

# Magazines Canada Submission to the Broadcasting and Telecommunications Legislative Review Panel

January 11, 2019

“A world-class communications sector should enable Canadians to connect with each other and the world, *be competitive, be innovative, contribute to economic growth*, and provide reliable services at affordable rates to Canadians across the country.

Our communications sector should also enable and promote culture as touch points for Canadians and be *the foundation for Canadian content and culture* in English and French, which thrive in Canada and abroad. It should also *enable Canadians to participate in the free flow and exchange of information*, supporting the principles of Canadian democracy.”

Broadcasting and Telecommunications Legislative Review Panel,  
Terms of Reference, 5 June 2018

Magazines Canada is submitting this intervention to the Broadcasting and Telecommunications Review Panel to provide some context from the point of view of Canadian magazine content producers who, while operating outside what may be viewed as the traditional bounds of “broadcasting and telecommunications,” are likely to be affected by and have a material interest in policy recommendations emerging from your review.

As the panel conducts its review, it is important to consider how “broadcasting and telecommunications” are themselves plastic concepts, now more than ever. Indeed, many of Canada’s cultural products are being created and consumed in shared digital spaces: and the distinction between content accessed on a broadcast TV channel, streamed via a subscription-based Over the Top platform, or consumed online through a legacy magazine’s suite of digital verticals has narrowed to the point of becoming moot. For this reason, it is important that the panel consider outside voices representing other Canadian content creators.

A traditional definition would position magazines as print-based publishers of periodicals featuring long form and service journalism, creative writing, photography and illustration, delivered by mail to subscribers' homes and businesses or offered for sale on newsstands across the country. However, like many cultural products in the 'digital age', magazine brands, their content, and how they are consumed are evolving rapidly.

Magazine publishers have been notably successful at meeting the demands of Canadians for Canadian stories told by Canadians for Canadians.

The 1970 Davey Report on Mass Media singled out the resonance of magazine storytelling for particular mention:

“Magazines are special. Magazines because of their freedom from daily deadlines can aspire to a level of excellence that is seldom available in other media. Magazines, in a different way from any other medium, can help foster in Canadians a sense of themselves. In terms of cultural survival, magazines could potentially be as important as railroads, airlines, national broadcasting networks, and national hockey leagues.”

That of course was almost 50 years ago, before the explosion of the multichannel universe, specialty broadcasters, On-Demand cable, the Internet, web sites, Google, Facebook, Twitter, Instagram, YouTube, streaming, Netflix, Amazon Prime and an ever-expanding range of new platforms that can be accessed virtually anywhere, anytime, thanks to high-speed wired and wireless technology.

But even today 7 out of 10 Canadians still read print magazines each month. And digital platforms have allowed Canadian magazine publishers to reach even more Canadians, not to mention audiences around the world. Supplemented with original digital content, many magazines now boast larger audiences on their digital platforms than in print.

The digital transformation has resulted in and enabled a significant blurring of lines between traditional types of content producers. Today magazine publishers produce video and audio content, manage rich web sites, host events, and post content on virtually every social media platform throughout the day. Which is of course one of the reasons magazine publishers have a material interest in the work of this Review Panel.

It would be hard to argue that Canadian magazine publishers have not been *competitive and innovative*. Particularly when it is recalled that throughout their history Canadian magazine publishers have had to compete for readers head to head with virtually every magazine published in the US. For more than 100 years US magazines have dominated Canadian newsstands. US publishers have unrestricted access to soliciting subscribers in Canada. And of course, the entire world of content producers is now at your fingertips.

Despite this competition, Canadian magazines today represent 70% of magazines subscriptions and 35% of newsstand sales in Canada.

It is perhaps ironic to note that back in 1970 the Davey commission also said:

“But Canadian magazines are in trouble. There are very few Canadian-owned magazines that can claim, with any degree of certainty, that their survival is assured.”

For most of Canada’s history there has been broad consensus that the viability and availability of Canadian media, of Canadian content and culture, was essential to the social, political and economic cohesion of Canada as an independent and healthy democracy.

As the Davey Report made clear in recounting the thinking behind the very first government program to support Canadian media, the postal rate subsidy introduced before confederation, “the free flow of information is vital to our national existence and the postal-rate assistance is *a subsidy to the reader, not the publisher.*”

With this in mind, for many years the Government of Canada regularly monitored and studied the changing media environment, including such

milestones as the Aird Commission, the Grierson Report, the Massey Commission, the O’Leary Commission, the Fowler Report, the Davey Report, the Kent Commission and the 2006 Senate Report on Canadian News Media.

In response the Government of Canada developed a wide range of policies and initiatives to ensure Canadians had access to Canadian voices, including the establishment of institutions like the CBC, the NFB, the Canada Council, the CRTC and Telefilm Canada. The Government developed granting programs and used its taxation and regulatory powers to do what it could to ‘level the playing field,’ to address what were seen as the primary threats to a viable and distinctly Canadian media, including:

- The ubiquitous availability of US based media;
- The diversion of Canadian advertising dollars to US media to reach Canadians; and
- The economics of serving a relatively small and diverse population across our vast geography

It is not an exaggeration to suggest that the Government of Canada’s support for Canadian magazines, principally through the Canada Periodical Fund (CPF) and section 19 of the income tax act, has been one of its most successful programs. The proof is that with 7 out of 10 Canadians reading magazines every month, Canadians still love Canadian magazines.

In the September 2017 Creative Canada Framework, the Government of Canada singled out the CPF, stating: “Since its beginning, the Fund has contributed to the sustainability of this industry during unprecedented change, and it will remain the federal government’s primary support program for Canadian periodicals (magazines and paid community newspapers) in the future.”

The Creative Canada Framework develops this commitment further, however, and clarifies that for magazines to continue to promote Canadian voices, news and information to their audiences, the policies and programs that support Canadian cultural production and distribution need to broaden their definitions and applications:

“As many [magazines] shift their method of publication and distribution, this means that program eligibility may need to be expanded to take into account periodicals that are increasingly “digital only”. It could also mean that to have a more accurate picture of the investments made in providing news and information to Canadians, funding eligibility could take into account original editorial content expenses, including print and digital content.

As well, basing most funding on print circulation does not reflect the fact that Canadians increasingly choose to access these sources online or on multiple platforms. A more open, platform-agnostic approach that is aligned with the reading choices of Canadians and designed for an increasingly digital world is warranted.”

While expanding on and innovating how their content is delivered to their audiences, many of these changes in delivery have also been the magazine industry’s attempt to respond to disruptive digital elements. Over the past decade the underlying economics of magazine publishing in Canada have collapsed as a result of Canadian advertising spending migrating from Canadian content producers to US-based content *distributors*, as traditional print advertising has migrated to digital platforms and digital advertising has migrated offshore, primarily to distributors, not content producers:

- Consumer magazine print advertising pages are down more than 80% since 2007
- More than 70% of digital advertising goes to Google and Facebook
- The two largest publishers of English Canadian magazines, Rogers and Transcon, have sold, shut down, reduced frequency or converted to digital- only the majority of their titles.
- The largest publisher of French language Canadian

magazines, TVA, acquired Transcon's 15 magazine titles, in English and French, for a reported \$56 million and 18 months later took a \$40 million write-down and closed 6 magazines.

- The issue is not that Canadian publishers have not adapted to or been slow to adapt to the digital and social media world. Canada's magazine publishers were early and innovative adopters of digital and social media and have been largely successful in building significant digital audiences.
- The economic disruption has not been simply a matter of failing to convert print dollars to digital dollars. The digital dollars for content producers *around the world* have migrated to the great disintermediators, the new gatekeepers, the distributors and aggregators. This is a threat of a different quality and magnitude with implications well beyond the threat to the commercial viability of Canadian media.

Facebook and Google are stunningly innovative and successful technology companies. Canadians demonstrably want and value their services. The investors in these companies deserve to be rewarded for their success, as they have been.

In addition to their powerful search and social connection functionality, their not-so-secret sauce has been their data-mining and analysis capabilities, based on tracking the online behavior and consumption patterns of their users. This remarkable capability has disintermediated the once powerful connection between media brands and advertisers.

Advertisers can now choose to reach highly targeted groups of consumers no matter what content they are consuming. And individual consumers of your content may be exposed to completely different advertising messages, depending on their target profile.

By aggregating consumers across their entire range of content consumption habits, Google and Facebook can offer advertisers much larger targeted audiences at much lower rates.

The success of Facebook and Google in diverting Canadian advertising expenditures to their platforms threatens the viability and availability of Canadian media, of Canadian content and culture, that Canadians largely agree is essential to the social, political and economic cohesion of Canada as an independent and healthy democracy.

In addition to disintermediating the advertising market, Google and Facebook have also disintermediated the media distribution market, the means of discovery and access to content.

Their commercial success is directly linked to maximizing 'engagement' amongst their users by leveraging their data analytics through algorithms designed to deliver content to users that their past behavior suggests they want, or at least will 'engage' with by, in the case of Facebook, 'liking' or sharing.

In theory this sounds like a good thing. But as we have discovered, the law of unintended consequences has coupled benefits to advertisers and social groups with the "darkness, hatred, lies and isolation" of filter bubbles and echo chambers.

During the US presidential election cycle of 2016 it became clear that users 'engaged' with deliberate 'fake news' and hyper-partisan rants at far greater rates than with substantive political debate or fact-based reportage, which resulted in an escalating and self-reinforcing diversion of media consumption into the echo chambers and filter bubbles driven by the algorithms feeding users with what they 'liked' and shared.

In addition, as early as 2013 Facebook substantially took over the news-media ecosystem and became the dominant media distributor as they began to post ads inviting users to 'like' media pages. This led to a massive increase in consumption of media sites, supplanting Google as the number one driver of users to media sites.

Media companies began to realize that "Facebook owns us." In order to maintain these attractive increases in media audience, newsrooms began to track engagement as measured by Facebook and to create more stories that fed 'likes' and shares. Some newsrooms even installed large screens in their newsrooms to track engagement minute by minute.

As Alexis Madrigal wrote in the Atlantic, it appears that Facebook pursued this strategy of pushing media companies because it wanted “to crush” Twitter. And the same pattern was repeated when Facebook decided they wanted to take on YouTube and began to push videos. Media companies saw a dramatic increase in their video consumption and began creating more and more videos to ensure they did not lose audience.

While media companies saw an increase in their digital advertising revenues as a result of building increased audiences, by far the lion’s share of digital revenues went to Facebook and Google. The digital revenues that did accrue to media companies came nowhere close to replacing their lost traditional advertising revenues, thereby threatening their very existence.

As we contemplate the commercial implications for Canadian media of the rise of Google and Facebook and their disintermediation of the advertising and distribution markets, it is also important, to recognize the cultural implications of their commercial interests.

Canadian economic historian and media theorist Harold Innis, of whom Marshal McLuhan said, “no Innis, no McLuhan,” wrote a book called *Empire and Communications* towards the end of his life. His key insight was that at every point in history, going back to the time of cuneiform tablets, whenever there was a shift in the technology of communications, there followed a significant shift in the structure of power.

We are in the midst of such a major shift and its consequences, both intended and unintended, while increasingly visible, have yet to fully play out.

We see it globally in the polarization of political views, we see it in the renewal of toxic strains of populism and nationalism, we see it in the filter bubbles and echo chambers of algorithmic news consumption, we see it in the diminished space for compromise.

In this context why are Canadian voices so important? The Writers’ Trust of Canada gave some thought to at least one way to approach this question, which we think is worth reading.

- After a state dinner at Rideau Hall, German Chancellor Angel Merkel, took Governor General David Johnston aside and said, I have one question, “How do you do it?”
- We are far from perfect, but to the world Canada is seen as a model for finding strength in our diversity.
- Why is that? A country of First Nation’s peoples, French and English founding settlers, and immigrants from more than 200 ethnic groups; with diverse perspectives from east and west, north and south, urban and rural; with deep roots in a complicated colonial history and facing the challenge of mediating the gravitational pull of the US; as a basic survival skill it can be argued that Canadians have developed the civilizing habit of *seeing the world through other people’s eyes*.
- Seeing the world through other’s eyes is the core to developing empathy, of broadening one’s perspective from self-interest, distrust or a reflexive antipathy to ‘the other.’
- The science is pretty clear on the power of empathy: empathy reduces prejudice and racism, empathy provides space for compromise, empathy works at work, empathy improves relationships with family and friends, empathy is even good for your marriage. You will find it easier to deal with others if you can better understand their motivations, fears and goals.
- And that is the answer to Angela Merkel’s question; our secret sauce is our Canadian habit of seeing the world through other’s eyes. In a world where human migration and cultural differences are arguably amongst the most challenging issues facing the world today, the question is not abstract. The question is urgent.
- The Canadian rallying cry of “diversity is our strength,” is hard won. Our history is stained with racism and conflict; the flame is fragile and needs tending. In the great experiment that is Canada, there is no time or place to be complacent or smug or superior. We have to work at it. The habits learned must be affirmed every day, passed along to our children, to new Canadians and reaffirmed by all Canadians, not just carried as a badge of honour.

- We learn the Canadian habit of seeing the world through other's eyes at home with our families, at school, at work and with our friends....but the most effective and reliable way we learn the habit of empathy is through our storytelling.
- Has there ever been a time when *Canadian Voices* were more welcome or frankly more needed?

As digital platforms and social media disrupt the consumption patterns and the underlying economics of Canadian media, it is important that Canadians not lose the essential ability for Canadian stories to be told by Canadians for Canadians.

Now is not the time to allow the hollowing out of professional journalism, where standards of truth and accountability are the only antidote to the 'fake news' noise online. Now is not the time to allow the hollowing out of professional storytelling, where Canadian voices are the only antidote to the ubiquitous availability of American voices, American points of view and American agenda-setting.

As the Review Panel contemplates how government policy in the communications sector can approach the twin goals of enabling Canadians to be *competitive, innovative and contribute to economic growth* and at the same time be *the foundation for Canadian content and culture...supporting the principles of Canadian democracy*, we feel it is vital to recognize that the dominant players are not culturally neutral or benign. Google and Facebook are not just technology companies or distribution channels like a digital postal service.

In 1970, the threat to Canadian media, to Canadian content and culture, was essentially the economic and cultural power of US media outlets, broadcast signals crossing the border, Time magazine threatening Maclean's magazine. Canada was viewed as uniquely vulnerable because of our proximity to the elephant.

Today the threat is global. Google and Facebook, still American companies, are ubiquitous globally. Canada is not alone in dealing with the threat to the viability and availability of our content and culture, to the threat to our democratic values.

Jurisdictions around the world, including in the US, are waking up to the power of these platforms to disrupt social cohesion and democratic values, to disrupt the structures of power. The public policy question is to what degree regulation can or should play a role in aligning these platforms with the ethos of public purpose without straying into the anti-democratic realm of censorship or government approved content?

Magazines Canada does not pretend to have a magic bullet, a simple policy proposal to address these issues. We do have views that we offer for your consideration.

- The future does not lie in trying to go back to the way things used to be;
- The future does not lie in Canada creating a walled garden, blocking entry of these platforms to the Canadian market or in trying to create a Canadian Google or a Canadian Facebook;
- The future will demand universal access to high-speed broadband networks at affordable prices to *enable Canadians to participate in the free flow and exchange of information, supporting the principles of Canadian democracy;*
- The future will demand net neutrality for the same reason;
- Public broadcasting plays an essential role in the Canadian media ecosystem, but it is not, nor should it be considered to be, a replacement for the entire ecosystem;
- We need to ensure a dynamic economic base for the private sector to continue to invest in Canadian storytelling, to ensure a diversity of Canadian voices and to *contribute to economic growth;*
- The recently announced tax credit and charitable donation policies to support Canadian news outlets will provide some short term relief to the urgent problem of the hollowing out of Canadian newsrooms, but it does not address the broader question of ensuring a sufficient economic base for Canadian storytellers across the spectrum;
- The critically important vision for the Canada Periodical Fund articulated by the Creative Canada Framework remains

unrealized: a truly platform-agnostic program, supporting content creation and editorial expenses across multiple platforms that serve domestic and global audiences—this requires attention—and offers this panel strong parallels in regards to an expanded view of broadcasting and telecommunications;

- The question must be raised about what price we expect global platforms to pay for the privilege of operating in the Canadian market while extracting rewards that undermine the viability of Canadian media;
- The question must be raised about the obligations of the distribution system to ensure Canadian content and culture is not lost in the algorithms that drive discoverability and access. It does not serve the public policy goal to create content that is not seen. There needs to be an appetite on the part of Canadians to make the choice to consume Canadian content, but there also has to be the ability to discover and access it.

Douglas Knight  
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