

The Canadian Journalism Fund

Canadian Journalism for Canadians by Canadians

Objective

To ensure that serious, quality Canadian journalism by Canadians is available to Canadians on the platforms they desire wherever they may live. This continues the original purpose of the forerunner of today's Canada Periodical Fund, the Postal Subsidy, which predates Confederation. It was designed to ensure that citizens of Canada had access to diverse sources of news and journalism that informed them of their communities and their democracy.

Proposal: Executive Summary

Amend the existing Canada Periodical Fund (CPF), renamed the Canadian Journalism Fund (CJF). It would remain a formula-based fund with set criteria and financial predictability to both the government and industry. The CJF would provide support for journalistic boots on the ground and business transformation for unregulated (non-CRTC covered) news media enterprise whose primary purpose is the production of journalism. It would do so in a manner that does not compromise editorial integrity or involve picking individual winners and losers.

The CJF would build on the existing components of the CPF and add one new component, supporting Canadian civic news. It would reform the existing CPF criteria by moving from a paid circulation model to an editorial spend model.

- The Aid to Publishers component would continue for periodical publishers. Community newspapers could choose to remain in the program or move to the new Canadian Civic News component.
- The Canadian Civic News component would be added for newspapers and digital-only publications.
- The existing Business Innovation component would be extended and expanded.
- The existing Collective Initiatives component would be maintained.

All components would be subject to review after five years of operation.

To be eligible for the new Canadian Civic News component, a publication must:

- be majority owned and controlled by Canadians or otherwise meet the requirements of Section 19 of the Income Tax Act;
- engage in coverage of democratic bodies/institutions and civic function journalism as core principles;
- be edited, designed, assembled and published in Canada and directed primarily at Canadian audiences in Canada;
- have completed at least one uninterrupted 12-month publishing cycle.

Proposal

1/ The **Aid to Publishers** component of the Canada Periodical Fund, renamed **Aid to Periodicals**, would continue to support periodical publishers, including the current special dispensation for social purposes available to minority language, Indigenous, ethnic and LGBT publications. It would move to an editorial spending criteria model and be capped.

2/ A **Canadian Civic News** component would be added to support Canadian journalism of a democracy-enhancing nature, whether produced in print or digital form or both. This would bring daily newspapers and most community newspapers into CJF, as well as some digital-only publications and the Canadian Press wire service.

The Canadian Civic News component would a) be platform agnostic vis à vis digital and print, whereas the current CPF favours print; b) replace the current paid circulation criterion of the CPF with one based on expenditures on journalists. In other words, those who invest in journalism would receive the greatest benefit, creating an incentive for journalistic employment.

To qualify for the Canadian Civic News component, news organizations in print and/or digital must demonstrate that they regularly and significantly provide original coverage of Canadian civic news on a range of topics. Civic news is defined as reporting on elected officials and public institutions, including legislatures, judicial and quasi-judicial bodies, city halls, school boards, health boards and supporting public services, and other current events and matters of public interest, all of which contribute to the ability of communities and jurisdictions to better know themselves.

To be clear, it is understood that these publications may also produce non-civic news as well. The critical factor for eligibility is the regular and significant production of original reporting. Sites largely devoted to aggregation and opinion, without regular and significant original reporting, are not eligible.

Qualifying publications must update their content at least once a week and must publish in either one or both of Canada's Official Languages and/or in an Indigenous language.

In the case of disputes over qualification, a determination will be made by an independent body.

For qualified organizations, eligible expenditures include the labour costs of all journalists, staff or contractors/freelancers, directly involved in reporting, editing, design, lay-out, photography, videography, infographics, digital discovery and dissemination and other methods of producing journalism and digitally matching content and audiences, as well as other activities directly associated with producing this journalism, such as editorial legal costs, insurance and travel.

Eligible editorial expenditures would be rebated to qualifying publications at a rate of 35 percent, or 35 cents on every dollar they spend on journalism.

The amount applicable to an individual journalist, whether an employee or contractor, would be capped at \$85,000 per year, in line with five-year union rates. Journalists who earn more than this figure would be covered for their first \$85,000.

The total pool available for the Civic News component would be capped at \$175 million per year.

3/ The **Business Innovation** component of CPF would be increased in size and extended to all publishers who qualify for the **Aid to Periodicals** and **Canadian Civic News** components. It would support business transformation to a digital world, in keeping with the current CPF mandate "to encourage innovation to adapt to changing market conditions and contribute to the diversity or content sought by Canadian readers."

This Business Innovation component would be paid out as a proportion of eligible investment in digital news innovation to qualifying publishers to the CJF. Eligible expenditures would be the labour and licensing costs for new products or business models, i.e., software programming costs or the costs of licensing new technologies. This would effectively be a shared cost program, with a rebate of 35% to publishers.

The Business Innovation component would be capped at \$90 million per year.

4/ The current **Collective Initiatives** component would be unchanged. It would support collective initiatives by groups of publishers up to a spending limit of \$100,000. The component would be capped.

Qualifying Information

The Canadian Journalism Fund provides financial support to Canadian print and/or digital publications and news services to enable them to overcome market disadvantages. The Fund ensures that Canadians have access to diverse Canadian editorial content in both official languages and in Aboriginal languages.

The CJF is only available to qualified Canadian corporations primarily in the business of producing original journalism in print and/or digital forms. A qualified corporation means a corporation that is a taxable Canadian corporation, the activities of which are carried on through a permanent establishment in Canada.

In the case of any dispute over qualification, a determination will be made by an independent body, with members drawn from such organizations as news councils, think tanks, community foundations, granting agencies and academic institutions, such as journalism, law or public policy schools in universities and colleges.

This independent body would also adjudicate any disputes over eligibility for the Business Innovation component.

CJF Eligibility Criteria

The publication must be majority owned and controlled by Canadians or otherwise meet the requirements of Section 19 of the Income Tax Act.

The publication must engage in significant and regular coverage of democratic bodies/institutions and civic function journalism;

The publication must be edited, designed, assembled and published in Canada, be directed primarily at Canadian audiences in Canada and have completed at least one uninterrupted 12-month publishing cycle before the time of its first application.

The publication must employ journalistic staff or contractors beyond the owner-publisher.

The publication must contain an average at most of 70% advertising in the issues published during the financial year.

Not less than 75% of all eligible editorial costs must be payable to individuals who are Canadian or personal services companies that are Canadian.

No publication may qualify for both the Aid to Periodicals and Canadian Civic News components.

Funds received from CJF cannot be put toward non-editorial corporate uses such as dividends, interest payments and executive compensation.

Editorial expenditure claims will be subject to audit.

Exclusions from Eligibility

The following genres of production are not eligible for the CJF program:

- advertising;
- advertorials, native content, directed content, branded content (any content in which a non-editorial third party - an advertising client or other commercial partner - participates in establishing the concept and/or direction of a piece of content or provides final approval of the content). This content will often reside in specific and distinct pages or sections of content that is sponsored by a single advertiser or related advertisers;
- magazines or newspapers “produced primarily for industrial, corporate or institutional purposes”;
- pornography or hate propaganda, as defined in the Criminal Code;
- content all or substantially all of which is aggregated or produced algorithmically.

The following publication types are ineligible:

- newsletters;
- publications produced by or for an organization that primarily reports on the activities or promotes the interests of the organization;
- publications produced by or for an organization providing goods or services in which the main goal of the periodical is to promote the sales of the goods or services;
- publications produced under contract by a non-Canadian organization on behalf of a Canadian client;
- publications produced under contract by a Canadian organization for a non-Canadian client;

- publications produced by or for an organization that promotes the organization's main business, when it is not periodical publishing;
- professional association publications;
- publications produced by or for a government, a Crown Corporation or a government agency;
- publications whose editorial content is primarily reproduced or repeated from current or previous issues of the same or other publications;
- loose-leaf publications;
- publications with editorial content that is made up of more than 50% of the following, singly or in combination: listings, catalogues, magalogues, directories, guides, financial reports, schedules, calendars, timetables, comic books, cartoons, puzzles, games and horoscopes; and
- publications that contain offensive content, which includes any of the following:
 - material that is hate propaganda, obscene or child pornography, or any other illegal material, as defined in the [Criminal Code](#);
 - pornography or other material having significant sexual content unless it can be demonstrated that there is an overriding educational or other similar purpose;
 - material that contains excessive or gratuitous violence;
 - material that is denigrating to an identifiable group; or
 - any other similarly offensive material.

Other policy measures put forward by News Media Canada

- Level the sales tax playing field with foreign digital services providers, following the lead of other jurisdictions.
- Review the Copyright Act to make fair use provisions consistent with digital era realities of near-instant republication that deprives producers of a reasonable period of exclusivity.
- Restrict government advertising to publishers who qualify for the Canadian Journalism Fund.
- Reform charitable laws to ease support of journalism by foundations, and add journalism as a permissible recipient of charitable funds.

Financing the Canadian Journalism Fund

The Canadian Journalism Fund could be financed from general government revenues or endowed from a share of spectrum sales or a levy on digital advertising sales by companies not investing in editorial operations.

CPF is currently financed from general revenues. The Canada Media Fund is financed by a levy on cable/satellite distributors, topped up by general government revenues.

A look at various comparables validates the proposed size of the CJF, and particularly the Canadian Civic News component, as reasonable.

- For instance, the current Canada Periodical Fund is \$75 million, almost all of it for an industry about half the size of daily and community newspapers.
- The CRTC will introduce \$90 million in new support for local television on Sept. 1, 2017, including \$23 million for 18 independent television operators, or \$1.3 million each on average.
- CBC has been allocated an extra \$135 million a year by the current government.
- CBC also collects \$135 million a year in cable subscriber fees (\$74 million English/\$61 million French), mostly for its speciality news channels. Canada's private television industry also benefits from simultaneous substitution policies.
- The Canada Media Fund contributed \$371 million to Canadian television and digital projects in 2015-16. This includes federal government funding of \$134 million.
- The Canadian Film or Video Production Tax Credit is worth approximately \$250 million per year, with another \$100 million+ going to the Film or Video Production Services Tax Credit. Federal agencies also support the production business, including Telefilm, which receives a nearly \$100-million Parliamentary appropriation.