

Magazines Canada

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**Pre-Budget Consultations
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Submitted by: Magazines Canada

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Executive Summary

In the June 2, 2017 release announcing the 2018 federal pre-budget consultations, the House of Commons Standing Committee on Finance indicates it is seeking recommendations regarding measures the Government of Canada can take to help Canadians be more productive, as well as measures to help Canadian businesses be more productive and competitive.

Magazines Canada is the national association representing the majority of Canadian-owned, Canadian-content consumer, cultural, specialty, professional and business magazines. French and English member titles cover a wide range of interests across multiple platforms, including arts and culture, business and professional, lifestyle and food, news and politics, sports and leisure, women and youth.

Magazines Canada respectfully submits this brief and three recommendations that respond directly to both areas in which the government is seeking input:

Magazines Canada's Recommendations

Recommendation 1: That the Government of Canada renew and strengthen the Canada Periodical Fund for Canadian magazine media, broadening the eligibility to include more magazines, including content published on certain digital platforms.

Recommendation 2: That the Government of Canada invest in career training initiatives for the Canadian arts and culture sector in general and the Canadian magazine media sector in particular.

Recommendation 3: That the Government of Canada adopt the Standing Committee on Canadian Heritage's recommendations¹ regarding amendments to Section 19, 19.01 and 19.1 of the *Income Tax Act* to expand to digital advertising; ensure foreign news aggregators and publishers of Canadian news are subject to the same tax obligations as Canadian providers; and extend the definition of a registered charity to include not-for-profit media or foundations to encourage investment in journalism.

¹ Specifically: Recommendation 4, 6 & 19 as presented in "Disruption: Change and Churning in Canada's Media Landscape" (June 2017, 42nd Parliament, First Session); The Hon. Hedy Fry, Chair.

Introduction

Magazines are an essential part of Canadians' lives and an important economic sector that knit our communities together and contribute to Canada's productivity and economic competitiveness. Canada's nearly 2,700 business-to-business (B2B), consumer and cultural magazine brands contribute approximately \$1.7 billion to Canada's GDP. Canadian magazines employ 15,000 Canadians in the knowledge economy and are an attractive employer to young Canadians.

Magazine publications are found in every province and territory across the country, and are published in 34 different languages. Ontario is Canada's largest publisher of magazine titles (47%), followed by Quebec (18%), British Columbia (13%), and Alberta and Manitoba at approximately 8% each. Atlantic Canada publishes 3% of Canada's magazines, while each of the territories publish between 4 and 1 titles.

By editorial sector, consumer titles represent 51% of the total followed by business and professional (B2B) magazines, including farm titles, at 39%. Ethnic and Arts/Cultural titles represent 5% each.

Over three-quarters of Canadians of all ages read magazines: 60% of these read magazines in print-only, while 93% read via a combination of print and digital platforms². While the Canadian magazine media sector recognizes print's legacy, it also drives digital innovation in all operational aspects. Canada also has one of the most engaged internet audiences in the world, as evidenced by the fact that digital magazine readership in Canada grew 2.5 times to 5 million between 2013 and 2015. In response to this, Canada's print magazine brands have innovated across multiple platforms offering Canadian content on the web, tablet, mobile, social media and video. The content jobs that Canadian magazines create have broad application to other industries: from agriculture, finance and the professions, to journalism, information technology and the arts.

² Vividata: 2016 Q4 Readership and Product Database

The Government of Canada Partners Successfully with Canadian Magazines

Canada's support for the magazine sector predates Confederation: the Postal Subsidy was designed to ensure that Canadians across the country had equal access to the information and stories that tied us together as a nation. The Government of Canada continues to invest in the Canadian magazine media sector via a strategic combination of legislation, financial support, policies and regulations and national institutions.³ This investment ensures that Canadians have access to content created by, for and about Canadians and recognizes that a rich diversity of Canadian storytelling, journalism and business intelligence is critical to Canada's social, business and creative fabric. Funding and policy support also ensures the advancement of both digital and print distribution channels that reach Canadian and international audiences and enhance Canadian magazines' competitiveness in a borderless world. The Government of Canada has ensured the ongoing preservation of Canadian culture in international trade agreements to which Canada is a party, including the North American Free Trade Agreement and the Canada-EU Comprehensive Economic and Trade Agreement.

Recommendation 1: That the Government of Canada renew and strengthen the Canada Periodical Fund for Canadian magazine media, broadening the eligibility to include more magazines, including content published on certain digital platforms.

Since April 2016, the Honourable Mélanie Joly, Minister of Canadian Heritage, has led a comprehensive review of federal cultural policy examining programs, policies and funding mechanisms related to how the Government of Canada supports and invests in culture and the arts. Policy announcements related to this review are expected in fall 2017. Modernizations to the Canada Periodical Fund (CPF), administered by the Department of Canadian Heritage, are anticipated as part of the review.

The Canada Periodical Fund is a highly important funding program for Canadian magazines, allowing them to reach audiences across the country, develop new content and platforms for the delivery of that content, and contribute to social cohesion by

³ Legislation is comprised of the *Foreign Publishers Advertising Services Act* and the *Income Tax Act*; financial support is comprised of the Canada Periodical Fund administered by the Department of Canadian Heritage and the Canada Council for the Arts; policies and regulations include the Foreign Investment Policy in the Periodical Publishing Sector.

providing a venue for Canadian storytelling, journalism as well as professional insights and industrial best practices.

The Canada Periodical Fund recently underwent an evaluation for the period 2010-11 to 2014-15. The evaluation found that the CPF has played an important role in contributing to the sustainability of a culturally and economically significant sector at a time of unprecedented change and recommended that this important program continue.

However, in today's Canada—with its multi-ethnic communities and world-leading Internet use, in the context of the Truth and Reconciliation recommendations, as well as the challenges faced by the country's legacy media, the objective of renewing and strengthening programs like the Canada Periodical Fund raises a number of conditions to ensure any impact is broadly applied and relevant.

It is noteworthy that of Canada's approximately 2,700 magazine titles, we estimate that only roughly 500 (19%) of industry titles are funded either through the Canada Periodical Fund or Canada Council for the Arts programs. As we seek to support Canada's media and arts, shore up the important role of journalism, and empower the exchange of ideas and storytelling within traditionally marginalized groups, the CPF is a proven model that could easily be expanded to support more magazines.

Specifically, Magazines Canada recommends **expanding certain eligibility criteria in the CPF to support more Canadian magazines.**

Additionally, the Canada Periodical Fund is an effective vehicle that can be modernized for current recipients to respond to these challenges and evolving needs.

Specifically, Magazines Canada recommends the **Modernization of the CPF by tying its support to creating jobs in the knowledge economy, helping individual Canadians and Canadian businesses be more productive and competitive:** We need to invest in an ecosystem of content creation and production. Currently, CPF support for magazines is tied to the “distribution” model of physical units. Instead, the design of a modernized CPF should be tied to the creation and maintenance of content via the editorial ecosystem (from editors and art directors to journalists and videographers), rather than ever-evolving and disrupted ‘formats’ and supply-chains. Tying investment to editorial expenditure will also benefit small and emerging voices (so social policy objectives and underserved communities can be prioritized) while the larger business ‘ecosystems’ that provide a training ground and distribution to local, domestic and

international markets also benefit. An “editorial spend” model will also ensure the program is “platform agnostic”—that is, also open to certain types of digital magazines—and able to evolve with future models of content publishing which now takes place across multiple platforms. Thus, “digital magazines” would enjoy access to the program if they pay their contributors, ensuring parity for applicants and consistency with other government funding programs (e.g. Canada Council for the Arts).

An increase in the current CPF of \$50 million per year (to \$125 million annually) would make a considerable difference in the impact and reach of this proven program.

Recommendation 2: That the Government of Canada invest in career training initiatives for the Canadian arts and culture sector in general and the Canadian magazine media sector in particular.

Unemployment and underemployment of young Canadians is an ongoing challenge. It is also a challenge for the economic sectors these young workers would seek to enter and build careers in, since the overall viability of these sectors is largely dependent on the renewal brought forward when younger employees join organizations and add their unique voices and worldview to the mix.

From the perspective of Canadian magazine media, publishers require increasingly digital-savvy employees, while at the same time, young workers aspiring to gain entry to the sector have few vehicles to help them apply their digital skills or deepen their network and experience. To better understand the dynamic and opportunities, Magazines Canada commissioned a report entitled *Magazine Industry Paid Internship Study*⁴, on establishing a paid internship program for Canada’s magazine media.

Key findings included:

- 89% of publishers are interested in a paid internship program, but face the significant barrier of cost.
- Paid internships lead directly to longer-term employment and investment in human capital.
- 69% of publishers indicated that the primary reason for not hiring an intern in the past two years was cost.

⁴ McAuley, Sharon. *Magazine Industry Paid Internship Study*. (March 2017) Research supported by the Ontario Media Development Corporation. <https://magazinescanada.ca/news/feasibility-report-on-a-magazine-paid-internship-program-now-available/>

- Of the 31% who have hired interns in the past two years, almost all did so via some funded program (e.g. grants, subsidized post-secondary programs, or donations).

Committed support from the Government of Canada, particularly investments that create cost-sharing opportunities in career training initiatives designed specifically to meet the needs of the arts and culture sector, including magazines, would help young Canadians find meaningful employment and the opportunity for career growth in the post-manufacturing knowledge-based economy that Canada must lead in.

Recommendation 3: That the Government of Canada adopt the Standing Committee on Canadian Heritage’s recommendations⁵ regarding amendments to Section 19, 19.01 and 19.1 of the *Income Tax Act* to expand to digital advertising; ensure foreign news aggregators and publishers of Canadian news are subject to the same tax obligations as Canadian providers; and extend the definition of a registered charity to include not-for-profit media or foundations to encourage investment in journalism.

Section 19 of the *Income Tax Act* supports Canadian ownership in the magazine, newspaper and broadcasting sectors by allowing Canadian advertisers to claim tax deductions for buying advertising space in Canadian magazines (Section 19.01) and newspapers (Section 19). CHPC recommends that Section 19 be amended to allow Canadian advertisers to claim a tax deduction against the costs of advertising on Canadian-owned digital platforms.

CHPC recommends that foreign-owned news aggregators that publish Canadian news and sell advertising directed at Canadians pay tax as do Canadian media companies.

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

⁵ Specifically: Recommendation 4, 6 & 19 as presented in “Disruption: Change and Churning in Canada’s Media Landscape” (June 2017, 42nd Parliament, First Session); The Hon. Hedy Fry, Chair.