

**For Heritage Committee, May 31, 2016**

Bob Cox, Publisher, Winnipeg Free Press

John Hinds, CEO, Newspapers Canada

Thank you for the opportunity to appear before you today. I am Bob Cox, chair of the Canadian Newspaper Association and with me is John Hinds, CEO of the association. We are appearing on behalf of Newspapers Canada, which represents over 850 daily and community newspapers from coast to coast to coast.

You have heard a great deal about news providers in trouble amid the fallout from the digital revolution of the past two decades. I will not add anything to that today. You know how traditional media has been disrupted. You know about falling advertising revenues. You know the impact this is having on many companies, and how it threatens some TV outlets, newspapers and others. You know the stories of individual media companies that are in trouble.

What I ask you to do is to reflect on the fundamental cause behind this situation and what you, as legislators who shape public policy, can do to set the table for the future so that there continue to be vibrant and healthy news media outlets serving communities across Canada.

To start, I'd like to dispel some of the myths about newspapers, including some that are touted in headlines in our own newspapers. For starters, readers are not abandoning newspapers. The comprehensive national survey of readership continuously carried out by Vividata shows that 4 out of 5 Canadians read a newspaper weekly. Facebook cannot claim the same. Newspapers have hung on to their audiences, continuing to serve them in print and growing rapidly on digital platforms. Many of us have audiences as large or larger in the digital sphere than we do in print.

Second, most individual newspapers make money on an operational basis – they generate revenues greater than their expenses. Individual companies have troubles with debt or other issues, but most of their papers are viable business entities.

We continue to be the largest news media organizations in our cities and towns, presenting the most comprehensive coverage of events and issues and providing essential information and support to build and maintain the communities we serve.

Nonetheless, we face uncertain futures. The reason for this is not simply the Internet. We are adapting to that, and finding larger and more varied audiences than ever before because of it.

The reason for the uncertain future is that the media economy has changed and the laws and public policy measures addressing the media economy have not. We have a set of rules for what media looked like in the 1980s, not 2016. Yet these changes have affected all news outlets and should be of concern to anyone who cares about the democratic and economic health of our communities.

Marketing money, spent by businesses, governments and individuals locally, regionally and nationally, used to circulate within a relatively closed media economy, supporting good journalism and the communities where it was produced. A local car dealer spent money with my company, the Winnipeg Free Press, to advertise and reach consumers. There was an immediate benefit to the car dealer, but also a secondary one. The Free Press employed people, reported news and supported community organizations. That money went back into the Winnipeg economy to people who bought cars. The car dealer supported journalism in his desire to reach consumers; we supported vehicle purchases in our desire to serve readers.

But this model is breaking down as companies increasingly reach consumers by using foreign media – Facebook, Google, Twitter and the like. Advertising money is sent out of our communities and does not

return. For the most part, these companies spend nothing to do journalism in our towns and cities or provide support to community groups. They employ hardly anyone in our communities and the money is not recirculated. You'll notice that I did not use the term "digital." The fact that these are digital companies is coincidental.

In the past, Canada has reacted to such seepage of ad dollars to the U.S. by making it harder, for example, to have a U.S. TV station that produced only American programs but sold ads to Canadian merchants, or to have a U.S. news magazine sell Canadian ads into an edition produced south of the border. But we have not become alarmed by the much larger outflow of cash through digital channels.

We should be concerned about it. We should not be concerned about the fate of any individual newspaper company or broadcast outlet or any other legacy media. But we should be concerned about the environment that news media companies operate in so we do not end up with media dominated by foreign companies with few Canadian operations, an environment in which perhaps the only media that can continue doing serious public interest journalism is the publicly subsidized CBC.

The CBC provides a fantastic service to this country, but in many digital areas it has set itself up as a competitor in the provision of news and information, creating an environment in which it is much more difficult for private enterprise to develop new, sustainable methods of providing serious journalism. In Great Britain, the government has insisted the BBC co-operate, rather than compete, with local papers. No such policy discussion has taken place in Canada.

We have four areas that could be addressed to improve the environment that would help ensure that there are multiple sources of local news in the future. Those sources could be old media that adapt and survive. Or they could be new startups. The changes that I am talking about help everybody, not just newspapers.

First, the federal government could lead the way by having a strategy to spend ad dollars in Canadian media. A decade ago the federal government spent \$20 million in newspapers. In the 2014-15 fiscal year, the federal government spent \$357,000 in daily newspapers. That is out of budget of \$68.7 million. It spent \$13.9 million on the Internet. Most of that money went to U.S. firms like Google. So why is the federal government sending millions to Silicon Valley instead of supporting Canadian media?

Second, the federal government could find ways of encouraging Canadian companies to spend their advertising dollars here. This could be in the form of tax credits, or penalties for using foreign firms. Non-Canadian legacy media are limited by the Income Tax Act, but this has not been applied to digital enterprises.

Third, there could be further tax incentives to encourage investment in newspapers and other local media. This could take the form of tax credits for digital enterprises that provide public interest journalism, or do digital development related to this. This could also take the form of tax relief to encourage reinvestment in newspapers. Right now at my company, for example, shareholders are not taking any profits so we can pay down debt and reinvest in the business. But the federal and provincial governments are taking income taxes from any net profit we make. Why not suspend such taxes until money is paid out in profits to shareholders?

Fourth, we need updated copyright laws to protect original work. Papers invest heavily in original journalism, which is then shared, reused and rewritten by others, often for commercial gain, because the two-decades old fair dealing law does not take into account the ease of digital reproduction. If newspapers were compensated for their original content, and the investment was protected for longer, it would be a significant boost to our revenues.

I would also urge you to examine existing support for community newspapers, currently provided by the Canada Periodical Fund. The rules need to be updated to encourage the production of Canadian content, not just subsidize the distribution costs of paid circulation newspapers. Many community papers are reaching broad audiences with free circulation, but they get no support from the fund.

So that is it. I hope that I have made it clear that newspapers are not asking for a public bailout. We are not. It's up to us to build successful new business models in the modern media world. What we need are the conditions that make success more likely. We are asking for a better environment that would help ensure that the vital role newspapers have played in this country for 230 years is continued, regardless of what form they take.

Thank you.