

**Local Television News in Canada:
Prospects and Proposals for Action**

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Introduction

In the last few years, the plight of local news has emerged as an important policy issue, and one for which the need for action is now widely accepted.

Local news media in Canada – particularly, print and local TV¹ – have seen precipitous declines in revenue², leading to journalistic job losses and declines in local coverage³. In the last decade over \$2 billion in annual advertising revenues has effectively evaporated from the Canadian media entities that support and provide local news.⁴ These declines, and the resulting gaps in the quality and extent of local news coverage in Canada, are not being filled by social or other online media.

In September, 2017, the Canadian Radio-television and Telecommunications Commission (CRTC) introduced a new support regime for local TV news, from redirected mandatory television distribution contributions. While helpful, the relatively small quantum of redirected moneys (a maximum of \$85 million annually) makes this a stop gap measure.⁵ A 2017 report commissioned by government which recommended major new funding for print⁶ initially met with a more *de minimus* response – a promise to change the Canada Periodical Fund to include digital publications⁷ and \$10 million per year for five years to independent organizations for local journalism.⁸ And while also helpful, the November 2018 Economic Statement announcement of just under \$120 million a year in news tax incentives for “qualified media” still falls short of the mark.⁹

In a report to government released May 31, 2018, the CRTC acknowledged, for the first time, that the local TV sector was in a state of “decline”, and that “to remain viable in the future – particularly in an environment where audiences are fragmenting across platforms and subscription revenue is increasingly important to finance content – this model must find ways to monetize its programming across platforms, including new revenue sources.” The Commission also indicated that as a short-term measure, independent of any legislative review, it might “examine ways to support television news production through increased access to subscription revenues”.

Two weeks later, the government announced the panel and terms of reference for the review and modernization of the *Broadcasting and Telecommunications Acts*.¹⁰ Among the questions asked of the review panel are two specific questions related to local news:

¹ The term local TV is used throughout this report to refer to what can also be called private local over the air (OTA) TV, private conventional TV and private TV. These other terms are also occasionally used. While general statements may apply equally to CBC television, financial and statistical information refers only to private TV, unless otherwise noted.

² Local radio is another important source of local news and information for Canadians. As we shall see, it is also now suffering revenue declines, although not to the same extent as print and local TV.

³ These declines have been well documented by the Public Policy Forum, employment in <https://shatteredmirror.ca/> and coverage in <https://www.ppforum.ca/publications/mind-the-gaps/>. The latter only covers print, but anecdotal evidence suggests similar trends in broadcast. “Information about local newsroom start-ups, closings, and service reductions/increases” has also been documented in the Ryerson Local News Research Project <http://localnewsresearchproject.ca/>

⁴ Total annual advertising revenue loss from peak to 2017. See p. 7.

⁵ CRTC estimate. <http://www.crtc.gc.ca/eng/archive/2016/2016-224.htm>. Private local TV revenues in Canada declined from a peak of \$2.144 billion in 2011 to \$1.608 billion in 2017, with a revenue drop of \$70 million from 2016 to 2017. 2017 was the fourth straight year of negative profitability, with accumulated losses to date standing at \$161 million at the end of 2017.

⁶ <https://shatteredmirror.ca/>

⁷ <https://www.canada.ca/en/canadian-heritage/campaigns/creative-canada/framework.html#a72>

⁸ <https://nmc-mic.ca/news/public-affairs/news-media-canada-statement-2018-federal-budget/>

⁹ <https://budget.gc.ca/fes-eea/2018/docs/statement-enonce/chap02-en.html>

¹⁰ <https://www.ic.gc.ca/eic/site/1110.nsf/eng/00001.html>

11.1 Are current legislative provisions sufficient to ensure the provision of trusted, accurate, and quality news and information?

11.2 Are there specific changes that should be made to legislation to ensure the continuing viability of local news?

Current large local television group broadcast licences run to August 2022. CRTC projections suggest that, (assuming aggregate TV advertising trends continue) by this time, TV revenues will have declined at least a further 12% of 2017 revenues. Based on trends over the last five years for local TV alone, the decline could be closer to 21% for the local TV sector.¹¹

Whether such a bleed is sustainable is an open question. A combination of current requirements and incentives may be sufficient to prevent major local TV news cuts and station closures before the end of the current licence term.¹² Without solutions, however, the picture beyond 2022 becomes very stark.

In this context, the current study canvasses international developments in local TV news, drawing parallels and distinctions with Canada.¹³ The study examines trends, their consequences, and potential policy responses. We look at Canadians' attitudes towards local news, and the crucial – and irreplaceable – role played by local TV. While the study proposes no singular solution, we suggest the time for concerted action is now.

The News Ecosystem

The news ecosystem in Canada has evolved significantly over the past seventy years. Radio and television broadcasting played a big role in that evolution.

As noted in the Shattered Mirror report:

In the early 1950s, there were more papers sold every day than the country had households. But by 1995, just as Internet access began to become commercially available, household penetration had dropped below 50%. Today, fewer than one in five households pays for newspapers.¹⁴

The big change from the 1950s to 1995 was, of course, the introduction of local and network television, and the conscious and deliberate choice of legislators and regulators to ensure this new medium was predominantly Canadian in its ownership and content.

¹¹ The CRTC's projections are an aggregate of discretionary service and local TV advertising revenues based on an "extrapolation of current trends". As discretionary services have experienced lower declines in advertising, such a calculation would tend to underestimate future local TV revenue declines. Indeed, in the five year 2012 to 2017 period local TV declined from \$2.038 billion to \$1.608 billion or 21%. This may be a better indicator of declines to 2022 – that is from \$1.608 billion to \$1.27 billion.

¹² These include commitments to keep local stations open first made by Bell Media in the context of the Astral acquisition, and the Commission's 2015 determination that it would require conventional television licensees to maintain an over-the-air presence in order to retain regulatory privileges (Broadcasting Regulatory Policy CRTC 2015-24). In addition, in the Local TV Policy, the Commission stated that ownership groups operating both BDUs and television stations would be required to maintain the operation of all of their television stations over their licence term to benefit from the flexibility being granted. Finally, in the group licensing decisions (Broadcasting Decision CRTC 2017-148), each licensee of a television station belonging to the groups is required to:

- operate the station as part of the designated group for the duration of the licence term; and
- in the event that it wishes to be relieved of the above obligation, file an application with the Commission to remove the station from the group list at least 120 days prior to ceasing operations.

¹³ The Author acknowledges with appreciation the financial support of Bell Media in making this study possible.

¹⁴ At p.15 -16.

Television launched in Canada in 1952 with CBC stations in Montreal and Toronto. While the initial public policy focus was on the creation of public broadcasting¹⁵, the early 1960s and 1970s saw priorities shift toward increasingly specific content regulation of private broadcasters.¹⁶

The combination of Canadian content obligations and the profitability then possible from news programming created a powerful incentive for local broadcasters to air a significant amount of local and national news. Simply put, the most effective way of filling a 50% prime time (6 pm to 12 pm) Cancon quota was newscasts at 6 pm, 10 pm and/or 11 pm – with local news early in the evening, and national news late in the evening.

The success of this approach was so absolute that for the last forty years the sole preoccupation of policy makers has not been news on Canadian TV, but “underrepresented” Canadian programming genres, such as drama and documentary.¹⁷

For decades, TV has ranked as the primary news source for Canadians.¹⁸

To this day, despite attendant financial challenges, TV remains a top selection when it comes to Canadians’ media choices for news:

- 70% of Canadians get news from TV¹⁹
- The most trusted brands for news – online and in traditional media – are the top TV news brands²⁰
- Canadians feel that the information provided by the traditional news media is the most reliable; 90% of Canadians say that the news presented by television newscasts is reliable and trustworthy.²¹

Nevertheless, online news, is now increasingly popular²², particularly among younger demographics – although it largely originates from traditional media sources.²³

¹⁵ See, for example, hearings of the 1955 Royal Commission on Broadcasting (Fowler Commission). The existence of private television was acknowledged in the 1958 Broadcasting Act.

¹⁶ The first Cancon quotas on private broadcasters were introduced in 1960 and required networks to broadcast 45% Canadian content on television by April 1, 1961 and 55% by April 1, 1962.

¹⁷ The Commission’s 1979 decision to impose a license condition on CTV that a specified number of hours of original new Canadian drama be presented during the 1980-81 and 1981-82 seasons was appealed and ultimately upheld by the Supreme Court of Canada in *CTV v. CRTC* (SCC 1982). CRTC policies and decisions since this time have focussed on supporting drama and other “priority programming”, now “programming of national interest”. Local news has never been included as part of this.

¹⁸ For example, according to Pew Research Centre, in 2007, 82% of Canadians got their news from TV; 51% from newspapers, 30% from radio and 25% from the Internet. Globally, two-thirds or more of residents in 44 of the 47 countries surveyed say television is their first or second choice for national and foreign news. In the remaining three countries (Kenya, Tanzania and Uganda), radio dominates TV by at least a two-to-one margin.

<http://www.pewglobal.org/2007/10/04/chapter-7-where-people-get-their-news/>

¹⁹ Reuters Institute. Digital News Report 2017.

²⁰ Ibid. In English Canada, CTV News and Global News in traditional media; CBC News and CTV news online. In French Canada TVA and Radio Canada in both.

²¹ The Canadian Media Research Consortium has surveyed Canadians to assess how they rated the news they received from various platforms. Traditional news media both in print and on television are seen as most trustworthy. *Even in the Digital Era, Canadians have Confidence in Traditional News Media*. May 11th, 2011. https://soj.sites.olt.ubc.ca/files/2011/05/CMRC_Trust_Report_11_May.pdf

²² For example, U.S. research suggests that those 65 and older are five times as likely as 18- to 29-year-olds to often get news from TV; while those 18 to 29 are about four times as likely to often get news from social media as those 65 and older. http://www.pewresearch.org/fact-tank/2018/12/10/social-media-outpaces-print-newspapers-in-the-u-s-as-a-news-source/?amp=1&_twitter_impression=true

²³ As discussed below, much of news consumption online is to traditional media. Thus while, for example, Reuters reports that 76% of Canadians receive news from online sources, a significant portion of that may still be from TV news.

By 2017, while 29% of Canadians still headed to TV when they were seeking breaking news, another 21% were finding out things first from Facebook. Indeed 2016-17 may have marked a breaking news tipping point from traditional media *platforms* to online platforms – 51% of respondents to the same *Matters of Opinion* survey said they were getting their news online first, while 49% relied on offline news sources as their primary choice when it came to breaking news.²⁴

While such a shift in news consumption to digital media may be bad news for Canadian TV, it is not in itself a cause for public policy alarm.

If, just as Canadian TV replaced Canadian newspapers as a primary source of news, Canadian TV were to be replaced by strong reliable Canadian online services, it would be hard to argue that government should intervene.

Unfortunately, this is not the case.

Social media comes to the fore

The use of social media for news is a global phenomenon, encompassing emerging and advanced economies alike. In 14 of 38 countries studied by the Pew Research Centre in 2018, at least half of adults used the internet to get news daily. A global median of 35% say they use social media to get news daily, with Canadians the second most advanced economy in terms of access, at 42%, and the U.S. ranked fifth at 39%.²⁵

Precisely what type of news content people access via social media is less understood.

A 2017 survey of eight Western European countries revealed that more than half of social media news consumers in each country say most sources they get news from on social media are ones they are familiar with – ranging from a high of 72% of social media news consumers in Denmark to 51% in Italy. However, between 16% and 35% of social media news consumers in the countries surveyed said they do not pay attention to the sources they see on social media at all – far higher than those who say that most of the news they see on social media comes from unfamiliar news sources (4% in Denmark to 16% in Italy).²⁶

Given Canadians' high social media habits, it is probably reasonable to assume that at least two thirds to three quarters of the news consumed by Canadians on social media is from familiar traditional news sources.²⁷

While figures on the percentage of traditional news sources being accessed through social media sites are not available, data does confirm that social media platform users rely on traditional media platforms. In the U.S., for example, 45% of adults get news from Facebook,

²⁴ News websites were the primary source of new information for 14% of media respondents, word of mouth 6%, and twitter 5%. More than 60% of respondents said they check in on Facebook at least once a day. 49% of Canadians 60 years of age and older said they check Facebook daily, while 75% of Canadians between 18 and 29 said so. <https://ipolitics.ca/2017/02/07/facebook-nation-social-media-titan-now-dominates-canadian-news/>

²⁵ http://www.pewglobal.org/2018/01/11/people-in-poorer-countries-just-as-likely-to-use-social-media-for-news-as-those-in-wealthier-countries/?utm_content=buffer337&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer. Pew Research Centre also tracks the percentage of U.S. adults who get news on social media, in 2018, 20% said "often", 27% "sometimes" and 21% "hardly ever" for a total of 68%. The top five social media sources are Facebook (43%), YouTube (21%), Twitter (12%), Instagram (8%) and LinkedIn (6%). <http://www.journalism.org/2018/09/10/news-use-across-social-media-platforms-2018/>

²⁶ <http://www.journalism.org/2018/05/14/many-western-europeans-get-news-via-social-media-but-in-some-countries-substantial-minorities-do-not-pay-attention-to-the-source/>

²⁷ Industry sources suggest that this number is actually closer to 80%, if not, 90%.

33% of whom also get their news from local TV, 24% from cable TV and 20% from network nightly TV.²⁸

The consequences of this use of social media to access both traditional media and other sources are two-fold:

1. The diversion of advertising away from traditional media to social media platforms; and
2. Consumption of a material level of unreliable or “fake” news on social media.

The siphoning of advertising away from traditional media

The phenomenal growth of internet advertising at the expense of traditional media is now a recognized and understood trend.

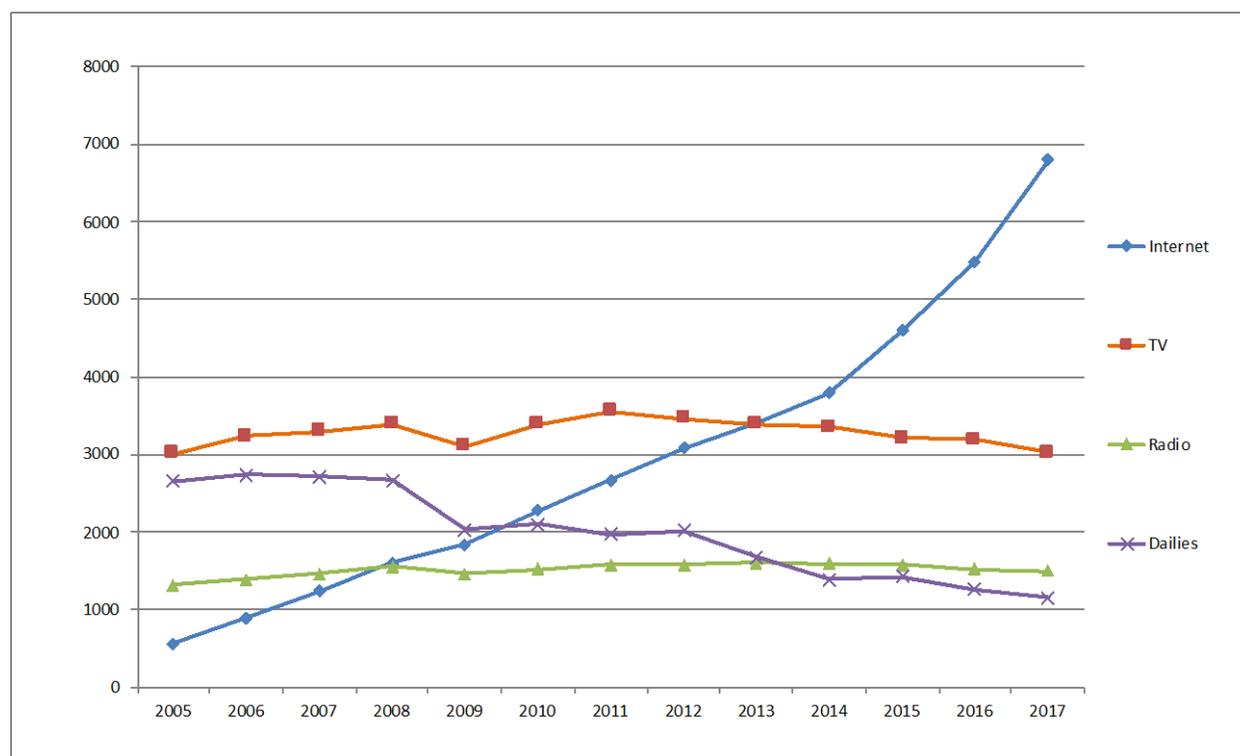
Internet advertising has risen from an inconsequential volume and percentage of overall Canadian advertising to more than \$5.5 billion in 2016, or well over a third of all Canadian advertising revenues. In 2017, Canadian internet advertising revenue increased 23% to \$6.8 billion (exceeding that of all three traditional Canadian media combined), and is projected to hit \$7.7 billion in 2018.²⁹ Double-digit percentage increases have been the norm for two decades.³⁰

²⁸ The PEW Research Centre's *News Across Social Media Platforms 2017* provides a breakdown by social platform and by traditional news type. As, at 67%, the overall percentage of US adults getting news from social media in 2017 was only slightly lower than the 68% in 2018, these breakdowns likely remain accurate. The figures indicate the number of each users for each platform (and overall) who say that they consult traditional media in the given categories: Local TV (37%), Cable TV (28%), Network Nightly TV (26%), News Websites/Apps (33%), Radio (25%), Print (18%). Assuming even consumption and that all News Websites/Apps are non-traditional (unlikely), this averages to 80% from identified traditional media.

²⁹ <https://www.iabcanada.com/2018-canadian-internet-ad-revenue-is-projected-to-rise-by-over-945-million-to-7-7-billion/>

³⁰ Data from the Internet Advertising Bureau (Canada) (IAB) *Annual Internet Advertising Revenue Report*, 2017. September 8, 2016 (IAB Report). Current growth is largely driven by mobile, which grew 57% in 2016, as opposed to online which shrank 1%. Mobile has grown from a 3% share of Internet revenues in 2011 to a 46% share in 2016.

Media Advertising Growth – 2005-2017



Sources: IAB Annual Internet Advertising Revenue Report, 2015, 2017; CRTC; News Media Canada³¹

Meanwhile, as overall Canadian advertising spending tracks the economy at a relatively fixed ratio,³² the growth of traditional media has stalled if not collapsed.

Print was the first traditional media segment to suffer, given that the first wave of the internet consisted primarily of alpha-numeric and static images, with advertising (search and classifieds) that competed directly with newspaper offerings. Daily newspaper advertising peaked in Canada at \$2.74 billion in 2006 and has since declined to \$1.12 billion in 2017.³³

As broadband internet made high quality video increasingly available, television was the second traditional media segment to suffer, with private local television revenue declining from a peak of \$2.14 billion in 2011 to \$1.61 billion in 2017.³⁴

Private radio is the most recent traditional media segment to see evidence of this impact, peaking at \$1.62 billion in revenues in 2013 and declining to \$1.52 billion in 2017.³⁵

³¹ The total advertising market in Canada includes community newspapers, billboards, flyers etc. A view of this broader advertising market can be found here. <https://nmc-mic.ca/wp-content/uploads/2015/02/2016-Net-Advertising-Volume-Report-All-Media.pdf>

³² A ratio that has nevertheless declined over the last three decades. See, for example, *Progress Amid Digital Transformation*, Scotiabank Equity Research, November, 2013. p.18.

³³ News Media Canada and estimates. <https://nmc-mic.ca/wp-content/uploads/2015/02/2016-Net-Advertising-Volume-Report-All-Media.pdf>

³⁴ CRTC statistical summaries.

³⁵ CRTC statistical summaries.

Most troubling is the evidence that more than 80% of Canadian internet advertising accrues to foreign internet sites and platforms, with almost three quarters of expenditures going to top US-owned internet platforms Google and Facebook.³⁶

In its May 2018 report to the government, the CRTC stated:

Before the Internet, media companies needed to invest in content and physical distribution. They came as a package: newspapers invested in printing presses and physical distribution networks in order to provide the news; music was pressed onto discs for physical distribution; TV and radio broadcasters invested in transmitters to entertain and inform local audiences; and cable and satellite providers invested in terrestrial and satellite transmission networks to provide a multi-channel universe of viewing choices.

The Internet has profoundly changed this model. In the digital world, the business models for distribution and content have decoupled. While the distribution business is healthy and growing, media businesses have struggled. The profitability of media companies, in aggregate, remains close to the average of all Canadian companies. However, Internet access is the clear top priority for consumers, if revenue is used as a yardstick: broadband Internet revenues are approaching \$20 billion and have grown by almost two-thirds in just the last five years. Canadians spend half that amount on subscriptions for content, including traditional and online, both audio and video. This spending is growing, but at a much slower pace.

The Commission also noted the “Massive shift to digital advertising”, stating:

Marketers used to be dependent on newspapers, magazines, radio and TV services to advertise and promote their brands and products to audiences. In turn those media companies needed to invest in content, such as news and entertainment, in order to capture audience attention for advertisers. Digital has turned this on its head. Marketers have made multi-billion dollar advertising outlays to digital platforms that leverage free content, predominantly search and social media platforms, and the valuable consumer data that comes with it. This in turn draws advertising away from services that invest in content. The cycle of technological disruption is well advanced in the newspaper sector and is now affecting both TV and radio broadcasters, who are seeing declines in advertising revenues. As marketers increasingly rely on big data to target audiences, the shift to digital will become essential for TV and radio to retain advertisers.

Numerous other reports and submissions to government and the CRTC have similarly observed this effect.³⁷

For most commentators, the “cause and effect” relationship is clear.

The internet has become the most successful advertising medium ever known. An abundance of new advertising inventory has been created out of new forms of human communications activity – from search to social media. The most successful internet media – Google and Facebook – pay virtually nothing for their content and their distribution. Their value is in the

³⁶ IAB Canada would have this data, but it is not publicly released. Google and Facebook represented 72% of the Canadian internet advertising market as at 2016. <https://www.statista.com/statistics/806895/canada-google-facebook-ad-market-share/> IAB Canada does report that the Top 10 Internet Advertising Earners brought in 86% of all Canadian internet Ad Revenues in 2015, and the top 20, 91% in 2016. This is an increase from the equivalent 2009 numbers of 77% and 87%. The IAB does not identify these companies. Based on this, the Author estimates that that the percentage of Canadian internet advertising that accrues to foreign internet sites is now between 82% and 85%.

³⁷ See, for example, submissions by broadcasters and creator groups in response to Broadcasting Notice of Consultation CRTC 2017-359. <https://services.crtc.gc.ca/pub/instances-proceedings/Default-Default.aspx?S=O&PA=B&PT=NC&PST=A&lang=en> and <https://shatteredmirror.ca/wp-content/uploads/theShatteredMirror.pdf>.

algorithms that serve up consumers to advertisers. Moreover, the extent to which this allows them to deliver in increasingly targeted and efficient ways is absolutely unprecedented.

In Canada, as in other non-US countries, this is compounded by the fact that internet giants are able to dominate without contributing anywhere near the same level of investment, jobs and Canadian content as Canadian media.³⁸

Simply put, predominantly US-based internet media have had a direct negative impact on the revenues of Canadian media because they compete at a huge operational and content cost advantage and with no regulatory obligations.

And while search and online video were initially only direct competitors for advertising rather than news content, social media has become a preferred platform for news.

Together, Google and Facebook account for an estimated 72% of the Canadian Internet advertising market³⁹ – \$5.5 billion in 2018. Not only is this \$5.5 billion in revenue that has essentially come from traditional advertising platforms⁴⁰, but hundreds of millions of dollars could literally derive from news content that originates from Canadian traditional media.⁴¹

Social media data and algorithms are open to abuse

Social media usage has created significant economic, behavioural, political and social change in a very short timespan. Properly exploring social media's impact on traditional media and local news requires at least a rudimentary understanding of the mechanisms behind these changes and their impact on social discourse.

It is well documented that social media networks rely on ever-evolving algorithms that use our digital footprint to manipulate the content we are shown (including our searches, interests, clicks etc.).⁴² The new "information" economy relies on the ability to micro-target users with incredible specificity based on data collection. A 2018 survey by the Reuters Institute for Journalism at the University of Oxford queried 74,000 users in 37 countries and found that Facebook-owned platforms reach 86% of Internet users aged 16 to 64 in 33 countries. Social media usage is a massive global phenomenon and yet it is shaped by forces that are neither transparent nor easy to understand.

Providing content to the user based on indicators that are very specific to them and their preferences has, as we are seeing, dangerous side-effects. News outlets or programs have arguably always held left, centre or right biases, with people often choosing them on account of a partisan viewpoint that matches their own.⁴³ Social media echo-chambers concentrate and amplify this effect. As algorithms continue to confirm the content that the user enjoys seeing, the user sees more increasingly partisan and segregated content. The implications of a closed

³⁸ While some foreign Internet companies make investments in Canada, the *level* of such investment pales in comparison to Canadian companies. For example, Google, which has R&D and YouTube facilities in Canada, reportedly employs on the order of 800 Canadians. Google's Canadian Internet advertising revenues are estimated at over \$2.6 billion in 2016 – almost \$1 billion more than all Canadian conventional TV advertising, more than all radio advertising and more than all print advertising. By contrast, Canadian conventional TV alone employs close to 6,000 people, almost an order of magnitude more than Google's estimated Canadian employment. (Source: CRTC Statistical Summaries.)

³⁹ <https://www.statista.com/statistics/806895/canada-google-facebook-ad-market-share/>

⁴⁰ Given that there is little evidence that internet media have materially grown the Canadian advertising pie, this is simply a truism.

⁴¹ Links to news sources might only be a percentage point of Google/YouTube use, but would be quite significant for Facebook. Twitter, while far lower in revenues is heavily news reliant.

⁴² *Misinformation and biases infect social media both intentionally and accidentally*. Filippo Menczer, Indiana University, June 20th 2018.

<https://phys.org/news/2018-06-misinformation-biases-infect-social-media.html>

⁴³ See, for example, <https://guides.lib.umich.edu/c.php?g=637508&p=4462444>

information access system that actively encourages polarization and hyper-partisanship are less than ideal.⁴⁴

Unreliable or “fake” online news and the spread of disinformation

The use of disinformation or propaganda is not new to the digital age, but what cannot be denied is that social media is to misinformation what gasoline is to a fire. Broad familiarity with the term “fake news” can be credited to Donald Trump and his regular attacks on US media⁴⁵.

But what does the term “fake news” mean to Canadians?

A 2018 poll revealed that Canadians and Americans have a similar perspective on the most common use of the term.⁴⁶ 58% of Canadians and 62% of Americans defined “fake news” as a story in which the facts were wrong. But on both sides of the border, 46% also applied the term to politicians and news reports that only present one side of an argument. 46% of Canadians and 51% of Americans also said it was a word used by politicians to discredit media reports they disagree with.

Interestingly, while 48% admitted to believing a news story they later learned was fake, Canadians still trust themselves more than others when it comes to determining what is real and what is fake:

- 64% of Canadians trusted their own ability to distinguish real news from made-up stories; but
- only 40% of Canadians were confident that the average person could tell the difference between real and fake news.

In the confusion this news environment seems to have created, users also seem to make decisions that are based on notions highly susceptible to bias; how much they like or dislike and how highly they would rate the person who shared the news item’s trustworthiness. A recent study showed that when Americans encounter news on social media, the determination of accuracy or trustworthiness doesn’t depend as much on who created the news as much as on their assessment of the person who shared the news item.⁴⁷

Not surprisingly given its somewhat elastic meaning, there appears to be a material difference between perceptions of having seen fake stories and actual data on visits to fake sites. Indeed, the low barriers to entry for fake news schemes combined with our reliance on self-reporting and individual perception mean that reports on the prevalence of “fake news” can be all over the place. Meaningful events, tied to a specific time and place, such as the 2016 U.S. presidential election have, however, provided fertile ground.

⁴⁴ For a detailed examination of this phenomenon, see: *Study: Breitbart-led and right-wing media ecosystem altered broader media agenda*, March 3, 2018, Columbia Journalism Review, <https://www.cjr.org/analysis/breitbart-media-trump-harvard-study.php>. Also see: *Political Polarization in the American Public: How Increasing Ideological Uniformity Politics, Compromise and Everyday Life*. Pew Research Centre, 2014.

⁴⁵ For example, see: “Anatomy of a Fake news Scandal: Inside the web of conspiracy theorists, Russian operatives, Trump campaigners and Twitter bots who manufactured the ‘news’ that Hillary Clinton ran a pizza-restaurant child-sex ring”, Rolling Stone Magazine, November 2017, <https://www.rollingstone.com/politics/politics-news/anatomy-of-a-fake-news-scandal-125877/>

⁴⁶ Ipsos Research, Global Advisor survey of 27 countries, released September 5, 2018. <https://www.ipsos.com/en-us/news-polls/Fake-News-Study>. For analysis of Canadian data, see <https://globalnews.ca/news/4428483/canadians-fake-news-poll/>

⁴⁷ See, American Press Institute *Who Shared It? How Americans Decide what News to Trust on Social Media*, March 20¹, 2018, <https://www.americanpressinstitute.org/publications/reports/survey-research/>

A study of Internet traffic data of 2,525 Americans after the 2016 presidential election concluded that approximately one in four Americans visited a fake news website from October 7 to November 14, 2016, and that 22% of the fake news sites visits were funneled to Americans via Facebook.⁴⁸

A separate review of automated “chatbot” twitter posts showed that on the eve of the election 80% of “recommended” messaging was favourable to Donald Trump and mostly detrimental to Hillary Clinton.⁴⁹

While no comparable studies appear to have been conducted in Canada, Canadians’ concerns about fake news have arguably been exacerbated by the US election, even as trust in traditional media remains relatively high. A 2017 Reuters report stated:

Canadians are concerned about unreliable information and fake news, especially since the US election campaign where such content was widely circulated. A recent study suggests that most of them believe that social media have a negative effect on the news.⁵⁰ But their level of trust in the media remains relatively strong in comparison to other countries.⁵¹

This is not to suggest that Canadians find their traditional media to be flawless. They do not. But Canadian traditional media has not suffered the wholesale sense of bias that has been evident elsewhere in the Western world, particularly in the US and UK.^{52 53}

Canadians distrust of media is generally directed to social media, not traditional and other online media.

A 2017 study by thinktv found that one in four Canadians were “very concerned” about fake news, and that TV is the “most trusted” source for news for 45% of Canadians, compared to 21% for newspapers, 12% for radio and 13% for internet sources. 52% of Canadians said they were more concerned than they were the year before.⁵⁴

A more recent 2018 survey revealed that Canadians’ trust in traditional and online journalism actually increased 10 percentage points over 2017 to 61%. Meanwhile only 28% of Canadians view social media as trustworthy when it comes to general news and information, a slight decline from 29% in 2017.⁵⁵

⁴⁸ <http://www.dartmouth.edu/~nyhan/fake-news-2016.pdf>

⁴⁹ *Automated Pro-Trump Bots Overwhelm Pro-Clinton Messages, Researchers Say* by John Markoff, The New York Times, November 2016.

⁵⁰ <https://www.theglobeandmail.com/report-on-business/study-says-people-are-worried-about-unreliable-information-and-fakenews/article34092454/>

⁵¹ Reuters Institute. *Digital News Report 2017*.

⁵² Certainly, Canadian traditional media outlets occasionally misstep, or at least, are criticized for apparent bias. Examples include Wendy Mesley’s September, 2018 interview of Maxine Bernier on CBC, and National Post’s centralized directive in the 2015 federal election that editorials support the re-election of the Harper government. But there is none of the wholesale distrust of virtually the whole class of traditional media that we’ve seen come from significant segments of society in other countries.

⁵³ President Trump’s “war on media” is well known. For a UK example, see: https://amp.theguardian.com/politics/2018/sep/27/propaganda-of-privilege-how-labour-went-to-war-with-the-media?CMP=share_btn_tw&twitter_impression=true According to the *2018 Edelman Trust Barometer*, the UK has however now bounced back to a similar level of trust in traditional media as the case in Canada 61%. In the US, trust in media has declined to 42%, with a stark division between Trump voters at 27% and Clinton voters at 61%.

http://cms.edelman.com/sites/default/files/2018-02/2018_Edelman_Trust_Barometer_Global_Report_FEB.pdf

⁵⁴ By contrast, 9% of Canadians found TV to be the “least trusted” source for news, 4% for newspapers, 3% for radio and 49% for internet sources. <https://thinktv.ca/research/fake-news/>

⁵⁵ *2018 Edelman Trust Barometer*, as reported in http://mediaincanada.com/2018/02/15/do-canadians-believe-what-news-outlets-are-publishing/?utm_source=newsletter&utm_medium=email&utm_campaign=do-canadians-believe-what-news-outlets-are-publishing&_u=TMXpXJmUUrQ%3d See report at https://www.edelman.com/sites/g/files/aatuss191/files/2018-10/2018_Edelman_Trust_Barometer_Global_Report_FEB.pdf

This distrust of social media and concern over fake news has led media as a whole to be seen as a “distrusted” institution in Canada and most countries around the world. Over 60% of Canadians “worry about false news information or fake news being used as a weapon”, just under a 70% global average.⁵⁶

However, it is the platforms, not journalism itself that are distrusted – 61% of Canadians trust journalism; 43% trust the platforms, versus 50% and 51% respectively on a global basis. And with 65% globally receiving news through platforms such as social media feeds, search or news applications, it is these platforms that are of greatest concern.⁵⁷

A 2017 survey for Canadian Journalists for Free Expression found that eight in ten Canadians say that the prevalence of false information (or advertising) designed to appear legitimate, is making it difficult to find accurate news.⁵⁸

More than seven in ten agree fully (38%) or somewhat (34%) agree that the government should develop regulations to prevent the proliferation of fake news. Some 14% disagree, or somewhat disagree (9%) while five per cent are unsure.⁵⁹

Exploiting and encouraging society’s worst impulses

In many ways, the problem with social media platforms is that they exacerbate our worst tendencies and create huge political and economic opportunities for people to exploit these weaknesses. Social media networks are especially vulnerable to political manipulation. A recent report published by the Oxford Internet Institute referenced a British Army “focus on non-lethal psychological operations using social networks like Facebook and Twitter to fight enemies by gaining control of the narrative in the information age (Solon, 2015).” The report compared popular social media “groups” where people interested in specific things or trends gathered in over 28 countries. The report found that they were pervasive and that many governments made use of such resources to manipulate public opinion both domestically and internationally. This often takes the shape of “regular citizens” who are actually bots and have the power to drown certain areas or people in influences and messages of a certain kind.⁶⁰

It is well documented that several governments – Russia, China, Turkey – have hired and deployed thousands of social media operatives.⁶¹ The Chinese government reportedly pays employees to generate 450 million fake social media comments every year.⁶² In Myanmar and the Philippines it has been widely reported that Facebook has been instrumental in helping both officials and trolls spread hate, disinformation and to silence dissent. Also in Myanmar, Facebook has been called out as one of the factors that allowed the persecution of the Rohingya Muslim minority population to reach a fever pitch.⁶³

⁵⁶ At 49% “distrust” Canada is nevertheless ranked higher than 21 of 28 other countries; the global media trust index is 43%. Ibid.

⁵⁷ Ibid.

⁵⁸ <https://www.cife.org/2017poll>

⁵⁹ By Nanos Research. <http://www.rcinet.ca/en/2018/06/20/survey-yes-canadians-too-are-concerned-about-fake-news/>

⁶⁰ Samantha Bradshaw and Philip N. Howard, The Oxford Internet Institute, *Troops, Trolls and Troublemakers: A Global Inventory of Organized Social Media Manipulation*, Working paper no. 2017.12. <https://comprop.oi.ox.ac.uk/research/troops-trolls-and-trouble-makers-a-global-inventory-of-organized-social-media-manipulation/>

⁶¹ See: *Invasion of the troll armies from Russian Trump supporters to Turkish Stage stooges*, <https://www.theguardian.com/media/2016/nov/06/troll-armies-social-media-trump-russian>

⁶² The Chinese government fakes nearly 450 million social media comments per year: here is why”, Henry Farrell, May 19th 2016, https://www.washingtonpost.com/news/monkey-cage/wp/2016/05/19/the-chinese-government-fakes-nearly-450-million-social-media-comments-a-year-this-is-why/?noredirect=on&utm_term=.1ec8c4cc0252

⁶³ The key way in which Facebook was used to promote the campaign against Myanmar’s Rohingya Muslims has been widely reported on. See: *How Facebook’s Rise Fuelled Chaos and Confusion in Myanmar* by Timothy McLaughlin, Wired, July 2018. Or, <https://www.wired.com/story/how-facebooks-rise-fueled-chaos-and-confusion-in-myanmar/>. *Facebook’s failure in Myanmar is the work of a*

While less extreme, applying to all social media users is the scholarship in behavioural psychology that suggests that being exposed to fake news that confirms one's biases and is in some ways pleasing to the recipient will leave an indelible mark. Once a person has made up their mind it is very difficult to change it despite having facts, figures and reasonable arguments to the contrary.⁶⁴

Sadly, our worst impulses also gravitate to embracing the mundane that's proximate rather than the objectively more important when it is more distant. In 2011, the New York Times reported that, in a motivational speech to employees, Facebook CEO Mark Zuckerberg stated "A squirrel dying in your front yard may be *more* relevant to your interests right now *than* people dying in *Africa*". The fact that it may be true, doesn't make it right.

Moreover, as given their common technological basis, "disinformation operators are typically indistinguishable from any other advertiser",⁶⁵ they are difficult to combat and easily substituted.

Self-regulatory measures

Recognizing the risks of legislative action, Facebook, among others, has introduced a number of "self-regulatory" measures to reduce fake news.

In Canada, Facebook is reportedly using Agence France-Presse (AFP) to pro-actively evaluate news stories for accuracy and to respond to complaints from users about fake news. Initiated in June, 2018, this third-party fact checking initiative is slated to continue until after the next federal election in October, 2019, and in the meantime cover provincial elections in Quebec, New Brunswick and Alberta.⁶⁶

Facebook has claimed that fact-checking⁶⁷ reduces its audience's exposure to false articles by 80%.⁶⁸

Facebook is also rolling out a "button" on news feeds that will help Canadian users evaluate the credibility of an article and determine whether to trust the article's source:

When pressed, the button will lead to the poster's Wikipedia entry, related articles on the same topic and information about how many times the article has been shared on Facebook and where it is has been shared.

The button will also provide other content published on the platform by the poster, show users which of their friends shared the post and state how old the domain behind the post is.⁶⁹

blundering toddler, The Guardian, August 2018. <https://www.theguardian.com/technology/2018/aug/16/facebook-myanmar-failure-blundering-toddler>, among others. For further references to the Philippine government's use of the platform see:

⁶⁴ *Why Facts don't Change our Minds* by Elizabeth Kolbert, The New Yorker, 2017: <https://www.newyorker.com/magazine/2017/02/27/why-facts-dont-change-our-minds>

⁶⁵ <https://www.newamerica.org/public-interest-technology/policy-papers/digitaldeceit/>

⁶⁶ <https://www.theglobeandmail.com/politics/article-facebook-canada-contracts-independent-fact-checkers-to-combat-fake/>

⁶⁷ <https://www.cbc.ca/news/politics/facebook-fact-check-canada-1.4722349>

⁶⁸ <https://www.buzzfeednews.com/article/craigsilverman/facebook-just-shared-the-first-data-about-how-effective-its#.xnA2V2BVY>

⁶⁹ https://www.huffingtonpost.ca/2018/09/19/facebook-fake-news-tool-canada_a_23532709/?utm_hp_ref=ca-fake-news

Such self-regulatory measures come as a clear response to evidence of Facebook's role in spreading fake news, as well as the social media giant's admission that the data of up to 50 million Facebook users may have been misused by analytics firm Cambridge Analytica to target voters in the 2016 U.S. election with political advertisements. The latter being, of course, a story that only came to life because of the investigative journalism of traditional media.⁷⁰

While less in the spotlight, Google has also moved to temper criticism by, for example, restricting "ad serving on pages that misrepresent, misstate, or conceal information about the publisher, the publisher's content, or the primary purpose of the web property".⁷¹

While useful, such self-regulatory approaches neither obviate the need for regulation nor solve the crisis facing local media.

Diversity of news sources

No singular news source is ever going to be perfect.

A good part of the answer lies in healthy competition and a beneficial diversity of news sources.

Certain critics claim that Canada suffers from a lack of diversity in media ownership.⁷²

The weakness, if not irrelevance, of this argument is evident when one realizes that:

1. **National market concentration says little about local market concentration.** Indeed, the opposite can be true. By allowing players to concentrate nationally, public policy can ensure greater local diversity through cross subsidy;⁷³
2. **Increasing media consolidation, or concentration of ownership, has occurred in Canada because of government policy, not in spite of it.** By the late 1990s, policy makers in Canada had realized that media players needed size and scope to compete successfully.⁷⁴ In 2008, the CRTC articulated and refined media concentration rules in policies that remain in effect today.⁷⁵ This includes rules that no media company can own more than two of print, radio and TV in any given market; and no TV company can have more than 45% national market share;
3. **We cannot unscramble the egg.** The decisions to allow media consolidation in Canada have long been made. There are effectively no buyers for traditional media assets.⁷⁶ It may be of academic interest to bemoan a reality that is immutable, but it doesn't solve anything;

⁷⁰ Channel 4 News, UK. <https://www.thedrum.com/opinion/2018/03/29/channel-4-news-editor-urges-media-build-alternative-platform-toxic-facebook>

⁷¹ <https://www.bbc.com/news/technology-37983571>

⁷² See, for example, https://www.huffingtonpost.ca/2012/08/13/concentration-media-ownership-canada_n_1773117.html comparing Canadian concentration in TV distribution (81.4% controlled by companies that also create content, such as broadcasters and production companies) with Japan (at 37.5%) and the US (at 23.1%). The relevance this has to "media" as the term is used here is unclear.

⁷³ This is certainly the case for local TV. Many smaller local Bell Media TV stations are no doubt unprofitable; they are able to be kept open and those local markets served because of national synergies and the Bell's ability to sustain losses.

⁷⁴ See, for example, the CRTC decision approving the first Bell-CTV acquisition in 2000 in which the Commission noted that "the consolidation of ownership proposed in the application is consistent with the ongoing restructuring within the communications industry worldwide. The Commission has observed the positive consequences of this restructuring. These include increased efficiencies, new synergies, and the greater investment in Canadian program production that they generate "to the benefit of Canadian audiences, the Canadian broadcasting system and the public interest" (Public Notice CRTC 1999-97; *Building on success - a policy framework for Canadian television*)." Decision 2000-747. In the current circumstance, it is hard to imagine a smaller stand-alone conventional TV company keeping local TV stations open with the financial losses they are suffering.

⁷⁵ <https://crtc.gc.ca/eng/archive/2008/pb2008-4.htm>

⁷⁶ <https://www.theglobeandmail.com/business/commentary/article-busted-auctions-no-buyers-for-canadian-media-companies/>

4. **Online media are even more concentrated.** One of the early fictions of the internet is that it would let a thousand flowers bloom. The reality, as we now know it, is that virtual monopolies form in major categories. Google in search. YouTube in user uploaded videos. Netflix in online SVOD. Facebook in general social media. Twitter in news social media. LinkedIn in professional social media. The replacements for traditional media sector are more concentrated.

In any event, the clear risk is that Canada's media sector will become less diverse going forward, with less competition and less opportunity for different coverage and viewpoints.

Today, Canada benefits from five mainstream national English-language news outlets (CTV, Global, CBC, the Globe and Mail and National Post) and four French language (TVA, Radio Canada, La Presse, Le Devoir) in traditional and online form.⁷⁷ These are supplemented by large local/regional outlets (CityTV, Toronto Star in English Canada, TQS in Quebec), local radio (particularly news/talk stations), as well as a handful of unaffiliated original online sources (Huffington Post, iPolitics, etc). News outlets are also supported by national wire services such as Canadian Press and Canada Newswire.

Even with coverage declines and potential outlet closures, in the short to medium term, national and regional news should have adequate diversity.

Local news, particularly in small and medium sized markets, is a different matter.

A typical medium sized market today might have one print daily, a community weekly, three to five local radio stations, and one or two local TV stations.

A typical small sized market today might have one community weekly (the daily would have closed), two to three local radio stations, and either zero or one local TV stations.

Print closures and cutbacks have already reduced local news diversity and coverage. Adding TV closures to the mix will leave many small and medium sized markets without any material daily news coverage.⁷⁸

Importance of Local News

The value of local media and local news has been demonstrated over and over again – from polling on its importance, demonstrations of its crucial role in times of emergency, to the bemoaning of its absence. Moreover, a majority of Canadians believe that the federal government⁷⁹ needs to play a role in supporting it. Recent polls have revealed that:

- 53% of Canadians believe all local programming is important, and 81% believe that local news is important (April, 2014)⁸⁰

⁷⁷ With the exception of La Presse which is now only online.

⁷⁸ This is not to diminish the important role played by local radio in communities across Canada. That said, journalistic resources in most radio stations are limited; and rely on other media sources for stories. This is true to some extent as between all media. Competition forces news players to catch up with each other. As a result, the loss or diminution of one affects the others.

⁷⁹ This would include the CRTC.

⁸⁰ [Let's Talk TV: Quantitative Research Report](#), 24 April, 2014.

- Nine in ten Canadians (92%) either agree (78%) or somewhat agree (14%) that local TV news is valuable to them (September, 2015)⁸¹
- 85% of Canadians either disagree (74%) or somewhat disagree (11%) with the statement that they “wouldn’t care if local news broadcasts on TV were no longer available to them” (September, 2015)⁸²
- 78% of Canadians think that if there was no news on television, democracy would be threatened; 38% seriously so (October, 2016)⁸³
- 54% of Canadians think the federal government should be active in supporting local news; and only one-third (32%) think the fate of local news in Canada should be left to the market to decide (May, 2017)⁸⁴
- 94% of Canadians believe journalism is important to democracy; of whom, three-quarters believe it to be critically important (February, 2018)⁸⁵

Concerns over losses in civic engagement have been particularly pronounced given print closures. In the U.S. it is estimated that 1,800 local papers have closed or merged since 2004. Evidence of harm⁸⁶ includes:⁸⁷

- Reductions in contacting election officials or attending local civic events
- Residents being less able to identify electoral candidates or the candidate's issue positions and, ultimately, voter turnout
- Increases in borrowing costs to build municipal infrastructure (e.g. roads and schools)⁸⁸
- Awareness and tracking of infectious disease outbreaks⁸⁹

Similar concerns have been expressed over Canadian print closures.⁹⁰

The CRTC has noted that local programming, and local news in particular, is an important part of the broadcasting system and important to Canadians. The Commission has emphasized that:

- news and analysis produced and distributed through the broadcasting system are of central importance to meeting the objectives for the Canadian broadcasting system set out in the *Broadcasting Act*, and
- news and analysis remain important today not only as an expression of journalistic independence and a reflection of Canadians' right to freedom of expression, but also as a key part of the Canadian democratic system and the trust Canadians place in it.⁹¹

Local news plays a dual role – the reporting on events *in the community* and events *relevant to the community*.

⁸¹ Nanos Research poll conducted for FRIENDS of Canadian Broadcasting. <http://www.FRIENDS.ca/poll/13122>

⁸² Ibid.

⁸³ Earncliffe Strategy Group per <https://shatteredmirror.ca/wp-content/uploads/theShatteredMirror.pdf>, at p.41.

⁸⁴ Nanos Research poll conducted for FRIENDS of Canadian Broadcasting.

⁸⁵ Maru/Matchbox Angus Reid Forum for News Media Canada.

⁸⁶ <https://journalistsresource.org/studies/society/news-media/local-newspapers-civic-engagement> <https://www.bbc.com/news/world-us-canada-44688274>

⁸⁷ This also happens with major cuts. See, for example, https://www.cjr.org/business_of_news/new-york-daily-news.php

⁸⁸ https://papers.ssm.com/sol3/papers.cfm?abstract_id=3175555

⁸⁹ <https://www.statnews.com/2018/03/20/news-deserts-infectious-disease/>

⁹⁰ There appear to be no Canadian studies, on point, however. See, for example, <http://www.niemanlab.org/2017/02/what-happens-when-a-mid-sized-city-loses-its-last-daily-newspaper-queph-ontario-offers-a-case-study/> and generally <https://shatteredmirror.ca/wp-content/uploads/theShatteredMirror.pdf>

⁹¹ Broadcasting Notice of Consultation CRTC 2015-421-3 and Broadcasting Regulatory Policy CRTC 2016-224.

The role and importance of local news is universal⁹², and the differences around the world less stark than one might expect.

A 2018 Pew Research Centre study found that a global median of 78% – with a high of 88% and a low of 65% – say they follow news about their city or town closely, including 36% who follow local news *very* closely. Canada ranks at 83% who say they follow news about their city or town closely, with 35% saying *very* closely.⁹³

National news⁹⁴ ranks only slightly higher, with 86% of the global public saying they follow it closely; contrasted with international news at 57%. (88% of Canadians say they follow national news closely; contrasted with international news at 69%. Only 18% of Canadians say they follow international news *very* closely, whereas 36% say they follow national news *very* closely.)

Canada, like the US, has stronger and more important local media compared to many other countries. The reasons mostly stem from the importance of local and state/provincial centres in North American governance, as opposed to the more national focus of other democracies. Particularly in TV, while other countries started with national broadcasters who regionalized; we launched local broadcasters who affiliated with national networks.

Both in Canada and the US, there are big differences as to how people get local news in different types and sizes of communities.

A 2011 US study⁹⁵ found that:

- **Urban residents** were the most likely to rely on local TV news for information about breaking news, weather, crime, politics, and traffic. But, as the least tied to their communities (in terms of how long they lived in the community and how many people they know), they were the most likely to be digital “news participators” who email local stories to others, post material on social networking sites, comment on news stories online, or contribute to online discussions on message boards. Residents of large cities, who tend to skew younger and are more mobile than populations living in other community types, were most likely to use a combination of online and traditional sources for news, including mobile devices;
- **Suburban residents** were more likely than others to rely on local radio as a platform (perhaps because of relatively longer commuting times), and like urbanites, were heavy digital participators and used TV news for weather and breaking news;
- **Small town and rural residents** were more reliant on traditional platforms such as newspapers and TV for local news, particularly newspapers for civic information. They use fewer sources of local news (presumably linked to less availability) than their urban and suburban counterparts, and are less likely to say it is “easier” to keep up with local news and information today than it was five years ago. Small city and rural residents also rely more on “word of mouth” for some types of local information.

In other words, traditional media is important wherever you live – but even more so in smaller markets where media choices are limited.

⁹² For an optimistic outlook, see <https://www.independent.co.uk/voices/local-journalism-on-the-ground-taboola-warren-buffett-communities-a8143401.html>.

⁹³ <http://www.pewglobal.org/2018/01/11/publics-around-the-world-follow-national-and-local-news-more-closely-than-international/>

⁹⁴ Defined as “news about our country”. International news was defined as “news about other countries”.

⁹⁵ <http://www.journalism.org/2012/09/26/how-people-get-local-news-and-information-different-communities/>

The use of online platforms, particularly mobile devices, has significantly increased since 2011. As of 2017, 45% of US adults “often” got news from their mobile device, up from 21% in 2013.⁹⁶

Nevertheless, TV news largely held its own through this period. In 2017, 50% of U.S. adults “often” got TV-based news⁹⁷, either from local TV (37%), cable (28%), network (26%) or some combination of the three. As pointed out by Pew Research Centre, “TV’s staying power over print is buttressed by the fact that Americans who prefer to watch news still choose TV, while most of those who prefer to read the news have migrated online.”⁹⁸

Canadian research suggests a similar effect here – 57% of Canadians saying in a 2017 Reuters survey that they continue to use traditional media (TV, radio, print) as their main source of news (vs. 39% for online).⁹⁹ And as in the US, while TV viewing in Canada is also slowly declining, TV news remains popular, although less dominant. Average per capita TV viewing stands at 24.6 hrs per week, and reaches 94% of Canadians 18+.¹⁰⁰ As at 2016, English-language news viewing represented 13.1% of total television viewing in Canada, down from 14.6% in 2012.¹⁰¹

Online local news tends to rely on traditional media

We have already discussed how as much of 80% of news on social media platforms comes from traditional media.

What about original online news sources – that is online sites with their own content, not merely the content of others?¹⁰²

Evidence suggests that while there are a number of original online news sites available in Canada, most are affiliated with traditional media, and those that are not, are typically foreign, national and/or interest-specific. Indeed, as at 2015, thirteen of the top twenty news sites in Canada were foreign.¹⁰³

Popular unaffiliated original online news sites in Canada include Huffington Post Canada, the National Observer, The Tyee, Rabble.ca, Torontoist, iPolitics, and The Conversation.¹⁰⁴ Only Torontoist is “local”, but in Canada’s largest city, and run by St. Joseph Communications, publisher of Toronto Life among other magazine titles.¹⁰⁵

All “national” traditional media operate news sites with local/regional content matching their traditional media outlets. Thus, CBC, CTV and Global have local and regional news content where they have TV stations, while the Globe and Mail is mostly national and international with

⁹⁶ <http://www.niemanlab.org/2017/05/study-more-americans-than-ever-are-getting-their-news-on-mobile-but-there-are-huge-partisan-divides-over-the-medias-proper-role/>

⁹⁷ <http://www.niemanlab.org/2018/01/heres-who-gets-news-from-tv-the-elderly-pew-finds-again/>

⁹⁸ 80% of TV news consumers prefer watching their news; 59% of online news consumers prefer reading news, and 55% of radio news consumers prefer listening to news. These are 2016 numbers. <http://www.journalism.org/2016/07/07/pathways-to-news/>

⁹⁹ <http://j-source.ca/article/traditional-media-still-most-trusted/>

¹⁰⁰ Thinktv *TV Basics*

¹⁰¹ Table 4.2.14. *CRTC Communications Monitoring Report, 2017*.

¹⁰² That is, excluding sites like Apple News, Google News and reddit.com which merely aggregate and link to real news sites.

¹⁰³ comScore per <https://shatteredmirror.ca/wp-content/uploads/theShatteredMirror.pdf> at p.31. This may have changed. This site suggests that, as at May 2018, the top ten online news sites in Canada, nine are Canadian traditional media based; and of the top 50, only four are not traditional media based. The top five were CBC, the Globe and Mail, CTV, Global News and the Toronto Star. https://blog.feedspot.com/canadian_news_websites/

¹⁰⁴ Other independent media are identified here: <http://www.independentmedia.ca/>

¹⁰⁵ One could take the view that Toronto Life and other magazine titles make St. Joseph’s a traditional media company.

select local or regional editions and/or online sections.¹⁰⁶ Recognizing that the medium demands it, TV broadcaster news sites are also heavily text based. Video content may represent as little as 20% of news content, but is the value added and commands higher advertising revenue.¹⁰⁷

Smaller markets not served by TV are often served online by radio related entities. In cases where these were launched early enough, or to fill a void left by closures in traditional media, they have emerged as important community portals providing news, weather and sports as well as classifieds and other community resources.¹⁰⁸ Prime examples include:

- Steinbachonline.com a news/community portal launched by Golden West Broadcasting over a decade ago and now replicated in 22 radio markets in Manitoba, Saskatchewan, Alberta and Ontario
- paNOW.com Prince Albert launched by three local (then Rawlco, now Pattison) radio stations in 2010 to fill the void left by then cutbacks at the Herald¹⁰⁹ with a combined (radio plus online) 10 person newsroom¹¹⁰

Competition and interdependence among Canadian local news media

Local media compete vigorously with each other for audiences and revenues, but they also have (in part as a result of this competition) an interdependence that lifts all.

News outlets seek to break news before their competitors do, but also cover stories that their competitors have followed first. Investigative journalism is expensive, and all outlets ultimately cover and benefit from pioneering work done by a single outlet. Canadians also benefit from this. Whether they prefer to receive their news from TV, print, radio, or online, at least at a top line level, competition among a diversity of news services means they can ultimately stay informed to a similar extent.

By contrast, communities that find themselves with only one local news outlet are less well served. With even one newspaper and one local broadcaster, competition significantly enhances opportunities for better coverage on a consumer's platform of choice.

Where this is not possible, the value of regional coverage on regional media outlets is not to be underestimated. While a resident of Vancouver may have very little interest in what is happening to Halifax housing prices, they likely would have some interest in the same in Victoria or even Kelowna.

The goal must remain diversity – across platforms, well resourced and as localized as possible.

¹⁰⁶ Currently, Toronto and Ottawa/Quebec editions as well as BC and Alberta online sections. Postmedia uses the National Post as its national brand and uses local brands, such as the Ottawa Citizen and Edmonton Journal city by city. The Toronto Star brand remains specific to Toronto.

¹⁰⁷ Video includes more “unavoidable” pre-roll advertising and is mostly sold directly; text advertising is based on page views and click throughs that are more avoidable, and more plentiful, thus typically sold at lower rates programmatically.

¹⁰⁸ There are a handful of unaffiliated media companies that have done the same. For example, Independent Village Media which launched SooToday.com in Sault Ste. Marie in 2003 and now operates online news sites in 6 smaller markets across Ontario. <https://www.villagemedia.ca/about/>

¹⁰⁹ Subsequently facing imminent closure, the paper was then taken over by employees in 2017. <https://www.cbc.ca/news/business/prince-albert-daily-herald-staff-buyout-newspaper-1.4692203>

¹¹⁰ <https://panow.com/bob-awards/476349/best-website>

State of Local TV and Local TV News

The lack of viability of Canadian local TV news has been recognized by the Commission in both its decision making and analysis.

In a Reference Document released in February 2018, the Commission reviewed the reliance on public funding by most genres of Canadian programming:

Many have argued that without public funding, the market may not support certain kinds of TV content at their current levels and some types of programming may not exist at all. The following chart estimates what the financial surplus (or shortfall) of TV content by genre and language would be, in aggregate, without direct public support measures (such as the CMF, production tax credits and CBC parliamentary appropriation) or indirect measures (such as the cross-subsidization of Canadian content from profits on foreign content).

The preliminary results demonstrate that the only genres of TV content that have a meaningful financial surplus on an aggregate basis are sports and other (which includes lifestyle and reality programming) in the English-language market. The analysis illustrates the financial challenges of Canadian fiction (such as drama and comedy), news (such as local) and children's programming in both the English- and French-language markets.

The Commission cites a \$152.5 million financial shortfall in English language news in 2015, and a \$105.7 million financial shortfall in French language news. This is the largest shortfall of any TV programming genre other than fiction (drama).

The significant difference between TV news and fiction, is that TV news has had no direct subsidy.¹¹¹ That is because, historically, it was never required. National news and local TV news in large markets was profitable. Even in smaller markets, local news was always sufficiently cost effective to be a rational Canadian programming choice – it draws audiences and forges connections with the local community that other programming does not. All this changed with the broadband and mobile internet, and declines in TV advertising in favour of social media and online video.

The media segments that provide local news are in the greatest decline

As outlined earlier, the internet's impact on traditional media advertising visibly started with newspapers twelve years ago, with TV seven years ago and with radio four years ago. The resulting revenue declines have been material, and have made the business model for print and TV – media that Canadians most depend on for local news – non-viable in smaller markets.¹¹²

By contrast, but irrelevant to the plight of local news, Canadian film and TV production has grown to record high levels.¹¹³ Not only are such increases in entirely different genres of

¹¹¹ Other than the CRTC BDU support measures introduced in 2018 (and therefore not reflected in these numbers) and CBC's parliamentary appropriation.

¹¹² The ability of a local market to sustain local media depends both on the size of the market and the number of competing media. As it stands, a Canadian market with greater than 500,000 population should be able to sustain one or two TV stations and at least one newspapers. A market of less than 100,000 population may only be able to sustain one newspaper or one TV station. Under 50,000, only radio may be viable.

¹¹³ CMPA's *Profile 2017* reported that total Film and Television production volume was up 24% year over year to \$8.38 B in 2016; with independent Cancon TV production up 16% to 2.99 billion. Broadcaster news production was down 7.2% to 668 million.

Canadian programming (mostly drama) but they mostly accrue to different entities (independent producers).

Certainly, cross-subsidies in the broadcasting system can and do allow for the provision of under-represented program genres such as drama and local news.

The problem facing local news on TV (and radio), however, is that the subsidy can no longer be expected to come from the medium itself.

Key differences between Canada and the rest of the world

Canada's local TV news sector differs from that in other countries in two key respects:

1. The small size of many markets served; and/or
2. The almost exclusive reliance on advertising revenue

Many western countries only have local TV news in large centres; the emphasis is on national and regional news.¹¹⁴

Moreover, particularly in Western Europe, the top source for news is often a public news outlet rather than a private one.¹¹⁵

Canada's local TV news environment more closely resembles that of the US – with two key differences.

Two decades ago, the introduction of retransmission consent introduced a second revenue stream for US local broadcasters. Today that revenue stream is a main reason for the relative health of local TV news in the US, accounting for a third of revenues.¹¹⁶

In addition, the CBC is an important news outlet in Canada – far more than NPR and PBS are in the US. But unlike in many European countries, Canada's public broadcaster is not the dominant news source.¹¹⁷

Strategies employed by local TV to sustain local news

The ability of Canadian local TV stations to sustain losses in advertising revenue while keeping stations open and maintaining local news has been nothing short of remarkable.

Canadian local TV groups and independent stations have had the ability to use a combination of strategies to keep local stations and local news going. These include:

¹¹⁴ For example, in the UK, local TV is a relatively new phenomenon. Most licensees have been on air for less than a decade.

<https://www.ofcom.org.uk/consultations-and-statements/category-1/local-tv>

¹¹⁵ For example, the BBC in the UK, Sveriges Television/Radio (SVT/Radio) in Sweden or ARD in Germany.

<http://www.pewresearch.org/fact-tank/2018/06/08/western-europe-public-news-media-widely-used-and-trusted/>

¹¹⁶ See, for example, <https://www.broadcastingcable.com/news/local-tv-station-revenue-seen-growing-56> The US also has a less dominant digital advertising market, and healthier (and still growing) TV advertising market.

¹¹⁷ CBC performance data is available here: <http://www.cbc.radio-canada.ca/site/annual-reports/2016-2017/accountability-plan/our-performance-media-lines-english-services-highlights-en.html>

1. **Accepting low or negative profits.** In 2011, private conventional TV as a group had operating income of \$250 million (representing an 11.7% margin). In 2017, it had an operating loss of 30.5 million (a margin of -1.9%);
2. **Cutting other programming expenses.** The CRTC gives broadcasters considerable flexibility in how they can allocate Canadian programming expenditures. Some local TV stations have allocated more CPE to news than other program categories. Moreover, in aggregate, all local broadcasters are spending less on non-Canadian programming;¹¹⁸
3. **Reducing non-onscreen programming expenses.** New broadcasting technologies have allowed some broadcasters to centralize more of the non-local essential newscast functions, freeing up more resources for local journalism;¹¹⁹
4. **Changing the type of local stories or approach to local coverage.** Coverage of local stories is expensive, and the costs can only be amortized locally. Sending a reporter and a camera person with a fully equipped truck to a municipal council meeting passing a new budget for low income housing is far more expensive than using a fixed camera feed from council chambers, and interviewing a low income housing advocate in the studio;¹²⁰
5. **Reducing the amount of local content or number of local stories broadcast.** As already noted, local news has a combination of local, national and international news. Network-owned, affiliated and completely independent stations have ready access to non-local news stories and feeds. Some stations may have increased their reliance on those non-local stories.; and
6. **Reducing the amount of local news broadcast.** This strategy appears to have been used almost entirely by broadcasters who were already well in excess of CRTC minimum requirements. Many local stations, particularly CTV stations, have actually added newscasts.¹²¹ A station either has a local newscast or it doesn't. It makes little sense to cut it from thirty minutes (including advertising) to twenty minutes. Nor does it make a lot of sense to eliminate the Friday newscast.

CRTC figures demonstrate that spending by local TV on news actually increased over much of the last five years despite declining revenues.¹²²

From 2011 to 2015, news spending by private TV broadcasters increased from \$316 million to \$370 million in 2015, before dipping slightly to \$366 million in 2016 and 2017.¹²³ Over this period, private broadcasters also increased their Canadian programming spending overall, their percentage of revenue allocated to CPE and their percentage of CPE allocated to news.

Until now, therefore, private broadcasters have chosen news, including local news, over profits and other programming.

¹¹⁸ For example, private broadcasters spent \$726 million in 2012 on non-Canadian programming. In 2016, they spent \$630 million.

¹¹⁹ Global TV has taken this faster and further than other broadcast groups, but the approach has been accepted by the CRTC as a legitimate way of providing local news. See <http://www.canadalandshow.com/inside-globals-local-news-bunker/>

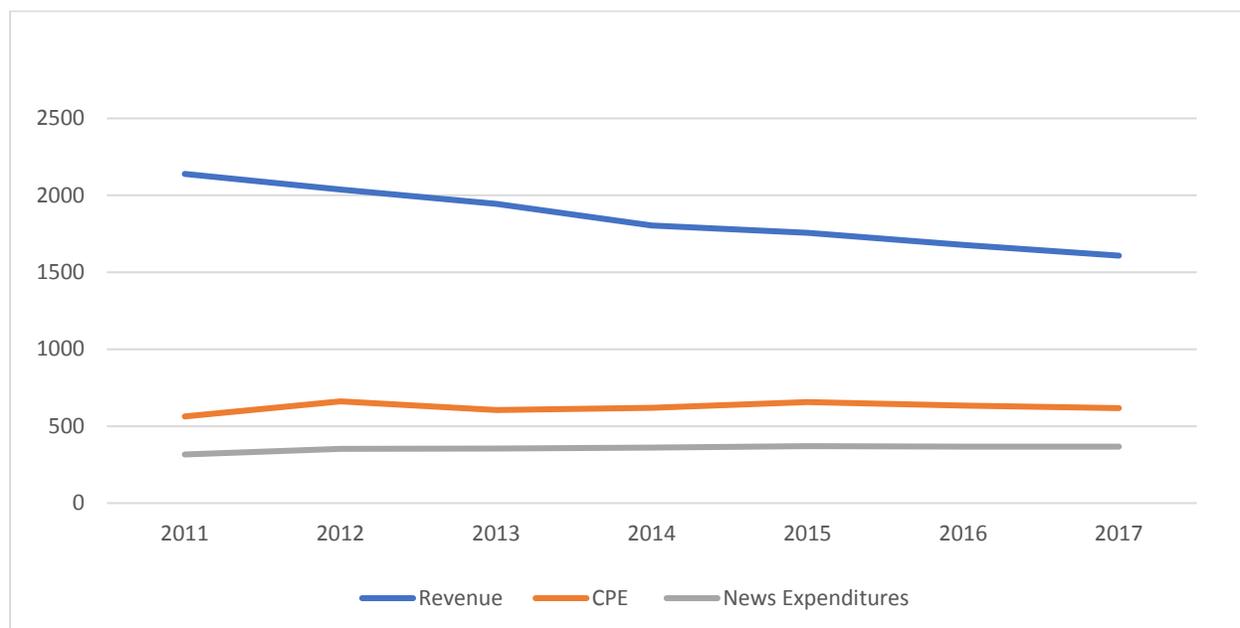
¹²⁰ There are many variations on this. Live coverage of events historically required a microwave truck; this still gives the best, most reliable footage, but cheaper internet-based alternatives, even Skype calls, can also be used. Similarly, Citytv pioneered the use of "videographers" combining the camera-person and reporter function.

¹²¹ <https://www.ctvnews.ca/business/ctv-adding-5-p-m-weekday-newscasts-to-all-local-stations-across-canada-1.3447396>

¹²² Canadian programming expenditure are generally pegged at a percentage of overall revenues. For years, expenditures increased automatically as revenues increased. While the corollary would be expected with declining revenues, private broadcasters have actually increased Canadian programming expenditures with declining revenues.

¹²³ CRTC Statistical Summaries. In 2011, news represented \$316 million out of a total CPE of \$563 million (up from \$304 out of \$681 CPE in 2010). News was \$353 out of \$661 in 2012; \$355 out of \$605 in 2013, \$361m out of 619m in 2014, \$370 out of \$653 in 2015, \$366 out of \$634 in 2016, and \$366 out of \$618 in 2017. With some ups and downs, CPE % has increased from 31.7% in 2010 (26.2% in 2011), 32.4% in 2012 (31.1% in 2013), 34.3% in 2014, 37.3% in 2015, 37.8% in 2016, to 38.4% in 2017.

Private TV Broadcaster News Expenditures relative to Revenues and CPE (in \$millions)



Despite declining revenues, there have been very little in the way of “on screen” changes to local TV news – very little in the way of material cuts.¹²⁴ This is not sustainable.

Advertising alone can no longer sustain local news

For the last century, news has been primarily advertising supported.

The typical business model of newspapers was that subscription revenues covered the cost of newsprint and distribution; news content and profits came from advertising.

Television news, with the exception of 24/7 news channels, has always been exclusively advertising based. The costs of distribution being relatively minor (over the air transmission and spectrum licence fees) or covered by television distributors (BDUs).

In the pre-2005 advertising world, this model worked well.

Newspapers, while no longer in every household, were still the key vehicle for classified ads, for flyers, for detailed price and product advertising.

Television, in virtually 100% of homes, reigned supreme in brand advertising. Supertime local news was being watched by a majority of Canadians and therefore dominated the local and national retail advertising market for product and retailer brands.

The internet changed all of this.

¹²⁴ Of the six identified strategies, only the first three have been employed on a widespread basis. Very little in the way of the last three have been used, at least until 2017. Assuming reductions in news costs to 2016-17 continue, while some of this can be accomplished through operations savings (strategy #3), on screen cuts become inevitable.

Much has been made of the internet's ability to target consumers based on individualized preferences and traits. It is now recognized that the 'product' for the most successful internet conglomerates (certainly Google and Facebook) is 'you', the consumer. The trade-off for ease of access to information and communication is your habits, your tastes, your interests, all expressed and compiled every time you use the service in question.

This is all true. But not enough has been made of the fact that in so doing, the internet has vastly expanded advertising inventory. Areas of human activity – email/text, search/discovery, sharing photographs – activities never before subject to advertising have suddenly become key vehicles for it.

The internet has not so much reduced our use of traditional media as it has reduced our use of physical means of interaction and communication. We go online rather than pick up a phone book. We search for a new fridge, rather than pick up a catalogue. We look at cars online, before venturing out to a dealership. We date based on algorithms rather than our friends' introductions.

The numbers prove this.

Yes, traditional television viewing has declined. According to statistics published by the CRTC, traditional television viewing suffered modest declines from an average 29.5 hours per week in 2012 to 28.2 hours per week in 2016. This decline continues.

But by any reasonable measure, overall television viewing is increasing. Add in viewing to Netflix and other OTT providers and television viewing has increased from 29.5 hours per week in 2012 to 31.3 hours per week in 2016.

The internet has not reduced television viewing, it has increased and redistributed it.

And traditional television has not materially lost viewing, it has lost the ability to monetize that viewing through a purely advertising based model.

This holds even more so for local TV news, given its almost exclusive traditional exhibition on local TV stations.¹²⁵

Canadians have not abandoned local news. They have not abandoned traditional media.

However, Canadians are using new internet platforms for news, and so many other needs. These platforms contain so much seemingly "free" content, and so much advertising inventory, that while satisfying many user needs, they undermine the financial model of the local news Canadians also value.

For private local TV, the effect is exacerbated by the break-down in the traditional 'cross-subsidy' model wherein the profits made from the airing of popular U.S. entertainment support

¹²⁵ More could also be said about print here. Certainly the advantage print has is the fact that it has always been partly subscription based, and major brands have shown that they can parlay this online. Aggregating large market plays through, for example Washington Post's Arc (of which the Globe and Mail is a part) should also deliver both operational savings and premium advertising rates. http://www.niemanlab.org/2018/09/newsonomics-the-washington-posts-ambitions-for-arc-have-grown-to-a-bezosian-scale/?utm_source=Daily+Lab+email+list&utm_campaign=f877135171-dailylabemail3&utm_medium=email&utm_term=0_d68264fd5e-f877135171-396210793

Canadian programming, including local news. That model, the basis for private TV for over fifty years, is under strain on multiple levels:

- The availability and popularity of foreign OTT services who siphon viewing and cause declines in advertising
- Increased costs and shorter broadcast windows for U.S. programming
- An increasing amount of U.S. content that is or may soon be unavailable to Canadian broadcasters¹²⁶

Local TV news never did make money for broadcasters in smaller markets – but it was cost-effective Canadian content, drawing good audiences at a reasonable price. In an era when Canadian content increasingly has to stand on its feet without cross subsidy from US programs, local news faces the same challenges as other Canadian programs, long since recognized as deserving public support.¹²⁷

An online-only business model for local news is not the answer

In the print world there have been a few notable examples of traditional newspapers choosing to abandon their physical edition, and publish entirely online.

The Independent in the UK¹²⁸ and The Pittsburgh Tribune Review did it in 2016.¹²⁹ Montreal's La Presse did it in December, 2017.¹³⁰

There is a logic to such a move that is understandable. Newsprint, publishing and physical distribution of newspapers is expensive. A typical traditional newspaper business model had these costs covered by subscription revenues, and the journalistic and news gathering costs covered by advertising.¹³¹ Use the internet for free distribution, increase your currency and maintain your readership and you are as well or potentially better off.

As it turns out there are three major flaws with this model:¹³²

- First, even if readership (or reach) is maintained, evidence is that engagement (or time spent) drops dramatically. This seems to be both because the form of digital news does not lend itself to in-depth reading, and because online competition for readers time is fierce;¹³³

¹²⁶ This includes outbidding from Netflix and newer entrants such as Amazon Video, YouTube Premium and CBS All Access.

¹²⁷ See discussion elsewhere of genres of Cancon that have received public support via at least tax credits.

¹²⁸ <https://www.independent.co.uk/news/media/press/the-independent-becomes-the-first-national-newspaper-to-embrace-a-global-digital-only-future-a6869736.html>

¹²⁹ <https://home.kpmg.com/content/dam/kpmg/co/pdf/co-17-01-08-tmt-stop-the-presses.pdf>

¹³⁰ <https://montreal.ctvnews.ca/after-133-years-la-presse-publishes-final-print-edition-1.3740026>

¹³¹ <https://www.westminsterpapers.org/article/10.16997/wpcc.217/>

¹³² As Ken Goldstein points out "Given the trends in circulation and advertising revenues, it seems unlikely that most general interest daily newspapers will be able to make the print-to-digital transition. There may be a small number of unique cases, usually involving national or special interest daily newspapers, where the transition may succeed. But for the classic mid-size local general interest daily newspaper, the prospects are not good." http://media-cmi.com/downloads/CMI_Discussion_Paper_Requiem_for_the_Print_Edition_113017.pdf

¹³³ <http://www.niemanlab.org/2018/09/what-will-happen-when-newspapers-kill-print-and-go-online-only-most-of-that-print-audience-will-just-disappear/>

- Second, digital advertising earns significantly less than traditional print advertising, by a ten to one margin or more.¹³⁴ Not only are readers spending less time with digital editions, they can and do more easily avoid ads; and
- Third, digital consumers have shown a disinclination to pay for content online, that in the case of news has been entrenched through years of being able to get it for free. Unless a brand has particular strength, with unique and valuable original content, digital consumers will find another source before paying for news.¹³⁵

The remaining relative strength of the traditional news business model over the online model, combined with the fact that newspapers have now virtually all outsourced their printing, means that maintaining print editions while building readership online is the best strategy for most newspapers for the time being.¹³⁶

For local TV and radio, the analogous strategy is even more appropriate. There is virtually no business case for digital-only radio or TV local news. While broadcast media incur some costs for distribution, these costs are relatively low compared to print. And as long as traditional radio and TV media retain their ability to attract audiences, they will continue to perform better from an advertising perspective.

The “wish on a star” hope that equally viable digital-only local news models will emerge and take the place of traditional media is not only fantasy, it is dangerous.

There is simply no evidence of this happening on any real scale in smaller markets.

Pointing to the success of specialty digital publications such as iPolitics, Blacklock’s Reporter and the Wire Report or that press gallery membership now includes newcomers such as BuzzFeed, the Huffington Post, the Tyee, Rabble and VICE does nothing for future local news coverage in Windsor or Lethbridge.¹³⁷

Moreover, the fact that some digital-only local news sites have emerged in smaller communities does not mean they are providing anywhere near the original reporting and coverage that a local TV station or local newspaper does.¹³⁸ The Toronto Star would be the first to agree that its free Metro tabloid papers provide nowhere near the level of local news content as the Toronto Star itself,¹³⁹ nor does its chain of online community news sites relative to thestar.com.¹⁴⁰

¹³⁴ For a good sized market, a small newspaper online ad running for a week might be obtained for as little as \$50; a comparable daily print ad would be \$100 or more.

¹³⁵ To be clear, this is changing, and major brands such as the New York Times, the Washington Post and Canada’s Globe and Mail have been successful with digital pay walls. The Toronto Star introduced its own pay wall effective October, 2018. Whether pay walls can be successful in smaller markets with weaker brands remains untested.

¹³⁶ This isn’t to suggest that there isn’t a lower bound to print subscriptions (for example, the Globe and Mail canceled its Newfoundland edition in 2013 and its Atlantic Canada edition in 2017), just that declines can be managed more effectively with outsourcing. Globe publisher Philip Crawley said in 2017 that the Globe and Mail plans to keep printing the newspaper in the rest of Canada for at least the next decade.

<https://www.cbc.ca/news/canada/nova-scotia/stop-the-presses-globe-and-mail-ends-print-edition-in-maritimes-1.4256289>

¹³⁷ See, for example, Michael Geist in <https://www.thestar.com/business/2016/02/08/digital-era-raises-tough-questions-about-journalisms-future-geist.html>

¹³⁸ A digital local news site owned by a local traditional media outlet becomes a multi platform extension of that outlet, sharing, even expanding on, local stories. A digital local news site operated by a national or out-of-market traditional media property benefits from considerable synergies re national and regional stories, but has far less local news content. A digital-only local news site – that is one with no traditional media synergy - typically has little to no original local news reporting.

¹³⁹ The tabloid papers are published in Calgary, Edmonton, Halifax, Toronto and Vancouver and benefit from obvious corporate synergies and 35 dedicated reporters across the chain. <https://toronto.ctvnews.ca/torstar-hiring-20-reporters-as-it-rebrands-revamps-metro-newspapers-1.3868079>

¹⁴⁰ In markets like Cambridge, Niagara, Parry Sound etc. See, for example, <https://www.cambridgetimes.ca/>

Local digital-only news sites¹⁴¹ may be able to aggregate sufficient communities to have a viable business and provide a valued service, but they do not have the resources to cover local news to any significant degree.

The closures suffered by print are coming to local TV

Remarkably, very few local TV stations have closed as a result of the financial challenges they have faced over the last ten years.¹⁴² By contrast, estimates suggest that 231 local print publications have been shuttered since 2008.¹⁴³

There is a false sense of security, a denial, that comes when the status quo is maintained despite a dire prognosis to the contrary. A logic that goes like this:

The state of local TV is so bad that it is implausible that stations remain open. But because stations have remained open, things can't be so bad.

This false sense of security fails to recognize that avoiding station closures does not necessarily mean avoiding service reduction.¹⁴⁴ Moreover, “throwing in the towel” has been delayed but not necessarily averted; it should present a window of opportunity for public policy to act, not an excuse to do nothing.

There are a number of reasons the major broadcast groups who run the majority of Canada's local TV stations continue to do so:

1. The CRTC's group licensing approach, requirements to provide local programming in order to access to local advertising, and expectation that licensees keep stations open;
2. The fact that even unprofitable stations contribute to corporate and other shared overhead which would not necessarily diminish with closures;
3. Local TV stations are often part of corporate media divisions that include profitable discretionary TV services and radio stations, among other media assets. As long as the media division as a whole performs adequately, losses in any one area can be sustained for some time;
4. The CRTC's stop gap redirection of BDU funding measures, only just effective September 1, 2017, provided TV stations with an eighteen to thirty-six month reprieve;
5. A closure cannot be reversed. If there is reason to believe solutions are at hand, there is reason to keep going;
6. Because it is the right thing to do.¹⁴⁵

¹⁴¹ See, for example, <http://www.nowmedia.ca/spps/communityportals.cfm>

¹⁴² The Local News Research Project identifies 10 private TV stations as having closed since 2018. This includes three Shaw TV community channels, one Rogers community channel, and one local specialty channel. This leaves five private local TV stations that have closed since 2008: CHCA-TV, Red Deer, Alberta; CKNX-TV, Wheatley, Ontario; CKX-TV, Brandon, Manitoba; CJBN-TV, Kenora, Ontario; CKRN-DT, Rouyn-Noranda, Quebec.

¹⁴³ This includes 195 community papers and 36 daily papers. <http://localnewsresearchproject.ca/wp-content/uploads/2018/12/LocalNewsMapDataasofDecember12018.pdf>

Postmedia alone cut 2,900 jobs from 2010 to 2015 (from 5,400 to 2,500), and a further 1,500 jobs after the purchase of Sun Media. A further 10% reduction in workforce (from 3,300) is expected in 2018. <https://www.theglobeandmail.com/business/article-postmedia-to-close-more-local-newspapers-cut-staff-by-10-per-cent/>

¹⁴⁴ The Local News Research Project identifies 10 instances of decreases in private local TV news since 2018. OMNI and CHCH Hamilton are examples of local TV stations that were forced to cut local news in order to stay solvent. <http://localnewsresearchproject.ca/wp-content/uploads/2018/10/LocalNewsMapDataasofOctober12018.pdf>

¹⁴⁵ This should neither be under or over emphasized. It is a clear benefit of consolidation and Canadian ownership; but one that cannot be relied on much longer.

Moreover, there is strong incentive to not provide any advance inkling of station closures. Losses in employees and advertising would immediately follow any such public disclosure. So when closures happens, they will be with a minimum of advance notice.¹⁴⁶

A 2015 study by the Author and Nordicity, conducted before the CRTC's decision to introduce its new BDU based funding regime, estimated that, given the then financial situation and without concerted policy action, on the order of 50% of Canada's small and medium market stations could close by 2020.¹⁴⁷

The stop gap measures and requirements introduced by the CRTC have forestalled this outcome by a couple of years. Absent this, however, the financial situation continues to get worse, including:

- Ongoing revenue declines and increased accumulated losses;¹⁴⁸
- More limited opportunity for operational savings;¹⁴⁹
- A challenging investor climate, including significant market valuation declines for Corus and little investor interest in media properties generally; and¹⁵⁰
- Increased obligations to PNI and music programming.¹⁵¹

Without concerted policy action, the closure of more than 50% of Canada's small and medium market stations by 2023 seems almost inevitable. The large TV groups can be expected to develop plans for station reductions commencing in their next licence term, beginning September 1, 2022. One station per province or region plus major metropolitan markets, with de facto networks being reduced from four to three, if not two, would be a logical outcome. Some independent stations in smaller markets would also survive.¹⁵²

Public Policy Response Options

There is no single path to viability for all news media.

Many national or local news media outlets serving larger markets could survive without public policy support – perhaps for a decade, perhaps for the foreseeable future.¹⁵³ With a sufficient endowment or philanthropic support, some like La Presse may successfully go all digital. Those local media with the strongest brands and consumer loyalty could also potentially invoke “pay walls” and garner sufficient subscription revenue to create a sustainable business model.

¹⁴⁶ The CRTC required in the most recent license renewal that groups provide at least 120 days notice of any station closure prior to ceasing operations. <https://crtc.gc.ca/eng/archive/2017/2017-148.htm>

¹⁴⁷ *Near Term Prospects for Local TV in Canada*, November 5, 2015 for Friends of Canadian Broadcasting and Unifor.

¹⁴⁸ There are, however, indications that advertising revenue declines for conventional TV in 2017-2018 may not be as high as 2016-2017

¹⁴⁹ Certainly Corus has taken this about as far as it can go. Others may follow, or adopt different models, such as regional newscasts with local inserts.

¹⁵⁰ See, for example, <https://www.theglobeandmail.com/business/commentary/article-busted-auctions-no-buyers-for-canadian-media-companies/>

¹⁵¹ Formerly 5% of gross revenues to PNI; now 7.5% for Bell Media and 8.5% for Corus. Plus 0.17% of all three group revenues to FACTOR. As all these contributions count towards an overall CPE of 30%, the increases could come from local and other news expenditures.

<https://crtc.gc.ca/eng/archive/2018/2018-335.htm>

¹⁵² For example, CHCH Hamilton, serving a relatively large market, might have greater potential for survival; as well as CHEK Victoria, particularly if CTV Victoria were to close. Independents with strong synergies such as some of the Pattison stations in interior BC (synergies with radio) and Dougal Media stations in Timmins (synergies with print and radio) might also survive. While the CRTC's newly introduced Independent Local News Fund is keeping independent stations afloat for now, ongoing revenue declines make it highly unlikely that this can continue.

¹⁵³ Or the downward trend could be worse. Ken Goldstein, for one, has postulated the death of the general interest daily newspaper by 2025. http://media-cmi.com/downloads/CMI_Discussion_Paper_Requiem_for_the_Print_Edition_113017.pdf

There is no certainty in any of this. Where there is certainty is that local news will continue to falter, particularly in smaller markets – more reductions, more closures.

Local markets with six local media outlets, will end up with two or three; local markets with three local media outlets will end up with zero or one.

Millions of Canadians will lose local news entirely or on their preferred platform. Even Canadians in larger markets will lose the diversity of choice they currently enjoy. This is already happening in print and will continue, encompassing TV and radio. It is not good for civic engagement. It is not good for democracy.

The Creative Canada Policy Framework states:

We ... heard that an independent, trustworthy news ecosystem, reflecting diverse Canadian perspectives and fostering dialogue on public issues, is fundamental to the health of Canada's democracy. Today, there is no question that the traditional news ecosystem is facing challenges as it adapts to changing technology, demographics, audience preferences and competition for advertising dollars. Business models for digital-only news are emerging, but it is not clear what the viable model for media and journalism will be in the future.

... we will work on developing an approach for news recognizing that there are no easy solutions. This approach will be guided by our belief that reliable journalistic content is critical to a healthy democracy and that any action or measure by the Government must respect journalistic independence.¹⁵⁴

The non-viability of strong digital-only local news for most local media in most markets is all but a given. Left unchecked and unsupported, local news media will decline at an accelerated rate through the next five years, leaving huge gaps in many communities.

If the federal government is to genuinely act on its belief that “that reliable journalistic content is critical to a healthy democracy” and if Canada wants to preserve a diversity of local news sources, measures that result in material new support for local media and local news must be implemented.

What has been proposed or is being considered in other countries

As already noted, Canada is not alone in grappling with declines in news media. Significant differences exist between Canada's situation and that of other countries, but lessons can still be learned.

While, as in Canada, other countries have implemented little in the way of measures to support news, measures are being advocated and considered. That said, local news media in many countries are either structurally more resilient (to the impacts of the internet, in particular) or benefit from pre-existing support measures that Canadian local media do not benefit from. Structural resilience includes language and a more regional rather than local orientation, and hence larger operating markets.

¹⁵⁴ <https://www.canada.ca/en/canadian-heritage/campaigns/creative-canada/framework.html#a72> at Pillar 3.

We will look at three prime examples: the UK, France, and the US.¹⁵⁵

United Kingdom

The UK has experienced a net loss of approximately 200 local newspaper titles since 2005 (around 1,000 titles remain), and at least 50% of UK local journalism jobs are believed to have disappeared.

As in Canada and the US, it is accepted that the internet (particularly Google and Facebook) has decimated the business model of local newspapers by taking classified and display advertising, and is impacting TV viewing and advertising.¹⁵⁶ A common view is that “Google and Facebook should start giving something back to local media now because it is the right thing to do and because we all benefit from a healthy and diverse news ecosystem.”¹⁵⁷

Unlike Canada and the US, however, the UK has never had a strong local news ecosystem – evolving to a multiplicity of national news sources, but very few news organizations that cover local events in any detail. The UK has five national 24-hour news channels, eleven national daily newspapers and the BBC in multiple forms, but most cities and towns now have only one comprehensive local news source, and many have none.

Local TV, in particular, is a relatively new and potentially short-lived phenomenon in the UK. After mixed results from various earlier attempts in the 1970s¹⁵⁸ and 1990s¹⁵⁹, the British regulator Ofcom invited bids for monopoly digital “freeview” licenses in close to fifty local areas across the UK starting in 2002.¹⁶⁰ The vision was for major towns and cities in the UK to have their own local TV stations.

Close to forty licences were awarded and 34 launched¹⁶¹, covering just over 50% of UK homes. Several, if not most, local TV licensees face financial difficulties and have struggled to attract an audience, because of a challenging advertising market and the lack of network programming, and despite BBC funding which comprised an average of 24% of revenues in 2017.

In July 2018, Ofcom ended the roll-out of further local channels given “the significant financial challenges that the local TV sector is facing”.¹⁶² Launched stations have had local licence conditions relaxed in an attempt to ensure viability, amid allegations that redirected BBC licence fees in support of local stories have been misused.¹⁶³ Moreover, with BBC funding ending no

¹⁵⁵ Other countries have initiated support for news media, particularly those serving minority languages. For example, Spain recently received approval from the EC to grant public funding to micro-local print media companies, with the aim of promoting periodicals and collaborative projects in the Basque language. The European Commission noted that “the use of the Basque language is confined to a regional market. In addition, given the size of the companies concerned, the limited size of the market involved and the low amounts of public support at stake, it is unlikely that the scheme could have more than a marginal impact on the conditions that determine cross-border investment or establishment in the media market.” http://europa.eu/rapid/press-release_IP-16-3141_en.htm (SA.44942)

¹⁵⁶ For TV impact see https://www.ofcom.org.uk/data/assets/pdf_file/0014/116006/media-nations-2018-uk.pdf

¹⁵⁷ <https://www.pressgazette.co.uk/the-decline-of-local-journalism-is-a-far-greater-threat-to-media-plurality-than-rupert-murdoch/>. Variations on this include court reporters <https://www.telegraph.co.uk/news/2018/01/18/google-facebook-should-help-fund-local-journalism-former-culture/>. The two have launched limited responses, including Google’s Digital News Initiative (European grants) and Facebook’s Journalism Project (returning revenue). <https://newsinitiative.withgoogle.com/dnifund/> <https://www.facebook.com/facebookmedia/solutions/facebook-journalism-project>

¹⁵⁸ <https://www.bbc.com/news/magazine-23906703>

¹⁵⁹ Local digital TV licences were issued in larger markets like Manchester in the late 1990s, many of which did not survive. See for example: <https://www.theguardian.com/media/2012/apr/16/manchester-channel-m-closes>

¹⁶⁰ https://www.ofcom.org.uk/data/assets/pdf_file/0020/54236/local-tv-statement.pdf

¹⁶¹ <http://localtv.org.uk/>

¹⁶² <https://www.bbc.com/news/technology-43837949> <https://www.bbc.com/news/entertainment-arts-45007458>

¹⁶³ <https://www.buzzfeed.com/markdistefano/revealed-how-britains-biggest-local-tv-company-has-gamed>

later than 2020, and nearly half (15 of 34) of all local TV services receiving more than 50% of their income from the BBC in 2017, the likelihood that many licensees will fail is high.¹⁶⁴ Whether or not it survives, however, with negligible revenues, reach and local news content,¹⁶⁵ local TV in the UK will never hold the significant news presence or importance it does in Canada and the US.

Redirection of BBC's licence fee income has become a primary new means of supporting local newsgathering in the UK.

A BBC-funded £8 million annual initiative to create 150 local democracy reporters was announced in May, 2016.¹⁶⁶ By July 2018, 80% of the positions had been filled.¹⁶⁷ Reporters cover local authorities and public services for local news partners and the BBC.

BBC's licence fee support aside, there has been little concrete action on the part of UK governments to address challenges facing local media.

Suggestions for increased or revised media support have, however, been made, including:

1. Reviewing and reforming current subsidies provided to local media to support the provision of local public interest news, whoever provides it¹⁶⁸
2. Ensuring that more Government advertising is spent on newspapers and websites which provide the biggest contribution to society in terms of their journalism¹⁶⁹
3. Providing direct grants or enticements in the tax system to invest money in local public interest journalism¹⁷⁰
4. Regulating Internet giants and/or ensuring they support local news in a meaningful way¹⁷¹

Certainly, in the case of television, the UK faces the prospect of essentially returning to its pre-local digital TV era, given the evident failure of that model to either survive or produce meaningful local news without substantial subsidy. Politically, given the UK's history, density and regional outlook, this does not, however, appear to be seen as a major concern.

France

For decades, France has been the European leader in favour of European and domestic quotas for cultural content.

¹⁶⁴ https://www.ofcom.org.uk/data/assets/pdf_file/0014/116006/media-nations-2018-uk.pdf

¹⁶⁵ Ofcom reports that local TV channels reached only 6% of UK households per week, with a decreasing amount of original local programming (avg. of 23 hrs per week) in 2017. Ibid.

¹⁶⁶ <https://www.theguardian.com/media/2016/may/11/bbc-to-fund-150-local-news-journalists>

¹⁶⁷ <https://www.pressgazette.co.uk/one-fifth-of-bbc-funded-local-democracy-reporter-roles-still-to-be-filled-six-months-on-but-scheme-said-to-be-progressing-well/>

¹⁶⁸ Zero-rated value-added tax (VAT; i.e. general exemption for copy sales) and statutory notices (i.e. the statutory requirement of local council to place planning etc notices in newspapers) are the two most significant subsidies. Neither are available for local digital or TV news services. <https://www.nuj.org.uk/campaigns/local-news-matters/>

¹⁶⁹ <https://www.pressgazette.co.uk/the-uk-government-spent-nearly-5m-last-year-advertising-with-sun-times-and-mail-titles/>

¹⁷⁰ <https://www.pressgazette.co.uk/the-decline-of-local-journalism-is-a-far-greater-threat-to-media-plurality-than-rupert-murdoch/>

¹⁷¹ For example, Labour Party Leader Jeremy Corbyn has proposed a tax on big technology firms such as Facebook, Google and Netflix, to subsidise the BBC licence fee. https://amp.theguardian.com/politics/2018/aug/22/jeremy-corbyn-labour-leader-tax-tech-giants-subsidise-bbc-licence-fee?_twitter_impression=true

See also new proposed EC content rules. Post Brexit, the UK would not, however, be subject to these rules.

<http://www.europarl.europa.eu/news/en/press-room/20180925IPR14307/new-rules-for-audiovisual-media-services-approved-by-parliament>

Quotas for French works in cinema date back to 1946.¹⁷² France's role as the EU's champion of quotas as a method of protection against "American cultural imperialism" has drawn parallels from Cancon regulation in the 70s. Recently, however, France (and Europe more generally) has leap frogged Canada through the October 2018, European parliament adoption of new rules for online players. These include requirements to combat content inciting violence, hatred and terrorism, subjecting gratuitous violence and pornography to the "strictest" rules, and a 30% European content quota in video-on-demand platform catalogues.¹⁷³

Member nations are allowed to exceed these levels and permitted country-specific sub-quota for local production, and surcharges to support national production. Given that France enforces a 40% quota for French films broadcast on its TV channels¹⁷⁴, it is expected that France will do all of the above.

However, France's preoccupation with equivalent obligations on online broadcast platforms, has not extended to any great extent to local news.

This appears to be due to two primary reasons.

First, France has even less of a local news culture than the UK (and, hence, far less than Canada and the US). Provincial and national media dominate. Television is France's most popular medium, dominated by the national private network, TF1, and national public broadcaster, France Télévisions.¹⁷⁵

Second, for language and other cultural reasons, internet advertising has taken significantly less of the overall advertising pie. Digital advertising represented 27% of the total media pie in 2017, and is not projected to reach a third until after 2022.¹⁷⁶

Thus, while France, in general audio-visual content respects, can be looked at as an example of leadership in responding to the impacts of the internet, it has had less need to deal with challenges facing local news.

United States

Under attack from different sides for lack of impartiality and/or credibility, the US media landscape may nevertheless be the most financially healthy in the western world. The two may not be unrelated. Trump has arguably been financially good for major US traditional media brands, including the three major cable news channels. Consumption and revenues were up 2016 to 2017.¹⁷⁷

Moreover, while print overall has suffered similar declines to that experienced in the UK and Canada, local TV news has performed significantly better.

¹⁷² http://eprints.lse.ac.uk/57843/1/Broughton_Micova_Content-quotas-what-whom-are-they-protecting_2013.pdf

¹⁷³ <http://www.europarl.europa.eu/news/en/press-room/20180925IPR14307/new-rules-for-audiovisual-media-services-approved-by-parliament>. The rules are reportedly in force as at December 18, 2018 <https://www.lexology.com/library/detail.aspx?g=428a9c7e-7ea1-4705-b9af-56240aff3fe0>

¹⁷⁴ <https://euagenda.eu/upload/publications/untitled-46418-ea.pdf>

¹⁷⁵ <https://www.bbc.com/news/world-europe-17299010>

¹⁷⁶ <https://www.emarketer.com/Report/Digital-Ad-Spending-France-by-Industry-Outlook-Trends/2002087>

¹⁷⁷ <https://www.economist.com/business/2017/02/16/traditional-media-firms-are-enjoying-a-trump-bump>

A 2018 Knight Foundation study found that while newspapers have shed 26,300 newsroom employees – or 46% of total employment – TV news employment is up by 4.9%.¹⁷⁸ Meanwhile, the number of hours dedicated to local news at local TV stations has slowly increased to close to six hours weekly in 2016 from under four hours in 2004.¹⁷⁹

This, despite the fact that while TV remains a key source of news for Americans, those audiences are slowly shrinking. As in Canada, US local TV stations are experimenting across digital properties like websites, apps or social feeds, but revenues remain modest.¹⁸⁰

The relative financial health of US local TV stations, as compared to Canadian local TV, has many reasons.

First is the general advertising climate. The US advertising market is roughly 60% larger than Canada's on a per capita basis.¹⁸¹ Moreover, all traditional media, including local TV, benefit from a lower percentage of the advertising pie going to digital. 2017 was the year in the US when total digital advertising surpassed total TV advertising (vs. 2013 for Canada) – now taking in 41% of all advertising dollars versus 35% for TV. In contrast to Canadian trends, American TV advertising revenue was still expected to grow in 2018, just not as much as digital.¹⁸²

Second, US local TV stations have always had a much stronger regulatory support framework, with far fewer obligations¹⁸³, than Canadian private broadcasters. Such measures include:

- Network non-duplication and syndex rules that require both cable and satellite to “blackout” programming imported into local markets that has already been purchased by the local broadcaster (in Canada, simultaneous substitution or “simulcast” offers only limited protection against identical programming imported into a local market at the same time);
- Strong restrictions, if not outright bans on importation of distant signals on U.S. DTH due to its negative impact on local broadcasters¹⁸⁴ (In Canada, importation of distant signals was permitted from the beginning of DTH, and the practice expanded to include importation by cable operators); and
- “Retransmission consent” which allows local TV stations to negotiate compensation for their carriage by cable operators and has evolved over two decades to providing U.S. local broadcasters with significant direct cash payments.

Of the three sets of measures, retransmission consent is now providing the greatest room for revenue growth, allowing local private TV stations (independent and affiliate) to tap into subscription fees, and demonstrably supplementing flattening advertising revenues.

In 2017, retransmission consent revenue reached over \$9 billion, and is projected to reach \$12.8 billion by 2023. This rivals largely flat local TV advertising revenue of \$17.4 billion.¹⁸⁵

For valid economic reason, then, new measures to support local TV news are unlikely to come any time soon in the US.

¹⁷⁸ https://kf-site-production.s3.amazonaws.com/media_elements/files/000/000/171/original/TVNews1_StateOfTheIndustry_v4.pdf

¹⁷⁹ <http://www.journalism.org/fact-sheet/local-tv-news/>

¹⁸⁰ <https://medium.com/informed-and-engaged/beyond-live-at-five-whats-next-for-local-tv-news-d72a15b427a>

¹⁸¹ <https://www.statista.com/topics/1837/advertising-in-canada/>

¹⁸² https://kf-site-production.s3.amazonaws.com/media_elements/files/000/000/171/original/TVNews1_StateOfTheIndustry_v4.pdf

¹⁸³ US TV stations have no domestic program quotas or expenditure requirements. The biggest areas of obligation are in political advertising

¹⁸⁴ See, For example, <http://www.fcc.gov/guides/television-broadcast-stations-satellite>

¹⁸⁵ <http://www.journalism.org/fact-sheet/local-tv-news/>

Even in the newspaper sector, whatever appetite for action appears to have come and gone with the 2009 financial crisis – as is evident from the lack of action following a 2010 Congressional Research Report:

Congress has begun debating whether the financial problems in the newspaper industry pose a public policy issue that warrants federal action. Whether a congressional response to the current turmoil is justified may depend on the current causes of the crisis

...

Possible policy options to ensure the continuing availability of in-depth local and national news coverage by newspapers might include providing tax breaks, relaxing antitrust policy, tightening copyright law, providing general support for the practice of journalism by increasing funding for the Corporation for Public Broadcasting (CPB) or similar public programs, or helping newspapers reorganize as nonprofit organizations. Policymakers may also determine that some set of measures could ease the combination of social and technological transition and the recession-related financial distress of the industry.¹⁸⁶

The greater, but highly partisan, concern in the US is fake news. Responding to this and their impact on journalism, Google¹⁸⁷ and Facebook¹⁸⁸ have both launched initiatives to mixed reviews.

Canadian public policy responses to date

Despite a more difficult¹⁸⁹ and challenged local news environment than that of other western nations, public policy responses in Canada to the decline of local news have to date been slow to arrive and relatively *de minimus*. They comprise five measures:¹⁹⁰

1. The federal government's promise to change the Canada Periodical Fund to include digital publications;¹⁹¹
2. New federal government funding of \$10 million per year for five years to support local journalism independent organizations;¹⁹²
3. New federal government funding of \$14.5 million over five years to support official-language minority radio and newspapers;¹⁹³
4. The CRTC introduced support regime for local TV news, from redirected mandatory television distribution (BDU) contributions (estimated by the CRTC at a maximum of \$85 million annually);¹⁹⁴ and, most recently,

¹⁸⁶ <https://fas.org/sqp/crs/misc/R40700.pdf>

¹⁸⁷ In March 2018, Google announced a \$392 million three year initiative aimed at stopping the spread of misinformation by prioritizing “quality” publishers (such as the New York Times and Washington Post) and letting readers buy subscriptions to such news publications more easily. https://www.thestar.com/business/tech_news/2018/03/20/google-has-promised-to-spend-300-million-to-support-digital-journalism.html

¹⁸⁸ <https://www.bbc.com/news/technology-44868517>

¹⁸⁹ The difficulties faced the Canadian media and creative sector in serving Canadians are well documented. They include vast geography, the physical presence of the US next door, relatively small economy and a diversity of languages and cultures.

¹⁹⁰ Increased funding for CBC/Radio Canada has also been touted as supporting local news, but this commitment, originally made by the Liberal Party in the lead up to the 2015 federal election, did not originally cite local news as a motivation.

<https://www.liberal.ca/realchange/cbcradio-canada/>

¹⁹¹ <https://www.canada.ca/en/canadian-heritage/campaigns/creative-canada/framework.html#a72>. As at 2018-19, it appears this has been done only through the “business innovation” component, which provides up to \$5,000 in start-up funding. Daily newspapers remain expressly excluded from the Canada Periodical Fund. <https://www.canada.ca/en/canadian-heritage/services/funding/periodical-fund/business-innovation.html>

¹⁹² <https://nmc-mic.ca/news/public-affairs/news-media-canada-statement-2018-federal-budget/>

¹⁹³ <http://broadcastdialogue.com/ottawa-announces-14-5m-in-support-for-official-language-minority-media/>

¹⁹⁴ <http://www.crtc.gc.ca/eng/archive/2016/2016-224.htm>

5. The November, 2018 Fall Economic Statement announcement of the Government's intention to propose three new tax-incentive based initiatives to support Canadian journalism, estimated at \$595 million over the next five years.¹⁹⁵

As already noted, the CRTC's BDU funding initiative, combined with other regulatory measures, can be reasonably assured to prevent major closures of local TV stations and their news operations through to 2022. It is insufficient, however, to prevent further reductions in local TV news resources, particularly expenditures and local journalist jobs, in the meantime.¹⁹⁶

The insufficiency of government measures to support print is evidenced by the substantial closures that have taken place since the first two of the above measures were announced on September 28, 2017. A mere two months later, on November 27, 2017, Postmedia and Torstar announced a swap of 41 newspaper titles. Immediately following the close of the transaction, 36 newspapers were shuttered by one chain or the other.¹⁹⁷ Almost 300 jobs were lost.¹⁹⁸

The just proposed access to tax incentives for charitable giving, refundable tax credit for labour costs and non-refundable tax credit for subscriptions represent an order of magnitude increase in federal government funding for journalism and local news.¹⁹⁹ As significant as this is, however, the quantum of funding being made available pales in comparison to the challenge faced by Canada's news media – media that, over the last decade, have seen an erosion of their advertising revenues alone of between \$2.2 billion and \$4 billion a year from global Internet giants.²⁰⁰

This suggests the need for public policy to initiate:

1. A genuine and forward looking assessment of the magnitude, scope and type of funding required to maintain a vibrant news ecosystem, and particularly local news, across Canada. (In other words, can purported solution(s) actually solve the problem?); and
2. A rethinking of the roles that different media and media entities can play, and how they play it, in markets across Canada to ensure that a reasonable base of local news coverage remains. (Or, how do we more effectively manage more limited news resources?)

¹⁹⁵ <https://budget.gc.ca/fes-eea/2018/docs/statement-enonce/chap02-en.html>

¹⁹⁶ Local TV conditions of licence include minimum percentage of revenue expenditures on local news and minimum hours. While, to date, local broadcasters have increased expenditures on news (as a percentage of revenues), it is unreasonable to expect that this can continue. Similarly, while many broadcasters exceed their minimum local news exhibition requirements, this also becomes less likely going forward.

¹⁹⁷ <https://www.theglobeandmail.com/report-on-business/torstar-postmedia-swap-community-papers-many-to-close/article37092456/>
The Competition Bureau initiated an investigation in March, 2018 to determine whether "there was a conspiracy between the two companies to divide up territory and reduce the supply of advertising and flyer services." The results of this investigation were not known at the time of writing.

¹⁹⁸ The closure of a further six community newspapers was announced in June, 2018. <https://www.pressreader.com/canada/montreal-gazette/20180627/282660393157071>

¹⁹⁹ Government funding for news will increase from little more than \$10 million a year in previously announced initiatives to over \$100 million a year. While "qualifying news organizations" have not been spelled out, it is expected that this will include all Canadian traditional and digital media. Issues of "eligibility" are to be defined by an "independent panel".

²⁰⁰ \$2.2 billion represents the accumulated loss in annual advertising revenues suffered by radio, TV and print since their respective peaks. But internet advertising robbed Canadian media of revenue growth as well. \$4 billion represents 60% of total internet advertising revenue in 2017, and is an estimate of the incremental advertising that the three traditional media might have otherwise retained based on their share of the non-Internet advertising market in 2012.

Managing the decline

As brutal as print closures in 2017 and 2018 were, they were at least an organized and orchestrated attempt to structure decline in a way that maintained service in the local communities concerned.

As it stands, that kind of orchestration would be far more difficult for local TV news.

Given that the CRTC requires each local TV station to provide local news at an identical market-based exhibition level, currently there would be no ability for a local TV station to exit local news without shutting down entirely.²⁰¹ At the local TV station level, the provision of local news is an all or nothing proposition.

Inflexibility is also inherent in the Commission's common and cross-ownership policies. In addition to placing limits on the number of local broadcast stations one entity can own, they also preclude a single entity from owning radio, TV and newspaper assets in the same market.²⁰²

As digital takes greater and greater share, and traditional media in local markets decline further, consideration will have to be given to relaxation of ownership policy.²⁰³ In smaller markets, allowing one or two fully cross platform news players could provide more effective diversity, and better news coverage, than allowing each platform to decline to nothing.

Like the CRTC's stop-gap BDU contribution scheme, many measures that have been proposed or are being implemented to support local news, while potentially helpful, are, in and of themselves, insufficient in magnitude or scope. They may delay closures, stem losses or help particular types of news media, but they will not create a diverse sustainable local news environment. Such limited measures include:

1. **Charitable status.** The November, 2018 Fall Economic Statement announced the Government's intention to introduce charitable tax incentives to support non-profit journalism.²⁰⁴ The concept has received support from a number of quarters²⁰⁵ and has been executed, on at least a philanthropic level, in La Presse's May, 2018 move to a non-profit model.²⁰⁶ It could certainly help in certain cases, including smaller local media or digital outlets, but is, by definition, of no value to private media, other than the possible rescue of otherwise unprofitable media outlets facing imminent closure. Moreover, while it might help some print or digital media that are 100% devoted to news (and other charitable works), it would be of almost no value to broadcast media, for whom news is part of a broader slate of entertainment and information content.²⁰⁷

²⁰¹ And as already discussed, the Commission has made it clear that it expects the major groups, at least, to keep local TV stations open until August, 2022.

²⁰² <https://crtc.gc.ca/eng/archive/2008/pb2008-4.htm> Note that this is a CRTC policy, not based in legislation or regulation. While the CRTC has the discretion to permit exceptions (e.g. Dougall Media in Timmins), there are practical limits to this. Thus, the policy would likely preclude potential solutions such as one of the major broadcasters acquiring local print assets.

²⁰³ Digital is, in effect, relaxing the policy in one important respect. Although the mix is different, virtually all traditional media online provide some combination of text, audio and video.

²⁰⁴ The government first promised to study the possibility of loosening restraints on charitable support for journalism as part of its 2017 Creative Canada Framework. For commentary, see <https://www.theglobeandmail.com/news/politics/federal-budget-2018-ottawa-opens-door-to-charitable-status-for-news-organizations/article38134583/>

²⁰⁵ See, for example, <https://shatteredmirror.ca/wp-content/uploads/theShatteredMirror.pdf> at p. 86 to 87. And April Lingdren, Professor, School of Journalism, Ryerson University at <https://sencanada.ca/en/Content/Sen/Committee/421/TRCM/37ev-54162-e>

²⁰⁶ <https://www.cbc.ca/news/canada/montreal/la-presse-non-profit-quebec-1.4654230>. The Desmarais family indicated that it would donate \$50 million to the not-for-profit.

²⁰⁷ There could theoretically be a model where "all news" radio and TV stations were turned into non-profits, but it is unclear whether such stations could successfully operate on charitable donations.

2. **Digital transition funding.** The idea of funding to assist traditional media making the “transition” to digital is one that has arisen both domestically and abroad. It presupposes that some short-term influx of funding will allow media outlets to change their business model from a primarily analog to digital one, presumably by helping contribute to some combination of new digital capital and/or operating expenses. This appears to be the premise behind the Fall Economic Statement proposal to introduce “a new temporary, non-refundable 15-per-cent tax credit for qualifying subscribers of eligible digital news media.” Not only is such a measure only of benefit to print media²⁰⁸, what should be evident to policy makers is that the problem is not in the transition. It is that, as bad as the traditional model has become, the digital only business model for news is generally worse. Online-only models for local news would have a paucity of coverage without ongoing support.
3. **Government grants/funds.** Much has been said about the pros and cons of direct government funding of news. For proponents, precedents such as the Canada Media Fund and CBC exist.²⁰⁹ For opponents, the mere notion of state support for journalism is an anathema – direct funding being too subject to political interference and offending the principle of a free press. Various means can be employed to address this, at least in part – an arms-length body, independent selection, funding of journalists rather than companies.²¹⁰ In any event, it seems highly unlikely that government would be prepared to introduce a news or journalism fund of the magnitude that is required. A fund of \$100 million annually (similar to the government’s current contribution to the CMF) could be possible, and while helpful, would not go far enough.
4. **Greater CBC role in local markets.** As already noted, since increasing funding to the CBC, the government has increasingly trumpeted CBC’s role in local news as one solution to Canada’s news crisis. The CBC’s new President has echoed back a renewed emphasis on this role. Certainly, CBC’s role in national and regional news, including online, is a major one, and certainly as private media faces closures and cutbacks, CBC takes on a relatively more important role. Whether Canadians would be comfortable, however, with CBC being Canada’s dominant news provider is an open question. In any event, diversity of news sources should remain a key policy goal. As has always been the case in the relationship between private broadcasters and the CBC, the extent to which CBC is competitive or complementary to the private sector, must also be addressed. CBC’s actions over the last five to ten years vis a vis local private TV stations have not been seen in a particularly favourable light. CBC has unilaterally disaffiliated from local independent private TV stations, preferring to provide national or regional news coverage directly, and is seen as an unfair competitor in digital advertising. Given the risks of unfair competition with private local media, outside of larger markets, CBC’s most important role in local news might be to step in where no remaining private local media exist. Particularly for small local outlets that have no affiliated source of national/regional news, CBC could also provide news feeds at no fee with no requirement for specific attribution and full editing rights.
5. **New copyright for content posted online.** Current copyright law allows the posting of links to third party content without authorization or compensation. Rupert Murdoch, among others, has suggested that this change: “If Facebook wants to recognize ‘trusted’ publishers

²⁰⁸ Unlike print, broadcast media have not generally employed a subscription based model for news.

²⁰⁹ Interestingly, and somewhat surprisingly, the Shattered Mirror Report favoured grants over tax credits.

²¹⁰ Funds are also prone to oversubscription, which then requires some selection method for recipients. The CMF addresses this through broadcaster envelopes; the broadcaster gets allocated a certain amount of money based on past performance and then decides what eligible projects to support. It is not clear how such an approach could be replicated for news, however.

then it should pay those publishers a carriage fee similar to the model adopted by cable companies”.²¹¹ One possibility could be a compulsory licence scheme where all platforms, including the likes of Google & Facebook, paid a small percentage of all advertising revenue to copyright holders for any and all use. The risk to guard against would be platforms eliminating all links to news content, which would make matters worse for Canadian media.²¹²

Potential material responses

Combatting current and anticipatable declines in local TV news requires immediate material funding – on the order of \$250 million annually, at least.²¹³ For all media, the number would need to be well over double this.

There are only a handful of potential measures that could potentially approach this quantum of support. None of them are without their challenges, but either alone or in some combination they could make the difference required.²¹⁴

1. **Access to subscription revenues.** Unlike newspapers, local TV stations do not have access to subscription revenues. Allowing local TV stations the right to negotiate wholesale fees with cable companies, or setting mandatory fees, could give Canadian TV stations the potential for viability currently enjoyed by US local TV. In its s.15 Report, the CRTC noted that in this environment “subscription revenue is increasingly important to finance content” and proposed as a potential short to medium term step to “examine ways to support television news production through increased access to subscription revenues”. Given the Commission’s ability to move forward on this measure without legislative change, it may potentially be the easiest and quickest to advance.²¹⁵
2. **News Tax Credits.** All forms of TV programming, other than news, sports and game shows, benefit from federal and provincial tax credits. The Canadian film and video tax credit is 25% of qualified labour spending, and provincial tax credits are as high as 45%.²¹⁶ Local news did not historically need a tax credit, because it was sufficiently profitable without it. Now that it is increasingly at risk and unviable, introducing tax credit support is a logical extension of past practice. Unlike funds, tax credits are self-adjusting according to demand, and their “sticker price” less obvious. Their criteria can be fixed in legislation or regulation making them less prone to potential political interference.²¹⁷ The refundable tax credit for

²¹¹ <https://variety.com/2018/digital/news/rupert-murdoch-facebook-pay-publishers-cable-tv-1202672395/>

²¹² <https://openmedia.org/en/save-link-story-so-far>. This risk would require serious evaluation. Setting a low enough tariff, and making it triggered by a single use/link, may be sufficient to prevent this. But too low a tariff would have insufficient benefit. (A 1% tariff on Google and Facebook would bring in approx. \$55 annually.)

²¹³ This would represent roughly a third of accumulated and projected revenue declines from 2012 to 2025 of 770 million (see note 11). While not making up for revenue losses, it is of a magnitude that would at least allow private broadcasters to come up with a plan that would rationalize existing infrastructure and maximize local and regional news coverage in Canada; while at the same time adapting to new digital realities, through to 2025.

²¹⁴ To be clear, this paper is not endorsing any particular approach, but notes the options that on the surface could be of sufficient scope and magnitude.

²¹⁵ In light of the SCC’s findings against the Commission’s power to introduce a value for signal regime, to introduce subscription fees in the current legislative environment would appear to require the CRTC to either remove the requirement for local TV stations to have OTA transmitters or allow local signals to have OTA and discretionary status simultaneously. Reference re Broadcasting Regulatory Policy CRTC 2010-167 and Broadcasting Order CRTC 2010-168, 2012 SCC 68. Given the emphasis on local news, a retransmission consent like regime that required compensation for US signals would need to be avoided.

²¹⁶ Tax credits can be on “all spend” or labour only. The combination of federal and provincial tax credits can exceed 30% of total production costs. See <https://www.pwc.com/ca/en/entertainment-media/publications/pwc-big-table-film-video-2017-09-en.pdf>

²¹⁷ The Shattered Mirror Report rejected tax credits as being “easily removed or reduced if a government becomes unhappy with the media”. This comment was presumably based on print media’s unfortunate experience with the Ontario Digital Media Tax Credit – from which the sector was summarily disentitled with little consultation in 2016. Certainly, any government program can be amended or cancelled – that is no

qualifying news organizations proposed in the 2018 Economic Statements is a welcome step in this direction, but the estimated envelope of the three initiatives combined (just under \$120 million per year) suggests that the tax credit rate for this credit will be too low and/or criteria too restrictive.²¹⁸ Moreover, without equivalent provincial tax credits, the overall rate of tax credit support for news content would remain far inferior to that of other TV content.

3. **Restructured equitable funding strategy.** As also suggested by the CRTC in its s.15 Report, a broad-based, equitable and sustainable funding strategy could integrate federal government and mandatory industry contributions directed to audio and video content, and ensure that Canadian content most at risk – including local news – receives adequate support. Government funding would be combined with contributions from some combination of online content platforms (Netflix, Google, Facebook etc.). “Equitable” contributions would not necessarily mean “equal” contributions. The aim would be to raise sufficient funds (in excess of \$500 million annually for all video content) to support local news in a material way.
4. **Advertising tax deductibility.** Introduced in the 1960s and 1970s, s .19 of the Income Tax Act precludes the tax deductibility of advertising directed at Canadians that is placed on foreign newspapers and broadcasters. These rules could have been applied to internet-based media, like today’s Facebook and Google, years ago, but were not. Estimates suggest that doing so today could result in a redirection of more than \$275 million back to traditional media and increased corporate taxes to federal and provincial coffers of over \$1 billion.²¹⁹

Towards sustainable solutions

The purpose of this paper is not to recommend any specific public policy solutions. As has just been discussed, many specific solutions have been offered already, both in Canada and elsewhere.

The fact that policy makers have chosen not to act with urgency and sufficiency on such proffered solutions would appear to say more about the lack of perceived imperative than weaknesses in any approach. For the stakeholders concerned, perhaps the need for action is so pressing and self-evident, that they have focussed on suggesting answers, assuming (incorrectly) that the willingness to act is there.

This paper has confirmed that:

- Local traditional media, particularly local print and local television, are in precipitous decline;
- Digital media are not filling the vacuum left by the decline of local traditional media
- To the extent that digital media are filling this vacuum, such media is (on the content side) predominantly a multiplatform extension of Canadian traditional media and (on the platform side) predominantly foreign owned;
- A reasonable extrapolation of current trends suggests that both the diversity of local news voices, and their coverage in local markets will decline significantly if concerted public policy action is not taken;

more or less different with funds or tax credits. On the day to day, however, and in terms of targeting specific outlets or content, there is no doubt that tax credits are less subject to political interference than funds.

²¹⁸ As noted earlier, private broadcaster news spending in 2017 was \$366 million a year (CRTC Financial Summaries). Assuming 75% of that would be towards labour, and a 15% rate, the refundable labour tax credit would return just over \$40 million.

²¹⁹ *The Deductibility of Foreign Internet Advertising*, Peter Miller and David Keeble, February, 2018. <https://www.friends.ca/pub/15057>

- Local TV news, like most other genres of TV programming, now requires some form of public funding or subsidy if it is to survive. The same is true for print news, and will soon be true of radio news;
- Assuming current trends continue, if public policy action is not taken, local TV stations in small and medium sized markets across the country will fade to black within four to five years. Combined with print losses, this will leave many communities without effective local news coverage; and
- Canada's democratic system and the trust Canadians place in it, is at risk of being dominated by foreign news platforms and unreliable sources that do not reflect our values and interests. Canadians, and the public office holders that serve and represent us, are close to losing ownership and control of the platforms, narratives and information that define the communities and country in which we live.

This is not a problem that can be solved by an infusion of \$100 million a year.

Government support for Canadian drama and other "programs of national interest" (PNI) tops \$1.3 billion per year in direct subsidy.²²⁰ CRTC private broadcaster expenditure requirements on PNI²²¹ – indirect subsidy – raises this to \$1.7 billion per year.

Is local news and Canadian democracy not worth a similar investment?

The scope of the challenge is vast and is unlikely to have a singular solution. That said, a support regime for Canadian news should have certain characteristics to be effective:

1. The uniqueness of Canada's geography and political environment require us to be a leader internationally, not a follower. We do not have the circumstance or time to let others go first;
2. Support must be of a sufficient magnitude to make a difference. For local TV news, a magnitude of at least \$250 million annually would be necessary; for all local news media, more than \$500 million annually;
3. Support should not just address the symptoms, but the problem itself: underlying shifts in revenues to non-contributing global platforms;
4. Support should be directed to the Canadian entities that produce and provide news to Canadians, based on reasonable and flexible criteria. Support should encompass the craft of journalism and news production as well as the Canadian media responsible for its dissemination;
5. CBC is part of the answer, but cannot be the whole answer. Diversity requires a strong private news sector;
6. Priority should be given to local news, but depending on the mechanism chosen, support for news generally can reasonably be adopted. Narrow criteria for "local" or "original" news should be avoided;
7. Support should not be considered "transitional" or have a fixed termination date. Indeed, public policy makers should anticipate the need for increasing support over time; and
8. Support must be structured to be as independent or "arm's length" as possible from any potential for government interference.

²²⁰ Including \$134 million to the CMF, \$125 million to Telefilm, CBC licence fees (from parliamentary appropriations) of \$219 million and federal and provincial tax credits of \$340 million and \$570 million (over 90% of the latter would go to PNI.) Source: CMF & Telefilm Annual Reports, CRTC 2017 Monitoring Report, CMPA Profile 2017.

²²¹ As at September 1, 2018, Rogers, Bell and Corus must each spend 5%, 7.5% and 8.5% of their group TV revenues on PNI. This is expected to increase 2016 PNI private broadcaster spending of \$425 million (from local TV and discretionary TV services).

Conclusions

Traditional news media, including local TV news, is in decline in Canada and in many places around the world.

Why should anyone care? Why should we, as Canadians, care?

The answer to the first question is debatable and country specific. The news culture of many countries is more regional and national than local. The loss of one or two of ten national voices is unlikely to be catastrophic. Even in the US, which mirrors Canada in the extent of and interest in local news voices, local media remains more healthy – print less so; but broadcast more. Moreover, the online media that compete with traditional media are, in any event, largely American owned.

The answer to the second question, the answer in Canada, should not even be a matter for debate.

Close to a century of Canadian broadcasting policy has focused on ensuring Canadians have access to Canadian media and Canadian content, despite the overwhelming presence, from right next door, of American fare. Through introductions of new technology, through countless parliamentary debates, committees and studies, public policy makers have always opted in favour of ensuring Canadian voices exist, compete and thrive, while recognizing that US and other voices are an integral part of our communications landscape.

The internet presents Canada with a new communications platform, with new opportunities and challenges. It is not merely a telecommunications platform, nor is it merely a broadcasting platform. It is sometimes one, sometimes another, sometimes both.

But its negative impact on local media, on local news, is undeniable. And what it is taking, it is not giving back.

The federal government's response to date has been insufficient, and of limited benefit to TV media. The CRTC's response has been more material for local TV, but still a stop gap.²²²

Assuming current trends continue, if material public policy action is not taken, more than 50% of local TV stations in small and medium sized markets across the country will likely fade to black by 2023. Given print losses, this will leave many communities without effective news coverage. Canada's diverse local news heritage will morph into a regional news landscape, with little coverage of local civic affairs and other community concerns.

Canada's democratic system and the trust Canadians place in it are at risk of being dominated by foreign news platforms and sources that do not reflect our values and interests. Canadians, and the public office holders that serve and represent us, are close to losing ownership and control of the platforms, narratives and information that define the communities and country in which we live.

²²² Until the November 2018 Economic Statement announcement of news tax incentives, federal government support had amounted to less than \$13 million a year, and had been unavailable to mainstream newspapers and local TV stations. The new refundable original news tax credit could benefit local TV to the tune of as much \$40 million per year, but this may be optimistic. CRTC support for local TV news is valued at a maximum of \$85 million per year, and declining. While the government has agreed to "top up" funding to the CMF as BDU revenues decline, there is no planned top up in local TV news funding. See Creative Canada Framework.

Canada's broadcasting system has always been an act of political will. Canadian local TV and local news would have never come into existence without it.

Solutions are at hand to maintain a thriving local news media space in Canada. Local TV news, in its traditional and digital forms, is key to that. The amount of government support required to make a sustainable difference is relatively modest. All that is required is the political will.

Appendix – About the Author

Peter Miller is a communications lawyer and engineer with over 25 years of creative and telecommunications industry experience, in both private practice and senior executive positions. Since 2006, he has acted as an advisor to select clients in the public and private sectors.

Over the past decade, Peter has researched and authored (or co-authored) over sixteen papers for public and stakeholder bodies, primarily dealing with the impact of technological change in media and its implications for public policy. These include studies on new media and convergence (2007), the Canadian program rights market (2007, 2011, 2012 & 2014), broadcasting environmental scans (2014, 2016 & 2017 on TV; 2014 on radio), over-the-air OTA television (2009 & 2015), genre protection (2013), over the top (OTT) television (2015), and advertising tax deductibility (2018).

Peter is a C.D. Howe Institute Senior Fellow, Osgoode Hall Adjunct Professor in Communications Law, and a member of the Centre for Addiction and Mental Health Constituency Council. He is also a past chair of Interactive Ontario, chair of the CAB Specialty & Pay Services Board, treasurer of Canadian Digital Television and member of the Toronto Film Board.

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