providers.**

### 3.2.1 Foreign over-the-top television services

A number of witnesses took advantage of the Committee hearings to criticize foreign companies that sell digital materials online to Canadians but do not collect Canadian sales tax or contribute to Canadian content production funds. Netflix was the focus of these discussions.

Although Netflix subscriptions sold in Canada are subject to the goods and services tax and the harmonized sales tax (GST/HST), the company is not required to collect these taxes for the federal and relevant provincial governments, because it is not physically present in Canada. Under these circumstances, the *Excise Tax Act* states that each Canadian consumer must pay the GST/HST on their Netflix subscription by filling out the appropriate form and submitting it to the Canada Revenue Agency.<sup>169</sup> According to Marwah Rizqy, a law professor at the University of Sherbrooke, requiring Netflix to collect the GST/HST on subscriptions sold in Canada would have brought in close to \$31.2 million for the federal government and \$56 million for the provinces in 2016.<sup>170</sup>

Witnesses stated that Canadian companies were at a disadvantage in relation to these companies. Representatives from Friends of Canadian Broadcasting,<sup>171</sup> Rogers,<sup>172</sup> the Canadian Wireless Telecommunications Association (CWTA) and Cogeco<sup>173</sup> expressed this view. They called for Netflix to collect the same taxes as Canadian companies and to contribute to Canadian content production funds.

According to the CWTA, foreign companies have an unfair competitive advantage, and the creators of Canadian content are suffering as a result. Bernard Lord, the CWTA's President and CEO, suggested taxing foreign digital services or untaxing Canadian-owned

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169 Department of Justice, *Excise Tax Act*, s. 218, and Canada Revenue Agency, *GST/HST Return for Imported Taxable Supplies, Qualifying Consideration, and Internal and External Charges*, Situation A, p. 3.

170 Vincent Brousseau-Pouliot, *Netflix devrait payer de la TPS/TVQ, croit le président du CRTC*, *La Presse*, 25 November 2016. (Estimate confirmed by Ms. Marwah Rizqy, professor of tax law, University of Sherbrooke). [IN FRENCH ONLY]

171 CHPC, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0930 (Ian Morrison, Friends of Canadian Broadcasting).

172 CHPC, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0930 (Colette Watson, Rogers).

173 CHPC, *Evidence*, 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0955 (Louis Audet, Cogeco Inc.).



digital services.<sup>174</sup> The CWTA proposed that Canada follow the example of other countries like Japan and Australia, which decided to tax foreign-owned e-commerce companies. The CWTA gave the Committee a list of these countries (see the table in Appendix B).

### 3.3 The Copyright Act

In its provisions on fair dealing with regard to material or other subject matter protected by copyright, the [Copyright Act](#) states that “[f]air dealing for the purpose of news reporting does not infringe copyright.”<sup>175</sup> However, the source and certain information given in the source must be mentioned.

A number of witnesses suggested that the Committee recommend amending the *Copyright Act* to help the media prevent their content from being used without compensation. Representatives from the Canadian Newspaper Association,<sup>176</sup> AWNA,<sup>177</sup> Glacier Media Group,<sup>178</sup> Coalition pour la pérennité de la presse d’information au Québec<sup>179</sup> and *iPolitics*<sup>180</sup> recommended that large foreign-owned companies such as Google and Facebook compensate the creators of news content for its use. They believe that the *Copyright Act* should be reviewed so that the media can negotiate agreements and receive compensation when their content is used on these major platforms.

Mr. Geist of the University of Ottawa has expressed concern over this suggestion. In his view, this amendment to the *Copyright Act* would hamper innovation and compromise “the ability for reporters to use materials and reuse materials as part of their reportage.”<sup>181</sup> Mr. Geist explained that there is a difference between indexing content for search purposes and then sending users to the originating source, and aggregating content and reposting it unchanged. He also does not agree with the other witnesses that amending the Act will resolve “systemic problems”<sup>182</sup> regarding the traditional media’s declining revenue.

The PPF recommends a review of the fair-dealing provisions of the *Copyright Act*. During its consultations, the PPF “heard repeated complaints from publishers as to how

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174 Ibid., 0915 (Bernard Lord, President and Chief Executive Officer, Canadian Wireless Telecommunications Association).

175 [Copyright Act](#), R.S.C., 1985, C-42, s. 29.2.

176 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0910 (Bob Cox, Canadian Newspaper Association).

177 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1145 (Duff Jamison, AWNA).

178 Ibid., 1210 (Peter Kvarnstrom, Glacier Media Group).

179 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1125 (Brian Myles, Coalition pour la pérennité de la presse d’information au Québec).

180 Ibid., 1225 (James Baxter, Founding Editor, *iPolitics Inc.*).

181 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1125 (Michael Geist, University of Ottawa, As an Individual).

182 Ibid., 1150.

fair-dealing provisions in the Copyright Act are inadequate in a digital world in which whole works can be duplicated instantly.”<sup>183</sup>

It is important to note that, following the last major review of the *Copyright Act* in 2012, section 92 of the Act now provides for a five-year review by a parliamentary committee. The first review should take place in 2017. That may be an opportune time to consider the amendments recommended during this study in light of other amendments proposed during the review and the Act as a whole.

### 3.4 The Canada Periodical Fund

The [Canada Periodical Fund](#) (CPF) provides assistance to Canadian publishers, magazines and non-daily newspapers to ensure the public has access to a range of these Canadian publications. In 2015–2016, the CPF allocated close to \$74 million through its three components:

- **Aid to Publishers** provides funding “to support the creation of content, production, distribution, online activities or business development.”<sup>184</sup> Close to \$71.3 million was awarded through this component in 2015–2016.
- **Business Innovation** “encourages innovation to adapt to changing market conditions and contributes to the diversity of content sought by Canadian readers.”<sup>185</sup> Approximately \$1.5 million was awarded through this component in 2015–2016.
- **Collective Initiatives** supports “broad-based marketing plans, research into new technologies and projects that tackle systemic issues affecting the industry.”<sup>186</sup> Close to \$1.3 million was allocated through this component in 2015–2016.

Most CPF funding is provided through the Aid to Publishers component. Only publishing firms producing printed paid or request circulation magazines and paid circulation non-daily newspapers are eligible.<sup>187</sup> Applicants must also have sold at least 3,500 paid copies during the financial year. The sales threshold is 2,000 copies for Aboriginal, official language minority and ethnic magazines and non-daily newspapers.<sup>188</sup>

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183 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 87

184 Canadian Heritage, [Canada Periodical Fund - Aid to Publishers](#).

185 Canadian Heritage, [Canada Periodical Fund – Business Innovation](#).

186 Canadian Heritage, [Canada Periodical Fund - Collective Initiatives](#).

187 Canadian Heritage, [Canadian Periodical Fund - Application Guidelines – Aid to Publishers component](#).

188 Ibid.

A number of witnesses highlighted the CPF as a possible means of supporting the print media sector during this transition period. They suggested expanding the program's eligibility criteria to include dailies, free newspapers and digital distribution.

Representatives from daily newspapers suggested that their publications should be eligible for this program. This proposal was put forward by the Mr. Volpe of *Corriere Canadese*,<sup>189</sup> Mr. Godfrey of Postmedia,<sup>190</sup> and Mr. Lever of *The Chronicle Herald*.<sup>191</sup>

Furthermore, other witnesses also suggested that the CPF's eligibility criteria be reviewed to include free community newspapers. This recommendation was made by representatives from the Canadian Newspaper Association,<sup>192</sup> AWNA,<sup>193</sup> Glacier Media Group,<sup>194</sup> *Neepawa Banner*,<sup>195</sup> and *Nunavut News/North*, Northern News Services.<sup>196</sup> Mr. Jamison of the AWNA added that if the CPF's eligibility criteria are expanded, the fund's annual budget should also be increased.<sup>197</sup>

The Canadian Farm Press Association<sup>198</sup> and Susan Wheeler, Vice-President of Regulatory Affairs, Media at Rogers,<sup>199</sup> stated that the CPF currently offered, "no support for digital distribution." In fact, only the Business Innovation component of the CPF provides limited support for digital distribution. Michelle Hoar, Director of Publishing and Advertising at *The Tyee*, added that the CPF could be employed to assist online news sites.<sup>200</sup>

Mr. Olivier from Transcontinental recommended that the Department of Canadian Heritage adapt the CPF to provide three to five year interim funding to local media publishers to help them cover 50% of their content production costs.<sup>201</sup>

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189 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0955 (Hon. Joseph Volpe, *Corriere Canadese*).

190 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 May 2016, 0850 (Paul Godfrey, Postmedia).

191 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, *The Chronicle Herald*).

192 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0850 (Bob Cox, Canadian Newspaper Association).

193 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1135 (Duff Jamison, AWNA).

194 Ibid., 1210 (Peter Kvarnstrom, Glacier Media Group).

195 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1240 (Ken Waddell, *Neepawa Banner*, *Neepawa Press*, *Rivers Banner*).

196 Ibid., 1305 (Casey Lessard, Nunavut News/North, Northern News Services Ltd.).

197 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1135 (Duff Jamison, AWNA).

198 The Canadian Farm Press Association. *Perspectives on the Canada Periodical Fund, Aid to Publishers Program*, p. 10.

199 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0925 (Susan Wheeler, Rogers).

200 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1155 (Michelle Hoar, Director, Publishing and Advertising, *The Tyee*).

201 Transcontinental, *Presentation to the Standing Committee on Canadian Heritage – Media and Local Communities*, 19 April 2016, p. 8.

Thomas Saras, President and Chief Executive Officer of the National Ethnic Press and Media Council of Canada (NEPMCC), stated that there was still a significant gap between CPF funding to the ethnic press and CPF funding to the mainstream English and French-language media.<sup>202</sup> Mr. Saras and representatives from the New Pathway Media Group and the *Canadian Punjabi Post* recommended that the CPF support, “endeavours to develop digital platforms for ethnic media.”<sup>203</sup>

In light of the testimonies received from the witnesses, the Committee believes that the CPF could be engaged to help the print media deal with current challenges.

## **RECOMMENDATION 7**

**The Committee recommends that the Department of Canadian Heritage make the following changes to the Canada Periodical Fund:**

- **make daily and free community newspapers eligible;**
- **offer greater support for the online distribution of magazines and newspapers;**
- **offer greater support to Indigenous, ethnic and official language minority print media; and**
- **increase the budget of the program in the event that a review of the program’s eligibility criteria and guidelines leads to an increase in the number of recipients.**

### **3.5 Canada Media Fund**

Rogers called for “a full review”<sup>204</sup> of cultural support programs and recommended a review of the eligibility criteria for Canada Media Fund programs to ensure that they contribute to the production of local news and programs.<sup>205</sup> The same recommendation was made by Andy Leblanc, past President of the RTDNA,<sup>206</sup> and Brian Myles of *Le Devoir*.<sup>207</sup>

Bell Canada representatives recommended that government “reallocate existing money in the system and create a fund that provides an incentive to invest in local news.”

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202 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 10 May 2016, 0950 (Thomas Saras, President and CEO, Head Office, National Ethnic Press and Media Council of Canada (NEPMCC)).

203 Ibid., 0930 (Yuri Bilinsky, New Pathway Media Group).

204 Ibid., 0850.

205 Ibid., 0905.

206 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 May 2016, 0925 (Andy LeBlanc, RTDNA).

207 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1150 (Brian Myles, Coalition pour la pérennité de la presse d’information au Québec).

### 3.6 Canadian Radio-television and Telecommunications Commission

The CRTC “is an administrative tribunal that regulates and supervises broadcasting and telecommunications in the public interest.”<sup>208</sup> The CRTC’s mandate is entrusted to it by the Parliament of Canada and administered through the Minister of Canadian Heritage. It focuses primarily on achieving policy objectives established in the [Broadcasting Act](#), the [Telecommunications Act](#) and [Canada’s Anti-Spam Legislation](#).

The Forum for Research and Policy in Communications (FRPC) recommended that the CRTC review its systems for gathering and declaring data, particularly as they relate to attaining the objectives set out in section 3 of the *Broadcasting Act*. The FRPC also recommended that the CRTC “be required to set conditions of licence for expenditures on, and hours of, original local radio and television news produced in, and predominantly about, the communities that those stations are licensed to serve.”<sup>209</sup> Alysia Lau, Legal Counsel for the PIAC, made a similar recommendation.<sup>210</sup>

Al Mackay, Director of the FRPC, questioned the reliability of the CRTC’s data on local broadcasting. The lack of data makes it impossible to know:

... if Parliament’s objectives for local broadcasting are being met or whether the consolidation of ownership has strengthened or weakened local broadcast news.<sup>211</sup>

CUPE representatives recommended that the Government of Canada “work to provide a better system for collecting data in the communications sector.”<sup>212</sup> In the area of broadcasting, the union recommended that the Governor in Council make use of subsection 7(1) of the *Broadcasting Act* in order “to instruct the CRTC to collect more statistics on the industry that it regulates.”<sup>213</sup>

#### RECOMMENDATION 8

**The Committee recommends that the Canadian Radio-television and Telecommunications Commission collect more data on the state of local broadcasting in Canada.**

Ian Morrison, spokesperson for Friends of Canadian Broadcasting, called into question the CRTC’s decisions following the 2014 [Let’s Talk TV](#) initiative. He criticized the CRTC for not releasing an economic assessment of the impact of its decisions.<sup>214</sup> Drawing on a [study](#) by Nordicity, a representative of Friends of Canadian Broadcasting

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208 CRTC, [About Us](#).

209 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 25 February 2016, 0900 (Al Mackay, Director, Forum for Research and Policy in Communications (FRPC)).

210 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1020 (Alysia Lau, PIAC).

211 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 25 February 2016, 0900 (Al Mackay, FRPC).

212 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0940 (Denis Bolduc, CUPE).

213 Ibid.

214 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0855 (Ian Morrison, Friends of Canadian Broadcasting).

also stated that funding for local television will be inadequate “within four or five years.”<sup>215</sup> According to Peter Miller, the study’s author, “50% of private small and medium-market stations could close by 2020.”<sup>216</sup>

### 3.6.1 Policy framework for local and community television (June 2016)

CRTC executives appeared before the Committee twice. They emphasized the need for the private, public and community components of the Canadian television system to support the creation of diverse Canadian programming, including “news, analysis and interpretation to ensure a local perspective on current events.”<sup>217</sup> Mr. Hutton of the CRTC stated that local news helps people make sense of world events and “participate in Canada’s political, economic, and cultural affairs.”<sup>218</sup>

In June 2016, the CRTC released its [Policy framework for local and community television](#). In the policy, the CRTC states that the Canadian broadcasting system has sufficient funding to support the creation of local newscasts and information programs.<sup>219</sup> The following highlights are taken from the policy:

- Vertically integrated companies (Bell Canada, Shaw, Rogers and Quebecor) will have greater flexibility to allocate their local expression contribution and funds from their community channels to their local television stations. For example, these companies can redirect half of their local expression contributions to support the production of local news by CTV, Global, City, OMNI and TVA.
- The Independent Local News Fund will be launched with a budget of close to \$23 million annually. Only private independent television stations will be eligible for funding.

In addition, the CRTC plans to gradually eliminate obstacles that hinder investment in digital media and the creation of new programming. Through its [discoverability](#) initiative, the CRTC is also looking into new strategies to help Canadian and foreign audiences discover Canadian content.

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215 Ibid., 0925 (Peter Miller, Expert on Local Broadcasting, Friends of Canadian Broadcasting).

216 Peter Miller, [Near Term Prospects for Local TV in Canada](#) (Study prepared by Friends of Canadian Broadcasting and Unifor), November 5, 2015, pp. 14–15.

217 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 23 February 2016, 1005 (Scott Hutton, CRTC).

218 Ibid.

219 CRTC, Policy framework for local and community television, [Broadcasting Regulatory Policy CRTC 2016-224](#), 15 June 2016, para. 26.

### 3.6.2 Licence renewals of the large television groups (May 2017)

On 15 May 2017, the CRTC announced it would renew the licences of large English- and French-language television ownership groups for a five-year period starting on 1 September 2017.<sup>220</sup>

In the case of English-language private television services,<sup>221</sup> the CRTC maintained the current requirement to broadcast at least 7 hours per week of local programming in non-metropolitan markets and at least 14 hours per week in metropolitan markets.<sup>222 223</sup> In addition, licence holders must allocate three hours of this time per week to broadcasting locally reflective news and information in non-metropolitan markets and six hours in metropolitan markets.<sup>224</sup>

The CRTC also determined that all services in the English-language ownership group must allocate a minimum standard of 5% of their revenues to expenditures on programs of national interest.<sup>225</sup>

In the case of French-language private television services,<sup>226</sup> the benchmark minimum for hours of local programming was set at five hours per week.<sup>227</sup> Requirements for the number of hours of locally reflective news and information<sup>228</sup> and expenditures on programs of national interest vary based on the licence holder.

In addition, licensees of local television stations in the major English- and French-language ownership groups must give 120 days' notice before closing a local station. During this period, the CRTC will hold hearings on the proposed closure.<sup>229</sup>

The Committee is also concerned over the recent decisions by Shaw and Rogers to close some of their community television stations. Shaw announced that its community stations in Vancouver, Calgary and Edmonton would close as of 15 August 2017.

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220 CRTC, [The CRTC supports the production of original content](#), News Release, 15 May 2017.

221 The licences are for Rogers Media, Bell Media and Corus Entertainment.

222 The metropolitan markets are Montréal, Ottawa-Gatineau, Toronto, Edmonton, Calgary and Vancouver.

223 CRTC, Renewal of licences for the television services of large English-language ownership groups – Introductory decision, [Broadcasting Decision CRTC 2017-148](#), 15 May 2017, para. 52.

224 Ibid.

225 Ibid., para. 42.

226 These licences are held by Quebecor and Groupe V Média Inc.

227 CRTC, Renewal of licences for the television services of large French-language ownership groups – Introductory decision, [Broadcasting Decision CRTC 2017-143](#), 15 May 2017, para. 88.

228 For example, the TVA stations in Quebec City and Montréal must allocate 3.5 and 6 hours per week to locally reflective information and news, respectively. In the case of Groupe V, this requirement is set at 2.5 hours per week for all stations.

229 CRTC, Renewal of licences for the television services of large English-language ownership groups – Introductory decision, [Broadcasting Decision CRTC 2017-148](#), 15 May 2017, para. 105.

The company stated that this decision would enable it to redirect \$10 million per year to Global News to support local news coverage and reporting in these markets.<sup>230</sup>

Rogers also announced that it would reduce or cease operations in four of its stations in the Greater Toronto Area, specifically, Toronto, Brampton, Mississauga and Richmond Hill. These closures will be effective as of 31 August 2017 and will mean the loss of 33 full-time positions.<sup>231</sup>

## **RECOMMENDATION 9**

**The Committee recommends that the Canadian Radio-television and Telecommunications Commission review its policy framework for local and community television to determine its impact on funding for the community television sector.**

In major metropolitan markets, outlying areas tend not to be reflected in local news coverage. Several witnesses noted that suburban populations have a significant need for local news. According to Ms. Lindgren of Ryerson University, data from the *Local News Research Project* suggested that “big suburban cities are relatively underserved in terms of the number of news outlets in them.”<sup>232</sup>

## **RECOMMENDATION 10**

**The Committee recommends that the Canadian Radio-television and Telecommunications Commission rigorously track and enforce non-compliance with licence requirements regarding locally reflective news and programming.**

## **RECOMMENDATION 11**

**The Committee recommends that the Canadian Radio-television and Telecommunications Commission identify other sources of funding for the community radio sector.**

## **RECOMMENDATION 12**

**The Committee recommends to expand the current 5% levy for Canadian content production on broadcasting distribution undertakings to broadband distribution.**

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230 Shaw Communications, [Corus Entertainment and Shaw Communications reinforce commitment to local news with new funding model](#), 26 April 2017.

231 Media in Canada, [Rogers closes more local TV stations](#), 4 May 2017.

232 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1120 (April Lindgren, Principal Investigator, Professor, Local News Research Project, Ryerson University School of Journalism, As an Individual).



### 3.7 Repurposing of the 600 Megahertz band

The world trend towards “increasing demand for data-intensive content and applications”<sup>233</sup> is expected to continue into the following years. Smartphones and tablets “are changing the way in which Canadians work, live and play.”<sup>234</sup> At the same time, Canadian wireless subscribership is growing and consumers continue to increase their use of smartphones and tablets, driving demand for data services and increasing wireless network traffic. In 2016, the CRTC reported that wireless revenues now account for approximately 51% of all telecommunications revenue.<sup>235</sup> To address these challenges, “Canada must allocate sufficient spectrum to mobile broadband use.”<sup>236</sup>

In August 2015, the ISEDC announced its [decision](#) to repurpose the 600 megahertz (MHz) band for commercial mobile services. This part of the spectrum is currently used primarily by over-the-air television broadcasters for the local broadcasting of television content. Witnesses estimate that the 600 MHz auction will result in \$5 billion in revenue.<sup>237</sup> They recommended that revenue from the auction be used to support local television programming.

Rogers estimates that the broadcasting industry will face costs of “\$520 million to \$1.25 billion.”<sup>238</sup> The company requested that broadcasters be compensated for the cost of moving to alternate spectrum bands. It also asked that revenue from the spectrum auction be used to establish a fund to support local television programming.<sup>239</sup>

Representatives from Cogeco,<sup>240</sup> Friends of Canadian Broadcasting<sup>241</sup> and the PIAC<sup>242</sup> made similar recommendations. However, they specified that revenue from the auction should be used to compensate independent local television stations (which are not controlled by vertically integrated companies).

Like Rogers, Bell Canada believes that repurposing the spectrum will cost it tens of millions of dollars.<sup>243</sup> Its representatives recommended that part of the revenue from the spectrum auction be used to “cover at least the cost of relocating transmitters.”<sup>244</sup>

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233 Innovation, Science and Economic Development Canada, [Decision on Repurposing the 600 MHz Band](#), 14 August 2015.

234 Ibid.

235 CRTC, [Communications Monitoring Report 2016](#), p. 216.

236 Innovation, Science and Economic Development Canada, [Decision on Repurposing the 600 MHz Band](#), 14 August 2015.

237 Bell Canada, *Brief submitted to the Standing Committee on Canadian Heritage*, 3 May 2016.

238 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0850 (Colette Watson, Rogers).

239 Ibid.

240 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0940 (Louis Audet, Cogeco Inc.).

241 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0905 (Ian Morrison, Friends of Canadian Broadcasting).

242 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1000 (Geoff White, External Counsel, PIAC).

243 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0845 (Kevin Goldstein, Bell Canada).

### RECOMMENDATION 13

**The Committee recommends that the Government of Canada set aside a part of the revenue from the 600 MHz auction to support locally reflective news and programming.**

#### 3.8 The role of CBC/Radio-Canada as a public broadcaster

CBC/Radio-Canada's legislative mandate is outlined in sections 3(1)(l) and (m) of the *Broadcasting Act*. The Corporation is to "provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains." As well:

- (m) the programming provided by the Corporation should
  - i. be predominantly and distinctively Canadian;
  - ii. reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions;
  - iii. actively contribute to the flow and exchange of cultural expression;
  - iv. be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities;
  - v. strive to be of equivalent quality in English and in French;
  - vi. contribute to shared national consciousness and identity;
  - vii. be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose; and
  - viii. reflect the multicultural and multiracial nature of Canada<sup>245</sup>.

CBC/Radio-Canada carries out its mandate by broadcasting local and regional programming through 27 conventional television stations, 88 radio stations and 41 regional websites.

CBC/Radio-Canada plays a vital role in disseminating varied and accessible content across Canada, giving Canadians the opportunity to enjoy content to which they may not have access.

On 19 May 2016, CBC/Radio-Canada officials appeared before the Committee. The Corporation plans to increase its local presence across the country, primarily through

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244 *Ibid.*

245 [Broadcasting Act](#), S.C. 1991, c. 11.

its digital services.<sup>246</sup> This is the main focus of its [Strategy 2020: A space for us all](#). CBC/Radio-Canada will continue to offer news and current affairs on its conventional platforms, while putting greater emphasis on digital services in the years to come. According to Budget 2016, CBC/Radio-Canada is to receive \$675 million over the next five years.<sup>247</sup> A portion of this funding will be reinvested in local services.<sup>248</sup>

A few witnesses called for CBC/Radio-Canada to maintain its presence on conventional platforms (television and radio). Ms. Lanthier of the FCFA du Canada believes that the Corporation's new funding must be used in part to "enhance the French-language television and radio stations."<sup>249</sup> Ms. Lanthier suggested that the Corporation be required to meet this condition to obtain new funding.

Geoff White, External Counsel to the PIAC, believes that CBC/Radio-Canada "should not fix all its attention on the transition to digital media."<sup>250</sup> PIAC asked the Committee to ensure that local communities are adequately served "by CBC stations, particularly where broadband access isn't available, reliable, or affordable."<sup>251</sup>

Other witnesses called for the Corporation to make its content available to other industry players, similar to the ProPublica model in the United States. This proposal was put forward by Linda Solomon Wood, Chief Executive Officer of the Observer Media Group,<sup>252</sup> and James Baxter, Founding Editor of *iPolitics*.<sup>253</sup> The PPF also believes that the Corporation should make its news content available free of charge through a publishing mechanism known as a [Creative Commons licence](#).<sup>254</sup>

The main criticism levelled at CBC/Radio-Canada relates to its competitive relationship with other media companies. Mr. Crawley of *The Globe and Mail* referred to the Corporation as his paper's biggest competitor in "digital ad space."<sup>255</sup> Similar statements were made by witnesses representing the Canadian Newspaper Association, Torstar, *iPolitics*,<sup>256</sup> *The Chronicle Herald*,<sup>257</sup> *Nunavut News/North*, Northern

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246 CBC/Radio-Canada, [Local offer](#).

247 Finance Canada, [Growing the Middle Class](#) (Budget 2016), 22 March 2016, p. 185.

248 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 May 2016, 0915 (Jennifer McGuire, General Manager and Editor-in-Chief, CBC News).

249 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0850 (Sylviane Lanthier, FCFA du Canada).

250 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1000 (Geoff White, PIAC).

251 Ibid.

252 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1120 (Linda Solomon Wood, Observer Media Group).

253 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1225 (James Baxter, *iPolitics Inc.*).

254 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, pp. 93–94.

255 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1145 (Phillip Crawley, *The Globe and Mail*).

256 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1225 (James Baxter, *iPolitics Inc.*).

257 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, *The Chronicle Herald*).

News Services,<sup>258</sup> the *Neepawa Banner*,<sup>259</sup> and Rebel Media<sup>260</sup> as well as Mr. Geist of the University of Ottawa.<sup>261</sup>

CBC/Radio-Canada responded to this criticism in a [letter](#) to the Committee. According to CBC's President and CEO Hubert Lacroix, Canadians expect the public broadcaster to have a presence in the digital world. He also maintained that the Corporation is not responsible for the challenges facing the Canadian media.<sup>262</sup> Mr. Lacroix pointed out that only 10% of the Corporation's advertising revenue, for a total of \$25 million, came from "all digital advertising across CBC/Radio-Canada."<sup>263</sup>

In November 2016, CBC/Radio-Canada submitted a brief as part of the consultations on Canadian content in a digital world conducted by the Department of Canadian Heritage. The Corporation is prepared to eliminate advertising from its programming. They said that an advertisement-free business model across all platforms would mean a shortfall of \$318 million,<sup>264</sup> thereby requiring an increase in public funding. This figure takes into account "the lost advertising revenue (\$253M), the cost to produce and procure additional Canadian content (\$105M) that is required to replace the advertising programming and the cost savings associated with the reduced cost of sales (\$40M)."<sup>265</sup>

In its report *The Shattered Mirror*, the PPF recommends that CBC/Radio-Canada phase out the sale of online advertising. It suggests that the advertising revenue "should be replaced through the Corporation's parliamentary appropriation so as not to weaken the CBC's transition to digital."<sup>266</sup> Given the Corporation's civic-function mission, the PPF feels that it should not be drawn into a "clickbait" mentality.

The Committee believes that part of the CBC's raison d'être should be to ensure that Canadians have access to a diversity of voices through a range of media, including access to local and regional information. As our national broadcaster, CBC/Radio-Canada plays a vital role in disseminating Canadian content to the public across its various platforms.

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258 Ibid., 1245 (Casey Lessard, Nunavut News/North, Northern News Services Ltd.).

259 Ibid., 1250 (Ken Waddell, *Neepawa Banner*, *Neepawa Press*, *Rivers Banner*).

260 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1150 (Brian Lilley, Co-founder, Reporter, Rebel Media).

261 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1110 (Michael Geist, University of Ottawa, As an Individual).

262 CBC/Radio-Canada, [Letter to the Standing Committee on Canadian Heritage: Limiting access to the digital public space is not in the public interest](#), 21 November 2016.

263 Ibid.

264 CBC/Radio-Canada, [A Creative Canada: Strengthening Canadian Culture in a Digital World](#), November 2016, p. 31.

265 Ibid., p. 31.

266 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 93.

#### RECOMMENDATION 14

The Committee recommends that CBC/Radio-Canada prioritize the production and dissemination of locally reflective news and programming by expanding its local and regional coverage, including unserved areas across all of its platforms.

#### RECOMMENDATION 15

The Committee recommends that CBC/Radio-Canada eliminate advertising from its digital news platforms.

### 3.9 Federal government advertising

The federal government uses advertising to communicate with the Canadian public and share information about its services, programs and policies. Advertising is also used to inform people of their rights and responsibilities and to warn them of the hazards or risks to health, public safety or the environment.

The rules for government advertising are set out in the [Policy on Communications and Federal Identity](#), which states as follows:

Using new communications approaches that stem from the rise of digital technologies, balanced with using traditional methods, enables the Government of Canada to reach and engage with Canadians effectively and efficiently in the official language of their choice, regardless of where they reside.<sup>267</sup>

In addition, requirement 6.3.4 of the policy states that federal departments must use “a variety of media and platforms to maximize reach, including seeking innovative ways to use technology.”<sup>268</sup>

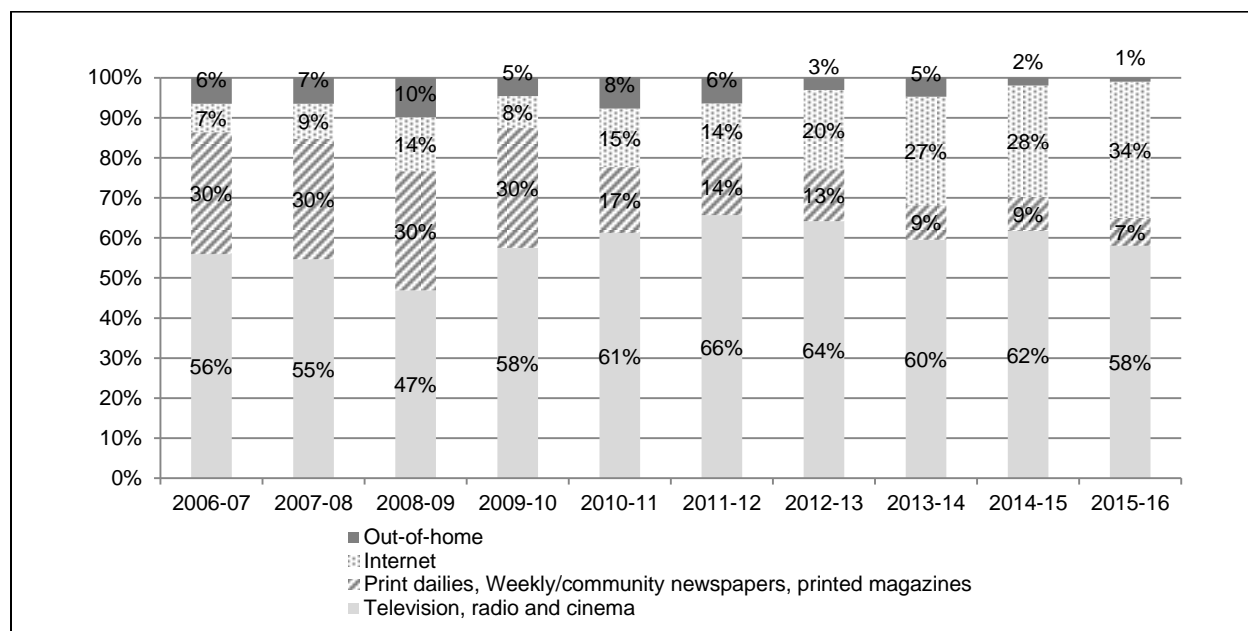
It is therefore not surprising that federal organizations are advertising on the Internet more and more. As shown in Figure 7, print advertising (dailies, community newspapers, magazines) accounted for 30% of advertising spending in 2006–2007. In 2015–2016, this figure dropped to 7%. Internet advertising during the same period rose from 7% to 34% of total spending on advertising.

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267 [Policy on Communications and Federal Identity](#), 11 May 2016, requirement 4.4.

268 Ibid., requirement 6.3.4.

**Figure 7 – Agency of Record media placements by type for 2006–2007 to 2015–2016 (as a percentage)**



Source: Figure prepared in using data from Public Works and Government Services Canada (PWGSC), [Government of Canada advertising annual reports](#) (corresponding years). Excludes media purchased directly by institutions for public notices. (Most up-to-date data)

Many witnesses were critical of the federal government’s media placement strategy. Representatives from the Canadian Newspaper Association,<sup>269</sup> AWNA,<sup>270</sup> Glacier Media Group,<sup>271</sup> Coalition pour la pérennité de la presse d’information au Québec,<sup>272</sup> *The Chronicle Herald*<sup>273</sup> and Observer Media Group<sup>274</sup> complained about the federal government’s steadily increasing use of foreign-owned online platforms in its advertising.

Similar comments were made by witnesses who represent the media serving official language minority communities, and ethnic and Indigenous communities. They stated that the government is overlooking an effective and affordable communication tool for reaching these target groups. This observation was made by the FCFA du

269 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0850 (Bob Cox, Canadian Newspaper Association).

270 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1115 (Duff Jamison, AWNA).

271 Ibid., 1210 (Peter Kvarnstrom, Glacier Media Group).

272 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1125 (Brian Myles, Coalition pour la pérennité de la presse d’information au Québec).

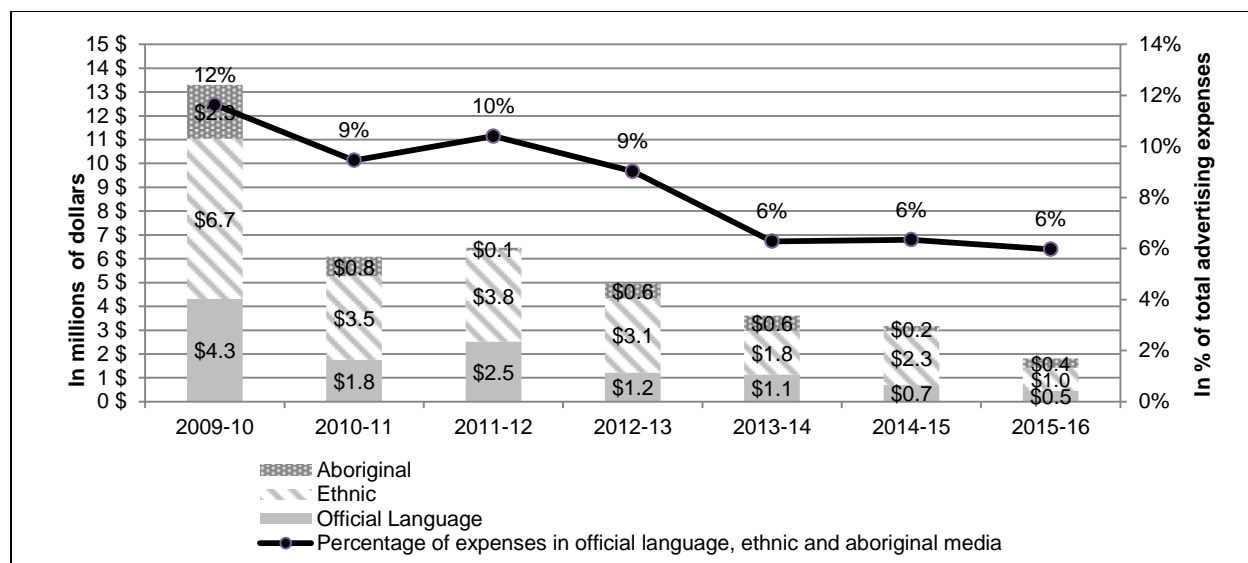
273 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, *The Chronicle Herald*).

274 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1115 (Linda Solomon Wood, Observer Media Group).

Canada,<sup>275</sup> APF,<sup>276</sup> QCNA,<sup>277</sup> QCGN,<sup>278</sup> *Canadian Punjabi Post*,<sup>279</sup> NEPMCC,<sup>280</sup> *Corriere Canadese*<sup>281</sup> and *Nunavut News/North*, Northern News Services.<sup>282</sup>

Data on the government's advertising activities contained in the annual reports by Public Services and Procurement Canada (PSPC) supports the testimony of these witnesses. As shown in Figure 8, spending on media placements in the three media categories concerned has decreased in absolute terms and as a percentage of total advertising spending.

**Figure 8 – Agency of Record official language, ethnic and Aboriginal media placements, 2009–2010 to 2015–2016 (\$ million and percentage of total advertising expenses)**



Source: Figure prepared using data from PWGSC, [Government of Canada advertising annual reports](#) (corresponding years). (Most up-to-date data)

Officials from PSPC appeared before the Committee to discuss the federal advertising strategy. Online advertising enables federal organizations to reach a wider

275 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0845 (Sylviane Lanthier, FCFA du Canada).  
 276 Ibid., 0855 (Francis Sonier, APF).  
 277 Ibid., 8 March 2016, 1025 (Richard Tardif, QCNA).  
 278 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0855 (Hugh Maynard, QCGN).  
 279 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 10 May 2016, 0925 (Jagdish Grewal, *Canadian Punjabi Post Inc.*).  
 280 Ibid., 1025 (Thomas Saras, NEPMCC).  
 281 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0955 (Hon. Joseph Volpe, *Corriere Canadese*).  
 282 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1305 (Casey Lessard, *Nunavut News/North*, Northern News Services Ltd.).

audience, particularly young people, and reduce costs.<sup>283</sup> It is also easier to determine the results of advertising campaigns based on the number of clicks received. PSPC officials also pointed out that the Department's Policy on Communications and Federal Identity was not a tool for socio-economic development or a grants and contributions program to support Canadian media.<sup>284</sup>

In light of the evidence presented on this subject, the Committee makes the following recommendation:

#### **RECOMMENDATION 16**

**The Committee recommends that federal institutions increase their dissemination of information in official languages, ethnic and Indigenous communities.**

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283 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 1 November 2016, 1150 (Louise de Jourdan, Director, Advertising Coordination and Partnerships, Public Services and Procurement Canada (PSPC)).

284 *Ibid.*, 1120 (Marc Saint-Pierre, Director General, Government Information Services Sector, PSPC).



## PART 4: IMPACT OF MEDIA CONCENTRATION

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The Canadian media industry is the most highly concentrated of any major comparable country in the world. A recent study of the [Canadian Media Concentration Research Project](#) (CMCRP) on the development in media concentration shows that Canada had “the highest levels of vertical integration and cross-media ownership out of the 28 countries studied”<sup>285</sup> in 2013.

In 2016, data from News Media Canada shows that three main groups (Postmedia, Transcontinental, Torstar) owned close to 66% of all daily newspapers<sup>286</sup> and 35% of all community newspapers<sup>287</sup> in Canada.

With regard to the broadcasting sector, CRTC data shows that five broadcasting and telecommunications groups/entities (Bell Canada, Quebecor, Rogers, TELUS and Shaw) received “approximately 82% of total industry revenues”<sup>288</sup> in the Canadian communication industry in 2015. This figure remains practically unchanged since 2013.

The Competition Bureau (the Bureau) is responsible for reviewing merger transactions to ensure that amalgamated corporations do not exercise an inordinate amount of influence over the market to the detriment of customers, suppliers and Canadian consumers. In recent years, the Bureau conducted several merger reviews within the Canadian media sector.

In 2013, it reviewed Bell Canada’s acquisition of Astral Media. The Bureau determined that the transaction would have led to increased prices and reduced choice and innovation in the television distribution industry. Bell Canada was required to divest itself of ownership interests in several of Astral’s television channels and a number of radio stations.<sup>289</sup>

In 2014, the Bureau reviewed Transcontinental’s acquisition of 74 community newspapers owned by Quebecor and determined that the transaction might substantially decrease competition in certain regional markets. It required Transcontinental to sell 34 local community newspapers so as to preserve competition in some markets.<sup>290</sup>

In October 2014, the Bureau reviewed Postmedia’s acquisition of Sun Media’s English-language newspapers, owned by Quebecor. Following analysis, the Bureau

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285 Canadian Media Concentration Research Project, [Media and Internet Concentration in Canada Report, 1984-2015](#), November 2016, p. 20.

286 News Media Canada, [2016 Ownership Groups – Canadian Daily Newspapers \(99 papers\)](#).

287 News Media Canada, [Snapshot 2016. Canada’s Community Newspapers](#), p. 2. Taking in consideration that Metroland Media Group is owned by [Torstar Corporation](#).

288 CRTC, [Communications Monitoring Report 2016](#), p. 44.

289 Competition Bureau, [Bell’s Proposed Acquisition of Astral](#), 4 March 2013.

290 Competition Bureau, [Competition Bureau Statement Regarding the Acquisition by Transcontinental of Quebecor Media’s Community Newspapers in Quebec](#), 28 May 2014.

concluded that “the proposed transaction is unlikely to result in a substantial lessening or prevention of competition in any relevant market.”<sup>291</sup>

When reviewing mergers, the Bureau’s responsibility is on economic competition and efficiencies related issues such as the impact of the merger on prices or, in the case of media mergers, advertising rates and readership. Bureau’s representatives said that they “enforce the act that it is given.”<sup>292</sup> However, diversity of voices “falls outside the scope of the factors that the Bureau looks at.”<sup>293</sup> If Parliament decided that those powers would lie with the Bureau, it “would administer the act we were told to administer,”<sup>294</sup> said Julien Brazeau, Associate Deputy Commissioner, Competition Promotion Branch with the Competition Bureau.

Mr. Winseck of Carleton University heads the CMCRP. This initiative studies the scope of media concentration in Canada. Mr. Winseck appeared before the Committee at the beginning of our study to present empirical data on the evolution of media in Canada. Based on the CMCRP’s calculations (see appendix C), Mr. Winseck and his team concluded that “concentration in Canada is very high in most media sectors.”<sup>295</sup> Mr. Winseck called for the creation of a strong regulator to remedy this situation.<sup>296</sup>

Many witnesses spoke of the impact of media concentration in Canada. The representatives from the APF and QCNA<sup>297</sup> believe that concentration in the print media sector has a negative impact on local communities. Francis Sonier of the APF commented that companies tend to be more concerned about their shareholders than their readers.<sup>298</sup>

Mr. Waddell of the *Neepawa Banner* explained that media concentration is very bad for local communities because the “corporate shareholder agenda is too easily subverted into chasing maximum quick cash and away from providing news and information.”<sup>299</sup>

Witnesses also stated that media concentration has an impact on the community sector. According to Mr. Smith of the NCRA, media concentration creates challenges because “it is hard for community stations to compete with more powerful

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291 Competition Bureau, [Competition Bureau statement regarding the proposed acquisition by Postmedia Network Inc. of the English-language newspapers of Quebecor Media Inc.](#), 25 March 2015.

292 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 14 February 2017, 1705 (Julien Brazeau, Associate Deputy Commissioner, Competition Promotion Branch, Competition Bureau).

293 Ibid.

294 Ibid.

295 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 25 February 2016, 0915 (Dwayne Winseck, Carleton University).

296 Ibid., 1010.

297 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0945 (Richard Tardif, QCNA).

298 Ibid., 0855 (Francis Sonier, APF).

299 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1220 (Ken Waddell, *Neepawa Banner*, *Neepawa Press*, *Rivers Banner*).

commercial broadcasters for advertising dollars.<sup>300</sup> Catherine Edwards, Executive Director of CACTUS, stated that community media is more important than ever “to provide a diversity of voices.”<sup>301</sup>

TELUS also believes that there is a high level of media concentration in Canada. That is why the company considers it essential to “maintain ... several sources of information, so as to ensure that the information is not entirely controlled by the extremely concentrated media in Canada.”<sup>302</sup>

Pascale St-Onge, President of the FNC, said that media concentration increases the marketing of news and jeopardizes its “quality and diversity.”<sup>303</sup> She called on governments to “immediately address the issue of media concentration and convergence rife in the industry.”<sup>304</sup>

The ethnic press reported being affected by media concentration, although in a different way than the mainstream media. Mr. Saras of the NEPMCC explained that the ethnic media are less affected in terms of ownership because they are independently owned. According to Mr. Saras<sup>305</sup> and Mr. Bilinsky of the New Pathway Media Group,<sup>306</sup> media concentration reduces the number of news sources available to ethnic communities. In addition, the decrease in the number of English- and French-language mainstream media outlets leads to a decrease in the coverage of issues related to ethnic communities. Mr. Saras gave the example of Rogers’ decision to make cuts to its OMNI channel rather than to other services.<sup>307</sup>

Ian Koenigsfest, President of RTDNA, told the Committee that media concentration has a negative impact on the amount of Canadian news. Fewer sources of information mean less original reporting, less investigative journalism and less contact with local communities.<sup>308</sup> The RTDNA called for funding to research the impact of media concentration on the quality of local and national journalism and on communities across Canada.<sup>309</sup>

In its report *The Shattered Mirror*, PPF highlighted the increasing importance of global media firms in the new media ecosystem. Figure 9 from this report shows that 13 of top 20 news sites in 2015 are foreign.

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300 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0900 (Luke Smith, NCRA).

301 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 1015 (Catherine Edwards, Executive Director, CACTUS).

302 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 1020 (Ann Mainville-Neeson, TELUS).

303 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0855 (Pascale St-Onge, FNC).

304 Ibid., 0900.

305 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 10 May 2016, 1030 (Thomas Saras, NEPMCC).

306 Ibid., 0855 (Yuri Bilinsky, New Pathway Media Group).

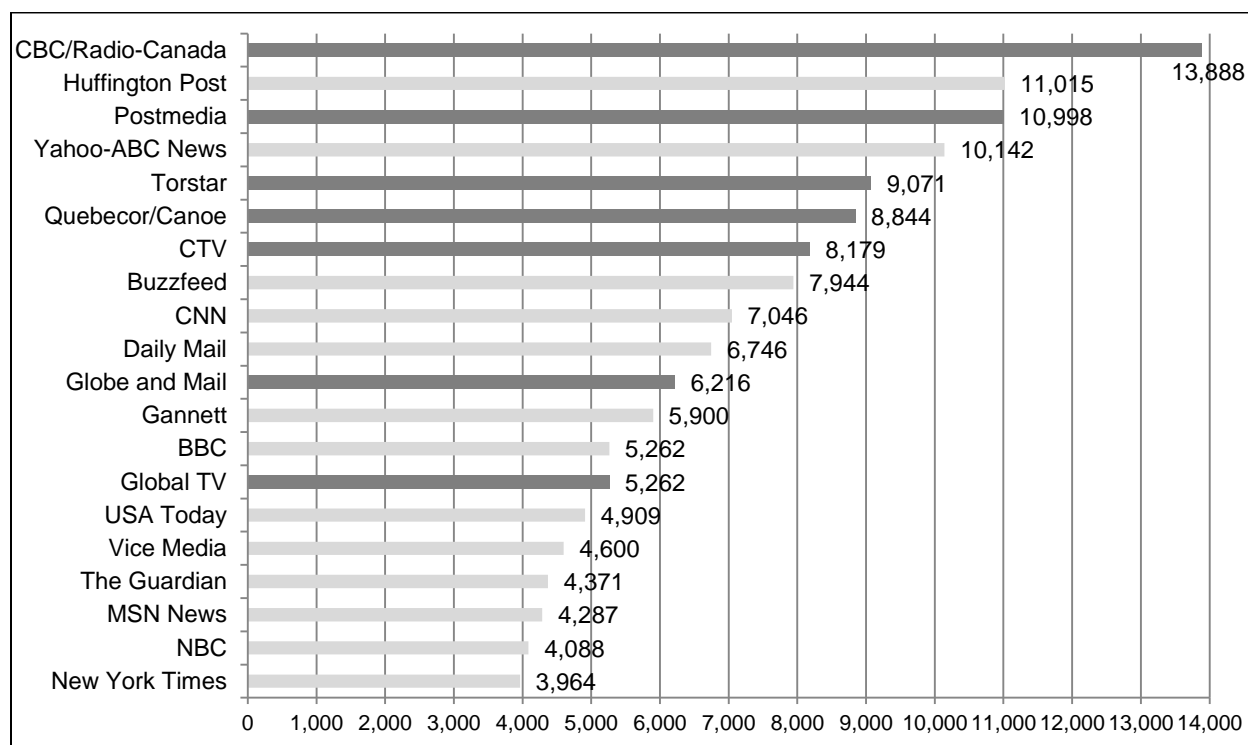
307 Ibid., 1030 (Thomas Saras, NEPMCC).

308 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 May 2016, 0855 (Ian Koenigsfest, President, RTDNA).

309 Ibid., 0855.

## Figure 9 – 13 of top 20 news sites are foreign

(Monthly unique visitors to news websites in Canada, 2015 (000's))



Source: comScore. Figure from Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 31.

According to Mr. White of the PIAC, local communities have suffered as a result of vertical integration in Canada's communication industry. Companies such as Bell Canada, Rogers and Shaw have "significantly cut staff, especially at their local stations."<sup>310</sup>

According to a research conducted by the Canadian Media Guild (CMG), around 16,500 jobs have been lost in the media sector since 2008. This figure includes 7,790 layoffs in the print media sector, 5,911 in the broadcasting sector and 2,799 in other sectors (digital media, Canadian Press, etc).<sup>311</sup> According to the president of CMG, staffing cuts have a negative impact on journalists' ability "to cover or investigate stories and to deliver the reporting that Canadians rely on to fully participate in a democracy."<sup>312</sup>

The Committee also heard differing views on media concentration in Canada. Some witnesses felt it was not a problem in Canada.

310 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1000 (Geoff White, PIAC).

311 Canadian Media Guild, *Media Cuts in Canada, November 2008 – September 2016*, (Documents forwarded to the Committee, 24 April 2017).

312 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 1005 (Carmel Smyth, President, Canadian Media Guild).

Pierre Rodrigue, Vice-President of Industry Relations at Bell Canada, does not believe that media concentration is at the root of the problems facing local television. In fact, concentration has allowed larger broadcasters to support their local television stations. According to M. Rodrigue: “Without the scale and efficiencies that come from being part of a larger operation, these stations would not survive.”<sup>313</sup>

Mr. Geist of the University of Ottawa stated that the emergence of new voices in the digital world shows that “journalism is neither dead nor dying.”<sup>314</sup> He encouraged the Committee to “trust in a transformation that has more access and more voices as its foundation.”<sup>315</sup>

Jeanne Pratt, Senior Deputy Commissioner of Mergers and Monopolistic Practices Branch at the Competition Bureau, believes Canadians are

...served by a diversity of voices in the media landscape ... which in turn contributes to a healthy democratic society. It provides citizens with the freedom to form their own opinions, which in turn contributes to a healthy democratic society. As with our counterparts at other competition law enforcement agencies in other countries, our act [Competition Act] is a general framework legislation applicable to all sectors of the economy, and it is not intended or designed to address issues of a social or cultural nature.<sup>316</sup>

Mr. Cox of the Canadian Newspaper Association believes there is no need to be overly concerned about property concentration in the print media sector. As he explained, the value of Canadian media companies is far below that of the international media giants that are worth billions.<sup>317</sup>

Brian Lilley, a reporter and co-founder of the Rebel Media website, believes that existing regulations have led to media concentration:

When you restrict the ability of small, local owners to access foreign capital, it reduces the number of people who can buy the media properties, be it print, radio, or television, and keep them with some local control. Thus, the Osprey papers became Sun Media, Sun Media became Postmedia, and now they're all one giant company.<sup>318</sup>

The data available on this subject indicates that media concentration is increasing in Canada. Witnesses told the Committee that this trend has adverse effects on the media and on local news reporting.

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313 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0850 (Pierre Rodrigue, Vice-President, Industry Relations, Bell Canada).

314 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1110 (Michael Geist, University of Ottawa, As an Individual).

315 Ibid.

316 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 23 February 2016, 0935 (Jeanne Pratt, Senior Deputy Commissioner, Mergers and Monopolistic Practices Branch, Competition Bureau).

317 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0905 (Bob Cox, Canadian Newspaper Association).

318 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1155 (Brian Lilley, Rebel Media).

In 2003, the Standing Committee on Canadian Heritage (Lincoln Report) warned of the negative impact of media consolidation. They had seen the early warning signs. The 2006 Senate report was more pointedly critical, especially of the Competition Bureau's limited mandate to consider only financial impacts and advertising competition and not the impact on public access. Though both reports were largely ignored, they both called for a review mechanism similar to Australia's, to look at media mergers through a "diversity of voices" lens and to consider the public interest. Without this mechanism "the result has been extremely high levels of news media concentration in particular cities and regions."<sup>319</sup>

In 2017, we are now able to see, fully, the devastating impact of the 2014 Postmedia/Sun Media merger. Postmedia now owns 15 of the 21 largest English language dailies in Canada and 8 of the 9 in the Western provinces. Massive layoffs of journalists have occurred so that, as predicted by the Senate report, the diversity of voices and opinions have been greatly diminished and the principle of democracy, challenged.

Moreover when analyzing the proposed merger in 2015, the Competition Bureau held its hearing without public input. After five months, not one year, as required, the Bureau issued a No Action Letter and did not challenge the merger, despite the fact that Postmedia reneged on its promise to keep separate news rooms.

The Senate report in 2006 had warned, "the Competition Bureau's operating procedures may be well suited to analysing most markets for goods and services in Canada, but not the news media market."<sup>320</sup> These warnings, if heeded may well have prevented the situation we face today, where Canada has the highest vertical and horizontal media concentration in the world. The Committee therefore recommends:

#### **RECOMMENDATION 17**

**The Committee recommends that there be a new section in the *Competition Act* to deal specifically with news media mergers, which would require a panel of experts in media to do a "diversity of voices" test to ensure there is no dominance in any media market.**

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319 Standing Senate Committee on Transport and Communications, *Final Report On The Canadian News Media, Volume 1*, June 2006, p. 24.

320 *Ibid.*, p. 17.

## PART 5: JOURNALISM IN THE NEW WORLD

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As the study proceeded, the subject of fake news took on greater significance. The 2016 U.S. presidential campaign raised the profile of this issue. Witnesses expressed serious concerns about the type of journalism that some practice. Some stated that we are living in a “post-truth” age where “objective facts are less influential in shaping public opinion than appeals to emotion and personal belief.”<sup>321</sup>

The [2017 Edelman Trust Barometer](#) reveals that trust in media was at the lowest recorded level in five years.<sup>322</sup> In 2017, 45% of the Canadian respondents reported trusting the media, down 10 points from 2016.<sup>323</sup>

Over the years, the traditional media in Canada have developed various mechanisms to enhance their public credibility. Most comply with self-regulatory codes to ensure the public receives accurate and reliable information.

Accuracy is the backbone of the [Ethics Guidelines](#) produced by the Canadian Association of Journalists. The guidelines also state that ethical practice “does not change with the medium.”<sup>324</sup>

With regard to the print media, the [Alberta](#) and [Quebec](#) press councils<sup>325</sup> receive and adjudicate public complaints. The [National Newsmedia Council](#) plays a similar role on behalf of Ontario, British Columbia and the Maritimes.

In the field of broadcasting, the [Broadcasting Act](#) provides that “the programming originated by broadcasting undertakings should be of high standard.”<sup>326</sup> Broadcasters also follow a number of self-regulatory codes to comply with the Act.

- The Canadian Broadcasting Standards Council (CBSC) administers the [Canadian Association of Broadcasters’ Code of Ethics](#), which provides that broadcasters must “ensure that news shall be represented with accuracy and without bias.”<sup>327</sup>
- The RTDNA has developed the [RTDNA Code Of Ethics](#). Article 1 states that electronic journalists are to “inform the public in an accurate,

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321 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, *The Chronicle Herald*).

322 2017 Edelman Trust Barometer, [Canada](#), p. 15.

323 Ibid., [Canada](#), p. 7.

324 Canadian Association of Journalists, [Ethics Guidelines](#).

325 See Newspapers Canada, [Media Councils & Press Complaints](#).

326 [Broadcasting Act](#), SC 1991, c. 11, s.3(1)(g).

327 Canadian Broadcasting Standards Council, [Canadian Association of Broadcasters’ Code of Ethics](#), 2002, clause 5.

comprehensive and fair manner about events and issues of importance.”<sup>328</sup>

- CBC/Radio-Canada complies with [Journalistic Standards and Practices](#) in an effort to ensure that the information in its programming is balanced and accurate. The Corporation has two ombudsmen to review public complaints.

The Committee wishes to highlight the recent PPF report *The Shattered Mirror*, which stated aptly:

The promise of democracy – that the people should have the means to voice their opinions on political affairs – has been fulfilled with a vengeance, just at a moment when conscientious media attention to government – the vigilance necessary to inform those opinions – has been compromised.<sup>329</sup>

It is important to note that none of these guidelines are binding on either conventional or digital media. The barriers to entry into the digital sphere, however, are far lower and are therefore given to more voices: more diverse voices and occasionally more extreme voices. The CRTC does not regulate Internet content. However, civil and criminal law apply to information distributed online, such as libel.<sup>330</sup>

A number of witnesses expressed concern about the sometimes doubtful credibility of online news. Some sites post unverified and sometimes false information as well as fabricated comments by fake users. They tarnish the work of established media that regulate their journalistic activities.

As he explained so clearly to the Committee, CRTC Chair Jean-Pierre Blais has yet to be convinced that digital platforms offer a reliable alternative to established media:

Digital platforms certainly offer quick and easy communication. But, at least for now, they cannot provide a reliable alternative to the skills of investigation and analysis that established media have developed over the past decades. Established media also have the advantage of having journalists who adhere to professional standards and codes, and who are trained to gather and interpret facts to create valuable, intelligent news analysis.<sup>331</sup>

Other witnesses expressed doubt about the people on social media who act as journalists. Representatives from the APF, Canadian Media Guild,<sup>332</sup> AWNA,<sup>333</sup>

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328 RTDNA, [RTDNA Code of Ethics](#).

329 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 35.

330 CRTC, [Frequently asked questions](#).

331 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 20 October 2016, 1105 (Jean-Pierre Blais, Chairperson and Chief Executive Officer, CRTC).

332 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 1035 (Carmel Smyth, President, Canadian Media Guild).

333 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1135 (Duff Jamison, AWNA).



Neepawa Banner,<sup>334</sup> *The Chronicle Herald*<sup>335</sup> and FM93 in Québec City<sup>336</sup> objected to the fact that online information is unfiltered. As M. Honderich of Torstar said:

Some argue that the democratization of the web that allows constant bloggers and citizens to write is the answer. I don't agree. They have neither the resources, the expertise, nor the time to get to the bottom of the story or to really get onto serious investigative journalism, which to me was key.<sup>337</sup>

Gerry Nott, Senior Vice-President Content and Senior Vice-President of the *National Post*, made similar comments:

The integrity issue, the need to double-check, and the need for enterprising, investigative reporting have never been greater in that environment...<sup>338</sup>

Ms. St-Onge of the FNC stressed the importance of having “media that provide real information professionally, with codes of ethics and ethical duties in place.”<sup>339</sup>

Robert Picard, a researcher with the Reuters Institute for the Study of Journalism, sought to qualify the claims being made on this subject. He reminded the Committee that the quality of journalism has nothing to do with its distribution platform:

I've said “where it's online journalism”, and clearly, online journalism can be every bit as good as off-line. It has nothing to do with the platform it's distributed on. It has to do with what practices went into creating the stories that are put out in a digital world. There's very good online journalism.<sup>340</sup>

In his view, a distinction must be made between journalism and information. Journalism involves “dealing with information in order to be able to verify it and ensure that it is accurate and fairly presented,”<sup>341</sup> hence the need for a “trademark”<sup>342</sup> to indicate that journalistic practices have been followed.<sup>343</sup> Similarly, Ms. Solomon Wood of the Observer

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334 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1220 (Ken Waddell, *Neepawa Banner*, *Neepawa Press*, *Rivers Banner*).

335 Ibid., 1225 (Mark Lever, *The Chronicle Herald*).

336 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1135 (Pierre Martineau, Director General, News and Programming, FM93, Cogeco Media Inc.).

337 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1110 (John Honderich, Torstar Corporation).

338 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 May 2016, 0940 (Gerry Nott, Senior Vice-President Content, and Senior Vice-President, *National Post*, Postmedia).

339 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0940 (Pascale St-Onge, FNC).

340 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1250 (Robert Picard, Reuters Institute for the Study of Journalism, University of Oxford, As an Individual).

341 Ibid.

342 Ibid.

343 Ibid.

Media Group recommended that the government “create an agreed-upon definition of ‘journalist’.”<sup>344</sup>

Among the other suggestions received, representatives from the RTDNA proposed that digital media follow their organization’s [Code of Ethics](#).<sup>345</sup> The RTDNA recommended that:

- the scope of the CBSC be expanded to include online journalists who agree to abide by the RTDNA’s code of journalistic ethics;
- seed money be made available for truly local online news sites that agree to abide by the RTDNA’s code of journalistic ethics.<sup>346</sup>

We heard from many witnesses that the aggregation of news output by digital entities such as Google and Facebook has led to a phenomenon called “fake news,” and a corresponding deterioration of public discourse; undermining the veracity and accountability of journalism in a healthy democracy.

It was further pointed out by many witnesses that news and journalism should be seen as an information and knowledge-based medium in the same manner as universities, and should be granted a similar favourable legal and tax status in recognition of their contribution to democracy and the public good. As M. Kvarnstrom of Glacier Media Group said, government can ensure the survival of local journalism in helping the media industry to make the transition “from an industrial business to a knowledge-based one.”<sup>347</sup>

The Committee heard from Observer Media Group and others that some countries such as France and the USA have implemented definitions of journalism and certification criteria for journalists precisely for this purpose.

In France the definition of journalism and certification of journalists is tied to a *carte de presse* designation that allows them a significant income tax deduction.

In Quebec, the *Professional Code* gives the [Office des professions du Québec](#) supervisory responsibilities as well as regulatory functions. The Office des professions du Québec also sees that each professional body fulfills its primary responsibility, which is to ensure the protection of the public. There is no professional order of journalists in Quebec.

The [Fédération professionnelle des journalistes du Québec](#) (FPJQ) was established in 1969 and is a democratic, not-for-profit voluntary association composed of close to 2,000 journalists working for more than 250 print and electronic media sources. FPJQ members include reporters, researchers, producers, hosts and press

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344 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1130 (Linda Solomon Wood, Observer Media Group).

345 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 May 2016, 0850 (Ian Koenigsfest, RTDNA).

346 Ibid., 0855.

347 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1210 (Peter Kvarnstrom, Glacier Media Group).

photographers. Journalism students and teachers, community media volunteers and retired journalists may be associate members of the FPJQ.

## RECOMMENDATION 18

**The Committee recommends that the vigilance of existing ethics guidelines and press councils must apply equally to digital media.**

### 5.1 Not-for-profit news organizations

Some witnesses suggested that the Committee explore the funding of not-for-profit news organizations. In some other countries, not-for-profit media organizations have charitable status and enjoy the accompanying privileges.<sup>348</sup> The following examples were brought to the Committee's attention.

- In the United Kingdom, [The Guardian](#) is supported by the Scott Trust. This ownership structure is designed to ensure that editorial interests remain “free of commercial pressures.”<sup>349</sup>
- [ProPublica](#), located in the United States, is “an independent, non-profit newsroom that produces investigative journalism in the public interest.”<sup>350</sup> Its funding comes from the Sandler Foundation and public tax-deductible donations.
- The [Texas Tribune](#) is an independent digital media organization launched in the United States in 2009 with \$4 million in seed funding.<sup>351</sup>
- The [GroundTruth Project](#), also based in the United States, trains foreign correspondents and reports on issues of social justice, human rights and freedom of expression.<sup>352</sup>
- In the Netherlands, [The Correspondent](#) is supported by the voluntary contributions of its 48,000 members.<sup>353</sup>
- [The Conversation](#), which operates in Australia and the United Kingdom, is funded by various foundations.

Mr. Picard from the Reuters Institute for the Study of Journalism told the Committee that Canada's provisions regarding not-for-profit journalism were “among the least supportive in the Commonwealth and the Anglo world.”<sup>354</sup>

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348 Robert G. Picard, Valerie Belair-Gagnon and Sofia Ranchordás, [The impact of charity and tax law/regulation on not-for-profit news organizations](#), *A joint project of The Reuters Institute for the Study of Journalism, University of Oxford Information Society Project, Yale Law School*, Mars 2016, p. 101 and 102.

349 The Scott Trust, [The Scott Trust: values and history](#).

350 ProPublica, [About Us](#).

351 The Texas Tribune, [About Us](#).

352 The GroundTruth Project, [About](#).

353 The Correspondent, [About our journalism](#).

354 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1210 (Robert Picard, Reuters Institute for the Study of Journalism, University of Oxford, As an Individual).

In Canada, registered charities<sup>355</sup> “are charitable organizations, public foundations, or private foundations that are created and resident in Canada.”<sup>356</sup> They must use their resources for charitable activities that fall under one or more of the following categories:

- the relief of poverty;
- the advancement of education;
- the advancement of religion;
- other purposes that benefit the community.<sup>357</sup>

These categories do not include journalism by not-for-profit media organizations in Canada. Not-for-profit organizations “are associations, clubs, or societies that are not charities and that are organized and operated exclusively for social welfare, civic improvement, pleasure, recreation, or any other purpose except profit.”<sup>358</sup> They are usually exempt from income tax, but they cannot issue official income tax receipts for donations.<sup>359</sup>

Representatives from the AWNA,<sup>360</sup> Canadian Association of Journalists,<sup>361</sup> QCGN,<sup>362</sup> NCRA<sup>363</sup> and Observer Media Group<sup>364</sup> as well as Mr. Geist from the University of Ottawa<sup>365</sup> recommended expanding the definition of a charitable organization to include journalism by not-for-profit media as a charitable activity.

In its report *The Shattered Mirror: News, Democracy and Trust in the Digital Age*, the PPF also recommended removing barriers to philanthropic support. In its recommendation, the PPF focused on not-for-profit news organizations that produce civic-function journalism:

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355 Registration allows charities to issue official tax receipts for donations, which means that donors can reduce their income tax by declaring their charitable donations.

356 Canada Revenue Agency, [What is the difference between a registered charity and a non-profit organization?](#)

357 Ibid.

358 Ibid.

359 Ibid.

360 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 22 September 2016, 1145 (Duff Jamison, AWNA).

361 Ibid., 1220 (Nick Taylor-Vaisey, President, Canadian Association of Journalists).

362 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0855 (Hugh Maynard, QCGN).

363 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0855 (Luke Smith, NCRA).

364 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1100 (Linda Solomon Wood, Observer Media Group).

365 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1110 (Michael Geist, University of Ottawa, As an Individual).

Amend Canada's charity laws and regulations to allow non-profit news organizations producing civic-function journalism to qualify as recipients for support from philanthropic foundations and, in some specific cases, become charities themselves.<sup>366</sup>

Based on the many suggestions received on this issue, the Committee also believes there is a need to remove the obstacles that prevent philanthropic organizations from investing in journalism in Canada. The Committee believes that this subject is worth studying in order to rejuvenate Canada's media industry, increase the diversity of voices – particularly at the local level – and provide an additional source of funding for existing not-for-profit media.

#### **RECOMMENDATION 19**

**The Committee recommends that the Government of Canada change the definition of a registered charity in the *Income Tax Act* to include not-for-profit media or foundation.**

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366 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 86.



## PART 6: DIGITAL MEDIA AND ITS IMPACT

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Local media foster citizen engagement and enable our democracy to exist. They are at the heart of communities, which relies on them for information on everything from school closures in bad weather to elections. A majority of people want more local news and more coverage of their issues and their community.

For many years, Canada's local news provision was built mainly on community newspapers, radio and local television. At this time, the news sector is accelerating the digital and mobile content it offers in order to develop a more continuous link with its audience. Audiences want to consult content online, on their preferred platform, and when they want it.

Some witnesses argued that online news platforms could address the information needs of Canadians due to their reduced production and distribution costs. There are very good online news sites that have grown up and represent considerable potential for inspiring new forms of local journalism.

On the other hand, other witnesses said that the cost involved to gather and produce local news remains the same regardless of the platform on which it is made available. Digital advertising revenues tied to news production are low because news sites and social media do not generate the traffic required to cover the reporting costs. The industry representatives said that they are committed to finding a new business model for the production and dissemination of local news and information programming.

It was suggested that the government support digital news start-ups and young enterprises in digital news, because these are going to be increasingly important in the years to come.

Moreover, some witnesses said that developments involving digital technology need to take the access issue into account.

The digital era has led to a transformation of the entire media ecosystem. If some people call this period “a phase of creative destruction,”<sup>367</sup> witnesses told the Committee that traditional media are still the preferred means to access news in a number of communities.

### 6.1 Opportunities created by the digital environment

A number of witnesses discussed the business opportunities offered by the digital environment. Paul Halucha, Associate Assistant Deputy Minister with ISEDC, argued in favour of encouraging innovation and competition in this sector. Mr. Geist of the

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367 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1240 (James Baxter, *iPolitics Inc.*).

University of Ottawa<sup>368</sup> and Mr. Gingras of Google also discussed the potential that digital technology offers the media. As Mr. Gingras explained:

[T]he cost of developing a new publishing venture on the Internet is so incredibly small compared to what it was in print. The cost of production is so much less. The cost of distribution is almost zero. The cost of building an audience is again almost zero.<sup>369</sup>

In Mr. Geist's view, the power of digital media such as *The Huffington Post*, *The Tyee*, *rabble.ca*, the *National Observer* and *VICE News* lies in their ability "to reach different audiences and to cover specialized issues in greater depth than is often found in larger newspapers."<sup>370</sup>

However, it seems that the long-term financial viability of news sites has yet to be proven. Representatives from the Observer Media Group,<sup>371</sup> *The Tyee*<sup>372</sup> and *iPolitics*<sup>373</sup> stated that it is difficult to generate revenue through subscriptions, fees and online advertising. Michael Gruzuk, Director of News, Digital and Special Programming at VICE Canada, explained that it is very difficult to compete against giants like YouTube, Facebook and Twitter for a share of advertising revenues.<sup>374</sup>

Media industry representatives called for government support to adapt to the digital environment. Witnesses from the FNC,<sup>375</sup> FCFA du Canada,<sup>376</sup> Transcontinental,<sup>377</sup> Coalition pour la pérennité de la presse d'information au Québec<sup>378</sup> and Northern News Services<sup>379</sup> recommended developing a transition program that would help small industry players and the traditional media adapt to the digital environment.

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368 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1105 (Michael Geist, University of Ottawa, As an Individual).

369 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1300 (Richard Gingras, Google).

370 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 1105 (Michael Geist, University of Ottawa, As an Individual).

371 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1125 (Linda Solomon Wood, Observer Media Group).

372 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 27 September 2016, 1110 (Robyn Smith, Editor-in-Chief, *The Tyee*).

373 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1225 (James Baxter, *iPolitics Inc.*).

374 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1225 (Michael Gruzuk, Director, News, Digital and Special Programming, VICE Canada).

375 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0900 (Pascale St-Onge, FNC).

376 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 8 March 2016, 0845 (Sylviane Lanthier, FCFA du Canada).

377 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 1025 (François Olivier, Transcontinental).

378 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 29 September 2016, 1155 (Hon. Martin Cauchon, Executive Chairman, Groupe Capitales Médias, Coalition pour la pérennité de la presse d'information au Québec).

379 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1305 (Casey Lessard, Nunavut News/North, Northern News Services Ltd.).



## RECOMMENDATION 20

**The Committee recommends that Innovation, Science and Economic Development Canada provide start-up funding for new digital media companies.**

### 6.2 Digital content aggregators

A major focus of discussion was the migration of advertising revenue to content aggregators like Google News or Facebook. Witnesses criticized these sites for using content from other news sources without compensating the original authors. This comment was made by representatives from the Department of Canadian Heritage,<sup>380</sup> QCGN,<sup>381</sup> FNC,<sup>382</sup> CUPE,<sup>383</sup> Magazines Canada,<sup>384</sup> RTDNA,<sup>385</sup> Canadian Newspaper Association,<sup>386</sup> *Corriere Canadese*,<sup>387</sup> *The Chronicle Herald*<sup>388</sup> and Observer Media Group.<sup>389</sup>

The two primary targets of this criticism, Google and Facebook, dispute its validity. According to Mr. Gingras of Google, the company “is grabbing nothing, from no one.”<sup>390</sup> He said that Google actually:

- directs billions of users to news publishers’ websites every month;
- has more than 75,000 sources, including nearly 2,000 Canadian sources;
- offers publishers the option of being included in Google News and Google Search or not,<sup>391</sup>
- includes a “local source” tag to showcase local coverage of major stories;
- shares \$10 billion of its revenue annually with its publishing partners.<sup>392</sup>

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380 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 October 2016, 0915 (Jean-François Bernier, Department of Canadian Heritage).

381 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 12 April 2016, 0855 (Hugh Maynard, QCGN).

382 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 19 April 2016, 0950 (Pascale St-Onge, FNC).

383 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 3 May 2016, 0940 (Denis Bolduc, CUPE).

384 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 5 May 2016, 0905 (Douglas Knight, Magazines Canada).

385 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 May 2016, 0900 (Ian Koenigsfest, RTDNA).

386 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 31 May 2016, 0845 (Bob Cox, Canadian Newspaper Association).

387 Ibid., 1025 (Hon. Joseph Volpe, *Corriere Canadese*).

388 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1225 (Mark Lever, *The Chronicle Herald*).

389 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 6 December 2016, 1115 (Linda Solomon Wood, Observer Media Group).

390 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1305 (Richard Gingras, Google).

391 Ibid., 1325.

Google acknowledges that it was fortunate but was also innovative in introducing new forms of advertising. The company says that it is prepared to help “legacy publishers to take advantage of new technologies.”<sup>393</sup>

Kevin Chan, Head of Public Policy at Facebook Canada, pointed out that Facebook was not initially designed for news content. However, its growing popularity has increased the audience size for local news.<sup>394</sup> Like Google, the company wants to work with news publishers “to help them monetize”<sup>395</sup> but did not elaborate on the method. Because of questions that were brought up in challenges or arisen from other witnesses, Google and Facebook were asked to return to respond to some of these questions.

Throughout this study, numerous witnesses have mentioned the importance that news consumers place on being able to distinguish between news from reliable sources and fake news.

The Committee asked representatives of Google and Facebook to elaborate on the measures they have taken to curb the spread of fake news. Both companies said they were sensitive to the issue but felt they should not play the role of arbiter of truth.

In December 2016, Facebook announced a series of initiatives to address this phenomenon. These measures include:

- enabling consumers to report a hoax by clicking the upper right-hand corner of a post;
- collaborating with third-party fact-checking organizations that are signatories to Poynter’s [International Fact-Checking Code of Principles](#).<sup>396</sup>
- eliminating incentives for spammers masquerading as well-known news agencies; and
- eliminating the ability to spoof domains – that is, the ability to pretend to be a legitimate website – which will reduce the prevalence of sites that pretend to be real publications.<sup>397</sup>

The company is still very much in the “testing and piloting phase”<sup>398</sup> of its monitoring initiatives. For now, it is focussing on “the most egregious examples of fake news.”<sup>399</sup>

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392 Ibid., 1245.

393 Ibid., 1250.

394 Facebook Canada, *Opening Statement to the Standing Committee on Canadian Heritage*, p. 2.

395 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 17 November 2016, 1325 (Kevin Chan, Facebook Canada).

396 Potentially fake news is flagged as questionable and a hyperlink is provided to an article that explains why.

397 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 14 February 2017, 1545 (Kevin Chan, Facebook Canada).

398 Ibid., 1605.

Google representatives told the Committee that it is essential to maintain a free and open Web. The company aggregates a variety of news sources and gives users access to diverse viewpoints on topics of interest to them. However, Google does not assess, “the quality or accuracy of each news website, not [*sic*] [nor] do they assess or rank political viewpoint or ideology.”<sup>400</sup>

From November to December 2016, Google told us that they reviewed 550 sites that were suspected of misrepresenting content, including cases of “impersonating news organizations.”<sup>401</sup> As a result of this measure, they told us that nearly 200 publishers were permanently banned from the Google server.<sup>402</sup>

Over the last several years, Google implemented various measures to fight fake news phenomenon:

- [labelling types of articles](#) in Google News<sup>403</sup> to help readers “understand what they are about to read and encourage them to consider the source and nature of the information”;<sup>404</sup>
- working and providing support to third-party fact-checking organizations, like the [First Draft News](#)<sup>405</sup> coalition, which provides practical and ethical guidance on how to find, verify and publish content sourced from social networks, and;
- supporting the [Project Trust](#) to start “a conversation in the industry about how one rethinks the journalistic model to build trust and credibility.”<sup>406</sup>

Facebook and Google are major players in the global media ecosystem. Although these companies are not direct producers of information, neither are they merely spectators. The Committee believes that these content aggregators have a moral responsibility for the dissemination of reliable and verifiable information. In this respect, we share the opinion of the PPF, which states in its report *The Shattered Mirror* that their models based on a principle of truth neutrality can contribute to the spread of fake news:

Rather, they calculate and reinforce the prejudices of the like-minded, who either assign themselves to echo chambers or find themselves invisibly assigned by algorithms into

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399 Ibid.

400 Ibid., 1600 (Aaron Brindle, Head, Communications and Public Affairs, Google Canada).

401 Ibid., 1600 (Jason Kee, Counsel, Public Policy and Government Relations, Google Canada).

402 Ibid.

403 Google News Blog, [Highlighting the diversity of content in Google News](#), 17 September 2009.

404 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 14 February 2017, 1600 (Aaron Brindle, Google Canada).

405 First Draft News, [About](#).

406 CHPC, [Evidence](#), 1<sup>st</sup> Session, 42<sup>nd</sup> Parliament, 15 November 2016, 1325 (Richard Gingras, Google).

filter bubbles. Both run counter to the concept of the media as an agent of common understanding.<sup>407</sup>

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407 Public Policy Forum, [The Shattered Mirror. News, Democracy and Trust in the Digital Age](#), January 2017, p. 55.

## **PART 7: SUMMARY AND PERSPECTIVES: THE FUTURE OF THIS INDUSTRY**

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Canada's media landscape has changed radically in recent years and is still in a state of major transformation. Increasingly, Canadians are turning to digital platforms for their news and media content, and traditional media platforms (print, television and radio) are feeling the pressure. In the local, regional, and national advertising markets, these media now face digital competition, which in many cases is based outside of Canada and is free from Canadian fiscal obligations.

Until now, print media are the most affected by this trend. Over the past few years, Canadian newspaper publishers have witnessed erosion in their advertising revenue. A few companies have switched completely to digital technology, while others are calling for government assistance to adapt.

Based on what the Committee heard, newspaper publishers themselves recognize that they must be innovative to survive in this new digital age.

In the broadcasting industry, revenue from local television news does not cover production costs. In June 2016, the CRTC took steps to support existing local television stations. In this report, the Committee calls on the CRTC to collect data to determine whether these measures are producing the anticipated results. The Committee believes that Canada's broadcasting system must enable Canadians to access local news that reflects their needs and interests.

Moreover, the current regulatory environment seems to have a negative or at least discouraging effect on the state of community stations, particularly independent community stations.

Up to now, Canadians have known a broadcasting sector regulated by the CRTC, an ecosystem inhabited by Canadian broadcasters acting according to regulatory obligations. Now, however, if our current policies are not modernized, Canada is likely to transition in the medium-term future to a digital environment that is mostly or entirely deregulated, where Canadians will watch television and listen to radio online and via mobile applications – in other words, through broadcasters without regulatory obligations, often established outside of Canada and offering little or no local content.

De facto, such a change would bring an end to the cultural legislative and regulatory framework that has existed in Canada for 50 years and which has been instituted to protect and encourage the development of Canadian content and local news.

One of the objectives of the *Broadcasting Act* is that all elements of the system “contribute in an appropriate manner to the creation and presentation of Canadian

programming.<sup>408</sup> For example, BDUs must contribute a percentage of their gross annual revenues to Canadian programming.

Since 2011, BDU revenues have had relatively slow growth of 1.3% per year, due mainly to higher subscriptions to Internet Protocol Television. However, the total number of BDU subscribers has been in decline since 2012, dropping from 11.5 million to 11.2 million in 2015.

**Table 5 – Revenue (\$ millions) and Broadcasting Distribution Undertakings Subscriber Numbers, 2011 to 2015**

	2011	2012	2013	2014	2015	Growth (%) 2014-2015	Compound Annual Growth Rate
Total revenue	\$8,459	\$8,561	\$8,794	\$8,930	\$8,918	-0.1	1.3
Total subscribers	11,397	11,529	11,517	11,405	11,247	-1.4	-0.3

Source: CRTC, [Communications Monitoring Report 2016](#), October 2016, pp. 187–188. Most up-to-date data.

The Committee wonders whether this Canadian content support model should not be reviewed. It must be adapted to today’s reality when Canadians are consuming media content on a variety of platforms.

In our report, we recommend that media industry support measures be platform agnostic. In other words, if the consumption of content is no longer tied to specific formats, the funding sources should not be either.

If Parliament chooses to act, it will need to recognize online broadcasters (or online purveyors of audiovisual content) as broadcasters and adapt the legislative and regulatory framework to include them.

The drop in revenue for traditional media has a negative impact on local news reporting. Print and broadcast companies are cutting staff or closing their doors, reducing the availability of local news. The CMG has calculated that 16,500 jobs in the media sector have been cut in the last eight years, from 2008 to 2016.<sup>409</sup> Professional journalism, which is essential to a democracy, is often the first to suffer.

Canada has one of the highest rates of media concentration in the world, and the Committee has noted that no federal government body has the mandate to intervene when necessary to ensure a healthy and competitive media industry. Collapsing media revenues have become a justification invoked by media conglomerates to explain the need for merging, acquiring, selling and shutting down media outlets, shutting down newsrooms, moving corporate headquarters, layoffs by the tens of thousands, and to concentrate a

408 [Broadcasting Act](#), S.C. 1991, c. 11, ss. 3(1)(e).

409 Canadian Media Guild, *Media Cuts in Canada, November 2008 – September 2016*, (Documents forwarded to the Committee, 24 April 2017).

growing proportion of media in the hands of a small group of businesses that are less and less diverse.

Digital technology holds promise for meeting the information needs of local communities. Local communities should be able to access programming that serves their needs through as many platforms as possible. However, there are still connectivity gaps based on geography, technology, economics and digital literacy. Online news sites are being launched and they offer a greater diversity of editorial opinions. Social media enable information to circulate immediately and make it easier for people to participate in public debate.

Moreover, the financial sustainability of a digital-only business model has yet to be proven. At least, that is the view expressed by new sources such as *iPolitics*, *The Tyee* and the Observer Media Group.

Lastly, digital media are not subject to the same self-regulatory codes as traditional media. The phenomenon of “fake news” found online cast a shadow over their contribution to public debate.

This report offers potential solutions that we believe could help meet the various challenges discussed.





# LIST OF RECOMMENDATIONS

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## RECOMMENDATION 1

The Committee recommends that the Minister of Canadian Heritage explore the existing structures to create a new funding model that is platform agnostic and would support Canadian journalistic content. .... 7

## RECOMMENDATION 2

a) The Committee recommends that an Indigenous journalism initiative be created with the purpose of training Indigenous journalists to cover Indigenous government institutions and other relevant issues for Indigenous media outlets across Canada.

b) The Committee recommends that the responsibility for creating this initiative be embedded with the Aboriginal Peoples Television Networks, and that this initiative be financed from programs supporting Canadian programming. .... 20

## RECOMMENDATION 3

The Committee recommends that the Canadian Radio-television and Telecommunications Commission and Innovation, Science and Economic Development Canada continue their efforts to improve affordable broadband Internet access in Canada, with an emphasis on Northern Canada and rural and remote regions..... 24

## RECOMMENDATION 4

The Committee recommends that the Government of Canada amend sections 19 (newspapers), 19.01 (periodicals) and 19.1 (broadcasters) of the *Income Tax Act* to allow deduction of digital advertising on Canadian-owned platforms..... 34

## RECOMMENDATION 5

The Committee recommends that the Government of Canada introduce a tax credit to compensate print media companies for a portion of their capital and labour investments in digital media. This would be a temporary five-year measure. .... 35

**RECOMMENDATION 6**

The Committee recommends that the Government of Canada level the playing field among industries publishing Canadian news, on all platforms, by ensuring that foreign news aggregators, which publish Canadian news and sell advertising, directed to Canadians, are subject to the same tax obligations as Canadian providers..... 36

**RECOMMENDATION 7**

The Committee recommends that the Department of Canadian Heritage make the following changes to the Canada Periodical Fund:

- make daily and free community newspapers eligible;
- offer greater support for the online distribution of magazines and newspapers;
- offer greater support to Indigenous, ethnic and official language minority print media; and
- increase the budget of the program in the event that a review of the program’s eligibility criteria and guidelines leads to an increase in the number of recipients. .... 40

**RECOMMENDATION 8**

The Committee recommends that the Canadian Radio-television and Telecommunications Commission collect more data on the state of local broadcasting in Canada..... 41

**RECOMMENDATION 9**

The Committee recommends that the Canadian Radio-television and Telecommunications Commission review its policy framework for local and community television to determine its impact on funding for the community television sector. .... 44

**RECOMMENDATION 10**

The Committee recommends that the Canadian Radio-television and Telecommunications Commission rigorously track and enforce non-compliance with licence requirements regarding locally reflective news and programming. .... 44

## **RECOMMENDATION 11**

**The Committee recommends that the Canadian Radio-television and Telecommunications Commission identify other sources of funding for the community radio sector..... 44**

## **RECOMMENDATION 12**

**The Committee recommends to expand the current 5% levy for Canadian content production on broadcasting distribution undertakings to broadband distribution..... 44**

## **RECOMMENDATION 13**

**The Committee recommends that the Government of Canada set aside a part of the revenue from the 600 MHz auction to support locally reflective news and programming. .... 46**

## **RECOMMENDATION 14**

**The Committee recommends that CBC/Radio-Canada prioritize the production and dissemination of locally reflective news and programming by expanding its local and regional coverage, including unserved areas across all of its platforms. .... 49**

## **RECOMMENDATION 15**

**The Committee recommends that CBC/Radio-Canada eliminate advertising from its digital news platforms..... 49**

## **RECOMMENDATION 16**

**The Committee recommends that federal institutions increase their dissemination of information in official languages, ethnic and Indigenous communities. .... 52**

## **RECOMMENDATION 17**

**The Committee recommends that there be a new section in the *Competition Act* to deal specifically with news media mergers, which would require a panel of experts in media to do a “diversity of voices” test to ensure there is no dominance in any media market..... 58**

## **RECOMMENDATION 18**

**The Committee recommends that the vigilance of existing ethics guidelines and press councils must apply equally to digital media..... 63**

**RECOMMENDATION 19**

**The Committee recommends that the Government of Canada change the definition of a registered charity in the *Income Tax Act* to include not-for-profit media or foundation. .... 65**

**RECOMMENDATION 20**

**The Committee recommends that Innovation, Science and Economic Development Canada provide start-up funding for new digital media companies..... 69**

## APPENDIX A: GLOSSARY

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**Broadcasting distribution undertaking:** Providers of subscription television service to Canadians by redistributing programming from conventional over-the-air television and radio stations. They also distribute pay audio, pay television, pay-per-view, video-on-demand, and speciality services. Examples include cable (delivered through coaxial cables), satellite, and Internet Protocol Television (IPTV).<sup>1</sup>

**Campus and community radio:** A campus or community radio station is owned, operated, managed and controlled by a not-for-profit organization that provides for membership, management, operation and programming primarily by members of the community served. In its openness to community involvement, campus and community stations offer ongoing opportunities for training in the operation of their station to volunteers from the community served.<sup>2</sup>

**Community:** A social group whose members live together or share common interests or property.

**Community channel:** A community channel means the channel of a distribution undertaking that is used by a licensee or by a community programming undertaking for the distribution of community programming within a licensed area of the distribution undertaking.<sup>3</sup>

**Community newspaper:** A print and non-bound periodical that primarily circulates local or regional information on a geographically defined territory or on information on the basis of common interests (e.g.: farm, ethnocultural, minority official language, religious), published under a common name at regular intervals, and no more than once a week. Canadian Heritage uses also the word non-daily newspaper.<sup>4</sup>

**Conventional television station:** A conventional television station is a television station (public or private) that broadcast its signals using over-the-air transmitters.<sup>5</sup> The vast majority of their Canadian programming expenditures is allocated to local programming and local news in particular.<sup>6</sup>

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1 CRTC, [Communications Monitoring Report](#), p. 339.

2 CRTC, "[Campus and community radio policy](#)," *Broadcasting Regulatory Policy CRTC 2010-499*, 22 July 2010, para. 13.

3 [Broadcasting Distribution Regulations](#), SOR/97-555, definition.

4 Canadian Heritage, [Application Guidelines – Aid to Publishers component](#).

5 CRTC, *Glossary*.

6 CRTC, Policy framework for local and community television, [Broadcasting Regulatory Policy CRTC 2016-224](#), 15 June 2016, para. 31.

**Radio and audio services:** This term includes private AM and FM commercial radio, non-commercial AM and FM radio, Satellite subscription radio services and pay and specialty audio services.<sup>7</sup>

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7 CRTC, [Communications Monitoring Report](#), p. 105.

## **APPENDIX B: JURISDICTIONS WITH SALES TAX ON FOREIGN E-COMMERCE CURRENTLY IN FORCE<sup>1</sup>**

Jurisdiction	Synopsis	In-Force Date
Albania	Digital services supplied by nonresident business to consumers subject to Value-Added Tax (VAT). <sup>2</sup>	January 1, 2015
European Union	Where digital services are supplied on a business to consumer (B2C) basis, the supplier is held accountable for VAT in the consumer's state. Rule applies to all 28 EU Member States: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom	January 1, 2015
Japan	Imposes the consumption tax of 8% on electronic services offered by offshore providers. Provision of digital service (e.g., e-books, internet-delivery of music, advertisement, etc.) provided by a foreign person to Japanese customers will be subject to consumption tax. For B2C transaction, the foreign service provider will be required to register as a taxable entity and file consumption tax returns. <sup>3</sup>	October 1, 2015
New Zealand	An operator of an electronic marketplace would be required to register and return Goods and Services Tax (GST) (15%) on supplies of remote services and intangibles made through the marketplace. <sup>4</sup>	October 1, 2016
Norway	Purchases of electronic services from abroad by consumers in Norway are subject to VAT at the standard rate of 25%. <sup>5</sup>	July 1, 2011

1 The U.S. does not require foreign e-commerce providers to charge sales tax at this time but a number of States have enacted legislation to ensure that out-of-state e-commerce suppliers charge the sales tax applicable in the state where the customer resides. These States include: Arkansas, California, Connecticut, Georgia, Kansas, Louisiana, Maine, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, Tennessee, Vermont, and Washington.

2 <http://www.ey.com/gl/en/services/tax/international-tax/alert--albania-enacts-new-vat-law>

3 <http://www.ey.com/gl/en/services/tax/international-tax/alert--japan-enacts-2015-tax-reform-bill>

4 <https://taxpolicy.ird.govt.nz/sites/default/files/2016-sr-gst-cross-border-supplies.pdf>

5 <http://www.skatteetaten.no/en/voesnorway/About/>

OECD	The OECD International VAT/GST Guidelines included recommended rules for the collection of VAT on cross-border services, including Internet downloads, to private consumers. The Guidelines recommended that foreign sellers register and remit tax on the sales of e-books, apps, music, videos and other digital goods in the jurisdiction where the final consumer is located. <sup>6</sup>	November 6, 2015
South Africa	Nonresidents who supply electronic services to recipients in South Africa will be required to register for VAT and charge South African VAT. The rate of VAT in South Africa is 14%. <sup>7</sup>	April 1,2015
South Korea	VAT rate of 10% is applied to purchase of digital services from non-resident providers. <sup>8</sup>	July 1, 2015
Tanzania	Nonresident suppliers of B2C e-services required to register for VAT. <sup>9</sup>	July 1, 2015

Source: Canadian Wireless Telecommunications Association, Complementary document sent to the Standing Committee on Canadian Heritage, 5 December 2016.

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6 Please see: [OECD International VAT/GST Guidelines](#). The OECD has 35 member countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Latvia, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States. Out of the 35 members, only Canada, Chile, Mexico, Switzerland, and Turkey have not shown indications of implementing the collection of sales tax on foreign e-commerce.

7 <http://www.ey.com/gl/en/services/tax/international-tax/alert--south-africa-requires-vat-registration-for-nonresidents-who-supply-electronic-services>

8 <http://ebiz.pwc.com/2015/05/south-korea-vat-on-electronic-service-provided-by-foreign-entities-changes-as-of-1-july-2015/>

9 <http://www.ey.com/gl/en/services/tax/international-tax/alert--tanzanias-new-vat-act-is-effective-on-1-july-2015>



## **APPENDIX C: MEDIA CONCENTRATION IN CANADA**

The CMCRP assesses media concentration in Canada using three tools: concentration ratios, the Herfindahl-Hirschman Index (HHI)<sup>1</sup> and the Noam Index.

In summary, an HHI below 1,500 indicates that the media industry is unconcentrated, while an HHI of 2,500 indicates that the industry is highly concentrated

This table shows moderate concentration for newspapers and cable/satellite/IPTV television. The level of concentration for television is quite high overall, especially for pay and specialty TV. In the highly concentrated column are broadcast TV, pay TV, online advertising, mobile wireless services, search engines, mobile operating systems, desktop operating systems, and smart phone operating systems.

**Concentration Rankings on the Basis of HHI Scores, 2015**

Low concentration	HHI	Moderately Concentrated	HHI	Highly Concentrated	HHI
Magazines	201	Newspapers	1,920	Broadcast TV	2,723
Internet News	286	All TV: over-the-air conventional broadcast TV stations, specialty services and pay TV services.	1,855	Social Network Sites	2,762
Radio	1,041	Cable/satellite/IPTV	1,869	Mobile Web Browser Advertising	2,783
Internet Access	1,152	Pay & Specialty TV	2,105	Online Advertising	2,787
				Mobile Wireless	2,791
				Wireline	2,904
				Desktop operating system	3,612
				Mobile operating system	4,286
				Search	5,890
				Desktop Web Browser	8,357

Source: Canadian Media Concentration Research Project, [Media and Internet Concentration in Canada Report, 1984-2015](#), November 2016, p. 43.

<sup>1</sup> The Herfindahl-Hirschman method squares and sums the market share of each firm to arrive at a total. If there are 100 firms with a 1% market share each, then markets are highly competitive, while a monopoly exists when one firm has 100% market share. See the [methodology](#) used by the CMCRP.



# APPENDIX D LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p><b>Canadian Radio-television and Telecommunications Commission</b></p> <p>Michael Craig, Manager, English Television Applications</p> <p>Scott Hutton, Executive Director, Broadcasting</p> <p><b>Competition Bureau</b></p> <p>Jeanne Pratt, Senior Deputy Commissioner, Mergers and Monopolistic Practices Branch</p> <p><b>Department of Canadian Heritage</b></p> <p>Jean-François Bernier, Director General, Cultural Industries</p> <p>Marthe Bujold, Director, Strategic Policy, Broadcasting and Digital Communications Branch</p> <p>HelenC. Kennedy, Director General, Broadcasting and Digital Communications</p> <p>Luc Marchand, Director, Periodical Publishing Policy and Programs</p> <p><b>Department of Industry</b></p> <p>Paul Halucha, Assistant Deputy Minister, Strategic Policy Sector</p>	2016/02/23	4
<p><b>Carleton University</b></p> <p>Dwayne Winseck, Professor, School of Journalism &amp; Communication</p> <p><b>Forum for Research and Policy in Communications</b></p> <p>Monica Auer, Executive Director</p> <p>Al MacKay, Director</p> <p><b>Université Laval</b></p> <p>François Demers, Professor, Centre des études sur les médias</p>	2016/02/25	5
<p><b>Aboriginal Peoples Television Network</b></p> <p>Joel Fortune, Legal Advisor</p> <p>Jean La Rose, Chief Executive Officer</p> <p><b>Alliance des radios communautaires du Canada</b></p> <p>François Côté, Secretary General</p> <p>Simon Forgues, Development and Communications Officer</p>	2016/03/08	6

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Association de la presse francophone</b>  Jean-Patrice Meunier, Executive Director and Director of Legal Affairs  Francis Sonier, President</p>	2016/03/08	6
<p><b>Canadian Media Guild</b>  Carmel Smyth, President of the Canadian Media Guild  Jeanne d'Arc Umurungi, Communications Director</p>		
<p><b>Fédération des communautés francophones et acadiennes du Canada (FCFA)</b>  Sylviane Lanthier, President  Serge Quinty, Director of Communications</p>		
<p><b>Quebec Community Newspapers Association</b>  Richard Tardif, Executive Director</p>		
<p><b>Friends of Canadian Broadcasting</b>  Peter Miller, Expert on Local Broadcasting  Ian Morrison, Spokesperson</p>	2016/04/12	8
<p><b>Quebec Community Groups Network</b>  Walter Duszara, Board Secretary  Hugh Maynard, Past President</p>		
<p><b>TELUS</b>  Frédéric April, Manager,  maCommunauté, TELUS Télé Optik  Ann Mainville-Neeson, Vice President,  Broadcasting Policy and Regulatory Affairs</p>		
<p><b>DBC Communications inc</b>  Benoit Chartier, President, Director General</p>	2016/04/19	10
<p><b>Fédération nationale des communications</b>  Pierre Roger, Secretary General-Treasurer  Pascale St-Onge, President</p>		
<p><b>Public Interest Advocacy Centre</b>  Alysia Lau, Legal Counsel  Geoff White, External Counsel</p>		
<p><b>Rogers</b>  Colette Watson, Vice-President,  Television and Broadcast Operations  Susan Wheeler, Vice-President, Regulatory, Media</p>		
<p><b>Transcontinental Inc.</b>  François Olivier, Chief Executive Officer</p>		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Bell Canada</b></p> <p>Wendy Freeman, President, CTV News</p> <p>Kevin Goldstein, Vice-President, Regulatory Affairs, Content and Distribution</p> <p>Richard Gray, Vice-President and General Manager, Radio and TV, Ottawa and Pembroke, and National Head, CTV Two News</p> <p>Pierre Rodrigue, Vice President, Industry Relations</p> <p><b>Canadian Association of Community Television Users and Stations</b></p> <p>André Desrochers, Board Member</p> <p>Catherine Edwards, Executive Director</p> <p><b>Canadian Union of Public Employees</b></p> <p>Nathalie Blais, Research Advisor, SCFP-Québec</p> <p>Denis Bolduc, General Secretary, SCFP-Québec</p>	2016/05/03	12
<p><b>Magazines Canada</b></p> <p>Matthew Holmes, President and Chief Executive Officer</p> <p>Douglas Knight, Board Chair</p> <p><b>National Campus and Community Radio Association</b></p> <p>Luke Smith, Membership Coordinator</p>	2016/05/05	13
<p><b>Canadian Punjabi Post Inc.</b></p> <p>Jagdish Grewal, Editor and Publisher</p> <p>Jagdeep Kailey, Associate Editor</p> <p><b>National Ethnic Press and Media Council of Canada</b></p> <p>Thomas S. Saras, President and CEO, Head Office</p> <p>Mohammad Tajdolati, Ombudsman</p> <p><b>New Pathway Media Group</b></p> <p>Yuri Bilinsky, Managing Editor</p>	2016/05/10	14
<p><b>Postmedia Network Canada Corp.</b></p> <p>Paul Godfrey, President and Chief Executive Officer</p> <p>Doug Lamb, Executive Vice-President and Chief Financial Officer</p> <p>Gerry Nott, Senior Vice-President Content, and Senior Vice-President, National Post</p>	2016/05/12	15

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>La Presse</b></p> <p>Guy Crevier, President and Editor Caroline Jamet, Vice-President, Communication</p> <p><b>Radio Television Digital News Association</b></p> <p>Ian Koenigsfest, President Andy LeBlanc, Past President</p>	2016/05/17	16
<p><b>Canadian Broadcasting Corporation</b></p> <p>Andrew Cochran, Senior Managing Director, Strategy, CBC News</p> <p>Michel Cormier, General Manager, News and Current Affairs, French Services</p> <p>Marco Dubé, Executive Director of Regional Services, French Services</p> <p>Jennifer McGuire, General Manager and Editor in Chief, CBC News</p>	2016/05/19	17
<p><b>Canadian Newspaper Association</b></p> <p>Bob Cox, Chair John Hinds, President and Chief Executive Officer</p> <p><b>Canadian Wireless Telecommunications Association</b></p> <p>Kurt Eby, Director, Regulatory Affairs and Government Relations</p> <p>Bernard Lord, President and Chief Executive Officer</p> <p><b>Cogeco Inc.</b></p> <p>Louis Audet, President and Chief Executive Officer</p> <p>Nathalie Dorval, Vice-President, Regulatory Affairs and Copyright</p> <p><b>Corriere Canadese</b></p> <p>Dan Montesano, Chair, Community Advisory Board</p> <p>Joseph Volpe, Publisher and President</p>	2016/05/31	18
<p><b>Alberta Weekly Newspapers Association</b></p> <p>Duff Jamison, Chair, Government Relations Committee, Former President (AWNA)</p> <p>Dennis Merrell, Executive Director</p> <p><b>Canadian Association of Journalists</b></p> <p>Hugo Rodrigues, Past President Nick Taylor-Vaisey, President</p> <p><b>Glacier Media Group</b></p> <p>Peter Kvarnstrom, President, Community Media</p>	2016/09/22	25

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>As an individual</b></p> <p>Robert Picard, Professor, Reuters Institute for the Study of Journalism, University of Oxford</p> <p><b>Télé Inter-Rives Ltée</b></p> <p>Pierre Harvey, Director, CHAU-TV</p> <p>Jean-Philippe Nadeau, Director, Information, CIMT-TV / CKRT-TV Rivière-du-Loup</p> <p>Cindy Simard, Vice-Chair, Information, Télé Inter-Rives Ltée, CIMT-TV / CKRT-TV</p> <p><b>The Tye</b></p> <p>Michelle Hoar, Cofounder, Former Business Director</p> <p>Robyn Smith, Editor in Chief</p>	2016/09/27	26
<p><b>Coalition pour la pérennité de la presse d'information au Québec</b></p> <p>Martin Cauchon, Executive Chairman, Groupe Capitales Médias</p> <p>Brian Myles, Editor, Director, Le Devoir</p> <p>Pierre-Paul Noreau, President, Publisher, le Droit</p> <p><b>iPolitics Inc</b></p> <p>James Baxter, Founding Editor</p> <p><b>Torstar Corporation</b></p> <p>John Honderich, Chair</p>	2016/09/29	27
<p><b>As an individual</b></p> <p>Michael Geist, Canada Research Chair in Internet and E-commerce Law, Professor of Law, University of Ottawa</p> <p><b>As an individual</b></p> <p>April Lindgren, Principal Investigator, Professor, Local News Research Project, Ryerson University School of Journalism</p> <p><b>Department of Canadian Heritage</b></p> <p>Jean-François Bernier, Director General, Cultural Industries</p> <p>Marthe Bujold, Director, Strategic Policy, Broadcasting and Digital Communications Branch</p> <p>HelenC. Kennedy, Director General, Broadcasting and Digital Communications</p> <p>Luc Marchand, Director, Periodical Publishing Policy and Programs</p>	2016/10/06	29

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<p><b>Canadian Radio-television and Telecommunications Commission</b></p> <p>Jean-Pierre Blais, Chairperson and Chief Executive Officer</p> <p>Scott Hutton, Executive Director, Broadcasting</p> <p>Christianne Laizner, Senior General Counsel, Executive Director</p>	2016/10/20	31
<p><b>Competition Bureau</b></p> <p>Julien Brazeau, Associate Deputy Commissioner, Competition Promotion Branch</p> <p>Jeanne Pratt, Senior Deputy Commissioner, Mergers and Monopolistic Practices Branch</p> <p><b>Department of Industry</b></p> <p>Mark Schaan, Director General, Marketplace Framework Policy Branch, Strategic Policy Sector</p> <p>Adam Scott, Director, Business and Regulatory Analysis, Telecommunications Policy Branch, Strategic Policy Sector</p> <p><b>Department of Public Works and Government Services</b></p> <p>Louise de Jourdan, Director, Advertising Coordination and Partnerships</p> <p>Marc Saint-Pierre, Director General, Government Information Services Sector</p>	2016/11/01	34
<p><b>Cogeco Media inc.</b></p> <p>Pierre Martineau, Director General, News and Programming, FM93</p> <p><b>Google Canada</b></p> <p>Aaron Brindle, Head, Communications and Public Affairs</p> <p>Richard Gingras, Vice-President, News</p> <p>Jason Kee, Counsel, Public Policy and Government Relations</p> <p><b>Influence Communication</b></p> <p>Jean-François Dumas, President</p> <p><b>The Globe and Mail</b></p> <p>Phillip Crawley, Publisher, Chief Executive Officer, Toronto</p> <p><b>The Rebel Media</b></p> <p>Brian Lilley, Co-founder, Reporter</p>	2016/11/15	36



<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>VICE</b> Michael Gruzuk, Director, News, Digital and Special Programming, VICE Canada	2016/11/15	36
<b>Aboriginal Multi-Media Society of Alberta</b> Bert Crowfoot, General Manager	2016/11/17	37
<b>Facebook Inc.</b> Kevin Chan, Head, Public Policy, Facebook Canada Marc Dinsdale, Head, Media Partnerships, Facebook Canada		
<b>Neepawa Banner, Neepawa Press, Rivers Banner</b> Ken Waddell, Publisher		
<b>Northern News Services Ltd.</b> Mikle Langenhan, Associate Editor, Kivalliq News Casey Lessard, Editor, Nunavut News/North Bruce Valpy, Managing Editor		
<b>The Chronicle Herald</b> Mark Lever, President, Chief Executive Officer		
<b>Canada Revenue Agency</b> Danielle Laflèche, Director General, Excise and GST/HST Rulings Directorate, Legislative Policy and Regulatory Affairs Branch	2016/12/01	41
<b>Department of Finance</b> Sean Keenan, Director, Sales Tax Division, Tax Policy Branch		
<b>Observer Media Group</b> Linda Solomon Wood, Chief Executive Officer	2016/12/06	42
<b>Public Forum Policy</b> Edward Greenspon, President and Chief Executive Office	2017-01-31	43
<b>Competition Bureau</b> Julien Brazeau, Associate Deputy Commissioner, Competition Promotion Branch Anthony Durocher, Deputy Commissioner Monopolistic Practices Directorate	2017-02-14	46
<b>Facebook Inc.</b> Kevin Chan, Head, Public Policy, Facebook Canada Marc Dinsdale, Head, Media Partnerships, Facebook Canada		

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Organizations and Individuals	Date	Meeting
<b>Google Canada</b> Aaron Brindle, Head, Communications and Public Affairs Jason Kee, Counsel, Public Policy and Government Relations	2017-02-14	46

# APPENDIX E LIST OF BRIEFS

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## Organizations and Individuals

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**Boswell, Randy**

**Buchanan, Carrie**

**Canadian Association of Community Television Users and Stations**

**Canadian Farm Press Association**

**Canadian Union of Public Employees**

**Crossroads Global Media Group**

**Fédération des télévisions communautaires autonomes du Québec**

**Fédération nationale des communications**

**Glacier Media Inc.**

**Journal des voisins**

**Latham, Mark**

**Observer Media Group**

**Quebec Community Groups Network**



# REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 4, 5, 6, 8, 10, 12, 13, 14, 15, 16, 17, 18, 25, 26, 27, 29, 31, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 49, 50, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 64, 65, 66, 68](#)) is tabled.

Respectfully submitted,

Hon. Hedy Fry  
Chair



## DISSENTING REPORT – CONSERVATIVE

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Today, many believe that the media and the news are in crisis. In that environment, the Standing Committee on Canadian Heritage undertook a year-long study of the media and local communities. The witnesses gave ample evidence of dynamic change in the media and news environment. Sources and outlets have proliferated online, while the old carriers were eroding in the face of new competition.

In the evidence of many witnesses before the committee, a yearning for the ‘good ole days’ of TV news and newspapers was unmistakable. Overwhelmingly, the recommendations of the majority on the committee have embraced an effort to turn back the clock, and keep things the way they were – to try and replicate the ways of the analogue world in the new digital world. This is a fool’s errand.

The world is changing. Change brings disruption. Some see this disruption as a problem.

But higher taxes and government control of the news is not the answer to the problem. Efforts to turn back the clock to an earlier era are doomed to meet with failure.

In the early days of Canada’s Confederation, newspapers were numerous, and generally spoke from a clear political perspective. Their ‘news’ was delivered through that partisan lens. Political parties even published lists for their supports of the newspapers that could be ‘trusted.’

Over time, journalism evolved. Newspapers (later joined by radio and television) strived to represent themselves as ‘objective’ and ‘fact-driven’. Different perspectives, however, continued, as the agenda-setting role of the limited media outlets served as a filter. Evidence of the power of the media in our society could be seen from its nickname “the fourth estate” – setting it up as an institutional pillar of society. Mark Twain observed this power position of the media when he said, “never pick a fight with people who buy ink by the barrel.”

But with the transformations of the digital world, the media is genuinely democratizing for the first time. No longer is a citizen’s influence limited to choosing which newspaper to read or which television news to watch. Now, every citizen can use the online digital world to report news and opinion and distribute it.

This is a welcome environment.

People are not stupid. They adapt to change. They have learned what sources to trust in an analogue world and, over time, they are demonstrating a growing ability to critically evaluate news and what to trust in an online, digital world.

It is true that many people who grow up in the old world of four major newspapers and a few trusted news outlets might tend to be credulous and instinctively inclined to believe all they see that initially appears as news. But the skeptical eye develops quickly – and most online consumers of news have already developed a healthy ability to distinguish credible stories from the outlandish and the false, however entertaining, or however much the reader might wish the story to be true.

The Conservative members of the Committee do not agree with the evidence and recommendations that foresee a larger role for government in controlling the news. This is contrary to the notion of a free press in society.

In George Orwell's world, a Ministry of Truth was the answer to 'fake news,' which of course it produced – but only news deemed acceptable to the authorities.

The alternative answer to fake news is the marketplace of ideas flowing from John Milton. It stands for the principle that the public is capable of making informed and wise choices in their interests.

Some have called on the Committee to – in one way or another – insert the state as the arbiter of what is true in the news. That role is not appropriate in a free and democratic society. The answer that this can be done 'at arm's length' is not credible. Every arms-length organization that is put in place by a government, or funded by it, is ultimately aware of its minister's interests. When one is dealing with a port authority, or transportation safety agency, that may not pose a problem. However, in something as fundamental as freedom of the press, any state action to police truth – from regulating the ethics of journalists to directing where an organization should cover news, is inappropriate.

This concern is even greater with regard to the Committee recommendations that involve government funding or content levies to maintain traditional media outlets. A journalist looking to the government for his paycheque cannot put entirely out of his mind what is the hand that feeds him.

We do not agree with the majority's statement of principle that "the Government of Canada must implement necessary measures to support the existence of a free and independent media and local news reporting." In fact, government measures to support media are intrinsically contrary to the concept of a genuinely free and independent media. A true free and independent press must be free of any government interference or entanglement (even if it comes in the form of "support" which means a press dependent upon government and inevitably beholden to it).



The concern raised to justify the suggestion of greater government funding for outlets is that they are losing viewers and readers, and as a result losing the funding to employ journalists. What is clear in this story is that the loss of an audience comes first – then the cuts occur. Giving government dollars to the outlets with shrunken audiences will not bring that audience back. The money will not achieve the objective sought – but local news will now face compromised independence, beholden to its government paymaster.

In fact, there is clear evidence that local news is perhaps being well-served by the changing marketplace. For example, as Torstar has faced mounting losses at the Toronto Star flagship level, its local Metroland newspapers remained viable. In fact, Quebecor/Postmedia noted the strength of local papers and went on a buying spree to capture that market. But in both cases, the locals have since faced cuts as their revenues are diverted to the flagships.

But there is an appetite for local news and a vacuum will soon be filled. That has been happening. New entrants – both start-up local newspapers and online local newsgroups are filling the gap. Many local Facebook neighborhood newspapers far outpace traditional newspapers in their coverage and debate on matters ranging from development issues and council proceedings to local crime and sports news. People are adapting to the changing environment – and for many, the quality and quantity of local news is better and more immediately available than ever. And if you have a question, someone will answer it. If you have another side to the story, you can present it. None of this is a ‘problem’ to be solved by a government-paid journalist.

Finally, the Committee is seeking new ways to tax Canadians to pay for all this effort by the government to involve itself in the production of the news for Canadians. Canadians do not need more and new taxes. Simply put, Canadians are already overtaxed at a time of stagnant incomes and low job growth. The Conservative members of the Committee strongly oppose any proposal to impose a “Netflix Tax,” internet tax, or any other news tax on Canadians.

Paradoxically, the Committee’s call to tax digital outlets that publish Canadian news will, in practice, reduce the amount of local or Canadian content available in the digital world in which people live and consume such media.

It is a fundamental truth of public policy that, “if you tax something, you will get less of it.” In seeking to apply an internet tax to news aggregators publishing Canadian news, the majority recommendation will not “level the playing field” or generate tax revenue. It will simply cause people to avoid tax by ceasing to publish Canadian news.

The new media era, focused as it is on the digital universe, cannot be stopped, or blocked, or regulated in Canada. It is being driven, consumed and created by citizens, and it is inevitable.

It is time for the government, and the Liberal majority of the Committee, to accept and embrace this new era, and give up on futile efforts to use government regulation, taxation, and subsidies to maintain the media landscape of the 1960s.