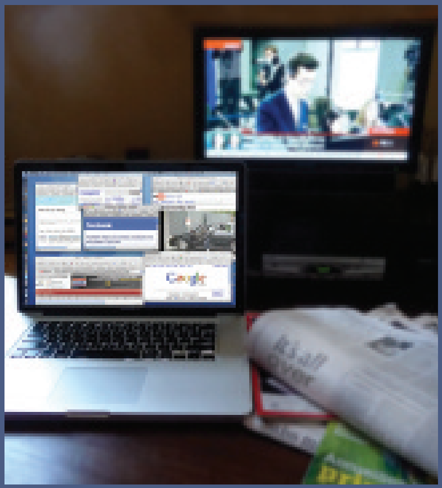
THE FUTURE FOR THE CANADIAN MEDIA

Christopher Waddell



The sharp cyclical downturn in advertising revenues has awakened mainstream media, particularly Canada's television networks, to the transformational change that has occurred in their industry because of the Internet. The Great Recession is a recent occurrence, sweeping across the globe and decimating ad revenues in conventional broadcasting since the fourth quarter of last year. But declining audience shares for over-the-air television outlets, with viewers migrating to specialty channels that derive their revenue base from cable carriage fees, to say nothing of Internet platforms, are not new developments. But the combination of the recession and new technologies has finally resulted in an awakening, in the middle of a reckoning. Christopher Waddell of Carleton University looks at the future of Canadian media.

La forte baisse des recettes publicitaires aura finalement éveillé les médias grand public, et notamment les réseaux de télévision canadiens, aux profonds changements qui ont transformé leur secteur depuis l'arrivée d'Internet. Alors que la récession s'étendait à l'ensemble du globe, les télédiffuseurs traditionnels ont vu fondre leurs recettes dès le quatrième trimestre de l'an dernier. Le recul des parts de marché provoqué par la popularité de chaînes spécialisées tirant leurs revenus des frais de câblodistribution, sans même parler des platesformes en ligne, n'a pourtant rien d'un phénomène nouveau. Il aura fallu qu'une récession vienne s'ajouter aux nouvelles technologies pour que les acteurs de ce secteur en prennent pleine conscience. Christopher Waddell, de l'Université Carleton, examine l'avenir des médias canadiens.

This is the year the Canadian media realized it was in trouble. It was as if everyone in the newspaper, television and radio business woke up one morning and discovered audiences and advertisers were leaving the mainstream media.

It took the sharp drop in ad revenue from the recession along with the prospect that the lack of cash to make interest payments on a debt of almost $4 billion would finally force CanWest into bankruptcy protection, finally to draw attention to a media landscape that has actually been changing for quite a while.

Readers, listeners and viewers are leaving the mainstream media for a variety of reasons and advertisers are following. The newspaper industry has long been worried that younger generations — a key advertiser demographic — aren't reading newspapers the way their parents did. Now they're also watching less television.

The Internet gets the credit (if you are a news consumer) or the blame (if you are a media owner) for most of this, as it lets audiences get news and information when they want it. No one has to wait for evening or even hourly newscasts or for the paper to arrive in the morning. The Internet also provides almost infinite choice in where to get news and information, whether it is traditional news sources from anywhere in the world, social networking sites, public participation through blogs, sharing video, etc., or going directly to the source and downloading copies of documents or watching events unfold live. The mainstream media has lost its long-time role as the information gatekeeper for the public. The problem for the media is that almost all news and information content on the Internet is free to consumers. Advertising on the Web generates some revenue but not nearly as much as ads in newspapers or on television produce.

The response from media owners has been a consistent refrain — the business model is broken. It no longer works. Television networks say the solution is to force cable and satellite distributors to pay the networks for the over-the-air signals that the distributors now rebroadcast without giving the networks any compensation. To date the regulator, the Canadian Radio-television and Telecommunications Commission (CRTC), has disagreed, twice rejecting the broadcasters' arguments.

In the debate about the future of General Motors and Chrysler, the quality of their products is the central issue that explains both their corporate decline and whether they have any future. But the debate about the future of the Canadian media has been under way for months now without any reference to what the media produces — the content of newscasts and newspapers.

That content has changed dramatically in the past decade but that's not being discussed at all. Perhaps that's the result of the concentrated ownership of the Canadian media. The people most anxious to see a specific outcome in this debate are the same few who control the forum in which the debate is taking place — the media. It's worth remembering that five entities control a huge proportion of Canada's media. They are:

- Ctvglobemedia — It owns the *Globe and Mail* and CTV, with stations in 28 communities as well as 32 specialty television channels, including some of the most popular such as TSN, BNN, MuchMusic and the Discovery Channel. It is a privately held company.
- Torstar — It owns the country's largest newspaper, the *Toronto Star*, the dailies in Hamilton, Kitchener-Waterloo and Guelph, as well as a national network of more than 100 weekly and biweekly community and special-interest newspapers and Web sites, a share of *Metro*, the daily free paper, and 20 percent of Ctvglobemedia. Torstar is a publicly traded company.
- CanWest — It owns the Global television network, with 17 stations across the country, as well as Canada's second national newspaper, the *National Post*, daily newspapers in 12 major metropolitan centres and 21 specialty television channels. It is a publicly traded company.
- Rogers — It's a major cable company and Internet service provider (ISP), operates one of the three dominant mobile phone networks and owns five local TV stations, six specialty channels, more than 50 radio stations and many magazines. It is a publicly-traded company.
- Quebecor — It owns TVA, the private French-language TV network, as well as Videotron, Quebec's largest cable company; an ISP; the *Journal de Montréal* and *Sun* newspapers across the country; dailies in more than 30 smaller communities; and more than 30 weekly or biweekly newspapers and broadsheets in smaller communities. It is a publicly traded company.

Consolidation of ownership in the Canadian media started decades ago. Despite a series of studies and reports warning about the risks to diversity of editorial content and comment that resulted from this concentration, governments both Liberal and Conservative ignored those concerns. In fact the Chrétien government went the opposite direction. In the late 1990s it eliminated restrictions that had prevented cross-ownership — the same company owning television stations and newspapers in the same community or market.

That produced a new round of concentration as television networks and newspapers aligned under common ownership, setting the stage for convergence. It was a management theory that assumed that a reporter is a reporter whether he or she works for television, newspapers or radio. So the same person could turn out stories for all media owned by the same company. It was in theory the perfect solution for what had become an accountant-driven business: more — in this case content — produced by less — in this case journalists. The other aspect of convergence would see journalists at a television station and a newspaper that used to compete fiercely in the same market under separate owners, now happily trade information, stories and what used to be exclusives simply because they now shared the same parent.

Convergence may have looked good on a spreadsheet but in reality it has been a disaster, setting the stage for the problems the Canadian media now faces. Different media require different reporting skills — some journalists can cross over and do good work in print and broadcast (though not at the same time). Most can't. At the same time the editorial staff at a morning newspaper will fight to avoid giving an exclusive to the TV network owned by the same parent because the paper's reporters don't want to see the story they have worked hard to get be featured on the television news the night before the paper is available to readers.

In the initial few years, though, media owners thought those problems were just temporary, so news organizations used their new converged, conglomerate status to lay off journalists. In a booming economy they shrank newspaper and television newsrooms under the mantra of convergence, primarily designed to ensure the industry maintained annual profit margins of more than 20 percent. That kept shareholders happy and provided the cash for the media corporations to make interest payments on the huge debt loads they incurred in consolidating and converging.

Those layoffs in the good times directly affected content in several important ways.

First, local and national print and television newsrooms responded to demands from owners to cut staff by

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Ivan Fecan, (right), President and Chief Executive Officer, along with John Gossling, Chief Financial Officer, both of CTVglobemedia Inc., appear before the CRTC hearings on April 30. The conventional broadcasters were seeking a share of carriage fees remitted to specialty channels by cable and satellite companies.

eliminating specialist reporters. Beat reporters disappeared, and increasingly everyone became a general assignment reporter, never covering the same issue on consecutive days. The result has been a loss of expertise, critical analysis and context in reporting. When combined with increasing demands to file for multiple outlets, multiple times during the day (as all news organizations have become wire services on their Web sites), the result is that reporters know less and less about more and more. Those who want to research have no time to find much background about the story they have been given that day.

That means every day is covered as a self-contained unit in which things that happened that day have never happened before and will never happen again. That has certainly been true in reporting on the current recession. At its most extreme, even if a reporter knows very little or nothing about an issue, he or she can always file a story that focuses on conflict or personality. Too much of today's reporting on politics and public policy, for instance, has devolved to that.

Second, staff cuts particularly in local television mean in most cases every reporter has to file every day to fill that day's newscast. No one can take a day to research a story or check out leads. Every story is a same-day story. As a result local TV news has devolved into stories about crime and courts, traffic accidents and weather — none of which require detailed research or expertise and all of which can be done quickly. Both quality and breadth of local TV news suffered precisely at a time when audience choices for news were expanding exponentially thanks to the Internet.

Third, news organizations, both public and private, imposed centrally designed templates on all their outlets, again to cut costs. CanWest newspapers across the country increasingly looked identical in design and all their newspapers shared the same Web page design. CTV, Global, CityTV and A Channel (while they survived) and CBC's local evening TV newscasts from community to community were increasingly indistinguishable across their networks in look and content — all mandated from the centre. The CBC even hired a US consultant to redesign its supper-hour local newscasts across the country to look identical and to match the content and approach of US private television. The result has been a numbing sameness in newscasts from community to community, limited if any opportunity for individual distinctiveness to match local tastes and interests (even though there are huge differences within Canada) and no room for initiative, inventiveness or imagination in programming.

Fourth, as a further blow for newspapers, television and radio stations located outside major centres, more and more production has been centralized. CanWest produces certain sections of its papers from one location and satellites them across the country. Even CBC's local television newsrooms don't have enough staff to produce an hour of distinctive television every night so they fill out their shows with stories from other parts of the country — hardly local news. Lost in all this again is individual distinctiveness, initiative and an ability to shape local publications and programs for local communities.

Fifth, even in a new medium like the Internet that thrives on creativity and imagination in presenting content, concentration of ownership means standardization. For example at CanWest, the Web sites for all its newspapers are centrally controlled and have identical appearances. That's to ensure national advertisers get the same spot on every Web page in every CanWest paper across the country. For readers it all looks the same.

All these are by-products of concentration, conglomeration and centralization and occurred during the good times, well before anyone saw a recession coming. As a result local newspapers and television newscasts across the country have less breadth and are less comprehensive, less distinctive and more unable to respond to local markets and provide communities with the local coverage that audiences (and even advertisers) want. This slow, steady deterioration in content has been happening at the same time as the Internet has been gaining strength as an alternative source for news and information.

Since the start of 2009, CanWest has teetered on the brink of bankruptcy in ongoing negotiations with creditors, facing almost weekly deadlines to meet interest payments or renegotiate debts. Its salvation to date has been the fact that its assets in a liquidation would be worth so much less than before the recession that its lenders have so far been unwilling to pull the plug.

Television networks are pushing the CRTC a third time for "fee for carriage," which could give them more than $300 million a year for the local television signals they currently must provide free to cable and satellite distributors. This time, though, they have upped the stakes. CanWest put five television stations in smaller markets up for sale, then pulled back as there were no buyers. CTV is not renewing the licences of three stations in smaller communities and 45 rebroadcast towers, saying it is not profitable to run them. However, the financial problems of the television networks aren't quite what they suggest. Over-the-air television is suffering an advertising drop with the recession but specialty channels are still doing very well. They report profit margins of more than 20 percent and they're owned by the same conglomerates that own the over-the-air stations. In other words, the broadcasters want the government and the public to ignore the whole broadcast pie and instead bail them out on the basis of how poorly just one slice is doing as the moment.

There's no question that the increasing standardization of the Canadian media under conglomerate control has hurt the quality of newspapers and television newscasts. In newspapers and television newsrooms across Canada fewer journalists are covering fewer stories and spending less time in their communities and have less flexibility for innovation and experimentation in presenting information. The product is not as good as it was, thanks largely to years of cuts, and it no longer reflects the breadth of what's happening in communities the way it once did.

That's the part of the "broken business model" refrain that Canadians aren't hearing from the media conglomerates. Yet it is an essential factor in considering how public policy should respond. It is simply rewarding failure for governments to give General Motors and Chrysler billions of dollars without fundamental changes to how they operate their businesses and in the products they produce. The same is true for the demands for "fee for carriage" for business as usual. The business model that is broken, whether it is local television news or newspapers, is one that is based on media concentration through conglomerate ownership acquired by way of massive debt financing (which, by the way, no one forced the conglomerates to take on), while media companies are determined to maintain rates of return in excess of 20 percent.

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Simply getting paid by cable and satellite distributors for signals they used to provide free won't fix the content problem facing local television. Rather than being ignored, content should be at the centre of the debate about business models as, after all, if the media isn't about content, what is it about? The media's rush to proclaim that its current business model is dead overlooks several important principles.

People will continue to pay for content that engages, enlightens and entertains them; that informs them about the world around them; that tells them about the triumphs and risks in their communities; and that helps them make better choices and decisions about their children and families, their lives, their work and leisure time, their purchases and possessions, their savings and their communities.

At the same time the equipment that journalists use to gather and edit news and distribute it to audiences has never been cheaper to purchase, has never been lighter or easier to transport and never been easier to use. The quality of the still and moving images and sound this equipment produces has never been better. It has never been cheaper and easier to communicate from anywhere in the country (or around the globe, for that matter) and the capital costs of producing and distributing to audiences the finished product — a newspaper or television newscast — whether it is text, video, audio, images or graphics, have never been cheaper, thanks to the Internet. All these costs have been coming down steadily.

Media organizations are also conservative, set in their ways and generally reluctant to change. Set against that, the Internet requires a rethinking of how stories are told and how audiences are engaged and encouraged to participate. In future the public will contribute content to news organizations, but few media organizations in Canada so far have found ways to encourage or institutionalize that.

There are a few other important things to consider as well.

The Internet must be at the centre of every model for the media in the future. A study released in April by the Pew Internet and American Life Project found that the 2008 presidential election was the first time a majority of the adult population of the United States went online to participate in politics or get news about the election. They posted to online forums, watched videos related to the campaign, forwarded information about politics or the election to friends and debated politics on social networking sites. Those under 25 — precisely the group the mainstream media needs to capture — were particularly active in using social networking sites.

Yet with the exception of the *Globe and Mail*, the Canadian media has yet to come to grips with the Internet and its potential. It's not good enough just to use the Internet as a means to display and distribute content originally designed for and distributed some other way in print or broadcast. The Internet requires content designed specifically for it that maximizes all its multimedia capabilities in telling every story.

There are several reasons for the lack of creativity in storytelling for the Internet and even in using social networking sites beyond the superficial. Partly it is the stifling influence of conglomerate ownership on innovation that comes from the demand for uniformity. Editorial staff at most news organizations are now too demoralized by years of cutbacks to think of doing things in different ways. Media organizations are also conservative, set in their ways and generally reluctant to change. Set against that, the Internet requires a rethinking of how stories are told and how audiences are engaged and encouraged to participate. In future the public will contribute content to news organizations, but few media organizations in Canada so far have found ways to encourage or institutionalize that.

Perhaps that's because media ownership has forgotten that local does matter to audiences. People do want to read about and see what is happening in their communities, yet newspapers and TV in Canada have largely forgotten that as they replaced specialists with generalists and stopped covering things like school boards and much of municipal government and in most cases have even abandoned putting reporters at provincial legislatures.

A model for the future will also require a renewed recognition that owning a media outlet carries with it civic and community responsibilities that extend beyond simply maximizing profit. The era of 20 percent and more rates of return is almost certainly over. Whatever replaces the current mainstream media will have to be satisfied with rates of return closer to those of other businesses in their communities.

Technology is also going to play a role. In part the media's salvation will come from products that today aren't or barely are on the market, for instance new versions of Kindles or iPhones and distribution systems like iTunes. How attractively can content be priced and how much advertising revenue will be necessary if newspapers can dramatically cut their newsprint, printing and distribution costs and if television distributes signals over the Internet, not over the air? Which new media organizations will replace the ones we have known to date and who will own them?

There will be no standard answer to any of these questions. Continuing attempts by conglomerates to force one answer on everyone will fail — just as it has failed up to now — particularly if the answer is really more of the same. The survivors and new players that will emerge will be those that focus on content as a central element of the business model, that place a premium on experimentation and innovation in storytelling, that are flexible in pricing that content and in the way it is distributed to and received by Canadians and that are not crippled by debt or a slave to the demand for 20 percent rates of return. The future looks like the antithesis of convergence, concentration and conglomerate ownership.

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