

PROFILE AND DISCUSS ONE COMMUNICATIONS SECTOR OF A COUNTRY OF YOUR CHOICE: THE CASE OF CANADA'S NEWSPAPER INDUSTRY

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Introduction: Executive Summary

The newspaper industry in Canada reflects the country's fundamental cultural traditions. Despite the fact that Canada's newspaper industry is totally Canadian-owned, its current position is much better than that of the U.S. and British newspaper industries. Newspapers in Canada are peculiar and distinct from other communications sectors. Unfortunately, although readership of daily newspapers in Canada continues to grow, newspaper circulation in the country persistently declines. Pricing fluctuations, concentration and convergence, the lack of consistent regulation and the rapid evolution of technologies heavily influence the current state of the newspaper industry in Canada. The purpose of this report is to highlight the most important aspects of the newspaper industry development in Canada, underline positive and negative trends affecting Canadian newspapers, and provide recommendations to help Canada's newspaper owners to meet the challenge of the rapid technological advancement. This report is designed primarily for communications sector professionals, newspaper owners and editors, and students in communications disciplines.

Canada's newspaper industry: Background and statistics

Canada's newspaper industry reflects the country's fundamental cultural traditions and exemplifies a distinct communications sector. According to Dorland (1996), the newspaper industry in Canada is in many ways the perfect representation of the country's cultural industry and the role model for other communications sectors and industries. The newspaper industry in Canada is wholly Canadian-owned (Dorland 1996). This, however, does not mean that Canadian newspapers are inefficient and unprofitable. On the contrary, the Canadian newspaper industry is both profitable and self-sufficient, and it does not ask for public or state subsidy (Dorland 1996).

Continuous market and industry success of Canadian newspapers has reduced professional interest to Canada's newspaper business (Dorland 1996). Because of years of stability and consistent growth, Canadian newspapers have ceased to be an interesting object of cultural policies (Dorland 1996). The newspaper industry in Canada does not attract significant attention, and the state does not deem it necessary to interfere with the newspaper sector's affairs (Dorland 1996). Nevertheless, the newspaper industry in Canada is being influenced by the same economic environment and factors that are buffeting other communications sectors (Dorland 1996). Even the most successful newspapers are not immune from the risks of economic and cultural downturns. Competition is intensifying, the costs of printing and distributing newspapers are climbing, and only the most progressive ones will have a chance to stay in the industry. Technological advancement will continue to produce profound influences in the Canadian newspaper landscape. Most probably, the coming decade will witness a newspaper revolution of the scale and importance unseen in the entire history of Canada's mass media.

In 2010, Canada's daily paid circulation achieved an unprecedented 3.8 million copies (Canada's Newspaper Industry 2011). The same year, weekly circulation of Canadian newspapers was 25 million copies (Canada's Newspaper Industry 2011). In 2010, newspaper readers in Canada could choose from 96 English and French-paid-for dailies (Canada's Newspaper Industry 2011). The data was calculated with the help of ABC, CCAB and owner-provided data (Canada's Newspaper Industry 2011). In 2011, free daily Metro Toronto had the highest daily circulation of more than 258,000 copies (Canada's Newspaper Industry 2012b). Metro Toronto was followed by Toronto 24 Hours (247,146 daily copies) and Montreal Metro (151,887 daily copies) (Canada's Newspaper Industry 2012). The lowest was the daily circulation for the Campbell River Mirror Daily – 1,600 copies (Canada's Newspaper Industry 2012b). It should be noted that the newspaper industry in Canada is much better-off than its American and British industry counterparts; even in the midst of the economic downturn, Canadian newspapers were still profitable (Greenslade 2011). Readership levels continue to grow: Newspaper Audience Databank (2011) reported the results of its readership study and concluded that about 8 in 10 Canadians read a newspaper every week, and almost every second Canadian reads a newspaper every day. Yet, the situation is not as good as it could be. According to the Audit Bureau of Circulations (ABC), Canadian newspaper circulations steadily decline (Powell 2011). During the six months of measurement that ended March 31, 2011, 26 of 34 Canadian dailies were found to experience a dip in circulation, with an average circulation decline of 5.3% (Powell 2011). Montreal daily The Gazette experienced the most serious circulation decline of approximately 15.3% (Powell 2011). The Victoria Times Colonist faced a weekday circulation decline of approximately 10.3% (Powell 2011). Still, increased readership and the rapid advancement of technologies give some hope that Canadian newspapers will be able to revitalise their industry status.

The newspaper industry structure

The newspaper industry structure in Canada differs greatly from the structure of all other cultural and communications sectors. The prevailing majority of communications sectors in Canada are increasingly vulnerable to various external influences. Canada's proximity to the United States leaves other communications sectors, including television and radio, extremely susceptible to the risks of competition (Dorland 1996). These sectors exist and evolve in the atmosphere of fear and uncertainty. Television and radio owners fear that, once their industry sectors are left unmanaged, strong market forces from the United States and other countries will wipe them away or absorb them into their mass media conglomerates (Dorland 1996). Therefore, they develop complex regulations to protect themselves from the risks of legal and market failures. Numerous state agencies and public organisations monitor the state and progress of Canada's mass media networks (Dorland 1996). Administrative policies impose heavy demands on radio, television and other communications sector owners to achieve regulatory compliance.

None of these factors apply to Canada's newspaper industry. Newspapers in Canada do not solicit federal support and do not need state license (Dorland 1996). Consequentially, the policy and regulatory bodies and systems affecting other communications sectors are virtually absent (Dorland 1996). The newspaper industry has nothing similar to CRTC, the Canada Council or Telefilm. The newspaper industry's strength, endurance, political legacy, and historical contribution to the country's culture and policies are the main shields from the potent external influences (Dorland 1996). "The press in Western democracy has waged a 400-year struggle to liberate itself from church and state" (Dorland 1996, p.62). As a result, Canada's newspaper industry is truly "free". It is strong enough to criticise the exercise of political power in the country (Dorland

1996). With a long historical legacy of independence from the state and church influences, it is hardly unlikely that Canadian newspapers will ever submit themselves to the Crown.

Even with the absence of consistent regulation and government control, the newspaper industry in Canada is profit-driven and caters to the diverse tastes of Canadian residents. Like any unregulated industry, Canada's newspaper industry relies on the concepts of responsibility and respect for its readers. In the newspaper industry, freedom is automatically associated with responsibility, although Canada's newspapers have generally failed to avoid the influence of mass customisation on its content and structure. Theories of mass customisation have received considerable professional attention, but their implications for the printed mass media market have been persistently neglected (Schoder, Sick, Putzke & Kaplan 2009). Mass customisation and press responsibility go hand in hand, because newspapers are responsible for crafting the content in ways that are expected and accepted by readers/customers. Newspaper readers in Canada and beyond are willing to pay more for the newspapers that are customised to meet their interests and demands (Schoder et al. 2006). However, these readers are mostly from the higher social strata, which means that the prevailing majority of Canadian newspaper readers still expect that newspapers will provide free, cost-effective, and interesting content that satisfies their reading interests.

In terms of ownership, Canada's newspapers are all Canadian-owned (Dorland 1996). As of December, 2011, Canadian daily newspaper owners included Glacier Canadian, Quebecor/Sun Media/Osprey Media, F.P. Canadian Newspapers Limited Partnership, Brunswick News, Inc., Sing Tao Newspapers, Torstar, Postmedia Network Inc., Halifax Herald, Ltd., Power Corp. of Canada, CTV-Globemedia, Inc., Continental Newspapers Canada Ltd., Glacier Ca-

nadian Newspapers/ Alta Newspaper Group LP, and Transcontinental Inc. (Canada's Newspaper Industry 2012c). Canada has only three independent newspapers: L'Acadie Nouvelle, Le Devoir, and The Whitehorse Star (Canada's Newspaper Industry 2012c). Like many other communications sectors, Canada's newspaper industry is an important employer and recruits mostly white-collar knowledge workers (Dorland 1996). The newspaper industry in Canada is extremely important both for local advertising and national and municipal political life (Dorland 1996).

The newspaper industry operates in the atmosphere of strict domestic control, which is secured through a well-developed system of tax regulation (Dorland 1996). In 1965, the Liberal government introduced tax exemptions for those newspapers which were (and would be) at least 75-indigenously owned (Dorland, 1996). As a result, foreign newspaper industry players in Canada are at a serious competitive disadvantage. The system of tax legislation aims to "secure the national borders as a haven for domestic corporations, which could then use their Canadian holdings as a base from which to launch international ventures" (Dorland 1996, p.63). International corporations do not control Canadian newspapers, but Canadian corporations control foreign newspaper organisations and conglomerates.

The newspaper industry: Current trends and issues

In present-day media environments, holding the newspaper industry as separate and distinct is no longer possible. Canada's Convergence Policy Statement was implemented to change the system of regulations in Canada and lay the groundwork for cross-media consolidations (Skinner, Compton & Gasher 2005). In 2000, Canada's

newspaper industry witnessed a number of mergers that revolutionised the newspaper industry in the country. CanWest Global bought the Southam Newspaper Group and became the country's biggest publisher of daily newspapers (Skinner, Compton & Gasher 2005). Bell Canada Enterprises, one of Canada's largest telecommunications providers, bought The Globe and Mail, the country's most prestigious newspaper (Skinner, Compton & Gasher 2005). The newspaper owner Quebecor became the owner of the French-language television network TVA and the cable-television provider Vidéotron (Skinner, Compton & Gasher 2005). However, mergers and consolidations in Canada's newspaper industry raise considerable competitive concerns.

In Canada, big business remains one of the largest threats to the stability and freedom of press. The loss of competition and rapid convergence in the newspaper industry have far-reaching implications for the health of Canada's democracy (Soderlund & Romanow 2005). There is an underlying contradiction between a highly-concentrated, profit-driven and advertising-saturated media system and the free press requirements placed on newspapers by the democratic society (Soderlund & Romanow 2005). Concentration of ownership in the newspaper industry today is much more serious than it used to be twenty years ago (Soderlund & Romanow 2005). As of today, Canada is believed to face one of the highest levels of press concentration in the developed world (Soderlund & Romanow 2005). At the end of the 1990s, about 95% of newspapers were controlled by six owners and, although the number of newspaper owners in Canada gradually increases, it is too early to say that the situation is improving.

Yet, even the rapid convergence of the media market cannot stop newspaper reporters and owners from running newspapers for ethnic minorities. The presence of ethnic newspapers in Canada re-

flects the long-standing legacy of the cultural and ethnic diversity in Canada (Ojo 2006). Today, more than 250 ethnic newspapers are being published in Canada (Ojo 2006). These media are predominant in large urban areas, but small ethnic communities also have access to the variety of ethnic content. These ethnic newspapers are established by individuals and ethnic groups with the goal of providing an alternative view on the news and opinions in the mainstream media (Ojo 2006). Ethnic newspapers in Canada “contribute to a sense of community identity for the people that they serve by meeting the specific information needs of the community. They are the ‘communal voice’ on issues of utmost importance to their audience” (Ojo 2006, p.344). One of the main questions is whether or not ethnic newspapers can survive the growing pressure of technologies and online media solutions on Canada.

Technological advancement and the development of media applications is a topic of hot concern in the newspaper industry. The future of Canada’s newspaper industry is believed to be as small as an electronic book with a memory holding hundreds of titles and news headlines. In the era of technological developments, newspaper owners in Canada recognise that they are facing a foe larger than even the most intensive competition (Berkow 2012). Today, newspapers no longer compete against one another. They all compete with an invisible rival in the form of online people and Google networks that take printed content and accelerate the expansion of free Internet-based news (Berkow 2012). Almost every large newspaper in Canada develops or already has a digital/ mobile application, website, and other interactive components for their readers (Berkow 2012). Even then, advertising dollars continue to leave the printed newspaper realm and flow into the Internet, where advertising is much more cost-effective. Newspaper owners complain that the government does not protect them from the expansion of American technologies, such as Google and Facebook (Berkow 2012). The

number of online news readers in Canada rapidly increases, and almost every second Canadian reports using online environments as the preferred source of news and related newspaper content (Semansky 2011). However, the situation is not as tragic as newspaper owners and reporters see it. The current state of Canada's newspaper industry provides enough resources and knowledge to address and overcome these challenges.

Recommendations

Regulation is one of the cornerstones in the development and expansion of the newspaper industry in Canada. The absence of regulation used to be the sign of freedom and democracy in Canada's newspaper publishing. However, globalisation and technological advancement mandate the implementation of new regulatory frameworks. Regulation could remedy the declining diversity of media ownership forms. Present-day laws protect Canadian newspapers from the risks of American media expansion, but they do not protect Canada's newspapers from inter-state conglomeration and convergence. New regulations should ensure that the local population does not depend on a single title and that media owners are not in a position to use their newspaper holdings to promote a biased view on the economic and political life in Canada (Soderlund & Romanow 2005). Today, the recommendations of the Kent Commission issued in 1981 are as relevant as never before (Saharajiwa 1983). To achieve and sustain the desired balance of media forces in the newspaper industry, new regulations should restrict the expansion of any media chain owning five or more daily newspapers, place severe restrictions on the number of newspapers acquired by one media chain, prohibit ownership of a daily newspaper by a media conglomerate whose non-newspaper assets exceed the value of the newspaper, and establish an independent panel of experts to moni-

tor changes in ownership rights in the newspaper industry (Jackson 1999).

No regulatory frameworks can protect the newspaper industry from the rapid expansion of technologies and electronic media. The penetrative power of electronic newspapers is too significant to ignore. Based on Innis' theory of communication, the extension and expansion of democratic empires depend on the effectiveness of their communication systems (Buxton 1998). Because no force can stop media technologies from moving into Canada's newspaper industry, the best newspapers can do is transform technologies' media potential to work for their own benefit. This is possible, if newspaper owners develop strategies and applications to track the reader, understand his/ her needs and habits, and adjust the printed and digital content to meet these habits and needs (Semansky 2011). Using technologies to understand what type of content readers want to consume can benefit Canadian newspapers in the long run. Furthermore, newspapers should give voice to readers and enable them to create their own content. Technologies make reader involvement in the newspaper industry possible and even desirable (Deuze, Bruns & Neuberger 2007; Semansky 2011). The OpenFile.ca project is just one example of how readers can become the full participants of the media processes, and with active readers, how newspapers in Canada can go social and expand their outreach (Semansky 2011). Finally, Canadian newspapers must ensure that their employees have training and skills to cope successfully with digital communications systems. Journalists should not merely understand the importance of online media environments but develop their content for both online and offline communities. Journalists and reporters should feel on ease in the online space, and newspaper owners must invest in journalists' education and training. These simple steps will help Canada's newspaper industry to preserve its strong position for years ahead.

Conclusion

Canada's newspaper industry is a distinct and interesting communications sector. Newspapers in Canada are wholly Canadian-owned, which protects Canadian newspaper owners from the risks of foreign competition and expansion into the nation's media markets. Despite recent declines in newspaper circulation, Canada's newspaper industry enjoys a better position than the prevailing majority of the British and U.S. print media. The lack of consistent regulation creates an atmosphere of freedom and, simultaneously, makes newspaper owners extremely vulnerable to the risks of concentration, convergence, and technological competition. Today's newspaper industry in Canada has everything needed to improve its technological standing and ensure long-term competitiveness. Newspaper owners simply need to change their attitudes to new technologies and online media content and use these technologies for their own benefit.

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Appendix 1

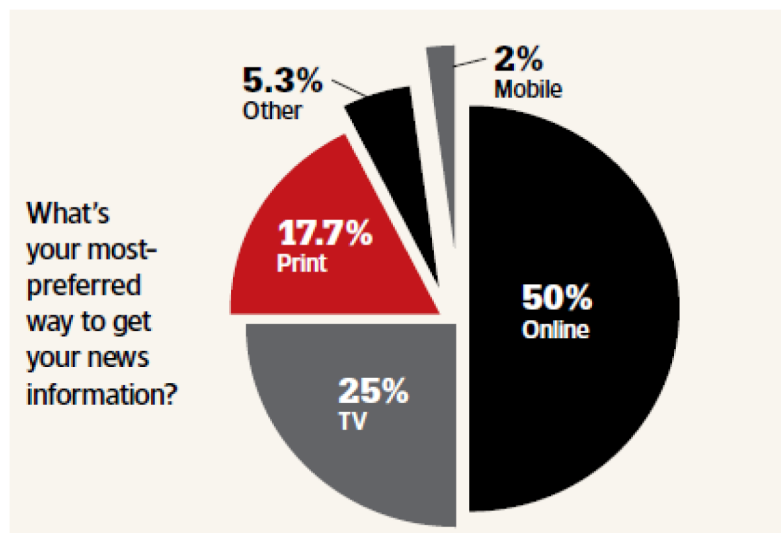


Fig.1. Canadian readers' preferences in terms of the main source of news information (Semansky 2011).

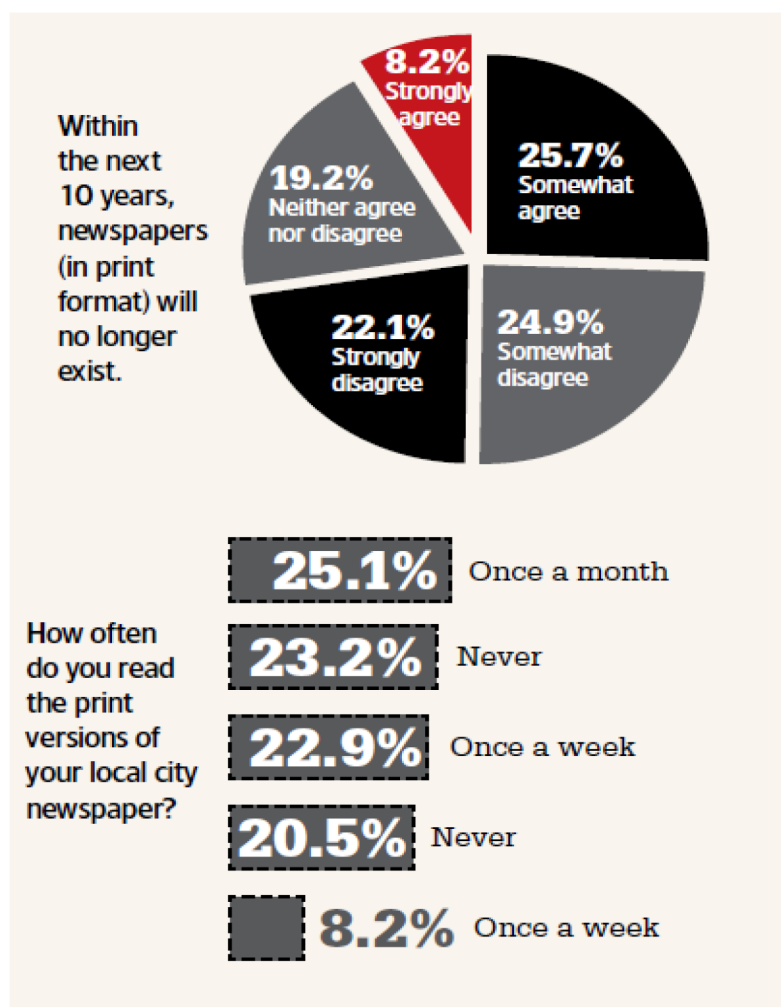


Fig.2. Canadian readers' technological expectations in the newspaper industry (Semansky 2011).