

**PUBLIC POLICY FORUM**  
JANUARY 2017

**THE  
SHATTERED  
MIRROR**

**NEWS, DEMOCRACY AND TRUST IN THE DIGITAL AGE**

# **THE SHATTERED MIRROR**

News, Democracy and Trust in the Digital Age

## **About the Public Policy Forum**

The Public Policy Forum works with all levels of government and the public service, the private sector, labour, post-secondary institutions, NGOs and Indigenous groups to improve policy outcomes for Canadians. As a non-partisan, member-based organization, we work from “inclusion to conclusion,” by convening discussions on fundamental policy issues and by identifying new options and paths forward. For 30 years, the Public Policy Forum has broken down barriers among sectors, contributing to meaningful change that builds a better Canada.

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ISBN 978-1-927009-86-4

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**In a land of bubblegum forests and lollipop trees, every man would have his own newspaper or broadcasting station, devoted exclusively to programming that man's opinions and perceptions.**

The Uncertain Mirror, 1970

# **The Shattered Mirror: News, Democracy and Trust in the Digital Age**



When he made this fanciful remark in his landmark report on the state of the mass media in this country, Senator Keith Davey was being facetious, not prophetic. He and his special Senate committee were agitated by what they considered the ill-effects of concentrated media ownership on Canadian society. Proprietors of newspaper chains, they argued, were making fat profits, but the mirror they held up to the communities in which they operated was inadequate. Their report lamented—as did that of the Kent commission in 1981 and a second Senate inquiry in 2006—that, because the media rested in fewer and fewer hands, the quality of Canadian journalism and the health of our democracy were being compromised.

In the decades since Senator Davey declared the media mirror “uncertain,” it has cracked and now appears shattered. The odd blend of content fragmentation, revenue consolidation and indifference to truth has overtaken simple concentration of ownership as the main threat to holding public officials to account and reflecting Canadian society back to its citizens.

The Internet, whose fresh and diverse tributaries of information made it a historic force for openness, now has been polluted by the runoff of lies, hate and the manipulations of foreign powers. The ‘truth neutrality’ of the dominant digital platforms is incompatible with democracy.

Meanwhile, much of the traditional media is hurtling toward an unhappy date with destiny, and digital-only competitors remain journalistically under-developed.

Today, we deal with a reality almost unimaginable back in 1970. The far-fetched bubblegum and lollipops notion has come to pass: Every man—and woman—can now literally communicate his or her “opinions and perceptions.” Blogs, social media feeds, podcasts and smartphones give citizens unprecedented voice, and sometimes place them at the scene of breaking news that, in an earlier time, would have gone unreported. To lean in and engage publicly or lean back and consume passively is a choice that now rests with individual citizens, not just media companies.

The digital revolution has made for a more open and diverse news ecosystem—and a meaner and less trustworthy one. It has also upended the model of

journalistic “boots on the ground” backed up by a second platoon in the office upholding such hallowed standards as verification and balance.

Established news organizations have been left gasping, while native digital alternatives have failed to develop journalistic mass, especially in local news. The financial degradation has been insidiously incremental, but one whose accumulation and now acceleration has brought to the fore the issue of sustainability of newsgathering in our democracy.

Do the media, and particularly the civic function of journalism—the coverage of public institutions, public affairs and community—need a lifeline? If so, how can we ensure that it does not lock in privilege, stifle innovation and weaken democracy itself? And can accountability and commonweal continue to exist without compromising the media’s essential independence?

“What happens to the catsup or roofing tile or widget industry affects us as consumers,” Davey commented in his report. “What happens to the publishing business affects us as citizens.”

Imagine for a moment a community without news: how atomized and dysfunctional it would be.

In 2009, the Knight Commission on the Information Needs of Communities in a Democracy—a blue-ribbon panel of U.S. media, policy and civic leaders—concluded that news is as vital to democracy as “clean air, safe streets, good schools and public health.” Three years later, a study for the U.S. Federal Communications Commission (FCC) cited eight “critical information needs” the media help to provide, ranging from emergencies and other public risks to health, education, the environment and economic opportunities to civic and political knowledge of policy initiatives and the conduct of public officials and candidates for office.

The disruption of news media has been taking place for a long time. But it has risen to an entirely new plane with the shockingly sudden consolidation in unseen hands of both Internet ad revenues and control of who sees what among the thousands of competing political and social narratives. The loser is not just the incumbent news media, whose models and management have struggled to adapt. The question now before Canadian policy-makers is whether democracy itself is being put at risk. As the authors of the FCC study observed, “Information goods are public goods. The failure to provide them is, in part, a market failure. But carefully crafted public policy can address [the] gaps.” Similarly, a 2014 report commissioned by a concerned Dutch government found that the new media order looked incapable under most scenarios of “providing broad layers within society with reliable and completely factual and relevant information”—what it termed the public role of journalism. “If we are increasingly beginning to doubt this, and we believe that quality journalism is a vital part of a properly working democracy, then it is time to do something.”

When the Public Policy Forum (PPF) began thinking about a study on the state of the news media in Canada, in early 2016, the headlines were all bad. Within a fortnight in January 2016 alone, Rogers Media and Postmedia announced new rounds of staff reductions, Torstar revealed plans to close its printing plant, and Confederation-era newspaper titles in Guelph, Ont., and Nanaimo, B.C., were shuttered, the first of six daily papers to close, merge or reduce their publishing schedules before year’s end. The situation wasn’t much better on the broadcast news side, where revenues, especially in local television, followed the downward track of the newspaper industry, inducing the Canadian Radio-television and Telecommunications Commission (CRTC) to step in.

A man in a dark suit is surrounded by a dense crowd of reporters and photographers. Numerous microphones with station logos like 'CP24', 'CTV', 'CBC', and '10 NEWS' are held up towards him. Several cameras with bright flashes are also visible, capturing the scene. The background is dark, suggesting an indoor event or press conference.

**News is as vital  
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public health"**



A parliamentary committee was formed. News companies and industry associations queued up with complaints of inequities in the marketplace. Some made requests for public assistance.

The Government of Canada contracted with the PPF, a non-partisan and independent think-tank, to assess the situation and make recommendations on what, if anything, should be done. The object was not to defend any mode of news delivery, but to evaluate the risk to democracy.

PPF has devoted the past 30 years to working with partners on consequential issues. We brought publicly spirited backers into the tent—the McConnell, Atkinson and Max Bell foundations and CN, TD Bank Group, Ivanhoé Cambridge and Clairvest Group. We are grateful to all for their assistance. We also recruited a team of academics (Colette Brin of Université Laval, Christopher Dornan of Carleton University, Elizabeth Dubois of University of Ottawa, Taylor Owen of University of British Columbia), along with pollster Allan Gregg of Earncliffe Strategy Group, and a loose band of other advisers.

We reviewed the available literature, organized six roundtables across Canada, co-hosted a symposium on digital-news innovation, sought out industry leaders and experts domestically and abroad, commissioned our own research, and conducted four focus groups in English and two in French as well as an online survey with a random sample of 1,500 respondents.

To begin, we drafted three questions:

**i.**

**Does the deteriorating state of traditional media, particularly but not exclusively newspapers, put at risk the civic function of journalism and media and therefore the health of our democracy?**

**ii.**

**If so, are new forms of digitally based media and communications filling the gap, or can they reasonably be expected to do so after a transition period?**

**iii.**

**If no, what is the role for public policy in ensuring the healthy flow of news and information deemed vital to our democracy, and what are the least intrusive and most efficacious ways of designing and delivering these policies?**

In the summer, a fourth question became apparent in our conversations: Were algorithms that were intended to tailor online information to individual preferences instead segregating people in “filter bubbles” and thereby eroding a sense of commonweal? By the time of the U.S. election in November, filter bubbles and fake news had moved from the sidelines to centre stage as a democratic concern.

As will be apparent in reading the report, we encountered resistance to the very notion that public policy be applied to the news. While any case for doing so must be utterly compelling and delicately designed to safeguard press freedom, it is important to remember that Canada has always pursued public policy to ensure there is journalism by Canadians for Canadians. The Canadian Broadcasting Corporation is an instrument of public policy. So is the CRTC. As is Section 19 of the Income Tax Act, introduced in 1965 to assist Canadian-owned media in the competition for advertising revenue.

Supports for periodicals and minority-language publications also flow from public policy. The first postal subsidy predates Confederation. Foreign-ownership restrictions are a policy. The Ontario Media Development Corporation’s tax credit for digital media innovation, radically altered for fiscal reasons in 2015, is a policy. Several provinces have chosen to exempt newspaper subscriptions from their provincial sales tax.

Much of this policy was created for a pre-digital age. In places, it is perversely unfair. There is no excuse for the fact that Canadian companies producing journalism are saddled with tax disadvantages in selling advertising or subscriptions.

Governments in some other countries have responded more quickly with initiatives to level the tax and copyright playing fields. First in France and then in the European Union as a whole, digital-innovation

funds were established after negotiations with Google. Germany is considering legislation to hold Facebook to account for fake news that appears in its social feeds and then goes uncorrected.

Those who fear the state will take up residence in the newsrooms of the nation should realize it has been well ensconced there for a long time—although generally at a safe distance from the journalists.

Still, we are also seized by concern over editorial independence, as were respondents in our public opinion research. Indeed, Canadians believe so strongly in journalism and its role in “keeping the powerful honest” that many find the mere notion of government support to be at odds with the very purpose of the news media. When we asked participants in focus groups to reconcile these misgivings with the mounting loss of journalists, they often fell silent.

And so our job grew tougher.

But before deciding what can and should be done, it is crucial to determine whether and to what extent a crisis truly exists.

There is much talk that the demand for news has disappeared, but our inquiries suggest that Canadians still seek to be informed—although at the time of their choosing and with little or no cost to themselves. New technologies have not only made this possible, but increased the supply of news and opinion dramatically. They have also allowed for the bifurcation of production and distribution, with financial returns heavily skewed to the latter. Moreover, the Internet, once an extraordinary manifestation of a freewheeling information market, has quickly come to be dominated by a pair of global giants from Silicon Valley—Google and Facebook—that are not only lacking in passion for news, but actively avoiding the responsibilities of a publisher.

To some extent, the increased supply may be an illusion created by the same news being replicated in many locations. If so, such repetition constitutes a net good in that it creates more opportunities for citizens to encounter information of civic importance. But the critical issue for policy purposes is where it originates, not how and where it is accessed. The vaunted media ecosystem ceases to deliver on its democratic role without this wellspring of original news, especially the variety we call civic-function news: the coverage of elected officials and public institutions such as legislatures, judicial and quasi-judicial bodies, city halls, school boards and supporting public services; issues and debates related to these officials and bodies; and the ability of communities to know about themselves for civic purposes.

Public policy should hold no interest in who produces this news—whether a mighty television network, a newspaper born in the 19th-century, an independent journalist or a digital startup—only that it exists. As stated, the focus of this report is unremittingly on the role news plays within a democracy and the critical question of whether the transition from one model of journalism to another (should the journey prove so linear) poses an acceptable risk.

For many in and around the media, it is a given that journalism resides at the heart of civic-function news. In his mandate letters to cabinet, Prime Minister Justin Trudeau instructed ministers to be respectful of journalists, as they are “professionals who, by asking necessary questions, contribute in an important way to the democratic process.” In launching the second phase of consultations on Canadian content in a digital age, the Department of Canadian Heritage said one of its goals was to ensure that Canadians have an opportunity “to actively participate in our democracy by having access to high-quality news information and local content that reflects a diversity of voices and perspectives.”

We, however, came at this assumption with what we hope was an open mind, poking and prodding it before concluding that professional journalism has been enriched, but not replaced, by an infusion of non-professional participants in the new media ecosystem.

## **Canadians still seek to be informed—although at the time of their choosing and with little or no cost to themselves.**

Late in our research phase, the spigot of bad news for the industry opened even wider. As the diagnosis that opens this report shows, the news media’s march to the precipice appears to be picking up speed. This slide may not produce the kind of crisis point that stops policy-makers in their tracks, as the implosion of the auto industry in 2008-09 did, but the pace is unrelenting and the downward slope ever steeper.

In September, Rogers Media announced it would dial back the publication schedule of its consumer magazines, including Maclean’s. An iconic news brand for more than a century, Maclean’s had gone from monthly to weekly publication in 1978 in part thanks to Canadian policy favouring domestic periodicals. Then in November, Rogers announced the loss of another 87 jobs, 60 of them in Quebec, including the editor-in-chief of Maclean’s. The Globe and Mail offered

yet another in what appears to be a never-ending round of industry buyouts, reducing its journalistic complement by a further two dozen to about 250, which is about 100 fewer than it employed in 2010. Staffing at the much-heralded Star Touch tablet app was scaled back as third-quarter revenues dropped 20 percent for Torstar's Star Media Group. All told, the Star newsroom has shrunk to 170 from 470 a decade ago. And revenues at its Metroland community papers, once seemingly immune to the industry's ravages, were down 10 percent.

## **It was the U.S. presidential race that served as the final punctuation mark on an annus horribilis for the news industry...**

Despite aggressive cost-cutting and a summertime restructuring of its debt, Postmedia reported a loss on the year of \$352 million, based on declines of 21.3 percent in print advertising and 8 percent in print circulation. Digital revenues grew by a meagre 0.8 percent. The company quickly began to institute a further 20-percent reduction in payroll in a year that had already seen it combine the newsgathering operations of the tabloid Sun chain and its broadsheet newspapers. This latest journalistic carnage left the

chain represented by a parliamentary bureau of six journalists—three reporters and three columnists—compared with double that at the beginning of 2016 and more than 35 at the dawn of the millennium, including, at one point, dedicated reporters for Montreal, Edmonton, Calgary, Vancouver and Windsor. All this occurred against the backdrop of \$2.3 million in bonuses paid to Postmedia executives so they would remain with the company.

In Quebec, a coalition of 146 newspapers called for significant government intervention so its members could continue to “serve democracy while adjusting to the new digital world.” The group includes Montreal's historic *Le Devoir*, a non-profit, as well as for-profits owned by TC Transcontinental and Groupe Capitaes Médias Inc. They want the federal government to abolish the sales tax on newspapers and the Quebec government to provide a five-year financial assistance program that would include refundable tax credits covering 40 percent of production costs, including journalists' salaries, and 50 percent of what the papers invest in their digital platforms. These measures would be reserved for print only.

Of course, Canadian media are hardly alone. In the United Kingdom, revenues fell by 14 percent in the first eight months of 2016, despite a brief summertime uptick generated by political advertising in the Brexit referendum. And, in the United States, the New York Times Co. recorded a sharp fall in third-quarter earnings, and a trimming of editorial positions, as print advertising dropped another 19 percent. Chains such as McClatchy, Gannett and Tronc saw declines between 11 and 17 percent, which sparked yet more newsroom cost-cutting. Even coming off a decent quarter, *The Wall Street Journal* said it would reduce its head count by “a substantial number” in light of “challenging times” in print advertising. Meanwhile, Vice News co-founder Shane Smith was forecasting “a bloodbath” in digital news in 2017 that would wipe out 30 percent of digital sites.

To be sure, there were some bright spots. Perhaps the most positive outlier was the Washington Post, which announced at year end that it had achieved profitability three years after being purchased by Amazon founder Jeff Bezos. Boosted by the extraordinary U.S. election campaign, it was contemplating hiring several dozen additional journalists. Notwithstanding its Watergate fame, the Post was one of the most successful local papers in the United States. But for it to grow in the digital age, Bezos determined it had to boost its national and global reach. At a Canadian Journalism Foundation event at the end of 2015, Washington Post executive editor Martin Baron called for greater patience in allowing new initiatives to flower while acknowledging that, thanks to Bezos, he enjoyed greater financial latitude than others to experiment on multiple platforms simultaneously. (We will examine a few Canadian outliers in Section 2 of this report.)

It was the U.S. presidential race that served as the final punctuation mark on an annus horribilis for the news industry, as the dangers of filter bubbles and fake news manifested themselves on the giant platform sites, particularly Facebook, but also Google. The debate over the responsibility of such companies to control falsehood and hatred in the content they present and promote brought into sharp relief how the norms and practices of established newsgathering organizations differ from those of the entities that have risen to challenge them. Nearly two-thirds of respondents to a poll of U.S. adults, conducted by the Pew Research Center, felt that fabricated news stories sowed a great deal of confusion about the true nature of facts and events. Forty-five percent looked to government to do something about it. Even in the U.S., where the First Amendment is holy writ, respondents felt that a system prepared to throttle the facts does not serve democracy adequately.

What should not be lost is that, when it comes to journalism, Canada is not the United States, at least

not yet. Despite all the talk of a loss of faith in news media, our research and that of others suggests that Canadians still trust journalists and journalism.

In her 2016 report for the Public Policy Forum, [Does Serious Journalism Have a Future in Canada?](#), The Economist's Canadian correspondent, Madelaine Drohan, underlined the consequences of deteriorating conditions. "The financial constraints on media organizations have had a negative impact on working conditions for journalists, quite apart from the heavier demands for increased speed and output." With fewer resources, news companies have had to reduce the number of journalists in the field, and struggle even to test digital innovation that could help them reach new audiences. "The inevitable result," Drohan wrote, "is poorer journalism, fewer voices contributing to the public debate and a loss of loyal readers, viewers and listeners."

Journalists, media executives, academics and policy analysts are all wrestling with what the waning status of traditional journalism truly portends. Are we merely passing through a turbulent transition to a more open and diverse future, or witnessing something that could inflict lasting damage on democracy? What interventions are warranted if the new information marketplace proves to be a poor guardian of the public good—if not, in fact, antithetical to it? Can we afford to wait and find out?

Like it or not, the forests are now made of bubblegum, there are lollipops on the trees, and the media's mirror is no longer uncertain, or even merely cracked. It is within this context that we release *The Shattered Mirror: News, Democracy and Trust in the Digital Age*.

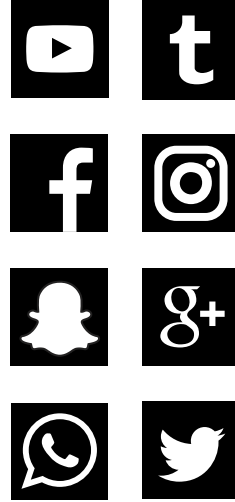
**Section**

**1**

**Diagnostics**

**Once indispensable agencies of information, the 20th-century news media are less and less prominent, except to provide grist for a public conversation they no longer control.**





# **Civic-function Journalism: A Quick March to the Precipice**

A signature feature of the opening decades of the 21st century is the convulsion, abrupt and irreversible, that has been visited on the practice of journalism, and therefore on the once-dominant regimes by which entire societies informed themselves.

What citizens know of unfolding events, and what they are encouraged to consider important, was until recently the province of a small number of large media corporations. These companies—newspaper chains and broadcast networks—were the portals through which the public perceived the world. Dispensing the facts and arguments of everyday life, from the local to the global, and with almost total command over public attention, they were powerful political actors as well as essential and richly profitable advertising vehicles.

Today, these indispensable agencies of information are rapidly being reduced to mere content providers, feeding updates on breaking developments into the torrent of chatter, rumour, dispute, advocacy, assertion, entreaties, misinformation, memes, GIFs and viral videos churning through the new portals of public consciousness: Facebook, Google, YouTube, Snapchat, WhatsApp, Instagram, Tumblr, Twitter and

the rest. The 20th-century news media are less and less prominent, except to provide grist for a public conversation they no longer control.

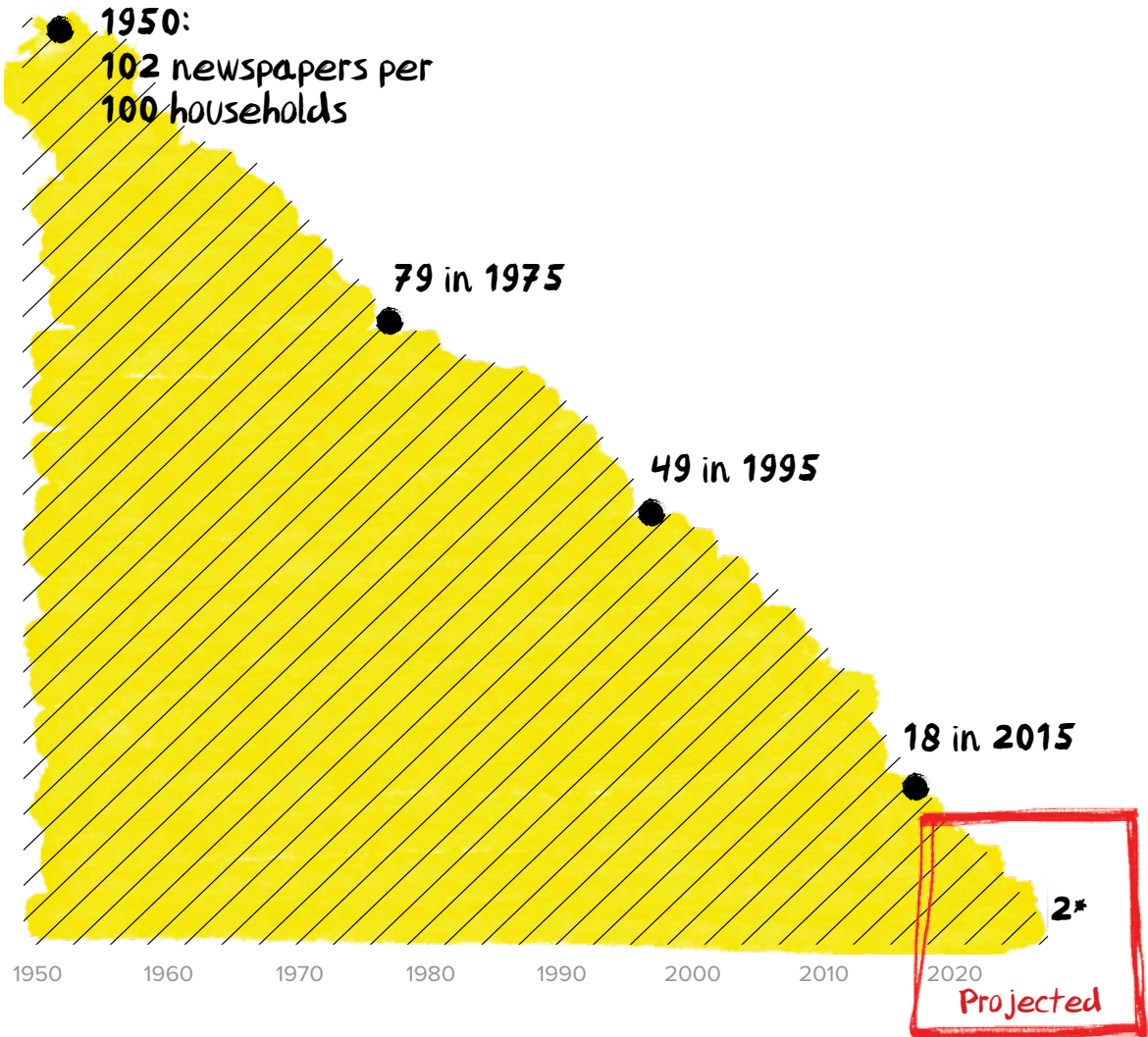
Although the ascendance of social communication is exhilarating—mobile, instantaneous, incessant; a world of honeycombed interconnectedness—the eclipse of the 20th-century news media has prompted legitimate concern throughout the democratic world. As news recedes on the social stage, overtaken by more seductive forms of content, what are the implications for civic engagement, government accountability and a collective consciousness? What happens if and when there are no news media? Or, at least, no news media as they once existed—prominent, centralized, authoritative sources of civic information; the arbiters of a common public agenda.

## **FOR PRINT, THE END MAY BE IN SIGHT**

Journalism extends far beyond the newspaper companies, but the newspaper as a package or bundle of information pieces established the commercial foundation for the news industry and served as the spine of daily journalism even after the arrival of television. In the early 1950s, there were more papers sold every day than the country

## THE VANISHING NEWSPAPER

Newspapers sold per 100 households in Canada, 1950-2015, projected to 2025



\* Projection for 2025 is based on trend from 2000-2015

Source: Compiled by Communications Management Inc. from: CARD; CNA; Newspapers Canada; ABC; AAM; CCAB; Statistics Canada

had households. But by 1995, just as Internet access began to become commercially available, household penetration had dropped below 50 percent.

Today, fewer than one in five households pays for newspapers. This inexorable decline presages a time when printing will no longer make economic sense, something Winnipeg-based media economist Ken Goldstein estimates may occur within the next six years.

There was a time, though, when newspapers were the perfect Canadian medium: domestically owned, hugely profitable, a major source of employment for well-educated knowledge workers, and essential not only to daily life but to the nation's sense of itself. More people read Canadian newspapers and news magazines—and watched or listened to broadcast news, documentaries and current-affairs programs—than saw Canadian movies, patronized the Canadian arts, purchased Canadian recordings, or enjoyed Canadian TV drama and comedy.

As a fact of this country's cultural life, news and journalism were rivalled in prominence only by domestic sport. Canadians consumed American news, but they did so in addition to their own, not instead of it. Journalism was intrinsic to the national project.

**So, what has gone wrong? It is not simply that new forms of information access, circulation and retrieval have been added to the media ecosystem. Journalism's economic model has collapsed, profoundly and structurally.**

The newspaper became the dominant information medium because of the way in which its different strains of content complemented one another, commanded attention and captured revenue. Four hundred years ago, long before newspapers, there were "relations"—printed accounts of events of political or economic consequence (or salacious interest). There were also political pamphlets, which agitated heatedly for one cause

or another, and "advertisers"—commercial sheets announcing goods for sale, services on offer and investment opportunities.

The genius of the newspaper as a cultural form was to combine all three—news, editorial opinion, and advertising—into one omnibus, indispensable agency of public address, a device for seizing public attention that sold itself anew every day. As the newspaper evolved, it proved adept at creating editorial content that simultaneously lured readers and catered to advertisers: service journalism. Sections for travel, automobiles, real estate, fashion and food all supplied material of interest and value to readers, along with a means for advertisers to reach those readers. So much of their revenue—75 to 80 percent—derived from advertising that newspapers were sold at a deep discount (and sometimes given away) specifically to maximize their readership for advertisers.

One form of advertising—the classifieds—was the special preserve of the newspaper: the small change of commercial transactions vital to the life of any community, but extremely lucrative in sum. Well into the late 1990s, anyone looking to rent an apartment, sell a sofa or post a death notice had almost no option but the local daily. Broadcasters and magazines simply could not accommodate either the volume of classified listings or the daily turnover.

And yet as early as 1964, Marshall McLuhan observed, "The classified ads (and stock market quotations) are the bedrock of the press. Should an alternative source of easy access to such diverse daily information be found, the press will fold."

That alternative arrived in 1995, the very year that Canadian newspaper household penetration dropped below 50 percent. San Jose software developer Pierre Omidyar created a digital bazaar for the sale and purchase of precisely the sort of merchandise previously found only at flea markets, garage sales—and in the classifieds. That same year, Craig Newmark,

another California software engineer, began to circulate an email list of upcoming social events and job openings to friends and fellow programmers. Today, Omidyar's eBay, Newmark's Craigslist, and a multitude of more specialized merchandising forums, as well as job markets and networking venues such as LinkedIn, have stripped the incumbent media of what was once their bread and butter.

In doing so, they have demolished the foundation on which the news industry was built. Between 2000 and 2008, classified advertising earned Canada's daily newspaper industry more than \$800 million a year, reaching a historic high of \$875 million in 2005—the year Kijiji started in Canada. A decade later, by 2015, that figure had dropped to \$119 million, and the inevitable trend is toward zero.

Newspaper companies attempted to launch digital classified sites of their own, such as Workopolis, a joint venture of The Globe and Mail, Toronto Star and La Presse that made its debut in 2000. But the news industry no longer had a special claim on such

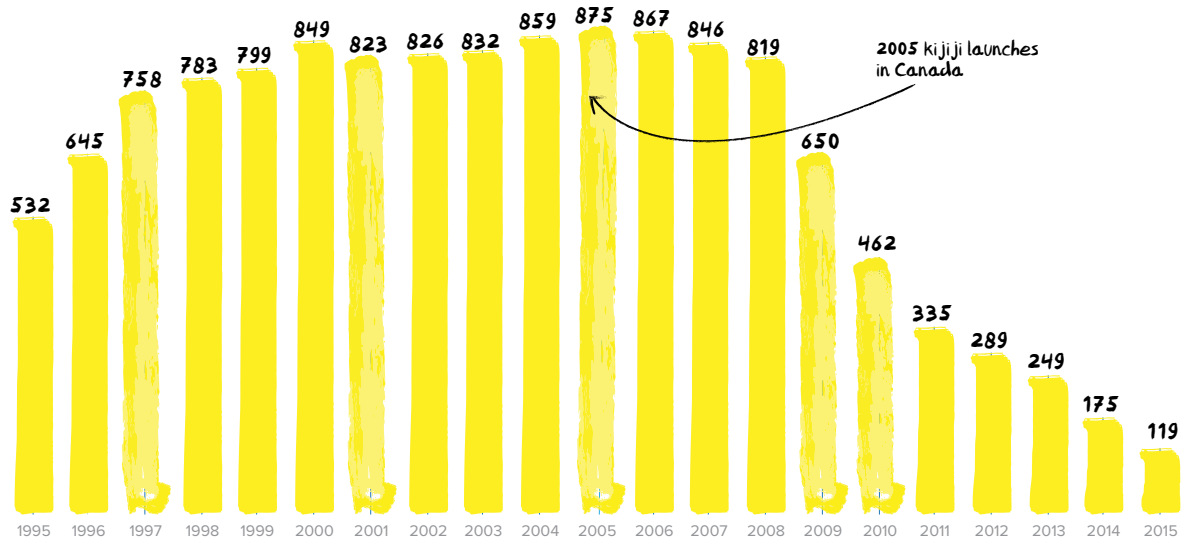
advertising; the union of content and classifieds had been severed. Three-quarters of a billion dollars a year in reliable revenue vaporized in a decade.

Meanwhile, the service journalism that the industry developed to keep profitability aloft has also been superseded. Why would the car enthusiast turn to the local daily's automotive section when there are countless specialty websites with richer content? What is the appeal of a paper's entertainment section in a world of Rotten Tomatoes, Flixster and IMDb, and an online industry of celebrity gossip sites? How well can the food section compete with Epicurious, Yummly and myriad other digital culinary resources?

In 2006, display advertising, wrapped around the news and service sections, accounted for almost \$1.8 billion in revenue for the daily newspaper industry. By 2015, that figure had dropped to \$907 million, very nearly cut in half within a decade and still going down by double-digit percentages every year.

## THE COLLAPSE OF NEWSPAPER CLASSIFIEDS

Total print classified advertising revenue, Canadian daily newspapers, 1995-2015 (\$millions)

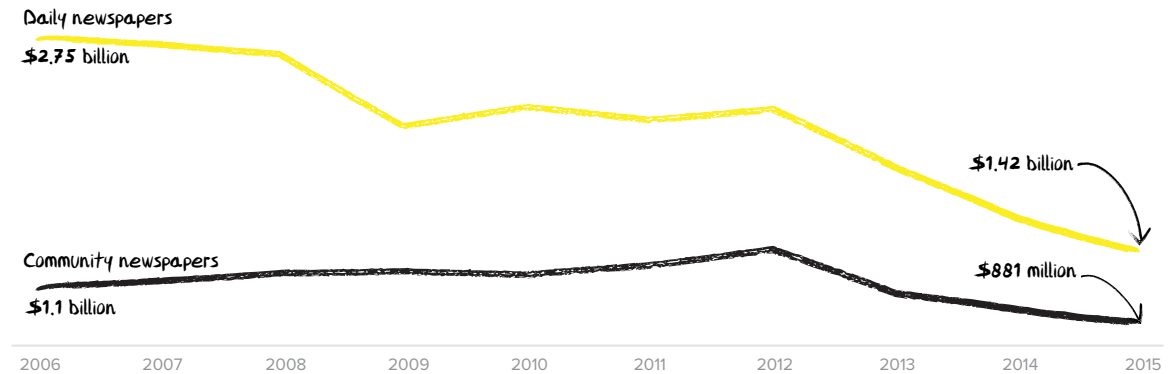


Source: ThinkTV (TVB Canada)

Community newspapers, perhaps closer to their advertisers, earned more than \$1.2 billion a year in total advertising revenue well into the 21st century. Since 2012, though, local ads have begun to decay along with national advertising, cutting this revenue by about 10 percent a year, down to \$881 million in 2015.

### THE DESCENT OF NEWSPAPER ADS

Total advertising revenue in Canadian newspapers (\$millions)



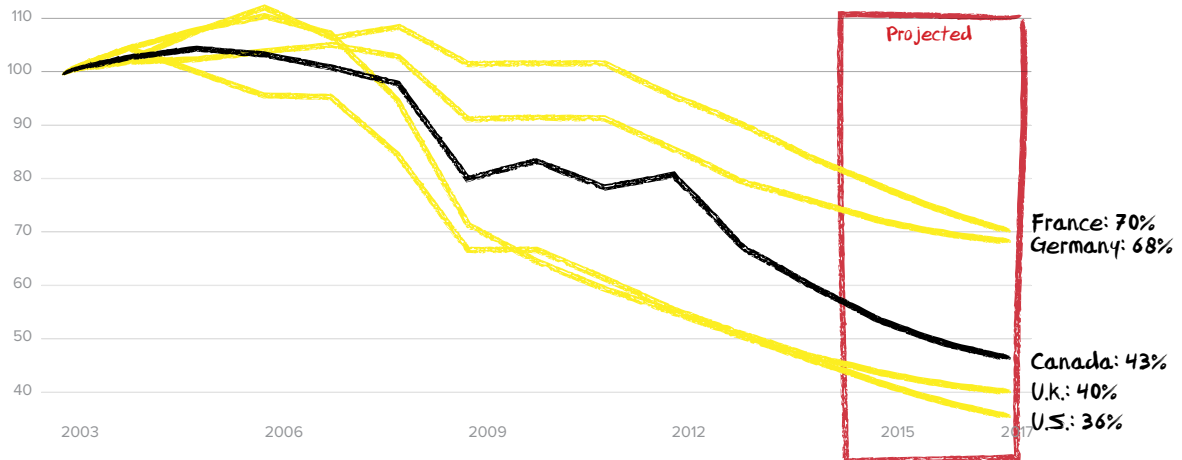
Source: Newspapers Canada

Perhaps even this reduced revenue is vulnerable. In the 2016 iteration of her annual account of media trends, Silicon Valley analyst Mary Meeker pointed to the gap between the amount of their time people spend reading print journalism (four percent) and print’s slice of the advertising market (16 percent), suggesting that newspapers earn more ad revenue than they garner attention.

These patterns, as the following chart shows, are not particular to Canada, or even to North America. They are also true across Europe.

### NEWSPAPER AD DECLINES ARE WIDESPREAD

Newspaper advertising revenues as a percentage of 2003 values (2003 = 100%)



Source: Reuters Digital News Report, 2016

Initially, the Canadian newspaper industry managed to slow its march to the precipice by raising subscription prices after years of undercharging readers for its product. But that has not proved to be a long-term solution: Five straight years of shrinkage have eliminated \$150 million in total circulation revenue. All told, from 2006 to 2015, Canadian daily newspapers lost 40 percent of their revenues. The pace has accelerated over the past three years, and their total income was on track to fall below \$2 billion in 2016, down from \$3.3 billion a decade earlier.

At first, the digital market was too small to be profitable for traditional news media. It has grown exponentially since, but not in a way that has done the incumbent media much good. Adding digital to their print readership has furnished most newspaper companies with greater reach than ever. Three-quarters of Internet users in Canada visited newspaper websites in the first half of 2016, according to comScore Inc. Unfortunately, many did so infrequently or didn't go past the home page, so converting the traffic into revenue has been frustrating. "Paywalls" designed to elicit more of a contribution from the online audience have proved immaterial for almost all.

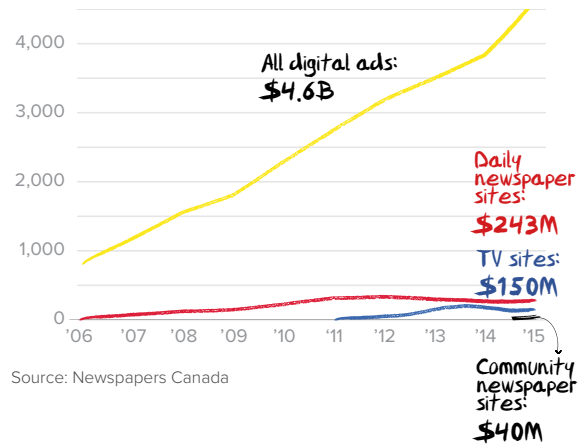
Growth in overall digital advertising has been exponential. In 2005, Canadian advertisers spent \$562 million online compared with \$2.7 billion on newspapers. By 2016, the tables had turned. Digital had grown almost tenfold to \$5.6 billion (\$1 billion in French) and was increasing by about 20 percent a year, while advertising in 1,000 weekly and 100 daily newspapers had dropped to \$1.4 billion, including less than five percent of the overall digital market.

The digital market was once seen by newspapers as their salvation, but its promise proved short-lived, with revenues flat lined for the last 10 years. In fact, their take is now dropping, both as a percentage and in real terms. In 2011, the dailies captured \$246 million (and community papers \$44 million), or 9.1 percent of the \$2.67 billion spent overall. In 2015, the digital pool

had grown to \$4.6 billion, but the daily papers' share had fallen to \$233 million and the community press's to \$40 million. Mobile, though a sensation for users and Google and Facebook, represented less than one percent of newspapers' total ad revenue.

### NEWSPAPER AND TV SITES MISS DIGITAL AD BOOM

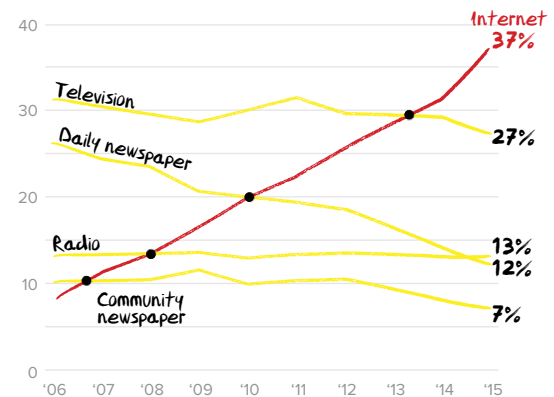
Digital advertising revenues in Canada: Daily newspapers television and total (\$millions)



Source: Newspapers Canada

### INTERNET ADVERTISING SOARS PAST...

Market share of all advertising revenue in Canada, by medium



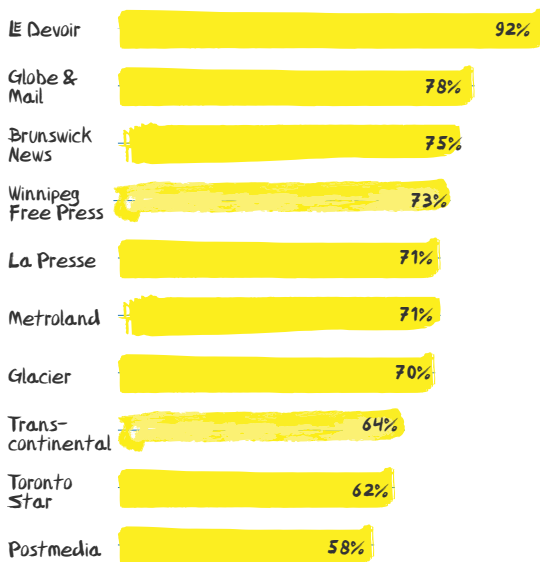
\*Percentages do not equal 100% because smaller categories not shown. Source: Newspapers Canada

## THE BOTTOM LINE

For newspapers, it has been a multi-decade ride down. The descent seems to be picking up pace. We asked newspaper companies, particularly those privately owned or with mixed holdings, to work with us to index their revenue trends over the past five years. Assuming they brought in \$100 in 2011, what would that sales number look like five years on? You can see the results on the accompanying chart. Of the large players, The Globe and Mail looks best, despite multiple years of double-digit ad losses. Postmedia looks worst, and this has little to do, at least directly, with its high debt level. (Indirectly, its deep cuts to people and product may have driven away advertisers and readers more thoroughly than for others.)

## NEWSPAPER COMPANY REVENUES FALLING AT DIFFERENT RATES

Total revenue in 2016 as percentage of revenue in 2011, according to the companies:



Source: Company representatives

Despite attempts to keep spending in line with revenues, these companies are also feeling the pinch in their operating profits, which are counted before debt servicing. In 2014, the newspaper industry had an operating profit margin of 9.5 percent, according to Statistics Canada. It was a sharp fall from 12.5 percent four years earlier, but still a positive return. Statistics Canada collects this data only every two years and won't have a 2016 figure available until 2018. In order to gain some insight into the latest trend line, the PPF looked at financial returns for four publicly traded newspaper companies and found their operating margins had fallen by about half since 2014.

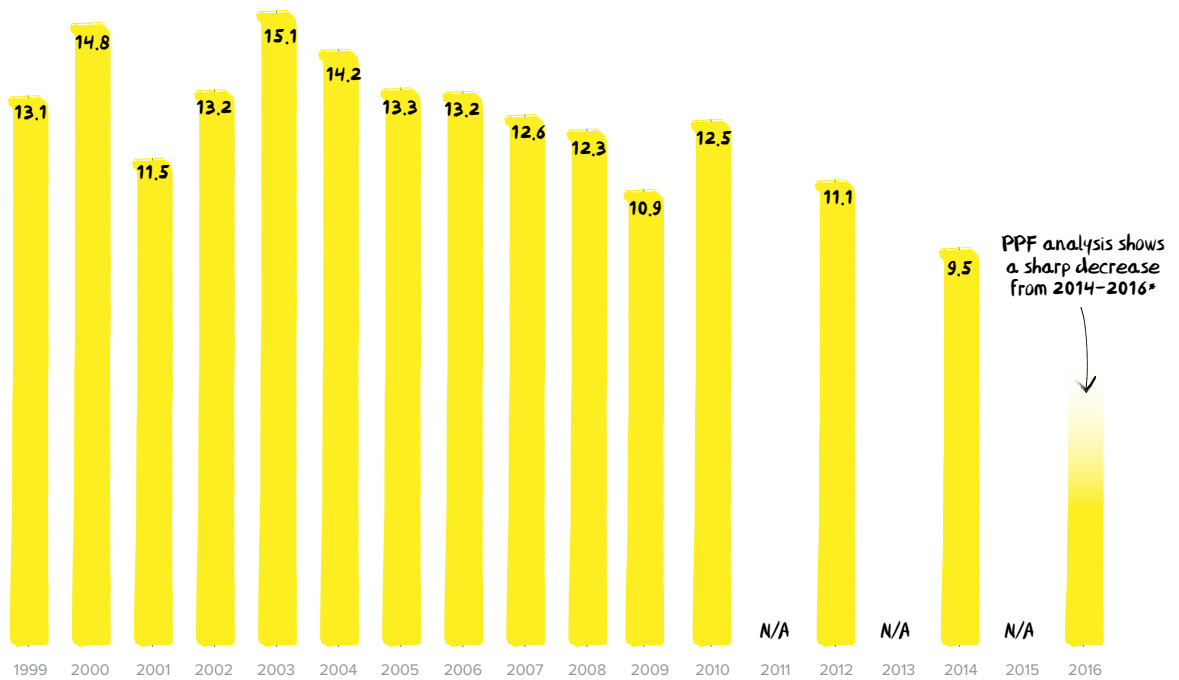
## THE TUBE VERSUS YOUTUBE

Broadcasting has also been disrupted by the Internet and what it has made possible, from YouTube to Netflix to online streaming. Television viewership for news remains strong, but the audience is older and therefore of diminishing interest to advertisers. The all-news channels rely on in-studio panels of guests to supplement their basic reporting with an abundance of opinion and argument. Smaller and fewer TV news crews are expected to fill more and more air time (plus feed digital platforms), meaning they have less and less real time to devote to research and the cultivating of sources. The same, of course, is true for print reporters, who have multiple mouths to feed: the website, video, social media, the app, the paper.

"Because feature writing, beat reporting and investigations are now rarer, the news agenda today is more highly skewed to crime, natural disasters and institutional stories driven by press releases and press conferences," says John Cruickshank, former head of CBC News and former publisher of the Toronto Star. "The daily picture of our local and national life provided by Canada's news media is already less complete, less nuanced, less authentic, more sensational, more staged and more negative. As the business crisis worsens, the news media's representation of Canada becomes less reflective of our collective reality."

## NEWSPAPERS STILL MAKE PROFITS, BUT THEY'RE SHRINKING RAPIDLY

Percentage operating profit margins (profit before interest, taxes and extraordinary items)



\*Statistics Canada will not report 2016 figures until 2018  
Source: Statistics Canada



# **Chris Lane: Winning the battle, losing the war**

Until two months before we held a roundtable in Regina, Chris Lane was CBC's senior producer for news in Saskatchewan. At 36, he had also spent time as a producer in Calgary, Charlottetown, Fredericton and Toronto.

Lane calls himself a CBC lifer—"the one in the assignment meetings beating the drums about making ourselves more relevant with more clickable content ... Are we getting a new Costco? Is the dollar changing your plans for a winter holiday? The SPCA is overrun with cats so they made this meme... isn't it cute?"

**"Something indispensable" has been turned into the equivalent of "a paper coffee cup."**

**PLAY VIDEO**

But as more social media co-ordinators were hired and the clicks increased, producers and reporters were laid off and beat coverage decreased, Lane had a change of heart.

To what end, Lane began to ask, pointing out that online ads generate little real income for the CBC. "It's not a business case that's working, in my view. Our 'presence' and 'reach' may be wider, but it's not funding, expanding or even retrenching our journalistic obligations."

After noticing he had replaced the word "story" with "content"—and the two "are not interchangeable"—he decided to leave journalism altogether. "In the quest to make declining traditional media more relevant, I think we made it more disposable."

That, Lane told the PPF, is now the mainstream media's great dilemma—"something indispensable" has been turned into the equivalent of "a paper coffee cup."



After he left the CBC, Chris Lane became CEO of the Canadian Western Agribition in Regina.  
Credit: The Canadian Press Images/Michael Bell

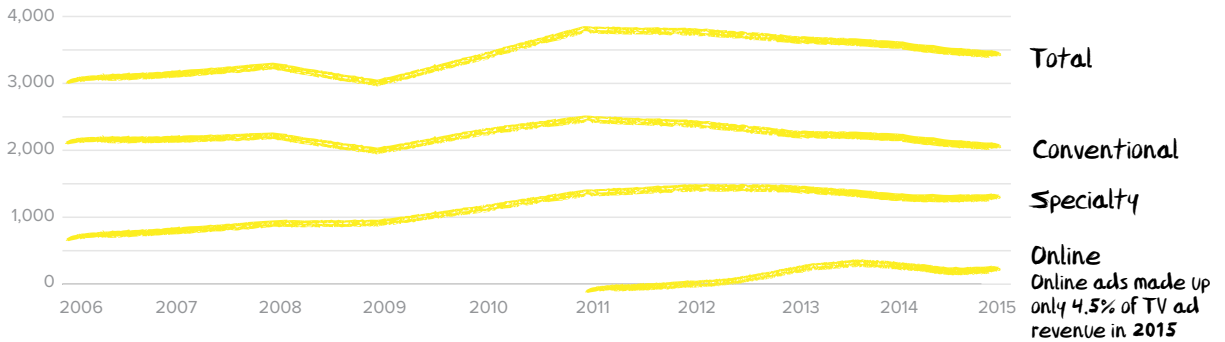
At the local level, the CRTC reports that television news revenues are falling about 10 percent a year, and “an alarming number” of stations have shortened their newscasts. “They have reduced staff and centralized news operations, shrinking their local presence,” said CRTC chair Jean-Pierre Blais. Examples include CBC’s December 2014 decision to trim supper-hour newscasts; OMNI Television’s May 2015 dropping of its third-language newscast in Toronto, Calgary, Edmonton and Vancouver;

Bell Media’s November 2015 layoff of 350, and CHCH-TV’s reduction of its all-news daytime schedule from 80 hours a week to just 17.5. In response, the CRTC announced a regulatory change to take effect in September 2017 that will inject up to \$90 million a year into local TV news across the country.

TV, like newspapers, has captured almost none of the explosive growth in online advertising. Digital sales account for little more than four percent of its total revenue.

### AS TV REVENUES ALSO START TO DROP...

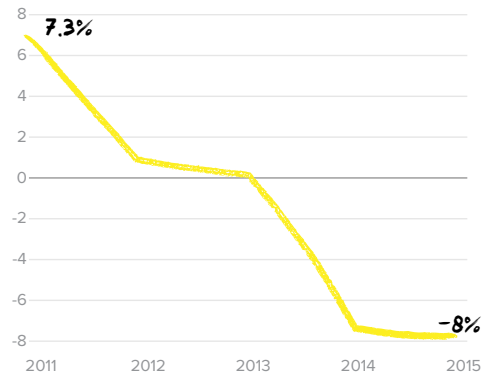
Net television advertising revenue (\$millions)



Source: Statistics Canada, CRTC, ThinkTV via Newspapers Canada

### ...PROFITS DISAPPEAR AT PRIVATE STATIONS

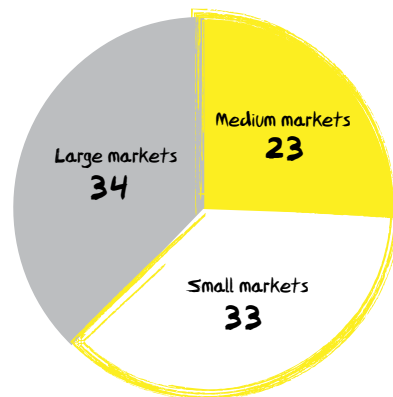
Profit before interest and tax (%)



Source: CRTC data

### ...MOST OF WHICH SERVE SMALL AND MEDIUM MARKETS

Breakdown of private, local TV broadcasters in Canada 2015

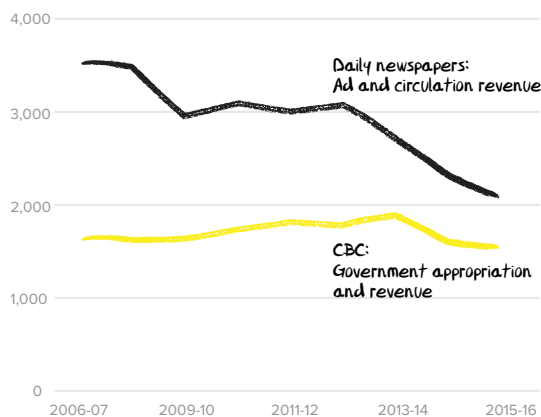


Source: Nordicity

Among traditional news and advertising vehicles, only radio, with its hyper-local orientation (crime news, traffic, weather, hometown sports) and no revenue competition from CBC, has managed to hold its revenue position. And then there's the CBC itself, the main alternative to daily newspapers as a producer of civic-function news across the country. Despite the budget cuts it experienced (a hole plugged in Budget 2016 by the Liberal government), in relative terms, the CBC has fared well over the past decade. In the first six months of the current fiscal year, CBC's revenue is up 14.5 percent over last year, including a \$45-million (40 percent) leap in ad revenue.

### AS NEWSPAPERS DECLINE, CBC HOLDS STEADY

(\$millions)



Source: Nordicity

### A LOSS OF IDENTITY AS WELL AS AUDIENCE

The news industry's failing financial fortunes are an index of both the erosion of its relevance and the fraying of bonds of loyalty that turned its companies into brands. Consumers inundated with choice tend to become promiscuous. Local and regional news organizations are finding themselves overrun by global and specialty sites, while social media eats into the time once devoted to traditional media. Social media also provides the means for startup initiatives to compete with established outlets for attention, particularly on Facebook.

For example, the venerable *Scientific American*—founded in 1845, it's the oldest continuously published magazine in the United States—has a [website](#) that receives 5.5 million unique visitors a month and a [Facebook page](#) that has 2.7 million “likes.” However, in 2010, Elise Andrew, then a 23-year-old biology undergrad at the University of Sheffield, created the cheeky Facebook page called [I Fucking Love Science](#) to share interesting items from scientific journals with “a few dozen of my friends.” As of November 2016, IFLS boasted more than 25 million “likes,” and since 2013, Andrew—now a resident of Midland, Ont.—has run IFLScience.com, which draws 45 million monthly visitors, leapfrogging well past the august *Scientific American*.

One is not a replacement for the other, nor does it attempt to be—IFLS shares others' content while *Scientific American* produces its own. But like so many nimble online initiatives, IFLS can be produced at a cost that, given the size and engagement of its audience, makes it profitable. As for *Scientific American*, its revenue from social media exposure is paltry compared with its overall expenditures.

Canada's traditional news organizations have an additional problem: They have lost control over the distribution of their products. More and more, their stories are accessed not from their own websites but through aggregators such as Google News and National Newswatch, or via Facebook, Twitter or other social media venues. The source of news content becomes opaque: Just as television viewers barely notice the names of the production companies that produce programming, Facebook and Google users pay scant attention to where their news content originates. A 2016 report by the Reuters Institute for the Study of Journalism found that news brands are “clearly noticed” by readers less than half the time on social media.

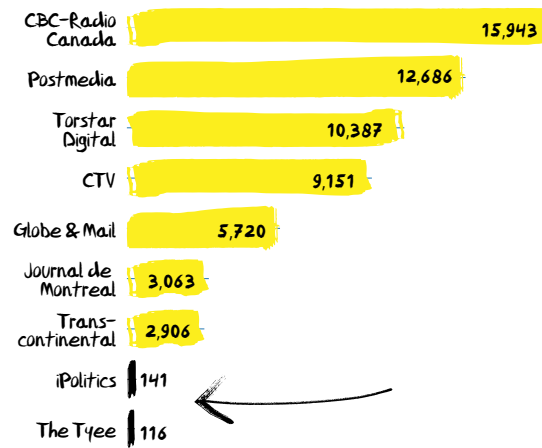
News companies worry their identities are eroding as their journalistic output is channeled through other platforms, and feel incapable of resistance. As a leading Canadian media executive said at one of our roundtables, there is no choice but to post on Facebook: “That’s where the audience is.” The CBC’s French and English news sites, Canada’s most visited, attract 15 million people in a typical month. Facebook says it has 17 million active users in Canada every day.

Yet even as audiences shift and brand identity and allegiance erode, public opinion research conducted for this report found that, at important decision-making junctures, citizens invest their trust in established news brands, look to them and count on them. They just don’t want to pay for them.

The vast majority of civic (versus service) journalism still comes from the newsrooms of the incumbent media companies. As the web has annihilated the old barriers to entry in the information market, the digital sphere has produced scores of new content initiatives, some national in scope ([iPolitics](#), the [National Observer](#)), some local (Torontoist, AllNovaScotia and paNOW), some explicit in their political orientation (The Tyee, rabble.ca, TheRebel.media, Ricochet), some branch plants of American digital publications (Huffington Post, BuzzFeed), and at least one domestic in origin but now based in New York (Vice). Other than the global brands with Canadian branch plants, none shows up in the top 60 online news sources in Canada. Combined, they account for only a tiny portion of Internet news traffic and, as yet, their staffs are a fraction the size of those in traditional print or broadcast newsrooms.

## DIGITAL STARTUPS ARE TINY PLAYERS IN ONLINE NEWS

Total unique visitors, July 2016 (000s)



Source: comScore

## COMPETING WITH ‘CLICKBAIT’

It would be a mistake to romanticize the traditional news industry. It has consistently been the object of pointed, often infuriated, criticism. For all that they claim to fulfill an essential democratic function, there has been a persistent worry that the pressures of the market—and the tastes of the public—subvert the social responsibilities of the news media and their commitment to the public good. What democracy requires is sober attention to political authority. What the public prefers on normal days is clickbait: sensationalism, scandal, sentimentality and novelty. What media proprietors prioritize are profit margins and returns on investment.

Critics on the right therefore see the news media as biased, irresponsible and hysterical, either inflaming and cheapening public discourse or treating certain viewpoints with utter disregard. Critics on the left see them as agents of the very power structure they are supposed to be monitoring—the “ideological state apparatus.” Centrists worry that the media’s civic mission is too often sacrificed to satisfy corporate ledgers.

When the news media dominated public discourse, that dominance was cause for concern. Fear of “concentration of ownership” led to the 1970 Special Committee of the Senate on Mass Media (the Davey Committee), the 1981 Kent Commission and the 2006 Senate Report on the Canadian News Media, all of which bemoaned the fact that corporate control restricted journalism’s diversity of perspective and expression, limited the agenda of concern and reduced investment in newsgathering in order to maximize profits.

Nonetheless, the newsrooms of the traditional media were guided by standards and protocols of inquiry and reportage. The contract with their audiences was that the coverage they provided was, to the best of their abilities, accurate and reliable: conscientiously researched, subject to verification and responsibly reported. Certainly, in comparison with the media elsewhere in the world—the British tabloid press, for example—Canadian journalism served the public relatively well, mapping a spectrum of political preference, taste, cultures and journalistic style.

In English Canada, the Sun newspapers championed a right-wing, blue-collar populism. The Toronto Star was proud of its liberalism, as set out in its Atkinson Principles. Broadsheets such as the Edmonton Journal and Montreal Gazette targeted the middle-class household. The Globe and Mail catered to an up-market, business-minded clientele and the politically invested. The National Post appeared in 1998 as the standard-bearer of a certain stripe of conservatism. The publicly owned CBC provided news and documentary content to complement the more market-oriented programming offered by CTV, Global and private-sector talk radio. In the French press, the same patterns could be seen in La Presse, Le Journal de Montréal, Le Devoir, Radio Canada and TVA—with the additional complexity of each organization’s leanings on Quebec’s place in Canada.

Along with magazines, community press, ethnic and minority-language publications and Indigenous media, the daily news industry has served a crucial civic function, providing regular coverage of the forums that affect citizens’ lives, from the courts to city councils, from cabinet rooms to school boards. Contingents of beat reporters, approaching matters of public interest from different angles, provided the scrutiny necessary to hold authority accountable, as well as a means to galvanize wider attention, if warranted. They were as essential to exposing malfeasance as they were to simply chronicling public affairs.

**The failing fortunes of the traditional news media are not just the result of an older medium faring poorly against a new competitor. The advent of computer-mediated networks of social communication amounts to a profound structural change.**

Even before the Internet, maintaining profit margins and servicing debt from corporate acquisitions led to downsizing, and consequent concern that the civic function of journalism was being compromised. But spending cuts in the 1990s were made against annuity-like revenue streams that are now drying up. The news media's ability to finance the legions of reporters and editors necessary to produce regular, routine and robust coverage of civic institutions is being severely undercut.

Exactly how many jobs have been lost in journalism—and how much frustrated talent has fled—is not easy to calculate. We asked the three major unions representing news workers in Canada to tally the number of journalists in their bargaining units at different junctures. Their records are far from perfect, but provide directional data.

The Canadian Media Guild has tracked layoffs and buyouts for the past few decades. When non-news companies are excluded, the total is in the order of 12,000 positions lost, more than 1,000 of them in the last year alone. Unifor's 46 media bargaining units had 1,583 members in 2010 but only 1,125 by early 2016. The CWA estimates it had about 400 editorial members in 2016, a decline of about one-third from 2010 and more than two-thirds since the early 1990s.

What has been the impact? Consider that onetime staple of local news: municipal affairs. Daily newspapers once maintained entire bureaus at city hall. After their newsrooms were merged in 2016, the Ottawa Citizen and Sun had only three reporters assigned to cover the apparatus of their city's government. More cutbacks have occurred recently and the human toll grows. Boutique digital operations, such as [apt613.ca](http://apt613.ca) in the capital, have risen up, but say that even they rely on mainstream reporting as a foundation for their unpaid work. "We don't

have the expertise or the resources," Katrina Marsh, the art and culture site's founding editor, told our Ottawa roundtable.

It is true that interested citizens now have the means to circulate their own accounts of civic affairs. For example, blogger [Steve Munro](#), a retired information technology manager in Toronto, has established himself as a leading transit advocate. His audience has posted more than 40,000 comments to his work over the years, and, in 2005, he was awarded the Jane Jacobs Prize, which recognizes individuals who contribute to the fabric of Toronto life. Alone, however, he lacks the reach to command wider metropolitan attention. As he observes: "I may have the luxury of writing long, detailed articles about whatever attracts me, but I tip my hat to the working press...Traditional media are under threat with the changing landscape of how people get 'news'. Fewer voices, less time for research, more concern for advertising lineage (itself an anachronistic term in the age of clicks and pop-ups) than solid journalism. Not a happy situation, and the blogs cannot possibly make up the slack."

#### **FROM COMMUNICATION TO SOCIAL INTERACTION**

The failing fortunes of the traditional news media are not just the result of an older medium faring poorly against a new competitor. The arrival of radio and television altered the media ecosystem and changed advertising practices, but they were, like newspapers, media of mass communication, in which centralized sources of communication content addressed vast, dispersed and otherwise atomized audiences. The advent of computer-mediated networks of social communication is of a different order entirely. It amounts to a profound structural change.

Under the old regime, the media were agencies of public address. They spoke to audiences whose members had little opportunity to speak back, and

even less to speak among themselves. Hence the dominance and profitability of the 20<sup>th</sup>-century media companies. They were not only the sources of content, they were the advertising platforms. Under the new regime, the incumbent media companies still contribute disproportionately to the corpus of content, but they are no longer its only sources. Most of the content that churns through the social media platforms is generated by their users. From Twitter to YouTube, Instagram to Wattpad, the 21<sup>st</sup> century is a cauldron of self-expression. The web has conferred powers of public address on anyone with an interest in political, social, cultural and commercial affairs, or who simply takes pleasure in documenting the incremental moments of everyday life. Constituencies of interest now coalesce and mobilize in ways that were once impossible. Tellingly, a candidate for the U.S. presidency was able to circumvent the news media and speak directly to his followers. (In 2014, Donald Trump famously described having a Twitter account as “like owning The New York Times, without the losses.”)

Once the perfect amalgam of news, service journalism, opinion and advertising, in the space of a decade the news industry’s distinctive cultural attributes and market advantages have been taken from it. No longer necessary or even relevant as a vehicle for service journalism, a forum for debate, or an advertising vehicle, what are the news media left with? What do they offer that is not available elsewhere?

They are left with the news—the dutiful record of unfolding events. A perishable commodity, out of date as soon as it is published, news must be produced continuously. And while some is of national and international significance, most is inherently parochial, of interest only to circumscribed geographical

pockets, and therefore difficult, if not impossible, to “scale” in order to sell to wider and larger markets. Even when the media companies were at their most profitable, the news, particularly that devoted to civics, was a loss leader, rarely generating sufficient revenue on its own to cover the cost of production. Now it is not simply that the “business model” of the news industry is broken—as though, if they could only find new ways of re-engaging their audiences, the incumbent media companies might return to 20<sup>th</sup>- century levels of profitability. What is broken beyond repair is a centuries-old arrangement that wed a certain type of editorial content to a certain type of commercial messaging.

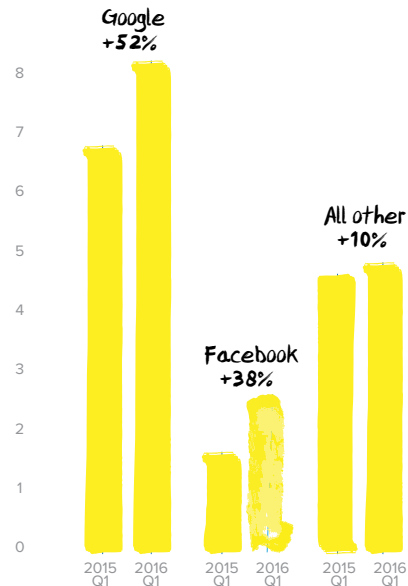
Its replacement is an ecosystem of social communication. The new digital concourses not only allow people to converse, collaborate and clash with one another, they profit from these activities. Online actions and interactions enable the harvesting of data on individual and group preferences, behaviour and purchasing patterns—information that can then be used to market everything from content to retail goods to lattice works of connected individuals. People are revealed through their digital activity—they have all but come to constitute themselves by it—and the knowledge of those transactions is the commercial basis for the new communication empires.



Neither traditional news media nor a bevy of city-based or national digital upstarts have the capacities to interact with audiences in the way of search engines and social media networks, and thereby collect motherlodes of data of deep interest to marketers. Google and Facebook, the innovative and libertarian-minded colossi of online interactivity, have used their technical prowess to accumulate unprecedented power over distribution of the web's content fragments, including news. Digital ad revenues in the United States grew by \$2.7 billion in the first quarter of 2016 alone, compared with a year earlier. Of that, \$1.4 billion went to Google, \$1 billion to Facebook—and just \$300 million to everybody else. At this point, the pair account for about 70 percent of the total U.S. market and command 90 percent of incremental growth.

### GOOGLE AND FACEBOOK GET 90% OF U.S. AD GROWTH

Ad revenues (\$US billions)

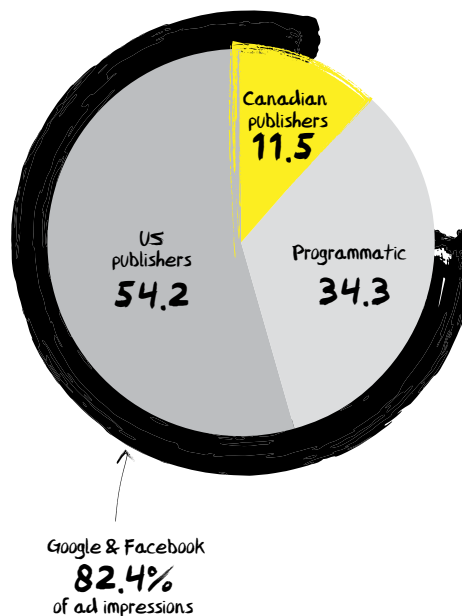


Source: IAB, DigitalContext.org

The pattern is the same here. They pocket two of every three digital ad dollars spent in Canada and, in recent months, have generated 82.4 percent of the ads served up with digital news. In 2016, Canadian publishers accounted for just 11.5 percent of the digital display ad market in their home country, according to comScore.

### CANADIAN SITES GET SMALL SLICE OF DIGITAL AD IMPRESSIONS

Percentage share of display ad impressions, Jan. 1 – March 31, 2016



Source: comScore

This stranglehold on digital advertising has sparked a mass migration of dollars to global entities with no commitment to civic-function journalism, Canadian or otherwise. In fact, they have been resolutely agnostic about most anything that flows through their channels. They see themselves as technology companies, not publishers, no more responsible for what people communicate than the phone companies are accountable for the conversations they make possible.

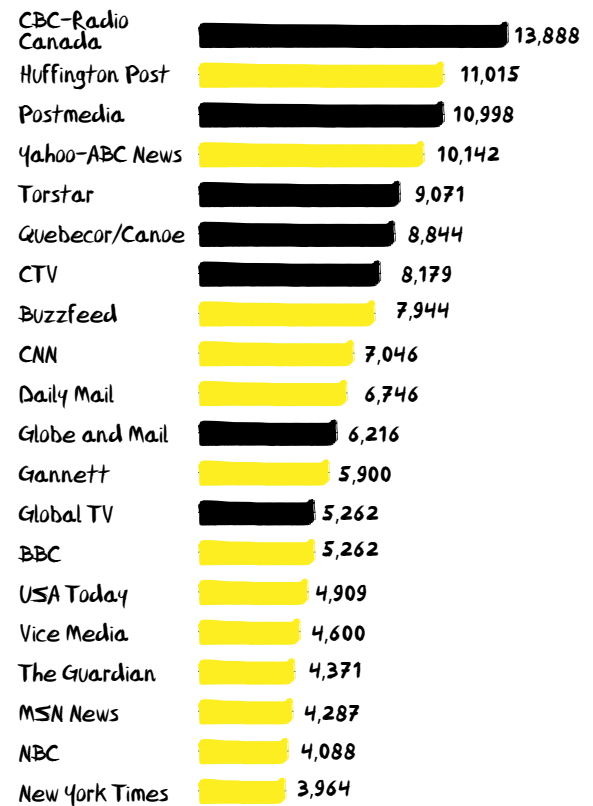
When Facebook adjusted its algorithm last June to downgrade established media, Adam Mosseri, the company's News Feed vice-president, blogged that "we are not in the business of picking which issues the world should read about. We are in the business of connecting people and ideas—and matching people with the stories they find most meaningful."

Suppliers of content receive a share of the revenue from advertising coursing through the new ecosystem, but it is orders of magnitude insufficient to finance the production of news according to professional standards. In a form of vampire economics, the new portals channel and exploit the content of traditional news organizations, through newsfeeds and ranked search results, even as they siphon away the revenue these outlets require to generate the content in the first place. It's a sweet deal: leverage the news others finance and grab the advertising that used to finance that news. For the content producers, the equation is distressingly the opposite.

The problem is clearly illustrated by two charts. The first shows just how many players there are in Internet news, many of them outside Canada or operating bare bones branch-plant newsrooms. In almost every case, their contribution to civic-function news is negligible.

### 13 OF TOP 20 NEWS SITES ARE FOREIGN

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

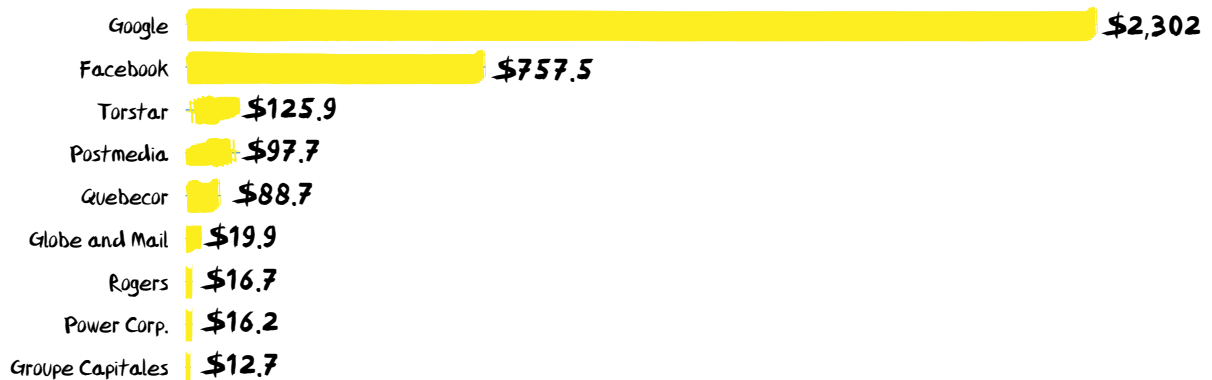


Source: comScore

The second chart, from the Canadian Media Concentration Research Project at Carleton University, attaches digital revenues to different players in the system. Google's share of the Canadian digital market is almost 10 times that of the daily newspaper industry and 60 times that of community newspapers. A comparison of digital revenues for all newspapers and TV programs shows they bring in about one-seventh of the total of the two U.S. platform giants.

## GOOGLE AND FACEBOOK GET MOST OF THE MONEY

Estimated online advertising revenue in Canada, 2015 (\$millions)



Source: Canadian Media Concentration Project

### THE TRUTH AND ANYTHING BUT THE TRUTH

The agnosticism Facebook and Google exhibit toward the content they carry represents a new challenge, both for the news industry and for society at large.

The new ecosystem still prizes attention above all—that is the metric by which advertising revenue is apportioned. But under the old regime, news companies invested in the reliability of their coverage and worked to prevent false, hateful and deliberately manipulative content from entering circulation.

The new regime, which has traded a mass market for hundreds of millions of tiny ones, has no such compunction. It is cheap, easy and profitable for clickbait factories to fabricate content that will arrest attention purely for commercial gain. And it is just as cheap and easy for political provocateurs to manufacture disinformation designed to discredit their ideological opponents. Therefore, genuine journalism must now compete with content that mimics it and dresses deceit in a cloak of credibility, while society must adapt to a world in which fact and falsehood are increasingly difficult to tell apart. An information market polluted this way puts the very notion of credibility at risk.

In an interview for this report, Canadian-born Columbia University law professor Tim Wu, author

of *The Attention Merchants* (2016) and *The Master Switch* (2011), ascribed these developments to the business models that set the initial conditions of the Internet, models that both consolidated revenue and created no incentive for truthfulness. It is not that Facebook and Google cannot control what appears on their platforms, he said. They already do so, for example, with pornography. But the business model would have to be adjusted so that responsible content is rewarded and fabrication for the sake of profit or political gain is not.

In the earliest days of U.S. television, Wu points out, there were vaunted hopes for how the medium might develop as an instrument of enlightenment, but the imperative of advertising-driven broadcasting provided impetus toward mass audiences and the lowest common denominator. The viewing schedules became dominated by westerns, game shows and soap operas. More recently, the advent of narrowcasting and specialty channels inaugurated a different business model, one users finance directly, making them, not the advertisers, the content arbiters. This switch has ushered in an era of variety in programming, and that has given us a range of quite remarkable, high-quality content preferred by some, along with home renovation programs, talent contests

and the Kardashians for others. The arrival of Netflix and other streaming services is again changing both television's business model and its programming.

Even as the battle over credibility takes shape, the authority of traditional news organizations is dissipating. Much of that authority derived from their capacity to dictate a news agenda—they established what were commonly accepted as matters of public concern. Weakened, they create greater space for fake news to gain a foothold. And the economic bias of the Internet against the local and toward the global, the opposite of the newspaper world, is having an impact: Five of the 10 newspaper sites—that is half—now visited most often by Canadians are not, in fact, Canadian themselves.

All this means that commonweal, a shared sense of community and purpose among citizens, is challenged as global and libertarian values gain ground. In a world of limitless expression and Facebook filters, there is no longer a common chronicle of current events. Mysterious automated algorithms informed by people's own information-consumption habits and those of their concentric circles of "friends" mean that everyone's news agenda is personalized. Perceptions of the unfolding present are individual constructs, articulations of particular interests: 1.8 billion unique feeds.

With digital advertising revenue eluding its grasp, the news industry, like specialty television, has experimented with user-pay models to cover the costs of generating news. Only in select instances, such as business and investment journalism, do consumers have either the inclination or wherewithal to pay for their news in the amounts necessary to cover the costs of generating it. The Globe and Mail is one of the few traditional news media companies confident it can grow its revenue from digital subscriptions—a conviction fortified by its strength in business and political news—by its investment in data and analytics that allow it to serve up stories to

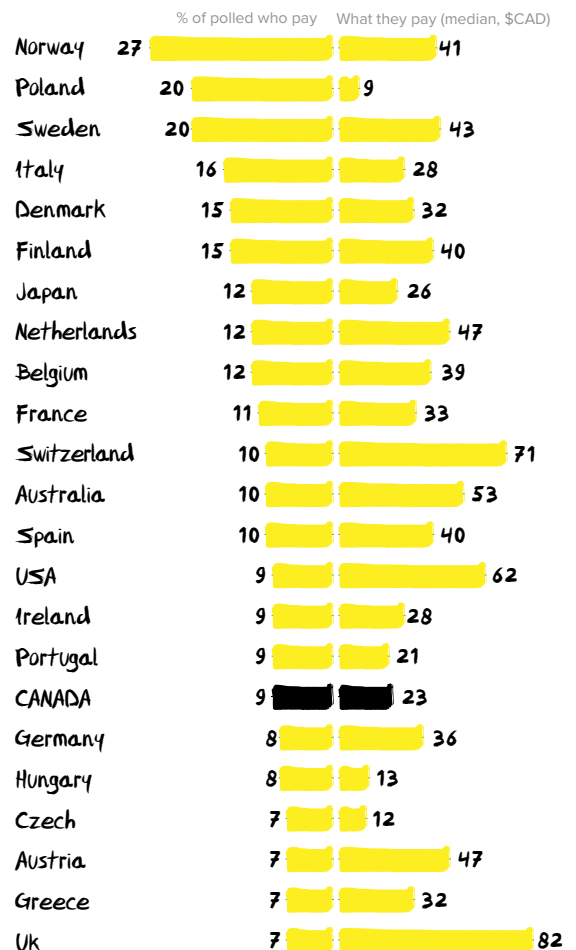
readers at the right time, and by the deep pockets of its owners, the legendarily patient Thomson family.

Still, it is a hard slog. Numbers it provided to the PPF show The Globe estimates 50 percent of its revenues could come from digital by 2019, when it expects the decline of print advertising and the slower growth of reader revenues to finally converge. It remains unclear what would happen if the print version ever disappeared.

In total, only nine percent of Canadians pay anything for online news, according to the Reuters Institute for the Study of Journalism.

### WHO PAYS FOR ONLINE NEWS... AND HOW MUCH

Responses to 2016 Reuters international survey:



Source: Reuters Digital News Report 2016

## OF BILLIONAIRES AND BAILOUTS

Another model—or supposed model—trotted out regularly is salvation via a wealthy white knight. Several have appeared south of the border: Mexican oil magnate Carlos Slim has helped bankroll The New York Times, Boston Red Sox owner John Henry, who made his fortune as a hedge-fund investor, now owns the Boston Globe, and **Amazon founder Jeff Bezos** has been working his digital marketing magic with the Washington Post, which says it made money in 2016.

Of course, not all billionaires are benevolent. Gambling magnate Sheldon Adelson bought Nevada's largest newspaper, the Las Vegas Review-Journal, and used it to hound his enemies. Warren Buffett, who just four years ago predicted a big comeback for the local press, told Politico in 2016, "Local newspapers continue to decline at a very significant rate. And even with the economy improving, circulation goes down, advertising goes down, and it goes down in prosperous cities, it goes down in areas that are having urban troubles, it goes down in small towns—that's what amazes me. A town of 10 or 20,000, where there's no local TV station obviously, and really there's nothing on the Internet that tells you what's going on in a town like that, but the circulation just goes down every month."

Even if there were enough such saviours and they strived not to act in their own interest, a society in which reporting the news depended on the whims of the super-rich would be a precarious place. In any case, Canada is less than replete with billionaires, and three of the wealthiest families—Thomson, Desmarais and Irving—have been in the business for decades. Toronto investor Prem Watsa, who has lost money on past forays into Canwest and Torstar, is once again on the prowl, increasing his stake in Torstar to 27 percent in 2016. After that, billionaire participation falls off. Moreover, restrictive charity laws discourage even philanthropic investment.



## INNOVATION IN THE PUBLIC INTEREST

What Canada does have is a history of public intervention to compensate for being a small market contiguous with the United States. Today, the country is enriched by cultural production in music, publishing, independent film and television—spheres of creativity, investment opportunity and employment—that would not exist except for policy measures employed to bring them about. Then there is public broadcasting, the CBC and Radio-Canada along with TVOntario and TFO, Télé-Québec and British Columbia's Knowledge Network. They are not arms of the government answerable to the dictates of politicians, rather Crown corporations created to compensate for a media market otherwise shaped by, and indebted to, advertising. They exist to provide programming the private sector either cannot, or will not, provide because there is no profit in it—although the private sector will argue that this principle has repeatedly been abrogated by a CBC shaped by commercial considerations (the most recent offence being [cbc.ca's](http://cbc.ca) new opinion vertical, which competes

in a historical sweet spot of the newspaper and in an information mode hardly in short supply on the Internet).

Canada, like other nations, is facing a series of paradoxes. The sheer volume of information now available, the variety of sources and the range of perspectives they express far outstrip what traditional news media could ever put into circulation. And yet what were once routine subjects for coverage begin to disappear from the information diet simply because to report on them diligently is no longer profitable. The promise of democracy—that the people should have the means to voice their opinions on political affairs—has been fulfilled with a vengeance, just at a moment when conscientious media attention to government—the vigilance necessary to inform those opinions—has been compromised.

Citizens have never been better equipped to mobilize, to act in concert, to cohere into constituencies of interest. In 2008, New York University professor Clay Shirky published his perceptive study *Here Comes Everybody*, which anticipated the trouble that socially networked individuals would cause for hierarchical organizations. But the very factors that loosen the hold of institutions also threaten to fragment the public into insular pockets of self-absorption. A society composed of archipelagos of interest without agreed-upon commonalities is one that may no longer see mutual benefit—the public good—as its binding principle. If a shared mindfulness gives way to the balkanization of social attention, instead of “here comes,” it’s “there goes” the notion of everybody. The shattering of the economic model of news also carries the ironic risk of shattering our sense of common purpose into atomized shards.

The incumbent news media are weighed down by both their cost structures and cultures of speaking *at* the public, which is instead expecting cybernetic engines of interconnection. The new media trying

to come of age in Canada are more comfortable in the looser clothing of communications preferred by millennials, but have yet to acquire the critical mass to shape shared knowledge and move public opinion.

It will not be enough to preserve the old forms of civic-function journalism in the face of the media’s market failings. News journalism will have to evolve.

The fact that as yet we can hardly conceive of what responsible civic journalism would look like if truly attuned to, and part of, a socially mediated regime is precisely the point. It is a genre still to be invented. Part of the effort must be to encourage initiative and innovation in the public interest.

We stand at a juncture where the traditional economic base of the news media has crumbled and the technologically ascendant cannot be allowed to recede into clickbait and falsehood, or fail to muster the resources to speak to at least most of the people a good portion the time. As we will see in the next chapter, democracy can tolerate no less.

**Section**

**2**

**News and**  
**Democracy**

**The way to prevent these irregular interpositions of the people is to give them full information of their affairs through the channel of the public papers, and to contrive that those papers should penetrate the whole mass of the people.**

Thomas Jefferson



# News and Democracy

i.

## ‘Contrivances’ to foster civic-function journalism

Arguably the most famous words about the relationship between a free press and a democratic government come from Thomas Jefferson. While in Paris during the French Revolution, the future U.S. president wrote to an associate back home that if he had to choose between government without newspapers, or newspapers without government, “I should not hesitate a moment to prefer the latter.”

But it is what he wrote just before this oft-cited remark that resonates in the wake of the 2016 U.S. election campaign. Jefferson was grappling with what to do when those being governed make a bad choice. Rather than suppress the right to make such a choice, he wrote:

“The way to prevent these irregular interpositions of the people is to give them full information of their affairs through the channel of the public papers, and to contrive that those papers should penetrate the whole mass of the people.”

Jefferson speaks to the importance of common pools of information in governing a democracy with informed consent. And so, he importunes us to contrive that news related to public affairs—what we call journalism with a civic function—should penetrate the whole mass of the people, and so reduce the likelihood that they will make poor political choices.

Reading his words today, it is almost as though the principal author of the U.S. Constitution has travelled through time to warn us of the dangers posed by the echo chambers and filter bubbles that have riven the great democracy he helped to create.

Canada has been contriving for generations to provide its citizens with common pools of information through public-policy initiatives—from the creation of the CBC to the addition of Section 19 to the Income Tax Act to the Canada Periodical Fund—that are designed to counter an economic logic that has favoured the importation of information from large media entities to the south. With the diminution of established media, an explosion of new entrants and the rise of social media comes an abundance



OR



of paradoxes. There is more choice, and yet less information, about civic affairs, from city halls and school boards to courts and legislatures. Audiences are fragmented while digital revenues have become concentrated in a pair of Silicon Valley-based global giants for whom news is an add-on. Once strong and free, Canada's news industry finds it ever harder to finance the creation of original news, an affliction of both the so-called legacy media as well as the sprinkling of Canadian digital news startups.

To be free, the press must be financially viable. Someone needs to finance the news, whether consumers directly, advertisers trying to reach audiences, benevolent (or otherwise) billionaires, financial-data companies looking to round out their offerings, philanthropists, venture capitalists, governments—someone. The extraordinary financial strain on the journalistic system Canadians have known for a century has led to successive waves of newsroom buyouts and layoffs. As the mirror the media holds up to society shatters, a disruptive new system is rising in its place. Although more diverse

and participatory, it either lacks investment capital or has yet to prove that it can deliver a reliable flow of civic-function news.

We are certainly witnessing a crisis for the traditional news industry, but is it a crisis for democracy? There are now entirely new concourses of communication, new genres of information and entertainment, new avenues of social interaction, and new ways to marshal scrutiny of public affairs. How societies inform themselves is undergoing a seismic shift. Like the printing press 500 years ago—the only true comparison—the Internet creates unprecedented opportunity for those outside the elites to elbow their way into civic discourse. Today, anyone can contribute; participation is no longer limited to those who find employment with newspapers and broadcasters. Just as the printing press served as the handmaiden to democracy, the Internet has accorded freedom another great leap forward.

To the extent public policy has a role to play, it should be focused on maintaining the flow of information essential to a healthy society and ensuring the

development of the digital arteries of the new information system—not preserving the press as we know it. The digital revolution is real, but with it challenges have arisen: fragmentation, distortion and adjusting to new business and storytelling models.

Sociologist and Columbia School of Journalism professor Michael Schudson explained what's at risk in his 2008 article, [Six or Seven Things News Can Do for Democracy](#). He described the civic function of the news media as:

1. Information—so citizens can make sound political choices;
2. Investigation—of concentrated power, particularly that of government;
3. Analysis—to help citizens comprehend a complex world;
4. Social empathy—informing people about others in the world so they can appreciate differing viewpoints, especially of those less advantaged;
5. Dialogue—acting as a forum for different groups in society to air their views; and
6. Mobilization—serving as advocates for particular political programs and perspectives and marshalling support for them.

“These different functions are sometimes at cross purposes,” Schudson wrote. “In particular, the mobilization or advocacy function may undermine the reliability of the informational and investigative functions. Still, it is not unusual for a single news organ, particularly a newspaper, to serve democracy in all these ways at once.”

Democracy does not consist purely of a franchise exercised periodically at the ballot box. More broadly, it exists in the honest documentation of civic affairs and the unbridled welter of public opinion. Democracy is one great, ceaseless, fractious argument about where a society's priorities should lie. Anti-democratic behaviour occurs when people or groups of people are excluded from this conversation.

Sometimes this conversation will become banal, irrelevant or sensational. Periodically, it will be way off the mark. On other occasions, it will hit the bull's-eye. Certainly, the irritant of an overblown story is nothing in a democracy compared with the tragedy of stories about abuses of power that go untold. “A free press can, of course, be good or bad, but, most certainly without freedom, the press will never be anything but bad,” French writer Albert Camus once remarked.

Every year there are dozens of examples of hitting the bull's-eye. Radio-Canada's acclaimed investigative program, *Enquête*, won the prestigious [Michener Award for public service journalism](#) in 2015 for its coverage of sexual and physical abuse of Indigenous women in Val d'Or, Que. The previous year, *The Globe and Mail* won for work on the neglect of thalidomide survivors. Other recent Michener winners covered such matters of public interest as the Rob Ford and Robocalls scandals, reductions in support for people with developmental disabilities, abuse of Taser guns, mistreatment of Afghan detainees, negligence in breast-cancer treatments and the federal sponsorship scandal. Such stories emerge from months or years of painstaking iterative journalism, often by beat reporters who see a small something amiss and keep on it. To be vigilant, the media require boots on the ground.

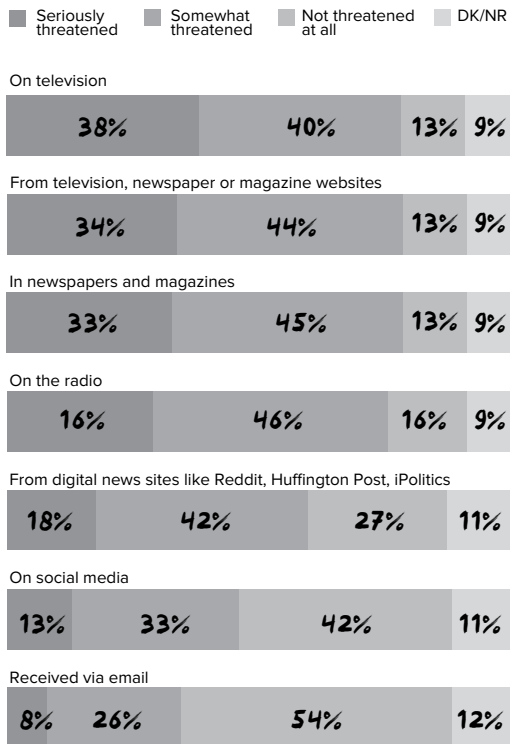
The steady erosion of resources in recent years not only reduces the number of reporting boots, it leaves the media vulnerable when push comes to shove, and the powerful push back against unwelcome intrusions. News organizations require the financial wherewithal to resist, as *Washington Post* proprietor Katharine Graham did when the top law-enforcement official in the United States, Attorney General John Mitchell, warned that she would “get her tits in a wringer” if she didn't call off the reporters investigating Watergate.

Independence of the news media has long been accepted as a fixture of a healthy democracy. Such a view was strongly embraced in public-opinion

research commissioned for this study. Eight out of 10 respondents said they actively follow the news (with education, not age, being the main determinant). Seventy percent said the news plays a major role in a democracy and another 17 percent said a minor role, versus just five percent who think it has no role and eight percent without a view. More than three-quarters said they believe democracy would be threatened if established news organizations were no longer able to fulfill their civic news function.

## WOULD DEMOCRACY BE THREATENED IF THERE WERE NO NEWS?

If there was no news from the sources below, do you think democracy would be seriously threatened, somewhat threatened or not threatened at all?



Source: Earncliffe Strategy Group. More than 1,500 adult Canadians responded to an online survey between Sept. 22 and Oct. 2, 2016.

According to our poll, Canadians place much more importance on politics, current affairs and their communities when it comes to what constitutes news, than on such categories as sports, entertainment and celebrity. They see news as fundamental, even foundational, to democracy. In our focus groups, people described the news in almost parental terms, as being not necessarily what you want to know at a given moment, but what you need to know. “News is what’s good for you,” one participant said. Others observed that without the news they wouldn’t be able to develop an opinion on public issues or stay informed, whether about what is happening far afield or close to home. (As one participant put it: “News is necessary so you can know if there’s a rat infestation in your neighbourhood.”)

It’s not that they want to be engaged in the news or with news organizations every day. Most said they get much of their news from Facebook. It’s simply that they don’t want to rely on their friends when serious matters are at hand. They prefer a trusted source at these moments, often citing an established news brand or a particular journalist, such as a television anchor.

Indeed, there is a complex trust gap among Canadians in their attitudes toward traditional-style media organizations and social media. On the one hand, a significant majority of Canadians believe that the news available on different platforms is similar in quality. “The reason for this,” according to pollster Allan Gregg of Earncliffe Strategy Group, who conducted the PPF public-opinion research, “is perhaps both surprising and obvious—seven out of 10 users of online media are getting their news from traditional media websites.” In other words, they see little difference because they are receiving much of their news not from digital-only publications but digital versions of newspaper, television or radio brands with which they’re familiar. “The pattern here suggests that it is the source and not the platform or channel that

confers trust and authority,” Gregg said. “The fact that traditional sources of news draw the largest digital audiences therefore is a major contributor to the trust and authority to online media.”

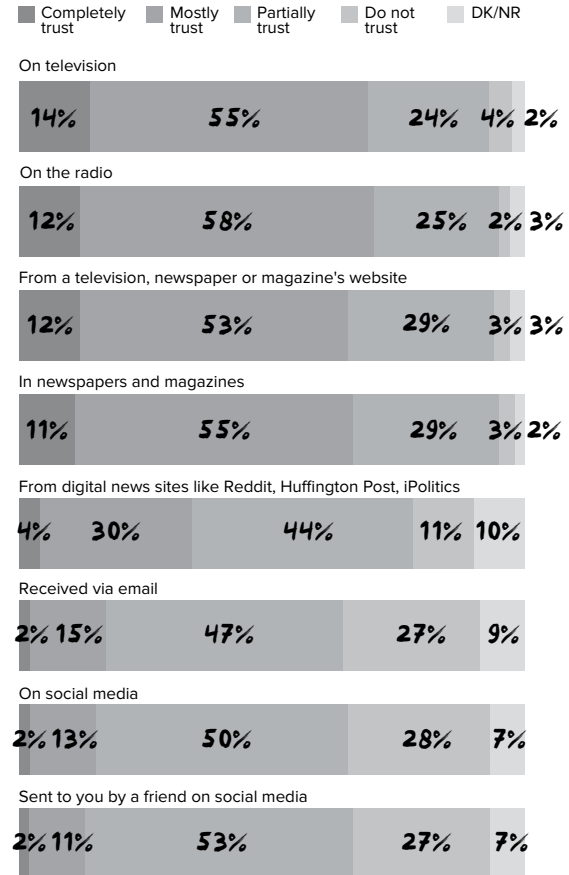
On the other hand, one can see differences emerging when the public assesses professionalism and objectivity. While 44 percent again view the quality of digital and non-digital as the same, 38 percent think these attributes are in greater supply from traditional media versus only eight percent who think otherwise.

The major point of departure comes when they are asked about trust directly. The PPF polling was in the field long before the U.S. election and the subsequent attention to the fake news issue. Still, respondents were very aware that “a lot of bogus and untrue news and information appears online” (83 percent) and that “getting news from friends and through social media is alright, but sometimes I want news from organizations and journalists that I know” (80 percent). Whereas seven out of 10 respondents completely or mostly trust their newspapers, radio and television, the figure drops to 15 percent for news acquired via social media.

## **Our poll and focus groups exhibited an almost reverential respect for the role journalism plays in a democracy.**

### **TRUST IN NEWS**

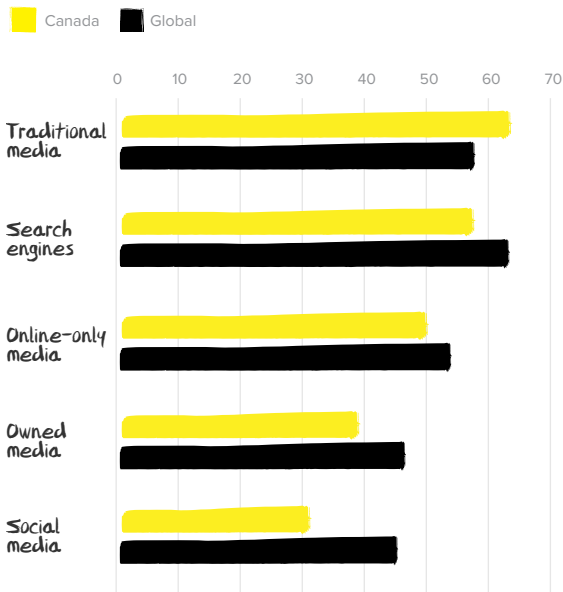
Would you say you completely trust, partially trust, or do not trust the news that is...?



Source: Earncliffe Strategy Group

## CANADIANS' TRUST SKEWS TO TRADITIONAL NEWS SOURCES

Percentage of survey respondents who say they trust the following sources for general news and information



Source: 2016 Edelman Trust Barometer

The propagation of untruths and spreading of hate online is expanding rapidly. It has always been axiomatic that the defence of free speech requires rallying around forms of speech that are unpopular. But the rise of a parallel media ecosystem that does not just tolerate hate, but privileges it, is an altogether different proposition in a democracy. Is there a point at which the defence of freedom erodes the cohesiveness of society? As new digital information initiatives emerge, as government and civic institutions adapt, and as democracy itself evolves, the question increasingly becomes: what is the essential place of public communication in the democratic weal?

Fake news is troubling, but this country is not without countervailing tools. However oxymoronic it may sound, in Canada free speech is not an absolute. Hate, for instance, does not get a pass. Section 1 of

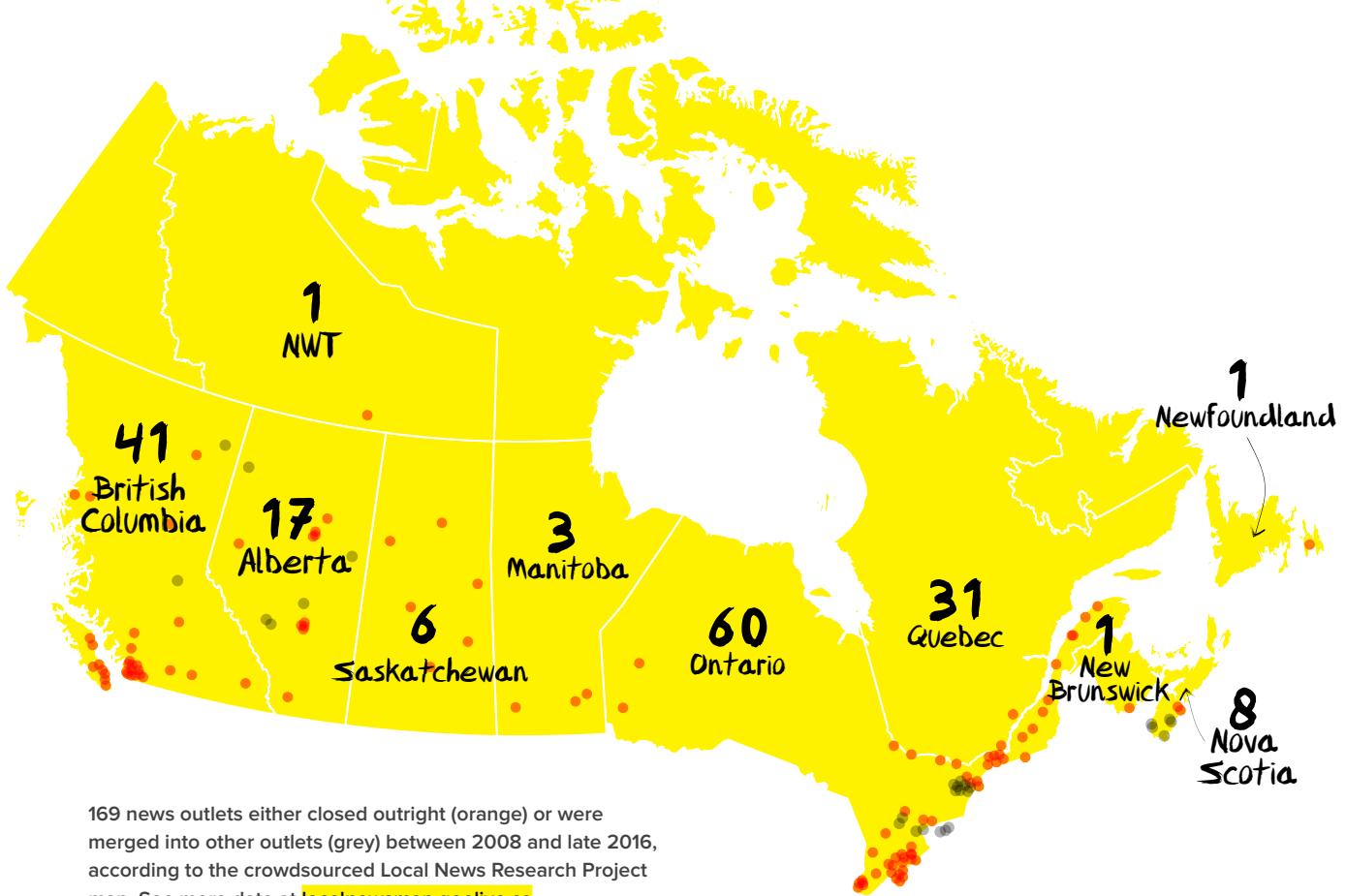
the Charter of Rights and Freedoms subjects rights to “reasonable limits ... that can be demonstrably justified,” and has been applied to both hate speech and obscenity. Anti-defamation and anti-bullying laws are other checks on free expression doing social harm.

### WHY NOT ALL NEWS IS ALIKE

While Canadians like and live social media, they don’t always hold it in high regard: when the chips are down, they look to news media outlets and journalists who have “been around a long time” for substantiation of what they encounter online. They view them akin to first responders in an emergency—they’re in reserve for when you need them, and prepared to check things out on your behalf at the scene of the action. In contrast, one participant said, “social media will have an opinion right away, which makes me go: ‘Wait a minute.’ ” Another said: “Facebook won’t give you the insider perspective.”

Beyond their utilitarian function, both our poll and focus groups exhibited an almost reverential respect for the role news and journalism play in a democracy. The evidence, Gregg said, suggests that consumers relate to this function at both the individual—“news arms me with the information I need to protect my rights”—and at the societal level—“news holds the powerful accountable.” The public largely associates these functions with established news providers. Any threat to democracy is seen to be all the more dire if news from traditional media sources dries up.

The public’s vista of what may constitute a threat—or democratic deficit—extends well beyond elections. Attention to the workings of public institutions and the state of democratic rights, including a free press and independent judiciary, is also vital. This view is consistent with the charter, which sets out an extensive series of rights beyond the Section 3 guarantee of voting for members of the House of Commons and legislative assemblies. Among these



rights are freedom of conscience and religion; freedom of thought, belief, opinion and expression; freedom of peaceful assembly; freedom of association; mobility, legal, equality, official language, minority education and Aboriginal rights.

Journalism’s job is to be vigilant on all fronts. Our polling shows Canadians worry about the following consequences from the decline of news organizations:

- a loss of investigative reporting
- a loss of information with which to protect their rights
- a loss of local reporting
- a lessening of professionalism

- less accountability on the part of politicians and other powerful interests

These concerns are not misplaced. Philip Napoli, a professor of public policy at Duke University, is currently probing such questions as he examines news ecosystems in 100 U.S. communities.

In an interview, Napoli told the PPF of his previous work in New Jersey, where he found growing evidence of what he calls “news deserts”—areas (often lower-income) where news is dying out. Whereas newspaper economics favoured the local, he noted, the cost of transporting digital content farther afield is inconsequential. So, when online, media tend to go regional or national, if not global, in search of a bigger audience.

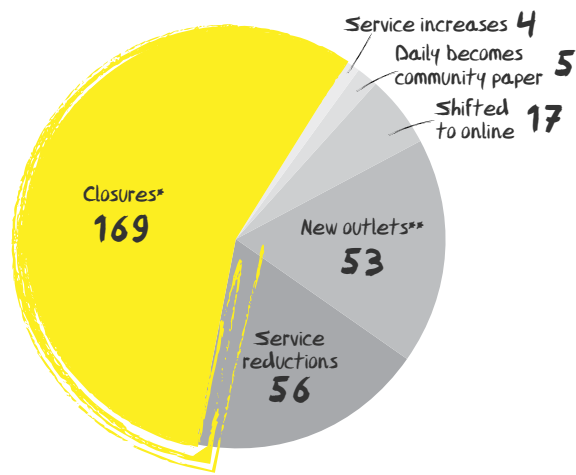
The deterioration of local news can be seen in Canada, too. Ryerson University journalism professor April Lindgren briefed one of our roundtables on her investigation into what she calls news poverty. She (in partnership with fellow professors Jaigris Hodson of Royal Roads University and Jon Corbett of UBC-Okanagan) has created [a crowd-sourced national map](#) on which members of the public can report changes in news service provided by local broadcast, online and print media.



In November 2016, the map had 304 entries dating from 2008, more than half of them (169) documenting the loss of local news outlets in 131 communities, versus 53 new ones, surprisingly few of which are digital-only, Prof. Lindgren said. The remaining map entries mostly document downgrades in service. So, the story is not one of the new replacing the old.

### MORE CLOSURES, LESS LOCAL NEWS

Most changes to local media outlets since 2008 were closures or loss of service (Data as of Nov. 7, 2016)



\*Includes closures due to mergers  
 \*\*Includes new outlets created from mergers  
 Source: Local News Research Project

Despite the clear trend portrayed by the media map, perhaps the most counterintuitive of our poll findings shows that only half of Canadians seem to appreciate that newspapers are truly in trouble, and even fewer feel that way about television news. The fact that they are currently inundated with news runs counter to the notion that the media industry is in peril. They consider any loss of news a serious societal problem, but generally think the situation can be resolved simply by shifting from print to digital. They neither understand the “dollars for dimes” economics at play—the fact that a digital ad generally yields far less revenue than one in print or on TV—nor its impact on newsrooms. There is advertising online just like in papers, we heard, so if papers just switched over, they could afford the same number of journalists.

Our research also found some consumer guilt about not paying to support the news, yet little appetite to start doing so. And, in part because the public erroneously believes that the dot-com version of the local newspaper will support the same retinue of journalists, only 25 percent of our poll respondents think government should help out, while more than twice as many—54 percent—oppose the idea and the remaining 21 percent are undecided.

A participant in one of our focus groups said it’s do or die, telling publishers that, if Google and Facebook are eating their lunch, “it is your responsibility to figure out how to get people to come in your front door. Car dealers, taxis—if they can’t figure it out, then they go away.”

The groups were both resistant to and conflicted over the idea of government support. “I would be concerned about government influence,” commented one. Then that veneration for the place of journalism in society kicked in: “Having said that, I do believe government can do something.” After all, “they subsidize the film industry.”



The upshot is that pluralities are prepared, but only begrudgingly, to consider policy measures that would aid news organizations. A fund of some kind and extending Section 19 tax preferences for Canadian media were among the most acceptable solutions (very good or good for 49 percent of respondents). The least popular was lifting foreign-ownership restrictions (22 percent). The greater the understanding of the depth of the news media's financial problems, the more receptive respondents are to a policy response. But nobody is enthusiastic.

"Perversely," Allan Gregg said, "it is the very things that the public values most about news—providing objective information that arms citizens and holds the powerful to account—that forms the basis for their resistance to government support for the sector."

Ultimately, the public is trapped between concerns about a world without reliable and ready news and concerns that actions to right the situation would corrupt the very purpose of journalism. Fully 75 percent say they worry that if money went to journalists it would affect their impartiality, and 68 percent say the same for news organizations.

Asked how they would reconcile a choice between no news and news with government support, our focus groups tended to fall silent. Ultimately, they hope the situation will fix itself. As a participant in Regina said: "Somehow, somewhere, someone will figure it out."

To repeat: Canadians are extremely leery of any measure, however well intentioned, that gives the state a place in the newsrooms of the nation. Policies that might influence coverage are out of the question. News organizations and journalists are held in high esteem as guardians of democracy, so much so that there is little appetite for using taxpayers' dollars to prop up failing news corporations as they attempt to "transition" to a new environment.

They have not shut the door, but remain skeptical. Contriving to square this circle will require delicacy and creativity.



## **The importance of where news originates**

Canadians have greater access to news than ever, thanks to the co-existence of incumbent media organizations, digital native news operators and the distributive power of search, social media and aggregation. Many feel inundated. Indeed, 93 percent of respondents to our poll said, "We get more news today, more quickly and frequently than we ever have in the past." Eight in 10 said they follow the news, about a quarter very closely.

Where people access news is relatively easy to research and of considerable importance. But the truly critical matter is where this news originates. The "being informed" supply chain needs to start somewhere, and it isn't Google and Facebook, the two largest digital newsstands. Both have been adamant they are not publishers, just distributors. They don't want the complex set of risks and responsibilities associated with being a producer of news—not to mention the poor economics. But if no news is produced, there is nothing to distribute, and the supply chain breaks down. So, it is more pressing to understand where news begins than where it ends up.

## VIEWS ON NEWS

People have offered many views about news that appears online compared to news that appears in non-digital media like television and newspapers. For each of the following statements, please indicate whether you strongly agree, agree, disagree, or strongly disagree.

Strongly agree  
  Agree  
  Disagree  
  Strongly disagree  
  DK/NR

We get more news, more quickly and frequently today than we ever have in the past



A lot of bogus and untrue news and information appears online



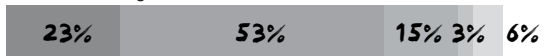
You can get news much more quickly online than you can by reading the newspaper or watching television



Getting news from friends or through social media is alright but sometimes I want to get news from organizations and journalists that I know



The main advantage of online news is that it tends to be free



Online news tends to be less rooted in and covers less news about the local community



A day will come when we will get ALL of our news online



Nothing would change for me if online news and social media replaced newspapers and local television



Most of the news that is available online comes from stories that were originally generated by newspapers and television



If more people are getting their news online today, traditional media like newspapers and television have no one to blame but themselves



Source: Earncliffe Strategy Group

Oddly, there is very little research in this area. What we have found suggests that digital-only operations, even in the more robust media climate of the United States, are not yet at the point of investing adequately in newsgathering to fill the civic-function gap. The incumbent media are rapidly deteriorating, but that is where the lion's share of original news still starts out.

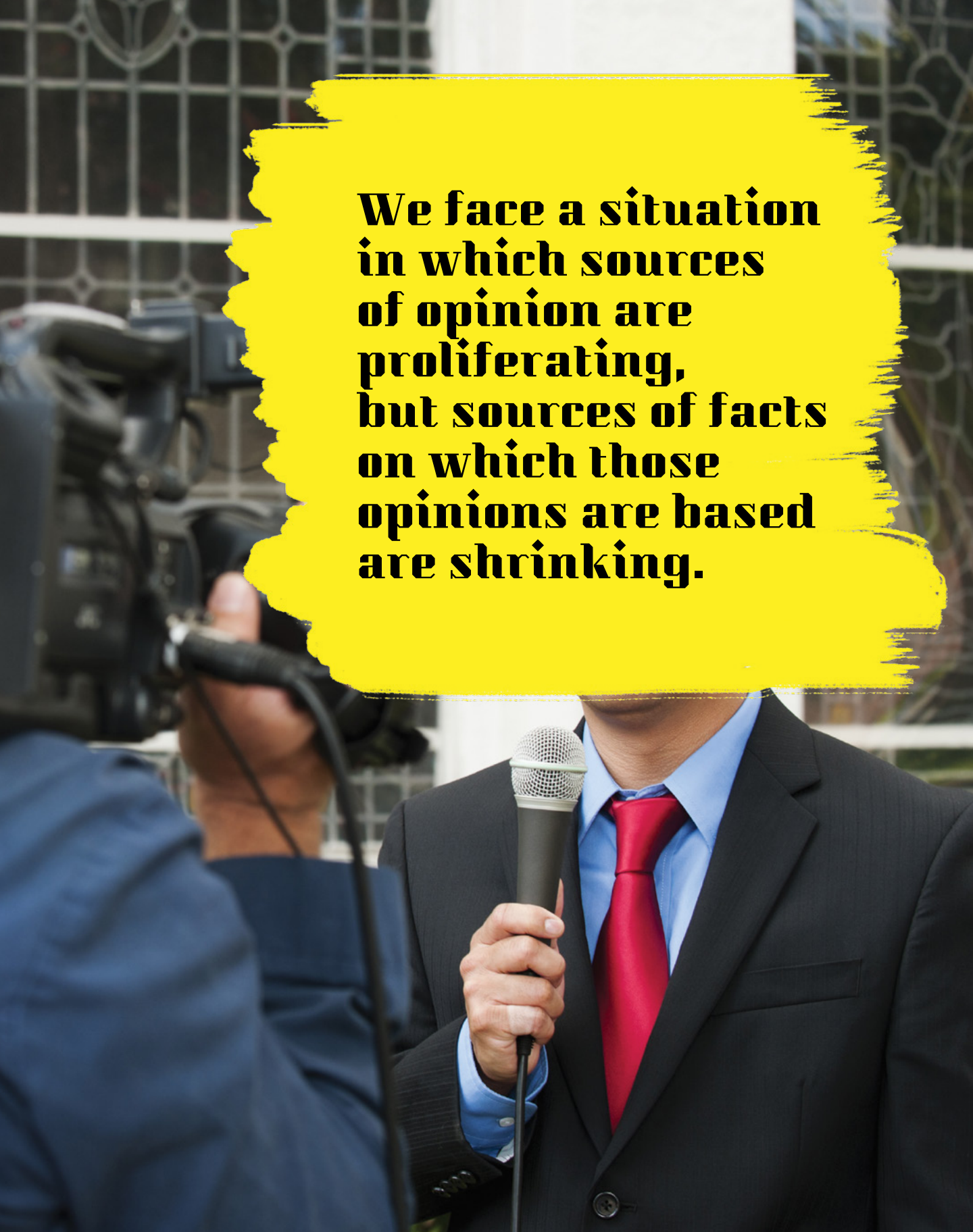
We rely here on studies conducted by the Pew Research Center: Journalism and Media, one in 2010 and another five years later.

### HOW NEWS HAPPENS: A STUDY OF THE NEWS ECOSYSTEM OF ONE AMERICAN CITY (2010)

In the first, Pew researchers delved deeply into the news media ecosystem during a week in the life of Baltimore, including new media, blogs and specialty news sites—53 in all. They asked questions similar to those we are asking: "If newspapers were to die, what would that imply for what citizens would know and not know about where they live? With the traditional model under enormous pressure, the number of people gathering news in traditional television, print and radio organizations is shrinking markedly. So what, if anything, is taking up that slack?"

Much has changed since 2009, when the researchers were in the field, but they found that the vast majority of the news available to Baltimore residents contained no original reporting. Fully eight stories in 10 simply repeated or repackaged information that had been reported previously. This is not entirely bad; greater circulation of stories raises the probability that more citizens will encounter them. But it also raises a red flag: What happens if those originating the news are forced out of business?

Of the very few stories (one in five) that did contain new information, 95 percent came from traditional media, mostly print. By 2009, the main paper in Baltimore, the Sun, was already in decline, as vividly depicted in the final season of the HBO drama, The Wire. In 2009, the Sun produced 32 percent fewer stories (of any kind) than it had 10 years earlier,

A man in a dark suit, light blue shirt, and red tie is speaking into a microphone. The background is slightly blurred, showing a window with a decorative pattern. A large, bright yellow brushstroke graphic is overlaid on the upper right portion of the image, containing the text.

**We face a situation  
in which sources  
of opinion are  
proliferating,  
but sources of facts  
on which those  
opinions are based  
are shrinking.**

and a remarkable 73 percent fewer than in 1991. It is difficult to identify the dog that doesn't bark—news of civic importance no longer covered by the city's weakened media. But Baltimore provided a warning. Pew found that the universe of blogs, local websites and other new media served mainly as an alert system and delivery vehicle.

In March 2015, Pew and the Knight Foundation took a broader look at the local news scene.

#### **LOCAL NEWS IN A DIGITAL AGE (2015)**

This study examined three communities that differed in size and socio-economic makeup: Denver, Colorado (population 2.9 million); Macon, Georgia (231,000) and Sioux City, Iowa (168,000). In Denver, researchers identified 143 news providers, although just 52 of them updated their coverage at least weekly. In Macon, that number was 24, and in Sioux City, 31. They included minority, trade and lifestyle publications (including one devoted entirely to marijuana).

Original news continued to rely on long-established providers, especially the supply of civic-function news. But the degree of dependence varied from about two-thirds in Denver and Sioux City to nearly 90 percent in Macon. Digital-only news outlets accounted for less than 10 percent of stories in Denver, whereas there were no such operations in Macon or Sioux City active enough to meet the criteria of the study.

In all three cities, television remained people's main source of local news, with the Internet growing in importance and newspapers in retreat. Fewer than one-quarter of Denver respondents said they often get local news from their main daily paper, and fewer than half in Macon and Sioux City. But when it came to the mix of news, the Denver Post was three times more likely than television to produce stories focused on government, politics, economics or education—essentially civic-function news.

If papers anchor the news ecosystem, what function do the surrounding constellation of blogs, ethnic media, specialty publications, non-profit websites and social media serve? First, they push a broader range of subjects onto the public agenda, the researchers said. This, in turn, contributes to what they call a "second layer of vibrancy."

In the final analysis:

- Although it remained the dominant source of news, television tended to be highly reactive to known events, with fewer reported stories and more anchor voiceovers. (We heard of the same during our roundtables across Canada.)
- Daily newspapers continued to be the most important, albeit diminished, news source, the place to go to learn about state primary elections, controversy over gun laws, a ballot initiative on oil-industry fracking and debate over the legalization of marijuana.
- Local radio remained relatively important as a source of breaking news.
- Even online, traditional media were more important news sources than digital-only platforms. (This again is very consistent with our polling, which showed that seven out of 10 respondents get their online news from traditional media websites.)
- Social media may be growing in importance as a source of access to news, but in all three cities the stories trending on Facebook were first reported by other news media.
- Specialty publications and sites tended to contribute to greater news diversity and to produce fewer but longer and better-researched enterprise stories.
- Only two to four percent of residents in the three centres turned to digital-only outlets for news—less than government sites and neighbourhood associations, and about one-tenth the number who relied on friends.
- Citizen journalism remained a minute factor. Local stories not written by professional journalists accounted for no more than one percent of all those produced. (Nor have we seen, with a few notable exceptions, much evidence of citizen journalism in Canada.)

As the traditional news industry—still the trusted source for so much vital information—fights for survival, the question becomes: to what extent should public policy support the traditional system where news overwhelmingly originates or encourage the development of new entrants with less journalistic muscle. Or should it try to do both?

Either way, the highly regarded U.S. investigative site [ProPublica](#) sums up the origination-distribution dichotomy in language with which we agree:

“The number and variety of publishing platforms are exploding in the Internet age. But very few of these entities are engaged in original reporting. **In short, we face a situation in which sources of opinion are proliferating, but sources of facts on which those opinions are based are shrinking.**”

“The former phenomenon is almost certainly, on balance, a societal good; the latter is surely a problem.”



## The importance of local news

Friday, Jan. 29, 2016, produced a shock wave in Canadian journalism. On the same day, Torstar Corp. printed the last edition of the Guelph Mercury, a paper that had gone daily the year that Canada was born, and Black Press closed the Nanaimo Daily News, which had come into being just seven years later.

In total, six daily newspapers either closed, merged or reduced their publication schedules in 2016, bringing to 36 the number to have done so since 2009. Community weekly papers, which held fast when the dailies began to slide, have since joined the wreckage, with at least nine closing or merging in the past year. Between 2012 and 2015, the 1,060 community papers in the country lost about one-third of their revenue—roughly \$400 million. And they are

under-developed in digital, which accounts for less than five percent of total proceeds.

Small-city dailies and weekly newspapers, radio and, in some cases, television serve an important civic function. Weeklies alone publish 20 million copies a week, some in large markets, and 90 percent are distributed for free. They provide a mix of news, community information and local advertising that connects residents with where they live and one another. They help people know everything from what’s on sale to who has died to how the junior hockey team is doing. They are part of the fabric and provide social glue across the nation.

They can also be crucial players at pivotal moments, such as when it’s time to go to the polls. Research by Prof. April Lindgren of Ryerson University in Toronto and Prof. Jaigris Hodson of Royal Roads University in Victoria has shown how critical the local press was to coverage of the 2015 federal election. They dug into campaign coverage in eight communities: Thunder Bay, Peterborough, City of Kawartha Lakes, Oakville and Brampton in Ontario, plus Kamloops and Nanaimo in British Columbia and Brandon in Manitoba, finding significant differences in the amount of information made available to citizens.

They found that more isolated locales with multiple news outlets tend to provide significantly more coverage. Proximity to a larger centre tends to bring down the numbers of stories and the diversity of sources. In Brampton, just outside Toronto, a single organization dominated the coverage of three key suburban ridings but published only 43 stories (roughly one every second day over the course of a 78-day campaign). Thunder Bay and Kamloops, by comparison, enjoyed relative “local news affluence”—four to five times the number of stories, from a variety of sources. A sign of the times: As well as the Nanaimo Daily News, civic-minded Newskamloops.com has also ceased operating since the vote.

## **AN ENDANGERED PRAIRIE SPECIES**

To help get a clearer picture of the role and nature of local journalism outside metropolitan centres, the PPF decided to take a deeper dive into the situation in Regina, a provincial capital but also a mid-sized city of about 220,000 with a daily newspaper and both public and private broadcasting. We were assisted by former Saskatchewan journalist and federal public servant Dale Eisler, now a senior fellow at the University of Regina's Johnson Shoyama School of Public Policy. We also conducted two of our six focus groups in Saskatchewan, along with one of our six roundtable discussions.

As in bigger centres, participants in our focus groups generally said they feel better informed in the digital age about the world at large and less so about what is happening in their own backyards. A focus-group participant from a smaller community remarked that, when he was younger, his local paper contained little real news, but the "big city paper" would come from Regina every day and fill the void. "Now the Leader-Post is like our local paper back then," he said.

We were told there was little digital-only news media of impact in Saskatchewan (although we later identified an interesting exception tucked away in the province's third-largest city). We also were exposed to a litany of complaints—disappointments, really—about what was widely described as CBC's diminished role. The public broadcaster was criticized for removing its one full-time reporter from the provincial legislature and assigning her to general news when the assembly was not in session. At the time, the tandem of the Leader-Post in Regina and StarPhoenix in Saskatoon was without a regular legislative reporter—it did have a resident columnist at the legislature—which became a national focal point for the weakened commitment to civic-function journalism.

In the period between 2000 and 2015, as the Internet really took off, paid circulation of daily newspapers

in Saskatchewan dropped dramatically. According to audited data, both the StarPhoenix and Leader-Post lost more than half their subscribers. The former fell from an average of 61,064 in 2000 to 29,952 in 2015, and the latter from 58,611 to 25,781. Both are owned by Postmedia and have cut newsroom staff (in half by some reports). Their websites are active and were cited in our focus groups, but they do not compensate for the loss of readers or revenue.

The Moose Jaw Times Herald and Prince Albert Daily Herald, the province's only other dailies, witnessed similar reductions to 4,042 subscribers and 5,197 respectively.

The once-thriving Saskatchewan Press Gallery is a symbol of the decline. In the 1980s, its roster included several reporters from each of the Leader-Post, StarPhoenix, CBC television and radio, Radio-Canada TV and radio, as well as The Canadian Press, Broadcast News and private broadcasters. Now reporters cover the legislature only when it's deemed necessary. The iterative process of journalism, with all its serendipitous discoveries, has given way to a breaking-news approach.

Marc Spooner, the University of Regina education professor who first flagged the absence of a full-time CBC reporter, has argued that "doing away with beats comes at a great cost. You need in-depth coverage with some sense of longevity. You need to hold governments to account by having historical memory of previous actions and statements." During our roundtable in Regina, the Leader-Post told us it has reassigned a dedicated reporter to the legislature.

# Google, when asked for “final election results,” placed atop its results a story wrongly stating that Donald Trump had won the popular vote.

Saskatchewan reflects a national trend. [J-Source](#), which covers the news media, [surveyed press galleries across the country in 2016](#) and found numbers down in all provincial capitals, and reporters on site frequently being assigned to other stories. The part of the job that reports on what the government wants the public to know is crowding out the part of the job that involves enterprise and digging, veteran Alberta political reporter Darcy Henton said. “It gets harder to do the latter when you’re chasing to do the former.”

Saskatchewan’s government isn’t sitting around waiting for a reportorial renaissance. It has placed a great deal of emphasis on developing a social media capacity to serve Premier Brad Wall and his cabinet. Rather than rely on journalists to cover a speech, the government delivers key clips directly to voters via Facebook and Twitter. But the results aren’t especially satisfying. “It’s kind of a paradox,” says Reg Downs, a senior adviser to the premier. “There is far more ability for people to engage, but there ... aren’t necessarily more actually taking advantage of that fact.”

The government may be missing the credible bridge to the public that traditional media provide.

And yet, despite appearances, the story of local journalism in Saskatchewan and elsewhere does show some signs of hope.

Roger Holmes, publisher of the Wainwright StarEdge in Alberta and other community papers, made a splash in the summer of 2016 by purchasing the dailies in Moose Jaw and Prince Albert as well as a clutch of Saskatchewan weeklies from Quebec-based TC Transcontinental Inc. He attended a PPF roundtable in September and told us he is committed to, and hopeful for, local journalism, saying that news reporters and ad-sales people both “need to be close” to the communities they serve.

Holmes expected a rough ride and low returns, but was optimistic. When we checked back with him in early December, he was more subdued. “In short, we are struggling. We think we can survive and we will be cutting several editorial and several administrative positions in the new year. Some of our smaller weekly papers will have to be combined into regional papers.”

He faces unusual and intriguing competition in Prince Albert, a city of 36,000 about 140 kilometres northeast of Saskatoon. As a direct result of the cutbacks at the Herald under Transcontinental, the online news portal [paNOW.com](#) was created five years ago. “Like many big companies, they opted to cost-cut and, every so many months, something was taken away,” said its general manager, Karl Johnston. “Advertisers and readers saw the pullback, and they pulled back, too.”

The site was launched off the base of three local radio stations (the maximum one company can own in any single market), each with its own ad team and a combined editorial contingent of five. With the weakening of the paper, the local radio managers saw an opening for online news, Johnston said, and secured support from their owner at the time,

Rawlco Radio Ltd., to “do it right” and “spend what was necessary.”

The key decision, he adds, was to go beyond the typical model of repurposing radio content online by launching a full-blown digital news site with its own editorial and sales team. Several of the five new journalists were hired away from the paper. A 10-person newsroom (radio and portal) in a community the size of Prince Albert is a rare thing these days. “With more people, we now have the time, resources and skills to do access-for-information requests versus just keeping up with news releases pumped out by local authorities.”

Within six months, the portal was breaking even, Johnston said, with sales that now represent 15 percent of total revenues in Prince Albert. It attracts 35,000 to 40,000 visits a day. In 2015, the Vancouver-based Jim Pattison Broadcast Group purchased Rawlco, and the portal model is being expanded in Saskatchewan, to North Battleford and Meadow Lake. Pattison Group believes the model can work only in relatively isolated communities, with limited competition and the head start from other assets. Google and Facebook still attract big dollars in the communities, Johnston says, but “there’s lots of digital dimes floating around.”

Although instances of growing new media businesses are few and far between in Canada, Ontario has one in digital-only Village Media, run by Jeff Elgie. Its anchor property, [SooToday.com](http://SooToday.com), is in Sault Ste. Marie and draws, according to Elgie—who also operates a digital marketing agency in northern Ontario—14.5 million monthly page views.

With revenues now running at \$146,000 a month, SooToday.com employs 12 journalists to cover Sault Ste. Marie and provides a regional desk for reporters in four other centres. Although he’s expanding, Elgie says the Soo operation enjoys a unique sweet spot because it entered the business more than a decade ago, before anyone else in the region was serious

about digital news. “You won’t find anything like that in the country.” He has expanded to Timmins, North Bay, Barrie and most recently Guelph, where Village Media set up shop on eight days’ notice after the Mercury announced it was closing.

As with paNOW, he must contend with Google and Facebook, but claims the advantage of being able to place ads by local retailers somewhere the big platforms can’t, such as funeral homes on the obituary page. The Village Media sites run their fair share of unaltered press releases, but they also cover city hall.

Elgie says that isolation, a lack of competitors and a sense of community are important ingredients of success, as is having a high comfort level in digital and an absence of the legacy costs and compromises that bedevil print operations with digital add-ons. The Soo works because it is isolated and Guelph is growing quickly because it has a strong sense of community. Nobody wants to miss an obit. In contrast, Barrie, which increasingly serves as a bedroom community for Toronto, is proving tougher.



**Village Media owner Jeff Elgie of Sault Ste. Marie, Ont., says isolation, a lack of competitors and a sense of community are important ingredients of success, as is having a high comfort level in the digital world.**

Credit: The Canadian Press Images/Kenneth Armstrong



As for public policy, Elgie would prefer there be none because he fears it may be designed to favour entrenched interests. He suggests programs to support the creation of quality journalism across the board. “I beg for a level playing field.”

Mayor Cam Guthrie says Guelph misses the Mercury, but was fortunate both that Elgie’s Guelph Today stepped into the breach and that the city also had the twice-weekly Tribune, another Metroland paper, now renamed the Guelph Mercury-Tribune. As well, a blog called Guelph Politico has also been active since 2008.

More typical of the state of local journalism are the deterioration in Regina and the tough slog Roger Holmes is experiencing. But paNOW and Village Media show that the right operator in the right circumstances can still build a media business in this country. Neither sees itself as saving journalism, and both feel they are products of particular circumstances. They just don’t want well-intentioned governments putting them at a disadvantage.

## iv.

### Democracy and the fake news challenge

In June 2016, Facebook unsettled publishers around the world by announcing it was peremptorily changing its top-secret algorithm to promote news stories shared by friends and family over those posted by professional news organization.

This was a noteworthy departure from the social media company’s strategy over the previous two and a half years. Seeing that its 1.8 billion monthly users worldwide were interested in news and wanted to be informed, it had courted publishers to post to Facebook, and created Instant Articles to help speed load times. In addition to populating its wildly successful News Feed with more content from

established news organizations, Facebook added a feature called Trending Topics, recruiting a team of editors to select the “best” stories on offer and giving them prime real estate at the top of the page.

But by 2016, news on Facebook was attracting controversy. Conservative critics complained that the editors of Trending Topics were biased in favour of liberal stories and causes. Facebook’s response coincided with a spike in what has come to be known as fake news.

The issue wasn’t new to Facebook. But as it always made clear, it was a platform, not a publisher. It saw itself more akin to an interactive cable-TV company, a common carrier of other people’s information, than a newspaper or broadcaster with a responsibility for what it presented. As Mike Ananny, a specialist in online journalism at University of Southern California Annenberg, put it: “By continually claiming that it is a technology company—not a media company—Facebook can claim that any perceived errors in Trending Topics or News Feed products are the result of algorithms that need tweaking, artificial intelligence that needs more training data, or reflections of users. It claims that it is not taking any editorial position.”

Facebook’s core mission is to connect friends with one another through information. But with so many users generating so much information, its algorithm makes more and more choices on their behalf. And it prefers subjects with which they’re already familiar, or which prompt reactions that can be discerned. So when Twitter, directly controlled by its users, lit up in the summer of 2014 over events in Ferguson, Missouri, Facebook was slow to respond, according to measurements by techno-sociologist Zeynep Tufekci at the University of North Carolina at Chapel Hill.

Just as editors do, algorithms make choices—in Facebook’s case, computer programmers fill the

shoes of editors, customizing feeds not for what is considered significant or newsworthy, but what will generate “likes” and leave users happy. In May 2016, with changes in the works, Will Cathcart, Facebook’s product manager for News Feed, described in an interview how the company sees its role: “We care about creating the product that people want. We’re not interested in adding our point of view—we actually don’t think that works for a billion people.”

What happens, he was asked, when someone posts that Barack Obama was born in Kenya? Would Facebook point out he was actually born in the United States? “It doesn’t have anything to do with us—people post a lot of this stuff and talk about it, and other people post different points of view,” Cathcart replied. “And the nitty-gritty of the details of how we should be involved I actually think is less important than building a platform where, if people want to talk about that, it’s really easy to talk about that and find different points of view.”

He elaborated on this outlook during a visit to the PPF in the course of this project, saying “a slight change” had been made in the algorithm in response to the preferences of users, which would make stories from established news organizations appear “slightly lower” in the News Feed. The important thing, he said, was that civic engagement and encouraging voting were part of Facebook’s mission.

In August, responding to the pressure about Trending Topics, Facebook fired the editors, replacing them, too, with an algorithm that two days later posted this story: Fox News Exposes Traitor Megyn Kelly, Kicks Her Out for Backing Hillary. The avalanche of “fake news” from sites motivated by politics and/or profit had begun. Over the following weeks, diehard ideologues (and opportunistic Macedonians) would pollute the Internet with made-up stuff. One prolific site, End the Fed, responsible for the nonsense story about Fox’s Megyn Kelly, also originated reports that the Pope had endorsed Donald Trump, Hillary Clinton

had sold weapons to Islamic State and the Clinton Foundation had secretly paid millions to the director of the FBI. All four were read by millions on Facebook. End the Fed didn’t make public the identity of either its editor or its owner, and had a journalistic pedigree that went back only as far as March 2016.

Google was having problems, too. Its search engine also yielded stories with no basis in fact. Even in the wake of the presidential race, Google’s search engine, when asked for “final election results,” placed atop its results a story wrongly stating that Donald Trump had, in fact, won the popular vote.

Hyper-partisans have been spreading false news for centuries and the supermarket tabloids have long spewed nonsense on the margins of civic discourse. Even the giants of traditional news companies have struggled with the truth—from The Washington Post’s Janet Cooke to Jayson Blair of The New York Times and The New Republic’s Stephen Glass. But they were isolated cases, and each bore consequences, including superiors who lost their jobs.

The stakes today are higher. Platforms, with daily audiences 10 times larger than those of major newspapers or TV broadcasters, are not just the new intermediaries of the public square but control the commanding heights of the marketplace of ideas. Their models are based on truth neutrality. Moreover, they only give the appearance of being a common space. Rather, they calculate and reinforce the prejudices of the like-minded, who either assign themselves to echo chambers or find themselves invisibly assigned by algorithms into filter bubbles. Both run counter to the concept of the media as an agent of common understanding.

Sue Gardner began to worry she was "living inside a filter bubble of lefty feminist types," and so created Caitlin in a bid to engage with and understand Trump supporters.



# Caitlin from Alabama: Out of the bubble, into the fire

Little more than a month before the U.S. presidential election, when the media were still casting Donald Trump supporters as economically disadvantaged and alienated from power, a newcomer appeared on Facebook: 19-year-old Caitlin from Hoover, Alabama.

Other than working in customer service at T-Mobile, the phone carrier, she shared next to no information about herself, had no Facebook friends, followed no one and commented on nothing. Then she “liked” a page called [Alabama for Trump](#), prompting Facebook’s algorithms to recommend she also check out Patriots for Trump, Americans Against Hillary Clinton and I Hate Hillary.

Immediately after Caitlin “liked” them all, her news feed started to fill with stories and videos and memes members of those groups were sharing, such as:

- Hillary Clinton uses a body double for public appearances
- She suffers from strokes, high-functioning autism, syphilis and a personality disorder
- Her sunglasses are medical devices intended to prevent seizures
- She is a lesbian in a sexual relationship with her campaign chair
- Fox News commentators Bill O’Reilly and Megyn Kelly are secret Clinton operatives
- She and husband Bill have killed 44 people since the 1970s
- Thousands of ballots found in an Ohio warehouse were already marked for Clinton and other Democratic candidates

Caitlin didn’t set out in search of fake news. “I just liked one site, and then liked whatever Facebook

recommended to me afterwards.” She found the stories were uniformly simple, easily memorized, required no understanding of the political process and invariably implied a conspiracy was under way. In all, she says, roughly 20 percent of what appeared in her news feed was unsubstantiated opinion (including pictures of Clinton labelled “share if you hate Hillary”), while the remaining 80 percent was false.

Caitlin, however, is 100 percent false, the creation of Canadian journalist Sue Gardner, former executive director of the Wikimedia Foundation.

Gardner began to worry in mid-campaign that she was “living inside a filter bubble of lefty feminist types,” and so created Caitlin in a bid to engage with and understand Trump supporters. Her own political news comes from sites like those of The New York Times and Washington Post, so “I guess I naively expected to stumble into a parallel universe to that: with long fact-filled news and analysis and charts and graphs, just created from a right-wing perspective...

**“What I got was totally junk. Not just uninformative but actively undermining of people’s understanding of the world around them.”**

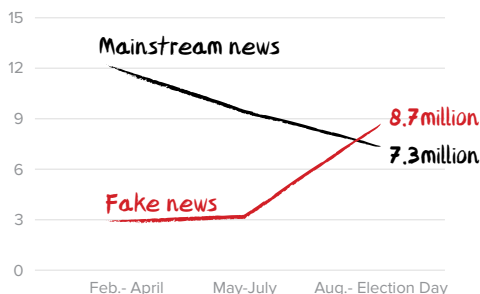
As a result, Gardner told the PPF, she felt “super alienated and destabilized reading it, because the picture it painted bore practically zero resemblance to the world I live in. Yikes.”

As chronicled by Craig Silverman, media editor of BuzzFeed, [false news stories began to spike in August](#) after the firing of the Facebook editors, on top of the downgrading of material posted by established news organizations. (There is merely a correlation here; causality cannot be determined, and the bitterness of the campaign and beginning of voting could have been factors as well.)

Silverman compared “engagement” (shares, reactions and comments) with Facebook’s top 20 monthly stories from established news sites to stories that turned out to be fabricated. From February to May, real news outpaced fake 4-to-1, and from May to July, the ratio was 3-to-1. But between August and election day in November, stories from hyper-partisan and hoax sources actually pulled ahead, registering 8.7 million acts of engagement versus 7.4 million, and sparking a controversy that shook confidence in the Internet and its largest purveyors of information.

### TOTAL FACEBOOK ENGAGEMENTS FOR TOP 20 U.S. ELECTION STORIES

Shares, reactions and comments



Source: BuzzFeed

### ‘GOOD FOR OUR BUSINESS’

Flagging news that is badly reported or completely falsified wasn’t part of Facebook’s plans. In fact, its determination not to exercise any discretion, coupled with its enormous business success has led to this juncture. Seeing itself as outside the fray, it remained unconcerned that an entire secretive ecosystem

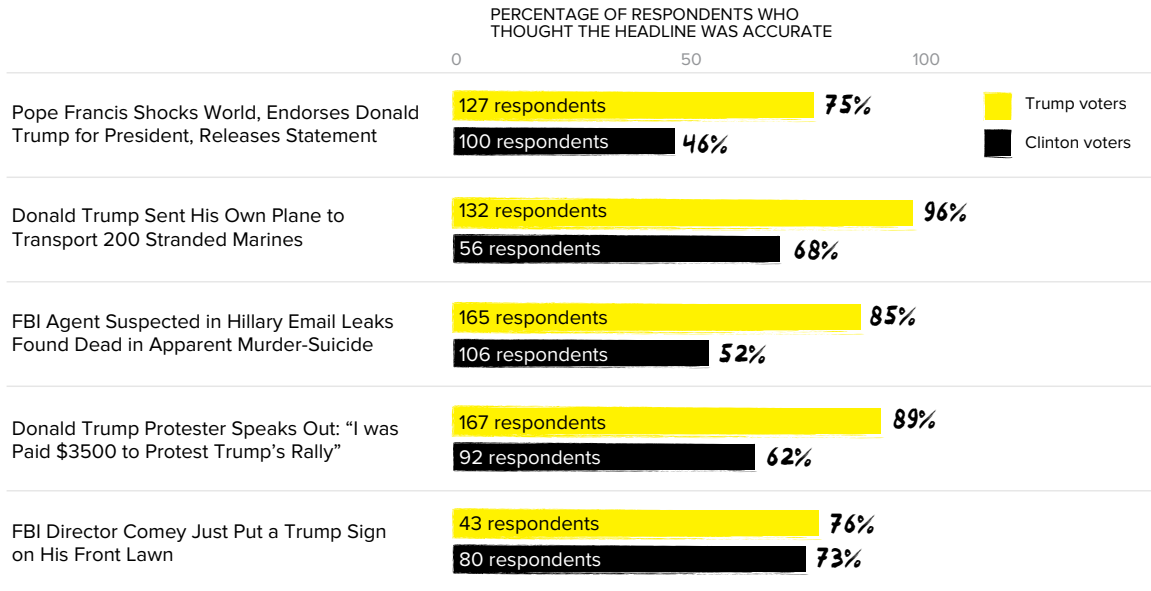
dedicated to fraudulence and partisanship was feeding into, and off it (there is money in all those clicks, after all), and other mega-distributors of digital news: Google, Twitter and YouTube.

As Adam Mosseri, vice-president of product management for the News Feed, also explained in a June post when Facebook announced its shift in the weighting of news, “We don’t favor specific kinds of sources—or ideas. Our aim is to deliver the types of stories we’ve gotten feedback that an individual person most wants to see. We do this not only because we believe it’s the right thing but also because it’s good for our business. When people see content they are interested in, they are more likely to spend time on News Feed and enjoy their experience.”

Then, amid the post-election furor, both Facebook and Google announced measures to deny sites that counterfeit the news access to their revenue-generating ad networks. Facebook went a step further, saying it would retain news organizations to evaluate articles that elicited complaints about truthfulness. If the stories were found to be problematic, they would be tagged as being disputed. Still resisting being drawn into the responsibilities of judgment, Facebook was outsourcing the task and then issuing a yellow flag. (It was unclear how this remedy would not lead to a flood of complaints by partisans about articles favouring the views of opponents.)

Still, it does provide some kind of response to the post-election plea of Joshua Benton, director of the Nieman Journalism Lab. [Democracy, he wrote, has many problems, “but there are few things that could impact it for the better more than Facebook starting to care—really care—about the truthfulness of the news that its users share and take in.”](#)

## FAKE HEADLINE PERCEPTIONS OF ACCURACY AMONG CLINTON/TRUMP VOTERS



Source: BuzzFeed

Of course, the issue is even bigger than Facebook or Google. It speaks both to extreme political polarization and low levels of critical thinking among many voters. In post-election research, BuzzFeed and Ipsos found that large majorities had believed such stories as Pope Francis endorsing Donald Trump.

The new intermediaries of the public square have made it both more diverse and accessible than ever, yet also a less trustworthy place. Even before the uproar in the U.S., polling for this report showed that 65 to 70 percent of respondents trusted news from television, radio, newspaper and magazines, online or otherwise. In contrast, news on social media (or sent by a friend via social media) was trusted by no more than 15 percent of respondents. And 83 percent agreed that a lot of bogus news and information appears online. This should be of huge concern not only to the social media companies, but also to defenders of democracy, given the expanding role of digital news and growing distrust in public institutions.

Given the unprecedented reach of social media, some fundamental public policy considerations arise:

- Platforms are private, commercially driven enterprises that possess more data about the behaviour and predilections of their vast legions of users than any government does.
- In their creation of filter bubbles and echo chambers, they run counter to liberal philosophies of truth and falsehood grappling openly, and thereby further the fragmentation of our collective conversation and political commonwealth.
- They are governed by unaccountable and unknowable algorithms that determine who is exposed to what information, and what information doesn't make the cut. And nobody is privy to the parameters except a private company. (This is a global problem beyond Canada's capacity to remedy alone but it could lead to an international conversation.)

The spread of fake news is a far cry from the admonition of U.S. Founding Father Thomas Jefferson to "contrive" to produce a common pool of

information for all to share, something he considered a requisite for making sound democratic choices. But possible solutions are not without traps of their own, as we will discuss in the final section of this report.

**V.**

## The role of innovation

Digital news innovators who can survive, let alone prosper, tend to be the exception in Canada. Saskatchewan's paNOW and Village Media in Ontario are encouraging outliers but, so far the record shows very few, very small, under-capitalized domestic digital operations. Even in the larger U.S. market, the dominance of Facebook and Google squeezes out others that depend on advertising. During a speech he made in the U.K., Vice Media co-founder Shane Smith predicted that a fiscal bloodbath in 2017 will wipe out 30 percent of digital media companies. The lucky ones, he said, are those that have already attracted investors—often from traditional media companies—a group that would include Business Insider, BuzzFeed, Fusion, the remnants of Gawker, and of Vice itself.

Canada, as always, presents additional challenges in an industry increasingly based on huge scale. News innovators face the familiar situation of a relatively small domestic market cheek-by-jowl with the U.S. juggernaut. They must compete not just with incumbents, including a publicly financed colossus in the CBC, but with branch-plant operations that need only fill out their product mix with incremental amounts of Canada-specific content. Moreover, the very nature of civic-function news, highly perishable and generally localized, means it doesn't travel easily.

As for the incumbent omnibus news operations themselves, they increasingly are competing not just with digital news startups and specialty verticals, but also with global producers such as The New York Times, The Guardian and BBC, for whom the marginal

cost of expansion in digital form is practically nil. And, of course, they compete with their legacy of success, too. Their costs, despite all the cutbacks, remain high relative to new entrants, a situation that has been further aggravated by longstanding pension obligations made all the more onerous by persistently low interest rates. On the revenue side, with print advertising both falling precipitously yet still the largest slice of the pie, it is unbearably difficult for traditional producers to go all-in on digital. On audiences, the baby boomers remain the most loyal readers; they tend to be less attractive to advertisers but more likely to pay for subscriptions, the opposite of millennials. Ten years into the newspaper crisis, many publishers remain caught in the classic Innovator's Dilemma, as the father of disruption theory, Harvard Business School guru Clayton Christensen, titled his landmark book.

For all the talk of moving to a digital-first journalism model, no established news brand in Canada, with the notable exception of La Presse, has come close to having digital revenue overtake non-digital revenue. Digital ads account for just about 10 percent of revenue for most newspapers, which is actually more than for television or radio. This revenue mix serves as a substantial disincentive toward the type of organizational and cultural shifts a digital-first approach might entail. As a result, most enterprises have tiptoed rather than stampeded toward the future, the risk of losing what they have usually outweighing the unknown upside of significant institutional experimentation.

Guy Crevier, who stepped down at the end of 2016 after masterminding La Presse's tablet transition, said the biggest crisis in the news industry is one of timid management and tentative innovation. Publishers, for the most part, have failed to respond boldly to a new technological era, he said, comparing them to taxi drivers holding dear to their old ways in the face of Uber. "The only crisis is sticking with the old business models."

Innovation requires imagination and will, to be sure, but also patience and capital. Other than three news operations headed by Canadian billionaire families with long ties to the industry, capital of the Jeff Bezos variety that blends imagination and patience is hard to come by.

On a positive note, desperate times are making for differentiated responses. The Globe and Mail, with its strong positions in business and politics, is aggressively pursuing a reader-pay strategy. It hopes to make more from readership than advertising, including print, around 2019, six years after The New York Times reached this milestone. Reader-revenue models place a premium on content quality over audience size. Although its newsroom is down almost a third from its peak, The Globe has been slower than most to cut journalists. Still, if the point of 50-50 convergence is approaching, it's mostly because print advertising revenue is falling, rather than a rise in digital revenue.

[AllNovaScotia.com](#), founded on a shoestring in 2003, relies almost exclusively on reader revenue. It has won a broad following within the province's business community. With each bump in subscribers, it has doubled down on reporters. It is famous for not allowing a speck of its news to escape into the wider ecosystem—and for rescinding the subscription of anyone who shares its news, as had happened to CBC last year.

[The Telegraph-Journal](#) in New Brunswick also maintains a hard paywall, meaning no articles are free. Essentially, it has traded what it considers the more ephemeral digital ad revenue that would come with higher traffic volumes for a more reliable return from digital subscriptions, even if the strategy is penalized with low rankings in Google searches.

Success has been elusive in the industry in substituting reader revenue for vanishing ad sales. A number of Canadian newspapers erected and then tore down so-called metered paywalls, which allow

access to a limited number of articles each month before payment is demanded. Just nine percent of Canadians, according to the Reuters Institute for the Study of Journalism, pay for digital subscriptions of any kind.

The biggest outlier among established news companies is La Presse, whose bold experiment in moving its newspaper to a tablet app was enabled in part by the deep pockets of its owners, Montreal's Desmarais family, who bankrolled a \$40-million investment in the app. Just as striking, though, has been the resolute nature of management, which set out on its particular strategy in 2011 and never blinked. La Presse believed the tablet version, called [La Presse+](#), could deliver a superior experience to readers and that, by making it free and ceasing weekday print publication, as it did on Jan. 1, 2016, it could hold its audience and shift over its advertisers.

The data that La Presse+ compiles for its advertisers is impressive, showing average daily downloads of 260,000 and the time spent by the average reader with the app at 40 minutes on weekdays and about 50 minutes on Saturday and Sunday. Those would be good numbers for a newspaper, let alone a digital product. La Presse also operates a news website, but the app creates a more immersive environment, although one not accessible through Google search results. La Presse says that advertising on the app is actually attracting higher CPMs (industry jargon for the cost charged per thousand readers or viewers) than the newspaper, as well as a significantly younger audience.

Most media companies struggle to get the digital portion of their revenue to 20 percent, but La Presse says that 82 percent of its revenue comes from the tablet, desktop and smartphone platforms. These numbers reflect the virtual withdrawal from print, but are right on strategy. Although La Presse's 2016 revenues were about 71 percent of its earnings in 2011, eliminating five days of printing and delivery



has reduced costs to 68 percent of 2011 levels. Crevier says revenues in the third quarter of 2016 were ahead of the same quarter a year earlier for the first time in seven years. Perhaps most impressively for the purposes of this report, La Presse says it has maintained journalistic employment, despite some shifts in skill sets, at about 265, about the same level as when it launched its tablet strategy (at which point, competitor Le Devoir says it experienced an instant circulation jump of 18 percent, most of which it says it has kept).

Many in the industry attribute La Presse's success so far to the protection it is afforded by its French-language status in North America's sea of English. It is true that consumers in non-English-speaking jurisdictions are almost twice as likely to pay for a digital subscription, but La Presse managers dispute the thesis, observing that they operate in a city with four daily newspapers, two free commuter papers and a strong SRC/CBC, as well as competition from the French-language versions of the online social media titans.

**Canada does not yet have "a digital ecosystem in waiting" to fill the gap caused by the deepening crisis of the traditional news companies.**

But it is difficult to ignore the experience of the Toronto Star, which adopted the La Presse+ app and launched it in September 2015 as [Star Touch](#) after an initial investment of \$25 million. It had hoped to achieve daily downloads of 200,000 by the end of 2016, but reported in the summer that the number had reached a plateau between 55,000 and 60,000. Why? Perhaps it was language, or a matter of timing—La Presse+ hit the market while tablet sales were in more of an upswing—or the fact the Star did not try to force readers to the tablet by ceasing print publication.

Still, La Presse must cope with the rapid turnover of technology in the digital world. Companies such as Google and Facebook employ thousands of engineers and programmers, and the cost of keeping pace with them will be a challenge. That is why La Presse is so intent on selling its platform to other publishers. More important than bringing in revenue is sharing the burden of further development.

#### **CAN DIGITAL TAKE UP THE SLACK?**

With rare exceptions, digital-only news operations in Canada have been slow to grow. Early ventures, such as The Mark News, OpenFile and NowPublic, could not overcome competition from the cross-subsidized sites of traditional news players or U.S. branch-plant operations, such as the Huffington Post, BuzzFeed and (the originally Canadian) Vice News. These all maintain small Canadian operations, with the platform and much of the content produced elsewhere for global audiences. It proved nearly impossible for this first generation to generate sufficient scale, which is why Vice Media chose to scale right out of Canada (returning in force after media giant Rogers agreed to jointly launch a Vice specialty-TV channel).

After nearly 15 years of digital news development, the result, says University of British Columbia journalism professor Taylor Owen, a PPF research principal on this study, "is that we simply do not have a digital ecosystem in waiting that will be able to replace,

at scale, the reckoning that is clearly coming in the traditional media space.”

It's not that Canada is without some attractive digital organizations (such as iPolitics, National Newswatch, The Tyee, National Observer, Canadaland, blogTO, Discourse Media, OpenCanada.org, Rabble.ca, The Rebel, Apt613), but they tend to appeal to niche audiences and so struggle, both financially and with their journalism.

Whether due to Canada's small market, a lack of investment capital or a lack of attention to the business side, few have grown appreciably. What's more, they do not appear to be consolidating, the normal response when media have trouble in the marketplace. At a November symposium in Vancouver co-sponsored by the PPF, digital news operators spoke about the need to forge partnerships and collaborations. “Maybe we cannot ‘go big’ without working together,” said one.

The Tyee is an award-winning digital pioneer with nearly 14 years under its belt, but has never turned a profit, something co-founder David Beers played down at the symposium. Its revenue is only about \$1 million a year, one half from trade union investment and a private donor and the other half from a variety of earned-revenue sources, while its full-time journalistic contingent numbers three, the PPF was told. According to comScore, The Tyee's website drew 116,000 unique visitors in July (obviously not a busy month), compared with six million unique visitors for The Globe and Mail and 5.3 million from Canada for Vice. Tyee editor-in-chief Robyn Smith told the Commons Heritage committee that no one in Canada “has yet figured out a digital-only online business model that easily supports a large number of full-time, paid professional journalists.”

iPolitics, founded in 2011, has built a following among political pros and junkies, generating its revenue from subscriptions and advertising targeted at political

and public-policy decision-makers. More recently, it has added events. According to comScore, it attracts 141,000 unique visitors in a month.

Owen, who co-organized the November symposium, says the U.S. has seen three waves of digital news development that have largely bypassed Canada. First came the early news producers and aggregators who pursued a scale-based digital advertising model and learned the only way to make it pay was to attract tens of millions of monthly page views. A few, such as Huffington Post and The Drudge Report, were able to do this in the early going, followed later by BuzzFeed and Vice, which used entertainment and lifestyle content to build traffic and subsidize their public-interest journalism.

A second generation of sites—such as Vox Media, Fusion, 538, Politico and Vice again—targeted niche and/or millennial audiences of high value to advertisers, and made money as studios producing the advertising material themselves. Some also supported their journalism by developing content management systems and other software to attract investment from venture capitalists.

Within the first and second generation are those that Vice's Shane Smith considers the fortunate: They raised money by selling pieces of the business, usually to traditional media companies looking to get in on the next big thing.

The third wave comprises non-profit news organizations such as ProPublica and The Marshall Project, which have secured backing from charitable foundations and philanthropists.

For now, there is only limited evidence here of any of these three phases. Canada lacks the scale for advertising, venture capital has been uninterested, and philanthropists are frustrated by laws and regulations they say constrain their involvement.

Some Canadian news sites have turned to crowdfunding, which, although time-consuming, has helped to provide startup and limited operating funds. Among those that have enjoyed some success is Canadaland, through a mix of crowdfunding (65 percent) and advertising (35 percent). Best known for its media, arts and politics coverage, Canadaland produces a signature podcast on media issues that garners 30,000 downloads per episode, and is also aired by 29 campus and community radio stations. Founder Jesse Brown says that, despite the need to overcome a constant churn of credit cards, crowdfunding generates a steady revenue stream and keeps the operation connected to its 3,158 supporters, who donate an average of \$5 (USD) a month.

There are some promising signs, but as Owen says, Canada does “not yet have a digital ecosystem in waiting” to fill the gap caused by the deepening crisis of the traditional news companies.

**vi.**

## **System A and System B: Understanding the new media**

For two decades, the transformation of the news industry has largely been viewed in terms of technology—digital versus print and broadcast. But now such thinking is beside the point; everyone is digital, or had better be. Where differentiation now occurs is in the approach to the gathering and dissemination of news. Let’s break today’s media into two different systems, understanding, of course, they are more ends of a continuum than opposite poles.

### **SYSTEM A: CURATED, CODIFIED, PROFESSIONALIZED**

System A organizations, most of them well established, seek to help people navigate the clutter and complexity of news with a product that has the added value of classic editorial functions such as selection (choosing the stories that matter) and

hierarchy (giving prominence to the ones editors feel matter most).

To generate the necessary content, System A employs relatively large numbers of journalists who are trained at formal institutions and/or by virtue of an acculturating career path through the newsroom itself. It sets standards they are expected to meet and surrounds them with professional support, from style books and codes of conduct to editorial oversight and legal expertise.

Many of its journalists are specialists—or at least were until newsrooms contracted—focused on general areas of coverage (politics, business, arts or sports) or more specific beats (justice, health, education, science, investment, theatre or basketball). This is because the best stories—the ones where the intelligence of the journalist meets the world at large—rarely appear fully formed. They usually begin as a tiny spark that may have gone unnoticed, had a reporter, like the cop on the beat, not invested the time and energy to gather the knowledge required to make sense of a situation or built a reputation and earned the trust of someone with something special to share.

Having journalists with the institutional backing to grind away, day after day, at a promising lead is what lies at the heart of System A’s historic contribution to civic-function journalism. From the Washington Post and Watergate to the Boston Globe’s Spotlight exposé south of the border, to the Toronto Star and maverick mayor Rob Ford, to The Globe and Mail’s sponsorship-scandal revelations to the public affairs show *Enquête* on predatory policing in small-town Quebec, stories of great public interest often come to light only because of System A’s capacity to investigate.

System A’s strengths lie in its standards, training, professionalism and support system. Its weaknesses are mostly macro. It is elite-led, the domain of a

handful of news organizations controlled by wealthy owners and managed by a generally self-made journalistic aristocracy—the so-called gatekeepers who decide what is significant and what is not, and often resist dissent and the unfamiliar. Not only has System A’s pretense to objectivity long been suspect, its vaunted capacity to influence has been on the wane for years. In the 2016 U.S. presidential election, a reported 229 daily and 131 weekly newspapers endorsed Hillary Clinton versus just nine dailies and four weeklies for Donald Trump. And remember how the media pegged the 2015 Canadian federal election as a contest between the Conservatives and New Democrats?

**SYSTEM B: INSTANT, PARTICIPATORY, OPINIONATED**

System B, on the other hand, has a more ambivalent relationship to the role of information hunter-gatherer. From niche producers to specialty aggregators and ubiquitous platforms, journalists either are in short supply or don’t exist at all. Rather than the question of where a story is going, the issue tends to be more how is it being received. System A editors will cut slack for a story they believe will grow. System B is more responsive to instant data and analytics as to whether it’s being read, shared, “favourited” etc. It can adjust how a story is played to suit the audience, or kill it off, perhaps prematurely.

The core differentiator of System A tends to be its focus on the acquisition of facts as the basis for news stories. System B, in its milder versions, either exhibits a close attachment to opinion or the blending of opinion and fact, a natural offshoot of the high costs associated with employing reporters to ferret out matters of public interest. Or in its more algorithmic, mass-appeal variations, it has been relatively indifferent to truth and falsehood.

This nudges new media toward commentary over reportage, as opinions are cheaper to form than news is to report on. Traditional media, too, are trending in a similar direction as their economic

strength is sapped and participation by reporters on social media platforms such as Twitter lowers their classic hesitancy—perhaps an affectation in the first place—about expressing views on matters they cover.

Simply put, System B doesn’t have enough reporters. This may be because small organizations in its orbit haven’t mustered the revenues to afford the critical mass necessary for a newsroom with material impacts, or it may be that other organizations adhere to a low-labour, high-algorithmic model. For those in the former category, their newness and low journalistic intensity can promote taking short cuts.

That is not to say System B is without social impact. In fact, on that count it is truly revolutionary. Its technology and sociology provide unprecedented tools for citizen participation and amplification. It’s diverse. It’s accessible. On its best days, it is meritocratic. We have heard this described in our focus groups as a purer form of democracy. “Democracy is about having a voice,” one participant stated succinctly. We’ve also heard regret that this phase in the life of the Web may have already passed, as power consolidates around the dominant search-engine and social media companies.

Either way, social media platforms have allowed for the near-instant emergence of mass movements. Perhaps System B’s shining moment occurred in the summer of 2013, when an Oakland activist named Alicia Garza responded to the acquittal of the man who gunned down black Florida teen Trayvon Martin by posting on Facebook: “Black people. I love you. I love us. Our lives matter, Black Lives Matter.”

Soon, the hashtag #blacklivesmatter was born, giving rise to a movement that has come to resemble a digital-age civil-rights organization. Despite having no central command structure, it has used the avenues of System B to mobilize and to reveal police abuse, as well as to raise public consciousness of racial exclusion. Without the open architecture of System

B fuelling a rapid online ascendance, it may have struggled to capture the attention of System A's gatekeepers.

System B gives its activists the opportunity to report whatever and wherever he, she or zhe desires. It empowers witnesses to events, whether they upload videos of atrocities in Syria or cat rescues in Regina. Anyone with a smartphone and an Internet connection can create and distribute content as readily as the mightiest broadsheet or national news network.

System B is wonderful for the individual but more ambiguous for the common good. The disintermediating of large media corporations means that individuals can join like-minded groups, which is liberating when those groups are benign, but can reinforce prejudices and narrow debate when the subject matter is more politicized. System B's social media players have erected a giant town hall, then broken it down into millions of sub-units. Thus the classical liberal view of truth making itself known by grappling with falsehood falls apart if the two don't actually encounter one another in the antechambers of System B.

### **THE STAR, GAWKER AND ROB FORD**

Which system is better? That can be debated endlessly, and the answer may not really matter because, ultimately, the determining factor remains which of them is sustainable—or which of them or combinations of them should be sustained.

Clearly there is a transition underway, and it moves in the direction of System B. The matter of public interest is how can the democratizing potential of System B be advanced alongside the professional standards and reporting power of System A.

The print-based Toronto Star, one of Canada's premiere news organizations now struggling to find a way forward, and Gawker, a progenitor of the cheeky news site with bite that has gone down for the count, have a System A and System B story to

tell. They briefly crossed paths over a video showing Rob Ford, at the time Toronto's mayor, smoking crack cocaine. The Star had been struggling with how to tell the story without exposing itself to a huge defamation suit. But Gawker, with no stake in Canada and given greater legal latitude under the U.S. Constitution to report on public figures, went for it. System B's boldness immediately changed the legal equation, allowing System A to follow suit.

Much more telling is what happened afterward.

Gawker, having scored a scoop and with no ongoing commitment to Canada, went home. The Star doubled down, publishing hundreds of additional stories on the case over the next few years and seeing Ford's political career come to an end. With a full-time libel lawyer working intensively with its investigative team, the paper was never sued as a result.

And Gawker? After it returned home, it found another misbegotten story with more entertainment value than news value. Its publication of sex tapes involving retired wrestler Hulk Hogan sparked a convoluted lawsuit that ultimately led to the site's demise. Perhaps, had it managed to adopt more System A values, including greater legal prudence, Gawker would still be alive.

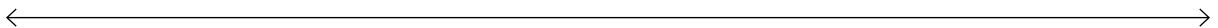
System B needs maturation and, at its far end, a greater commitment to the civic good. System A could use some of the natural democratizing tendencies and digital-age openness and interactivity of System B. If one or the other doesn't reform, it is difficult to see democracy being well served. If they can take some of the best of each, in contrast, democracy would be better served than ever.

## NEWS MEDIA VALUES

The traditional values and practices of incumbent media (System A) are being disrupted along with their business models by new technologies, weakened economics and changing audience tastes. Very different values and practices (System B) are arising in non-journalistic, audience-aggregating organizations. In between, lower barriers to entry are resulting in an erosion of professional standards, on one hand, and a greater diversity of voices, on the other. As well, new journalistic values and practices, such as correcting facts in breaking news stories as they develop rather than verifying before publication, are being introduced. Many incumbent and digital-only news organizations with journalism at their core reside toward the left and centre of the diagram. The fake news controversy is forcing System B operations to re-evaluate some of their values and practices.

## System A

## System B



Verify before publish  
Lawyers on staff/retainer  
Codes of conduct, style books  
Reader editors/press councils  
Workplace training culture  
Editor gatekeepers  
Elite control  
Selection and hierarchy  
Many journalists  
Iterative journalism  
Hunter-gatherers of news  
Factually inclined  
Balanced  
Formal style  
Reporters bear witness  
Story-driven  
Trusted news  
  
"Objective" journalists  
Public square  
Loyal audience  
Local oligopolies  
Broad and shallow  
Local  
Omnibus  
Audience as recipient  
Communities of place  
Broad-based audience  
High barriers to entry  
Industrial culture  
Watergate/sponsorship scandal  
Commonweal/free press

Publish and correct  
  
Diversity of voices  
Linking  
Few journalists  
Breaking news  
Processors of news  
Opinion inclined  
Passionate  
Casual style  
  
Metrics-driven  
Clickbait  
Engaged  
Activists/independents/partisans  
Advocacy  
Promiscuous audience  
Media ecosystem  
Narrow and deep  
Long tail  
Niche  
Audience as participant  
Communities of interest  
Narrow audience  
Low barriers to entry  
Start-up culture  
Black Lives Matter  
Freedom

Post and let be  
Lawyers on staff/retainer  
Community standards  
Fact-checking experiments  
  
Programmer gatekeepers  
  
Search and social media  
No journalists  
'Friends' sharing  
Packagers of news  
Factually challenged  
Reinforcing  
  
Users bear witness  
Algorithm-driven  
Liked not trusted  
Entertained  
Common carriers  
Mobilization  
Engaged audiences  
Walled gardens  
Narrow and shallow  
Scale  
Customized  
Individual feeds  
Individualized news feeds  
Filter bubbles/echo chambers  
Market consolidator  
IPO culture  
Pope Endorses Trump  
Libertarian



Anita Li in the Globe and Mail newsroom: She has worked both sides of the traditional and digital news divide.  
Credit: The Canadian Press Images/J.P. Moczulski

# A + B = Li: One journalist's take on the two systems

Anita Li is a young Canadian journalist in New York City, where until recently she worked for Fusion Media, which serves a diverse millennial audience with news, pop culture and justice stories both online and on cable television.

Because she did brief stints at The Globe and Mail and Toronto Star before going to the United States, Li has experienced both System A and System B—and has views on their respective strengths and weaknesses.

While in Ottawa to speak at Carleton University in September 2016, she said the training she received at traditional newspapers has made her a much better reporter. Her System A start infused her with an aggressiveness in cultivating sources and careful attention to accuracy and clear writing.

“Traditional media work culture can be extremely demanding and very stringent. It made me extremely meticulous,” she said. Digital media are often more accepting when mistakes are made, she explained, because editors can always make corrections online. In contrast, print practises zero tolerance because its errors “follow you around.”

On the other hand, while in System A, she was struck by how much she stood out as young, Chinese-Canadian and a woman in a world whose editorial decision-makers tended to be older, Caucasian and male. Fusion, meanwhile, has greater diversity in both its editorial mandate and staff composition, better reflecting its target audience. It jumped on police violence against African-Americans in the early days of #blacklivesmatter and is highly sensitized

in a System B way to stories about inclusion and exclusion, with a special emphasis on social justice. (See Li's TED Talk on diversity and digital media)

Li has also noted a difference in how System A and System B interact with the audience.

Fusion — a three-year-old joint venture of Hispanic media pillar Univision Communications Inc. and Disney/ABC-TV — is heavily into real-time analytics to discern patterns in how and where stories are playing, to scout for further news opportunities (and track how its work is received). **Reporters and editors can see police-brutality content arising on social media and resonating with audiences before it hits the regular media. They know when the audience is on to something before journalists are.** Which is remarkable, although Li also realizes, in System A fashion, that this can also be a double-edged sword: Too much attention to audience reaction can discourage journalists from pursuing stories that are important but have a long fuse.



PLAY VIDEO



**Section**

**3**

**What We**  
**Heard**

In the course of our research for this study, the Public Policy Forum conducted roundtables in six Canadian cities, co-hosted a symposium on digital innovation in Vancouver, participated in a public lecture and discussion in Halifax, debated the future of news at a fundraising event in Ottawa, attended a half-dozen industry panels and retreats about the future of journalism, commissioned research memos, monitored the hearings of the Commons Heritage committee, received submissions from a variety of interested parties and consulted widely, communicating with industry figures and other experts by phone, email and through about 50 one-on-one interviews. All told, some 300 people interacted directly with the PPF. Among the dozens of issues that were raised, here is a sampling of some recurring themes.

## **Government advertising**

At each roundtable, discontent was expressed about reductions in government print-advertising budgets. Those feeling the most aggrieved included minority-language, ethnic, Indigenous and community newspapers, for whom government ad revenues have been particularly material. When challenged whether government should not communicate with its citizens on the platforms it found most efficient and effective, we generally received one of two responses: that print was the most effective means of promoting civic engagement and that government should support Canadian and not foreign-owned media.

A March 2016 report by Canadian Heritage supported at least the factual basis for these complaints. It found that “between 2008-09 and 2014-15, the proportion of government ad spending fell by 96 percent for daily newspapers and 21 percent for community newspapers, while increasing by 106 percent for the Internet.” A further examination in July 2016 by [iPolitics](#) revealed that, between Prime Minister Justin Trudeau taking office in November 2015 and

April 2016, federal departments spent a total of \$3.3 million on advertising, of which Google received approximately \$1 million, Facebook \$904,822, Yahoo \$406,920, Twitter \$364,090, YouTube \$161,847, Bing \$96,051 and Huffington Post \$17,608. All have headquarters in the United States.

In Saskatchewan, we heard from the community newspaper association that government advertising had fallen by 80 percent between 2009 and 2015. Some smaller publications said the withdrawal of government advertising will determine whether they stay in business. Larger companies argued that tax dollars should not be spent on multinationals that neither pay taxes here nor contribute to the production of Canadian news and cultural content. Brian Myles, publisher of *Le Devoir*, calls it a question of ethics: The state should support companies that create employment and wealth locally.

## **Level the playing field**

At virtually all the roundtables, small digital news companies expressed concern that any policy measures would inevitably favour incumbent organizations over them. Sometimes the concerns came with a dash of bravado. Why support big legacy companies “if small digital ones can provide the same function without public support?” asked one entrepreneur.

However, the evidence is far from compelling that new digital media have picked up the slack, which most digital operators admitted when pressed, but remained concerned. “Dear government,” [Canadaland’s](#) Jesse Brown said at our Vancouver symposium, “leave me alone, so I can continue to bother you independently. When you fund my competitors, you are endangering me. Do not fund Postmedia if they are failing.”

## **Canada Periodical Fund, Canada Media Fund and CRTC local TV fund**

We heard a number of complaints about existing government programs. For example, free community papers are displeased to be excluded from support provided by the Canada Periodical Fund because its criteria insist that publications have paid subscriptions. They say the government is indifferent to realities of the industry's structure. Community papers, meanwhile, were critical of support for what they consider esoteric periodicals (sewing, crime and hot-rod magazines) and for titles owned by large corporations.

The Canada Media Fund, which is dispensing \$371.2 million in 2016-17, was accused of favouring video production over other media, while the CRTC decision to begin allowing local television to reallocate funds provided for community channels to news production was also seen as favouritism. Competitors complained that the \$90-million infusion gives TV an unfair advantage. "Focusing on one medium is an archaic approach that could distort the market; the government needs to take more of a holistic approach," one roundtable participant said.

Local television news is in considerable trouble in Canada, despite maintaining strong viewership ratings. Its audiences skew quite old, making them less attractive to advertisers, and production costs tend to be relatively high compared with other forms of programming. In recent years, according to a CRTC analysis, the cost of producing local news has gone up about two percent a year while revenues have fallen about 10 percent a year. We heard from one station operating in a million-plus metropolitan market that its news staff has been reduced by 40 percent in recent years.

## **Bucking the majority**

Minority-language papers serve constitutionally protected populations of about a million francophones outside Quebec and almost 600,000 anglophones inside the province. Like the rest of Canada's newspaper industry, they have lost readers and ad revenue. Unlike others, their business model was never robust, especially in remote regions. Several papers have closed in recent years, and others say they are teetering because few businesses want to advertise with them and their readers tend to be older and less likely to switch to digital. That said, they argue that the federal government has a special obligation to them under the constitution and Official Languages Act.

## **Ethnocultural media**

One in five Canadians is foreign-born, and more than 40 percent of the population speaks a mother tongue other than English or French, we were told. The majority of newcomers, who disproportionately settle in large urban centres, are relatively young, with a median age of 31. They also tend to be more Internet-savvy. A 2014 BrandSpark survey found that "Canada's ethnic consumers spend comparatively less time interacting with traditional media sources, particularly cable television, and more time-consuming content through online video sites, such as YouTube and Netflix." New Canadians spend, on average, 20 percent more time online, perhaps not surprising given language challenges and connections to home countries. Older immigrants are said to still have a strong preference for print.

In December 2015, MIREMS, a private firm that monitors and tracks trends in ethnic media, estimated that at least 460 print- or web-based ethnic news organizations and 160 broadcast outlets have a total audience reach of 6.7 million. For many, ethnic publications are the primary source of information. In 2008, Ethnique Media found that only 55 percent

of those with South Asian and Chinese heritage read English newspapers, versus 75 percent for ethnic publications that at one time primarily presented news from home countries. That role has been usurped by the Web, so now they help their communities better understand local issues and provide a forum for cultural expression and social cohesion.

They too struggle and, to control costs, many are moving online, only to see how difficult it is to generate revenue despite the huge purchasing power of many minority communities. They also find it a challenge to recruit and retain staff. Many employees begin their careers with an ethnic publication but soon move on.

## The farm press

Unlike most specialty publications, the farm press told us they have been able to maintain quality and hold their revenue numbers at 95 percent of what they were five years ago. The farm press has a sophisticated readership constantly making economic (and political) decisions. It does not want to be penalized: About five percent of its revenue comes from the Canada Periodical Fund; losing that

may well precipitate a decline in quality that alienates advertisers, who can easily opt for direct relations with farm consumers if a publication loses credibility.

## Indigenous media

Indigenous journalists have an entire order of government to cover on their own, an often lonely and difficult pursuit complicated by scarce resources and tension on the part of those they write about. They must hold elected officials to account, said Maureen Googoo, owner-editor of [Kukukwes.com](http://Kukukwes.com), which reports on Indigenous affairs in Atlantic Canada. She told us that Nova Scotia's Mi'kmaq newspaper folded in 1991 following federal cutbacks and, for more than a decade, First Nations issues in the region received next to no attention. Today, Kukukwes fills that void, but employs only one or two people, having turned to ad sales after an attempt at crowd-funding fell short.

The fact that First Nations issues are the first to be dropped by mainstream media "opens up opportunity" for independents like her, Googoo said, echoing a common view among Indigenous journalists. She gave the example of a former finance



PLAY VIDEO

**Publisher and editor Lynda Powless of Turtle Island News, which covers Ontario's Six Nations of the Grand River.**

Credit: The Canadian Press Images/Simon Wilson

director accused of stealing \$300,000 from a band's coffers. "Back in 2010, it was a breaking news story, but no one followed up on it as it went to trial. I was in the courtroom every day for five weeks...There was a lot of engagement from the community."

Treaty 4 News in Saskatchewan also told us how difficult it is to do business, given the poor socio-economic situation in many communities, although Lynda Powless, publisher and editor of Turtle Island News in Ontario's Six Nations of the Grand River, has made a go of it without government funding since 1994. She relies instead on advertising but says that, after two decades of seeking Indigenous customers, ad agencies are beginning to turn away. According to Powless, the fake news problem online has included campaigns to discredit Indigenous people and issues, eroding the credibility of publications like hers.

British Columbia's Nisga'a people signed Canada's first modern-day treaty 16 years ago, creating a hybrid democracy and guaranteeing a free press, but there is no press gallery. Wawmeesh Hamilton, a reporter at Vancouver's Discourse Media, points to a lack of trained local journalists. Into this void has stepped Noah Guno who, with no journalism training, in March 2016 launched Aboriginal Press, an independent micro news site with two writers covering northern B.C. "We're a young democracy," he says,

"and I'm convinced that by doing this it will only help make [the community] stronger."

Over and over, we encountered Indigenous journalists eager to produce high-quality civic-function journalism, but there are too few news outlets, too few journalists, too little revenue and what we were told is an under-developed "accountability culture." Redressing all this must be a major priority in the post-Truth and Reconciliation Commission, nation-to-nation era. One shining light is Aboriginal Peoples Television Network (APTN), created in 1999 as a sort of Indigenous CBC and supported in large measure by mandatory carriage on cable TV. It employs 65 journalists at full complement, including 20 frontline reporters and video journalists, but is currently hurting for staff after some poaching by the newly enriched CBC, which is attempting to bolster its own reporting on First Nations.

**Noah Guno started Aboriginal Press in 2016 to cover the Nisga'a area of northern B.C.: "I'm convinced that by doing this it will only help make [the community] stronger."**  
Credit: Discourse Media



Leaders of APTN, whose mandate is national, recognize the inadequacies—or total lack—of regional and local coverage of First Nations communities, and have partnered with Journalists for Human Rights to train four young First Nations journalists every year. They have also started a small program to pair a reporter with a community in Northern Manitoba in order to create the capacity for journalistic coverage as well as a culture of accountability among band councils and others in leadership positions. “The culture of accountability is our biggest challenge,” said APTN CEO Jean La Rose. “When we start looking at ourselves—meaning looking at our leadership and our community—that is new to them, and that is still something of a challenge.” Mainstream reporters who come in and out of communities quickly are often distrusted by First Nations communities, but APTN news director Karyn Pugliese also noted that Indigenous reporters are also threatened and sometimes banned by band councils. “There is a hunger for the type of journalism that we’re doing” in First Nations communities, she said. “The pushback that we often get are from people under scrutiny...we have had our people physically threatened.”

Fostering openness and accountability is also more difficult when mainstream journalists lower their reporting standards to avoid appearing hostile or racist, Pugliese observed, or when they follow the so-called “Five Ds” and report on First Nations people only when they are dancing, drumming, dead, drunk or destitute.

#### **CANADIAN BROADCASTING CORPORATION**

We have heard strong language from private competitors, large and small, that CBC is unfairly privileged because it uses public money to build a digital operation that then competes with them for revenue. This may reflect the CBC’s digital success. Despite trailing in TV news ratings, it is the largest Canadians news site by far with more than 15 million unique visitors a month. Even with cutbacks in recent

years, its revenues have been relatively steady in comparison with print, with which it competes as a text-led digital newspaper. Some detractors want it out of digital, pointing to the Broadcasting Act edict that it “provide radio and television services.” Defenders note that the Act also says CBC programming should be made available “by the most appropriate and effective means.”

After a long and intense debate, CBC management proposed in November that it would stop competing for ads, giving up \$253 million in commercial revenue, in return for an extra \$400 million from the federal government in part to cover the cost of filling the vacant air time. To a large measure, the rest of the news industry seems distracted by its obsession with CBC. Its digital revenues are just \$25 million a year, hardly enough to make up for all money flowing to Google and Facebook.

#### **QUEBEC: A DISTINCT DEBATE**

Our Montreal roundtable, with most of Quebec’s leading media players, differed from most of the others: a more apocalyptic tone and less ambivalent expectations of government. Many issues were the same: the impact of the platforms, the rise of opinion versus news, the pressure (“My boss told me, ‘It is better to be first and wrong than second and true’”). And the consensus was, if something isn’t done quickly, “laissez-faire market laws will apply,” to the detriment of journalism and democracy. The only difference of opinion was over whose need is greater: daily newspapers, weeklies or broadcasters. Measures suggested ranged from taxing Internet use to forcing Google, Amazon, Facebook, Apple and Netflix to adopt “an ethical investment policy” to support the media, and special help for print “because newspapers are the providers of content for radio and social networks.” Other suggestions ranged from tax credits based on market share to credits based on labour.

With some help, they will make the transition. “We follow the technology. We always do. But we need a time out; it’s going too fast.” They realize that advertisers and politicians don’t really need them anymore but they live in hope: “We innovate, but we lack resources and it becomes a danger to democracy. I do not know what the government can do. It has helped a lot in many areas. It should help media today.”

Quebec media have faced and fought the decline longer and more thoroughly than others. The province organized a special working group in 2009 that called for state intervention: a tax credit to hire journalists for regional and independent media and the use of Télé-Québec’s website as a common platform for regional news. The report foundered but in May 2016, efforts began anew, spearheaded by the journalist union, La Fédération nationale des communications-CSN. Then in September, representatives of 137 weeklies and nine dailies formed the Coalition pour la pérennité de la presse d’information au Québec (Coalition to ensure the long-term survival of print news media in Quebec), which is demanding treatment similar to the television and film industries. Le Devoir publisher Brian Myles described journalism as a “cultural exception,” given that print is “vital to preserving a diversity of media voices, enriching debate and accompanying communities of readers in their daily lives.”

## Branch-plant journalism

U.S. operations, such as BuzzFeed, Huffington Post and Vice (which started in Canada), have opened Canadian operations in recent years. Even the BBC and The New York Times have increased the attention they pay to Canada. While of net benefit, we have heard that they don’t make a material contribution to the state of Canadian journalism, particularly civic-function journalism. HuffPo, the first to venture north, employs about 40 people here, but only two in

Ottawa (one each in English and French). BuzzFeed shut its Ottawa bureau and moved two Canadian reporters to Washington, and Vice quietly shifted its Ottawa reporter to Toronto.

Most branch plants are geared to national and international audiences and are not driven primarily by civic news. Kenny Yum, managing editor of Huffington Post Canada, told us that entertainment coverage is part of his organization’s DNA, along with wellness and lifestyle. “We were born as a website that covers everything from pop culture to entertainment, from Justin Trudeau to Justin Bieber.”

## Citizen journalism

We began our inquiries with high hopes for citizen journalism as an antidote to downsized newsrooms.

The concept relies on the low barriers to digital entry, theoretically allowing anyone to report, with the distinction being that citizen journalists are not paid. Our findings were a mixed bag. The Internet has thrown up a so-called “second layer of vibrancy” by giving individuals a public voice on blogs, specialized sites, social media-based community billboards and academic sites such as [opencanada.org](http://opencanada.org) and [The Conversation](http://TheConversation.org). But original journalism of the type described in this report generally requires professionalism, a time commitment, staying power and institutional support. A reporter with a large news organization told one roundtable of an access-to-information request that took six years to bear fruit. Without solid backing and legal resources, she said, it never would have succeeded.

## E=MC

In today’s world, Everyone is a Media Company (E=MC), and we heard as much at all our stops. Not only has the line between journalism and public relations been blurred with the rise of branded or custom content, but brands are also likely to

produce content on their own sites or on social media. Governments, professional sports teams and even banks are also now in the business of writing about themselves. NHL.com is highly successful: at a roundtable we learned that one team employs more journalists than a local newspaper does. In Saskatchewan, we heard how the City of Lloydminster responded to a story it didn't like on local radio by creating its own "digital newspaper" supposedly to "provide clarity, balance and perspective to news coverage." [The Lloydminster Record](#) site still exists, but has been dormant since being described during a public outcry as something straight out of North Korea.

## The Income Tax Act

One solution to the revenue crisis in news mentioned frequently is to extend Section 19.1 of the Income Tax Act to the Internet. The section dates from 1965 and was introduced to discourage Canadian advertisers from using foreign-owned media by restricting the deduction of business expenses to advertising that appears in Canadian-owned media. Extending this policy would not be simple, nor would the impact be the same as it was for print and broadcasting (a shift of seven to 10 percent of total advertising dollars for the latter). Many advertisers may choose to pay more to stay with non-Canadian services they find more efficient and effective, providing little return for a highly complicated manoeuvre.

## Transparency

We heard many times there is one very simple way for governments to ease conditions for news media: by making their own proceedings more transparent and reducing costs of services to journalists. One example cited was to make Hansards of committee proceedings and court records more immediately available and easily searchable. Another example is the cost associated with access-to-information requests, as well as the often-extravagant charges

to fly with the Prime Minister when covering official business, or with any party leader during an election.

## New support models for journalism

Canadian journalism has always been, with a few notable exceptions, operated for profit but, increasingly, not-for-profit models are also emerging. They view foundations as a natural source of support. In the United States more than 1,000 foundations put about \$2 billion a year into journalism. The daily newspaper in Philadelphia is now not-for-profit, and in Britain, The Guardian has been supported for decades by the charitable Scott Trust.

We heard pleas at virtually every roundtable to ease the conditions in Canada for entry of philanthropy into journalism. The digital-only part of the industry, especially the new generation of millennial-led enterprises, is excited by the prospect of a large pool of capital seeking a social return. Registered-foundation endowments in Canada were worth \$61 billion at the end of 2014, and made grants that year of about \$5 billion, according to a submission by Philanthropic Foundations Canada to the Commons finance committee in July 2016.

We have heard several times that something such as ProPublica, an award-winning U.S. investigative service that employs about 45 journalists, would be very risky in Canada because it could run afoul of Canada Revenue's constraints on political activity or advocacy. But Australia's high court has ruled there is no general rule excluding "political objects" from charitable purposes. In his 2015 mandate letter, Prime Minister Justin Trudeau instructed his Minister of National Revenue to "clarify" the rules governing political activity and charities, and charitable foundations told us they are still awaiting word.

Even if the rules are altered, we do not see philanthropic financing as a panacea. In research for



the Max Bell Foundation, Roger Gibbins, former head of the Canada West Foundation, found that between 2000 and 2013, only one in 164 charities reported spending anything on political activities.

## Google and Facebook

At our roundtables and in our focus groups, Google and Facebook were seen as suitable sources of funding for public programs, voluntary or not. Roundtable participants pointed to Google's €60-million deal with France in 2013 and, more important, the creation of the €150-million, Europe-wide initiative two years later. They also spoke openly of their own conflicted relationships with both platforms, on one hand admiring their engineering prowess and depending on them for traffic while, on the other, seething at what they consider arbitrary changes in agreements, especially by Facebook, and feeling they lose out in such deals when it comes to developing their brands and getting to know their own audience.

The French fund was a three-year undertaking that gave successful media applicants up to 60 percent of the cost of an innovative project in such areas as revenue creation and "daring storytelling," while the Europe-wide fund is, according to its website, part of a collaboration with news publishers "to support high-quality journalism and encourage a more sustainable news ecosystem through technology and innovation" by helping publications reduce load times for pages, also critical to Google's mobile expansion.

In both cases, the agreements followed years of disputes with EU media and competition regulators. Jason Kee, public policy and government relations counsel at Google Canada, told the PPF that the EU fund came in response to political circumstances at the time, and is not to be extended. There is also no intention to create such a fund in Canada—although the benefits, such as the Accelerated Mobile Pages project (AMP), have been widely distributed here.

Google is primarily an advertising company and understands as well as anyone the evolution of the market. It says that, rather than buying ads on home pages tied to news brands, advertisers now look to target specific audience segments and pay for ad campaigns based on how well they perform. So far, Google and Facebook have succeeded on volume, not price. Traditional publishers with strong brands sell far fewer ads but often receive three to four times as much for them as Google does. But it's getting tougher. Few publishers can provide the scale required to satisfy the audience slicing and dicing now being demanded and often need to partner with Facebook or Google to do so. Google says it returns to publishers 70 percent of joint sales. But that is for just one of its products and not the search advertising that it dominates. We also heard that Facebook has taken increasing control over the "friends" a publication attracts. One publication told us that when it posts something to its Facebook page, the item goes to only seven percent of its friends; beyond that, Facebook charges a fee.

As well as the roundtables and focus groups, our research supported having Google and Facebook help to finance journalistic production, just as cable companies help to pay for television programming. The logic is that, like cable companies, they extract disproportionate benefit from distributing content produced by others. And furthermore, the argument goes, not only are these foreign giants taking money out of Canada, they do not pay taxes here. It is a persuasive case, a passionately made case, and one with which we agree to some degree. But cable companies were handed a monopoly by government, so it seems sensible that they invest some of their gains in generating their product. Google and Facebook, however, got to where they are through their ingenuity. They have a better business plan. Moreover, publishers and broadcasters are not forced to use them. Nobody has to set up a Facebook page, and websites can tell the content crawlers and robots

used by search engines like Google to stay away or just access certain pages.

Still, the Silicon Valley titans have knocked the global marketplace off balance. Canada's media, perhaps even its government, are out-muscled. When the Spanish tried to impose conditions it didn't like, Google News simply pulled out, harming the publishers Spain was trying to help. Germany also backed off when restrictions on Google led to a drop in traffic for its publishers.

Even so, they put little back into the Canadian media ecosystem and, unlike foreign publishers and broadcasters, are treated the same as domestic sellers of advertising. Nor do they pay consumption or corporate income taxes even though they now account for more than 80 percent of ads served up in Canada and collect about 70 percent of the revenue.

Throughout this report, we've embraced the proposition that a public-policy response to the economic challenges of the news media is justified only to counter a risk to the health of our democracy. That is where the public interest lies.

We began by examining whether faltering business models are impairing the ability of traditional media to deliver civic-function journalism and, if so, whether new digital media or communications now fill that gap. Then came the explosion of news meant to mislead and confuse citizens—and its “viral” dissemination via the digital-age tools of search and social media. By now the term “fake news” is already losing meaning as it is applied to information that may simply be incorrect. Truly fake news is like counterfeit money—it has been manufactured for profit or to devalue political discourse.

Either way, this juxtaposition of the upswing of illegitimate and inexpensive fake news and the downturn of legitimate and expensive real news brings added urgency to the issues at the core of this report.

Canadians work, play, go to school and engage with one another in some 3,600 municipalities across a country now celebrating its 150th anniversary. This civic engagement—local, provincial, regional and national—has so far shown itself to be most vulnerable to the disappearance of news outlets. Since 2010, there have been 225 weekly and 27 daily newspapers lost to closure or merger in more than 210 federal ridings. Anyone who views news as a public good will see that this decline damages civil discourse; Democracy relies on shared information—on all of us having access to news about what is going on in our communities.

Of course, the very thing that makes news special also makes it a delicate subject for public policy. Journalism must maintain its independence from governments large and small, which creates a conundrum that distresses Canadians: how to help something that is increasingly less able to do its job while keeping it free from official influence. What's more, any measures to confront fake or counterfeit news must be supremely careful not to risk controlling speech in ways that are not, as the Charter of Rights and Freedoms dictates, “demonstrably justified in a free and democratic society.”

The recommendations below are crafted to strike these balances. Their over-arching objective is to ensure that Canadian democracy is well served by a strong, diverse, independent and trustworthy news media sector engaged in civic-function journalism increasingly reflective of the opportunities and realities of the digital age.

They are grouped in two categories that complement each other in helping the media remain vibrant and trustworthy: measures to strengthen economic sustainability and measures to promote both civic-function journalism and digital innovation.

**Section**

**4**

**Conclusions and  
Recommendations**

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## **Public Policy Principles**

- Canada matters
- Journalists matter
- Original civic-function news matters
- Freedom of the press matters
- Digital innovation matters
- Financial sustainability matters
- Truth matters
- Diversity of voices matters
- Platform neutrality matters
- A balanced marketplace matters

# **Summary of Recommendations**

## **Measures to Strengthen the Economic Sustainability of News Media**

- Section 19 modernization
- Government advertising
- HST rebalancing
- Philanthropic support for journalism
- Right of news producers to control their property
- The Future of Journalism & Democracy Fund

## **Measures to Promote Civic- function Journalism and Digital Innovation in Support of News that is Vibrant and Trustworthy**

- Local coverage via Canadian Press
- Legal advisory service
- Indigenous news by Indigenous journalists
- Evidence-based research institute, starting with fake news
- ‘Informing’ CBC’s mandate
- Exiting digital advertising
- A Creative Commons licence

# Measures to Strengthen the Economic Sustainability of News Media

## Recommendation No. 1:

### Enhance Section 19 and 19.1 of the Income Tax Act

#### OBJECTIVES

- Level the playing field among platforms;
- Remove distortions;
- Incentivize Canada-centred news organizations;
- Create a pool of funds for reinvestment in journalism and digital news innovation (Recommendation No. 5); and
- Make Section 19 the standard for other government actions.

#### RECOMMENDATIONS

- a) The distinction made in the treatment of Canadian and non-Canadian print and broadcast media should be extended to the Internet. The current situation is neither fair nor sensible: A Canadian advertiser cannot deduct expenses when buying space in *The New York Times* but can when placing an ad on *nyt.com*. Similarly, expenses for advertising on a border TV station cannot be deducted but can be if on YouTube.
  - Reform of Section 19 must be consistent with post-1994 North American Free Trade Agreement (NAFTA) requirements and those of other trade agreements. This means corporate nationality cannot be the basis for policy.
- b) The Section 19 preference would be extended to digital publications that are not Canadian-owned if and only if a) the operators are subject to Canadian consumption and corporate income taxes; and b) the operators are located in Canada and meet

minimum thresholds for producing original civic-function journalism aimed primarily at Canadian audiences.

- The minimum thresholds would be based on both a percentage of editorial spending and a labour measure, in the latter case applying the approach of the existing Film and Production Tax Credit.
  - To fall inside the expanded Section 19, producers of eligible news will be required to show that:
    - at least 75 percent of editorial payroll and 75 percent of their eight most highly paid employees are Canadian individuals or personal-service companies.
    - at least five percent of the company's revenue generated in Canada is spent on editorial operations, with a significant amount for civic-function journalism.
- c) The advertising expenses deduction clause in Section 19 (newspapers) and 19.1 (broadcasters) would be changed for Internet companies by introducing a 10 percent withholding tax on advertising expenditures in non-qualifying media. In other words, instead of being denied the business-expense deduction, these advertisers would hold back 10 percent of ad billings and remit them for financing a new Future of Journalism & Democracy Fund.
    - There would be no changes for print or broadcast media.
    - Advertisers in digital media that qualify under Section 19 would be unaffected.
    - Advertisers in digital media that do not qualify for Section 19 would be subject to the withholding tax.
    - Small-scale advertisers would be exempt.
    - The withholding tax would cost advertisers less than the loss of a deduction, while producing a revenue stream.
  - d) Qualification for other government programs aimed specifically at news media will depend on meeting Section 19 criteria.
  - e) The Government of Canada should advertise only in media that qualify under Section 19 provisions. Successive governments have expanded Section 19 preferences for Canadian media since they were

introduced in 1965. Government should comply with the intent of its own policies, on whatever media platform is deemed best.

### **FISCAL IMPLICATIONS**

These changes would be expected to produce a revenue stream of \$300 to \$400 million a year that would be used to finance a special fund. The financing of the fund would be similar in principle to the dedicated revenue stream provided to the Canada Media Fund through a five-percent levy on cable, satellite and Internet protocol television (IPTV) distributors.

### **NOTES**

Section 19.1 allows advertisers the normal course deduction of an advertising expense only if the advertisement has appeared in a Canadian newspaper or on a Canadian broadcasting outlet. The rules on periodicals are based on Canadian content page measurements rather than country of ownership because they were redrawn after NAFTA came into force in 1994 and after Canada lost a case at the World Trade Organization.

The 10-percent rate for the withholding is consistent with what research shows to be the upper limit of the effects of Section 19.1 on broadcasting.

Given the multiplicity of small digital sites, it is administratively wise to create a minimum level before the withholding tax kicks in.

We would prefer to place this consumption tax on the sellers of the advertising rather than the buyers if the government can design it to conform to obligations under tax treaties and trade agreements. Ninety percent of digital ad revenue in Canada goes to the top 20 sellers, making this approach simpler to administer. To accomplish this may require deeming such sellers to have a so-called 'permanent establishment' (a technical tax term) in Canada, although perhaps not, given this is a transaction tax based on revenue and not an income tax.

Virtually no companies today actually lose their deduction under Section 19 and 19.1. Its intention was more to change behaviour in creating a disincentive to advertising with foreign-owned media. Generally, this has worked, although we've been told government lacks a clear view into how advertisers apply the sections.

This past approach is less likely to work with digital advertising. First off, the ads are not as easily substitutable. In broadcasting, for instance, rather than advertising on a U.S. station, the Canadian advertiser could switch to the Canadian station and place its ad to run at the same time and usually on the same program, given the simultaneous-substitution rule. Second, digital ads take many forms and are served up in many different ways to different audience segments. The services that foreign-owned Internet companies offer in Canada are highly valued by consumers. Third, extending Section 19 and 19.1 to the Internet in their present form could be construed as a tax on income and therefore could run afoul of income-tax treaties Canada has entered into with other nations. These treaties do not cover consumption taxes.

Some sellers of digital advertising in Canada collect large amounts of money while providing little or no programming benefits to Canadians and, in some cases, not paying corporate income taxes or sales taxes in Canada. As with the cable providers a generation ago, some contribution to the system that provides the content that benefits their enterprises seems reasonable.

We understand the Department of Finance looks unfavourably on dedicated taxes (although these are implemented by the CRTC). In this instance, we believe the special nature of the relationship between the news media and the government, which is often and appropriately adversarial, justifies a dedicated tax. An independent and dedicated source of funding puts some space between government and media,

and makes changes meant to discipline news media more difficult.

## **Recommendation**

### **No. 2:**

#### **Extend GST/HST to all digital news subscription and advertising revenue for companies not qualifying under new Section 19 criteria. Rebate GST/HST for those that do qualify**

##### **OBJECTIVE**

Remove a tax disadvantage imposed on Canadian companies versus foreign competitors selling digital subscriptions and advertising in Canada. Extend the concept of a Section 19, 19.1 and 19.01 preference from advertising revenue to subscription revenue, given the increasing importance of subscriptions as a news-media revenue source.

##### **RECOMMENDATIONS**

- a) Reform Canadian tax law so as to subject to GST/HST subscription and advertising revenue in companies not compliant with new Section 19 requirements, thus levelling the playing field. The existing arrangement discriminates against Canadian news media in providing better tax treatment to foreign companies. (This measure applies equally to the so-called Netflix tax.)
- b) Introduce a consumption tax rebate on newspaper and digital news subscriptions sold by companies compliant with Section 19.
  - The European Union made a similar proposal in December.
  - Several provinces, including Ontario, Prince Edward Island and British Columbia, already rebate sales tax on newspaper subscriptions. We urge all provinces to follow suit and extend this rebate to digital news subscriptions.

##### **FISCAL IMPLICATIONS**

The cost to the federal treasury of removing the GST/HST from news-industry subscription revenue would be \$40 million to \$50 million a year. The federal government could gain offsetting revenue by having the GST/HST apply to currently exempt foreign subscription and advertising revenues. (Precise amounts are difficult to calculate due to the lack of transparency regarding the extent to which Canadian advertisers currently report GST/HST obligations when purchasing from foreign-based advertisers; the gain can be expected to be small, given the nature of GST credit transfers.)

##### **NOTES**

Many jurisdictions in recent years have eliminated the discriminatory value-added tax holiday treatment accorded to foreign digital companies. These include New Zealand, Australia, Norway, South Korea, Japan, Switzerland, South Africa, Israel and the European Union. By and large, they have shifted taxation on digital goods from the locale of the company to the location of the customer. The large companies have not resisted. “Facebook pays taxes according to the law in every country it operates, including Israel,” the social media company said when Israel reformed its value-added tax law last spring. Google has commented similarly.

##### **SOME EXAMPLES**

**New Zealand:** Speaking after the passing of the relevant bill in March 2016, Revenue Minister Michael Woodhouse said: “Collecting GST from the growing volume of online sales across borders has been an issue of growing concern for some time, so the passing of this legislation marks a very important first step. Currently, New Zealand providers are at an unfair disadvantage because they must apply GST to their services, whereas overseas providers do not. This creates an unfair playing field which this legislation will eliminate.”



**European Union:** From Jan. 1, 2015, telecommunications, broadcasting and electronic services are (according to an EU directive) always taxed in the country to which the customer belongs—regardless of whether the customer is a business or consumer and regardless of whether the supplier is based in the EU or outside.

**Israel:** In guidelines explaining its 2016 changes, the Israeli Tax Authority said that, “due to changes in the ‘traditional’ economy and the transition to ‘digital’ economy, the circular clarifies that ‘permanent establishment’ could be determined in Israel when the economic activity of the foreign company in a permanent place of business in Israel is conducted mainly through the Internet and additional conditions exist, such as: representatives of the foreign company are involved in identifying Israeli customers, in gathering information and managing customer relations of the foreign company, the Internet service provided by the foreign company is adapted to Israeli customers (language, style, currency, etc.)”

## Recommendation

### No. 3:

#### Remove obstacles to philanthropic financing

##### OBJECTIVE

Open a new source of potential financing to Canadian news organizations, easing the philanthropic sector’s ability to assist journalism, especially non-profit models, and bringing Canada in line with practice in the United States, Germany and other countries. Philanthropy-supported media are less likely to support highly partisan and counterfeit stories given the structures of foundations.

##### RECOMMENDATIONS

- a) Amend Canada’s charity laws and regulations to allow non-profit news organizations producing

civic-function journalism to qualify as recipients for support from philanthropic foundations and, in some specific cases, become charities themselves.

- b) Overhaul the rules around policy advocacy by charities to allow for non-partisan civic-function journalistic activity.

- We have been led to understand through our research that, if charity rules were reformed and clarified, some Canadian foundations would look favourably on supporting journalistic enterprise, digital news startups and perhaps several of the broader initiatives contained in further recommendations in this section.

##### FISCAL IMPLICATIONS

Revenue neutral other than the possibility of taxable deductions to donors, should some journalistic organizations become registered charities.

##### NOTES

Canada’s existing charity laws are based on the priorities and mores of 19th-century England as articulated in an 1891 decision by the British House of Lords. The so-called Pemsel case set out four acceptable categories for charity—relief of poverty, the advancement of education, the advancement of religion and certain other purposes beneficial to the community. More than a century later, society has evolved remarkably, but the rules, at least in Canada, have remained static. Is the advancement of religion of any greater social import in the 21st century than the advancement of information vital for democratic choice? Is journalism not education? Should public policy not reflect this?

Twenty-first-century Canadian journalism is badly in need of new sources of financing. In the course of our research, several philanthropic foundations expressed interest in investing in journalism, but felt inhibited by the state of charity laws and rulings from both courts and the Canada Revenue Agency (CRA).

There appear to be two distinct but related barriers. First is the requirement that foundations donate only to qualified recipients, i.e. registered charities.

Second, foundations feel chilled by rules limiting so-called political activities (really, policy advocacy) and the interpretations in recent years by the CRA. We note that in his 2015 mandate letter, Prime Minister Justin Trudeau instructed Minister of National Revenue Diane LeBouthillier to:

“Allow charities to do their work on behalf of Canadians free from political harassment, and modernize the rules governing the charitable and not-for-profit sectors, working with the minister of Finance. This will include clarifying the rules governing ‘political activity,’ with an understanding that charities make an important contribution to public debate and public policy. A new legislative framework to strengthen the sector will emerge from this process.”

The minister has appointed a panel to examine this matter. As part of this review, the panel should consider the ability of philanthropy to support civic-function journalism and of individual Canadians to be able to donate to qualifying journalistic charities.

## **Recommendation**

### **No. 4:**

#### **Review the Copyright Act’s fair-dealing rules to strengthen rights of news originators to control their intellectual property**

##### **RECOMMENDATION**

a) The fair-dealing provisions of the Copyright Act, amended in 2012, are scheduled for review in 2017. We recommend that this review tighten usage of copyrighted news material in favour of creators, without unduly stifling the social power of sharing on the Internet. News producers have a right to benefit from their work for a reasonable period while pursuing the business strategy of their choice.

##### **NOTES**

We have heard repeated complaints from publishers as to how fair-dealing provisions in the Copyright Act are inadequate in a digital world in which whole works can be duplicated instantly. In our focus groups and polling, a strong bias existed in favour of protecting the rights of content creators over easing dissemination of content. The Copyright Act provides such protection, but also allows for a list of exceptions, known as fair dealing, which include reporting the news.

In many cases, the issue arises when aggregators, bloggers or others use material without permission. This is good for the aggregator, and perhaps convenient for the consumer, but even if the material links back to its source, the original producer should be able to decide whether it wants to share—and whether it wants to negotiate compensation in some form.

In different circumstances, the New Brunswick Telegraph-Journal told us of an exclusive photo posted on its site during the 2014 attack in Moncton that left three members of the RCMP dead. The site maintains what is known as a “hard paywall,” making content available only to paid subscribers. As a result, it experienced a spike in registrations when word spread of its photo. Then the CBC copied the photo without permission, and the spike quickly subsided. What the CBC did is, in one way or another, common these days, and can be argued to be permissible under fair-dealing provisions.

# Recommendation

## No. 5:

### Create a Future of Journalism & Democracy Fund

#### OBJECTIVE

An independent agency to support digital news innovation—including technical strategies to make fake news less prominent—and civic-function journalism, with a special emphasis on early-stage, local and Indigenous news operations, and research into issues relevant to the interaction of news and democracy.

#### RECOMMENDATIONS

- a) Creation of the Future of Journalism & Democracy Fund would provide financing for digital innovation, especially in its early stages, and be directed at those operators who produce civic-function journalism at the national, regional and local levels. To qualify, enterprises would have to be Section 19-compliant and deliver original news on digital platforms that are refreshed at least once a week. The fund would cover a maximum of 75 percent of the cost of a project. The ability of applicants to attract support from other partners would factor into grant decisions.
- b) The fund would be administered at arm's length from government in keeping with the principles of a free press. To further promote independence, the fund's governance structure would go beyond that of most granting councils, borrowing instead from the bicameral model of the Canadian Foundation for Innovation. There, a group of 13 members—serving as proxy shareholders—appoints the board, which in turn hires the chief executive officer. The members select their own replacements. (A formula will need to be worked out with the news industry, think tanks and foundations for recruitment of the first cohort of members.)

After examining the mandates of several U.S. foundations that support journalism, such as Knight and Ford, as well as Google's Digital News Initiative Innovation Fund in Europe, we recommend that the fund pursue two overriding objectives:

- 1) Excellence in digital news innovation: Support for the transformation of news organizations committed to realizing the potential of the digital age through the adoption of innovative approaches to technology that advance civic-function journalism. A portion of the fund would be reserved for early-stage operations and the transition of community newspapers to digital.
- 2) Excellence in civic-function journalism: Support for independent journalists and organizations that produce civic-function journalism, with special attention to local news, investigative and accountability journalism, and the use of data and evidence in journalism.

Additionally, the fund would finance Recommendations 6, 7, 8 and 9 (below).

#### FISCAL IMPLICATIONS

A startup investment in year one of \$100 million. After that, financed through a withholding tax on sales of advertising that is not compliant with the revisions to Section 19.

#### NOTE

The Canada Periodical Fund provides small levels of support for digital transition to paid community newspapers. Potentially, this function could move to the new fund.

# Measures to Promote Civic-function Journalism and Digital Innovation in Support of News that is Vibrant and Trustworthy

## Recommendation

### No. 6:

#### A legal advisory service for investigative/accountability journalism

##### OBJECTIVE

Help small and early-stage news operations assess and manage legal risks so they can pursue their journalism without fear of reprisal; Remove an obstacle to robust and accurate journalism.

##### RECOMMENDATIONS

- a) The board of the Future of Journalism & Democracy Fund would work with the news industry, philanthropic foundations and universities to establish an advisory service to provide pre-publication legal advice for newer and smaller news services as well as other legal assistance as judged necessary. Such regular access to legal advice would both give smaller organizations greater confidence in pursuing difficult stories and impose the discipline of having to maintain high journalistic standards.
- b) This legal advisory service would be available only to organizations that qualify under the new Section 19 provisions, and are members of the National NewsMedia Council, created from the 2015 amalgamation of provincial press councils with a mission to promote ethical practices within the news media and to serve as a national forum for complaints from the public.

##### FISCAL IMPLICATIONS

The costs, to be determined, would be fully covered by the Future fund.

##### NOTES

Smaller news organizations often cannot afford to hire lawyers to vet their work for possible libel and slander or to defend against legal actions that may be intended to intimidate or suppress freedom of expression.

The decision to take on a client would be at the discretion of the advisory service.

Costs would be fully covered for the vetting of stories, representation in pre-publication motions and fighting so-called “slap” suits meant to intimidate and delay. News organizations could also apply for support for the co-payment of premiums to cover legal risk after publication, thus ensuring that a news outlet can reduce its exposure while maintaining a full stake in the quality of its journalism.

News organizations (and their insurers) would be responsible for any damages.

We would also urge other provinces to follow the lead of Ontario in adopting legislation to give courts the power to dismiss slap suits more easily.

## Recommendation

### No. 7:

#### Establish a local mandate for The Canadian Press

##### OBJECTIVE

Create a professional, open-source news service to supplement waning local and regional coverage of civic-function news with trustworthy news from an organization with high journalistic standards. Ensure this news is available for the widest possible dissemination.

## RECOMMENDATIONS

- a) Civic-function journalism is being steadily degraded across the nation. We recommend that The Canadian Press (CP), which has a 100-year history of generating and sharing news coverage in both official languages and the infrastructure to distribute it, establish a second, non-profit service to fill these gaps. This service, CP-Local, would be distinct from CP's existing subscription service, with a separate editor and staff. It would be financed by the Future of Journalism & Democracy Fund, including an annual management fee paid to CP.
- b) The news produced by this second service would be published under a Creative Commons copyright licence, which would make it available for commercial use by any organization or individual with appropriate attribution.

CP-Local would hire 60 to 80 journalists across Canada to supplement coverage of courts, legislatures and city halls. It would be run by a separate management team and would be expected not to duplicate coverage areas of the main Canadian Press service. CP would share an interest in not undermining its paid-subscription service. Generally, the news of CP-Local would be unlikely to move outside a given region.

CP-Local's core services would be augmented by contracts with community groups or municipal governments that recognize journalism as a social good and want to ensure it is available to the residents of their community. These clients would have to sign long-term contracts (three to five years) with CP-Local, and would exercise no control over editorial decisions, including the hiring and firing of journalists.

As a footnote, CP was subsidized by the Canadian government as it built its communications infrastructure in the early 1920s.

## FISCAL IMPLICATIONS

Working with CP, we estimate the costs of CP-Local at \$8 million to \$10 million a year, which would come from the Future of Journalism & Democracy Fund.

Supplementary funding would be generated from service contracts with individual municipalities.

## NOTES

This recommendation has been discussed at length with Canadian Press management over the past several months. There is some sentiment within CP for it to be part of an act of Parliament so that, once established, it could not be altered by the executive alone. There is already a Canadian Press act on the statute books.

Other news agencies, such as Agence France-Presse (AFP), receive some form of state payment while those of Portugal's Agência Lusa, ANA in Greece, EFE in Spain and AGI in Italy feature boards of directors with representatives from governments, media organizations, journalists, unions and civil-society groups.

In the case of AFP, a 1957 law stipulates that the agency "gather and provide, continuously and in several languages, exhaustive, accurate, objective and impartial coverage of what is happening in the world. It must be fully independent and have a global reach." In 2015, AFP received €100 million from the French state to finance its so-called "missions of general interest." That constitutes slightly more than one-third of its revenue.

We would hope that such a service would mitigate against the creation of "official" journalistic enterprises run by the communications departments of municipalities.

# Recommendation

## No. 8:

### Establish an Indigenous journalism initiative in keeping with a new era of reconciliation, self-government and nation-to-nation relations

#### OBJECTIVES

Support civic-function journalism by Indigenous news organizations covering Indigenous government institutions, public affairs and community matters, overseen by a highly professionalized news organization; Increase the number of reliable and informed sources of news on Indigenous affairs.

#### RECOMMENDATIONS

- a) Create a support and training structure for the coverage of Indigenous governmental institutions by Indigenous news organizations and journalists.
- b) Embed responsibility for developing this journalistic capacity within Aboriginal Peoples Television Network (APTN), which is currently the only journalistic organization of scale devoted exclusively to Indigenous issues and governments. This service, APTN-Local, would be financed by the Future of Journalism & Democracy Fund, and would support the development of Indigenous media across the country. APTN would be paid an annual management fee, beyond direct costs.
- c) Have APTN sponsor 60 to 80 journalists over time who would work for Indigenous news organizations across the country. An APTN editor would be in charge of ensuring these journalists meet standards and practices of news organizations associated with the initiative. We would urge APTN to talk to Canadian Press about creating a distribution network for the journalistic production.
- d) We endorse the Truth and Reconciliation Commission of Canada's call to action (No. 86) regarding journalism schools and media-training

programs, and recommend further work on the education and training of Indigenous journalists. We note that APTN already has entered into a small program with Journalists for Human Rights, which could be scaled up. Scholarship money for journalistic education would be set aside.

#### FISCAL IMPLICATIONS

The extra level of support would be financed from the Future of Journalism & Democracy Fund. We estimate the Indigenous Journalism Initiative would cost \$8 million to \$10 million annually.

#### NOTES

We have encountered a number of hard-working yet frustrated Indigenous news organizations in our research. They generally are shoestring operations unlikely to become self-supporting in the foreseeable future, and unable to provide the depth or breadth of coverage they desire.

Indigenous journalism merits special consideration for public support beyond that available from the Canada Periodical Fund, given that it shoulders the same responsibilities for civic-function news as mainstream media in holding an order of government to account and keeping communities informed.

More Indigenous journalists are needed to pursue civic-function journalism. We see the need for a central node of excellence that can train Indigenous journalists, anchor them in high journalistic standards and support them if and when they receive pressure from Indigenous government authorities.

This node would be similar to CP-Local, but more of a networked approach of independent organizations, with APTN, which enjoys a strong journalistic track record, receiving funding to operate a hub for the network.

We believe it is important in the context of Indigenous self-government and nation-to-nation relations to increase capacity and coverage of Indigenous issues and institutions by Indigenous journalists.

# Recommendation

## No. 9:

### Establish a research institute dedicated to the study of news and democracy

#### OBJECTIVES

Create a centre of excellence for ongoing research into the evolving interplay in Canada between news and democracy; Counter the dearth of data about Canadians media habits, preferences and attitudes in the understanding that better evidence can lead to better insights and solutions; Track the challenge of fake news and assess measures for countering it.

#### RECOMMENDATIONS

- a) Canada has no research institute truly devoted to the myriad issues involving the implications for democracy that are emerging from the profound changes sweeping through news media. We recommend that the Future of Journalism & Democracy Fund, working with foundations and academics, fill this gap by creating such an institute, with an independent governance structure.
- b) Its first order of business would include an evidence-based study of the existence, origin and impact of fake news in Canada.

#### FISCAL IMPLICATIONS

Such an institute would receive up to \$2 million a year or an endowment producing such a revenue stream from the Future of Journalism & Democracy Fund. This would be supplemented, we hope, by foundations and granting agencies.

#### NOTES

Despite the efforts of some academics, we have been struck throughout our study by the paucity of quality information about, and analysis of, the state of journalism and its impact on civic engagement and the health of Canadian democracy. Little is known about where news originates; the effect on local

democracy when newspapers or TV stations close; the level and impact of fake news in Canada; the financial state of various parts of the industry; evolving monetization models; the impact of global platforms on different actors in the news ecosystem; the role of algorithms in Canadian civic discourse; the lessons to be drawn from failed and successful news-innovation models, and the ongoing state of public opinion pertaining to news and democracy.

To arrive at good policy conclusions, Canada must have the capacity to accumulate proper evidence, which currently is either not available on a timely basis (2016 operating margins for the Canadian newspaper industry will not be known until 2018, four years after the most recent such data) or often must be inferred from research in other countries.

# Recommendation

## No. 10:

### Bolster the ‘inform’ imperative in the CBC mandate

#### OBJECTIVE

Greater emphasis on the news and information aspects of CBC operations to address the serious decline in original civic-function news; Enhance the base layer of reliable news to inform Canada’s citizenry.

#### RECOMMENDATION

- a) Have the CBC do more to emphasize the instruction “to inform” Canadians that is contained in its mandate. This includes paying particular attention to civic-function news, which may not attract the biggest audience but must be a public broadcaster’s *raison d’être* in a digital age.

#### FISCAL IMPLICATIONS

A reallocation of funds is likely required.

## NOTES

The 1991 Broadcasting Act stipulates that: “The Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains.” This mandate, which came into force just as the World Wide Web was being created, is overdue for an overhaul; even the title of the act speaks to a bygone era.

In the interim, the board of CBC should consider the order of the wording: informs, enlightens and entertains. The priority of “informs” has become ever more critical as the condition of the news industry worsens. The weight Canadians place on CBC’s news operations can be discerned from public-opinion research and the heavy traffic for news on the CBC/ SRC websites. The public views news at a higher level than drama, sports, comedy and other areas of program spending.

No public-policy objective for today’s CBC is more important than providing the iterative, on-the-ground news reporting described in this study. In times like these, Canadians turn to a relatively well-financed CBC to keep them informed of the developments and events in the country’s democratic life.

## **Recommendation No. 11:**

### **Financing for CBC online**

#### OBJECTIVE

Free cbc.ca of the need to “attract eyeballs” for digital advertising, which can run contrary to its civic-function mission and draw it into a “clickbait” mentality.

#### RECOMMENDATION

- a) The CBC should stop selling online and other digital ads, with a one-year phase-out period to make necessary adjustments. These funds should be replaced through the corporation’s

parliamentary appropriation so as not to weaken the CBC’s transition to digital.

#### FISCAL IMPLICATIONS

\$25 million, the approximate value of CBC’s current annual digital ad sales.

#### NOTES

In light of the wider review of cultural policies being conducted by Canadian Heritage, we will leave it to others to weigh the merits of having the CBC abandon the substantial but shrinking market for television advertising. News counts for a relatively small portion of CBC-TV’s ad revenues, and there is little evidence it is a burning, or distorting, issue in the same way that digital ads are.

Our call for CBC to vacate the digital ad space has less to do with who may inherit the \$25 million in forgone revenue (little will go to newspaper publishers) than with freeing CBC from the traffic-maximizing, clickbait mentality that devalues serious journalism. The CBC, especially now, must favour quality over quantity.

The government and CRTC must be mindful to ensure there is a healthy news ecosystem, and that CBC’s strength by virtue of being publicly funded does not undermine the diversity within that system.

## **Recommendation No. 12:**

### **Encourage a digital-age approach to public broadcasting**

#### OBJECTIVES

Transform CBC’s content distribution so as to increase the impact of its journalism and nourish the development of a more dynamic and diverse news ecosystem; Broaden the dissemination of CBC news to act as a counterweight to the presence of fake news and in support of digital innovation by young media innovators across the country.



## RECOMMENDATION

a) The CBC should move to a system of publishing its news content under a Creative Commons licence, marking the next logical step of a public-service news supplier in the digital age. Such an open-source approach would go a long way toward moving the organization from a self-contained, public-broadcasting competitor to a universal public provider of quality journalism. It would strengthen the media ecosystem overall, anchoring it in greater integrity and maximizing the reach of CBC journalism. In already posting its journalism on Facebook and Google-owned YouTube, CBC has implicitly accepted the principle that production and distribution can be separated. The transition to a Creative Commons licence would have to be carefully mapped out to minimize unintended damage to other organizations that provide civic-function news, such as Canadian Press. It would be best to start by making CBC news available to non-profits. The move to a Creative Commons approach furnishes a powerful use of policy that would, as Thomas Jefferson said, “contrive” to make the same body of high-quality information available to the whole public to help them in their democratic decisions.

## FISCAL IMPLICATIONS

Zero, with the potential for news business creation.

## NOTES

CBC attracts more web traffic than any other news site in Canada, yet it still feels the need to post content on Facebook and YouTube. In so doing, it has de facto accepted the viability of a division between its production and distribution. Unfortunately, as CBC News managers acknowledge, the social media sites are far more interested in highly shareable content rather than, for example, stories about Big Power thinking and human suffering in the Syrian civil war.

In a world of fragmented media, where news is increasingly not consumed via home pages and single organizations but rather through individual pieces of content most often shared by friends and followers, opening its content would enable the CBC to better fulfill its mandate to inform Canadians.

The best defence to fake news is a strong offence, widely disseminating real news produced to the highest standards. Sharing the CBC’s content in this manner would see significantly more quality journalism coursing through the social media ecosystem.

Such a move would also enrich digital-only and traditional news organizations and unleash new creative approaches to adding value to CBC News beyond what can possibly exist within a single organization.

There are [seven types](#) of [Creative Commons](#) licence. We recommend that the CBC use the “Attribution + No Derivatives” class, which would require those using its material to provide attribution and forbid the “remixing” of CBC content while allowing it to be monetized.

There is little precedent for this kind of digital-age approach among public broadcasters. CBC would be staking out a leadership position.

The goal would be to open CBC News content to all news organizations compliant with Section 19. As the possibility of unintended impact is being assessed, it would be best to begin by opening content to non-profit media.

# Some Final Thoughts

## Looking Forward

### 1. Defining civic-function journalism

Throughout this report, we have described a deficit in what we have called civic-function journalism, with attendant risks posed to the functioning of a healthy democracy. We define such journalism as: the coverage of elected officials and public institutions, from legislatures, judicial or quasi-judicial bodies and city halls to school boards and supporting public services; issues and debates related to these officials and bodies; and the ability of communities to know themselves for civic purposes.

We recognize that such a definition can always be improved and will inevitably be subject to some interpretation, but recommend it as a guideline for the Future of Journalism & Democracy Fund and other policy proposals.

### 2. Section 19 and the Internet

Applying Section 19 of the Income Tax Act to the Internet will not be as straightforward as extending it to broadcast was in the 1970s. In that case, there were a finite number of outlets, and those advertising on U.S. border stations could easily substitute Canadian stations and still reach the same audiences, especially with the accompanying policy of simultaneous substitution.

Today, there are myriad Internet-based services and intermediaries in the advertising supply chain. Many buyers place their ads not in a particular media brand, but in front of demographic groupings that may exist on thousands of sites. That said, advertisers are familiar with Section 19, 19.1 and 19.01 (for periodicals). And, just as it is possible to track and measure

audiences for digital advertising, so will it be possible to track whether those ads end up in an environment that is Section 19-compliant or not. A mere 20 sellers of advertising control 90 percent of Canadian ad impressions.

### 3. Potential pitfalls for foundations

With a more liberal regulatory regime, we expect some charitable foundations would seek to invest in journalism, in the way that those in the U.S., such as Knight, Pew, Ford and MacArthur, have been doing for years. We don't expect this to be a panacea. Most Canadian foundations are small and have long-standing mandates. For those that choose to become involved, there are opportunities for significant impact.

There are dangers of unintended consequences, as well. Foundations will have to take care not to inadvertently bend the practices or priorities of a journalistic enterprise toward their agendas. Journalism, with its open pursuit of truth, without fear or favour, is not the same as activism. It needs to go where the trail of inquiry leads, directions that may make foundations championing particular causes uncomfortable at times.

There will be practical matters to ponder: Should foundations finance reporters directly? Will they expect to influence or even direct what those reporters cover? And, if so, only in terms of subject matter or also the outcome? Should the foundations secure assurance that, at the end of the day, this coverage will in fact be published (a very real issue for independent journalists)? Will they withdraw their support if they don't achieve the result they seek?

Will unions give foundation-backed reporters a pass on the last-in, first-out rule of seniority should layoffs occur?

Certainly, foundations will want at the very least to support an area of coverage that conforms to their strategic plans, as has been the case with the Ford Foundation financing of the Los Angeles Times for reporting on poverty or support from Canada's Atkinson Foundation for a labour reporter at the Toronto Star to write about precarious types of employment, a subject not otherwise given regular attention.

We have seen in our study repeated praise heaped on ProPublica, a highly regarded investigative-journalism service in the United States. It offers a good model in this regard. Supportive philanthropists have provided backing, but left the rest to the editors. Even with the best of intentions, doing otherwise runs the risk of compromising the results.

Foundations should think about a less-direct approach as well. As set out in this report, there is a lot of journalistic infrastructure that begs support. Digital innovation, legal advice, ongoing research—these are just a few examples of other ways foundations can support journalism without becoming de facto publishers or editors themselves.

#### **4. When newspapers close**

Mayor Cam Guthrie told us of the shock that swept his community when the Guelph Mercury died in January 2016. An eight-day warning provided no real opportunity to mount an effort to save the 149-year-old paper. Short notice was an issue as well with the infamous twinned closings of the Winnipeg Tribune and the Ottawa Journal in 1980, which gave rise to the Kent Commission on newspapers. In both cases, it probably suited the owners to shut down rather than sell.

Nonetheless, there is a public interest in following the 2009 lead of Victoria's CHEK-TV, purchased and kept viable by its employees. Governments should not only consider requiring that owners provide reasonable notice before they can shutter a news organization but also consider offering incentives if a convincing business plan will help to keep an operation alive.

#### **5. The downside of tax credits**

Many groups representing financially pressed news organizations have called for tax credits to help them make the transition to the digital world. Otherwise, they say, democratic health is threatened by the deteriorating state of their businesses. We carefully considered tax credits before deciding they were not the best way forward.

Tax credits have the apparent attraction of simplicity and neutrality. They are seen to be a means of maintaining a distance between the beneficiaries (media companies) and government. But they are also easily removed or reduced if a government becomes unhappy with the media. This poses a greater risk of allowing government undue leverage than does our proposal of a dedicated tax going from industry to an arm's-length granting council.

Tax credits also suffer from being a very blunt tool. They treat those with a good record in making the digital transition equally with those whose record is poor. Meanwhile, their treatment of for-profit and non-profit news organizations is unequal. We have detected throughout our study a great apprehension among early-stage digital news operators that tax credits would favour established for-profit companies that have lobbying power and lock in their position over potentially more innovative newcomers. The coalition representing four major Quebec newspaper groups has specifically called for tax credits to be available only to print publications.

Tax credits are also difficult to police for leakage. Money is highly fungible and, once credits are

received, companies could apply them in many different ways, even if they are specifically for labour or digital technology. They could even be applied to a company's bottom line, to the benefit of shareholders and executives.

From a fiscal point of view, tax credits have a tendency to grow indiscriminately, as businesses adjust their operations to fall within the ambit of the tax credit. A case in point: The Ontario Interactive Digital Media Tax Credit was introduced in 1998 to support the growth of Ontario's emerging digital media industry and the creation of high-skill jobs. Eventually, news companies launching digital products fell under its ambit. In the 10 years leading up to 2015, the cost of the credit grew by more than 40 percent a year, from \$2,850,840 in 2005-2006 to \$133,170,947 in 2014-2015. This led to a reform that excluded news media corporations, many of which, by then, had built the credit into their business planning.

Some proponents have positioned tax credits as a short-term measure that would be in place only while the news industry made its transition to digital. In reality, there is no certainty about how long this transition will take or whether it will even work. Nor is the oft-heard comparison with General Motors germane. The news media of 2017 are not the auto industry of 2008 for two reasons: Firstly, in the GM case, the transition back to profitability depended on general economic factors, not a specific technological disruption, and economies tend to recover; secondly, governments could hedge their exposure by taking shares in GM, which would be wholly inappropriate in the case of news organizations.

## **6. Thinking hard about the problem of fake news**

There is no simple answer to the fake news issue, which simmered for years before seizing public attention during last November's U.S. presidential election. Separating fact from fiction has historically

been the job of electors, not the elected. Certainly, nobody should want governments in a free society to act as arbiters of truth—the slope toward regulated free speech steepens very quickly. Governments, and all of us, should proceed cautiously.

We should feel no more comfortable with organizations that control mountains of personal data on tens of millions of Canadians and determine via private computer code and artificial intelligence who is exposed—or not exposed—to different information. The sheer size and influence of major social media platforms places them within the realm of the public interest.

Although “proceed with caution” should be the watchwords, there is no reason why Canadians, or anyone else, should be subjected to an Internet filled with polluted rivers of information. There are ideas worth exploring in assuring the Internet can be trusted. We divide these into two sides: supply and demand.

### **THE SUPPLY SIDE:**

- 1) Certain categories of fake news are already addressed in Canadian law. The Internet gets no free pass from hate, bullying or pornography, for example, or from civil actions against slander and libel. Canada does not have a First Amendment, but rather the reasonable-limits test in Section 1 of the Charter of Rights and Freedoms. It guarantees rights “subject only to such reasonable limits prescribed by law as can be demonstrably justified in a free and democratic society.” If individuals violate laws in using the Internet, legal remedies should be applied.
- 2) Lies present a trickier challenge for public policy. Some are clear, others open to interpretation. Certainly, assertions that are demonstrably unproven, and challenged as such, should be corrected by those who have produced or distributed the bad information. The principle is long-established that publishers are ultimately responsible for all information in their domains, even if it doesn't originate with them. Non-defamatory untruths have usually been the purview

of self-policing by news organizations, starting with such simple standards of verification as double sourcing and editing. Sometimes, regulation of accuracy and truthfulness is pushed up to an ombudswoman, readers' editor or press council. Public opinion also plays a role. There should be an expectation that search firms, aggregators and social platforms are responsible for the information they trade in; they should correct errors, just as newspapers and broadcasters do. We would be cautious, at this point, of going as far as Germany, where fines have been proposed if such action is not taken within 24 hours. But governments, alone or collectively, should initiate discussions with these platforms. There is a leadership role here for Canada.

- 3) There is already considerable discussion, as there should be, about the lack of transparency regarding the computer algorithms that govern how and with whom information is shared. Given the outsized influence of these algorithms and their opacity, we accept that they constitute more than simple private intellectual property. One wants to take care not to turn the Internet, a wonder of innovation, into a public utility. But the public interest points to understanding how these algorithms prioritize information and to exploring whether they should be calibrated to provide more information that is significant and challenges assumptions versus information that reinforces predispositions and makes people happy. A good place to start would be to revisit the algorithm changes last summer that downgraded material from established organizations in the content of Facebook's News Feed. We would urge caution when it comes to asserting a role for human editors. There are one billion posts a day on Facebook alone. Human intervention cannot shoulder this load. More important, this would amount to recreating the gatekeeping function of System A within System B. Turning the Internet into a faster version of traditional media advances some democratic values while suppressing others.
- 4) Finally, the argument is being made that the best defence against fake news is a strong offence; in other words, the creation of more news from reliable sources will overwhelm falsehoods.

This entire report is based on the understanding that serious civic-function news is at risk, and this will have consequences. We have embraced the admonition of Thomas Jefferson that contriving to get a common set of facts before citizens serves democracy better than not. Still, one cannot forget the rise in the digital world of echo chambers and filter bubbles—meaning that truth and falsehood are not necessarily grappling with one another. The promotion of more news from reliable sources cannot be divorced from either the wider question of how the algorithms work or how innovation occurs.

#### **THE DEMAND SIDE:**

- 1) The number of people, according to post-U.S. election research, who believed preposterous assertions made in fake news stories is uncomfortably high and crosses party lines. How media literacy varies, and what can be done to raise it, deserves serious consideration.
- 2) That said, it would be a mistake to confuse fake news symptoms for the disease. The opening for fake news has been created by deeply sociological phenomena related to exclusion and breakdowns in societal trust and cohesion. Certainly, the larger lesson from the U.S. election concerns the significant cohort of alienated, aggrieved and under-educated voters prepared to suspend disbelief and embrace fake news. There is nothing new about this. Writing in Harper's Magazine in 1936, author Aldous Huxley cautioned: "Propaganda gives force and direction to the successive movements of popular feeling and desire, but it does not do much to create those movements. The propagandist is a man who canalizes an already existing stream. In a land where there is no water, he digs in vain." In other words, let's not forget the context.

## **7. Competition policy and the marketplace of ideas**

Concentration of ownership has been a major preoccupation of Canadian media analysis for at least five decades. In the past several years, media critics have been highly critical of Canada's Competition Bureau for approving Postmedia's acquisition of the

Sun newspaper chain and for discontinuing a three-year investigation into whether Google's search and advertising businesses engaged in the abuse of their dominant position.

In the Sun case, the bureau was caught by surprise eight months after greenlighting the takeover when the Postmedia and Sun newsrooms were combined, something Postmedia CEO Paul Godfrey said he would not do when the deal was first approved.

Competition law has long focused on economic marketplaces and questions about whether undue concentration was being used to raise prices, lessen competition and ultimately harm consumers. That may have been fine under the assumptions of the day. But now it may be time for governments to reconsider media concentration through the lens of a robust marketplace of ideas. Information and ideas constitute markets that must operate freely and with sufficient diversity of voice (competition) that news and opinion have a chance to clash and inform democracy.

The extraordinary dominance of platform companies, particularly Google and Facebook, raises issues beyond economic harm in the usual sense. After all, news is being widely disseminated and advertising prices are being reduced through enhanced efficiencies.

The issue at play begins with the relationship between the growing economic might of a handful of platform companies engaged in distribution and their effect on the capacity of news originators to provide the goods that nourish the marketplace of ideas. Without news, opinion and understanding, democratic decision-making cannot be well informed. The issue that policy-makers need to consider is whether the evolution of the economic marketplace is unduly harming the marketplace of ideas and whether there is a role for competition policy in this broader societal framework.

The problem can be understood, says Canadian academic Mike Ananny, a professor at the University of Southern California's Annenberg School for Communication and Journalism, only by understanding that both platforms can set the conditions under which news disseminates (i.e., which types of news are favoured, which types of distribution are more likely to occur) and set the conditions under which advertisers reach audiences through this news distribution. "It's this structural double whammy of dominating ideas and money that's the real third rail of platform power," he says.

This is a discussion that has yet to flower, so it is premature for this study to pronounce upon it. Our intent is to flag to government the risk that highly successful business models may be creating unintended consequences by suppressing the production of the goods necessary for the marketplace of ideas to function well. If the government agrees, it falls to it to consider whether the present structure of this particular market is sound in serving democratic aims going forward and what, if anything, should be done about it. This is not the stuff of current competition regulation.

This conversation obviously goes well beyond Canada, and cannot easily be addressed by any single nation, given the size and global nature of platform players. There may be a crucial role for Canada in a broader discussion of the marketplace of ideas, but probably not for Canadian exceptionalism.

# Afterword

Journalism allowed a shy kid to find his voice. For this alone, I will always be grateful. The licence to ask questions on behalf of others, to push and prod in pursuit of truth (and be constitutionally protected in so doing) is a tremendous privilege and serious responsibility. Journalism bestows an extraordinary gift on its practitioners—intellectual freedom—along with the everyday urgency to make use of it.

As a delivery boy for the old Montreal Star, I got my first look at life's intricate tapestries by observing the households on my route. Collection nights were replete with the smells of different cooking styles, the faces of happy homes and stressed ones, and a running commentary by those engaged in the articles I had thrown on their doorsteps a couple of hours earlier. I came to appreciate from an early age the social glue that is news.

A morning and evening paper came to our house, too, along with the newscasts of local radio and a half-dozen Canadian and U.S. television stations. They kept me current with my beloved Canadiens and Expos, and well-nourished in my unusual appetite for the world of politics and current events.

In high school, I skipped class to watch day games of the World Series (never the Expos, alas) as well as every possible moment of the Senate Watergate hearings. That was seminal for me. I had wanted to be a lawyer and eventually run for office; instead, like

others of my journalistic generation, I became seized by an equally compelling civic calling.

I started out at the Lloydminster Times, where our three-person newsroom published a skinny daily and ad-filled weekly. There, I received my highest honour, a makeshift Feather in the Cowboy Hat Award from local farmers for revealing that the city was dumping raw sewage on their land and lying about it. At the Regina Leader-Post, I covered everything from drought to the first shooting of Colin Thatcher's ex-wife, JoAnn, and, as the Financial Post's Prairie bureau chief, I reported on such towering provincial leaders as Peter Lougheed and Allan Blakeney.

Eventually, after going overseas to study political change in democracies and dictatorships, I would join the charmingly idiosyncratic and frighteningly literate Globe and Mail for the next 20-plus years as a business reporter, foreign correspondent, Ottawa bureau chief and, eventually, in a series of what were known internally as "management turd" positions—running the Report on Business, directing editorial operations at the height of the newspaper war with the National Post and leading one of the best assemblages of journalists in the world for seven years as editor-in-chief.

I had the good fortune after The Globe to join Torstar as vice-president of strategic investments as we launched experimental content businesses

in our attempt to find a winning formula for the digital age. And then being invited inside the tent of the extraordinarily successful Bloomberg News, working with global teams on stories where business, economics, politics and policy converged.

Two career snapshots seem particularly relevant:

- Covering the collapse of communism throughout Eastern Europe and witnessing the joyous restoration of civil society and individual freedom in Romania right after the overthrow of Nicolae Ceausescu—what journalism and democracy are all about.
- Suggesting to my publisher at the height of the war with Conrad Black that perhaps we were being distracted from the true existential threat coming from the Internet. Several months later, he gave me the green light to create globeandmail.com.

In recent years, I've felt a growing urge to make a direct contribution to the policy choices that will define our future. A friend tipped me off to a vacancy atop the Public Policy Forum. And so it was, shortly after starting here in March 2016, that I got to bring together my two great professional passions, journalism and public policy—more particularly the conditions necessary for news in our democracy to continue to deliver on its essential civic function.

Naturally, I feel great solidarity with journalists. But I came at this project with a long-standing reformist bent and didn't think anyone merited a free pass

in the digital age. It quickly became obvious to me, though, that amid today's commotion of news and pseudo-news, we still need people who go to work every day to sort the consequential from the ephemeral and, yes, fact from fiction. Journalism's main job is to keep watch over the powerful precincts of society—to challenge, cajole, educate, pester—and furnish an ongoing, trustworthy account of events that informs democratic choice and strengthens common purpose. That's not to be treated lightly.

After six months examining the ability of Canada's news industry to fulfill these civic responsibilities, I can conclude we are reaching, or perhaps have already reached, what business people call an inflection point: Two decades into its existential crisis, the news is in a state of distress and the social glue I encountered as a youngster is losing its capacity to bind. This report diagnoses the problem and offers up ideas as to what can be done. We at the Public Policy Forum hope our analysis and recommendations will stimulate a necessary debate and some carefully calibrated action to preserve a foundational social good.

**EDWARD GREENSPON**  
**PRESIDENT & CEO, PUBLIC POLICY FORUM**



# Acknowledgments

Hundreds of people provided input into this report. We are grateful to all for sharpening our thinking or introducing new ideas into the process. While none bear any responsibility for the final output, we hope all will take some level of satisfaction at the contributions they made in pushing this important debate forward.

We'd like to thank a number of people who especially gave generously of their time in shaping this report. We were very fortunate for the regular input of our four principal researchers: Prof. Chris Dornan of Carleton University, Prof. Taylor Owen of University of British Columbia, Prof. Colette Brin of Université Laval and Prof. Elizabeth Dubois of University of Ottawa. They were assisted by graduate students Mike Lakusiak, Linda Givetch and Cherise Seucharan at UBC; Eric Dicarie at uOttawa along with Anne-Marie Brunelle, a PhD candidate at Université du Québec à Montréal; and Christine Crowther, an instructor at Carleton and a PhD student at McGill University. Iwona Mazurek at the University of Regina assisted senior policy fellow Dale Eisler in an examination of the local news scene. Carleton's J-5000 graduate class (fall term, 2016) provided helpful feedback on a menu of possible policy options.

Pollster Allan Gregg of the Earncliffe Strategy Group led our critical public opinion research, assisted by co-investigators Doug Anderson and Stephanie Constable. Natalie Turvey, executive director of the

Canadian Journalism Foundation, joined us as a partner in the poll. CJF board member and Carleton University Prof. Chris Waddell provided feedback on the questionnaire.

We also received input from Monitor Deloitte's global managing partner Jonathan Goodman, Fortune magazine senior writer Mathew Ingram, CPAC president Catherine Cano, Ryerson University Prof. April Lindgren, former Toronto Star publisher John Cruickshank, Hill+Knowlton Strategies vice-chairman Peter Donolo, PPF fellow Drew Fagan, University of Southern California Prof. Mike Ananny, former Wikimedia Foundation executive director Sue Gardner, J.W. McConnell Family Foundation president Stephen Huddart and Atkinson Foundation president Colette Murphy. We also were able, from time to time to tap into the knowledge pools of Canadian Heritage officials Jean-François Bernier, Luc Marchand, Annabel Claux and Harold Boies as well as Mark Schaan from the department of Innovation, Science and Economic Development.

In addition to the work of our principal researchers, various people provided specific research memos, including New Canadian Media founder George Abraham, Carleton University communications Prof. Ira Wagman, Turtle Island News founder and publisher Lynda Powless, community news advocates Cathy Edwards, Mike Hertz and Colleen

Wilson, and University of Regina Prof. Patricia Elliott. More than a dozen news organizations provided data, some of it publicly unavailable, to help us understand the shape of the industry. Kelly Levson of Newspapers Canada, Brent Bernie of comScore Inc. and the president of Communic@tions Management Inc., Ken Goldstein, were particularly patient in helping us understand industry numbers.

The University of Regina, Université Laval, TD Bank, the Canadian Centre for Ethics in Public Affairs in Halifax and Simon Fraser University were kind enough to provide venues for our roundtables. University of British Columbia hosted a digital innovation symposium we co-organized.

Former Globe and Mail Focus editor Jerry Johnson edited the manuscript with his customary panache. Jane Taber and Kim West at National Public Relations provided strategic communications advice with the assistance of Mercedes Smith, Michael Cranis, Sarah McNeil, Christina Lo and Tyrone Murphy.

The report was translated to French by Larrass Translations Inc. of Ottawa, and revised by Prof. Colette Brin.

Finally, from within the Public Policy Forum, this report would not have been possible without the efforts of communications director Carl Neustaedter, himself a former journalist, senior vice-president of policy

and partnerships Julie Cafley, policy director Lindsay Martens, former policy lead James McLean, policy associate Darren Touch, communications specialist Sabrina Ahmad and project administrator Dianne Gravel-Normand and intern Alexander Toope.

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