

FEDERAL SUPPORT FOR JOURNALISM

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Approximately 80 percent of Canadians relied on television news for information on current affairs in the 1980s. Today, the Internet has taken that spot. The proportion is higher for those with a university degree (90 percent), and for younger people (95 percent) (Statistics Canada, 2023). Although television viewership has declined, it remains a popular choice of most Canadians at 67 percent (88 percent for those over age 55). The problem, however, is that television news has often been criticized for being shallow and focused on entertainment, and the Internet is not just one thing—it includes legacy media such as television, newspapers, as well as citizen journalism, social media, and even clickbait.

In contrast, newspapers have been perceived as more reliable, more in depth, and a higher form of journalism as they are considered the medium of record. Yet even in the 1980s, the newspaper business model was under threat. So concerned was the government of the day it convened the Royal Commission on Newspapers (Kent Commission) to examine the lack of competition between newspapers, rather than competition between media.

Two of the Commission's many recommendations involved government use of tax credits and matching grants to newspapers to save the profession. The report and its recommendations were promptly dismissed. Government choosing not to act is a legitimate policy option, one that the current government might well consider. As Thomas Dye defines it, public policy is: "whatever government chooses to do or not to do" (Dye, 1978: 3).

The Internet has disrupted media models in place for the last century, in part because it has reduced barriers to entry. New entrants have innovated in ways with which legacy media have difficulty competing. However, in a democracy the government is not well placed to reverse those disruptions. The media, like any other business, continually evolves. As each innovation enters the market, it displaces audiences for the legacy players.

But does that innovation mean we should prop up services that fewer people consume? No. We allow other industries to adapt to new market conditions. Sometimes that means certain industries and companies close. But they are replaced with something else.

People concerned about the loss of news extol the virtues of journalism as a vital component of democracy. A recent *Globe and Mail* headline encapsulates the argument, "The slow decline of the news industry is bad news for democracy" (Mason, 2024). These sentiments ignore the fact that although journalism can aid democracy, that is not its sole purpose. As Roy Thomson, one of the Canadian pioneers of newspaper chains admitted, "I buy newspapers to make money, to buy more newspapers to make more money" (Day, 2016). Yes, news serves a public purpose, but it also generates profits as it sells audiences to advertisers.

While many are rightly concerned about layoffs and closures of newsrooms, the media in aggregate continue to make money. In 2022, the entire media network economy grew from \$89 billion two years before to \$94.6 billion (Winseck, 2022). Those revenues went mainly to six companies: Bell, Telus, Rogers, Shaw, Quebecor, and CBC. It is worth noting that these revenues do not derive solely from the news, but from the companies' other holdings such as wireless. Nonetheless, they are competing for advertising dollars with the tech giants. Google and Facebook have the lion's share of online advertising revenue (80 percent of the \$12.6 billion in sales) (Winseck, 2022: vii). Newspapers' share of total Canadian advertising revenue fell from 83 percent in 2010 to 54 percent in 2022.

Unfortunately, every attempt by government to prop up the media landscape has only resulted in failure, and perhaps discouraged innovation. Over the past five years, the federal government has spent approximately \$885 million to support Canadian journalism, beyond direct subsidies to CBC (Canada, 2023). The impetus

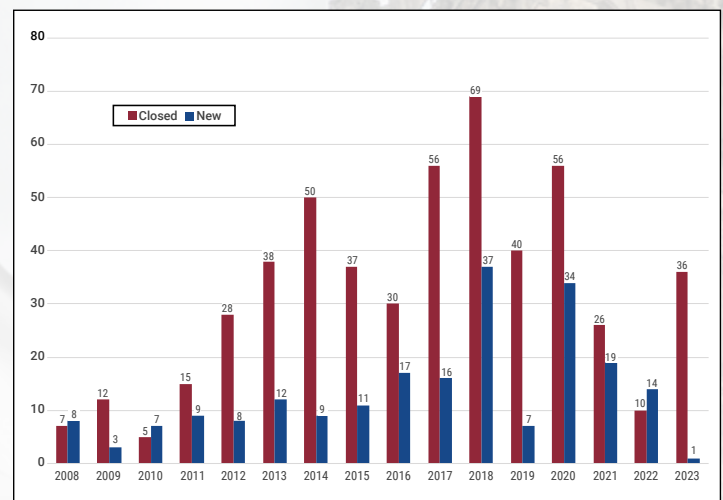
for such largess is that they want to preserve local journalism. Despite these supports, both television and newspaper chains have consolidated further, announcing massive layoffs, while community papers continue to decline. The Canadian Journalism Labour Tax Credit provided a salary subsidy of 25 percent and cost \$170 million over that timeframe. Companies such as BCE were able to receive the subsidy, but still reduced their workforce by 1,300 and closed or sold nine local radio stations while shuttering international bureaus (Boyd, 2023). Moreover, after receiving \$40 million in annual regulatory relief, BCE announced in February 2024 the largest round of job cuts in 30 years (Canadian Press, 2024).

In addition, the federal government spent \$50 million to support local journalism. However, since 2020, 344 news organizations have closed, of which 131 were community papers (Lindgren and Corbett, 2023). Although the number of closures has declined slightly since 2018, (see figure 1), we continue to have more closures than new media entrants. These funds are in addition to the \$1.27 billion that CBC receives (CBC, 2023). Even with the government grant, CBC announced before Christmas 2023 that it would reduce its workforce by 10 percent, which meant layoffs of 600 positions.

The reality is that Canadians no longer trust the media the way they did in the past. Only 32 percent of Canadians trust Canadian news outlets, and even fewer trust in social media companies (Akin, 2023).

The Internet has reduced our reliance on traditional media. Simultaneously, it has also allowed innovators to enter the market, bypassing traditional gatekeepers. The fact that anyone can become an influencer is evidence that innovation works. Take, for example, YouTube. According to Oxford Economics it contributed \$1.1 billion to Canada's GDP in 2021 while supporting 34,600 Full-Time Equivalent (FTE)

Figure 1: Number of media closures and new entrants from 2008–2023



jobs (Oxford Economics, 2023). More importantly it helps amplify Canadian talent by accessing new audiences by organically promoting diverse voices (Oxford Economics, 2023). All this without government intervention.

Instead of creating more regulation such as the *Online News Act* (Bill C-18), which requires digital platforms to bargain with news businesses, or the *Online Streaming Act* (Bill C-11), which would attempt to regulate content producers, the government would be wiser to allow content providers to compete in the marketplace of ideas, and for media organizations to decide if they want to negotiate with tech giants for royalties on their own merit. The interference by government in this space has simultaneously reduced the reach of many existing and potentially new media sources and further eroded trust in the media. In other words, government needs to rescind both bills and stop subsidizing media outlets.

Rather than make Canadian news more accessible, Bill C-11 caused Google to threaten removal of Canadian news on its search engine. They eventually agreed to a \$100-million deal where 30 percent would go to broadcasters, but that was far short of what the government had demanded. Moreover, Meta, which houses the most popular social media brands (Facebook and Instagram) no longer allows Canadians to share news stories on its platforms. This means that potential audiences for traditional news, as well as news innovators, have limited reach in Canada.

As much as it might sadden us to see traditional news organizations and their employees disappear, it is simply untenable that the government try to “save” this sector. So far, the attempts have not resulted in saving either reporter jobs or news organizations. Subsidizing the media has not brought back the former audiences. Innovation must come from media organizations themselves and individual content providers. If the current players cannot do it, new ones will step in, so long as government does not get in their way. ❖